BOARD MEETING OF September 3-4, 2008

C. Kent Conine, Chair

Gloria Ray, Vice-Chair
Leslie Bingham Escareño, Member
Tomas Cardenas, Member
Sonny Flores, Member
Juan Muñoz, Member

MISSION

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

TO HELP TEXANS ACHIEVE AN IMPROVED QUALITY OF LIFE THROUGH THE DEVELOPMENT OF BETTER COMMUNITIES

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

A G E N D A

Capitol Auditorium
1500 Congress, Austin

September 3
3:30 pm
and continuing September 4, 2008 as necessary

This meeting will recess in the evening of September 3 until the next regular business day, September 4, as allowed by Texas Government Code §551.0411. The start time for the reconvened meeting on September 4, 2008, will be announced by the Chairman at the close of the meeting on September 3. Notice of this start time will also be made available on the Department's website and posted at the Department.

The Board took the unusual step for a two day meeting due to the passage of a new federal housing law, HR 3221, the "Housing and Economic Recovery Act of 2008," and the necessary policy implications to be determined for this year and the need to adopt rules to meet statutory guidelines and the desire to have the public involved in meaningful public dialogue.

ANY AGENDA ITEM MAY BE HEARD ON EITHER DAY DEPENDING ON TIME AVAILABLE, HOWEVER, THE BOARD ESTIMATES THAT IT WILL REACH AGENDA ITEMS 1, 2, 3, 4 AND 5 ON SEPTEMBER 3RD. AGAIN, OTHER ITEMS ON THE AGENDA MAY BE CONSIDERED AT ANY TIME, AT THE DISCRETION OF THE CHAIRMAN.

PUBLIC COMMENT REGARDING SPECIFIC AGENDA ITEMS WILL BE TAKEN CONTEMPORANEOUSLY WITH THE DISCUSSION OF THAT AGENDA ITEM.

GENERAL PUBLIC COMMENT UNRELATED TO SPECIFIC AGENDA ITEMS WILL ONLY BE TAKEN ON SEPTEMBER 3, 2008

CALL TO ORDER, ROLL CALL — Kent Conine, Chairman
CERTIFICATION OF QUORUM

PUBLIC COMMENT
The Board will solicit Public Comment at the beginning of the meeting and will also provide for Public Comment on each agenda item after the presentation made by the department staff and motions made by the Board.

The Board of the Texas Department of Housing and Community Affairs will meet to consider and possibly act on the following:

CONSENT AGENDA
Items on the Consent Agenda may be removed at the request of any Board member and considered at another appropriate time on this agenda. Placement on the Consent Agenda does not limit the possibility of any presentation, discussion or approval at this meeting. Under no circumstances does the consent agenda alter any requirements provided under Texas Government Code Chapter 551, the Texas Open Meetings Act.

Item 1: Approval of the following items presented in the Board materials:

Legal Division: — Kevin Hamby, Secretary to the Board

a) Presentation, Discussion and Possible Approval of a Request for Proposal for an administrative law judge to assist the Board in compiling a record and producing a proposal for decision for future Board action on enforcement matters

b) Presentation, Discussion and Possible Approval of a Waiver of First Lien policies for disaster relief loans in Southeast Texas Rita Recovery Zone

c) Discussion and Possible Action on publication in the *Texas Register* of a notice of adoption of the repeal of the following sections of Title 10, Part 1 of the Texas Administrative Code, Chapter 1, concerning Administration: §1.1 Private Donors, §1.5 Contract Monitoring Policy, §1.12 Administrative Hearings

d) Presentation, Discussion and Possible Action on publication in the *Texas Register* of a notice of adoption of the repeal of Title 10, Part 1 of the Texas Administrative Code, Chapter 5, Subchapter B (§§5.101- 5.114 and 5.116 - 5.121), concerning Emergency Nutrition and Temporary Relief Program

e) Presentation, Discussion and Possible Action on the publication in the *Texas Register* of a notice of proposed amendments to Title 10, Part 1 of the Texas Administrative Code, §90.8 concerning forms related to the Migrant Labor Housing Facilities

Community Affairs: — Amy Oehler, Dir. Community Affairs

f) Presentation, Discussion and Possible Approval of staff recommendations (based on a Request for Application process) to award the Weatherization Assistance Program to a Subrecipient(s) to serve Maverick and Hidalgo counties

Texas Homeownership: — Eric Pike, Dir. Texas Homeownership

g) Presentation, Discussion and Possible Approval of a contract extension for Master Servicer for the Single Family Residential Mortgage Revenue Bond Program

h) Presentation, Discussion and Possible Approval to use deobligated Housing Trust Fund (HTF) funds for match to secure foreclosure mitigation assistance through the National Foreclosure Mitigation Counseling Program

HOME: — Jeannie Arellano, Dir. HOME

i) Presentation, Discussion and Possible Approval of the HOME Investment Partnerships Program 2008 Single Family Persons with Disabilities Notice of Funding Availability (NOFA)

j) Presentation, Discussion and Possible Approval of the 2009 Housing Trust Fund Rental Production Program Notice of Funding Availability (NOFA)

Multifamily:

k) Presentation, Discussion and Possible Approval for a Memorandum of Understanding between TDHCA and the Texas Bond Review Board — Robbye Meyer, Dir. Multifamily Finance

l) Presentation, Discussion and Possible Approval of Housing Tax Credit Extensions

060038	Oak Timbers North Greenbriar	Ft Worth
060040	San Jose Apartments	San Antonio

ACTION ITEMS

Item 2: Executive: — Brooke Boston, Dep. ED of Programs

a) Presentation, Discussion and Possible Approval of the Policy for Implementation of HR 3221 on the Housing Tax Credit Program including possible allocation of 2008 Housing Tax Credit ceiling [This item will be posted to the website on August 29, 2008]

Item 3: Rules:

a) Presentation, Discussion and Possible Approval to publish the proposed amendments of 10 TAC, Chapter 1, §§31-37, Draft 2009 Real Estate Analysis Rules and Guidelines in the *Texas Register* — Tom Gouris, Dir. Real Estate Analysis

b) Presentation, Discussion and Possible Action on the publication in the *Texas Register* of a notice proposing the repeal of the following chapters of Title 10, Part 1 of the Texas Administrative Code: Chapter 5 concerning Community Services Programs, Chapter 6 concerning Energy Assistance Programs, and Chapter 8 concerning Project Access Rules — Amy Oehler, Dir. Community Affairs

c) Presentation, Discussion and Possible Action on the publication in the *Texas Register* of a notice proposing new Title 10, Part 1 of the Texas Administrative Code, Chapter 5 concerning Community Affairs Programs — Amy Oehler, Dir. Community Affairs

d) Presentation, Discussion and Possible Approval to publish a draft of proposed amendments to 10 TAC Chapter 7, First-Time Homebuyer Program rules for comment in the *Texas Register* — Eric Pike, Dir. Texas Homeownership

e) Presentation, Discussion and Possible Approval to publish the proposed repeal of 10 TAC Chapter 53, HOME Investment Partnership Program, and a draft of proposed new 10 TAC Chapter 53, HOME Program Rule for comment in the *Texas Register* — Jeannie Arellano, Dir. HOME

f) Presentation, Discussion and Possible Approval to publish the proposed amendments of 10 TAC Chapter 51, Housing Trust Fund Rule for comment in the *Texas Register* — Jeannie Arellano, Dir. HOME

g) Presentation, Discussion and Possible Approval to publish the proposed repeal of 10 TAC Chapter 49, concerning 2007 Housing Tax Credit Program Qualified Allocation Plan and Rules, and a draft of proposed new 10 TAC Chapter 49, concerning 2009 Housing Tax Credit Program Qualified Allocation Plan and Rules for comment in the *Texas Register* — Robbye Meyer, Dir. Multifamily Finance

h) Presentation, Discussion and Possible Approval to publish the proposed repeal of 10 TAC Chapter 35, Multifamily Housing Revenue Bond Rules, and a draft of proposed new 10 TAC Chapter 35, 2009 Multifamily Revenue Bond Rules for comment in the *Texas Register* — Robbye Meyer, Dir. Multifamily Finance

Item 4: Housing Resource Center:

Brenda Hull, Mgr. Housing Resource Center

a) Presentation, Discussion and Possible Approval of the 2009 State of Texas Consolidated Plan: One-Year Action Plan (Draft for Public Comment)

b) Presentation, Discussion and Possible Approval of the 2009 Regional Allocation Formula Methodology (Draft for Public Comment)

c) Presentation, Discussion and Possible Approval of the 2009 Affordable Housing Needs Score (Draft for Public Comment)

Item 5: Internal Audit:

Sandy Donoho, Dir. Internal Audit

a) Approval of Minutes of the June 26, 2008 Audit Committee Meeting

b) Presentation, Discussion and Possible Approval of the Internal Audit Division's Fiscal Year 2009 Audit Plan

c) Status of the Internal Audit Division's Fiscal Year 2008 Audit Plan

d) Presentation and Discussion of the State Auditor's Office Audit Report on the Single Family Mortgage Revenue Bond Program

e) Presentation and Discussion of the Department of Housing and Urban Development's Monitoring Report on CDBG Disaster Recovery Funds

f) Status of External Audits

Item 6: Real Estate Analysis:

Tom Gouris, Dir. Real Estate Analysis

a) Presentation, Discussion and Possible Action for 2008 Competitive Housing Tax Credit Appeals of Underwriting

08260 Harris Manor Apartments

Appeals Timely Filed

b) Presentation, Discussion and Possible Action on Housing Tax Credit Allocation Amount for IRS Forms 8609:

05195 / 08059 San Gabriel Senior Village

Item 7: Disaster Recovery:

Kelly Crawford
Dep. Ex. Dir. Disaster Recovery

a) Presentation and Discussion of the Disaster Recovery Division's Status Report on CDBG and FEMA AHPP Contracts Administered by TDHCA

b) Presentation, Discussion and Possible Approval of a Substantial Amendment to Harris County's portion of the Partial Action Plan for Disaster Recovery to Use Community Development Block Grant CDBG Funding

c) Presentation, Discussion, and Possible Approval Related to Unobligated Funds under CDBG Round 1

d) Presentation, Discussion and Possible Approval of CDBG Disaster Recovery Multifamily Rental Award Extensions and Amendments

07903	Brittany Place Homes

e) Presentation, Discussion and Possible Approval of Requests for Amendments to CDBG Disaster Recovery Contracts Administered by TDHCA for CDBG Round 1Funding

C060003	SETRPC

Item 8: Bond Finance:

Matt Pogor
Dir. Bond Finance

a) Presentation, Discussion and Possible Approval of Resolution 08-030 authorizing the issuance of TDHCA's Single Family Mortgage Revenue Bonds (Draw Down Facility)

b) Presentation, Discussion and Possible Approval of a Request for Proposal ("RFP") for investment banking firms interested in providing investment banking services as Senior Manager and Co-Manager for one or more proposed single family mortgage revenue bonds starting in 2009

c) Presentation, Discussion and Approval of Resolution No. 08-033 authorizing application to the Texas Bond Review Board for reservation of HR 3221 single family private activity bond authority

d) Presentation, Discussion and Possible Approval of Resolution 08-031 authorizing the issuance of TDHCA's Single Family Mortgage Revenue Bonds, 2008 Series A and Single Family Variable Rate Mortgage Revenue Bonds, 2008 Series B (Program 71)

Item 9: HOME Division:

Jeannie Arellano
Dir. HOME

a) Presentation and Discussion of the Current HOME Fund Balance Report

b) Presentation, Discussion and Possible Approval of HOME Program Award Recommendations

Disaster Relief Program		
2008-0061	LaSalle County	Cotulla
Homebuyer Assistance Program		
2008-0032	FUTURO Communities	Uvalde
Tenant Based Rental Assistance		
2008-0055	Center for Health Care Serv.	San Antonio
HOME Rental Housing Development Program and Determination of Housing Tax Credits		
08405	Sierra Ridge	Georgetown

Item 10: Multifamily Division Items - Housing Tax Credit Program Items:

Robbye Meyer
Dir. Multifamily Finance

a) Presentation, Discussion and Possible Approval of Housing Tax Credit Amendments

03184	The Pegasus	Dallas

04432	Mariposa Apartment Homes	San Marcos
07203	Melbourne Senior Community	Alvin
07206	Villa Estella Trevino	Edinburg
07291	Cypress Creek	Houston

b) Presentation, Discussion and Possible Approval of Forward Commitments from the 2009 State Housing Credit Ceiling for the Allocation of Competitive Housing Tax Credits from the waiting list below:

08100	Grand Reserve Seniors - Waxahachie Community	Waxahachie
08110	Paris Big Sandy Apartments	Paris
08112	Cedar Street Apartments	Brownfield
08120	Applewood Apartments	West
08121	Cherrywood Apartments	West
08124	Mill Stone Apartments	Fort Worth
08134	Huntington	Buda
08145	Oasis at the Park	Corpus Christi
08154	Mineral Wells Pioneer Crossing	Mineral Wells
08161	Canutillo Palms	El Paso
08179	Homes at Cypress Ridge	Nacogdoches
08181	Park Ridge Apartments	Llano
08183	Desert Villas	El Paso
08185	Historic Lofts of Palestine	Palestine
08190	Sutton Homes	San Antonio
08194	D.N. Leathers Townhomes	Corpus Christi
08208	Mansions at Briar Creek	Bryan
08217	Merritt Homes	McKinney
08228	Chelsea Senior Community	Houston
08234	Central Park Senior Village	Arlington
08236	Green Briar Village Phase II	Wichita Falls
08240	Timber Village Apartments II	Marshall
08252	LifeNet-Supportive Housing SRO Comm.	Dallas
08255	West Park Senior Housing	Corsicana
08256	Westway Place	Corsicana
08263	Villas at Lost Pines	Bastrop
08269	Darson Marie Terrace	San Antonio
08271	Manor Road SRO	Austin
08273	Four Seasons at Clear Creek	Fort Worth
08274	Casa Bella	Sunnyvale
08280	Costa Esmeralda	Waco
08295	Vista Bonita Apartments	Houston
08300	Blackshear Homes	San Angelo
08301	Ysleta del Sur Pueblo Homes I	Socorro

c) Presentation, Discussion and Possible Issuance of Determination Notices for Housing Tax Credits Associated with Mortgage Revenue Bond Transactions with Other Issuers:

08416 Park Shadows Apartments
Jefferson County HFC is the Issuer
Recommended Credit Amount $458,728

08417 Seville Row Apartments
Jefferson County HFC is the Issuer
Recommended Credit Amount $288,807

08413 City View Apartments
San Antonio HFC is the Issuer
Recommended Credit Amount $318,785

08401 Artisan at San Pedro Creek
San Antonio HFC is the Issuer
Recommended Credit Amount $1,105,744

Item 11: Multifamily Division Items–Private Activity Bond Program Items:

Robbye Meyer
Dir. Multifamily Finance

a) Presentation, Discussion and Possible Issuance of Multifamily Mortgage Revenue Bonds Series 2008 and a Determination Notice for Housing Tax Credits with TDHCA as the Issuer:

08609 Providence Town Square Apartments
Deer Park, Harris County
Recommended Bond Amount not to Exceed $14,750,000
Recommended Credit Amount $743,913
Resolution #08-032

b) Presentation, Discussion and Possible Action for the Inducement Resolution Declaring Intent to Issue Multifamly Housing Mortgage Revenue Bonds for Developments Throughout the State of Texas and Authorizing the Filing of Related Applications for the Allocation of Private Activity Bonds with the Texas Bond Review Board for Program Year 2008, Resolution No. 08-034

08615 Woodmont Apartments Ft. Worth

EXECUTIVE SESSION

Kent Conine, Chairman

a) The Board may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551

b) The Board may go into Executive Session Pursuant to Texas Government Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee. Review and possible pay increase for Director of Internal Audit, Sandy Donoho.

c) Consultation with Attorney Pursuant to §551.071(a), Texas Government Code:

1. With Respect to pending litigation styled *Rick Sims v. Texas Department of Housing and Community Affairs* filed in federal district court (new filing of previously dismissed suit)

2. With Respect to pending litigation styled *The Inclusive Communities Project*, *Inc. v. Texas Department of Housing and Community Affairs, et al* filed in federal district court

3. With Respect to Any Other Pending Litigation Filed Since the Last Board Meeting

4. Potential sale of agency owned real estate and/or sales of loans

OPEN SESSION

Kent Conine, Chairman

Action in Open Session on Items Discussed in Executive Session

REPORT ITEMS

1. TDHCA Outreach Activities, July 2008
2. HOME Amendments Quarterly Report

ADJOURN

To access this agenda & details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact Nidia Hiroms, 512-475-3934; TDHCA, 221 East 11th Street, Austin, Texas 78701, and request the information. Individuals who require auxiliary aids, services or sign language interpreters for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made. Non-English speaking individuals who require interpreters for this meeting should contact Nidia Hiroms, 512-475-3934 at least three days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Jorge Reyes al siguiente número (512) 475-4577 por lo menos tres días antes de la junta para hacer los preparativos apropiados.

LEGAL SERVICES DIVISION

BOARD ACTION REQUEST

SEPTEMBER 4, 2008

Action Items

Presentation, Discussion and Possible Approval of a Request for Proposal for an administrative law judge to assist the Board in compiling a record and producing a proposal for decision for future Board actions on enforcement matters

Required Action

Approve, reject or approve with changes the Request for Proposals (RFP) for an administrative law judge to hear compliance matters.

Background

The 80th Legislature gave the Board the authority to impose administrative penalties on persons violating Chapter 2306 of the Government Code, the Department's rules or its orders. In a subsequent rulemaking, the Board required the Executive Director to employ under contract an administrative law judge (ALJ) to assist the Board in its enforcement actions. The Compliance and Enforcement Division has prepared several possible penalty cases that could go forward to a hearing within the next 60 days and so the services of an ALJ are now needed. The Legal Services Division has prepared the attached RFP for an ALJ and requests that the Board approve publication of the RFP in the *Texas Register*.

The Department will use funds in the Legal Services Division's outside counsel budget to pay for the ALJ legal services We anticipate that a request for an award will be back before the Board at the November 15th meeting. Once an ALJ is selected, the Department will seek the approval of the Attorney General's Office before contracting with an ALJ as such a contract is a contract for legal services.

Recommendation

Approve for publication in the *Texas Register* the RFP

Request for Proposals

for

Administrative Law Judge

I. Background on the Texas Department of Housing and Community Affairs

A. Purpose

The Department administers several affordable housing programs, funded from state and federal sources, all with the purpose of providing decent, safe and affordable housing for low income families and individuals. Regardless of the source of the funds, the Department generally undertakes the responsibility to monitor the compliance of housing developers and managers with applicable codes, standards and requirements relating to occupancy and rental rates to assure that the goals of the Department are being met.

When the goals of the program are not being met, the Department issues compliance findings to seek corrective action. The programs are sophisticated and combine real estate issues, tax law and administrative law. Many times, health and safety issues of the tenants may be involved and frequently the quality of life issues of tenant will be involved. The need to provide due process under IRS guidelines provides a 90 day corrective action period, so any additional extensions only aggravate the problems for the tenants or those qualified applicants for affordable housing who are unable to take advantage of the program. The ability to expedite hearings and issues findings in a relatively short period of time is a vital component of this RFP.

In the 80th Legislature, the Board was given authority to impose administrative penalties on persons violating Chapter 2306 of the Government Code, the Department's rules or its orders. To implement this authority the Board has requested that the Department hire an ALJ to hold enforcement hearings on their behalf to provide a neutral finding of facts and present proposals for decision to the Board.

Due to the need to operate quickly, the Department intends to assign contested case hearings to one or more successful responders however the Department cannot assure any particular level of referral frequency and reserves the right to procure other ALJ services at the Department's sole discretion.

B. Organization

TDHCA is governed by an executive director employed by a seven-member board. The members of the board are appointed by the Governor upon the advice and consent of the Texas Senate for staggered six-year terms, with the terms of two or three members expiring on January 31 of each odd-numbered year. The executive director is responsible for the overall administration of TDHCA and its programs and for employing its staff.

II. QUALIFICATIONS FOR RESPONDERS

The required experience, knowledge, skills, and abilities for a successful responder are as follows:

-Current membership in good standing in the State Bar of Texas

-Minimum 10 years practicing law

-Minimum 5 years experience in representing parties (1st chair) in Chapter 2001 contested case hearings

-Familiarity with the Department's programs or programs involving similar subject matter

-Experience with real estate matters

-Ability to write clearly and within deadlines

III. STATEMENT OF WORK.

A. NATURE OF SERVICES REQUIRED.

The following is an outline of the services required of a successful responder (ALJ) upon assignment of a contested matter by the Department:

-The ALJ shall maintain a separate file of each contested case assigned. The ALJ shall provide the Department Legal Services Division with a mailing address, telephone number, fax number and email address at which the ALJ may be reached during normal business hours.

-Upon receiving a letter of referral, the ALJ will work with all parties to schedule a hearing promptly

-Hearing locations will be in Austin and arranged by the Department. The ALJ shall arrange to have each hearing recorded and provide a copy of the recording to each party promptly after the close of each hearing.

-The ALJ shall provide monthly billing statements of services rendered and allowable costs with documentation as prescribed by the Department.

B. TERMS OF AGREEMENT

Subject to the approval of the successful responder by the governing board of the Department, and negotiation of an acceptable contract by Department and such successful responder, Department will execute an agreement with the successful responder for at least a one year term with optional extensions as required based on performance and on such other terms and conditions as may be acceptable to the parties subject to required approval of the Attorney General of Texas. Any such agreement shall provide that department will retain the right to terminate the contract for any reason and at any time upon the payment of fees and expenses then due and payable.

IV. RFP INSTRUCTIONS

A. PROPOSAL FORM AND FORMAT

Four (4) copies of the proposal are requested and should be sent by registered mail or delivered in person to the attention of Mr. Kevin Hamby, General Counsel, Texas Department of Housing and Community Affairs, 221 East 11th Street, Austin, Texas 78701, no later than the deadline for submission of proposals specified below. The proposals must include each question or request for information, as specified herein, followed by the narrative answer in the standard format for interrogatories, limited to one side of a single 8 1/2" x 11" page. Supplemental information (such as firm brochure, annual reports or background material), if any, must be restricted to Appendices following the responses. The pages of the proposal should be numbered sequentially with the name of the firm on each page. The proposal should be submitted in a loose-leaf binder.

B. DEADLINE FOR SUBMISSION

The deadline for submission in response to the Request for Proposals is **4:00 p.m.**, Central Daylight Saving Time, on _____________. No proposal will be accepted after the deadline.

C. GENERAL INFORMATION

Department reserves the right to accept or reject any (or all) proposals submitted. The information contained in this proposal request is intended to serve only as a general description of the services desired by Department, and Department intends to use responses as a basis for further negotiation of specific project details with offerors. This request does not commit Department to pay for any costs incurred prior to the execution of a contract and is subject to availability of funds. Issuance of this request for proposal in no way obligates Department to award a contract or to pay any costs incurred in the preparation of a response.

D. RELEASE OF INFORMATION

Information submitted relative to this request for proposals shall not be released by Department during the proposed evaluation process or prior to contract award. All information submitted to and retained by Department becomes subject to disclosure under the Texas Public Information Act, unless an exception under such Act is applicable.

E. PROPRIETARY INFORMATION

If a responder does not desire proprietary information in the proposal to be disclosed under the Texas Public Information Act or otherwise, it is required to clearly identify (and segregate, if possible) all proprietary information in the proposal, which identification shall be submitted concurrently with the proposal. If such information is requested under the Texas Public Information Act, the responder will be notified and given an opportunity to present its position to the Attorney General of Texas, who shall make the statutory determination. If the responder fails to clearly identify proprietary information, it agrees, by the submission of a proposal, that those sections shall be deemed non-proprietary and made available upon public request after the contract is awarded.

V. REQUESTED INFORMATION

Part I - Business Organization: State full name and address of your organization and identify parent company if the entity is a subsidiary. Specify the branch office or other subordinate element that will perform, or assist in performing, work herein. Indicate whether the entity operates as a partnership, corporation, or individual. Include the State in which the individual or entity is incorporated or licensed to operate and the organization's Federal tax ID number/ individual's social security number. If the entity is a State of Texas certified HUB, supply the HUB certification.

Part II - Program: Describe the plan for accomplishing the required work as set forth in the Statement of Work, above. In addition include a statement of the entity's compliance with all applicable rules and regulations of Federal, State and Local governing entities. Responder must state the responder's intent to comply with the terms of this Request for Proposals.

Part III - Project Management Structure: Provide a general explanation and an organizational chart which specifies project leadership and reporting responsibilities. Identify personnel that would be working with Department staff. If use of subcontractors is proposed, identify their placement in the primary management structure, and provide internal management description for each subcontractor.

Part IV - Prior Experience: Summarize Responder's experience relevant to the required experience, knowledge, skills, and abilities listed in paragraph II, above. At a minimum responder must demonstrate that it meets the following threshold requirements or the responder's response will not be evaluated:

-Current membership in good standing in the State Bar of Texas (Texas Bar Number)

-Minimum 10 years practicing law (as evidenced by responder's employment history)

Part V - Personnel: Include names, qualifications, including specific training and education, and pertinent certifications and licenses of all professional and paraprofessional personnel who will be assigned to this project. State the primary work assigned to this person and the percentage of time each person will devote to this work. Identify key persons by name and title. Provide all resumes for all key persons identified. Specifically identify the number of attorneys, paralegals and administrative staff to be assigned to assist in the performance of the tasks in the Statement of Work.

Part VI – Writing Sample: Sample should illustrate responder's ability to evaluate evidence and apply the law to the facts.

Part VII – Conflict of Interest: Responder must disclose and provide an affidavit of any potential conflicts with any Department-affiliated Developments, Owners, and/or Management Companies

Part VIII - Price Proposal: The proposed method of pricing must be included and described. The proposal amount must include all costs associated with the tasks described in the Statement of Work (i.e. travel arrangements, lodging, meals etc.). Proposals in the alternative may be offered.

VI. REVIEW.

A. PROPOSAL EVALUATION CRITERIA

All responses to this RFP will be evaluated based on the following criteria and rankings. Maximum 100 points.

(1) Experience in representing parties (1st chair) in Chapter 2001 contested case hearings (up to 25 points)
(2) Familiarity with the Department's programs or programs involving similar subject matter (maximum of 30 points)
(3) Experience with real estate matters (up to 25 points)
(4) Review of Writing Sample (up to 20 points)

B. DEPARTMENT'S DECISION IS FINAL

In accordance with law, Department will make its selection based upon its perception of the need for administrative law judge services, the demonstrated competence, experience, knowledge, and qualifications, on the reasonableness of the proposed fee for the services to be performed. By this Request for Proposals, however, Department has not committed itself to employ an administrative law judge for any or all of the above-described matters. Department reserves the right to make those decisions after receipt of responses, and Department's decision on these matters is final.

C. NEGOTIATION OF TERMS

Department reserves the right to negotiate all elements which comprise the proposal of the responder(s) to ensure that the best possible consideration be afforded to all concerned.

Department reserves the right to reject any and all proposals and to resolicit in such an event. Department permits proposals utilizing joint ventures of any two or more firms, if appropriate.

D. Conflicts of Interest

Any contract entered with a successful responder shall include a provision substantially in the form as follows:

> CONFLICT OF INTEREST. Administrative Law Judge (ALJ) represents that it, or its firm, does not, and shall not during the term hereof, represent a plaintiff in a proceeding seeking monetary damages from the State of Texas or any of its agencies. ALJ shall conduct a conflicts analysis on any subcontractor and disclose any, actual or potential conflict to the Department and the Attorney General. For these purposes, "proceedings seeking money damages" do not include actions for tax refunds or reimbursement of costs of litigation and attorneys' fees.

VII. Additional Information.

For additional information concerning the requirements of this request for proposals, please contact Mr. Kevin Hamby, General Counsel, at (512) 475-3948 or Mr. Jeff Pender, Deputy General Counsel at (512) 475-4752. Communication with any member of the Board of Directors, the Executive Director, or Department staff other than Mr. Hamby, or Mr. Pender, concerning any matter relating to this request for proposals is grounds for immediate disqualification.

Issued in Austin, Texas on ________________

Michael Gerber

Michael Gerber, Executive Director

LEGAL SERVICES DIVISION

BOARD ACTION REQUEST
September 4, 2008

Action Item

Presentation, discussion and possible action on approving a waiver of the first lien policy for properties that were impacted by Hurricane Rita.

Required Action

Approve, deny, or approve with changes a waiver of the first lien requirements for single family homes in South East Texas that are located in floodplains and subject to loans under existing policy for a three year deferred forgivable period.

Background

The Board has directed staff to not take a subordinate position with liens where the Department has more funds in a transaction than a third party lender. Staff, and our contractor ACS, have determined that many of the homes that are eligible for repair or reconstruction under current disaster recovery policies may require a small amount of gap funding in order to complete the transaction because of the duplication of benefits issue.

The State is required under federal rules to monitor a property located in a flood plain for the duration of the benefit provided. The Board determined early in Round I, and continued the policy in Round II of the Disaster Recovery program, that homeowners in flood plains would be eligible for a three year deferred forgivable loan for the construction and related costs associated with rebuilding or rehabilitating property. That amount of funds would provide between $60,000 and $75,000 depending on repairs and family size.

However, for the funds that may not be given under a duplication of benefits conflict, a third party lender may be required. The Staff and ACS believe that due to the nature of the transaction, it would facilitate finding third party lenders to make these loans that are expected to be between two and five thousand dollars to subordinate our three year deferred forgivable loan to the smaller amount. Because of the equity created in the property and the amount of the third party loans, staff believes that the risk for any future repayment to HUD is minimal.

Recommendation

Staff recommends that the Board allow, on single family homes in the Disaster Recovery program using CDBG funds, that where requested that Department staff have the option to subordinate the deferred forgivable loan to a third party lender with a lesser amount in the transaction.

LEGAL SERVICES DIVISION

BOARD ACTION REQUEST

SEPTEMBER 4, 2008

Action Items

Presentation, Discussion and Possible Action on publication in the *Texas Register* of a notice of the adoption of the repeal of the following sections of Title 10, Part 1 of the Texas Administrative Code, Chapter 1, concerning Administration: §1.1 Private Donors, §1.12 Administrative Hearings, §1.5 Contract Monitoring Policy

Required Action

Reject, approve or amend the notice of the adoption of the repeal of the above-listed rules.

Background

As part of its 2008 Rule Review, the Department identified several rules that are no longer needed and should be repealed to eliminate unnecessary regulations. Section 1.1 (Private Donors) addresses standards of conduct that govern the relationship between Department employees and private donors. The section is proposed for repeal because the subject matter of the rule is fully addressed in various sections of the Texas Penal and Government Codes. Section 1.12 (Administrative Hearings) addresses the procedures for requesting a hearing at the State Office of Administrative Hearings. This section is proposed for repeal because it has been superseded by Tex. Gov't. Code Sections 2306.041 through 2306.0503, and the Department's new rules concerning Administrative Penalties. Section 1.5 (Contract Monitoring Policy) addresses the contract monitoring roles and responsibilities of certain divisions of the Department. This section is proposed for repeal because its subject matter is more appropriately established as an internal Department policy because it affects only Department internal management responsibilities and not private rights or responsibilities.

The proposal to repeal these rules was approved by the Board and published in the Texas Register on July 11, 2008 for thirty days. No comments were received.

Recommendation

Approve for publication in the *Texas Register* the notice of the adoption of the repeal of the above-listed rules

TITLE 10 COMMUNITY DEVELOPMENT
PART 1 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 1 ADMINISTRATION
§1.1 Private Donors
§1.12 Administrative Hearings
§1.5 Contract Monitoring Policy.

The Texas Department of Housing and Community Affairs (the Department) adopts the repeal of the following sections of Title 10, Part 1 of the Texas Administrative Code, Chapter 1, concerning Administration:§1.1 concerning Private Donors, §1.12 concerning Administrative Hearings, and §1.5, concerning Contract Monitoring Policy.

§1.1 concerning Private Donors is repealed because the subject matter is addressed in various provisions of the Government Code, Penal Code and the Department's ethics policy, and therefore not necessary. §1.12 concerning Administrative Hearings is repealed because it has been superseded by Chapter 60C of this title, concerning Administrative Penalties. §1.5, concerning Contract Monitoring Policy is repealed because the subject matter affects internal Department operation only and not the private rights of persons and is therefore not the proper subject matter for a Department rule.

No public comments were received.

The repeals are adopted pursuant to Texas Government Code, Chapter 2306.053 which the Department interprets as providing it with the authority to adopt rules.

§1.1 Private Donors
§1.12 Administrative Hearings
§1.5 Contract Monitoring Policy

These repeals have been reviewed by legal counsel and found to be a valid exercise of the agency's legal authority

LEGAL SERVICES DIVISION

BOARD ACTION REQUEST

SEPTEMBER 4, 2008

Action Items

Presentation, Discussion and Possible Action on publication in the *Texas Register* of a notice of the adoption of the repeal of Title 10, Part 1 of the Texas Administrative Code, Chapter 5, Subchapter B (§§5.101- 5.114 and 5.116 - 5.121), concerning Emergency Nutrition and Temporary Relief Program

Required Action

Reject, approve or amend the notice of the adoption of the repeal of the above-referenced subchapter.

Background

As part of its 2008 Rule Review, the Department has identified rules that are no longer needed and should be repealed. The 80th Legislature repealed the Department's authority in Tex. Gov't. Code §§2306.651 to 2306.658 to administer its Emergency Nutrition and Temporary Relief Program and so the Department's rules implementing this program (10 TAC §§5.101- 5.114 and 5.116 - 5.121) are unnecessary and should be repealed.

Notice of the proposal to repeal this subchapter was published in the *Texas Register* on July 11, 2008 for thirty days. No public comments were received.

Recommendation

Approve for publication in the *Texas Register* the notice of the adoption of the repeal of the above-referenced subchapter.

TITLE 10 COMMUNITY DEVELOPMENT
PART 1 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 5 COMMUNITY SERVICES PROGRAMS
SUBCHAPTER B EMERGENCY NUTRITION AND TEMPORARY EMERGENCY RELIEF PROGRAM

The Texas Department of Housing and Community Affairs (the Department) adopts the repeal of Title 10, Part 1 of the Texas Administrative Code, Chapter 5, Subchapter B (§§5.101- 5.114 and 5.116 - 5.121), concerning Emergency Nutrition and Temporary Emergency Relief Program because the authority for the program was repealed by the 80th Legislature.

No public comments were received.

The repeals are adopted pursuant to Texas Government Code, Chapter 2306.053 which the Department interprets as providing it with the authority to adopt rules.

§5.101 Program Overview
§5.102 Demonstration of Need
§5.103 Contractor Eligibility
§5.104 Scope of Services
§5.105 Application Requirements
§5.106 Plan of Service
§5.107 Budget
§5.108 Public Notice and Comment
§5.109 Contractor Requirements for Establishing Client Eligibility
§5.110 Contract Changes
§5.111 Contractor Reporting Requirements
§5.112 Payment
§5.113 Records
§5.114 Audit
§5.116 Contract Termination and Expiration
§5.117 Oil Overcharge Funding Program Overview
§5.118 Oil Overcharge Funding Scope of Services
§5.119 Oil Overcharge Funding Budget
§5.120 Overcharge Contractor Requirements for Establishing Client Eligibility
§5.121 Oil Overcharge Funding Payment and Reports

These repeals have been reviewed by legal counsel and found to be a valid exercise of the agency's legal authority

LEGAL SERVICES DIVISION

BOARD ACTION REQUEST

SEPTEMBER 4, 2008

Action Items

Presentation, Discussion and Possible Action on publication in the *Texas Register* of a notice of proposed amendments to Title 10, Part 1 of the Texas Administrative Code, Section 90.8, concerning forms related to Migrant Labor Housing Facilities

Required Action

Reject, approve or amend the notice of the proposed amendments.

Background

The Department proposes (1) to change the assistance telephone number on the Application to Operate a Migrant Labor Facility and eliminate unnecessary language, (2) to add a form for requesting a License Renewal, and (3) add the form that inspectors will use for conducting and documenting inspections.

The Department believes the public will benefit as a result of adopting the proposed amendments in that the forms will be clearer and more useable, and the regulated public will have a better idea of the items that will be reviewed during inspections.

Recommendation

Approve for publication in the *Texas Register* the notice of the proposed amendments

TITLE 10 COMMUNITY DEVELOPMENT
PART 1 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 90 MIGRANT LABOR HOUSING FACILITIES
RULE §90.8 Forms

The Texas Department of Housing and Community Affairs (the Department) proposes amendments to 10 TAC §90.8 concerning the application form for a license to operate a migrant labor housing facility. The Department proposes (1) to change the assistance telephone number on the Application to Operate a Migrant Labor Facility and eliminate unnecessary language, (2) to add a form for requesting a License Renewal, and (3) add the form that inspectors will use for conducting and documenting inspections.

Mr. Joe Garcia, Executive Director of the Manufactured Housing Division, who facilitates the Migrant Labor Facility program, has determined that for each year of the first five years that the proposed amendments are in effect there is no foreseeable implications relating to costs or revenues of the state or local governments.

Mr. Garcia has also determined that for each year of the first five years the proposed amendments are in effect the public benefit anticipated as a result of adopting the proposed amendments will be more useable forms and additional transparency in the inspection process. There will be no adverse economic effect on small businesses or micro-businesses. There is no anticipated economic cost to persons who are affected by the proposed amendments.

Written comments may be submitted to Texas Department of Housing and Community Affairs, Attn: Kevin Hamby, General Counsel, P.O. Box 13941, Austin, Texas 78711-3941 or by e-mail to the following address: kevin.hamby@tdhca.state.tx.us. All comments must be received within thirty days of the date of the publication of this notice.

The proposed amendments are made pursuant to the authority of the Texas Government Code, Chapter 2306 which provides the Department with the authority to adopt rules governing the administration of the Department and its programs.

No other statutes, articles, or codes are affected by this proposed repeal.

Rule §90.8 Forms

Appendix A—Application for a License to Operate a Migrant Labor Housing Facility from

Appendix B Application for Renewal of License to Operate a Migrant Labor Housing Facility

Appendix C Report of Inspection – Migrant Labor Housing Facility

Attached Graphic

APPENDIX A

Texas Department of Housing and Community Affairs
P. O. BOX 13941 Austin, Texas 78711-2489
(512) 475-4999 FAX (512) 475-0495
Pursuant to the Texas Migrant Labor Housing Facility Act, Tex. Gov. Code, §§2306.921-2306.933
Internet Address: www.tdhca.state.tx.us/mlv/index.htm

APPLICATION TO OPERATE A MIGRANT LABOR HOUSING FACILITY

(Please type or print clearly.)

******Be Sure To Complete Both Pages Of This Form******

~~Privacy Notification~~
~~With few exceptions, you have the right to request and be informed about information that the State of Texas collects about you. You are entitled to receive and review the information upon request. You also have the right to ask the state agency to correct any information that is determined to be incorrect. See http://www.tdh.state.tx.us for information on Privacy Notification. (Reference: Government Code, Section 552.021, 552.023, 559.003 and 559.004)~~

Facility Location

Facility Name:			Facility Phone #:
Facility Location or Address:			
City:	State: TX	ZIP:	County:

Facility Description

Number of Buildings: _______	Number of Units: ________	Total Capacity: ________
Water Supply ☐ Municipal ☐ Private	Sewage Disposal ☐ Municipal ☐ Septic	Cooking Facility ☐ General Mess ☐ Individual
Bathing ☐ Central ☐ Individual	Laundry ☐ Central ☐ Individual	Hand washing ☐ Central ☐ Individual

Owner/Operator Contact Information

(Address where license will be mailed, *e.g.*, address of corporation, company, or home.)

Owner Name and/or Contact Person:		
Mailing Address:		
City:	State:	ZIP
Owner Phone #:		Owner Fax:

License Fee is $250

NOTE: All new applicants are required to pay the fee listed above, and will receive a license that, unless revoked, will expire after one (1) year.

APPENDIX A

¥	Reason For Applying (check all that apply)		
☐	New Facility	Opening Date:	
☐	License Renewal	~~Opening Date:~~ ———	~~Facility~~ TDHCA License #: ———MLF00000
☐	Change of Location	Previous Location:	~~Facility~~ TDHCA License #: MLF00000#:
☐	Change of Name	Previous Name:	~~Facility~~ TDHCA License #: MLF00000#:
☐	Change of Ownership	Previous Owner:	~~Facility~~ TDHCA License #: MLF00000#:

Certification Statement

Pursuant to the Texas Migrant Labor Housing Facility Act, Tex. Gov. Code, §§2306.921-2306.933 (the "Act"), I hereby have fully completed the above application, at least 45 days prior to the intended operation date, for a license to establish and maintain a Migrant Labor Housing Facility in accordance with rules promulgated by the Department of State Health Services, as they may apply to the administration of the Act by the Texas Department of Housing and Community Affairs (the "Department"). By signing this document I certify that I am an officer of the applicant or am otherwise authorized to sign this document on behalf of the applicant and that all information in this complete application is true and correct.

Signature:	Title:
Name (printed):	Date:

- An application must be submitted to the Department at least 45 days prior to the intended operation of the facility, but no more than 60 days prior.
- A license, unless revoked, shall expire one year from the date of issuance, and it shall be non transferable.
- Please note that it is the responsibility of the license holder to renew their license before the expiration date, whether or not they have received a payment notice from the Department. If you did not receive your renewal notice, you may use this form to renew your license.
- For assistance in completing this application, please call ~~1-800-500-7074~~ 512-475-4999.
- Make check payable to the: Texas Department of Housing and Community Affairs

Mail application and fees to the: TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
P. O. BOX ~~12489~~13941
AUSTIN, TX 78711-~~2489~~3941

*****Incomplete Applications Or Improper Fees Will Delay License Issuance *****

APPENDIX B

Texas Department of Housing and Community Affairs
P. O. BOX 13981 Austin, Texas 78711-2489
Phone:512-475-4999 or Fax: 512-475-0495
Pursuant to the Texas Migrant Labor Housing Facility Act, Tex. Gov. Code, §§2306.921-2306.933
Internet Address: http://www.tdhca.state.tx.us/migrant-housing/index.htm

LICENSE RENEWAL

APPLICATION TO OPERATE A MIGRANT LABOR HOUSING FACILITY

(Please type or print clearly.)

Facility Location

Facility Name:			Facility Phone #:
Physical Location or Address of Facility:			
City:	State: TX	ZIP:	County:

Facility Description

Number of Buildings: ______	Number of Units: ______	Total Capacity: ______
Water Supply	**Sewage Disposal**	**Cooking Facility**
☐ Municipal	☐ Municipal	☐ General Mess
☐ Private	☐ Septic	☐ Individual
Bathing	**Laundry**	**Hand washing**
☐ Central	☐ Central	☐ Central
☐ Individual	☐ Individual	☐ Individual

Owner/Operator Contact Information

(Address where license will be mailed, *e.g.*, address of corporation, company, or home.)

Owner Name and/or Contact Person:		
Mailing Address:		
City:	State: TX	ZIP:
Owner Phone #:		Owner Fax:

License Fee is $250

NOTE: All applicants are required to pay the fee listed above, and will receive a license that, unless revoked, will expire after one (1) year.

	Reason For Applying (check all that apply)	
☐ New Facility	Opening Date:	
☐ License Renewal		TDHCA License #: MLF00000
☐ Change of Location	Previous Location:	TDHCA License #: MLF00000
☐ Change of Name	Previous Name:	TDHCA License #: MLF00000
☐ Change of Ownership	Previous Owner:	TDHCA License #: MLF00000

Certification Statement

Pursuant to the Texas Migrant Labor Housing Facility Act, Tex. Gov. Code, §§2306.921-2306.933 (the "Act"), I hereby have fully completed the above application, at least 45 days prior to the intended operation date, for a license to establish and maintain a Migrant Labor Housing Facility in accordance with rules promulgated by the Department of State Health Services, as they may apply to the administration of the Act by the Texas Department of Housing and Community Affairs (the "Department"). By signing this document I certify that I am an officer of the applicant or am otherwise authorized to sign this document on behalf of the applicant and that all information in this complete application is true and correct.

Signature:	Title:
Name (printed):	Date:

- An application must be submitted to the Department at least 45 days prior to the intended operation of the facility, but no more than 60 days prior.
- A license, unless revoked, shall expire one year from the date of issuance, and it shall be non transferable.
- Please note that it is the responsibility of the license holder to renew their license before the expiration date, whether or not they have received a payment notice from the Department. If you did not receive your renewal notice, you may use this form to renew your license.
- For assistance in completing this application, please call 512-475-4999.
- Make check payable to the: Texas Department of Housing and Community Affairs

Mail application and fees to the: TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
P. O. BOX 13981
AUSTIN, TX 78711-2489

*******Incomplete Applications Or Improper Fees Will Delay License Issuance *******

APPENDIX C

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
4413 82nd Street Lubbock, TX 79424
Phone 806-794-2105 Fax 806-794-6876

REPORT OF INSPECTION
MIGRANT LABOR HOUSING FACILITY

Facility Information

Name of Facility: ____________________ License number if licensed: *MLF00000*

Physical Address: ____________________ # of bldgs: __________ # of units: __________

City/State/ZIP: ____________________ Total Capacity: ____________________

Date of inspection: ____________________ Inspector: ____________________

Name of license holder's representative present: ____________________

Inspection Information

Purpose of inspection: ☐ New license ☐ Renewal ☐ Routine ☐ Complaint

Facility Inspection: ☐ Passed ☐ Failed

References to rule sections are to 10 TAC Chapter 90. For full, exact text of the section cited, see the rules, which may be accessed on the TDHCA website at: *http://www.tdhca.state.tx.us/migrant-housing/index.htm*

	OK	Dev	Comment
Facility Site	☐	☐	
1. Sec. 90.2 (a) (1) Site must be well-drained, free from depressions in which water mat stand. Natural sinkholes, pools, swamps or other surface collectors of water within 200 feet must be drained.	☐	☐	
2. Sec. 90.2 (a) (2) Site free from odors, flies, noise, traffic, fire, threats to safety, flooding, overcrowding, or similar hazards.	☐	☐	
3. Sec, 90.2 (a) (3) Site free from debris/noxious plants, uncontrolled weeds or brush	☐	☐	
4. Sec. 90.2 (a) (4) Adequate recreational space provided.	☐	☐	
5. Sec. 90.2 (a) (5) No livestock feeding pens within 500 feet.	☐	☐	
6. Sec. 90.2 (a) (6) Site not subject to periodic flooding or located so that drainage from and through site would endanger water supply.	☐	☐	

	OK	Dev	Comment
Water Supply7.	☐	☐	
7. Sec. 90.2 (b) (1) Water supply must meet standards.	☐	☐	
8. Sec. 90.2 (b) (2) If water supply does not meet standards, notices must be posted and bottled water must be provided.	☐	☐	
9. Sec. 90.2 (b) (3) Facility must be connected to public water if possible.	☐	☐	
10. Sec. 90.2. (b) (4) Adequate arrangements for hot water for bathing, laundry, cooking, and dishwashing in all facility sites.	☐	☐	
11. Sec. 90.2 (b) (5) Water pressure at least 20 psi and minimum static of 35 psi for each living arrangement and utility building	☐	☐	
12. Sec. 90.2 (b) (6) Adequate drinking fountains in common areas and dining facilities.	☐	☐	
13. Sec. 90.2 (b) (7) **Each sink should provide hot and cold water through a single faucet that enables hot and cold water to be mixed to adjust the temperature**	☐	☐	
Waste Disposal/Sanitation	☐	☐	
14. Sec. 90.2 (c) (1) Effective sewage disposal. No sewage on surface.	☐	☐	
15. Sec. 90.2 (c) (2) Connected to sewer systems, if available	☐	☐	
16. Sec. 90.2 (c) (3) All other disposal systems (septic, portable toilets, etc.) conform to Texas Department of Health Standards	☐	☐	
17. Sec. 90.2 (c) (4) Portable toilets not mechanically ventilated have adequate screened ventilation openings.	☐	☐	
Facilities	☐	☐	
18. Sec. 90.2 (d) (1) Constructed to protect from the elements. Good repair and sanitary conditions. **Each unit shall have a smoke detector**	☐	☐	
19. Sec. 90.2 (d) (2) Smooth, rigid, readily cleanable flooring. Ground water cannot enter.	☐	☐	
20. Sec. 90.2 (d) (3) Combined cooking/eating, sleeping arrangements have at 100 SF per person for 18 months and over; sleeping facilities have at least 50 SF per person	☐	☐	
21. Sec. 90.2 (d) (4) Facilities for families with children have a separate room or partitioned area for husband and wife.	☐	☐	
22. Sec. 90.2 (d) (5) Dormitory facilities are separated for each sex. Family housing units have separate accommodations by family.	☐	☐	
23. Sec. 90.2 (d) (6) Adequate separate places for each person to hang clothes and store personal effects for each person.	☐	☐	
24. Sec. 90.2 (d) (7) Minimum ceiling height is 7ft..	☐	☐	
25. Sec. 90.2 (d) (8) Each habitable room must have window or skylight to the outside.	☐	☐	
26. Sec. 90.2 d) (9) No areas used for housing were previously used for mixing, loading, or storing toxic substances.	☐	☐	
Cooking and Eating	☐	☐	
27. Sec. 90.2 (e) (1) Arrangements are adequate - Family	☐	☐	
28. Sec. 90.2 (e) (2) Arrangements are adequate – Dormitory	☐	☐	
29. Sec. 90.2 (e) (3) Central mess/Multi-family operations meet standards.	☐	☐	
Sleeping Arrangements	☐	☐	
30. Sec. 90.2 (f) (1) Sleeping arrangements in good repair and sanitary condition.	☐	☐	
31. Sec. 90.2 (f) (2) Mattresses and covers sanitized when user changes	☐	☐	
32 Sec. 90.2 (f) (3) Sleeping arrangements adequately spaced	☐	☐	

	OK	Dev	Comment
Heating	☐	☐	
33. Sec. 90.2 (g) (1) Installed, operable, maintains at least 68 degrees	☐	☐	
34. Sec. 90.2 (g) (2) Failsafe if power or fuel is interrupted.	☐	☐	
35. Sec. 90.2 (g) (3) Walls/ceilings provided with fire proof materials, 18" around stove/pipes	☐	☐	
36. Sec. 90.2 (g) (4) Stoves and heat sources using combustible fuel installed to prevent fire Vented through ceiling, wall, or roof.	☐	☐	
37. Sec. 90.2 (g) (5) Stoves and heat sources using combustible fuel must be vented. Must extend beyond peak of roof.	☐	☐	
38. Sec. 90.2 (g) (6) Solid or liquid fuel stoves in a room with wooden or combustible flooring must be fireproofed 18" beyond the stove.	☐	☐	
58. Sec. 90.2 (g) (7) No portable heaters other than electric.	☐	☐	
Bathrooms and Laundry Rooms	☐	☐	
40. Sec. 90.2 (h) (1) Bathrooms separate to assure privacy.	☐	☐	
41. Sec. 90.2 (h) (2) Tubs, showers, and sinks within 200' of each living arrangement.	☐	☐	
42. Sec. 90.2 (h) (3) Bathrooms and laundry rooms conducive to good repair and maintained in a sanitary condition.	☐	☐	
43. Sec. 90.2 (h) (4) Shower floors non-absorbent, non-skid, properly draining	☐	☐	
44. Sec. 90.2 3 (h) (5) Communal bathrooms Separate bathing/washing and dressing spaces. Designated as men/women.	☐	☐	
45. Sec. 90.2 (h) (6) Communal bathrooms showerhead 3' apart per 10 persons and one lavatory sink per 6 people, 9 sf per shower.	☐	☐	
46. Sec. 90.2 (h) (7) Separate shower stalls in communal bathrooms	☐	☐	
47. Sec. 90.2 (h) (8) One mechanical clothes washer per 50 occupants, one laundry tray per 100 persons, or one laundry tray or tub per 25 persons	☐	☐	
48. Sec. 90.2 (h) (9) Clothes drying arrangements	☐	☐	
Toilets	☐	☐	
49. Sec. 90.2 (i) (1) Within 200 feet of each living arrangement.	☐	☐	
50. Sec. 90.2 (i) (2) Conducive to good repair, maintained in sanitary condition; "fly proof" and adequate capacity	☐	☐	
51. Sec. 90.2 (i) (3) Communal toilets separated by sex by solid floor to ceiling wall; labeled by sex in English or universal symbol	☐	☐	
52. Sec. 90.2 (i) (4) Communal toilets lighted naturally or by safe artificial light. Well ventilated, screened with mesh.	☐	☐	
53. Sec. 90.2 (i) (5) Water closed or privy seats 1:1 of each sex. At least one per sex.	☐	☐	
58. Sec. 90.2 (i) (6) Urinals in lieu of toilets for up to 1/3 of men's seats.	☐	☐	
55. Sec. 90.2 (i) (7) Urinals and surrounding walls of nonabsorbent material.	☐	☐	
Garbage/Refuse	☐	☐	
56. Sec. 90.2 (j) (1) Containers conveniently located/ adequate number	☐	☐	
57. Sec. 90.2 (j) (2) Containers must be in good repair and sanitary.	☐	☐	
58. Sec. 90.2 (j) (3) Must be collected at twice per week.	☐	☐	

	OK	Dev	Comment
Electricity/Lighting	☐	☐	
59. Sec. 90.2 (k) (1) All facilities shall be provided electricity.	☐	☐	
60. Sec. 90.2 (k) (2) Each habitable room must have a ceiling or wall light and an outlet.	☐	☐	
61. Sec. 90.2 (k) (3) Yard areas and pathways to communal arrangements to be illuminated	☐	☐	
62. Sec. 90.2 (k) 4) Wiring and fixtures to be to National Electric Code and state and local codes.	☐	☐	
63. Sec. 90.2 (k) (5) Toilets and storage rooms – 20 foot light candles 30 inches from floor, other rooms 30 foot candles 30 inches from floor.	☐	☐	
Screening	☐	☐	
64. Sec. 90.2 (l) (1) Outside openings 16 mesh or less	☐	☐	
65. Sec. 90.2 (l) (2) Screen doors tight and self-closing	☐	☐	
66. Sec. 90.2 (l) (3) Screens maintained in good repair	☐	☐	
Insect and Rodent Control	☐	☐	
67. Sec. 90.2 (m) (1) Housing sites, units, and utility areas constructed to exclude insects, rodents or other vermin.	☐	☐	
68. Sec. 90.2 (m) (2) Vector control program maintained to insure effective control of insects, rodents and other vermin.	☐	☐	
69. Sec. 90.2 (m) (3) All vector control programs provide max.protection.	☐	☐	
Fire, First Aid, and Safety	☐	☐	
70. Sec. 90.2 (n) (1) All buildings shall be maintained and used in accordance with the provisions of state and local regulations.	☐	☐	
71. Sec. 90.2 (n) (2) Building provides adequate fire exits.	☐	☐	
72. Sec. 90.2 (n) (3) Communal facilities provide adequate fire exits.	☐	☐	
73. Sec. 90.2 (n) (4) Sleeping quarters and assembly rooms on second story shall have a stairway plus permanent affixed ladder or stairway.	☐	☐	
74. Sec. 90.2 (n) (5) Fire extinguishing equipment within 100 feet of each facility.	☐	☐	
75. Sec. 90.2 (n) (6) 1st aid kits provided and accessible at all times. 1 per 16 unit 1 per 50 persons	☐	☐	
76. Sec. 90.2 (n) (7) No flammable or volatile liquids or materials stored in or adjacent to rooms used for living.	☐	☐	
77. Sec. 90.2 (n) (8) No ag pesticides or toxic chemicals stored within facility site. 500 feet in secured location.	☐	☐	
78. Sec. 9.03 (g) Inspection shall cover all units that are subject to being occupied	☐	☐	

Other inspector comments:

____

____

____

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____

COMMUNITY AFFAIRS DIVISION
BOARD ACTION REQUEST
September 3, 2008

Action Item

Presentation, Discussion and Possible Approval of staff recommendations (based on a Request for Applications process) to award the Weatherization Assistance Program to Community Action Corporation of South Texas to serve Hidalgo County and Community Services Agency of South Texas, Inc., to serve Maverick County.

Required Action

Approve, deny or approve with revisions the staff recommendations (based on a Request for Applications process) to award the Weatherization Assistance Program to Community Action Corporation of South Texas to serve Hidalgo County and Community Services Agency of South Texas, Inc., to serve Maverick County.

Background

The Board approved the Request for Applications instructions at the May 8, 2008, Board Meeting. The Request for Applications was published in the *Texas Register* and released to the Department's list serve, and existing subrecipients June 20, 2008. Eligible applicant organizations included any Community Action Agency, non profit organization, or units of general local government.

The Weatherization Assistance Program allows subrecipients to provide cost effective weatherization measures to improve the energy efficiency of eligible client households. Typical weatherization measures include attic and wall insulation, weather-stripping and air sealing measures, heating and cooling unit repair and/or replacement, refrigerator replacement, and minor roof repair. Potential clients apply for assistance with the Weatherization subrecipient. The subrecipient determines if the household is income-eligible and whether they meet the criteria for one or more or the priority populations. Typically, if the applicant is determined eligible, the applicant is placed on a waiting list.

Once the eligible applicant list is developed, the subrecipient conducts an energy assessment on the applicant's home and results are entered into a computerized energy audit to determine if any weatherization measures are appropriate. If the applicant is income eligible and the applicant's home is appropriate for weatherization, the subrecipient weatherizes the client's home. The weatherization work typically is performed by an independent contractor procured through competition and with whom the subrecipient has contracted.

Three organizations submitted proposals in response to the Request for Applications. One application was for Hidalgo County only and two applications were for Maverick County only. The applications were reviewed and scored by staff. The Community Action Corporation of South Texas scored 83.25 out of a possible 100 points. The Community Action Social Services Education, Inc., scored 68.50 out of a possible 100 points and the Community Services Agency of South Texas scored 77.75 out of a possible 100 points.

Recommendation

Staff recommends that the Board approve the Community Action Corporation of South Texas as the applicant to receive the Hidalgo County Weatherization contracts. The Weatherization Assistance Program contracts for Hidalgo County will be $249,978 for the Department of Energy and $329,086 for Low Income Home Energy Assistance Program.

Staff recommends that the Board approve the Community Services Agency of South Texas as the applicant to receive the Maverick County Weatherization contracts. The Weatherization Assistance Program contracts for Maverick County will be $32,443 for the Department of Energy and $40,572 for the Low Income Home Energy Assistance Program.

TEXAS HOMEOWNERSHIP DIVISION

BOARD ACTION REQUEST
SEPTEMEBR 4, 2008

Action Items

Request approval of a contract extension through October 14, 2009 for Countrywide Bank, FSB ("Countrywide") to serve as Master Servicer for the Single Family Mortgage Revenue Bond Program.

Required Action

Approve an extension for Countrywide Bank, FSB as Master Servicer for the Single Family Mortgage Revenue Bond Program through October 14, 2009.

Background and Recommendations

Summary

In August 2004, the Texas Homeownership Division staff developed a Request For Proposal ("RFP") to solicit responses from loan servicing companies to act as Master Servicer for a period of two years under the Department's Single Family Mortgage Revenue Bond ("MRB") Program with the discretion to renew and extend the Agreement at the end of the two-year term under three annual options. On October 14, 2004, staff recommended and the Board approved the selection of Countrywide as Master Servicer for the Single Family Mortgage Revenue Bond Programs. In accordance with the terms of the contract, the agreement was extended by the TDCHA Board on August 2006 and August 2007. At the June 26, 2008 TDHCA Board meeting, their contract was extended an additional two and one-half months instead of twelve months pending the successful acquisition by Bank of America. As a result, their current contract is expected to expire on December 31, 2008. Since then, the acquisition has been successfully completed and staff is recommending the additional extension request be granted. This will be the third and final option exercised under their contract and will extend the contract period to October 14, 2009.

Under the current contract, Countrywide has been the servicer on Programs 62, 62A, 66, 68, 69 and 70. They perform compliance review, lender approval, loan registration and loan servicing functions on all Single Family MRB Programs released during their contract term. The next Single Family MRB Program ("Program 71") is anticipated to be released in mid October 2008. Since servicing values have fallen significantly due to a number of factors, staff is seeking an additional extension of their current contract in order to take advantage of their favorable pricing by including them in the program structuring process for the next scheduled program releases - Programs 71 & 73.

Recommendation

Staff requests approval of an extension through October 14, 2009 for Countrywide Bank, FSB as Master Servicer for the Single Family Mortgage Revenue Bond Program.

TEXAS HOMEOWNERSHIP DIVISION

BOARD ACTION REQUEST
SEPTEMBER 4, 2008

Action Items

Presentation, Discussion and Possible Approval to use deobligated Housing Trust Fund (HTF) funds for match to secure foreclosure mitigation assistance through the National Foreclosure Mitigation Counseling (NFMC) Program.

Required Action

Approve, deny, or approve with modifications the use of deobligated Housing Trust Fund (HTF) funds for match to secure foreclosure mitigation assistance through the National Foreclosure Mitigation Counseling Program.

Background

Summary

At the January 31, 2008 TDHCA Board meeting, staff received approval, to use up to $250,000 in its application in deobligated Housing Trust Fund (HTF) funds for match to secure foreclosure mitigation assistance through the NFMC Program. Although the Department's application did not receive approval at the federal level, a portion of the match funds ($130,000) were recommended for use and received approval by the Board at the May 8, 2008 meeting as a contribution for the Texas Foreclosure Prevention Task Force for foreclosure counseling activities.

The Housing and Economic Recovery Act of 2008, H.R. 3221 was passed and signed into law by the President on July 30, 2008. The bill included an additional $180 million to be administered by the Neighborhood Reinvestment Corporation (NRC) to make grants to NRC or HUD approved counseling intermediaries (including State housing finance agencies) for mortgage foreclosure mitigation assistance. The goal of the program remains essentially the same: to provide counseling assistance that will prevent foreclosure and result in the long-term affordability of the mortgage or another positive outcome for the homeowner.

As the housing finance agency for the State of Texas, TDHCA staff intends to reapply on behalf of HUD approved housing counseling agencies ("subgrantees") that have worked successfully with financial institutions and with borrowers facing default, delinquency and foreclosure. The subgrantees must also have documented counseling and outreach capacity, past successful performance and positive outcomes with documented counseling plans, loan workout agreements and loan modification agreements.

Applicants must provide a 20 percent match for the first $500,000 in funding they receive. After $500,000 the required match drops to 10 percent. Match funds may be cash or in-kind services. TDHCA will also work with other agencies and partners to secure additional match funds. The grant application due date is September 26, 2008 with grant award decisions anticipated to be made the week of November 12, 2008. The contract performance period begins January 1, 2009 and ends December 31, 2009.

Staff is requesting the Board authorize funds to be used as match for the new grant up to $250,000 in HTF dollars. If approved, the Department will have a total commitment of $380,000 in HTF expenditures for foreclosure mitigation.

Recommendation

Approve the use of up to $250,000 in deobligated Housing Trust Fund (HTF) funds for match to secure foreclosure mitigation assistance through the NFMC Program. The Department will also be working to secure match funds from other agencies and partners which may ultimately reduce the amount of HTF funds used.

HOME DIVISION

BOARD ACTION REQUEST

September 4, 2008

Action Item

Presentation, Discussion and Possible Approval of the HOME Investment Partnerships Program 2008 Single Family Persons with Disabilities Notice of Funding Availability (NOFA).

Requested Action

Approve, Deny or Approve with Amendments the HOME Investment Partnerships Program 2008 Single Family Persons with Disabilities Notice of Funding Availability (NOFA).

Background

On March 24, 2008, the Department received its Funding Approval and Grant Agreement from the U.S. Department of Housing and Urban Development. The approval and agreement included $40,043,225 for the Department's Program Year 2008 allocation of the HOME Investment Partnerships Program. The Department's approved 2008 Consolidated Annual Action Plan (Con Plan) includes a $2,000,000 set aside to serve Persons with Disabilities and is the basis for the presentation of this NOFA to the Board. As stated in the Con Plan, $1.5 million is available for Tenant-Based Rental Assistance and Homebuyer Assistance and $500,000 is available for Rental Housing Development. On June 26, 2008, the Board approved a Rental Housing Development (RHD) Program for Persons with Disabilities NOFA making $1,675,307 available statewide. The amount of funds available in this NOFA includes the $500,000 from the 2008 HOME Allocation Persons with Disabilities set–aside for RHD and $1,175,307 in uncommitted and deobligated funds previously set-aside for Persons with Disabilities.

HOME staff regularly attends meetings with the Department's Disability Advisory Workgroup (DAW) to gain a greater understanding of the community's housing need and obtain input on the programming of these funds for housing programs to assist Persons with Disabilities.

As proposed, the NOFA makes funds available to eligible applicants to provide assistance to eligible persons with disabilities with either Homebuyer Assistance, which includes downpayment and closing costs and rehabilitation funds for required accessibility modifications, or Tenant-Based Rental Assistance, which provides rental subsidies and may include security and utility deposits. In accordance with §2306.1115 Texas Government Code, these funds are not subject to the Regional Allocation Formula (RAF).

Based on input from the DAW, the NOFA sets aside $750,000 for HBA and $750,000 for TBRA. Funds will be made available statewide utilizing an open cycle method. For the TBRA set-aside, only applicants committing at least 50% of the proposed households to be assisted to persons transitioning from an institutional setting into a community placement or community setting may apply during the first 90 days. After the first 90 days, funds will be made available to any applicant. For the next 90 days of the NOFA, any funds remaining will be available to any eligible applicant applying under each separate activity. On Monday, March 23, 2009 any remaining funds not requested under either the HBA or TBRA set-aside will be made available to either activity specified in the NOFA until the application deadline date of May 29, 2009.

The availability and use of these funds are subject to the Department's HOME Program Rule (Title 10 Texas Administrative Code Chapter 53) and the federal regulations governing the HOME Program (24 CFR Part 92). An open application cycle method will be used to process applications received in response to this NOFA.

In efforts to prevent predatory lending and foreclosures and as supported by HUD, staff recommends imposing the following first lien mortgage financing requirements for households receiving Homebuyer Assistance:

- No adjustable rate mortgages (ARMs);
- No mortgage loans where the loan to value is equal to or greater than 100%;
- No subprime mortgage loans;
- An origination fee and fees associated with the first lien mortgage loan may not exceed 2% of the loan amount; and
- The debt to income ratio (back-end ratio) may not exceed 45%.

All applications will be required to meet a minimum threshold score and threshold criteria which are established in order to incentivize applicants to target lower income households.

The proposed NOFA is attached to this action item.

Recommendation

Staff recommends approval of the 2008 Single Family Persons with Disabilities Notice of Funding Availability (NOFA) and approval to release for publication in the *Texas Register*.

Texas Department of Housing and Community Affairs

HOME Investment Partnerships Program (HOME)

2008 Single Family Persons with Disabilities
Notice of Funding Availability (NOFA)

1) **Summary.**
   a) The Texas Department of Housing and Community Affairs ("the Department") announces the availability of $1,500,000 in funding from the HOME Investment Partnerships Program (HOME) 2008 allocation for single family housing programs including Homebuyer Assistance (HBA) and Tenant-Based Rental Assistance (TBRA) to assist low income, persons with disabilities. For the first one hundred eighty (180) days of this NOFA, $750,000 in funding will be available for the HBA activity and $750,000 in funding will be available for the TBRA program activity. Funding will be available in any area of the state including Participating Jurisdictions (PJs). After the first one hundred eighty (180) day cycle, funds will be available on a first-come, first-served basis to either activity in any area of the state (including PJs).

   b) The availability and use of these funds is subject to the Department's HOME Program Rule at Title 10 Texas Administrative Code (10 TAC) Chapter 53 in effect at the time the application is submitted, the Federal HOME regulations governing the HOME program (24 CFR Part 92), and Chapter 2306, Texas Government Code. Other federal regulations may also apply such as, but not limited to, 24 CFR parts 50 and 58 for environmental requirements, 24 CFR §85.36 and §84.42 for conflict of interest and 24 CFR Part 5, subpart A for fair housing. Applicants are encouraged to familiarize themselves with all of the applicable state and federal rules that govern the program.

2) **Allocation of Funds.**
   a) These funds are made available through the Department's 2008 annual HOME allocation from the U.S. Department of Housing and Urban Development (HUD). The funds are set-aside for eligible applicants proposing to provide assistance to eligible homebuyers for the acquisition or acquisition and rehabilitation for accessibility of affordable single family housing and households seeking rental subsidies including security and utility deposits through tenant-based rental assistance. Households assisted with HOME funds

must be at or below 80% of the Area Median Family Income (AMFI) and meet the definition of a person with disability, as defined by HUD.

b) In accordance with 10 TAC §53.48(a) this NOFA will be an open application cycle on statewide first-come, first-served basis. TBRA funds will be available for the first 90 days **only** to those applicants proposing to assist persons transitioning from an institution and at least 50% of the total households proposed must be targeted to persons transitioning from an institutional setting into a community placement or community setting. Applications will be accepted by the Department on an on-going basis until all funds have been requested or **5:00 p.m. Friday, December 19, 2008, regardless of method of delivery.**

c) **On Monday, December 22, 2008** funds not requested under the first 90-day cycle will be made available to any eligible applicant under each activity specified in this NOFA. Applications will be accepted by the Department on an on-going basis until all funds have been requested or **5:00 p.m. Friday, March 20, 2009, regardless of method of delivery.**

d) **On Monday, March 23, 2009** any remaining funds not requested under either the HBA or TBRA set-aside will be made available to either activity specified in this NOFA. Applications will be accepted by the Department on an on-going basis until all funds have been requested or **5:00 p.m. Friday, May 29, 2009.**

3) Limitation on Funds.

a) Funds are eligible for use in a Participating Jurisdiction (PJ) as described in the 2008 State of Texas Consolidated Plan One-Year Action Plan.

b) The Department awards HOME funds to eligible organizations and the maximum award amount may not exceed $300,000 for Homebuyer Assistance and $300,000 for Tenant-Based Rental Assistance. Up to $500,000 may be awarded to Homebuyer Assistance applicants whose Service Area includes multiple counties within a Uniform State Service Region.

c) With the exception of Tenant Based Rental Assistance, the minimum amount of HOME assistance per unit is $1,000. The per-unit subsidy may not exceed the per-unit dollar limits established by the U. S. Department of Housing and Urban Development (HUD) under §221(d)(3) of the National Housing Act, which are applicable to the area in which the development is located, and as published by HUD. The purchase price of the housing unit, plus the value of the rehabilitation if applicable, must not exceed 95% of the area's median purchase price as specified in the HUD 203(b) Limits.

d) Each applicant that is awarded HOME funds may also be eligible to receive funding for administrative costs. In accordance with the 2008 State of Texas Consolidated Plan One Year Action Plan, the award amount for administrative costs shall not exceed six percent (6%) of the total project funds requested.

4) **Eligible and Prohibited Activities.**

a) Eligible activities include those permissible under the federal HOME Final Rule at 24 CFR §92.205 and the Department's HOME Program Rule at 10 TAC §53.32 for HBA and §53.33 for TBRA.

b) Prohibited activities include those at 24 CFR §92.214 and 10 TAC §53.37.

5) **Eligible and Ineligible Applicants.**

a) Eligible Applicants are Units of General Local Government**,** Nonprofit Organizations**,** Public Housing Authorities (PHAs), and for-profit entities.

b) Applicants may be ineligible for funding if they meet any of the criteria listed in 10 TAC §53.42 of the Department's HOME Program Rule. Applicants are encouraged to familiarize themselves with the Department's certification and debarment policies prior to application submission.

6) **Affordability Requirements.**

a) Applicants should be aware that there are minimum affordability periods necessary for HOME-assisted housing. Single family housing units assisted with HOME funds must comply with the required affordability requirements as defined at 24 CFR §92.254. Awarded organizations will provide the HOME assistance to the homebuyer in the form of a loan. Each loan will be in the form of a zero percent (0%) interest, deferred forgivable loan with a term based on the total amount of assistance provided and in accordance with 24 CFR §92.254. All loans to assisted homebuyers must be evidenced by loan documents provided by the Department. Each loan to an assisted homebuyer must be payable to Department.

b) If at any time prior to the full loan period there occurs a resale of the property, a refinance of any superior lien, a repayment of any superior lien, or if the unit ceases to be the assisted Household's principal residence, the remaining loan balance shall become due and payable.

c) Forgiveness of the loan balance is calculated based on a pro-rata annual share of the loan term. The anniversary date of the loan shall constitute completion of the year. Any partial year shall not be waived. The amount due will be based on the pro-rata share number of years of the remaining loan term.

d) In the event the home is sold (voluntary or involuntary), the assisted Household will pay the loan balance from the shared net proceeds of the sale. The shared net proceeds are the sales price minus superior loan repayment (other than HOME funds) and any closing costs. A copy of the HUD closing statement must be provided.

7) **Site and Construction Restrictions.**

a) Pursuant to 24 CFR §92.251, housing that is constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. In the absence of a local code for new construction or rehabilitation, HOME-assisted new construction or rehabilitation must meet, as applicable, the International Residential Code, Texas Minimum Construction Standards (TMCS) and be in compliance with the basic access standards in new construction, established by §2306.514, Texas Government Code. In addition, housing that is rehabilitated with funds awarded under this NOFA must meet energy efficiency standards established by §2306.187 of the Texas Government Code, and energy standards as verified by RESCHECK, in accordance with the Final Rule.

b) All other HOME-assisted housing (e.g., acquisition) must meet all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR §982.401. When HOME funds are used for a rehabilitation development the entire unit must be brought up to the applicable property standards, pursuant to 24 CFR §92.251(a)(1).

c) Rental units secured though HOME assistance must be inspected prior to occupancy, inspected annually, and must comply with Housing Quality Standards (HQS) established by HUD in 24 CFR Part 92.

8) Homebuyer Assistance (HBA).

a) During the first one hundred eighty (180) days of this NOFA, approximately $750,000 of the HOME funds released under this NOFA will be set-aside for Homebuyer Assistance. This program activity may be used to provide assistance to eligible first time homebuyers for the acquisition or acquisition with rehabilitation of affordable single family housing by providing downpayment and closing cost assistance (including soft costs). If needed, rehabilitation must be provided for required accessibility modifications. Eligible homebuyers may receive loans up to $35,000 for downpayment, closing costs and rehabilitation. A maximum of $15,000 of the $35,000 loan may be used for downpayment and closing costs (including soft costs). The balance of the loan can be used for required accessibility modifications but cannot exceed $20,000.

b) As defined in 10 TAC §53.47(a)(2), the maximum award amount for HBA shall not exceed $300,000 per Applicant per NOFA; however, up to $500,000 may be awarded to HBA Applicants whose Service Area includes multiple counties within a Uniform State Service Region. In accordance with the 2008 Consolidated Plan-One Year Action Plan, up to six percent (6%) of the requested project funds may be requested for administrative costs.

c) As defined in 10 TAC §53.32 (e), the maximum amount of assistance to an eligible Household for downpayment and closing cost assistance (including soft costs) is $15,000. As defined in 10 TAC §53.32 (f), the maximum amount of assistance for rehabilitation to an eligible household that is also using funds for acquisition is $20,000.

d) The following first lien purchase loan requirements are imposed for households receiving Homebuyer Assistance:

i) No adjustable rate mortgage loans (ARMs) are allowed.
ii) No mortgages with a loan to value equal to or greater than 100% are allowed;
iii) No subprime mortgage loans are allowed;
iv) An origination fee and any other fee associated with the mortgage loan may not exceed 2% of the loan amount; and
v) The income ratio (back-end ratio) may not exceed 45%.

e) HBA assistance will be in the form of a 0% interest, 5 or 10 year deferred, forgivable loan depending on the amount of assistance, creating a 2nd or 3rd lien with a term based on the federal affordability requirements as defined in 24 CFR §92.254.

f) In accordance with 10 TAC §53.72(a)(2), the contract term for the HBA Program Activity shall not exceed 24 months and performance under the contract will be evaluated according to the following benchmarks:

i) 6 months, exempt administrative and environmental clearance must be complete for at least one Household to be assisted;

ii) 12 months, environmental clearance must be complete for at least 50% of the Households to be assisted, 50% of funds must be committed, 25% of funds drawn, and 25% of match supplied;

iii) 18 months, environmental clearance must be complete for at least 75% of the Households to be assisted, 75% of funds must be committed, 50% of funds drawn, and 50% of match requirement supplied; and

iv) 24 months, 100% of funds must be committed, 100% of funds drawn, and 100% of matched supplied.

g) A minimum threshold score of 12 is required in order to be considered for funding. The following threshold criteria listed in the subsection are mandatory requirements at the time of application submission unless specifically indicated otherwise and will be included in the written agreement, if awarded funds:

i) **Affordable Housing Needs Score:** Points range from zero to seven, as published by the Department. Maximum 7 points.

ii) **Income Targeting:** In order to meet its annual goal of assisting very low to extremely low income families, the Department incentivizes application points for income targeting of households assisted The following table will be used to determine income targeting requirements and associated points. Maximum 10 points.

Table 2. Point Incentives for Income Targeting

Income Target	Points
0% to 29.99% of units at 60% AMFI	3

30% to 59.99% of units at 60% AMFI	7
60% to 100% of units at 60% AMFI	10

iii) **Experience Providing Services to Persons with Disabilities:** Applicants must have at least 5 or more years providing services specifically targeting the needs of persons with disabilities as evidenced by previous contracts with funding entities for these services. To satisfy the requirement for this category, applicant may provide evidence of a partnership with an entity or organization that meets the requirement. Maximum 5 points.

iv) **Experience Providing Homebuyer Assistance Service**: Applying entity must have at least two (2) years experience providing homebuyer assistance services as evidenced by current or previous contracts with funding entities for these services. To satisfy the requirement for this category, applicant may provide evidence of a partnership with an entity or organization that meets this requirement. Maximum 5 points.

v) **Cash Reserve**: Each awarded applicant will be required to expend funds according to program guidelines and request funds from the Department for eligible expenses. Every Applicant must evidence the ability to administer the program and commit adequate cash reserves of at least $60,000 to facilitate administration of the program during the Department's disbursement process. Cash reserves are not permanently invested in the project but are used for short term deficits that are paid by program funds. Evidence of this commitment and the amount must be included in the Applicant's resolution.

vi) **Resolution:** All applications submitted must include an **original** resolution from the Applicant's direct governing body, authorizing the submission of the Application, commitment and the amount of cash reserves for use during the contract period, naming of a person and the person's title authorized to represent the organization and signature authority to execute a contract. If an Applicant that is a nonprofit organization is requesting a waiver of the grant application fee, they must do so in the resolution, and must state that the nonprofit organization offers expanded services such as child care, nutrition programs, job training assistance, health services, or human services. The resolution must be **signed and dated** within the six months preceding the application submission date.

vii) **Description of Demand**: It will be a threshold requirement to submit a narrative that describes in detail the demand evidenced for the proposed number of units to be assisted in the proposed service area. Source data, calculations and assumptions must be included.

viii) **Homebuyer Counseling:** It will be a threshold requirement for each applicant to submit the level of homebuyer counseling that will be provided. A minimum of 8 hours of homebuyer counseling must be provided. Evidence must include documentation describing the level of homebuyer counseling proposed, including post purchase counseling. Applicant must state who will provide the homebuyer counseling. A copy of the curriculum and a copy of the proposed written agreement for service provider (if the applicant is not providing the service) must also be provided.

ix) **Plan for Identifying Accessibility needs of the Homebuyer.** Applicant must submit a plan that clearly describes the process and expertise to be used in determining the accessibility needs of the homebuyer. The plan should include resumes of qualified/experienced staff or proposed agreement with a qualified/experienced third party company or agency.

9) Tenant-Based Rental Assistance (TBRA).

a) During the first one hundred eighty (180) days of this NOFA, approximately $750,000 of HOME Funds released under this NOFA will be set-aside for Tenant-Based Rental Assistance. This program activity may be used to provide eligible households rental subsidies, including security and utility deposits. In accordance with 24 CFR 92.216, not less than 90% of the households assisted with respect to TBRA or rental units, must have incomes at or below 60% of the AMFI, as defined by HUD.

b) During the first ninety (90) days of this NOFA, only applicants committing at least 50% of the proposed households to be assisted to persons transitioning from an institutional setting into a community placement or community setting may apply. After the first 90 days, funds will be made available to any applicant under the TBRA set-side.

c) In accordance with 10 TAC §53.47(a)(3) the maximum award amount for TBRA shall not exceed $300,000 per Applicant per NOFA. In accordance with the 2008 Consolidated Plan-One Year Action Plan, up to six percent (6%) of the requested project funds may be requested for administrative costs. In accordance with 10 TAC §53.72(3) the contract term for TBRA shall not exceed 36 months, however, individual household assistance is limited to 24 months.

d) Through the TBRA program, rental subsidy and security and utility deposit assistance is provided to tenants as a grant, in accordance with written tenant selection policies, for a period not to exceed twenty-four (24) months, which shall include among its objectives the securing of a permanent source of affordable housing on or before the expiration of the rental subsidy. Security deposits and utility deposits may be provided in conjunction with rental assistance. A security deposit cannot exceed two (2) months rent for the unit.

e) In accordance with 10 TAC §53.33, the household must comply with the following initial eligibility requirements: participate in an approved self-sufficiency program; maintain principal residency in the rental unit for which the subsidy is being provided; be an income eligible household; reside in a rental unit that is located within the Administrator’s Service Area; meet the definition of persons with disabilities as defined by HUD; and meet all other eligibility requirements.

f) As defined in 10 TAC §53.33(d) the rental standard must not exceed HUD's "Fair Market Rent for the Housing Choice Voucher Program." Rental units must be inspected prior to occupancy and re-inspected annually, and must comply with Housing Quality Standards established by HUD.

g) In accordance with 10 TAC §53.72(a)(3), the contract term for the TBRA Program shall not exceed 36 months and performance under the contract will be evaluated according to the following benchmarks:

   i) 6 months, exempt administrative environmental clearance must be complete and application intake complete for 30% for Households to be assisted;

   ii) 9 months, application intake complete for 75% for Households to be assisted;

   iii) 12 months, 100% of funds must be committed to Households to be assisted and 25% of funds drawn;

   iv) 18 months, 100% of funds already committed and 35% of funds drawn;

   v) 24 months, 100% of funds already committed and 50% of funds drawn; and

   vi) 36 months, 100% of funds already committed and 100% of funds drawn.

h) A minimum threshold score of 10 is required in order to be considered for funding. The following threshold criteria listed in the subsection are mandatory requirements at the time of application submission unless specifically indicated otherwise and will be included in the written agreement, if awarded funds:

   i) **Affordable Housing Needs Score:** Points range from zero to seven, as published by the Department. Maximum 7 points.

   ii) **Income Targeting:** In order to meet its annual goal of assisting very low to extremely low income families, the Department incentivizes application points for income targeting of households assisted. The following table will be used to determine income targeting requirements and associated points. For those counties where the area median family income (AMFI) is at or below the state average median family income will receive the same number of points for income targeting when serving households at or below 50% AMFI as those counties exceeding the statewide median income targeting households at or below 30% AMFI. Maximum 20 points.

Table 3. Point Incentives for Income Targeting

Income Target	Points
0% to 29.99 % of units at 60% AMFI	1
30% to 59.99 % of units at 60% AMFI	3
60% to 100 % of units at 60% AMFI	5

0% to 29.99% of units at 30% AMFI	+6
30% to 59.99% of units at 30% AMFI	+11
60% to 100% of units at 30% AMFI	+15

iii) **Experience Providing Services to Persons with Disabilities:** Applicants must have at least 5 or more years providing services specifically targeting the needs of persons with disabilities as evidenced by previous contracts with funding entities for these services. To satisfy the requirement for this category, applicant may provide evidence of a partnership with an entity or organization that meets the requirement. Maximum 5 points.

iv) **Experience Providing Rental Voucher Services:** Applying entity must have at least two (2) years experience providing rental voucher services as evidenced by current or previous contracts with funding entities for these services. To satisfy the requirement for this category, applicant may provide evidence of a partnership with an entity or organization that meets this requirement. Maximum 5 points.

v) **Cash Reserve**: Each awarded applicant will be required to expend funds according to program guidelines and request funds from the Department for eligible expenses. Every Applicant must evidence the ability to administer the program and commit adequate cash reserves of at least one month of rent for the number of households proposed to serve as stated in the application to facilitate administration of the program during the Department's disbursement process. Cash reserves are not permanently invested in the project but are used for short term deficits that are reimbursed by program funds. Evidence of this commitment and the amount must be included in the Applicant's resolution.

vi) **Resolution:** All applications submitted must include an **original** resolution from the Applicant's direct governing body, authorizing the submission of the Application, commitment and amount of cash reserves for use during the contract period, naming of a person and the person's title authorized to represent the organization and signature authority to execute a contract. If an Applicant that is a nonprofit organization is requesting a waiver of the grant application fee, they must do so in the resolution, and must state that the nonprofit organization offers expanded services such as child care, nutrition programs, job training assistance, health services, or human services. The resolution must be signed and dated within the six months preceding the application submission date.

vii) **Description of Demand**: It will be a threshold requirement to submit a narrative that describes in detail the demand evidenced for the proposed number of units to be assisted in the proposed service area. Source data, calculations and assumptions must be included.

viii) **TBRA Self Sufficiency Program:** It will be a threshold requirement for each applicant to submit a proposed detailed Self Sufficiency Plan and must describe the process for the transition of households to permanent affordable housing by the end of the 24-month rental assistance contract term.

(1) The documentation must describe the necessary components for the overall plan proposed for transition of potential tenants. This plan, like a case management plan, should detail the need of the tenant, how these needs will be addressed including any agreements with service providers who shall assist the tenant at meeting these needs, and a proposed timeframe for completing those activities. The plan must include:

(a) A sample household budget which will utilize existing sources of income such as employment, disability payments and other types of support that details how the assisted household will afford to be self-sufficient by the end of the 24-month rental assistance.

(b) If additional income is required to attain self-sufficiency, a plan for attaining the required education or training, or a job search plan must be included.

(c) Specific housing goals that will be completed on or before the end of the 24-month assistance period include: finding permanently subsidized housing, affordable market housing or other permanent housing solutions. The plan should include the required steps such as completing an application, approximate waiting time to get into the type of housing desired and the cost of the housing to the tenant.

10) Review Process.

a) Pursuant to 10 TAC §53.48(a), each application will be handled on a first-come, first-served basis as further described in this section. Each application will be assigned a "received date" based on the date and time it is physically received by the Department. Then each application will be reviewed on its own merits as applicable. Applications will continue to be prioritized for funding based on their "received date". Applications will be reviewed for applicant and activity eligibility, and threshold criteria as described in this NOFA.

i) The Department will ensure review of materials required under the NOFA and Application Submission Procedures Manual (ASPM) and will issue a notice of any Administrative Deficiencies within 45 days of the received date. Applications with Administrative Deficiencies not cured within five (5) business days, will be terminated and must reapply for consideration of funds. Applications that have completed this Phase will be reviewed for recommendation to the Board by the Committee.

ii) Because Applications are processed in the order they are received by the Department, it is possible that the Department will expend all available HOME funds before an Application has been completely reviewed. If on the date an Application is received by the Department, no funds are available under this NOFA, the Applicant will be notified that no funds exist under the NOFA and the Application will not be processed

b) Pursuant to 10 TAC §53.42 if a submitted Application has an entire Volume of the application missing; has excessive omissions of documentation from the Threshold Criteria or Uniform Application documentation; or is so unclear, disjointed or incomplete that a thorough review cannot reasonably be performed by the Department, as determined by the Department, will be terminated without being processed as an Administrative Deficiency.

c) The Department may decline to consider any Application if the proposed activities do not, in the Department's sole determination, represent a prudent use of the Department's funds. The Department is not obligated to proceed with any action pertaining to any Applications that are received, and may decide it is in the Department's best interest to refrain from pursuing any selection process. The Department reserves the right to negotiate individual elements of any Application

d) All Applicants will be processed through the Department's Application Evaluation System, and will include a previous award and past performance evaluation. Poor past performance may disqualify an Applicant for a funding recommendation or the recommendation may include conditions.

e) Funding recommendations of eligible Applicants will be presented to the Department's Governing Board of Directors based on eligibility and limited by the total amount of funds available under this NOFA and the maximum award amount.

f) In accordance with §2306.082, Texas Government Code and 10 TAC §53.6, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and Applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an Applicant or other person would like to engage the Department in an ADR procedure, the person may send a proposal to the Department's Dispute Resolution Coordinator. For additional information on the Department's ADR Policy, see the Department's General Administrative Rule on ADR at 10 TAC §1.17

g) An Applicant may appeal decisions made by staff in accordance with 10 TAC §1.7.

11) Application Submission.

a) All applications submitted under this NOFA must be received on or before **5:00 p.m. on Friday, May 29, 2009, regardless of method of delivery.**

b) The Department will accept applications from 8 a.m. to 5 p.m. each business day, excluding federal and state holidays from the date this NOFA is published on the Department's web site until the deadline. Question regarding this NOFA should be addressed to:

HOME Division
221 E. 11th Street
Austin, Texas 78701
Telephone: (512) 463-8921
E-mail: HOME@tdhca.state.tx.us

c) All applications must be submitted, and provide all documentation, as described in this NOFA and associated application materials.

d) Applicants must submit one complete printed copy of all Application materials and one complete scanned copy of the Application materials as detailed in the Application Submission Procedures Manual (ASPM). All scanned copies must be scanned in accordance with the guidance provided in the ASPM.

e) All Application materials including manuals, NOFA, program guidelines, and all applicable HOME rules, will be available on the Department's website at www.tdhca.state.tx.us. Applications will be required to adhere to the HOME Rule and threshold requirements in effect at the time of the Application submission. Applications must be on forms provided by the Department, and cannot be altered or modified and must be in final form before submitting them to the Department.

f) Applicants are required to remit a non-refundable Application fee payable to the Texas Department of Housing and Community Affairs in the amount of $30 per Application. Payment must be in the form of a check, cashier's check or money order. Do not send cash. Per §2306.147(b), Texas Government Code requires the Department to waive Application fees for nonprofit organizations that offer expanded services such as child care, nutrition programs, job training assistance, health services, or human services. These organizations must include proof of their exempt status and a description of their supportive services in lieu of the Application fee. The Application fee is not an allowable or reimbursable cost under the HOME Program.

g) This NOFA does not include text of the various applicable regulatory provisions that may be important to the HOME Program. For proper completion of the application, the Department strongly encourages potential applicants to review the State and Federal regulations, and contact the HOME Division for guidance and assistance.

h) **Application Workshop:** the Department will present application workshops in locations throughout the State which will provide an overview of the HOME Program Activities eligible under this NOFA and will also provide Application preparation and submission requirements, evaluation criteria, and state and federal program information. The

Application workshop schedule and registration will be posted on the Department's website at www.tdhca.state.tx.us

i) **Audit Requirements:** An applicant is not eligible to apply for funds or any other assistance from the Department unless a past audit or Audit Certification Form has been submitted to the Department in a satisfactory format on or before the application deadline for funds or other assistance per 10 TAC §1.3(b). This is a threshold requirement outlined in the application, therefore applications that have outstanding past audits will be disqualified. Staff will not recommend applications for funding to the Department's Governing Board unless all unresolved audit findings, questions or disallowed costs are resolved per 10 TAC §1.3(c).

j) Applications must be sent via overnight delivery to:

Texas Department of Housing and Community Affairs
HOME Division
221 East 11th Street
Austin, TX 78701-2410

or via the U.S. Postal Service to:

Texas Department of Housing and Community Affairs
HOME Division
Post Office Box 13941
Austin, TX 78711-3941

NOTE: *This NOFA does not include the text of the various applicable regulatory provisions that may be important to the particular HOME Program. For proper completion of the application, the Department strongly encourages potential applicants to review all applicable State and Federal regulations.*

HOME DIVISION

BOARD ACTION REQUEST

September 4, 2008

Action Item

Presentation, Discussion and Possible Approval of the 2009 Housing Trust Fund Rental Production Program Notice of Funding Availability (NOFA).

Requested Action

Approve, Deny or Approve with Amendments the 2009 Housing Trust Fund Rental Production Program Notice of Funding Availability (NOFA).

Background

The 2008 Housing Trust Fund Rental Production Program NOFA was originally approved by the Board in October 2007 as one of the programs described in the 2008 Housing Trust Fund Annual Plan. The NOFA made available approximately $844,000 to provide funding for rental housing developments, primarily in rural areas targeting units for households between of 30% to 50% of Area Median Family Income (AMFI). The NOFA was subsequently amended and published after board approval of several changes such as those necessitated by the adoption of the Housing Trust Fund Rule, the removal of the requirement of a market study for those applicants proposing the acquisition or acquisition and rehabilitation of a development with 10 or fewer units, to allow older housing tax credit-financed properties as an eligible activity under the NOFA, to allow developments with existing and continuing USDA 515 program loans and rental assistance or project-based Section 8 to satisfy the income targeting for 30% AMFI requirements, an increase in the total amount of funds available under the NOFA by $1,000,000, an increase in the maximum award amount from $250,000 to $500,000, and an extension of the deadline from May 1, 2008 to September 1, 2008.

At the July 2008 Board meeting, the 2009 Housing Trust Fund Annual Plan was approved which included a Rental Production Program component. Based on staff discussions with interested applicants, including those that attended the Housing Trust Fund Program Roundtable held on August 7, 2008, staff recommends additional changes to the NOFA as follows:

- Increase the total amount of funds available under the NOFA by $750,000 for a total amount of $2,594,000 based on the Housing Trust Fund Annual Plan approved July 31, 2008;
- Allow funding requests to be layered with developments that are applying for or have received an allocation of Housing Tax Credits;
- Allow a maximum award amount of $500,000. The 2009 Annual Plan inadvertently described a maximum award amount of $250,000. Feedback from interested applicants has indicated that one reason for the lack of applications has been the limited amount of funds available per transaction which make the pursuit costs for an award too high for the potential return;

- Include as Threshold Criteria the requirement that 10% of the total units in the proposed development must be designated as HTF units. Previously, there was no minimum number of HTF units established;
- Include as Threshold Criteria compliance with the threshold requirements listed in the Qualified Allocation Plan, as described in 10 TAC §50.9 (h), excluding subsections (11), (12), and (15) at the time of application and to be considered for funding; and,
- An application submission deadline date of April 6, 2009.

The NOFA is attached and includes the changes proposed by staff.

Recommendation

Staff recommends approval of the 2009 Housing Trust Fund Rental Housing Production NOFA and approval to release for publication in the *Texas Register*.

Texas Department of Housing and Community Affairs

2009 Housing Trust Fund

Rental Production Program
Notice of Funding Availability (NOFA)

1) **Summary.**

   a) The Texas Department of Housing and Community Affairs ("the Department") announces the availability of approximately $2,594,000 in funding from the Housing Trust Fund for financing of affordable rental housing for very low-income and extremely low-income Texans. The availability and use of these funds is subject to the state Housing Trust Fund Rule at Title 10 Texas Administrative Code (10 TAC) Chapter 51 ("HTF Rules") and Chapter 2306, Texas Government Code in effect at the time an application is submitted. Applicants are encouraged to familiarize themselves with all of the applicable rules that govern the program.

2) **Allocation of Housing Trust Funds.**

   a) These funds are made available through 2008 and 2009 General Revenue Funds and local revenues appropriated to the Housing Trust Fund during the 80th Legislative Session for financing rental housing developments which involve new construction, rehabilitation or acquisition and rehabilitation. All funds released under this NOFA are to be used for the subsidizing of affordable rental housing units that target very low-income Texans earning 50 percent or less of Area Median Family Income (AMFI). Additionally, if the funds are used to target extremely low-income Texans earning 30 percent or less of the AMFI and those units are not designated to serve extremely low-income households through another subsidy source with the exception of developments with existing and continuing USDA 515 program loans and rental assistance or project-based Section 8, the Department may allow a forgivable loan only for those extremely low-income units.

   b) In accordance with 10 TAC §51.8, this NOFA will be an Open Application Cycle and funding will be available on a first-come, first-served statewide basis. Applications will be accepted until 5:00 p.m. **April 6, 2009** unless all funds are committed prior to this date. Applicants are encouraged to review the application process cited above and described herein. Applications that do not meet minimum threshold and financial feasibility will not be considered for funding.

c) The Department will allocate Housing Trust Fund awards as a loan, to eligible recipients for the provision of housing for very low and extremely low-income individuals and families. The Department's underwriting guidelines at 10 TAC §1.32 will be used which set as a minimum feasibility a 1.15 debt coverage ratio.
d) Award amounts are limited to no more than $500,000 per development.
e) Developments involving rehabilitation must establish that the rehabilitation will substantially improve the condition of the housing and will involve at least $12,000 per unit in direct hard costs, unless the property is also being financed by the United States Department of Agriculture's Rural Development program.

3) Eligible and Ineligible Activities and Restrictions.

a) Eligible activities will include the financing, new construction, acquisition and/or rehabilitation of affordable rental housing developments.
b) If an application is determined ineligible pursuant to §51.5 (d) (9), the application will be terminated without being processed as an Administrative Deficiency. To the extent that a review was able to be performed, specific reasons for the Department's determination of ineligibility will be included in the termination letter to the Applicant.
c) Restrictions include the displacement of existing affordable housing. Pursuant to §2306.203(a)(4) of the Texas Government Code, Housing Trust Funds shall not be utilized on a development that has the effect of permanently and involuntarily displacing low, very low, and extremely low income persons and families. Low-Income persons who may be temporarily displaced by the rehabilitation of affordable housing may be eligible for compensation of moving and relocation expenses. If a Housing Trust Fund recipient violates the permanent dislocation provision of this subsection, that recipient risks loss of Housing Trust Funds and the landlord/developer must pay the affected tenant's costs and all moving expenses.

4) Eligible and Ineligible Applicants.

a) The Department provides HTF to qualified local units of government, public housing authorities, nonprofit organizations and for-profit entities.
b) Ineligible Applicants will include the following:
   i) Previously funded recipient(s) whose Housing Trust Funds have been partially or fully deobligated due to failure to meet contractual obligations during the 12 months prior to the current funding cycle;
   ii) Applicants, or persons affiliated with the Applicant that have been barred, suspended, or terminated from procurement in a state or federal program and listed in the List of Parties Excluded from Federal Procurement of Non-procurement Programs;
   iii) Applicants or persons affiliated with the Applicant that are subject of enforcement action under state or federal securities law, or are the subject of an enforcement proceeding with a state or federal agency or another governmental entity;
   iv) Applicants or persons affiliated with the Applicant that have unresolved audit findings related to previous or current funding agreements with the Department;
   v) Applicants or persons affiliated with the Applicant that have delinquent loans, fees or other commitments with the Department, until payment is made;

vi) Applicants who have not satisfied all threshold requirements described in this title, and the NOFA to which they are responding, and for which Administrative Deficiencies were unresolved;
vii) Applicants who have submitted incomplete Applications;
viii) Applicants or persons affiliated with the Applicant that have been otherwise barred by the Department;
ix) Applicants are subject to 10 TAC §1.13; or
x) Applicants or persons affiliated with the Applicant that have breached a contract with a public agency.

c) Each Application will be reviewed for its compliance history by the Department, consistent with 10 TAC Chapter 60. Applicants, or persons affiliated with an Application, found to have a Development or Contract in Material Noncompliance with the Department, will have their Application(s) terminated.

5) Affordability Requirements.

a) Pursuant to §2306.203 (6) of the Texas Government Code, Applicants proposing multifamily housing, new construction or rehabilitation, will be required to guarantee the Development will remain affordable to income qualified families or individuals for a period of 20 years.

b) Properties will be restricted under a Land Use Restriction Agreement ("LURA"), or other such instrument as determined by the Department for these terms. Among other restrictions, the LURA may require the owner of the property to continue to accept subsidies which may be offered by the federal government, prohibit the owner from exercising an option to prepay a federally insured loan, impose tenant income-based occupancy and rental restrictions, or impose any of these and other restrictions as deemed necessary at the sole discretion of the Department in order to preserve the property as affordable housing on a case-by-case basis.

6) Site and Development Restrictions.

a) Housing that is constructed or rehabilitated with HTF funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. In the absence of local codes applications will be required to meet Texas Minimum Construction Standards, as well as the Fair Housing Accessibility Standards and Section 504 of the Rehabilitation Act of 1973. Developments must also meet all local building codes or standards that may apply.

b) Housing must meet the accessibility requirements at 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and covered multifamily dwellings, as defined at 24 CFR §100.201, must also meet the design and construction requirements at 24 CFR §100.205, which implement the Fair Housing Act (42 U.S.C. 3601–3619). Any Developments designed as single family structures must also satisfy the requirements of §2306.514, Texas Government Code.

7) Threshold Criteria.

a) Housing units subsidized by HTF funds must be affordable to very-low (50% AMFI or below) or extremely low-income (30% AMFI or below) persons. Mixed Income rental developments may only receive funds for units that serve very-low or extremely low-income persons. All applications intended to serve persons with disabilities must adhere to the Department's Integrated Housing Rule at 10 TAC §1.15.

b) The Recipient must establish a reserve account consistent with §2306.186, Texas Government Code, and as further described in 10 TAC §1.37.

c) The following Threshold Criteria listed in this subsection are mandatory requirements at the time of Application submission unless specifically indicated otherwise. Applicants must demonstrate the application can meet the following threshold criteria to be considered for funding:

   i) The application is consistent with the requirements established in the HTF rules and the NOFA.

   ii) The Applicant provides evidence of its ability to carry out the proposal in the areas of financing, acquiring, rehabilitating, developing or managing an affordable housing development.

   iii) To encourage the inclusion of families and individuals with the highest need for affordable housing, applicants must target units for individuals or families earning 50% or less of area median family income for the development site. Additionally, 10% of the total units in the proposed development must be designated as HTF units. Developments with existing and continuing USDA 515 program loans and rental assistance or project-based Section 8 are exempt from this minimum targeting requirement.

   iv) An applicant is not eligible to apply for funds or any other assistance from the Department unless audits are current at the time of application or the Audit Certification Form has been submitted to the Department in a satisfactory format on or before the application deadline for funds or other assistance per 10 TAC §1.3(b).

   v) All of the current Qualified Allocation Plan and Rules in effect at the time of application submission at 10 TAC §50.9 (h), excluding subsections (11), (12), and (15).

8) Review Process.

a) Pursuant to 10 TAC §51.8, each application will be handled on a first-come, first-served basis as further described in this section. Each application will be assigned a "Received Date" based on the date and time it is physically received by the Department. Then each application will be reviewed on its own merits in two review phases, as applicable. Applications will continue to be prioritized for funding based on their "Received Date" unless they do not proceed into the next phase(s) of review. Applications proceeding in a timely fashion through a phase will take priority over applications that may have an earlier "Received Date" but that did not timely complete a phase of review. Applications will be reviewed for Applicant and Activity Eligibility, Threshold Criteria, and Financial Feasibility as described in this NOFA.

   Phase One will begin as of the Received Date and will include a review of eligibility and threshold criteria and all Application requirements. The Department will ensure review of materials required under the NOFA and ASPM and will issue a notice of any Administrative Deficiencies for threshold criteria and eligibility within 45 days of the Received Date. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into Phase Two, if applicable, and will continue to be prioritized by their Received Date. Applications with Administrative Deficiencies not cured within five (5) business days, will be terminated and must reapply for consideration of funds. Applications that have completed this Phase and do not require additional review in Phase Two will be reviewed for recommendation to the Board by the Committee.

Phase Two will include a comprehensive review for financial feasibility for Development Activities. Financial feasibility reviews will be conducted by the Real Estate Analysis (REA) Division consistent with 10 TAC §1.32. REA will create an underwriting report identifying staff's recommended Loan terms, the Loan or Grant amount and any conditions to be placed on the Development. The Department will issue a notice of any Administrative Deficiencies within 45 days of the date the Application enters Phase Two. Applications with Administrative Deficiencies not satisfied within five (5) business days, will be terminated and must reapply for consideration of funds. Applications that have completed this Phase will be reviewed for recommendation to the Board by the Committee.

Because applications are processed in the order they are received by the Department, it is possible that the Department will expend all available Housing Trust Fund funds before an application has completed all phases of review. In the case that all Housing Trust Fund funds are committed before an application has completed all phases of the review process, the Department will notify the applicant that their application will remain active for ninety (90) days in its current phase. If new Housing Trust Fund funds become available, Applications will continue onward with their review without losing their Received Date priority. If Housing Trust Fund funds do not become available within ninety (90) days of the notification, the Applicant will be notified that their Application is no longer under consideration. The applicant must reapply to be considered for future funding. If on the date an Application is received by the Department, no funds are available under the NOFA, the applicant will be notified that no funds remain under the NOFA and that the application will not be processed.

b) If a submitted Application has an entire Volume of the application missing; has excessive omissions of documentation from the Threshold Criteria or Uniform Application documentation; or is so unclear, disjointed or incomplete that a thorough review cannot reasonably be performed by the Department, as determined by the Department, the Application will be terminated without being processed as an Administrative Deficiency.
c) Pursuant to 10 TAC §51.8(e), a site visit will be conducted as part of the HTF Program development feasibility review. Applicants must receive recommendation for approval from the Department to be considered for HTF funding by the Board.
d) The Department may decline to consider any Application if the proposed activities do not, in the Department's sole determination, represent a prudent use of the Department's funds. The Department is not obligated to proceed with any action pertaining to any Applications which are received, and may decide it is in the Department's best interest to refrain from pursuing any selection process. The Department strives, through its loan terms, to securitize its funding while ensuring the financial feasibility of a Development. The Department reserves the right to negotiate individual elements of any Application.

e) In accordance with §2306.082 Texas Government Code and 10 TAC 51.8(g), it is the Department's policy to encourage the use of appropriate Alternative Dispute Resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and Applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an Applicant or other person would like to engage the Department in an ADR procedure, the person may send a proposal to the Department's Dispute Resolution Coordinator. For additional information on the Department's ADR Policy, see the Department's General Administrative Rule on ADR at 10 TAC 1.17.
f) An Applicant may appeal decisions made by staff in accordance with 10 TAC §1.7.

9) Application Submission.

a) All applications submitted under this NOFA must be received on or before 5:00 p.m. on **April 6, 2009**. The Department will accept applications from 8 a.m. to 5 p.m. each business day, excluding federal and state holidays from the date this NOFA is published on the Department's web site until the deadline. For questions regarding this NOFA please contact Barbara Skinner at 512-475-1643 or via e-mail at barbara.skinner@tdhca.state.tx.us.
b) If an Application is submitted to the Department for a Development that requests funds from two separate housing finance programs, and only one of the housing finance programs is operated as a competitive cycle, the Application will be handled in accordance with the guidelines for each housing program. The Applicant is responsible for adhering to the deadlines and requirements of both programs. If an Application is submitted for two separate housing finance programs where both programs are either open cycle, or competitive, the Application will be handled in accordance with the guidelines of each housing program. The Applicant is responsible for adhering to the deadlines and requirements of both programs.
c) Applications submitted to the Department must be complete and include all support documentation and associated application materials as described in this NOFA.
d) Applicants must submit two complete printed copies of all Application materials as detailed in the 2007 ASPM for Housing Trust Fund.
e) The application consists of three parts: bound items, unbound items and electronic submission. A complete application for each proposed development must be submitted. Incomplete applications or improperly bound applications will not be accepted. The bound volumes of the application must be bound using red pressboard binders. Each volume must be submitted in a separate red pressboard binder. If the required documentation for a volume exceeds the capacity of one binder, a second binder may be used to subdivide the volume.
f) If third party reports are not received at the time of application submission, the Application will be terminated.

g) Application materials including manuals, NOFA, program guidelines, and applicable Housing Trust Fund rules, will be available on the Department's website at www.tdhca.state.tx.us. Applications will be required to adhere to the Housing Trust Fund Rule and threshold requirements in effect at the time of the Application submission. Applications must be on forms provided by the Department, and cannot be altered or modified and must be in final form before submitting them to the Department.
h) Applicants are required to remit a non-refundable Application fee payable to the Texas Department of Housing and Community Affairs in the amount of $200.00 per Application. Payment must be in the form of a check, cashier's check or money order. Do not send cash. Section 2306.147(b) of the Texas Government Code requires the Department to waive Application fees for nonprofit organizations that offer expanded services such as child care, nutrition programs, job training assistance, health services, or human services. These organizations must include proof of their exempt status and a description of their supportive services in lieu of the Application fee.
i) Applications must be sent via overnight delivery to:

HOME Division
Texas Department of Housing and Community Affairs
Attn: Barbara Skinner
221 East 11th Street
Austin, TX 78701-2410

or via the U.S. Postal Service to:

HOME Division
Texas Department of Housing and Community Affairs
Attn: Barbara Skinner
Post Office Box 13941
Austin, TX 78711-3941

NOTE: *This NOFA does not include the text of the various applicable regulatory provisions that may be important to the particular Housing Trust Fund Program. For proper completion of the application, the Department strongly encourages potential applicants to review all applicable State and Federal regulations.*

MULTIFAMILY FINANCE DIVISION
BOARD ACTION REQUEST
SEPTEMBER 3, 2008

Action Item

Presentation, Discussion and Possible Action on a Memorandum of Understanding (MOU) between the Texas Bond Review Board and the Texas Department of Housing and Community Affairs ("the Department") for the Issuance of 501(c)(3) bonds.

Requested Action

Approve, Amend or Deny the staff recommendation for the Memorandum of Understanding Between the Texas Bond Review Board and the Department which pertains to the Department's 501(c)(3) Multifamily Mortgage Revenue Bond Program.

Background

Section 2306.358 of the Texas Government Code, which defines the parameters of the Department's 501(c)(3) Multifamily Mortgage Revenue Bond program, requires the Department and the Texas Bond Review Board to maintain a Memorandum of Understanding which specifies the maximum amount of 501(c)(3) bonds the Department may issue each year.

This MOU reflects only minor changes to the fiscal year date identified in Section IV. New language was added last year that will allow the MOU to remain in effect until otherwise terminated by either party in writing. However, the dates in the MOU must be approved annually.

Staff Recommendation

Authorize the Executive Director to execute the attached Memorandum of Understanding.

MEMORANDUM OF UNDERSTANDING
BETWEEN
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
AND
TEXAS BOND REVIEW BOARD

This Memorandum of Understanding, ("Memorandum,") is made and entered into between the Texas Department of Housing and Community Affairs ("TDHCA"), an agency of the State of Texas, and the Texas Bond Review Board ("TBRB"), an agency of the State of Texas, to be effective August 1, 2007.

SECTION I.
Purpose

The purpose of this Memorandum is to specify the maximum amount of qualified 501(c)(3) bonds that may be issued by TDHCA in each fiscal year, to define the terms "rural area" and "metropolitan area," and to otherwise comply in all respects with the requirements of the Texas Government Code, Chapter 2306.358 (the "Code").

This Memorandum does not constitute a commitment by the TBRB to approve qualified 501(c)(3) bond applications that are submitted by TDHCA to the TBRB and only serves to specify the maximum amount of qualified 501(c)(3) bonds that may be issued by TDHCA in each fiscal year and to define the terms "rural area" and "metropolitan area".

SECTION II.
Period of Performance, Termination, and Amendments

The provisions of this Memorandum became ~~shall become~~ effective as of August 1, 2007 and shall remain in effect until otherwise terminated by either party in writing with a 30-day written notice of such termination**.** The terms of this Memorandum shall continue in effect, regardless of the termination of this memorandum by either party, for any bond issue that received a formal inducement by TDHCA Board (the "Inducement Resolution") prior to the termination date of this memorandum.

The provisions of this Memorandum may be amended only by written agreement of both parties. In the event it is determined by the parties that this Memorandum is no longer necessary to fulfill the above purposes, the parties shall execute a written termination of this Memorandum in its entirety.

SECTION III.
Definitions

For the purposes of this Memorandum and TDHCA's 501(c)(3) Bond Program, a project is considered to be located in a rural area (§2306.004):

A) if the area on which the project is or is to be constructed is situated outside the boundaries of a Primary Metropolitan Statistical Area (“PMSA”) or a Metropolitan Statistical Area (“MSA”) described as such on the attached Exhibit A; ~~or,~~

B) if the area on which the project is or is to be constructed is situated within the boundaries of a PMSA or MSA, but has a population of not more than 20,000 and does not share boundaries with an urbanized area. ~~[An “urbanized” area comprises one or more central places and the adjacent densely settled surrounding territory (“urban fringe”) that together have a minimum population of 50,000 persons. The urban fringe generally consists of contiguous territory having a density of at least 1,000 person pr square mile].~~; or,

C) In an Area that is eligible for funding by Texas Rural Development Office or the United States Department of Agriculture (TRDO-USDA), other than an Area that is located in a municipality with a population of more than 50,000.

If a project is not considered to be located in a rural area as outlined above, then the project will be considered to be located in the applicable metropolitan area for the purposes of this Memorandum and TDHCA’s 501(c)(3) Bond Program.

SECTION IV.
Maximum Issuance Authority

During fiscal year 2009~~8~~, the maximum aggregate amount of qualified 501(c)(3) bonds to be issued by TDHCA is two hundred and fifty million dollars ($250,000,000). Based on the allocations outlined in the Act, a minimum of fifteen percent (15%) or $37,500,000 is reserved for projects in rural areas, as defined in Section III. Additionally, no more than twenty five percent (25%) or $62,500,000 may be issued in any one metropolitan area as described on Exhibit A. These figures shall be reviewed annually by both parties in accordance with Texas Government Code §2306.358(b) to determine the maximum amount of bonds to be issued in the upcoming fiscal year. Such determination shall be evidenced by an amendment to this agreement executed by both parties.

For the purposes of allocating a bond issue to a fiscal year for determining limitations and satisfying specific reservations, the date of the formal inducement for each bond issue by TDHCA’s Board (the “Inducement Resolution”) shall determine the fiscal year that the bond issue will be allocated.

SECTION V.
Reporting Requirements

TDHCA shall submit to the TBRB, on or before the fifteenth day of the month following the end of each calendar quarter, a report of application and issuance activities during the previous calendar quarter.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

____
Michael G. Gerber, Executive Director
Date: _________________________

TEXAS BOND REVIEW BOARD

____
Robert C. Kline, Executive Director
Date: _________________________

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
September 3, 2008

Action Items

Presentation, Discussion and Possible Approval for Housing Tax Credit Extensions to Submit Documentation for the Commencement of Substantial Construction or Cost Certification.

Required Action

Approve, Amend or deny the requests for extensions related to two 2006 Housing Tax Credit commitments.

Background

Pertinent facts about the request for extension are given below. The requests were accompanied by a mandatory $2,500 extension request fee.

HTC No. 060038, Oak Timbers North Greenbriar
(Commencement of Construction)

Summary of Request: The owner missed the May 30, 2008 deadline to submit the commencement of substantial construction documentation for the above referenced development. However, the owner indicated that the commencement of substantial construction requirement was met by the deadline and the documentation was submitted to the Department on July 15, 2008, along with the extension request and fee. The commencement of substantial construction documentation was forwarded to the Compliance Division and has been approved. The owner's extension request included all documentation necessary to comply with the requirement.

Owner:	Oak Timbers-North Greenbriar, L.P.
General Partner:	Oak Timbers
Developer:	Oak Timbers
Interested Parties:	A.V. Mitchell
City/County:	Fort Worth/Tarrant
Set-Aside:	Nonprofit
Type of Area:	Urban
Type of Development:	New Construction
Population Served:	Elderly
Units:	123 HTC units
2006 Allocation:	$1,200,000
Allocation per HTC Unit:	$9,756
Extension Request Fee Paid:	$2,500
Current Deadline:	May 30, 2008
New Deadline Requested:	July 15, 2008
New Deadline Recommended:	**July 15, 2008**
Previous Extensions:	December 1, 2007 extended to May 30, 2008
Staff Recommendation:	**Approve the extension as requested.**

Oak Timbers-North Greenbrier, L.P.
1415 Olive Street, Ste. 310
St. Louis, MO 63103

VIA MAIL

July 2, 2008

Texas Department of Housing and Community Affairs
Portfolio Management and Compliance
P.O. Box 13941
Austin, TX 78711-3941

Attn: Kent Bendell

Re: Oak Timbers North Greenbriar
5201 James Ave.
Fort Worth, TX 76115
TDHCA File Number 060038

Dear Mr. Bedell,

This letter is to inform you that the May 30, 2008 deadline for the Construction Progress Report "Commencement of Substantial Construction" form for Oak Timbers North Greenbriar was inadvertently overlooked. Although the completed form has subsequently been sent to the TDHCA, on behalf of the partnership, we are requesting an extension and have attached a check for the $2,500 extension request fee. As of the date of this letter, the total project is 20% complete.

Please let me know if you have any questions.

Thank you.

HillaryB. Zimmerman

Vice President of MUDCO 4, Inc., Member of
MBS GP 170, L.L.C., General Partner of
Oak Timbers - North Greenbrier, L.P.

Enclosure: Check to TDHCA for $2,500.00

<u>HTC No. 060040, San Jose Apartments</u>
(Cost Certification Extension)

<u>Summary of Request</u>: The owner missed the January 15, 2008 deadline to submit cost certification documentation for the above referenced development. The owner submitted the full cost certification documentation on May 27, 2008 and the Real Estate Analysis Division is currently reviewing the documentation for completeness. The owner's extension request included all documentation necessary to comply with the requirement.

Owner:	San Jose Preservation, L.P.
General Partner:	AIMCO San Jose, LLC
Developer:	AIMCO Equity Services, Inc.
Principals/Interested Parties:	N/A
City/County:	San Antonio/Bexar
Set-Aside:	At Risk/Preservation
Type of Area:	Urban
Type of Development:	Acquisition/Rehab
Population Served:	Family
Units:	220 HTC units
2006 Allocation:	$1,195,000
Allocation per HTC Unit:	$5,432
Extension Request Fee Paid:	$2,500
Current Deadline:	January 15, 2008
New Deadline Requested:	May 27, 2008
New Deadline Recommended:	**May 27, 2008**
Previous Extensions:	N/A
Staff Recommendation:	**Approve the extension as requested.**

AIMCO Capital

July 15, 2008

07-25-08 10:20 RCVD

Mr. Kent Bedell
Multifamily Housing
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78711

Subject: San Jose Apartments
TDHCA Number: 060040
Request for Extension to submit Cost Certification Package

Dear Mr. Bedell

Please be advised that on May 22, 2008, we submitted a Cost Certification Package for the subject development to TDHCA. The subject property completed construction (rehabilitation) in December 2007, and it is likely the credit period will commence in 2007. We were unaware of the need to request an extension of the filing date if such were to occur after January 15, 2008, as provided by the 2006 QAP (Section 50.15).

Please consider this letter as our late request for an extension of the Cost Certification submission package. Enclosed is an extension fee of $2,500.

Please feel free to call if you have any questions or require additional information.

Sincerely,

Paul Patierno
Vice President

Encl.

2.

THIS ITEM WILL BE POSTED TO THE WEBSITE ON AUGUST 29, 2008

REAL ESTATE ANALYSIS

BOARD ACTION REQUEST
September 4, 2008

Action Item

Presentation, Discussion and Possible Approval to publish the proposed amendment of 10 TAC Chapter 1, Subchapter B, Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, Property Condition Assessment, and Reserve for Replacement Rules and Guidelines for comment in the *Texas Register*.

Required Action

Approve, reject or approve with modifications publication of the proposed amendment of 10 TAC Chapter 1, Subchapter B, Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, Property Condition Assessment, and Reserve for Replacement Rules for comment in the *Texas Register*.

Background

The Real Estate Analysis Rules and Guidelines remain separate from the QAP to facilitate the application of these rules with all of the Department's multifamily programs. The draft rules being presented today include changes resulting from two main sources of input: public input at roundtable meetings and staff input. Significant changes are summarized below. Other changes that are minor are not noted here but are included in the rule.

Concentration

Last year staff added new feasibility criteria to address concentration of all rental units in buildings with 3 or more units as well as a combination of small changes to address flexibility in cases where specific mitigation of feasibility exists. During the 2008 competitive tax credit cycle, staff recognized two developments out of the 66 that were fully underwritten that had a census tract concentration of over 1,432 units per square mile. Both applications had unique mitigating circumstances which allowed a waiver of the rule by the Executive Director. No other applications came close to violating this requirement. This requirement was modeled after a restriction proposed for the City of Houston because of concerns regarding concentration of apartments in Houston. The Houston concentration policy is now in effect and staff believes that the requirement is now redundant and no longer necessary in the rule.

Market Study Rules

Changes were made to the Market Study rules for 2009 in collaboration with Market Analysts who attended the August 6th Market Study Roundtable. A majority of the changes primarily affect developments targeting elderly households and the demand calculations thereof. Other changes were made to encourage the use of demographic data that is more specific to the target households expected to reside at a particular property.

As has been the objective over the past few years, consistency and transparency were primary objectives for the 2009 rules and therefore the majority of the proposed rule changes involve clarification. The changes are summarized below.

§1.31 General Provision

Proposed §1.31 (b) Definitions of Gross Program Rent and Supportive Housing (p. 2-3)

Reason for Change: Clarification was added to the definition of Gross Program Rent for consistency with the newly enacted legislation (HR 3221). Clarification was added to the definition of Supportive Housing based on public comment received.

§1.32 Underwriting

Proposed §1.32 (d)(1)(A) Rental Income (p. 4)

Reason for Change: Added language to allow flexibility in cases where the Applicant's projected rent is less than the Net Program Rent. This change was made based on staff input and no public comment on the issue has been received.

Proposed §1.32 (d)(1)(A)(iii) Gross Program Rents less Utility Allowance or Net Program Rents (p. 4)

Reason for Change: Language defining utility allowances was removed from this section as it is already clarified in the Definitions section for the rule at §1.31(b)(29). This change was made based on staff input and no public comment on the issue has been received.

Proposed §1.32 (d)(2) Expenses (p. 5)

Reason for Change: Language added to address the increased emphasis and public comment on green building components and ensure that any utility savings identified by an Applicant are well documented and reasonable.

Proposed §1.32 (d)(2)(I) Reserves (p. 6)

Reason for Change: Clarification was added based on staff input to better reflect the consistent existing practice of determining the appropriate annual reserve for replacements needed to fund future capital needs as identified in the Property Condition Assessment. Public comment on the issue has not been received.

Proposed §1.32 (d)(4)(A)(ii) Interest Rate (p. 7)

Reason for Change: Removed requirement for an absolute maximum interest rate. Language was added to allow flexibility in determining the maximum interest rate based on current market conditions and loan terms.

Proposed §1.32 (d)(4)(B) Amortization Period (p. 7)

Reason for Change: This section was revised to require an amortization of no longer than 40 years to be consistent with industry standards. An exception allowing up to a 50 year amortization is allowed for federally sourced loans. This change was made based on staff input and no public comment on the issue has been received.

Proposed §1.32 (d)(4)(D)(ii) Acceptable Debt Coverage Ratio (p. 7-8)
Reason for Change: Language is added to the section regarding developments with a debt coverage ratio (DCR) greater than the minimum to enable the Department to maximize repayment of Department funds by making adjustments to the financing structure while maintaining an acceptable minimum DCR. Change was made in response to the Board's policy direction with regard to repayment of Department funds. Additionally, the Executive Director granted an appeal during the 2008 competitive cycle that sought a change in the underwriting report consistent with this new proposed language.

Proposed §1.32 (d)(5)(B) Long Term Proforma (p. 8)
Reason for Change: Growth factors used for income and expenses in the long term proforma have been revised from 3% and 4%, respectively to 2% and 3%, respectively to be consistent with the trends in industry underwriting practices. This change was also made in response to ongoing public comment regarding increased concerns about how tightly transactions are being underwritten.

Proposed §1.32 (e)(1)(B)(i) Identity of Interest Acquisitions (p. 8)
Reason for Change: Language added to require a transaction in which a current owner of a site is also the permanent lender for said transaction to be classified as an identity of interest acquisition. This addition was made based on staff input and no public comment on the issue has been received.

Proposed §1.32 (e)(1)(C) Acquisition of Buildings for Tax Credits (p. 9)
Reason for Change: Clarification made to reflect the Department's consistent existing practice of using the sales price adjusted in accordance with identity of interest rules for determining the appropriate building acquisition value. This clarification was made based on staff input and no public comment on the issue has been received.

Proposed §1.32 (e)(4)(A) New Construction (p. 9)
Reason for Change: Added language to allow the Department flexibility in utilizing third party sources other than Marshall and Swift for cost estimation. This addition was made based on staff input and no public comment on the issue has been received.

Proposed §1.32 (e)(5) Contingency (p. 10)
Reason for Change: Clarification made to reflect the Department's consistent existing practice of including all contingency costs reflected in the development cost schedule in the contingency line item. This change was made based on staff input and due to public comment during the 2008 competitive cycle that this issue needed clarification.

Proposed §1.32 (e)(6) Contractor Fee (p. 10)
Reason for Change: Language added to limit the amount of ineligible contractor fees that can be claimed to not more than 14% of ineligible construction costs which is

consistent with the existing practice and policy for eligible costs. This change was made based on staff input and no public comment on the issue has been received.

Proposed §1.32 (e)(7) Developer Fee (p. 10)
Reason for Change: Comment was made during the last competitive tax credit cycle that existing language was unfair to developers who chose to claim less than the maximum amount of eligible developer fee. Language was added to support the ability to allocate developer fee in a non-prorata manner so long as the fee claimed for the relevant cost (acquisition and new construction) is less than the limit for each respective cost.

Proposed §1.32 (e)(9) Reserves (p. 10)
Reason for Change: Language was added to clarify the Department's calculation of reserves in the development cost schedule and the Department's consideration of a greater amount proposed by the lender or syndicator if such amount is well documented. This change was made in response to public comment received during the 2008 competitive cycle.

Proposed §1.32 (i) Feasibility Conclusion (p. 12)

> **Concentration Rate:** This feasibility criteria has been removed. Public comment on the removal of this rule has not been received; although the addition of this language was contested in late 2007 during the 2008 rules cycle.
>
> **Restricted Market Rent**: Language was added to make existing policy consistent with scoring language in the QAP. This change was made based on staff input and as a result of confusion over the issue during the 2008 competitive cycle. The only public comment that has been received is in the form of two appeals of the issue during the 2008 competitive cycle. One of the appeals was withdrawn and the other appeal is on the Board agenda for the September 4, 2008 meeting.
>
> **Exceptions:** The exception criteria were refined to require operating support for at least 50% of the units due to public comment received and the recognition that a few units of subsidy are insufficient to support the infeasibility of the non-subsidized units.

Market Analysis Rules and Guidelines
Proposed §1.33 (d)(8)(A) Primary Market Area (p. 15)
Reason for Change: The Department has gathered data regarding a household's previous address that reveals that the majority of households come from the development's zip code or immediately adjacent zip code; this data is consistent for both developments targeting elderly households and family households. As a result, the higher population limit allowed for development targeting elderly households (250,000) is reduced to be consistent with that of family households (100,000). Public comment received during and after the August 6th Market Study Roundtable regarding this issue was mixed, but the change has been made in conjunction with several other changes that were also discussed at the roundtable.

Proposed §1.33 (d)(9)(D) Turnover (p. 15)
Reason for Change: The allowable sources for turnover data was revised to include only Department published data or the most current U.S. Census Bureau data. The Department has and will continue to collect actual data from the Department's portfolio. This change was made as a result of comment received during the Department's August 6^{th} Market Study Roundtable.

Proposed §1.33 (d)(9)(E)(i) Demographics (p. 16)
Reason for Change: Language was added to encourage the use of demographic data and adjustment rates that are more specific to households that will be targeted for a proposed development and to clarify the expectation that support and source data be provided. This addition was made based on staff input and no public comment on the issue has been received.

Proposed §1.33 (d)(9)(E)(i)(IV)(a) Income Eligible (p. 16)
Reason for Change: The percentage used to determine the maximum income an elderly household will spend for housing has been increased from 40% to 50% based on comment received during the Department's August 6^{th} Market Study Roundtable.

Proposed §1.33 (d)(9)(E)(i)(V) Tenure Appropriate (p. 16)
Reason for Change: This change was made to encourage and clarify the use of demographic data specific to renter households for determining demand. This change was made based on staff input and no public comment on the issue has been received.

Proposed §1.33 (d)(9)(E)(iii) Demand from Turnover (p. 16)
Reason for Change: Language was added to capture demand derived from households that move from homes they own to rental housing for developments targeting elderly households. This change allows the use of a turnover rate that is the lesser of 10% or a rate reflected in the most current census data. This change was made as a result of comment received during the Department's August 6^{th} Market Study Roundtable.

Recommendation

Approve the publication of the Draft 2009 Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, Property Condition Assessment, and Reserve for Replacement Rules and Guidelines (REA Rules) and authorize the distribution and public hearing on the draft rules concurrent with the Department's uniform hearing schedule.

Real Estate Analysis Division

~~2008~~ 2009 Real Estate Analysis Rules

§1.31 General Provisions

(a) **Purpose.** The Rules in this subchapter apply to the underwriting, market analysis, appraisal, environmental site assessment, property condition assessment, and reserve for replacement standards employed by the Texas Department of Housing and Community Affairs (the “Department” or “TDHCA”). This chapter provides rules for the underwriting review of an affordable housing development’s financial feasibility and economic viability that ensures the most efficient allocation of resources while promoting and preserving the public interest in ensuring the long-term health of the Department’s portfolio. In addition, this chapter guides the underwriting staff in making recommendations to the Executive Award and Review Advisory Committee (“the Committee”), Executive Director, and TDHCA Governing Board (“the Board”) to help ensure procedural consistency in the determination of Development feasibility (§2306.0661(f) and §2306.6710(d), Texas Government Code). Due to the unique characteristics of each development the interpretation of the rules and guidelines described in this subchapter is subject to the discretion of the Department and final determination by the Board.

(b) **Definitions.** Terms used in this subchapter that are also defined in Chapter 50 of this title (the Department’s Housing Tax Credit Program Qualified Allocation Plan and Rules, known as the “QAP”) have the same meaning” as in the QAP. Those terms that are not defined in the QAP or which may have another meaning when used in Subchapter B of this chapter, shall have the meanings set forth in this subchapter.

(1) **Affordable Housing**--Housing that has been funded through one or more of the Department’s programs or other local, state or federal programs or has at least one unit that is restricted in the rent that can be charged either by a Land Use Restriction Agreement or other form of Deed Restriction.

(2) **Bank Trustee**--A bank authorized to do business in this state, with the power to act as trustee.

(3) **Cash Flow**--The funds available from operations after all expenses and debt service required to be paid has been considered.

(4) **Credit Underwriting Analysis Report**--Sometimes referred to as the “Report.” A decision making tool used by the Department and Board containing a synopsis and reconciliation of the application information submitted by the Applicant.

(5) **Comparable Unit**--A Unit, when compared to the subject Unit, similar in overall condition, unit amenities, utility structure, and common amenities, and

(A) for purposes of calculating the inclusive capture rate targets the same population and is likely to draw from the same demand pool;

(B) for purposes of estimating the Restricted Market Rent targets the same population and is similar in net rentable square footage and number of bedrooms; or

(C) for purposes of estimating the subject Unit market rent does not have any income or rent restrictions and is similar in net rentable square footage and number of bedrooms.

(6) **Contract Rent**--Maximum rent limits based upon current and executed rental assistance contract(s), typically with a federal, state or local governmental agency.

(7) **DCR**--Debt Coverage Ratio. Sometimes referred to as the "Debt Coverage" or "Debt Service Coverage." A measure of the number of times loan principal and interest are covered by Net Operating Income.

(8) **Development**--Sometimes referred to as the "Subject Development." Multi-unit residential housing that meets the affordability requirements for and requests or has received funds from one or more of the Department's sources of funds.

(9) **EGI**--Effective Gross Income. The sum total of all sources of anticipated or actual income for a rental Development less vacancy and collection loss, leasing concessions, and rental income from employee-occupied units that is not anticipated to be charged or collected.

(10) **ESA**--Environmental Site Assessment. An environmental report that conforms with the Standard Practice for Environmental Site Assessments: Phase I Assessment Process (ASTM Standard Designation: E 1527) and conducted in accordance with the Department's Environmental Site Assessment Rules and Guidelines in §1.35 of this subchapter as it relates to a specific Development.

(11) **First Lien Lender**--A lender whose lien has first priority.

(12) **Gross Program Rent**--Sometimes called the "Program Rents." Maximum rent limits based upon the tables promulgated by the Department's division responsible for compliance which are developed by program and by county or Metropolitan Statistical Area ("MSA") or Primary Metropolitan Statistical Area ("PMSA") or national non-metro area.

(13) **Market Analysis**--Sometimes referred to as "Market Study." An evaluation of the economic conditions of supply, demand and rental rates or pricing conducted in accordance with the Department's Market Analysis Rules and Guidelines in §1.33 of this subchapter as it relates to a specific Development.

(14) **Market Analyst**-- Any person who prepares a market study.

(15) **Market Rent**--The unrestricted rent concluded by the Market Analyst for a particular unit type and size after adjustments are made to rents charged by owners of Comparable Units.

(16) **NOI**--Net Operating Income. The income remaining after all operating expenses, including replacement reserves and taxes have been paid.

(17) **Primary Market**--Sometimes referred to as "Primary Market Area" or "Submarket" or "PMA". The area defined by the Qualified Market Analyst as described in §1.33(d)(8) of this title from which a proposed or existing Development is most likely to draw the majority of its prospective tenants or homebuyers.

(18) **PCA**--Property Condition Assessment. Sometimes referred to as "Physical Needs Assessment," "Project Capital Needs Assessments," "Property Condition Report," or "Property Work Write-Up." An evaluation of the physical condition of the existing property and evaluation of the cost of rehabilitation conducted in accordance with the Department's Property Condition Assessment Rules and Guidelines in §1.36 of this title as it relates to a specific Development.

(19) **Qualified Market Analyst**-- A real estate appraiser certified or licensed by the Texas Appraiser Licensing and Certification Board, a real estate consultant, or other professional currently active in the subject property's market area who demonstrates competency, expertise, and the ability to render a high quality written report. The individual's performance, experience, and educational background will provide the general basis for determining competency as a Market Analyst. Competency will be determined by the Department, in its sole discretion. The Qualified Market Analyst must be a Third Party.

(20) **Rent Over-Burdened Households**--Non-elderly households paying more than 35% of gross income towards total housing expenses (unit rent plus utilities) and elderly households paying more than ~~40~~50% of gross income towards total housing expenses.

(21) **Reserve Account**--An individual account:

(A) Created to fund any necessary repairs for a multifamily rental housing development; and

(B) Maintained by a First Lien Lender or Bank Trustee.

(22) **Restricted Market Rent**--The restricted rent concluded by the Qualified Market Analyst for a particular unit type and size after adjustments are made to rents charged by owners of Comparable Units with the same rent and income restrictions.

(23) **Secondary Market**--Sometimes referred to as "Secondary Market Area". The area defined by the Qualified Market Analyst as described in §1.33(d)(7) of this title.

(24) **Supportive Housing**--Sometimes referred to as "Transitional Housing." Rental housing intended solely for occupancy by individuals or households transitioning from homelessness, the risk of

homelessness or abusive situations to permanent housing and ensuring residents have access to an array of supportive services~~and typically consisting primarily of efficiency units~~. [PENDING REVIEW]

(25) **Sustaining Occupancy**--The occupancy level at which rental income plus secondary income is equal to all operating expenses and mandatory debt service requirements for a Development.

(26) **TDHCA Operating Expense Database**--Sometimes referred to as "TDHCA Database." A consolidation of recent actual operating expense information collected through the Department's Annual Owner Financial Certification process, as required and described in Subchapter A of Chapter 60 of this title, and published on the Department's web site.

(27) **Underwrite**r--The author(s), as evidenced by signature, of the Credit Underwriting Analysis Report.

(28) **Unstabilized Development**-- A Development with Comparable Units that has been approved for funding by the TDHCA Board or is currently under construction or has not maintained a 90% occupancy level for at least 12 consecutive months following construction completion.

(29) **Utility Allowance**--The estimate of tenant-paid utilities, based either on the most current HUD Form 52667, "Section 8, Existing Housing Allowance for Tenant-Furnished Utilities and Other Services," provided by the local entity responsible for administering the HUD Section 8 program with most direct jurisdiction over the majority of the buildings existing, a documented estimate from the utility provider proposed in the Application, or for an existing development an allowance calculated by the Department pursuant to Chapter §60.109 of this title. Documentation from the local utility provider to support an alternative calculation can be used to justify alternative Utility Allowance conclusions but must be specific to the subject Development and consistent with the building plans provided.

(30) **Work Out Development**--A financially distressed Development seeking a change in the terms of Department funding or program restrictions based upon market changes.

(c) **Appeals.** Certain programs contain express appeal options. Where not indicated, 10 Tex. Admin. Code §§1.7 and 1.8 include general appeal procedures. In addition, the Department encourages the use of Alternative Dispute Resolution methods as outlined in 10 TAC §1.17.

§1.32 Underwriting Rules and Guidelines

(a) **General Provisions.** The Department Governing Board has authorized the development of these rules under its authority under §2306.148, Texas Government Code. The rules provide a mechanism to produce consistent information in the form of an Underwriting Report to provide interested parties information the Board relies upon in balancing the desire to assist as many Texans as possible by providing no more financing than necessary and have independent verification that Developments are economically feasible. The Report should consider all information timely provided by the Applicant. The Report generated in no way guarantees or purports to warrant the actual performance, feasibility, or viability of the Development by the Department.

(b) **Report Contents.** The Report provides an organized and consistent synopsis and reconciliation of the application information submitted by the Applicant. The Report should consider only information that is provided in accordance with the time frames provided in the current QAP, Program Rules or Notice of Funds Availability as appropriate. The Report should also identify the number of revisions and date of most current revision to any information deemed to be relevant by the Underwriter.

(c) **Recommendations in the Report.** The conclusion of the Report includes a recommended award of funds or allocation of Tax Credits based on the lesser amount calculated by the program limit method (if applicable), gap/DCR method, or the amount requested by the Applicant as further described in paragraphs (1) - (3) of this subsection, and states any feasibility conditions to be placed on the award.

(1) **Program Limit Method.** For Developments requesting Housing Tax Credits, this method is based upon calculation of Eligible Basis after applying all cost verification measures and program limits as described in this section. The Applicable Percentage used is as defined in the QAP. For Developments requesting funding through a Department program other than Housing Tax Credits, this method is based upon calculation of the funding limit based on current program rules at the time of underwriting.

(2) **Gap/DCR Method.** This method evaluates the amount of funds needed to fill the gap created by total development cost less total non-Department-sourced funds or Tax Credits. In making this determination, the Underwriter resizes any anticipated deferred developer fee down to zero before reducing the amount of Department funds or Tax Credits. In the case of Housing Tax Credits, the syndication proceeds needed to fill the gap in permanent funds are divided by the syndication rate to determine the amount of Tax Credits. In making this determination, the Department adjusts the permanent loan amount and/or any Department-sourced loans, as necessary, such that it conforms to the DCR standards described in this section.

(3) **The Amount Requested.** The amount of funds that is requested by the Applicant as reflected in the Application documentation.

(d) **Operating Feasibility.** The operating financial feasibility of Developments funded by the Department is tested by adding total income sources and subtracting vacancy and collection losses and operating expenses to determine Net Operating Income. This Net Operating Income is divided by the annual debt service to determine the Debt Coverage Ratio. The Underwriter characterizes a Development as infeasible from an operational standpoint when the Debt Coverage Ratio does not meet the minimum standard set forth in paragraph (4)(D) of this subsection. The Underwriter may choose to make adjustments to the financing structure, such as lowering the debt and increasing the deferred developer fee that could result in a re-characterization of the Development as feasible based upon specific conditions set forth in the Report.

(1) **Income.** In determining the Year 1 proforma, the Underwriter evaluates the reasonableness of the Applicant's income estimate by determining the appropriate rental rate per unit based on contract, program and market factors. Miscellaneous income and vacancy and collection loss limits as set forth in subparagraphs (B) and (C) of this paragraph, respectively, are applied unless well-documented support is provided.

(A) **Rental Income.** The Underwriter will calculate the appropriate rent on a conservative or Contract Rent basis for comparison to the Applicant's estimate in the Application. The conservative basis for a restricted unit is the lesser of the Gross Program Rent less Utility Allowances ("Net Program Rent") or Restricted Market Rent. The conservative basis for an unrestricted unit is the lesser of the Market Rent or Applicant's projected rent where the Applicant's projected rent is reasonable to the Underwriter. ~~'~~Where Contract Rents are included, they will be used regardless of the conservative basis derived rent~~""~~.

(i) **Market Rents.** The Underwriter reviews the attribute adjustment matrix of Comparable Units by unit size provided by the Market Analyst and determines if the adjustments and conclusions made are reasoned and well documented. The Underwriter uses the Market Analyst's conclusion of adjusted Market Rent by unit, as long as the proposed Market Rent is reasonably justified and does not exceed the highest existing unadjusted market comparable rent. Random checks of the validity of the Market Rents may include direct contact with the comparable properties. The Market Analyst's attribute adjustment matrix should include, at a minimum, adjustments for location, size, amenities, and concessions as more fully described in §1.33 of this subchapter.

(ii) **Restricted Market Rent.** The Underwriter reviews the attribute adjustment matrix of Comparable Units by unit size and income and rent restrictions provided by the Market Analyst and determines if the adjustments and conclusions made are reasoned and well documented. The Underwriter uses the Market Analyst's conclusion of adjusted Restricted Market Rent by unit, as long as the proposed Restricted Market Rent is reasonably justified and does not exceed the highest existing unadjusted market comparable restricted rent. Random checks of the validity of the Restricted Market Rents may include direct contact with the comparable properties. The Market Analyst's attribute adjustment matrix should include, at a minimum, adjustments for location, size, amenities, and concessions as more fully described in §1.33 of this title.

(iii) Gross **Program Rents less Utility Allowance or Net Program Rents.** The Underwriter reviews the Applicant's proposed rent schedule and determines if it is consistent with the representations made in the remainder of the Application. The Underwriter uses the Gross Program Rents as promulgated by the Department's division responsible for compliance for the year that is most current at the time the underwriting begins. When underwriting for a simultaneously funded competitive round, all of the Applications are underwritten with the rents promulgated for the same year. Gross Program Rents are reduced by the Utility Allowance. ~~The Utility Allowance figures used are determined based upon what is identified in the Application by the Applicant as being a utility cost paid by the tenant and upon other consistent documentation provided in the Application.~~

(I) Units must be individually metered for all utility costs to be paid by the tenant.

(II) Gas utilities are verified on the building plans and elsewhere in the Application when applicable.

(III) Trash allowances paid by the tenant are rare and only considered when the building plans allow for individual exterior receptacles.

(IV) Refrigerator and range allowances are not considered part of the tenant-paid utilities unless the tenant is expected to provide their own appliances, and no eligible appliance costs are included in the development cost breakdown.

(iv) **Contract Rents.** The Underwriter reviews submitted rental assistance contracts to determine the Contract Rents currently applicable to the Development. Documentation supporting the likelihood of continued rental assistance is also reviewed. The underwriting analysis will take into consideration the Applicant's intent to request a Contract Rent increase. At the discretion of the Underwriter, the Applicant's proposed rents may be used in the underwriting analysis with the recommendations of the Report conditioned upon receipt of final approval of such increase.

(B) **Miscellaneous Income.** All ancillary fees and miscellaneous secondary income, including but not limited to late fees, storage fees, laundry income, interest on deposits, carport rent, washer and dryer rent, telecommunications fees, and other miscellaneous income, are anticipated to be included in a $5 to $15 per unit per month range. Exceptions may be made at the discretion of the Underwriter for garage income, pass-through utility payments, pass-through water, sewer and trash payments, cable fees, congregate care/assisted living/elderly facilities, and child care facilities.

(i) Exceptions must be justified by operating history of existing comparable properties.

(ii) The Applicant must show that the tenant will not be required to pay the additional fee or charge as a condition of renting an apartment unit and must show that the tenant has a reasonable alternative.

(iii) The Applicant's operating expense schedule should reflect an offsetting cost associated with income derived from pass-through utility payments, pass-through water, sewer and trash payments, and cable fees.

(iv) Collection rates of exceptional fee items will generally be heavily discounted.

(v) If the total secondary income is over the maximum per unit per month limit, any cost associated with the construction, acquisition, or development of the hard assets needed to produce an additional fee may also need to be reduced from Eligible Basis for Tax Credit Developments as they may, in that case, be considered to be a commercial cost rather than an incidental to the housing cost of the Development.

(C) **Vacancy and Collection Loss.** The Underwriter uses a vacancy rate of 7.5% (5% vacancy plus 2.5% for collection loss) unless the Market Analysis reflects a higher or lower established vacancy rate for the area. Elderly and 100% project-based rental subsidy Developments and other well documented cases may be underwritten at a combined 5% at the discretion of the Underwriter if the historical performance reflected in the Market Analysis is consistently higher than a 95% occupancy rate.

(D) **Effective Gross Income.** The Underwriter independently calculates EGI. If the EGI figure provided by the Applicant is within 5% of the EGI figure calculated by the Underwriter, the Applicant's figure is characterized as reasonable in the Report; however, for purposes of calculating DCR the Underwriter will maintain and use its independent calculation unless the Applicant's proforma meets the requirements of paragraph (3) of this subsection.

(2) **Expenses.** In determining the Year 1 proforma, the Underwriter evaluates the reasonableness of the Applicant's expense estimate by line item comparisons based upon the specifics of each transaction, including the type of Development, the size of the units, and the Applicant's expectations as reflected in their proforma. Historical stabilized certified or audited financial statements of the Development or Third Party quotes specific to the Development will reflect the strongest data points to predict future performance. The Department's database of ~~property~~ properties in the same location or region as the proposed Development also provides heavily relied upon data points; the Department's database summary is available on the TDHCA website. Data from the Institute of Real Estate Management's (IREM) most recent Conventional Apartments-Income/Expense Analysis book for the proposed Development's property type and specific location or region may be referenced. In some cases local or project-specific data such as Public Housing Authority ("PHA") Utility Allowances and property tax rates are also given significant weight in determining the appropriate line item expense estimate. Estimates of utility savings from green building components must be documented by experience of third parties not related to the contractor or component vendor. Finally, well documented information provided in the Market Analysis, the Application, and other sources may be considered.

(A) **General and Administrative Expense.** General and Administrative Expense includes all accounting fees, legal fees, advertising and marketing expenses, office operation, supplies, and equipment expenses. The underwriting tolerance level for this line item is 20%.

(B) **Management Fee.** Management Fee is paid to the property management company to oversee the effective operation of the property and is most often based upon a percentage of Effective Gross Income as documented in the management agreement contract. Typically, 5% of the Effective Gross Income is used, though higher percentages for rural transactions that are consistent with the TDHCA Database can be concluded. Percentages as low as 3% may be utilized if documented by a fully executed management contract agreement with an acceptable management company. The Underwriter will require documentation for any percentage difference from the 5% of the Effective Gross Income standard.

(C) **Payroll and Payroll Expense.** Payroll and Payroll Expense includes all direct staff payroll, insurance benefits, and payroll taxes including payroll expenses for repairs and maintenance typical of a conventional development. It does not, however, include direct security payroll or additional supportive services payroll. The underwriting tolerance level for this line item is 10%.

(D) **Repairs and Maintenance Expense.** Repairs and Maintenance Expense includes all repairs and maintenance contracts and supplies. It should not include extraordinary capitalized expenses that would result from major renovations. Direct payroll for repairs and maintenance activities are included in payroll expense. The underwriting tolerance level for this line item is 20%.

(E) **Utilities Expense (Gas & Electric).** Utilities Expense includes all gas and electric energy expenses paid by the owner. It includes any pass-through energy expense that is reflected in the EGI. The underwriting tolerance level for this line item is 30%.

(F) **Water, Sewer and Trash Expense.** Water, Sewer and Trash Expense includes all water, sewer and trash expenses paid by the owner. It would also include any pass-through water, sewer and trash expense that is reflected in the EGI. The underwriting tolerance level for this line item is 30%.

(G) **Insurance Expense.** Insurance Expense includes any insurance for the buildings, contents, and liability but not health or workman's compensation insurance. The underwriting tolerance level for this line item is 30%.

(H) **Property Tax.** Property Tax includes all real and personal property taxes but not payroll taxes. The underwriting tolerance level for this line item is 10%.

(i) The per unit assessed value will be calculated based on the capitalization rate published on the county taxing authority's website. If the county taxing authority does not publish a capitalization rate on the internet, a capitalization rate of 10% will be used or comparable assessed values may be used in evaluating this line item expense.

(ii) Property tax exemptions or proposed payment in lieu of tax agreement (PILOT) must be documented as being reasonably achievable if they are to be considered by the Underwriter. At the discretion of the Underwriter, a property tax exemption that meets known federal, state and local laws may be applied based on the tax-exempt status of the Development Owner and its Affiliates.

(I) **Reserves.** Reserves include annual reserve for replacements of future capitalizable expenses as well as any ongoing additional operating reserve requirements. The Underwriter includes minimum reserves of $250 per unit for new construction and $300 per unit for all other Developments. The Underwriter may require an amount above $300 for Developments other than new construction based on information provided in the PCA. The Applicant's expense for reserves may be adjusted by the Underwriter if the amount provided by the Applicant is insufficient to fund future capital needs as documented by the PCA. Higher levels of reserves also may be used if they are documented in the financing commitment letters.

(J) **Other Expenses.** The Underwriter will include other reasonable and documented expenses, not including depreciation, interest expense, lender or syndicator's asset management fees, or other ongoing partnership fees. Lender or syndicator's asset management fees or other ongoing partnership fees also are not considered in the Department's calculation of debt coverage. The most common other expenses are described in more detail in clauses (i) - (iv) of this subparagraph.

(i) **Supportive Services Expense.** Supportive Services Expense includes the documented cost to the owner of any non-traditional tenant benefit such as payroll for instruction or activities personnel. The Underwriter will not evaluate any selection points for this item. The Underwriter's verification will be limited to assuring any anticipated costs are included. For all transactions supportive services expenses are considered in calculating the Debt Coverage Ratio.

(ii) **Security Expense.** Security Expense includes contract or direct payroll expense for policing the premises of the Development. The Applicant's amount is typically accepted as provided. The Underwriter will require documentation of the need for security expenses that exceed 50% of the anticipated payroll expense estimate discussed in subparagraph (C) of this paragraph.

(iii) **Compliance Fees.** Compliance fees include only compliance fees charged by TDHCA. The Department's charge for a specific program may vary over time; however, the Underwriter uses the current charge per unit per year at the time of underwriting. For all transactions compliance fees are considered in calculating the Debt Coverage Ratio.

(iv) **Cable Television Expense.** Cable Television Expense includes fees charged directly to the owner of the Development to provide cable services to all units. The expense will be considered only if a contract for such services with terms is provided and income derived from cable television fees is included in the projected EGI. Cost of providing cable television in only the community building should be included in General and Administrative Expense as described in subparagraph (A) of this paragraph.

(K) The Department will communicate with and allow for clarification by the Applicant when the overall expense estimate is over 5% greater or less than the Underwriter's estimate. In such a case, the Underwriter will inform the Applicant of the line items that exceed the tolerance levels indicated in this paragraph, but may request additional documentation supporting some, none or all expense line items. If ~~an~~a ~~acceptable~~ rationale acceptable to the Underwriter for the difference is not provided, the discrepancy is documented in the Report and the justification provided by the Applicant and the countervailing evidence supporting the Underwriter's determination is noted. If the Applicant's total expense estimate is within 5% of the final total expense figure calculated by the Underwriter, the Applicant's figure is characterized as reasonable in the Report; however, for purposes of calculating DCR the Underwriter will maintain and use its independent calculation unless the Applicant's Year 1 proforma meets the requirements of paragraph (3) of this subsection.

(3) **Net Operating Income.** NOI is the difference between the EGI and total operating expenses. If the Year 1 NOI figure provided by the Applicant is within 5% of the Year 1 NOI figure calculated by the Underwriter, the Applicant's figure is characterized as reasonable in the Report; however, for purposes of calculating the Year 1 DCR the Underwriter will maintain and use his independent calculation of NOI unless the Applicant's Year 1 EGI, Year 1 total expenses, and Year 1 NOI are each within 5% of the Underwriter's estimates.

(4) **Debt Coverage Ratio.** Debt Coverage Ratio is calculated by dividing Net Operating Income by the sum of loan principal and interest for all permanent sources of funds. Loan principal and interest, or "Debt Service," is calculated based on the terms indicated in the submitted commitments for financing. Terms generally include the amount of initial principal, the interest rate, amortization period, and repayment period. Unusual financing structures and their effect on Debt Service will also be taken into consideration.

(A) **Interest Rate.** The interest rate used should be the rate documented in the commitment letter.

(i) Commitments indicating a variable rate must provide a detailed breakdown of the component rates comprising the all-in rate. The commitment must also state the lender's underwriting interest rate, or the Applicant must submit a separate statement executed by the lender with an estimate of the interest rate as of the date of the statement.

(ii) The maximum rate allowed for a competitive application cycle is ~~evaluated~~ determined by the Director of the Department's division responsible for Credit Underwriting Analysis Reports based upon current market conditions and posted to the Department's web site prior to the close of the Application Acceptance Period. Historically this maximum acceptable rate has been ~~at or below the average rate for 30-year U.S. Treasury Bonds plus 400 basis points.~~

(B) **Amortization Period.** The Department ~~generally~~ requires an amortization of not less than 30 years and not more than ~~50~~ 40 years, (50 years for federally sourced loans) or an adjustment to the amortization structure is evaluated and recommended. In non-Tax Credit transactions a lesser amortization period may be used if the Department's funds are fully amortized over the same period.

(C) **Repayment Period.** For purposes of projecting the DCR over a 30-year period for Developments with permanent financing structures with balloon payments in less than 30 years, the Underwriter will carry forward Debt Service calculated based on a full amortization and the interest rate stated in the commitment.

(D) **Acceptable Debt Coverage Ratio Range.** The acceptable Year 1 DCR range for all priority or foreclosable lien financing plus the Department's proposed financing falls between a minimum of 1.15 to a maximum of 1.35. HOPE VI and USDA Rural Development transactions may underwrite to a DCR less than 1.15 based upon documentation of acceptance from the lender.

(i) For Developments other than HOPE VI and USDA Rural Development transactions, if the DCR is less than the minimum, the recommendations of the Report are conditioned upon a reduced debt service and the Underwriter will make adjustments to the assumed financing structure in the order presented in subclauses (I) - (III) of this clause.

(I) A reduction of the interest rate or an increase in the amortization period for TDHCA funded loans;

(II) A reclassification of TDHCA funded loans to reflect grants, if permitted by program rules;

(III) A reduction in the permanent loan amount for non-TDHCA funded loans based upon the rates and terms in the permanent loan commitment letter as long as they are within the ranges in subparagraphs (A) and (B) of this paragraph.

(ii) If the DCR is greater than the minimum, the recommendations of the Report may be conditioned upon an increase in the debt service and the Underwriter may make adjustments to the requested financing structure in the order presented in subclauses I and II of this clause. If the DCR is greater than the maximum, the recommendations of the Report are conditioned upon an increase in the debt service and the Underwriter will make adjustments to the assumed financing structure in the order presented in subclauses (I) - (III) of this clause.

(I) A reclassification of TDHCA funded grants to reflect loans, if permitted by program rules;

(II) An increase in the interest rate or a decrease in the amortization period for TDHCA funded loans;

(III) An increase in the permanent loan amount for non-TDHCA funded loans based upon the rates and terms in the permanent loan commitment letter as long as they are within the ranges in subparagraphs (A) and (B) of this paragraph.

(iii) For Housing Tax Credit Developments, a reduction in the recommended Tax Credit allocation may be made based on the gap/DCR method described in subsection (c)(2) of this section.

(iv) Although adjustments in Debt Service may become a condition of the Report, future changes in income, expenses, and financing terms could allow for an acceptable DCR.

(5) **Long Term Proforma.** The Underwriter will create a 30-year operating proforma

(A) The base year projection utilized is the Underwriter's Year 1 EGI, Year 1 operating expenses, and Year 1 NOI unless the Applicant's Year 1 EGI, Year 1 total operating expenses, and Year 1 NOI are each within 5% of the Underwriter's estimates.

(B) A ~~3~~2% annual growth factor is utilized for income and a ~~4~~3% annual growth factor is utilized for expenses.

(C) Adjustments may be made to the Long Term Proforma if sufficient support documentation is provided by the Applicant. Support may include

(i) documentation with terms for project-based rental assistance or operating subsidy;

(ii) a fully executed management contract with clear terms;

(iii) documentation prepared and signed by the Central Appraisal District (CAD) with jurisdiction over the Development indicating the appraisal methodology consistently employed by the CAD and a ten-year history, beginning with the Application year, of tax rates for each taxing district with jurisdiction over the Development; and

(iv) required reserve for replacement schedule prepared and signed by the proposed permanent lender or equity provider. In no instance will the reserve for replacement figure included in the Long Term Proforma be less than the minimum requirements as described in §1.37 of this subchapter.

(e) **Development Costs.** The Development's need for permanent funds and, when applicable, the Development's Eligible Basis is based upon the projected total development costs. The Department's estimate of the total development cost will be based on the Applicant's project cost schedule to the extent that it can be verified to a reasonable degree of certainty with documentation from the Applicant and tools available to the Underwriter. For new construction Developments, the Underwriter's total cost estimate will be used unless the Applicant's total development cost is within 5% of the Underwriter's estimate. In the case of a rehabilitation Development, the Underwriter may use a lower tolerance level due to the reliance upon the PCA. If the Applicant's total development cost is utilized and the Applicant's line item costs are inconsistent with documentation provided in the Application or program rules, the Underwriter may make adjustments to the Applicant's total cost estimate.

(1) **Acquisition Costs.** The proposed acquisition price is verified with the fully executed site control document(s) for the entire proposed site.

(A) **Excess Land Acquisition.** Where more land is being acquired than will be utilized for the site and the remaining acreage is not being utilized as permanent green space, the value ascribed to the proposed Development will be prorated from the total cost reflected in the site control document(s). An appraisal or tax assessment value may be tools that are used in making this determination; however, the Underwriter will not utilize a prorated value greater than the total amount in the site control document(s).

(B) **Identity of Interest Acquisitions.**

(i) The acquisition will be considered an identity of interest transaction when an Affiliate of, a Related Party to, or any owner at any level of the Development Team or permanent lender

(I) is the current owner in whole or in part of the proposed property, or

(II) was the owner in whole or in part of the proposed property during any period within the 36 months prior to the first day of the Application Acceptance Period.

(ii) In all identity of interest transactions the Applicant is required to provide subclauses (I) and (II) of this clause:

(I) the original acquisition cost listed in the submitted settlement statement or, if a settlement statement is not available, the original asset value listed in the most current audited financial statement for the identity of interest owner, and

(II) if the original acquisition cost evidenced by subclause (I) of this clause is less than the acquisition cost claimed in the application,

(-a-) an appraisal that meets the requirements of §1.34 of this chapter, and

(-b-) any other verifiable costs of owning, holding, or improving the Property, excluding seller financing, that when added to the value from subclause (I) of this clause justifies the Applicant's proposed acquisition amount.

(-1-) For land-only transactions, documentation of owning, holding or improving costs since the original acquisition date may include Property taxes, interest expense, a calculated return on equity at a rate consistent with the historical returns of similar risks, the cost of any physical improvements made to the Property, the cost of rezoning, replatting or developing the Property, or any costs to provide or improve access to the Property.

(-2-) For transactions which include existing buildings that will be rehabilitated or otherwise maintained as part of the Development, documentation of owning, holding, or improving costs since the original acquisition date may include capitalized costs of improvements to the Property, a calculated return on equity at a rate consistent with the historical returns of similar risks, and allow the cost of exit taxes not to exceed an amount necessary to allow the sellers to be made whole in the original and subsequent investment in the Property and avoid foreclosure.

(iii) in no instance will the acquisition cost utilized by the Underwriter exceed the lesser of the original acquisition cost evidenced by clause (ii)(I) of this subparagraph plus costs identified in clause (ii)(II)(-b-) of this subparagraph, or the "as-is" value conclusion evidenced by clause (ii)(II)(-a-) of this subparagraph.

(C) **Acquisition of Buildings for Tax Credit Properties.** In order to make a determination of the appropriate building acquisition value, the Applicant will provide and the Underwriter will utilize an appraisal that meets the Department's Appraisal Rules and Guidelines as described in §1.34 of this subchapter. The Underwriter will prorate the actual sales price or identity of interest adjusted sales price based upon a calculated "as-is" improvement value over the total "as-is" value provided in the appraisal, so long as the resulting land value utilized by the Underwriter is not less than the land value indicated in the appraisal or tax assessment. In the case where the land value indicated by either the appraisal or tax assessment is greater than the prorata land value attributed to the sales price as described above, the greater of the land value in the appraisal or tax assessment is deducted from the sales price to determine the acquisition basis.

(2) **Off-Site Costs.** Off-Site costs are costs of development up to the site itself such as the cost of roads, water, sewer and other utilities to provide the site with access. All off-site costs must be well documented and certified by a Third Party engineer on the required application form.

(3) **Site Work Costs.** Project site work costs exceeding $9,000 per Unit must be well documented and certified by a Third Party engineer on the required application form. In addition, for Applicants seeking Tax Credits, documentation in keeping with §49.9(h)(6)(G) of this title will be utilized in calculating eligible basis.

(4) **Direct Construction Costs.** Direct construction costs are the costs of materials and labor required for the building or rehabilitation of a Development.

(A) **New Construction.** The Underwriter will use the Marshall and Swift Residential Cost Handbook or equivalent other comparable published third-party cost estimating data source and historical final cost certifications of all previous Housing Tax Credit allocations to estimate the direct construction cost for a new construction Development. If the Applicant's estimate is more than 5% greater or less than the Underwriter's estimate, the Underwriter will attempt to reconcile this concern and ultimately identify this as a cost concern in the Report.

(i) The "Average Quality" multiple, townhouse, or single family costs, as appropriate, from the Marshall and Swift Residential Cost Handbook or equivalent other comparable published third-party cost estimating data source, based upon the details provided in the application and particularly site and building plans and elevations will be used to estimate direct construction costs. If the Development contains amenities not included in the Average Quality standard, the Department will take into account the costs of the amenities as designed in the Development.

(ii) If the difference in the Applicant's direct cost estimate and the direct construction cost estimate detailed in clause (i) of this subparagraph is more than 5%, the Underwriter shall also evaluate the direct construction cost of the Development based on acceptable cost parameters as adjusted for inflation and as established by historical final cost certifications of all previous housing tax credit allocations for:

(I) the county in which the Development is to be located, or

(II) if cost certifications are unavailable under subclause (I) of this clause, the uniform state service region in which the Development is to be located.

(B) **Rehabilitation including Reconstruction Costs.** In the case where the Applicant has provided a PCA which is inconsistent with the Applicant's figures as proposed in the development cost schedule, the Underwriter may request a supplement executed by the PCA provider ~~supporting~~ reconciling the Applicant's estimate and detailing the difference in costs. If said supplement is not provided or the Underwriter determines that the reasons for the initial difference in costs are not well-documented, the Underwriter utilizes the initial PCA estimations in lieu of the Applicant's estimates.

(5) **Contingency.** All contingencies identified in the Applicant's project cost schedule including any soft cost contingency will be added to Contingency with the total limited to the guidelines detailed in this paragraph. Contingency is limited to a maximum of 5% of direct costs plus site work for new construction Developments and 10% of direct costs plus site work for rehabilitation Developments. For Housing Tax Credit Developments, the percentage is applied to the sum of the eligible direct construction costs plus eligible site work costs in calculating the eligible contingency cost. The Applicant's figure is used by the Underwriter if the figure is less than 5%.

(6) **Contractor Fee.** Contractor fees are limited at a total of 14%. The percentage is applied to the sum of the direct construction costs plus site work costs. For tax credit Developments, the percentages are applied to the sum of the eligible direct construction costs plus eligible site work costs in calculating the eligible contractor fees. For Developments also receiving financing from TX-USDA-RHS, the combination of builder's general requirements, builder's overhead, and builder's profit should not exceed the lower of TDHCA or TX-USDA-RHS requirements. Additional fees for ineligible costs will be limited to the same percentage of ineligible construction costs but will be ineligible for tax credit basis purposes.

(7) **Developer Fee.** Developer fee claimed must be ~~proportionate~~ adjusted by the same applicable percentage ~~to the work for~~ from which it is ~~earned~~ calculated and consistent with §49.9(d)(6) of this title. Additional fees for ineligible costs will be limited to the same percentage of ineligible development costs but will be ineligible for tax credit basis purposes. All fees to related parties to the owner or developer for work determined by the Underwriter to be typically completed by the developer will be considered part of the Developer fee claimed.

(A) For Tax Credit Developments, the development cost associated with developer fees and Development Consultant (also known as Housing Consultant) fees included in Eligible Basis cannot exceed 15% of the project's Total Eligible Basis less developer fees for developments proposing 50 units or more and 20% of the project's Total Eligible Basis less developer fees for developments proposing 49 units or less, as defined in the QAP.

(B) In the case of a transaction requesting acquisition Tax Credits

(i) the allocation of eligible developer fee in calculating rehabilitation/new construction Tax Credits will not exceed 15% of the rehabilitation/new construction basis less developer fees for developments proposing 50 units or more and 20% of the rehabilitation/new construction basis less developer fees for developments proposing 49 units or less, and

(ii) no developer fee attributable to an identity of interest acquisition of the Development will be included in Eligible Basis.

(C) For non-Tax Credit Developments, the percentage can be up to 15% but is based upon total development costs less the sum of the fee itself, land costs, the costs of permanent financing, excessive construction period financing described in paragraph (8) of this subsection, reserves, and any other identity of interest acquisition cost.

(8) **Financing Costs.** Eligible construction period financing is limited to not more than one year's fully drawn construction loan funds at the construction loan interest rate indicated in the commitment. Any excess over this amount is removed to ineligible cost and will not be considered in the determination of developer fee.

(9) **Reserves.** The Department will utilize ~~the terms proposed by the syndicator or lender as described in the commitment letter(s) or~~ the amount described in the Applicant's project cost schedule if it is within the range of two to six months of stabilized operating expenses less management fees and reserve for replacements plus debt service. Alternatively, the Underwriter may consider a greater amount proposed by the conventional lender or syndicator if the detail for such greater amount is well documented in the conventional lender or syndicator commitment letter.

(10) **Other Soft Costs.** For Tax Credit Developments all other soft costs are divided into eligible and ineligible costs. Eligible costs are defined by Internal Revenue Code but generally are costs that can be capitalized in the basis of the Development for tax purposes. Ineligible costs are those that tend to fund future operating activities. The Underwriter will evaluate and accept the allocation of these soft costs in accordance with the Department's prevailing interpretation of the Internal Revenue Code. If the Underwriter questions the eligibility of any soft costs, the Applicant is given an opportunity to clarify and address the concern prior to removal from Eligible Basis.

(f) **Developer Capacity**. The Underwriter will evaluate the capacity of the Person(s) accountable for the role of the Developer to determine their ability to secure financing and successfully complete the Development. The Department will review financial statements, and personal credit reports for those individuals anticipated to guarantee the completion of the Development.

(1) **Credit Reports.** The Underwriter will characterize the Development as "high risk" if the Applicant, General Partner, Developer, anticipated Guarantor or Principals thereof have a credit score which reflects a 40% or higher potential default rate.

(2) **Financial Statements of Principals.** The Applicant, Developer, any principals of the Applicant, General Partner, and Developer and any Person who will be required to guarantee the Development will be required to provide a signed and dated financial statement and authorization to release credit information in accordance with the Department's program rules.

(A) **Individuals.** The Underwriter will evaluate and discuss financial statements for individuals in a confidential portion of the Report. The Development may be characterized as "high risk" if the Developer, anticipated Guarantor or Principals thereof is determined to have limited net worth or significant lack of liquidity.

(B) **Partnerships and Corporations.** The Underwriter will evaluate and discuss financial statements for partnerships and corporations in the Report. The Development may be characterized as "high risk" if the Developer, anticipated Guarantor or Principals thereof is determined to have limited net worth or significant lack of liquidity.

(C) If the Development is characterized as a high risk for either lack of previous experience as determined by the TDHCA division responsible for compliance or a higher potential default rate is identified as described in paragraph (1) or (2) of this subsection, the Report must condition any potential award upon the identification and inclusion of additional Development partners who can meet the Department's guidelines.

(g) **Other Underwriting Considerations.** The Underwriter will evaluate numerous additional elements as described in subsection (b) of this section and those that require further elaboration are identified in this subsection.

(1) **Floodplains.** The Underwriter evaluates the site plan, floodplain map, survey and other information provided to determine if any of the buildings, drives, or parking areas reside within the 100-year floodplain. If such a determination is made by the Underwriter, the Report will include a condition that:

(A) The Applicant must pursue and receive a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR-F); or

(B) The Applicant must identify the cost of flood insurance for the buildings and for the tenant's contents for buildings within the 100-year floodplain; or

(C) The Development must be designed to comply with the QAP, as proposed.

(2) The Underwriter will identify in the report any Developments funded or known and anticipated to be eligible for funding within one linear mile of the subject.

(3) **Supportive Housing.** The unique development and operating characteristics of Supportive Housing Developments may require special consideration in the following areas:

(A) **Operating Income.** The extremely-low-income tenant population typically targeted by a Supportive Housing Development may include deep-skewing of rents to well below the 50% AMI level or other maximum rent limits established by the Department. The Underwriter should utilize the Applicant's proposed rents in the Report as long as such rents are at or below the maximum rent limit proposed for the units and equal to any project based rental subsidy rent to be utilized for the Development.

(B) **Operating Expenses.** A Supportive Housing Development may have significantly higher expenses for payroll, management fee, security, resident support services, or other items than typical Affordable Housing Developments. The Underwriter will rely heavily upon the historical operating expenses of other Supportive Housing Developments provided by the Applicant or otherwise available to the Underwriter.

(C) **DCR and Long Term Feasibility.** Supportive Housing Developments may be exempted from the DCR requirements of subsection (d)(4)(D) of this section if the Development is anticipated to operate without conventional debt. Applicants must provide evidence of sufficient financial resources to offset any projected 15-year cumulative negative cash flows. Such evidence will be evaluated by the Underwriter on a case-by-case basis to satisfy the Department's long term feasibility requirements and may take the form of one or a combination of the following: executed subsidy commitment(s), set-aside of Applicant's financial resources, to be substantiated by an audited financial statement evidencing sufficient resources, and/or proof of annual fundraising success sufficient to fill anticipated operating losses. If either a set aside of financial resources or annual fundraising are used to evidence the long term feasibility of a Supportive Housing Development, a resolution from the Applicant's governing board must be provided confirming their irrevocable commitment to the provision of these funds and activities.

(D) **Development Costs.** For Supportive Housing that is styled as efficiencies, the Underwriter may use "Average Quality" dormitory costs from the Marshall & Swift Valuation Service, with adjustments for amenities and/or quality as evidenced in the application, as a base cost in evaluating the reasonableness of the Applicant's direct construction cost estimate for new construction Developments.

(h) **Work Out Development.** Developments that are underwritten subsequent to Board approval in order to refinance or gain relief from restrictions may be considered infeasible based on the guidelines in this section, but may be characterized as "the best available option" or "acceptable available option" depending on the circumstances and subject to the discretion of the Underwriter as long as the option analyzed and recommended is more likely to achieve a better financial outcome for the property and the Department than the status quo.

(i) **Feasibility Conclusion.** An infeasible Development will not be recommended for funding or allocation unless the Underwriter can determine a plausible alternative feasible financing structure and conditions the recommendations of the report upon receipt of documentation supporting the alternative feasible financing structure. A development will be characterized as infeasible if paragraph (1~~),~~) or (2) ~~or (3)~~ of this subsection applies. The Development will be characterized as infeasible if one or more of paragraphs (~~4~~3)-(~~6~~5) of this subsection applies unless paragraph (~~7~~6) of this subsection also applies.

(1) **Inclusive Capture Rate.** The method for determining the inclusive capture rate for a Development is defined in §1.33(d)(10)(E) of this subchapter. The Underwriter will independently verify all components and conclusions of the inclusive capture rate and may at their discretion use independently aquired demographic data to calculate demand. The Development

(A) is characterized as Rural, Elderly or Special Needs and the inclusive capture rate is above 75% for the total proposed units; or

(B) is not characterized as Rural, Elderly or Special Needs and the inclusive capture rate is above 25% for the total proposed units.

(C) Developments meeting the requirements of subparagraph (A) or (B) of this subparagraph may avoid being characterized as infeasible if clause (i) or (ii) of this subparagraph apply.

(i) **Replacement Housing.** The Development is comprised of Affordable Housing which replaces previously existing substandard Affordable Housing within the Primary Market Area as defined in §1.33 of this subchapter on a Unit for Unit basis, and gives the displaced tenants of the previously existing substandard Affordable Housing a leasing preference.

(ii) **Existing Housing.** The Development is comprised of existing Affordable Housing which is at least 80% occupied and gives displaced existing tenants a leasing preference as stated in the submitted relocation plan.

~~(2) **Concentration Rate**. The Underwriter will independently verify the number of rental units in multi-unit buildings based on the most recent Census data and the completion of Department funded or other known rental Developments in the area.~~

~~(A) The Development is in a Census Tract(s), as established by the U.S. Census Bureau, where the total number of rental units in buildings with three or more units exceeds the ratio of 1,432 units per square mile.~~

~~(B) The Primary Market Area is contained in Census Tract(s), as established by the U.S. Census Bureau, where the total number of rental units in buildings with three or more units exceeds the ratio of 1,000 units per square mile.~~

~~(C) Development's in areas which exceed the limits in subparagraph (A) or (B) of this paragraph may avoid being characterized as infeasible if paragraph (1)(C)(i) or (ii) of this subsection applies.~~

(~~3~~2) **Deferred Developer Fee.** Developments requesting an allocation of tax credits cannot repay the estimated deferred developer fee, based on the Underwriter's recommended financing structure, from cashflow within the first 15 years of the long term proforma as described in subsection (d)(5) of this section.

(~~4~~3) **Restricted Market Rent.** The Restricted Market Rent for units with rents restricted at 60% of AMGI is less than both the Net Program Rent and Market Rent for units with rents restricted at or below 50% of AMGI unless the ~~development~~Applicant ~~proposes~~ accepts the Underwriting recommendation that all restricted units ~~with~~ have rents and incomes restricted at or below the 50% of AMGI level.

(~~5~~4) **Initial Feasibility.** The Year 1 annual total operating expense divided by the Year 1 Effective Gross Income is greater than 65%.

(~~6~~5) **Long Term Feasibility.** Any year in the first 15 years of the Long Term Proforma, as defined in subsection (d)(5) of this section, reflects

(A) negative Cash Flow; or

(B) a Debt Coverage Ratio below 1.15.

(~~7~~6) **Exceptions.** The infeasibility conclusions may be excepted where either of the following apply.

(A) The requirements in this subsection may be waived by the Executive Director of the Department on appeal if documentation is submitted by the Applicant to support unique circumstances that would provide mitigation.

(B) Developments meeting the requirements of one or more of paragraphs (~~4~~3) – (~~6~~5) of this subsection will be re-characterized as feasible if one or more of clauses (i) – (vi) of this subparagraph apply.

(i) The Development will receive Project-based Section 8 Rental Assistance for at least 50% of the units and a firm commitment with terms including contract rent and number of units is submitted at application.

(ii) The Development will receive rental assistance for at least 50% of the units in association with USDA-RD-RHS financing.

(iii) The Development will be characterized as public housing as defined by HUD for at least 50% of the units.

(iv) The Development will be characterized as ~~100%~~ Supportive Housing for at least 50% of the units and evidence of adequate financial support for the long term viability of the Development is provided.

(v) The Development has other long term project based restrictions on rents for at least 50% of the units that allow rents to increase based upon expenses and those rents are currently more than 10% lower than both the Net Program Rent and Restricted Market Rent.

(vi) The units not receiving Project-based Section 8 Rental Assistance or rental assistance in association with USDA-RD-RHS financing, or not characterized as public housing do not propose rents that are less than the Project-based Section 8, USDA-RD-RHS financing, or public housing units.

§1.33 Market Analysis Rules and Guidelines

(a) **General Provision.** A Market Analysis prepared for the Department must evaluate the need for decent, safe, and sanitary housing at rental rates or sales prices that eligible tenants can afford. The analysis must determine the feasibility of the subject Property rental rates or sales price and state conclusions as to the impact of the Property with respect to the determined housing needs. The Market Analysis must include a statement that the report preparer has read and understood the requirements of this section.

(b) **Self-Contained**. A Market Analysis prepared for the Department must allow the reader to understand the market data presented, the analysis of the data, and the conclusions derived from such data. All data presented should reflect the most current information available and the report must provide a parenthetical (in-text) citation or footnote describing the data source. The analysis must clearly lead the reader to the same or similar conclusions reached by the Market Analyst. All steps leading to a calculated figure must be presented in the body of the report.

(c) **Market Analyst Qualifications.** A Market Analysis submitted to the Department must be prepared and certified by an approved Qualified Market Analyst (§2306.67055). The Department will maintain an approved Market Analyst list based on the guidelines set forth in paragraphs (1) - (3) of this subsection.

(1) If not listed as approved by the Department, Market Analysts must submit subparagraphs (A) - (F) of this paragraph at least thirty days prior to the first day of the Application Acceptance Period for which the Market Analyst must be approved. To maintain status as an approved Qualified Market Analyst, updates to the items described in subparagraphs (A) - (C) of this paragraph must be submitted annually on the first Monday in February for review by the Department.

(A) Documentation of good standing in the State of Texas.

(B) A current organization chart or list reflecting all members of the firm who may author or sign the Market Analysis.

(C) Resumes for all members of the firm or subcontractors who may author or sign the Market Analysis.

(D) General information regarding the firm's experience including references, the number of previous similar assignments and time frames in which previous assignments were completed.

(E) Certification from an authorized representative of the firm that the services to be provided will conform to the Department's Market Analysis Rules and Guidelines, as described in this section, in effect for the application round in which each Market Analysis is submitted.

(F) A sample Market Analysis that conforms to the Department's Market Analysis Rules and Guidelines, as described in this section, in effect for the year in which the sample Market Analysis is submitted.

(2) During the underwriting process each Market Analysis will be reviewed and any discrepancies with the rules and guidelines set forth in this section may be identified and require timely correction. Subsequent to the completion of the application round and as time permits, staff or a review appraiser will re-review a sample set of submitted market analyses to ensure that the Department's Market Analysis Rules and Guidelines are met. If it is found that a Market Analyst has not conformed to the Department's Market Analysis Rules and Guidelines, as certified to, the Market Analyst will be notified of the discrepancies in the Market Analysis and will be removed from the approved Qualified Market Analyst list.

(A) In and of itself, removal from the list of approved Market Analysts will not invalidate a Market Analysis commissioned prior to the removal date and at least 90 days prior to the first day of the applicable Application Acceptance Period.

(B) To be reinstated as an approved Qualified Market Analyst, the Market Analyst must amend the previous report to remove all discrepancies or submit a new sample Market Analysis that conforms to the Department's Market Analysis Rules and Guidelines, as described in this section, in effect for the year in which the updated or new sample Market Analysis is submitted.

(3) The list of approved Qualified Market Analysts is posted on the Department's web site and updated within 72 hours of a change in the status of a Market Analyst.

(d) **Market Analysis Contents.** A Market Analysis for a rental Development prepared for the Department must be organized in a format that follows a logical progression and must include, at minimum, items addressed in paragraphs (1) - (12) of this subsection.

(1) **Title Page.** Include Property address or location, effective date of analysis, date report completed, name and address of person authorizing report, and name and address of Market Analyst.

(2) **Letter of Transmittal.** The date of the letter must be the date the report was completed. Include Property address or location, description of Property, statement as to purpose and scope of analysis, reference to accompanying Market Analysis report with effective date of analysis and summary of conclusions, date of Property inspection, name of persons inspecting subject Property, and signatures of all Market Analysts authorized to work on the assignment. Include a statement that the report preparer has read and understood the requirements of this section.

(3) **Table of Contents.** Number the exhibits included with the report for easy reference.

(4) **Assumptions and Limiting Conditions.** Include a description of all assumptions, both general and specific, made by the Market Analyst concerning the Property.

(5) **Identification of the Property.** Provide a statement to acquaint the reader with the Development. Such information includes street address, tax assessor's parcel number(s), and Development characteristics.

(6) **Statement of Ownership.** Disclose the current owners of record and provide a three year history of ownership for the subject Property.

(7) **Secondary Market Area.** All of the Market Analyst's conclusions specific to the subject Development must be based on only one Secondary Market Area definition. The entire PMA, as described in paragraph (8) of this subsection, must be contained within the Secondary Market boundaries. The Market Analyst must adhere to the methodology described in this paragraph when determining the secondary market area (§2306.67055).

(A) The Secondary Market Area will be defined by the Market Analyst with

(i) size based on a base year population of no more than 250,000 people for Developments targeting families, and

(ii) boundaries based on

(I) major roads,

(II) political boundaries, and

(III) natural boundaries.

(IV) A radius is prohibited as a boundary definition.

(B) The Market Analyst's definition of the Secondary Market Area must be supported with a detailed description of the methodology used to determine the boundaries. If applicable, the Market Analyst must place special emphasis on data used to determine an irregular shape for the Secondary Market.

(C) A scaled distance map indicating the Secondary Market Area boundaries that clearly identifies the location of the subject Property must be included.

(8) **Primary Market Area.** All of the Market Analyst's conclusions specific to the subject Development must be based on only one Primary Market Area definition. The Market Analyst must adhere to the methodology described in this paragraph when determining the market area (§2306.67055).

(A) The Primary Market Area will be defined by the Market Analyst with

(i) size based on a base year population of no more than

~~(I)~~ 100,000 people ~~for Developments targeting the general population, and~~

~~(II) 250,000 people for Qualified Elderly Developments or Developments targeting special needs populations~~,

(ii) boundaries identifying the most recent Census Tract definitions, as established by the U.S. Census Bureau and based on

(I) major roads,

(II) political boundaries, and

(III) natural boundaries.

(IV) A radius is prohibited as a boundary definition.

(B) The Market Analyst's definition of the Primary Market Area must be supported with a detailed description of the methodology used to determine the boundaries. If applicable, the Market Analyst must place special emphasis on data used to determine an irregular shape for the PMA.

(C) A scaled distance map indicating the Primary Market Area boundaries that clearly identifies the location of the subject Property and the location of all Local Amenities must be included.

(9) **Market Information.**

(A) For each of the defined market areas and all Census Tracts contained in whole or in part by that area, identify the number of units for each of the categories in clauses (i) - (vi) of this subparagraph; the data must be clearly labeled as relating to either the PMA or the Secondary Market, if applicable

(i) total housing,

(ii) rental developments (all multifamily),

(iii) Affordable Housing,

(iv) Comparable Units,

(v) Unstabilized Comparable Units, and

(vi) proposed Comparable Units.

(B) **Occupancy.** The occupancy rate indicated in the Market Analysis may be used to support both the overall demand conclusion for the proposed Development and the vacancy rate assumption used in underwriting the Development (§1.32(d)(1)(C) of this subchapter). State the overall physical occupancy rate for the proposed housing tenure (renter or owner) within the defined market areas by

(i) number of Bedrooms,

(ii) quality of construction (class),

(iii) Targeted Population, and

(iv) Comparable Units.

(C) **Absorption.** State the absorption trends by quality of construction (class) and absorption rates for Comparable Units.

(D) **Turnover.** ~~The t~~Turnover rates should be specific to the Targeted Population. The data supporting the turnover rate must originate from documented turnover rates from ~~at least one of the following~~

~~(i) Comparable Units,~~

~~(ii) the defined PMA,~~

~~(iii) the defined Secondary Market, and~~

~~(iv) a Third Party data collection agency or demographer.~~ the most current TDHCA published data on the Department web site or the most current U.S. Census Bureau tenure appropriate data for movership rates over the last 12 months or next shortest term. The Market Analyst should use the most reasonable rate which is subject to review by the Underwriter.

(E) **Demand.** Provide a comprehensive evaluation of the need for the proposed housing for the Development as a whole and each Unit type by number of Bedrooms proposed and rent restriction category within the defined market areas using the most current census and demographic data available.

(i) **Demographics.** The Market Analyst should use demographic data specific to the characteristics of the households that will be living in the proposed Development. For example, the Market Analyst should use demographic data specific to elderly population for an elderly Development, if available, and should avoid making adjustments from more general demographic data. If adjustment rates are used based on more general data for any of the following they should be clearly identified and documented as to their source in the report.

(I) **Population.** Provide population and household figures, supported by actual demographics, for a five-year period with the year of application as the base year.

(II) **Target.** If applicable, adjust the household projections for the Qualified Elderly or special needs population targeted by the proposed Development. ~~State the target adjustment rate.~~

(III) **Household Size-Appropriate.** Adjust the household projections or target household projections, as applicable, for the appropriate household size for the proposed Unit type by number of Bedrooms proposed and rent restriction category based on 1.5 persons per Bedroom (round up). ~~State the Household Size-Appropriate adjustment rate.~~

(IV) **Income Eligible.** Adjust the household size appropriate projections for income eligibility based on the income bands for the proposed Unit type by number of Bedrooms proposed and rent restriction category with

(-a-) the lower end of each income band calculated based on the lowest gross rent proposed divided by 35% for the general population and ~~40~~50% for Qualified Elderly households, and

(-b-) the upper end of each income band equal to the applicable gross median income limit for the largest appropriate household size based on 1.5 persons per Bedroom (round up) or one person for efficiency units.

~~(-c-) State the Income Eligible adjustment rate.~~

(V) **Tenure-Appropriate.** Adjust the income-eligible household projections for tenure (renter or owner). ~~State the Tenure-Appropriate adjustment rate.~~ If tenure appropriate income eligible target household data is available, a tenure appropriate adjustment is not necessary.

(ii) **Demand from Turnover.** Apply the turnover rate as described in subparagraph (D) of this paragraph to the target, income-eligible, size-appropriate and tenure-appropriate households in the PMA projected at the proposed placed in service date.

(iii) Demand from Home Ownership Turnover for Qualified Elderly Developments. Apply the turnover rate as described in subparagraph (D) of this paragraph, but not greater than 10%, to the target, income-eligible, size-appropriate and owner households in the PMA projected at the proposed placed in service date.

(~~iii~~iv) **Demand from Population Growth.** Calculate the target, income-eligible, size-appropriate and tenure-appropriate household growth in the PMA for the twelve month period following the proposed placed in service date.

(~~iv~~v) **Demand from Secondary Market Area.**

(I) Apply the turnover rate as described in subparagraph (D) of this paragraph to the target, income-eligible, size-appropriate and tenure-appropriate households in the Secondary Market Area projected at the proposed placed in service date.

(II) Not more than 25% of the demand can come from outside the PMA as calculated in subclause (I) of this clause and be included in the calculation of demand as described in paragraph(10)(D) of this subsection and for use in calculation of inclusive capture rate as described in paragraph (10)(E) of this subsection. In addition, 25% of the Comparable Units from Unstabilized Developments within the Secondary Market Area must be included in the calculation of inclusive capture rate.

(~~v~~vi) **Demand from Other Sources.** The source of additional demand and the methodology used to calculate the additional demand must be clearly stated. Calculation of additional demand must factor in the adjustments described in clause (i) of this subparagraph.

(10) **Conclusions.** Include a comprehensive evaluation of the subject Property, separately addressing each housing type and specific population to be served by the Development in terms of items in subparagraphs (A) - (G) of this paragraph. All conclusions must be consistent with the data and analysis presented throughout the Market Analysis.

(A) **Unit Mix.** Provide a best possible unit mix conclusion based on the occupancy rates by Bedroom type within the PMA and target, income-eligible, size-appropriate and tenure-appropriate household demand within the PMA.

(B) **Rents.** Provide a separate Market Rent and Restricted Market Rent conclusion for each proposed Unit type by number of Bedrooms and rent restriction category. Conclusions of Market Rent or Restricted Market Rent below the maximum Net Program Rent limit must be well documented as the conclusions may impact the feasibility of the Development under §1.32(i) of this subchapter.

(i) **Comparable Units.** Identify developments in the PMA with Comparable Units. In Primary Market Areas lacking sufficient rent comparables, it may be necessary for the Market Analyst to collect data from markets with similar characteristics and make quantifiable location adjustments. Provide a data sheet for each development consisting of

(I) Development name,

(II) address,

(III) year of construction and year of rehabilitation, if applicable,

(IV) property condition,

(V) population target,

(VI) unit mix specifying number of Bedrooms, number of baths, net rentable square footage and

(-a-) monthly rent and utility allowance, or

(-b-) sales price with terms, marketing period and date of sale,

(VII) description of concessions,

(VIII) list of unit amenities,

(IX) utility structure,

(X) list of common amenities, and

(XI) for rental developments only

(-a-) occupancy, and

(-b-) turnover.

(ii) Provide a scaled distance map indicating the Primary Market Area boundaries that clearly identifies the location of the subject Property and the location of the identified developments with Comparable Units.

(iii) **Rent Adjustments.** In support of the Market Rent and Restricted Market Rent conclusions, provide a separate attribute adjustment matrix for each proposed unit type by number of Bedrooms and rental restriction category.

(I) The Department recommends use of HUD Form 92273.

(II) A minimum of three developments must be represented on each attribute adjustment matrix.

(III) Adjustments for concessions must be included, if applicable.

(IV) Total adjustments in excess of 15% must be supported with additional narrative.

(V) Total adjustments in excess of 25% indicate the Units are not comparable for the purposes of determining Market Rent and Restricted Market Rent conclusions.

(C) **Effective Gross Income.** Provide rental income, secondary income, and vacancy and collection loss projections for the subject derived independent of the Applicant's estimates.

(D) **Demand.** State the target, income-eligible, size-appropriate and tenure-appropriate household demand by Unit type by number of Bedrooms proposed and rent restriction category (e.g. one-Bedroom units restricted at 50% of AMFI; two-Bedroom units restricted at 60% of AMFI) by summing the demand components applicable to the subject Development discussed in paragraph (9)(E)(ii) - (v) of this subsection. State the total target, income-eligible, size-appropriate and tenure-appropriate household demand by summing the demand components applicable to the subject Development discussed in paragraph (9)(E)(ii) - (v) of this subsection.

(E) **Inclusive Capture Rate.** The Market Analyst must calculate inclusive capture rates for the subject Development's proposed Unit types by number of Bedrooms and rent restriction categories, market rate Units, if applicable, and total Units. The Underwriter will adjust the inclusive capture rates to take into account any errors or omissions. To calculate an inclusive capture rate

(i) total

(I) the proposed subject Units,

(II) Comparable Units with priority, as defined in §49.9(d)(2) of this title, over the subject that have made application to TDHCA and have not been presented to the TDHCA Board for decision and

(III) Comparable Units in previously approved but Unstabilized Developments, and

(ii) divide by the total target, income-eligible, size-appropriate and tenure-appropriate household demand stated in subparagraph (D) of this paragraph.

(iii) Refer to §1.32(i) of this subchapter for feasibility criteria.

(F) **Absorption.** Project an absorption period for the subject Development to achieve Sustaining Occupancy. State the absorption rate.

(G) **Market Impact.** Provide an assessment of the impact the subject Development, as completed, will have on existing Developments supported by Housing Tax Credits in the Primary Market (§2306.67055).

(11) **Photographs.** Provide labeled color photographs of the subject Property, the neighborhood, street scenes, and comparables. An aerial photograph is desirable but not mandatory.

(12) **Appendices.** Any Third Party reports including demographics relied upon by the Market Analyst must be provided in appendix form. A list of works cited including personal communications also must be provided, and the Modern Language Association (MLA) format is suggested.

(e) The Department reserves the right to require the Market Analyst to address such other issues as may be relevant to the Department's evaluation of the need for the subject Development and the provisions of the particular program guidelines.

(f) All Applicants shall acknowledge, by virtue of filing an application, that the Department shall not be bound by any such opinion or Market Analysis, and may substitute its own analysis and underwriting conclusions for those submitted by the Market Analyst.

§1.34 Appraisal Rules and Guidelines

(a) **General Provision.** An appraisal prepared for the Department must conform to the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of the Appraisal Foundation. The appraisal must include a statement that the report preparer has read and understood the requirements of this section.

(b) **Self-Contained.** An appraisal prepared for the Department must describe sufficient and adequate data and analyses to support the final opinion of value. The final value(s) must be reasonable, based on the information included. Any Third Party reports relied upon by the appraiser must be verified by the appraiser as to the validity of the data and the conclusions.

(c) **Appraiser Qualifications.** The qualifications of each appraiser are determined on a case-by-case basis by the Director of Real Estate Analysis or review appraiser, based upon the quality of the report itself and the experience and educational background of the appraiser. At minimum, a qualified appraiser must be appropriately certified or licensed by the Texas Appraiser Licensing and Certification Board.

(d) **Appraisal Contents.** An appraisal prepared for the Department must be organized in a format that follows a logical progression. In addition to the contents described in USPAP Standards Rule 2, the appraisal must include items addressed in paragraphs (1) - (12) of this subsection.

(1) **Title Page.** Include a statement identifying the Department as the client, acknowledging that the Department is granted full authority to rely on the findings of the report, and name and address of person authorizing report.

(2) **Letter of Transmittal.** Include reference to accompanying appraisal report, reference to all person(s) that provided significant assistance in the preparation of the report, date of report, effective date of appraisal, date of property inspection, name of person(s) inspecting the property, tax assessor's parcel number(s) of the site, estimate of marketing period, and signatures of all appraisers authorized to work on the assignment including the appraiser who inspected the property. Include a statement indicating the report preparer has read and understood the requirements of this section.

(3) **Table of Contents.** Number the exhibits included with the report for easy reference.

(4) **Disclosure of Competency.** Include appraiser's qualifications, detailing education and experience.

(5) **Statement of Ownership of the Subject Property.** Discuss all prior sales of the subject property which occurred within the past three years. Any pending agreements of sale, options to buy, or listing of the subject property must be disclosed in the appraisal report.

(6) **Property Rights Appraised.** Include a statement as to the property rights (e.g., fee simple interest, leased fee interest, leasehold, etc.) being considered. The appropriate interest must be defined in terms of current appraisal terminology with the source cited.

(7) **Site/Improvement Description.** Discuss the site characteristics including subparagraphs (A) - (E) of this paragraph.

(A) **Physical Site Characteristics.** Describe dimensions, size (square footage, acreage, etc.), shape, topography, corner influence, frontage, access, ingress-egress, etc. associated with the site. Include a plat map and/or survey.

(B) **Floodplain.** Discuss floodplain (including flood map panel number) and include a floodplain map with the subject clearly identified.

(C) **Zoning.** Report the current zoning and description of the zoning restrictions and/or deed restrictions, where applicable, and type of Development permitted. Any probability of change in zoning should be discussed. A statement as to whether or not the improvements conform to the current zoning should be included. A statement addressing whether or not the improvements could be rebuilt if damaged or destroyed, should be included. If current zoning is not consistent with the highest and best use, and zoning changes are reasonable to expect, time and expense associated with the proposed zoning change should be considered and documented. A zoning map should be included.

(D) **Description of Improvements.** Provide a thorough description and analysis of the improvements including size (net rentable area, gross building area, etc.), number of stories, number of buildings, type/quality of construction, condition, actual age, effective age, exterior and interior amenities, items of deferred maintenance, energy efficiency measures, etc. All applicable forms of depreciation should be addressed along with the remaining economic life.

(E) **Environmental Hazards.** It is recognized appraisers are not experts in such matters and the impact of such deficiencies may not be quantified; however; the report should disclose any potential environmental hazards (e.g., discolored vegetation, oil residue, asbestos-containing materials, lead-based paint etc.) noted during the inspection.

(8) **Highest and Best Use.** Market Analysis and feasibility study is required as part of the highest and best use. The highest and best use analysis should consider paragraph (7)(A) - (E) of this subsection as well as a supply and demand analysis.

(A) The appraisal must inform the reader of any positive or negative market trends which could influence the value of the appraised property. Detailed data must be included to support the appraiser's estimate of stabilized income, absorption, and occupancy.

(B) The highest and best use section must contain a separate analysis "as if vacant" and "as improved" (or "as proposed to be improved/renovated"). All four elements (legally permissible, physically possible, feasible, and maximally productive) must be considered.

(9) **Appraisal Process.** It is mandatory that all three approaches, Cost Approach, Sales Comparison Approach and Income Approach, are considered in valuing the property. If an approach is not applicable to a particular property an adequate explanation must be provided. A land value estimate must be provided if the cost approach is not applicable.

(A) **Cost Approach.** This approach should give a clear and concise estimate of the cost to construct the subject improvements. The source(s) of the cost data should be reported.

(i) Cost comparables are desirable; however, alternative cost information may be obtained from Marshall & Swift Valuation Service or similar publications. The section, class, page, etc. should be referenced. All soft costs and entrepreneurial profit must be addressed and documented.

(ii) All applicable forms of depreciation must be discussed and analyzed. Such discussion must be consistent with the description of the improvements.

(iii) The land value estimate should include a sufficient number of sales which are current, comparable, and similar to the subject in terms of highest and best use. Comparable sales information should include address, legal description, tax assessor's parcel number(s), sales price, date of sale, grantor, grantee, three year sales history, and adequate description of property transferred. The final value estimate should fall within the adjusted and unadjusted value ranges. Consideration and appropriate cash equivalent adjustments to the comparable sales price for subclauses (I) - (VII) of this clause should be made when applicable.

(I) Property rights conveyed.

(II) Financing terms.

(III) Conditions of sale.

(IV) Location.

(V) Highest and best use.

(VI) Physical characteristics (e.g., topography, size, shape, etc.).

(VII) Other characteristics (e.g., existing/proposed entitlements, special assessments, etc.).

(B) **Sales Comparison Approach.** This section should contain an adequate number of sales to provide the reader with a description of the current market conditions concerning this property type. Sales data should be recent and specific for the property type being appraised. The sales must be confirmed with buyer, seller, or an individual knowledgeable of the transaction.

(i) Sales information should include address, legal description, tax assessor's parcel number(s), sales price, financing considerations and adjustment for cash equivalency, date of sale, recordation of the instrument, parties to the transaction, three year sale history, complete description of the property and property rights conveyed, and discussion of marketing time. A scaled distance map clearly identifying the subject and the comparable sales must be included.

(ii) The method(s) used in the Sales Comparison Approach must be reflective of actual market activity and market participants.

(I) **Sale Price/Unit of Comparison.** The analysis of the sale comparables must identify, relate, and evaluate the individual adjustments applicable for property rights, terms of sale, conditions of sale, market conditions, and physical features. Sufficient narrative must be included to permit the reader to understand the direction and magnitude of the individual adjustments, as well as a unit of comparison value indicator for each comparable.

(II) **Net Operating Income/Unit of Comparison.** The net operating income statistics for the comparables must be calculated in the same manner. It should be disclosed if reserves for replacement have been included in this method of analysis. At least one other method should accompany this method of analysis.

(C) **Income Approach.** This section must contain an analysis of both the actual historical and projected income and expense aspects of the subject property.

(i) **Market Rent Estimate/Comparable Rental Analysis.** This section of the report should include an adequate number of actual market transactions to inform the reader of current market conditions concerning rental units. The comparables must indicate current research for this specific property type. The comparables must be confirmed with the landlord, tenant or agent and individual data sheets must be included. The individual data sheets should include property address, lease terms, description of the property (e.g., unit type, unit size, unit mix, interior amenities, exterior amenities, etc.), physical characteristics of the property, and location of the comparables. Analysis of the Market Rents should be sufficiently detailed to permit the reader to understand the appraiser's logic and rationale. Adjustment for lease rights, condition of the lease, location, physical characteristics of the property, etc. must be considered.

(ii) **Comparison of Market Rent to Contract Rent.** Actual income for the subject along with the owner's current budget projections must be reported, summarized, and analyzed. If such data is unavailable, a statement to this effect is required and appropriate assumptions and limiting conditions should be made. The contract rents should be compared to the market-derived rents. A determination should be made as to whether the contract rents are below, equal to, or in excess of market rates. If there is a difference, its impact on value must be qualified.

(iii) **Vacancy/Collection Loss.** Historical occupancy data and current occupancy level for the subject should be reported and compared to occupancy data from the rental comparables and overall occupancy data for the subject's Primary Market.

(iv) **Expense Analysis.** Actual expenses for the subject, along with the owner's projected budget, must be reported, summarized, and analyzed. If such data is unavailable, a statement to this effect is required and appropriate assumptions and limiting conditions should be made. Historical expenses should be compared to comparables expenses of similar property types or published survey data (e.g., IREM, BOMA, etc.). Any expense differences should be reconciled. Include historical data regarding the subject's assessment and tax rates and a statement as to whether or not any delinquent taxes exist.

(v) **Capitalization.** The appraiser should present the capitalization method(s) reflective of the subject market and explain the omission of any method not considered in the report.

(I) **Direct Capitalization.** The primary method of deriving an overall rate (OAR) is through market extraction. If a band of investment or mortgage equity technique is utilized, the assumptions must be fully disclosed and discussed.

(II) **Yield Capitalization (Discounted Cash Flow Analysis).** This method of analysis should include a detailed and supportive discussion of the projected holding/investment period, income and income growth projections, occupancy projections, expense and expense growth projections, reversionary value and support for the discount rate.

(10) **Value Estimates.** Reconciliation final value estimate is required.

(A) All appraisals shall contain a separate estimate of the "as vacant" market value of the underlying land, based upon current sales comparables. The appraiser should consider the fee simple or leased fee interest as appropriate.

(B) Appraisal assignments for new construction are required to provide an "as completed" value of the proposed structures. These reports shall provide an "as restricted with favorable financing" value as well as an "unrestricted market" value.

(C) Reports on Properties to be rehabilitated shall address the "as restricted with favorable financing" value as well as both an "as is" value and an "as completed" value. The appraiser should consider the fee simple or leased fee interest as appropriate.

(D) If required the appraiser must include a separate assessment of personal property, furniture, fixtures, and equipment (FF&E) and/or intangible items. If personal property, FF&E, or intangible items are not part of the transaction or value estimate, a statement to such effect should be included.

(11) **Marketing Time.** Given property characteristics and current market conditions, the appraiser(s) should employ a reasonable marketing period. The report should detail existing market conditions and assumptions considered relevant.

(12) **Photographs.** Provide good quality color photographs of the subject property (front, rear, and side elevations, on-site amenities, interior of typical units if available). Photographs should be properly labeled. Photographs of the neighborhood, street scenes, and comparables should be included. An aerial photograph is desirable but not mandatory.

(e) **Additional Appraisal Concerns.** The appraiser(s) must be aware of Department program rules and guidelines and the appraisal must include analysis of any impact to the subject's value.

§1.35 Environmental Site Assessment Rules and Guidelines

(a) **General Provisions.** The Environmental Site Assessments (ESA) prepared for the Department should be conducted and reported in conformity with the standards of the American Society for Testing and Materials. The initial report should conform with the Standard Practice for Environmental Site Assessments: Phase I Assessment Process (ASTM Standard Designation: E1527-05). Any subsequent reports should also conform to ASTM standards and such other recognized industry standards as a reasonable person would deem relevant in view of the Property's anticipated use for human habitation. The environmental assessment shall be conducted by a Third Party environmental professional at the expense of the Applicant, and addressed to TDHCA as a User of the report (as defined by ASTM standards). Copies of reports provided to TDHCA which were commissioned by other financial institutions should address TDHCA as a co-recipient of the report, or letters from both the provider and the recipient of the report should be submitted extending reliance on the report to TDHCA. The ESA report should also include a statement that the person or company preparing the ESA report will not materially benefit from the Development in any other way than receiving a fee for performing the Environmental Site Assessment, and that the fee is in no way contingent upon the outcome of the assessment. The ESA report must contain a statement indicating the report preparer has read and understood the requirements of this section.

(b) In addition to ASTM requirements, the report must

(1) State if a **noise study** is recommended for a property in accordance with current HUD guidelines and identify its proximity to industrial zones, major highways, active rail lines, civil and military airfields, or other potential sources of excessive noise;

(2) Provide a copy of a **current survey**, if available, or other drawing of the site reflecting the boundaries and adjacent streets, all improvements on the site, and any items of concern described in the body of the environmental site assessment or identified during the physical inspection;

(3) Provide a copy of the current **FEMA Flood Insurance Rate Map** showing the panel number and encompassing the site with the site boundaries precisely identified and superimposed on the map.

(4) If the subject site includes any improvements or debris from pre-existing improvements, state if testing for **asbestos containing materials** (ACMs) would be required pursuant to local, state, and federal laws, or recommended due to any other consideration;

(5) If the subject site includes any improvements or debris from pre-existing improvements, state if testing for **Lead Based Paint** would be required pursuant to local, state, and federal laws, or recommended due to any other consideration;

(6) State if testing for **lead in the drinking water** would be required pursuant to local, state, and federal laws, or recommended due to any other consideration such as the age of pipes and solder in existing improvements; and

(7) Assess the potential for the presence of **Radon** on the property, and recommend specific testing if necessary.

(c) If the report recommends further studies or establishes that environmental hazards currently exist on the Property, or are originating off-site but would nonetheless affect the Property, the Development Owner must act on such a recommendation or provide a plan for either the abatement or elimination of the hazard. Evidence of action or a plan for the abatement or elimination of the hazard must be presented upon Application submittal.

(d) For Developments in programs that allow a waiver of the Phase I ESA such as a TX-USDA-RHS funded Development, the Development Owners are hereby notified that it is their responsibility to ensure that the Development is maintained in compliance with all state and federal environmental hazard requirements.

(e) Those Developments which have or are to receive first lien financing from HUD may submit HUD's environmental assessment report, provided that it conforms to the requirements of this subsection.

§1.36 Property Condition Assessment Guidelines

(a) **General Provisions.** The objective of the Property Condition Assessment (the PCA) is to provide cost estimates for repairs, replacements, or new construction which are: immediately necessary; proposed by the developer; and expected to be required throughout the term of the regulatory period and not less than 30 years. The PCA prepared for the Department should be conducted and reported in conformity with the American Society for Testing and Materials "Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process (ASTM Standard Designation: E 2018)" except as provided for in subsections (b) and (c) of this section. The PCA report must contain a statement indicating the report preparer has read and understood the requirements of this section.

The PCA must include discussion and analysis of the following:

(1) **Useful Life Estimates.** For each system and component of the property the PCA should assess the condition of the system or component, and estimate its remaining useful life, citing the basis or the source from which such estimate is derived.

(2) **Code Compliance.** The PCA should review and document any known violations of any applicable federal, state, or local codes. In developing the cost estimates specified herein, it is the responsibility of the Housing Sponsor or Applicant to ensure that the PCA adequately considers any and all applicable federal, state, and local laws and regulations which may govern any work performed to the subject property.

(3) **Program Rules.** The PCA should assess the extent to which any systems or components must be modified, repaired, or replaced in order to comply with any specific requirements of the housing program under which the Development is proposed to be financed, particular consideration being given to accessibility requirements, the Department's Housing Quality Standards, and any scoring criteria for which the Applicant may claim points.

(4) **Cost Estimates for Repair and Replacement.** It is the responsibility of the Housing Sponsor or Applicant to ensure that the PCA provider is apprised of all development activities associated with the proposed transaction and consistency of the total immediately necessary and proposed repair and replacement cost estimates with the development cost schedule submitted as an exhibit of the Application.

(A) **Immediately Necessary Repairs and Replacement.** Systems or components which are expected to have a remaining useful life of less than one year, which are found to be in violation of any applicable codes, which must be modified, repaired or replaced in order to satisfy program rules, or which are otherwise in a state of deferred maintenance or pose health and safety hazards should be considered immediately necessary repair and replacement. The PCA must provide a separate estimate of the costs associated with the repair, replacement, or maintenance of each system or component which is identified as being an immediate need, citing the basis or the source from which such cost estimate is derived.

(B) **Proposed Repair, Replacement, or New Construction.** If the development plan calls for additional repair, replacement, or new construction above and beyond the immediate repair and replacement described in subparagraph (A) of this paragraph, such items must be identified and the nature or source of obsolescence or improvement to the operations of the Property discussed. The PCA must provide a separate estimate of the costs associated with the repair, replacement, or new construction which is identified as being above and beyond the immediate need, citing the basis or the source from which such cost estimate is derived.

(C) **Expected Repair and Replacement Over Time.** The term during which the PCA should estimate the cost of expected repair and replacement over time must equal the longest term of any land use or regulatory restrictions which are, or will be, associated with the provision of housing on the property. The PCA must estimate the periodic costs which are expected to arise for repairing or replacing each system or component or the property, based on the estimated remaining useful life of such system or component as described in paragraph (1) of this subsection adjusted for completion of repair and replacement immediately necessary and proposed as described in subparagraphs (A) and (B) of this paragraph. The PCA must include a separate table of the estimated long term costs which identifies in each line the individual component of the property being examined, and in each column the year during the term in which the costs are estimated to be incurred and no less than 15 years. The estimated costs for future years should be given in both present dollar values and anticipated future dollar values assuming a reasonable inflation factor of not less than 2.5% per annum.

(b) If a copy of such standards or a sample report have been provided for the Department's review, if such standards are widely used, and if all other criteria and requirements described in this section are satisfied, the Department will also accept copies of reports commissioned or required by the primary lender for a proposed transaction, which have been prepared in accordance with:

(1) Fannie Mae's criteria for Physical Needs Assessments,

(2) Federal Housing Administration's criteria for Project Capital Needs Assessments,

(3) Freddie Mac's guidelines for Engineering and Property Condition Reports,

(4) TX-USDA-RHS guidelines for Capital Needs Assessment, or

(5) Standard and Poor's Property Condition Assessment Criteria: Guidelines for Conducting Property Condition Assessments, Multifamily Buildings.

(c) The Department may consider for acceptance reports prepared according to other standards which are not specifically named above in subsection (b) of this section, if a copy of such standards or a sample report have been provided for the Department's review, if such standards are widely used, and if all other criteria and requirements described in this section are satisfied.

(d) The PCA shall be conducted by a Third Party at the expense of the Applicant, and addressed to TDHCA as the client. Copies of reports provided to TDHCA which were commissioned by other financial institutions should address TDHCA as a co-recipient of the report, or letters from both the provider and the recipient of the report should be submitted extending reliance on the report to TDHCA. The PCA report should also include a statement that the person or company preparing the PCA report will not materially benefit from the Development in any other way than receiving a fee for performing the PCA. The PCA report must contain a statement indicating the report preparer has read and understood the requirements of this section. The PCA should be signed and dated by the Third Party report provider not more than six months prior to the date of the application.

§1.37 Reserve for Replacement Rules and Guidelines

(a) **General Provisions.** The Department will require Developments to provide regular maintenance to keep housing sanitary, safe and decent by maintaining a reserve for replacement in accordance with §2306.186. The reserve must be established for each unit in a Development of 25 or more rental units, regardless of the amount of rent charged for the unit. The Department shall, through cooperation of its divisions responsible for asset management and compliance, ensure compliance with this section.

(b) The First Lien Lender shall maintain the reserve account through an escrow agent acceptable to the First Lien Lender to hold reserve funds in accordance with an executed escrow agreement and the rules set forth in this section and §2306.186.

(1) Where there is a First Lien Lender other than the Department or a Bank Trustee as a result of a bond indenture or tax credit syndication, the Department shall

(A) Be a required signatory party in all escrow agreements for the maintenance of reserve funds;

(B) Be given notice of any asset management findings or reports, transfer of money in reserve accounts to fund necessary repairs, and any financial data and other information pursuant to the oversight of the Reserve Account within 30 days of any receipt or determination thereof;

(C) Subordinate its rights and responsibilities under the escrow agreement, including those described in this subsection, to the First Lien Lender or Bank Trustee through a subordination agreement subject to its ability to do so under the law and normal and customary limitations for fraud and other conditions contained in the Department's standard subordination clause agreements as modified from time to time, to include subsection (c) of this section.

(2) The escrow agreement and subordination agreement, if applicable, shall further specify the time and circumstances under which the Department can exercise its rights under the escrow agreement in order to fulfill its obligations under §2306.186 and as described in this section.

(3) Where the Department is the First Lien Lender and there is no Bank Trustee as a result of a bond indenture or tax credit syndication or where there is no First Lien Lender but the allocation of funds by the Department and §2306.186 requires that the Department oversee a Reserve Account, the Owner shall provide at their sole expense for appointment of an escrow agent acceptable to the Department to act as Bank Trustee as necessary under this section. The Department shall retain the right to replace the escrow agent with another Bank Trustee or act as escrow agent at a cost plus fee payable by the Owner due to breach of the escrow agent's responsibilities or otherwise with 30 days prior notice of all parties to the escrow agreement.

(c) If the Department is not the First Lien Lender with respect to the Development, each Owner receiving Department assistance for multifamily rental housing shall submit on an annual basis within the Department's required Owner's Financial Certification packet a signed certification by the First Lien Lender including:

(1) Reserve for replacement requirements under the first lien loan agreement;

(2) Monitoring standards established by the First Lien Lender to ensure compliance with the established reserve for replacement requirements; and

(3) A statement by the First Lien Lender

(A) That the Development has met all established reserve for replacement requirements; or

(B) Of the plan of action to bring the Development in compliance with all established reserve for replacement requirements, if necessary.

(d) If the Development meets the minimum unit size described in subsection (a) of this section and the establishment of a Reserve Account for repairs has not been required by the First Lien Lender or Bank Trustee, each Owner receiving Department assistance for multifamily rental housing shall set aside the repair reserve amount as described in subsection (e)(1) - (3) of this section through the date described in subsection (f)(2) of this section through the appointment of an escrow agent as further described in subsection (b)(3) of this section.

(e) If the Department is the First Lien Lender with respect to the Development, each Owner receiving Department assistance for multifamily rental housing shall deposit annually into a Reserve Account through the date described in subsection (f)(2) of this section:

(1) For new construction Developments:

(A) Not less than $150 per unit per year for units one to five years old; and

(B) Not less than $200 per unit per year for units six or more years old.

(2) For rehabilitation Developments:

(A) An amount per unit per year established by the Department's division responsible for credit underwriting based on the information presented in a Property Condition Assessment in conformance with §1.36 of this subchapter; and

(B) Not less than $300 per unit per year.

(3) For either new construction or rehabilitation Developments, the Owner of a multifamily rental housing Development shall contract for a third-party Property Condition Assessment meeting the requirements of §1.36 of this subchapter and the Department will reanalyze the annual reserve requirement based on the findings and other support documentation.

(A) A Property Condition Assessment will be conducted:

(i) At appropriate intervals that are consistent with requirements of the First Lien Lender, other than the Department; or

(ii) At least once during each five-year period beginning with the 11th year after the awarding of any financial assistance for the Development by the Department, if the Department is the First Lien Lender or the First Lien Lender does not require a third-party Property Condition Assessment.

(B) Submission by the Owner to the Department will occur within 30 days of completion of the Property Condition Assessment and must include:

(i) The complete Property Condition Assessment;

(ii) First Lien Lender and/or Owner response to the findings of the Property Condition Assessment;

(iii) Documentation of repairs made as a result of the Property Condition Assessment; and

(iv) Documentation of adjustments to the amounts held in the replacement Reserve Account based upon the Property Condition Assessment.

(f) A Land Use Restriction Agreement or restrictive covenant between the Owner and the Department must require:

(1) The Owner to begin making annual deposits to the reserve account on the later of:

(A) The date that occupancy of the Development stabilizes as defined by the First Lien Lender or in the absence of a First Lien Lender other than the Department, the date the property is at least 90% occupied; or

(B) The date that permanent financing for the Development is completely in place as defined by the First Lien Lender or in the absence of a First Lien Lender other than the Department, the date when the permanent loan is executed and funded.

(2) The Owner to continue making deposits until the earliest of the following dates:

(A) The date on which the Owner suffers a total casualty loss with respect to the Development;

(B) The date on which the Development becomes functionally obsolete, if the Development cannot be or is not restored;

(C) The date on which the Development is demolished;

(D) The date on which the Development ceases to be used as a multifamily rental property; or

(E) The later of

(i) The end of the affordability period specified by the Land Use Restriction Agreement or restrictive covenant; or

(ii) The end of the repayment period of the first lien loan.

(g) The duties of the Owner of a multifamily rental housing Development under this section cease on the date of a change in ownership of the Development; however, the subsequent Owner of the Development is subject to the requirements of this section.

(h) If the Department is the First Lien Lender with respect to the Development or the First Lien Lender does not require establishment of a Reserve Account, the Owner receiving Department assistance for multifamily rental housing shall submit on an annual basis within the Department's required Owner's Financial Certification packet:

(1) Financial statements, audited if available, with clear identification of the replacement Reserve Account balance and all capital improvements to the Development within the fiscal year;

(2) Identification of costs other than capital improvements funded by the replacement Reserve Account; and

(3) Signed statement of cause for:

(A) Use of replacement Reserve Account for expenses other than necessary repairs, including property taxes or insurance;

(B) Deposits to the replacement Reserve Account below the Department's or First Lien Lender's mandatory levels as defined in subsections (c), (d) and (e) of this section; and

(C) Failure to make a required deposit.

(i) If a request for extension or waiver is not approved by the Department, Department action, including a penalty of up to $200 per dwelling unit in the Development and/or characterization of the Development as Materially Non-Compliant, as defined in §60.1 of this title, may be taken when:

(1) A Reserve Account, as described in this section, has not been established for the Development;

(2) The Department is not a party to the escrow agreement for the Reserve Account;

(3) Money in the Reserve Account

(A) Is used for expenses other than necessary repairs, including property taxes or insurance; or

(B) Falls below mandatory deposit levels;

(4) Owner fails to make a required deposit;

(5) Owner fails to contract for the third party Property Condition Assessment as required under subsection (e)(3) of this section; or

(6) Owner fails to make necessary repairs, as defined in subsection (k) of this section.

(j) On a case by case basis, the Department may determine that the money in the Reserve Account may:

(1) Be used for expenses other than necessary repairs, including property taxes or insurance, if:

(A) Development income before payment of return to Owner or deferred developer fee is insufficient to meet operating expense and debt service requirements; and

(B) The funds withdrawn from the Reserve Account are replaced as cashflow after payment of expenses, but before payment of return to Owner or developer fee is available.

(2) Fall below mandatory deposit levels without resulting in Department action, if:

(A) Development income after payment of operating expenses, but before payment of return to Owner or deferred developer fee is insufficient to fund the mandatory deposit levels; and

(B) Subsequent deposits to the Reserve Account exceed mandatory deposit levels as cashflow after payment of operating expenses, but before payment of return to Owner or deferred developer fee is available until the Reserve Account has been replenished to the mandatory deposit level less capital expenses to date.

(k) The Department or its agent may make repairs to the Development if the Owner fails to complete necessary repairs indicated in the submitted Property Condition Assessment or identified by physical inspection. Repairs may be deemed necessary if the Development is notified of the Owner's failure to comply with federal, state and/or local health, safety, or building code.

(1) Payment for necessary repairs must be made directly by the Owner or through a replacement Reserve Account established for the Development under this section.

(2) The Department or its agent will produce a Request for Bids to hire a contractor to complete and oversee necessary repairs.

(l) This section does not apply to a Development for which the Owner is required to maintain a Reserve Account under any other provision of federal or state law.

COMMUNITY AFFAIRS DIVISION
BOARD ACTION REQUEST
September 3, 2008

Action Item

Presentation, Discussion and Possible Action on the publication in the *Texas Register* of a notice proposing the repeal of the following chapters of Title 10, Part 1 of the Texas Administrative Code: Chapter 5 concerning Community Services Programs, Chapter 6 concerning Energy Assistance Programs, and Chapter 8 concerning Project Access Rules.

Required Action

Approve, deny or approve with revisions the notice proposing the repeal of the following chapters of Title 10, Part 1 of the Texas Administrative Code: Chapter 5 concerning Community Services Programs, Chapter 6 concerning Energy Assistance Programs, and Chapter 8 concerning Project Access Rules.

Background

The current rules concerning the Community Affairs Division do not contain all of the guidance needed to administer the Community Affairs' programs. The repeal of Chapter 5, Chapter 6 and Chapter 8 will allow the existing rules and guidance for all Community Affairs programs to be consolidated and simplified into one chapter, Title 10, Part 1 of the Texas Administrative Code, Chapter 5.

Recommendation

Approve publication in the *Texas Register* of a notice proposing the repeal of the following chapters of Title 10, Part 1 of the Texas Administrative Code: Chapter 5 concerning Community Services Programs, Chapter 6 concerning Energy Assistance Programs, and Chapter 8 concerning Project Access Rules.

COMMUNITY AFFAIRS DIVISION
BOARD ACTION REQUEST
September 3, 2008

Action Item

Presentation, Discussion and Possible Action on the publication in the *Texas Register* of a notice proposing new Title 10, Part 1 of the Texas Administrative Code, Chapter 5 concerning Community Affairs Programs.

Required Action

Approve, deny or approve with revisions the publication in the *Texas Register* of a notice proposing new Title 10, Part 1 of the Texas Administrative Code, Chapter 5 concerning Community Affairs Programs.

Background

Staff is recommending through these proposed rules that all Community Affairs program rules are reorganized, consolidated and simplified. The proposed draft rules incorporate preexisting guidance and state and federal statutory requirements. The Department held a roundtable discussion August 13, 2008, to inform the Community Affairs' subrecipients of the intent to consolidate the preexisting guidance and state and federal requirements into the proposed draft rules. There are two sections in the Community Services Block Grant (CSBG) rules that staff will recommend revisions to at a later date, the criteria and process for the CSBG performance awards and the CSBG allocation formula. The Department has requested volunteers to serve on committees to discuss proposals for the performance awards and allocation formula. The ideas proposed by the committees will inform the revisions.

Upon approval by the Board, the proposed draft rules will be published in the *Texas Register* and released to the public for comment. The public comment period will extend from approximately September 15 - October 15, 2008. A final recommendation for the proposed draft rules will be presented to the Board in November 2008.

Chapter 5	Community Affairs Programs
Subchapter A	General Provisions
Subchapter B	Community Services Block Grant
Subchapter C	Emergency Shelter Grants Program
Subchapter D	Comprehensive Energy Assistance Program
Subchapter E	Weatherization Assistance Program
*Subchapter F	Section 8 Housing Choice Voucher Program

*The content for Subchapter F, with the exception of the project access rules, for the Section 8 Housing Choice Voucher Program, is not being presented today but will be presented at a future Board meeting.

Recommendation

Approve publication in the *Texas Register* of a notice proposing new Title 10, Part 1 of the Texas Administrative Code, Chapter 5 concerning Community Affairs Programs.

TITLE 10. COMMUNITY DEVELOPMENT
PART 1. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 5. COMMUNITY AFFAIRS DIVISION
SUBCHAPTER A. GENERAL PROVISIONS
10 TAC §5.001 - §5.019

§5.001 Purpose and Goals

(a) The rules established herein for Chapter 5 "Community Affairs Programs" Subchapter A "General Provisions" applies to all Community Affairs Division programs with the exception of the Section 8 Housing Choice Voucher Program. Refer to Subchapter F of this chapter for the rules governing the Section 8 Housing Choice Voucher Program. Additional program specific requirements are contained within each program Subchapter.

(b) The programs administered by the Community Affairs (CA) Division of the Texas Department of Housing and Community Affairs (the Department) support the Department's mission to help Texans achieve an improved quality of life through the development of better communities.

(c) The Department accomplishes this mission by acting as a conduit for federal grant funds for housing and community affairs programs. Ensuring program compliance with the state and federal laws that govern the CA programs is another important part of the Department's mission. Oversight and program mandates ensure state and federal resources are expended in an efficient and effective manner.

§5.002 Cost Principles and Administrative Requirements

Except as expressly modified by law or the terms of the contracts, subrecipient shall comply with the cost principles and uniform administrative requirements set forth in the Uniform Grant and Contract Management Standards 1 T.A.C. §5.141 et seq. (the "Uniform Grant Management Standards") provided, however, that all references therein to "local government" shall be construed to mean subrecipient. Uniform cost principles for local governments are set forth in Office of Management and Budget (OMB) Circular A-87, and for non-profit organizations in OMB Circular A-122. Uniform administrative requirements for local governments are set forth in OMB Circular A-102, and for non-profits in OMB Circular A-110. OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations," provides audit standards for governmental organizations and other organizations expending federal funds. The expenditure threshold requiring an audit under OMB Circular A-133 is $500,000.

§5.003 Definitions

(a) To ensure a clear understanding of the terminology used in the context of the Community Affairs programs, a list of terms and definitions has been compiled as a reference.

(b) The following words and terms in this chapter shall have the following meaning unless the context clearly indicates otherwise.

(1) **CAA**--Community Action Agency.
(2) **Children**--household dependents not exceeding 18 years of age.
(3) **Collaborative Application**--an application from two or more organizations which will use Emergency Shelter Grants Program (ESGP) funds to provide services to the target population as part of a local continuum of care. If a unit of general local government applies for only one organization, this will not be considered a collaborative application. Partners in the collaborative application must coordinate services and prevent duplication of services.
(4) **Community Action Plan**--A plan required by the Community Services Block Grant (CSBG) Act which describes the local (subrecipient) service delivery system, how coordination will be developed to fill identified gaps in services, how funds will be coordinated with other public and private resources and how the local entity will use the funds to support innovative community and neighborhood based initiatives related to the grant.
(5) **Cooling**--modifications including but not limited to the repair or replacement of air conditioning units, evaporative coolers, and refrigerators.
(6) **Community Action Agencies (CAAs)**--local private and public non-profit organizations that carry out the Community Action Program (CAP), which

was founded by the 1964 Economic Opportunity Act to fight poverty by empowering the poor in the United States. CAAs are intended to promote self-sufficiency, and they depend heavily on volunteer work, especially from the low-income community. Each CAA must have a board consisting of at least one-third low-income community members, one-third public officials, and up to one-third private sector leaders.

(7) **Community Affairs Division**--(CAD) The Division at the Texas Department of Housing and Community Affairs which administers the CSBG, ESGP, Comprehensive Energy Assistance Program (CEAP), Weatherization Assistance Program (WAP), and Section 8 Housing Choice Voucher Programs.

(8) **The Community Services Block Grant**--(CSBG) is a grant which provides U.S. federal funding for Community Action Agencies (CAAs) and other eligible entities that seek to address poverty at the community level. Like other block grants, CSBG funds are allocated to the states and other jurisdictions through a formula. The CSBG funds are spent on administrative support, employment, education, income management, housing, nutrition, emergency services, and health.

(9) **Community Services Block Grant (CSBG) Act**--The CSBG Act is a law passed by Congress authorizing the Community Services Block Grant. The CSBG Act was amended by the Community Services Block Grant Amendments of 1994 and the Coats Human Services Reauthorization Act of 1998 under 42 USC 9901 et seq. The act authorized establishing a community services block grant program to make grants available through the program to States to ameliorate the causes of poverty in communities within the States.

(10) **CSBG Subrecipient**--Includes CSBG eligible entities and other organizations that are awarded CSBG funds.

(11) **Department** (the)--the Texas Department of Housing and Community Affairs.

(12) **Discretionary Funds**--Those CSBG funds maintained in reserve by a State, at its discretion, for CSBG allowable uses as authorized by Section 675C of the CSBG Act, and not designated for distribution on a statewide basis to CSBG eligible entities and not held in reserve for state administrative purposes.

(13) **DOE**--the United States Department of Energy.

(14) **DOE WAP Rules**--10 CFR 440--the Code of Federal Regulation describing the Weatherization Assistance for Low Income Persons as administered through the Department of Energy.

(15) **Dwelling Unit**--a house, including a stationary mobile home, an apartment, a group of rooms, or a single room occupied as separate living quarters.

(16) **Equipment**--a tangible non-expendable personal property including exempt property, charged directly to the award, having a useful life of more than one year. and an acquisition cost of $5,000 or more per unit. For CSBG, CEAP, and WAP, if the unit acquisition cost exceeds $5,000, approval from the TDHCA Community Affairs Division must be obtained before the

purchase takes place. For ESGP, if the unit acquisition cost exceeds $500, approval from TDHCA Community Affairs Division must be obtained before the purchase is made.

(17) **Elderly Person**--a person who is 60 years of age or older.

(18) **Electric Base-Load Measure**--weatherization measures which address the energy efficiency and energy usage of lighting and appliances.

(19) **Eligible Entity**--Those local organizations in existence and designated by the federal government to administer programs created under the federal Economic Opportunity Act of 1964. This included community action agencies, limited-purpose agencies, and units of local government. The CSBG Act defines an eligible entity as an organization in effect on the day before the enactment of the Coats Human Services Reauthorization Act of 1998 or is designated by the Governor to serve a given area of the State and that has a tripartite board or other mechanism for local governance.

(20) **Emergency**--defined by the LIHEAP Act of 1981 (Title XXVI of the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, as amended)

(A) natural disaster;

(B) a significant home energy supply shortage or disruption;

(C) a significant increase in the cost of home energy, as determined by the Secretary;

(D) a significant increase in home energy disconnections reported by a utility, a State regulatory agency, or another agency with necessary data;

(E) a significant increase in participation in a public benefit program such as the food stamp program carried out under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.), the national program to provide supplemental security income carried out under title XVI of the Social Security Act (42 U.S.C. 1381 et seq.) or the State temporary assistance for needy families program carried out under Part A of Title IV of the Social Security Act (42 U.S.C. 601 et seq.), as determined by the head of the appropriate federal agency;

(F) a significant increase in unemployment, layoffs, or the number of households with an individual applying for unemployment benefits, as determined by the Secretary of Labor; or

(F) an event meeting such criteria as the Secretary, at the discretion of the Secretary, may determine to be appropriate.

(21) **Energy Repairs**--weatherization related repairs necessary to protect or complete regular weatherization energy efficiency measures.

(22) **Energy Audit**--the energy audit software and procedures used to determine the cost effectiveness of weatherization measures to be installed in a dwelling unit.

(23) **Families with Young Children**--a family unit that includes a child not exceeding 6 years of age.

(24) **USHHS**--U.S. Department of Health and Human Services,

(25) **High Energy Burden**--is determined by dividing a household's annual home energy costs by the household's annual gross income. The percentage at which energy burden is considered high is defined by data gathered from the State Data Center.

(26) **High Energy Consumption**--household energy expenditures exceeding the median of low-income home energy expenditures expressed in the data collected from the State Data Center.

(27) **Homeless or homeless individual**--An individual who:

(A) lacks a fixed, regular, and adequate nighttime residence, or

(B) has a primary nighttime residence that is:

(i) a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill);

(ii) an institution that provides a temporary residence for individuals intended to be institutionalized; or,

(iii) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings. (Exclusion: The term "homeless" or "homeless individual" does not include any individual imprisoned or otherwise detained pursuant to an Act of Congress or a State law.)

(28) **Household**--any individual or group of individuals who are living together in a dwelling unit as one economic unit. For Energy programs, these persons customarily purchase residential energy in common or make undesignated payments for energy.

(29) **Inverse Ratio of Population Density Factor**--The number of square miles of a County divided by the number of Poverty Households of that County.

(30) **Local Units of Government**--city, county, or council of governments.

(31) **Low Income**--that income in relation to family size which:

(A) For CEAP, WAP, and CSBG is at or below 125 percent of the Federal Income guidelines

(B) For ESGP is at or below 100% of the poverty level) determined in accordance with criteria established by the Director of the Office of Management and Budget;

(C) Is the basis on which cash assistance payments have been paid during the preceding twelve month-period under titles IV and XVI of the Social Security Act or applicable State or local law; or

(D) If a State elects, is the basis for eligibility for assistance under the Low Income Home Energy Assistance Act of 1981, provided that such basis is at least 125 percent of the poverty level determined in accordance with criteria established by the Director of the Office of Management and Budget.

(32) **Low Income Home Energy Assistance Program (LIHEAP)**-- a federally funded block grant program that is implemented to serve low income households who seek assistance for their home energy bills and/or weatherization services.

(33) **Migrant Farm worker**--an individual or family that is employed in agricultural labor or related industry and is required to be absent overnight from their permanent place of residence.
(34) **Multifamily Dwelling Unit**--a structure containing more than one dwelling unit.
(35) **National Performance Indicator**--An individual measure of performance within the Department's reporting system for measuring performance and results of subrecipients of funds. There are currently twelve indicators of performance which measure self-sufficiency, family stability, and community revitalization.
(36) **Needs Assessment**--An assessment of community needs in the areas to be served with CSBG funds. The assessment is a required part of the Community Action Plan per Assurance 11 of the CSBG Act.
(37) **OMB**--Office of Management and Budget, a federal agency.
(38) **Outreach**--the method that attempts to identify clients who are in need of services, alerts these clients to service provisions and benefits, and helps them use the services that are available. Outreach is utilized to locate, contact and engage potential clients.
(39) **Performance Statement**--A document which identifies the services to be provided by a CSBG subrecipient. The document is an attachment to the CSBG contract entered into by the Department and the CSBG subrecipient.
(40) **Persons with Disabilities**--any individual who is:
(A) a handicapped individual as defined in §7(6) of the Rehabilitation Act of 1973;
(B) under a disability as defined in §1614(a)(3)(A) or §223(d)(1) of the Social Security Act or in §102(7) of the Developmental Disabilities Services and Facilities Construction Act; or
(C) receiving benefits under chapter 11 or 15 of Title 38, U.S.C.
(41) **Population Density**--the number of persons residing within a given geographic area of the State.
(42) **Poverty Income Guidelines**--The official poverty income guidelines as issued by the U.S. Department of Health and Human Services annually.
(43) **Private Nonprofit Organization**--An organization which has status as a 501(c) tax-exempt entity. Private nonprofit organizations applying for Emergency Shelter Grants Program (ESGP) funds must be established for charitable purposes and have activities that include, but are not limited to, the promotion of social welfare and the prevention or elimination of homelessness. The entity's net earnings may not inure to the benefit of any individual(s).
(44) **Public Organization**--A unit of local government, as established by the Legislature of the State of Texas. Includes, but may not be limited to, cities, counties, and councils of governments.
(45) **Referral**--the process of providing information to a client household about an agency, program, or professional person that can provide the service(s) needed by the client.

(46) **Rental Unit**--a dwelling unit occupied by a person who pays rent for the use of the dwelling unit.
(47) **Renter**--a person who pays rent for the use of the dwelling unit.
(48) **Seasonal Farm worker**--an individual or family that is employed in seasonal or temporary agricultural labor or related industry and is not required to be absent overnight from their permanent place of residence. In addition, at least 20% of the household annualized income must be derived from the agricultural labor or related industry.
(49) **Secretary**--Chief Executive of the U.S. Department of Health and Human Services.
(50) **Service**--The provision of work or labor that does not produce a tangible commodity.
(51) **Shelter**--defined by the Department as a dwelling unit or units whose principal purpose is to house on a temporary basis individuals who may or may not be related to one another and who are not living in nursing homes, prisons, or similar institutional care facilities.
(52) **Single Family Dwelling Unit**--a structure containing no more than one dwelling unit.
(53) **Social Security Act**--42 USC 601 et seq., CSBG works with activities carried out under Title IV Part A to assist families to transition off of State programs.
(54) **State**--the State of Texas or the Texas Department of Housing and Community Affairs.
(55) **Subcontractor**--An organization with whom the subrecipient contracts with to administer programs.
(56) **Subrecipient**--According to each program Subchapter, subrecipient may be defined as organizations with whom the Department contracts with and provides CSBG funds; ESGP funds; DOE funds or Low Income Home Energy Assistance Program (LIHEAP) funds.
(57) **Supplies**--all personal property excluding equipment, intangible property, and debt instruments, and inventions of a contractor conceived or first actually reduced to practice in the performance of work under a funding agreement ("subject inventions"), as defined in 37 CFR part 401, "Rights to Inventions Made by Non-profit Organizations and Small Business Firms Under Government Grants, Contracts, and Cooperative Agreements."
(58) **Targeting**--focusing assistance to households with the highest program applicable needs.
(59) **Terms and Conditions**--binding provisions provided by a funding organization to grantees accepting a grant award for a specified amount of time.
(60) **Treatment as a State or Local Agency**--For purposes of Chapter 15 of Title 5, United States Code, any entity that assumes responsibility for planning, developing, and coordinating activities under the CSBG Act and receives assistance under CSBG Act shall be deemed to be a State or local agency.

(61) **Units of General Local Government**--a unit of local government which has, among other responsibilities, the authority to assess and collect local taxes and to provide general governmental services.
(62) **Vendor Agreement**--an agreement between the Subrecipient and energy vendors that contains assurance as to fair billing practices, delivery procedures, and pricing for business transactions involving LIHEAP beneficiaries.
(63) **WAP**--Weatherization Assistance Program.
(64) **WAP PAC**--Weatherization Assistance Program Policy Advisory Council. The WAP PAC was established by the Department in accordance with 10 CFR §440.17 to provide advisory services in regards to the WAP program.
(65) **Weatherization Material**--the material listed in Appendix A of 10 CFR 440.
(66) **Weatherization Project**--a project conducted in a single geographical area which undertakes to reduce heating and cooling demand of dwelling units that are energy inefficient.

§5.004 Prohibitions

(a) Lobbying activity is prohibited. The Hatch Act, 5 U.S.C. Chapter 15 and the amendments to the Hatch Act and the repeal of Section 675 (e) and 675 (C)(6) of the CSBG Act do not affect section 675 (C)(7) of the CSBG Act.

(b) Knowingly hiring an undocumented worker is prohibited. HB 1196 Title 8 U.S.C. 1324a.

(c) Discrimination is prohibited.

(1) Civil Rights Act of 1964, (42 U.S.C. 2000 et seq.) Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.). Rehabilitation Act of 1973 (29 U.S.C. 794), and Title II of the Americans with Disabilities Act of 1990 (42 U.S.C. 12131 et seq.) shall apply to all programs or activities administered by subrecipients including the nondiscrimination provisions of the Community Services Block Grant Program (42 U.S.C. 9901 et seq.).

(2) All subrecipients receiving federal funds must be equal opportunity employers and render services without regard to race, color, religion, sex, national origin, age, handicap, political affiliation or belief. Information on equal opportunity and nondiscrimination shall be made available to participants, employees, subcontractors, and interested parties.

§5.005 Certificate and Disclosure Regarding Lobbying Activities

(a) Subrecipients of federal funding, including those who receive federal funds through the Department, are subject to the anti-lobbying provisions commonly referred to as "the Byrd Amendments" (31 U.S.C. 1352). The legislation imposes certain requirements for disclosure and certification on recipients of federal contracts, grants, cooperative agreements, and loans, including the requirement that each recipient of a federal contract in excess of $100,000 must complete the Standard Form-LLL "Disclosure of Lobbying Activities" form.

(b) A 501 (c)(3) nonprofit organization which pays any person funds from any source (even non-federal funds) to lobby Congress or which pays an employee of any federal agency in connection with this grant, must complete the "Disclosure of Lobbying Activities" form available on the OMB website. The subrecipient must also file quarterly updates about its employment of lobbyists if material changes occur in the organization's use of lobbyists.

(c) For each contract, grant, cooperative agreement, or loan in excess of $100,000, the subrecipient must complete the "Certification Regarding Lobbying" form and return it to the Department. This form is located on the Department's website. By completing the certification, the subrecipient verifies that no federally appropriated funds have been used to lobby the United States Congress.

(d) Pursuant to the 1996 Simpson-Craig Amendment to the Lobbying Disclosure Act, 2 U.S.C. 1611, (501)(c)(4) non-profit organizations, typically civic leagues or employee associations, may not receive any federal funding if such organizations engage in lobbying. The law establishes civil penalties for noncompliance, with possible penalties ranging from $10,000 to $100,000.

§5.006 Texas Public Information Act

The Texas Public Information Act (TPIA), Texas Government Code Chapter 552, formerly the Texas Open Records Act, applies to recipients of public funds such as programs administered by the Department. It is the policy of the State that each person is entitled at all times to complete information about the affairs of government and the official acts of public officials and employees unless otherwise expressly provided by law.

§5.007 Fidelity Bond Requirements

(a) Fidelity Bond Requirements. The Department is required to assure that fiscal control and accounting procedures for federally funded entities will be established to assure the proper disbursal and accounting for the federal funds paid to the State (A-110 "Administrative Requirements for Grants to Non-Profits". In compliance with that assurance the Department requires program subrecipients to maintain adequate fidelity bond coverage. A fidelity bond is a bond indemnifying the Contractor against losses resulting from the fraud or lack of integrity, honesty or fidelity of one or more of its employees, officers, or other persons holding a position of trust.

(1) In administering program contracts, subrecipients shall observe their regular requirements and practices with respect to bonding and insurance. In addition, the Department may impose bonding and insurance requirements by contract.

(2) If a subrecipient is a non-governmental organization, the Department requires an adequate fidelity bond. If the amount of the fidelity bond is not prescribed in the contract, the fidelity bond must be for a minimum of $10,000 or an amount equal to the contract if less than $10,000. The bond must be obtained from a company holding a certificate of authority to issue such bonds in the State of Texas.

(3) The fidelity bond coverage must include all persons authorized to sign or counter-sign checks or to disburse sizable amounts of cash. Persons who handle only petty cash (amounts of less than $250) need not be bonded, nor is it necessary to bond officials who are authorized to sign payment vouchers, but are not authorized to sign or counter-sign checks or to disburse cash.

(4) The Department must receive written assurance from the subrecipient that the required fidelity bond has been established. The assurance letter must be received from the bonding company or agency stating the type of bond, the amount and period of coverage, the positions covered, and the annual cost of the bond. Compliance must be continuously maintained thereafter. A copy of the actual policy shall remain on file with the subrecipient and shall be subject to monitoring by the Department.

(5) Subrecipients are responsible for filing claims against the fidelity bond when a covered loss is discovered. The Department may take any one or more of the following actions for noncompliance.

(A) Deny subrecipient's requests for advances and place the subrecipient on a cost reimbursement plan until written assurance of compliance is received by the Department.

(B) Withhold subrecipient payments (either reimbursement or advance) until written assurance of compliance is received by the Department.

(C) Suspend performance of the contract until written assurance of compliance is received by the Department.

(D) Contract termination.

§5.008 Inventory Report

(a) The Department requires the submission of an inventory report on an annual basis to be submitted to the Department, no later than sixty (60) days after the original end date of the contract.

(b) Vehicles, tools, and equipment purchased with funds under a contract with the Department, must be inventoried and reported to the Department during the contract period.

(c) The inventory report is cumulative and is used for vehicles, tools, and equipment with a useful life of one year of more and a unit acquisition cost of greater than $5,000 for CSBG, CEAP, WAP and greater than $500 for ESGP. Property must be inventoried and reported on the Cumulative Inventory Report form. The form and instructions are found on the Department's website.

§5.009 Travel

The Governing Board of each subrecipient must adopt and submit to the Department approved travel policies that adhere to OMB Circulars A-87, A-110, A-122, for cost allowability. The subrecipient must follow either the federal travel regulations or State of Texas Travel Rules and Regulations found on the State of Comptrollers website at www.cpa.state.tx.us. If the travel policy and procedures are revised they must be submitted to the Department.

§5.010 Procurement Standards

(a) Procurement procedures must meet minimum guidelines, according to OMB Circulars A-87, A-102, A-110, A-122 (as applicable), the Uniform Grant Management Common Rule, Texas Government Code Chapter 783, and 10 CFR Part 600 (Financial Assistance Rule).

(b) All subrecipients including non-profits must comply with all of the referenced statutes and regulations listed in subsection (a) of this section. In case of any conflict between the OMB Circulars and State laws involving Federal funds, the OMB Circulars will prevail.

(c) Additional Department requirements are as follows:

(1) Small purchase procedures:

(A) This procedure may be used only on those services, supplies, or equipment costing in the aggregate of $25,000 or less. For ESGP, the threshold is $500 and more per unit.

(B) Subrecipient must establish a clear, accurate description of the specifications for the technical requirements of the material, equipment, or services to be procured.

(C) Subrecipient must obtain a written price or documented rate quotation from an adequate number of qualified sources. An adequate number is, at a minimum, three different sources.

(2) Sealed bids:

(A) Subrecipient must formally advertise, for a minimum of three days, in newspapers or through notices posted in public buildings throughout the service area. Advertising beyond the subrecipient's service area is allowable and recommended by the Department. The advertisement should include, at a minimum, a response time of fourteen days prior to the closing date of the bid request. Cities and counties must comply with the statutorily imposed publication requirements in addition to those requirements stated herein.

(B) When advertising for material or labor services, subrecipient shall indicate a period for which the materials or services are sought (e.g. for a one-year contract with an option to renew for an additional four years). This advertised time period shall determine the length of time which may elapse before re-advertising for material or labor services, except that advertising for labor services must occur at least every five years.

(3) Competitive proposals:

(A) The Request for Proposal (RFP) must be publicized. The preferred method of advertising is the local service area newspapers. This advertisement should, at a minimum, allow fourteen days before the RFP is due. The due date must be stated in the advertisement.

(B) The time period for services shall be one year, plus four additional years at a maximum.

(4) Non-competitive proposals:

(A) The service, supply, or equipment is available only from a single source.

(B) A public emergency exists preventing the time required for competitive solicitation.

(C) After solicitation of a number of sources, competition is determined inadequate.

(5) Required contract provisions shall include the following contract provisions or conditions in procurement contracts or subcontracts:

(A) Contracts in excess of $25,000 shall include contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances where contractors violate or breach the contract terms, and provide for such remedial actions as may be appropriate.

(B) All contracts in excess of $25,000 shall include suitable provisions for termination by the recipient, including the manner by which termination shall be effected and the basis for settlement. In addition, such contracts shall describe conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the subrecipient.

(C) Contracts shall include a provision with regard to independent contractor status to hold harmless and indemnify subrecipient from and against any and all claims, demands and course of action asserted by any third party arising out of or in connection with the services to be performed under contract.

(D) Contracts shall include a provision regarding conflict of interest. Subrcipient's employees, officers, and/or agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from subcontractors, or potential subcontractors.

(E) Contracts shall include a provision to prevent fraud and abuse.

(1) Subrecipient shall establish, maintain, and utilize internal control systems and procedures sufficient to prevent, detect, and correct incidents of waste, fraud, and abuse in all Department funded programs and to provide for the proper and effective management of all program and fiscal activities funded by this contract. Subrecipient's internal control systems and all transactions and other significant events must be clearly documented and the documentation made readily available for review by Department.

(2) Subrecipient shall give Department complete access to all of its records, employees, and agents for the purpose of monitoring or investigating the program. Subrecipient shall fully cooperate with Department's efforts to detect, investigate, and prevent waste, fraud, and abuse. Subrecipient shall immediately notify the Department of any identified instances of waste, fraud, or abuse.

(3) Department will notify the funding source upon identification of possible instances of waste, fraud, and abuse or other serious deficiencies.

(4) Subrecipient may not discriminate against any employee or other person who reports a violation of the terms of this contract or

of any law or regulation to Department or to any appropriate law enforcement authority, if the report is made in good faith.

(F) Contracts shall include a provision to the effect that any alterations, additions, or deletions to the terms of the contract which are required by changes in federal law and regulations or state statute are automatically incorporated into the contract without written and administrative code amendment hereto, and shall become effective on the date designated by such law and or regulation; and any alterations, additions, or deletions to the terms of the contract shall be amended hereto in writing and executed by both parties to the contract.

(G) Contracts shall include the following provision assuring legal authority to sign the contract.

(1) Contractor represents that it possesses the practical ability and the legal authority to enter into the contract, receive and manage the funds authorized by the contract, and to perform the services Contractor has obligated itself to perform under the contract.

(2) The person signing the contract on behalf of Contractor warrants that he/she has been authorized by Contractor to execute the contract on behalf of Contractor and to bind Contractor to all terms set forth in the contract.

(3) Department shall have the right to suspend or terminate the contract if there is a dispute as the legal authority of either Contractor or the person signing the contract to enter into the contract or to render performances thereunder. Should such suspension or termination occur, contractor is liable to the subrecipient for any money it has received for performance of provisions of the contract.

§5.011 Procurement/Cooperative Purchasing Program

The State of Texas conducts procurement for many materials, goods, and appliances. The State of Texas procurement process complies with the required procurement provisions. For more detail about how to purchase from the State contract, please contact: Texas Building and Procurement Commission, Attn: Cooperative Purchasing Program, 1711 San Jacinto, Austin, Texas 78701 or P.O. Box 13047, Austin, Texas 78711-3047, (512) 463-3368, e-mail address: http:/www.tbpc.state.tx.us. If subrecipients choose to use Cooperative Purchasing Program, they will need documentation of annual fee payment.

§5.012 Equipment Purchases

Equipment purchases with an acquisition cost of $5,000 or greater per unit for CSBG, CEAP, and WAP and $500 or greater for ESGP require prior approval from the TDHCA Community Affairs Division before the purchase can take place.

§5.013 Bonding Requirements

(a) The following requirements relate only to construction or facility improvements.

(1) For contracts exceeding $100,000 the Department may accept the bonding policy and requirements of the subrecipient, provided the Department has made a written finding that the Department is adequately protected.

(2) For contracts in excess of $100,000, and for which the subrecipient cannot make a determination that the Department's interest is adequately protected, a "bid guarantee" from each bidder equivalent to five percent of the bid price shall be requested. The "bid guarantee" shall consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of his bid, execute such contractual documents as may be required within the time specified. A bid bond in the form of all of the following may represent a "bid guarantee".

(A) A performance bond on the part of the subrecipient for 100 percent of the contract price. A "performance bond" is one executed in connection with a contract, to secure fulfillment of all contractors' obligations under such contract.

(B) A payment bond on the part of the subcontractor for 100 percent of the contract price. A "payment bond" is one executed in connection with a contract to assure payment as required by statute of all persons supplying labor and material in the execution of the work provided for in the contract.

(C) Where bonds are required, in the situations described herein, the bonds shall be obtained from companies holding certificates of authority as acceptable sureties pursuant to 31 CFR Part 223, "Surety Companies Doing Business with the United States."

(b) Cities and counties must comply with the bond requirements of Texas Civil Statutes, Articles 2252 and 5160, and Local Government Code Sections 252.044 and 262.032, as applicable.

§5.014 Subrecipient Contract

(a) Upon Board approval, the Department's Executive Director and subrecipients shall enter into and execute an agreement for the receipt of funds. The Department, acting by and through its Executive Director or his/her designee, may authorize, execute, and deliver modifications and/or amendments to the contract.

(b) Within 60 days following the conclusion of a contract issued by the Department, the subrecipient shall provide a full accounting of funds expended under the terms of the contract.

(c) Failure of a subrecipient to provide an accounting of funds expended under the terms of the contract may be sufficient reason for the Department to deny any future contract to the subrecipient.

§5.015 Federal Funding Accountability and Transparency Act (FFATA)

All entities receiving funds of $25,000 or more must be registered in the federal Central Contractor registration (CCR) and have a current Data Universal Numbering System (DUNS) number.

§5.016 Monitoring of Subrecipients

(a) The Department's Community Affairs Division (CAD) is responsible for ensuring that the Community Services Block Grant (CSBG), Comprehensive Energy Assistance Program (CEAP), Weatherization Assistance Program (WAP), and Emergency Shelter Grant Program (ESGP) program activities are completed and that the funds are expended in accordance with the contract provisions and applicable State and Federal rules, regulations, policies, and related statutes. In order to ensure such, the Department will conduct monitoring reviews of the subrecipients following the requirements of Section 678B of PL 105-285 Subtitle B, Section 2605 (B)(10) of PL 97-35, as amended, Section 440.23 (d) of CFR 10, and Sections 576.61 and 576.57 (f) and (g) of CFR 24, respectively.

(1) CAD employs a subrecipient monitoring procedure that is based upon an assessment of associated risks. The factors may include but are not limited to the status of the most recent monitoring report, timeliness of grant reporting, results of the last on-site monitoring review, number and funding amount of Department funded contracts, final expenditure rate, and single audit status or other factors. Ranking of subrecipients will determine whether an on-site review or a desk review is completed unless Department management determines an on-site review is needed. CAD may conduct unannounced on-site monitoring reviews of subrecipients identified as high risk, if deficiencies identified from prior monitoring activities persist or remain unresolved for an unreasonable period of time. In the event of reports of fraud and abuse or other extenuating circumstances the Department may make an unannounced on-site monitoring review.

(2) Follow-up reviews may be performed to ensure implementation of corrective action of subrecipients that failed to meet the goals, standards, and requirements established by the Department.

(3) A monitoring instrument is used to perform monitoring reviews. Support documentation is retained by the Department to verify: the achievement of performance goals; conduct of eligible activities; compliance with other contractual regulatory provisions and financial accountability. Monitoring reviews of subrecipients also include reviewing annual financial reports and any related management letters and financial documents.

(4) Following the monitoring review, a monitoring report is prepared and submitted to the Subrecipients outlining any administrative, program, and financial deficiencies. The monitoring report also includes notes, recommend improvements, corrective actions or a corrective action plan.

(5) Subrecipients are required to have at a minimum the following documents available, and any other requested documents, for the monitoring review.

- (A) Roster of staff (name, title, salary and status) – All programs;
- (B) Current agency organization chart – All programs;
- (C) List of Board of Directors to include: names, addresses and telephone numbers, tenure on the board, section represented by the board member, list of committees – CSBG & ESGP;
- (D) Board election/selection materials - CSBG;
- (E) Board minutes (previous six meetings) and attendance roster – CSBG & ESGP;
- (F) List of neighborhood centers with names of staff – CSBG & CEAP;
- (G) Personnel Policies – All programs;
- (H) Bylaws – CSBG & ESGP;
- (I) Travel policies and records – All programs;
- (J) Chart of accounts – All programs;
- (K) Accounting records (journals/ledgers) and support documentation – All programs;
- (L) Amount of Cash on Hand (at time of monitoring) – All programs;
- (M) Bank reconciliation records – All programs;
- (N) Agency's proof of fidelity bond coverage – All programs;
- (O) Documentation of match requirements – ESGP;
- (P) Closeout data for prior program year – CEAP & WAP;
- (Q) Access to client files and documentation of performance – All programs;
- (R) Declaration of Income Statement (DIS) Policy/Procedure – All programs;
- (S) Appeals Procedures – CEAP& WAP;
- (T) Subcontract agreements with appropriate procurement packages (if applicable) – All programs;
- (U) Procurement policy – All programs;
- (V) Documentation of current contract inventory – All programs;
- (W) Documentation of coordination with other local programs (including contact person and phone numbers) - CSBG;

(X) Copies of most recent monitoring reports and/or performance reviews of all programs administered by the organization – All programs;
(Y) Copy of the most current Single Audit Report and Management Letter – All programs; and,
(Z) If applicable, documentation of the most recent Head Start PRISM review, including results, responses, and current status - CSBG.

(b) Subrecipients are responsible for submitting their Single Audit Report within 30 days of completion of their audit and no later than nine (9) months after the end of the audit period (fiscal year end) to the Department's Portfolio Management and Compliance Division as well as to the CA Division. Refer to 31 U.S.C. 7502.

(c) Monitoring reviews of subrecipients will include a review of the subrecipients annual financial reports and any related management letters and financial documents.

(d) If a Subrecipient fails to comply with the requirements, rules, and regulations of the CSBG, CEAP, WAP, or ESGP programs, and in the event monitoring or other reliable sources reveal material deficiencies in performance, or if the subrecipient fails to correct any deficiency within the time allowed by Federal or State law, the Department will apply one or more of the following sanctions:

Sanctions:

(1) Deny the subrecipient's requests for advances and place it on a cost reimbursement method of payment until proof of compliance with the rules and regulations are received by the Department;

(2) Withhold all payments from the subrecipient (both reimbursements and advances) until proof of compliance with the rules and regulations are received by the Department;

(3) Suspend performance of the contract until proof of compliance with the rules and regulations are received by the Department;

(4) Elect not to provide future grant funds to the subrecipient until appropriate actions are taken to ensure compliance; or

(5) Terminate the contract.

§5.017 Corrective Action and Contract Termination

(a) Subrecipients that have entered into contract with the Department to administer programs are required to follow state and federal regulations and rules governing these programs.

(b) Except as expressly modified by law or the terms of a subrecipient's contract, the subrecipient shall comply with the cost principles and uniform administrative requirements set forth in the Uniform Grant and Contract Management Standards (UGMS), 1 T.A.C. §5.141 et. seq.

(c) Adhering to the requirements governing each specific program administered by the Department, as needed, the Department may determine to proceed with the termination of a contract, in whole or in part, at any time the Department establishes there is good cause for termination.

(d) Corrective Action

(1) The CAD will monitor and evaluate the effectiveness of subrecipient's performance and program compliance through on-site and desk monitoring as described in Subchapter 5.015 of this Chapter.
(2) To ensure subrecipients have systems in place and comply with program requirements and regulations, the Department will issue a written monitoring report to document deficiencies and recommend or require corrective action.
(3) Follow-up visits may be conducted to review and assess the efforts the subrecipient has made to correct previously noted deficiencies. Technical assistance and training may be provided to the subrecipient to address program deficiencies.

(e) Following §5.015 of this subchapter, the Department may impose a cost reimbursement method of payment.

(1) The Department may withhold payment, reduce the allocation of funds (with the exception of CSBG funds to eligible entities) or impose sanctions as deemed appropriate by the TDHCA Executive Director, at any time, if the Department identifies possible instances of fraud, abuse, fiscal mismanagement, or other serious deficiencies in the subrecipients' performance.
(2) Suspension or reduction of funds shall be a temporary measure pending either corrective action by the subrecipient or a decision by the Department to initiate proceedings for contract termination.

(f) Contract Termination. The Department may determine to proceed with the termination of a contract, in whole or in part, at any time the Department establishes there is good cause for termination. Such cause may include, but is not limited to, fraud, abuse, fiscal mismanagement, or other serious deficiencies in the subrecipient's performance. For CSBG contract termination procedures please refer to §5.206.

(g) Contract Close-out
When the Department moves to terminate a contract, the following procedures will be implemented.

(1) The Department will issue a termination letter to the subrecipient no less than 30 days prior to terminating the contract. The Department may determine to take one of the following actions: suspend funds immediately; establish a cost reimbursement plan for closeout proceedings; or provide instructions to the subrecipient to prepare a proposed budget and written plan of action that supports the closeout of the contract. The plan must identify the name and current job titles of staff that will perform the close-out and an estimated dollar amount to be incurred. The Department will respond within ten (10) working days from receipt of the plan.
(2) If the Department determines that cost reimbursement is an appropriate method of providing funds to accomplish closeout, the subrecipient will submit backup documentation for all current expenditures associated with the closeout. The required documentation will include, but not be limited to, the chart of accounts, detailed general ledger, revenue and expenditure statements, time sheets, payment vouchers and/or receipts, and bank reconciliations.
(3) No later than 30 days after the contract is terminated, the Department will take a physical inventory of client files, including case management files, and will submit to the Department an inventory of equipment with a unit acquisition cost of $5,000 or greater for CEAP, WAP and CSBG or a unit acquisition cost of $500 or greater for ESGP.
(4) The terminated subrecipient will have 30 days from the date of the physical inventory to copy all current client files. Client files must be boxed by county of origin. Current and active case management files also must be copied, inventoried, and boxed by county of origin.
(5) Within 30 days following the subrecipient's due date for copying and boxing client files, Department staff will retrieve copied client files.
(6) The terminated subrecipient will prepare and submit no later than sixty (60) days from the date the contract is terminated, a final Report (TDHCA Form 85) containing a full accounting of all funds expended under the contract.
(7) A final Monthly Financial Funding Programmatic Report for all remaining expenditures incurred during the close-out period must be received by the Department no later than 60 days from the date the Department determines that the closeout of the program and the period of transition are complete.
(8) The subrecipient will submit to the Department no later than sixty (60) days after the termination of the contract, an inventory (TDHCA Form 27) of the non-expendable personal property (as defined in Attachment N of the Uniform Grant Management Standards) acquired in whole or in part with funds received under the contract.
(9) The Department will transfer title to equipment having a unit acquisition cost (the net invoice unit price of an item of equipment) of:

(A) $5,000 or greater for CEAP, WAP and CSBG or

(B) $500 or greater for ESGP

to the Department or to any other entity receiving funds under the program in question. The Department will make arrangements to remove equipment covered by (A) or (B) within ninety (90) days following termination of the contract.

(10) Upon selection of a new service provider, the Department will transfer to the new provider client files and, as appropriate, equipment.
(11) As required by OMB Circular A-133, a current year Single Audit must be performed for all agencies that have exceeded the federal expenditure threshold of $500,000. The Department will allow a proportionate share of program funds to pay for accrued audit costs, when an audit is required, for a Single Audit that covers the date up to the closeout of the contract. The terminated subrecipient must have a binding contract with a CPA firm on or before the termination date of the contract. The actual costs of the Single Audit and accrued audit costs including support documentation must be submitted to the Department no later than 60 days from the date the Department determines the close-out is complete.
(12) Subrecipients shall submit within 60 days after the date of the close-out process all financial, performance, and other applicable reports to the Department. The Department may approve extensions when requested by the subrecipient. However, unless the Department authorizes an extension, the subrecipient must abide by the 60 day contractual requirement of submitting all referenced reports and documentation to the Department.

§5.018 Information Technology Security Practices

(a) Subrecipients are encouraged to follow the Information Technology Security Practices and Guidelines to help protect and control financial and performance data associated with the TDHCA programs.

(b) Information Technology Security Practices and Guidelines may be obtained by accessing the TDHCA Web site at www.tdhca.state.tx.us .

§5.019 Client Income Guidelines

(a) The Department has defined eligibility for program assistance under the poverty income guidelines provided annually by the Secretary of U.S. Department of Health and Human Services.

(b) The Department will use the following list of included and excluded income to determine eligibility for all programs.

(1) Included Income.

(A) Temporary Assistance for Needy Families (TANF),
(B) Money, wages and salaries before any deductions;
(C) Net receipts from non-farm or farm self-employment (receipts from a person's own business or from an owned or rented farm after deductions for business or farm expenses),
(D) Regular payments from social security,
(E) Railroad retirement,
(F) Unemployment compensation,

(G) Strike benefits from union funds,
(H) Worker's compensation,
(I) Training stipends,
(J) Alimony,
(K) Military family allotments,
(L) Private pensions,
(M) Government employee pensions (including military retirement pay),
(N) Regular insurance or annuity payments; and
(O) Dividends, interest, net rental income, net royalties, periodic receipts from estates or trusts; and net gambling or lottery winnings.

(2) Excluded Income.

(A) Social Security Disability Insurance (SSDI) payments,
(B) Supplemental Security Income (SSI) payments,
(C) Capital gains; any assets drawn down as withdrawals from a bank,
(D) The sale of property, a house, or a car,
(E) One-time payments from a welfare agency to a family or person who is in temporary financial difficulty,
(F) Tax refunds, gifts, loans, and lump-sum inheritances,
(G) One-time insurance payments, or compensation for injury,
(H) Non-cash benefits, such as the employer-paid or union-paid portion of health insurance or other employee fringe benefits,
(I) Food or housing received in lieu of wages,
(J) The value of food and fuel produced and consumed on farms,
(K) The imputed value of rent from owner-occupied non-farm or farm housing,
(L) Federal non-cash benefit programs as Medicare, Medicaid, Food Stamps, and school lunches,
(M) Housing assistance and combat zone pay to the military,
(N) Veterans (VA) Disability Payments,
(O) College scholarships, Pell and other grant sources, assistantships, fellowships and work study, VA Education Benefits (GI Bill), and
(P) Child Support Payments.

§5.020 Determining Income Eligibility

(a) The U.S. Department of Health and Human Services (USHHS) annually provides poverty income guidelines for use in determining client eligibility. Community Affairs Division programs are required to follow these guidelines.

(b) The subrecipients shall establish the client eligibility level at 125% of the federal poverty level in effect at the time the client makes an application for services.

(c) To determine income eligibility for program services, subrecipients must base annualized eligibility determinations on household income from 30 days prior to the date of application for assistance. Each subrecipient must maintain documentation of income from all sources for all household members for the entire 30 day period prior to the date of application and multiply the monthly amount by twelve (12) to annualize income. Income documentation must be collected from all income sources for all household members 18 years and older for the entire 30 day period.

(d) If proof of income is unavailable, the applicant must complete and sign a Department approved Declaration of Income Statement.

TITLE 10. COMMUNITY DEVELOPMENT
PART 1. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 5. COMMUNITY AFFAIRS PROGRAMS
SUBCHAPTER B. COMMUNITY SERVICES BLOCK GRANT (CSBG)
10 TAC §5.201 - §5.217

§5.201 Background

(a) In addition to the following rules for the Community Services Block Grant (CSBG) program, the rules established in Subchapter A of this Chapter also apply to the Community Services Block Grant (CSBG) program. The Community Services Block Grant (CSBG) Act was amended by the "Community Services Block Grant Amendments of 1994" and the Coats Human Services Reauthorization Act of 1998. The Secretary is authorized to establish a community services block grant program and make grants available through the program to States to ameliorate the causes of poverty in communities within the States.

(b) The Texas Legislature designated the Department as the lead agency for the administration of the Community Services Block Grant Program pursuant to Texas Government Code, §2306.092. CSBG funds will be made available to eligible entities to carry out the purposes of the Community Services Block Grant Program.

§5.202 Purpose and Goals

Community Services Block Grant (CSBG) funds provide assistance to States and local communities, working through a network of Community Action Agencies and other neighborhood-based organizations for the reduction of poverty, the revitalization of low-income communities, and the empowerment of low-income families and individuals in rural and urban areas to become fully self-sufficient (particularly families who are attempting to transition off a State program carried out under part A of title IV of the Social Security Act.)

§5.203 Distribution of CSBG Funds

(a) The CSBG Act requires that no less than 90% of the state's allocation be allocated to Eligible Entities. The Department currently utilizes a multi-factor fund distribution formula to equitably provide CSBG funds throughout the State's 254 counties to the CSBG Eligible Entities. The formula incorporates the 2000 U.S. Census figures at 125% of poverty; a $50,000 base; a $150,000 floor (the minimum funding level); a 98% weighted factor for poverty population; and, a 2% weighted factor for the inverse ratio of population density.

(1) Each Eligible Entity receives a base amount of $50,000;
(2) The weighted factors of poverty population and population density are applied to the funds remaining after the base award funds have been distributed to each Eligible Entity;
(3) The Department then determines if any Eligible Entity is below the $150,000 floor after the base amount and weighted factors (poverty population and population density) have been applied, then the minimum floor amount is reserved for those entities below $150,000.
(4) The remaining funds are distributed to the remaining eligible entities. As was done with the initial run of the formula, each of the remaining eligible entities receives the base amount of $50,000 and then the weighted factors (poverty population and population density) are applied to determine the allocation amounts for eligible entities funded above the $150,000.

(b) Five percent (5%) of the Department's annual allocation of CSBG funds and any funds not spent as identified in the following subsection (c) of this section, may be expended for activities as per 42 USC §9907 (b)(A-H) and activities that may include:

(1) the provision of training and technical assistance to CSBG eligible entities;
(2) services to low-income Migrant Seasonal Farm worker and Native American populations;
(3) assisting CSBG eligible entities in responding to natural or man-made disasters;
(4) funding for innovative and demonstration projects that assist CSBG target population groups to overcome at least one of the barriers to attaining self-sufficiency; and

(5) other projects/initiatives, including state conference expenses. The Department may provide monetary awards to subrecipients for outstanding performance. To ensure consistent and comparable results, the process for monetary awards to CSBG subrecipients will be standardized.

(c) Up to five percent (5%) of the Department's annual allocation of CSBG funds will be used for administrative purposes consistent with state and federal law.

§5.204 Use of Funds

(a) CSBG funds distributed to eligible entities for a fiscal year may be available for obligation during that fiscal year and the succeeding fiscal year. Eligible entities may use the funds for administrative support and/or for direct services such as: education, employment, housing, health care, nutrition, transportation, linkages with other service providers, youth programs, emergency services i.e., utilities, rent, mortgage, food, shelter, clothing etc. For additional requirements reference 42 USC 9908 (b)(A)(i-vii) and OMB Circulars A-122 and A-87.

(b) Utility and rent deposit refunds from vendors must be reimbursed to the subrecipient and not the client. Funds should be treated as program income.

§5.205 Limitations on Use of Funds

Construction of Facilities. CSBG funds may not be used for the purchase, construction or improvement of land, or facilities as described in (42 USC 9918)(a)).

§5.206 Termination and Reduction of Funding

(a) If the Department determines, on the basis of a final decision in a review pursuant to the CSBG Act, that an eligible entity fails to comply with the terms of an agreement or the State plan, to provide services under the CSBG Act or to meet appropriate standards, goals, and other requirements established by the Department (including performance objectives), the Department shall –

(1) inform the entity of the deficiency to be corrected;
(2) require the entity to correct the deficiency;
(3) offer training and technical assistance, if appropriate, to help correct the deficiency, and, as appropriate, prepare and submit to the Secretary a report describing the training and technical assistance offered; or if the Department determines that such training and technical assistance are not appropriate, prepare and submit to the Secretary a report stating the reasons for the determination and the reasons for proceeding with termination proceedings.
(4) At the discretion of the Department (taking into account the seriousness of the deficiency and the time reasonably required to correct the deficiency), the Department shall allow the entity to develop and implement, within 60 days after being informed of the deficiency, a Quality Improvement Plan (QIP) to correct

such deficiency within a reasonable period of time, as determined by the Department. No later than 30 days after receiving from an Eligible Entity a proposed QIP, the Department shall either approve such proposed plan or specify the reasons why the proposed plan cannot be approved.
(5) If the Department does not accept the QIP, the Department, after providing adequate notice of impending termination proceedings and an opportunity for a hearing, may initiate proceedings to terminate or reduce the funding of a subrecipient.
(6) If the Department has implemented sanctions against a subrecipient and the subrecipient has failed to comply with the QIP or a corrective action plan, the Department may request of the subrecipient's Board of Directors the voluntary relinquishment of the CSBG program and their designation as a CSBG Eligible Entity. If the subrecipient accepts to voluntarily relinquish the CSBG program, the Department will commence contract termination proceedings. If the subrecipient rejects voluntarily relinquishment of the CSBG program or the Department does not accept the subrecipient's QIP, the Department will initiate procedures for a hearing.

(A) Pursuant to the CSBG Act, the Department will provide notice and an opportunity for a hearing.
(B) The Department will select an Administrative Law Judge (ALJ) to oversee the proceedings of the hearing. The Department will coordinate establishing a date, time and hearing location with the ALJ and will provide adequate notice to the subrecipient.
(C) Upon receiving a favorable ruling from the ALJ, pursuant to Section 9915, the Department will prepare correspondence to the U.S. Secretary of Health and Human Services(HHS) requesting the termination of the subrecipient as a CSBG Eligible Entity. Upon receiving a favorable ruling from HHS, the Department will initiate proceedings to terminate and close-out the contract.

(b) Any right or remedy given to the Department by the Rule does not preclude the existence of any other right or remedy, nor shall any action or lack of action by the Department in the exercise of any right or remedy be deemed a waiver of any other right or remedy.

§5.207 Subrecipient Performance.

(a) Budgets. CSBG eligible entities and any other funded organizations shall submit a budget to facilitate the contract execution process. A Certification of Board Approval of CSBG Budget form issued by the Department must also be submitted with planned budgets.

(b) Unexpended Funds. The Department reserves the right to deobligate funds.

(1) The U.S. Department of Health and Human Services Administration for Children and Families issues Terms and Conditions for receipt of funds under the Community Services Block Grant. Subrecipients of CSBG funds will comply with the requirements of the Terms and Conditions of the CSBG award. Services must be provided on or before September 30th of the subsequent year and must be fully expended.
(2) The Coats Human Services Reauthorization Act of 1998, allows states to recapture unexpended CSBG funds in excess of 20% of the CSBG funds obligated to an Eligible Entity. This may be superseded by Congressional action in the appropriation process or by the Terms and Conditions issued by U.S. Health and Human Services in the CSBG award letter.

§5.208 Designation and Re-designation of Eligible Entities in Unserved Areas

If any geographic area of the State ceases to be served by an Eligible Entity, the requirements of 42 USC §9909 will be followed.

§5.209 State Application and Plan

(a) The Department submits to the Secretary every two years a State plan and a CSBG application. The Department holds public hearings in different areas of the state to solicit public comment on the intended use of CSBG funds. The Department will provide notice of the public hearings regarding the State Plan no later than the 15th day before the date of the hearing and publish the Draft State Plan on the Department's web site at least 10 days before the first public hearing.

(b) Every two (2) years in conjunction with the development of the State plan, the Department submits the CSBG budget to the Texas State Legislature for review during the legislative hearings, as part of the Legislative Appropriations Request (LAR) process.

§5.210 CSBG Needs Assessment and Community Action Plan

(a) In accordance with the CSBG Act and Section 676 of the Act, the Department is required to secure a Community Action Plan on an annual basis from each CSBG Eligible Entity due on October 31st.

(b) Every five years, the CSBG Community Action Plan will include a community needs assessment from every CSBG Eligible Entity.

(c) The Community Action Plan shall at a minimum include a description of the delivery of services for the case management system and in accordance with the National Performance Indicators.

(d) Intake Form. To fulfill the requirements of 42 USC 9917, CSBG subrecipients must complete an intake form which includes the demographic and household characteristic data required for the monthly performance and expenditure report, referenced in Subchapter A of this Chapter, for all households receiving a community action service. A new CSBG intake form or a centralized intake form must be completed on an annual basis to coincide with the CSBG program year of January 1st through December 31st.

(e) Case Management.

(1) In keeping with the regulations issued under Title II, Section 676 (b) State Application and Plan, the Department requires CSBG subrecipients to incorporate integrated case management systems in the administration of their CSBG program (Title II, Section 676 (b)). Incorporating case management in the service delivery system and providing assistance that has a long-term impact on the client, such as enabling the client to move from poverty to self-sufficiency, to maintain stable families, and to revitalize the community, supports the requirements of Section 676 (b). An integrated case management system, improves the overall provision of assistance and improves each subrecipient's ability to transition persons from poverty to self-sufficiency.

(2) Subrecipients must have in operation a case management program that has the following components:

(A) Intake Form.
(B) Pre-assessment to determine service needs, to determine the need for case management, and to determine which individuals/families to consider enrolling in case management program;
(C) Integrated assessment of individual/family service needs of those accepted into case management program;
(D) Development of case management service plan to meet goals and become self-sufficient;
(E) Provision of services and coordination of services to meet needs and achieve self-sufficiency;
(F) Monitoring and follow-up of participant's progress;
(G) Case closure, once individual has become self-sufficient;
(H) Evaluation process to determine effectiveness of case management system.

(f) Organizations receiving state discretionary funds under §5.203 (b) of this subchapter are not required to submit a Community Action Plan. All CSBG subrecipients must develop a Performance Statement which identifies the services, programs, and activities to be administered by the organization.

§5.211 Subrecipient Reporting Requirements

(a) Monthly Performance and Expenditure Report.
CSBG subrecipients must submit a monthly performance and expenditure report.

(1) Subrecipients shall submit the Monthly Funding/Financial/Performance Report (MFFPR) no later than the 20th day of the month after each month of the contract period. Even if a fund reimbursement is not being requested, an MFFPR must be submitted electronically on or before the twentieth (20th) day of each month of the grant period. A final MFFPR must be submitted within 60 days after the CSBG contract ends. The "Community Affairs Contract User Guide System" may be accessed through the TDHCA website.

(b) Reporting.
Federal requirements mandate all States to participate in the preparation of a annual performance measurement report (also referred to as the CSBG National Survey). To comply with the requirements of Section 678E of the CSBG Act, all CSBG eligible entities and other organizations receiving CSBG funds are required to participate.

§5.212 CSBG Board of Directors Membership and Meeting Requirements for CSBG Eligible Entity's Tripartite Boards

(a) General Board Requirements

(1) The Coats Human Services Reauthorization Act (Public Law 105-285) addresses the Community Services Block Grant program and requires that eligible entities administer the CSBG program through a tripartite board. The Act requires that governing boards or a governing body be involved in the development, planning, implementation, and evaluation of the programs serving the low-income sector. Also, the Texas Legislature, through § 551.001(3) of the Texas Government Code, addresses specific requirements regarding meetings, meeting notices, and open meeting records through the Open Meetings Act (Texas Government Code, §551.001 *et. seq.*) and the Public Information Act (Texas Government Code, §552 *et seq.*). State legislation has also defined as a governmental body, nonprofit corporation boards that are eligible to receive funds under the federal Community Services Block Grant program and that are authorized by the State to serve a geographic area of the State.
(2) Federal requirements for establishing a tripartite board require board oversight responsibilities for public entities, which differ from requirements for private organizations. Where differences occur between private and public organizations, requirements for each entity have been noted in related sections of the rule.

(b) Each CSBG Eligible Entity shall comply with the provisions of this rule and if necessary, the Eligible Entity's by-laws shall be amended to reflect compliance with these requirements.

§5.213. Board Structure

(a) Private nonprofit entities only, shall administer the Community Services Block Grant program through a tripartite board that fully participates in the development, planning, implementation, and evaluation of the program to serve low-income communities.

Selection and composition of the board. The members of the board shall be selected by the private nonprofit entity and the board shall be composed so as to assure that the requirements of Section 676B (a)(2) are followed and are composed as follows:

(1) One-third of the members of the board shall be elected public officials, holding office on the date of the selection, or their representatives. In the event that there are not enough elected public officials reasonably available and willing to serve on the board, the entity may select appointive public officials to serve on the board. The entity may allow governing officials of the political jurisdiction to select and/or recommend an elected or appointive official to serve on the board. The public officials selected to serve on the board may each choose one permanent representative or designate an alternate to serve on the board. Appointive public officials or their representatives or alternates may be counted in meeting the 1/3 requirement. Refer to the subsection entitled "Permanent Representatives and Alternates" in this document for related information;

(2) not fewer than 1/3 of the members are persons chosen in accordance with democratic selection procedures adequate to assure that these members are representative of low-income individuals and families in the neighborhood served; and each representative of low-income individuals and families selected to represent a specific neighborhood within a community under clause (B) resides in the neighborhood represented by the member.

(3) the remainder of the members are officials or members of business, industry, labor, religious, law enforcement, education, or other major groups and interests in the community served.

(b) For public organizations to be considered to be an eligible entity for purposes of the CSBG Act, Section 676B (b), the entity shall administer the CSBG grant through tripartite boards as follows:

(1) A tripartite board, which shall have members selected by the organization and shall be composed so as to assure that not fewer than 1/3 of the members are persons chosen in accordance with democratic selection procedures adequate to assure that these members:

(A) are representative of low-income individuals and families in the neighborhood served;
(B) reside in the neighborhood served; and
(C) are able to participate actively in the development, planning, implementation, and evaluation of programs funded under this subtitle; or

If conditions in (1) (A)-(C) are not utilized, then another mechanism specified by the State which meets the tripartite requirements may be used. Public organizations that choose to utilize another mechanism must submit to the Department, for review and approval, a description of the mechanism to be utilized to select low-income representatives. .The mechanism must assure decision-making and participation by low-income individuals in the development, planning, implementation, and evaluation of programs funded under this subtitle.

(2) One-third of the members of the board shall be elected public officials, holding office on the date of the selection, or their representatives. In the event that there are not enough elected public officials reasonably available and willing to serve on the board, the entity may select appointive public officials to serve on the board. The entity may allow governing officials of the political jurisdiction to select and/or recommend an elected or appointive official to serve on the board. The public officials selected to serve on the board may each choose one permanent representative or designate an alternate to serve on the board. Refer to the subsection entitled "Permanent Representatives and Alternates" in this document for related information;

(3) the remainder of the members are officials or members of business, industry, labor, religious, law enforcement, education, or other major groups and interests in the community served.

(c) Eligible entities administering the Head Start Program must comply with, the Head Start Act (42 U.S.C. 9837) that requires the governing body membership to comply with the requirements of Section 642 (c)(1).

(1) Exceptions shall be made to the requirements of clauses (i) through (iv) of Section 642 (c)(1) for members of a governing body when those members oversee a public entity and are selected to their positions with the public entity by public election or political appointment.

(d) Selection

As per Sec. 676B, Private nonprofit entities and public organizations have the responsibility for selection and composition of the board.

(1) Public Officials

(A) Elected public officials or appointed public officials, selected to serve on the board, shall have either general governmental responsibilities or responsibilities which require them to deal with poverty-related issues. They may not be officials with only limited, specialized, or administrative responsibilities.

(B) Permanent Representatives and Alternates
The public officials selected to serve on the board may each choose one permanent representative or designate an alternate to serve on the board.
(i) Permanent Representatives
The public officials selected by a private nonprofit entity or public organization to serve on the board may each choose one permanent representative to serve on the board in a full-time capacity. The public officials of the public organization may choose a representative to serve on the board or other governmental body. The representative need not be a public official but shall have full authority to act for the public official at meetings of the board. Permanent representatives may hold an officer position on the board. If a permanent representative is not chosen, then an alternate may be designated by the public official selected to serve on the board. Alternates may not hold an officer position on the board.
(ii) Alternate Representatives
If the private nonprofit entity or public organization board chooses to allow alternates, the alternates for low-income representatives shall be elected at the same time and in the same manner as the board representative is elected to serve on the board. Alternates for representatives of private sector organizations may be designated to serve on the board and should be selected at the same time the board representative is selected. In the event that the board member or alternate ceases to be a member of the organization represented, he/she shall no longer be eligible to serve on the board. Alternates may not hold an officer position on the board.

(2) Low-Income Representatives

(A) An essential objective of community action is participation by low-income individuals in the programs which affect their lives; therefore, the CSBG Act and its amendments require representation of low-income individuals on boards or state-specified governing bodies. The CSBG statute requires that not fewer than one-third of the members shall be are representatives of low-income individuals and families and that they shall be chosen in accordance with democratic selection procedures adequate to assure that these members are representative of low-income individuals and families in the neighborhoods served; and that each representative of low-income individuals and families selected to represent a specific neighborhood within a community resides in the neighborhood represented by the member.

(B) Board members representing low-income individuals and families must be selected in accordance with a democratic procedure. This procedure, as detailed below, may be either directly through election, public forum, or, if not possible, through a similar democratic process such as election to a position of responsibility in another significant service or community organization such as a school PTA, a faith-based organization leadership group; or an advisory board/governing council to another low-income service provider.

(C) Every effort should be made by the nonprofit entity or public organization to assure that low-income representatives are truly representative of current residents of the geographic area to be served, including racial and ethnic composition, as determined by periodic selection or reselection by the community. "Current" should be defined by the recent or annual demographic changes as documented in the needs/community assessment. This does not preclude extended service of low-income community representatives on boards, but it does suggest that continued board participation of longer term members be revalidated and kept current through some form of democratic process.

(D) The procedure used to select the low-income representative must be documented to demonstrate that a democratic selection process was used. Among the selection processes that may be utilized, either alone or in combination, are:

(i) Selection and elections, either within neighborhoods or within the community as a whole; at a meeting or conference, to which all neighborhood residents, and especially those who are poor, are openly invited;
(ii) Selection of representatives to a community-wide board by members of neighborhood or sub-area boards who are themselves selected by neighborhood or area residents;
(iii) Selection, on a small area basis (such as a city block); or
(iv) Selection of representatives by existing organizations whose membership is predominately composed of poor persons.

(3) Representatives of Private Groups and Interests

(A) The private nonprofit entity or public organization shall select the remainder of persons to represent the private sector on the board or it may select private sector organizations from which representatives of the private sector organization would be chosen to serve on the board.
(B) The individuals and/or organizations representing the private sector shall be selected in such a manner as to assure that the board will benefit from broad community involvement. The board composition for the private sector shall draw from officials or members of business, industry, labor, religious, law enforcement, education, school districts, representatives of education districts and other major groups and interests in the community served.

§5.214 Board - Administrative Requirements

(a) Powers of the Board For Private Nonprofit Entities

The board is responsible for abiding by the terms of contracts and shall determine the policies of the agency to assure accountability for public funding. The board shall function as the organization's governing body with the same legal powers and responsibilities as the board of directors of any nonprofit corporation.

(b) Powers of the Board for Public Organizations
The powers, duties, and responsibilities of the board shall be determined by the governing officials of the public organization. The governing officials may establish:

(1) an advisory board, in which case the authority given to the advisory board depends on the powers delegated to it by the governing officials of the political subdivision; or
(2) a governing board, empowering the board of directors with substantive decision-making authority and delegating the powers, duties, and responsibilities to carry out its CSBG-supported contract and functions.

(c) Compensation
Board members are not entitled to compensation for their service on the board. Reimbursement of reasonable and necessary expenses incurred by a board member in carrying out his/her duties is allowed.

(d) Conflict of Interest
No board member may participate in the selection, award, or administration of a subcontract supported by CSBG funds if: (1) the board member, (2) any member of his/her immediate family (as defined in the CSBG contract), (3) the board member's partner, or (4) any organization which employs or is about to employ any of the above, has a financial interest in the firm or person selected to perform a subcontract. No employee of the local CSBG subrecipient nor of the Texas Department of Housing and Community Affairs may serve on the board.

§5.215 Board - Size

(a) Board Size
The board size shall be divisible by three (3).

(b) Board Service Limitations for Private Nonprofit Entities and Public Organizations Subrecipients boards may establish bylaws which allow for term limits and/or procedures for the removal of board members.

(c) Vacancies/Removal of Board Members

(1) Vacancies
In no event shall the board allow 25% or more of either the public, private, or poverty sector board positions to remain vacant for more than 90 days. CSBG subrecipients shall report the number of board vacancies by sector in their monthly performance reports. Compliance with the CSBG Act requirements for

board membership is a condition for eligible entities to receive CSBG funding. There is no provision in the Act for a waiver or exception to these requirements.

(2) Removal of Board Members/Private Nonprofit Entities

Public officials or their representatives, may be removed from the board either by the board or by the entity that appointed them to serve on the board. Other members of the board may be removed by the board or pursuant to any procedure provided in the private nonprofit's by-laws.

(3) Removal of Board Members/Public Organizations

Board members may be removed from the board by the public organization or by the board if the board is so empowered by the public organization. The board may petition the public organization to remove a board member or the public organization may delegate the power of removal to the board.

§5.216 Board Responsibility

(a) Tripartite boards have a fiduciary responsibility for the overall operation of the private nonprofit entity. Members are expected to carry out their duties as any reasonably prudent person would do.

(b) At a minimum, board members are expected to:

(1) Maintain regular attendance of board and committee meetings;
(2) Develop thorough familiarity with core agency information, such as the agency's bylaws, as appropriate, articles of incorporation, sources of funding, agency goals and programs, Federal and State CSBG statutes;
(3) Exercise careful review of materials provided to the board;
(4) Make decisions based on sufficient information;
(5) Ensure that proper fiscal systems and controls, as well as a legal compliance system, are in place; and
(6) Maintain knowledge of all major actions taken by the agency.

(c) Individuals that agree to participate on a tripartite governing board, accept the responsibility to assure that the agency they represent continues to: assess and respond to the causes and conditions of poverty in their community, achieve anticipated family and community outcomes, and remains administratively and fiscally sound. Excessive absenteeism of board members compromises the mission and intent of the program.

(d) Residence Requirement

(1) All board members shall reside within the subrecipient's CSBG service area designated by the CSBG contract. Board members should be selected so as to provide representation for all geographic areas within the designated service area; however, greater representation may be given on the board to areas with greater poverty population. Low-income representatives must reside in the area that they represent.

(2) Subrecipients may request a waiver of the residency requirement to the Director of the Community Affairs Division for review for consideration and/or approval.

(e) Improperly Constituted Board
If the Department determines that a board of an eligible entity is improperly constituted, the Department shall prescribe the necessary remedial action, a timeline for implementation and possible sanctions which may include: cost reimbursement method of payment; withholding of funds; contract suspension; and termination of funding.

§5.217 Board Meeting Requirements

(a) The Board must: follow the Texas Open Meetings Act, meet at least every 10 weeks and must give each member a notice of meeting (5) five days in advance of the meeting.

(b) Open Meetings Training

(1) Effective January 1, 2006, the 79th Texas Legislature established a state law requiring elected and appointed officials to receive training in Texas Open Government laws. This mandate applies to the board of directors for CSBG eligible entities and requires that training is received within 90 days of becoming a board member. As part of this requirement, the Office of the Attorney General has established and made available formal training to ensure government officials have a good command of open records and open meeting laws. To fulfill this requirement, the Office of the Attorney General offers free training videos which may be requested by accessing their website at www.oag.state.tx.us/opinopen/og_training.shtml or by calling 1-800-252-8011.
(2) Legislation requires open meetings training for public sector local officials, however, the Department recommends this training for all board members. Boards shall ensure that all members serving on the Board of Directors shall receive this training according to the deadlines described above.
(3) The organization shall maintain a copy of the Board training certificate issued to participants upon completion of the training.

DRAFT

TITLE 10. COMMUNITY DEVELOPMENT
PART 1. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 5. COMMUNITY AFFAIRS PROGRAMS
SUBCHAPTER C. EMERGENCY SHELTER GRANTS PROGRAM (ESGP)
10 TAC §5.301 - §5.311

§5.301 Background

(a) In addition to the following rules for the Emergency Shelter Grants Program (ESGP), the rules established in Subchapter A of this Chapter also apply to the Emergency Shelter Grants Program (ESGP).

(b) ESGP was established by the Homeless Housing Act of 1986 in response to the growing issue of homelessness in the United States. In 1987, the ESG program was incorporated into Title IV of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. §11371 - 11378), now known as the McKinney-Vento Homeless Assistance Act.

(c) ESGP funds are federal funds awarded to the State of Texas by the U. S. Department of Housing and Urban Development (HUD). The Texas Legislature designated the Texas Department of Housing and Community Affairs (the Department) to administer this program pursuant to §2306.094, Texas Government Code. ESGP funds will be made available to eligible applicants to carry out the purpose of the Emergency Shelter Grants Program based on a statewide competitive application process.

§5.302 Purpose and Goals

(a) The Emergency Shelter Grants Program (ESGP) funds are available for:

(1) the rehabilitation or conversion of buildings for use as emergency shelter for the homeless;
(2) the payment of certain operating expenses and essential services in connection with emergency shelters for the homeless, and;
(3) homeless prevention activities.

(b) The program goal is to be the first step in a continuum of assistance to enable homeless individuals and families to move toward independent living as well as to prevent homelessness.

(c) The objectives of the ESGP shall be to:

(1) Help improve the quality of emergency shelters for the homeless;
(2) Help meet the costs of operating and maintaining emergency shelters;
(3) Provide essential services so that homeless individuals have access to the assistance they need to improve their situation; and
(4) Provide emergency intervention assistance to prevent homelessness.

§5.303 Distribution of ESGP Funds

(a) All Texas counties fall within one of the 13 Uniform State Service Regions. Funds are reserved for each region in direct proportion to the region's percentage of poverty population according to the decennial U.S. Census.

(b) Applications are grouped by service region. Eligible applications compete only against other eligible applications from the same service region, with the highest ranking application being funded first.

(c) The Department will determine the number of applications which can be funded within each region based on the amount of funds available for distribution in each region. ESGP funds reserved for a particular region will be obligated to eligible applicant organizations within that region. If the region does not have enough responsive applications which meet the funding threshold, funds will be redistributed.

(d) Upon approval by the Department's Board of Directors, applicants receiving ESGP funds shall enter into and execute an agreement for the receipt of ESGP funds.

(1) Amendments. The Department, acting by and through its Executive Director or his/her designee, may authorize, execute, and deliver modifications and/or amendments to the ESGP contract.
(2) The Department reserves the right to deobligate funds.
(3) Faith-based subrecipients, as with all subrecipients funded under HUD-funded programs, must serve all eligible beneficiaries without regard to religion.

(e) Allocation of Funds. The Department shall administer all federal ESGP funds provided to the State under the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. §11371 - 11378, now known as the McKinney-Vento Homeless Assistance Act) in accordance with the U.S. Department of Housing and Urban Development's final ESG rule, 24 CFR Part 576 and Chapter 2306, Texas Government Code, and the Department annual Consolidated Plan.

(f) The Department must obligate at least 95% of these funds for ESGP funded applicants.

(g) The Department may retain 5% for administration and may share a portion of its administrative funds with units of general local government (city or county) selected for funding.

(h) The Department will obligate funds within 65 days of receiving the award letter from the U.S. Department of Housing and Urban Development.

§5.304 Use of Funds

(a) Eligible Activities: ESGP funds are designed to address the immediate needs of homeless persons to assist their movement to permanent housing.

(1) ESGP funds may be utilized to assist individuals and families who would actually become or remain homeless without ESGP homelessness prevention assistance.
(2) ESGP funds cannot be utilized to care for or assist children in State custody.
(3) The Department encourages that applications include an innovative approach to providing emergency shelter and/or transitional housing to homeless individuals and families. Transitional housing projects should be designed to provide housing and appropriate essential services to homeless persons in order to facilitate the movement of individuals or families to permanent housing within no more than 24 months. ESGP grant amounts may be used for one or more of the following activities in (b) through (f):

(b) Operation administration may not exceed more than 10% of an applicant's ESGP budget (Title 42 Section 11374 (a)(3)) and may be requested for administrative salaries (including fringe benefits).

(1) Appropriate staff which may be charged as administrative staff are the executive director, program director, supervisors, administrative support staff, etc.
(2) Job descriptions for these positions are not required to be included in the ESGP application.

(c) Essential Services. ESGP legislation limits essential services to 30% of the total State allocation (24 CFR 576.3 and Title 42 Section 11374 (a)(2)(b)).

(1) Essential services activities address the immediate needs of homeless individuals and enable homeless persons to become more independent and/or to secure permanent housing.

(A) Essential services may include direct client services concerned with employment, health, drug abuse prevention, and education, including but not limited to:

(i) assistance in obtaining permanent housing; medical and psychological counseling and supervision; employment counseling, job placement, and job training (including tuition and books);
(ii) nutritional counseling and the salary of food preparers (cooks);
(iii) substance abuse treatment and counseling;
(iv) assistance in obtaining other federal, state, and local assistance including mental health benefits, medical assistance, Veteran's benefits, and income support assistance such as Supplemental Security Income, Temporary Assistance for Needy Families, and Food Stamps;
(v) other services such as childcare, food vouchers, client clothing, or medical assistance (doctor visits, prescriptions, eye glasses or other prostheses, etc.); (vi) transportation costs directly associated with ESGP service delivery, such as bus tokens, bus fare, cab fare, airfare, salary of van driver, etc; and,
(vii) salary for staff whose sole duty is to work directly with clients to provide the above services.

(2) Staff salaries may include wages and fringe benefits, however, no administrative or supervisory salaries may be paid with Essential Services funds.

(3) ESGP funds may be used to provide essential services, if the agency received local funds (locally generated tax revenue) from a unit of local government in the past 12 months, only if the ESGP application includes a request for funds to provide essential services for a new service (24 CFR 576.21 (b)).

(d) Maintenance, operation, and furnishings. ESGP funds may be used for maintenance, operation, furnishings, and equipment costs (24 CFR 576.21 (3)).

(1) Maintenance costs include contract services for copier or security system maintenance, pest control, lawn care, contracted janitorial service, etc.

(2) Operation costs include administration, equipment, facility rent, utilities, internet service, and telephone; building maintenance and non-deferred repairs; food for shelter residents; vehicle maintenance, registration, repairs, and fuel; building or equipment insurance; fidelity bond coverage; office and maintenance supplies; single audit expenses (if required), staff mileage reimbursement (for travel relating to ESGP service delivery), and pre-award travel expenses (for successful applicants to attend an orientation workshop).

(A) Non-deferred repairs are items that break during the contract period, such as:

(i) repairing a window that is broken;
(ii) repairs due to water damage;
(iii) repairing a broken furnace or
(iv) repairing an air conditioning unit.

(B) Deferred repairs, classified as rehabilitation activities, are items which are inoperable or broken and in need of replacement prior to the application period.

(C) Equipment may include computers, printers, software, refrigerator, stove, tools, vehicles, etc. All equipment with a useful life of more than one year and an acquisition cost of $500 or more must be included in a cumulative inventory report submitted to the Department each contract year. (Refer to Subchapter A "General Provisions" §5.008 "Inventory Report".)

(D) Subrecipients who participate in a local Continuum of Care may use ESGP funds to facilitate the required Homeless Management Information System (HMIS) which may include the purchase of software and/or annual access fees to facilitate data collection and reporting of client-level information.

(3) Furnishings may include beds, mattresses, linens, desks, tables, chairs, etc.

(e) Homelessness Prevention. ESGP legislation limits homelessness prevention to 30% of the total State allocation (Title 42 Section 11374 (a)).

(1) Homelessness Prevention funds may be used to provide direct monetary assistance on behalf of individuals whose annual income is at or below the federal poverty guideline when the conditions referenced in 24 CFR 576.3 are met.

(A) The individual or family is unable to make the required payments due to a sudden reduction in income or a sudden increase in expenses, i.e. sudden reduction in income may result from an event that occurs no more than 90 days prior to the date of application for ESGP services. Documentation should support the risk of becoming homeless such as an eviction notice or termination of utility service notice.

(B) The assistance is necessary to avoid the foreclosure, eviction, or termination of utility services (excluding telephone service); Utility and rent deposit refunds from vendors must be reimbursed to the subrecipient and not the client. Funds should be treated as program income.

(C) There is reasonable prospect that the individual or family will be able to resume the payments within a reasonable period of time (determined by the applicant organization and used consistently among all clients); and

(D) The assistance does not replace funding for pre-existing homelessness prevention activities from any other sources.

(2) Homelessness Prevention funds must be used to assist those individuals and families that would actually become or remain homeless without ESGP homelessness prevention assistance (24 CFR §576.3) and include:

(A) Short-term subsidies to help defray rent and utility arrearages for families that have received a notice of eviction, termination of utility services, or payments to prevent the transfers;

(B) Security deposits or first month's rent to enable a homeless family (or individuals in emergency/transitional housing) to acquire permanent housing;

(C) Programs to provide mediation for landlord/tenant disputes;

(D) Programs to provide legal services for the representation of indigent tenants in eviction proceedings;

(E) Payments to prevent foreclosure on a home; and,

(F) Other innovative programs and activities designed to prevent the incidence of homelessness.

(3) Subrecipients are required to use the ESGP Homelessness Prevention Application to determine the eligibility of individuals and families applying for ESGP homelessness prevention assistance. (Refer to the Department's website for the Homelessness Prevention Application.)

(f) Rehabilitation. Rehabilitation is defined as the labor, materials, tools, and other costs of improving buildings.

(1) Examples of allowable rehabilitation projects include, but are not limited to,

(A) accumulated deferred maintenance (replacing flooring),

(B) replacement of principle fixtures and components,

(C) improvements to increase energy efficiency (replacing a furnace or air conditioning unit), and

(D) structural changes necessary to make the facility accessible for persons with physical disabilities.

(2) Rehabilitation projects include deferred repairs for items that are inoperable or broken and in need of replacement prior to the submission of the ESGP application. Rehabilitation does not include non-deferred repairs.
(3) All rehabilitation activity funded through ESGP must occur within the existing structure, must not increase the square footage of the structure involved, and must comply with local government safety and sanitation requirements. (Refer to §504 of the Rehabilitation Act of 1973, as amended, as provided in 24 CFR 8.23(a) or (b)).

(A) Types of rehabilitation projects include conversion, major rehabilitation and renovation (24 CFR 576.3).

§5.305 Limitations on Use of Funds

ESGP funds cannot be utilized for conversion, rehabilitation, renovation, or operation of permanent housing; acquisition of real property; new construction; addition of square footage, property clearance or demolition; direct payments to individuals; to support inherently religious activities such as worship, religious instruction, or proselytization; or to rehabilitate or repair buildings such as sanctuaries, chapels, and other rooms that a congregation uses as its principal place of worship.

§5.306 Eligible Entities

(a) Eligible applicants are units of general local government and private nonprofit organizations (§576.1, Title 24 of the ESGP Act).

(b) The Department will accept collaborative applications. To be considered as a collaborative, the application must include two or more organizations that will use ESGP funds to provide services to the target population as part of a local continuum of care.

(c) If a unit of general local government applies for only one organization, this will not be considered a collaborative application.

§5.307 Application Requirements

(a) Eligibility Documentation. The following information must be included in each ESGP application. Failure to provide this documentation will deem the application ineligible for funding.

(1) Participation of a homeless or formerly homeless individual on the board of directors or other equivalent policymaking entity of such recipient (42 USC 11375 (d)). Applicants who have not previously received ESGP funds from the

Department are exempt from the requirement, but must comply with the requirement prior to execution of a contract with the Department.
(2) Documentation as a 501(c) tax-exempt entity for all private nonprofit organizations.
(3) Local government approval from the city or county in which the project is located.

(b) Fiscal Accountability

(1) Single Audit: An organization that spends more than $500,000 in federal funds during its fiscal year must have a single audit conducted for that year (A-133 Subpart B.200). ESGP Subrecipients are responsible for submitting their Single Audit Report within 30 days of completion of their audit and no later than nine (9) months after the end of the audit period (fiscal year end) to the Department's Portfolio Management and Compliance Division, as well as to the Community Services Section of the Community Affairs Division. Refer to §7502, Title 31, Chapter 75.
(2) Organizations that do not exceed the $500,000 federal fund expenditure threshold are exempt from the single audit requirements. If an organization is not required to have a single audit performed, the ESGP Application must include the end-of-the-year financial statements (balance sheet, income statement, and statement of cash flow). All collaborative applications from non-profits must submit financial documentation for each organization in a collaborative.

(c) Match Requirements.

(1) ESGP subrecipients must match their award amount with an equal or greater amount of resources other than ESGP funds. (42 U.S.C.§11375(a))(A-110 Subpart C_.23) Matching funds used for an ESGP project may not be used to match any other project or grant.
(2) Match resources will adhere to the requirements of OMB Circular A-110 _.23 and/or UGMS_.24 including:

(A) Donated Supplies: Donated goods such as clothing, furniture, equipment, etc.
(B) Cash Donations or Grants: Private donations or grants from foundations, nonprofits, or local, state, and federal sources.
(C) Value of Donated Building: The fair market value of a donated building in the year that it is donated. The building must be proposed for ESGP-related activities and currently must not be in use for these activities.
(D) Rent or Lease Value of a Building: Rent paid or would be paid for space currently used to provide services to the homeless.
(E) Salaries: Any staff salary paid with general operating funds or certain grant funds including but not limited to CSBG, Community Development Block Grant (CDBG), United Way, and Victims of Crime Act (VOCA). The

position(s) used as match must be involved in ESGP-related activities and the hours utilized for match must be for hours worked for ESGP related activities.
(F) Volunteers: Time and services contributed by volunteers, with a value not to exceed federal regulations.

(d) Environmental Review Requirements for Rehabilitation Projects.

(1) The following federal regulations concerning environmental review are applicable to Rehabilitation Projects:
(A) 24 CFR Part 58
(B) 24 CFR 576.57e (Release of Funds)
(C) 24 CFR 35 (Lead Based Paint Hazard Reduction)
(2) All ESGP applications including a request for Rehabilitation funds must include a Preliminary Environmental Review Checklist. For ESGP funds distributed by the State to units of general local government, the unit of general local government must assume the environmental responsibilities, and the State will be responsible for providing a release of funds in accordance with the requirements of 24 CFR Part 58.
(3) For funds distributed by the State to nonprofit organizations, the State must assume the environmental responsibilities, and HUD will provide the release of funds in this instance.
(4) The Department may accept a previous environmental review if:

(A) the environmental review is not more than 5 years old and no structural changes have occurred at the previously approved location;
(B) the certifying entity (local authority) provides documentation that no environmentally significant changes have occurred at the approved location since the review was done; and
(C) a copy of the environmental review is submitted as part of the ESGP application.

§5.308 Application Awards

(a) Award Amounts:

(1) The annual application packet will specify the minimum and maximum for ESG program awards. As required in §576.35 of Title 24 Subpart C, applicants will be notified of the Department's recommendation for funding.
(2) Award limitations are based on the amount of ESGP funds estimated to be available to each region and the ESGP funding pattern utilized by the Department.

(b) Funded Projects

(1) All projects should be planned for a maximum of 12 months.
(2) Per HUD requirements, the Department will share a portion of the State's administrative funds with units of general local government (cities or counties)

selected for ESGP funding. The amount shared will not exceed 4% of the subrecipient's ESGP award.
(3) The Department reserves the right to negotiate the final grant amounts and local match with successful applicants. The Department may consider the amount of HUD funds awarded to entitlement entities when making funding decisions to applicants that are a unit of general local government. This consideration does not apply to private nonprofit organizations located in ESGP entitlement cities or counties.

§5.309 Application Process

(a) The Department will publish the ESGP Application annually on the Department's website. The Department will also provide written notice to organizations regarding the ESGP Application.

(b) To be considered for funding, an applicant must submit a completed application in accordance with application instructions issued annually in the ESGP Application notice.

§5.310 Application Review Process

(a) Applications may be deemed ineligible for lack of response to Department ESGP monitoring report(s) and compliance and audit issues identified by the Department.

(b) Applicants not recommended for funding will be notified in writing no later than 30 days from the date that the Department obligates funds.

(c) Applications recommended for funding will be presented to the Board or its designee for approval, pending the availability of ESGP funds.

(d) Applicants not selected to receive ESGP funds may request a review of their application no later than 30 days after the date of the written funding notification from the Department as per Texas Administrative Code §1.7.

§5.311 Reports

(a) The ESGP contract requires subrecipients to submit the Monthly Funding/Financial/Performance Report (MFFPR) no later than the 20th day of the month after each month of the contract period.

(b) Even if a fund reimbursement is not being requested, an MFFPR must be submitted electronically on or before the twentieth (20th) day of each month of the grant period. A final MFFPR must be submitted within 60 days after the ESGP contract ends.

(c) A user name and password are needed to access the reporting system to submit monthly reports. The "Community Affairs Contract User Guide System" may be accessed through the TDHCA website under "Interactive" "Contractor Tools".

TITLE 10 COMMUNITY DEVELOPMENT
PART 1 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 5 COMMUNITY AFFAIRS DIVISION

SUBCHAPTER D. COMPREHENSIVE ENERGY ASSISTANCE PROGRAM (CEAP)

10 TAC §5.401-§5.432

§5.401 Background

The Comprehensive Energy Assistance Program (CEAP) is funded through the Low Income Home Energy Assistance Act of 1981 (Title XXVI of the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, as amended). LIHEAP has been in existence since 1982. LIHEAP is a federally funded block grant program that is implemented to serve low income households who seek assistance for their home energy bills.

§5.402 Purpose and Goals

The purpose of CEAP is: to assist low-income households, particularly those with the lowest incomes, that pay a high proportion of household income for home energy, primarily in meeting their immediate home energy needs. The program encourages priority be given to those with the highest home energy needs, meaning low income households with a high energy burden and/or the presence of a "vulnerable" individual in the household, such as a young child, disabled person, or frail older individual. CEAP services include: energy education, needs assessment, budget counseling (as it pertains to energy needs), utility payment assistance and heating and cooling system replacement, repair or retrofit.

§5.403 Distribution of CEAP Funds

(a) The Department distributes funds to subrecipients by an allocation formula.
(b) The formula allocates funds based on the number of low-income households in a service area and takes into account the special needs of individual service areas. The need for energy assistance in an area is addressed through a weather factor (based on heating and cooling degree days). The extra expense in delivering services in sparsely populated areas is addressed by an inverse population density factor. The lack of additional services available in very poor counties is addressed by a county median income factor. Finally, the elderly are given priority by giving greater weight to this population. The five factors used in the formula are calculated as follows:

(1) County Non-elderly Poverty Household Factor (weight of 40%) is defined by the Department as the number of Non-elderly Poverty Households in the County divided by the number of Non-elderly Poverty Households in the State.

(2) County Elderly Poverty Household Factor (weight of 40%) is defined by the Department as the number of Elderly Poverty Households in the County divided by the number of Elderly Poverty Households in the State.

(3) County Inverse Poverty Household Density Factor (weight of 5%) is defined by the Department as:

(A) The number of Square Miles of the County divided by the number of Poverty Households of the County (equals the Inverse Poverty Household Density of the County); and

(B) Inverse Poverty Household Density of the County divided by the Sum of Inverse Household Densities.

(4) County Median Income Variance Factor (weight of 5%) is defined by the Department as:

(A) State Median Income minus the County Median Income (equals County Variance), and

(B) County Variance divided by sum of the State County Variances.

(5) County Weather Factor (weight of 10%) is defined by the Department as:

(A) County Heating Degree Days plus the County Cooling Degree Days, multiplied by the Poverty Households, divided by the sum of County Heating & Cooling Degree Days of Counties (equals County Weather); and

(B) County Weather divided by the total sum of the State County Weather.

(c) All demographic factors are based on the decennial U.S. Census.
(d) Total sum of paragraphs (1) - (5) of this subsection multiplied by total funds allocation equals the County's allocation of funds. The sum of the county allocations within each subrecipient service area equals the subrecipient's total allocation of funds.

§5.404 Subrecipient Eligibility

(a) The Department shall ensure that: To the extent it is necessary to designate local administrative agencies in order to carry out the purposes of Title 42 U.S.C. §8621 et seq, give special consideration to any local public or private nonprofit agency which was receiving Federal funds.

(1) The Department shall, before giving such special consideration, determine that the agency involved meets program and fiscal requirements established by the Department; and

(2) if there is no such agency because of any change in the assistance furnished to programs for economically disadvantaged persons, then the Department shall give special consideration in the designation of local administrative agencies to any successor agency which is operated in substantially the same manner as the predecessor agency which did receive funds for the fiscal year preceding the fiscal year for which the determination is made.

(b) The Department administers the program through the existing subrecipients that have demonstrated that they are operating the program in accordance with the Economic Opportunity Act of 1964, the Low-Income Home Energy Assistance Act of 1981 as amended (42 U.S.C. §8621 et seq.), and the Department rules. If subrecipients are successfully administering the program, the Department may offer to renew the contract.

(c) When the Department determines that an organization is not administering the program satisfactorily, corrective actions are taken to remedy the problem. Thereafter, if subrecipient fails to administer the program correctly, the Department reassigns the service area or a portion to another existing subrecipient or conducts solicitation or selection of a new subrecipient in accordance with the Low-Income Home Energy Assistance Act of 1981.

§5.405 Subrecipient Requirements for Appeals Process for Applicants

(a) Subrecipients shall provide a written denial of assistance notice to applicant within ten (10) days of the adverse determination. This notification shall include written instructions of the appeals process and specific reasons for the denial by component. The applicant wishing to appeal a decision must provide written notice to subrecipient within 10 days of receipt of the denial notice.

(b) The subrecipient who receives an appeal shall establish an appeals committee composed of at least three persons. Subrecipient shall maintain documentation of appeals in their client files.

(c) The subrecipient shall hold the appeal hearing within ten business days after the subrecipient received the appeal request from the applicant.

(d) The subrecipient shall record the hearing.

(e) The hearing shall allow time for a statement by subrecipient staff with knowledge of the case.

(f) The hearing shall allow the applicant at least equal time, if requested, to present relevant information contesting the decision.

(g) Subrecipient shall notify applicant of the decision in writing. The subrecipient shall mail the notification by close of business on the business day following the decision. (1 day turn-around)

(h) If the applicant is not satisfied, they may further appeal the decision in writing to the Department within ten days of notification of an adverse decision.
(i) If client appeals to the Department, the funds should remain encumbered until the Department completes its decision.
(j) The Department may review the recording of the hearing, the committee's decision, and any other relevant information necessary.
(k) The Department appeals committee shall decide the case and forward their recommendation to the Division Director for final concurrence.
(l) The Department will notify all parties in writing of its decision within 30 days of receipt of the appeal.

§5.406 Subrecipient Reporting Requirements

(a) The subrecipient shall electronically submit to the Department a monthly Funding Report of all expenditure of funds, request for advance or reimbursement, and a monthly performance report no later than fifteen (15) days after the end of each month.
(b) The subrecipient shall electronically submit to the Department no later than sixty (60) days after the end of the subrecipient contract term a final expenditure or reimbursement and programmatic report utilizing the Funding Report.
(c) The subrecipient shall submit to the Department no later than sixty (60) days after the end of the contract term an inventory of all vehicles, tools, and equipment with a unit acquisition cost of $5,000 or more and a useful life of more than one year, if purchased in whole or in part with CEAP funds.
(d) The subrecipient shall submit other reports, data, and information on the performance of the CEAP program activities as required by the Department.

§5.407 Subrecipient Requirements for Establishing Priority for Eligible Households and Client Eligibility Criteria

(a) The subrecipients shall set the client income eligibility level at or below 125% of the federal poverty level in effect at the time the client makes an application for services.
(b) Subrecipient shall determine client income. The Department will provide definition of income lists to determine total household income. The lists contain income inclusions and exclusions and are located in Subchapter A, §5.018 Client Income Guidelines
(c) Subrecipients shall base annualized eligibility determinations on household income from the 30 day period prior to the date of application for assistance. Each subrecipient shall document and retain proof of income from all sources for all household members 18 years and older for the entire 30-day period prior to the date of application and multiply by twelve (12) to annualize income.
(d) In the case of migrant, or seasonal workers, or similarly situated workers, a longer period than 30 days may be used for annualizing income.
(e) If proof of income is unavailable, the applicant must complete and sign a Declaration of Income Statement (DIS). In order to use the DIS form, each subrecipient shall develop and implement a written policy and procedure on the use of the DIS form. In developing the policy and procedure, subrecipients shall give consideration to limiting the use of the DIS form to cases where there are serious extenuating circumstances that justify the use

of the form. Such circumstances might include crisis situations such as applicants that are affected by natural disaster which prevents the applicant from obtaining income documentation, applicants that flee a home due to physical abuse, applicants who are unable to locate income documentation of a recently deceased spouse, or whose work is migratory, part-time, temporary, self-employed or seasonal in nature. To ensure limited use, the Department will review the written policy and its use during on-site monitoring visits.

(f) Social security numbers are not required for applicants for CEAP.

(g) Proof of citizenship is not required for CEAP.

(h) The subrecipients shall establish priority criteria to serve persons in households who are particularly vulnerable such as the elderly, persons with disabilities, families with young children, high residential energy users, and households with high energy burden. High residential energy users and households with high energy burden are defined as follows:

(1) Households with Energy Burden which exceeds the median energy burden of income-eligible households characterized by the Department as experiencing high energy burden. The Department calculates energy burden by dividing home energy costs by the household's gross income.

(2) Households with annual energy expenditures which exceed the median home expenditures for income-eligible households are characterized by the Department as high energy consumers.

(i) Homeowners and renters will be treated equitably under all programs funded in whole or in part from LIHEAP funds. For those renters who pay heating and/or cooling bills as part of their rent, the subrecipient shall make special efforts to determine the portion of the rent that constitutes the fuel heating and/or cooling payment. If "sub metering" is not available, the subrecipient shall exercise care when negotiating with the landlords so the cost of utilities quoted is in line with the consumption for similar residents of the community. If the subrecipient pays the landlord, then the landlord shall furnish evidence that he/she has paid the bill and the amount of assistance must be deducted from the rent, if the utility payment is not stated separately from the rent. An agreement stating the terms of the payment negotiations must be signed by the landlord.

(j) A household unit cannot be served, if the meter is utilized by another household.

§5.408 Service Delivery Plan

Subrecipients are required to submit on an annual basis a Department formatted Service Delivery Plan, which includes information on how they plan to implement CEAP in their service area. Service Delivery Plan format can be found on the Department's website.

§5.421 Client Education

The subrecipients must provide an energy-related needs assessment and referrals, budget counseling, and energy conservation education to each CEAP client. Subrecipients may provide education to identify energy waste, manage household energy use, and strategies to promote energy savings. Subrecipients are encouraged to use oral, written, and visual educational materials.

§5.422 General Assistance and Benefit Levels

(a) Subrecipients shall not discourage anyone from applying for CEAP assistance. Subrecipients shall provide all potential clients with opportunity to apply for LIHEAP programs.
(b) CEAP provides assistance to targeted beneficiaries being households with low incomes at or below 125% of the Federal Poverty Level, with priority given to the elderly, persons with disabilities, families with young children; households with the highest energy costs or needs in relation to income, and households with high energy consumption.
(c) CEAP includes activities, as defined in Assurances 1-16 in the LIHEAP Statute Section 2605 or 42 U.S.C. §8624 (b); education; and financial assistance to help very low- and extremely low-income consumers reduce their utility bills to an affordable level. CEAP services include utility payment assistance; heating and cooling system replacement, repair, and/or retrofit; energy education; and budget counseling.
(d) Sliding scale benefit for all CEAP components:

(1) Benefit determinations are based on the household's income, the household size, the energy cost and/or the need of the household, and the availability of funds.

(2) Energy assistance benefit determinations will use the following sliding scale (Except Heating and Cooling System Replacement, Repair and/or Retrofit Component):

(A) households with Incomes of 0 to 50% of Federal Poverty Guidelines may receive an amount needed to address their energy payment shortfall not to exceed $1,200.

(B) Households with Incomes of 51% to 75% of Federal Poverty Guidelines may receive an amount needed to address their energy payment shortfall not to exceed $1,100.

(C) Households with Incomes of 76% to 125% of Federal Poverty Guidelines may receive an amount needed to address their energy payment shortfall not to exceed $1,000.

(D) The Heating and Cooling System Replacement, Repair, and/or Retrofit Component maximum household benefit limit is $4,000.

(e) Subrecipient shall not establish lower local limits of assistance for any component.
(f) Total maximum possible annual household benefit (all components combined) =$7,600.)
(g) Subrecipient shall determine client eligibility for utility payments and/or retrofit based on the agency's household priority rating system and household's income as a percent of poverty.
(h) Subrecipients shall provide only the following types of assistance with funds from CEAP:

(1) Payment to vendors and suppliers of fuel/utilities, goods, and other services for past due or current bills related to the procurement of energy for heating and cooling needs of the residence, not to include security lights and other items unrelated to energy assistance.

(2) Payment to vendors--only one energy bill payment per month as required by component.
(3) Needs assessment and energy conservation tips, coordination of resources, and referrals to other programs.
(4) Energy assistance to low-income elderly and disabled individuals most vulnerable to high cost of energy for heating and cooling needs of the residence.
(5) Payment of water bills only when such costs include expenses from operating an evaporative water cooler unit or when the water bill is an inseparable part of a utility bill. As a part of the intake process, outreach, and coordination, the subrecipient shall confirm that a client owns an operational evaporative cooler and has used it to cool the dwelling within sixty (60) days prior to application. Payment of other utility charges such as wastewater and waste removal are allowable only if these charges are an inseparable part of a utility bill. Documentation from vendor is required. Whenever possible, subrecipient shall negotiate with the utility providers to pay only the "home energy"--heating and cooling--portion of the bill.
(6) Energy bills already paid by householders may not be reimbursed by the program.
(7) Payment of reconnection fees in line with the registered tariff filed with the Public Utility Commission and/or Texas Railroad Commission. Payment cannot exceed that stated tariff cost. Subrecipient shall negotiate to reduce the costs to cover the actual labor and material and to ensure that the utility does not assess a penalty for delinquency in payments.
(8) Payment of security deposits only when state law requires such a payment, or if the Public Utility Commission or Texas Railroad Commission has listed such a payment as an approved cost, and where required by law, tariff, regulation, or a deferred payment agreement includes such a payment. Subrecipients shall not pay such security deposits that the energy provider will eventually return to the client.
(9) While rates and repair charges may vary from vendor to vendor, Subrecipient shall negotiate for the lowest possible payment. Prior to making any payments to an energy vendor a Subrecipient shall have a signed vendor agreement on file from the energy vendor receiving direct LIHEAP payments from the Subrecipient.
(10) Subrecipient may make payments to landlords on behalf of eligible renters who pay their utility and/or fuel bills indirectly. Subrecipient shall notify each participating household of the amount of assistance paid on its behalf. Subrecipient shall document this notification. Subrecipient shall maintain proof of utility or fuel bill payment. Subrecipient shall ensure that amount of assistance paid on behalf of client is deducted from client's rent.
(11) In lieu of deposit required by an energy vendor, Subrecipient may make advance payments. The Department does not allow LIHEAP expenditures to pay deposits, except as noted in paragraph (7) of this subsection. Advance payments may not exceed an estimated two months' billings.

(i) Funds for the Texas CEAP shall not be used to weatherize dwelling units, for medicine, food, transportation assistance (i.e., vehicle fuel), income assistance, or to pay for penalties or fines assessed to clients

§5.423 Energy Crisis Component

(a) A bona fide energy crisis exists when extraordinary events or situations resulting from extreme weather conditions and/or fuel supply shortages have depleted or will deplete household financial resources and/or have created problems in meeting basic household expenses, particularly bills for energy so as to constitute a threat to the well-being of the household, particularly the elderly, the disabled, or very young children.
(b) A utility disconnection notice may constitute an energy crisis, if client demonstrates a history of good faith in paying prior utility bills.
(c) Energy Crisis assistance for one household cannot exceed the maximum allowable benefit level in one year. Crisis assistance payments cannot exceed the minimum amount needed to resolve the crisis. If the client's crisis requires more than the household limit to resolve, it exceeds the scope of this program. If crisis exceeds the household limit, subrecipient may pay up to the household limit but the rest of the bill will have to be paid from other funds to resolve the crisis. Payments may not exceed client's actual utility bill. The assistance must result in resolution of the crisis.
(d) Where necessary to prevent undue hardships from a qualified energy crisis, subrecipients may directly issue vouchers to provide:

(1) Temporary shelter not to exceed the annual household expenditure limit for the duration of the contract period in the limited instances that inoperable heating/cooling appliances or supply of power to the dwelling is disrupted--causing temporary evacuation.
(2) Emergency deliveries of fuel up to 100 gallons per crisis per household, at the prevailing price. This benefit may include coverage for safety precautions--up to the maximum household benefit.
(3) Purchase of portable heating/cooling units (portable electric heaters are allowable only as a last resort) not to exceed household benefit limit during the contract period. Portable air conditioning and heating units may be purchased only in situations that threaten the life of the client.
(4) Subrecipient shall meet local energy crisis criteria prior to purchasing portable units for clients.
(5) Subrecipient shall maintain in the client file documentation of any special situation affecting client eligibility. For a client to qualify to receive a portable air conditioner or heater to protect life of household occupants, the subrecipient's client file must contain documentation from a medical professional, stating that a health condition of household occupant requires such climate control.
(6) Portable heating/cooling units must meet Energy Star® or International Residential Code (IRC) compliant.

(e) Crisis funds, whether for emergency fuel deliveries, purchase of portable heating/cooling units, or temporary shelter, shall be considered part of the total maximum household allowable assistance.
(f) When natural disasters result in energy supply shortages or other energy-related emergencies, LIHEAP will allow home energy related expenditures for the following:

(1) Costs to temporarily shelter or house individuals in hotels, apartments or other living situations in which homes have been destroyed or damaged, i.e., placing

people in settings to preserve health and safety and to move them away from the crisis situation;

(2) Costs for transportation (such as cars, shuttles, buses) to move individuals away from the crisis area to shelters, when health and safety is endangered by loss of access to heating or cooling;

(3) Utility reconnection costs;

(4) Repair or replacement costs for furnaces and air conditioners;

(5) Insulation repair;

(6) Coats and blankets, as tangible benefits to keep individuals warm;

(7) Crisis payments for utilities and utility deposits; and

(8) Purchase of fans, air conditioners and generators.

(g) Time Limits for Assistance – Subrecipients ensure that for clients who have already lost service or are in immediate danger of losing service, some form of assistance to resolve the energy crisis shall be provided within a 48 hour time limit (18 hours in life-threatening situations). The time limit commences upon completion of the application process. The application process is considered to be complete when an agency representative accepts an application and completes the eligibility process.

(h) Subrecipients maintain written documentation in client files showing crises resolved within appropriate timeframes. The Department disallows improperly documented expenditures.

§5.424 Co-Payment Component

(a) Subrecipients use home energy payments, energy conservation tips, participation by utilities, and coordination with other services to assist low-income households to reduce their home energy needs.

(b) Subrecipients make payments directly to vendors on behalf of participating households. Participating households make co-payments while participating in the program.

(c) Subrecipients shall calculate payments based on a sliding scale benefit structure.

(d) First payment of co-payment plan may include 100 percent of a utility bill--including arrears--or an appropriate percentage determined by the subrecipient as detailed in the Service Delivery Plan.

(e) A household's participation in the program may last from three to twelve months. Early termination may result if client fails to meet the provisions of the client service agreement.

(f) If a co-payment client's assistance period extends beyond the end of a program year, that client must re-apply for eligibility certification to continue receiving assistance.

(g) Subrecipient shall provide energy conservation education and referrals.

§5.425 Elderly and Disabled Component

(a) Elderly households include at least one member age 60 or above. Disabled households include least one member living with a disability. Documentation of disability, (i.e. Social Security, Supplemental Security Income statement, doctor's letter) kept in client file will validate eligibility.

(b) Subrecipients make utility payments on behalf of elderly and disabled persons based on the previous 12 month's home energy consumption history, including allowances for cost inflation. In the absence of an available home energy consumption history, subrecipient may base payments on current program year's bill. Subrecipients note such exceptions in client files. Benefit amounts exceeding the actual bill shall be treated as a credit with the utility company for the client.
(c) Elderly and/or disabled clients may receive benefits to cover up to 100 percent of the four highest remaining bills within the contract year as long as the cost does not exceed the maximum annual benefit.
(d) The Department requires Subrecipients to expend a minimum of ten percent of their Direct Service funds in the Elderly/Disabled Component.

§5.426 Heating and Cooling Component

(a) The priority factors other than income eligibility for heating/cooling assistance include the degree of energy burden and household needs. Equipment replacement or repair under this component must reduce energy consumption and energy burden. "Household energy need" takes into account the unique situation of such household that results from having members of vulnerable populations, including children under the age of six, disabled individuals, and older individuals. The Department defines the household's energy need as the requirement for energy used to heat and/or cool the dwelling unit, as well as energy required to heat water and refrigerate food.
(b) Equipment repair and replacement targets households with high energy burden, or equipment unsafe or inadequate to protect occupants from extreme temperatures. This component reduces clients' energy burden by reducing excess demand from inefficient heating and cooling appliances. Questionably high energy bills during the heating or cooling season may indicate the need for an assessment of the condition of all major heating and cooling appliances in the client's home. An energy assessment of the home demonstrates whether or not the expected savings from repair or replacement of equipment will exceed the cost and will reduce energy consumption. Appliances consuming the most energy receive highest priority. Estimated repair cost exceeding 60 percent of estimated replacement cost justifies replacement.
(c) Subrecipients must conduct whole house assessments on all eligible heating and cooling appliances. Subrecipients must incorporate the appliance replacement protocols and tools available on the Department website, for window units, water heaters, and refrigerators on all applicable appliances in the household. Printed results from the use of these tools must be placed in the client files and be available for review
(d) Household appliances assessed for condition (health and safety) and efficiency may include any home heating or cooling appliances and propane tanks. The Program allows replacement of evaporative coolers with refrigerated air only for substantiated medical reasons. Subrecipients shall replace appliances with Energy Star® rated equipment or IRC compliant appliances.
(e) Acceptable assessments for appliances under consideration for repair, replacement or retrofit with CEAP funds may be considered valid for one (1) year from the date of assessment. While subrecipients must re-certify income eligibility, the previously obtained assessment would remain valid. Should it appear that appliances previously

assessed that did not require repair, replacement, or retrofit at the time of the assessment had deteriorated, a new assessment could be performed on only the applicable appliances.
(f) Households that contain both evaporative coolers and refrigerated air must be assessed in order to make the household most energy efficient. When both units need replacement consideration must be based on what is most energy efficient. Special consideration may be given to climate area and medical need. Without medical documentation a waiver may be granted by the Department.
(g) Heating and cooling assessments may be charged to the Heating and Cooling Component on a per household basis. If the assessment cost is charged to the Heating and Cooling Component, the cost must be counted toward the household benefit of $4,000.
(h) All replacement units must meet Energy Star or IRC compliant and must result in energy savings for the client. Heating and cooling funds may pay for zoning off a room in which the client spends a majority of time at home, incidental to the above improvements, if necessary to conserve conditioned air. In order to use heating and cooling funds for a room zone-off, the household must also be receiving a repair, replacement, or retrofit of a space heating or cooling unit.
(i) This component may be used to purchase, lease, or repair butane or propane tanks as well as the residential lines associated with the tanks or natural gas lines of the dwelling not to exceed the household's maximum allowable assistance and only if such service ensures the flow of energy necessary for heating and or cooling the household.
(j) This component may be used to purchase or repair of residential electric lines, not to exceed household's maximum allowable assistance and only if such service ensures the flow of energy necessary for heating and cooling the household.
(k) The Department requires Subrecipients to expend a minimum of ten percent of their Direct Service funds in the Heating and Cooling Component.

§5.430 Allowable Subrecipient Administrative, Assurance 16 Activities, and Direct Services Support Expenditures

(a) Allowable Administrative Costs for administrative activities may include planning, budgeting and accounting; establishing and directing policies, goals, and objectives, not unique to the mission and goals of LIHEAP. Subrecipients earn administrative budget share based on expenditure of direct services funds. The Department calculates funds available for subrecipient administrative activities as a percentage of Direct Services expenditures.
(b) Allowable Assurance 16 Activities costs may include services that encourage and enable households to reduce their home energy needs and thereby the need for energy assistance, including needs assessments, counseling, and assistance with energy vendors.
(c) Allowable Expenditures under Direct Services Support may include client intake, salaries, fringe benefits, and travel expenditures of staff when conducting outreach to eligible households; material and printing costs associated with outreach and targeting to eligible households.
(d) Direct Services Support and Assurance 16 Activities do not include computer purchases and related costs. These belong to Administration. Time/Expenditure Allocation for subrecipients shall demonstrate and document that they separately

allocated the appropriate share of Direct Services Support/Assurance 16 Activities time and expenditures to both outreach and targeting.
(e) The Department and its subrecipients use the Uniform Grant Management Standards, OMB Circular A-87 for local governments or OMB Circular A-122 for non-profits for determination of allowable and allocable costs.
(f) To ensure fiscal compliance for this program, the Department may at the minimum use the following fiscal controls:

(1) review annual audits;
(2) monitor fiscal records; and
(3) review Monthly Expenditure and Performance Reports.

(g) The Department staff may monitor LIHEAP programs through monthly performance reports and periodic on-site visits using a standard monitoring instrument (copy available on the Department's website) for each program, designed to identify the agency's strengths and weaknesses. A risk assessment process will guide scheduling of visits to ensure that agencies ranking highest in risk will be monitored first.
(h) The Department and its subrecipients shall cooperate in all audits and maintain records in acceptable format for audit purposes and will cooperate with any state or federal investigations.

§5.431 Payments to Contractors and Vendors

(a) A Department approved bi-annual vendor agreement, is required to be implemented by the subrecipient and shall contain assurances as to fair billing practices, delivery procedures, and pricing procedures for business transactions involving LIHEAP recipients. These agreements are subject to monitoring procedures performed by the Department staff.
(b) Subrecipient shall maintain proof of payment to contractors and vendors as required by OMB Circulars.
(c) The subrecipients shall notify each participating household of the amount of assistance paid on its behalf. Subrecipient shall document this notification.
(d) The vendor payment method will be used by subrecipients for CEAP components. Subrecipient shall not make cash payments directly to eligible household for any of the CEAP components.

§5.432 Outreach, Accessibility, and Coordination

(a) The Department may continue to develop interagency collaborations with other low-income program offices and energy providers to perform outreach to targeted groups.
(b) Subrecipients shall conduct outreach activities.
(c) Subrecipients shall accept applications at sites that are geographically accessible to all households requesting assistance.
(d) Outreach activities may include:

(1) providing information through home visits, site visits, group meetings, or by telephone for disabled low-income persons;
(2) distributing posters/flyers and other informational materials at local and county social service agencies, offices of aging, Social Security offices, etc.;

(3) providing information on the program and eligibility criteria in articles in local newspapers or broadcast media announcements;
(4) coordinating with other low-income services to provide LIHEAP information in conjunction with other programs;
(5) providing information on one-to-one basis for applicants in need of translation or interpretation assistance;
(6) providing LIHEAP applications, forms, and energy education materials in English and/or Spanish (or other appropriate language);
(7) working with energy vendors in identifying potential applicants;
(8) assisting applicants to gather needed documentation; and
(9) mailing information and applications.

(e) Subrecipients shall coordinate with other social service agencies through cooperative agreements to provide services to client households. Cooperative agreements must clarify procedures, roles, and responsibilities of all involved entities.
(f) Subrecipients shall coordinate with other energy related programs. Specifically, subrecipient shall make documented referrals to the local WAP subrecipient.
(g) Subrecipients shall coordinate with local energy vendors to arrange for arrearage reduction, reasonably reduced payment schedules, or cost reductions.

TITLE 10 COMMUNITY DEVELOPMENT
PART 1 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 5 COMMUNITY AFFAIRS DIVISION
SUBCHAPTER E. WEATHERIZATION ASSISTANCE PROGRAM (WAP)
10 TAC §5.501-§5.532

§5.501-§5.532 GENERAL WEATHERIZATION ASSISTANCE PROGRAM (General-WAP)

§5.601-§5.609 DEPARTMENT OF ENERGY WEATHERIZATION ASSISTANCE PROGRAM (DOE-WAP)

§5.701-§5.705 LOW INCOME HOME ENERGY ASSISTANCE PROGRAM WEATHERIZATION ASSISTANCE PROGRAM (LIHEAP-WAP)

§5.501 Background

The Weatherization Assistance Program was established by the Energy Conservation in Existing Buildings Act of 1976, as amended 42 U.S.C. 6851 et seq. The Department funds the Weatherization Programs through the Department of Energy Weatherization Assistance Program (DOE-WAP) which is funded through the U.S. Department of Energy Weatherization Assistance Program for Low Income Persons grant and the Low Income Home Energy Assistance Program Weatherization Assistance Program (LIHEAP-WAP) which is funded through the U.S. Department of Health and Human Services' Low-Income Home Energy Assistance Program (LIHEAP) grant.

§5.502 Purpose and Goals

(a) DOE-WAP and LIHEAP-WAP offers grants to community action agencies, nonprofits, and units of local government with targeted beneficiaries being households with low incomes, with priority given to the elderly; persons with disabilities; families with young children; households with the highest energy costs or needs in relation to income; and households with high energy consumption. In addition to meeting the income-eligibility criteria, the weatherization measures to be installed must meet specific energy-savings goals.

(b) The programs fund the installation of weatherization materials and provide energy conservation education. The program helps to control energy costs to ensure a healthy and safe living environment.

(c) The Department shall administer and implement the DOE-WAP program in accordance with DOE rules (10 CFR 440). The Department shall administer and implement the LIHEAP-WAP program in accordance with a combination of LIHEAP and DOE rules. LIHEAP weatherization measures may be leveraged with DOE weatherization measures.

§5.503 Distribution of WAP Funds

(a) The Department distributes funds to subrecipients by an allocation formula.
(b) The allocation formula allocates funds based on the number of low-income households in a service area and takes into account the special needs of individual service

areas. The need for energy assistance in an area is addressed through a weather factor (based on heating and cooling degree days). The extra expense in delivering services in sparsely populated areas is addressed by an inverse population density factor. The lack of additional services available in very poor counties is addressed by a county median income factor. Finally, the elderly are given priority by giving greater weight to this population. The five factors used in the formula are calculated as follows:

(1) County Non-elderly Poverty Household Factor is defined as the number of Non-elderly Poverty Households in the County divided by the number of Non-elderly Poverty Households in the State.

(2) County Elderly Poverty Household Factor is defined as the number of Elderly Poverty Households in the County divided by the number of Elderly Poverty Households in the State.

(3) County Inverse Poverty Household Density Factor is defined as:

(A) The number of Square Miles of the County divided by the number of Poverty Households of the County (equals the Inverse Poverty Household Density of the County); and

(B) Inverse Poverty Household Density of the County divided by the Sum of Inverse Household Densities.

(4) County Median Income Variance Factor is defined as:

(A) State Median Income minus the County Median Income (equals County Variance); and

(B) County Variance divided by sum of the State County Variances;

(5) County Weather Factor is defined as:

(A) County Heating Degree Days plus the County Cooling Degree Days, multiplied by the Poverty Households, divided by the sum of County Heating & Cooling Degree Days of Counties (equals County Weather); and

(B) County Weather divided by the total sum of the State County Weather.

(C) The five factors carry the following weights in the allocation formula: number of non-elderly poverty households (40 percent), number of poverty households with at least one member who is 65 years of age or older (40 percent), household density as an inverse ratio (5 percent), the median income of the county (5 percent), and a weather factor based on Heating Degree Days and Cooling Degree Days (10 percent). All demographic factors are based on the 2000 U.S. Census. The formula is as follows:

(1) County Non-elderly Poverty Household Factor (0.40) plus;

(2) County Elderly Poverty Household Factor (0.40) plus;

(3) County Inverse Poverty Household Density Factor (0.05) plus;

(4) County Median Income Variance Factor (0.05) plus;

(5) County Weather Factor (0.10);

(6) Total sum of paragraph (1)-(5) of this subsection multiplied by total funds allocation equals the County's allocation of funds.

(7) The sum of the county allocation within each subrecipient service area equals the subrecipient's total allocation of funds.

§5.504 Subrecipient Eligibility

(a) The Department administers the DOE-WAP program through subrecipients in accordance with 10 CFR §440.15 and State rules.
(b)The Department administers the LIHEAP-WAP program through subrecipients in accordance with the Economic Opportunity Act of 1964, the Low-Income Home Energy Assistance Act of 1981 as amended (42 U.S.C. §6861 et seq.), and in accordance with 10 CFR §440.15 and State rules.

§5.505 Subrecipient Requirements for Appeals Process for Applicants

(a) Subrecipients shall provide a written denial of assistance notice to applicant within ten (10) days of the adverse determination. If the denial is for any reason other than DOE reweatherization, as specified in 10 CFR 440, the subrecipient will notify the applicant of the adverse determination. This notification shall include written instructions of the appeals process and specific reasons for the denial. The applicants wishing to appeal a decision must provide written notice to subrecipient within 10 days of receipt of the denial notice.
(b) The subrecipient who receives an appeal shall establish an appeals committee composed of at least three persons. Subrecipient shall maintain documentation of appeals in their client files.
(c) The subrecipient shall hold the appeal hearing within ten business days after the subrecipient received the appeal request from the applicant.
(d) The subrecipient shall record the hearing.
(e) The hearing shall allow time for a statement by subrecipient staff with knowledge of the case.
(f) The hearing shall allow the applicant at least equal time, if requested, to present relevant information contesting the decision.
(g) Subrecipient shall notify applicant of the decision in writing. The subrecipient shall mail the notification by close of business on the business day following the decision. (1 day turn-around)
(h) If the applicant is not satisfied, they may further appeal the decision in writing to the Department within ten days of notification of an adverse decision.
(i) If client appeals to the Department, the subrecipient must retain the maximum allowable cost per unit until the Department renders a decision.
(j) The Department may review the recording of the hearing, the committee's decision, and any other relevant information necessary.
(k) The Department appeals committee shall decide the case and forward their recommendation to the Division Director for final concurrence.
(l) The Department will notify all parties in writing of its decision within 30 days of receipt of the appeal.

§5.506 Subrecipient Reporting Requirements

(a) The subrecipient shall electronically submit to the Department a monthly Funding Report of all expenditure of funds, request for advance or reimbursement, and a monthly performance report no later than fifteen (15) days after the end of each month.
(b) The subrecipient shall electronically submit to the Department no later than sixty (60) days after the end of the subrecipient contract term a final expenditure or reimbursement and programmatic report utilizing the Funding Report.
(c) The subrecipient shall submit to the Department no later than sixty (60) days after the end of the contract term an inventory of all vehicles, tools, and equipment with a unit acquisition cost of $5,000 or more and a useful life of more than one year, if purchased in whole or in part with DOE and LIHEAP-WAP funds.
(d) The subrecipient shall submit other reports, data, and information on the performance of the DOE and LIHEAP-WAP program activities as required by DOE pursuant to 10 CFR §440.25 or by the Department.

§5.507 Subrecipient Requirements for Establishing Priority for Eligible Households and Client Eligibility Criteria

(a) Dwelling units that contain household members who receive SSDI only are not automatically eligible.
(b) The subrecipients shall establish eligibility and priorities criteria to increase the energy efficiency of dwellings owned or occupied by low-income persons who are particularly vulnerable such as the elderly, persons with disabilities, families with young children, high residential energy users, and households with high energy burden. High residential energy users and households with high energy burden are defined as follows:

(1) Households with Energy Burden which exceeds 11% of gross income are characterized by the Department as high energy burden households. The Department calculates energy burden by dividing home energy costs by the household's gross income.

(2) Households with energy expenditures which exceed $1000 of energy expenditures per year are characterized by the Department as high energy consumers.

(c) The subrecipients shall follow the Department rules and established state and federal guidelines for determining eligibility for multifamily dwelling units as referenced in §5.527 of this subchapter.
(d) To determine income eligibility for program services, subrecipients must base annualized eligibility determinations on household income from 30 days prior to the date of application for assistance. Each subrecipient must document income from all sources for all household members for the entire 30 day period prior to the date of application and multiply by twelve (12) to annualize income. Income documentation must be collected from all income sources for all household members 18 years and older for the entire 30 day period
(e) In the case of migrant, seasonal, part-time, temporary, or self-employed workers a longer period than 30 days may be used for annualizing income. However, the same method must be used for all similarly situated workers.
(f) If proof of income is unavailable, the applicant must complete and sign a Declaration of Income Statement (DIS). In order to use the DIS form, each subrecipient shall develop

and implement a written policy and procedure on the use of the DIS form. In developing the policy and procedure, subrecipients shall give consideration to limiting the use of the DIS form to cases where there are serious extenuating circumstances that justify the use of the form. Such circumstances might include crisis situations such as applicants that are affected by natural disaster which prevents the applicant from obtaining income documentation, applicants that flee a home due to physical abuse, applicants who are unable to locate income documentation of a recently deceased spouse, or whose work is migratory or seasonal in nature. The Department will review the written policy and its use during on-site monitoring visits.
(g) Subrecipient shall determine applicant income. The Department will provide definition of income lists to determine total household income. The lists contain income inclusions and exclusions and are located in Subchapter A, §5.018 Client Income Guidelines.
(h) Social Security numbers are not required for applicants.

§5.508 Liability Insurance

(a) All subrecipient weatherization work shall be covered by general liability. Pollution Occurrence Insurance shall be a part of, or an addendum to, the general liability insurance policy. The Department includes funds in the DOE-WAP subrecipient budgets for the subrecipients to purchase liability insurance and pollution occurrence insurance as required for all units to be weatherized, including LIHEAP-WAP units.
(b) Subrecipients shall review and maintain their existing policies at least as frequently as contracts are awarded, to ensure that they and their contractors have adequate insurance coverage for all units to be weatherized.

§5.521 Client Education

The subrecipients shall provide client education to each WAP client on energy conservation practices. Subrecipients shall provide education to identify energy waste, manage household energy use, and strategies to promote energy savings. Subrecipients are encouraged to use oral, written, and visual educational materials. These activities are paid with the Department's training and technical assistance funds and the subrecipients' program support funds.

§5.522 Mold Work Practices

(a) The Department may provide mold work practices training methodology to all subrecipients.
(b) The Department may provide mold work practices to new subrecipient hires on an on-going basis.
(c) The subrecipients shall be responsible for providing the training to their weatherization contractors.

§5.523 Mold Conditions

(a) If the subrecipient's energy auditor discovers a mold condition which the weatherization contractor cannot adequately address, then the unit shall be referred to the appropriate public agency for remedial action.
(b) The subrecipient shall provide the applicant written notification that their home cannot, at this time, be weatherized and why. They should also be informed of which agency they should contact to report the mold condition. The applicant should be advised that when the mold issue is resolved they may reapply for weatherization.
(c) If the energy auditor determines that the mold is treatable and covers less than the 25 contiguous square feet limit allowed to be addressed by the Department of State Health Services' guidelines, the subrecipient shall notify the applicant of the existence of the mold and potential health hazards, the proposed action to eliminate the mold, and that no guarantee is offered that the mold will be eliminated and that the mold may return. The auditor must obtain written approval from the applicant to proceed with the weatherization work.

§5.524 Lead Safe Work Practices

Subrecipients must provide a one-day Lead Safe Weatherization (LSW) training, an LSW Manual, and an LSW Jobsite Handbook to their subcontractors. Subrecipients must obtain a signed Worker Verification of LSW Training form from the contractor indicating that the contractor received the LSW training, manual, and jobsite handbook. Contractors must follow Lead Safe Weatherization Work Practices as outlined by the U.S. Department of Energy.

§5.525 Eligibility for Multifamily Dwelling Units

(a) The eligibility of dwelling units for WAP services can be found in 10 CFR Part §440.22.
(b) A multi family building is defined by DOE as a group of dwellings under the same roof.
(c) In order to weatherize large multifamily buildings containing twenty-five or more dwelling units or those with shared central heating (i.e. boilers) and/or shared cooling plants (i.e. cooling towers that use water as the coolant) regardless of the number of dwelling units, subrecipients shall submit in writing a request for approval from the Department. When necessary, the Department will seek approval from DOE. Approvals from DOE must be received prior to the installation of any weatherization measures in this type of structure.
(d) In order to weatherize shelters, subrecipients shall submit a written request for approval from the Department. Approvals from the Department must be received prior to the installation of any weatherization measures
(e) If roof replacement is to be considered as part of repair cost under the weatherization process, the expenses must be shared equally by all eligible units weatherized under the same roof. If multiple storied buildings are weatherized, eligible ground floor units must be allocated a portion of the roof cost as well as the eligible top floor units. All weatherization measures installed in multifamily units must meet the standards set in 10 CFR §440.18(c)(9) and §(15) and Appendix A--Standards for Weatherization Materials,

and meet a savings-to-investment ratio of one or greater on the Energy Audit. DOE specifically addresses the eligibility of multifamily units in 10 CFR §440.22 (a)-(d).
(f) WAP subrecipients shall establish a multifamily master file for each multifamily project in addition to the individual unit requirements found in the record keeping requirement section of the contract. Subrecipients shall maintain a multifamily master file for each complex weatherized. The multifamily master file must include, at a minimum, the following forms: (forms available on the Departments website)

(1) Multifamily Pre-Project Checklist Form;
(2) Multifamily Post-Project Checklist Form;
(3) Permission to Perform an Assessment for Multifamily Project Form;
(4) Landlord Agreement Form;
(5) Landlord Financial Participation Form; and
(6) Significant Data Required in all Multifamily Projects.

§5.526 Energy Audit

The Department has developed an Energy Audit for the State of Texas Weatherization Assistance Programs. Weatherization subrecipients are required to complete the audit prior to commencing weatherization work.

§5.527 Energy Audit Procedures

(a) Savings-to-Investment Ratio (SIR) for the energy audit procedures will determine the installation of allowable weatherization measures. The weatherization measures must result in energy cost savings over the lifetime of the measure(s), discounted to present value, that equal or exceed the cost of materials, and installation.
(b) The Energy Audit has not been approved for multi-family buildings containing 25 or more units. Since Texas subrecipients rarely propose to weatherize a building with 25 or more units, the Department will acquire a DOE approved energy audit for use in auditing multi-family buildings containing 25 or more units.
(c)Energy Auditors must use the established R-values for existing measures provided in the International Energy Conservation Code (IECC) when entering data into the Energy Audit. Subrecipients must follow minimum requirements set in the State of Texas adopted International Residential Code (IRC) or jurisdictions authorized by State law to adopt later editions.
(d) All materials and labor measures must be entered into the Audit.

§5.528 Health and Safety

Health and Safety funds will have a maximum of 10% of the materials, Labor and Program Support budgets.
(a) Subrecipients shall provide weatherization services with the primary goal of energy efficiency. The Department considers establishing a healthy and safe home environment to be important to ensuring that energy savings result from weatherization work.

(b) If health and safety issues identified on an individual unit (which would be exacerbated by any weatherization work performed) cannot be abated within the allowable WAP limits, the unit exceeds the scope of this program.
(c) Subrecipients must test for high carbon monoxide levels and bring carbon monoxide levels to acceptable levels before weatherization work can start. The Department has defined maximum acceptable CO readings as follows:

(1) 25 parts per million for cook stove burners and unvented space heaters
(2) 100 parts per million for vented combustion appliance
(3) 150 parts per million for cook stove ovens

§5.529 Whole House Assessment

Subrecipients must conduct a whole house assessment on all eligible units. All allowable weatherization measures needed must be entered into the Energy Audit. Measures will be performed in order of highest SIR to lowest depending on funds available.

§5.530 Blower Door Standards

Subrecipients are required use the blower door data form adopted by the Department and available on the Department's website.

§5.531 Training and Technical Assistance

Upon the hiring of a new Weatherization Coordinator, the subrecipient is required to contact the Department with written notification within thirty (30) days of the hiring and request training and technical assistance.

§5.532 Training Funds for Conferences

The Department provides financial assistance to subrecipients for training and technical activities for State sponsored and DOE sponsored workshops and conferences. Subrecipients may use WAP training funds to attend conferences provided the conference agenda includes topics directly related to administering WAP. Costs to attend the conference must be prorated by program for the appropriate portion. Only staff actually working on the WAP program may charge any of their travel costs to the program.

§5.601-§5.609 DEPARTMENT OF ENERGY WEATHERIZATION ASSISTANCE PROGRAM (DOE-WAP)

§5.601 DOE Cost Principles and Administrative Requirements

In addition to cost principles and administrative requirements listed in Subchapter A §5.002, Subrecipients administering DOE programs must also adhere to 10 CFR 440 or DOE WAP rules, 10 CFR 600 and the International Residential Code.

§5.602 WAP Policy Advisory Council (WAP PAC)

(a) In accordance with Texas Government Code §2110.005, the Department shall establish a State policy advisory council, in accordance with 10 CFR §440.17 and Texas Government Code, Chapter 2110, prior to the expenditure of any grant funds.
(b) The policy advisory council shall meet at least once a year to review the program plan and provide advice to the Department and meet as needed throughout the year to provide advice when it is requested.

(1) The WAP PAC may also meet as necessary in person, by telephone, or via electronic means to provide the Governing Board or Department guidance and advice with respect to the development and implementation of the weatherization assistance program and its activities; and

(2) The WAP PAC will cause minutes of any meetings or telephone conferences to be taken and forwarded to the Department or Governing Board.

(c) All meetings shall be held in accordance with Texas Government Code Chapter 551.

§5.603 Adjusted Average Expenditure Per Dwelling Unit

Expenditures of financial assistance provided under DOE-WAP funding for the weatherization services for labor, weatherization materials, and related matters shall not exceed the DOE adjusted average expenditure limit for the current program year per dwelling unit as provided by DOE, without special agreement via an approved waiver from the Department.

§5.604 Categorical Eligibility Criteria

A dwelling unit shall be eligible for weatherization assistance if it is occupied by a family unit which contains a current household member who has received TANF or SSI at any time during the twelve month period preceding the determination of eligibility. The eligibility of dwelling units for WAP services can be found in 10 CFR Part §440.22.

§5.605 Training and Technical Assistance Carryover Funds

(a) Training and technical assistance funds, allocation figure as provided by DOE, shall not be used to purchase vehicles or equipment for local agencies to perform weatherization services.

(b) Should unexpended training and technical assistance funds remain at the end of the program year, the Department may require these funds to be used to weatherize homes during the following year.
(c) If the Department determines these funds are needed for training and technical assistance, DOE can waive this provision if necessary. If this is the case, the Department will provide justification to DOE of the necessity to carryover these funds into the new program year and that they be included as a part of the new training and technical assistance budget.

§5.606 Electric Base Load Measures

DOE has approved the inclusion of selected Electric Base Load (EBL) measures (§5.003) as part of the weatherization of eligible residential units. EBL measures must be determined cost effective with an SIR of one or greater by either audit analysis or separate DOE approved analytical tools. Refrigerators must be metered for a minimum of two (2) hours.

§5.607 Space Heater Requirements

Subrecipients must follow DOE Weatherization Program Notice 08-4 Space Heater Policy.

§5.608 Vehicle Procurement Procedures

All vehicles considered for purchase with U.S. Department of Energy (DOE) funds must be pre-approved by DOE via correspondence through the Department. Procurement procedures must include provisions for free and open competition. In the event a DOE approved vehicle is stolen or damaged in an accident beyond repair ("totaled"), the replacement vehicle must be approved by DOE via the Department. Any vehicle purchased without approval by DOE will result in disallowed costs.

§5.609 Grant Guidance on Leasing of Vehicles

Subrecipients are not to enter into vehicle lease agreements for vehicles used in the WAP and paid for with WAP funds.

§5.701-§5.705 LOW INCOME HOME ENERGY ASSISTANCE PROGRAM WEATHERIZATION ASSISTANCE PROGRAM (LIHEAP-WAP)

§5.701 Allowable Expenditure per Dwelling Unit

Expenditures of financial assistance provided under LIHEAP-WAP funding for the weatherization services for labor, weatherization materials, and related matters shall not exceed the allowable figure as set forth in the annual LIHEAP State Plan. The current allowable amount is set at $4,000 per dwelling unit.

§5.702 Electric Base Load Measures

DOE has approved the inclusion of selected Electric Base Load (EBL) measures as part of the weatherization of eligible residential units. EBL measures will be allowable under the LIHEAP-WAP program. The EBL measures must be determined cost effective with an SIR of one or greater by either audit analysis or separate DOE approved analytical tools. Replacement of refrigerators 1993 or older or metered to have an SIR of one or greater in the Energy Audit or the Department's refrigerator assessment tool is an allowable energy efficiency measure. Refrigerators must be metered for a minimum of 30 minutes. All refrigerators to be replaced must be entered into the Energy Audit under "other measures."

§5.703 Outreach and Accessibility

(a) The Department may continue to develop interagency collaborations with other low-income program offices and energy providers to perform outreach to targeted groups.
(b) Subrecipients shall conduct outreach activities.
(c) Subrecipients and their field offices shall accept applications at sites that are geographically accessible to all households requesting assistance.
(d) Other outreach activities may include:

(1) providing information through home visits, site visits, group meetings, or by telephone for disabled low-income persons;
(2) distributing posters/flyers and other informational materials at local and county social service agencies, offices of aging, social security offices, etc.;
(3) providing information on the program and eligibility criteria in articles in local newspapers or broadcast media announcements;
(4) coordinating with other low-income services to provide LIHEAP information in conjunction with other programs;
(5) providing information on one-to-one basis for applicants in need of translation or interpretation assistance;
(6) providing LIHEAP applications, forms, and energy education materials in English and/or Spanish (or other appropriate language);
(7) working with energy vendors in identifying potential applicants;
(8) assisting applicants to gather needed documentation; and,
(9) mailing information and applications.

§5.704 Energy Repairs

WAP will provide weatherization, energy efficiency, and weatherization repair-related activities to eligible clients. LIHEAP-WAP energy-related repairs identified in this section must be entered into the Energy Audit as a repair measure. The list of allowable LIHEAP-WAP weatherization energy related repairs which may be undertaken when necessary to protect and complete regular energy efficiency weatherization measures include:

(1) roof, wall, and floor repair (excluding leveling);
(2) repair or replacement of essential electrical wiring;
(3) mobile home skirting to protect belly insulation;
(4) overhangs to protect mobile home doors; and
(5) carpentry work to protect outside water heater from the elements.

§5.705 Other Measures

(a) LIHEAP-WAP energy efficiency measures identified in this section must be entered into the Audit as an "other measure."
(b) Solar screens and window film must be installed in the order West, East, South, and North.
(c) Replacement of refrigerators 1993 or older or that have an SIR of one or greater in Energy Audit or the Department's refrigerator assessment tool.

TITLE 10. COMMUNITY DEVELOPMENT
PART 1: TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 5: COMMUNITY AFFAIRS DIVISION
SUBCHAPTER F. SECTION 8 HOUSING CHOICE VOUCHER PROGRAM
10 TAC §5.808

§5.808 Project Access Initiative

§5.808 Project Access Initiative

(a) Project Access is a program that utilizes Section 8 Housing Choice Vouchers administered by the Department to assist low-income non-elderly persons with disabilities in transitioning from institutions into the community by providing access to affordable housing.
(b) All Section 8 Program rules and regulations apply to the program.
(c) Project Access Eligibility Criteria. A Project Access voucher recipient must meet all Section 8 eligibility criteria as well as meet all of the following eligibility criteria:

(1) have a permanent disability as defined in §223 of the Social Security Code or be determined to have a physical, mental or emotional disability that is expected to be of long-continued and indefinite duration that impedes one's ability to live independently;
(2) be less than 62 years of age at the time of voucher issuance; and
(3) meet one of the following criteria:
(A) be an At-Risk Applicant and a previous resident of a nursing facility, intermediate care facility, or board and care facility as defined by HUD; or
(B) be a current resident of a nursing facility, intermediate care facility, or board and care facility at the time of voucher issuance as defined by HUD.

TEXAS HOMEOWNERSHIP DIVISION

BOARD ACTION REQUEST

SEPTEMBER 4, 2008

Action Items

Presentation, Discussion and Possible Approval to publish a draft of proposed amendments to 10 TAC §7, Texas First Time Homebuyer Program rules for comment in the Texas Register.

Required Action

Approve, reject, or approve with modifications for publication in the *Texas Register* the draft proposed amendments to 10 TAC §7, Texas First Time Homebuyer Program rules.

Background

Chapter 7 concerns the Texas First-Time Homebuyer Program as enacted in S.B.1908 and H.B. 1637, 80th Legislative Session. The purpose of the program is to make affordable mortgage loans, down payment assistance ("DPA") and mortgage credit certificates available to first-time home buyers. The chapter sets forth the types of assistance available, eligibility requirements, the application procedure, application fees, and describes the qualifications that mortgage lenders must meet to participate in the program. Generally, the program makes mortgage loans and mortgage credit certificates available to first time homebuyers with an income that does not exceed 115% AMFI (140% in targeted areas), and downpayment and closing cost assistance ("DPA") for incomes that do not exceed 80% AMFI. Rider 11 additionally requires that at least 30% of the bond proceeds available be set aside for one year for loans, DPA and closing cost assistance to individuals and families at 60% AMFI.

Due to the recent mortgage crisis, stricter underwriting guidelines and homebuyer education requirements on conventional loans delivered through the MRB program, staff is recommending one amendment to the rules which is the addition of a new homebuyer eligibility requirement in Section 7.3 of the rule which requires completion of a pre-purchase homebuyer education course for all borrowers utilizing the Texas First Time Homebuyer or Mortgage Credit Certificate Programs.

Recommendation

Approve for publication in the *Texas Register* the draft of proposed amendments to 10 TAC §7, concerning the Texas First Time Homebuyer Program.

TITLE 10 COMMUNITY DEVELOPMENT

PART 1 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

CHAPTER 7 TEXAS FIRST-TIME HOMEBUYER PROGRAM

§7.1 Purpose

The purpose of the Texas First-Time Homebuyer Program is to facilitate the origination of single-family mortgage loans for eligible first-time homebuyers, provide to qualifying homebuyers down payment and closing cost assistance, and to make available to qualifying first-time homebuyers mortgage credit certificates.

§7.2 Definitions

(a) Affidavit of eligible borrower--An affidavit substantially in the form of Exhibit A of the master mortgage origination agreement.

(b) Area median family income--The Department's determination, as permitted by §2306.123 of the Texas Government Code, of the median income of a family for an area using a source or methodology acceptable under federal law or rule. Percentages of the area median family income, as updated from time to time, may be found on the department's website in the "Combined Income and Purchase Price Limits Table."

(c) Areas of chronic economic distress--Those areas in the state, whether one or more, designated from time to time as areas of chronic economic distress by the state and approved by the Secretaries of Treasury and Housing and Urban Development pursuant to 26 USC §143(j), as amended from time to time, and related regulations.

(d) Contract for deed exception--The exception for certain mortgage loan eligibility requirements, as provided in the master mortgage origination agreement, available with respect to a principal residence owned under a contract for deed by a person whose family income is not more than 50% of the applicable median family income.

(e) Department--The Texas Department of Housing and Community Affairs.

(f) First-time homebuyer--A person who:

(1) resides in this state on the date on which an application is filed; and

(2) has not owned a home during the three years preceding the date on which an application under this program is filed, except if the application is with respect to a home in a targeted area. A person will be considered to have owned a home if the person had a present ownership interest in a home during the three years preceding the date on which the application was filed. In the event there is more than one person applying with respect to a home, each applicant must separately meet this three year requirement.

(g) Home--A dwelling in this state in which a first-time homebuyer intends to reside as the homebuyer's principal residence.

(h) Master mortgage origination agreement--The contract between the department and a mortgage lender, together with any amendments thereto, setting forth certain terms and conditions relating to the origination and sale of mortgage loans by the mortgage lender and the financing of such mortgage loans by the department.

(i) Maximum purchase price limit--The purchase price limits published and updated from time to time in the "Combined Income and Purchase Price Limits Table" found on the department's website.

(j) Mortgage credit certificate--Any certificate which:

(1) is issued under a qualified mortgage credit certificate program by the department;

(2) is issued to the first-time homebuyer/taxpayer in connection with the acquisition of the first-time homebuyer/taxpayer's principal residence; and

(3) specifies the certificate credit rate, and the certified indebtedness amount.

(k) Mortgage lender--A bank, trust company, savings bank, mortgage company, mortgage banker, credit union, national banking association, savings and loan association, life insurance company, or other financial institution authorized to transact business in this state and approved as a mortgage lender by the department.

(l) Present ownership interest--

(1) a fee simple interest;

(2) a joint tenancy, a tenancy in common or tenancy by the entirety;

(3) the interest of a tenant shareholder in a cooperative;

(4) a life estate;

(5) a land contract which does not fall within the contract for deed exception; or

(6) an interest held in trust for an a person that would constitute a present ownership interest if held directly by such person. The term, "present ownership interest" does not include:

(7) a remainder interest;

(8) a lease with or without an option to purchase;

(9) a mere expectancy to inherit an interest in a principal residence;

(10) the interest that a purchaser of a residence acquires on the execution of a purchase contract;

(11) a land contract which falls within the contract for deed exception; or

(12) an interest in other than a principal residence.

(m) Program--The Texas First-Time Homebuyer Program.

(n) Targeted areas--A census tract, as designated by the United States Secretary of Commerce, in which 70% or more of the families have incomes that are 80% or less of the statewide median income, such median income to be determined on the basis of the most recent decennial census for which data are available, or an area of chronic economic distress.

§7.3 Administration of the Program

(a) First-time homebuyer program eligibility requirements. To be eligible for any assistance under the program a first-time homebuyer must:

(1) qualify as a first-time homebuyer;

(2) be able to sign at loan closing an affidavit of eligible borrower; and

(3) apply with respect to a home whose purchase price does not exceed the maximum purchase price limit for the relevant area, and is either a new or existing single family residence, new or existing condominium or town home, or manufactured housing that has been converted to real property in accordance with the Texas Occupations Code Chapter 1201.

(4) completion of a pre-purchase homebuyer education course as determined by Department staff.

(b) Types of assistance available. Depending on the applicants' income, a first-time home buyer that applies for a loan under the program may also be eligible for down payment and closing cost assistance or mortgage credit certificates. Down payment and closing cost assistance or mortgage credit certificates may be awarded only in conjunction with an application for a mortgage loan.

(c) Income limits for loans. First-time homebuyers applying for a mortgage loan or a mortgage credit certificate must have an income of not more than 115 percent of area median family income or 140 percent of area median family income in targeted areas.

(d) Income limits for down payment and closing cost assistance. First-time homebuyers applying for down payment and closing cost assistance in conjunction with a mortgage loan must have an income of not more than 80 percent of area median family income.

(e) Application Procedure.

(1) Only applications filed on or after January 1, 2008 are subject to this Chapter.

(2) Applicants seeking assistance under the program must first contact a participating mortgage lender. A list of participating mortgage lenders may be obtained on the department's website or by contacting the department.

(3) All applicants shall complete an application with a participating mortgage lender and shall provide the following information at the time of application:

(A) written permission to obtain credit reports of the applicants on a form to be provided by the mortgage lender;

(B) an affidavit of Texas residency on a form to be provided by the mortgage lender;

(C) the most recent statements for all credit and bank accounts;

(D) pay stubs for the 3-month period prior to the month in which the application was filed;

(E) W-2 forms for the two most recent calendar years for which they are available;

(F) any information concerning debts that will not be paid off within twelve months of the date the application is filed, including, but not limited to the names of the associated creditors, account numbers and regular payment amounts;

(G) documentation of any other income or other form of support not evidenced above; and

(H) a copy of the executed sales contract for the subject property.

(f) Application Fees. Fees that may be collected by the mortgage lender from the first-time homebuyer relating to a mortgage loan include:

(1) an appropriate origination fee and buyer/seller points;

(2) all usual and reasonable settlement or financing costs that are permitted to be so collected by Federal Housing Administration ("FHA"), Veteran's Administration ("VA"), Rural Housing Services ("RHS"), Freddie Mac or Fannie Mae, as applicable, and other applicable laws, but only to the extent such charges do not exceed the usual and reasonable amounts charged in the area in which the home is located in cases where owner financing is not provided through a tax-exempt mortgage revenue bond financing. Such usual and reasonable settlement or financing costs shall include an application fee not to exceed $325 (which includes the funding fee and the tax compliance fee), the total estimated costs of a credit report on the applicants and an appraisal of the property to be financed with the mortgage loan, payable to the mortgage lender at or within ten (10) days of the application for a mortgage loan, title insurance survey fees, credit reference fees, legal fees, appraisal fees and expenses, credit report fees, FHA insurance premiums, private mortgage guaranty insurance premiums, VA guaranty fees, VA funding fees, RHS guaranty fees, hazard or flood insurance premiums, abstract fees, tax service fees, recording or registration fees, escrow fees, file preparation fees; and

(3) with respect to the issuance of mortgage credit certificates:

(A) an issuance fee;

(B) a non-refundable commitment fee; and

(C) a document handling fee.

§7.4 Criteria for Approving Participating Mortgage Lenders

To be approved by the Board for participation in the program, a mortgage lender shall:

(1) have maintained a loan origination office in the state for at least one year. Operation through brokers, correspondent institutions or other agents must be approved by the department;

(2) be either:

(A) a Federal Housing Administration ("FHA") approved mortgagee;

(B) an eligible lender in good standing for Veteran's Administration ("VA") guaranteed mortgage loans;

(C) an eligible lender in good standing for Rural Housing Service's ("RHS") guaranteed rural housing loan program; or

(D) a lender currently participating in the conventional home lending market for loans originated in accordance with Fannie Mae's Mortgage-Backed Securities and/or Freddie Mac's requirements;

(3) have a minimum net worth as required by the program's master servicer;

(4) have a minimum warehouse line of credit as required by the program's master servicer;

(5) agree to originate mortgages and assign mortgages and servicing to the department's master servicer;

(6) originate, process, underwrite, close and fund originated loans in the mortgage lender's own name; and

(7) be an approved seller/servicer with the program's master servicer.

§7.5 Insurance Requirements

Mortgage lenders must originate all mortgage loans in accordance with the loan origination, eligibility, credit underwriting standards, and applicable insurance requirements, in effect during the origination period for the applicable loan program (VA, FHA, USDA-RHS, or Fannie Mae/Freddie Mac Conventional).

§7.6 First-Time Homebuyer Occupancy and Use Requirements

(a) Occupancy requirement. The first-time homebuyer must occupy the home within 60 days after the date of closing as required in the Affidavit of Eligible Borrower.

(b) Prohibited uses. First-time homebuyers may not use the property, or any part thereof, as an investment property, rental property, vacation or second home, or recreational home.

(c) Use for a business. First-time homebuyers may not use more than 15% of the residence in a trade or business (including childcare services) on a regular basis for compensation. If the residence is to be used, in part, for a trade or business, a schematic drawing from an appraiser must be provided.

§7.7 Contracts with Mortgage Lenders

(a) As a condition precedent to participation in the program, a mortgage lender shall execute and deliver to the department the master mortgage origination agreement.

(b) The mortgage lender shall provide to the department certain other documents including a completed mortgage lender questionnaire, opinion of counsel to mortgage lender, and board resolution of mortgage lender, each in a form provided by the department.

(c) The department will provide to the mortgage lender notices of new bond programs and related guidelines. If the mortgage lender desires to participate in a bond program, the mortgage lender shall submit to the department an offer relating to such bond program.

§7.8 Conflicts with Bond Indentures and Applicable Law

(a) All assistance provided under the program is funded from mortgage revenue bonds issued by the department and is subject to changes in the mortgage revenue bond indentures and applicable law. If there is a conflict between this chapter and any bond indenture or applicable law regarding the use of the funds from mortgage revenue bonds, the mortgage relevant bond indenture or applicable law shall control.

(b) Assistance under this program is dependent, in part, on the availability of funds. The department may cease offering all or a part of the assistance available under the program at any time and in its sole discretion.

§7.9 Waiver

The Board, in its discretion and within the limits of federal and state law, may waive any one or more of these Rules if the Board finds that waiver is appropriate to fulfill the purposes or polices of Chapter 2306, Texas Government Code, or for good cause, as determined by the Board.

HOME DIVISION

BOARD ACTION REQUEST

September 4, 2008

Action Item

Presentation, Discussion and Possible Approval to publish the proposed repeal of 10 TAC Chapter 53, HOME Investment Partnership Program, and a draft of proposed new 10 TAC Chapter 53, HOME Program Rule for comment in the *Texas Register*.

Requested Action

Approve, Deny or Approve with Amendments the publication of the proposed repeal of 10 TAC Chapter 53, HOME Investment Partnership Program, and a draft of proposed new 10 TAC Chapter 53, HOME Program Rule for comment in the *Texas Register*.

Background

Attached behind this Board Action Item is the Draft HOME Program Rule which reflects staff's recommendations for revisions for the Board's consideration. This draft rule ensures compliance with all statutory requirements, including recent federal rule changes, incorporates public input from the recent HOME Program Rule Roundtable, formalizes existing policy and guidelines contained in the HOME Program Application and Submission Procedures Manual and includes recommendations for revisions of necessary policy and administrative changes to further enhance the HOME Program's operation assimilating organizational changes of the HOME Division.

Summary of Significant Changes

This section outlines some of the most significant staff recommendations. Other more operational or procedural revisions, details of revisions, formatting adjustments, and streamlining are not summarized, however, they are reflected in the attached Draft HOME Program Rule. Details of the most significant changes are outlined below:

1. *§53.2 Elimination of Colonia Housing Standards (CHS), page 5 of 63*
   Colonia Housing Standards are a minimum habitability standard approved by HUD to allow for fewer restrictions on housing requirements in the colonias. Staff is proposing eliminating this low threshold standard and requiring the adoption of Texas Minimum Construction Standard (TMCS) as the minimum housing standard for HOME investment to ensure a consistent and acceptable quality for all HOME funded activities.

2. *§53.2(73) Update to the Definition of Person with Special Needs, page 12 of 63*
   In order to offer consistency across the Department's programs, this definition was amended to include two additional categories including 'elderly' and 'public housing residents'.

3. *§53.2(92) Addition of Definition for Subprime Mortgage Loans, page 15 of 63*
   This definition has been added to clarify the first lien purchase loan requirements proposed by staff in §53.32(m).

4. *§53.31(g) Increase in the Maximum Amount of Assistance, page 23 of 63*
   Based on public comment received at the HOME Roundtable held on August 7, 2008 and feedback during the administration of OCC HOME contracts, staff proposes a $5,000 increase in the maximum amount of assistance to cover the demolition costs and increased construction costs that may be associated with the reconstruction of owner-occupied housing.

5. *§53.31(j) Changes to the Two Appraisal Requirement, page 23 of 63*
   In order to follow the best practices of other state and local participating jurisdictions utilizing loans for owner-occupied assistance, staff proposes eliminating the requirement of two appraisals for determining the loan amount in the Owner-Occupied Housing Assistance Program with the recommendation to make the loan amount equal to the total amount of assistance and calculate a principal reduction for soft costs and/or lead-based paint remediation upon completion of the home. This will also result in a decrease in the costs associated with obtaining two appraisals and address staff's inability to determine the loan amount in cases where the current appraised value exceeds the amount of assistance to be provided. Additionally, staff recommends following this provision for any loan that has not closed at the time of adoption of the rule.

6. *§53.31(m) Application of Forgiveness Upon the Death of a Homeowner, page 24 of 63*
   To address contracts executed prior to the December 20, 2007 Board adoption of this subsection, staff proposes extending this provision to all contracts that are active at the time of the adoption of this rule.

7. *§53.32(c)(5) Homebuyer Counseling Program Requirement, page 25 of 63*
   As a condition of providing Homebuyer Assistance, staff is proposing requiring the applicant Household complete a homebuyer counseling program/class in addition to meeting all other eligibility requirements to receive assistance.

8. *§53.32(e) Increase the Amount of Allowable Assistance under the Homebuyer Assistance Program, page 25 of 63*
   Staff proposes increasing the homebuyer assistance limits up to $20,000 for a 5 or more person household at or below 60% AMFI with a requirement of a minimum of four bedrooms in the home to be purchased. In 2007, Board members requested staff research and propose increased assistance amounts, while ensuring the homeowner's ability to service the mortgage was not compromised. Staff proposes the assistance be tiered based on AMFI and family size with a range of assistance from $10,000 to $20,000.

9. *§53.32(m) Addition of First Lien Purchase Loan Requirements for Households Receiving Homebuyer Assistance, page 26 of 63*
   In order to prevent predatory lending and foreclosure, staff is also proposing the formal incorporation of first lien restrictions including requiring the loan not be a subprime loan,

no greater than 100% financing will be allowed, and the debt-to-income ratio cannot exceed forty-five percent (45%). These requirements have already been incorporated into the Homebuyer Assistance Program for the newly published single family activities NOFA which was approved by the Board on July 31, 2008.

10. *§53.32(r) Clarification of Housing Codes and Standards Requirements, page 27 of 63*
    This section has been updated to provide clarification regarding the applicability of building codes and housing standards for housing units that are rehabilitated or acquired with HOME funds.

11. *§53.44(c) Meeting New Requirements of the Federal Funding Accountability and Transparency Act (FFATA), page 33 of 63*
    In order to be in compliance with requirements of the Federal Funding Accountability and Transparency Act, the Department is asking all Applicants to obtain a Data Universal Numbering System (DUNS) number as a unique identifier for the entity submitting an application and registration with the Central Contractor Registration (CCR) System as an entity submitting an application for federal funds.

12. *§53.45 Clarification of Qualified Allocation Plan Requirements for Rental Housing Development Program, page 33 of 63*
    This clarifies Department policy that all rental housing development applications should comply with all of the current Qualified Allocation Plan and Rules in effect at the time of applications submission, unless further restricted or amended by the Notice of Funding Availability (NOFA).

13. *§53.47(a) Allow for the Board to Determine Contract Award Limits at NOFA Approval, pages 34 of 63*
    The Board currently determines contract award limits within the rule. In order to allow maximum flexibility in the programming of funds to address the greatest programmatic need and be able to meet challenges that arise throughout the year, the staff proposes allowing the Board to determine the contract award, including administrative funds, and assistance limits at the time of NOFA Approval and subsequently again at the award stage to allow maximum utilization of Department funds.

14. *§53.47(a)(4)(B) Increase the Base Amount of CHDO Operating Expenses Awarded, page 34 of 63*
    As allowed by federal regulations, staff proposes an increase in the maximum amount of CHDO operating expense awards from $50,000 to $75,000.

15. *§53.47(b) Standards to Allow for Applicants to Apply for Additional Funding During an Open-Cycle, page35 of 63*
    This change formalizes policy that has been presented to the Board over the last year with several HOME NOFAs. Because the Department has an open-cycle application period, which extends over a longer period of time, staff would like to propose allowing applicants to apply for additional funding as long as they are 100% committed on their current contract for the same activity. This would ensure that we are continually meeting

demand in high-needs areas and certify that potential applicants have capacity to carry continued and future funding.

16. *§53.72 Provision of Pre-Award Costs, page 47 of 63*
    This section has been added to allow Contract Administrators to use administrative funds to be reimbursed for travel costs associated with required training that are incurred prior to the effective date of the contract.

17. *§53.73(a)Adjustments to Contract Terms and Performance Benchmarks, pages 47and 48 of 63*
    Based on actual timeframes experienced currently for OCC loan closings, staff recommends a 3-month increase in the contract term for OCC contracts.

18. *§53.74 Updates to the Contract Amendments Section, page 49 of 63*
    These recommendations allow for the Executive Director of the Department to approve contract amendments to contracts under the following circumstances: changes in match requirements of the contract, changes in Area Median Family Income (AMFI) levels, changes to Service Areas, and changes in the number of Households served under the contract.

19. *§ 53.80 (d) Loan Policy Clarification--Require Only a Title Report for OCC Loans, page 52 of 63*
    This change clarifies that only a title report will be required for loan closings in the Owner-Occupied (OCC) Housing Assistance Program as opposed to a commitment which suggests a title policy being required.

20. *§53.81(a)(11) Ensuring Compliance with the Texas Comptroller of Public Accounts Requirements, page 53 of 63*
    Staff is proposing requiring Contract Administrators ensure that the applicant Household does not owe a debt to the State of Texas including tax liens, child support liens, or student loan delinquencies.

21. *§53.85 Clarification and Increases to Administrative and Soft Costs, page56 to 63*
    Based on feedback about administrative costs and staff's continued analysis of increasing soft costs, staff proposes increases to some of the line items caps and an elimination of the overall soft cost caps since the line items ensure cost reasonableness and the existence of an overall maximum amount of assistance. Additionally, significant clarification of administrative costs has been included in the proposed draft. Staff also recommends a proposed increase in the amount of administrative funds for the TBRA program since these Administrators cannot draw on soft costs for the administration of the TBRA program.

Recommendation

Staff recommends Board approval of the proposed repeal of 10 TAC Chapter 53, HOME Investment Partnership Program, and a draft of proposed new 10 TAC Chapter 53, HOME Program Rule for comment in the *Texas Register*.

DRAFT
Board Review Pending

Texas Department of Housing and Community Affairs
"HOME Program Rule"

TITLE 10, Part 1, Chapter 53, Texas Administrative Code

Subchapter A. GENERAL

§53.1. Purpose

This Chapter clarifies the use and administration of all funds provided to the Texas Department of Housing and Community Affairs (Department) by the United States Department of Housing and Urban Development (HUD) pursuant to Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990 (42 USC §§12701-12839) and HUD regulations at 24 CFR, Part 92. The State's HOME Program is designed to:

(1) focus on the areas with the greatest housing need described in the State Consolidated Plan;

(2) provide funds for home ownership and rental housing through acquisition, new construction, rehabilitation, tenant-based rental assistance, and pre-development loans;

(3) promote partnerships among all levels of government and the private sector, including non-profit and for-profit organizations; and

(4) provide low, very low, and extremely low income families with affordable, decent, safe and sanitary housing.

§53.2. Definitions

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Act--HOME Investment Partnership Act at Title II of the Cranston-Gonzalez National Affordable Housing Act as amended, at 42 USC §§12701, et seq.

(2) Activity--A single housing unit with a unique physical address. An activity may also refer to an individual Project or site.

(3) Administrative Deficiencies--The absence of information or a document from the application as required in this Chapter or applicable NOFA.

(4) Administrator--The Person responsible for performing under a Contract with the Department.

(5) Affiliate--An individual, corporation, partnership, joint venture, limited liability company, trust, estate, association, cooperative or other organization or entity of any nature whatsoever that directly, or indirectly through one or more intermediaries, Controls, is

Controlled by, or is under common Control with any other Person, and specifically shall include parents or subsidiaries. Affiliates also include all General Partners, Special Limited Partners and Principals with an ownership interest.

(6) Affiliated Party--A person in a relationship with the Administrator on a Contract with the Department.

(7) Annual Income--As defined in 24 CFR §92.203.

(8) Applicant--A Person who has submitted to the Department an Application for Department funds or other assistance.

(9) Application--A request for funds submitted to the Department in a form prescribed by the Department, including any exhibits or other supporting material.

(10) Application Acceptance Period--The period of time that Applications may be submitted to the Department as more fully described in the applicable NOFA.

(11) Application Submission Procedures Manual (ASPM)--The manual that sets forth the procedures, forms, and instructions for the completion and submission of an Application to the Department.

(12) Area Median Family Income (AMFI)--The income estimated and determined by HUD as the median family income with adjustments for family size and geographic locations.

(13) Articles of Incorporation--The document that sets forth the basic terms for a corporation's existence and is the official recognition of the corporation's existence.

(14) Board--The governing board of the Texas Department of Housing and Community Affairs.

(15) Business Plan--The written document that for the purposes of CHDO certification outlines the CHDO's plan for developing eligible housing activities, its internal operations, and citizen participation process.

(16) Bylaws--A rule or administrative provision adopted by a corporation for its internal governance. Bylaws are enacted apart from the Articles of Incorporation. Bylaws and amendments to Bylaws must be formally adopted in the manner prescribed by ~~the organization's Articles of Incorporation or~~ current Bylaws by either the organization's board of directors or the organization's members, whoever has the authority to adopt and amend Bylaws.

(17) CFR--Code of Federal Regulations.

(18) Chapter 2306--The enabling statute for the Department found in the Texas Government Code.

(19) CHDO Service Area--A Community in which a CHDO owns, developed and/or sponsored CHDO eligible housing activities for the low income residents of the city/place or county they serve.

(20) Colonia--A geographic area that is located in a county some part of which is within 150 miles of the international border of this state that consists of 11 or more dwellings that are located in close proximity to each other in an area that may be described as a community or neighborhood, and that:

(A) Has a majority population composed of individuals and families of low income and very low income, based on the federal Office of Management and Budget poverty index, and meets the qualifications of an economically distressed area under §17.921, Texas Water Code; or

(B) Has the physical and economic characteristics of a Colonia, as determined by the department.

~~(21) Colonia Housing Standards--The Department's HUD approved housing standards that allow Colonia residents the opportunity to rehabilitate their homes when located in a designated Colonia.~~

(21)~~(22)~~ Community--Urban areas means one or several Neighborhoods, a city, a county, or a metropolitan area and for Rural Areas means one or several Neighborhoods, a town, a village, a county or multi-county area, but not the whole state. For purposes of this Chapter, the Applicant should clearly define the area. For example, the city of Dallas would not include all of Dallas and Collin counties but Dallas and Collin counties would include the city of Dallas.

(22) ~~(23)~~ Community Housing Development Organization (CHDO)--A private nonprofit, community-based service organization that has obtained or intends to obtain staff with the capacity to develop affordable housing for the community it serves in accordance with 24 CFR §92.2 and which is certified as such by the Department. To be certified as a CHDO by the Department, the organization must act in the capacity of Developer, Owner or Sponsor as defined in this chapter.

(23) ~~(24)~~ Community Housing Development Organization (CHDO) Developer--The CHDO:

(A) Either owns a Property and develops a Project, or has a contractual obligation to a property owner to develop a Project; and

(B) Performs all the functions typically expected of for-profit Developers, and assumes all the risks and rewards associated with being the Project Developer.

(i) For RHD, the CHDO must obtain financing, and Rehabilitate, Reconstruct or construct the Project. If it owns the Property, the CHDO may maintain ownership and manage the Project over the long term. If it does not own the Property, the CHDO must enter into a contractual obligation with the property owner. This contractual obligation is independent of the PJ.

(ii) For HBA, the CHDO must obtain Project financing, Rehabilitate, Reconstruct or construct the dwelling(s), and have title of the property and the HOME loan/grant obligations transferred to a HOME-qualified homebuyer within a specified timeframe. If it does not own the Property, the CHDO must enter into a contractual obligation with the property owner. This contractual obligation is independent of the PJ.

(24) ~~(25)~~ Community Housing Development Organization (CHDO) Owner--The CHDO holds valid legal title to or has a long-term (99-year minimum) leasehold interest in a rental Property. The CHDO may be a Development Owner with one or more Persons. If it owns the Project in partnership, it or its wholly-owned nonprofit or for-profit subsidiary must be the managing General Partner with effective control (i.e., decision-making authority) of the Project. The CHDO may be both Development Owner and Developer, or may have another entity as the Developer.

(25) ~~(26)~~ Community Housing Development Organization (CHDO) Sponsor--The CHDO:

(A) For RHD, the CHDO may develop a Project that it solely or partially owns and agrees to convey ownership to a second non-profit organization at a predetermined time prior to or during Development or upon completion of the Development of the Project. The HOME funds are invested in the Project owned by the CHDO. The CHDO Sponsor selects prior to commitment of HOME funds the non-profit organization that will obtain ownership of the Property. The non-profit assumes from the CHDO the HOME obligation (including any repayment of loans) for the Project at a specified time. If the Property is not transferred to the non-profit organization, the CHDO Sponsor remains liable for the HOME loan/grant obligation. The non-profit organization must be financially and legally separate from the CHDO Sponsor. The CHDO Sponsor must provide sufficient resources to the non-profit organization to ensure the Development and long-term operation of the Project.

(B) For HBA, the CHDO owns a Property, then shifts responsibility for the Project to another nonprofit at some specified time in the Development process. The second nonprofit, in turn, transfers title along with the HOME loan/grant obligations and recapture requirements to an Income Eligible Household within a specified timeframe. The HOME funds are invested in the Property owned by the CHDO. The other nonprofit being sponsored by the CHDO acquires the completed units, or brings to completion the Rehabilitation or construction of the Property. At completion of the Rehabilitation or construction, the second nonprofit is required to sell the Property along with the HOME loan/grant obligations to an Income Eligible Household.

(C) For either type of sponsorship, the CHDO must own the Property prior to the development phase of the project.

(26) ~~(27)~~ Community Housing Development Organization Pre-Development Loan--A form of assistance in which funds are made available as loans to cover those costs outlined in 24 CFR §92.301.

(27) ~~(28)~~ Competitive Application Cycle--A defined period of time that Applications may be submitted according to a published Notice of Funding Availability (NOFA) that will include a submission deadline and selection or scoring criteria. Applications will be reviewed in accordance with the rules for application review published in the NOFA and the ASPM.

(28) ~~(29)~~ Conflict of Interest--A conflict between the private interests and the official responsibilities of a Person in a position of trust, as specified in 24 CFR §92.356.

(29) ~~(30)~~ Consolidated Plan--The State Consolidated Plan prepared in accordance with 24 CFR, Part 91, which describes the needs, resources, priorities and proposed activities to be undertaken with respect to certain HUD programs and is subject to approval annually by HUD.

(30) ~~(31)~~ Contract--The executed written agreement between the Department and an Administrator or Development Owner performing an activity related to a program that outlines performance requirements and responsibilities assigned by the document.

(31) ~~(32)~~ Control--The possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Person, whether through the ownership or voting securities, by contract or otherwise, including specifically ownership of more than 50% of the General Partner interest in a limited partnership, or designation as a managing General Partner of a limited liability company.

(32) Council of Governments (COG)--A regional body which serves an area of several counties to address regional planning including but not limited to transporation planning, economic and community development, information gathering and processing, hazard mitigation and emergency preparedness, and water and environmental planning.

(33) Deobligated Funds--The funds released by an Administrator or Development Owner or recovered by the Department canceling a Contract or award involving some or all of a contractual financial obligation between the Department and an Administrator or Development Owner.

(34) Department--The Texas Department of Housing and Community Affairs.

(35) Developer--Any Person entering into a contract with the Development Owner to provide development services with respect to the Development and receiving a fee for such

services and any other Person receiving any portion of such fee, whether by subcontract or otherwise.

(36) Development--A Project that has a construction component, either in the form of New Construction or Rehabilitation of multi-unit or single family residential housing.

(37) Development funding--

(A) A loan or grant; or

(B) An in-kind contribution, including a donation of real Property, a fee waiver for a building permit or for water or sewer service, or a similar contribution that:

(i) provides an economic benefit; and

(ii) results in a quantifiable cost reduction for the applicable Development.

(38) Development Owner--Any Person, General Partner, or Affiliate of a Person who owns or proposes a Development or expects to acquire Control of a Development under a purchase contract approved by the Department and is the Person responsible for performing under the Contract with the Department.

(39) Development Site--The area, or if scattered site, areas, for which the Development is proposed to be located and is to be under the Development Owner's Control.

(40) Executive Award and Review Advisory Committee (EARAC)--The Department committee that will develop funding priorities and make funding and allocation recommendations to the Board based upon the evaluation of an Application in accordance with the housing priorities as set forth in Chapter 2306 of the Texas Government Code, and as set forth herein, and the ability of an Applicant to meet those priorities.

(41) Expenditure--An approved expense evidenced by documentation submitted by the Administrator or Development Owner to the Department for purposes of drawing funds from HUD's IDIS for work completed, inspected and certified as complete, and as otherwise required by the Department.

(42) Family--Includes but is not limited to the following types of families as defined in 24 CFR §5.403:

(A) A family with or without children;

(B) An elderly family;

(C) A near elderly family;

(D) A disabled family;

(E) A displaced family;

(F) The remaining member of a tenant family; or

(G) A single person who is not an elderly or displaced person or a person with disabilities or the remaining member of a tenant family.

(43) Feasibility Analysis--The process of performing a budgetary justification for Reconstruction which compares the cost of Rehabilitation to the replacement costs of a housing unit for the purposes of OCC.

(44) FHA 203(b) Mortgage Limits ("203(b) Limits")--The mortgage limits established under 203(b) of the National Housing Act (12 USC §1709(b) which may be obtained from the HUD Field Office.

(45) Final Rule--The current final rule as published by HUD as 24 CFR, Part 92 with amendments.

(46) General Contractor--A Person who contracts for the construction or Rehabilitation of an entire Development, rather than a portion of the work. The General Contractor hires subcontractors, such as plumbing contractors, electrical contractors, etc., coordinates all work, and is responsible for payment to the subcontractors.

(47) General Partner--A Person or Persons who is identified as the general partner of the partnership that is the Development Owner and that has general liability for the partnership. In addition, unless the context shall clearly indicate the contrary, if the Development Owner in question is a limited liability company, the term "General Partner" shall also mean the managing member or other party with management responsibility for the limited liability company.

(48) Grant--Financial assistance that is awarded in the form of money to a housing sponsor for a specific purpose and that is not required to be repaid. For purposes of this Chapter, a grant includes a forgivable loan.

(49) Homebuyer Assistance Program (HBA)--A Program Activity for the purpose of providing HOME funds for acquisition, acquisition with Rehabilitation, down payment, closing costs, and gap financing assistance provided to Income Eligible Households. Rehabilitation may be combined with HBA to provide contract for deed conversions and assist Person with Disabilities.

(50) HOME--The HOME Investment Partnerships Program at 42 USC §§12701-12839 and the regulations promulgated thereafter at 24 CFR, Part 92.

(51) Household--One or more persons occupying a housing unit (24 CFR §92.2).

(52) HUD--The United States Department of Housing and Urban Development, or its successor.

(53) HUD's Maximum Per-unit Subsidy Amount ("221(d)(3) limits")--The per-unit dollar limitations established under 221(d)(3)(ii) of the National Housing Act for elevator-type projects that apply to the area in which the housing is located.

(54) IDIS--The electronic grants management information system named the Integrated Disbursement and Information System established by HUD to be used tracking and reporting HOME funding progress.

(55) Income Eligible Households--The federal definition which is:

(A) Low-Income Households--Households whose Annual Incomes do not exceed 80% of the AMFI.

(B) Very Low-Income Households--Households whose Annual Incomes do not exceed 50% of the AMFI.

(C) Extremely Low Income Households--Households whose Annual Incomes do not exceed 30% of the AMFI.

(56) Intergenerational Housing--Housing that includes specific units that are restricted to the age requirements of a Qualified Elderly Development and specific units that are not age restricted in the same Development that:

(A) Have separate and specific buildings exclusively for the age restricted units;

(B) Have separate and specific leasing offices and leasing personnel exclusively for the age restricted units;

(C) Have separate and specific entrances, and other appropriate security measures for the age restricted units;

(D) Provide shared social service programs that encourage intergenerational activities but also provide separate amenities for each age group;

(E) Share the same Development site;

(F) Are developed and financed under a common plan and owned by the same Person for federal tax purposes; and

(G) Meet the requirements of the federal Fair Housing Act.

(57) Land Use Restriction Agreement (LURA)--An agreement between the Department and a Person related to a specific Property or Properties which is ~~binding upon a Person's successors in interest,~~ filed with the responsible recording authority~~, and encumbers the Property with respect to requirements in this Chapter, Chapter 2306 of the Texas Government Code and the Final Rule~~.

(58) Loan--Financial assistance that is awarded in the form of money and an executed written agreement between the Department and Person for a specific purpose and that is required to be repaid.

(59) Manufactured Housing Unit (MHU)--As defined by HUD is a structure transportable in one or more sections which, in traveling mode, is 8 body-feet or more in width or 40 body-feet or more in length, or when erected on site, is 320 square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required facilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein.

(60) Match--Eligible forms of non-federal contributions to a Program Activity or Project in the forms specified in 24 CFR §92.220, CPD Notice 97-03 and the Department's Match Guide.

(61) Material Noncompliance--A~~a~~s is defined in 10 TAC, Chapter 60, Subchapter A of this title.

(62) Modular Housing--As defined by HUD is a home built in sections in a factory to meet state, local, or regional building codes. Once assembled, the modular unit becomes permanently fixed to one site.

(63) Mortgagor--The Person who borrows money and uses his or her real property as collateral and security for the payment of the debt.

(64) Neighborhood--As defined by HUD, a geographic location designated in comprehensive plans, ordinances, or other local documents as a neighborhood, village, or similar geographical designation that is within the boundary but does not encompass the entire area of a Unit of General Local Government; except that if the unit of general local government has a population under 25,000, the neighborhood may, but need not, encompass the entire area of a Unit of General Local Government (24 CFR §92.2).

(65) New Construction--Any Development not meeting the definition of Rehabilitation.

(66) NOFA--Notice of Funding Availability, published in the Texas Register.

(67) Nonprofit organization--A public or private organization that:

(A) Is organized under state or local laws;

(B) Has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual;

(C) Has a current tax exemption ruling from the Internal Revenue Service (IRS) under §501(c)(3), a charitable, nonprofit corporation, or §501(c)(4), a community or civic organization, of the Internal Revenue Code of 1986, as evidenced by a certificate from the IRS that is dated 1986 or later. The exemption ruling must be effective on the date of the application and must continue to be effective throughout the length of any contract agreements; or classification as a subordinate of a central organization non-profit under the Internal Revenue Code, as evidenced by a current group exemption letter, that is dated 1986 or later, from the IRS that includes the Applicant. The group exemption letter must specifically list the Applicant; and

(D) A private nonprofit organization's pending application to the IRS for exemption status under §501(c)(3) or (c)(4) status cannot be used to comply with the tax status requirement.

(68) Open Application Cycle--A defined period of time during which Applications may be submitted according to a published NOFA and which will be reviewed on a first-come, first-served basis until all funds available are committed, or until the NOFA is closed, whichever is earlier.

(69) Owner-Occupied Housing Assistance (OCC)--A Program Activity for the purpose of providing HOME funds for the Rehabilitation of existing owner-occupied housing for Income Eligible Households. Housing assistance for disaster relief is provided under this Program Activity.

(70) Participating Jurisdiction (PJ)--Any state or Unit of General Local Government, including consortia as specified in 24 CFR §92.101, designated by HUD in accordance with 24 CFR §92.105.

(71) Person--Any individual, partnership, corporation, association, unit of government, community action agency, or public or private organization of any character.

(72) Persons with Disabilities--A Household composed of one or more Persons, at least one of whom is a Person, who has a disability that is a physical, mental, or emotional impairment that is expected to be of long-continued and indefinite duration, substantially impedes his or her ability to live independently, and is of such a nature that such ability could be improved by more suitable housing conditions. A Person will also be considered to have a disability if he or she has a developmental disability, which is a severe, chronic disability and as further defined at 24 CFR §92.2.

(73) Persons with Special Needs--Individuals or categories of individuals determined by the Department to have unmet housing needs consistent with 42 USC §§12701, et seq. and as provided in the Consolidated Plan and may include any households composed of one or more persons with alcohol and/or drug addictions, Colonia residents, Persons with Disabilities, elderly, victims of domestic violence, persons with HIV/AIDS, homeless populations, ~~and~~ migrant farm workers, and public housing residents.

(74) Predevelopment Costs--Costs related to a specific eligible Project including:

(A) Predevelopment housing project costs that the Department determines to be customary and reasonable, including but not limited to consulting fees, costs of preliminary financial applications, legal fees, architectural fees, engineering fees, engagement of a development team, site control, and title clearance;

(B) Pre-construction housing project costs that the Department determines to be customary and reasonable, including but not limited to, the costs of obtaining firm construction loan commitments, architectural plans and specifications, zoning approvals, engineering studies and legal fees;

(C) Predevelopment costs do not include general operational or administrative costs.

(75) Principal--A Person, or Persons, that will exercise Control over a partnership, corporation, limited liability company, trust, or any other private entity. In the case of:

(A) Partnerships, Principals include all General Partners, special limited partners and Principals with ownership interest;

(B) Corporations, Principals include any officer authorized by the board of directors to act on behalf of the corporation, including the president, vice president, secretary, treasurer and all other executive officers, and each stock holder having a ten percent or more interest in the corporation; and

(C) Limited liability companies, Principals include all managing members, members having a ten percent or more interest in the limited liability company or any officer authorized to act on behalf of the limited liability company.

(76) Principal Residence--The primary housing unit a Person or Household inhabits.

(77) Program Activity--The specific purposes for which HOME funds are used and required in the Contract with the Administrator.

(78) Program Income--The gross income received by the Department, Development Owners or Administrators directly generated from the use of HOME funds or matching contributions as further described in 24 CFR §92.2.

(79) Project--A site or an entire building (including a manufactured housing unit), or two or more buildings, together with the site or sites on which the building or buildings are located, that are under common ownership, management, and financing and are to be assisted with HOME funds, under a commitment by the owner, as a single undertaking under 24 CFR §92.2.

(80) Property--The real estate and all improvements thereon which are the subject of the Application (including all items of personal property affixed or related thereto), whether currently existing or proposed to be built thereon in connection with the Application.

(81) Qualified Elderly Development--A Development which meets the requirements of the federal Fair Housing Act and:

(A) Is intended for, and solely occupied by, individuals 62 years of age or older; or

(B) Is intended and operated for occupancy by at least one individual 55 years of age or older per unit, where at least 80% of the total housing units are occupied by at least one individual who is 55 years of age or older; and where the Development Owner publishes and adheres to policies and procedures which demonstrate an intent by the owner and manager to provide housing for individuals 55 years of age or older.

(82) Qualified Market Analyst--A real estate appraiser certified or licensed by the Texas Appraiser Licensing and Certification Board, a real estate consultant, or other professional currently active in the subject property's market area who demonstrates competency, expertise, and the ability to render a high quality written report. The individual's performance, experience, and educational background will provide the general basis for determining competency as a market analyst. Competency will be determined by the Department, in its sole discretion. The Qualified Market Analyst must be a Third Party.

(83) Received Date--The date and time that an Application is physically received by the Department.

(84) Rehabilitation--The improvement or modification of an existing residential development through an alteration, addition, or enhancement. The term includes the demolition of an existing residential development and the Reconstruction of any development units, but does not include the improvement or modification of an existing residential development for the purpose of an adaptive reuse of the development. In accordance with the federal definition of Reconstruction at 24 CFR §92.2, the term also means the demolition and rebuilding, on the same lot, of housing standing on the site at the time of commitment of HOME funds. The number of units on the lot may not be decreased or increased as part of the rehabilitation, but the number of rooms per unit may be increased or decreased. Rehabilitation also includes replacing an existing substandard MHU with a new MHU.

(85) Rental Housing Development (RHD)--A Program Activity and Project for the purpose of providing HOME funds for the acquisition, New Construction or Rehabilitation of multi-family or single family rental housing, or conversion of commercial property to rental housing for Income Eligible Households.

(86) Rural area--An area that is located:

(A) Outside the boundaries of a primary metropolitan statistical area or a metropolitan statistical area;

(B) Within the boundaries of a primary metropolitan statistical area or a metropolitan statistical area, if the statistical area has a population of 25,000 or less and does not share a boundary with an urban area; or

(C) In an area that is eligible for funding by the Texas Rural Development Office of the United States Department of Agriculture, other than an area that is located in a municipality with a population of more than 50,000.

(87) Rural Development--A Development or proposed Development that is located in a Rural Area, other than rural New Construction Developments with more than 80 units.

(88) Service Area--The city(ies), county(ies) and/or place(s) identified in the Contract that the Administrator will serve.

(89) Set-Aside--A statutory or federally mandated reservation of a portion of available funds or units for specific types of housing priorities, Program Activities or geographic locations.

(90) Single Family Housing Development--A Program Activity and Project for the purpose of providing HOME funds for the acquisition, and/or New Construction or Rehabilitation of affordable single family housing units Income Eligible Households to acquire homeownership.

(91) State Recipient--A Unit of General Local Government designated by the Department to receive HOME funds.

(92) Subprime Mortgage Loan -- A mortgage loan that is made at a higher interest rate than the prime rate offered by conventional lenders to a Person with higher credit risk characteristics or other underwriting deficiencies.

(93) ~~(92)~~ Subrecipient--A public agency or nonprofit organization selected by the Department to administer all or a portion of the Department's HOME program. A public agency or nonprofit that receives HOME funds solely as a developer or owner of housing is not a Subrecipient. The Department's selection of a Subrecipient is not subject to the procurement procedures and requirements.

(94) ~~(93)~~ TAC--Texas Administrative Code.

(95) ~~(94)~~ Tenant-Based Rental Assistance (TBRA)--A Program Activity for the purpose of providing HOME funds for rental subsidy and security and utility deposit assistance to Income Eligible Households.

(96) ~~(95)~~ Texas Minimum Construction Standard (TMCS)--The program standard used to determine the minimum acceptable housing condition for the purposes of Rehabilitation, New Construction, and acquisition.

(97) ~~(96)~~ Third Party--A Person who is not:

(A) An Applicant, Administrator, Borrower, General Partner, Developer, Development Owner, or General Contractor; or

(B) An Affiliate, Affiliated Party to the Applicant, Administrator, Borrower, General Partner, Developer, Development Owner or General Contractor; or

(C) A Person receiving any portion of the administration, contractor fee or developer fee.

(98) ~~(97)~~ Unit of General Local Government--A city, town, county, or other general purpose political subdivision of the State; a consortium of such subdivisions recognized by HUD in accordance with 24 CFR §92.101 and any agency or instrumentality thereof that is established pursuant to legislation and designated by the chief executive to act on behalf of the jurisdiction. An urban county is considered a unit of general local government under the HOME Program.

(99) ~~(98)~~ Urban Area--The area that is located within the boundaries of a primary metropolitan statistical area other than an area that is described by paragraph (86) of this section.

(100) ~~(99)~~ USC--The United States Code.

§53.3. Ex Parte Communications

(a) During the period beginning on the date project Applications are filed in an application cycle and ending on the date the board makes a final decision with respect to the approval of any Application in that cycle, a member of the Board may not communicate with the following Persons:

(1) an Applicant or a Related Party, as defined by state law, including board rules, and federal law; and

(2) any Person who is:

(A) active in the construction, rehabilitation, ownership, or control of the proposed project, including:

(i) a General Partner or contractor; and
(ii) a Principal or Affiliate of a General Partner or contractor; or

(B) employed as a consultant, lobbyist, or attorney by an Applicant or a Related Party.

(b) Subject to subsection (c) of this section, during the period beginning on the date project Applications are filed in an application cycle and ending on the date the Board makes a final decision with respect to the approval of any Application in that cycle, an employee of the Department may communicate about the Application with the following Persons:

(1) the Applicant or a Related Party, as defined by state law, including board rules, and federal law; and

(2) any Person who is:

(A) active in the construction, Rehabilitation, ownership, or Control of the proposed Project, including:

(i) a General Partner or contractor; and

(ii) a Principal or Affiliate of a General Partner or contractor; or

(B) employed as a consultant, lobbyist or attorney by the Applicant or a Related Party.

(c) A communication under subsection (b) of this section may be oral or in any written form, including electronic communication through the internet, and must satisfy the following conditions:

(1) the communication must be restricted to technical or administrative matters directly affecting the Application;

(2) the communication must occur or be received on the premises of the Department during established business hours; and

(3) a record of the communication must be maintained and included with the Application for purposes of Board review and must contain the following information:

(A) the date, time, and means of communication;

(B) the names and position titles of the Persons involved in the communication and, if applicable, the Person's relationship to the Applicant;

(C) the subject matter of the communication; and

(D) a summary of any action taken as a result of the communication.

(d) Notwithstanding subsection (a) or (b) of this section, a Board member or Department employee may communicate without restriction with a Person listed in subsection (a) or (b) of this section during any board meeting or public hearing held with respect to the Application, but not during a recess or other non-record portion of the meeting or hearing.

(e) Subsection (a) of this section does not prohibit the Board from participating in social events at which a Person with whom communications are prohibited may or will be present, provided that all matters related to Applications to be considered by the Board will not be discussed.

§53.4. Waivers in Disaster Areas

It is the policy of the Department to utilize the waivers granted by HUD in disaster areas unless otherwise specifically stated in any NOFA released.

§53.5. Printed Materials Available

Upon request, any materials identified as available of the Department's website in this Chapter may also be distributed in hard copy.

§53.6. Alternative Dispute Resolution

The Department encourages Persons to use the Alternative Dispute Resolution rules found in §1.17 of this title, to resolve disputes.

§53.7. Compliance Rules

Multifamily Developments (whether single family homes or Developments with four or more units) are subject to the relevant compliance rules found in Chapter 60 of this title.

§53.8. Notice of Receipt of Application or Proposed Application

(a) Not later than the 14th day after the date an Application or a proposed Application for housing funds described by §2306.111 has been filed, the Department shall provide written notice of the filing of the Application or proposed Application to the following Persons:

(1) the United States representative who represents the community containing the Development described in the Application;

(2) members of the legislature who represent the community containing the Development described in the Application;

(3) the presiding officer of the governing body of the political subdivision containing the Development described in the Application;

(4) any member of the governing body of a political subdivision who represents the area containing the Development described in the Application;

(5) the superintendent and the presiding officer of the board of trustees of the school district containing the Development described in the Application; and

(6) any neighborhood organizations on record with the state or county in which the Development described in the Application is to be located and whose boundaries contain the proposed development site.

(b) The notice provided under subsection (a) of this section must include the following information:

(1) the relevant dates affecting the Application, including:

(A) the date on which the Application was filed;

(B) the date or dates on which any hearings on the Application will be held; and

(C) the date by which a decision on the Application will be made;

(2) a summary of relevant facts associated with the development;

(3) a summary of any public benefits provided as a result of the Development, including rent subsidies and tenant services; and

(4) the name and contact information of the employee of the Department designated by the director to act as the information officer and liaison with the public regarding the Application.

§53.9. Environmental Clearance and Loan Closing Are Required Prior to Construction

Administrators and Development Owners must not proceed or allow a contractor to proceed with construction, including demolition, on any Activity, Project or Development without first completing the required environmental clearance procedures and Loan closing with the Department.

Subchapter B. ALLOCATION OF FUNDS

§53.20. Consolidated Plan

The Department will annually develop a Consolidated Plan One-Year Action Plan that will determine funding priorities and Set-Asides for the use of funds provided under the Act by HUD. Funds will be released only after approval of the One-Year Action Plan by HUD.

§53.21. Allocation of Funds

(a) The Department shall administer all federal housing funds provided to the state under the Act in accordance with the Final Rule and Chapter 2306 of the Texas Government Code by:

(1) adopting a goal to apply an aggregate minimum of 25% of the division's total housing funds toward housing assistance for individuals and families of extremely low and very low income, pursuant to §2306.111(b);

(2) expending 95% of these funds for the benefit of non-participating small cities and Rural Areas that do not qualify to receive funds under the Act directly from HUD;

(3) expending 5% of these funds for Persons with Disabilities who live in any area of the state as required by §2306.111(c).

(b) The funds under subsection (a)(2) of this section shall be allocated according to the regional allocation formula adopted as required by Chapter 2306.

(c) The funds will not be regionally allocated as required by subsection (b) of this section if the funds are reserved for contract for deed conversions or for Set-Asides mandated by state or federal law and each Contract for Deed Set-Aside equals not more than 10% of the total allocation of funds.

(d) The funds under subsection (a)(3) of this section are not subject to the regional allocation formula and may be used in any region of the state. Limitations on funds for a single region, if any, will be included within a NOFA. If limitations are not included in a NOFA, the maximum funds available are 5% of the annual allocation.

(e) The Department will make every effort to distribute funds throughout the state as outlined in the Department's Consolidated Plan One-Year Action Plan and in accordance with Chapter 2306.

(f) Redistribution. In an effort to commit HOME funds in a timely manner, the Department may reallocate funds to other areas identified in the Consolidated Plan, at its own discretion.

(g) Deobligated Funds. The Department shall use Deobligated Funds in accordance with §1.19 of this title. As required by Chapter 2306, the deobligated funds will be expended under the same allocation method called for under subsection (a)(2) of this section and are not subject to the regional allocation formula.

Subchapter C. PROGRAM ACTIVITIES

§53.30. Activities in Consolidated Plan

Through its Consolidated Plan, the Department has identified general guidelines for funding of a Program Activity. Applicants that meet the qualifications identified in this Chapter and under the terms of a NOFA may apply for any Program Activity the Department funds.

§53.31. Owner-Occupied Housing Assistance Program (OCC)

(a) Eligible activities are limited to the Rehabilitation or Reconstruction of existing owner-occupied housing. The Rehabilitation of an MHU is not an eligible activity.

(b) Eligible forms of homeownership are limited to fee simple title to the real property, a 99-year leasehold interest in the real property, a 50-year leasehold interest on trust, a 50-year leasehold on restricted Indian lands, or ownership or membership in cooperative or a mutual housing project that constitutes homeownership under Texas law.

(c) Eligible property types are limited to single family dwellings, condominium units and cooperative units in mutual housing projects. An MHU is not an eligible property type for Rehabilitation. HOME funds may be used to replace (Reconstruct) an owner-occupied housing unit with a new MHU or Modular Home if:

> (1) the unit complies with standards at 24 CFR §92.205 and with the Texas Manufactured Housing Standards Act~~, §19(1)~~;
>
> (2) the unit is permanently installed;
>
> (3) the unit is permanently attached to utilities; and
>
> (4) the ownership of the unit is recorded in the taxing authority of the county in which it is located.

(d) The Household must comply with the following initial eligibility requirements:

> (1) own and occupy the single family unit as its Principal Residence;
>
> (2) be an Income Eligible Household;
>
> (3) be located within the Administrator's Service Area; and
>
> (4) meet all other eligibility requirements.

(e) Real property taxes assessed on the housing unit must be current and/or the Household must be participating in an approved payment plan with the taxing authority.

(f) The property must not be encumbered with tax liens, child support liens, or mechanic or materialmen's liens.

(g) The maximum amount of assistance (including soft costs), unless otherwise specified in the NOFA, to an eligible Household is based on Household size:

(1) Rehabilitation that is Reconstruction for 1 ~~-~~to 4 person Household: $65~~60~~,000

(2) Rehabilitation that is Reconstruction for 5 ~~-~~to 6 person Household: $72~~67~~,500

(3) Rehabilitation that is Reconstruction for 7 or more person Household: $80~~75~~,000

(4) Rehabilitation that is not Reconstruction: $30,000

(h) The minimum amount of assistance to an eligible household is $1,000.

(i) The estimated value of the housing unit, after Rehabilitation or Reconstruction, must not exceed the HUD 203(b) Limits.

(j) The form of assistance to an eligible Household is based on AMFI except in the instances of an MHU being replaced with newly constructed housing (site-built) on the same site or any housing unit being replaced on an alternate site. In accordance with the Housing Assistance Rider ~~5~~ of the Department's Legislative Appropriation, the Department shall use the state average median family income in determining the form of assistance as prescribed in Figure: 10 TAC §53.31(j) for eligible Households living in those counties where the area median family income is lower than the state average median family income. For Rehabilitation (excluding Homebuyer Assistance and contract for deed conversion), the Loan amount is based upon the amount of assistance to be provided to the household. Once construction is complete, the loan balance will be determined by subtracting soft costs and/or costs of lead-based paint remediation. ~~from the 'as complete' final appraised value of the housing unit, the appraised value of the existing housing unit (initial appraisal) and 10% of the 'as complete' final appraised value. To ensure the correct equity credit is provided, t~~The Department will ~~reduce~~ adjust the Loan ~~amount~~ balance with a principal reduction in the amount necessary to arrive at the correct ~~loan~~ Loan balance, taking into account any change orders that resulted in a net decrease or increase in the amount of assistance. Any loan that has not closed at the time this Chapter is adopted will follow the provisions in this subsection.

Figure: 10 TAC 53.31(j)

AMFI	Rehabilitation or Reconstruction
≤30% AMFI	0% interest, 5-year deferred, forgivable Loan.
>30% and ≤50% AMFI	0% interest, 15- year deferred, forgivable Loan.

>50% and ≤60% AMFI	0% interest, 20-year deferred, forgivable Loan.
>60% and ≤80% AMFI	0% interest, 20-year term repayable Loan.

(k) When an MHU is being replaced with newly constructed housing (site-built) or any housing unit being replaced on an alternate site, the activity is considered acquisition and will trigger affordability requirements for homeownership as defined by 24 CFR §92.254. (Refer to §53. 32(l)~~14~~ of this C~~c~~hapter.)

(l) In the event that the housing unit ceases to be the Principal Residence of the Household, the Department has established that the federal recapture requirements as defined in 24 CFR §92.254 will be imposed.

(m) In the event that the housing unit ceases to be the Principal Residence of the Household, the forgiveness of the Loan, if applicable, will cease, unless the Property is transferred by devise, descent or operation of law upon the death of the homeowner that is a Household whose Annual Income does not exceed 30% of the AMFI. The Department shall use the state average median family income for eligible Households living in those counties where the area median family income is lower than the state average median family income, as defined in the Housing Assistance Rider ~~5~~ of the Department's Legislative Appropriation, to apply this subsection. Any Contract that is active at the time this Chapter is adopted will follow the provisions in this subsection.

(n) In the event that the housing unit is sold, the Department will recapture the shared net proceeds available based on the requirements of 24 CFR §92.254 and the housing unit must be sold for an amount not less than the current appraised value as then appraised by the appropriate governmental authority without prior written consent of the Department unless the balance on the Loan will be paid at closing.

(o) Housing units assisted with HOME funds must meet or exceed the TMCS ~~or CHS~~, as applicable, and all applicable codes and standards. In addition, housing that is Rehabilitated under this Chapter must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances in accordance with the Final Rule.

§53.32. Homebuyer Assistance Program (HBA)

(a) Eligible activities are limited to the acquisition or acquisition and Rehabilitation, Reconstruction, or New Construction of single family housing units.

(b) Eligible property types are limited to single family dwellings, condominium units and cooperative units in mutual housing projects. An MHU is not an eligible property type for Rehabilitation. HOME funds may be used to replace (Reconstruct) an ~~owner-occupied housing~~existing unit with a new MHU or Modular Home if:

(1) the unit complies with standards at 24 CFR §92.205 and with the Texas Manufactured Housing Standards Act~~, §19(1)~~;

(2) the unit is permanently installed;

(3) the unit is permanently attached to utilities; and

(4) the ownership of the unit is recorded in the taxing authority of the county in which it is located.

(c) The Household must comply with the following initial eligibility requirements:

(1) occupy the assisted single family unit as its Principal Residence;

(2) be an Income Eligible Household and for contract for deed conversion, the Households Annual Income must not exceed 60% AMFI;

(3) be located within the Administrator's Service Area; ~~and~~

(4) meet all other eligibility requirements;and

(5) complete a homebuyer counseling program/class.

(d) The Property must not be encumbered with tax liens, child support liens, or mechanic or materialmen's liens.

(e) The maximum amount of assistance (including soft costs), unless otherwise specified in the NOFA, to an eligible Household for downpayment and closing cost assistance is ~~the lesser of~~based on Household size and AMFI as follows:

(1) ~~$15,000 for~~ For Persons with Disabilities: $15,000~~; or~~

(2) For a 1 to 4 Person Household at 80% or less of the AMFI: $10,000~~.~~

(3) For a 5 or more Person Household at 80% or less of the AMFI purchasing a house with a minimum of 4 bedrooms: $15,000

(4) For a 1 to 4 Person Household at 60% or less of the AMFI: $15,000

(5) For a 5 or more Person Household at 60% or less of the AMFI purchasing a house with a minimum of 4 bedrooms: $20,000

(f) The maximum amount of assistance for Rehabilitation that is not Reconstruction to an eligible Person with ~~W~~Disabilities Household that is also using funds for acquisition is $20,000. Rehabilitation assistance must be utilized for accessibility modifications to the unit.

(g) The maximum amount of assistance to an eligible Household for acquisition and closing costs for a contract for deed conversion is $25,000. In the case of a contract for deed conversion housing unit that involves both the acquisition of a loan on an existing MHU and/or the loan for the associated land, the Executive Director may grant an exception to exceed this amount, however, the Executive Director will not grant an exception to exceed $40,000 of assistance.

(h) The maximum amount of assistance for Rehabilitation to an eligible Household for a contract for deed conversion is limited to the OCC Program Activity requirements in §53.31(g)~~13(g)~~ of this chapter.

(i) When an MHU is being replaced with newly constructed housing (site-built) or any housing unit being replaced on an alternate site, the maximum amount of assistance to an eligible Household is based on Household size:

(1) Rehabilitation that is Reconstruction for 1 to 4 person Household: $65~~60~~,000

(2) Rehabilitation that is Reconstruction for 5 to 6 person Household: $72~~67~~,500

(3) Rehabilitation that is Reconstruction for 7 or more person Household: $80~~75~~,000

(j) The minimum amount of assistance to an eligible Household is $1,000.

(k) The purchase price of the housing unit, plus the value of the Rehabilitation or Reconstruction if applicable, must not exceed 95% of the area's median purchase price as specified in the HUD 203(b) Limits.

(l) The total amount of assistance under this section and Program Activity, including Rehabilitation and activities involving contract for deed conversion, an MHU being replaced with newly constructed housing (site-built), and a housing unit being replaced on an alternate site, will be provided in the form of a zero percent (0%) deferred, forgivable Loan with a term based on the federal affordability requirements as defined in 24 CFR §92.254.

(m) The following first lien purchase loan requirements are imposed for households receiving Homebuyer Assistance:

(1) No adjustable rate mortgage loans (ARMs) are allowed;

(2) No mortgages with a loan to value equal to or greater than 100% are allowed;

(3) No Subprime Mortgage Loans are allowed;

(4) An origination fee and any other fees associated with the mortgage loan may not exceed 2% of the loan amount; and,

(5) The debt to income ratio (back-end ratio) may not exceed 45%.

(n) ~~(m)~~ Any forgiveness of the Loan occurs upon the anniversary date of the Household's continuous occupancy as its Principal Residence and continues on an annual pro-rata basis until maturity of the Loan.

(o) ~~(n)~~ In the event that the housing unit ceases to be the Principal Residence of the Household, the Department has established that the federal recapture requirements as defined in 24 CFR §92.254 will be imposed.

(p) ~~(o)~~ In the event that the housing unit ceases to be the Principal Residence of the Household, the forgiveness of the Loan, if applicable, will cease.

(q) ~~(p)~~ In the event that the housing unit is sold, the Department will recapture the shared net proceeds available based on the requirements of 24 CFR §92.254 and the housing unit must be sold for an amount not less than the current appraised value as then appraised by ~~but~~ the appropriate governmental authority ~~without prior written consent of the Department~~ unless the balance on the Loan will be paid at closing.

(r) ~~(q)~~ Housing units that will be rehabilitated ~~assisted~~ with HOME funds must meet or exceed the TMCS ~~or CHS~~, as applicable, and all applicable codes and standards. In addition, housing that is Rehabilitated under this Chapter must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances in accordance with the Final Rule. Housing units that are provided assistance for acquisition only, must meet all applicable state and local housing quality standards and code requirements. In the absence of such standards and requirements, the housing units must meet the Housing Quality Standards (HQS) in 24 CFR §982.401.

(s) ~~(r)~~ This Program Activity is a CHDO-eligible activity.

§53.33. Tenant-Based Rental Assistance Program (TBRA)

(a) TBRA is provided to eligible tenants for payment of rental subsidies and for a period of time that does not exceed 24 months per Household. Security deposits and utility deposits may be provided in conjunction with rental assistance.

(b) The Household must comply with the following initial eligibility requirements:

(1) participate in an approved self-sufficiency program;

(2) maintain Principal Residency in the rental unit for which the subsidy is being provided;

(3) be an Income Eligible Household;

(4) reside in a rental unit that is located within the Administrator's Service Area; and

(5) meet all other eligibility requirements.

(c) Assistance to an eligible Household is limited by:

(1) for rental subsidy, cannot exceed twenty-four (24) months per Household per Contract; and

(2) for security deposit, cannot exceed two (2) months rent for the unit.

(d) The rental standard must not exceed HUD's "Fair Market Rent for the Housing Choice Voucher Program."

(e) Rental units must be inspected prior to occupancy and must comply with Housing Quality Standards established by HUD.

§53.34. Rental Housing Development Program (RHD)

(a) Eligible activities include the acquisition and New Construction or Rehabilitation of multifamily housing Developments and as further defined in the NOFA. Owners of rental units assisted with HOME funds must comply with income and rent restrictions for the duration of the required affordability period as required and defined at 24 CFR §92.252. Housing assisted with HOME funds must meet all applicable codes and standards. In addition, housing that is Newly Constructed or Rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances in accordance with 24 CFR §92.251(a).

(b) This Program Activity is a CHDO-eligible activity.

§53.35. Single Family Housing Development Program

(a) Eligible activities include the acquisition and New Construction or Rehabilitation of single family housing and as further defined in the NOFA. Single family housing units assisted with HOME funds must comply with the required affordability requirements as defined at 24 CFR §92.254. In addition, housing that is Newly Constructed or Rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances in accordance with the 24 CFR §92.251(a). If eligible, an Applicant that applies for Single Family Housing Development may also apply for Homebuyer Assistance.

(b) This Program Activity is a CHDO-eligible activity.

§53.36. CHDO Pre-Development Loan Program

Applicants for pre-development loans will be required to have a summary description of a proposed Development and be able to show the necessary development experience to apply, as outlined in the NOFA and Application. Predevelopment loan funds may only be used for activities such as project-specific technical assistance, site control loans, and project-specific seed money. Pre-development Loans must be repaid from construction loan proceeds or other project income.

§53.37. Prohibited Activities

Department awards may not be used to:

(1) Provide project reserve accounts, except as provided in 24 CFR §92.206(d)(5), or operating subsidies;

(2) Provide tenant-based rental assistance for the special purposes of the existing Section 8 program, in accordance with §212(d) of the Act;

(3) Provide non-federal matching contributions required under any other Federal program;

(4) Provide assistance authorized under §9 of the 1937 Act (Public Housing Capital and Operating Funds);

(5) Provide assistance to eligible low-income housing under 24 CFR Part 248 (Prepayment of Low Income Housing Mortgages), except that assistance may be provided to priority purchasers as defined in 24 CFR §248.101;

(6) Provide assistance (other than tenant-based rental assistance or assistance to a homebuyer to acquire housing previously assisted with HOME funds) to a project previously assisted with HOME funds during the period of affordability established by the PJ in the written agreement under 24 CFR §92.504. However, additional HOME funds may be committed to a project up to one year after project completion (24 CFR §92.502), but the amount of HOME funds in the Project may not exceed the maximum per-unit subsidy amount established under 24 CFR §92.250;

(7) Pay for the acquisition of Property owned by the PJ, except for Property acquired by the PJ with HOME funds, or Property acquired in anticipation of carrying out a HOME project;

(8) Pay delinquent taxes, fees or charges on Properties to be assisted with HOME funds;

(9) Pay for any cost that is not eligible under 24 CFR §§92.206 - 92.209;

(10) Assist Persons who owe payments identified by the Comptroller of Texas as relevant;

(11) Assist Households whose Property has current tax liens and/or judgments to the State of Texas against it; or

(12) Provide Rehabilitation on a housing unit without prior written consent of all Persons who have a valid lien or ownership interest in the Property.

Subchapter D. APPLICATION REQUIREMENTS AND PROCEDURES

§53.40. Competitive and Open Cycles

All NOFAs will be presented to the Board. The Department will declare within a NOFA whether the application cycle will be a competitive or open cycle. Funds made available for disaster relief ~~will~~ may not be released in a NOFA but will be provided in accordance with the Department's Deobligated Funds Policy §1.19 of this title.

§53.41. Eligible Applicants

The following organizations or entities are eligible to apply for HOME eligible activities:

(1) nonprofit organizations;

(2) CHDOs;

(3) Units of General Local Government;

(4) for-profit entities and sole proprietors; and

(5) public housing agencies.

§53.42. Ineligible Applicants and Applications

The following violations will cause an Applicant and any Applications they have submitted to be ineligible:

(1) The Applicant, Development Owner, or Developer is an Administrator of a previously funded Contract for which Department ~~HOME~~ funds have been partially or fully deobligated due to failure to meet contractual obligations during the 12 months prior to application submission date, unless the deobligation was voluntary and prior to the contract term expiration date, or was the remainder on a completed Contract;

(2) The Applicant, Development Owner, or Developer has failed to submit a response to provide an explanation, evidence of corrective action or a payment of disallowed costs or fees as a result of a monitoring review;

(3) The Applicant, Development Owner, or Developer has failed to make timely payment or is delinquent on any loans or fee commitments made with the Department on the date of the Application submission;

(4) The Applicant, Development Owner, or Developer has been or is barred, suspended, or terminated from procurement in a state or federal program or listed in the List of Parties Excluded from Federal Procurement or Non-Procurement Programs or has otherwise been debarred by HUD or the Department;

(5) The Applicant, Development Owner, or Developer has violated the State's revolving door policy;

(6) The Applicant, Development Owner, or Developer has been convicted of a state or federal felony crime involving fraud, bribery, theft, misrepresentation of material fact, misappropriation of funds, or other similar criminal offenses within fifteen years preceding the Application deadline;

(7) The Applicant, Development Owner, or Developer at the time of Application submission is:

> (A) subject to an enforcement or disciplinary action under state or federal securities law or by the NASD;
>
> (B) subject to a federal tax lien;
>
> (C) or is the subject of an enforcement proceeding with any governmental entity;

(8) The Applicant, Development Owner, or Developer with any past due audits has not submitted those past due audits to the Department in a satisfactory format on or before the Application submission date in accordance with §1.3 of this title;

(9) The submitted Application has an entire volume of the Application missing; has excessive omissions of documentation from the threshold Criteria or uniform Application documentation; or is so unclear, disjointed, or incomplete that a thorough review cannot reasonably be performed by the Department, as determined by the Department. If an Application is determined ineligible pursuant to this section, the Application will be terminated without being processed as an Administrative Deficiency. To the extent that a review was able to be performed, specific reasons for the Department's determination of ineligibility will be included in the termination letter to the Applicant;

(10) The Applicant, Development Owner, or Developer or anyone that has Controlling ownership interest in the Development Owner or Developer that is active in the ownership or Control of one or more other rent restricted rental housing properties in the state of Texas administered by the Department is in Material Noncompliance with the LURA;

(11) The Application is a joint venture Application for the same Program Activity to serve the same town, city, or county that is identified in the Application already submitted as a sole Application for the same Program Activity in the same town, city or county;

(12) Applicant is requesting funding not related to Persons with Disabilities in a PJ; or

(13) Any Application that includes financial participation by a Person who, during the five-year period preceding the date of the bid or award, has been convicted of violating a federal law in connection with a contract awarded by the federal government for relief, recovery, or Reconstruction efforts as a result of Hurricanes Rita or Katrina or any other disaster occurring after September 25, 2005, or was assessed a federal civil or administrative penalty in relation to such a contract.

§53.43. Application Forms and Materials and Deadlines

(a) The Department will develop and publish on its website an Application and ASPM, that if completed, would satisfy the requirements for requesting funds from the Department. The Department may limit the eligibility of Applications in the NOFA and ASPM. Threshold and selection criteria and any other Application requirements will be specified in the NOFA approved by the Board.

(b) Applicants must submit an Application by the deadline date specified in the NOFA using the Application, ASPM and forms required by the Department. All Applications must be received during business hours (8:00 a.m. to 5:00 p.m. Central Standard Time) on any business day.

§53.44. General Applicant Eligibility Requirements

(a) An Applicant must satisfy each of the following requirements in order to be eligible to apply for HOME funding and as more fully described in the NOFA and Application, when applicable:

(1) provide evidence of its ability to carry out the program in the areas of financing, acquiring, rehabilitating, developing or managing affordable housing Developments;

(2) demonstrate fiscal, programmatic, and contractual compliance on previously awarded Department Contracts or Loans;

~~(3) submit any past due audit to the department in a satisfactory format on or before the application deadline, in accordance with §1.3 of this title;~~

(3~~4~~) demonstrate satisfactory performance otherwise required by Department rules and set out in the Application; and

(4~~5~~) comply with all requirements to utilize the Department's website to provide necessary data to the Department.~~;~~

~~(6) provide certification that no person or entity that would benefit from the award of HOME funds has provided a source of Match or has satisfied the Applicant's cash reserve obligation or made promises in connection therewith;~~

~~(7) provide certification that all contractors, consulting firms, Administrators, and Development Owners will sign an affidavit to attest that each request for payment of HOME funds is for the actual cost of providing a service and that the service does not violate any conflict of interest provisions; and~~

~~(8) if required or requested, provide reasonable Match.~~

(b) Noncompliance. Each Application will be reviewed for its compliance history by the Department, consistent with Chapter 60 of this title. Applications containing Persons found to be in Material Noncompliance, or otherwise violating the compliance rules of the Department, will be terminated.

(c) All entities receiving funds of $25,000 or more must be registered in the federal Central Contractor Registration (CCR) and have a current Data Universal Numbering System (DUNS) number.

§53.45. Rental Housing Development (Multifamily) Application Requirements

(a) Rental Housing Development site and development restrictions include all those items referred to in the Final Rule, and any additional items included in the NOFA for RHD.

(b) Developments involving New Construction will be limited to 252 Units. These maximum unit limitations also apply to those Developments which involve a combination of Rehabilitation and New Construction. Developments that consist solely of acquisition and Rehabilitation or Rehabilitation only may exceed the maximum unit restrictions. Developments in Rural Areas are limited to no more than 80 units. The minimum number of units shall be 4 units.

(c) For funds being used for RHD, the Development Owner must establish a reserve account consistent with Texas Government Code, §2306.186, and as further described in §1.37 of this title.

(d) Unless further restricted or amended by the NOFA, Applications must comply with all of the current Qualified Allocation Plan and Rules in effect at the time of application's submission at 10 TAC §50.9 (h), excluding subsections (4)(A), (4)(I), (11), (12) and (15).

§53.46. Multifamily Applicants also Seeking Housing Tax Credits

Applicants who are seeking housing tax credits and are also seeking funds under this Chapter for the same Development must meet the requirements under the Qualified Allocation Plan for the year in which they are applying for these funds and all of the requirements of this subchapter unless specifically waived by the Department.

§53.47. Application and Award Limitations

(a) The Department reserves the right to reduce the amount requested in an Application based on Program Activity or Project feasibility, underwriting analysis, or availability of funds.

(1) The Contract award amount, including administrative costs, ~~for OCC~~ shall not exceed the established amount ~~$375,000 per Applicant per~~ in the NOFA.

~~(2) The Contract award amount for HBA shall not exceed $300,000 per Applicant per NOFA, however, up to $500,000 may be awarded to HBA Applicants whose Service Area includes multiple counties within a Uniform State Service Region.~~

~~(3) The Contract award amount for TBRA shall not exceed $300,000 per Applicant per NOFA.~~

~~(4) The Contract award amount for contract for deed conversions shall not exceed $500,000 per NOFA, except as may be otherwise allowed by the Board or NOFA.~~

(2~~5~~) The Contract award amount for disaster relief shall not exceed $500,000 per state or federally declared disaster, or as may be otherwise allowed by the Board. Only one Application per affected Unit of General Local Government may be submitted for each declared disaster. Public Housing Authorities (PHAs) and Nonprofit organizations may only act as an Applicant, in lieu of the Unit of General Local Government, if they are so designated by the affected Unit of General Local Government. If the disaster is a federally declared disaster, the Applicant may not submit an application or be funded until 90 days have expired from the federal declaration date. Applications for disaster relief will only be accepted within six (6) months after the first day assistance under this program is made available.

(3~~6~~) The Contract Award amount for RHD or Single Family Development activities shall not exceed the established amount in the NOFA ~~$3 million~~. The Department reserves the right to set maximum loan to value limitations and minimum Match requirements on all Development activities.

(4~~7~~) The Contract award amount for CHDO Operating Expenses shall not exceed:

(A) the lesser of clauses (i) or (ii) of this subparagraph:

(i) fifty percent (50%) of the CHDO's total annual operating expenses in that fiscal year; or

(ii) five percent (5%) of the CHDO funds awarded for the Project from the CHDO Set-Aside; and

(B) $75,000 ~~50,000~~, whichever is greater.

(C) An Applicant shall not receive more than one award of CHDO operating funds during the same fiscal year of the Department regardless of the number of Applications submitted.

(5~~8~~) The Contract award amount for CHDO Predevelopment Loans may not exceed $50,000 per Application. Applicants may submit only one Application per NOFA to cover eligible costs.

~~(b) The Board may waive the amounts in this section by stating the increase in the applicable NOFA~~.

(b) An Applicant may submit an Application to apply for additional funding as long as the Applicant is 100% committed on their current contract for the same activity.

§53.48. Application Review Process

(a) Applications received by the Department in response to an Open Application Cycle NOFA will be handled in the following manner:

(1) The Department will accept Applications on an ongoing basis, during the Application Acceptance Period specified in the NOFA or until such date when the Department makes notice to the public that an Open Application Cycle has been closed, whichever is earlier; and

(2) Each Application will be handled on a first-come, first-served basis as further described in this section. Each Application will be assigned a Received Date based on the date and time it is physically received by the Division ~~Department~~. Then each Application will be reviewed on its own merits in three review phases, as applicable. Applications will continue to be prioritized for funding based on its Received Date unless it does not proceed into the next phase(s) of review. Applications proceeding in a timely fashion through a phase will take priority over Applications that may have an earlier Received Date but that did not timely complete a phase of review.

(A) Phase One will begin as of the Received Date and will include a review of eligibility and threshold criteria and all Application requirements. The Department will ensure review of materials required under the NOFA and ASPM and will issue a notice of any Administrative Deficiencies for threshold criteria and eligibility within 45 days of the Received Date. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into Phase Two, if applicable~~, and will continue to be prioritized by their Received Date~~. Applications with Administrative Deficiencies not cured within five (5) business days, will be terminated and must reapply for consideration of funds. Applications that have completed this Phase and do not require additional review in Phase Two or Three will be reviewed for recommendation to the Board by the Committee.

(B) Phase Two will include a comprehensive review for financial feasibility for RHD and Single Family Development Program Activities. Financial feasibility reviews will be conducted by the Real Estate Analysis (REA) Division consistent with §1.32 of this title. REA will create an underwriting report identifying staff's recommended Loan terms, the Loan or Grant amount and any conditions to be placed on the Development. The Department will issue a notice of any Administrative Deficiencies within 45 days of the date the Application enters Phase Two. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into Phase Three, if applicable~~, and will continue to be prioritized by their Received Date~~. Applications with Administrative Deficiencies not satisfied within five (5) business days, will be terminated and must reapply for consideration of funds. Applications that have completed this Phase and do not require additional review in Phase Three will be reviewed for recommendation to the Board by the Committee.

(C) Phase Three will only entail the review of the CHDO Certification Application. The Department will ensure review of these materials and issue notice of any Administrative Deficiencies on the CHDO Certification Application within 30 days of the Application enters Phase Three. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into the final review phase of the Application process~~ and will continue to be prioritized by their Received Date~~. Applications with Administrative Deficiencies not cured within five (5) business days, will be terminated and must reapply for consideration of funds. Only upon satisfaction of all Administrative Deficiencies will the Application be forwarded to the final phase of the Application process. Upon completion of the applicable final review phase, the Application will be reviewed for recommendation to the Board by the Committee.

(3) Because Applications are processed in the order they are received by the Department, it is possible that the Department will expend all available HOME funds before an Application has completed all phases of its review. In the case that all HOME funds are committed before an Application has completed all phases of the review process, the Department will notify the applicant that their application will remain active for ninety (90) days in its current phase. If new HOME funds become available, Applications will continue onward with their review without losing their Received Date priority. If HOME funds do not become available within ninety (90) days of the notification, the Applicant will be notified that their Application is no longer under consideration. The Applicant must reapply to be considered for future funding. If on the date an Application is received by the Department, no funds are available under this NOFA, the Applicant will be notified that no funds exist under the NOFA and the Application will not be processed.

(b) Applications received by the Department in response to a Competitive Application Cycle NOFA will be handled in the following manner:

(1) The Department will accept Applications on an ongoing basis during the Application Acceptance Period as specified in the NOFA;

(2) Applications submitted and accepted by the Department will be reviewed for eligibility, threshold and selection criteria and all Application requirements. The Department will ensure review of materials required under the NOFA and ASPM. A comprehensive review of financial feasibility for RHD and Single Family Development Program Activities will be conducted by the Real Estate Analysis (REA) Division consistent with §1.32 of this title. REA will create an underwriting report identifying staff's recommended Loan terms, the Loan or Grant amount and any conditions to be placed on the Development. If applicable, a review of the CHDO Certification Application will be performed. The Department will issue a notice of any Administrative Deficiencies for items reviewed within 45 days of the Received Date. If Administrative Deficiencies are not cured to the satisfaction of the Department within five (5) business days of the deficiency notice date, then five (5) points shall be deducted from the selection score for each additional day the Administrative Deficiency remains unresolved. If Administrative Deficiencies are not clarified or corrected within seven (7) business days from the deficiency notice date, then the Application shall be terminated; and

(3) Upon completion of review and no unresolved Administrative Deficiencies, the Application will be reviewed for recommendation to the Board by the Committee.

(c) Administrative Deficiencies. If an application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the Application, the Department staff may request clarification or correction of such Administrative Deficiencies including threshold and/or selection criteria documentation and/or financial feasibility analysis. The Department staff may request clarification or correction in a deficiency notice in the form of a facsimile and a telephone call to the Applicant advising that such a request has been transmitted. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. To cure an Administrative Deficiency, an Applicant must provide a clarification, further definition or exposition of an issue, an explanation as to why an Applicant has provided certain information, or resolution of a discrepancy where an Applicant has provided conflicting information. An Administration Deficiency may not be cured by substantially changing an Application or providing any new unrequested information. An Applicant may not change or supplement any part of an Application in any manner after submission to the Department, and may not add any Set-asides, increase their award amount, or revise their unit mix (both income levels and bedroom mixes), except in response to a direct request from the Real Estate Analysis Division to remedy an Administrative Deficiency as further described in this title or by amendment of an Application after a commitment or allocation of HOME funds.

(d) Decline to Fund. The Department may decline to fund any Application if the proposed activities do not, in the Department's sole determination, represent a prudent use of the Department's funds. The Department is not obligated to proceed with any action pertaining to any Applications which are received, and may decide it is in the Department's best interest to refrain from pursuing any selection process. The Department reserves the right to negotiate individual elements of any Application.

§53.49. Selection Criteria for Program Activities

Selection criteria for any Program Activities will be described in the applicable NOFA and ASPM. The Applicant's self-score must be completed in the Application. An Applicant may not adjust the self-score without a request from the Department as a result of an Administrative Deficiency.

Subchapter E. COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO)

§53.50. Application Procedures for Certification of CHDO

(a) An Applicant requesting certification as a CHDO must submit an application for CHDO certification in a form prescribed by the Department. The CHDO Application must be submitted with an Application for HOME funding under the CHDO Set-Aside. The Application must include documentation evidencing the requirements of this subsection:

(1) The Applicant must be organized as a private nonprofit organization under the Texas Nonprofit Corporation Act or other state not-for-profit/nonprofit statute as evidenced by:

(A) charter; or

(B) Articles of Incorporation.

(2) The Applicant must be registered with the Secretary of State to do business in the State of Texas.

(3) No part of the private nonprofit organization's net earnings inure to the benefit of any member, founder, contributor, or individual, as evidenced by:

(A) charter; or

(B) Articles of Incorporation.

(4) The Applicant must have the following tax status:

(A) A current tax exemption ruling from the Internal Revenue Service (IRS) under §501(c)(3), a charitable, nonprofit corporation, or §501(c)(4), a community or civic organization, of the Internal Revenue Code of 1986, as evidenced by a certificate from the IRS that is dated 1986 or later. The exemption ruling must be effective on the date of the Application and must continue to be effective while certified as a CHDO; or

(B) Classification as a subordinate of a central organization non-profit under the Internal Revenue Code, as evidenced by a current group exemption letter, that is dated 1986 or later, from the IRS that includes the Applicant. The group exemption letter must specifically list the Applicant; and a private nonprofit organization's pending application for §501(c)(3) or §(c)(4) status cannot be used to comply with the tax status requirement under this subparagraph.

(5) The Applicant must have among its purposes the provision of decent housing that is affordable to low and moderate income people as evidenced by a statement in the organization's:

(A) Articles of Incorporation,

(B) Charter;

(C) Resolutions; or

(D) Bylaws; and

(E) A Business Plan for the CHDO, as prescribed in the CHDO Application.

(6) The Applicant must have a clearly defined CHDO Service Area. The Applicant may include as its service area an entire Community, but not the whole state. The Applicant must provide evidence of its participation in the Community for each city/place or county listed in the Service Area. Private nonprofit organizations serving special populations must also define the geographic boundaries of its Service Areas and provide evidence of its participation in the Community for each city/place or county listed in the Service Area. This subparagraph does not require a private nonprofit organization to represent only a single neighborhood.

(7) An Applicant must have the following capacity and experience:

(A) Conforms to the financial accountability standards of 24 CFR §84.21, "Standards of Financial Management Systems" as evidenced by:

(i) a notarized statement by the Executive Director or chief financial officer of the organization in a form prescribed by the Department;

(ii) a certification from a Certified Public Accountant; or

(iii) a HUD approved audit summary; and

(iv) a written narrative describing internal controls used to create financial duties and safe guard corporate assets; and

(v) a written narrative describing the conflict of interest policy governing employees and development activities and procurement; and

(vi) a written narrative describing the current corporation's financial structure can support housing development activities; and

(vii)a written narrative describing the organization's ability to manage additional rental development activities, if applicable.

(B) Demonstrated capacity for carrying out activities assisted with HOME funds, as evidenced by:

(i) documentation that describes the experience of key staff members who have successfully completed projects similar to those to be assisted with HOME funds; or

(ii) contract(s) with consultant firms or individuals who have housing experience similar to projects to be assisted with HOME funds, to train appropriate key staff of the organization.

(C) Has a history of serving the low income residents of the Community within the city/place or county which housing to be assisted with HOME funds is to be located as evidenced by:

(i) documentation of at least one year of experience in serving that Community; or

(ii) for newly created organizations formed by local churches, service or community organizations, a statement that documents that its parent organization has at least one year of experience in serving the Community in which the housing to be assisted with HOME funds is to be located; and

(iii) The CHDO or its parent organization must be able to document one year of serving the Community in which housing to be assisted with HOME funds is to be located prior to the date the PJ provides HOME funds to the organization. In the submission, the organization must document and describe its history (or its parent organization's history) of serving the community in which the housing to be assisted with HOME funds is to be located by describing and documenting CHDO eligible activities which it provided (or its parent organization provided), such as, developing new housing, rehabilitating existing stock and managing housing stock, or delivering non-housing services that have had lasting benefits for the Community, such as counseling, food relief, or childcare facilities. The statement in the submission package must be signed by the president or other official of the organization.

(8) An Applicant must have the following organizational structure. The Applicant must maintain at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations in the Applicant's service area. Low-income neighborhoods are defined as neighborhoods where 51 % or more of the residents are low-income. Residents of low-income neighborhoods do not have to be low income individuals themselves. If a low-income individual does not live in a low-income neighborhood as herein defined, the low-income individual must certify that he qualifies as a low-income individual. This certification is in addition to the affidavit required in subparagraph (B) of this paragraph. For the purpose of this paragraph, elected representatives of low-income

neighborhood organizations include block groups, town watch organizations, civic associations, neighborhood church groups, Neighbor Works organizations and any organization composed primarily of residents of a low-income neighborhood as herein defined whose primary purpose is to serve the interest of the neighborhood residents. Compliance with this paragraph shall be evidenced by:

(A) a written provision or statement in the organizations Bylaws, Charter or Articles of Incorporation;

(B) an affidavit in a form prescribed by the Department signed by the organization's Executive Director and notarized; and

(C) a current roster of all Board of Directors, including names and mailing addresses. The required one-third low-income residents or elected representatives must be marked on list as such.

(9) The Applicant must provide a formal process for low-income, program beneficiaries to advise the organization in all of its decisions regarding the design, siting, development, and management of affordable housing projects. The formal process should include a system for community involvement in parts of the private nonprofit organization's service areas where housing will be developed, but which are not represented on its boards. Input from the low-income community is not met solely by having low-income representation on the board. The formal process must be in writing and approved or adopted by the private nonprofit organization, as evidenced by:

(A) an organization's Bylaws; or

(B) a written statement of operating procedures approved by the governing body. Statement must be original letterhead, signed by the Executive Director and evidence date of board approval; and

(C) a~~A~~ Resolution as prescribed by the Department and evidence date of board approval.

(10) A local or state government and/or public agency cannot qualify as a CHDO, but may sponsor the creation of a CHDO. A private nonprofit organization may be chartered by a State or local government, but the following restrictions apply:

(A) The state or local government may not appoint more than one-third of the membership of the organization's governing body;

(B) The board members appointed by the state or local government may not, in turn, appoint the remaining two-thirds of the board members;

(C) No more than one-third of the governing board members may be public officials. Public officials include elected officials, appointed public officials, employees of the participating jurisdiction, or employees of the sponsoring state or local government, and individuals appointed by a public official. Elected officials include, but are not limited to, state legislators or any other statewide elected officials. Appointed public officials include, but are not limited to, members of any regulatory and/or advisory boards or commissions that are appointed by a State official;

(D) Public officials who themselves are low-income residents or representatives do not count toward the one-third minimum requirement of community representatives in subparagraph (A) of this paragraph; and

(E) Compliance with subparagraphs (A) - (E) of this paragraph shall be evidenced by the Applicant’s:

(i) ~~organization's~~ Bylaws with evidence date of board approval;

(ii) Charter; or

(iii) Articles of Incorporation.

(11) If the Applicant is sponsored or created by a for-profit entity, the for-profit entity may not appoint more than one-third of the membership of the Applicant's governing body, and the board members appointed by the for-profit entity may not, in turn, appoint the remaining two-thirds of the board members, as evidenced by the Applicant's:

(A) Bylaws with evidence date of board approval;

(B) Charter; or

(C) Articles of Incorporation.

(D) An Applicant may be sponsored or created by a for-profit entity provided the for-profit entity's primary purpose does not include the development or management of housing, as evidenced in the for-profit organization's Bylaws. If an Applicant is associated or has a relationship with a for-profit entity or entities, the Applicant must prove it is not controlled, nor receives directions from individuals, or entities seeking profit as evidenced by:

(i) the Applicant’s ~~organization's~~ Bylaws with evidence date of board approval; or

(ii) a Memorandum of Understanding (MOU);

(12) CHDOs that are in partnership agreements associated with the Development must maintain effective Control and decision making control over the Development. All legally binding ownership and/or partnership agreements must clearly state the CHDO's role in the Development, as evidenced by the Applicant’s:

(A) partnership agreement; and/or

(B) ownership agreement; and/or

(C) developer agreement ; and/or

(D) sponsorship agreement.

(13) Religious or Faith-based Organizations may sponsor a CHDO if the CHDO meets all the requirements of this section. While the governing board of a CHDO sponsored by a religious or a faith-based organization remains subject to all other requirements in this section, the faith-based organization may retain control over appointments to the board. If a CHDO is sponsored by a religious organization, the following restrictions also apply:

(A) Housing developed must be made available exclusively for the residential use of program beneficiaries and must be made available to all persons regardless of religious affiliations or beliefs;

(B) A religious organization that participates in the HOME program may not use HOME funds to support any inherently religious activities: such as worship, religious instruction, or proselytizing;

(C) HOME funds may not be used for the acquisition, construction, or rehabilitation of structures to the extent that those structures are used for inherently religious activities. Sanctuaries, chapels, or other rooms which a faith-based CHDO uses as its principal place of worship are always ineligible for HOME-funded improvements;

(D) Compliance with subparagraphs (A) - (C) of this paragraph may be evidenced by the Applicant's:

(i) ~~Organization's~~ Bylaws;

(ii) Charter; or

(iii) Articles of Incorporation.

(b) An Application for CHDO Certification will only be accepted if submitted with an Application to the Department for HOME funds. If all requirements under this section are met, the Applicant will be certified as a CHDO upon the award of HOME funds by the Department. A new Application for CHDO certification must be submitted to the Department with each new Application for HOME funds under the CHDO Set-Aside.

(c) Community Housing Development Organizations (CHDO) that have received an award of HOME funds must submit recertification documentation every two years. The recertification documentation is due to the Department biannually on the last day of the anniversary month in which the Board approved the CHDO Set-Aside award. The recertification documentation must include, but is not limited to:

(1) A narrative describing the housing production objectives accomplished over the last 2-year period.

(2) A description of any ongoing/future initiatives.

(3) A statement of objectives for the CHDO over the next two years.

(4) A timeline and budget describing the completion of any development activities undertaken by the CHDO within the last two years.

(5) An organizational chart listing current personnel and a brief description of each individual's position, primary responsibilities and authority in the organization.

(6) A written statement indicating how the current organization's financial structure can support housing development activities in the future.

(7) A written statement describing how the CHDO will continue to leverage other resources in the future.

(8) A written statement describing ways in which the Department can assist your organization through technical assistance, capacity building, and/or training.

Subchapter F. AWARDS AND CONTRACTS

§53.70. Process for Awards

(a) All recommendations for awards will be presented to the Committee before presentation to the Board. All Applications must comply with all applicable program requirements or regulations established in 24 CFR Part 92 and in this C~~c~~hapter.

(b) Applicants applying in response to an Open Application Cycle will be prioritized for recommendation to the Board based on the process described in §53.48 of this C~~c~~hapter and as otherwise specified in the NOFA.

(c) Applicants applying in response to a Competitive Application Cycle will be ranked by highest score per Program Activity, per Uniform State Service Region and Area Type, unless otherwise specified in the NOFA.

> (1) If sufficient qualified Applications are not received for a Program Activity in a Uniform State Service Region and Area Type, the funds will be redirected to the next Uniform State Service Region that had a higher number of qualified Applicants for that same Program Activity type, unless otherwise specified in the NOFA.
>
> (2) If sufficient Applications are not received in a Uniform State Service Region and Area Type for a Program Activity, the funds will be redirected to the Uniform State Service Region and Area Type with the highest number of qualified Applicants for another Program Activity type, unless otherwise specified in the NOFA.

(d) In the event of a tie between two or more Applicants, the Department reserves the right to determine which Application will receive a recommendation for funding, or as otherwise specified in the NOFA. Tied Applicants may also receive a partial recommendation for funding.

(e) When the remainder of the allocation for an allocation within a Uniform State Service Region is insufficient to completely fund the next ranked Application in the Program Activity or Uniform State Service Region, it is within the discretion of the Department to:

> (1) award a partial amount to the next ranked Application, reducing the scope of the Application proportionally;
>
> (2) make necessary adjustments to fully fund the Application; or
>
> (3) transfer the remaining funds to other Program Activities or Uniform State Service Regions.

(f) Applications may also receive a partial recommendation for funding. A minimum award amount may be established to ensure feasibility.

(g) Applications receiving a favorable EARAC recommendation are presented to the Board for approval, pending the availability of HOME funds.

(h) Applicants may appeal ~~on the~~staff's decision regarding their Applications in accordance with §1.7 of this title.

(i) Board approval of the award of any HOME funds, acquisition or construction activities will be conditional upon a completed Loan closing and any other conditions deemed necessary by the Department.

§53.71. Contract Required after Award

Any Program Activity funded under this program will be governed by a written Contract that identifies the terms and conditions related to the awarded funds. The Contract will not be effective until executed by all parties to the Contract. Any amendments must be in writing and are subject to the requirements of this Chapter.

§53.72. Pre-Award Costs

Before the effective date of the HOME Contract, the Contract Administrator may incur and be reimbursed for travel costs, as provided for with Administrative funds, related to mandatory implementation training required by the Department as a condition of receiving a HOME award and Contract.

§53.7~~2~~3. Contract Terms

(a) Unless otherwise changed by agreement of the parties in a Contract or the applicable NOFA, the terms found in Contract shall be consistent with the following and performance under the Contract will be evaluated with the following benchmarks:

(1) OCC Program Activity. The Contract term will not exceed 24 ~~22~~ months. Performance under the Contract term will be based on the following benchmarks from the Contract begin date:

(A) 6 months, exempt administrative and broad review environmental clearance must be complete, and if not tiering, the first Household to be assisted must be environmentally cleared;

(B) 8 months, Authority to Use Grant Funds must be fully executed and all Households to be assisted must be environmentally cleared;

(C) 12 months, 100% of funds must be committed to Households to be assisted;

(D) 18~~15~~ months, 100% of Household's Loans must be closed, if applicable;

(E) 22~~20~~ months, 100% of construction must be complete for all Households to be assisted; and

(F) 24~~22~~ months, 100% funds drawn and 100% of match requirement supplied.

(2) HBA Program Activity. The Contract term will not exceed 24 months. Performance under the Contract term will be based on the following benchmarks from the Contract begin date:

(A) 6 months, exempt administrative and environmental clearance must be complete for at least one Household to be assisted;

(B) 12 months, environmental clearance must be complete for at least 50% of the Households to be assisted, 50% of funds must be committed, 25% of funds drawn, and 25% of match supplied;

(C) 18 months, environmental clearance must be complete for at least 75% of the Households to be assisted, 75% of funds must be committed, 50% of funds drawn, and 50% of match requirement supplied; and

(D) 24 months, 100% of funds must be committed, 100% of funds drawn, and 100% of matched supplied.

(3) TBRA Program Activity. The Contract term will not exceed 36 months. Performance under the Contract term will be based on the following benchmarks from the Contract begin date:

(A) 6 months, exempt administrative environmental clearance must be complete and application intake complete for 30% for Households to be assisted;

(B) 9 months, application intake complete for 75% for Households to be assisted;

(C) 12 months, 100% of funds must be committed to Households to be assisted and 25% of funds drawn;

(D) 18 months, 100% of funds already committed and 35% of funds drawn;

(E) 24 months, 100% of funds already committed and 50% of funds drawn; and

(F) 36 months, 100% of funds already committed and 100% of funds drawn.

(4) Rental Housing Development and Single Family Housing Development Program Activity. The Contract term will not exceed 36 months based on the size of the development and length of the Development period. Performance under the Contract term will be based on benchmarks established in the Contract and specific to the Development. Repayment of

Loans or affordability periods will extend beyond the Contract end date depending on the Final Rule and Chapter 2306 requirements.

(5) CHDO Pre-Development Loans. The initial contract term will not exceed 24 months. Repayment is expected from development funds if development is begun prior to 24 months.

(b) Revised benchmarks and/or lower percentages, due to extenuating or unforeseeable circumstances, may be allowed and as approved by the Department.

§53.74~~3~~. Contract Amendments

(a) Amendment requests to be approved by the Executive Director of the Department are allowable under the following circumstances:

(1) Time extensions. The Executive Director may collectively provide up to one six-month extension to the end date of any Contract. Any additional time extension granted by the Executive Director shall include a statement by the Executive Director relating to unusual, ~~and~~ non foreseeable, or extenuating circumstances that warrant more than a six-month extension. If the extension is longer than six months and the Executive Director determines that a statement related to unusual, ~~or~~ non-foreseeable, or extenuating circumstances cannot be issued, it will be presented to the Board for approval, approval with modifications, or denial of the requested extension; ~~and~~

(2) Changes in Match. The Executive Director may grant approval of a modification or amendment to the dollar amount of the ~~m~~Match requirement, if such amendment that does not decrease the dollar amount by more than 25% of the original amount committed. In the cases where the reduction in Match is greater than 25% or significantly decreases the benefits to be received by the Department, in the estimation of the Executive Director, will be presented to the Board for approval;

(3) Changes in Area Median Family Income (AMFI) levels. The Executive Director may grant approval of a modification or amendment to the AMFI levels of the households to be served under said contract, if Contract Administrator provides a statement relating to unusual, non-foreseeable, or extenuating circumstances that warrant such a request to be granted and the Executive Director determines that such request does not violate Department rules. In the case that the Executive Director determines that such request is not warranted and/ or violates Department rules, the request will be presented to the Board for approval;

(4) Changes to Services Areas. The Executive Director may grant approval of the modification or amendment to the Service Area being served under said contract, if Contract Administrator provides a statement relating to unusual, non-foreseeable, or extenuating circumstances that warrant such a request to be granted and the Executive Director determines that does not violate Department rules. In the case that the Executive

Director determines that such request is not warranted and/or violates Department rules, the request will be presented to the Board for approval;

(5) Changes in number of Households to serve. The Executive Director may grant approval of the modification or amendment to the reduction in the number of the Households to be served under said contract, if Contract Administrator provides a statement relating to unusual, non-foreseeable, or extenuating circumstances that warrant such request to be granted and the Executive Director determines that such request does not violate Department rules. In the case the Executive Director determines that such request is not warranted and/or violates Department rules, the request will be presented to the Board for approval; and

(~~2~~6) Increase in funds. In the case of a modification or amendment to the dollar amount of the Contract, such modification or amendment does not increase the dollar amount by more than 25% of the original Contract or $50,000, whichever is greater. Modifications and/or amendments that increase the dollar amount by more than 25% of the original Contract or $50,000, whichever is greater; or significantly decrease the benefits to be received by the Department, in the estimation of the Executive Director, will be presented to the Board for approval.

(b) If the Administrator or Development Owner fails to meet a benchmark requirement and does not seek, or is not granted, an extension of a benchmark, the awarded funds related to the lack of performance may be entirely or partially deobligated at the Department's sole discretion.

(c) Waiver. The Board, in its discretion and within the limits of federal and state law, may waive any one or more of the requirements of this Chapter if the Board finds that waiver is appropriate to fulfill the purposes or policies of Chapter 2306, Texas Government Code, or for good cause, as determined by the Board.

(d) Accounting Requirements. Within 60 days after the Contract end date, the Administrator or Development Owner shall provide a full accounting of funds expended under the terms of the Contract. Failure of an Administrator or Development Owner to provide full accounting of funds expended under the terms of a Contract shall be sufficient reason for the Department to deny any future Contract to the Administrator or Development Owner.

(e) Individual benchmarks. Each benchmark is an individual term and subject to the amendment processes. An interim benchmark extension may or may not extend the entire Contract at the Department's discretion.

Subchapter G. LOANS AND CONTRACT ADMINISTRATION

§53.80. Documents Supporting Mortgage Loans

(a) Administrators and Development Owners must not proceed or allow a contractor to proceed with construction, including demolition, on any Activity, Project or Development without first completing the required environmental clearance procedures and Loan closing with the Department.

(b) A mortgage Loan shall be evidenced by a mortgage or deed of trust note or bond and by a mortgage that creates a lien on the housing development and on all real property that constitutes the site of or that relates to the housing development.

(c) A note or bond and a mortgage or deed of trust:

(1) must contain provisions satisfactory to the Department;

(2) must be in a form satisfactory to the department; and

(3) may contain exculpatory provisions relieving the borrower or its principal from personal liability if the department agrees.

(d) For each Loan made for the Development of multifamily housing with funds provided to the state under the Cranston-Gonzalez National Affordable Housing Act (42 USC §§12701, et seq.), the D~~d~~epartment shall obtain a mortgagee's title policy in the amount of the loan. The Department may not designate a specific title insurance company to provide the mortgagee title policy or require the borrower to provide the policy from a specific title insurance company. The borrower shall select the title insurance company to close the loan and to provide the mortgagee title policy. ~~Award amount for disaster relief shall not exceed $500,000 per State declared disaster, or as may be otherwise allowed by the Board. Only one application per affected Unit of General Local Government may be submitted for each designated disaster. Public Housing Authorities (PHAs) and Nonprofit organizations may only act as an Applicant, in lieu of the Unit of General Local Government, if they are so designated by the affected Unit of General Local Government.~~

(e) Documentation required for OCC and HBA with Rehabilitation Loans: The Administrator must ensure the following documents are submitted to the Department in order to request Loan documents be prepared for the Household:

~~(1) An as-is appraisal no older than ninety (90) days. The Department will accept an as-built appraisal as the final appraisal if no change orders or modifications occur. If change orders or modifications occur, the Administrator must submit a certification from an appraiser that addresses a potential increase or decrease to the final value of the property;~~

(1) ~~(2)~~ A title report ~~commitment~~ no older than ninety (90) days that evidences Homeownership and no tax lien, no child support lien, no mechanic's lien ~~or~~ and no materialmen's lien;

(2) ~~(3)~~ Tax certificate no older than ninety (90) days that evidences a current paid status, and in the case of delinquency, evidence of an approved payment plan with the taxing authority and evidence that the payment plan is current;

(3) ~~(4)~~ Life event documentation, as applicable;

(4) ~~(5)~~ A copy of the original contract for deed, for contract for deed conversion Loan; and

(5) ~~(6)~~ A current payoff statement, for contract for deed conversion Loan.

(f) Trailing documentation requirements for ~~HBA~~ Loans ~~for downpayment and closing cost assistance~~. Within ninety (90) days after the Loan closing date, the Administrator or Development Owner must submit to the Department the original recorded deed of trust and transfer of lien, if applicable. Failure to submit these documents within ninety (90) days after the Loan closing date will result in the Department withholding payment for disbursement requests.

§53.81. General Contract Administration

All Administrators and Development Owners must use the forms provided on the Department's website and comply with the Department's procedural and documentation requirements as outlined in the HOME Program Manual and in this section including~~, but not limited to~~:

(1) Contract must be signed and executed by all appropriate authorized parties;

(2) Attend training as required by the Department;

(3) Develop and comply with written procurement selection criteria and committees;

(4) Procure consultants, if applicable. Consultants may not participate in or direct any part of the process for procuring consultants;

(5) Complete all applicable Department Contract System access request forms and requirements;

(6) Perform environmental clearance procedures before committing or expending funds to a Project or Activity, performing any construction activities, including demolition, or the occurrence of the Loan closing, if applicable;

(7) Develop and comply with written accounting, reporting, filing, and documentation procedures;

(8) Develop and comply with written applicant intake and selection criteria for and ensure program eligibility which must include, but is not limited to:

(A) Homeownership, if applicable;

(B) Income eligibility;

(C) Assisted Households must be located within the Administrator's Service Area, as defined by the Contract;

(D) Property taxes are current, if applicable; and

(E) Assist Special Needs Households, if applicable.

(9) Develop and comply with affirmative marketing procedures in accordance with the Final Rule;

(10) Complete applicant intake and applicant selection. Notify each applicant Household in writing of either acceptance or denial of HOME assistance within sixty (60) days following receipt of the intake application;

(11) To ensure compliance with the Texas Comptroller of Public Accountants requirements, Contract Administrators are required to ensure the applicant Household does not owe a debt to the State of Texas including tax liens, child support liens, or student loan delinquencies.

(12) ~~(11)~~ Ensure that no Conflict of Interest exists between Households to be assisted and Persons designated to receive or assist with the application intake process;

(13) ~~(12)~~ Document and verify all income and asset eligibility requirements for the Household to be assisted;

(14) ~~(13)~~ Ensure compliance with applicable audit certification requirements;

(15) ~~(14)~~ Ensure that the demolition and removal of all dilapidated units on the lot occurs prior to the Household's occupancy of the Newly Constructed or Rehabilitated housing unit;

(16) ~~(15)~~ Ensure and verify that each building construction contractor performing activities in the amount of $10,000 or more under the Contract is registered and maintains good standing with the Texas Residential Construction Commission in accordance with 16 TAC, Subtitle C, §16.001;

(17) ~~(16)~~ Ensure and verify that each housing unit being rehabilitated in the amount of $10,000 or more under the Contract is registered with the Texas Residential Construction Commission in accordance with 16 TAC, Subtitle C, §426.003;

(18) ~~(17)~~ Provide building construction contractor oversight and ensure builder's risk coverage is provided;

(19) ~~(18)~~ Ensure that the demolition of any housing unit does not occur less than 6 (six) months prior to the Contract end date;

(20) ~~(19)~~ Ensure compliance with applicable construction or property standards and lead-based paint requirements;

(21) ~~(20)~~ Conduct appropriate property inspections and documentation in accordance with applicable program requirements;

(22) ~~(21)~~ Submit required documentation and electronic requests for Project setups and disbursement requests to the Department;

(23) ~~(22)~~ Submit support documentation for Project setups and disbursement requests within thirty (30) days of electronic submission to the Department;

(24) ~~(23)~~ Submit all Project setups and support documentation for Households to be assisted no later than ninety (90) days prior to the Contract end date. In the event that a loan closing is required for single family Rehabilitation or Reconstruction, non-development activities, all Project setups and support documentation must be submitted no later than one hundred eighty (180) days prior to the Contract end date;

(25) ~~§53.44(a)(6)~~ P~~p~~rovide certification that no person or entity that would benefit from the award of HOME funds has provided a source of Match or has satisfied the Applicant's cash reserve obligation or made promises in connection therewith;

(26) ~~§53.44(a)(7)~~ P~~p~~rovide certification that all contractors, consulting firms, Administrators, and Development Owners will sign an affidavit to attest that each request for payment of HOME funds is for the actual cost of providing a service and that the service does not violate any conflict of interest provisions; and

(27) ~~§53.44(a)(8)~~ I~~i~~f required or requested, provide reasonable Match and submit required documentation to the Department;

~~(24) Submit required Match documentation to the Department;~~

(28) ~~(25)~~ Not retain Program Income of any kind, including Program Income to fund other eligible HOME Activities;

(29) ~~(26)~~ Submit any Program Income received to the Department within ten (10) days of receipt;

(30) ~~(27)~~ Return any refunds to the Department's accounting division and include a written explanation of the return of funds, the Contract number, name of Administrator or Development Owner, Activity address and Activity number referenced on the check;

(31)~~(28)~~ Submit required documentation for Project completion reports and certificate of Contract Completion no later than sixty (60) days from the Contract end date; and

(32) ~~(29)~~ Complete the terms of the Contract.

§53.82. Conflict of Interest

The Conflict of Interest provisions in 24 CFR §92.356 apply to any Person who is an employee, agent, consultant, officer, or elected official or appointed official of the Department, Administrator or Development Owner. All Administrators and Development Owners must comply with procedures to submit a request to the Department to grant an exception to any conflicts prohibited by 24 CFR §92.356. The request submitted to the Department must include a disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made. No HOME funds can be used to assist a Household until HUD has granted an exception to the Conflict of Interest provisions.

§53.83. Procurement

(a) All Administrators acting in the capacity of State Recipients must comply with procurement requirements and regulations established under 24 CFR Part 84 pertaining to the HOME Program, 24 CFR Part 92, Chapter 2254, Texas Government Code, and the HOME Program Manual, as well as any other applicable state and/or local procurement requirements.

(b) Administrators acting in the capacity of Subrecipients must comply with procurement requirements and regulations established under 24 CFR Part 85 pertaining to the HOME Program, as well as any other applicable state and/or local procurement requirements.

(c) Procurement procedures and the selection process must be integrated into the Administrator's HOME program and must comply with federal, state, and local procurement requirements. The Administrator must have a written code of conduct governing employees, officers, or agents engaged in administering a HOME Contract and appoint a Procurement Officer to manage the bid process.

(d) Procedures established for procurement of building construction contractors may not include requirements for the provision of general liability insurance coverage for an amount to exceed the value of the contract.

(e) HOME funds may not be used to directly or indirectly employ, award contracts to, or otherwise engage the services of any service provider or vendor during any period for which the service provider or vendor has been debarred, suspended, or designated as ineligible on the federal Excluded Parties Listing System.

(f) Building construction contractors must be procured using a formal sealed bid procedure for single family New Construction or Rehabilitation Activities or Projects.

(g) Professional service providers must be procured using an open competitive procedure for single family New Construction or Rehabilitation Activities or Projects. Professional services may not be procured based solely on the lowest priced bid. Consultants may not participate in or direct the process of procurement for consultants.

(h) Goods and services other than professional services and building construction contractors, for an amount less than $100,000 may be procured using documented price quotation procedures.

§53.84. Project Setups and Disbursement Requests

All Administrators and Development Owners must comply with procedures and timeframes established by this Chapter and the HOME Program Manual to submit requests for Project setup and disbursement requests and support documentation required by the Department. The Department reserves the right to request additional documentation or clarification from the Administrator or Development Owners. Requests must be made electronically and submitted in accordance with applicable benchmarks to the Department using the online TDHCA Contract System database as defined in the "TDHCA Contract System Users Guide".

§53.85. Administrative and Soft Costs Limitations

(a) The Department has established cost guidelines and limitations for administrative and soft costs related to the OCC, TBRA, and HBA Program Activities.

(1) Administrator must use funds for Administrative Costs in accordance with 24 CFR §92.207. For the OCC and HBA Program Activities, funds for Administrative Costs cannot exceed 4% of the Contract award for project costs for the entire Contract term. For the TBRA Program Activity, funds for Administrative Costs cannot exceed 4% of the Contract award for project funds per year of the Contract term.

(2) With the exception of Administrative Costs and Plans and specification manual per Contract, these costs are maximums per Activity or Project and may not be exceeded without approval by the Department. Upon prior approval of the Department, exceptions may be allowed in the case of Rehabilitation activities for lead-based paint hazard reduction and/or relocation and cost categories and limitations not identified in the proposed rule.

(3~~2~~) Contract Administrators must certify that the amount being disbursed is for the actual amount of costs.

(4~~3~~) Costs that may be categorized as either a project cost or an administrative cost are identified below. No duplicate disbursement of costs is allowed. Costs may only be disbursed as either a project cost or administrative cost but not both. Additionally, costs may only be disbursed once per occurrence when providing both acquisition and construction type of assistance to the same Project or Activity as may take place with, but not limited to, contract for deed conversions.

(5~~4~~) Unless otherwise noted, all items are limited to one (1) occurrence per Project or Activity.

(6~~5~~) Third-party project costs related to loan closing requirements, such as appraisals, title reports or insurance, tax certificates, and recording fees, are not subject to a maximum per Activity or Project. However, these costs are subject to the ~~limitations of the~~ maximum ~~percentage of hard or project costs identified in subsection (c) of this section~~amount of assistance established for the Program Activity.

Figure: 10 TAC 53.85(a)(4)

OCC and HBA with Rehabilitation	Reconstruction	Rehabilitation
Project or Administrative Cost per ACTIVITY		
Application intake and processing	$ ~~500~~ 600	$ ~~500~~ 600
Credit Report	$ 50	$ 50
Construction and disbursement documentation preparation	$ 250	$ 250
Environmental review	$ 400	$ 400
Exempt administrative environmental	$ 50	$ 50
Final inspection	$ ~~200~~300	$ ~~200~~300
Information services	$ ~~100~~ 200	$ ~~100~~ 200
Initial inspection	$ 500	$ 500
Procurement of contractor	$ 300	$ 300
Progress inspections (up to 7 at $~~200~~ 300 max each, minimum of 4 required)[1]	$ ~~1,400~~ 2,100	$ ~~1,400~~ 2,100
Pre-construction conference	$ ~~200~~300	$ ~~200~~300
Project document preparation	$ 100	$ 100
Punch list verification inspection	$ ~~200~~300	$ ~~200~~300
Schedule of values	$ 100	$ 100
Work write-up	N/A	$ 500[2]
Work write-up summary/cost estimate	$ 400[2]	$ 400[2]
Administrative Cost Only per CONTRACT		
Affirmative marketing plan	$ ~~100~~ 200	$ ~~100~~ 200
Financial management	$ ~~150~~ 200	$ ~~150~~ 200
Procurement of professional service provider	$ ~~200~~ 300	$ ~~200~~ 300
Recordkeeping	$ ~~400~~ 800	$ ~~400~~ 800
Project Cost Only per ACTIVITY or CONTRACT		
Plans (market value)	N/A	$ 200
Plans and specification manual (market value)	$ ~~1,500~~[2] 2,000[2,3]	N/A
Specification manual	N/A	$ 200

[1] A maximum of two (2) progress inspections are allowed when a housing unit is replaced with an MHU.
[2] Work write-up, Work write-up summary/cost estimate, p~~P~~lans and specifications are not ~~an~~ allowable costs when a housing unit is replaced with an MHU.
[3]Plans and specification manual is limited to $2,000 per Contract. [BB Note: per household or do all of the houses assisted under a contract use the same plan?]

HBA	
Project or Administrative Cost per ~~PROJECT~~ACTIVITY	
Application intake and processing	$ ~~500~~ 600
Preparation of loan documents	$ 100
Environmental Review	$ 400
Exempt administrative environmental	$ 50
Information services	$ ~~100~~ 200
Project document preparation	$ 100
Property Inspection	$ 350
Schedule of values	$ 100
Administrative Cost Only per CONTRACT	
Affirmative marketing plan	$ ~~100~~ 200
Financial management	$ ~~150~~ 200
Procurement of professional service provider	$ ~~200~~ 300
Recordkeeping	$ ~~400~~ 800
Project Cost Only per ~~PROJECT~~ACTIVITY	
Credit Report	$ 50
Homebuyer Counseling	$ 300

(b) The allowable activities for each cost category are defined as follows:

(1) Administrative costs are costs incurred for activities performed directly by the Administrator and include general management and oversight, salaries, wages and related costs of staff, travel costs incurred for official business in carrying out the Contract, public information, and other costs required for the administration of the program such as purchase of equipment, insurance, utilities, office supplies, and rental and maintenance (not purchase) of office space.

(2) Affirmative marketing plan is the cost incurred to develop a written plan for ensuring that marketing, advertising, and outreach activities are provided to all protected classes and to the populations being served by the Contract. This includes the development of advertising materials and hand-outs and public presentation;

(3~~2~~) Application intake and processing is the cost incurred for the completion of all intake application documentation and forms, verification of all sources of income, employment verification, asset verification and imputation and re-verification of all expired documentation. This includes all Department-required forms, worksheets, addenda and certifications required for the household's application intake and processing;

~~(3) Appraisal is the cost incurred in obtaining appraisals prepared by an independent, state-licensed real estate appraiser;~~

(4) Construction and disbursement documentation preparation is the cost incurred in the preparation of forms required by the Department that are related to construction or disbursement documentation and include electronic entry into the TDHCA Contract System, support documentation preparation and completion of Department-required forms including, but not limited to, the Contractor Request for Payment, Lien Waiver Affidavits, Final Bills Paid Affidavit and Certification of Completion;

(5) Environmental review is the cost incurred for the preparation and completion of all required forms, checklists and certifications, publication activities and Request for Release of Funds and Finding of No Significant Impact and Eight Step Process, if applicable;

(6) Exempt administrative environmental is the cost incurred in the completion of an exemption form for administrative expenses;

(7) Final inspection is the cost incurred in performing a final walk through and physical inspection of the assisted housing unit noting any deficient items that must be corrected before final payment and the completion of any Department-required forms or checklists.

(8) Financial management is the cost incurred in the management of all project and program accounts using a fund type accounting system that can trace each expense to an individual Project or to the program as a whole and ensures compliance with OMB circulars. A written or printed journal of all transactions including receipt and disbursement of funds should be included;

(9) Homebuyer counseling is the cost incurred to provide a minimum of eight hours of counseling provided by a certified homebuyer counselor. Instruction may include, but is not limited to, financial management, credit management, homebuyer education, and/or job training;

(10) Information services is the cost incurred to provide information to homeowners, prospective homebuyer and/or tenants. These may include the following:

(A) Fair housing--cost incurred to provide information to prospective homebuyers and tenants (not applicable to OCC);

(B) Loan procedures--cost incurred to provide information pertaining to fair lending practices, loan requirements, and closing procedures to participants in OCC and HBA (not applicable to TBRA);

(C) Warranty (Project cost only)--cost incurred to provide an explanation of the builder's homeowner warranty (must comply with Texas Residential Construction Commission requirements) to households assisted with Reconstruction or Rehabilitation activities;

(D) Lead-based paint--cost incurred to provide lead-based paint hazard notification to all applicants in all HOME Program Activities;

(11) Initial inspection is the cost incurred in the completion of the initial physical inspection of the housing unit to be assisted and Department-required forms and checklists. The inspection must identify all health and safety concerns regarding the housing unit, all sub-standard conditions that require repair or replacement to comply with applicable codes and standards and the TMCS, and provide enough detail to complete a work write-up, and if applicable, a justification of Reconstruction;

(12) Plans is ~~are~~ the cost incurred to obtain a complete set of plans, which shall include a site plan for each housing unit showing known easements and lot set-backs, a floor plan, a front elevation, a foundation plan, a plumbing and electrical plan and a mechanical and energy efficiency plan. If these plans are purchased from or donated by a licensed architect or engineer they should bear the appropriate stamp. While builders may require less complete plan sets and it is understood that some of these details may be combined on the same sheet, any plans set that does not include this level of detail will be pro-rated accordingly;

(13) Pre-construction conference is the cost incurred in conducting a meeting with the homeowner and building construction contractor to explain and discuss the construction process being undertaken. This meeting should include a description of construction activities and procedures, expectations of the final product, an explanation of the roles and duties for all parties, detail and review of the timelines and contractual milestones, required access and use of utilities, provision of appropriate security measures, selection of products and improvements to be provided, and a discussion of appropriate handicap accessibility features;

(14) Procurement of contractor is the cost incurred in the preparation of bid documents, pre-bid advertising, conducting of the pre-bid conference, the verification of required builder certifications, conducting of the walk-through of housing units to be assisted, conducting checks of bidder qualifications and references, conducting bid opening including keeping minutes and tabulations, the review of the bids, conducting contract negotiation and verification, the notification of award and the completion of any Department-required forms;

(15) Procurement of professional service provider is the cost incurred to procure a professional service provider (i.e. consultant). The Administrator must use negotiated

bidding procedures for the procurement of professional service providers (i.e. consultants) and provide for independent procurement of professional service providers (i.e. consultants may not participate in any aspect of procuring consultants);

(16) Progress inspections is the cost incurred in performing inspections at logical points during the construction process or prior to approving each draw that verify quality and completeness of work to date and are signed by the inspector and Contract Administrator. Upon completion of the progress inspection, the Contract Administrator must send a copy of the completed inspection report to the homeowner. The homeowner must also sign to acknowledge receipt of the completed Progress Inspection Report. Logical points of inspection include but are not limited to:

(A) Foundation--prior to pouring a monolithic foundation and after initial curing or alternatively after completion of piers,

(B) Framing--completion of framing,

(C) Rough-in--after completion of electrical and plumbing but before covering and placement of fixtures, and

(D) Substantial completion;

(17) Progress inspections should each require at least one hour and include inspection forms, filed notes, sketches, and/or photographs adequate for verification of that stage of completion;

(18) Project documentation preparation is the cost incurred in the preparation of forms required by the Department that are not related to income eligibility or construction and include, but are not limited to, the TDHCA Contract System Access Request, Direct Deposit Authorization, Texas Application for Payee Identification, and Audit Certification;

(19) Property inspections is the cost incurred to perform an inspection of the subject property in order to certify that no sub-standard conditions exist according to TMCS using the Department's forms;

(20) Punch list verification inspection is the cost incurred in performing a final physical inspection of the assisted housing unit to verify the completion of punch list items only;

(21) Recordkeeping is the cost incurred to develop, prepare and maintain a recordkeeping system in the order prescribed by the Departments which includes three separate types of filing for program, environmental, and project areas;

(22) Schedule of values is the cost incurred to prepare a line-item description of each work activity and its associated cost and enter electronically into the Department's Contract System as the budget;

(23) Specification manual is the cost incurred to prepare or obtain a single generic manual to be used for multiple sites or projects detailing the methods and materials to be used on all construction jobs. The homeowner's choices may be included but should be detailed for each job. All trade areas and construction activities must be included in the specification manual. In cases where there are no local requirements for specifications and TMCS are used, no additional cost should be requested for disbursement;

(24) Work write-up is the cost incurred to prepare or obtain a complete description of the work activity specific to Rehabilitation required to bring the entire structure into compliance with the applicable construction standards. It must include all units of measurement, materials to be used, methods of application, and all necessary construction detail and/or may be used in conjunction with a specification manual; and

(25) Work write-up/cost estimate is the cost incurred in performing the Feasibility Analysis which is a budgetary justification for Reconstruction which compares the cost of Rehabilitation to the replacement costs of a housing unit and in the completion of Department-required forms. The analysis must include a summary of the steps and costs required to correct the deficiencies identified in the initial inspection.

~~(c) Notwithstanding the limitations of subsection (a) of this section, the total of all soft costs for each Project or Activity is limited based on the maximum amount of assistance allowed for the housing unit and is calculated as a percentage of the hard or project costs for each Activity or Project. For example, a household that is eligible to be assisted with an OCC Reconstruction amount of assistance of $67,500, the maximum amount of total soft costs is derived by dividing $67,500 by 1.09 and then subtracting this amount from $67,500, which equals $5,573.39. There is no minimum percentage for soft costs per housing unit. These percentages are the maximums allowed per Activity or Project and may not be exceeded without approval by the Department. Upon prior approval of the Department, exceptions may be allowed in the case of Rehabilitation activities for lead-based paint hazard reduction and/or relocation.~~

~~Figure: 10 TAC 53.85(c)~~

~~Type of Activity~~		**~~Max Percentage for soft costs based on Hard Costs or Project Costs~~**	**~~Max Percentage for administrative costs based on Total Project Costs~~**
~~OCC - Reconstruction (includes MHU to site-built and contract for deed conversions)~~	~~Max Assistance~~		
	~~$60,000~~	~~16%~~	~~2%~~
	~~$67,500~~	~~14%~~	~~2%~~
	~~$75,000~~	~~12 %~~	~~2%~~
~~OCC or HBA – Rehabilitation only~~	~~$30,000~~	~~24%~~	~~2%~~
~~OCC – Reconstruct (replacement) with~~	~~Max Assistance~~		

~~MHU~~	~~$60,000~~	~~12%~~	~~2%~~
	~~$67,500~~	~~10%~~	~~2%~~
	~~$75,000~~	~~8%~~	~~2%~~
~~HBA – Acquisition only for contract for deed conversion~~		~~10%~~	~~4%~~
~~HBA – Downpayment and closing costs only~~		~~10%~~	~~4%~~
~~HBA – Acquisition and Rehabilitation for contract for deed conversion~~		~~10%~~	~~2%~~

HOME DIVISION

BOARD ACTION REQUEST

September 4, 2008

Action Item

Presentation, Discussion and Possible Approval to publish the proposed amendments of 10 TAC Chapter 51, Housing Trust Fund Rule for comment in the *Texas Register*.

Requested Action

Approve, Deny or Approve with Amendments the publication of the proposed amendments of 10 TAC Chapter 51, Housing Trust Fund Rule for comment in the *Texas Register*.

Background

Attached behind this Board Action Item is the Draft Housing Trust Fund Rule which reflects staff's recommendations for revisions for the Board's consideration. This draft rule ensures compliance with all statutory requirements, incorporates public input from the recent Housing Trust Fund Program Roundtable, formalizes existing policy and guidelines contained in the Housing Trust Fund program manuals and includes recommendations for revisions of necessary policy and administrative changes to further enhance operations.

Summary of Significant Changes

This section outlines some of the most significant staff recommendations. Other more operational or procedural revisions, details of revisions, formatting adjustments, and streamlining are not summarized, however, they are reflected in the attached Draft Housing Trust Fund Rule. Details of the most significant changes are outlined below:

1. *§51.2 New Definitions for the following:*
   Bylaws
   Council of Governments
   Manufactured Housing Unit
   Modular Housing
   Principal Residence
   Qualified Elderly Development
   Service Area

2. *§51.4. Loan Closing Is Required Prior to Construction*

   This section has been added to clarify that Administrators and Development Owners must not proceed or allow a contractor to proceed with construction, including demolition, on any Activity, Project or Development without first completing the Loan closing, if required, with the Department.

3. *§51.6(c) Clarification of the Maximum Loan Amount for HTF Single Family and Bootstrap Transactions*

   A statutory reference has been added to emphasize the maximum loan amount from the Department for transactions involving other Housing Trust Fund single family activities, such as Homebuyer Assistance, with the Texas Bootstrap Loan Program.

4. *§51.7 Prohibited Activities*

   In order to ensure compliance with the Comptroller of Texas, Texas Property Code, and homestead laws, a section has been added to identify prohibited activities most relevant to residential single family activities.

5. *§51.10(b) Limitation on Size of Multifamily Developments*

   To allow for maximum flexibility in providing HTF funds for multifamily development, the limitations on the size of the development have been removed.

6. *§51.16(d) and (e) Clarification of Loan Closing Requirements for Single Family Activities*

   This clarifies that Department loan policy requirements must be met for activities that involve loans for the acquisition, new construction and/or rehabilitation of single family housing.

7. *§51.17 Clarification of Amendment*

   This clarifies the action the Executive Director may take for various types of amendments that may be requested to a Contract.

8. *§51.18 Formalizing General Contract Administration Procedures*

   This formalizes general contract administration responsibilities that involve other state and program requirements.

9. *§51.19 Grant Funds Management and Procurement*

   This section provides statutory references for grant funds management and procurement requirements.

Recommendation

Staff recommends Board approval of the proposed amendments of 10 TAC Chapter 51, Housing Trust Fund Rule for comment in the *Texas Register*.

DRAFT
Board Review Pending

Texas Department of Housing and Community Affairs
"Housing Trust Fund Rule"

TITLE 10, Part 1, Chapter 51, Texas Administrative Code

§51.1. Purpose

This Chapter clarifies the use and administration of the Housing Trust Fund. The Department shall use the Housing Trust Fund to provide loans, grants, or other comparable forms of assistance to local units of government, public housing authorities, for profit entities, nonprofit organizations, income-eligible individuals, families, and households to finance, acquire, rehabilitate, and develop decent, safe, and sanitary housing. The fund is created pursuant to §2306.201, Texas Government Code. The use of the Housing Trust Fund is limited to activities pursuant to §2306.202, Texas Government Code:

(1) assistance for individuals and families of low and very low income;

(2) technical assistance and capacity building to nonprofit organizations engaged in developing housing for individuals and families of low and very low income;

(3) security for repayment of revenue bonds issued to finance housing for individuals and families of low and very low income; and

(4) subject to the limitations in §2306.251, Texas Government Code, the Department may also use the fund to acquire property to endow the fund.

§51.2. Definitions

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Administrative Deficiencies--The absence of information or a document from the application as required in this rule or applicable NOFA.

(2) Administrator--The Person responsible for performing under a Contract with the Department.

(3) Affiliate--An individual, corporation, partnership, joint venture, limited liability company, trust, estate, association, cooperative or other organization or entity of any nature whatsoever that directly, or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with any other Person, and specifically shall include parents or subsidiaries. Affiliates also include all General Partners, Special Limited Partners and Principals with an ownership interest.

(4) Affiliated Party--A Person in a relationship with the Administrator on a Contract with the Department.

(5) Applicant--A person who has submitted an Application for Department funds or other assistance.

(6) Application--A request for funds submitted to the Department in a form prescribed by the Department, including any exhibits or other supporting material.

(7) Application Acceptance Period--The period of time that Applications may be submitted to the Department as more fully described in the applicable NOFA.

(8) Application Submission Procedures Manual ("ASPM")--The manual which sets forth the procedures, forms and instructions for the completion and submission of an Application to the Department.

(9) Area Median Family Income ("AMFI")--The income estimated and determined by HUD as the median family income with adjustments for family size and geographic locations.

(10) Articles of Incorporation--The document that sets forth the basic terms for a corporation's existence and is the official recognition of the corporation's existence.

(11) Board--The governing board of the Texas Department of Housing and Community Affairs.

(12) Bylaws--A rule or administrative provision adopted by a corporation for its internal governance. Bylaws are enacted apart from the Articles of Incorporation. Bylaws and amendments to Bylaws must be formally adopted in the manner prescribed by current Bylaws by either the organization's board of directors or the organization's members, whoever has the authority to adopt and amend Bylaws.

(13) ~~(12)~~ Capacity Building--Educational and organizational support assistance to promote the ability of community housing development organizations and nonprofit organizations to maintain, rehabilitate and construct housing for low, very low, and extremely low-income persons and families. This activity may include:

(A) organizational support to cover expenses for housing development or management related training, technical and other assistance to the board of directors, staff, and members of the nonprofit organizations or community housing development organizations;

(B) technical assistance and training related to housing development, housing management, or other subjects related to the provision of housing or housing services; or

(C) studies and analyses of housing needs.

(14) ~~(13)~~ Chapter 2306--The enabling statute for the Department found in Texas Government Code, Chapter 2306.

(15) ~~(14)~~ Colonia--A geographic area that is located in a county some part of which is within 150 miles of the international border of this state that consists of 11 or more dwellings that are located in close proximity to each other in an area that may be described as a community or neighborhood, and that:

(A) has a majority population composed of individuals and families of low income and very low income, based on the federal Office of Management and Budget poverty index, and meets the qualifications of an economically distressed area under §17.921, Water Code; or

(B) has the physical and economic characteristics of a colonia, as determined by the Department ~~Texas Water Development Board~~.

~~(15) Colonia Housing Standards--The Department's HUD approved housing standards that allows Colonia residents with the opportunity to rehabilitate their homes when located in a designated Colonia.~~

(16) Competitive Application Cycle--A defined period of time that Applications may be submitted according to a published Notice of Funding Availability (NOFA). Applications will be reviewed in accordance with the rules for application review published in the NOFA, and the ASPM.

(17) Contract--The executed written agreement between the Department and an Administrator performing an activity related to a program that outlines performance requirements and responsibilities assigned by the document.

(18) ~~(17)~~ Control--The possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Person, whether through the ownership or voting securities, by contract or otherwise, including specifically ownership of more than 50% of the General Partner interest in a limited partnership, or designation as a managing General Partner of a limited liability company.

~~(18) Contract--The executed written agreement between the Department and an Administrator performing an activity related to a program that outlines performance requirements and responsibilities assigned by the document.~~

(19) Council of Governments (COG)--A regional body which serves an area of several counties to address regional planning including but not limited to transporation planning, economic and community development, information gathering and processing, hazard mitigation and emergency preparedness, and water and environmental planning.

(20) ~~(19)~~ Deobligated Funds--The funds released by an Administrator or Contractor or recovered by the Department canceling a ~~c~~Contract or award involving some or all of a contractual financial obligation between the Department and an Administrator or ~~contractor~~Development Owner.

(21) ~~(20)~~ Department--The Texas Department of Housing and Community Affairs.

(22) ~~(21)~~ Developer--Any Person entering into a contract with the Development Owner to provide development services with respect to the Development and receiving a fee for such

services and any other Person receiving any portion of such fee, whether by subcontract or otherwise.

(23) ~~(22)~~ Development--A Project that has a construction component, either in the form of N~~n~~ew C~~c~~onstruction or the R~~r~~ehabilitation of multi-unit or single family residential housing that meet the affordability requirements.

(24) ~~(23)~~ Development Funding--

(A) a loan or grant; or

(B) an in-kind contribution, including a donation of real property, a fee waiver for a building permit or for water or sewer service, or a similar contribution that:

(i) provides an economic benefit; and

(ii) results in a quantifiable cost reduction for the applicable development.

(25) ~~(24)~~ Development Owner--Any Person, General Partner, or Affiliate of a Person who owns or proposes a Development or expects to acquire Control of a Development under a purchase contract approved by the Department.

(26) ~~(25)~~ Development Site--The area, or if scattered site areas, for which the Development is proposed to be located and is to be under the Development Owner's Control.

(27) ~~(26)~~ Executive Award and Review Advisory Committee ("The Committee")--The Department committee that will develop funding priorities and make funding and allocation recommendations to the Board based upon the evaluation of an Application in accordance with the housing priorities as set forth in Chapter 2306, Texas Government Code, and as set forth herein, and the ability of an Applicant to meet those priorities.

(28) ~~(27)~~ General Contractor--One who contracts for the construction or Rehabilitation of an entire Development, rather than a portion of the work. The General Contractor hires subcontractors, such as plumbing contractors, electrical contractors, etc., coordinates all work, and is responsible for payment to the subcontractors.

(29) ~~(28)~~ General Partner--The partner, or collective of partners, identified as the general partner of the partnership that is the Development Owner and that has general liability for the partnership. In addition, unless the context shall clearly indicate the contrary, if the Development Owner in question is a limited liability company, the term "General Partner" shall also mean the managing member or other party with management responsibility for the limited liability company.

(30) ~~(29)~~ Grant--Financial assistance that is awarded in the form of money to a housing sponsor for a specific purpose and that is not required to be repaid. For purposes of this chapter, a Grant includes a forgivable loan.

(31) ~~(30)~~ Household--One or more persons occupying a housing unit.

(32) ~~(31)~~ Housing Development Costs--The total of all costs incurred, or to be incurred, by the Development Owner in acquiring, constructing, rehabilitating and financing a Development as determined by the Department based on the information contained in the Application. Such costs include reserves and any expenses attributable to commercial areas.

(33) ~~(32)~~ HUD--The United States Department of Housing and Urban Development, or its successor.

(34) Income Eligible Households--

(A) Low-Income Households--Households whose annual incomes do not exceed 80% of the median income of the area, as determined by HUD and published by the Department, with adjustments for family size.

(B) Very Low-Income Households--Households whose annual incomes do not exceed 60% of the median family income for the area, as determined by HUD and published by the Department, with adjustments for family size.

(C) Extremely Low Income Households--Households whose annual incomes do not exceed 30% of the median income of the area, as determined by HUD and published by the Department, with adjustments for family size.

(35) ~~(33)~~ Intergenerational Housing--Housing that includes specific units that are restricted to the age requirements of a Qualified Elderly Development and specific units that are not age restricted in the same Development that:

(A) have separate and specific buildings exclusively for the age restricted units;

(B) have separate and specific leasing offices and leasing personnel exclusively for the age restricted units;

(C) have separate and specific entrances, and other appropriate security measures for the age restricted units;

(D) provide shared social service programs that encourage intergenerational activities but also provide separate amenities for each age group;

(E) share the same Development site;

(F) are developed and financed under a common plan and owned by the same Person for federal tax purposes; and

(G) meet the requirements of the federal Fair Housing Act.

(36) ~~(35)~~ Land Use Restriction Agreement ("LURA")--An ~~Land Use Restriction A~~agreement between ~~that has been executed by~~ the Department and a Person related to a specific property or properties which is filed with the responsible recording authority.

(37) ~~(36)~~ Loan ~~Agreement~~--Financial assistance that is awarded in the form of money and in ~~A~~an executed agreement between the Department and ~~a~~ Person for a specific purpose and this is required to be ~~regarding the terms and conditions of a loan provided to the Person from the Department~~.

(38) ~~(37)~~ Material Noncompliance--As is defined in Title 10 Texas Administrative Code, Chapter 60, Subchapter A.

(39) Manufactured Housing Unit (MHU)--As defined by HUD is a structure transportable in one or more sections which, in traveling mode, is 8 body-feet or more in width or 40 body-feet or more in length, or when erected on site, is 320 square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required facilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein.

(40) ~~(38)~~ Memorandum of Understanding (MOU)--A written agreement detailing the understanding between the parties.

(41) Modular Housing--As defined by HUD is a home built in sections in a factory to meet state, local, or regional building codes. Once assembled, the modular unit becomes permanently fixed to one site.

(42) ~~(39)~~ Mortgagor ("Borrower")--The Person who borrows money and uses his or her real property as collateral and security for the payment of the debt.

(43) ~~(40)~~ New C~~c~~onstruction--Any Development not meeting the definition of Rehabilitation or Reconstruction.

(44) ~~(41)~~ NOFA--Notice of Funding Availability, published in the Texas Register.

(45) ~~(42)~~ Nonprofit Organization--A public or private organization that:

(A) is organized under state or local laws;

(B) has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual;

(C) has a current tax exemption ruling from the Internal Revenue Service (IRS) under §501(c)(3), a charitable, nonprofit corporation, or §501(c)(4), a community or civic organization, of the Internal Revenue Code of 1986, as evidenced by a certificate from the IRS that is dated 1986 or later. The exemption ruling must be effective on the date of the application and must continue to be effective throughout the length of any contract agreements; or classification as a subordinate of a central organization non-profit under the Internal Revenue Code, as evidenced by a current group exemption letter, that is dated 1986 or later, from the IRS that includes the Applicant. The group exemption letter must specifically list the Applicant; and

(D) A private nonprofit organization's pending application for §501(c)(3) or (c)(4) status cannot be used to comply with the tax status requirement.

(46) ~~(43)~~ Open Application Cycle--A defined period during which applications may be submitted according to a published NOFA and which will be reviewed on a first come-first served basis until all funds available are committed, or until the NOFA is closed, whichever is earlier.

(47) ~~(44)~~ Person--Any individual, partnership, corporation, association, unit of government, community action agency, or public or private organization of any character.

(48) ~~(45)~~ Persons with Disabilities--A Household composed of one or more persons, at least one of whom is a Person, who has a disability that is a physical or mental impairment that substantially limits one or more major life activities; has a record of such impairment; or is regarded as having such an impairment as defined in the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. §15002).

(49) ~~(46)~~ Person with Special Needs--Individuals or categories of individuals determined by the Department to have unmet housing needs:

(A) consistent with 42 USC §12701 et seq. and as provided in the Consolidated Plan and may include any households composed of one or more persons with alcohol and/or drug addictions, Colonia residents, Persons with Disabilities, elderly, victims of domestic violence, persons with HIV/AIDS, homeless populations and migrant farm workers, and public housing residents.

(B) Housing Trust Funds may also be awarded through Persons legally responsible for caring for a Person with Special Needs, pursuant to §2306.511, Texas Government Code.

(50) ~~(47)~~ Predevelopment Costs--Reimbursable costs related to a specific eligible housing project including:

(A) Predevelopment housing project costs that the Department determines to be customary and reasonable, including but not limited to consulting fees, architectural fees, engineering fees, engagement of a development team, site control, and title clearance;

(B) Pre-construction housing project costs that the Department determines to be customary and reasonable, including but not limited to, the costs of obtaining architectural plans and specifications, zoning approvals, engineering studies and legal fees; and

(C) Predevelopment costs do not include general operational or administrative costs.

(51) ~~(48)~~ Principal--Any Person that does or will exercise Control over a partnership, corporation, limited liability company, trust or any other private entity. In the case of:

(A) Partnerships, Principals include all General Partners, Special Limited Partners and Principals with ownership interest;

(B) Corporations, Principals include any officer authorized by the board of directors to act on behalf of the corporation, including the president, vice president, secretary, treasurer and all other executive officers, and each stock holder having a ten percent or more interest in the corporation; and

(C) Limited liability companies, Principals include all managing members, members having a ten percent or more interest in the limited liability company or any officer authorized to act on behalf of the limited liability company.

(52) Principal Residence--The primary housing unit a Person or Household inhabits.

(53) ~~(49)~~ Project--A site or an entire building (including a manufactured housing unit), or two or more buildings, together with the site or sites on which the building or buildings are located, that are under common ownership, management, and financing.

(54) ~~(50)~~ Property--The real estate and all improvements thereon which are the subject of the Application whether currently existing or proposed to be built thereon in connection with the Application.

(55) ~~(51)~~ Public Housing Authority--A housing authority established under the Texas Local Government Code, Chapter 392.

(56) Qualified Elderly Development--A Development which meets the requirements of the federal Fair Housing Act and:

(A) Is intended for, and solely occupied by, individuals 62 years of age or older; or

(B) Is intended and operated for occupancy by at least one individual 55 years of age or older per unit, where at least 80% of the total housing units are occupied by at least one individual who is 55 years of age or older; and where the Development Owner publishes and adheres to policies and procedures which demonstrate an intent by the owner and manager to provide housing for individuals 55 years of age or older.

(57) ~~(52)~~ Received Date--The date and time at which an Application is actually received by the Department.

(58) ~~(53)~~ Rehabilitation--The improvement or modification of an existing residential development through an alteration, addition, or enhancement. The term includes the demolition of an existing residential development and the reconstruction of any development units, but does not include the improvement or modification of an existing residential development for the purpose of an adaptive reuse of the development. Rehabilitation also includes replacing and existing substandard MHU with a new MHU.

(59) ~~(54)~~ Resolution--Formal action by a corporate board of directors or other corporate body authorizing a particular act, transaction, or appointment. Resolutions must be in writing and state the specific action that was approved and adopted, the date the action was approved and adopted, and the signature of Person or Persons authorized to sign resolutions. Resolutions must be approved and adopted in accordance with the corporate Bylaws.

(60) ~~(55)~~ Rural Area--An area that is located:

(A) outside the boundaries of a primary metropolitan statistical area or a metropolitan statistical area;

(B) within the boundaries of a primary metropolitan statistical area or a metropolitan statistical area, if the statistical area has a population of 25,000 or less and does not share a boundary with an urban area; or

(C) in an area that is eligible for funding by the Texas Rural Development Office of the United States Department of Agriculture, other than an area that is located in a municipality with a population of more than 50,000.

(61) ~~(56)~~ Rural Development--A development or proposed development that is located in a Rural Area, other than rural new construction Developments with more than 80 units.

(62) Service Area--The city(ies), county(ies) and/or place(s) identified in the Contract that the Administrator will serve.

(63) ~~(57)~~ TAC--Texas Administrative Code.

(64) ~~(58)~~ Third Party--A Person who is not:

(A) An Applicant, General Partner, Developer, or General Contractor, or

(B) An Affiliate or a Related Party to the Applicant, General Partner, Developer or General Contractor, or

(C) A Person(s) receiving any portion of the contractor fee or developer fee.

(65) ~~(59)~~ Unit of General Local Government--A city, town, county, or other general purpose political subdivision of the State.

(66) ~~(60)~~ Urban Area--The area that is located within the boundaries of a primary metropolitan statistical area other than an area described by §2306.004(28-a)(B), Texas Government Code, or eligible for funding as described by §2306.004(28-a)(C).

§51.3. Notice of Receipt of Application or Proposed Application

(a) Not later than the 14th day after the date an Application or a proposed Application for housing funds described by §2306.111 has been filed, the Department shall provide written notice of the filing of the Application or proposed Application to the following Persons:

(1) the United States representative who represents the community containing the Development described in the Application;

(2) members of the legislature who represent the community containing the Development described in the Application;

(3) the presiding officer of the governing body of the political subdivision containing the Development described in the Application;

(4) any member of the governing body of a political subdivision who represents the area containing the Development described in the Application;

(5) the superintendent and the presiding officer of the board of trustees of the school district containing the Development described in the Application; and

(6) any neighborhood organizations on record with the state or county in which the Development described in the Application is to be located and whose boundaries contain the proposed development site.

(b) The notice provided under subsection (a) of this section must include the following information:

(1) the relevant dates affecting the Application, including:

(A) the date on which the Application was filed;

(B) the date or dates on which any hearings on the Application will be held; and

(C) the date by which a decision on the Application will be made;

(2) a summary of relevant facts associated with the development;

(3) a summary of any public benefits provided as a result of the Development, including rent subsidies and tenant services; and

(4) the name and contact information of the employee of the Department designated by the director to act as the information officer and liaison with the public regarding the Application.

§51.4. Loan Closing Is Required Prior to Construction

Administrators and Development Owners must not proceed or allow a contractor to proceed with construction, including demolition, on any Activity, Project or Development without first completing the Loan closing, if required, with the Department.

§51.5~~3~~. Allocation of Housing Trust Funds

(a) Pursuant to §2306.201, Texas Government Code, the Housing Trust Fund is a fund administered by the Department, and placed with the Texas Treasury Safekeeping Trust Company.

(b) Uses of the Housing Trust Fund will be limited to those defined by §2306.202, Texas Government Code.

(c) Each biennium the first $2.6 million available through the housing trust fund for loans, grants, or other comparable forms of assistance shall be set aside and made available exclusively for local units of government, public housing authorities, and nonprofit organizations. Any additional funds may also be made available to for-profit organizations so long as at least 45 percent of available funds in excess of the first $2.6 million shall be made available to nonprofit organizations. The remaining portion shall be competed for by nonprofit organizations, for-profit organizations, and other eligible entities, pursuant to §2306.202, Texas Government Code.

(d) Funds shall be allocated to achieve broad geographic dispersion by awarding funds in accordance with §2306.111(d) and (g), Texas Government Code.

(e) The Department shall require that Applicants target at least 50% of those units served by housing trust funds to individuals and families earning less than 60% of AMFI.

(f) Bond indenture requirements governing expenditure of bond proceeds deposited in the housing trust fund shall govern and prevail over all other allocation requirements established in this Section. However, the Department shall distribute these funds in accordance with the requirements of this Section to the extent possible.

(g) Housing Trust Funds may also be allocated to the Texas Bootstrap Loan Program and will be awarded in accordance with §2306.753, Texas Government Code.

§51.6~~4~~. Basic Eligible Activities

(a) Pursuant to §2306.202, Texas Government Code, the Department, through the housing finance division, shall use the housing trust fund to provide Loans, Grants, or other comparable forms of assistance to Units of General Local Government, Public Housing Authorities, for-profit entities, Nonprofit organizations, and Income-Eligible individuals, families, and Households to finance, acquire, Rehabilitate, and Develop decent, safe, and sanitary housing. In each biennium the first $2.6

million available through the housing trust fund for Loans, Grants, or other comparable forms of assistance shall be set aside and made available exclusively for Units of General Local Government, Public Housing Authorities, and Nonprofit organizations. Any additional funds may also be made available to for-profit organizations so long as at least forty-five percent (45%) of available funds in excess of the first $2.6 million shall be made available to Nonprofit organizations for the purpose of acquiring, Rehabilitating, and Developing decent, safe, and sanitary housing. The remaining portion shall be competed for by nonprofit organizations, for-profit organizations, and other eligible entities. Notwithstanding any other section of this chapter, but subject to the limitations in §2306.251(c), the Department may also use the fund to acquire property to endow the fund.

(b) Use of the fund is limited to providing:

(1) assistance for individuals and families of low and very low income;

(2) technical assistance and capacity building to nonprofit organizations engaged in developing housing for individuals and families of low and very low income; and

(3) security for repayment of revenue bonds issued to finance housing for individuals and families of low and very low income.

(c) Pursuant to §2306.754, Applicants combining other Housing Trust Fund funding with the Texas Bootstrap Loan Program funds must limit total Department loans to $30,000.

§51.7. Prohibited Activities

Department awards may not be used to:

(1) Assist Persons who owe payments identified by the Comptroller of Texas as relevant;

(2) Assist Households whose Property has current tax liens and/or judgments to the State of Texas against it; or

(3) Provide Rehabilitation on a housing unit without prior written consent of all Persons who have a valid lien or ownership interest in the Property.

§51.8~~5~~. Application Procedures and Requirements

(a) Competitive and Open Application Cycles. All NOFAs will be presented to the Board. The Department will declare within a NOFA whether the application cycle will be a competitive or open cycle.

(b) Ex Parte Communications

(1) During the period beginning on the date Applications are filed in response to a NOFA and ending on the date the Board makes a final decision with respect to the approval of any

Application for that NOFA, a member of the Board may not communicate with the following persons:

(A) an Applicant or a Related Party, as defined by state law, including board rules, and federal law; and

(B) any Person who is:

(i) active in the construction, Rehabilitation, ownership, or Control of the proposed Project, including:

(ii) a General Partner or Contractor; and

(iii) a Principal or Affiliate of a General Partner or Contractor; or

(iv) employed as a consultant, lobbyist, or attorney by an Applicant or a Related Party.

(2) Subject to paragraph (1) of this subsection, during the period beginning on the Applications are filed in response to a NOFA and ending on the date the Board makes a final decision with respect to the approval of any Application for that NOFA, an employee of the Department may communicate about the Application with the following Persons:

(A) the Applicant or a Related Party, as defined by state law, including board rules, and federal law; and

(B) any Person who is:

(i) active in the construction, rehabilitation, ownership, or control of the proposed project including:

(ii) a General Partner or Contractor; and

(iii) a Principal or Affiliate of a General Partner or contractor; or

(iv) employed as a consultant, lobbyist or attorney by the Applicant or a Related Party.

(3) A communication under paragraph (2) of this subsection may be oral or in any written form, including electronic communication through the internet, and must satisfy the following conditions:

(A) the communication must be restricted to technical or administrative matters directly affecting the Application;

(B) the communication must occur or be received on the premises of the Department during established business hours; and

(C) a record of the communication must be maintained and included with the Application for purposes of Board review and must contain the following information:

(i) the date, time, and means of communication;

(ii) the names and position titles of the Persons involved in the communication and, if applicable, the Person's relationship to the Applicant;

(iii) the subject matter of the communication; and

(iv) a summary of any action taken as a result of the communication.

(4) Notwithstanding paragraphs (1), (2) or (3) of this subsection, a Board member or Department employee may communicate without restriction with a Person listed in paragraphs (1) or (2) of this subsection during any Board meeting or public hearing held with respect to the Application, but not during a recess or other nonrecord portion of the meeting or hearing.

(5) Paragraph (1) of this subsection does not prohibit the Board from participating in social events at which a Person with whom communications are prohibited may or will be present, provided that all matters related to Applications to be considered by the Board will not be discussed.

(c) Eligible Applicants. The following organizations or entities are eligible to apply for Program Activities:

(1) Nonprofit organizations;

(2) Units of General Local Government;

(3) for-profit entities and sole proprietors; and

(4) Public Housing Agencies.

(d) Ineligible Applications, Activities, and Restrictions. The following conditions will cause an Applicant, and any applications they have submitted, to be ineligible:

(1) The Applicant, Development Owner, or Developer is an Administrator of a previously funded Contract for which Department funds ~~Housing Trust Funds~~ have been partially or fully deobligated due to failure to meet contractual obligations during the 12 months prior to application submission date, unless the deobligation was voluntary and prior to the contract term expiration date, or was the remainder on a completed Contract;

(2) The Applicant, Development Owner, or Developer has failed to submit or is delinquent in a response to provide an explanation, evidence of corrective action or a payment of disallowed costs or fees as a result of a monitoring review.

(3) The Applicant, Development Owner, or Developer has failed to make timely payment or is delinquent on any loans or fee commitments made with the Department on the date of the Application submission;

(4) The Applicant, Development Owner, or Developer has been or is barred, suspended, or terminated from procurement in a state or federal program or listed in the List of Parties Excluded from Federal Procurement of Non-procurement Programs or has otherwise been debarred by HUD or the Department;

(5) The Applicant, Development Owner, or Developer has violated the State's revolving door policy;

(6) The Applicant, Development Owner, or Developer has been convicted of a state or federal felony crime involving fraud, bribery, theft, misrepresentation of material fact, misappropriation of funds, or other similar criminal offenses within fifteen years preceding the Application deadline;

(7) The Applicant, Development Owner, or Developer at the time of Application submission is: subject to an enforcement or disciplinary action under state or federal securities law or by the NASD is subject to a federal tax lien; or is the subject of an enforcement proceeding with any governmental entity;

(8) The Applicant, Development Owner, or Developer ~~has issues covered under~~with any past due audits has not submitted those past due audits to the Department in a satisfactory format on or before the Application submission date in accordance with ~~10 TAC~~ §1.3 of this title;

(9) The submitted Application has an entire volume of the Application missing; has excessive omissions of documentation from the threshold Criteria or uniform Application documentation; or is so unclear, disjointed or incomplete that a thorough review can not reasonably be performed by the Department, as determined by the Department. If an Application is determined ineligible pursuant to this section, the Application will be terminated without being processed as an Administrative Deficiency. To the extent that a review was able to be performed, specific reasons for the Department's determination of ineligibility will be included in the termination letter to the Applicant;

(10) The Applicant, Development Owner, or Developer or anyone that has Controlling ownership interest in the Development Owner or Developer that is active in the ownership or Control of one or more other rent restricted rental housing properties in the state of Texas administered by the Department is in Material Noncompliance with the LURA;

(11) The Application is a joint venture Application for the same Program Activity to serve the same town, city, or county that is identified in the Application already submitted as a sole Application for the same Program Activity in the same town, city or county;

(12) Any Application that includes financial participation by a Person who, during the five-year period preceding the date of the bid or award, has been convicted of violating a federal law in connection with a contract awarded by the federal government for relief, recovery, or reconstruction efforts as a result of Hurricanes Rita or Katrina or any other disaster occurring after September 25, 2005, or was assessed a federal civil or administrative penalty in relation to such a contract;

(13) Applications which propose the refinancing or rehabilitation of properties constructed within the past 5 years and previously funded by the Department are not eligible; or

(14) Displacement of Existing Affordable Housing. Housing Trust Funds shall not be utilized on a development that has the effect of permanently displacing low, very low, and extremely low income persons and families. Low-Income persons who may be temporarily displaced by the rehabilitation of affordable housing may be eligible for compensation of moving and relocation expenses. If a Housing Trust Fund recipient violates the dislocation provision of this paragraph, that recipient risks loss of Housing Trust Funds and the landlord/developer must pay the affected tenant's costs and all moving expenses.

(e) Noncompliance. Each Application will be reviewed for its compliance history by the Department, consistent with Chapter 60, Subchapter A of this title. Applications containing Persons found to be in Material Noncompliance or otherwise violating the compliance rules of the Department will be terminated.

(f) Application Form and Materials. The Department will develop and publish on its website an Application and ASPM that if completed would satisfy the requirements for requesting funds from the Department. The Department may limit the eligibility of Applications in the NOFA and ASPM. Threshold and selection criteria and any other Application requirements will be specified in the NOFA approved by the Board.

(g) General Application Requirements. Applicants must submit an Application by the deadline date specified in the NOFA using the Application and ASPM forms required by the Department. All Applications must be received during business hours (8:00 a.m. to 5:00 p.m. Central Standard Time) on any business day. Completion and submission of the Application includes the entire Uniform Application and any other supplemental forms which may be required by the Department. (§2306.1111)

(h) Application Limitations. The Department reserves the right to reduce the amount requested in an Application based on activity or Project feasibility, underwriting analysis, or availability of funds.

§51.9. Single Family Housing Programs

Eligible activities include the acquisition and/or New Construction or Rehabilitation of single family housing or rental subsidies, including security or utility deposits, and as further defined in the NOFA. Single family housing units assisted with HTF funds must comply with the required affordability requirements. In addition, housing that is Newly Constructed or Rehabilitated with HTF funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances. The NOFA will include any limitations to the maximum award amounts, the Contract terms, performance benchmarks, and cost limitations.

§51.10~~6~~. Multifamily Development Application Requirements

~~(a)~~ Rental Housing Development Site and Development Restrictions. Restrictions include all those items referred to in Chapter 2306, Texas Government Code and any additional items included in the NOFA for rental housing developments.

~~(b) Limitations on the Size of Developments. Developments involving new construction will be limited to 252 units. These maximum Unit limitations also apply to those Developments which involve a combination of rehabilitation and new construction. Developments that consist solely of acquisition/rehabilitation or rehabilitation only may exceed the maximum unit restrictions. The minimum number of units shall be 4 units.~~

§51.11~~7~~. Multifamily Development Applicants Requesting Additional Funding from Other Housing Finance Programs

(a) If an Application is submitted to the Department for a Development that requests funds from two separate housing finance programs, one of which includes the Housing Trust Fund, and only one of the housing finance programs is operated as a Competitive Application Cycle, then the Application will be handled in accordance with the competitive cycle guidelines for that program. If an Application is submitted for two separate housing finance programs where both programs are either open cycle, or competitive, one of which is Housing Trust Fund, the Application will be handled in accordance with the most restrictive program rules with the approval of the Department's Executive Director. Threshold and any other rental requirements will be noted in any NOFA released.

(b) Applicants who are seeking tax credits and are also seeking funds under this Chapter for the same Development must meet the requirements under the Qualified Allocation Plan for the year in which they are applying for these funds ~~tax credits,~~ and all of the requirements of this Chapter unless specifically waived by the Department.

~~(c) Public Notification. Applicants for Rental Development activities will be required to provide written notification to each of the following persons or entities 14 days prior to the submission of any application package. Failure to provide written notifications 14 days prior to the submission of an application package at a minimum will cause an application to lose its "received by date" under open application cycles, or be terminated under competitive application cycles. Applicants must provide notifications to:~~

~~(1) the executive officer and elected members of the governing board of the community where the development will be located. This includes municipal governing boards, city councils, and County governing boards;~~

~~(2) all neighborhood organizations whose defined boundaries include the location of the Development;~~

~~(3) executive officer and Board President of the school district that covers the location of the Development;~~

~~(4) residents of occupied housing units that may be rehabilitated, reconstructed or demolished;~~
~~(5) the State Representative and State Senator whose district covers the location of the Development; and~~

~~(6) The notification letter must include, but not be limited to, the address of the development site, the number of units to be built or rehabilitated, the proposed rent and income levels to be served, and all other details required of the NOFA and Application Manual.~~

§51.12~~8~~. Application Review Process ~~Procedure and Requirements~~

(a) Applications received by the Department in response to an Open Application Cycle NOFA will be handled in the following manner:

(1) The Department will accept Applications on an ongoing basis, until such date when the Department makes notice to the public that an Open Application Cycle has been closed.

(2) Each application will be handled on a first-come, first-served basis as further described in this section. Each application will be assigned a Received Date based on the date and time it is physically received by the Department. Then each application will be reviewed on its own merits in two review phases, as applicable. Applications will continue to be prioritized for funding based on its Received Date unless it does not proceed into the next phase(s) of review. Applications proceeding in a timely fashion through a phase will take priority over Applications that may have an earlier Received Date but that did not timely complete a phase of review.

(A) Phase One will begin as of the Received Date and will include a review of eligibility and threshold criteria and all Application requirements. The Department will ensure review of materials required under the NOFA and ASPM and will issue a notice of any Administrative Deficiencies~~ for threshold criteria~~. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into Phase Two, if applicable, and will continue to be prioritized by their Received Date. Applications with Administrative Deficiencies not cured within five (5) business days, will be terminated and must reapply for consideration of funds. Applications that have completed this Phase and do not require additional review in Phase Two, will be reviewed for recommendation to the Board by the Committee.

(B) Phase Two will include a comprehensive review for financial feasibility for Development Activities. Financial feasibility reviews will be conducted by the Real Estate Analysis (REA) Division consistent with §1.32 of this title. REA will create an underwriting report identifying staff's recommended Loan terms, the Loan or Grant amount and any conditions to be placed on the Development. The Department may issue a notice of any Administrative Deficiencies. Applications with Administrative Deficiencies not satisfied within five (5) business days, will be terminated and must reapply for consideration of funds. Applications that have completed this Phase will be reviewed for recommendation to the Board by the Committee.

(3) Because A~~a~~pplications are processed in the order they are received by the Department it is possible that the Department will expend all available Housing Trust Fund funds before an application has completed all phases of review. In the case that all Housing Trust Fund funds are committed before an application has completed all phases of the review process, the Department will notify the applicant that their application will remain active for ninety (90) days in its current phase. If new Housing Trust Fund funds become available, Applications will continue onward with their review without losing their Received Date priority. If Housing Trust Fund funds do not become available within ninety (90) days of the notification, the Applicant will be notified that their Application is no longer under consideration. The applicant must reapply to be considered for future funding. If on the date an Application is received by the Department, no funds are available under the NOFA, the applicant will be notified that no funds remain under the NOFA and that the application will not be processed.

(b) Applications received by the Department in response to a Competitive Application Cycle NOFA for housing development activities will be handled in the following manner:

(1) The Department will accept Applications on an ongoing basis during the Application Acceptance Period as specified in the NOFA.

(2) Applications submitted and accepted by the Department will be reviewed for eligibility, threshold and selection criteria and all Application requirements. The Department will ensure review of materials required under the NOFA and ASPM. A comprehensive review of financial feasibility for Development activities will be conducted by the Real Estate Analysis (REA) Division consistent with §1.32 of this title for all competitive applications. REA will create an underwriting report identifying staff's recommended Loan terms, the Loan or Grant amount and any conditions to be placed on the Development. The Department will issue a notice of any Administrative Deficiencies for items reviewed. If Administrative Deficiencies are not cured to the satisfaction of the Department within five (5) business days of the deficiency notice date, then five (5) points shall be deducted from the selection score for each additional day the Administrative Deficiency remains unresolved. If Administrative Deficiencies are not clarified or corrected within seven (7) business days from the deficiency notice date, then the Application shall be terminated.

(3) Upon completion of review and no unresolved Administrative Deficiencies, the Application will be reviewed for recommendation to the Board by the Committee.

(c) Administrative Deficiencies. If an application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the Application, the Department staff may request clarification or correction of such Administrative Deficiencies including threshold and/or selection criteria documentation and/or financial feasibility analysis. The Department staff may request clarification or correction in a deficiency notice in the form of a facsimile and a telephone call to the Applicant advising that such a request has been transmitted. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. An Applicant may not change or supplement any part of an Application in any manner after submission to the Department, increase their award amount, or revise their unit mix (both income levels and bedroom mixes), except in response to a direct request from the Real Estate Analysis Division to remedy an Administrative Deficiency as further described in this title or by amendment of an Application after a commitment or allocation of Housing Trust Fund monies.

(d) The Department may decline to fund any Application if the proposed activities do not, in the Department's sole determination, represent a prudent use of the Department's funds. The Department is not obligated to proceed with any action pertaining to any Applications which are received, and may decide it is in the Department's best interest to refrain from pursuing any selection process. The Department reserves the right to negotiate individual elements of any Application.

(e) A site visit will be conducted. Applicants must receive recommendation for approval from the Department to be considered for funding by the Board.

(f) Applicants may appeal staff's decisions regarding their applications consistent with §1.7 of this title.

(g) Alternative Dispute Resolution Policy. Applicants may utilize the Department's Alternative Dispute Resolution process as defined by §1.17 of this title.

§51.13~~9~~. Criteria for Funding

(a) In considering applications for funding, the Department considers the following requirements under §2306.203, Texas Government Code, and such others as may be enumerated during the funding cycle:

(1) Minimum Eligibility Criteria. To be considered for funding, an Applicant must first demonstrate that it meets each of the following threshold criteria:

(A) the Application is consistent with the requirements established in this rule and the NOFA;

(B) the Applicant provides evidence of its ability to carry out the proposal in the areas of financing, acquiring, Rehabilitating, Developing or managing an affordable housing Development;

(C) the proposal addresses and identifies a housing need. This assessment will be based on statistical data, surveys and other indicators of need as appropriate; and

(D) any outstanding Housing Trust Fund Pre-Development loans for the same proposed Development Site must be paid in full at the time of Loan closing for the current requested funds.

(2) Evaluation Factors. Pursuant to §2306.203(c), Texas Government Code, the criteria used to evaluate applications, as more fully reflected in the NOFA, will include at a minimum the:

(A) leveraging of federal funds including the extent to which the project will leverage State funds with other resources, including federal resources, and private sector funds;

(B) cost-effectiveness of a proposed development; and

(C) extent to which individuals and families of very low income and extremely low income are served by the development.

(b) The Board has final approval on all recommendations for funding.

(c) Eligible Applicants that have been approved for funding and that require a material change in the project description must provide a written request for the material change to the Department prior to implementing the change.

(1) A material change may include, but is not limited to, the following:

(A) Change in project site;

(B) Change in the number of units or set asides; and

(C) An increase in funding that is not permitted under §51.18~~14~~ of this C~~c~~hapter.

(2) Failure to comply with this subsection may result in the termination of funding to Applicant.

§51.14~~10~~. Process for Awards ~~During Competitive Application Cycle~~

(a) All recommendations for awards will be presented to the Committee before presentation to the Board. All Applications must comply with all applicable program requirements or regulations.

(b) Applicants applying in response to an Open Application Cycle will be prioritized for recommendation to the Board based on the process described in §51.12 of this Chapter and as otherwise specified in the NOFA.

(c) (~~a~~) Applicants applying in response to a Competitive Application Cycle will be ranked by highest score per Uniform State Service Region per Area Type unless otherwise specified in the NOFA.

(d) (~~b~~) In event of a tie between two or more Applicants, the Department reserves the right to determine which Application will receive a recommendation for funding. This decision will be based on housing need factors and feasibility of the proposed Project identified in the Application. Tied Applicants may also receive a partial recommendation for funding.

(e) (~~c~~) If sufficient qualified Applications are not received for a Uniform State Service Region or Area Type, the funds will be redirected to the next Uniform State Service Region that had a higher number of qualified Applicants unless otherwise specified in the NOFA.

(f) (~~d~~) Applicants may also receive a partial recommendation for funding. A minimum award amount may be established to ensure feasibility.

(g) (~~e~~) When the remainder of the allocation within a Uniform State Service Region is insufficient to completely fund the next ranked Application in the Uniform State Service Region, it is within the discretion of the Department to:

(1) fund the next ranked application for the partial amount, reducing the scope of the Application proportionally;

(2) make necessary adjustments to fully fund the Application; or

(3) transfer the remaining funds to another Uniform State Service Region.

~~(f) All recommendations for awards will be presented to the Committee before presentation to the Board. All Applications must comply with all applicable program requirements or regulations.~~

(h) ~~(g)~~ Applications receiving a favorable staff recommendation are presented to the Board for approval, pending the availability of Housing Trust Fund funds.

(i) ~~(h)~~ Applicants may appeal staff's decision regarding their Applications in accordance with §1.7 of this title.

(j) ~~(i)~~ Even after Board approval of the award of any Housing Trust Fund funds, acquisition or construction activities will be conditional upon a completed Loan closing, if required, and any other conditions deemed necessary by the Department.

§51.15~~11~~. Contract Required after Award

Any activity funded under this program will be governed by a written Contract that identifies the terms and conditions related to the awarded funds. The Contract will not be effective until executed by all parties to the Contract. Any amendments must be in writing and are subject to the requirements of this Chapter.

§51.16~~12~~. Documents Supporting Mortgage Loans

(a) A mortgage L~~l~~oan shall be evidenced by a mortgage or deed of trust note or bond and by a mortgage that creates a lien on the housing development and on all real property that constitutes the site of or that relates to the housing development.

(b) A note or bond and a mortgage or deed of trust:

(1) must contain provisions satisfactory to the D~~d~~epartment;

(2) must be in a form satisfactory to the D~~d~~epartment; and

(3) may contain exculpatory provisions relieving the Borrower or its Principal from personal liability if the D~~d~~epartment agrees.

(c) For each L~~l~~oan made for the Development of multifamily housing with Housing Trust Fund funds provided to the State, the Department shall obtain a mortgagee's title policy in the amount of the loan. The Department may not designate a specific title insurance company to provide the mortgagee title policy or require the borrower to provide the policy from a specific title insurance company. The borrower shall select the title insurance company to close the L~~l~~oan and to provide the mortgagee title policy.

(d) For each Loan made for the acquisition, New Construction, and/or Rehabilitation of single family housing with Housing Trust Fund funds provided to the State, the Department shall specify the requirements in the associated program manual and/or NOFA. This may include, but not be limited to, any title documents, appraisals, property tax status, surveys or life event documentation.

(e) For Loans that provide downpayment, gap financing and/or closing cost assistance, the Administrator or Development Owner must submit to the Department the original recorded deed of trust and transfer of lien, if applicable. Failure to submit these documents within ninety (90) days after the Loan closing date may result in the Department withholding payment for disbursement requests.

§51.17~~13~~. Amendments

(a) Amendment requests to be approved by the Executive Director are allowable under the following circumstances:

(1) Time extensions. The Executive Director may collectively provide up to one six month extension to the end date of any Contract. Any additional time extension granted by the Executive Director shall include a statement by the Executive Director relating to unusual, ~~and~~ non foreseeable or extenuating circumstances. If the extension is longer than six months and the Executive Director determines ~~does not feel he can issue~~that a statement related to unusual, ~~or~~ non-foreseeable, or extenuating circumstances cannot be issued, it will be presented to the Governing Board for approval, approval with modifications, or denial of the requested extension;~~.~~

(2) Changes in Area Median Family Income (AMFI) levels. The Executive Director may grant approval of a modification or amendment to the AMFI levels of the households to be served under said contract, if Contract Administrator provides a statement relating to unusual, non-foreseeable or extenuating circumstances that warrant such a request to be granted and the Executive Director determines that such request does not violate Department rules. In the case

that the Executive Director determines that such request is not warranted and/ or violates Department rules, the request will be presented to the Board for approval;

(3) Changes to Services Area. The Executive Director may grant approval of the modification or amendment to the Service Area being served under said contract, if Contract Administrator provides a statement relating to unusual, non-foreseeable or extenuating circumstances that warrant such a request to be granted and the Executive Director determines that does not violate Department rules. In the case that the Executive Director determines that such request is not warranted and/or violates Department rules, the request will be presented to the Board for approval;

(4) Changes in number of Households to serve. The Executive Director may grant approval of the modification or amendment to the reduction in the number of the Households to be served under said Contract, if Contract Administrator provides a statement relating to unusual, non-foreseeable or extenuating circumstances that warrant such request to be granted and the Executive Director determines that such request does not violate Department rules. In the case the Executive Director determines that such request is not warranted and/or violates Department rules, the request will be presented to the Board for approval; or

(5~~2~~) Increase in funds. In the case of a modification or amendment to the dollar amount of the award, such modification or amendment does not increase the dollar amount by more than 25% of the original award or $50,000, whichever is greater. Modifications and/or amendments that increase the dollar amount by more than 25% of the original award or $50,000, whichever is greater; or significantly decrease the benefits to be received by the Department, in the estimation of the Executive Director, will be presented to the Board for approval.

(b) If the Administrator or Development Owner fails to meet ~~the~~ a benchmark ~~contract milestones or Contract term~~ requirement~~s~~ and does not seek, or is not granted, ~~a Contract amendment for~~ an extension of a ~~milestone~~ benchmark~~or the entire term~~, the awarded funds related to the lack of performance may be entirely or partially deobligated at the Department's sole discretion.

(c) Additional Funds. In the event the Department receives additional funds, the Department, with Board approval, may elect to distribute funds to other Administrators or Development Owners.

(d) Accounting Requirements. Within 60 days following the conclusion of a contract issued by the Department the recipient shall provide a full accounting of funds expended under the terms of the contract. Failure of a recipient to provide full accounting of funds expended under the terms of a contract shall be sufficient reason to terminate the contract and for the Department to deny any future contract to the recipient.

(e) Individual benchmarks ~~Milestones~~. Each benchmark ~~milestone~~ is an individual term and subject to the amendment processes. An interim milestone extension may or may not extend the entire ~~contract~~ Contract at the Department's discretion.

§51.18. General Contract Administration

All Administrators and Development Owners must use the forms provided on the Department's website and comply with the Department's procedural and documentation requirements as outlined in the Program Manual and in this section including:

(1) Contract must be signed and executed by all appropriate authorized parties;

(2) Attend training as required by the Department;

(3) Develop and comply with written procurement selection criteria and committees;

(4) Procure consultants, if applicable. Consultants may not participate in or direct any part of the process for procuring consultants;

(5) Complete all applicable Department Contract System access request forms and requirements;

(6) Perform Loan closing, if required, prior to performing any construction activities, including demolition;

(7) Develop and comply with written accounting, reporting, filing, and documentation procedures;

(8) Develop and comply with written applicant intake and selection criteria and ensure program eligibility which must include, but is not limited to:

(A) Homeownership, if applicable;

(B) Income eligibility;

(C) Assisted Households must be located within the Administrator's Service Area, as defined by the Contract;

(D) Property taxes are current, if applicable; and

(E) Assist Special Needs Households, if applicable.

(9) Develop and comply with affirmative marketing procedures;

(10) Complete applicant intake and applicant selection. Notify each applicant Household in writing of either acceptance or denial of assistance within sixty (60) days following receipt of the intake application;

(11) To ensure compliance with the Texas Comptroller of Public Accounts requirements, Contract Administrators are required to ensure the applicant Household does not owe a debt to the State of Texas including tax liens, child support liens, or student loan delinquencies;

(12) Ensure that no Conflict of Interest exists between Households to be assisted and Persons designated to receive or assist with the application intake process;

(13) Document and verify all income and asset eligibility requirements for the Household to be assisted;

(14) Ensure compliance with applicable audit certification requirements;

(15) Ensure that the demolition and removal of all dilapidated units on the lot occurs prior to the Household's occupancy of the Newly Constructed or Rehabilitated housing unit;

(16) Ensure and verify that each building construction contractor performing activities in the amount of $10,000 or more under the Contract is registered and maintains good standing with the Texas Residential Construction Commission in accordance with 16 TAC, Subtitle C, §16.001;

(17) Ensure and verify that each housing unit being rehabilitated in the amount of $10,000 or more under the Contract is registered with the Texas Residential Construction Commission in accordance with 16 TAC, Subtitle C, §426.003;

(18) Provide building construction contractor oversight and ensure builder's risk coverage is provided;

(19) Ensure that the demolition of any housing unit does not occur less than 6 (six) months prior to the Contract end date;

(20) Ensure compliance with applicable construction or property standards and lead-based paint requirements;

(21) Conduct appropriate property inspections and documentation in accordance with applicable program requirements;

(22) Submit required documentation and electronic requests for Project setups and disbursement requests to the Department;

(23) Submit support documentation for Project setups and disbursement requests within thirty (30) days of electronic submission to the Department;

(24) Submit all Project setups and support documentation for Households to be assisted no later than ninety (90) days prior to the Contract end date. In the event that a loan closing is required for single family Rehabilitation or Reconstruction, non-development activities, all Project

setups and support documentation must be submitted no later than one hundred eighty (180) days prior to the Contract end date;

(25) Submit required documentation for Project completion reports and certificate of Contract Completion no later than sixty (60) days from the Contract end date; and

(26) Complete the terms of the Contract.

§51.19~~14~~. Other Program Requirements

(a) Employment opportunities. In connection with the planning and carrying out of any project assisted under the Act, to the greatest extent feasible, opportunities for training and employment shall be given to low, very low, and extremely low-income persons who meet position requirements residing within the area in which the project is located.

(b) Conflict of Interest.

(1) Conflict Prohibited. No person described in paragraph (2) of this subsection who exercises or has exercised any functions or responsibilities with respect to Housing Trust Fund activities under the Statute or who is in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from a Housing Trust Fund assisted activity, or have an interest in any Housing Trust Fund contract, subcontract or agreement or the proceeds hereunder, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

(2) Persons Covered. The conflict of interest provisions of paragraph (1) of this subsection apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of the Administrator or Development Owner.

(c) Grant funds management and procurement. Except as specifically modified by law or the provision of this Chapter, Contract Administrator or Development Owner must comply with the rules promulgated by the Office of the Governor under the Uniform Grant Management Act (Tex. Gov't Code Ann. Chapter 783 and 1 Texas Administrative Code Chapter 5.) to administer the Housing Trust Fund. Contract Administrator or Development Owner must comply with all applicable state, and local laws, regulations, and ordinances for making procurements with Housing Trust Fund monies. Contract Administrator or Development Owner must ensure compliance with the requirements of the Government Code Chapter 2254.

(d) ~~(c)~~ Right to Inspect and Monitor.

(1) The Department may, at any time, inspect and monitor the records and the work of the Project so as to ascertain the level of Project completion, quality of work performed, inventory levels of stored material, compliance with the approval plans and specifications, property standards, and program rules and requirements.

(2) Any unsatisfactory findings in the inspection may result in a reduction in the amount of funds requested or termination of funding.

(3) Within 45 days of completion of any construction, and before the release of any retainage funds, Administrators and Development Owners are required to notify the Department of the completion by submitting a certificate of completion and any other documents required by program guidelines, including, but not limited to, the following:

(A) Architect's Certification of Substantial Compliance;

(B) Administrator or Development Owner's Certificate of Substantial Completion; and

(C) Administrator or Development Owner's and Supplier's Release of Lien and warrantee.

(4) The Department performs a final close-out visit and assists owners in preparing for long-term compliance requirements upon completion of project development.

(e) ~~(d)~~ Compliance.

(1) Recipient must maintain compliance with each of its Contracts with the Department.

(2) Restrictions are stated and enforced through a regulatory agreement.

(3) These restrictions include, but are not limited to the following:

(A) Rent restrictions;

(B) Record keeping and reporting; and

(C) Income targeting of tenants.

(4) The Department monitors compliance with project restrictions and any other covenants by Recipient in any Housing Trust Fund agreement. An annual per unit compliance fee of $25.00 may be charged for this review.

(f) ~~(e)~~ For funds being used for multifamily rental properties, the Recipient must establish a reserve account consistent with §2306.186, Texas Government Code, and as further described in §1.37 of this title.

~~(f) Accounting Requirements. Within 60 days following the conclusion of a contract issued by the Department the Recipient shall provide a full accounting of funds expended under the terms of the contract. Failure of a recipient to provide full accounting of funds expended under the terms of a contract shall be sufficient reason to terminate the contract and for the Department to deny any future contract to the recipient.~~

§51.<u>20</u>~~15~~. Citizen Participation

(a) The Department holds at least one public hearing annually, and additional public hearings prior to consideration of any proposed significant changes to these rules, to solicit comments from the public, eligible applicants, and Administrators and Development Owner on the Department's rules, guidelines, and procedures for the Housing Trust Fund.

(b) The Department considers the comments it receives at public hearings. The Board annually reviews the performance, administration, and implementation of the Housing Trust Fund in light of the comments it receives. The Board also reviews funding goals and set-asides relating to Allocation of Housing Trust Funds.

(c) Unless the request is made during a Competitive Application Cycle, Applications for Housing Trust Funds are public information and the Department shall afford the public an opportunity to comment on proposed housing applications prior to making awards.

(d) Complaints will be handled in accordance with the Department's complaint procedures of 10 TAC §1.2.

§51.<u>21</u>~~16~~. Records to be Maintained

(a) Administrator or Development Owners are required, at least on an annual basis, to submit to the Department information required under Chapter 1 of this title, which may include, but is not limited to:

(1) such information as may be necessary to determine whether a project is benefiting low, very low, and extremely low-income persons and families;

(2) the monthly rent or mortgage payment for each dwelling unit in each structure assisted;

(3) such information as may be necessary to determine whether Administrators and Development Owners has carried out their housing activities in accordance with the requirements and primary objectives of the Housing Trust Fund and implementing regulations;

(4) the size and income of the household for each unit occupied by a low, very low, or extremely low-income person or family;

(5) data on the extent to which each racial and ethnic group and households have applied for and benefited from any project or activity funded in whole or in part with funds made available under Texas Government Code Chapter 2306. This data shall be updated annually; and

(6) A final statement of accounting upon completion of the Project.

(b) Administrator or Development Owners shall maintain records pertinent to the tenant's files for a period of at least three years.

(c) Administrator or Development Owners shall maintain records pertinent to funding awards including but not limited to project costs and certification work papers for a period of at least five years.

(d) Administrator or Development Owners shall maintain records in an accessible location.

§51.22~~17~~. Waiver

The Board may, in its discretion, waive any one or more of the rules set forth in this chapter to accomplish its legislative mandates or for other compelling circumstances.

BOARD ACTION SUMMARY

MULTIFAMILY FINANCE PRODUCTION DIVISION

September 3, 2008

Action Items

1. Presentation, Discussion and Possible Approval to publish the proposed repeal of 10 TAC Chapter 49, concerning 2007 Housing Tax Credit Program Qualified Allocation Plan and Rules, and a draft of proposed new 10 TAC Chapter 49, concerning 2009 Housing Tax Credit Program Qualified Allocation Plan and Rules for comment in the *Texas Register*.

2. Proposed repeal of the 2007 Qualified Allocation Plan and Rules.

Required Action

Approve, or approve with amendments, the 2009 Draft Qualified Allocation Plan and Rule, to be published for public comment. Approve the proposed repeal of the 2007 Qualified Allocation Plan and Rules.

Background

Attached behind this Board Action Item is the 2009 Draft Qualified Allocation Plan and Rules ("Draft QAP") which reflects staff's recommendations for revisions to the 2008 QAP for the Board's consideration. The document is shown as a "blackline" of the 2008 QAP – additions are shown as underlined text and deletions are shown as marked through text.

The 2009 Draft QAP being recommended by staff further ensures compliance with all statutory requirements, incorporates some initial public input, and includes recommendations for revisions of policy and administrative changes to further enhance the Housing Tax Credit Program's operation.

Summary of Significant Recommendations from Staff

This section outlines some of the most significant recommendations being made by staff. Other revisions, details of revisions, formatting adjustments, and streamlining are not summarized, but are reflected in the attached Draft QAP. Citation references are to the numbered sections of the 2009 Draft QAP.

1. **§49.3 – Definitions (Pages 3 of 82).** Definitions are being added, revised, or deleted for the following terms to incorporate statutory changes and bring greater clarity to the meanings and concepts utilized: Adaptive Reuse, Applicable Percentage, Application Round, Controlling or Managing General Partner, Executive Award and Review Advisory Committee, Governing Body, Ineligible Building Type, Low-Income Unit, Net Rentable Area, Qualified Allocation Plan, Residential Rental Development, Special Management District, Supportive Housing, Unit and Urban Core. Supportive Housing is being added because staff is proposing this type of housing for

consideration by the Department for a 30% increase in the eligible basis. Urban Core is being added because it is an additional area proposed to receive points under §49.9(i).

2. **§49.5(a)(9) – Ineligibility (Page 15 of 82).** This section is revised to include the proximity to sexual-oriented businesses as an ineligible Development. Any Development proposed to be located adjacent to or within 300 feet of a sexually-oriented business will be ineligible for an award or allocation of Housing Tax Credits.

3. **§49.6(d) – Credit Amount (Page 18 of 82).** Revisions were made to propose an increase, from \$1.2 million to \$1.4 million, to the credit limitation per Application, to adjust for increasing costs.

4. **§49.6(e)(4) – Limitations on Size of Development (Page 19 of 82).** This section has been revised to clarify that the site limitations apply to Applications proposing to build more than one Development on contiguous sites in the same year.

5. **§49.6(h)(3) – Limitations on Developments Proposing to Qualify for a 30% Increase in Eligible Basis (Page 20 of 82).** This section clarifies the situations in which the 30% increase in eligible basis will be considered, which include the use of Renewable Energy Tax Credits in an effort to encourage energy efficient development. The 30% increase in eligible basis is also allowed to be claimed for Developments proposed to be located in census tracts located in Rural Areas that have not received awards of housing tax credits in the last five years; development of supportive housing; developments proposing additional 30% AMGI units; and development in High Opportunity Areas which are:
   (a) Developments that are proposed to be located within one-quarter mile of public transportation or commuter rail transportation stations that are accessible to all residents including Persons with Disabilities and/or located within a community that has "on-demand" transportation or special transit sevice;
   (b) Developments that are proposed to be located in a census tract which has an AMGI that is higher than the AMGI of the county or place in which the census tract is located;
   (c) Developments (serving families with children) that are proposed to be located in a school attendance zone that has an academic rating of "Exemplary" or "Recognized" rating (as determined by the Texas Education Agency) as of the first day of the Application Submission Acceptance Period; and
   (d) Developments that are proposed in a census tract that has no greater than 10% poverty population according to the most recent census data (these census tracts are designated in the 2009 Housing Tax Credit Site Demographic Characteristics Report);.

6. **§49.6(i) – Rehabilitation Costs (Page 20 of 82).** This section is revised to propose an increase in the minimum rehabilitation cost per unit.

7. **§49.8(d)(3)(B) – Pre-Application Threshold Criteria and Review (Page 23 of 82).** This section is revised to clarify what is required as "proof of delivery" for notifications should an Applicant be requested to provide such information.

8. **§49.9(h)(4)(A) and (B) – Minimum Number of Amenity Points Required to Meet Threshold (Page 32 of 82).** This section is revised to correct the number of required Units associated with the number threshold points needed and adds threshold amenity points for green building practices and to reduce the wiring requirements from CAT5e combination internet, cable TV and phone service to RG-6 Co-ax cable for internet and cable TV and CAT3 for phone service..

9. **§49.9(h)(4)(C)(i)-(v) – Threshold Unit Square Footage (34 of 82).** This section was added to establish minimum square foot Unit sizes.

10. **§49.9(h)(7)(B)(i) – Evidence of Readiness to Proceed (Page 37 of 82).** This section is revised to clarify when the consistency of the consolidation plan letter is required to be submitted to the Department for Tax-Exempt Bond Developments which is fourteen days prior to the Board meeting in which the Application will be presented to the Board.

11. **§49.9(i)(2)(A)(iv) – Quantifiable Community Participation (Page 46 of 82**). This section is revised to clarify the acceptable interaction between the Applicant and the Neighborhood Organizations. Although the Applicant is still not allowed to provide "production" assistance, the Applicant may communicate with the Neighborhood Organization with information of the process and appropriate deadlines. The Applicant will be copied on administrative deficiencies sent to Neighborhood Organizations.

12. **§49.9(i)(3) – Income Levels of Tenants (Page 48 of 82).** This section was revised to limit the percentage calculation to the number of Low-Income Units, instead of the total Units in the Development and to require that in properties with market rate Units must set-aside 10% of the market rate Units for persons at of below 80% of AMGI.

13. **§49.9(i)(4)(A) – Size of Units (Page 48 of 82).** This section is revised to encourage Applicants to build beyond the minimum Unit sizes required in threshold section (h)(4)(C)(i)-(v).

14. **§49.9(i)(5)(B) – The Commitment of Development Funding by Local Political Subdivisions (Page 51 of 82).** This section is revised to allow lower percentages of funding from Local Political Subdivisions in Rural Areas.

15. **§49.9(i)(6) – The level of Community Support for State Representative or State Senator (Page 51 or 82).** This section is revised to clarify the deadline for support or opposition to be withdrawn by a state representative or senator and how the withdrawal will affect the score of an Application.

16. **§49.9(i)(7) – The Rent Level Units (Page 51 of 82).** This section is revised to encourage additional available Units at or below 30% AMGI if an Application qualifies for points under §49.9(i)(3) and to remove the reference to the proportion of Units that were market rate.

17. **§49.9(i)(8) – The Cost of the Development by Square Foot (Page 52 of 82).** This section is revised to increase the cost per square foot by $10 for all Developments based on public comment and cost increase information received from the development community. This section also allows Single Room Occupancy Developments to include up to 50 square feet of common area per efficiency Unit in the cost per square foot calculation.

18. **§49.9(i)(13) - Community Revitalization or Historic Preservation (Page 53 of 82).** This section is revised to meet the requirements of The Housing and Economic Recovery Act of 2008 (H. R. 3221) by encouraging historic preservation.

19. **§49.9(i)(15)(B) – Economic Development Initiatives (Page 54 of 82).** This section is revised to add other state or federally funded economic development initiatives.

20. **§49.9(i)(16) – Development Location (Page 54 of 82).** The section is revised to include Developments proposed to be located in the Urban Core areas for which the proposed Development Site is zoned for the intended use at the time of the Application Submission and providing infill housing.

21. **§49.9(i)(17) – Green Building Initiatives (Page 54 of 82).** This section is added to encourage green building activities. The Applicant may select from an itemized list of green amenities. This subsection of the QAP was previously for "Ex-Urban" points.

22. **§49.9(i)(18) – Community Support Other Than Quantifiable Community Participation (Page 55 of 82).** This section is revised to allow Applicants to submit letters from property owner associations, of master planned communities and Special Management Districts, that do not meet the requirements of §49.9(i)(2).

23. **§49.9(i)(29) – Bonus Points (Page 60 of 82).** This section is added to reward good behavior of Applicants. Applications may receive bonus points (1) if the Applicant provides final site control at the time of Carryover for the preceding Allocation Round; (2) if the Applicant provides the appropriate documentation for the 10% Test on or before June 1, 2009 for the preceding Allocation Round; and (3) if the Applicant has minimal deficiencies during the Eligibility, Selection and Threshold reviews.

24. **§49.14 – Carryover; 10% Test; Commencement of Substantial Construction (Page 69 of 82).** This section is revised to extend the requirement of the purchase of the Development Site from Carryover to the 10% Test documentation submission date but still require evidence that the Development Site is under control of the Applicant at Carryover and extends the 10% Test deadline from six months after the date of Carryover to eleven months after the date of Carryover. It is also in line with The Housing and Economic Recovery Act of 2008 (H.R. 3221). Applicants are encouraged to still meet an earlier submission date of June 1 for 10% Test documentation, through the bonus points in §49.9(i)(29).

25. **§49.16(k) – Housing Credit Allocation (Page 74 of 82).** This section was revised to provide relief, for a specific period of time, to Applicants that may return credits contingent on the approval of the proposal in the Board's policy on implementation of H.R.3221.

26. **§49.20(f) – Commitment or Determination Notice Fee (Page 80 of 82).** This section was revised to propose the Commitment or Determination fee to be partially refunded instead of being nonrefundable and to allow the Department to refund up to 50% of the Determination fee if the Applicant is unable to close the Tax-Exempt Bond Development transaction within 90 days of the issuance of the Determination Notice.

Recommendation

Staff recommends that the Board repeal the 2007 Qualified Allocation Plan and Rules and approve the Draft 2009 Qualified Allocation Plan and Rules for publication to receive public comment.

Scoring Breakdown in Descending Order of Points for the Draft 2009 QAP

QAP Para. #	Topic	Total Points	Notes	Legislative Citation - Compare to QAP
1	Financial Feasibility	28	N/A	2306.6710(b)(1)(A)
2	QCP from Neighborhood Organizations	24 Max	Range of +24 to 0	2306.6710(b)(1)(B); 2306.6725(a)(2)
3	Income Levels of the Tenants	22 Max	Range 22 to14	2306.6710(b)(1)(C) and (e); 2306.111(g)(3)(B) and (E); 42(m)(1)(B)(ii)(I)
4	Size and Quality of the Units	20 Max	Range	2306.6710(b)(1)(D); 42(m)(1)(C)(iii)
5	Commitment of Funds by LPS	18 Max	Range 18 to 6	2306.6710(b)(1)(E)
6	State Rep. or Senator Support/Opposition	14 Max	Range of +14 to -14	2306.6710(b)(1)(F); 2306.6725(a)(2)
7	Rent Levels of the Units	12 Max	Range 12 to 6	2306.6710(b)(1)(G)
8	Cost Per Square Foot	10	N/A	2306.6710(b)(1)(H); 42(m)(1)(C)(iii)
9	Services Provided to Tenants	8 Max	Range 8 to 1	2306.6710(b)(1)(I); Rider 7; 2306.254; 2306.6725(a)(1)
10	Declared Disaster Areas	7	N/A	2306.6710(b)(1)
11	Rehabilitation, Reconstruction or Adaptive Reuse	6	N/A	N/A
12	Housing Needs	6	N/A	42(m)(1)(C)(ii)
13	Revitalization and Historic Preservation	6	N/A	42(m)(1)(C)(iii); H.R 3221
14	Pre-Application	6	N/A	2306.6704
15	Economic Development Initiatives	4	N/A	2306.127
16	Development Location	4	N/A	2306.6725(a)(4) and (b)(2); 2306.127; Rider 6 42(m)(1)(C)(i) and (vii)
17	Green Building Initiatives	6 Max	Range 6 to 1	2306.6725(a)(4); 42(m)(1)(C)(i)
18	Community Support Other Than QCP	6 Max	Range of 6 to 0	N/A
19	Census Tracts with No Other Existing Developments Supported by Tax Credits	6	N/A	2306.6725(b)(2)
20	Special Housing Needs Populations	4	N/A	42(m)(1)(C)(v)
21	Length of Affordability	4 Max	Range	2306.6725(a)(5); 2306.111(g)(3)(C); 2306.185(a)(1) and (c); 2306.6710(e)(2); 42(m)(1)(B)(ii)(II)
22	Site Characteristics	4	Up to 4 points for positive amenities and -6 points for negative features.	N/A
23	Development Size	3	N/A	N/A
24	Location in QCT with Revitalization	1	N/A	42(m)(1)(B)(ii)(III)
25	Sponsor Characteristics	2	N/A	42(m)(1)(C)(iv)
26	Right of First Refusal	1	N/A	2306.6725(b); 42(m)(1)(C)(viii)
27	Leveraging of Private, State and Federal Funds	1	N/A	2306.6725(a)(3)
28	Third Party Commit. Outside of QCT	1	N/A	2306.6710(e)(1)
29	Bonus Points	6 Max	Range	N/A
30	Penalties	N/A	Range	2306.6710(b)(2)
Maximum Number of Points Possible:		240		

Multifamily Finance Production Division

~~2008~~2009 Housing Tax Credit Program

Qualified Allocation Plan and Rules

§~~50~~49.1.Purpose and Authority; Program Statement; Allocation Goals.

(a) Purpose and Authority. The Rules in this chapter apply to the allocation by the Texas Department of Housing and Community Affairs (the Department) of Housing Tax Credits authorized by applicable federal income tax laws. The Internal Revenue Code of 1986, §42, (the "Code") as amended, provides for credits against federal income taxes for owners of qualified low-income rental housing Developments. That section provides for the allocation of the available tax credit amount by state housing credit agencies. Pursuant to Chapter 2306, Subchapter DD, Texas Government Code, the Department is authorized to make Housing Credit Allocations for the State of Texas. As required by the Internal Revenue Code, §42(m)(1), the Department developed this Qualified Allocation Plan (QAP) which is set forth in §§~~50~~49.1 - ~~50~~49.23 of this chapter. Sections in this chapter establish procedures for applying for and obtaining an allocation of Housing Tax Credits, along with ensuring that the proper threshold criteria, selection criteria, priorities and preferences are followed in making such allocations.

(b) Program Statement. The Department shall administer the program to encourage the development and preservation of appropriate types of rental housing for households that have difficulty finding suitable, accessible, affordable rental housing in the private marketplace; maximize the number of suitable, accessible, affordable residential rental units added to the state's housing supply; prevent losses for any reason to the state's supply of suitable, accessible, affordable residential rental units by enabling the Rehabilitation of rental housing or by providing other preventive financial support; and provide for the participation of for-profit organizations and provide for and encourage the participation of nonprofit organizations in the acquisition, development and operation of accessible affordable housing developments in rural and urban communities. (§2306.6701)

(c) Allocation Goals. It shall be the goal of this Department and the Board, through these provisions, to encourage diversity through broad geographic allocation of tax credits within the state, and in accordance with the regional allocation formula; to promote maximum utilization of the available tax credit amount; and to allocate credits among as many different entities as practicable without diminishing the quality of the housing that is being built. The processes and criteria utilized to realize this goal are described in §§~~50~~49.7, ~~50~~49.8 and ~~50~~49.9 of this chapter, without in any way limiting the effect or applicability of all other provisions of this title. (General Appropriation Act, Article VII, Rider 8(e))

§~~50~~49.2.Coordination with Rural Agencies.

To ensure maximum utilization and optimum geographic distribution of tax credits in rural areas, and to provide for sharing of information, efficient procedures, and fulfillment of Development requirements in rural areas, the Department will coordinate on existing, Rehabilitation, and New Construction housing Developments financed by TRDO-USDA; and will administer the Rural Regional Allocation with the Texas Office of Rural Community Affairs (ORCA). Through participation in hearings and meetings, ORCA will assist in developing all Threshold, Selection and Underwriting Criteria applied to Applications eligible for the Rural Regional Allocation. The Criteria will be approved by that Agency. To ensure that the Rural Regional Allocation receives a sufficient volume of eligible Applications, the Department and ORCA shall jointly implement outreach, training, and rural area capacity building efforts. (§2306.6723)

§~~50~~49.3.Definitions.

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) **Adaptive Reuse--**The renovation or rehabilitation of an existing non-residential building or structure (e.g., school, warehouse, office, hospital, etc.), including physical alterations that modify the building's previous or original intended use. If any Units are built outside the original building footprint or foundation, the Development will be considered New Construction. The number of floors or stories may be increased in a building as long as the total number of Units for the Development does not exceed 80 Units in a Rural Area or 252 Units in an Urban Area.

(2) **Administrative Deficiencies--**The absence of information or inconsistent information in the Application as is required under §§~~50~~49.5, ~~50~~49.6, ~~50~~49.8 and ~~50~~49.9 of this chapter, unless determined by the Department as unable to be corrected.

(3) **Affiliate--**An individual, corporation, partnership, joint venture, limited liability company, trust, estate, association, cooperative or other organization or entity of any nature whatsoever that directly, or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with any other Person, and specifically shall include parents or subsidiaries. Affiliates also include all General Partners, Special Limited Partners and Principals with an ownership interest unless the entity is an experienced Developer as described in §~~50~~49.9(h)(9)(D) of this chapter.

(4) **Agreement and Election Statement--**A document in which the Development Owner elects, irrevocably, to fix the Applicable Percentage with respect to a building or buildings, as that in effect for the month in which the Department and the Development Owner enter into a binding agreement as to the housing credit dollar amount to be allocated to such building or buildings.

(5) **Applicable Fraction--**The fraction used to determine the Qualified Basis of the qualified low-income building, which is the smaller of the Unit fraction or the floor space fraction, all determined as provided in the Code, §42(c)(1).

(6) **Applicable Percentage--**The percentage used to determine the amount of the Housing Tax Credit for any Development (New Construction, Reconstruction, and/or Rehabilitation), as defined more fully in the Code, §42(b).

(A) For purposes of the Application, the Applicable Percentage will be projected at:

(i) the greater of 9% or ~~40 basis points over~~ the current applicable percentage for 70% present value credits for new buildings, pursuant to §42(b) of the Code for the month in which the Application is submitted to the Department, or

(ii) 15 basis points over the current applicable percentage for 30% present value credits associated with acquisition and with qualified Tax-Exempt Bond Developments, pursuant to §42(b) of the Code for the month in which the Application is submitted to the Department.

(B) For purposes of making a credit recommendation at any other time, the Applicable Percentage will be based in order of priority on:

(i) The percentage indicated in the Agreement and Election Statement, if executed; or

(ii) The actual applicable percentage as determined by the Code, §42(b), if all or part of the Development has been placed in service and for any buildings not placed in service the percentage will be the actual percentage as determined by the Code, §42(b) for the most current month; or

(iii) The percentage as calculated in subparagraph (A) of this paragraph if the Agreement and Election Statement has not been executed and no buildings have been placed in service.

(7) **Applicant--**Any Person or Affiliate of a Person who files a Pre-Application or an Application with the Department requesting a Housing Credit Allocation. (§2306.6702)

(8) **Application--**An application, in the form prescribed by the Department, filed with the Department by an Applicant, including any exhibits or other supporting material. (§2306.6702)

(9) **Application Acceptance Period--**That period of time during which Applications for a Housing Credit Allocation from the State Housing Credit Ceiling may be submitted to the Department, December 3, ~~2007~~2008 through February ~~29, 2008~~27, 2009, as more fully described in §§~~50~~49.8 - ~~50~~49.12 of this chapter. For Tax-Exempt Bond Developments this period is the date the Volumes 1 and 2 are submitted or the date the reservation is issued by the Texas Bond Review Board, whichever is earlier.

(10) **Application Round--**The period beginning on the date the Department begins accepting Applications ~~for the State Housing Credit Ceiling~~ and continuing until all available Housing Tax Credits ~~from the State Housing Credit Ceiling (as stipulated by the Department)~~ are allocated, but not extending past the last day of the calendar year. (§2306.6702). For purposes of this section, this definition applies to Housing Tax Credits allocated with the State Housing Credit Ceiling.

(11) **Application Submission Procedures Manual--**The manual produced and amended from time to time by the Department which sets forth procedures, forms, and guidelines for the filing of Pre-Applications and Applications for Housing Tax Credits.

(12) **Area--**

(A) The geographic area contained within the boundaries of:

(i) An incorporated place or

(ii) Census Designated Place (CDP) as established by the U.S. Census Bureau for the most recent Decennial Census.

(B) For Developments located outside the boundaries of an incorporated place or CDP, the Development shall take up the Area characteristics of the incorporated place or CDP whose boundary is nearest to the Development site.

(13) **Area Median Gross Income (AMGI)--**Area median gross household income, as determined for all purposes under and in accordance with the requirements of the Code, §42.

(14) **At-Risk Development--**A Development that: (§2306.6702)

(A) has received the benefit of a subsidy in the form of a below-market interest rate loan, interest rate reduction, rental subsidy, Section 8 housing assistance payment, rental supplement payment, rental assistance payment, or equity incentive under at least one of the following federal laws, as applicable:

(i) Sections 221(d)(3) and (5), National Housing Act (12 U.S.C. §17151);

(ii) Section 236, National Housing Act (12 U.S.C. §1715z-1);

(iii) Section 202, Housing Act of 1959 (12 U.S.C. §1701q);

(iv) Section 101, Housing and Urban Development Act of 1965 (12 U.S.C. §1701s);

(v) The Section 8 Additional Assistance Program for housing Developments with HUD-Insured and HUD-Held Mortgages administered by the United States Department of Housing and Urban Development;

(vi) The Section 8 Housing Assistance Program for the Disposition of HUD-Owned Projects administered by the United States Department of Housing and Urban Development;

(vii) Sections 514, 515, and 516, Housing Act of 1949 (42 U.S.C. §§1484, 1485, and 1486); or

(viii) Section 42, of the Internal Revenue Code of 1986 (26 U.S.C. §42), and

(B) Is subject to the following conditions:

(i) The stipulation to maintain affordability in the contract granting the subsidy is nearing expiration (expiration will occur within two calendar years of July 31 of the year the Application is submitted); or

(ii) The federally insured mortgage on the Development is eligible for prepayment or is nearing the end of its mortgage term (the term will end within two calendar years of July 31 of the year the Application is submitted).

(C) An Application for a Development that includes the demolition of the existing Units which have received the financial benefit described in subparagraph (A) of this paragraph will not qualify as an At-Risk Development unless the redevelopment will include the same site.

(D) Developments must be at risk of losing all affordability from all of the financial benefits available on the Development, provided such benefit constitutes a subsidy, described in subparagraph (A) of this paragraph on the site. However, Developments that have an opportunity to retain or renew any of the financial benefit described in subparagraph (A) of this paragraph must retain or renew all possible financial benefit to qualify as an At-Risk Development.

(E) Nearing expiration on a requirement to maintain affordability includes Developments eligible to request a qualified contract under §42 of the Code. Evidence must be provided in the form of a copy of the recorded LURA, the first years' IRS Forms 8609 for all buildings showing Part II completed and, if applicable, documentation from the original application regarding the right of first refusal.

(15) **Bedroom--**A portion of a Unit which is no less than 100 square feet; has no width or length less than 8 feet; is self contained with a door; has at least one window that provides exterior access; and has at least one closet that is not less than 2 feet deep and 3 feet wide and high enough to accommodate 5 feet of hanging space. A den, study or other similar space that could reasonably function as a bedroom and meets this definition is considered a bedroom.

(16) **Board--**The governing Board of the Department. (§2306.004)

(17) **Carryover Allocation--**An allocation of current year tax credit authority by the Department pursuant to the provisions of the Code, §42(h)(1)(C) and Treasury Regulations, §1.42-6.

(18) **Carryover Allocation Document--**A document issued by the Department, and executed by the Development Owner, pursuant to §~~50~~49.14(a) of this chapter.

(19) **Carryover Allocation Procedures Manual--**The manual produced and amended from time to time by the Department which sets forth procedures, forms, and guidelines for filing Carryover Allocation requests.

(20) **Code--**The Internal Revenue Code of 1986, as amended from time to time, together with any applicable regulations, rules, rulings, revenue procedures, information statements or other official

pronouncements issued thereunder by the United States Department of the Treasury or the Internal Revenue Service.

(21) **Colonia--**A geographic Area that is located in a county some part of which is within 150 miles of the international border of this state, that consists of 11 or more dwellings that are located in close proximity to each other in an area that may be described as a community or neighborhood, and that (§2306.581):

(A) Has a majority population composed of individuals and families of low-income and very low-income, based on the federal Office of Management and Budget poverty index, and meets the qualifications of an economically distressed Area under §17.921, Water Code; or

(B) Has the physical and economic characteristics of a colonia, as determined by the Department.

(22) **Commitment Notice--**A notice issued by the Department to a Development Owner pursuant to §~~50~~49.13 of this chapter and also referred to as the "commitment."

(23) **Community Revitalization Plan--**A published document under any name, approved and adopted by the local ~~governing body~~Governing Body by ordinance or resolution, that targets specific geographic areas for revitalization and development of residential developments.

(24) **Competitive Housing Tax Credits--**Tax credits available from the State Housing Credit Ceiling.

(25) **Compliance Period--**With respect to a building, the period of 15 taxable years, beginning with the first taxable year of the Credit Period pursuant to the Code, §42(i)(1).

(26) **Control--**(including the terms "Controlling," "Controlled by", and/or "under common Control with") the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Person, whether through the ownership of voting securities, by contract or otherwise, including specifically ownership of more than 50% of the General Partner interest in a limited partnership, or designation as a managing General Partner of a limited liability company.

(27) **Controlling or Managing General Partner--**a co-owner of a business who owns, controls, or holds with power to vote, 10 percent or more of the voting stock; can take actions that are binding on the other partners; and who is liable for all debts and other obligations of the venture as well as for the management and operation of the partnership.

(~~27~~28) **Cost Certification Procedures Manual--**The manual produced, and amended from time to time, by the Department which sets forth procedures, forms, and guidelines for filing requests for IRS Form(s) 8609 for Developments placed in service under the Housing Tax Credit Program.

(~~28~~29) **Credit Period--**With respect to a building within a Development, the period of ten taxable years beginning with the taxable year the building is placed in service or, at the election of the Development Owner, the succeeding taxable year, as more fully defined in the Code, §42(f)(1).

(~~29~~30) **Department--**The Texas Department of Housing and Community Affairs, an agency of the State of Texas, established by Chapter 2306, Texas Government Code, including Department employees and/or the Board. (§2306.004)

(~~30~~31) **Determination Notice--**A notice issued by the Department to the Development Owner of a Tax-Exempt Bond Development which states that the Development may be eligible to claim Housing Tax Credits without receiving an allocation of Housing Tax Credits from the State Housing Credit Ceiling because it satisfies the requirements of this QAP; sets forth conditions which must be met by the Development before the Department will issue the IRS Form(s) 8609 to the Development Owner; and specifies the Department's determination as to the amount of tax credits necessary for the financial feasibility of the Development and its viability as a rent restricted Development throughout the extended use period. (§42(m)(1)(D))

(~~31~~32) **Developer--**Any Person entering into a contract with the Development Owner to provide development services with respect to the Development and receiving a fee for such services (which fee cannot exceed the limits identified in §~~50~~49.9(d)(6)(B) of this chapter) and any other Person receiving any portion of such fee, whether by subcontract or otherwise.

(~~32~~33) **Development--**A proposed qualified and/or approved low-income housing project, as defined by the Code, §42(g), for Adaptive Reuse, New Construction, reconstruction, or Rehabilitation, that consists of one or more buildings containing multiple Units, and that, if the Development shall consist of multiple buildings, is financed under a common plan and is owned by the same Person for federal tax purposes, and the buildings of which are either:

(A) Located on a single site or contiguous site; or

(B) Located on scattered sites and contain only rent-restricted units. (§2306.6702)

(~~33~~34) **Development Consultant--**Any Person (with or without ownership interest in the Development) who provides professional services relating to the filing of an Application, Carryover Allocation Document, and/or cost certification documents.

(~~34~~35) **Development Funding--**Means:

(A) a loan or grant; or

(B) an in-kind contribution, including a donation of real property, a fee waiver for a building permit or for water or sewer service, or a similar contribution that:

(i) provides an economic benefit; and

(ii) results in a quantifiable cost reduction for the applicable Development. (§2306.004(4-a))

(~~35~~36) **Development Owner--**Any Person, General Partner, or Affiliate of a Person who owns or proposes a Development or expects to acquire Control of a Development under a purchase contract or ground lease approved by the Department. (§2306.6702)

(~~36~~37) **Development Site--**The area, or if scattered site areas, for which the Development is proposed to be located and is to be under control pursuant to §~~50~~49.9(h)(7)(A) of this chapter.

(~~37~~38) **Development Team--**All Persons or Affiliates thereof that play a role in the Development, construction, Rehabilitation, management and/or continuing operation of the subject Property, which will include any Development Consultant and Guarantor.

(~~38~~39) **Disaster Area--**An area that has been declared as a disaster pursuant to §418.014 of Texas Government Code.

(~~39~~40) **Economically Distressed Area--**Consistent with §17.921 of Texas Water Code, an Area in which:

(A) Water supply or sewer services are inadequate to meet minimal needs of residential users as defined by Texas Water Development Board rules;

(B) Financial resources are inadequate to provide water supply or sewer services that will satisfy those needs; and

(C) An established residential subdivision was located on June 1, 1989, as determined by the Texas Water Development Board.

(~~40~~41) **Eligible Basis--**With respect to a building within a Development, the building's Eligible Basis as defined in the Code, §42~~(d)~~.

(~~41~~42) **Executive Award and Review Advisory Committee ("The Committee")--**A Departmental committee ~~that will develop funding priorities and make funding and allocation recommendations to the Board based upon the evaluation of an Application in accordance with the housing priorities~~ as set forth in Chapter 2306 of the Texas Government Code~~, and as set forth herein, and the ability of an Applicant to meet those priorities~~. (§2306.1112)

(~~42~~43) **Existing Residential Development--**Any Development Site which contains 4 or more existing residential Units at the time the Volume I is submitted to the Department.

(~~43~~44) **Extended Housing Commitment--**An agreement between the Department, the Development Owner and all successors in interest to the Development Owner concerning the extended housing use of buildings within the Development throughout the extended use period as provided in the Code, §42(h)(6). The Extended Housing Commitment with respect to a Development is expressed in the LURA applicable to the Development.

(~~44~~45) **General Contractor--**One who contracts for the construction or Rehabilitation of an entire Development, rather than a portion of the work. The General Contractor hires subcontractors, such as plumbing contractors, electrical contractors, etc., coordinates all work, and is responsible for payment to the subcontractors. This party may also be referred to as the "contractor."

(~~45~~46) **General Partner--**That partner, or collective of partners, identified as the general partner of the partnership that is the Development Owner and that has general liability for the partnership. In addition, unless the context shall clearly indicate the contrary, if the Development Owner in question is a limited liability company, the term "General Partner" shall also mean the managing member or other party with management responsibility for the limited liability company.

(47) **Governing Body--**An elected city or county entity that is responsible for the creation, implementation and/or enforcement of local rules and laws.

(~~46~~48) **Governmental Entity--**Includes federal or state agencies, departments, boards, bureaus, commissions, authorities, and political subdivisions, special districts and other similar entities.

(~~47~~49) **Governmental Instrumentality--**A legal entity such as a housing authority of a city or county, a housing finance corporation, or a municipal utility, which is created by a local political subdivision under statutory authority and which instrumentality is authorized to transact business for the political subdivision.

(~~48~~50) **Grant--**Financial assistance that is awarded in the form of money to a housing sponsor or Development for a specific purpose and that is not required to be repaid. A Grant includes a forgivable loan. (§2306.004)

(~~49~~51) **Guarantor--**Any Person that provides, or is anticipated to provide, a guaranty for the equity or debt financing for the Development.

(~~50~~52) **Historically Underutilized Businesses (HUB)--**Any entity defined as a historically underutilized business with its principal place of business in the State of Texas in accordance with Chapter 2161, Texas Government Code.

(~~51~~53) **Housing Credit Agency--**A Governmental Entity charged with the responsibility of allocating Housing Tax Credits pursuant to the Code, §42. For the purposes of this chapter, the Department is the sole "Housing Credit Agency" of the State of Texas.

(~~52~~54) **Housing Credit Allocation--**An allocation by the Department to a Development Owner for a specific Application of Housing Tax Credits in accordance with the provisions of this chapter.

(~~53~~55) **Housing Credit Allocation Amount--**With respect to a Development or a building within a Development, that amount the Department determines to be necessary for the financial feasibility of the Development and its viability as a Development throughout the affordability period and which it allocates to the Development.

(~~54~~56) **Housing Tax Credit ("tax credits")--**A tax credit allocated, or for which a Development may qualify, under the Housing Tax Credit Program, pursuant to the Code, §42. (§2306.6702)

(~~55~~57) **HUD--**The United States Department of Housing and Urban Development, or its successor.

(~~56~~58) **Ineligible Building Types--**Those Developments which are ineligible, pursuant to this QAP, for funding under the Housing Tax Credit Program, as follows:

(A) Hospitals, nursing homes, trailer parks, dormitories (or other buildings that will be predominantly occupied by students) or other facilities which are usually classified as transient housing (other than certain specific types of transitional housing for the homeless and ~~single room occupancy~~Single Room Occupancy units, as provided in the Code, §42(i)(3)(B)(iii) and (iv)) are not eligible. However, structures formerly used as hospitals, nursing homes or dormitories are eligible for Housing Tax Credits if the Development involves the conversion of the building to a non-transient multifamily residential Development. Refer to IRS Revenue Ruling 98-47 for clarification of assisted living.

(B) Any Qualified Elderly Development or age restricted buildings in Intergenerational Housing Developments of two stories or more that does not include elevator service for any Units or living space above the first floor.

(C) Any Qualified Elderly Development or age restricted buildings in Intergenerational Housing Developments with any Units having more than two bedrooms with the exception of up to three employee Units reserved for the use of the manager, maintenance, and/or security officer. These employee Units must be specifically designated as such.

(D) Any Development with building(s) with four or more stories that does not include an elevator.

(E) Any Qualified Elderly Development or age restricted buildings in Intergenerational Housing Developments proposing more than 70% two-bedroom Units.

(F) Any Development that violates the Integrated Housing Rule of the Department, §1.15 of this title.

(G) Any Development located in an Urban Area involving any New Construction ~~or Adaptive Reuse (excluding New Construction of non-residential buildings)~~ of additional Units (other than a Qualified Elderly Development, a Development composed entirely of single family dwellings, and certain specific types of transitional housing for the homeless and ~~single room occupancy~~Single Room Occupancy units, as provided in the Code, §42(i)(3)(B)(iii) and (iv)) in which any of the designs in clauses (i) - (iv) of this subparagraph are proposed. For Applications involving a combination of single family detached dwellings and multifamily dwellings, the percentages in this subparagraph do not apply to the single family detached dwellings. For Intergenerational Housing Applications, the percentages in this subparagraph do not apply to buildings that are restricted by the age requirements of a Qualified Elderly Development. An Application may reflect a total of Units for a given bedroom size greater than the percentages in clauses (i) - (iv) of this subparagraph to the extent that the increase is only to reach the next highest number divisible by four.

(i) More than 30% of the total Units are one bedroom Units; or
(ii) More than 55% of the total Units are two bedroom Units; or
(iii) More than 40% of the total Units are three bedroom Units; or
(iv) More than 5% of the total Units in the Development with four or more bedrooms.

(H) Any Development that includes age restricted units that are not consistent with the Intergenerational Housing definition and policy or the definition of a Qualified Elderly Development.

(I) Any Development that contains residential Units either designated for a single occupational group~~, ~~or ~~through a preference for a single occupational group, ~~violates the general public use requirement under Treasury Regulation §1.42-9.

(~~57~~59) **Intergenerational Housing--**Housing that includes specific Units that are restricted to the age requirements of a Qualified Elderly Development and specific Units that are not age restricted in the same Development that:

(A) Have separate and specific buildings exclusively for the age restricted Units,

(B) Have ~~separate and ~~specific leasing offices and leasing personnel ~~exclusively ~~for the age restricted Units,

(C) Have separate and specific entrances, and other appropriate security measures for the age restricted Units,

(D) Provide shared social service programs that encourage intergenerational activities but also provide separate amenities for each age group,

(E) Share the same Development Site,

(F) Are developed and financed under a common plan and owned by the same Person for federal tax purposes; and

(G) Meet the requirements of the federal Fair Housing Act.

(~~58~~60) **IRS--**The Internal Revenue Service, or its successor.

(~~59~~61) **Land Use Restriction Agreement (LURA)--**An agreement between the Department and the Development Owner which is binding upon the Development Owner's successors in interest, that encumbers the Development with respect to the requirements of this chapter, ~~Chapter ~~§2306, Texas Government Code, and the requirements of the Code, §42. (§2306.6702)

(~~60~~62) **Local Political Subdivision--**A county or municipality (city) in Texas. For purposes of §~~50~~49.9(i)(5) of this chapter, a local political subdivision may act through a Government Instrumentality such as a housing authority, housing finance corporation, or municipal utility even if the Government Instrumentality's creating statute states that the entity is not itself a "political subdivision."

(63) **Low-Income Unit--**sometimes referred to as a tax credit Unit, that is a Unit that is income and rent restricted at no greater than 60% of AMGI and is included in the Applicable Fraction for the Housing Tax Credit program.

(~~61~~64) **Material Noncompliance--**As defined in Chapter 60, Subchapter A of this title.

(~~62~~65) **Minority Owned Business--**A business entity at least 51% of which is owned by members of a minority group or, in the case of a corporation, at least 51% of the shares of which are owned by members of a minority group, and that is managed and Controlled by members of a minority group in its daily operations. Minority group includes women, African Americans, American Indians, Asian Americans, and Mexican Americans and other Americans of Hispanic origin. (§2306.6734)

(~~63~~66) **Neighborhood Organization--**An organization that is composed of persons living near one another within the organization's defined boundaries for the neighborhood and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood. A neighborhood organization includes a homeowners' association or a property owners' association. (§2306.001(23-a))

(67) **Net Rentable Area (NRA)--**the unit space that is available exclusively to the tenant and is typically heated and cooled by a mechanical HVAC system. NRA does not include common hallways, stairwells, elevator shafts, janitor closets, electrical closets, balconies, porches, patios, or other areas not actually available to the tenants for their furnishings, nor does NRA include the enclosing walls of such areas.

(~~64~~68) **New Construction--**Any construction of a Development or a portion of a Development that does not meet the definition of Rehabilitation (which includes Reconstruction).

(~~65~~69) **ORCA--**Office of Rural Community Affairs, as established by ~~Chapter ~~§487 of Texas Government Code.

(~~66~~70) **Person--**Without limitation, any natural person, corporation, partnership, limited partnership, joint venture, limited liability company, trust, estate, association, cooperative, government, political subdivision, agency or instrumentality or other organization or entity of any nature whatsoever and shall include any group of Persons acting in concert toward a common goal, including the individual members of the group.

(~~67~~71) **Persons with Disabilities--**A person who:

(A) Has a physical, mental or emotional impairment that:

(i) Is expected to be of a long, continued and indefinite duration,

(ii) Substantially impedes his or her ability to live independently, and

(iii) Is of such a nature that the disability could be improved by more suitable housing conditions,

(B) Has a developmental disability, as defined in the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. §15002), or

(C) Has a disability, as defined in 24 CFR §5.403.

(~~68~~72) **Persons with Special Needs--**Persons with alcohol and/or drug addictions, Colonia residents, Persons with Disabilities, victims of domestic violence, persons with HIV/AIDS, homeless populations and migrant farm workers.

(~~69~~73) **Pre-Application--**A preliminary application, in a form prescribed by the Department, filed with the Department by an Applicant prior to submission of the Application, including any required exhibits or other supporting material, as more fully described in this ~~title~~chapter. (§2306.6704)

(~~70~~74) **Pre-Application Acceptance Period--**That period of time during which Competitive Housing Tax Credit Pre-Applications for a Housing Credit Allocation from the State Housing Credit Ceiling may be submitted to the Department.

(~~71~~75) **Principal--**The term Principal is defined as Persons that will exercise Control over a partnership, corporation, limited liability company, trust, or any other private entity. In the case of:

(A) Partnerships, Principals include all General Partners, Special Limited Partners and Principals with ownership interest;

(B) Corporations, Principals include any officer authorized by the board of directors to act on behalf of the corporation, including the president, vice president, secretary, treasurer and all other executive officers, and each stock holder having a 10% or more interest in the corporation; and

(C) Limited liability companies, Principals include all managing members, members having a 10% or more interest in the limited liability company or any officer authorized to act on behalf of the limited liability company.

(~~72~~76) **Property--**The real estate and all improvements thereon which are the subject of the Application (including all items of personal property affixed or related thereto), whether currently existing or proposed to be built thereon in connection with the Application.

(~~73~~77) **Qualified Allocation Plan (QAP)**~~--~~This Plan as adopted.

~~(A) As defined in the Code, §42(m)(1)(B): Any plan which sets forth selection criteria to be used to determine housing priorities of the housing credit agency which are appropriate to local conditions; which also gives preference in allocating housing credit dollar amounts among selected projects to projects serving the lowest-income tenants, projects obligated to serve qualified tenants for the longest periods, and projects which are located in qualified census tracts and the development of which contributes to a concerted community revitalization plan; and which provides a procedure that the agency (or an agent or other private contractor of such agency) will follow in monitoring for noncompliance with the provisions of the Code, §42 and in notifying the Internal Revenue Service of such noncompliance which such agency becomes aware of and in monitoring for noncompliance with habitability standards through regular site visits.~~

~~(B) As defined in §2306.6702, Texas Government Code: A plan adopted by the board that provides the threshold, scoring, and underwriting criteria based on housing priorities of the Department that are appropriate to local conditions; provides a procedure for the Department, the Department's agent, or another private contractor of the Department to use in monitoring compliance with the qualified allocation plan and this subchapter; and consistent with §2306.6710(e), gives preference in Housing Tax Credit allocations to Developments that, as compared to the other Developments:~~

~~(i) When practicable and feasible based on documented, committed, and available third-party funding sources, serve the lowest-income tenants per Housing Tax Credit; and~~

~~(ii) Produce for the longest economically feasible period the greatest number of high quality units committed to remaining affordable to any tenants who are income-eligible under the low-income housing tax credit program.~~

(~~74~~78) **Qualified Basis--**With respect to a building within a Development, the building's Eligible Basis multiplied by the Applicable Fraction, within the meaning of the Code, §42(c)(1).

(~~75~~79) **Qualified Census Tract--**Any census tract which is so designated by the Secretary of HUD in accordance with the Code, §42(d)(5)(C)(ii).

(~~76~~80) **Qualified Elderly Development--**A Development which meets the requirements of the federal Fair Housing Act and:

(A) Is intended for, and solely occupied by, individuals 62 years of age or older; or

(B) Is intended and operated for occupancy by at least one individual 55 years of age or older per Unit, where at least 80% of the total housing Units are occupied by at least one individual who is 55 years of age or older; and where the Development Owner publishes and adheres to policies and procedures which demonstrate an intent by the owner and manager to provide housing for individuals 55 years of age or older. (See 42 U.S.C. §3607(b))

(~~77~~81) **Qualified Market Analyst--**A real estate appraiser certified or licensed by the Texas Appraiser Licensing and Certification Board, a real estate consultant, or other professional currently active in the subject property's market area who demonstrates competency, expertise, and the ability to render a high quality written report. The individual's performance, experience, and educational background will provide the general basis for determining competency as a Market Analyst. Competency will be determined by the Department, in its sole discretion. The Qualified Market Analyst must be a Third Party.

(~~78~~82) **Qualified Nonprofit Organization--**An organization that is described in the Code, §501(c)(3) or (4), as these cited provisions may be amended from time to time, that is exempt from federal income taxation under the Code, §501(a), that is not affiliated with or Controlled by a for profit organization, and includes as one of its exempt purposes the fostering of low-income housing within the meaning of the Code, §42(h)(5)(C). A Qualified Nonprofit Organization may select to compete in one or more of the Set-Asides, including, but not limited to, the nonprofit Set-Aside, the At-Risk Development Set-Aside and the TRDO-USDA Allocation. (§2306.6729)

(~~79~~83) **Qualified Nonprofit Development--**A Development in which a Qualified Nonprofit Organization (directly or through a partnership or wholly-owned subsidiary):

(A) Holds a controlling interest in the Development proposed to be financed from the nonprofit allocation pool (§2306.6729); and

(B) Owns an interest in the Development and materially participates (within the meaning of the Code, §469(h), as it may be amended from time to time) in its development and operation throughout the Compliance Period, and otherwise meets the requirements of the Code, §42(h)(5). (§2306.6729)

(~~80~~84) **Reference Manual--**That certain manual, and any amendments thereto, produced by the Department which sets forth reference material pertaining to the Housing Tax Credit Program.

(~~81~~85) **Rehabilitation--**The improvement or modification of an Existing Residential Development through alteration, incidental addition or enhancement. The term includes the demolition of an Existing Residential Development and the reconstruction of a Development on the Development Site, but does not include Adaptive Reuse. Rehabilitation includes repairs necessary to correct the results of deferred maintenance, the replacement of principal fixtures and components, improvements to increase the efficient use of energy, and installation of security devices. Reconstruction, for these purposes, includes the demolition of one or more residential buildings in an Existing Residential Development and the re-construction of the Units on the Development Site. Developments proposing Adaptive Reuse or proposing to increase the total number of Units in the Existing Residential Development are not considered Rehabilitation or reconstruction.

(~~82~~86) **Related Party--**As defined, (§2306.6702)

(A) The following individuals or entities:

(i) The brothers, sisters, spouse, ancestors, and descendants of a person within the third degree of consanguinity, as determined by ~~Chapter~~ §573, Texas Government Code;

(ii) A person and a corporation, if the person owns more than 50% of the outstanding stock of the corporation;

(iii) Two or more corporations that are connected through stock ownership with a common parent possessing more than 50% of:

(I) The total combined voting power of all classes of stock of each of the corporations that can vote;

(II) The total value of shares of all classes of stock of each of the corporations; or

(III) The total value of shares of all classes of stock of at least one of the corporations, excluding, in computing that voting power or value, stock owned directly by the other corporation;

(iv) A grantor and fiduciary of any trust;

(v) A fiduciary of one trust and a fiduciary of another trust, if the same person is a grantor of both trusts;

(vi) A fiduciary of a trust and a beneficiary of the trust;

(vii) A fiduciary of a trust and a corporation if more than 50% of the outstanding stock of the corporation is owned by or for:

(I) The trust; or

(II) A person who is a grantor of the trust.

(viii) A person or organization and an organization that is tax-exempt under the Code, §501(a), and that is controlled by that person or the person's family members or by that organization;

(ix) A corporation and a partnership or joint venture if the same persons own more than:

(I) 50% of the outstanding stock of the corporation; and

(II) 50% of the capital interest or the profits' interest in the partnership or joint venture.

(x) An S corporation and another S corporation if the same persons own more than 50% of the outstanding stock of each corporation;

(xi) An S corporation and a C corporation if the same persons own more than 50% of the outstanding stock of each corporation;

(xii) A partnership and a person or organization owning more than 50% of the capital interest or the profits' interest in that partnership; or

(xiii) Two partnerships, if the same person or organization owns more than 50% of the capital interests or profits' interests.

(B) Nothing in this definition is intended to constitute the Department's determination as to what relationship might cause entities to be considered "related" for various purposes under the Code.

(87) **Residential Rental Development--**For purposes of this definition, Residential Rental Development does not include: hotels, motels dormitories, fraternity or sorority houses, rooming houses, hospitals, nursing homes, sanitariums, rest homes, trailer parks and courts for use on a transient basis. Residential Rental Development means:

(A) A property that meets specific requirements including occupancy of Low-Income Tenants during the affordability period when Units must be continually rented or available for rent;

(B) A building or structure, together with functionally related and subordinate facilities, containing one or more Units that are available to members of the general public; and

(C) A property that does not provide continual or frequent nursing, medical or psychiatric services.

(~~83~~88) **Rules--**The Department's Housing Tax Credit Program Qualified Allocation Plan and Rules as presented in this ~~title~~chapter.

(~~84~~89) **Rural Area--**An Area that is located (this definition is not the same as Rural Projects as defined in §520 of the Housing Act of 1949 for purposes of determining rural income as described in H.R 3221):

(A) Outside the boundaries of a primary metropolitan statistical area or a metropolitan statistical area;

(B) Within the boundaries of a primary metropolitan statistical area or a metropolitan statistical area, if the statistical area has a population of 25,000 or less and does not share a boundary with an Urban Area; or

(C) In an Area that is eligible for funding by Texas Rural Development Office or the United States Department of Agriculture (TRDO-USDA), other than an Area that is located in a municipality with a population of more than 50,000. (§2306.004)

(~~85~~90) **Rural Development--**A Development or proposed Development that is located in a Rural Area, other than rural New Construction Developments with more than 80 Units.

(~~86~~91) **Selection Criteria--**Criteria used to determine housing priorities of the State under the Housing Tax Credit Program as specifically defined in §~~50~~49.9(i) of this chapter.

(~~87~~92) **Set-Aside--**A reservation of a portion of the available Housing Tax Credits under the State Housing Credit Ceiling to provide financial support for specific types of housing or geographic locations or serve specific types of Applications or Applicants as permitted by the Qualified Allocation Plan on a priority basis. (§2306.6702)

(93) **Single Room Occupancy(SRO)--**A single efficiency unit that contains sanitary facilities but may not include food preparation facilities and is intended for occupancy by one person.

(~~88~~94) **State Housing Credit Ceiling--**The limitation on the aggregate amount of Housing Credit Allocations that may be made by the Department during any calendar year, as determined from time to time by the Department in accordance with the Code, §42(h)(3)(C) and/or additonal ceiling provided by The Housing and Economic Recovery Act of 2008, H.R 3221.

(~~89~~95) **Student Eligibility--**Per the Code, §42(i)(3)(D), A Unit shall not fail to be treated as a low-income Unit merely because it is occupied:

(A) By an individual who is:

(i) A student and receiving assistance under Title IV of the Social Security Act (42 U.S.C. §§601 et seq.), or

(ii) Enrolled in a job training program receiving assistance under the Job Training Partnership Act (29 USCS §§1501 et seq., generally; for full classification, consult USCS Tables volumes) or under other similar Federal, State, or local laws, or

(B) Entirely by full-time students if such students are:

(i) Single parents and their children and such parents and children are not dependents (as defined by the Code §152) of another individual, or

(ii) Married and file a joint return.

(96) **Special Management Districts—**Those districts named under Chapter 3801 to 3853, Texas Special District Local Laws Code, Subtitle C.

(97) **Supportive Housing—**Residential Rental Developments intended for occupancy by individuals or households transitioning from homelessness, at risk of homelessness, or in need of specialized and specific social services, to more stable, productive lives by offering residents an array of supportive services.

(~~90~~98) **Tax-Exempt Bond Development--**A Development requesting or having been awarded Housing Tax Credits and which receives a portion of its financing from the proceeds of tax-exempt bonds which are subject to the state volume cap as described in the Code, §42(h)(4), such that the Development does not receive an allocation of tax credit authority from the State Housing Credit Ceiling.

(~~91~~99) **Third Party--**A Third Party is a Person who is not:

(A) An Applicant, General Partner, Developer, or General Contractor, or

(B) An Affiliate or a Related Party to the Applicant, General Partner, Developer or General Contractor, or

(C) Receiving any portion of the ~~contractor fee or Developer~~ fees from the Development.

(~~92~~100) **Threshold Criteria--**Criteria used to determine whether the Development satisfies the minimum level of acceptability for consideration as specifically defined in §~~50~~49.9(h) of this chapter. (§2306.6702)

(~~93~~101) **Total Housing Development Cost--**The total of all costs incurred or to be incurred by the Development Owner in acquiring, constructing, rehabilitating and financing a Development, as determined by the Department based on the information contained in the Application. Such costs include reserves and any expenses attributable to commercial areas. Costs associated with the sale or use of Housing Tax Credits to raise equity capital shall also be included in the Total Housing Development Cost. Such costs include but are not limited to syndication and partnership organization costs and fees, filing fees, broker commissions, related attorney and accounting fees, appraisal, engineering, and the environmental site assessment.

(~~94~~102) **TRDO-USDA--**Texas Rural Development Office (TRDO) of the United States Department of Agriculture (USDA) serving the State of Texas (also known as USDA Rural Development and formerly known as TxFmHA) or its successor.

(~~95~~103) **Unit--**Any residential rental unit consisting of an accommodation including a single room used as an accommodation on a non-transient basis, that contains complete physical facilities and fixtures for living, sleeping, eating, cooking (such as a microwave), and sanitation. (§2306.6702) ~~For purposes of completing the Rent Schedule for loft or studio type Units (which still must meet the definition of Bedroom), a Unit with 649 square feet or less is considered an efficiency Unit, a Unit with 650 to 899 square feet is considered not more than a one-bedroom Unit, a Unit with 900 to 999 square feet is considered not more than a two-bedroom Unit, a Unit with 1000 to 1199 square feet is considered not more than a three-bedroom Unit, and a Unit with 1200 square feet or more is considered a four bedroom Unit.~~

(~~96~~104) **Urban Area--**The Area that is located within the boundaries of a primary metropolitan statistical area or a metropolitan statistical area other than an Area described in paragraph (84)(B) or eligible for funding as described in paragraph (84)(C) of this section.
(105) **Urban Core--**means a compact and contiguous geographical area composed of census tracts of a municipality in which at least 90 percent of the land is used or zoned for commercial purposes and that has historically been the primary location in the municipality where business has been transacted, as well as those census tracts that are contiguous to such areas.

§~~50~~49.4.State Housing Credit Ceiling.

The Department shall determine the State Housing Credit Ceiling for each calendar year as provided in the Code, §42(h)(3)(C), using such information and guidance as may be made available by the Internal Revenue Service and/or The Housing and Economic Recovery Act of 2008, H.R. 3221. The Department shall publish each such determination in the Texas Register within 30 days after the receipt of such information as is required for that purpose by the Internal Revenue Service. The aggregate amount of commitments of Housing Credit Allocations made by the Department during any calendar year shall not exceed the State Housing Credit Ceiling for such year as provided in the Code, §42. As permitted by the Code, §42(h)(4), Housing Credit Allocations made to Tax-Exempt Bond Developments are not included in the State Housing Credit Ceiling.

§~~50~~49.5.Ineligibility; Disqualification and Debarment; Certain Applicant and Development Standards; Representation by Former Board Member or Other Person; Due Diligence, Sworn Affidavit; Appeals and Administrative Deficiencies for Ineligibility, Disqualification and Debarment.

(a) **Ineligibility.** An Application is ineligible if:

(1) The Applicant, Development Owner, Developer or Guarantor has been or is barred, suspended, or terminated from procurement in a state or federal program or listed in the List of Parties Excluded from Federal Procurement or Non-Procurement Programs; or (§2306.6721(c)(2))

(2) The Applicant, Development Owner, Developer or Guarantor has been convicted of a state or federal felony crime involving fraud, bribery, theft, misrepresentation of material fact, misappropriation of funds, or other similar criminal offenses within fifteen years preceding the Application deadline; or

(3) The Applicant, Development Owner, Developer or Guarantor at the time of Application is: subject to an enforcement or disciplinary action under state or federal securities law or by the NASD; is subject to a federal tax lien; or is the subject of an enforcement proceeding with any Governmental Entity; or

(4) The Applicant, Development Owner, Developer or Guarantor with any past due audits has not submitted those past due audits to the Department in a satisfactory format. A Person is not eligible to receive a commitment of Housing Tax Credits from the Department if any audit finding or questioned or disallowed cost is unresolved as of June 1 of each year, or for Tax-Exempt Bond Developments or other Applications not applying for Housing Tax Credits, but applying only under other Multifamily Programs (HOME, Housing Trust Fund, etc.) no later than 30 days after Volume III of the Application is submitted; or

(5) (§2306.6703(a)(1)). At the time of Application or at any time during the two-year period preceding the date the Application Round begins (or for Tax-Exempt Bond Developments any time during the two-year period preceding the date the Application is submitted to the Department), the Applicant or a Related Party is or has been:

(A) A member of the Board; or

(B) The Executive Director, a Deputy Executive Director, the Director of Multifamily Finance Production, the Director of Portfolio Management and Compliance, the Director of Real Estate Analysis, or a manager over Housing Tax Credits employed by the Department.

(6) (§2306.6703(a)(2)). The Applicant proposes to replace in less than 15 years any private activity bond financing of the Development described by the Application, unless:

(A) The Applicant proposes to maintain for a period of 30 years or more 100% of the Development Units supported by Housing Tax Credits as rent-restricted and exclusively for occupancy by individuals and families earning not more than 50% of the Area Median Gross Income, adjusted for family size; and

(B) At least one-third of all the units in the Development are public housing units or Section 8 Development-based units; or,

(7) The Development is located in a municipality or in a valid Extra Territorial Jurisdiction (ETJ) of a municipality, or if located completely outside a municipality, a county, that has more than twice the state average of units per capita supported by Housing Tax Credits or private activity bonds at the time the Application Round begins (or for Tax-Exempt Bond Developments at the time the reservation is made by the Texas Bond Review Board) unless the Applicant: (§2306.6703(a)(4))

(A) Has obtained prior approval of the Development from the ~~governing body~~Governing Body of the appropriate municipality or county containing the Development; and

(B) Has included in the Application a written statement of support from that ~~governing body~~Governing Body. This statement must reference this rule and authorize an allocation of Housing Tax Credits for the Development;

(C) For purposes of this paragraph, evidence under subparagraphs (A) and (B) of this paragraph must be received by the Department no later than April 1, ~~2008~~2009 (or for Tax-Exempt Bond Developments no later than 14 days before the Board meeting where the credits will be considered) and may not be more than one year old from the date the Volume 1 is submitted to the Department; or

(8) The Applicant proposes to construct a new Development proposing New Construction or Adaptive Reuse (excluding New Construction of non-residential buildings) that is located one linear mile (measured by a straight line on a map) or less from a Development that: (§2306.6703(a)(3))

(A) Serves the same type of household as the new Development, regardless of whether the Development serves families, elderly individuals, or another type of household (Intergenerational Housing is not a type of household as it relates to this restriction); and

(B) Has received an allocation of Housing Tax Credits (including Tax-Exempt Bond Developments) for any New Construction at any time during the three-year period preceding the date the Application Round begins (or for Tax-Exempt Bond Developments the three-year period preceding the date the Volume I is submitted); and

(C) Has not been withdrawn or terminated from the Housing Tax Credit Program.

(D) An Application is not ineligible under this paragraph if:

(i) The Development is using federal HOPE VI funds received through the United States Department of Housing and Urban Development; locally approved funds received from a public improvement district or a tax increment financing district; funds provided to the state under the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. §§12701 et seq.); or funds provided to the state and participating jurisdictions under the Housing and Community Development Act of 1974 (42 U.S.C. §§5301 et seq.); or

(ii) The Development is located in a county with a population of less than one million; or

(iii) The Development is located outside of a metropolitan statistical area; or

(iv) The local government where the Development is to be located has by vote specifically allowed the construction of a new Development located within one linear mile or less from a Development described under subparagraphs (A) - (C) of this paragraph. For purposes of this clause, evidence of the local government vote or evidence required by this subparagraph must be received by the Department no later than April 1, ~~2008~~2009 (or for Tax-Exempt Bond Developments no later than 14 days before the Board meeting where the credits will be committed) and may not be more than one year old.

(E) In determining the age of an existing Development as it relates to the application of the three-year period, the Development will be considered from the date the Board took action on approving the allocation of tax credits. In dealing with ties between two or more Developments as it relates to this rule, refer to §~~50~~49.9(j) of this chapter.

(9) A Development is proposed to be located adjacent to or within 300 feet of a sexual-orirented business. For purposes of this paragraph, a sexual-oriented business shall be defined as stated in §243.002 of the Texas Government Code.

(~~9~~10) A submitted Application has an entire Volume of the Application missing; has excessive omissions of documentation from the Threshold Criteria or Uniform Application documentation; or is so unclear, disjointed or incomplete that a thorough review can not reasonably be performed by the Department, as determined by the Department. If an Application is determined ineligible pursuant to this subsection, the Application will be terminated without being processed as an Administrative Deficiency. To the extent that a review was able to be performed, specific reasons for the Department's determination of ineligibly will be included in the termination letter to the Applicant.

(b) **Disqualification and Debarment.** The Department will disqualify an Application, and/or debar a Person, if it is determined by the Department that any issues identified in the paragraphs of this subsection exist. The Department may debar a Person for one year from the date of debarment, or until the violation causing the debarment has been remedied, whichever term is longer, if the Department determines the facts warrant it. Causes for disqualification and debarment include: (§2306.6721)

(1) The provision of fraudulent information, knowingly falsified documentation, or other intentional or negligent material misrepresentation in the Application or other information submitted to the Department at any stage of the evaluation or approval process; or

(2) The Applicant, Development Owner, Developer or Guarantor or anyone that has Controlling ownership interest in the Development Owner, Developer or Guarantor, or any Affiliate of such entities that is active in the ownership or Control of one or more other rent restricted rental housing properties in the state of Texas administered by the Department is in Material Noncompliance with the LURA (or any other document containing an Extended Housing Commitment) or the program rules in effect for such property as further described in Chapter 60 of this title on May 1, ~~2008~~2009 for Competitive Housing Tax Credit Applications or for Tax-Exempt Bond Development Applications or other Applications not applying for Housing Tax Credits, but applying only under other Multifamily Programs (HOME, Housing Trust Fund, etc.) no later than 30 days after Volume III of the Application is submitted (§2306.6721(c)(3)); or

(3) The Applicant, Development Owner, Developer, or any Guarantor, anyone that has Controlling ownership interest in the Development Owner, Developer or Guarantor, or any Affiliate of such entity that is active in the ownership or Control has been a Principal of any entity that failed to make all loan payments to the Department in accordance with the terms of the loan, as amended, or was otherwise in default with any provisions of any loans from the Department; or

(4) The Applicant or the Development Owner that is active in the ownership or Control of one or more tax credit properties in the state of Texas has failed to pay in full any fees or penalties within 30 days of when they were billed by the Department, as further described in §~~50~~49.20 of this chapter; or

(5) An Applicant or a Related Party and any Person who is active in the construction, Rehabilitation, ownership, or Control of the proposed Development, including a General Partner or contractor, and a Principal or Affiliate of a General Partner or contractor, or an individual employed as a consultant, lobbyist or attorney by an Applicant or a Related Party, communicates with any Board member during the period of time beginning on the date Applications are filed in an Application Round and ending on the date the Board makes a final decision with respect to the approval of any Application in that Application Round, unless the communication takes place at any board meeting or public hearing held with respect to that Application but not during a recess or other non-record portion of the meeting or hearing. Communication with Department staff must be in accordance with §~~50~~49.9(b) of this chapter; violation of the communication restrictions of §~~50~~49.9(b) is also a basis for disqualification and/or debarment. (§2306.1113)

(6) It is determined by the Department's General Counsel that there is evidence that establishes probable cause to believe that an Applicant, Development Owner, Developer, or any of their employees or agents has violated a state revolving door or other standard of conduct or conflict of interest statute, including §2306.6733, Texas Government Code, or a section of Chapter 572, Texas Government Code, in making, advancing, or supporting the Application.

(7) Applicants may be ineligible as further described in §~~50~~49.5 of this chapter.

(8) The Applicant, Development Owner, Developer, Guarantor, or any Affiliate of such entity whose previous funding contracts or commitments have been partially or fully deobligated due to a failure to meet contractual obligations during the 12 months prior to the submission of the applications.

(9) The Applicant, Development Owner, Developer, Guarantor, or any Affiliate of such entity whose pre-development award from the Department has not been repaid for the Development at the time of Carryover Allocation or Bond closing.

(c) **Certain Applicant and Development Standards.** Notwithstanding any other provision of this ~~section~~chapter, the Department may not allocate tax credits to a Development proposed by an Applicant if the Department determines that: (§2306.223)

(1) The Development is not necessary to provide needed decent, safe, and sanitary housing at rental prices that individuals or families of low and very low-income or families of moderate income can afford;

(2) The Development Owner undertaking the proposed Development will not supply well-planned and well-designed housing for individuals or families of low and very low-income or families of moderate income;

(3) The Development Owner is not financially responsible;

(4) The Development Owner has contracted, or will contract for the proposed Development with, a Developer that:

(A) Is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development;

(B) Has breached a contract with a public agency and failed to cure that breach; or

(C) Misrepresented to a subcontractor the extent to which the Developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the Developer's participation in contracts with the agency and the amount of financial assistance awarded to the Developer by the agency;

(5) The financing of the housing Development is not a public purpose and will not provide a public benefit; and/or

(6) The Development will be undertaken outside the authority granted by this chapter to the Department and the Development Owner.

(d) **Representation by Former Board Member or Other Person.** (§2306.6733)

(1) A former Board member or a former executive director, deputy executive director, director of multifamily finance production, director of portfolio management and compliance, director of real estate analysis or manager over Housing Tax Credits previously employed by the Department may not:

(A) For compensation, represent an Applicant or one of its Related Parties for an allocation of tax credits before the second anniversary of the date that the Board member's, director's, or manager's service in office or employment with the Department ceased;

(B) Represent any Applicant or a Related Party of an Applicant or receive compensation for services rendered on behalf of any Applicant or Related Party regarding the consideration of an Application in which the former board member, director, or manager participated during the period of service in office or employment with the Department, either through personal involvement or because the matter was within the scope of the board member's, director's, or manager's official responsibility; or for compensation, communicate directly with a member of the legislative branch to influence legislation on behalf of an Applicant or Related Party before the second anniversary of the date that the board member's, director's, or manager's service in office or employment with the Department ceased.

(2) A Person commits a criminal offense if the Person violates §2306.6733. An offense under this section is a Class A misdemeanor.

(e) **Due Diligence, Sworn Affidavit.** In exercising due diligence in considering information of possible ineligibility, possible grounds for disqualification and debarment, Applicant and Development standards, possible improper representation or compensation, or similar matters, the Department may request a sworn affidavit or affidavits from the Applicant, Development Owner, Developer, Guarantor, or other Persons addressing the matter. If an affidavit determined to be sufficient by the Department is not received by the Department within seven business days of the date of the request by the Department, the Department may terminate the Application.

(f) **Appeals and Administrative Deficiencies for Ineligibility, Disqualification and Debarment.** An Applicant or Person found ineligible, disqualified, debarred or otherwise terminated under subsections (a) - (e) of this section will be notified in accordance with the Administrative Deficiency process described in §~~50~~49.9(d)(4) of this chapter. They may also utilize the appeals process described in §~~50~~49.17(b) of this chapter. (§2306.6721(d))

§~~50~~49.6.Site and Development Restrictions: Floodplain; Ineligible Building Types; Scattered Site Limitations; Credit Amount; Limitations on the Size of Developments; Limitations on Rehabilitation Costs; Unacceptable Sites; Appeals and Administrative Deficiencies for Site and Development Restrictions.

(a) **Floodplain.** Any Development proposing New Construction or Reconstruction and located within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the 100 year floodplain. No buildings or roads that are part of a Development proposing Rehabilitation or Adaptive Reuse, with the exception of Developments with federal funding assistance from HUD or TX USDA-RHS, will be permitted in the 100 year floodplain unless they already meet the requirements established in this subsection for New Construction.

(b) **Ineligible Building Types.** Applications involving Ineligible Building Types as defined in §~~50~~49.3(56) of this chapter will not be considered for allocation of tax credits.

(c) **Scattered Site Limitations.** Consistent with §~~50~~49.3(32) of this chapter, a Development must be financed under a common plan, be owned by the same Person for federal tax purposes, and the buildings may be either located on a single site or contiguous site, or be located on scattered sites and contain only rent-restricted units. Tax-Exempt Bond Developments are permitted to be located on multiple sites consistent with ~~Chapter~~ §1372, Texas Government Code and as further clarified by the Texas Bond Review Board.

(d) **Credit Amount.** The Department shall issue tax credits only in the amount needed for the financial feasibility and viability of a Development throughout the affordability period. The issuance of tax credits or the determination of any allocation amount in no way represents or purports to warrant the feasibility or viability of the Development by the Department, or that the Development will qualify for and be able to claim Housing Tax Credits. The Department will limit the allocation of tax credits to no more than $~~1.2~~1.4 million per Development~~, adjusted annually for CPI (consumer price index) and published once each year in the Application Reference Manual prior to the Application Round~~. The Department shall not allocate more than $2 million of tax credits in any given Application Round to any Applicant, Developer, Related Party or Guarantor; Competitive Housing Tax Credits approved by the Board during the ~~2008~~2009 calendar year, including commitments from the ~~2008~~2009 Credit Ceiling and forward commitments from the ~~2009~~2010 Credit Ceiling, are applied to the credit cap limitation for the ~~2008~~2009 Application Round. In order to evaluate this $2 million limitation, Nonprofit entities, public housing authorities, publicly traded corporations, individual board members, and executive directors must provide the documentation required in the Application with regard to this requirement. In order to encourage the capacity enhancement of inexperienced Developers, the Department will prorate the credit amount allocated in situations where an Application is submitted in the either the Rural Regional Allocation or the Urban Regional Allocation. The Department will prorate the credits based on the percentage ownership, if there is an ownership interest, or the proportional percentage of the Developer fee received, if this applies to a Developer without an ownership interest. To be considered for this provision, a copy of a Joint Venture Agreement and narrative on how this builds the capacity of the inexperienced Developers is required. Tax-Exempt Bond Development Applications are not subject to these Housing Tax Credit limitations, and Tax-Exempt Bond Development Applications will not count towards the total limit on tax credits per Applicant. The limitation does not apply (§2306.6711(b)):

(1) To an entity which raises or provides equity for one or more Developments, solely with respect to its actions in raising or providing equity for such Developments (including syndication related activities as agent on behalf of investors);

(2) To the provision by an entity of "qualified commercial financing" within the meaning of the Code (without regard to the 80% limitation thereof);

(3) To a Qualified Nonprofit Organization or other not-for-profit entity, to the extent that the participation in a Development by such organization consists only of the provision of loan funds, grants or social services; and

(4) To a Development Consultant with respect to the provision of consulting services, provided the Development Consultant fee received for such services does not exceed 10% of the fee to be paid to the Developer (or 20% for Qualified Nonprofit Developments), or $150,000, whichever is greater.

(e) **Limitations on the Size of Developments.**

(1) The minimum Development size will be 16 Units if the Development involves Housing Tax Credits. The minimum Development size will be 4 Units if the funding source only involves the Housing Trust Fund or HOME Program.

(2) Rural Developments involving any New Construction or Adaptive Reuse (excluding New Construction of non-residential buildings) will be limited to 80 Units (this includes individual Tax-Exempt Bond Developments). Rural Developments involving only Rehabilitation (excluding reconstruction) do not have a size limitation.

(3) Urban Developments involving any New Construction or Adaptive Reuse (excluding New Construction of non-residential buildings), in the Competitive Housing Tax Credit Application Round will be limited to 252 total Units, wherein the maximum Department administered Units will be limited to 200 Units. Tax-Exempt Bond Developments will be limited to 252 restricted and total Units. These maximum Unit limitations also apply to those Developments which involve a combination of Rehabilitation, Reconstruction, and New Construction. Only Developments that consist solely of acquisition/Rehabilitation or Rehabilitation may exceed the maximum Unit restrictions.

(4) For Applications that are proposing an additional phase to an existing tax credit Development; ~~or~~ that are otherwise adjacent to an existing tax credit Development; or that are proposing a Development on a contiguous site to another Application awarded in the same program year, the combined Unit total for the existing and proposed Developments may not exceed the maximum allowable Development size set forth in this subsection unless:

(A) the first phase of the Development has been completed and has attained Sustaining Occupancy (as defined in §1.31 of this title) for at least six months; or

(B) a resolution from the ~~governing body~~Governing Body of the city or county in which the proposed Development is located, dated on or before the date the Application is submitted, is submitted with the Application. Such resolution must state that there is a need for additional Units and that the ~~governing body~~Governing Body has reviewed a market study, the conclusion of which supports the need for additional Units; or

(C) the proposed Development is intended to provide replacement of previously existing affordable Units on the Development Site or that were originally located within a one mile radius from the Development Site; provided, however, the combined number of Units in the proposed Development may not exceed the number of Units being replaced. Documentation of such replacement units must be provided.

(f) **Limitations on the Location of Developments.** Staff will only recommend, and the Board may only allocate, Housing Tax Credits from the State Housing Credit Ceiling to more than one Development from the State Housing Credit Ceiling in the same calendar year if the Developments are, or will be, located more than one linear mile apart as determined by the Department. If the Board forward commits credits from the following year's State Housing Credit Ceiling, the Development is considered to be in the calendar year in which the Board votes, not in the year of the State Housing Credit Ceiling. This limitation applies only to communities contained within counties with populations exceeding one million (which for calendar year ~~2008~~2009 are Harris, Dallas, Tarrant and Bexar Counties). For purposes of this rule, any two sites not more than one linear mile apart are deemed to be "in a single community." (§2306.6711(f)). This restriction does not apply to the allocation of Housing Tax Credits to Developments financed through the Tax-Exempt Bond program, including the Tax-Exempt Bond Development Applications under review and existing Tax-Exempt Bond Developments in the Department's portfolio. (§2306.67021)

(g) **Limitations of Development in Certain Census Tracts.** Staff will not recommend and the Board will not allocate Housing Tax Credits for a Competitive Housing Tax Credit or Tax-Exempt Bond Development located in a census tract that has more than 30% Housing Tax Credit Units per total households in the census tract as established by the U.S. Census Bureau for the most recent Decennial Census unless the Applicant:

(1) In an Area whose population is less than 100,000;

(2) Proposes only reconstruction or Rehabilitation (excluding New Construction of non-residential buildings); or,

(3) Submits to the Department an approval of the Development referencing this rule in the form of a resolution from the ~~g~~Governing ~~b~~Body of the appropriate municipality or county containing the Development. For purposes of this paragraph, evidence of the local government approval must be received by the Department no later than April 1, ~~2008~~2009 for Competitive Housing Tax Credit Applications (or for Tax-Exempt

Bond Development Applications no later than 14 days before the Board meeting where the credits will be committed). These ineligible census tracts are outlined in the ~~2008~~2009 Housing Tax Credit Site Demographic Characteristics Report.

(h) **~~Limitations on~~ Developments Proposing to Qualify for a 30% increase in Eligible Basis.** Staff will only recommend a 30% increase in Eligible Basis (pargraphs (3) and (4) of this subsection only apply to Competitive Housing Tax Credits allocated from the State Credit Ceiling) if:

(1) ~~If t~~The Development proposing to build in a Hurricane Rita Gulf Opportunity Zone (Rita GO Zone), which was designated as a Difficult to Develop Area as determined by H.B. 4440, is able to be placed in service by December 31, 2010 (or date as revised by the Internal Revenue Service) as certified in the Application; ~~or,~~

(2) The Development is located in a Qualified Census Tract that has less than 40% Housing Tax Credit Units per households in the tract as established by the U.S. Census Bureau for the most recent Decennial Census. Developments located in a Qualified Census Tract that has in excess of 40% Housing Tax Credit Units per households in the tract are not eligible to qualify for a 30% increase in Eligible Basis, which would otherwise be available for the Development Site pursuant to the Code, §42(d)(5)(C), unless the Development is proposing only Reconstruction or Rehabilitation (excluding New Construction of non-residential buildings). These ineligible Qualified Census Tracts are outlined in the ~~2008~~2009 Housing Tax Credit Site Demographic Characteristics Report;

(3) The Development qualifies for and receives Renewable Energy Tax Credits. For purposes of this paragraph, the Application will be required to include evidence that an application for the Renewable Energy Tax Credits has been submitted to the appropriate agency and Applicant will be required to show proof of receipt of the Renewable Energy Tax Credits at the time of Cost Certification; or

(4) Pursuant to the authority granted by H.R. 3221, the Development meets one of the criteria described in subparagraphs (A) through (D):~~.~~

(A) Rural Developments located in a census tract that has not received an award of Housing Tax Credits or Tax-Exempt Bonds (serving the same population type as proposed) in the last five years from the date of the Application Acceptance Period;

(B) Developments proposing at least 50% of Units for Supportive Housing;

(C) Developments proposing to provide 10% of the Low-Income Units, that will serve individuals and families at or below 30% of AMGI, in excess of those that are proposed in §49.9(i)(3) of this chapter; or

(D) Developments proposed in High Opportunity Areas as provided in clauses (I) – (IV):

(I) A Development that is proposed to be located within one-quarter mile of existing public transportation or commuter rail transportation stations that are accessible to all residents including Persons with Disabilities;

(II) A Development that is proposed to be located in a census tract which has an AMGI that is higher than the AMGI of the county or place in which the census tract is located;

(III) A Development (serving families with children) that is proposed to be located in a school attendance zone that has an academic rating of "Exemplary" or "Recognized" rating (as determined by the Texas Education Agency) as of the first day of the Application Submission Acceptance Period; or

(IV) A Development that is proposed in a census tract that has no greater than 10% poverty population according to the most recent census data (these census tracts are designated in the 2009 Housing Tax Credit Site Demographic Characteristics Report).

(i) **Rehabilitation Costs.** Developments involving Rehabilitation must establish that the Rehabilitation will substantially improve the condition of the housing and will involve at least $~~12,000~~15,000 per Unit in direct hard costs (including site work, contingency, contractor profit, overhead and general requirements) unless financed with TRDO-USDA in which case the minimum is $~~6,000~~9,000.

(j) **Unacceptable Sites.** Developments will be ineligible if the Development is located on a site that is determined to be unacceptable by the Department.

(k) **Appeals and Administrative Deficiencies for Site and Development Restrictions.** An Application or Development found to be in violation under subsections (a) - (j) of this section will be notified in accordance with the Administrative Deficiency process described in §~~50~~49.9(d)(4) of this chapter. They may also utilize the appeals process described in §~~50~~49.17(b) of this chapter.

§~~50~~49.7.Regional Allocation Formula; Set-Asides; Redistribution of Credits.

(a) **Regional Allocation Formula.** §2306.1115 as required by §2306.111(d), Texas Government Code, the Department uses a regional distribution formula developed by the Department and commented on by the public to distribute credits from the State Housing Credit Ceiling to all Urban Areas and Rural Areas. This formula establishes separate targeted tax credit amounts for Rural Areas and Urban Areas within each of the Uniform State Service Regions. Each Uniform State Service Region's targeted tax credit amount will be published on the Department's web site. The regional allocation for Rural Areas is referred to as the Rural Regional Allocation and the regional allocation for Urban Areas is referred to as the Urban Regional Allocation. Developments qualifying for the Rural Regional Allocation must meet the Rural Development definition. The Regional Allocation target will reflect that at least 20% of the State Housing Credit Ceiling for each calendar year shall be allocated to Developments in Rural Areas with a minimum of $500,000 for each Uniform State Service Region. (§2306.111(d)(3))

(b) **Set-Asides.** An Applicant may elect to compete in as many of the following Set-Asides for which the proposed Development qualifies (§2306.111(d)):

(1) At least 10% of the State Housing Credit Ceiling for each calendar year shall be allocated to Qualified Nonprofit Developments which meet the requirements of the Code, §42(h)(5). Qualified Nonprofit Organizations must have the Controlling interest in the Qualified Nonprofit Development applying for this Set-Aside. If the Application is filed on behalf of a limited partnership, the Qualified Nonprofit Organization must be the controlling managing General Partner. If the Application is filed on behalf of a limited liability company, the Qualified Nonprofit Organization must be the controlling Managing Member. Additionally, a Qualified Nonprofit Development submitting an Application in the nonprofit Set-Aside must have the nonprofit entity or its nonprofit Affiliate or subsidiary be the Developer or a co-Developer as evidenced in the development agreement. (§2306.6729 and §2306.6706(b))

(2) At least 5% of the State Housing Credit Ceiling for each calendar year shall be allocated to Developments which are financed through TRDO-USDA, that meet the definition of a Rural Development, do not exceed 80 Units if proposing any New Construction (excluding New Construction of non-residential buildings), and have filed an "Intent to Request ~~2008~~2009 Housing Tax Credits" form by the Pre-Application submission deadline. (§2306.111(d)(2) If an Application in this Set-Aside involves Rehabilitation it will be attributed to, and come from the, At-Risk Development Set-Aside; if an Application in this Set-Aside involves New Construction it will be attributed to and come from the applicable Uniform State Service Region. Developments financed through TRDO-USDA's §538 Guaranteed Rural Rental Housing Program, in whole or in part, will not be considered under this Set-Aside. Any Rehabilitation or Reconstruction of an existing §515 Development that retains the §515 loan and restrictions will be considered under the At-Risk Development and TRDO-USDA Set-Asides, unless such Development is also financed through TRDO-USDA's §538 Guaranteed Rural Rental Housing Program. Commitments of ~~2008~~2009 Competitive Housing Tax Credits issued by the Board in ~~2008~~2009 will be applied to each Set-Aside, Rural Regional Allocation, Urban Regional Allocation and/or TRDO-USDA Set-Aside for the ~~2008~~2009 Application Round as appropriate.

(3) At least 15% of the State Housing Credit Ceiling for each calendar year will be allocated under the At-Risk Development Set-Aside and will be deducted from the State Housing Credit Ceiling prior to the application of the regional formula required under subsection (a) of this section. Through this Set-Aside, the Department, to the extent possible, shall allocate credits to Applications involving the preservation of Developments designated as At-Risk Developments as defined in §~~50~~49.3(14) of this chapter. (§2306.6714). To qualify as an At-Risk Development, the Applicant must provide evidence that it either is not eligible to renew, retain or preserve any portion of the financial benefit described in §~~50~~49.3(14)(A) of this chapter, or provide evidence that it will renew, retain or preserve the financial benefit described in §~~50~~49.3(14)(A) of this chapter; and must have filed an "Intent to Request ~~2008~~2009 Housing Tax Credits" form by the Pre-Application submission deadline. Up to 5% of the State Credit Ceiling associated with this Set-Aside may be given priority to Rehabilitation Developments funded with TRDO.

(c) **Redistribution of Credits.** (§2306.111(d)). If any amount of Housing Tax Credits remain after the initial commitment of Housing Tax Credits among the Set-Asides, Rural Regional Allocation and Urban Regional Allocation, the Department may redistribute the credits amongst the different regions and Set-Asides depending on the quality of Applications submitted as evaluated under the factors described in §~~50~~49.9(d) of this chapter, the need to most closely achieve regional allocation goals and then the level of demand exhibited in the Uniform State Service Regions during the Application Round, except that, if there are any tax credits set aside for Developments in a Rural Area in a specific Uniform State Service Region that remain after the allocation under §~~50~~49.9(d)(5)(C) of this chapter, those tax credits shall be made available in any other Rural Area in the state, first, and then to Developments in Urban areas of any uniform state service region. (§2306.111(d)(3)). As described in subsection (b)(1) and (2) of this section, no more than 90% of the State's Housing Credit Ceiling for the calendar year may go to Developments which are not Qualified Nonprofit Developments. If credits will be transferred from a Uniform State Service Region which does not have enough qualified Applications to meet its regional credit distribution amount, then those credits will be apportioned to the other Uniform State Service Regions.

§~~50~~49.8.Pre-Applications for Competitive Housing Tax Credits: Submission; Communication with Departments Staff; Evaluation Process; Threshold Criteria and Review; Results. (§2306.6704)

(a) **Pre-Application Submission.** Any Applicant requesting a Housing Credit Allocation may submit a Pre-Application to the Department during the Pre-Application Acceptance Period along with the required Pre-Application Fee as described in §~~50~~49.20 of this chapter. Only one Pre-Application may be submitted by an Applicant for each site under the State Housing Credit Ceiling. The Pre-Application submission is a voluntary process. While the Pre-Application Acceptance Period is open, Applicants may withdraw their Pre-Application and subsequently file a new Pre-Application utilizing the original Pre-Application Fee that was paid as long as no evaluation was performed by the Department. The Department is authorized though not required to request the Applicant to provide additional information it deems relevant to clarify information contained in the Pre-Application or to submit documentation for items it considers to be Administrative Deficiencies. The rejection of a Pre-Application shall not preclude an Applicant from submitting an Application with respect to a particular Development or site at the appropriate time.

(b) **Communication with the Department.** Applicants that submit a Pre-Application are restricted from communication with Department staff as provided in §~~50~~49.9(b) of this chapter. (§2306.1113)

(c) **Pre-Application Evaluation Process.** Eligible Pre-Applications will be evaluated for Pre-Application Threshold Criteria. Applications that are associated with a TRDO-USDA Development are not exempt from Pre-Application and are eligible to compete for the Pre-Application points further outlined in §~~50~~49.9(i)(14) of this chapter. Pre-Applications that are found to have Administrative Deficiencies will be handled in accordance with §~~50~~49.9(d)(4) of this chapter. Department review at this stage is limited and not all issues of eligibility and threshold are reviewed at Pre-Application. Acceptance by staff of a Pre-Application does not ensure that an Applicant satisfies all Application eligibility, Threshold or documentation requirements. The Department is not responsible for notifying an Applicant of potential areas of ineligibility or threshold deficiencies at the time of Pre-Application.

(d) **Pre-Application Threshold Criteria and Review.** Applicants submitting a Pre-Application will be required to submit information demonstrating their satisfaction of the Pre-Application Threshold Criteria. The Pre-Applications not meeting the Pre-Application Threshold Criteria will be terminated and the Applicant will receive a written notice to the effect that the Pre-Application Threshold Criteria have not been met. The Department shall not be responsible for the Applicant's failure to meet the Pre-Application Threshold Criteria and any failure of the Department's staff to notify the Applicant of such inability to satisfy the Pre-Application Threshold Criteria shall not confer upon the Applicant any rights to which it would not otherwise be entitled. The Pre-Application Threshold Criteria include:

(1) Submission of a "Pre-Application Submission Form" and "Certification of Pre-Application Itemized Self-Score". The Applicant may not change the Self-Score unless requested by the Department in a Deficiency Notice;

(2) Evidence of property control through February ~~29~~27, ~~2008~~2009 as evidenced by the documentation required under §~~50~~49.9(h)(7)(A) of this chapter; and

(3) Evidence in the form of a certification that all of the notifications required under this paragraph have been made. Requests for Neighborhood Organizations under subparagraph (A) of this paragraph must be made by the deadlines described in that clause; notifications under subparagraph (C) of this paragraph must be made prior to the close of the Pre-Application Acceptance Period. (§2306.6704) Evidence of notification must meet the requirements identified in subparagraph (B) of this paragraph to all of the individuals and entities identified in subparagraph (B) of this paragraph. (§2306.6704)

(A) The Applicant must request a list of Neighborhood Organizations on record with the county and state whose boundaries include the proposed Development Site as follows:

(i) No later than December ~~7, 2007~~5, 2008, the Applicant must e-mail, fax or mail with registered receipt a completed "Neighborhood Organization Request" letter as provided in the Pre-Application to the local elected official for the city and county where the Development is proposed to be located. If the Development is located in an Area that has district based local elected officials, or both at-large and district based local elected officials, the request must be made to the city council member or county commissioner representing that district; if the Development is located an Area that has only at-large local elected officials, the request must be made to the mayor or county judge for the jurisdiction. If the Development is not located within a city or is located in the Extra Territorial Jurisdiction (ETJ) of a city, the county local elected official must be contacted. In the event that local elected officials refer the Applicant to another source, the Applicant must request Neighborhood Organizations from that source in the same format.

(ii) If no reply letter is received from the local elected officials by January 1, ~~2008~~2009, then the Applicant must certify to that fact in the "Pre-Application Notification Certification Form" provided in the Pre-Application.

(iii) The Applicant must list all Neighborhood Organizations on record with the county or state whose boundaries include the proposed Development Site as provided by the local elected officials, or that the Applicant has knowledge of as of Pre-Application Submission in the "Pre-Application Notification Certification Form" provided in the Pre-Application.

(B) Not later than the date the Pre-Application is submitted, notification must be sent to all of the following individuals and entities by e-mail, fax or mail with registered receipt return or similar tracking mechanism in the format required in the "Pre-Application Notification Template" provided in the Pre-Application. Developments located in an Extra Territorial Jurisdiction (ETJ) of a city are not required to notify city officials, however, are required to notify county officials. Evidence of Notification is required in the form of a certification in the "Pre-Application Notification Certification Form" provided in the Pre-Application, although it is encouraged that Applicants retain proof of delivery of the notifications, to the persons or entities prescribed in clauses (i) – (ix) of this paragraph, in the event that the Department requires proof of Notification. Evidence of proof of delivery is demonstrated by signed receipt for mail or courier delivery and confirmation of receipt by the recipient for facsimile and electronic mail. Officials to be notified are those officials in office at the time the Pre-Application is submitted.

(i) Neighborhood Organizations on record with the ~~city,~~ state or county whose boundaries include the proposed Development Site as identified in subparagraph (A)(iii) of this paragraph;

(ii) Superintendent of the school district containing the Development;

(iii) Presiding officer of the board of trustees of the school district containing the Development;

(iv) Mayor of any municipality containing the Development;

(v) All elected members of the ~~governing body~~Governing Body of any municipality containing the Development;

(vi) Presiding officer of the ~~governing body~~Governing Body of the county containing the Development;

(vii) All elected members of the ~~governing body~~Governing Body of the county containing the Development;

(viii) State senator of the district containing the Development; and

(ix) State representative of the district containing the Development.

(C) Each such notice must include, at a minimum, all of the following:

(i) The Applicant's name, address, individual contact name and phone number;

(ii) The Development name, address, city and county;

(iii) A statement informing the entity or individual being notified that the Applicant is submitting a request for Housing Tax Credits with the Texas Department of Housing and Community Affairs;

(iv) Statement of whether the Development proposes New Construction, reconstruction, Adaptive Reuse or Rehabilitation;

(v) The type of Development being proposed (single family homes, duplex, apartments, townhomes, high-rise etc.) and population being served (family, Intergenerational Housing, or elderly);

(vi) The approximate total number of Units and approximate total number of low-income Units;

(vii) The approximate percentage of Units serving each level of AMGI (e.g. 20% at 50% of AMGI, etc.) and the approximate percentage of Units that are market rate;

(viii) The number of Units and proposed rents (less utility allowances) for the low-income Units and the number of Units and the proposed rents for any market rate Units. Rents to be provided are those that are effective at the time of the Pre-Application, which are subject to change as annual changes in the area median income occur; and

(ix) The expected completion date if credits are awarded.

(e) **Pre-Application Results.** Only Pre-Applications which have satisfied all of the Pre-Application Threshold Criteria requirements set forth in subsection (d) of this section and §~~50~~49.9(i)(14) of this chapter, will be eligible for Pre-Application points. The order and scores of those Developments released on the Pre-Application Submission Log do not represent a commitment on the part of the Department or the Board to allocate tax credits to any Development and the Department bears no liability for decisions made by Applicants based on the results of the Pre-Application Submission Log. Inclusion of a Development on the Pre-Application Submission Log does not ensure that an Applicant will receive points for a Pre-Application.

§~~50~~49.9.Application: Submission; Ex Parte Communications; Adherence to Obligations; Evaluation Process for Competitive Applications Under the State Housing Credit Ceiling; Evaluation Process for Tax-Exempt Bond Development Applications; Evaluation Process for Rural Rescue Applications Under the ~~2009~~ 2010 Credit Ceiling; Experience Pre-Certification Procedures; Threshold Criteria; Selection Criteria; Tiebreaker Factors; Staff Recommendations.

(a) **Application Submission.** Any Applicant requesting a Housing Credit Allocation or a Determination Notice must submit an Application, and the required Application fee as described in §~~50~~49.20 of this chapter, to the Department during the Application Acceptance Period. Only complete Applications will be accepted. All required volumes must be appropriately bound as required by the Application Submission Procedures Manual and fully complete for submission with all required copies and received by the Department not later than 5:00 p.m. on the date the Application is due. A ~~searchable~~bookmarked electronic copy of all required volumes and exhibits, unless otherwise indicated in the Application Submission Procedures Manual, must be submitted in the format of a single file presented in the order they appear in the hard copy of the complete Application on a CD-R clearly labeled with the report type, Development name, and Development location is required for submission and must be received by the Department not later than 5:00 p.m. on the date the Application is due. Only one Application may be submitted for a site in an Application Round. While the Application Acceptance Period is open, an Applicant may withdraw an Application and subsequently file a new Application utilizing the original Pre-Application Fee that was paid as long as no evaluation was performed by the Department. The Department is authorized, but not required, to request the Applicant to provide additional information it deems relevant to clarify information contained in the Application or to submit documentation for items it considers to be an Administrative Deficiency, including ineligibility criteria, site and development restrictions, and threshold and selection criteria documentation. (§2306.6708) An Applicant may not change or supplement any part of an Application in any manner after the filing deadline, and may not add any Set-Asides, increase the requested credit amount, or revise the Unit mix (both income levels and bedroom mixes), except in response to a direct request from the Department to remedy an Administrative Deficiency as further described in §~~50~~49.3(2) of this chapter or by amendment of an Application after a commitment or allocation of tax credits as further described in §~~50~~49.17(d) of this chapter.

(b) **Ex Parte Communications.**

(1) During the period beginning on the first date of the Application Acceptance Period and ending on the date the Board makes a final decision with respect to the approval of any Application in that Application Round, a member of the Board may not communicate with the following Persons:

(A) an Applicant or Related Party; and

(B) any Person who is:

(i) active in the construction, rehabilitation, ownership, or Control of the proposed Development, including:

(I) a General Contractor; and

(II) a Developer; and

(III) a General Partner, Principal or Affiliate of a General Partner or General Contractor; or

(ii) employed as a consultant, lobbyist, or attorney by an Applicant or a Related Party.

(2) During the period beginning on the first date of the Application Acceptance Period and ending on the date the Board makes a final decision with respect to the approval of any Application in that Application Round, an employee of the Department may communicate about any Application with the following Persons:

(A) the Applicant or a Related Party; and

(B) any Person who is:

(i) active in the construction, rehabilitation, ownership, or Control of the proposed Development, including:

(I) a General Partner or General Contractor; and

(II) a Developer; and

(III) a Principal or Affiliate of a General Partner or General Contractor; or

(ii) employed as a consultant, lobbyist or attorney by the Applicant or a Related Party.

(3) A communication under paragraph (2) of this subsection may be oral or in any written form, including electronic communication through the Internet, and must satisfy the following conditions:

(A) the communication must be restricted to technical or administrative matters directly affecting the Application;

(B) the communication must occur or be received on the premises of the Department during established business hours; and

(C) a record of the communication must be maintained and included with the Application for purposes of Board review and must contain the following information:

(i) the date, time, and means of communication;

(ii) the names and position titles of the Persons involved in the communication and, if applicable, the Person's relationship to the Applicant;

(iii) the subject matter of the communication; and

(iv) a summary of any action taken as a result of the communication.

(4) Notwithstanding paragraphs (1) or (2) of this subsection, a Board member or Department employee may communicate without restriction with a Person listed in paragraphs (1) or (2) during any Board meeting or public hearing held with respect to the Application, but not during a recess or other non-record portion of the meeting or hearing.

(5) Paragraph (1) of this subsection does not prohibit the Board from participating in social events at which a Person with whom communications are prohibited may or will be present, provided that all matters related to Applications to be considered by the Board will not be discussed.

(c) **Adherence to Obligations.** (§2306.6720), General Appropriation Act, Article VII, Rider 8(a)). All representations, undertakings and commitments made by an Applicant in the Application process for a Development, whether with respect to Threshold Criteria, Selection Criteria or otherwise, shall be deemed to be a condition to any Commitment Notice, Determination Notice, or Carryover Allocation for such Development, the violation of which shall be cause for cancellation of such Commitment Notice, Determination Notice, or Carryover Allocation by the Department, and if concerning the ongoing features or operation of the Development, shall be enforceable even if not reflected in the LURA. All such representations are enforceable by the Department and the tenants of the Development, including enforcement by administrative penalties for failure to perform, as stated in the representations and in accordance with the LURA. If a Development Owner does not produce the Development as represented in the Application; does not receive approval for an amendment to the Application by the Department prior to implementation of such amendment; or does not provide the necessary evidence for any points received by the required deadline:

(1) The Development Owner must provide a plan to the Department, for approval and subsequent implementation, that incorporates additional amenities to compensate for the non-conforming components; and

(2) The Board will opt either to terminate the Application and rescind the Commitment Notice, Determination Notice or Carryover Allocation Agreement as applicable or the Department must:

(A) Reduce the score for Applications for Competitive Housing Tax Credits that are submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development by up to ten points for the two Application Rounds concurrent to, or following, the date that the non-conforming aspect, or lack of financing, was recognized by the Department of the need for the amendment; the placed in service date; or the date the amendment is accepted by the Board.

(B) Prohibit eligibility to apply for Housing Tax Credits for a Tax-Exempt Bond Development that are submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development for up to 24 months from the date that the non-conforming aspect, or lack of financing, was recognized by the Department of the need for the amendment; the placed in service date; or the date the amendment is accepted by the Board, less any time delay caused by the Department.

(C) In addition to, or in lieu of, the penalty in subparagraph (A) or (B) of this paragraph, the Board may assess a penalty fee of up to $1,000 per day for each violation.

(3) For amendments approved administratively by the Executive Director, the penalties in paragraph (2) of this subsection will not be imposed.

(d) **Evaluation Process for Competitive Applications Under the State Housing Credit Ceiling.** Applications submitted for competitive consideration under the State Housing Credit Ceiling will be reviewed according to the process outlined in this subsection. An Application, during any of these stages of review, may be determined to be ineligible as further described in §~~50~~49.5 of this chapter; Applicants will be promptly notified in these instances.

(1) Set-Aside and Selection Criteria Review. All Applications will first be reviewed as described in this paragraph. Applications will be confirmed for eligibility for Set-Asides. Then, each Application will be preliminarily scored according to the Selection Criteria listed in subsection (i) of this section. When a particular scoring criterion involves multiple points, the Department will award points to the proportionate degree, in its determination, to which a proposed Development complied with that criterion. As necessary to complete this process only, Administrative Deficiencies may be issued to the Applicant. This process will generate a preliminary Department score for every Application.

(2) Application Review Assessment. Each Application will be assessed based on either the Applicant's self-score or the Department's preliminary score, region, and any Set-Asides that the Application indicates it is eligible for, consistent with paragraph (5) of this subsection. Those Applications that appear to be most competitive will be reviewed in detail for Eligibility and Threshold Criteria during the Application Round.

(3) Eligibility and Threshold Criteria Review. Applications that appear to be most competitive will be evaluated for eligibility under §~~50~~49.5(a)(7) - (9), (b) - (f), and §~~50~~49.6 of this chapter. The remaining portions of the Eligibility Review under §~~50~~49.5 of this chapter will be performed in the Compliance Evaluation and Eligibility Review as described under paragraph (7) of this subsection. The most competitive Applications will also be evaluated against the Threshold Criteria under subsection (h) of this section. The same portions of the Threshold Criteria review may be performed in the Underwriting Evaluation and Criteria review for financial feasibility by the Department's Real Estate Analysis Division as described under paragraph (6) of this subsection. Applications not meeting Threshold Criteria will be notified of any Administrative Deficiencies, in each event the Applicant will be given an opportunity to correct such deficiencies. Applications not meeting Threshold Criteria after receipt and review of the Administrative Deficiency response will be terminated and the Applicant will be provided a written notice to that effect. The Department shall not be responsible for the Applicant's failure to meet the Threshold Criteria, and any failure of the Department's staff to notify the Applicant of such inability to satisfy the Threshold Criteria shall not confer upon the Applicant any rights to which it would not otherwise be entitled. Not all Applications will be reviewed in detail for Threshold Criteria. To the extent that the review of Threshold Criteria documentation, or submission of Administrative Deficiency documentation, alters the score assigned to the Application, an Applicant will be notified of its final score.

(4) Administrative Deficiencies. If an Application contains Administrative Deficiencies pursuant to §~~50~~49.3(2) of this chapter which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the Application, the Department staff may request clarification or correction of such Administrative Deficiencies. Because the review for Eligibility, Selection, Threshold Criteria, and review for financial feasibility by the Department's Real Estate Analysis Division may occur separately, Administrative Deficiency requests may be made several times. The Department staff will request clarification or correction in a deficiency notice in the form of an email, or if an e-mail address is not provided in the Application, by facsimile, and a telephone call (only if there has not been confirmation of the receipt of the emai within 24 hours) to the Applicant and one other party identified by the Applicant in the Application advising that such a request has been transmitted. If Administrative Deficiencies are not clarified or corrected to the satisfaction of the Department by 5:00 p.m. on the fifth business day following the date of the deficiency notice, then for competitive Applications under the State Housing Credit Ceiling, five points shall be deducted from the Selection Criteria score for each additional day the deficiency remains unresolved. If Administrative Deficiencies are not clarified or corrected by 5:00 p.m. on the seventh business day following the date of the deficiency notice, then the Application shall be terminated. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period. This Administrative Deficiency process applies to requests for information made by the Real Estate Analysis Division review.

(5) Subsequent Evaluation of Applications and Methodology for Award Recommendations to the Board. The Department will assign, as herein described, Developments for review for financial feasibility by the Department's Real Estate Analysis Division--in general these will be those Applications identified as most competitive and that meet the requirements of Eligibility and Threshold. This procedure will also be used in making recommendations to the Board as follows:

(A) Assignments will be determined by separately selecting the Applications with the highest scores in the At-Risk Set-Aside Statewide until the minimum requirements stated in §~~50~~49.7(b) of this chapter are attained.

(B) Assignments will then be determined by selecting the Applications with the highest scores in the TRDO-USDA Allocation until the minimum requirements stated in §~~50~~49.7(b) of this chapter are attained. If an Application in this Set-Aside involves Rehabilitation it will be attributed to, and come from the, At-Risk Set-Aside; if an Application in this Set-Aside involves New Construction it will be attributed to and come from the applicable Uniform State Service Region.

(C) Remaining funds within each Uniform State Service Region will then be selected based on the highest scoring Developments in each of the 26 sub-regions, regardless of Set-Aside, in accordance with the requirements under §~~50~~49.7(a) of this chapter, without exceeding the credit amounts available for a Rural Regional Allocation and Urban Regional Allocation in each region. To the extent that Applications in the At-Risk and TRDO-USDA Set-Asides are not competitive enough within their respective Set-Asides, they will also be able to compete, with no Set-Aside preference, within their appropriate sub-region.

(D) If there are any tax credits set-aside for Developments in a Rural Area in a specific Uniform State Service Region that remain after allocation under subparagraph (C) of this paragraph those tax credits shall then be made available in any other Rural Area in the state to the Application in the most underserved Rural sub-region as compared to the Region's Rural Allocation. (§2306.111(d)(3)). This will be referred to as the Rural collapse.

(E) If there are any tax credits remaining in any sub-region after the Rural collapse, in the Rural Regional Allocation or Urban Regional Allocation, they then will be combined and made available to the Application in the most underserved sub-region as compared to the sub-region's allocation. This will be referred to as the statewide collapse.

(F) Staff will ensure that at least 10% of the State Housing Credit Ceiling is allocated to Qualified Nonprofit Organizations to satisfy the Nonprofit Set-Aside. If 10% is not met, then the Department will add the highest scoring Application by a Qualified Nonprofit Organization statewide until the 10% Nonprofit Set-Aside is met. Staff will ensure that at least 20% of the State Housing Credit Ceiling is allocated to Rural Developments. If this 20% minimum is not met, then the Department will add the highest scoring Rural Development Application statewide until the 20% Rural Development Set-Aside is met. Selection for each of the Set-Asides will take precedence over selection for the Rural Regional Allocation and Urban Regional Allocation. Funds for the Rural Regional Allocation or Urban Regional Allocation within a region, for which there are no eligible feasible Applications, will be redistributed as provided in §~~50~~49.7(c) of this chapter, Redistribution of Credits. If the Department determines that an allocation recommendation would cause a violation of the $2 million limit described in §~~50~~49.6(d) of this chapter, the Department will make its recommendation by selecting the Development(s) that most effectively satisfies(y) the Department's goals in meeting Set-Aside and regional allocation goals. Based on Application rankings, the Department shall continue to underwrite Applications until the Department has processed enough Applications satisfying the Department's underwriting criteria to enable the allocation of all available Housing Tax Credits according to regional allocation goals and Set-Aside categories. To enable the Board to establish a Waiting List, the Department shall underwrite as many additional Applications as necessary to ensure that all available Competitive Housing Tax Credits are allocated within the period required by law. (§2306.6710(a)-(f); §2306.111)

(6) Underwriting Evaluation and Criteria. The Department shall underwrite an Application to determine the financial feasibility of the Development and an appropriate level of Housing Tax Credits. In determining an appropriate level of Housing Tax Credits, the Department shall, at a minimum, evaluate the cost of the Development based on acceptable cost parameters as adjusted for inflation and as established by historical final cost certifications of all previous Housing Tax Credit allocations for the county in which the Development is to be located; if certifications are unavailable for the county, then the metropolitan statistical area in which the Development is to be located; or if certifications are unavailable under the county or the metropolitan statistical area, then the Uniform State Service Region in which the Development is to be located. Underwriting of a Development will include a determination by the Department, pursuant to the Code §42, that the amount of Housing Tax Credits recommended for commitment to a Development is necessary for the financial feasibility of the Development and its long-term viability as a qualified rent restricted housing property. In making this determination, the Department will use the Underwriting Rules and Guidelines, §1.32 of this title. An Applicant may not change or supplement any part of an Application in any manner after the filing deadline, and may not add any set-asides, increase their credit amount, or revise their unit mix (both income levels and bedroom mixes), except in response to a direct request from the Real Estate Analysis Division to remedy an Administrative Deficiency as further described in §~~50~~49.3(2) of this chapter or by amendment of an Application after a commitment or allocation of tax credits as further described in §~~50~~49.17(d) of this chapter. To the extent that the review of Administrative Deficiency documentation during this review alters the score assigned to the Application, Applicants will be re-notified of their final score. Receipt of feasibility points under §~~50~~49.9(i)(1) of this chapter does not ensure that an Application will be considered feasible during the feasibility evaluation by the Real Estate Analysis Division and conversely, a Development may be found feasible during the feasibility evaluation by the Real Estate Analysis Division even if it did not receive points under subsection (i)(1) of this section. (§2306.6710 and §2306.11)

(A) The Department may have an external party perform the underwriting evaluation to the extent it determines appropriate. The expense of any external underwriting evaluation shall be paid by the Applicant prior to the commencement of the aforementioned evaluation.

(B) The Department will reduce the Applicant's estimate of Developer's and/or General Contractor fees in instances where these exceed the fee limits determined by the Department. In the instance where the General Contractor is an Affiliate of the Development Owner and both parties are claiming fees, General Contractor's overhead, profit, and general requirements, the Department shall be authorized to reduce the total fees estimated to a level that it determines to be reasonable under the circumstances. Further, the Department shall deny or reduce the amount of Housing Tax Credits allocated with respect to any portion of costs which it deems excessive or unreasonable. Excessive or unreasonable costs may include Developer fee attributable to Related Party acquisition costs. The Department also may require bids or Third Party estimates in support of the costs proposed by any Applicant. The Developer's fee limits will be calculated as follows:

(i) New construction pursuant to §42(b)(1)(A) U.S.C, the Developer fee cannot exceed 15% of the project's Total Eligible Basis, less Developer fees, or 20% of the project's Total Eligible Basis, less Developer fees if the Development proposes 49 total Units or less; and

(ii) Acquisition/rehabilitation Developments that are eligible for acquisition credits pursuant to §42(b)(1)(B) U.S.C, the acquisition portion of the Developer fee cannot exceed 15% of the existing structures acquisition basis, less Developer fee if the Development proposes 50 total Units or more, or 20% of the project's Total Eligible Basis, less Developer fees if the Development proposes 49 total Units or less, and will be limited to 4% credits. The rehabilitation portion of the Developer fee cannot exceed 15% of the total rehabilitation basis, less Developer fee if the Development proposes 50 total Units or more, or 20% of the project's Total Eligible Basis, less Developer fees if the Development proposes 49 total Units or less.

(7) Compliance Evaluation and Eligibility Review. After the Department has determined which Developments will be reviewed for financial feasibility, those same Developments will be reviewed for evaluation of the compliance status by the Department's Portfolio Management and Compliance Division, in accordance with Chapter 60 of this title, and will be evaluated in detail for eligibility under §~~50~~49.5(a) - (f) of this chapter.

(8) Site Evaluation. Site conditions shall be evaluated through a physical site inspection by the Department or its assigns. Such inspection will evaluate the Development Site based upon the criteria set forth in the Site Evaluation form provided in the Application and the inspector shall provide a written report of such site evaluation. The evaluations shall be based on the condition of the surrounding neighborhood, including appropriate environmental and aesthetic conditions and proximity to retail, medical, recreational, and educational facilities, and employment centers. The site's appearance to prospective tenants and its accessibility via the existing transportation infrastructure and public transportation systems shall be considered. "Unacceptable" sites include, without limitation, those containing a non-mitigable environmental factor that may adversely affect the health and safety of the residents. For Developments applying under the TRDO-USDA Set-Aside, the Department may rely on the physical site inspection performed by TRDO-USDA.

(e) **Evaluation Process for Tax-Exempt Bond Development Applications.** Applications submitted for consideration as Tax-Exempt Bond Developments will be reviewed according to the process outlined in this subsection. An Application, during any of these stages of review, may be determined to be ineligible as further described in §~~50~~49.5 of this chapter; Applicants will be promptly notified in these instances.

(1) Eligibility and Threshold Criteria Review. All Tax-Exempt Bond Development Applications will first be reviewed as described in this paragraph. Tax-Exempt Bond Development Applications will be confirmed for eligibility under §~~50~~49.5 and §~~50~~49.6 of this chapter and Applications will be evaluated in detail against the Threshold Criteria. Tax-Exempt Bond Development Applications found to be ineligible and/or not meeting Threshold Criteria will be notified of any Administrative Deficiencies, in each event the Applicant will be given an opportunity to correct such deficiencies. Applications not meeting the Threshold Criteria after receipt and review of the Administrative Deficiency response will be terminated and the Applicant will be provided a written notice to that effect. The Department shall not be responsible for the Applicant's failure to meet the Threshold Criteria, and any failure of the Department's staff to notify the Applicant of such inability to satisfy the Threshold Criteria shall not confer upon the Applicant any rights to which it would not otherwise be entitled.

(2) Administrative Deficiencies. If an Application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the Application, the Department staff may request clarification or correction of such Administrative Deficiencies. Because the review for Eligibility, Threshold Criteria, and review for financial feasibility by the Department's Real Estate Analysis Division may occur separately, Administrative Deficiency requests may be made several times. The Department staff will request clarification or correction in a deficiency notice in the form of an e-mail, or if an e-mail address is not provided in the Application, by facsimile, and a telephone call (only if there has not been confirmation of the receipt of the emai within 24 hours) to the Applicant and one other party identified by the Applicant in the Application advising that such a request has been transmitted. All Administrative Deficiencies shall be clarified or corrected to the satisfaction of the Department within five business days. Failure to resolve all outstanding deficiencies by 5:00 p.m. on the fifth business day following the date of the deficiency notice will result in a penalty fee of $500 for each business day the deficiency remains unresolved. Applications with unresolved deficiencies after 5:00 p.m. on the tenth day following the date of the deficiency notice will be terminated. The Applicant will be responsible for the payment of fees accrued pursuant to this ~~section~~ paragraph regardless of any termination pursuant to §~~50~~49.5(b)(4) of this chapter. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period. The Application will not be presented to the Board for consideration until all outstanding fees have been paid. This Administrative Deficiency process applies equally to the Real Estate Analysis Division review and feasibility evaluation and the same penalty and termination will be assessed.

(3) Underwriting and Compliance Evaluation and Criteria. The Department will assign all eligible Tax-Exempt Bond Development Applications meeting the eligibility and threshold requirements for review for financial feasibility by the Department's Real Estate Analysis Division, or the Department may have an external party perform the underwriting evaluation to the extent it determines appropriate. The expense of any

external underwriting evaluation shall be paid by the Applicant prior to the commencement of the aforementioned evaluation. The Department or external party shall underwrite an Application to determine the financial feasibility of the Development and an appropriate level of Housing Tax Credits as further described in subsection (d)(6) of this section. Tax-Exempt Bond Development Applications will also be reviewed for evaluation of the compliance status by the Department's Portfolio Management and Compliance Division in accordance with Chapter 60, Subchapter A of this title.

(4) Site Evaluation. Site conditions shall be evaluated through a physical site inspection by the Department or its assigns as further described in subsection (d)(8) of this section.

(f) **Evaluation Process for Rural Rescue Applications Under the ~~2009~~2010 Credit Ceiling.** Applications submitted for consideration as Rural Rescue Applications pursuant to §~~50~~49.10(c) of this chapter under the ~~2009~~2010 Credit Ceiling will be reviewed according to the process outlined in this subsection. A Rural Rescue Application, during any of these stages of review, may be determined to be ineligible as further described in §~~50~~49.5 of this chapter; Applicants will be promptly notified in these instances.

(1) Procedures for Intake and Review.

(A) Applications for Rural Rescue deals may be submitted between March 2, ~~2008~~2009 and November 15, ~~2008~~2009 and must be submitted in accordance with §~~50~~49.21 of this chapter. A complete Application must be submitted at least 40 days prior to the date of the Board meeting at which the Applicant would like the Board to act on the proposed Development. Applications must include the full Application Fee as further described in §~~50~~49.20(c) of this chapter. Applicants must submit documents in accordance with the procedures set out in the ~~2008~~2009 Application Submission Procedures Manual for Volumes I, II, III and IV. Volume IV, evidencing Selection Criteria, MUST be submitted.

(B) Applicants do not need to participate in the Pre-Application process outlined in §~~50~~49.8 of this chapter, nor will they need to submit pre-certification documents identified in subsection (g) of this section.

(C) Applications will be processed on a first-come, first-served basis. Applications unable to meet all deficiency and underwriting requirements within 30 days of the request by the Department, will remain under consideration, but will lose their submission status and the next Application in line will be moved ahead in order to expedite those Applications most able to proceed. Applications for Rural Rescue will be processed and evaluated as described in this paragraph. Applications will be reviewed to ensure that the Application is eligible as a rural "rescue" Development as described in paragraph (2) of this subsection.

(D) Prior to the Development being recommended to the Board, TRDO-USDA must provide the Department with a copy of the physical site inspection report performed by TRDO-USDA, as provided in subsection (d)(8) of this section.

(2) Eligibility Review. All Rural Rescue Applications will first be reviewed as described in this paragraph and eligibility will be confirmed pursuant to §~~50~~49.5 and §~~50~~49.6 of this chapter and the criteria listed in subparagraphs (A) - (C) of this paragraph. Applications found to be ineligible will be notified.

(A) Applications must be funded through TRDO-USDA;

(B) Applications must able to provide evidence that the loan:

(i) has been foreclosed and is in the TRDO-USDA inventory; or

(ii) is being foreclosed; or

(iii) is being accelerated; or

(iv) is in imminent danger of foreclosure or acceleration; or

(v) is for an Application in which two adjacent parcels are involved, of which at least one parcel qualifies under clauses (i) - (iv) of this subparagraph and for which the Application is submitted under one ownership structure, one financing plan an for which there are no market rate units; and

(C) Applicants must be identified as in compliance with TRDO-USDA regulations.

(3) Threshold Review. Applications will be evaluated in detail against the Threshold Criteria. Applications found to be ineligible and/or not meeting Threshold Criteria will be notified of any Administrative Deficiencies, in which event the Applicant is given an opportunity to correct such deficiencies. Applications not meeting Threshold Criteria after receipt and review of the Administrative Deficiency response will be terminated and the Applicant will be provided a written notice to that effect. The Department shall not be responsible for the Applicant's failure to meet the Threshold Criteria, and any failure of the Department's staff to notify the Applicant of such inability to satisfy the Threshold Criteria shall not confer upon the Applicant any

rights to which it would not otherwise be entitled. Not all Applications will be reviewed in detail for Threshold Criteria.

(4) Selection Criteria Review. All Rural Rescue Applications will be evaluated against the Selection Criteria and a score will be assigned to the Application. The minimum score for Selection Criteria is not required to be achieved to be eligible.

(5) Administrative Deficiencies. If an Application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the Application, the Department staff may request clarification or correction of such Administrative Deficiencies as further described in subsection (d)(4) of this section.

(6) Underwriting and Compliance Evaluation and Criteria. The Department will assign all eligible Rural Rescue Applications meeting the eligibility and threshold requirements for review for financial feasibility by the Department's Real Estate Analysis Division, or the Department may have an external party perform the underwriting evaluation to the extent it determines appropriate. The expense of any external underwriting evaluation shall be paid by the Applicant prior to the commencement of the aforementioned evaluation. The Department or external party shall underwrite an Application to determine the financial feasibility of the Development and an appropriate level of Housing Tax Credits as further described in subsection (d)(6) of this section. Rural Rescue Development Applications will also be reviewed for evaluation of the previous participation by the Department's Portfolio Management and Compliance Division in accordance with Chapter 60 of this title.

(7) Site Evaluation. Site conditions shall be evaluated through a physical site inspection by the Department or its assigns as further described in subsection (d)(8) of this section.

(8) Credit Ceiling and Applicability of this Chapter. All Rural Rescue Applicants will receive their credit allocation out of the ~~2009~~2010 Credit Ceiling and therefore, will be required to follow the rules and guidelines identified in the ~~2009~~2010 Qualified Allocation Plan and Rules (QAP). However, because the ~~2009~~2010 QAP will not be in effect during the time period that the Rural Rescue Applications can be submitted, Applications submitted and eligible under the Rural Rescue Set-Aside will be considered by the Board to have satisfied the requirements of the ~~2009~~2010 QAP and are waived from ~~2009~~2010 QAP requirements that are changes from the ~~2008~~2009 QAP, to the extent permitted by statute.

(9) Procedures for Recommendation to the Board. Consistent with subsection (k) of this section, staff will make its recommendation to the Committee. The Committee will make commitment recommendations to the Board. Staff will provide the Board with a written, documented recommendation which will address at a minimum the financial and programmatic viability of each Application and a breakdown of which Selection Criteria were met by the Applicant. The Board will make its decision based on §~~50~~49.10(a) of this chapter. Any award made to a Rural Rescue Development will be credited against the TRDO-USDA Set-Aside for the ~~2009~~2010 Application Round, as required under subsection (d)(5) of this section.

(10) Limitation on Allocation. No more than $350,000 in credits will be forward committed from the ~~2009~~2010 State Housing Credit Ceiling. To the extent Applications are received that exceed the maximum limitation, staff will prepare the award for Board consideration noting for the Board that the award would require a waiver of this limitation.

(g) **Experience Pre-Certification Procedures.** No later than 14 days prior to the close of the Application Acceptance Period for Competitive Housing Tax Credit Applications, an Applicant must submit the documents required in this subsection to obtain the required pre-certification. For Applications submitted for Tax-Exempt Bond Applications or Applications not applying for Competitive Housing Tax Credits, but applying only under other Multifamily Programs (HOME, Housing Trust Fund, etc.) all of the documents in this section must be submitted with the Application. Upon receipt of the evidence required under this section, a certification from the Department will be provided to the Applicant for inclusion in its Application(s). Evidence must show that one of the Development Owner's General Partners, the Developer or their Principals have a record of successfully constructing or developing residential units (single family or multifamily) in the capacity of owner, General Partner or Developer. If a Public Housing Authority organized an entity for the purpose of developing residential units the Public Housing Authority shall be considered a Principal for the purpose of this requirement. If the individual requesting the certification was not the Development Owner, General Partner or Developer, but was the individual within one of those entities doing the work associated with the development of the Units (responsibility for work associated with the development of Units includes, but is not limited to, application submission, third-party engagement, post award activities, construction, cost certification, etc.), the individual must show that the units were successfully developed as required in paragraphs (1) and (2) of this subsection, and also provide written confirmation from the entity involved stating that the individual was the person responsible for the development. If rehabilitation experience is being claimed to qualify for an Application involving New Construction, then the rehabilitation must have been substantial and involved at least $12,000 of direct hard cost per unit.

(1) The term "successfully" is defined as acting in a capacity as the owner, General Partner, or Developer of:

(A) At least 100 residential units or, if less than 100 residential units, 80% of the total number of Units the Applicant is applying to build (e.g. you must have 40 units successfully built to apply for 50 Units); or

(B) At least 36 residential units if the Development is a Rural Development; or

(C) At least 25 residential units if the Development has 36 or fewer total Units.

(2) One or more of the following documents must be submitted: American Institute of Architects (AIA) Document A111 - Standard Form of Agreement Between Owner & Contractor, AIA Document G704 - Certificate of Substantial Completion, IRS Form 8609, HUD Form 9822, development agreements, partnership agreements, or other documentation satisfactory to the Department verifying that the Development Owner's General Partner, partner (or if Applicant is to be a limited liability company, the managing member), Developer or their Principals have the required experience. If submitting the IRS Form 8609, only one form per Development is required. The evidence must clearly indicate:

(A) That the Development has been completed (i.e. Development Agreements, Partnership Agreements, etc. must be accompanied by certificates of completion);

(B) That the names on the forms and agreements tie back to the Development Owner's General Partner, partner (or if Applicant is to be a limited liability company, the managing member), Developer or their Principals as listed in the Application; and

(C) The number of units completed or substantially completed.

(h) **Threshold Criteria.** The following Threshold Criteria listed in this subsection are mandatory requirements that must be submitted at the time of Application submission unless specifically indicated otherwise:

(1) Completion and submission of the Application, which includes the entire Uniform Application and any other supplemental forms which may be required by the Department. (§2306.1111)

(2) Completion and submission of the Site Packet as provided in the Application.

(3) Set-Aside Eligibility. Documentation must be provided that confirms eligibility for all Set-Asides under which the Application is seeking funding as required in the Application.

(4) Certifications. The "Certification Form" provided in the Application confirming the following items:

(A) A certification of the basic amenities selected for the Development. All Developments must meet at least the minimum threshold of points. These points are not associated with the selection criteria points in subsection (i) of this section. The amenities selected must be made available for the benefit of all tenants. If fees in addition to rent are charged for amenities reserved for an individual tenant's use, then the amenity may not be included among those provided to satisfy this requirement. Developments must provide a minimum number of common amenities in relation to the Development size being proposed. The amenities selected must be selected from clause (ii) of this subparagraph and made available for the benefit of all tenants. Developments proposing Rehabilitation (excluding Reconstruction) or proposing Single Room Occupancy will receive 1.5 points for each point item (do not round). Applications for non-contiguous scattered site housing, including New Construction, reconstruction, Adaptive Reuse, Rehabilitation, and single-family design, will have the threshold test applied based on the number of Units per individual site, and must submit a separate certification for each individual site under control by the Applicant. Any future changes in these amenities, or substitution of these amenities, must be approved by the Department in accordance with §~~50~~49.17(d) of this chapter and may result in a decrease in awarded credits if the substitution or change includes a decrease in cost, or in the cancellation of a Commitment Notice or Carryover Allocation if all of the Common Amenities claimed are no longer met.

(i) Applications must meet a minimum threshold of points (based on the total number of Units in the Development) as follows:

(I) Total Units are less than ~~13~~16, 0 points are required to meet Threshold for Single Room Occupancy and 1 point is required to meet threshold for all other Developments;

(II) Total Units are ~~between 13~~16 ~~and~~to 24, ~~1~~2 points ~~is~~are required to meet Threshold;

(III) Total Units are ~~between~~ 25 ~~and~~to 40, 3 points are required to meet Threshold;

(IV) Total Units are ~~between~~ 41 ~~and~~to 76, 6 points are required to meet Threshold;

(V) Total Units are ~~between~~ 77 ~~and~~to 99, 9 points are required to meet Threshold;

(VI) Total Units are ~~between~~ 100 ~~and~~to 149, 12 points are required to meet Threshold;

(VII) Total Units are ~~between~~ 150 ~~and~~to 199, 15 points are required to meet Threshold;

(VIII) Total Units are 200 or more, 18 points are required to meet Threshold.

(ii) Amenities for selection include those items listed in subclauses (I) - (XXVI) of this clause. Both Developments designed for families and Qualified Elderly Developments can earn points for providing each identified amenity unless the item is specifically restricted to one type of Development. All amenities must meet accessibility standards as further described in subparagraphs (D) and (F) of this paragraph. An Application can only count an amenity once, therefore combined functions (a library which is part of a community room) only count under one category. Spaces for activities must be sized appropriately to serve the anticipated population.

(I) Full perimeter fencing (2 points);

(II) Controlled gate access (1 point);

(III) Gazebo w/sitting area (1 point);

(IV) Accessible walking/jogging path separate from a sidewalk (1 point);

(V) Community laundry room with at least one front loading washer (1 point);

(VI) Barbecue grill and picnic table-at least one of each for every 50 Units (1 point);

(VII) Covered pavilion that includes barbecue grills and tables (2 points);

(VIII) Swimming pool (3 points);

(IX) Furnished fitness center equipped with a minimum of two of the following fitness equipment options with at least one option per every 40 Units or partial increment of 40 Units: stationary bicycle, elliptical trainer, treadmill, rowing machine, universal gym, multi-functional weight bench, sauna, stair climber, etc. The maximum number of equipment options required for any Development, regardless of number of Units, shall be five (2 points);

(X) Equipped and functioning business center or equipped computer learning center with 1 computer for every 30 Units proposed in the Application, 1 printer for every 3 computers (with minimum of one printer), and 1 fax machine (2 points);

(XI) Furnished Community room (1 point);

(XII) Library with an accessible sitting area (separate from the community room) (1 point);

(XIII) Enclosed sun porch or covered community porch/patio (2 points);

(XIV) Service coordinator office in addition to leasing offices (1 point);

(XV) Senior Activity Room (Arts and Crafts, etc.) (2 points);

(XVI) Health Screening Room (1 point);

(XVII) Secured Entry (elevator buildings only) (1 point);

(XVIII) Horseshoe pit, putting green or shuffleboard court (1 point);

(XIX) Community Dining Room w/full or warming kitchen (3 points);

(XX) One Children's Playscape Equipped for 5 to 12 year olds, or one Tot Lot (1 Point);

(XXI) Two Children's Playscapes Equipped for 5 to 12 year olds, two Tot Lots, or one of each (2 points);

(XXII) Sport Court (Tennis, Basketball or Volleyball) (2 points);

(XXIII) Furnished and staffed Children's Activity Center (3 points);

(XXIV) Community Theater Room equipped with a 52 inch or larger screen with surround sound equipment; DVD player; and theater seating (3 points); or

(XXV) Green Building amenities:~~(for example, evaporative coolers, passive solar heating/cooling, water conserving fixtures, collected water (at least 50%) for irrigation purposes, sub-metered electric meters, exceed Energy Star standards, photovoltaic panels for electricity and design and wiring for the use of such panels, construction waste management, provide recycle service, water permeable walkways and parking areas, or other Department approved items). (3 points); or~~

~~(XXVI) Hot Tub/Jacuzzi Spa (1 point).~~

i. evaporative coolers (for use in designated counties listed in the Application Materials, 2009 Housing Tax Credit Site Demographics Information) (1 point);

ii. passive solar heating/cooling (3 points);

iii. water conserving features (toilets using less than or equal to 1.6 gallons per flush, showerheads, kitchen faucets or bathroom faucets using less than or equal to 2.0 gallons per minute) (1 point for each);

iv. solar water heaters (2 points);

v. collected water (at least 50%) for irrigation purposes (2 points);

vi. sub-metered utility meters (3 points);

vii. Energy Star qualified windows and glass doors (2 points);

viii. thermally and draft efficient doors (SHGC of 0.40 and U-value specified by climate zone according to the 2006 IECC)(2 points);

ix. photovoltaic panels for electricity and design and wiring for the use of such panels (3 points);

x. construction waste management and implementation of EPA's Best Management Practices for erosion and sedimentation control during construction (1 point);

xi. exterior envelope insulation, vapor barriers and air barriers greater than or equal to Energy Star air barrier and insulation criteria (2 points);

xii. HVAC, windows, domestic hot water heater or insulation that exceeds Energy Star standards or exceeds the IRC 2006 (2 points);

xiii. bamboo flooring, wool carpet, linoleum flooring, straw board, poplar OSB, or cotton batt insulation (2 points);

xiv. recycling service provided throughout the compliance period (1 point); or

xv. water permeable walkways (1 point).

(B) A certification that the Development will have all of the following Amenities at no charge to the tenants. All New Construction or Reconstruction Units must provide the amenities in clauses (i) - (ix) of this subparagraph. Rehabilitation (excluding Reconstruction) and Adaptive Reuse must provide the amenities in clauses (ii) - (ix) of this subparagraph unless expressly identified as not required. (§2306.187)

(i) All New Construction Units must be wired with ~~6 pair CAT5e wiring or better to provide phone and data service to each unit and wired with COAX cable to provide TV and high speed internet data service to each unit~~RG-6 COAX or better and CAT3 phone cable or better, wired to each bedroom, dining room and living room;

(ii) Blinds or window coverings for all windows;

(iii) Disposal and Energy-Star or equivalently rated dishwasher (not required for TRDO-USDA or SRO Developments);

(iv) Energy-Star or equivalently rated (not required for SRO Developments) Refrigerator;

~~(v) Energy-Star or equivalently rated Oven/Range (not required for SRO Developments);~~

(vi) Exhaust/vent fans (vented to the outside) in bathrooms;

(vii) Energy-Star or equivalently rated ceiling fans in living areas and bedrooms;

(viii) Energy-Star or equivalently rated lighting fixtures in all Units

~~;~~

~~(ix) Emergency 911 or public telephone accessible and available to tenants 24 hours a day~~.

(C) A certifiation that the Development will meet the minimum threshold for size of Units as provided in clauses (i) – (v) of this subparagraph. These minimum requirements are not associated with the selection criteria points in subsection (i) of this section. Developments proposing Rehabilitation (excluding Reconstruction) or Single Room Occupancy will not be subject to the requirements of this subparagraph.

(i) 550 square feet for an efficiency Unit;

(ii) 650 square feet for a non-elderly one Bedroom Unit; 550 square feet for an elderly one Bedroom Unit;

(iii) 900 square feet for a non-elderly two Bedroom Unit; 700 square feet for an elderly two Bedroom Unit;

(iv) 1,000 square feet for a three Bedroom Unit; and

(v) 1,200 square feet for a four Bedroom Unit.

(~~C~~D) A certification that the Development will adhere to the Texas Property Code relating to security devices and other applicable requirements for residential tenancies, and will adhere to local building codes or if no local building codes are in place then to the most recent version of the International Building Code.

(~~D~~E) A certification that the Applicant is in compliance with state and federal laws, including but not limited to, fair housing laws, including Chapter 301, Property Code, Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §§3601 et seq.), and the Fair Housing Amendments Act of 1988 (42 U.S.C. §§3601 et seq.); the Civil Rights Act of 1964 (42 U.S.C. §§2000a et seq.); the Americans with Disabilities Act of 1990 (42 U.S.C. §§12101 et seq.); the Rehabilitation Act of 1973 (29 U.S.C. §§701 et seq.); Fair Housing Accessibility; the Texas Fair Housing Act; and that the Development is designed consistent with the Fair Housing Act Design Manual produced by HUD, the Code Requirements for Housing Accessibility 2000 (or as amended from time to time) produced by the International Code Council and the Texas Accessibility Standards. (§2306.257; §2306.6705(7))

(~~E~~F) A certification that the Applicant will attempt to ensure that at least 30% of the construction and management businesses with which the Applicant contracts in connection with the Development are Minority Owned Businesses, and that the Applicant will submit a report at least once in each 90-day period following the date of the Commitment Notice until the Cost Certification is submitted, in a format prescribed by the Department and provided at the time a Commitment Notice is received, on the percentage of businesses with which the Applicant has contracted that qualify as Minority Owned Businesses. (§2306.6734)

(~~F~~G) Pursuant to §2306.6722, any Development supported with a Housing Tax Credit allocation shall comply with the accessibility standards that are required under §504, Rehabilitation Act of 1973 (29 U.S.C. §794), and specified under 24 C.F.R. Part 8, Subpart C. The Applicant must provide a certification from the Development engineer, an accredited architect or Department-approved third party accessibility specialist, that the Development will comply with the accessibility standards that are required under §504, Rehabilitation Act of 1973 (29 U.S.C. §794), and specified under 24 C.F.R. Part 8, Subpart C and this subparagraph. (§2306.6722 and §2306.6730)

(~~G~~H) For Developments involving New Construction (excluding New Construction of non-residential buildings) where some Units are two-stories or single family design and are normally exempt from Fair Housing accessibility requirements, a minimum of 20% of each Unit type (i.e. one bedroom, two bedroom, three bedroom) must provide an accessible entry level and all common-use facilities in compliance with the Fair Housing Guidelines, and include a minimum of one bedroom and one bathroom or powder room at the entry level. A similar certification will also be required after the Development is completed from an inspector, architect, or accessibility specialist.

(~~H~~I) A certification that the Development will be equipped with energy saving devices that meet the standard statewide energy code adopted by the state energy conservation office, unless historic preservation codes permit otherwise for a Development involving historic preservation. All Units must be air-conditioned. The measures must be certified by the Development architect as being included in the design of each tax credit Unit at the time the 10% Test Documentation is submitted and in actual construction upon Cost Certification. (§2306.6725(b)(1))

(~~I~~J) A certification that the Development will be built by a General Contractor that satisfies the requirements of the General Appropriation Act, Article VII, Rider 8(c) applicable to the Department which requires that the General Contractor hired by the Development Owner or the Applicant, if the Applicant serves as General Contractor, must demonstrate a history of constructing similar types of housing without the use of federal tax credits.

(~~J~~K) A certification that the Development Owner agrees to establish a reserve account consistent with §2306.186 Texas Government Code and as further described in §1.37 of this title.

(~~K~~L) A certification that the Applicant, Developer, or any employee or agent of the Applicant has not formed a Neighborhood Organization for purposes of subsection (i)(2) of this section, has not given money or a gift to cause the Neighborhood Organization to take its position of support or opposition, nor has provided any assistance to a Neighborhood Organization to meet the requirements under subsection (i)(2) of this section which are not allowed under that subsection, as it relates to the Applicant's Application or any other Application under consideration in ~~2008~~2009.

(~~L~~M) Operate in accordance with the requirements pertaining to rental assistance in Chapter 60 of this title.

(~~M~~N) A certification that the Development Owner will contract with a Management Company throughout the Compliance Period that will perform criminal background checks on all adult tenants, head and co head of households.

(5) Design Items. This exhibit will provide:

(A) All of the architectural drawings identified in clauses (i) - (iii) of this subparagraph. While full size design or construction documents are not required, the drawings must have an accurate and legible scale and show the dimensions. All Developments involving New Construction, or conversion of existing buildings not configured in the Unit pattern proposed in the Application, must provide all of the items identified in clauses (i) - (iii) of this subparagraph. For Developments involving Rehabilitation for which the Unit configurations are not being altered, only the items identified in clauses (i) and (iii) of this subparagraph are required:

(i) A site plan which:

(I) Is consistent with the number of Units and Unit mix specified in the "Rent Schedule" provided in the Application;

(II) Is consistent with the number of buildings and building type/unit mix specified in the "Building/Unit Configuration" provided in the Application; and

(III) Identifies all residential and common buildings~~ and amenities~~; ~~and~~

~~(III) Clearly delineates the flood plain boundary lines and all easements shown in the site survey;~~

(ii) Floor plans and elevations for each type of residential building and each common area building clearly depicting the height of each floor and a percentage estimate of the exterior composition. Adaptive Reuse Developments, are only required to provide building plans delineating each unit by number, type and area consistent with those in the "Rent Schedule" and pictures of each elevation of the existing building depicting the height of each floor and percentage estimate of the exterior composition; and

(iii) Unit floor plans for each type of Unit~~ showing special accessibility and energy features~~. The net rentable areas these Unit floor plans represent should be consistent with those shown in the "Rent Schedule" and "Building/Unit Configuration" provided in the Application. Adaptive Reuse Developments, are only required to provide Unit floor plans for each distinct typical Unit type (i.e. one-bedroom, two-bedroom) and for all Units types that vary in area by 10% from the typical Unit; and

(B) A boundary survey of the proposed Development Site and of the property to be purchased. In cases where more property is purchased than the proposed Development Site, the survey or plat must show the survey calls for both the larger site and the Development Site. The survey must clearly delineate the flood plain boundary lines and show all easements. The survey does not have to be recent; but it must show the property purchased and the property proposed for the Development Site. In cases where the Development Site is only a part, of the site being purchased, the depiction or drawing of the Development Site may be professionally compiled and drawn by an architect, engineer or surveyor.

(6) Evidence of the Development's development costs and corresponding credit request and syndication information as described in subparagraphs (A) - (G) of this paragraph.

(A) A written narrative describing the financing plan for the Development, including any non-traditional financing arrangements; the use of funds with respect to the Development; the funding sources for the Development including construction, permanent and bridge loans, rents, operating subsidies, and replacement reserves; and the commitment status of the funding sources for the Development. This information must be consistent with the information provided throughout the Application. (§2306.6705(1))

(B) All Developments must submit the "Development Cost Schedule" provided in the Application. This exhibit must have been prepared and executed not more than 6 months prior to the close of the Application Acceptance Period.

(C) Provide a letter of commitment from a syndicator that, at a minimum, provides an estimate of the amount of equity dollars expected to be raised for the Development in conjunction with the amount of Housing Tax Credits requested for allocation to the Development Owner, including pay-in schedules, syndicator consulting fees and other syndication costs. No syndication costs should be included in the Eligible Basis. (§2306.6705(2) and (3))

(D) For Developments located in a Qualified Census Tract (QCT) as determined by the Secretary of HUD or otherwise~~and~~ qualifying for a 30% increase in Eligible Basis, pursuant to the Code, §42(d)(5)(C) or §§49.6(h)(3) and (4) of this chapter, if permitted under §~~50~~49.6(h) of this chapter, Applicants must submit a copy of the census map clearly showing that the proposed Development is located within a QCT. Census tract numbers must be clearly marked on the map, and must be identical to the QCT number stated in the Department's Reference Manual.

(E) Rehabilitation Developments (including reconstruction and Adaptive Reuse) must submit a Property Condition Assessment meeting the requirements of paragraph (14)(C) of this subsection.

(F) If offsite costs are included in the budget as a line item, or embedded in the site acquisition contract, or referenced in the utility provider letters, then the supplemental form "Off Site Cost Breakdown" must be provided.

(G) If projected site work costs include unusual or extraordinary items or exceed $9,000 per Unit, then the Applicant must provide a detailed cost breakdown prepared by a Third Party engineer or architect, and a letter from a certified public accountant allocating which portions of those site costs should be included in Eligible Basis and which ones may be ineligible.

(7) Evidence of readiness to proceed as evidenced by at least one of the items under each of subparagraphs (A) - (D) of this paragraph:

(A) Evidence of Property control in the name of the Development Owner. If the evidence is not in the name of the Development Owner, then the documentation should reflect an expressed ability to transfer the rights to the Development Owner. All of the sellers of the proposed Property for the 36 months prior to the first day of the Application Acceptance Period and their relationship, if any, to members of the Development team must be identified at the time of Application (not required at Pre-Application). One of the following items described in clauses (i) - (iii) of this subparagraph must be provided, and if the acquisition can be characterized as an identity of interest transaction as described in §1.32 of this title, items described in clause (iv) of this subparagraph must also be provided:

(i) A recorded warranty deed with corresponding executed settlement statement, unless required to submit items under clause (iv) of this subparagraph; or

(ii) A contract for lease (the minimum term of the lease must be at least 45 years) which is valid for the entire period the Development is under consideration for tax credits; or

(iii) A contract for sale, ~~or~~ an exclusive option to purchase or a lease which is valid for the entire period the Development is under consideration for tax credits. For Tax Exempt Bond Development Applications, site control must be valid through December 1, ~~2007~~2008 with option to extend through March 1, ~~2008~~2009 (Applications submitted for lottery) or 90 days from the date of the bond reservation with the option to extend through the scheduled TDHCA Board meeting at which the award of Housing Tax Credits will be considered. The potential expiration of site control does not warrant the Application being presented to the TDHCA Board prior to the scheduled meeting.

(iv) If the acquisition can be characterized as an identity of interest transaction, as described in §1.32 of this title, subclauses (I), (II) and (III) of this clause, ~~will be required~~the Applicant must provide (not required at Pre-Application):

(I) Documentation of the original acquisition cost in the form of a settlement statement or, if a settlement statement is not available, the seller's most recent audited financial statement specifically indicating the asset value for the Development Site, and

(II) If the original acquisition cost evidenced by subclause (I) of this clause is less than the acquisition cost claimed in the Application,

(-a-) An appraisal meeting the requirements of paragraph (14)(D) of this subsection, and

(-b-) Any other verifiable costs of owning, holding, or improving the Property that, when added to the value from subclause (I) of this clause, justifies the Applicant's proposed acquisition amount.

(-1-) For land-only transactions, documentation of owning, holding or improving costs since the original acquisition date may include property taxes, interest expense, a calculated return on equity at a rate consistent with the historical returns of similar risks, the cost of any physical improvements made to the property, the cost of rezoning, replatting or developing the property, or any costs to provide or improve access to the property.

(-2-) For transactions which include existing buildings that will be rehabilitated or otherwise maintained as part of the Development, documentation of owning, holding, or improving costs since the original acquisition date may include capitalized costs of improvements to the property, a calculated return on equity at a rate consistent with the historical returns of similar risks, and allow the cost of exit taxes not to exceed an amount necessary to allow the sellers to be made whole in the original and subsequent investment in the property and avoid foreclosure.

(III) In no instance will the acquisition cost utilized by the underwriter exceed the lesser of the original acquisition cost evidenced by subclause (I) of this clause plus costs identified in subclause (II)(-b-) of this clause, or the "as-is" value conclusion evidenced by subclause (II)(-a-) of this clause.

(v) As described in clauses (ii) and (iii) of this subparagraph, property control must be continuous. Closing on the property is acceptable, as long as evidence is provided that there was no period in which control was not retained.

(B) Evidence from the appropriate local municipal authority that satisfies one of clauses (i) - (iii) of this subparagraph. Documentation may be from more than one department of the municipal authority and must have been prepared and executed not more than 6 months prior to the close of the Application Acceptance Period. (§2306.6705(5))

(i) For New Construction or reconstruction Developments, a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction stating that (For Tax-Exempt Bond Applications the items in (I) - (III) must be submitted no later than 14 days prior to the Board meeting when the housing tax credits will be considered):

(I) The Development is located within the boundaries of a political subdivision which does not have a zoning ordinance; and either subclauses (II) or (III) of this clause;

(II) The letter must state that the Development is consistent with a local consolidated plan, comprehensive plan, or other local planning document that addresses affordable housing; or

(III) The letter must state that there is a need for affordable housing, if no such planning document exists.

(ii) For New Construction or reconstruction Developments, a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction stating that:

(I) The Development is permitted under the provisions of the zoning ordinance that applies to the location of the Development; or

(II) The Applicant is in the process of seeking the appropriate zoning and has signed and provided to the political subdivision a release agreeing to hold the political subdivision and all other parties harmless in the event that the appropriate zoning is denied~~, and a time schedule for completion of appropriate zoning~~. The Applicant must also provide at the time of Application a copy of the application for appropriate zoning filed with the local entity responsible for zoning approval and proof of delivery of that application in the form of a signed certified mail receipt, signed overnight mail receipt, or confirmation letter from said official. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.

(iii) For Rehabilitation Developments, if the property is currently a non-conforming use as presently zoned, a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction which addresses the items in subclauses (I) - (IV) of this clause:

(I) A detailed narrative of the nature of non-conformance;

(II) The applicable destruction threshold;

(III) Owner's rights to reconstruct in the event of damage; and

(IV) Penalties for noncompliance.

(C) Evidence of interim and permanent financing sufficient to fund the proposed Total Housing Development Cost less any other funds requested from the Department and any other sources documented in the Application. Any local, state or federal financing identified in this section which restricts household incomes at any AMGI lower than restrictions required pursuant to the Rules must be identified in the Rent Schedule and the local, state or federal income restrictions must include corresponding rent levels that do not exceed 30% of the income limitation in accordance with §42(g) of the Code. The income and corresponding rent restrictions will be imposed by the Housing Tax Credit LURA and monitored throughout the extended use period. Such evidence must be consistent with the sources and uses of funds represented in the Application and shall be provided in one or more of the following forms described in clauses (i) - (iv) of this subparagraph:

(i) Bona fide financing in place as evidenced by:

(I) A valid and binding loan agreement;

(II) Deed(s) of trust in the name of the Development Owner expressly allowing transfer to the Development Owner; and

(III) For TRDO-USDA §515 Developments involving, an executed TRDO-USDA letter indicating TRDO-USDA has received a Consent Request, also referred to as a Preliminary Submittal, as described in 7 CFR §3560.406 and a copy of the original loan documents; or,

(ii) Bona fide commitment or term sheet for the interim and permanent loans issued by a lending institution or mortgage company that is actively and regularly engaged in the business of lending money which is addressed to the Development Owner and which has been executed by the lender (the term of the loan must be for a minimum of 15 years with at least a 30 year amortization). The commitment must state an expiration date and all the terms and conditions applicable to the financing including the mechanism for determining the interest rate, if applicable, and the anticipated interest rate and any required Guarantors. Such a commitment may be conditional upon the completion of specified due diligence by the lender and upon the award of tax credits; or,

(iii) Any Federal, State or local gap financing, whether of soft or hard debt, must be identified at the time of Application as evidenced by:

(I) Evidence from the lending agency that an application for funding has been made or from the Applicant indicating an intent to apply for funding; and

(II) A term sheet which clearly describes the amount and terms of the funding, and the date by which the funding determination will be made and any commitment issued, must be submitted; and

(III) Evidence of application for funding from another Department program is not required except as indicated on the Uniform Application, as long as the Department funding is on a concurrent funding period with the Application submitted and the Applicant clearly indicates that such an Application has been filed as required by the Application Submission Procedures Manual; and

(IV) If the commitment from any funding source identified in this subparagraph has not been received by the date the Department's Commitment Notice is to be submitted, the Application will be reevaluated for financial feasibility. If the Application is infeasible without the funding source, the Commitment Notice may be rescinded; or

(iv) If the Development will be financed through more than 5% of Development Owner contributions, provide a letter from an Third Party CPA verifying the capacity of the Development Owner to provide the proposed financing with funds that are not otherwise committed together with a letter from the Development Owner's bank or banks confirming that sufficient funds are available to the Development Owner. Documentation must have been prepared and executed not more than 6 months prior to the close of the Application Acceptance Period.

(D) Provide the documents in clauses (i) - (iii) of this subparagraph:

(i) A copy of the full legal description for the Development Site; and

(ii) A current valuation report from the county tax appraisal district and documentation of the current total property tax rate for the Development Site, and

(iii) A copy of:

(I) The current title policy which shows that the ownership (or leasehold) of the Development Site is vested in the ~~exact~~ name of the Development Owner; or

(II) a current title commitment with the proposed insured matching exactly the name of the Development Owner and the title of the Development Site vested in the exact name of the seller or lessor as indicated on the sales contract, option or lease.

(III) If the title policy or commitment is more than six months old as of the day the Application Acceptance Period closes, then a letter from the title company indicating that nothing further has transpired on the policy or commitment.

(8) Evidence in the form of a certification of all of the notifications described in the subparagraphs of this paragraph. Such notices must be prepared in accordance with the "Public Notifications" certification provided in the Application.

(A) Evidence in the form of a certification that the Applicant met the requirements and deadlines identified in clauses (i) - (iii) of this subparagraph. Notification must not be older than three months from the first day of the Application Acceptance Period. (§2306.6705(9)). If evidence of these notifications was submitted with the Pre-Application Threshold for the same Application and satisfied the Department's review of Pre-Application Threshold, then no additional notification is required at Application, except that re-notification is required by tax credit Applicants who have submitted a change in the Application, whether from

Pre-Application to Application or as a result of an Administrative Deficiency that reflects a total Unit increase of greater than 10%, a total increase of greater than 10% for any given level of AMGI, or a change to the population being served (elderly, Intergenerational Housing or family). For Applications submitted for Tax-Exempt Bond Developments or Applications not applying for Tax Credits, but applying only under other Multifamily Programs (HOME, Housing Trust Fund, etc.), notifications and proof thereof must not be older than three months prior to the date the Volume III of the Application is submitted.

(i) The Applicant must request a list of Neighborhood Organizations on record with the county and state whose boundaries include the proposed Development Site from local elected officials as follows:

(I) No later than January ~~15~~20, ~~2008~~2009 for Competitive Housing Tax Credit Applications (or for Tax-Exempt Bond Applications, Rural Rescue, or Applications not applying for Tax Credits, but applying only for other Multifamily Programs such as HOME, Housing Trust Fund, etc., not later than ~~21~~14 days prior to submission of the Threshold documentation), the Applicant must e-mail, fax or mail with registered receipt a completed "Neighborhood Organization Request" letter as provided in the Application to the local elected official for the city and county where the Development is proposed to be located. If the Development is located in an Area that has district based local elected officials, or both at-large and district based local elected officials, the request must be made to the city council member or county commissioner representing that district; if the Development is located an Area that has only at-large local elected officials, the request must be made to the mayor or county judge for the jurisdiction. If the Development is not located within a city or is located in the Extra Territorial Jurisdiction (ETJ) of a city, the county local elected official must be contacted. In the event that local elected officials refer the Applicant to another source, the Applicant must request Neighborhood Organizations from that source in the same format.

(II) If no reply letter is received from the local elected officials by February ~~21~~20, ~~2008~~2009, (or For Tax-Exempt Bond Developments or Applications not applying for Tax Credits, but applying only for other Multifamily Programs such as HOME, Housing Trust Fund, etc., by 7 days prior to the submission of the Application), then the Applicant must certify to that fact in the "Application Notification Certification Form" provided in the Application.

(III) The Applicant must list all Neighborhood Organizations on record with the county or state whose boundaries include the proposed Development Site as outlined by the local elected officials, or that the Applicant has knowledge of as of the submission of the Application, in the "Application Notification Certification Form" provided in the Application.

(ii) Not later than the date the Application is submitted, notification must be sent to all of the following individuals and entities by e-mail, fax or mail with registered receipt return or similar tracking mechanism e-mail, fax or mail with registered receipt in the format required in the "Application Notification Template" provided in the Application. Developments located in an Extra Territorial Jurisdiction (ETJ) of a city are not required to notify city officials. Evidence of Notification is required in the form of a certification in the "Application Notification Certification Form" provided in the Application, although it is encouraged that Applicants retain proof of delivery of the notifications, to the persons or entites prescribed subclauses (I) – (IX) of this clause, in the event that the Department requires proof of Notification. Evidence of proof of delivery is demonstrated by signed receipt for mail or courier delivery and confirmation of receipt by recipient for facsimile and electronic mail. Officials to be notified are those officials in office at the time the Application is submitted.

(I) Neighborhood Organizations on record with the state or county whose boundaries include the proposed Development Site as identified in clause (i)(III) of this subparagraph.

(II) Superintendent of the school district containing the Development;

(III) Presiding officer of the board of trustees of the school district containing the Development;

(IV) Mayor of the ~~governing body~~Governing Body of any municipality containing the Development;

(V) All elected members of the ~~governing body~~Governing Body of any municipality containing the Development;

(VI) Presiding officer of the ~~governing body~~Governing Body of the county containing the Development;

(VII) All elected members of the ~~governing body~~Governing Body of the county containing the Development;

(VIII) State senator of the district containing the Development; and
(IX) State representative of the district containing the Development.
(iii) Each such notice must include, at a minimum, all of the following:
(I) The Applicant's name, address, individual contact name and phone number;
(II) The Development name, address, city and county;
(III) A statement informing the entity or individual being notified that the Applicant is submitting a request for Housing Tax Credits with the Texas Department of Housing and Community Affairs;
(IV) Statement of whether the Development proposes New Construction, reconstruction, Adaptive Reuse or Rehabilitation;
(V) The type of Development being proposed (single family homes, duplex, apartments, townhomes, high-rise etc.) and population being served (family, Intergenerational Housing or elderly);
(VI) The approximate total number of Units and approximate total number of low-income Units;
(VII) The approximate percentage of Units serving each level of AMGI (e.g. 20% at 50% of AMGI, etc.) and the approximate percentage of Units that are market rate;
(VIII) The number of Units and proposed rents (less utility allowances) for the low-income Units and the number of Units and the proposed rents for any market rate Units. Rents to be provided are those that are effective at the time of the Application, which are subject to change as annual changes in the area median income occur; and
(IX) The expected completion date if credits are awarded.

(B) Signage on Property or Alternative. A Public Notification Sign shall be installed on the Development Site prior to the date the Application is submitted unless prohibited by local ordinance or code. Scattered site Developments must install a sign on each Development Site. For Competitive Housing Tax Credit Applications the date, time and location of the public hearing, as published by the Department and closest to the Development Site, must be included on the sign. For Tax-Exempt Bond Developments, regardless of the Priority of the Application or the Issuer, the sign must be installed within thirty (30) days of the Department's receipt of Volumes I and II. The date, time and location of the bond Tax Exempt Fiscal Responsibility Act (TEFRA) public hearing must be included on the sign no later than thirty (30) days prior to the scheduled public hearing. Evidence submitted with the Application must include photographs of the site with the installed sign. The sign must be at least 4 feet by 8 feet in size and located within twenty feet of, and facing, the main road adjacent to the site. The sign shall be continuously maintained on the site until the day that the Board takes final action on the Application for the Development. The information and lettering on the sign must meet the minimum requirements identified in the Application. For Tax-Exempt Bond Developments, regardless of the issuer, the Applicant must certify to the fact that the sign was installed within 30 days of submission and the date, time and location of the ~~bond~~TEFRA hearing is indicated on the sign at least 30 days prior to the date of the scheduled hearing. In areas where the Public Notification Sign is prohibited by local ordinance or code, an alternative to installing a Public Notification Sign and at the same required time, the Applicant shall, mail written notification to those addresses described in either clause (i) or (ii) of this subparagraph. This written notification must include the information otherwise required for the sign as provided in the Application. The final Application must include a map of the proposed Development Site and mark the distance required by clause (i) or (ii) of this subparagraph, up to 1,000 feet, showing street names and addresses; a list of all addresses the notice was mailed to; an exact copy of the notice that was mailed; and a certification that the notice was mailed through the U.S. Postal Service and stating the date of mailing. If Public Notification Sign is prohibited by local ordinance or code, evidence of the applicable ordinance or code must be submitted in the Application.

(i) All addresses required for notification by local zoning notification requirements. For example, if the local zoning notification requirement is notification to all those addresses within 200 feet, then that would be the distance used for this purpose; or

(ii) For Developments located in communities that do not have zoning, communities that do not require a zoning notification or those located outside of a municipality, all addresses located within 1,000 feet of any part of the proposed Development Site.

(C) If any of the Units in the Development are occupied at the time of Application, then the Applicant must certify that it has notified each tenant at the Development of all the information otherwise required on the sign, including the Department's public hearing schedule for comment on submitted Applications.

(9) Evidence of the Development's proposed ownership structure and the Applicant's previous experience as described in subparagraphs (A) - (D) of this paragraph.

(A) Chart which clearly illustrates the complete organizational structure of the final proposed Development Owner and of any Developer or Guarantor, providing the names and ownership percentages of all Persons having an ownership interest in the Development Owner or the Developer or Guarantor, as applicable, whether directly or through one or more subsidiaries. Nonprofit entities, public housing authorities, publicly traded corporations, individual board members, and executive directors must be included in this exhibit.

(B) Each Applicant, Development Owner, Developer or Guarantor, or any entity shown on an organizational chart as described in subparagraph (A) of this paragraph that has ownership interest in the Development Owner, Developer or Guarantor, shall provide the following documentation, as applicable:

(i) For entities that are not yet formed but are to be formed either in or outside of the state of Texas, a certificate of reservation of the entity name from the Texas Secretary of State; or

(ii) For existing entities whether formed in or outside of the state of Texas, evidence that the entity has the authority to do business in Texas or has applied for such authority.

(C) Evidence that each entity shown on the organizational chart described in subparagraph (A) of this paragraph that has ownership interest in the Development Owner, Developer or Guarantor, has provided a copy of the completed and executed Previous Participation and Background Certification Form to the Department. Nonprofit entities, public housing authorities and publicly traded corporations are required to submit documentation for the entities involved; documentation for individual board members and executive directors is required for this exhibit. Any Person receiving more than 10% of the Developer fee will also be required to submit documents for this exhibit. The ~~2008~~2009 versions of these forms, as required in the Uniform Application, must be submitted. Units of local government are also required to submit this document. The form must include a list of all developments that are, or were, previously under ownership or Control of the Person. All participation in any TDHCA funded or monitored activity, including non-housing activities, must be disclosed.

(D) Evidence, in the form of a certification, that one of the Development Owner's General Partners, the Developer or their Principals have a record of successfully constructing or developing residential units in the capacity of owner, General Partner or Developer. Evidence must be a certification from the Department that the Person with the experience satisfies this exhibit, as further described under subsection (g)(1) of this section. Applicants must request this certification at least fourteen days prior to the close of the Application Acceptance Period. Applicants must ensure that the Person whose name is on the certification appears in the organizational chart provided in subparagraph (A) of this paragraph.

(10) Evidence of the Development's projected income and operating expenses as described in subparagraphs (A) - (D) of this paragraph:

(A) All Developments must provide a 30-year proforma estimate of operating expenses and supporting documentation used to generate projections (operating statements from comparable properties).

(B) If rental assistance, an operating subsidy, an annuity, or an interest rate reduction payment is proposed to exist or continue for the Development, any related contract or other agreement securing those funds or proof of application for such funds must be provided, which at a minimum identifies the source and annual amount of the funds, the number of Units receiving the funds, and the term and expiration date of the contract or other agreement. (§2306.6705(4))

(C) Applicant must provide documentation from the source of the "Utility Allowance" estimate used in completing the Rent Schedule provided in the Application. This exhibit must clearly indicate which utility costs are included in the estimate.

(D) Occupied Developments undergoing Rehabilitation must also submit the items described in clauses (i) - (iv) of this subparagraph.

(i) The items in subclauses (I) and (II) of this clause are required unless the current property owner is unwilling to provide the required documentation. In that case, submit a signed statement as to the Applicant's inability to provide all documentation as described.

(I) Submit at least one of the following:

(-a-) Historical monthly operating statements of the subject Development for 12 consecutive months ending not more than 3 months from the first day of the Application Acceptance Period;

(-b-) The two most recent consecutive annual operating statement summaries;

(-c-) The most recent consecutive six months of operating statements and the most recent available annual operating summary;

(-d-) All monthly or annual operating summaries available and a written statement from the seller refusing to supply any other summaries or expressing the inability to supply any other summaries, and any other supporting documentation used to generate projections may be provided; and

(II) A rent roll not more than 6 months old as of the first day the Application Acceptance Period, that discloses the terms and rate of the lease, rental rates offered at the date of the rent roll, Unit mix, tenant names or vacancy, and dates of first occupancy and expiration of lease.

(ii) A written explanation of the process used to notify and consult with the tenants in preparing the Application; (§2306.6705(6))

(iii) For Intergenerational Housing Applications or Qualified Elderly Developments, identification of the number of existing tenants qualified under the target population elected under this title;

(iv) A relocation plan outlining relocation requirements and a budget with an identified funding source; and (§2306.6705(6))

(v) If applicable, evidence that the relocation plan has been submitted to the appropriate legal or governmental agency. (§2306.6705(6))

(11) Applications involving Nonprofit General Partners and Qualified Nonprofit Developments.

(A) All Applications involving a nonprofit General Partner, regardless of the Set-Aside applied under, in which the Development will receive some financial or tax benefit for the involvement of the nonprofit General Partner, must submit all of the documents described in clauses (i) and (ii) of this subparagraph and indicate the nonprofit status on the carryover documentation and IRS Forms 8609: (§2306.6706)

(i) An IRS determination letter which states that the nonprofit organization is a §501(c)(3) or (4) entity or; and

(ii) The "Nonprofit Participation Exhibit."

(B) Additionally, all Applications applying under the Nonprofit Set-Aside, established under §~~50~~49.7(b)(1) of this chapter, must also provide the following information with respect to the Qualified Nonprofit Organization as described in clauses (i) - (iii) of this subparagraph.

(i) A Third Party legal opinion stating:

(I) That the nonprofit organization is not affiliated with or Controlled by a forprofit organization and the basis for that opinion, and

(II) That the nonprofit organization is eligible, as further described, for a Housing Credit Allocation from the Nonprofit Set-Aside and the basis for that opinion. Eligibility is contingent upon the non-profit organization Controlling the Development, or if the organization's Application is filed on behalf of a limited partnership, or limited liability company, the Qualified Nonprofit Organization must be the controlling Managing Member; and otherwise meet the requirements of the Code, §42(h)(5),

(III) That one of the exempt purposes of the nonprofit organization is to provide low-income housing, and

(IV) That the nonprofit organization prohibits a member of its board of directors, other than a chief staff member serving concurrently as a member of the board, from receiving material compensation for service on the board, and

(V) That the Qualified Nonprofit Development will have the nonprofit entity or its nonprofit Affiliate or subsidiary be the Developer or co-Developer as evidenced in the development agreement; and

(ii) A copy of the nonprofit organization's most recent audited financial statement; and

(iii) Evidence in the form of a certification that a majority of the members of the nonprofit organization's board of directors principally reside:

(I) In this state, if the Development is located in a Rural Area; or

(II) Not more than 90 miles from the Development, if the Development is not located in a Rural Area.

(12) Applicants applying for acquisition credits ~~must provide~~ must provide:

(A) An appraisal meeting the requirements of paragraph (14)(D) of this subsection, and

(B) An "Acquisition of Existing Buildings Form."

(13) Evidence of Financial Statement and Authorization to Release Credit Information. The financial statements and authorization to release credit information must be unbound and clearly labeled. A "Financial Statement and Authorization to Release Credit Information" must be completed and signed for any General Partner, Developer or Guarantor and any Person that has an ownership interest of 10% or more in the

Development Owner, General Partner, Developer, or Guarantor. Nonprofit entities, public housing authorities and publicly traded corporations are only required to submit documentation for the entities involved; documentation for individual board members and executive directors is not required for this exhibit.

(A) Financial statements for an individual must not be older than 90 days from the first day of the Application Acceptance Period.

(B) Financial statements for partnerships or corporations should be for the most recent fiscal year ended 90 days from the first day of the Application Acceptance Period. An audited financial statement should be provided, if available, and all partnership or corporate financials must be certified. Financial statements are required for an entity even if the entity is wholly-owned by a Person who has submitted this document as an individual.

(C) Entities that have not yet been formed and entities that have been formed recently but have no assets, liabilities, or net worth are not required to submit this documentation, but must submit a statement with their Application that this is the case.

(14) Supplemental Threshold Reports. All Applications must include documents under subparagraphs (A) and (B) of this paragraph. If required under paragraph (6) of this subsection, a Property Condition Assessment as described in subparagraph (C) of this paragraph must be submitted. If required under paragraphs (7) or (12) of this subsection, an appraisal as described in subparagraph (D) of this paragraph must be submitted. All submissions must meet the requirements stated in subparagraphs (E) - (G) of this paragraph.

(A) A Phase I Environmental Site Assessment (ESA) report:

(i) Prepared by a qualified Third Party;

(ii) Dated not more than 12 months prior to the first day of the Application Acceptance Period. In the event that a Phase I Environmental Site Assessment on the Development is more than 12 months old prior to the first day of the Application Acceptance Period, the Applicant must supply the Department with an updated letter or updated report dated not more than three months prior to the first day of the Application Acceptance Period from the Person or organization which prepared the initial assessment confirming that the site has been re-inspected and reaffirming the conclusions of the initial report or identifying the changes since the initial report; and

(iii) Prepared in accordance with the Department's Environmental Site Assessment Rules and Guidelines, §1.35 of this title.

(iv) Developments whose funds have been obligated by TRDO-USDA will not be required to supply this information; however, the Applicants of such Developments are hereby notified that it is their responsibility to ensure that the Development is maintained in compliance with all state and federal environmental hazard requirements.

(B) A comprehensive Market Analysis report:

(i) Prepared by a Third Party Qualified Market Analyst approved by the Department in accordance with the approval process outlined in the Market Analysis Rules and Guidelines, §1.33 of this title;

(ii) Dated not more than 6 months prior to the first day of the Application Acceptance Period. In the event that a Market Analysis is more than 6 months old prior to the first day of the Application Acceptance Period, the Applicant must supply the Department with an updated Market Analysis from the Person or organization which prepared the initial report; however the Department will not accept any Market Analysis which is more than 12 months old as of the first day of the Application Acceptance Period; and

(iii) Prepared in accordance with the methodology prescribed in the Department's Market Analysis Rules and Guidelines, §1.33 of this title.

(iv) For Applications in the TRDO-USDA Set-Aside proposing acquisition and Rehabilitation with residential structures at or above 80% occupancy at the time of Application Submission, the appraisal, required under paragraphs (7) or (12) of this subsection and prepared in accordance with the Uniform Standards of Professional Appraisal Practice and the Department's Appraisal Rules and Guidelines, §1.34 of this title, will satisfy the requirement for a Market Analysis; however the Department may request additional information as needed. (§2306.67055) (§42(m)(1)(A)(iii))

(C) A Property Condition Assessment (PCA) report (required for Rehabilitation, reconstruction and Adaptive Reuse Developments):

(i) Prepared by a qualified Third Party;

(ii) Dated not more than 6 months prior to the first day of the Application Acceptance Period; and

(iii) Prepared in accordance with the Department's Property Condition and Assessment Rules and Guidelines, §1.36 of this title.

(iv) For Developments which require a capital needs assessment from TRDO-USDA, the capital needs assessment may be substituted and may be more than 6 months old, as long as TRDO-USDA has confirmed in writing that the existing capital needs assessment is still acceptable and it meets the requirements of §1.36 of this title.

(D) An appraisal report:

(i) Prepared by a qualified Third Party;

(ii) Dated not more than 6 months prior to the first day of the Application Acceptance Period. In the event that an appraisal is more than 6 months old prior to the first day of the Application Acceptance Period, the Applicant must supply the Department with an updated appraisal from the Person or organization which prepared the initial report; however the Department will not accept any appraisal which is more than 12 months old as of the first day of the Application Acceptance Period; and

(iii) Prepared in accordance with the Uniform Standards of Professional Appraisal Practice and the Department's Appraisal Rules and Guidelines, §1.34 of this title.

(iv) For Developments that require an appraisal from TRDO-USDA, the appraisal may be more than 6 months old, as long as TRDO-USDA has confirmed in writing that the existing appraisal is still acceptable.

(E) Inserted at the front of each of these reports must be a transmittal letter from the individual preparing the report that states that the Department is granted full authority to rely on the findings and conclusions of the report. The transmittal letter must also state the report preparer has read and understood the Department rules specific to the report found at §§1.33 - 1.36 of this title.

(F) All Applicants acknowledge by virtue of filing an Application that the Department is not bound by any opinion expressed in the report. The Department may determine from time to time that information not required in the Department's Rules and Guidelines will be relevant to the Department's evaluation of the need for the Development and the allocation of the requested Housing Credit Allocation Amount. The Department may request additional information from the report provider or revisions to the report to meet this need. In instances of non-response by the report provider, the Department may substitute in-house analysis.

(G) The requirements for each of the reports identified in subparagraphs (A) - (C) of this paragraph can be satisfied in either of the methods identified in clause (i) or (ii) of this subparagraph and meet the requirements of clause (iii) of this subparagraph.

(i) Upon Application submission, the documentation for each of these exhibits may be submitted in its entirety; or

(ii) Upon Application submission, the Applicant may provide evidence in the form of an executed engagement letter with the party performing each of the individual reports that the required exhibit has been commissioned to be performed and that the delivery date will be no later than April 1, ~~2008~~2009. In addition to the submission of the engagement letter with the Application, a map must be provided that reflects the Qualified Market Analyst's intended market area. Subsequently, the entire exhibit must be submitted on or before 5:00 p.m. CST, April 1, ~~2008~~2009. If the entire exhibit is not received by that time, the Application will be terminated and will be removed from consideration.

(iii) A single hard copy of the report and a searchable soft copy in the format of a single file containing all information and exhibits in the hard copy report, presented in the order they appear in the hard copy report on a CD-R clearly labeled with the report type, Development name, and Development location are required.

(15) Self-Scoring. Applicant's self-score must be completed on the "Application Self-Scoring Form." An Applicant may not adjust the Application Self Scoring Form without a request from the Department as a result of an Administrative Deficiency.

(i) **Selection Criteria.** All Applications will be scored and ranked using the point system identified in this subsection. Unless otherwise stated, ~~use normal rounding~~do not round calculations. Points other than paragraphs (2) and (6) of this subsection will not be awarded unless requested in the Self Scoring Form. All Applications, with the exception of TRDO-USDA Applications, must receive a final score totaling a minimum of ~~111~~118, not including any points awarded or deducted pursuant to paragraphs (2) and (6) of this subsection to be eligible for an allocation of Housing Tax Credits. Maximum Total Points: ~~228~~240.

(1) Financial Feasibility of the Development. Financial Feasibility of the Development based on the supporting financial data required in the Application that will include a Development underwriting pro forma from the permanent or construction lender. (§2306.6710(b)(1)(A)). Applications may qualify to receive 28 points for this item. No partial points will be awarded. Evidence will include the documentation required for this exhibit, as reflected in the Application submitted, in addition to the commitment letter required under subsection (h)(7)(C) of this section. The supporting financial data shall include:

(A) A fifteen year pro forma prepared by the permanent or construction lender:

(i) Specifically identifying each of the first five years and every fifth year thereafter;

(ii) Specifically identifying underlying assumptions including, but not limited to general growth factor applied to income and expense; and

(iii) Indicating that the Development maintains a minimum 1.15 debt coverage ratio throughout the initial fifteen years proposed for all third party lenders that require scheduled repayment; and

(B) A statement in the commitment letter, or other form deemed acceptable by the Department, indicating that the lender's assessment finds that the Development will be feasible for fifteen years.

(C) For Developments receiving financing from TRDO-USDA, the form entitled "Sources and Uses Comprehensive Evaluation for Multi-Family Housing Loans" or other form deemed acceptable by the Department shall meet the requirements of this section.

(2) Quantifiable Community Participation from Neighborhood Organizations on Record with the State or County and Whose Boundaries Contain the Proposed Development Site. Points will be awarded based on written statements of support or opposition from Neighborhood Organizations on record with the state or county in which the Development is to be located and whose boundaries contain the proposed Development site. (§2306.6710(b)(1)(B); §2306.6725(a)(2)). It is possible for points to be awarded or deducted based on written statements from organizations that were not identified by the process utilized for notification purposes under subsection (h)(8)(A)(ii) of this section if the organization provides the information and documentation required in subparagraphs (A) - (C) of this paragraph. It is also possible that neighborhood organizations that were initially identified as appropriate organizations for purposes of the notification requirements will subsequently be determined by the Department not to meet the requirements for scoring. If an organization is determined not to be qualified under this paragraph, the organization may qualify under paragraph (18)(B) of this subsection.

(A) Basic Submission Requirements for Scoring. Each Neighborhood Organization may submit one letter (and enclosures) that represents the organization's input. In order to receive a point score, the letter (and enclosures) must be received, by the Department, or postmarked, if mailed by the U.S Postal Service, ~~(or similar tracking system) by the Department~~ no later than February ~~29~~27, ~~2008~~2009, for letters relating to Applications that submitted a Pre-Application, or April 1, ~~2008~~2009 if a Pre-Application was not submitted. Letters should be addressed to the Texas Department of Housing and Community Affairs, "Attention: ~~Executive Director~~Director of Multifamily Finance (Neighborhood Input)." Letters received after the applicable deadline will be summarized for the Board's information and consideration, but will not affect the score for the Application. The organization's letter (and enclosures) must:

(i) State the name and location of the proposed single Development;

(ii) Certify that the letter is signed by the persons with the authority to sign on behalf of the neighborhood organization, and provide:

(I) the street and/or mailing addresses;

(II) day and evening phone numbers;

(III) and e-mail addresses and/or facsimile numbers for the signer of the letter and one additional contact for the organization;

~~and~~

~~(IV) for one additional contact including their contact information for the organization;~~

(iii) Certify that the organization has boundaries, and that the boundaries in effect February ~~29~~27, ~~2008~~2009 contain the proposed Development Site;

(iv) Certify that the organization meets the definition of "Neighborhood Organization as defined in §~~50~~49.3(63) of this chapter." For the purposes of this section, a "Neighborhood Organization" is defined as an organization of persons living near one another within the organization's defined boundaries in effect February ~~29~~27, ~~2008~~2009 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood. "Neighborhood Organizations" include homeowners associations, property owners associations, and resident councils in which the council is commenting on the Rehabilitation or reconstruction of the property occupied by the residents. "Neighborhood Organizations" do not include broader based "community" organizations.

(v) Include documentation showing that the organization is on record as of February ~~29~~27, ~~2008~~2009 with the state or county in which the Development is proposed to be located. The receipt of a QCP letter, by the Department on or before February ~~29~~27, ~~2008~~2009, that meets the requirements outlined in the QCP neighborhood information packet and the ~~2008~~2009 QAP, will constitute being on record with the State. The Neighborhood Organization must be signed by two officials or board members of the Neighborhood Organization and must include in its letter, a contact name with a mailing address and phone number of persons signing the letter; ~~and~~ a written description and map of the organization's geographical boundaries~~,~~; ~~as well as~~and proof that the boundaries described were in effect as of February ~~29~~27, ~~2008~~2009. This request must be received no later than February ~~29~~27, ~~2008~~2009. Acceptance of this documentation will be subject to Department approval. The Department is permitted to issue a deficiency notice for this registration process and if satisfied, the organization will still be deemed to be timely placed on record with the state.

(vi) Accurately certify that the Neighborhood Organization was not formed by any Applicant, Developer, or any employee or agent of any Applicant (the seller of land is not considered, with the exception of an identity of interest, to be an agent of the Application) in the ~~2008~~2009 Competitive Housing Tax Credit Application Round, that the organization and any member did not accept money or a gift to cause the Neighborhood Organization to take its position of support or opposition, and has not provided any assistance other than education and information sharing to the Neighborhood Organization to meet the requirements of this subparagraph for any Application in the Application Round (i.e. hosting a public meeting, providing the "TDHCA Information Packet for Neighborhoods" to the Neighborhood Organization, or referring the Neighborhood Organization to TDHCA staff for guidance). Applicants may not provide any "production" assistance to meet these requirements for any Application in the Application Round (i.e. use of fax machines owned by the Applicant, use of legal counsel related to the Applicant, or assistance drafting a letter for the purposes of this subparagraph). Applicants may not provide delivery assistance of any communication between the Neighborhood Organization and the Department. Applicants may provide information about the process or deadlines to a Neighborhood Organization.

(vii) While not required, the organization is encouraged to hold a meeting to which all the members of the organization are invited to consider whether the organization should support, oppose, or be neutral on the proposed Development, and to have the membership vote on whether the organization should support, oppose, or be neutral on the proposed Development. The organization is also encouraged to invite the Developer or Applicant to this meeting.

(viii) Letters from Neighborhood Organizations, and subsequent correspondence from Neighborhood Organizations, may not be provided via the Applicant which includes facsimile and email communication.

(B) Scoring of Letters (and Enclosures). The input must clearly and concisely state each reason for the Neighborhood Organization's support for or opposition to the proposed Development.

(i) The score awarded for each letter for this exhibit will range from a maximum of +24 for the position support to +12 for the neutral position to 0 for a position of opposition. The number of points to be allocated to each organization's letter will be based on the organization's letter and evidence enclosed with the letter. The final score will be determined by the Executive Director. The Department may investigate a matter and contact the Applicant and Neighborhood Organizations for more information. The Department may consider any relevant information specified in letters from other Neighborhood Organizations regarding a Development in determining a score.

(ii) The Department highly values quality public input addressed to the merits of a Development. Input that points out matters that are specific to the neighborhood, the proposed site, the proposed Development, or Developer are valued. If a proposed Development is permitted by the existing or pending zoning or absence of zoning, concerns addressed by the allowable land use that are related to any multifamily development may generally be considered to have been addressed at the local level through the land use planning process. Input concerning positive efforts or the lack of efforts by the Applicant to inform and communicate with the neighborhood about the proposed Development is highly valued. If the Neighborhood Organization refuses to communicate with the Applicant the efforts of the Applicant will not be considered negative. Input that evidences unlawful discrimination against classes of persons protected by Fair

Housing law or the scoring of which the Department determines to be contrary to the Department's efforts to affirmatively further fair housing will not be considered.

(iii) In general, letters that meet the requirements of this paragraph and:

(I) Establish at least one reason for support or opposition will be scored the maximum points for either support (+24 points) or opposition (zero);

(II) That do not establish a reason for support or opposition or that are unclear will be considered ineligible and scored as neutral (+12 points).

(iv) If an Application receives multiple eligible letters, the average score of all eligible letters will be applied to the Application.

(v) Applications for which no letters from Neighborhood Organizations are scored will receive a neutral score of +12 points.

(C) Basic Submission Deficiencies. The Department is authorized but not required to request that the Neighborhood Organization provide additional information or documentation the Department deems relevant to clarify information contained in the organization's letter (and enclosures). If the Department determines to request additional information from an organization, it will do so by e-mail or facsimile to the e-mail address or facsimile number provided with the organization's letter. If the deficiencies are not clarified or corrected in the Department's determination within ~~seven~~ five business days from the date the e-mail or facsimile is sent to the organization, the organization's letter will not be considered further for scoring and the organization will be so advised. This potential deficiency process does not extend any deadline required above for the "Quantifiable Community Participation" process. An organization may not submit additional information or documentation after the applicable deadlines except in response to an e-mail or facsimile from the Department specifically requesting additional information.

(3) The Income Levels of Tenants of the Development. Applications may qualify to receive up to 22 points for qualifying under only one of subparagraphs (A) - (F) of this paragraph. To qualify for these points, the household incomes must not be higher than permitted by the AMGI level (must round to the next highest whole Unit, no less than one Unit). To qualify for these points at least 10% of all the Units that are not Low-Income Units (i.e. market rate units) in the Development must be set-aside with incomes at or below 80% of AMGI. The Development Owner, upon making selections for this exhibit, will set aside Units at the levels of AMGI and will maintain the percentage of such Units continuously over the compliance and extended use period as specified in the LURA. These income levels require corresponding rent levels that do not exceed 30% of the income limitation in accordance with §42(g), Internal Revenue Code. (§2306.6710(b)(1)(C); §2306.111(g)(3)(B); §2306.6710(e); §42(m)(1)(B)(ii)(I); §2306.111(g)(3)(E))

(A) 22 points if at least 80% of the ~~Total~~Low-Income Units in the Development are set-aside with incomes at or below 50% of AMGI; or

(B) 22 points if at least 40% of the ~~Total~~Low-Income Units in the Development are set-aside with incomes at or below a combination of 50% and 30% of AMGI in which at least 5% of the ~~Total~~ Low-Income Units are at or below 30% of AMGI; or

(C) 20 points if at least 60% of the ~~Total~~Low-Income Units in the Development are set-aside with incomes at or below 50% of AMGI; or

(D) 18 points if at least 10% of the ~~Total~~Low-Income Units in the Development are set-aside with incomes at or below 30% of AMGI; or

(E) 16 points if at least 40% of the ~~Total~~Low-Income Units in the Development are set-aside with incomes at or below 50% of AMGI; or

(F) 14 points if at least 35% of the ~~Total~~Low-Income Units in the Development are set-aside with incomes at or below 50% of AMGI.

(4) The Size and Quality of the Units (Development Characteristics). Applications may qualify to receive up to 20 points. Applications may qualify for points under both subparagraphs (A) and (B) of this paragraph. (§2306.6710(b)(1)(D); §42(m)(1)(C)(iii))

(A) Size of the Units. Applications may qualify to receive 6 points. The Development must meet the minimum requirements identified in this subparagraph to qualify for points. Six points for this item will be automatically granted for Applications involving Rehabilitation (excluding Reconstruction), Developments receiving funding from TRDO-USDA, or Developments proposing ~~single room occupancy~~Single Room Occupancy without meeting these square footage minimums if requested in the Self Scoring Form. The square feet of all of the Units in the Development, for each type of Unit, must be at least the minimum noted in clauses (i) - (v) of this subparagraph. Changes to an Application during any phase of the review process that decreases the square footage below the minimums noted in clauses (i) - (v) of this subparagraph, will be re-evaluated and may result in a reduction of the Application score.

(i) ~~500~~600 square feet for an efficiency Unit;

(ii) ~~650~~700 square feet for a non-elderly one Bedroom Unit; ~~550~~600 square feet for an elderly one Bedroom Unit;

(iii) ~~900~~950 square feet for a non-elderly two Bedroom Unit; 750 square feet for an elderly two Bedroom Unit;

(iv) ~~1,000~~1,050 square feet for a three Bedroom Unit; and

(v) ~~1,200~~1,250 square feet for a four Bedroom Unit.

(B) Quality of the Units. Applications may qualify to receive ~~up to~~ 14 points. Applications in which Developments provide specific amenity and quality features in every Unit at no extra charge to the tenant will be awarded points based on the point structure provided in clauses (i) - (xix) of this subparagraph, not to exceed 14 points in total. Applications involving scattered site Developments must have all of the Units located with a specific amenity to count for points. Applications involving Rehabilitation (excluding reconstruction) or single room occupancy may receive 1.5 points for each point item, not to exceed 14 points in total (do not round).

(i) Covered entries (1 point);

(ii) Nine foot ceilings in living room and all bedrooms (at minimum) (1 point);

(iii) Microwave ovens (1 point);

(iv) Self-cleaning or continuous cleaning ovens (1 point);

(v) Ceiling fixtures in all rooms (light with ceiling fan in living area and all bedrooms) (1 point);

(vi) Refrigerator with icemaker (1 point);

(vii) Laundry connections (2 points);

(viii) Storage room or closet, of approximately 9 square feet or greater, which does not include bedroom, entryway or linen closets - does not need to be in the Unit but must be on the property site (1 point);

(ix) Laundry equipment (washers and dryers) for each individual unit including a front loading washer and dryer in required UFAS compliant Units (3 points);

(x) Thirty year architectural shingle roofing (1 point);

(xi) Covered patios or covered balconies (1 point);

(xii) Covered parking (including garages) of at least one covered space per Unit (2 points);

(xiii) 100% masonry on exterior, which can include stucco, cementitious board products, concrete brick and mortarless concrete masonry, but not EIFS synthetic stucco (3 points) (Applicants may not select this item if item (xiv) of this subclause is selected);

(xiv) Greater than 75% masonry on exterior, which can include stucco and cementitious board products, concrete brick and mortarless concrete masonry, but not EIFS synthetic stucco (1 point) (Applicants may not select this item if item (xiii) of this subclause is selected);

(xv) Use of energy efficient alternative construction materials (for example, Structural Insulated Panel construction) with wall insulation at a minimum of R-20 (3 points);

(xvi) R-15 Walls / R-30 Ceilings (rating of wall system) (3 points);

(xvii) 14 SEER HVAC or evaporative coolers in dry climates for New Construction, Adaptive Reuse, and reconstruction or radiant barrier in the attic for Rehabilitation (excluding reconstruction) (3 points);

(xviii) High Speed Internet service to all Units at no cost to residents (2 points); or

(xix) Fire sprinklers in all Units (2 points).

(5) The Commitment of Development Funding by Local Political Subdivisions. Applications may qualify to receive up to 18 points for qualifying under this paragraph provided for under Development Funding. (§2306.6710(b)(1)(E))

(A) Basic Submission Requirements for Scoring. Evidence of the following must be submitted in accordance with the Application Submission Procedures Manual (ASPM).

(i) The loans, grant(s) or in-kind contribution(s) must be attributed to the Total Housing Development Costs, as defined in this ~~title~~chapter, unless otherwise stipulated in this section.

(ii) An Applicant may ~~only~~ submit enough sources to substantiate the point request, and all sources must be included in the Sources and Uses form. For example, if an Applicant is requesting 18 points, five sources may be submitted if each is for an amount equal to 1% of the Total Housing Development Cost. ~~However, five sources may not be submitted if each source is for an amount equal to 5% of the Total Housing Development Cost.~~

(iii) An Applicant may substitute any source in response to a Deficiency Notice or after the Application has been submitted to the Department.

(iv) A loan does not qualify as an eligible source unless it has a minimum term of the later of 1-year or the Placed in Service date, and the interest rate must be at the Applicable Federal Rate (AFR) or below (at the time of loan closing).

(v) In-kind contributions such as donation of land, tax exemptions, or waivers of fees such as building permits, water and sewer tap fees, or similar contributions are only eligible for points if the in-kind contribution provides a tangible economic benefit that results in a quantifiable Total Housing Development Cost reduction to benefit the Development will be acceptable to qualify for these points. The quantified value of the Total Housing Development Cost reduction may only include the value during the period the contribution or waiver is received and/or assessed. Donations of land must be under the control of the Applicant, pursuant to subsection (h)(7) of this section to qualify. The value of in-kind contributions may only include the time period between award, or August 1, ~~2008~~2009 and the Development's Placed in Service date, with the exception of contributions of land. The full value of land contributions, as established by the appraisal required pursuant to clause (viii) of this subparagraph. Contributions in the form of tax exemptions or abatements may only count for points if the contribution is in addition to any tax exemption or abatement required under statute.

(vi) To the extent that a Notice of Funding Availability (NOFA) is released and funds are available, funds from TDHCA's HOME Investment Partnerships (HOME) Program will qualify if a resolution, dated on or before the date the Application Acceptance Period ends, is submitted with the Application from the Local Political Subdivision authorizing the Applicant to act on behalf of the Local Political Subdivision in applying for HOME Funds from TDHCA for the particular Application. TDHCA's HOME funds may be substituted for a source originally submitted with the Application, provided the HOME funds substituted are from a NOFA released after the Application Acceptance Period ends and a resolution is submitted with the substitution documentation from the Local Political Subdivision authorizing the Applicant to act on behalf of the Local Political Subdivision in applying for HOME Funds from TDHCA for the particular Application.

(vii) Development based rental subsidies may qualify under this section if evidence of the remaining value of the contract is submitted from the Local Political Subdivision. The value of the contract does not include past subsidies.

(viii) Evidence to be submitted with the Application must include a copy of the commitment of funds; a copy of the application to the funding entity and a letter from the funding entity indicating that the application was received; or a certification of intent to apply for funding that indicates the funding entity and program to which the application will be submitted, the loan amount to be applied for and the specific proposed terms. For in-kind contributions, evidence must be submitted in the Application from Local Political Subdivision substantiating the value of the in-kind contributions. For in-kind contributions of land, evidence of the value of the contribution must be in the form of an appraisal.

(ix) If not already provided, at the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the ~~governing body~~Governing Body of the Local Political Subdivision for the Development Funding to the Department. If the funding commitment from the Local Political Subdivision has not been received by the date the Department's Commitment Notice is to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment Notice will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be reevaluated for financial feasibility. If the Application is infeasible without the Local Political Subdivision's Development Funding, the Commitment Notice will be rescinded and the credits reallocated.

(x) Funding commitments from a Local Political Subdivision will not be considered final unless the Local Political Subdivision attests to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision or subsidiary.

(B) Scoring. Points will be determined on a sliding scale based on the percentage of the Total Housing Development Costs of the Development, as reflected in the in the Development Cost Schedule. If a revised Development Cost Schedule is submitted to the Department in response to a deficiency notice at anytime during the review process, the Revised Development Cost Schedule will be utilized for this calculation, and Applicants will be notified of the revised score, consistent with subsection (e) of this section. Do not round for the following calculations. The "total contribution" is the total combined value of qualifying loan(s), grants or in-kind contributions from a Local Political Subdivision pursuant to subparagraph (A) of this paragraph. The required percentages for Rural Developments listed in clauses (i) – (iii) of this subparagraph only apply to Rural Developments applying for local funds.

(i) A total contribution equal to or greater than 1% (for Urban Developments) and 0.5% (for Rural Developments) of the Total Housing Development Cost of the Development receives 6 points; or

(ii) A total contribution equal to or greater than 2.5% (for Urban Developments) and 1.5% (for Rural Developments) of the Total Housing Development Cost of the Development receives 12 points; or

(iii) A total contribution equal to or greater than 5% (for Urban Developments) and 3% (for Rural Developments) of the Total Housing Development Cost of the Development receives 18 points.

(6) The Level of Community Support from State Representative or State Senator. The level of community support for the Application, evaluated on the basis of written statements received from the State Representative or State Senator that represents the district containing the proposed Development Site. (§2306.6710(b)(1)(F)~~ and (f)~~; §2306.6725(a)(2)). Applications may qualify to receive 14 points for this item. Letters ~~of support~~ must identify the specific Development and must clearly state support for or opposition to the specific Development. This documentation will be accepted with the Application or through delivery to the Department from the Applicant or the State Representative or Senator ~~by~~on or before 5:00 p.m. (CST) April 1, ~~2008~~2009. A State Representative or State Senator may withdraw (in writing) a letter that is submitted by the April 1st deadline on or before June 15, 2009. The previous position of support or opposition will be scored as neutral. State Representatives or Senators to be considered are those State Representatives or Senators in office at the time the Application is submitted. Letters of support from State Representatives or Senators that do not represent the district containing the proposed Development Site will not qualify for points under this Exhibit. Neutral letters, or letters that do not specifically refer to the Development, will receive neither positive nor negative points. Letters from State of Texas Representative or Senator: support letters are +14 points; opposition letters are -14 points for a maximum of either 14 or -14 points. If one letter is received in support and one letter is received in opposition the score would be 0 points.

(7) The Rent Levels of the Units. Applications may qualify to receive up to 12 points for qualifying under this exhibit. (§2306.6710(b)(1)(G)). ~~If 80% or fewer of the Units in the Development (excluding any Units reserved for a manager) are restricted to having rents plus the allowance for utilities equal to or below the maximum tax credit rent, then the Development shall be awarded 7 points. If between 81% and 85% of the Units in the Development (excluding any Units reserved for a manager) are restricted to having rents plus the allowance for utilities equal to or below the maximum tax credit rent, then the Development shall be awarded 8 points. If between 86% and 90% of the Units in the Development (excluding any Units reserved for a manager) are restricted to having rents plus the allowance for utilities equal to or below the maximum tax credit rent, then the Development shall be awarded 9 points. If between 91% and 95% of the Units in the Development (excluding any Units reserved for a manager) are restricted to having rents plus the allowance for utilities equal to or below the maximum tax credit rent, then the Development shall be awarded 10 points. If greater than 95% of the Units in the Development (excluding any Units reserved for a manager) are restricted to having rents plus the allowance for utilities equal to or below the maximum tax credit rent, then the Development shall be awarded 12 points.~~ Provided the Application has qualified for points under subsection (i)(3) of this section, Income Levels of Tenants of the Development, an Application may qualify for points under this subsection by providing additional Low-Income Units at 50% of AMGI (must round up to the next whole Unit, not less than one Unit), as follows:

(A) An Application may receive 12 points if the Development provides an additional 10% of all Low-Income Units in excess of those committed in subsection (i)(3) of this section at rents and incomes at or below 50% of AMGI; or

(B) An Application may receive 6 points if the Development provides an additional 5% of all Low-Income Units in excess of those committed in subsection (i)(3) of this section at rents and incomes at or below 50% of AMGI.

(8) The Cost of the Development by Square Foot (Development Characteristics). Applications may qualify to receive 10 points for this item. (§2306.6710(b)(1)(H); §42(m)(1)(C)(iii)). For this exhibit, costs shall be defined as construction costs, including site work, direct hard costs, contingency, contractor profit, overhead and general requirements, as represented in the Development Cost Schedule. This calculation does not include indirect construction costs. The calculation will be costs per square foot of net rentable area (NRA). For the purposes of this paragraph only, if the proposed Development is an elevator building serving elderly~~, a single room occupancy Development,~~ or a high rise building serving any population, the NRA may include elevator served interior corridors. If the proposed Development is a Single Room Occupancy Development, the NRA may include elevator served interior corridors and may include up to 50 square feet of common area per efficiency Unit. As it relates to this paragraph, an interior corridor is a corridor that is enclosed, heated and/or cooled and otherwise finished space. The calculations will be based on the cost listed in the Development Cost Schedule and NRA shown in the Rent Schedule of the Application. Developments qualify for 10 points if their costs do not exceed $~~85~~95 per square foot for Qualified Elderly, single family design, transitional, and ~~single room occupancy~~Single Room Occupancy Developments (transitional housing for the homeless and ~~single room occupancy~~Single Room Occupancy units as provided in the Code, §42(i)(3)(B)(iii) and (iv)), unless located in a "First Tier County" in which case their costs do not exceed $~~87~~ 97 per square foot; and $~~75~~ 85 for all other Developments, unless designated as "First Tier" by the Texas Department of Insurance, in which case their costs do not exceed $~~77~~ 87 per square foot. For ~~2007~~2008, the First Tier counties are Aransas, Brazoria, Calhoun, Chambers, Galveston, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, San Patricio, and Willacy. There are also specifically designated First Tier communities in Harris County that are east of State Highway 146, and evidence in the Application must include a map with the Development site designated clearly within the community. These communities are Pasadena, Morgan's Point, Shoreacres, Seabrook and La Porte. Intergenerational Developments will receive 10 points if costs described above do not exceed the square footage limit for elderly and non-elderly units as determined by using the NRA attributable to the respective elderly and non-elderly units. The Department will determine if points will be awarded by multiplying the NRA for elderly units by the applicable square footage limit for the elderly units and adding that total to the result of the multiplication of the NRA for family units by the applicable non-elderly square footage limit. If this maximum cost amount is equal to, or greater than the total of the costs identified above for the Application, points will be awarded (10 points).

(9) The Services to be Provided to Tenants of the Development. Applications may qualify to receive up to 8 points. (§2306.6710(b)(1)(I); §2306.6725(a)(1)~~; General Appropriation Act, Article VII, Rider 7~~)

(A) The Applicant must certify that the Development will provide a combination of special supportive services appropriate for the proposed tenants. The provision of supportive services will be included in the LURA as selected from the list of services identified in this paragraph. No fees may be charged to the tenants for any of the services. Services must be provided on-site or transportation to off-site services must be provided (maximum of 7 points).

(i) Applications will be awarded points for selecting services listed in clause (ii) of this subparagraph based on the following scoring range:

(I) Two points will be awarded for providing two of the services; or

(II) Four points will be awarded for providing four of the services; or

(III) Seven points will be awarded for providing six of the services.

(ii) Service options include child care; transportation; basic adult education; legal assistance; counseling services; GED preparation; English as a second language classes; vocational training; home buyer education; credit counseling; financial planning assistance or courses; health screening services; health and nutritional courses; organized team sports programs or youth programs; scholastic tutoring; any other programs described under Title IV-A of the Social Security Act (42 U.S.C. §§601 et seq.) which enables children to be cared for in their homes or the homes of relatives; ends the dependence of needy families on government benefits by promoting job preparation, work and marriage; prevents and reduces the incidence of out-of wedlock pregnancies; and encourages the formation and maintenance of two-parent families; or any other services approved in writing by the Department.

(B) In addition, Applications will receive 1 point for providing Notary Public Services to tenants at no cost to the tenant. This will be included in the LURA.

(10) Declared Disaster Areas (§2306.6710(b)(1)). Applications may receive 7 points, if at time the complete Application is submitted or at any time within the two-year period preceding the date of submission, the proposed Development site is located in a Disaster Area as defined in §~~50~~49.3 of this chapter.

(11) Rehabilitation, (which includes reconstruction) or Adaptive Reuse. Applications may qualify to receive 6 points. Applications proposing to build solely Rehabilitation (excluding New Construction of non-residential buildings), solely reconstruction (excluding New Construction of non-residential buildings), or solely Adaptive Reuse qualify for points.

(12) Housing Needs Characteristics. (§42(m)(1)(C)(ii)). Applications may qualify to receive up to 6 points. Each Application may receive a score if correctly requested in the self score form based on objective measures of housing need in the Area where the Development is located. This Affordable Housing Need Score for each Area will be published in a Site Demographic Characteristics table in the Reference Manual.

(13) ~~Development Includes the Use of Existing Housing as part of a~~ Community Revitalization ~~Plan~~ (Development Characteristics) (§42(m)(1)(C)(iii)) or Historic Preservation. Applications may qualify to receive 6 points for ~~this item~~either subparagraph (A) or (B) of this paragraph.~~ (§42(m)(1)(C)(iii))~~.

(A) The Development ~~is an~~includes the use of Existing Residential ~~Development~~Housing and propose~~d~~s any Rehabilitation or any Reconstruction that is part of a Community Revitalization Plan. Evidence of the Community Revitalization Plan and a letter from the chief executive officer or other local official with appropriate jurisdiction of local ~~g~~Governing ~~b~~Body stating that the Development Site is located within the targeted development areas outlined in the Community Revitalization Plan must be submitted; or~~.~~

(B) The Development includes the use of an existing building that is designated as historic by a federal or state Entity and proposes Rehabilitation (including reconstruction) or Adaptive Reuse. The Development itself must have the designation; points in this subparagraph are not available for Developments simply located within historic districts or areas that do not have a designation on the building. The Development must include the historic building. Evidence will include proof of the historic designation from the appropriate Governmental Body.

(14) Pre-Application Participation Incentive Points. (§2306.6704) Applications that submitted a Pre-Application during the Pre-Application Acceptance Period and meet the requirements of this paragraph will qualify to receive 6 points for this item. To be eligible for these points, the Application must:

(A) Be for the identical Development Site, or reduced portion of the Development Site as the proposed Development Site under control in the Pre-Application;

(B) Have met the Pre-Application Threshold Criteria;

(C) Be serving the same target population (family, Intergenerational Housing, or elderly) as in the Pre-Application;

(D) Be serving the same target Set-Asides as indicated in the Pre-Application (Set-Asides can be dropped between Pre-Application and Application, but no Set-Asides can be added); and

(E) Be awarded by the Department an Application score that is not more than 5% greater or less than the number of points awarded by the Department at Pre-Application, with the exclusion of points for support and opposition under paragraphs (2), (6), and (18) of this of this subsection. The Application score used to determine whether the Application score is 5% greater or less than the number of points awarded at Pre-Application will also include all point losses under subsection (d)(4) of this section. An Applicant must choose, at the time of Application either clause (i) or (ii) of this subparagraph:

(i) To request the Pre-Application points and have the Department cap the Application score at no greater than the 5% increase regardless of the total points accumulated in the scoring evaluation. This allows an Applicant to avoid penalty for increasing the point structure outside the 5% range from Pre-Application to Application; or

(ii) To request that the Pre-Application points be forfeited and that the Department evaluate the Application as requested in the self-scoring sheet.

(15) Economic Development Initiatives. A Development that is located in one of the following two areas may qualify to receive 4 points. For the purpose of this paragraph, "area" shall mean the boundaries of any zone or community in subparagraph (A) or the area in which funds in subparagraph (B) of this paragraph must be used:

(A) a Designated State or Federal Empowerment/Enterprise Zone, Urban Enterprise Community, or Urban Enhanced Enterprise Community. To be eligible for these points, Applicants must submit a letter and a map of the zoned area from a city/county official stating that the proposed Development is located within such a designated zone or area; is eligible to receive the state or federal economic development grants or loans; and the city/county still has available funds. The letter should be no older than 6 months from the first day of the Application Acceptance Period. (General Appropriation Act, Article VII, Rider ~~6~~3; §2306.127); or

(B) an area that has received an award as of November 1, ~~2007~~2008, within the past three years from the Texas Capital Fund, Texas or Federal Enterprise Zone Fund, Texas Leverage Fund, Industrial Revenue Bond Program, Emerging Technologies, Skills Development, Rural Business Enterprise Grants, Certified Development Company Loans, or Micro Loan Program or other state or federally funded economic development initiatives (This excludes limited highway improvement and roadwork projects, but does include broader regional transportation initiatives targeted to expanding economic development). Grants that qualify in these areas are included in the Application Reference Manual.

(C) Points under subparagraphs (A) and (B) of this paragraph will not be granted if more than 3 tax credit Developments have been awarded in that area in the last 7 years. The Applicant must provide evidence of the boundaries of the area, as required in the Application and Application Submission Procedures Manual.

(16) Development Location. (§2306.6725(a)(4)); §42(m)(1)(C)(i)). Applications may qualify to receive 4 points. Evidence, not more than 6 months old from the first day of the Application Acceptance Period, that the Development Site is located within one of the geographical areas described in subparagraphs (A) - (~~E~~F) of this paragraph. Areas qualifying under any one of the subparagraphs (A) - (~~E~~F) of this paragraph will receive 4 points. An Application may only receive points under one of the subparagraphs (A) - (~~E~~F) of this paragraph.

(A) A geographical Area which is an Economically Distressed Area; a Colonia; or a Difficult Development Area (DDA) as specifically designated by the Secretary of HUD at the time of Application submission (§2306.127)

(B) The Development is located in a county that has received an award as of November 1, ~~2007~~2008, within the past three years, from the Texas Department of Agriculture's Rural Municipal Finance Program or Real Estate Development and Infrastructure Program. Cities which have received one of these awards are categorized as awards to the county as a whole so Developments located in a different city than the city awarded, but in the same county, will still be eligible for these points.

(C) The Development is located in a census tract which has a median family income (MFI), as published by the United States Bureau of the Census (U.S. Census), that is higher than the median family income for the county in which the census tract is located. This comparison shall be made using the most recent data available as of the date the Application Round opens the year preceding the applicable program year. Developments eligible for these points must submit evidence documenting the median income for both the census tract and the county. These Census Tracts are outlined in the ~~2007~~2008 Housing Tax Credit Site Demographic Characteristics Report.

(D) The proposed Development will serve families with children (at least 70% of the Units must have an eligible bedroom mix of two bedrooms or more) and is proposed to be located in an elementary school attendance zone of an elementary school that has an academic rating of "Exemplary" or "Recognized," or comparable rating if the rating system changes. The date for consideration of the attendance zone is that in existence as of the opening date of the Application Round and the academic rating is the most current rating determined by the Texas Education Agency as of that same date. (§42(m)(1)(C)(vii))

(E) The proposed Development will expand affordable housing opportunities for low-income families with children outside of poverty areas. This must be demonstrated by showing that the Development will serve families with children (at least 70% of the Units must have an eligible bedroom mix of two bedrooms or more) and that the census tract in which the Development is proposed to be located has no greater than 10% poverty population according to the most recent census data. Intergenerational Developments may qualify for points if 70% of the non-elderly Units in the Development have an eligible bedroom mix of two bedrooms or more. (§42(m)(1)(C)(vii)). These Census Tracts are outlined in the ~~2008~~2009 Housing Tax Credit Site Demographic Characteristics Report.

(F) The proposed Development is located in an Urban Core, that is properly zoned for the intended use and provides infill housing.

(17) ~~Development Location in non-urban Areas. §42(m)(1)(C)(i)). Applications may qualify to receive 6 points if the Development is not located in a Rural Area and has a population less than 100,000 based on the most current Decennial Census.~~ Green Building Initiatives. Application may qualify to receive up to 6 points for providing green building amenities (points under this paragraph may not be requested for the same items utilized for points under subsection (h)(4)(A)(ii)(XXV), Threshold Amenities):

(A) evaporative coolers (for use in designated counties listed in the Application Materials, 2009 Housing Tax Credit Site Demographics Information)(1 point);

(B) passive solar heating/cooling (3 points);

(C) water conservation fixtures (toilets using less than or equal to 1.6 gallons per flush, showerheads, kitchen faucets or bathroom faucets using less than or equal to 2.0 gallons per minute)(1 point for each);

(D) solar water heaters (2 points);

(D) water collection (at least 50%) for irrigation purposes [check health and safety issues](2 points);

(E) sub-metered utility meters (3 points);

(F) Energy-Star qualified windows and glass doors (2 points);

(G) thermally and draft efficient doors (SHGC of 0.40 and U-value specified by climate zone according to the 2006 IECC)(2 points);

(H) photovoltaic panels for electricity and design and wiring for use of such panels (4 points);

(I) construction waste management and implementation of EPA's Best Management Practices for erosion and sedimentation control during construction (2 points);

(J) recycle service provided throughout the compliance period (1 point);

(K) water permeable walkways and parking areas (at least 50% of walkways and parking)(3 points);

(L) selection of native trees and plants that are appropriate to the site's soils and microclimate and locate them to provide shading in the summer and allow for heat gain in the winter (2 points);

(M) exterior envelope insulation, vapor barriers and air barriers greater than or equal to Energy Star air barrier and insulation criteria (2 points);

(N) HVAC, windows, domestic hot water heater or insulation that exceeds Energy Star standards or exceeds the IRC 2006 (2 points); or

(O) bamboo flooring, wool carpet, linoleum flooring, straw board, poplar OSB, or cotton batt insulation (2 points).

(18) Demonstration of Community ~~Support~~ Input other than Quantifiable Community Participation: ~~If an Applicant requests these points on the self scoring form and correctly certifies to the Department that there are no Neighborhood Organizations that meet the Department's definition of Neighborhood Organization pursuant to §50~~49.3(63) ~~of this chapter and 12 points were awarded~~ if an Application was awarded 12 points under paragraph (2) of this subsection, then that ~~Applicant~~ Application may receive up to 6 points for letters that qualify for points under subparagraphs (A), (B) or (C) of this paragraph. An Application may not receive points under more than one of the subparagraphs (A) – (C). All letters must be received by February 27, 2009 for the Application to receive these points.

(A) An Application may receive two points (maximum of 6 points) for each letter of support submitted from a community or civic organization that serves the community in which the site is located. Letters of support must identify the specific Development and must state support of the specific Development at the proposed location. The community or civic organization must provide some documentation of its existence in the community in which the Development is located to include, but not be limited to, listing of services and/or members, brochures, annual reports, etc. Letters of support from organizations that are not active in the area that includes the location of the Development will not be counted. For purposes of this ~~item~~subparagraph, community and civic organizations do not include neighborhood organizations, governmental entities (excluding Special Management Districts), taxing entities or educational activities. Organizations that were created by a governmental entity or derive their source of creation from a governmental entity do not qualify under this item. For purposes of this item, educational activities include school districts, trade and vocational schools, charter schools and depending on how characterized could include day care centers; it would not include a PTA or PTO as that is a service organization even though it supports an educational activity. ~~Letters of support received after February 29, 2008, will not be accepted for this item. Two points will be awarded for each letter of support submitted in the Application, not to exceed 6 points.~~ Should an Applicant elect this option and the Application receives letters in opposition by February ~~29~~27, ~~2008~~2009, then two points will be subtracted from the score for each letter in opposition, provided that the letter is from an organization serving the community. At no time will the Application~~, however,~~ receive a score lower than zero for this item.

(B) An Application may receive 6 points for a letter of support, from a property owners association created for a master planned community whose boundaries include the development site, that does not meet the requirements of a Neighborhood Organization for points under paragraph (2) of this subsection.

(C) An Application may receive 6 points for a letter of support from a Special Management District, whose boundaries, as of February 27, 2009, include the Development Site and for which there is not a Neighborhood Organization on record with the county or state. At no time will the Application receive a score lower than zero for this item.

(19) Developments in Census Tracts with No Other Existing Same Type Developments Supported by Tax Credits: The Application may receive 6 points if the proposed Development is located in a census tract in which there are no other existing Developments supported by Housing Tax Credits that serve the same type of household, regardless of whether the development serves families, or elderly individuals (Intergenerational Housing is not a type of household as it relates to this paragraph). Applicant must provide evidence of the census tract in which the Development is located. (§2306.6725(b)(2)). These Census Tracts are outlined in the ~~2008~~2009 Housing Tax Credit Site Demographic Characteristics Report.

(20) Tenant Populations with Special Housing Needs. Applications may qualify to receive 4 points for this item. (§42(m)(1)(C)(v)). The Department will award these points to Applications in which at least 10% of the Units are set aside for Persons with Special Needs. Throughout the Compliance Period, unless otherwise permitted by the Department, the Development Owner agrees to affirmatively market Units to Persons with Special Needs. In addition, the Department will require a minimum 12 month period during which Units must either be occupied by Persons with Special Needs or held vacant. The 12 month period will begin on the date each building receives its certificate of occupancy. For buildings that do not receive a Certificate of Occupancy, the 12 month period will begin on the placed in service date as provided in the Cost Certification manual. After the 12 month period, the owner will no longer be required to hold Units vacant for households with special needs, but will be required to continue to affirmatively market Units to household with special needs.

(21) Length of Affordability Period. Applications may qualify to receive up to 4 points. (§2306.6725(a)(5); §2306.111(g)(3)(C); §2306.185(a)(1) and (c); §2306.6710(e)(2); §42(m)(1)(B)(ii)(II)). In accordance with the Code, each Development is required to maintain its affordability for a 15-year compliance period and, subject to certain exceptions, an additional 15-year extended use period. Development Owners that are willing to extend the affordability period for a Development beyond the 30 years required in the Code may receive points as follows:

(A) Add 5 years of affordability after the extended use period for a total affordability period of 35 years (2 points); or

(B) Add 10 years of affordability after the extended use period for a total affordability period of 40 years. (4 points)

(22) Site Characteristics. Development Sites, including scattered sites, will be evaluated based on proximity to amenities, the presence of positive site features and the absence of negative site features. Sites will be rated based on the criteria in subparagraphs (A) and (B) of this paragraph.

(A) Proximity of site to amenities. Developments Sites located within a one mile radius (two-mile radius for Developments competing for a Rural Regional Allocation) of at least three services appropriate to the target population will receive four points. A site located within one-quarter mile of public transportation that is accessible to all residents including Persons With Disabilities and/or located within a community that has "on demand" transportation, special transit service, or specialized elderly transportation for Qualified Elderly Developments, will receive full points regardless of the proximity to amenities, as long as the Applicant provides appropriate evidence of the transportation services used to satisfy this requirement. If a Development is providing its own specialized van or on demand service, then this will be a requirement of the LURA. Only one service of each type listed in clauses (i) - (xiv) of this subparagraph will count towards the points. A map must be included identifying the Development Site and the location of the services. The services must be identified by name on the map. If the services are not identified by name, points will not be awarded. All services must exist or, if under construction, must be at least 50% complete by the date the Application is submitted. (4 points)

(i) Full service grocery store or supermarket.

(ii) Pharmacy.

(iii) Convenience Store/Mini-market.

(iv) Department or Retail Merchandise Store.

(v) Bank/Credit Union.

(vi) Restaurant (including fast food).

(vii) Indoor public recreation facilities, such as civic centers, community centers, and libraries.

(viii) Outdoor public recreation facilities such as parks, golf courses, and swimming pools.

(ix) Hospital/medical clinic.

(x) Medical offices (physician, dentistry, optometry).

(xi) Public Schools (only eligible for Developments that are not Qualified Elderly Developments).

(xii) Senior Center.

(xiii) Dry cleaners.

(xiv) Family video rental (Blockbuster, Hollywood Video, Movie Gallery).

(B) Negative Site Features. Development Sites with the following negative characteristics will have points deducted from their score. For purpose of this exhibit, the term 'adjacent' is interpreted as sharing a boundary with the Development Site. The distances are to be measured from all boundaries of the Development Site to all boundaries of the property containing the negative site feature. If an Applicant negligently fails to note a negative feature, double points will be deducted from the score or the Application may be terminated. If none of these negative features exist, the Applicant must sign a certification to that effect. (~~-5~~-6 points)

(i) Developments located adjacent to or within 300 feet of junkyards will have 1 point deducted from their score.

(ii) Developments located adjacent to or within 300 feet of active railroad tracks will have 1 point deducted from their score, unless the Applicant provides evidence that the city/community has adopted a Railroad Quiet Zone or the railroad in question is commuter or light rail. Rural Developments funded through TRDO-USDA are exempt from this point deduction.

(iii) Developments located adjacent to or within 300 feet of heavy industrial uses such as manufacturing plants will have 1 point deducted from their score.

(iv) Developments located adjacent to or within 300 feet of a solid waste or sanitary landfills will have 1 point deducted from their score.

(v) Developments where the buildings are located within the "fall line" of high voltage transmission power lines will have 1 point deducted from their score.

~~(vi) Developments where the buildings are located adjacent to or within 300 feet of a sexually oriented business will have 1 point deducted from their score. For the purpose of this clause, sexually oriented business shall be defined as stated in §243.002 of the Texas Government Code.~~

(vi~~i~~) Developments where the buildings are located within the accident zones or clear zones for commercial or military airports will have 1 point deducted from their score.

(23) Development Size. The Development consists of not more than 36 Units (3 points).

(24) Qualified Census Tracts with Revitalization. Applications may qualify to receive 1 point for this item. (§42(m)(1)(B)(ii)(III)). Applications will receive the points for this item if the Development is located within a Qualified Census Tract and contributes to a concerted Community Revitalization Plan. Evidence of the Community Revitalization Plan and a letter from the chief executive officer or other local official with appropriate jurisdiction of the local ~~g~~Governing ~~b~~Body stating that the Development Site is located within the targeted development areas outlined in the Community Revitalization Plan must be submitted.

(25) Sponsor Characteristics. Applications may qualify to receive a maximum of 2 points for this item for qualifying under either subparagraph (A) or (B) of this paragraph. (§42(m)(1)(C)(iv))

(A) An Application will receive these two points for submitting a plan to use Historically Underutilized Businesses in the development process consistent with the Historically Underutilized Business Guidelines for contracting with the State of Texas. The Applicant will be required to submit a report of the success of the plan as part of the cost certification documentation, in order to receive IRS Forms 8609.

(B) An Application will receive these points if there is evidence that a HUB that does not meet the experience requirements under subsection (g) of this section, as certified by the Texas ~~Facilities Commission~~Comptroller of Public Accounts, has at least 51% ownership interest in the General Partner and materially participates in the Development and operation of the Development throughout the Compliance Period. To qualify for these points, the Applicant must submit a certification from the Texas ~~Facilities Commission~~Comptroller of Public Accounts that the Person is a HUB at the close of the Application Acceptance

Period. The HUB will be disqualified from receiving these points if any Principal of the HUB has developed, and received 8609's for, more than two Developments involving tax credits. Additionally, to qualify for these points, the HUB must partner with an experienced Developer (as defined by subsection (g) of this section); the experienced Developer, as an Affiliate, will not be subject to the credit limit described under §~~50~~49.6(d) of this chapter for one Application per Application Round. For purposes of this section the experienced Developer may not be a Related Party to the HUB.

(26) Developments Intended for Eventual Tenant Ownership - Right of First Refusal. Applications may qualify to receive 1 point for this item. (§2306.6725(b)(1)); (§42(m)(1)(C)(viii)). Evidence that Development Owner agrees to provide a right of first refusal to purchase the Development upon or following the end of the Compliance Period for the minimum purchase price provided in, and in accordance with the requirements of, §42(i)(7) of the Code (the "Minimum Purchase Price"), to a Qualified Nonprofit Organization, the Department, or either an individual tenant with respect to a single family building, or a tenant cooperative, a resident management corporation in the Development or other association of tenants in the Development with respect to multifamily developments (together, in all such cases, including the tenants of a single family building, a "Tenant Organization"). Development Owner may qualify for these points by providing the right of first refusal in the following terms.

(A) Upon the earlier to occur of:

(i) The Development Owner's determination to sell the Development; or

(ii) The Development Owner's request to the Department, pursuant to §42(h)(6)(E)(II) of the Code, to find a buyer who will purchase the Development pursuant to a "qualified contract" within the meaning of §42(h)(6)(F) of the Code, the Development Owner shall provide a notice of intent to sell the Development ("Notice of Intent") to the Department and to such other parties as the Department may direct at that time. If the Development Owner determines that it will sell the Development at the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to expiration of the Compliance Period. If the Development Owner determines that it will sell the Development at some point later than the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to date upon which the Development Owner intends to sell the Development.

(B) During the two years following the giving of Notice of Intent, the Sponsor may enter into an agreement to sell the Development only in accordance with a right of first refusal for sale at the Minimum Purchase Price with parties in the following order of priority:

(i) During the first six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization that is also a community housing development organization, as defined for purposes of the federal HOME Investment Partnerships Program at 24 C.F.R. §92.1 (a "CHDO") and is approved by the Department,

(ii) During the second six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization or a Tenant Organization; and

(iii) During the second year after the Notice of Intent, only with the Department or with a Qualified Nonprofit Organization approved by the Department or a Tenant Organization approved by the Department.

(iv) If, during such two-year period, the Development Owner shall receive an offer to purchase the Development at the Minimum Purchase Price from one of the organizations designated in clauses (i) - (iii) of this subparagraph (within the period(s) appropriate to such organization), the Development Owner shall sell the Development at the Minimum Purchase Price to such organization. If, during such period, the Development Owner shall receive more than one offer to purchase the Development at the Minimum Purchase Price from one or more of the organizations designated in clauses (i) - (iii) of this subparagraph (within the period(s) appropriate to such organizations), the Development Owner shall sell the Development at the Minimum Purchase Price to whichever of such organizations it shall choose.

(C) After whichever occurs the later of:

(i) The end of the Compliance Period; or

(ii) Two years from delivery of a Notice of Intent, the Development Owner may sell the Development without regard to any right of first refusal established by the LURA if no offer to purchase the Development at or above the Minimum Purchase Price has been made by a Qualified Nonprofit Organization, a Tenant Organization or the Department, or a period of 120 days has expired from the date of acceptance of all such offers as shall have been received without the sale having occurred, provided that the failure(s) to close within any such 120-day period shall not have been caused by the Development Owner or matters related to the title for the Development.

(D) At any time prior to the giving of the Notice of Intent, the Development Owner may enter into an agreement with one or more specific Qualified Nonprofit Organizations and/or Tenant Organizations to provide a right of first refusal to purchase the Development for the Minimum Purchase Price, but any such agreement shall only permit purchase of the Development by such organization in accordance with and subject to the priorities set forth in subparagraph (B) of this paragraph.

(E) The Department shall, at the request of the Development Owner, identify in the LURA a Qualified Nonprofit Organization or Tenant Organization which shall hold a limited priority in exercising a right of first refusal to purchase the Development at the Minimum Purchase Price, in accordance with and subject to the priorities set forth in subparagraph (B) of this paragraph.

(F) The Department shall have the right to enforce the Development Owner's obligation to sell the Development as herein contemplated by obtaining a power-of-attorney from the Development Owner to execute such a sale or by obtaining an order for specific performance of such obligation or by such other means or remedy as shall be, in the Department's discretion, appropriate.

(27) Leveraging of Private, State, and Federal Resources. Applications may qualify to receive 1 point for this item. (§2306.6725(a)(3)). Funding sources used for points under paragraph (5) of this subsection, may not be used for this point item.

(A) Evidence must be submitted in the Application that the proposed Development has received or will receive loan(s), grant(s) or in-kind contributions from a private, state or federal resource, which include Capital Grant Funds and HOPE VI funds, that is equal to or greater than 2% (~~not using normal rounding~~do not round) of the Total Housing Development Costs reflected in the Application.

(B) For in-kind contributions, evidence must be submitted in the Application from a private, state or federal resource which substantiates the value of the in-kind contributions. Development based rental subsidies from private, state or federal resource may qualify under this section if evidence of the remaining value of the contract is submitted from the source. The value of the contract does not include past subsidies.

(C) Qualifying funds awarded through local entities may qualify for points if the original source of the funds is from a private, state or federal source. If qualifying funds awarded through local entities are used for this item, a statement from the local entity must be provided that identifies the original source of funds.

(D) Applicants may only submit enough sources to substantiate the point request, and all sources must be included in the Sources and Uses form. For example, two sources may be submitted if each is for an amount equal to 1% of the Total Housing Development Cost. However, two sources may not be submitted if each source is for an amount equal to 2% of the Total Housing Development Cost.

(E) The funding must be in addition to the primary funding (construction and permanent loans) that is proposed to be utilized and cannot be issued from the same primary funding source or an affiliated source. The provider of the funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Local Political Subdivision.

(F) The Development must have already applied for funding from the funding entity. Evidence to be submitted with the Application must include a copy of the commitment of funds or a copy of the application to the funding entity and a letter from the funding entity indicating that the application was received. At the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the ~~governing body~~Governing Body of the entity for the sufficient financing to the Department. If the funding commitment from the private, state or federal source, or qualifying substitute source, has not been received by the date the Department's Commitment Notice is to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment Notice will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be reevaluated for financial feasibility. If the Application is infeasible without the commitment from the private, state or federal source, the Commitment Notice will be rescinded and the credits reallocated. Funds from the Department's HOME and Housing Trust

Fund sources will only qualify under this category if there is a Notice of Funding Availability (NOFA) out for available funds and the Applicant is eligible under that NOFA.

(G) To qualify for this point, the Rent Schedule must show that at least 3% (not using normal rounding) of all low-income Units are designated to serve individuals or families with incomes at or below 30% of AMGI.

(28) Third-Party Funding Commitment Outside of Qualified Census Tracts. Applications may qualify to receive 1 point for this item. (§2306.6710(e)(1)). Evidence that the proposed Development has documented and committed Third-Party funding sources and the Development is located outside of a Qualified Census Tract. The provider of the funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application. The commitment of funds (an application alone will not suffice) must already have been received from the Third-Party funding source and must be equal to or greater than 2% (~~not using normal rounding~~do not round) of the Total Development Costs reflected in the Application. Funds from the Department's HOME and Housing Trust Fund sources will not qualify under this category. The Third-Party funding source cannot be a loan from a commercial lender.

(29) Bonus Points. Applications may qualify to receive up to 6 points for this item.

(A) An Application may receive 2 points if the Applicant had submitted acceptable proof of site control at the time of Carryover (November 1, 2008) for Applications that received a Housing Tax Credit commitment made in the Application Round preceding the current round. For purposes of this subparagraph, evidence of site control will consist of an executed deed for the subject property bearing the marks of receipt for filing by the county clerk and confirming the Development Owner as the grantee;

(B) An Application may receive 2 points if the Applicant has submitted the complete, acceptable, required documentation for the 10% Test, on or before June 1 for Applications that received a Housing Tax Credit commitment made in the Application Round preceding the current round (Applications that request extensions of the June 1 date, are not eligible for these bonus points);

(C) An Application may receive 2 points for having 5 or less aggregate deficiencies through the combined Eligibility, Selection and Threshold reviews;

(D) An Application may receive 1 point for having 10 or less aggregate deficiencies through the combined Eligibility, Selection and Threshold reviews; and/or

(D) An Application may receive 1 point if an Applicant satisfies deficiencies, to the satisfaction of the Department, on or before the third business day following the date of the deficiency notice.

(~~29~~30) Scoring Criteria Imposing Penalties. (§2306.6710(b)(2))

(A) Penalties will be imposed on an Application if the Applicant has requested an extension of the Carryover or 10% Test deadline, and did not meet the original submission deadline, relating to Developments receiving a Housing Tax Credit commitment made in the Application Round preceding the current round. For each extension request made, the Applicant will receive a 5 point deduction. No penalty points or fees will be deducted for extensions that were requested on Developments that involved Rehabilitation when the Department is the primary lender, or for Developments that involve TRDO-USDA as a lender if TRDO-USDA or the Department is the cause for the Applicant not meeting the deadline.

(B) Penalties will be imposed on an Application if the Developer or Principal of the Applicant has been removed by the lender, equity provider, or limited partners in the past five years for failure to perform its obligations under the loan documents or limited partnership agreement. An affidavit will be provided by the Applicant and the Developer certifying that they have not been removed as described, or requiring that they disclose each instance of removal with a detailed description of the situation. If an Applicant or Developer submits the affidavit, and the Department learns at a later date that a removal did take place as described, then the Application will be terminated and any Allocation made will be rescinded. The Applicant, Developers or Principals of the Applicant that are in court proceedings at the time of Application must disclose this information and the situation will be evaluated on a case-by-case basis. 3 points will be deducted for each instance of removal.

(C) Penalties will be imposed on an Application if Developer or Principal of the Applicant violates the Adherence to Obligations pursuant to subsection (c) of this section.

(j) **Tie Breaker Factors.**

(1) In the event that two or more Applications receive the same number of points in any given Set-Aside category, Rural Regional Allocation or Urban Regional Allocation, or Uniform State Service Region, and are both practicable and economically feasible, the Department will utilize the factors in this paragraph, in the order they are presented, to determine which Development will receive a preference in consideration for a tax credit commitment.

(A) Applications involving any Rehabilitation or Reconstruction of existing Units will win this first tier tie breaker over Applications involving solely New Construction or Adaptive Reuse.

(B) The Application located in the municipality or, if located outside a municipality, the county that has the lowest state average of units per capita supported by Housing Tax Credits or private activity bonds at the time the Application Round begins as reflected in the Reference Manual will win this second tier tie breaker.

(C) The amount of requested tax credits per net rentable square foot (the lower credits per square foot has preference).

(D) Projects that are intended for eventual tenant ownership. Such Developments must utilize a detached single family site plan and building design and have a business plan describing how the project will convert to tenant ownership at the end of the 15-year compliance period.

(2) This paragraph identifies how ties will be handled when dealing with the restrictions on location identified in §~~50~~49.5(a)(8) of this chapter, and in dealing with any issues relating to capture rate calculation. When two Tax-Exempt Bond Developments would violate one of these restrictions, and only one Development can be selected, the Department will utilize the reservation docket number issued by the Texas Bond Review Board in making its determination. When two Competitive Housing Tax Credits Applications in the Application Round would violate one of these restrictions, and only one Development can be selected, the Department will utilize the tie breakers identified in paragraph (1) of this subsection. When a Tax-Exempt Bond Development and a Competitive Housing Tax Credit Application in the Application Round would both violate a restriction, the following determination will be used:

(A) Tax-Exempt Bond Developments that receive their reservation from the Bond Review Board on or before April 30, ~~2008~~2009 will take precedence over the Housing Tax Credit Applications in the ~~2008~~2009 Application Round;

(B) Housing Tax Credit Applications approved by the Board for tax credits in July ~~2008~~2009 will take precedence over the Tax-Exempt Bond Developments that received their reservation from the Bond Review Board on or between May 1, ~~2008~~2009 and July 31, ~~2008~~2009; and

(C) After July 31, ~~2008~~2009, a Tax-Exempt Bond Development with a reservation from the Bond Review Board will take precedence over any Housing Tax Credit Application from the ~~2008~~2009 Application Round on the Waiting List. However, if no reservation has been issued by the date the Board approves an allocation to a Development from the Waiting List of Applications in the ~~2008~~2009 Application Round or a forward commitment, then the Waiting List Application or forward commitment will be eligible for its allocation.

(k) **Staff Recommendations.** (§2306.1112 and §2306.6731) After eligible Applications have been evaluated, ranked and underwritten in accordance with the QAP and the Rules, the Department staff shall make its recommendations to the Executive Award and Review Advisory Committee. The Committee will develop funding priorities and shall make commitment recommendations to the Board. Such recommendations and supporting documentation shall be made in advance of the meeting at which the issuance of Commitment Notices or Determination Notices shall be discussed. The Committee will provide written, documented recommendations to the Board which will address at a minimum the financial or programmatic viability of each Application and a list of all submitted Applications which enumerates the reason(s) for the Development's proposed selection or denial, including all factors provided in §~~50~~49.10(a) of this chapter that were used in making this determination.

§~~50~~49.10.Board Decisions; Waiting List; Forward Commitments.

(a) **Board Decisions.** The Board's decisions shall be based upon the Department's and the Board's evaluation of the proposed Developments' consistency with the criteria and requirements set forth in this QAP and Rules.

(1) On awarding tax credits, the Board shall document the reasons for each Application's selection, including any discretionary factors used in making its determination, and the reasons for any decision that conflicts with the recommendations made by Department staff. The Board may not make, without good cause, a commitment decision that conflicts with the recommendations of Department staff. Good cause includes the Board's decision to apply discretionary factors. (§2306.6725(c); §42(m)(1)(A)(iv); §2306.6731)

(2) In making a determination to allocate tax credits, the Board shall be authorized to not rely solely on the number of points scored by an Application. It shall in addition, be entitled to take into account, as it deems appropriate, the discretionary factors listed in this paragraph. The Board may also apply these discretionary factors to its consideration of Tax-Exempt Bond Developments. If the Board disapproves or fails to act upon an Application, the Department shall issue to the Applicant a written notice stating the reason(s) for the Board's disapproval or failure to act. In making tax credit decisions (including those related to Tax-Exempt Bond Developments), the Board, in its discretion, may evaluate, consider and apply any one or more of the following discretionary factors: (§2306.111(g)(3))

(A) The Developer market study;

(B) The location;

(C) The compliance history of the Developer;

(D) The financial feasibility;

(E) The appropriateness of the Development's size and configuration in relation to the housing needs of the community in which the Development is located;

(F) The Development's proximity to other low-income housing Developments;

(G) The availability of adequate public facilities and services;

(H) The anticipated impact on local school districts;

(I) Zoning and other land use considerations;

(J) Any matter considered by the Board to be relevant to the approval decision and in furtherance of the Department's purposes; and

(K) Other good cause as determined by the Board.

(3) Before the Board approves any Application, the Department shall assess the compliance history of the Applicant with respect to all applicable requirements; and the compliance issues associated with the proposed Development, including compliance information provided by the Texas State Affordable Housing Corporation. The Committee shall provide to the Board a written report regarding the results of the assessments. The written report will be included in the appropriate Development file for Board and Department review. The Board shall fully document and disclose any instances in which the Board approves a Development Application despite any noncompliance associated with the Development or Applicant. (§2306.057)

(b) **Waiting List.** (§2306.6711(c) and (d)). If the entire State Housing Credit Ceiling for the applicable calendar year has been committed or allocated in accordance with this chapter, the Board shall generate, concurrently with the issuance of commitments, a waiting list of additional Applications ranked by score in descending order of priority based on Set-Aside categories and regional allocation goals. The Board may also apply discretionary factors in determining the Waiting List. If at any time prior to the end of the Application Round, one or more Commitment Notices expire and a sufficient amount of the State Housing Credit Ceiling becomes available, the Board shall issue a Commitment Notice to Applications on the waiting list subject to the amount of returned credits, the regional allocation goals and the Set-Aside categories, including the 10% Nonprofit Set-Aside allocation and 15% At-Risk Set-Aside allocation and 5% TRDO-USDA Set-Aside required under the Code, §42(h)(5). At the end of each calendar year, all Applications which have not received a Commitment Notice shall be deemed terminated. The Applicant may re-apply to the Department during the next Application Acceptance Period.

(c) **Forward Commitments.** The Board may determine to issue commitments of tax credit authority with respect to Applications from the State Housing Credit Ceiling for the calendar year following the year of issuance (each a "forward commitment") to Applications submitted in accordance with the rules and timelines required under this rule and the Application Submission Procedures Manual. The Board will utilize its discretion in determining the amount of credits to be allocated as forward commitments and the reasons for those commitments considering score and discretionary factors. The Board may utilize the forward commitment authority to allocate credits to TRDO-USDA Developments which are experiencing foreclosure or loan acceleration at any time during the ~~2008~~2009 calendar year, also referred to as Rural Rescue Developments.

Applications that are submitted under the ~~2008~~2009 QAP and granted a Forward Commitment of ~~2009~~2010 Housing Tax Credits are considered by the Board to comply with the ~~2009~~2010 QAP by having satisfied the requirements of this ~~2008~~2009 QAP, except for statutorily required QAP changes.

(1) Unless otherwise provided in the Commitment Notice with respect to a Development selected to receive a forward commitment, actions which are required to be performed under this chapter by a particular date within a calendar year shall be performed by such date in the calendar year of the Credit Ceiling from which the credits are allocated.

(2) Any forward commitment made pursuant to this section shall be made subject to the availability of State Housing Credit Ceiling in the calendar year with respect to which the forward commitment is made. If a forward commitment shall be made with respect to a Development placed in service in the year of such commitment, the forward commitment shall be a "binding commitment" to allocate the applicable credit dollar amount within the meaning of the Code, §42(h)(1)(C).

(3) If tax credit authority shall become available to the Department in a calendar year in which forward commitments have been awarded, the Department may allocate such tax credit authority to any eligible Development which received a forward commitment, in which event the forward commitment shall be canceled with respect to such Development.

§~~50~~49.11.Required Application Notifications, Receipt of Public Comment, and Meetings with Applicants; Viewing of Pre-Applications and Applications; Confidential Information.

(a) **Required Application Notifications, Receipt of Public Comment, and Meetings with Applicants.**

(1) Within approximately 14 days after the close of the Pre-Application Acceptance Period, the Department shall publish a Pre-Application Submission Log on its web site. Such log shall contain the Development name, address, Set-Aside, number of Units, requested credits, owner contact name and phone number. (§2306.6717(a)(1))

(2) Approximately 30 days before the close of the Application Acceptance Period, the Department will release the evaluation and assessment of the Pre-Applications on its web site.

(3) Not later than 14 days after the close of the Pre-Application Acceptance Period, or Application Acceptance Period for Applications for which no Pre-Application was submitted, the Department shall: (§2306.1114)

(A) Publish an Application submission log on its web site.

(B) Give notice of a proposed Development in writing that provides the information required under clause (i) of this subparagraph to all of the individuals and entities described in clauses (ii) - (x) of this subparagraph. (§2306.6718(a)-(c))

(i) The following information will be provided in these notifications:

(I) The relevant dates affecting the Application including the date on which the Application was filed, the date or dates on which any hearings on the Application will be held and the date by which a decision on the Application will be made;

(II) A summary of relevant facts associated with the Development;

(III) A summary of any public benefits provided as a result of the Development, including rent subsidies and tenant services; and

(IV) The name and contact information of the employee of the Department designated by the director to act as the information officer and liaison with the public regarding the Application.

(ii) Presiding officer of the ~~governing body~~Governing Body of the political subdivision containing the Development (mayor or county judge) to advise such individual that the Development, or a part thereof, will be located in his/her jurisdiction and request any comments which such individual may have concerning such Development.

(iii) If the Department receives a letter from the mayor or county judge of an affected city or county that expresses opposition to the Development, the Department will give consideration to the objections raised and will offer to visit the proposed site or Development with the mayor or county judge or their designated representative within 30 days of notification. The site visit must occur before the Housing Tax Credit can be approved by the Board. The Department will obtain reimbursement from the Applicant for the necessary travel and expenses at rates consistent with the state authorized rate (General Appropriation Act, Article VII, Rider 5) (§42(m)(1));

(iv) Any member of the ~~governing body~~Governing Body of a political subdivision who represents the Area containing the Development. If the ~~governing body~~Governing Body has single-member districts, then only that member of the ~~governing body~~Governing Body for that district will be notified, however if the ~~governing body~~Governing Body has at-large districts, then all members of the ~~governing body~~Governing Body will be notified;

(v) State representative and state senator who represent the community where the Development is proposed to be located. If the state representative or senator host a community meeting, the Department, if timely notified, will ensure staff are in attendance to provide information regarding the Housing Tax Credit Program; (General Appropriation Act, Article VII, Rider 8(d))

(vi) United States representative who represents the community containing the Development;

(vii) Superintendent of the school district containing the Development;

(viii) Presiding officer of the board of trustees of the school district containing the Development;

(ix) Any Neighborhood Organizations on record with the city or county in which the Development is to be located and whose boundaries contain the proposed Development site or otherwise known to the Applicant or Department and on record with the state or county; and

(x) Advocacy organizations, social service agencies, civil rights organizations, tenant organizations, or others who may have an interest in securing the development of affordable housing that are registered on the Department's email list service.

(C) The Department shall maintain an electronic mail notification service that will notify a subscriber, by zip code, of: (§2306.67171)

(i) The receipt of a Pre-Application or Application within 14 days of receipt;

(ii) The publication of materials to be presented to the Board for the Pre-Application or Application referred to in clause (i) of this subparagraph; and

(iii) Any public hearing for the Pre-Application or Application referred to in clause (i) of this subparagraph.

(D) The elected officials identified in subparagraph (B) of this paragraph will be provided an opportunity to comment on the Application during the Application evaluation process. (§42(m)(1))

(4) The Department shall hold at least three public hearings in different Uniform State Service Regions of the state to receive comment on the submitted Applications and on other issues relating to the Housing Tax Credit Program for competitive Applications under the State Housing Credit Ceiling. (§2306.6717(c))

(5) The Department shall make available on the Department's website information regarding the Housing Tax Credit Program including notice of public hearings, meetings, Application Round opening and closing dates, submitted Applications, and Applications approved for underwriting and recommended to the Board, and shall provide that information to locally affected community groups, local and state elected officials, local housing departments, any appropriate newspapers of general or limited circulation that serve the community in which a proposed Development is to be located, nonprofit and for-profit organizations, on-site property managers of occupied Developments that are the subject of Applications for posting in prominent locations at those Developments, and any other interested persons including community groups, who request the information. (§2306.6717(b))

(6) Approximately forty days prior to the date of the July Board meeting at which the issuance of Commitment Notices shall be discussed, the Department will notify each Applicant of the receipt of any opposition received by the Department relating to his or her Development at that time.

(7) Not later than the third working day after the date of completion of each stage of the Application process, including the results of the Application scoring and underwriting phases and the commitment phase, the results will be posted to the Department's web site. (§2306.6717(a)(3))

(8) At least thirty days prior to the date of the July Board meeting at which the issuance of Commitment Notices shall be discussed, the Department will:

(A) Provide the Application scores to the Board; (§2306.6711(a))

(B) If feasible, post to the Department's web site the entire Application, including all supporting documents and exhibits, the Application Log as further described in §~~50~~49.19(b) of this chapter, a scoring sheet providing details of the Application score, and any other documents relating to the processing of the Application. (§2306.6717(a)(1) and (2))

(9) A summary of comments received by the Department on specific Applications shall be part of the documents required to be reviewed by the Board under this subsection if it is received 30 business days prior to the date of the Board Meeting at which the issuance of Commitment Notices or Determination Notices shall be discussed. Comments received after this deadline will not be part of the documentation submitted to the Board. However, a public comment period will be available prior to the Board's decision, at the Board meeting where tax credit commitment decisions will be made.

(10) Not later than the 120th day after the date of the initial issuance of Commitment Notices for Housing Tax Credits, the Department shall provide an Applicant who did not receive a commitment for Housing Tax Credits with an opportunity to meet and discuss with the Department the Application's deficiencies, scoring and underwriting. (§2306.6711(e))

(b) **Viewing of Pre-Applications and Applications.** Pre-Applications and Applications for tax credits are public information and are available upon request after the Pre-Application and Application Acceptance Periods close, respectively. All Pre-Applications and Applications, including all exhibits and other supporting materials, except Personal Financial Statements and Social Security numbers, will be made available for public disclosure after the Pre-Application and Application periods close, respectively. The content of Personal Financial Statements may still be made available for public disclosure upon request if the Attorney General's office deems it is not protected from disclosure by the Texas Public Information Act.

(c) **Confidential Information.** The Department may treat the financial statements of any Applicant as confidential and may elect not to disclose those statements to the public. A request for such information shall be processed in accordance with §552.305 of the Government Code. (§2306.6717(d))

§~~50~~49.12.Tax-Exempt Bond Developments: Filing of Applications; Applicability of Rules; Supportive Services; Financial Feasibility Evaluation; Satisfaction of Requirements.

(a) **Filing of Applications for Tax-Exempt Bond Developments.** Applications for a Tax-Exempt Bond Development may be submitted to the Department as described in paragraphs (1) and (2) of this subsection:

(1) Applicants which receive advance notice of a Program Year ~~2008~~2009 reservation as a result of the Texas Bond Review Board's (TBRB) lottery for the private activity volume cap must file a complete Application not later than 12:00 p.m. on December ~~28~~29, ~~2007~~2008. Such filing must be accompanied by the Application fee described in §~~50~~49.20 of this chapter.

(2) Applicants which receive advance notice of a Program Year ~~2008~~2009 reservation after being placed on the waiting list as a result of the TBRB lottery for private activity volume cap must submit Volume 1 and Volume 2 of the Application and the Application fee described in §~~50~~49.20 of this chapter prior to the Applicant's bond reservation date as assigned by the TBRB. Those Applications designated as Priority 3 by the TBRB must submit Volumes I and II within 14 days of the bond reservation date if the Applicant intends to apply for tax credits regardless of the Issuer. Any outstanding documentation required under this section regardless of Priority must be submitted to the Department at least 60 days prior to the Board meeting at which the decision to issue a Determination Notice would be made unless a waiver is requested by the Applicant. The Department staff will have limited discretion to recommend an Application with appropriate justification of the late submission.

(3) Applications involving multiple sites must submit the required information as outlined in the Application Submission Procedures Manual. The Application will be considered to be one Application as identified in ~~Chapter~~ §1372, Texas Government Code.

(b) **Applicability of Rules for Tax-Exempt Bond Developments.** Tax-Exempt Bond Development Applications are subject to all rules in this ~~title~~chapter, with the only exceptions being the following sections: §~~50~~49.4 of this chapter (regarding State Housing Credit Ceiling), §~~50~~49.7 of this chapter (regarding Regional Allocation and Set-Asides), §~~50~~49.8 of this chapter (regarding Pre-Application), §~~50~~49.9(d) and (f) of this chapter (regarding Evaluation Processes for Competitive Applications and Rural Rescue Applications), §~~50~~49.9(i) of this chapter (regarding Selection Criteria), §~~50~~49.10(b) and (c) of this chapter (regarding Waiting List and Forward Commitments), and §~~50~~49.14(a) and (b) of this chapter (regarding Carryover and 10% Test). Such Developments requesting a Determination Notice in the current calendar year must meet all Threshold Criteria requirements stipulated in §~~50~~49.9(h) of this chapter. Such Developments which received a Determination

Notice in a prior calendar year must meet all Threshold Criteria requirements stipulated in the QAP and Rules in effect for the calendar year in which the Determination Notice was issued; provided, however, that such Developments shall comply with all procedural requirements for obtaining Department action in the current QAP and Rules; and such other requirements of the QAP and Rules as the Department determines applicable. ~~This documentation must be submitted no later than 14 days before the Board meeting where the credits will be considered.~~ Applicants will be required to meet all conditions of the Determination Notice by the time the construction loan is closed unless otherwise specified in the Determination Notice. Applicants must meet the requirements identified in §~~50~~49.15 of this chapter. No later than 60 days following closing of the bonds, the Development Owner must also submit a Management Plan and an Affirmative Marketing Plan (as further described in the Carryover Allocation Procedures Manual), and evidence must be provided at this time of attendance of the Development Owner or management company at Department-approved Fair Housing training relating to leasing and management issues for at least five hours and the Development architect and engineer at Department-approved Fair Housing training relating to design issues for at least five hours. Certifications must not be older than two years. Applications that receive a reservation from the Bond Review Board on or before December 31, ~~2007~~2008 will be required to satisfy the requirements of the ~~2007~~2008 QAP; Applications that receive a reservation from the Bond Review Board on or after January 1, ~~2008~~2009 will be required to satisfy the requirements of the ~~2008~~2009 QAP.

(c) **Supportive Services for Tax-Exempt Bond Developments.** Tax-Exempt Bond Development Applications must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. No fees may be charged to the tenants for any of the services. Services must be provided on-site or transportation to off-site services must be provided. The provision of these services will be included in the LURA. Acceptable services as described in paragraphs (1) - (3) of this subsection include:

(1) The services must be in at least one of the following categories: child care, transportation, notary public service, basic adult education, legal assistance, counseling services, GED preparation, English as a second language classes, vocational training, home buyer education, credit counseling, financial planning assistance or courses, health screening services, health and nutritional courses, organized team sports programs, youth programs, scholastic tutoring, social events and activities, community gardens or computer facilities;

(2) Any other program described under Title IV-A of the Social Security Act (42 U.S.C. §§601 et seq.) which enables children to be cared for in their homes or the homes of relatives; ends the dependence of needy families on government benefits by promoting job preparation, work and marriage; prevents and reduces the incidence of out-of wedlock pregnancies; and encourages the formation and maintenance of two-parent families, or

(3) Any other services approved in writing by the Issuer. The plan for tenant supportive services submitted for review and approval of the Issuer must contain a plan for coordination of services with state workforce development and welfare programs. The coordinated effort will vary depending upon the needs of the tenant profile at any given time as outlined in the plan.

(d) **Financial Feasibility Evaluation for Tax-Exempt Bond Developments.** Code §42(m)(2)(D) requires the bond issuer (if other than the Department) to ensure that a Tax-Exempt Bond Development does not receive more tax credits than the amount needed for the financial feasibility and viability of a Development throughout the Compliance Period. Treasury Regulations prescribe the occasions upon which this determination must be made. In light of the requirement, issuers may either elect to underwrite the Development for this purpose in accordance with the QAP and the Underwriting Rules and Guidelines, §1.32 of this title or request that the Department perform the function. If the issuer underwrites the Development, the Department will, nonetheless, review the underwriting report and may make such changes in the amount of credits which the Development may be allowed as are appropriate under the Department's guidelines. The Determination Notice issued by the Department and any subsequent IRS Form(s) 8609 will reflect the amount of tax credits for which the Development is determined to be eligible in accordance with this subsection, and the amount of tax credits reflected in the IRS Form 8609 may be greater or less than the amount set forth in the Determination Notice, based upon the Department's and the bond issuer's determination as of each building's placement in service. Any increase of tax credits, from the amount specified in the Determination Notice, at the time of each building's placement in service will only be permitted if it is determined by the Department, as required by

Code §42(m)(2)(D), that the Tax-Exempt Bond Development does not receive more tax credits than the amount needed for the financial feasibility and viability of a Development throughout the Compliance Period. Increases to the amount of tax credits that exceed 110% of the amount of credits reflected in the Determination Notice are contingent upon approval by the Board. Increases to the amount of tax credits that do not exceed 110% of the amount of credits reflected in the Determination Notice may be approved administratively by the Executive Director.

(e) **Satisfaction of Requirements for Tax-Exempt Bond Developments.** If the Department staff determines that all requirements of this QAP and Rules have been met, the Department will recommend that the Board authorize the issuance of a Determination Notice. The Board, however, may utilize the discretionary factors identified in §~~50~~49.10(a) of this chapter in determining if they will authorize the Department to issue a Determination Notice to the Development Owner. The Determination Notice, if authorized by the Board, will confirm that the Development satisfies the requirements of the QAP and Rules in accordance with the Code, §42(m)(1)(D).

(f) **Certification of Tax Exempt Applications with New Docket Numbers.** Applications that are processed through the Department review and evaluation process and receive an affirmative Board Determination, but do not close the bonds prior to the bond reservation expiration date, and subsequently have that docket number withdrawn from the Bond Review Board, may have their Determination Notice reinstated. The Applicant would need to receive a new docket number from the Texas Bond Review Board. One of the following must apply:

(1) The new docket number must be issued in the same program year as the original docket number and must not be more than four months from the date the original application was withdrawn from the BRB. The application must remain unchanged. This means that at a minimum, the following can not have changed: site control, total number of units, unit mix (bedroom sizes and income restrictions), design/site plan documents, financial structure including bond and Housing Tax Credit amounts, development costs, rent schedule, operating expenses, sources and uses, ad valorem tax exemption status, target population, scoring criteria (TDHCA issues) or BRB priority status including the effect on the inclusive capture rate. Note that the entities involved in the Applicant entity and Developer can not change; however, the certification can be submitted even if the lender, syndicator or issuer changes, as long as the financing structure and terms remain unchanged. Notifications under §~~50~~49.9(h)(8) of this chapter are not required to be reissued. In the event that the Department's Board has already approved the Application for tax credits, the Application is not required to be presented to the Board again (unless there is public opposition) and a revised Determination Notice will be issued once notice of the assignment of a new docket number has been provided to the Department and the Department has confirmed that the capture rate and market demand remain acceptable. This certification must be submitted no later than thirty days after the date the Bond Review Board issues the new docket number and no later than thirty days before the anticipated closing. In the event that the Department's Board has not yet approved the Application, the Application will continue to be processed and ultimately provided to the Board for consideration. This certification must be submitted no later than thirty days after the date the Bond Review Board issues the new docket number and no later than forty-five days before the anticipated Department's Board meeting date.

(2) If there are changing to the Application as referenced in paragraph (1) of this subsection, the Application will be required to submit a new Application in full, along with the applicable fees, to be reviewed and evaluated in its entirety for a new determination notice to be issued.

§~~50~~49.13.Commitment and Determination Notices; Agreement and Election Statement; Documentation Submission Requirements.

(a) **Commitment and Determination Notices.** If the Board approves an Application the Department will:

(1) If the Application is for a commitment from the State Housing Credit Ceiling, issue a Commitment Notice to the Development Owner which shall:

(A) Confirm that the Board has approved the Application; and

(B) State the Department's commitment to make a Housing Credit Allocation to the Development Owner in a specified amount, subject to the feasibility determination described in §~~50~~49.16 of this chapter, and compliance by the Development Owner with the remaining requirements of this chapter and any other terms and conditions set forth therein by the Department. This commitment shall expire on the date specified therein unless the Development Owner indicates acceptance of the commitment by executing the Commitment Notice~~ or Determination Notice~~, pays the required fee specified in §~~50~~49.20 of this chapter, and satisfies any other conditions set forth therein by the Department. The Commitment Notice expiration date may not be extended.

(2) If the Application regards a Tax-Exempt Bond Development, issue a Determination Notice to the Development Owner which shall:

(A) Confirm the Board's determination that the Development satisfies the requirements of this QAP; and

(B) State the Department's commitment to issue IRS Form(s) 8609 to the Development Owner in a specified amount, subject to the requirements set forth in §~~50~~49.12 of this chapter and compliance by the Development Owner with all applicable requirements of this chapter and any other terms and conditions set forth therein by the Department. The Determination Notice shall expire on the date specified therein unless the Development Owner indicates acceptance by executing the Determination Notice and paying the required fee specified in §~~50~~49.20 of this chapter. The Determination Notice shall also expire unless the Development Owner satisfies any conditions set forth therein by the Department~~ within the applicable time period~~. The Determination Notice expiration may not be extended.

(3) Notify, in writing, the mayor or other equivalent chief executive officer of the municipality in which the Property is located informing him/her of the Board's issuance of a Commitment Notice or Determination Notice, as applicable.

(4) A Commitment or Determination Notice shall not be issued with respect to any Development for an unnecessary amount or where the cost for the total development, acquisition, construction or Rehabilitation exceeds the limitations established from time to time by the Department and the Board, unless the Department staff make a recommendation to the Board based on the need to fulfill the goals of the Housing Tax Credit Program as expressed in this QAP and Rules, and the Board accepts the recommendation. The Department's recommendation to the Board shall be clearly documented.

(5) A Commitment or Determination Notice shall not be issued with respect to the Applicant, the Development Owner, the General Contractor, or any Affiliate of the General Contractor that is active in the ownership or Control of one or more other low-income rental housing properties in the state of Texas administered by the Department that is in Material Noncompliance with the LURA (or any other document containing an Extended Low-income Housing Commitment) or the program rules in effect for such property, as described in Chapter 60 of this title.

(6) The executed Commitment or Determination Notice must be returned to the Department on the date specified within the Commitment Notice or Determination Notice, which shall be no earlier than ten days of the effective date of the Notice.

(b) **Agreement and Election Statement.** Together with the Development Owner's acceptance of the Carryover Allocation, the Development Owner may execute an Agreement and Election Statement, in the form prescribed by the Department, for the purpose of fixing the Applicable Percentage for the Development as that for the month in which the Carryover Allocation was accepted (or the month the bonds were ~~issued ~~closed for Tax-Exempt Bond Developments), as provided in the Code, §42(b)(2). Current Treasury Regulations, §1.42-8(a)(1)(v), suggest that in order to permit a Development Owner to make an effective election to fix the Applicable Percentage for a Development, the Carryover Allocation Document must be executed by the Department and the Development Owner within the same month. The Department staff will cooperate with a Development Owner, as possible or reasonable; to assure that the Carryover Allocation Document can be so executed.

(c) **Documentation Submission Requirements at Commitment of Funds.** No later than the date the Commitment Notice or Determination Notice is executed by the Applicant and returned to the Department with the appropriate Commitment or Determination Fee as further described in §~~50~~49.20(f) of this chapter, the following documents must also be provided to the Department. Failure to provide these documents may cause the Commitment or Determmination to be rescinded. For each Applicant all of the following must be provided:

(1) Evidence that the entity has the authority to do business in Texas;

(2) A Certificate of Account Status from the Texas Comptroller of Public Accounts or, if such a Certificate is not available because the entity is newly formed, a statement to such effect; and a Certificate of Organization from the Secretary of State;

(3) Copies of the entity's governing documents, including, but not limited to, its Articles of Incorporation, Articles of Organization, Certificate of Limited Partnership, Bylaws, Regulations and/or Partnership Agreement; and

(4) Evidence that the signer(s) of the Application have the authority to sign on behalf of the Applicant in the form of a corporate resolution or by-laws which indicate same from the sub-entity in Control and that those Persons signing the Application constitute all Persons required to sign or submit such documents.

§~~50~~49.14.Carryover; 10% Test; Commencement of Substantial Construction.

(a) **Carryover.** All Developments which received a Commitment Notice, and will not be placed in service and receive IRS Form 8609 in the year the Commitment Notice was issued, must submit the Carryover documentation to the Department no later than November 1 of the year in which the Commitment Notice is issued pursuant to §42(h)(l)(c) IRC.

(1) Commitments for credits will be terminated if the Carryover documentation, or an approved extension, has not been received by this deadline. In the event that a Development Owner intends to submit the Carryover documentation in any month preceding November of the year in which the Commitment Notice is issued, in order to fix the Applicable Percentage for the Development in that month, it must be submitted no later than the first Friday in the preceding month.

(2) If the financing structure, syndication rate, amount of debt or syndication proceeds are revised at the time of Carryover from what was proposed in the original Application, applicable documentation of such changes must be provided and the Development may be reevaluated by the Department.

(3) The Carryover Allocation format must be properly completed and delivered to the Department as prescribed by the Carryover Allocation Procedures Manual.

(4) All Carryover Allocations will be contingent upon the Development Owner providing evidence that the Development site is still under control of the Development Owner. For purposes of this paragrapg, site control must be identical to the same Development Site that was submitted at the time of Application Submission.

(5) The Department will not execute a Carryover Allocation Agreement with any Owner in Material Noncompliance on October 1, 2009.

(6) The Development Owner may receive bonus points, as referenced in section 49.9(i)(29) of this chapter, in the Application Round following the execution of the Carryover Allocation Agreement, if the Development Owner provides evidence of the purchase, transfer, lease or otherwise has ownership, of the Development Site, at the time of submission of the Carryover documentation.

~~following, in addition to all other conditions placed upon the Application in the Commitment Notice:~~

~~(1) The Development Owner for all New Construction and Adaptive Reuse Developments must have purchased the Development Site.~~

~~(2) A current original plat or survey of the land, prepared by a duly licensed Texas Registered Professional Land Surveyor. Such survey shall conform to standards prescribed in the Manual of Practice for Land Surveying in Texas as promulgated and amended from time to time by the Texas Surveyors Association as more fully described in the Carryover Procedures Manual.~~

~~(3) For all Developments involving New Construction or Adaptive Reuse, evidence of the availability of all necessary utilities/services to the Development site must be provided. Necessary utilities include natural gas (if applicable), electric, trash, water, and sewer. Such evidence must be a letter or a monthly utility bill from the appropriate municipal/local service provider. If utilities are not already accessible, then the letter must clearly state: an estimated time frame for provision of the utilities, an estimate of the infrastructure cost, and an estimate of any portion of that cost that will be borne by the Development Owner. Letters must be from an authorized individual representing the organization which actually provides the services. Such documentation should clearly indicate the Development property. If utilities are not already accessible (undeveloped areas), then the letter should not be older than three months from the first day of the Application Acceptance Period.~~

~~(4) The Department will not execute a Carryover Allocation Agreement with any Owner in Material Noncompliance on October 1, 2008.~~

(b) **10% Test.** No later than ~~six~~ eleven months from the date the Carryover Allocation Document is executed by the Department and the Development Owner, more than 10% of the Development Owner's reasonably expected basis must have been incurred pursuant to §42(h)(1)(E)(i) and (ii) of the Internal Revenue Code (as amended by The Housing and Economic Recovery Act of 2008) and Treasury Regulations, §1.42-6. The evidence to support the satisfaction of this requirement must be submitted to the Department no later than ~~June 30~~December 1 of the year following the execution of the Carryover Allocation Document in a format prescribed by the Department. At the time of submission of the documentation, the Development Owner must also submit a Management Plan and an Affirmative Marketing Plan as further described in the Carryover Allocation Procedures Manual. Evidence must be provided at this time of attendance of the Development Owner or management company at Department-approved Fair Housing training relating to leasing and management issues for at least five hours and the Development architect and engineer at Department-approved Fair Housing training relating to design issues for at least five hours on or before the time the 10% Test Documentation is submitted. Certifications must not be older than two years from the date of submission of the 10% Test Documentation. The 10% Test Documentation will be contingent upon the following, in addition to all other conditions placed upon the Application in the Commitment Notice:

(1) The Development Owner for all Developments must have purchased, transferred, leased or otherwise have ownership, of the Development Site.

(2) A current original plat or survey of the land, prepared by a duly licensed Texas Registered Professional Land Surveyor. Such survey shall conform to standards prescribed in the Manual of Practice for Land Surveying in Texas as promulgated and amended from time to time by the Texas Surveyors Association as more fully described in the Carryover Procedures Manual.

(3) For all Developments involving New Construction or Adaptive Reuse, evidence of the availability of all necessary utilities/services to the Development site must be provided. Necessary utilities include natural gas (if applicable), electric, trash, water, and sewer. Such evidence must be a letter or a monthly utility bill from the appropriate municipal/local service provider. If utilities are not already accessible, then the letter must clearly state: an estimated time frame for provision of the utilities, an estimate of the infrastructure cost, and an estimate of any portion of that cost that will be borne by the Development Owner. Letters must be from an authorized individual representing the organization which actually provides the services. Such documentation should clearly indicate the Development property. If utilities are not already accessible (undeveloped areas), then the letter should not be older than three months from the first day of the Application Acceptance Period.

(4) The Development Owner must submit evidence of having commenced and continued substantial construction activities as defined in Chapter 60 of this title.

(5) The Development Owner may receive bonus points, as referenced in section 49.9(i)(29) of this chapter, in the Application Round following the execution of the Carryover Allocation Agreement, if the Development Owner provides evidence that the requirements of the 10% Test were met, on or before June 1 in the year following the execution of the Carryover Allocation Agreement (with the exception of the documentation required in paragraph (4) of this subsection), and submits the complete documentation, to the Department, on or before June 1 in the year following the execution of the same Carryover Allocation Agreement. The submission of the commencement of substantial construction documentation, as referenced in paragraph (4) of this subsection, will be required on or before December 1 of the year following the Carryover Allocation Agreement.

~~(c) **Commencement of Substantial Construction.** The Development Owner must submit evidence of having commenced and continued substantial construction activities as defined in Chapter 60 of this title. The evidence must be submitted not later than December 1 of the year after the execution of the Carryover Allocation Document with the possibility of an extension as described in §50.20 of this chapter.~~

§~~50~~49.15.LURA, Cost Certification.

(a) **Land Use Restriction Agreement (LURA).** The Development Owner must request a LURA from the Department no later than the date specified in Chapter 60 of this title, the Department's Compliance Rules.

The Development Owner must date, sign and acknowledge before a notary public the LURA and send the original to the Department for execution. The initial compliance and monitoring fee must be accompanied by a statement, signed by the Owner, indicating the start of the Development's Credit Period and the earliest placed in service date for the Development buildings. After receipt of the signed LURA from the Department, the Development Owner shall then record the LURA, along with any and all exhibits attached thereto, in the real property records of the county where the Development is located and return the original document, duly certified as to recordation by the appropriate county official, to the Department no later than the date that the Cost Certification Documentation is submitted to the Department. If any liens (other than mechanics' or materialmen's liens) shall have been recorded against the Development and/or the Property prior to the recording of the LURA, the Development Owner shall obtain the subordination of the rights of any such lienholder, or other effective consent, to the survival of certain obligations contained in the LURA, which are required by §42(h)(6)(E)(ii) of the Code to remain in effect following the foreclosure of any such lien. Receipt of such certified recorded original LURA by the Department is required prior to issuance of IRS Form 8609. A representative of the Department, or assigns, shall physically inspect the Development for compliance with the Application and the representations, warranties, covenants, agreements and undertakings contained therein. Such inspection will be conducted before the IRS Form 8609 is issued for a building, but it shall be conducted in no event later than the end of the second calendar year following the year the last building in the Development is placed in service. The Development Owner for Tax-Exempt Bond Developments shall obtain a subordination agreement wherein the lien of the mortgage is subordinated to the LURA. The LURA shall contain any provision which requires the Development Owner to restrict rents and incomes at any AMGI level, as approved by the Board. The restricted gross rents for any AMGI level outlined in the LURA will be calculated in accordance with §42(g)(2)(A), Internal Revenue Code.

(b) **Cost Certification.** The Cost Certification Procedures Manual sets forth the documentation required for the Department to perform a feasibility analysis in accordance with §42(m)(2)(C)(i)(II), Internal Revenue Code, and determine the final Credit to be allocated to the Development.

(1) To request IRS Forms 8609, Developments must have:

(A) Placed in Service by December 31 of the year the Commitment Notice was issued if a Carryover Allocation was not requested and received; or December 31 of the second year following the year the Carryover Allocation Agreement was executed;

(B) Scheduled a final construction inspection in accordance with Chapter 60 of this title, the Department's Compliance Monitoring Policies and Procedures;

(C) Informed the Department of and received written approval for all Development amendments in accordance with §~~50~~49.17(c) of this chapter;

(D) Submitted to the Department the LURA in accordance with subsection (a) of this section;

(E) Paid all applicable Department fees; and

(F) Prepared all Cost Certification documentation as more fully described in the Cost Certification Procedures Manual including:

(i) Carryover Allocation Agreement/Determination Notice and Election Statement;

(ii) Owner's Statement of Certification;

(iii) Owner Summary;

(iv) Evidence of Nonprofit and CHDO Participation;

(v) Evidence of Historically Underutilized Business (HUB) Participation;

(vi) Development Summary;

(vii) As-Built Survey;

(viii) Closing Statement;

(ix) Title Policy;

(x) Evidence of Placement in Service;

(xi) Independent Auditor's Reports;

(xii) Total Development Cost Schedule;

(xiii) AIA Form G702 and G703, Application and Certificate for Payment;

(xiv) Rent Schedule;

(xv) Utility Allowance;

(xvi) Annual Estimated Operating Expenses and 15-Year Proforma;

(xvii) Current Annual Operating Statement and Rent Roll;

(xviii) Final Sources of Funds;
(xix) Executed Limited Partnership Agreement;
(xx) Loan Agreement or Firm Commitment;
(xxi) Architect's Certification of Fair Housing Requirements; and
(xxii) TDHCA Compliance Workshop Certificate.

(2) Required Cost Certification documentation must be received by the Department no later than January 15 following the year the Credit Period begins. Any Developments issued a Commitment Notice or Determination Notice that fails to submit its Cost Certification documentation by this deadline will be reported to the IRS and the Owner will be required to submit a request for extension consistent with §~~50~~49.20(l) of this chapter.

(3) The Department will perform an initial evaluation of the Cost Certification documentation within 45 days from the date of receipt and notify the Owner in a deficiency letter of all additional required documentation. Any deficiency letters issued to the Owner pertaining to the Cost Certification documentation will also be copied to the syndicator. The Department will issue IRS Forms 8609 no later than 90 days from the date that all required documents have been received.

(4) The Department will perform an evaluation to determine if the Applicant is in Material Noncompliance with the LURA (or any other document containing an Extended Low-income Housing Commitment) or the program rules in effect for the subject property, as described in Chapter 60 of this title, prior to issuance of IRS Forms 8609.

§~~50~~49.16.Housing Credit Allocations.

(a) In making a commitment of a Housing Credit Allocation under this chapter, the Department shall rely upon information contained in the Application to determine whether a building is eligible for the credit under the Code, §42. The Development Owner shall bear full responsibility for claiming the credit and assuring that the Development complies with the requirements of the Code, §42. The Department shall have no responsibility for ensuring that a Development Owner who receives a Housing Credit Allocation from the Department will qualify for the tax credit.

(b) The Housing Credit Allocation Amount shall not exceed the dollar amount the Department determines is necessary for the financial feasibility and the long term viability of the Development throughout the affordability period. (§2306.6711(b)). Such determination shall be made by the Department at the time of issuance of the Commitment Notice or Determination Notice; at the time the Department makes a Housing Credit Allocation; and as of the date each building in a Development is placed in service. Any Housing Credit Allocation Amount specified in a Commitment Notice, Determination Notice or Carryover Allocation Document is subject to change by the Department based upon such determination. Such a determination shall be made by the Department based on its evaluation and procedures, considering the items specified in the Code, §42(m)(2)(B), and the department in no way or manner represents or warrants to any Applicant, sponsor, investor, lender or other entity that the Development is, in fact, feasible or viable.

(c) The General Contractor hired by the Development Owner must meet specific criteria as defined by the General Appropriation Act, Article VII, Rider 8(c). A General Contractor hired by a Development Owner or a Development Owner, if the Development Owner serves as General Contractor must demonstrate a history of constructing similar types of housing without the use of federal tax credits. Evidence must be submitted to the Department, in accordance with §~~50~~49.9(h)(4)(I) of this chapter, which sufficiently documents that the General Contractor has constructed some housing without the use of Housing Tax Credits. This documentation will be required as a condition of the Commitment Notice or Carryover Allocation Agreement, and must be complied with prior to commencement of construction and at cost certification and final allocation of credits.

(d) An allocation will be made in the name of the Development Owner identified in the related Commitment Notice or Determination Notice. If an allocation is made to a member or Affiliate of the ownership entity proposed at the time of Application, the Department will transfer the allocation to the ownership entity as consistent with the intention of the Board when the Development was selected for an award of tax credits. Any other transfer of an allocation will be subject to review and approval by the Department consistent with §~~50~~49.17(c) of this chapter. The approval of any such transfer does not constitute a representation to the effect that such transfer is permissible under §42 of the Code or without adverse consequences thereunder, and the Department may condition its approval upon receipt and approval of complete current documentation regarding the owner including documentation to show consistency with all the criteria for scoring, evaluation and underwriting, among others, which were applicable to the original Applicant.

(e) The Department shall make a Housing Credit Allocation, either in the form of IRS Form 8609, with respect to current year allocations for buildings placed in service, or in the Carryover Allocation Document, for buildings not yet placed in service, to any Development Owner who holds a Commitment Notice which has not expired, and for which all fees as specified in §~~50~~49.20 of this chapter have been received by the Department and with respect to which all applicable requirements, terms and conditions have been met. For Tax-Exempt Bond Developments, the Housing Credit Allocation shall be made in the form of a Determination Notice. For an IRS Form 8609 to be issued with respect to a building in a Development with a Housing Credit Allocation, satisfactory evidence must be received by the Department that such building is completed and has been placed in service in accordance with the provisions of the Department's Cost Certification Procedures Manual. The Cost Certification documentation requirements will include a certification and inspection report prepared by a Third-Party accessibility specialist to certify that the Development meets all required accessibility standards. IRS Form 8609 will not be issued until the certifications are received by the Department. The Department shall mail or deliver IRS Form 8609 (or any successor form adopted by the Internal Revenue Service) to the Development Owner, with Part I thereof completed in all respects and signed by an authorized official of the Department. The delivery of the IRS Form 8609 will occur only after the Development Owner has complied with all procedures and requirements listed within the Cost Certification Procedures Manual. Regardless of the year of Application to the Department for Housing Tax Credits, the current year's Cost Certification Procedures Manual must be utilized when filing all cost certification materials. A separate Housing Credit Allocation shall be made with respect to each building within a Development which is eligible for a tax credit; provided, however, that where an allocation is made pursuant to a Carryover Allocation Document on a Development basis in accordance with the Code, §42(h)(1)(F), a housing credit dollar amount shall not be assigned to particular buildings in the Development until the issuance of IRS Form 8609s with respect to such buildings. The Department may delay the issuance of IRS Form 8609 if any Development violates the representations of the Application.

(f) In making a Housing Credit Allocation, the Department shall specify a maximum Applicable Percentage, not to exceed the Applicable Percentage for the building permitted by the Code, §42(b), and a maximum Qualified Basis amount. In specifying the maximum Applicable Percentage and the maximum Qualified Basis amount, the Department shall disregard the first-year conventions described in the Code, §42(f)(2)(A) and §42(f)(3)(B). The Housing Credit Allocation made by the Department shall not exceed the amount necessary to support the extended low-income housing commitment as required by the Code, §42(h)(6)(C)(i).

(g) Development inspections shall be required to show that the Development is built or rehabilitated according to construction threshold criteria and Development characteristics identified at application. At a minimum, all Development inspections must meet Uniform Physical Condition Standards (UPCS) as referenced in Treasury Regulation §1.42-5 (d)(2)(ii) and include an inspection for quality during the construction process while defects can reasonably be corrected and a final inspection at the time the Development is placed in service. All such Development inspections shall be performed by the Department or by an independent Third Party inspector acceptable to the Department. The Development Owner shall pay all fees and costs of said inspections as described in §~~50~~49.20 of this chapter. Details regarding the construction inspection process are set forth in the Department Rule Chapter 60 of this title, the Department's Compliance Monitoring Policies and Procedures (§2306.081; General Appropriation Act, Article VII, Rider 8(b)).

(h) After the entire Development is placed in service, which must occur prior to the deadline specified in the Carryover Allocation Document and as further outlined in §~~50~~49.15 of this chapter, the Development Owner shall be responsible for furnishing the Department with documentation which satisfies the requirements set forth in the Cost Certification Procedures Manual. For purposes of this title, and consistent with IRS Notice 88-116, the placed in service date for a new or existing building used as residential rental property is the date on which the building is ready and available for its specifically assigned function and more specifically when the first Unit in the building is certified as being suitable for occupancy in accordance with state and local law and as certified by the appropriate local authority or registered architect as ready for occupancy. The Cost Certification must be submitted for the entire Development; therefore partial Cost Certifications are not allowed. The Department may require copies of invoices and receipts and statements for materials and labor utilized for the New Construction or Rehabilitation and, if applicable, a closing statement for the acquisition of the Development as well as for the closing of all interim and permanent financing for the Development. If the Development Owner does not fulfill all representations and commitments made in the Application, the Department may make reasonable reductions to the tax credit amount allocated via the IRS Form 8609, may withhold issuance of the IRS Form 8609s until these representations and commitments are met, and/or may terminate the allocation, if appropriate corrective action is not taken by the Development Owner.

(i) The Board at its sole discretion may allocate credits to a Development Owner in addition to those awarded at the time of the initial Carryover Allocation in instances where there is bona fide substantiation of cost overruns and the Department has made a determination that the allocation is needed to maintain the Development's financial viability.

(j) The Department may, at any time and without additional administrative process, determine to award credits to Developments previously evaluated and awarded credits if it determines that such previously awarded credits are or may be invalid and the owner was not responsible for such invalidity.

(k) If an Applicant returns a full credit allocation after the Carryover Allocation deadline required for that allocation, the Department will impose a penalty on the score for any Competitive Housing Tax Credit Applications submitted by that Applicant or any Affiliate of that Applicant for any Application in an Application Round occurring concurrent to the return of credits or if no Application Round is pending the Round immediately following the return of credits unless otherwise exempted in accordance with the Board's policy pursuant to the implementation of The Housing and Economic Recovery Act of 2008, H.R. 3221, in September 2008. The penalty will be assessed in an amount that reduces the Applicant's final awarded score by an additional 20%.

§~~50~~49.17.Board Reevaluation, Appeals Process; Provision of Information or Challenges Regarding Applications; Amendments; Housing Tax Credit and Ownership Transfers; Sale of Tax Credit Properties; Withdrawals; Cancellations; Alternative Dispute Resolution.

(a) **Board Reevaluation.** (§2306.6731(b)). Regardless of development stage, the Board shall reevaluate a Development that undergoes a substantial change between the time of initial Board approval of the Development and the time of issuance of a Commitment Notice or Determination Notice for the Development. For the purposes of this subsection, substantial change shall be those items identified in subsection (d)(4) of this section. The Board may revoke any Commitment Notice or Determination Notice issued for a Development that has been unfavorably reevaluated by the Board.

(b) **Appeals Process.** (§2306.6715) An Applicant may appeal decisions made by the Department as follows.

(1) The decisions that may be appealed are identified in subparagraphs (A) - (D) of this paragraph.

(A) A determination regarding the Application's satisfaction of:

(i) Eligibility Requirements;

(ii) Disqualification or debarment criteria;

(iii) Pre-Application or Application Threshold Criteria;

(iv) Underwriting Criteria;

(B) The scoring of the Application under the Application Selection Criteria; and

(C) A recommendation as to the amount of Housing Tax Credits to be allocated to the Application.

(D) Any Department decision that results in termination of an Application.

(2) An Applicant may not appeal a decision made regarding an Application filed by another Applicant.

(3) An Applicant must file its appeal in writing with the Department not later than the seventh day after the date the Department publishes the results of any stage of the Application evaluation process identified in §~~50~~49.9 of this chapter. In the appeal, the Applicant must specifically identify the Applicant's grounds for appeal, based on the original Application and additional documentation filed with the original Application. If the appeal relates to the amount of Housing Tax Credits recommended to be allocated, the Department will provide the Applicant with the underwriting report upon request.

(4) The Executive Director of the Department shall respond in writing to the appeal not later than the 14th day after the date of receipt of the appeal. If the Applicant is not satisfied with the Executive Director's response to the appeal, the Applicant may appeal directly in writing to the Board, provided that an appeal filed with the Board under this subsection must be received by the Board before:

(A) The seventh day preceding the date of the Board meeting at which the relevant commitment decision is expected to be made; or

(B) The third day preceding the date of the Board meeting described by subparagraph (A) of this paragraph, if the Executive Director does not respond to the appeal before the date described by subparagraph (A) of this paragraph.

(5) Board review of an appeal under paragraph (4) of this subsection is based on the original Application and additional documentation filed with the original Application. The Board may not review any information not contained in or filed with the original Application. The decision of the Board regarding the appeal is final.

(6) The Department will post to its web site an appeal filed with the Department or Board and any other document relating to the processing of the appeal. (§2306.6717(a)(5))

(c) **Provision of Information or Challenges Regarding Applications from Unrelated Entities to the Application.** The Department will address information or challenges received from unrelated entities to a specific ~~2008~~2009 active Application, utilizing a preponderance of the evidence standard, as stated in paragraphs (1) - (3) of this subsection, provided the information or challenge includes a contact name, telephone number, fax number and e-mail address of the person providing the information or challenge and must be received by the Department no later than June 15, ~~2008~~2009:

(1) Within 14 business days of the receipt of the information or challenge, the Department will post all information and challenges received (including any identifying information) to the Department's website.

(2) Within seven business days of the receipt of the information or challenge, the Department will notify the Applicant related to the information or challenge. The Applicant will then have seven business days to respond to all information and challenges provided to the Department.

(3) Within 14 business days of the receipt of the response from the Applicant, the Department will evaluate all information submitted and other relevant documentation related to the investigation. This information may include information requested by the Department relating to this evaluation. The Department will post its determination summary to its website. Any determinations made by the Department cannot be appealed by any party unrelated to the Applicant.

(d) **Amendment of Application Subsequent to Allocation by Board.** (§2306.6712 and §2306.6717(a)(4))

(1) If a proposed modification would materially alter a Development approved for an allocation of a Housing Tax Credit, or if the Applicant has altered any selection criteria item for which it received points, the Department shall require the Applicant to file a formal, written request for an amendment to the Application.

(2) The Executive Director of the Department shall require the Department staff assigned to underwrite Applications to evaluate the amendment and provide an analysis and written recommendation to the Board. The appropriate party monitoring compliance during construction in accordance with §~~50~~49.18 of this chapter shall also provide to the Board an analysis and written recommendation regarding the amendment. For amendments which require Board approval, the amendment request must be received by the Department at least 30 days prior to the Board meeting where the amendment will be considered.

(3) The Board must vote on whether to approve an amendment. The Board by vote may reject an amendment and, if appropriate, rescind a Commitment Notice or terminate the allocation of Housing Tax Credits and reallocate the credits to other Applicants on the Waiting List if the Board determines that the modification proposed in the amendment:

(A) would materially alter the Development in a negative manner; or

(B) would have adversely affected the selection of the Application in the Application Round.

(4) Material alteration of a Development includes, but is not limited to:

(A) a significant modification of the site plan;

(B) a modification of the number of units or bedroom mix of units;

(C) a substantive modification of the scope of tenant services;

(D) a reduction of 3% or more in the square footage of the units or common areas;

(E) a significant modification of the architectural design of the Development;

(F) a modification of the residential density of the Development of at least 5%;

(G) an increase or decrease in the site acreage of greater than 10% from the original site under control and proposed in the Application; and

(H) any other modification considered significant by the Board.

(5) In evaluating the amendment under this subsection, the Department staff shall consider whether the need for the modification proposed in the amendment was:

(A) Reasonably foreseeable by the Applicant at the time the Application was submitted; or

(B) Preventable by the Applicant.

(6) This section shall be administered in a manner that is consistent with the Code, §42.

(7) Before the 15th day preceding the date of Board action on the amendment, notice of an amendment and the recommendation of the Executive Director and monitor regarding the amendment will be posted to the Department's web site.

(8) In the event that an Applicant or Developer seeks to be released from the commitment to serve the income level of tenants targeted in the Real Estate Analysis Report at the time of the Commitment Notice issuance, as approved by the Board, the following procedure will apply. For amendments that involve a reduction in the total number of low-income Units being served, or a reduction in the number of low-income Units at any level of AMGI, as approved by the Board, evidence must be presented to the Department that includes written confirmation from the lender and syndicator that the Development is infeasible without the adjustment in Units. The Board may or may not approve the amendment request, however, any affirmative recommendation to the Board is contingent upon concurrence from the Real Estate Analysis Division that the Unit adjustment (or an alternative Unit adjustment) is necessary for the continued feasibility of the Development. Additionally, if it is determined by the Department that the allocation of credits would not have been made in the year of allocation because the loss of low-income targeting points would have resulted in the Application not receiving an allocation, and the amendment is approved by the Board, the approved amendment will carry a penalty that prohibits the Applicant and all persons or entities with any ownership interest in the Application (excluding any tax credit purchaser/syndicator), from participation in the Housing Tax Credit Program (for both the Competitive Housing Tax Credit Developments and Tax-Exempt Bond Developments) for 24 months from the time that the amendment is approved.

(e) **Housing Tax Credit and Ownership Transfers.** (§2306.6713) A Development Owner may not transfer an allocation of Housing Tax Credits or ownership of a Development supported with an allocation of Housing Tax Credits to any Person other than an Affiliate of the Development Owner unless the Development Owner obtains the Executive Director's prior, written approval of the transfer. The Executive Director may not unreasonably withhold approval of the transfer.

(1) Transfers will not be approved prior to the issuance of IRS Forms 8609 unless the Development Owner can provide evidence that a hardship is creating the need for the transfer (potential bankruptcy, removal by a partner, etc.). A Development Owner seeking Executive Director approval of a transfer and the proposed transferee must provide to the Department a copy of any applicable agreement between the parties to the transfer, including any third-party agreement with the Department.

(2) A Development Owner seeking Executive Director approval of a transfer must provide the Department with documentation requested by the Department, including but not limited to, a list of the names of transferees and Related Parties; and detailed information describing the experience and financial capacity of transferees and related parties. All transfer requests must disclose the reason for the request. The Development Owner shall certify to the Executive Director that the tenants in the Development have been notified in writing of the transfer before the 30th day preceding the date of submission of the transfer request to the Department. Not later than the fifth working day after the date the Department receives all necessary information under this section, the Department shall conduct a qualifications review of a transferee to determine the transferee's past compliance with all aspects of the Housing Tax Credit Program, LURAs; and the

sufficiency of the transferee's experience with Developments supported with Housing Credit Allocations. If the viable operation of the Development is deemed to be in jeopardy by the Department, the Department may authorize changes that were not contemplated in the Application.

(3) As it relates to the Credit Cap further described in §~~50~~49.6(d) of this chapter, the credit cap will not be applied in the following circumstances:

(A) In cases of transfers in which the syndicator, investor or limited partner is taking over ownership of the Development and not merely replacing the general partner; or

(B) In cases where the General Partner is being replaced if the award of credits was made at least five years prior to the transfer request date.

(f) **Sale of Certain Tax Credit Properties.** Consistent with §2306.6726, Texas Government Code, not later than two years before the expiration of the Compliance Period, a Development Owner who agreed to provide a right of first refusal under §2306.6725(b)(1), Texas Government Code and who intends to sell the property shall notify the Department of its intent to sell.

(1) The Development Owner shall notify Qualified Nonprofit Organizations and tenant organizations of the opportunity to purchase the Development. The Development Owner may:

(A) During the first six-month period after notifying the Department, negotiate or enter into a purchase agreement only with a Qualified Nonprofit Organization that is also a community housing development organization as defined by the Federal Home Investment Partnership Program (HOME);

(B) During the second six-month period after notifying the Department, negotiate or enter into a purchase agreement with any Qualified Nonprofit Organization or tenant organization; and

(C) During the year before the expiration of the compliance period, negotiate or enter into a purchase agreement with the Department or any Qualified Nonprofit Organization or tenant organization approved by the Department.

(2) Notwithstanding items for which points were received consistent with §~~50~~49.9(i) of this chapter, a Development Owner may sell the Development to any purchaser after the expiration of the compliance period if a Qualified Nonprofit Organization or tenant organization does not offer to purchase the Development at the minimum price provided by §42(i)(7), Internal Revenue Code of 1986 (26 U.S.C. §42(i)(7)), and the Department declines to purchase the Development.

(g) **Withdrawals.** An Applicant may withdraw an Application prior to receiving a Commitment Notice, Determination Notice, Carryover Allocation Document or Housing Credit Allocation, or may cancel a Commitment Notice or Determination Notice by submitting to the Department a notice, as applicable, of withdrawal or cancellation, and making any required statements as to the return of any tax credits allocated to the Development at issue.

(h) **Cancellations.** The Department may cancel a Commitment Notice, Determination Notice or Carryover Allocation prior to the issuance of IRS Form 8609 with respect to a Development if:

(1) The Applicant or the Development Owner, or the Development, as applicable, fails to meet any of the conditions of such Commitment Notice or Carryover Allocation or any of the undertakings and commitments made by the Development Owner in the Applications process for the Development;

(2) Any statement or representation made by the Development Owner or made with respect to the Development Owner or the Development is untrue or misleading;

(3) An event occurs with respect to the Applicant or the Development Owner which would have made the Development's Application ineligible for funding pursuant to §~~50~~49.5 of this chapter if such event had occurred prior to issuance of the Commitment Notice or Carryover Allocation; or

(4) The Applicant or the Development Owner or the Development, as applicable, fails to comply with these Rules or the procedures or requirements of the Department.

(i) **Alternative Dispute Resolution Policy.** In accordance with §2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and Applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an Applicant or other person would like to engage the Department in an ADR procedure, the person may send a proposal to the Department's Dispute Resolution Coordinator. For additional information on the Department's ADR Policy, see the Department's General Administrative Rule on ADR at §1.17 of this title.

§~~50~~49.18.Compliance Monitoring and Material Noncompliance.

The Code, §42(m)(1)(B)(iii), requires the Department as the housing credit agency to include in its QAP a procedure that the Department will follow in monitoring Developments for compliance with the provisions of the Code, §42 and in notifying the IRS of any noncompliance of which the Department becomes aware. Detailed compliance rules and procedures for monitoring are set forth in Chapter 60 of this title.

§~~50~~49.19.Department Records; Application Log; IRS Filings.

(a) **Department Records.** At all times during each calendar year the Department shall maintain a record of the following:

(1) The cumulative amount of the State Housing Credit Ceiling that has been committed pursuant to Commitment Notices during such calendar year;

(2) The cumulative amount of the State Housing Credit Ceiling that has been committed pursuant to Carryover Allocation Documents during such calendar year;

(3) The cumulative amount of Housing Credit Allocations made during such calendar year; and

(4) The remaining unused portion of the State Housing Credit Ceiling for such calendar year.

(b) **Application Log.** (§2306.6702(a)(3) and §2306.6709) The Department shall maintain for each Application an Application Log that tracks the Application from the date of its submission. The Application Log will contain, at a minimum, the information identified in paragraphs (1) - (9) of this subsection.

(1) The names of the Applicant and all General Partners of the Development Owner, the owner contact name and phone number, and full contact information for all members of the Development Team;

(2) The name, physical location, and address of the Development, including the relevant Uniform State Service Region of the state;

(3) The number of Units and the amount of Housing Tax Credits requested for allocation by the Department to the Applicant;

(4) Any Set-Aside category under which the Application is filed;

(5) The requested and awarded score of the Application in each scoring category adopted by the Department under the Qualified Allocation Plan;

(6) Any decision made by the Department or Board regarding the Application, including the Department's decision regarding whether to underwrite the Application and the Board's decision regarding whether to allocate Housing Tax Credits to the Development;

(7) The names of individuals making the decisions described by paragraph (6) of this subsection, including the names of Department staff scoring and underwriting the Application, to be recorded next to the description of the applicable decision;

(8) The amount of Housing Tax Credits allocated to the Development; and

(9) A dated record and summary of any contact between the Department staff, the Board, and the Applicant or any Related Parties.

(c) **IRS Filings.** The Department shall mail to the Internal Revenue Service, not later than the 28th day of the second calendar month after the close of each calendar year during which the Department makes Housing Credit Allocations, a copy of each completed (as to Part I) IRS Form 8609, the original of which was mailed or delivered by the Department to a Development Owner during such calendar year, along with a single completed IRS Form 8610, Annual Low-income Housing Credit Agencies Report. When a Carryover Allocation is made by the Department, a copy of the Carryover Allocation Agreement will be mailed or faxed to the Development Owner by the Department. The original of the Carryover Allocation Document will be retained by the Department and IRS Form 8610 Schedule A will be filed by the Department with IRS Form 8610 for the year in which the allocation is made. The Department shall be authorized to vary from the requirements of this section to the extent required to adapt to changes in IRS requirements.

§~~50~~49.20.Program Fees; Refunds; Public Information Requests; Adjustments of Fees and Notification of Fees; Extensions; Penalties.

(a) **Timely Payment of Fees.** All fees must be paid as stated in this section, unless the Executive Director has granted a waiver for specific extenuating and extraordinary circumstances. To be eligible for a waiver, the Applicant must submit a request for a waiver no later than 10 business days prior to the deadlines as stated in this section. Any fees, as further described in this section, that are not timely paid will cause an Applicant to be ineligible to apply for tax credits and additional tax credits and ineligible to submit extension requests, ownership changes and Application amendments. Payments made by check, for which insufficient funds are available, may cause the Application, ~~c~~Commitment or ~~a~~Allocation to be terminated.

(b) **Pre-Application Fee.** Each Applicant that submits a Pre-Application shall submit to the Department, along with such Pre-Application, a non refundable Pre-Application fee, in the amount of $10 per Unit. Units for the calculation of the Pre-Application Fee include all Units within the Development, including tax credit, market rate and owner-occupied Units. Pre-Applications without the specified Pre-Application Fee in the form of a check will not be accepted. Pre-Applications in which a CHDO or Qualified Nonprofit Organization intends to serve as the managing General Partner of the Development Owner, or Control the managing General Partner of the Development Owner, will receive a discount of 10% off the calculated Pre-Application fee. (General Appropriation Act, Article VII, Rider 7; §2306.6716(d)). For Tax Exempt Bond Developments with the Department as the issuer, the Applicant shall submit the following fees: $1,000 (payable to TDHCA), $~~1,500~~2,000 (payable to Vinson & Elkins, Bond Counsel), and $5,000 (payable to the Texas Bond Review Board).

(c) **Application Fee.** Each Applicant that submits an Application shall submit to the Department, along with such Application, an Application fee. For Applicants having submitted a Pre-Application which met Pre-Application Threshold and for which a Pre-Application fee was paid, the Application fee will be $20 per Unit. For Applicants not having submitted a Pre-Application, the Application fee will be $30 per Unit. Units for the calculation of the Application Fee include all Units within the Development, including tax credit, market rate and owner-occupied Units. Applications without the specified Application Fee in the form of a check will not be accepted. Applications in which a CHDO or Qualified Nonprofit Organization intends to serve as he managing General Partner of the Development Owner, or Control the managing General Partner of the Development Owner, will receive a discount of 10% off the calculated Application fee. (General Appropriation Act, Article VII, Rider 7; §2306.6716(d)). For Tax Exempt Bond Developments with the Department as the Issuer the Applicant shall submit a tax credit application fee of $30 per unit and bond application fee of $10,000. For Tax-Exempt Bond Development refunding Applications, with the Department as the issuer, the Application Fee will be $10,000 unless the refunding is not required to have a TEFRA public hearing, in which case the fee will be $5,000. Those Applications utilizing a local issuer only need to submit the tax credit application fee.

(d) **Refunds of Pre-Application or Application Fees.** (§2306.6716(c)). Upon written request from the Applicant, the Department shall refund the balance of any fees collected for a Pre-Application or Application that is withdrawn by the Applicant or that is not fully processed by the Department. The amount of refund on Pre-Applications not fully processed by the Department will be commensurate with the level of review completed. Intake and data entry will constitute 50% of the review, and Threshold review prior to a deficiency issued will constitute 30% of the review. Deficiencies submitted and reviewed constitute 20% of the review. The amount of refund on Applications not fully processed by the Department will be commensurate with the level of review completed. Intake and data entry will constitute 20% of the review, the site visit will constitute 20% of the review, Eligibility and Selection review will constitute 20%, and Threshold review will constitute 20% of the review, and underwriting review will constitute 20%. The Department must provide the refund to the Applicant not later than the 30th day after the date of request.

(e) **Third Party Underwriting Fee.** Applicants will be notified in writing prior to the evaluation of a Development by an independent external underwriter in accordance with §~~50~~49.9(d)(6), (e)(3), and (f)(6) of this chapter if such a review is required. The fee must be received by the Department prior to the engagement of the underwriter. The fees paid by the Development Owner to the Department for the external underwriting will be credited against the commitment fee established in subsection (f) of this section, in the event that a Commitment Notice or Determination Notice is issued by the Department to the Development Owner.

(f) **Commitment or Determination Notice Fee.** Each Development Owner that receives a Commitment Notice or Determination Notice shall submit to the Department, not later than the expiration date on the Commitment or Determination notice, a ~~non-refundable c~~Commitment or Determination fee equal to 5% of the annual Housing Credit Allocation amount. The ~~c~~Commitment or Determination fee shall be paid by check. If a Development Owner of an Application awarded Competitive Housing Tax Credits has paid a Commitment Fee and returns the credits by November 1, ~~2008~~2009, the Development Owner ~~will~~may receive a refund of 50% of the Commitment Fee. If a Development Owner of an Application awarded Housing Tax Credits associated with Tax-Exempt Bonds has paid a Determination Fee and is not able close on the bond transaction within 90 days of the determination by the Board, the Development Owner may receive a refund of 50% of the Determination Fee. The Determination Fee will not be refundable after the 90 days of the issuance of the Determination Notice.

(g) **Compliance Monitoring Fee.** Upon receipt of the cost certification, the Department will invoice the Development Owner for compliance monitoring fees. The amount due will equal $40 per tax credit unit. The fee will be collected, retroactively if applicable, beginning with the first year of the credit period. The invoice must be paid prior to the issuance of form 8609. Subsequent anniversary dates on which the compliance monitoring fee payments are due shall be determined by the month the first building is placed in service. For Tax-Exempt Bond Developments with the Department as the issuer, the annual tax credit compliance fee will be paid in advance (for the duration of the compliance or affordability period) and is equal to $40/Unit beginning two years from the first payment date of the bonds; the bond compliance fee is paid in advance (for as long as the bonds are outstanding) and is equal to $15/Unit beginning two years from the first payment date of the bonds; the asset management fee is paid in advance and is equal to $25/Unit beginning two years from the first payment date. Compliance fees may be adjusted from time to time by the Department.

(h) **Building Inspection Fee.** The Building Inspection Fee must be paid at the time the Commitment Fee is paid. The Building Inspection Fee for all Developments is $750. Inspection fees in excess of $750 may be charged to the Development Owner not to exceed an additional $250 per Development.

(i) **Tax-Exempt Bond Credit Increase Request Fee.** As further described in §~~50~~49.12 of this chapter, requests for increases to the credit amounts to be issued on IRS Forms 8609 for Tax-Exempt Bond Developments must be submitted with a request fee equal to 5% of the amount of the credit increase for one year.

(j) **Public Information Requests.** Public information requests are processed by the Department in accordance with the provisions of the Government Code, Chapter 552. The Department uses the guidelines promulgated by The Texas Facilities Commission to determine the cost of copying, and other costs of production.

(k) **Periodic Adjustment of Fees by the Department and Notification of Fees.** (§2306.6716(b)). All fees charged by the Department in the administration of the tax credit program will be revised by the Department from time to time as necessary to ensure that such fees compensate the Department for its administrative costs and expenses. The Department shall publish each year an updated schedule of Application fees that specifies the amount to be charged at each stage of the Application process. Unless otherwise determined by the Department, all revised fees shall apply to all Applications in process and all Developments in operation at the time of such revisions.

(l) **Extension and Amendment Requests.**

(1) All extension requests relating to the ~~Commitment Notice,~~ Carryover, Documentation for 10% Test, Substantial Construction Commencement, Placed in Service or Cost Certification requirements ~~and amendment requests~~ shall be submitted to the Department in writing and be accompanied by a mandatory non-refundable extension fee in the form of a check in the amount of $2,500. Such requests must be submitted to

the Department no later than the date for which an extension is being requested. All requests for extensions totaling less than 6 months may be approved by the Executive Director and are not required to have Board approval. For extensions that require Board approval, the extension request must be received by the Department at least 15 business days prior to the Board meeting where the extension will be considered. The extension request shall specify a requested extension date and the reason why such an extension is required. Carryover extension requests shall not request an extended deadline later than December 1st of the year the Commitment Notice was issued. The Department, in its sole discretion, may consider and grant such extension requests for all items. If an extension is required at Cost Certification, the fee of $2,500 must be received by the Department to qualify for issuance of Forms 8609.

(2) Amendment requests must be submitted consistent with §~~50~~49.17(d) of this chapter. Amendment requests shall be submitted to the Department in writing and be accompanied by a mandatory non-refundable amendment fee in the form of a check in the amount of $2,500. The amendment request will not be considered received until the corresponding fee is received. The Board may waive related fees for good cause.

(m) **Penalties.** Development Owners who have more tax credits allocated to them than they can substantiate through Cost Certification will return those excess tax credits prior to issuance of 8609's. For Competitive Housing Tax Credit Developments, a penalty fee equal to the one year credit amount of the lost credits (10% of the total unused tax credit amount) will be required to be paid by the Owner prior to the issuance of form 8609's if the tax credits are not returned, and 8609's issued, within 180 days of the end of the first year of the credit period. This penalty fee may be waived without further Board action if the Department recaptures and re-issues the returned tax credits in accordance with §42, Internal Revenue Code.

§~~50~~49.21.Manner and Place of Filing All Required Documentation.

(a) All Applications, letters, documents, or other papers filed with the Department must be received only between the hours of 8:00 a.m. and 5:00 p.m. on any day which is not a Saturday, Sunday or a holiday established by law for state employees.

(b) All notices, information, correspondence and other communications under this ~~title~~ chapter shall be deemed to be duly given if delivered or sent and effective in accordance with this subsection. Such correspondence must reference that the subject matter is pursuant to the Tax Credit Program and must be addressed to the Housing Tax Credit Program, Texas Department of Housing and Community Affairs, P.O. Box 13941, Austin, TX 78711-3941 or for hand delivery or courier to 221 East 11th Street, Austin, Texas 78701 or more current address of the Department as released on the Department's website. Every such correspondence required or contemplated by this ~~title~~ chapter to be given, delivered or sent by any party may be delivered in person or may be sent by courier, telecopy, express mail, telex, telegraph or postage prepaid certified or registered air mail (or its equivalent under the laws of the country where mailed), addressed to the party for whom it is intended, at the address specified in this subsection. Regardless of method of delivery, documents must be received by the Department no later than 5:00 p.m. for the given deadline date. Notice by courier, express mail, certified mail, or registered mail will be considered received on the date it is officially recorded as delivered by return receipt or equivalent. Notice by telex or telegraph will be deemed given at the time it is recorded by the carrier in the ordinary course of business as having been delivered, but in any event not later than one business day after dispatch. Notice not given in writing will be effective only if acknowledged in writing by a duly authorized officer of the Department.

(c) If required by the Department, Development Owners must comply with all requirements to use the Department's web site to provide necessary data to the Department.

§~~50~~49.22.Waiver and Amendment of Rules.

(a) The Board, in its discretion, may waive any one or more of these Rules if the Board finds that waiver is appropriate to fulfill the purposes or policies of ~~Chapter~~ §2306, Texas Government Code, or for other good cause, as determined by the Board.

(b) Section 1.13 of this title may be waived for any person seeking any action by filing a request with the Board.

(c) The Department may amend this chapter and the Rules contained herein at any time in accordance with the Government Code, Chapter 2001.

§~~50~~49.23.Deadlines for Allocation of Housing Tax Credits. (§2306.6724)

(a) Not later than September 30 of each year, the Department shall prepare and submit to the Board for adoption the draft QAP required by federal law for use by the Department in setting criteria and priorities for the allocation of tax credits under the Housing Tax Credit program.

(b) The Board shall adopt and submit to the Governor the QAP not later than November 15 of each year.

(c) The Governor shall approve, reject, or modify and approve the QAP not later than December 1 of each year. (§2306.67022) (§42(m)(1))

(d) The Board shall annually adopt a manual, corresponding to the QAP, to provide information on how to apply for Housing Tax Credits.

(e) Applications for Housing Tax Credits to be issued a Commitment Notice during the Application Round in a calendar year must be submitted to the Department not later than March 1.

(f) The Board shall review the recommendations of Department staff regarding Applications and shall issue a list of approved Applications each year in accordance with the Qualified Allocation Plan not later than June 30.

(g) The Board shall approve final commitments for allocations of Housing Tax Credits each year in accordance with the Qualified Allocation Plan not later than July 31, unless unforeseen circumstances prohibit action by that date. In any event, the Board shall approve final commitments for allocations of Housing Tax Credits each year in accordance with the Qualified Allocation Plan not later than September 30. Department staff will subsequently issue Commitment Notices based on the Board's approval. Final commitments may be conditioned on various factors approved by the Board, including resolution of contested matters in litigation.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
September 3, 2008

Action Item

Presentation, Discussion and Possible Approval to publish the proposed repeal of 10 TAC Chapter 35, Multifamily Housing Revenue Bond Rules, and a draft of proposed new 10 TAC Chapter 35, 2009 Multifamily Revenue Bond Rules for comment in the *Texas Register*.

Required Action

Approve, Deny or Approve with Amendments the Draft 2009 Multifamily Housing Revenue Bond Rules to be published in the *Texas Register* and receive public comment.

Background

Changes to the draft rules include language that make the 2009 Multifamily Housing Revenue Bond Rules (the "Bond Rules") consistent with the other multifamily program rules. These rules will provide greater flexibility and choices to improve the overall quality of multifamily developments. These rules contain language that mirrors the 2009 Qualified Allocation Plan and Rules (the "QAP") that explains that the 2009 QAP, once approved by the Board, may have changes that would affect the Housing Tax Credit applications that coincide with the Bond program, and the QAP would take precedence over the 2009 Bond Rules where applicable. The draft rules will be posted on the Department's website and published in the *Texas Register*. Public comment will be taken via mail, email or facsimile. There will be consolidated public hearings between September 19th and October 20th to garner public comment. The rules will be brought before the Board in November for final approval.

The primary changes proposed are made to ensure consistency with other multifamily rules and provide more clarity. Listed below is a summary of the significant proposed changes.

1. **§35.6(d) – Pre-Application Threshold Requirements (Page 6-8 of 16)**. This section includes changes to the required notification language to provide additional clarification on the proof of the notifications. The deadline for the Applicant to request the list of neighborhood organizations on record with the county and state has been changed from twenty-one (21) days to fourteen (14) days to provide greater flexibility in getting to the Board for inducement.

   The construction costs per unit and minimum sizes of the units have also been changed for consistency with the QAP.

   The required threshold amenities section deletes the Energy Star or equivalently rated Oven/Range and the emergency 911 telephone accessible and available to tenants 24 hours a day. These changes are consistent with proposed changes to the QAP.

2. **§35.6(e) – Pre-Application Scoring Criteria (Page 9 of 16).** This section includes the addition of specific green building amenities and respective points for each type of green building amenity. This change is consistent with the QAP.

3. **§35.6(e) – Pre-Application Scoring Criteria (Page 10 of 16).** The language under items (7) Zoning, (8) Proper Site Control and (9) Development Support/Opposition was changed to reflect the Department is not participating in the 2009 Lottery.

4. **§35.6(e) – Pre-Application Scoring Criteria (Page 10 of 16).** This section deletes the proximity to sexual-oriented businesses as a negative site feature. It is proposed that any Development proposed to be located adjacent to or within 300 feet of a sexually-oriented business will be ineligible for an award or allocation of Housing Tax Credits and is covered under §35.3(12) for the definition of an ineligible building type.

5. **§35.6(i) – Pre-Application - Administrative Deficiencies (Page 12 of 16).** This section was changed to state that if an Administrative Deficiency notice was emailed to the Applicant and the Department received confirmation of the email within 24 hours then the Department would not follow-up with a telephone call to the Applicant.

6. **§35.8(a) – Fees (Page 15 of 16).** This section has been changed to indicate the specific fees owed for Private Activity Bond compliance as well as Tax Credit compliance. This section also states the amount of the refunding application fee.

Recommendation

Staff recommends the Board approve the Draft 2009 Multifamily Housing Revenue Bond Rules for publication in the *Texas Register* to receive public comment and conduct the consolidated public hearings with the other applicable rules and allow staff to make changes to these rules, where applicable, to be consistent with other rules being approved at this Board meeting.

Multifamily Finance Production Division

2009~~8~~ MULTIFAMILY HOUSING REVENUE BOND RULES
TITLE 10, PART 1, CHAPTER 35~~3~~, TEXAS ADMINISTRATIVE CODE

TITLE 10. COMMUNITY DEVELOPMENT
PART I. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 35~~3~~. MULTIFAMILY HOUSING REVENUE BOND RULES
10 TAC §§35~~3~~.1 – 35~~3~~.10

§35~~3~~.1. Introduction

The purpose of this Chapter 35~~3~~ is to state the Texas Department of Housing and Community Affairs (the "Department") requirements for issuing Bonds, the procedures for applying for multifamily housing revenue Bond financing, and the regulatory and land use restrictions imposed upon Developments financed with the issuance of Bonds for the 2009~~8~~ Private Activity Bond Program Year. The rules and provisions contained in Chapter 35~~3~~, of this title are separate from the rules relating to the Department's administration of the Housing Tax Credit Program. Applicants seeking a housing tax credit allocation should consult the Department's Qualified Allocation Plan and Rules ("QAP"), in effect for the program year for which the Housing Tax Credit application will be submitted. If the applicable QAP contradicts rules set forth in this chapter, the applicable QAP will take precedence over the rules in the chapter. The Department encourages the participation in the Multifamily Bond programs by working directly with Applicants, lenders, trustees, legal counsels, local and state officials and the general pubic to conduct business in an open, transparent and straightforward manner. The Department has simplified the process, within the limitation of statute, to affirmatively support and create affordable housing throughout the State of Texas.

§35~~3~~.2. Authority

The Department receives its authority to issue Bonds from Chapter 2306 of the Texas Government Code. All Bonds issued by the Department must conform to the requirements of the Act. Notwithstanding anything herein to the contrary, tax-exempt Bonds which are issued to finance the Development of multifamily rental housing are specifically subject to the requirements of the laws of the State of Texas, including but not limited to Chapter 2306 and Chapter 1372 of the Texas Government Code relating to Private Activity Bonds, and to the requirements of the Code (as defined in this chapter).

§35~~3~~.3. Definitions

The following words and terms, when used in the chapter, shall have the following meaning, unless context clearly indicates otherwise.

(1) Administrative Deficiency--As defined in §49~~50~~.3(2~~1~~) of this title.

(2) Applicant--As defined in §49~~50~~.3(7~~6~~) of this title.

(3) Application--As defined in §49~~50~~.3(8~~7~~) of this title.

(4) Board--The Governing Board of the Department.

(5) Bond--An evidence of indebtedness or other obligation, regardless of the sources of payment, issued by the Department under the Act, including a bond, note, or bond or revenue anticipation note, regardless of whether the obligation is general or special, negotiable, or nonnegotiable, in bearer or registered form, in certified or book entry form, in temporary or permanent form, or with or without interest coupons.

(6) Code--The U. S. Internal Revenue Code of 1986, as amended from time to time, together with any applicable regulations, rules, rulings, revenue procedures, information statements or other official pronouncements issued by the United States Department of the Treasury or the Internal Revenue Service.

(7) Development--As defined in §49~~50~~.3(32~~1~~) of this title.

(8) Development Owner---As defined in §49~~50~~.3(35~~4~~) of this title.

(9) Eligible Tenants--

(A) individuals and families of Extremely Low, Very Low and Low Income;~~,~~

(B) Families of Moderate Income (in each case in the foregoing subparagraph (A) and (B) of this paragraph as such terms are defined by the Issuer under the Act)~~,~~; and

(C) Persons with Special Needs, in each case, with an Anticipated Annual Income not in excess of 140% of the area median income for a four-person household in the applicable standard metropolitan statistical area; provided that all Low-Income Tenants shall count as Eligible Tenants.

(10) Extremely Low Income--The income received by an individual or family whose income does not exceed thirty percent (30%) of the area median income or applicable federal poverty line, as determined by the Act.

(11) Family of Moderate Income--A family:

(A) that is determined by the Board to require assistance taking into account:

(i) the amount of total income available for the housing needs of the individuals and family;~~,~~

(ii) the size of the family;~~,~~

(iii) the cost and condition of available housing facilities;~~,~~

(iv) the ability of the individuals and family to compete successfully in the private housing market and to pay the amounts required by private enterprise for sanitary, decent, and safe housing;~~,~~ and

(v) standards established for various federal programs determining eligibility based on income; and

(B) that does not qualify as a family of Low Income.

(12) Ineligible Building Type—As defined in §49~~50~~.3(56~~2~~) of this title.

(13) Institutional Buyer--

(A) An accredited investor as defined in Regulation D promulgated under the Securities Act of 1933, as amended (17 CFR §230.501(a)), but excluding any natural person or any director or executive officer of the Department (17 CFR §§230.501(a)(4) - (6)); or

(B) A qualified institutional buyer as defined by Rule 144A promulgated under the Securities Act of 1935, as amended (17 CFR §230.144A).

(14) Intergenerational Housing--As defined in §49~~50~~.3(57~~5~~) of this title.

(15) Low Income--The income received by an individual or family whose income does not exceed eighty percent (80%) of the area median income or applicable federal poverty line, as determined by the Act.

(16) Land Use Restriction Agreement (LURA)--An agreement between the Department and the Development Owner which is binding upon the Development Owner's successors in interest that encumbers the Development with respect to the requirements of law, including this title, the Act and Section 42 of the Code.

(17) New Construction--As defined in §49~~50~~.3(64~~3~~) of this title.

(18) Owner--An Applicant that is approved by the Department as qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a Development subject to the regulatory powers of the Department and other terms and conditions required by the Department and the Act.

(19) Persons with Special Needs--Persons who:

(A) Are considered to be disabled under a state or federal law;~~,~~

(B) Are elderly, meaning 60 years of age or older or of an age specified by an applicable federal program;~~,~~

(C) Are designated by the Board as experiencing a unique need for decent, safe housing that is not being met adequately by private enterprise;~~,~~ or

(D) Are legally responsible for caring for an individual described by subparagraph (A), (B) or (C) of this paragraph and meet the income guidelines established by the Board.

(20) Private Activity Bonds--Any Bonds described by §141(a) of the Code.

(21) Private Activity Bond Program Scoring Criteria--The scoring criteria established by the Department for the Department's Multifamily Housing Revenue Bond Program, §35~~33~~.6(e) of this chapter.

(22) Private Activity Bond Program Threshold Requirements--The threshold requirements established by the Department for the Department's Multifamily Housing Revenue Bond Program, §35~~33~~.6(d) of this title.

(23) Program--The Department's Multifamily Housing Revenue Bond Program.

(24) Proper Site Control--Regarding the legal control of the land to be used for the Development, means the earnest money contract is in the name of the Applicant (principal or member of the General Partner); fully executed by all parties and escrowed by the title company.

(25) Property--The real estate and all improvements thereon, whether currently existing or proposed to be built thereon in connection with the Development, and including all items of personal property affixed or related thereto.

(26) Qualified 501(c)(3) Bonds--Any Bonds described by §145(a) of the Code.

(27) Rehabilitation--As defined in §49~~50~~.3(81) of this title.

(28) Rural Area--An area that is located:

(A) Outside the boundaries of a primary metropolitan statistical area or a metropolitan statistical area;

(B) Within the boundaries of a primary metropolitan statistical area or a metropolitan statistical area, if the statistical area has a population of 25,000 or less and does not share a boundary with an urban area; or

(C) In an Area that is eligible for funding by Texas Rural Development Office of the United States Department of Agriculture (TRDO-USDA), other than an area that is located in a municipality with a population of more than 50,000.

(29) Rural Development--A Development or proposed Development that is located in a Rural Area, other than rural new construction Developments with more than 80 units.

(30) Tenant Income Certification--A certification as to income and other matters executed by the household members of each tenant in the Development, in such form as reasonably may be required by the Department in satisfaction of the criteria prescribed by the Secretary of Housing and Urban Development under §8(f)(3) of the Housing Act of 1937 ("the Housing Act") (42 U.S.C. 1437f) for purposes of determining whether a family is a lower income family within the meaning of the §8(f)(1) of the Housing Act.

(31) Tenant Services--Social services, including child care, transportation, and basic adult education, that are provided to individuals residing in low income housing under Title IV-A, Social Security Act (42 U.S.C. §601 et seq.), and other similar services.

(32) Tenant Services Program Plan--The plan, subject to approval by the Department, which describes the Tenant Services to be provided by the Development Owner in a Development.

(33) Trustee--A national banking association organized and existing under the laws of the United States, as trustee (together with its successors and assigns and any successor trustee).

(34) TRDO-USDA –As defined in §49~~50~~.3(94) of this title.

(35) Unit--As defined in §49~~50~~.3(95) of this title.

(36) Very Low Income--The income received by an individual or family whose income does not exceed sixty percent (60%) of the area median income or applicable federal poverty line as determined under the Act.

§35~~33~~.4. Policy Objectives and~~&~~ Eligible Developments

The Department will issue Bonds to finance the rehabilitation, preservation or construction of decent, safe and affordable housing throughout the State of Texas. Eligible Developments may include those which are constructed, acquired, or rehabilitated and which provide housing for individuals and families of Low Income, Very Low Income, or Extremely Low Income, and Families of Moderate Income.

§35~~33~~.5. Bond Rating and Investment Letter

(a) Bond Ratings. All publicly offered Bonds issued by the Department to finance Developments shall have and be required to maintain a debt rating the equivalent of at least an "A" rating assigned to long-term obligations by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or Moody's Investors Service, Inc. If such rating is based upon credit enhancement provided by an institution other than the Applicant or Development Owner, the form and substance of such credit enhancement shall be subject to approval by the Board, which approval shall be evidenced by adoption by the Board of a resolution authorizing the issuance of the credit-enhanced Bonds. Remedies relating to failure to maintain appropriate credit ratings shall be provided in the financing documents relating to the Development.

(b) Investment Letters. Bonds rated less than "A," or Bonds which are unrated must be placed with one or more Institutional Buyers and must be accompanied by an investment letter acceptable to the Department. Subsequent purchasers of such Bonds shall also be qualified as Institutional Buyers and shall sign and deliver to the Department an investment letter in a form acceptable to the Department. Bonds rated less than "A" and Bonds which are unrated shall be issued in physical form, in minimum denominations of one hundred thousand dollars ($100,000), and shall carry a legend requiring any purchasers of the Bonds to sign and deliver to the Department an investment letter in a form acceptable to the Department.

§35~~33~~.6. Application Procedures, Evaluation and Approval

(a) Application Costs, Costs of Issuance, Responsibility and Disclaimer. The Applicant shall pay all costs associated with the preparation and submission of the Application--including costs associated with the publication and posting of required public notices--and all costs and expenses associated with the issuance of the Bonds, regardless of whether the Application is ultimately approved or whether Bonds are ultimately issued. At any stage during the Application process, the Applicant is solely responsible for determining whether to proceed with the Application, and the Department disclaims any and all responsibility and liability in this regard.

(b) Pre-application. An Applicant who requests financing from the Department for a Development shall submit a pre-application in a format prescribed by the Department. Within fourteen (14) days of the Department's receipt of the pre-application, the Department will be responsible for federal, state, and local community notifications of the proposed Development. Upon review of the pre-application, if the Development is determined to be ineligible for Bond financing by the Department, the Department will send a letter to the Applicant explaining the reason for the ineligibility. If the Development is determined to be eligible for Bond financing by the Department, the Department will score and rank the pre-application based on the Private Activity Bond Program Scoring Criteria as described in subsection (d) of this section. The Department will rank the pre-application with higher scores ranking higher within each priority defined by §1372.0321, Texas Government Code. All Priority 1 Applications will be ranked above all Priority 2 Applications which will be ranked above all Priority 3 Applications, regardless of score, reflecting a priority structure which gives consideration to the income levels of the tenants and the rent levels of the units consistent with §2306.359. This priority ranking will be used throughout the calendar year. In the event two or more Applications receive the same score, the Department will use, as a tie-breaking mechanism, a priority first for Applications involving rehabilitation; then if a tie still exists, the Application with the greatest number of points awarded for Quality and Amenities for the Development; then if a tie still exists, the Department will grant preference to the pre-application with the lower number of net rentable square feet per bond amount requested. Pre-Applications must meet the threshold requirements as stated in the Private Activity Bond Program Threshold Requirements as set out in subsection (c) of this section. After scoring and ranking, the Development and the proposed financing structure will be presented to the Department's Board for consideration of a resolution declaring the Department's initial intent to issue Bonds (the "inducement resolution") with respect to the Development. After Board approval of the inducement resolution, the induced Applications will be submitted to the Texas Bond Review Board for its lottery, waiting list or carryforward processing in rank order. The Texas Bond Review Board will draw the number of lottery numbers that equates to the number of eligible Applications submitted by the Department for participation in lottery. The lottery numbers drawn will not equate to a specific Development. The Texas Bond Review Board will thereafter assign the lowest lottery number drawn to the highest ranked Application as previously determined by the Department. The Texas Bond Review Board will issue reservations of allocation for Applications submitted for the waiting list or carryforward in the order provided by the Department based on rank. The criteria by which a Development may be deemed to be eligible or ineligible are explained in subsection (j) of this section, entitled Eligibility Criteria. The Private Activity Bond Program Scoring Criteria will be posted on the Department's website.

(c) Approval of the inducement resolution does not guarantee final Board approval of the Bond Application. Department staff, for good cause, may recommend that the Board not approve an inducement resolution for an Application. The TDHCA Board reviews the Development as a whole for adherence to timelines and notification rules in the Qualified Allocation Plan and Rules, the need for the Development, compliance with local government rules and procedures, financial feasibility and the input of local and state officials and interested community members. These factors and others will be used to make the final determination at the appropriate time. Because each Development is unique, making the final determination is often dependent on the issues presented at the time the Application is presented to the Board.

(d) Pre-Application Threshold Requirements.

(1) As the Department reviews the Application, the Department will use the following assumptions, even if not reflected by the Applicant in the Application. Prequalification Assumptions:

(A) Development Feasibility:

(i) Debt Coverage Ratio must be greater than or equal to 1.15;

(ii) Deferred Developer Fees are limited to 80% of Developer's Fees;

(iii) Contractor Fee, Overhead and General Requirements are limited to 14% of direct costs plus site work cost; and

(iv) Developer Fees cannot exceed 15% of the project's Total Eligible Basis.

(B) Construction Costs Per Unit Assumption. Costs not to exceed $85~~75~~ per square foot~~Unit~~ for general population developments and $95~~85~~ for elderly developments (Acquisition / Rehab developments are exempt from this requirement);

(C) Anticipated Interest Rate and Term. As stated in the Summary of Financing Participants in the pre-application;

(D) Size of Units (Acquisition / Rehab developments are exempt from this requirement):~~;~~

(i) Efficiency Units must be at least 550 square feet.

(ii~~i~~) One bedroom Unit must be greater than or equal to 650 square feet for family and 600~~550~~ square feet for senior Units.

(iii) Two bedroom Unit must be greater that or equal to 900 square feet for family and 700~~750~~ square feet for senior Units.

(iv~~ii~~) Three bedroom Unit must be greater than or equal to 1,000 square feet~~ for family~~.

(~~i~~v) Four bedroom Unit must be greater than or equal to 1,200 square feet~~ for family~~.

(2) Appropriate Zoning. Evidence of appropriate zoning for the proposed use or evidence of application made and pending decision;

(3) Executed Site Control. Properly executed and escrow receipted site control through the inducement Board meeting at pre-application and ~~December 1, 2007 with option to extend through March 1, 2008 for lottery Applications or~~ 90 days from the date of the bond reservation with the option to extend through the scheduled TDHCA Board meeting at full application~~for waiting list and carryforward Applications~~. The potential expiration of site control does not warrant the application being presented to the TDHCA Board prior to the scheduled meeting;

(4) Current Market Information (must support affordable rents);

(5) Completed current TDHCA Bond Pre-Application;

(6) Completed Multifamily Rental Worksheets;

(7) Certification of Local Elected Official request for neighborhood organization information and Public Notification Information~~.~~;

(8) Completed 2009~~8~~ Bond Review Board Residential Rental Attachment;

(9) Signed letter of Responsibility for All Costs Incurred;

(10) Signed Mortgage Revenue Bond Program Certification Letter;

(11) Evidence of Paid Application Fees ($1,000 to TDHCA, $1,500 to Vinson and Elkins, as the Department's bond counsel, and $5,000 to Bond Review Board);

(12) Boundary Survey or Plat clearly identifying the location and boundaries of the subject property;

(13) Local Area map showing the location of the Property and Community Services / Amenities within a three (3) mile radius;

(14) Utility Allowance documented from the Appropriate Local Housing Authority;

(15) Organization Chart showing the structure of the Applicant and the ownership structure of any principals of the Applicant with evidence of Entity Registration or Reservation with the Secretary of State; and

(16) Required Notification. Evidence of notification~~s~~ is required in the form of the "Certification of Notifications" form provided in the pre-application ~~shall include a copy of the exact letter and other materials that were sent to the individual or entity, a sworn affidavit~~ stating that they made all the required notifications prior to the deadlines and a copy of the entire mailing list on the "Public Information Form" (including names and complete addresses) of all the recipients. Proof of delivery of the notification must not be older than three months prior to the date of Application submission date. Notification must be sent to all the following individuals and entities (If the QAP and Rules in effect for the program year for which the Bond and Housing Tax Credit applications are submitted reflect a notification process that is different from the process listed ~~below~~ in subparagraphs (A) – (F) of this paragraph, then the QAP and Rules will override the notification process listed ~~below~~ in subparagraphs (A) – (F) of this paragraph):

(A) State Senator and Representative that represents the community containing the development;

(B) Presiding Officer of the governing body of any municipality containing the development and all elected members of that body (Mayor, City Council members);

(C) Presiding Officer of the governing body of the county containing the development and all elected members of that body (County Judge and/or Commissioners);

(D) School District Superintendent of the school district containing the development;

(E) Presiding Officer of the School Board of Trustees of the school district containing the development; and

(F) Evidence in the form of a certification that all of the notifications required under this paragraph have been made. Requests for Neighborhood Organizations under clause~~subparagraph~~ (i) of this subparagraph must be made by the deadlines described in that clause. Evidence of notification must meet the requirements identified in clause~~subparagraph~~ (ii) of this subparagraph to all of the individuals and entities identified in ~~subparagraph~~ clause (iii) of this subparagraph.

(i) The Applicant must request Neighborhood Organizations on record with the county and state whose boundaries include the proposed Development Site as follows:

(I) No later than fourteen~~twenty-one~~ (14~~21~~) days prior to the date the Application is submitted, the Applicant must e-mail, fax or mail with registered receipt a completed, "Neighborhood Organization Request" letter as provided in the Pre-Application materials to the local elected official for the city and county where the Development is proposed to be located. If the Development is located in an Area that has district based local elected officials, or both at-large and district based local elected officials, the request must be made to the city council member or county commissioner representing that district; if the Development is located an Area that has only at-large local elected officials, the request must be made to the mayor or county judge for the jurisdiction. If the Development is not located within a city or is located in the Extra Territorial Jurisdiction (ETJ) of a city, the county local elected official must be contacted. In the event that local elected officials refer the Applicant to another source, the Applicant must request neighborhood organizations from that source in the same format.

(II) If no reply letter is received from the local elected officials by seven (7) days prior to the Application submission, then the Applicant must certify to that fact with the "Pre-Application Notification Certification Form" provided in the Pre-Application materials.

(III) The Applicant must list all Neighborhood Organizations on record with the county or state whose boundaries contain ~~include~~ the proposed Development Site ~~as outlined by the local elected officials,~~ or that the Applicant has knowledge of as of the Pre-Application Submission in the ~~"Pre-Application Notification~~ "Certification of Notification Form" provided in the Pre-Application.

(ii) No later than the date the Pre-Application is submitted, Notification must be sent to all of the following individuals and entities by e-mail, fax or mail with registered receipt in the format required in the "Pre-Application Notification Template" provided in the Pre-Application materials. Developments located in an Extra Territorial Jurisdiction (ETJ) of a city are not required to notify city officials; however the county officials are required to be notified. Evidence of Notification is required in the form of a certification in the "~~Pre-Application Notification~~ Certification of Notification Form" provided in the Pre-Application materials. It is strongly encouraged that Applicants retain proof of delivery of the notifications to the persons or entities prescribed in clauses (I) – (IX) of this paragraph in the event the Department requires proof of Notification. Evidence of proof of delivery is demonstrated by signed receipt for mail or courier delivery and confirmation of receipt by recipient for facsimile and electronic mail. Officials to be notified are those officials in office at the time the Pre-Application is submitted.

(I) Neighborhood Organizations on record with the ~~city~~, state or county whose boundaries contain~~include~~ the proposed Development Site as identified in ~~subsection~~ subclause (i)(III) of this subparagraph;~~.~~

(II) Superintendent of the school district containing the Development;

(III) Presiding officer of the board of trustees of the school district containing the Development;

(IV) Mayor of any municipality containing the Development;

(V) All elected members of the governing body of any municipality containing the Development;

(VI) Presiding officer of the governing body of the county containing the Development;

(VII) All elected members of the governing body of the county containing the Development;

(VIII) State representative of the district containing the Development; and

(IX) State senator of the district containing the Development.

(iii) Each such notice must include, at a minimum, all of the following:

(I) The Applicant's name, address, individual contact name and phone number;

(II) The Development name, address, city and county;

(III) A statement informing the entity or individual being notified that the Applicant is submitting a request for Private Activity Bonds and Housing Tax Credits with the Texas Department of Housing and Community Affairs;

(IV) Statement of whether the Development proposes New Construction or Rehabilitation;

(V) The type of Development being proposed (single family homes, duplex, apartments, townhomes, highrise etc.) and population being served (family, Intergenerational Housing, or elderly);

(VI) The approximate total number of Units and approximate total number of low-income Units;

(VII) The approximate percentage of Units serving each level of AMGI (e.g. 20% at 50% of AMGI, etc.) and the percentage of Units that are market rate; and

(VIII) The number of Units and proposed rents (less utility allowances) for the low-income Units and the number of Units and the proposed rents for any market rate Units. Rents to be provided are those that are effective at the time of the Pre-Application, which are subject to change as annual changes in the area median income occur.

(17) All New Construction or Reconstruction units must provide the amenities in subparagraphs (A) – (G~~I~~) of this paragraph. Rehabilitation (excluding Reconstruction) must provide the amenities in subparagraphs (B) – (G~~I~~) of this paragraph unless expressly identified as not required (§2306.187).

(A) All new construction units must be wired with ~~6 pair CAT5e wiring or better to provide phone and data service to each unit and wired with COAX cable to provide TV and high speed internet data service to each unit~~ RG-6 COAX or better and CAT3 phone cable or better, wired to each bedroom, dining room and living room;

(B) Blinds or window coverings for all windows:

(C) Energy-Star or equivalently rated dishwasher and disposal (not required for TRDO-USDA Developments)

(D) Energy-Star or equivalently rated Refrigerator;

~~(E) Energy-Star or equivalently rated Oven/Range;~~

(E~~F~~) Exhaust/vent fans (vented to the outside) in bathrooms;

(F~~G~~) Energy-Star or equivalently rated ceiling fans in living areas and bedrooms;

(G~~H~~) Energy-Star or equivalently rated lighting fixtures in all Units; and

~~(I) Emergency 911 telephone accessible and available to tenants 24 hours a day.~~

(e) Pre-Application Scoring Criteria.

(1) Income and rent levels of the tenants: Priority 1 applications will receive 10 points, Priority 2 applications will receive 7 points and Priority 3 applications will receive 5 points.

(2) Construction Cost Per Unit includes: direct hard costs, site work, contractor profit, overhead, general requirements and contingency. Calculation will be hard costs per square foot of net rentable area. Must be greater than or equal to $85~~75~~ per square foot for general population Developments and $95~~85~~ per square foot for elderly Developments (1 point) (Acquisition / Rehab will automatically receive (1 point)).

(3) Size of Units. Average size of all Units combined in the development must be greater than or equal to 950 square foot for family and must be greater than or equal to 750 square foot for elderly (5 points). (Acquisition / Rehab developments will automatically receive 5 points).

(4) Period of Guaranteed Affordability for Low Income Tenants. Add 10 years of affordability after the extended use period for a total affordability period of 40 years (1 point).

(5) Quality and Amenities Substitutions in amenities will be allowed as long as the overall score is not affected. Applications in which Developments provide specific qualities and amenities at no extra charge to the tenant will be awarded points as follows: Acquisition/Rehab developments will receive 1.5 points for each item.

(A) Laundry Connections (2 points);

(B) Self-cleaning or continuous cleaning ovens (1 point);

(C) Microwave Ovens (in each Unit) (1 point);

(D) Refrigerator with icemaker (1 point);

(E) Laundry equipment (washer and dryers) for each individual Unit including a front load washer and dryer in required UFAS compliant Units (3 points);

(F) Storage Room of approximately nine (9) square feet or greater (does not include bedroom, entryway or linen closets (does not have to be in the unit but must be on the property site) (1 point);

(G) Covered entries (1 point);

(H) Nine foot ceilings in living room and all bedrooms (at minimum) (1 point);

(I) Covered patios or covered balconies (1 point);

(J) Covered Parking (including garages) of at least one covered space per Unit (2 points);

(K) High speed internet service to all Units at no cost to residents (2 points);

(L) Fire sprinklers in all Units (2 points);

(M) 100% masonry on exterior, which can include stucco, cementitious board products, concrete brick and mortarless concrete masonry; excludes EIFS synthetic stucco (3 points)~~;~~ Applicants may not select this item if item (N) of this sub-clause is selected);

(N) Greater than 75% Masonry on exterior, which can include stucco and cementitious board products, concrete brick and mortarless concrete masonry; excludes EIFS synthetic stucco (1 point) Applicants may not select this item if item (X) of this sub-clause is selected);

(O) Thirty year architectural shingle roofing (1 point);

(P) Use of energy efficient alternative construction materials (structurally insulated panels) with wall insulation at a minimum of R-20 (3 points);

(Q) R-15 Walls / R-30 Ceilings (rating of wall system) (3 points);

(R) 14 SEER HVAC or evaporative coolers in dry climates for new construction, adaptive reuse and reconstruction or radiant barrier in the attic for the rehabilitation (3 points);

(S) Energy Star or equivalently rated kitchen appliances (2 points);

(T) One Children's Playscape Equipped for 5 to 12 years olds, or one Tot Lot~~--Only Family Developments Eligible~~ (1 point);

(U) Two Children's Playscapes Equipped for 5 to 12 year olds, two Tot Lots, or one of each~~--Only Family Developments Eligible~~ (2 points);

(V) Sport Court (Tennis, Basketball or Volleyball)(2 points);

(W) Enclosed sun porch or covered community porch/patio (2 points);

(X) BBQ Grills and Tables (at least one each per 50 Units) (1 point);

(Y) Accessible walking path/jogging path separate from a sidewalk (1 point);

(Z) Full Perimeter Fencing (2 points);

(AA) Controlled access gate (1 point);

(BB) Equipped and functioning business center or equipped computer learning center with 1 computer for every 30 Units proposed in the Application, and 1 printer for every 3 computers (with a minimum of one printer), and 1 fax machine (2 points);

(CC) Furnished and staffed children's activity center (3 points);

(DD) Horseshoe pit, putting green or shuffleboard court) (1 point);

(EE) Furnished Fitness Center equipped with a minimum of two of the following fitness equipment options with at least one per every 40 Units or partial increment of 40 Units: stationary bicycle, elliptical trainer, treadmill, rowing machine, universal gym, stationary weight bench, sauna, stair climber, etc. The maximum number of equipment options required for any Development, regardless of number of Units, shall be five (2 points);

(FF) Library with an accessible sitting area (separate from the community room) (1 point);

(GG) Gazebo with sitting area (1 point);

(HH) Covered Pavilion that includes barbeque grills and tables (2 points);

(II) Swimming pool (3 points);

(JJ) Community laundry room (with at least one front leading washer (1 point);

(KK) Furnished Community room (1 point);

(LL) Service coordinator office in addition to leasing offices (1 point);

(MM) Senior Activity Room (Arts and Crafts, etc.)(2 points);

(NN) Health Screening Room (1 point);

(OO) Secured Entry (elevator buildings only)--(1 point);

(PP) Community Dining Room with full or warming kitchen (3 points);

(QQ) Community Theatre Room equipped with a 52 inch or larger screen with surround sound equipment, DVD player; and theatre seating (3 points).

~~(RR) Green Building (for example, passive solar heating/cooling, water conserving fixtures, collected water (at least 50%) for irrigation purposes, sub-metered electric meters, exceed energy star standards, photovoltaic panels for electricity and design and wiring for the use of such panels, construction waste management, provide recycle service, water permeable walkways and parking areas, or other Department approved items) (3 points)~~

~~(SS) Jacuzzi/Hot Tub(1 point)~~

(RR) Green Building amenities:

i. Evaporative coolers [west Texas and Panhandle counties only] (1 point);

ii. Passive solar heating/cooling (3 points);

iii. Water conserving features (toilets using less than or equal to 1.6 gallons per flush, shoerheads, kitchen faucets or bathroom faucets using less than or equal to 2.0 gallons per minute) (1 point for each);

iv. Solar water heaters (2 points);

v. Collected water (at least 50%) for irrigation purposes (2 points);

vi. Sub-metered utility meters (3 points);

vii. Energy Star qualified windows and glass doors (2 points);

viii. Thermally and draft efficient doors (SHGC of 0.40 and U-value specified by climate zone according to the 2006 IECC) (2 points);

ix. Photovoltaic panels for electricity and design and wiring for the use of such panels (3 points);

x. Construction waste management and implementation of EPA's Best Management Practices for erosion and sedimentation control during construction (1 point);

xi. Exterior envelope insulation, vapor barriers and air barriers greater than or equal to Energy Star air barrier and insulation criteria (2 points);

xii. HVAC, windows, domestic hot water heater or insulation that exceeds Energy Star standards or exceeds the IRC 2006 (2 points);

xiii. Bamboo flooring, wool carpet, linoleum flooring, straw board, poplar OSB, or cotton batt insulation (2 points);

xiv. Recycle service provided throughout the compliance period (1 point); or

xv. Water permeable walkways (1 point).

(6) Tenant Services (Tenant Services shall include only direct costs (tenant services contract amount, supplies for services, internet connections, initial cost of computer equipment, etc.). Indirect costs such as overhead and utility allocations may not be included);

(A) $10.00 per Unit per month (10 points);
(B) $7.00 per Unit per month (5 points);
(C) $4.00 per Unit per month (3 points).

(7) Zoning appropriate for the proposed use or no zoning required ~~appropriate zoning~~ for the intended use must be in place at the time of the Application submission date, which are~~September 4, 2007 (Applications submitted for lottery) or the submission dates~~ listed on the Department's website for Applications submitted for waiting list and carryforward, in order to receive points (5 points).

(8) Proper Site Control (as defined in §353.3(24) of this title). ~~C~~Site control must be~~through December 1, 2007 with option to extend through March 1, 2008 (Applications submitted for lottery) or~~ through the scheduled Board meeting inducement and at full application must be 90 days from the date of the bond reservation with the option to extend through the scheduled TDHCA Board meeting. The potential expiration of site control does not warrant the application being presented to the TDHCA Board prior to the scheduled meeting. For Applications submitted for waiting list and carryforward all information must be correct at the time of the Application submission date, ~~September 4, 2007 for Applications submitted for lottery or the submission dates~~ listed on the Department's website~~ for Applications submitted for waiting list or carryforward,~~ in order to receive points (5 points).

(9) Development Support / Opposition Maximum net points of +24 to -24. Each letter will receive a maximum of +3 to -3. All letters received by 5:00 PM, ~~October 1, 2007 for Applications submitted for lottery or~~ seven ~~fourteen~~ (714) business days prior to the date of the Board meeting at which the Application will be considered for Applications submitted for waiting list and carryforward will be used in scoring. The letter must specifically indicate support or opposition otherwise the letter will be considered neutral.

(A) Texas State Senator and Texas State Representative (maximum +3 to -3 points per official);

(B) Presiding officer of the governing body of any municipality containing the Development and the elected district member of the governing body of the municipality containing the Development (maximum +3 to -3 points per official);

(C) Presiding officer of the governing body of the county containing the Development and the elected district member of the governing body of the county containing the Development (if the site is not in a municipality, these points will be doubled) (maximum +3 to -3 points per official);

(D) Local School District Superintendent and Presiding Officer of the Board of Trustees for the School district containing the Development (maximum +3 to -3 points per official).

(10) Proximity to Community Services / Amenities Community services / amenities within three (3) miles of the site. A map must be included with the Application showing a three (3) mile radius notating where the services / amenities are located. (Acquisition/Rehab developments will receive 1.5 points for each item in subparagraphs (A) – (O) of this paragraph).

(A) Full service grocery store or supermarket (1 point);
(B) Pharmacy (1 point);
(C) Convenience store / mini-market (1 point);
(D) Retail Facilities (Target, Wal-Mart, Home Depot, Bookstores, etc.) (1 point);
(E) Bank / Financial Institution (1 point);
(F) Restaurant (1 point);
(G) Indoor public recreation facilities (community center, civic center, YMCA, museum) (1 point);
(H) Outdoor public recreation facilities (park, golf course, public swimming pool) (1 point);

(I) Fire / Police Station (1 point);
(J) Medical Facilities (hospitals, minor emergency, medical offices) (1 point);
(K) Public Library (1 point);
(L) Public Transportation (1/2 mile from site) (1 point);
(M) Public School (only one school required for point and only eligible with general population developments) (1 point);
(N) Dry Cleaners;
(O) Family Video Rental (i.e. Blockbuster, Hollywood Video, Movie Gallery) (1 point).

(11) Proximity to Negative Features adjacent to or within 300 feet of any part of the Development site boundaries. A map must be included with the application showing where the feature is located. Developer must provide a letter stating there are none of the negative features listed in subparagraphs (A) – (G) of this paragraph within the stated area if that is correct. (maximum -6~~7~~ points)

(A) Junkyards (1 point deducted);
(B) Active Railways (excluding light rail) (1 point deducted);
(C) Heavy industrial / manufacturing plants (1 point deducted);
(D) Solid Waste / Sanitary Landfills (1 point deducted);
(E) High Voltage Transmission Towers within 100 feet (1 point deducted);
~~(F) Sexually Oriented Business (1 point deducted);~~
(F~~G~~) Accident zones or flight paths for commercial or military airports (1 point deducted).

(12) Acquisition / Rehabilitation Developments will receive thirty (30) points. This will include the demolition of old buildings and new construction of the same number of units if allowed by local codes or less units to comply with local codes (not to exceed 252 total units).

(13) Preservation Developments will receive ten (10) points. This includes rehabilitation proposals on properties which are nearing expiration of an existing affordability requirement within the next two years or for which the there has been a rent restriction requirement in the past ten years. Evidence must be provided.

(14) Declared Disaster Areas. Applications will receive 7 points, if at the time the complete pre-application is submitted or at any time within the two-year period preceding the date of submission, the proposed Development site is located in an area declared to be a disaster under §418.014 of the Texas Government Code. This includes Federal, State and Governor declared disaster areas.

(15) Developments in Census Tracts with No Other Existing Developments Supported by Tax Credits. Applications will receive 6 points if the proposed Development is located in a census tract in which there are no other existing developments that were awarded housing tax credits in the last 5 years and 3 points if there are no other existing developments that were awarded housing tax credits in the last 3 years. The applicant must provide evidence of the census tract in which the Development is located. These census tracts are outlined in the 2008 Housing Tax Credit Site Demographic Characteristics Report.

(17) Notary Public Services for Tenants. Applications will receive 1 point for this item (§2306.6710(b)(3)) To receive this point, the Applicant must submit a certification that the Development will provide notary public services to the tenants at no cost to the tenant. This provision will be included in the Land Use Restriction Agreement and Regulatory Agreement.

(f) Multiple Site Applications. For the purposes of scoring, applicants must submit the required information as outlined in the Pre-Application Submission Manual. Each individual property will be scored on its own merits and the final score will be determined based on an average of all of the individual scores.

g) Financing Commitments. After approval by the Board of the inducement resolution, and as part of the ~~before~~ submission of a final application, the Applicant will be solely responsible for making appropriate arrangements with financial institutions which are to be involved with the issuance of the Bonds or the financing of the Development, and to begin the process of obtaining firm commitments for financing from each of the financial institutions involved.

(h) Final Application. An Applicant who elects to proceed with submitting a final Application to the Department must submit the Volumes I and II of the Application, for Priority 1 and 2, prior to receipt of a reservation of allocation from the Texas Bond Review Board. For Priority 3 Applications the Volumes I and II must be submitted within fourteen (14) days of the reservation date from the Texas Bond Review Board. The Volume III of the Application and such supporting material as is required by the Department must be submitted at least sixty (60) days prior to the scheduled meeting of the Board at which the Development and the Bond issuance are to be considered, unless the Department directs the Applicant otherwise in writing. If the Applicant is applying for other Department funding then refer to the Rules for that program for Application submission requirements. The final application must adhere to the Department's QAP and Rules in effect for the program year for which the Bond and Housing Tax Credit applications are submitted. The Department may determine that supporting materials listed in the full application -shall be provided subsequent to the final Application deadline in accordance with a schedule approved by the Department. Failure to provide any supporting materials in accordance with the approved schedule may be grounds for terminating the Application and returning the reservation to the Texas Bond Review Board.

(1) A Public Notification Sign shall be installed on the proposed Development site, regardless of Priority, within thirty (30) days of the Department's receipt of Volumes I and II. The applicant must certify to the fact that the sign was installed within (thirty) 30 days of Volume I and II submission and the date, time and location of the ~~Bond~~ TEFRA Public Hearing must be included on the sign at least (thirty) 30 days prior to the hearing date. The sign must be at least four (4) feet by eight (8) feet in size and be located within twenty (20) feet of, and facing, the main road adjacent to the site. The sign shall be continuously maintained on the site until the day the TDHCA Board takes final action on the Application for the development. The information and lettering on the sign must meet the minimum requirements identified in the Application. In areas where the Public Notification Sign is prohibited by local ordinance or code, an alternative to installing a Public Notification Sign and at the same required time, the Applicant shall mail written notification to all addresses located within the footage distance required by the local municipality zoning ordinance or 1,000 feet, if there is no local zoning ordinance or if the zoning ordinance does not require notification, of any part of the proposed Development site. This written notification must include the information otherwise required for the sign. If the Applicant chooses to provide this mailed notice in lieu of signage, the final Application must include a map of the proposed Development site and mark the 1,000 foot or local ordinance area showing street names and addresses; a list of all addresses the notice was mailed to; an exact copy of the notice that was mailed; and a certification that the notice was mailed through the U.S. Postal Service and stating the date of mailing. The Applicant must mail notice to any public official that changed from the submission of the pre-application to the submission of the final application and any neighborhood organization that is known and was not notified at the time of the pre-application submission. No additional notification is required unless the Applicant submitted a change in the Application that reflects a total Unit increase greater than 10%, an increase greater than 10% for any given AMFI, a decrease in the number of market rate units, or a change in the population being served (elderly, general population or transitional);

(2) Completed Uniform Application and Multifamily Rental Worksheets in the format required by the Department as posted to the Department's website;

(i) Administrative Deficiencies. If an Application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the Application, the Department staff may request clarification or correction of such Administrative Deficiencies. Because the review for Eligibility, Threshold Criteria, and review for financial feasibility by the Department's Real Estate Analysis Division may occur separately, Administrative Deficiency requests may be made several times. The Department staff will request clarification or correction in a deficiency notice in the form of an e-mail, or if an e-mail address is not provided in the Application, by facsimile, and a telephone call (only if there has not been confirmation of the receipt of the email within 24 hours) to the Applicant and one other party identified by the Applicant in the Application advising that such a request has been transmitted. All Administrative Deficiencies shall be clarified or corrected to the satisfaction of the Department within five business days. Failure to resolve all outstanding deficiencies within five business days will result in a penalty fee of $500 for each day the deficiency remains unresolved. Any Application with unresolved deficiencies after the 10th day from the issuance of the deficiency notice will be terminated. The Applicant will be responsible for the payment of any fees accrued pursuant to this section regardless of any termination pursuant to this section. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period. The Application will not be presented to the Board for consideration until all outstanding fees have been paid.

(j) Eligibility Criteria. The Department will evaluate the Development for eligibility at the time of pre-application, and at the time of final Application. If there are changes to the Application that have an adverse affect on the score and ranking order and that would have resulted in the Application being placed below another Application in the ranking, the Department will terminate the Application and return the reservation to the Texas Bond Review Board (with the exception of changes to deferred developer's fees and support or opposition points). The Development and the Applicant must satisfy the conditions set out in paragraphs (1) - (6) of this subsection in order for a Development to be considered eligible:

(1) The proposed Development must further meet the public purposes of the Department as identified in the Code.

(2) The proposed Development and the Applicant and its principals must satisfy the Department's Underwriting Rules and Guidelines (§1.32 of this title). The pre-application must include sufficient information

for the Department to establish that the Underwriting Guidelines can be satisfied. The final Application will be thoroughly underwritten according to the Underwriting Rules and Guidelines (§1.32 of this title).

(3) The Development must not be located on a site determined to be unacceptable for the intended use by the Department.

(4) Any Development in which the Applicant or principals of the Applicant have an ownership interest must be found not to be in Material Non-Compliance under the compliance Rules in effect at the time of pre-application submission. Any corrective action documentation affecting the Material Non-compliance status score must be submitted to the Department no later than thirty (30) days prior to final application submission.

(5) Neither the Applicant nor any principals of the Applicant is, at the time of Application:

(A) barred, suspended, or terminated from procurement in a state or federal program or listed in the List of Parties Excluded from Federal Procurement or Non-Procurement Programs; or

(B) has been convicted of a state or federal crime involving fraud, bribery, theft, misrepresentation, misappropriation of funds, or other similar criminal offenses within fifteen (15) years; or

(C) is subject to enforcement action under state or federal securities law, action by the NASD, subject to a federal tax lien, or the subject of an enforcement proceeding with any governmental entity; or

(D) neither applicant nor any principals of the applicant have a development under their ownership or control with a Material Non-compliance score as set out in the Department's Compliance Monitoring Policies and Procedures (§60 of this title); or

(E) otherwise disqualified or debarred from participation in any of the Department's programs.

(6) Neither the Applicant nor any of its principals may have provided any fraudulent information, knowingly false documentation or other intentional or negligent misrepresentation in the Application or other information submitted to the Department.

(7) An application may include either the rehabilitation or new construction, or both the rehabilitation and new construction, of qualified residential rental facilities located at multiple sites and with respect to which 51 percent or more of the residential units are located:

(A) in a county with a population of less than 75,000; or

(B) in a county in which the median income is less than the median income for the state, provided that the units are located in that portion of the county that is not included in a metropolitan statistical area containing one or more projects that are proposed to be financed, in whole or in part, by an issuance of bonds.

The number of sites may be reduced as needed without affecting their status as a project for purposes of the application, provided that the final application for a reservation contains at least two sites (§1372.002)

(k) Bond Documents. After receipt of the final Application, bond counsel for the Department shall draft Bond documents which conform to the state and federal laws and regulations which apply to the transaction.

(l) Public Hearings; Board Decisions. For every Bond issuance, the Department will hold a public hearing in accordance with §2306.0661, Texas Government Code and §147(f) of the Code, in order to receive comments from the public pertaining to the Development and the issuance of the Bonds. The Applicant or member of the Development team must be present and will be responsible for conducting a brief presentation on the proposed Development and providing handouts at the hearing that should contain at a minimum, a description of the Development, maximum rents and income restrictions. If the proposed Development is an acquisition/rehabilitation then the presentation should include the scope of work that will be done to the property. All handouts must be submitted to the Department for review at least two (2) days prior to the public hearing. Publication of all notices required for the public hearing shall be at the sole expense of the Applicant. The Board's decisions on approvals of proposed Developments will consider all relevant matters. Any topics or matters, alone or in combination, may or may not determine the Board's decision. The Department's Board will consider the following topics in relation to the approval of a proposed Development:

(1) The developer market study;

(2) The location;

(3) The compliance history of the developer;

(4) The financial feasibility;

(5) The appropriateness of the Development's size and configuration in relation to the housing needs of the community in which the Development is located;

(6) The Development's proximity to other low income Developments;

(7) The availability of adequate public facilities and services;

(8) The anticipated impact on local school districts;

(9) Zoning and other land use considerations;

(10) Any matter considered by the Board to be relevant to the approval decision and in furtherance of the Department's purposes; and

(11) Other good cause as determined by the Board.

(m) Approval of the Bonds.

(1) Subject to the timely receipt and approval of commitments for financing, an acceptable evaluation for eligibility, the satisfactory negotiation of Bond documents, and the completion of a public hearing, the Board, upon presentation by the Department's staff, will consider the approval of the Bond issuance, final Bond documents and, in the instance of privately placed Bonds, the pricing of the Bonds. The process for appeals and grounds for appeals may be found under §1.7 and §1.8 of this title. The Department's conduit housing transactions will be processed in accordance with the Texas Bond Review Board rules 34 TAC, Part 9, Chapter 181, Subchapter A and Chapter 1372, Texas Government Code. The Bond issuance must receive an approving opinion from the Department's bond counsel with respect to the legality and validity of the Bonds and the security therefore, and in the case of tax-exempt Bonds, with respect to the excludability from gross income for federal income tax purposes of interest on the Bonds.

(2) Alternative Dispute Resolution Policy. The Department encourages use of Alternative Dispute Resolution methods as outlined in §1.17 of this title.

(n) Local Permits. Prior to the closing of the Bonds, all necessary approvals, including building permits, from local municipalities, counties, or other jurisdictions with authority over the Development must have been obtained or evidence that the permits are obtainable subject only to payment of certain fees must be provided to the Department.

(o) Closing. If there are changes to the Application prior to closing that have an adverse affect on the score and ranking order that would have resulted in the Application being placed below another Application in the ranking, the Department will terminate the Application and return the reservation to the Texas Bond Review Board (with the exception of changes to deferred developer's fees and support or opposition points). Once all approvals have been obtained and Bond documents have been finalized to the respective parties' satisfaction, the Bond transaction will close. Any outstanding Housing Trust Fund Pre-Development loans for the proposed Development site must be paid in full at the time the bond transaction is closed. All Applicants are subject to §1.20(g) of this title. Upon satisfaction of all conditions precedent to closing, the Department will issue Bonds in exchange for payment thereof. The Department will then loan the proceeds of the Bonds to the Applicant and disbursements of the proceeds may begin.

§35~~3~~.7 Regulatory and Land Use Restrictions

(a) Filing and Term of LURA. A Regulatory and Land Use Restriction Agreement or other similar instrument (the "LURA"), will be filed in the property records of the county in which the Development is located for each Development financed from the proceeds of Bonds issued by the Department. For Developments involving new construction, the term of the LURA will be the longer of 30 years, the period of guaranteed affordability or the period for which Bonds are outstanding. For the financing of an existing Development, the term of the LURA will be the longer of the longest period which is economically feasible in accordance with the Act, or the period for which Bonds are outstanding.

(b) Development Occupancy. The LURA will specify occupancy restrictions for each Development based on the income of its tenants, and will restrict the rents that may be charged for Units occupied by tenants who satisfy the specified income requirements. Pursuant to §2306.269, Texas Government Code, the LURA will prohibit a Development Owner from excluding an individual or family from admission to the Development because the individual or family participates in the housing choice voucher program under Section 8, United States Housing Act of 1937 (the "Housing Act"), and from using a financial or minimum income standard for an individual or family participating in the voucher program that requires the individual or family to have a monthly income of more than two and one half (2.5) times the individual's or family's share of the total monthly rent payable to the Development Owner of the Development. Development occupancy requirements must be met on or prior to the date on which Bonds are issued unless the Development is under construction. Adequate substantiation that the occupancy requirements have been met, in the sole discretion of the Department, must be provided prior to closing. Occupancy requirements exclude Units for managers and maintenance personnel that are reasonably required by the Development.

(c) Set Asides.

(1) Developments which are financed from the proceeds of Private Activity Bonds or from the proceeds of Qualified 501(c)(3) Bonds must be restricted under one of the following two minimum set-asides:

(A) at least twenty percent (20%) of the Units within the Development that are available for occupancy shall be occupied or held vacant and available for occupancy at all times by persons or families whose income does not exceed fifty percent (50%) of the area median income, or

(B) at least forty percent (40%) of the Units within the Development that are available for occupancy shall be occupied or held vacant and available for occupancy at all times by persons or families whose income does not exceed sixty percent (60%) of the area median income.

(2) The Development Owner must designate at the time of Application which of the two set-asides will apply to the Development and must also designate the selected priority for the Development in accordance with §1372.0321, Texas Government Code. Units intended to satisfy set-aside requirements must be distributed evenly throughout the Development, and must include a reasonably proportionate amount of each type of Unit available in the Development.

(3) No tenant qualifying under either of the set-asides shall be denied continued occupancy of a Unit in the Development because, after commencement of such occupancy, such tenant's income increases to exceed the qualifying limit; provided, however, that, should a tenant's income, as of the most recent determination thereof, exceed 140% of the then applicable income limit and such tenant constitutes a portion of the set-aside requirement of this section, then such tenant shall only continue to qualify for so long as no Unit of comparable or smaller size is rented to a tenant that does not qualify as a Low-Income Tenant. (Required federal set-aside requirements)

(d) Global Income Requirement. All of the Units that are available for occupancy in Developments financed from the proceeds of Private Activity Bonds or from the proceeds of Qualified 501(c)(3) Bonds shall be occupied or held vacant (in the case of new construction) and available for occupancy at all times by persons or families whose income does not exceed one hundred and forty percent (140%) of the area median income for a four-person household.

(e) Qualified 501(c)(3) Bonds. Developments which are financed from the proceeds of Qualified 501(c)(3) Bonds are further subject to the restriction that at least seventy-five percent (75%) of the Units within the Development that are available for occupancy shall be occupied (or, in the case of new construction, held vacant and available for occupancy until such time as initial lease-up is complete) at all times by individuals and families of Low Income (less than or equal to 80% of AMFI).

(f) Taxable Bonds. The occupancy requirements for Developments financed from the issuance of taxable Bonds will be negotiated, considered and approved by the Department on a case by case basis.

(g) Fair Housing. All Developments financed by the Department must comply with the Fair Housing Act which prohibits discrimination in the sale, rental, and financing of dwellings based on race, color, religion, sex, national origin, familial status, and disability. The Fair Housing Act also mandates specific design and construction requirements for multifamily housing built for first occupancy after March 13, 1991, in order to provide accessible housing for individuals with disabilities.

(h) Tenant Services. The LURA will require that the Development Owner offer a variety of services for residents of the Development through a Tenant Services Program Plan which is subject to annual approval by the Department.

(i) Land Use Restriction Agreement. Requirements as defined in Chapter 60, Subchapter A of this title.

§35~~3~~.8 Fees

(a) ~~(a)~~ Pre-Application Fees. ~~Application and Issuance Fees.~~ The Applicant is required to submit, at the time of pre-application, the following fees: $1,000 (payable to TDHCA), $2,000~~1,500~~ (payable to Vinson & Elkins, the Department's Bond Counsel) and $5,000 (payable to the Texas Bond Review Board (BRB)) These fees cover the costs of pre-application review and filing fees to the BRB. The Department shall set fees to be paid by the Applicant in order to cover the costs of pre-application review, Application and Development review, the Department's expenses in connection with providing financing for a Development, and as required by law. (§1372.006(a), Texas Government Code).

(b) Application and Issuance Fees. At the time of full application the Applicant is required to submit a tax credit application fee of $30/unit and $10,000 for the bond application fee (for multiple site Applications $10,000 or $30/unit, whichever is greater, for the bond application fee.) At the closing of the bonds the following fees are required:~~,~~ an issuance fee equal to 50 basis points (0.005) of the issued bond amount, administration fee equal to 20 basis points (0.002) and a Private Activity Bond compliance fee equal to $15/unit and a tax credit compliance fee equal to $40/unit. For refunding Applications the

Application fee will be $10,000 unless the refunding is not required to have a TEFRA public hearing, in which case the fee will be $5,000.

(b) Annual Administration, Portfolio Management and Compliance, and Asset Management Fees. The Department shall set ongoing fees to be paid by Development Owners to cover the Department's costs of administering the Bonds, portfolio management and compliance with the program requirements applicable to each Development and asset management applicable requirements. The annual tax credit compliance fee is paid in advance (for the duration of the compliance or affordability period) and is equal to $40/unit beginning two years from the first payment date; the Private Activity Bond compliance fee is paid in advance (for as long as the bonds are outstanding) and is equal to $15/unit beginning two years from the first payment date; the asset management fee is paid in advance and is equal to $25/unit beginning two years from the first payment date.~~; both are adjusted annually for CPI.~~ Compliance fees may be adjusted from time to time by the Department. The annual administration fee is paid in arrears and is equal to 10 basis points (0.001) of the outstanding bond amount beginning three years from the closing date. These fees are paid for a minimum of thirty (30) years or as long as the bonds are out-standing.

§35~~3~~.9 Waiver of Rules

Provided all requirements of the Act, the Code, and any other applicable law are met, the Board may waive any one or more of the Rules set forth in §§35~~3~~.3 - 35~~3~~.8 of this title relating to the Multifamily Housing Revenue Bond Program in order to further the purposes and the policies of Chapter 2306, Texas Government Code; to encourage the acquisition, construction, reconstruction, or rehabilitation of a Development that would provide decent, safe, and sanitary housing, including, but not limited to, providing such housing in economically depressed or blighted areas, or providing housing designed and equipped for Persons with Special Needs; or for other good cause, as determined by the Board.

§35~~3~~.10 No Discrimination

The Department and its staff or agents, Applicants, Development Owners, and any participants in the Program shall not discriminate under this Program against any person or family on the basis of race, creed, national origin, age, religion, handicap, family status, or sex, or against persons or families on the basis of their having minor children, except that nothing herein shall be deemed to preclude a Development Owner from selecting tenants with Special Needs, or to preclude a Development Owner from selecting tenants based on income in renting Units to comply with the set asides under the provisions of this chapter.

Housing Resource Center

BOARD ACTION REQUEST

September 3& 4, 2008

Action Items

Presentation, Discussion and Possible Approval of the *2009 State of Texas Consolidated Plan: One-Year Action Plan (Draft for Public Comment)*

Requested Action

Approval of release for public comment of the *2009 State of Texas Consolidated Plan: One-Year Action Plan (Draft for Public Comment)*

Background

The Texas Department of Housing and Community Affairs (TDHCA), Office of Rural Community Affairs (ORCA), and Department of State Health Services (DSHS) prepare the *2009 State of Texas Consolidated Plan: One-Year Action Plan* (Plan) in accordance with 24 CFR §91.320. TDHCA coordinates the preparation of the State of Texas Consolidated Plan documents although two of the programs addressed in the documents are administered through other state agencies. The Plan covers the State's administration of the Community Development Block Grant Program (CDBG) by ORCA, the Housing Opportunities for Persons with AIDS Program (HOPWA) by DSHS, and the Emergency Shelter Grants (ESG) Program and the HOME Investment Partnerships Program by TDHCA.

The Plan reports on the intended use of funds received by the State of Texas from the U.S. Department of Housing and Urban Development (HUD) for Program Year 2009. The Program Year begins on February 1, 2009, and ends on January 31, 2010. The Plan also illustrates the State's strategies in addressing the priority needs and specific goals and objectives identified in the *2005-2009 State of Texas Consolidated Plan*.

The Plan will be available for public comment from September 19 through October 20, 2008. Comment on the Plan may be provided in writing or directly at one of the consolidated public hearings to be held across the state. The final version of the Plan will be presented to the Board in November and is due to HUD by December 15th.

Summary of significant changes from the 2*008 Consolidated Plan: One-Year Action Plan* for the HOME and ESG programs. Note that the Plan includes significant revisions to the CDBG portion of the document; however the CDBG program is administered by the Office of Rural Community Affairs.

HOME Program:

- Describes ability to reprogram funds from undersubscribed activity or set-aside to another activity, see page 33.

- Rental housing development and rental housing preservation are combined into one activity called rental housing development that includes acquisition, construction, and rehabilitation of multifamily rental housing, see pages 33 and 36.
- Homebuyer assistance limits will be established in the program rules or the Notice of Funding Available (NOFA) when funds are made available, see page 36.
- The approximately $2 million in HOME funds for persons with disabilities will be allocated with approximately $1 million for rental development and approximately $1 million for Tenant-Based Rental Assistance (TBRA) and Home Buyer Assistance (HBA) with optional rehabilitation as developed in cooperation with the Disability Advisory Workgroup, see page 36.
- Replaced full description of federal requirements for lead-based paint with reference to federal rule, see page 31.

ESG Program:

- An additional recipient requirement stating that renovation must bring the building to safe and sanitary conditions and the renovation must assist individuals in obtaining other services and assistance, see page 50.
- Additional detail on the monitoring assessment process developed by the Portfolio Management and Compliance Division in conjunction with the Community Affairs Division, see page 52.

Recommendation

Staff recommends approval of the *2009 State of Texas Consolidated Plan: One-Year Action Plan (Draft for Public Comment).*

2009 State of Texas Consolidated Plan
One-Year Action Plan
DRAFT FOR PUBLIC COMMENT

September 2008

Prepared by:

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2009 State of Texas Consolidated Plan
One-Year Action Plan

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INTRODUCTION

The Texas Department of Housing and Community Affairs (TDHCA), Office of Rural Community Affairs (ORCA) and Department of State Health Services (DSHS) have completed the *2009 State of Texas Consolidated Plan One-Year Action Plan* ("the Plan") in accordance with 24 CFR §91.320. When the combined actions of TDHCA, ORCA, and DSHS are referenced in the Plan, the organizations are collectively referred to as "the State."

The Plan reports on the intended use of funds received by the State of Texas from the US Department of Housing and Urban Development (HUD) for Program Year (PY) 2009. The Program Year begins on February 1, 2009, and ends on January 31, 2010. The performance report on PY 2008 funds will be available in May 2009. The Plan covers the State's administration of the HOME Investment Partnerships Program (HOME), Emergency Shelter Grants Program (ESG), Community Development Block Grant Program (CDBG), and the Housing Opportunities for Persons with AIDS Program (HOPWA).

The Plan illustrates the State's strategies in addressing the priority needs and specific goals and objectives identified in the *2005-2009 State of Texas Consolidated Plan*. The Plan consists of the following sections:

- Executive Summary. Provides a detailed synopsis of the One-Year Action Plan.
- General Information. A description of the State's plan to undertake other activities that fulfill requirements of §91.320 (i) and (j).
- Action Plans. Program-specific plans for HOME, ESG, CDBG, and HOPWA illustrating funding guidelines and fund allocations as required under 24 CFR §91.320 (g).
- Form Applications and Certifications. Contains Standard Form 424, the application for federal resources, as well as HUD required certifications.

EXECUTIVE SUMMARY

The 2009 One-Year Action Plan illustrates the combined actions of the Texas Department of Housing and Community Affairs (TDHCA), Office of Rural Community Affairs (ORCA) and Department of State Health Services (DSHS), referred to collectively as "the State." In particular, this action plan addresses the priority needs and specific objectives identified in the *2005-2009 State of Texas Consolidated Plan*. The Consolidated Plan covers the State's administration of the HOME Investment Partnerships Program (HOME), Emergency Shelter Grants Program (ESG), Community Development Block Grant Program (CDBG), and the Housing Opportunities for Persons with AIDS Program (HOPWA).

Objectives and Outcomes

The 2009 One-Year Action Plan:

1. Reports on the intended use of funds received by the State of Texas from the US Department of Housing and Urban Development (HUD) for Program Year (PY) 2009
2. Explains the State's method for distributing CDBG, ESG, HOME, and HOPWA program funds
3. Provides opportunity for public input on the development of the annual plan

The State's progress in achieving the goals put forth in the One-Year Action Plan will be measured according to HUD guidelines (24 CFR 91.520) and outlined in the 2008 Annual Performance Report.

In accordance with the guidelines from HUD, the State complies with the new CPD Outcome Performance Measurement System. Program activities are categorized into the objectives and outcomes listed in the chart below.

	OUTCOME 1 Accessibility	**OUTCOME 2** Affordability	**OUTCOME 3** Sustainability
OBJECTIVE #1 Suitable Living Environment	Enhance Suitable Living Environment Through Improved/New Accessibility **(SL-1)**	Enhance Suitable Living Environment Through Improved/New Affordability **(SL-2)**	Enhance Suitable Living Environment Through Improved/New Sustainability **(SL-3)**
OBJECTIVE #2 Decent Housing	Create Decent Housing with Improved/New Availability **(DH-1)**	Create Decent Housing with Improved/New Affordability **(DH-2)**	Create Decent Housing with Improved/New Sustainability **(DH-3)**
OBJECTIVE #3 Economic Opportunity	Provide Economic Opportunity Through Improved/New Accessibility **(EO-1)**	Provide Economic Opportunity Through Improved/New Affordability **(EO-2)**	Provide Economic Opportunity Through Improved/New Sustainability **(EO-3)**

The objectives and outcomes as they apply to each of the four programs are listed below. The performance figures are based on actual performance during the Program Year (February 1st through January 31st) of current contracts and actual units and households served. In contrast, the performance measures reported to the Texas Legislative Budget Board for the State Fiscal Year (September 1st through August 31st) are based on projected units and households at time of award. The HOME performance figures reported herein may include funding from several years as funds from previous years are deobligated and refunded.

HOME Program Performance Measures

Outcomes and Objectives	Performance Indicators	Expected Number
DH-2	Rental units assisted through new construction and rehabilitation	870
DH-2	Tenant-based rental assistance units	725
DH-2	Existing homeowners assisted through owner-occupied assistance	432
DH-2	First-time homeowners assisted through homebuyer assistance	437

ESG Performance Measures

Outcomes and Objectives	Performance Indicators	Expected Number
SL-1	Provide funding to support the provision of emergency and/or transitional shelter to homeless persons.	100,000
DH-2	The provision of non-residential services including homelessness prevention assistance.	4,000

CDBG Performance Measures

Outcomes and Objectives	Performance Indicators	Expected Number
SL-1	Neighborhood Facilities	2
SL-1	Water/Sewer Improvements	133
SL-2	Water/Sewer Improvements	5
SL-3	Water/Sewer Improvements	47
SL-1	Street Improvements	45
SL-2	Street Improvements	3
SL-3	Street Improvements	12
SL-1	Rehabilitation; Single Unit Residential	48
DH-2	Rehabilitation; Single Unit Residential	2
DH-3	Rehabilitation; Single Unit Residential	5
DH-2	Homeownership Assistance	2
SL-1	Parks, Playgrounds, and Other Recreational Facilities	2
SL-1	Public Service	3
DH-2	Public Service	2
SL-1	Clearance Demolition Activities	5
SL-3	Clearance Demolition Activities	2
EO-1	ED Direct Financial Assistance for For-Profits	1
EO-2	ED Direct Financial Assistance for For-Profits	19

HOPWA Performance Measures

Outcomes and Objectives	Performance Indicators	Expected Number
DH-2	TBRA housing assistance	550
DH-2	STRMU housing assistance	700
DH-2	Supportive Services (restricted to case mgt., smoke detectors, and phone service)	1250
DH-1	Permanent Housing Placement (security deposits, application fees, credit checks)	20

Evaluation of Past Performance

The HOME Program committed $28,004,990 with 750 total beneficiaries reported in PY 2007 (February 1, 2007, through January 31, 2008). Delayed distribution of federal funding inhibited the timely disbursement of PY 2007 funds. In addition, a biennial funding cycle implemented in 2006-2007 in response to public input resulted in insufficient applicants. Distribution of the funds by activity is described in the table below.

HOME Funds Committed, PY 2007

Activity	Amount
Homebuyer Assistance (all activities)	$1,889,700
Owner Occupied Housing Assistance	$17,497,754
Tenant Based Rental Assistance	$2,229,368
CHDO Rental Development	$4,026,043
CHDO Operating Expenses	$75,000
Rental Housing Development	$955,000
Rental Housing Preservation	$1,332,125
Total	$28,004,990

The ESG Program committed $4,867,722 through 76 grants, with 122,784 total beneficiaries reported in PY 2007. Funds were used toward activities including renovation of buildings for use as emergency shelters, provision of essential services to the homeless, payment of operating costs of shelters, and development of homeless prevention services. The breakdown of the total funding is described in the table below.

ESG Funds Committed, PY 2007

Use of Funding	Amount
Funds Committed	$4,867,722
Carry-In Funds Committed*	$80,472
Total	**$4,948,194**

*Carry-In represents the unexpended fund balance from the prior year's allocation

During Program Year 2007, the Texas CDBG Program committed a total of $82,944,201 through 286 awarded contracts. For contracts that were awarded in PY 2007, 696,863 persons received service. Distribution of the funds by activity is described in the table below.

CDBG Funds Committed, PY 2007

Fund	Program Description	2007 Total Obligation
Community Development	Provides grants on a competitive basis to address public facility and housing needs such as sewer, water system, road, and drainage improvements.	$29,776,548
Community Development Supplemental Fund	Allocates additional funds among the 24 state planning regions using a different allocation formula. Same application and purposes as the Community Development Fund.	15,382,155
Texas Capital Fund	Provides financing for projects that create and retain jobs primarily for low- and moderate-income persons.	11,411,900
Colonia Construction Fund	Provides grants for colonia projects; primarily water, sewer and housing.	5,097,668
Colonia EDAP Fund	Provides grants for colonias for the cost of service lines, service connections, and plumbing improvements associated with being connected to a Texas Water Development Board's (TWDB) Economically Distressed Areas Program (EDAP)-funded water and sewer system improvement project.	439,614
Colonia Planning Fund	Colonia Area Planning Fund – provides grants for preliminary surveys and site engineering, provides assistance towards the cost of architectural services, mortgage commitments, legal services, and obtaining construction loans. Colonia Comprehensive Planning Fund - provides assistance that is used to conduct a complete inventory of the colonias that includes demographic, housing, public facilities, public services, and land use statistics.	177,750
Colonia Self-Help Centers	Provides grant funds for the operation of seven Self-Help Centers in colonias.	2,860,216
Non-Border Colonia	This fund is available on a biennial basis to eligible county applicants for primarily water and sewer projects in severely distressed unincorporated areas located farther than 150 miles from the Texas-Mexico border and within non-entitlement counties.	500,000
Planning / Capacity Building	Provides grants on a competitive basis to communities for planning activities that address public facility and housing needs.	664,000
Disaster Relief/ Urgent Need	Provides grants to communities on an as-needed basis for recovery from disasters such as floods or tornadoes and Urgent water and sewer needs of recent origin that are unanticipated and pose a serious public safety or health hazard.	11,605,656
STEP Fund	Provides grants to cities and counties for solving water and sewer problems with a self-help approach that requires local participation through donated labor and materials.	4,928,694
Micro-Enterprise Loan Fund	Provides a tool for rural communities to assist their very small businesses (5 or fewer employees) access capital.	100,000

Fund	Program Description	2007 Total Obligation
Total		**$82,944,201**

The HOPWA Program expended $2,648,406 through 26 project sponsors, with 2,416 beneficiaries of housing assistance reported in PY 2007. Funds were used toward tenant-based rental assistance and emergency assistance to prevent homelessness of low-income persons with HIV/AIDS. Distribution of the funds by activity is described in the table below.

HOPWA Program Expenditures, PY 2007

Eligible Activities	Amount
Expenditures for TBRA	$1,554,095
Expenditures for STRMU	$609,318
Expenditures for Supportive Services	$291,095
Total	**$2,648,406**

Consultation and Public Participation

The Action Plan will be made available for public comment from September 19, 2008, through October 20, 2008. Public hearings will be held at 6 locations across the state – Austin, Brownsville, Fort Worth, El Paso, Houston, and Lubbock – to allow citizens to respond and comment in a public forum. Written comment will also be accepted at the public hearings, as well as by mail, fax, or email. Public notice of the draft comment period and the hearings will be made through an announcement in the Texas Register, on the TDHCA website, as well as e-mail notifications to members of the agency's e-mail list. Individuals who require a language interpreter at the hearings can receive this assistance upon request.

Summary of public comment and the corresponding reasoned responses will be added to the "Summary of Public Comment" section of the final version of the Action Plan.

Within the "Summary of Public Comment" section of the Action Plan, a table will list the individuals and organizations that provide comment. This list will include the public and private agencies whose input ("consultation") was incorporated into the plan, as required by 24 CFR Part 91.

Additionally, the Plan includes summary of comment received at public hearings held by ORCA specifically regarding the CDBG sections of the Plan.

GENERAL INFORMATION

The following section outlines the State's strategies in regard to eight categories of required actions. These categories include Citizen Participation, Institutional Structure, Available Resources, Meeting Underserved Needs, Poverty Level Households, Needs of Public Housing, Monitoring, and Lead-Based Paint Initiatives.

CITIZEN PARTICIPATION

SUMMARY OF CITIZEN PARTICIPATION PROCESS

The Action Plan will be made available for a 32-day public comment period from September 19, 2008, through October 20, 2008. In addition, public hearings will be held at 6 locations across the state: Austin, Brownsville, Dallas, El Paso, Houston, and Lubbock. Written comment will also be accepted at the public hearings and by mail, fax, or email.

The notification process for the public hearings includes the following: a notice in the *Texas Register*, a TDHCA website posting; email to TDHCA email lists including approximately 3,000 cities, counties, developers, non-profit organizations, legislative contacts, advocacy groups, subcontractors, and other interested parties. Spanish speaking staff will be in attendance at the hearings in El Paso and Brownsville to assist individuals who require a language interpreter. Persons with needs for interpretation of other languages or individuals at the other hearing locations can receive this assistance upon request.

A summary of the comments and the Staff's reasoned responses will be provided below in Part A, "Consolidated Plan Hearings." The individuals and organizations that provide comment will be enumerated in the Commenter List at the end of this section.

SUMMARY OF PUBLIC COMMENT

A. Consolidated Plan Hearings

Summary of public comment and the State's responses will be included here in the final version of the Plan.

B. ORCA CDBG Action Plan Hearings
October 11, 2007
Austin, TX
(6 PM)
<u>Summary of Public Comments</u>:

One comment - Non-border Colonia Fund should stay as a separate fund.
Another comment - Non-Border Colonia Fund should be removed. If retain it, then increase the maximum amount.

Past Performance –Gave USDA example – if had a couple of extensions, bankruptcy, litigation, bad consultant / engineer – doesn't allow for corrective measures although that would be hard for ORCA staff to quantify.

Should reduce Past Performance scoring to 5% from 10%. Cover just the last two biennial cycles. One deduction per consulting firm. Or one deduction for each business location of a consulting firm.

Several comments - Examples of objective questions should be removed from the Action Plan.
Another comment – Examples of objective questions should be retained.

Failure to perform is a threshold issue. We should penalize them by making them ineligible for 2 years. Three strikes and you are out. They should not be able to apply the next time.

One comment: Proposed Action Plan is flawed. ORCA offered only one solution to the issue. ORCA has taken the HUD finding and is going to 100% objective scoring. HUD is saying that is not the only fix. ORCA is misrepresenting HUD. There are other options. ORCA needs to consider unintended consequences of the proposal. All applications will be pre-scored. It will be a disaster for the system. There was no discussion / no chance. The majority of scores in a region will be the maximum possible points. Objective questions should be removed from the Action Plan. The proposed Action Plan goes too far, weakens it. RRC Task Force – did not consider options or processes. Only wanted us to develop the factors. Don't feel any other options were allowed or considered.

October 15, 2007
Arlington, TX
<u>Summary of Public Comments</u>:

The regional objective scoring requirements will "open-up grant program to reevaluate priorities".

The reduced number of RRC scoring members (due to only quorum present, conflict rules, and low/high score removed) remains a problem.

Concern with using new Schedule C as milestone for past performance points – implementation schedule may not fit all projects.

Suggestion to verify RRC member's commitment/time to serve on RRC.

Please allow consideration of "credit" for force account work for STEP projects.

October 19, 2007
Canyon, TX
<u>Summary of Public Comments</u>:

ORCA should continue to concentrate its focus on community development programs instead of programs such as the micro-enterprise loan and the small business loan program. The focus should be on CDBG projects such as water and sewer infrastructure.

There should be more funds in CDBG projects.

HUD should listen to the COG's especially PRPC and continue with the RRC system.

How far back will ORCA look back for past performance to score applications in 2009?

October 22, 2007
Wharton, TX
<u>Summary of Public Comments</u>: None

November 1, 2007
Pecos, TX
<u>Summary of Public Comments</u>:

Will the HUD program requirements still apply, such as eligibility and National Objectives? May need to be clarified in the 2009 Action Plan.

Clarification may be needed in the 2009 Action Plan regarding disqualification of an application. Will ORCA or the RRC disqualify an application? Will an RRC have the authority to disqualify an application?

Will the colonia planning cycle be annual or biennial?

It was suggested that the ORCA website be revised to allow documents in WORD.

It was suggested that the same ORCA staff that attended the RRC meetings also attend any follow-up meetings held by the RRCs.

There may be quorum issues due to appointments during the RRC organizational meetings. It was suggested that ORCA assist with contacting the Governor's Office related to the appointments.

A suggestion was made that ORCA staff also be certified to manage contracts.

November 5, 2007
Alice, TX
Summary of Public Comments:

What funding options are available, since drainage is a major issue?

What is the maximum amount allotted for the Renewable Energy program?

Who can be a member of the RRC and how can new members be appointed?

Information was requested on ORCA's Rural Access to Emergency Devices Grant Program (Rural AED Grant).

November 9, 2007
Nacogdoches, TX
Summary of Public Comments:

• Establishing an Objective RRC scoring process, in which all scoring criteria would be quantifiable and verifiable.

1. The list of examples of RRC objective scoring factors cited on pages 34-35 should be removed. Instead, ORCA should develop a "prototype scoring matrix" that is clearly quantifiable and objective for RRC members to use as a reference guide in developing their own Guidebook and scoring criteria. This ORCA-developed model would list all the objective scoring factors used in a mock grading exercise of all applications from a small sample COG representing perhaps 12-15 communities including cities and counties. ORCA would grade each application against the objective factors and include the outcome of each applicant's score in the RRC Guidebook.
2. Verbiage in paragraph a(1) "Responsibilities of the RRC" (page 34 of the plan) should be amended to read:
   "Each Regional Review Committee is responsible for determining local project priorities and factors through a series of meetings soliciting public input. ORCA will provide the RRC a prototype of objective scoring factors that may be presented at these public meetings." (The idea is that the scoring criteria would be made available for public review well in advance of the grant application cycle.)

3. The group recommended additional verbiage after the following paragraph on page 35:
   Add a new paragraph (6) TIMELINES: The RRC Guidebook should be adopted by the RRC and approved by ORCA at least 120 days prior to the application deadline. (the group recommended this be in BOLD print).

   The selection of the entity responsible for calculating the RRC scores must be identified in the RRC Guidebook and must define the role of each entity selected. ORCA shall be responsible for reviewing all scores for accuracy and for determining the final ranking of applicants once the RRC and TxCDBG scores are summed. The RRC is responsible for providing to the public the RRC scores and their respective appeals process, while the TxCDBG is responsible for publishing the final ranking of the applications.

• State score would constitute only 10% of the maximum RRC score for Past Selection (3%) and Past Performance (7%).

The group suggested the Past Performance criterion be eliminated because it is already:

1. addressed in the contract verbiage itself (i.e., in SECTION 3 "CONTRACTOR PERFORMANCE" of the Community Development contracts), and
2. covered in the APPLICANT THRESHOLD AND PAST PERFORMANCE REQUIREMENTS section on pages 26-27 of the action plan.

Further, the group felt that the paragraph on Past Performance scoring as written on pages 35-36 is, in itself, subjective in nature. For instance, the meaning of the statement, "The evaluation of an applicant's past performance will include, but is not necessarily limited to the following:"… could be open to interpretation and analysis.

The group suggested that if the Past Performance criterion was eliminated, the Past Selection criterion be increased from 3% to a range of between 5% and 10% to make up for this offset.

IF, however, ORCA chooses to keep past performance as a state scoring factor, then past performance should only apply to Community Development contracts and should be defined in clear (verifiable and quantifiable) terms.

• Each RRC would develop a Regional Review Committee Guidebook that would include all the objective scoring factors and other procedures. The RRC must clearly indicate how responses would be scored under each factor. Each RRC Guidebook must obtain written approval from ORCA.

Reference previous group comments: ADD NEW PARA (6) TIMELINES: The RRC Guidebook should be adopted by the RRC and approved by ORCA at least 120 days prior to the application deadline. (the group recommended this be in BOLD print).

Other Changes:

• Establishes the duty of the ORCA board in HB 2542 to hear appeals of State Review Committee decisions and render a decision.

The group recommended the following change to the last paragraph in the section entitled State Review Committee (SRC) - Composition and Role on page 26:

<u>"An applicant for a grant, loan, or award under a community development block grant program may appeal a decision of the State Review Committee by filing a complaint with the ORCA board. The board will hold a hearing on a complaint filed with the board and render a decision."</u>

(ADDED) Applicants shall be provided ten (10) business days following public release of scores in which to file an appeal. This includes the state itemized scores.

Applicant Threshold & Past Performance.

• Allows TxCDBG management to determine if an applicant has or does not have the capacity to manage and administer project based on prior performance.

The recommendation is to remove this statement from paragraph F.1.d. on page 26 of the plan. The group felt that ORCA already has this authority as stated in the actual contracts and in the action plan discussion on thresholds in this same paragraph.

• Requires an administrator of TxCDBG contracts awarded in PY 2009 to attend the TxCDBG Project Implementation Manual workshop.

The group suggested this statement on page 29 of the plan be further clarified as follows:

<u>"In order to administer a TxCDBG contract awarded in PY 2009, the administrator</u> (consultant or self-administering contractor)<u> must attend and retain the completion certificate at the most recent TxCDBG Project</u>

<u>Implementation Manual workshop. (This requirement excludes Texas Capital Fund and Colonia Self-Help Center Set-aside contracts.)</u>

TxCDBG Scoring.

• Introduces Expenditure timeframes as a possible Past Performance scoring consideration.

As mentioned in previous comments, the group recommended the past performance factor be removed as a TxCDBG scoring consideration (page 35-36). However, IF this section on past performance remains, the group was still insistent that this particular past performance criterion be removed from the plan. The group felt that possibly applying rigid expenditure timeframes across the board to all contracts could not be accomplished equitably. For instance, success in achieving the 50%-, 75%-, and 90%-construction progress milestones might vary depending on the type of construction project that is underway (examples: elevated water storage tank versus a sewer line versus a water line versus road improvements).

Project Length.

• Reduces the maximum STEP contract term from 36 to 24 months to increase the timely expenditure of TxCDBG funds.

Group consensus was that STEP projects should be 36 months in duration. They also recommended there be more flexibility available in STEP contracts to allow for possible increased rates for Admin / Engineering activities.

November 12, 2007
Anson, TX
<u>Summary of Public Comments</u>: None

November 19, 2007
Uvalde, TX
<u>Summary of Public Comments</u>:

Remember – "With great powers comes great responsibility"

Should require city and county staff to attend TxCDBG Implementation Workshop, not just their consultant.

How will ORCA handle the RRC portion of the application? Will there be a separate workshop by each RRC to explain their scoring? (more than just the organizational meeting.)

9 out of 11 AACOG RRC members will not participate in the RRC. Discussed appointment process.

Hear ORCA is planning to revise its website. Glad to hear it. (it's needed) Look forward to a friendlier website.

Past Performance – do not think fair to punish for an extension despite weather delays (federal disaster declarations)

<u>Written Comments:</u>

Bruce Spitzengel
GrantWorks, Inc.
Sugar Land, TX

TEXAS COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

2009 PROPOSED ACTION PLAN

II. ALLOCATION OF CDBG FUNDS

B. DESCRIPTION OF FUNDS

Colonia Planning Component

In order to qualify for the Colonia Area Planning activities, the county applicant must have a Colonia Comprehensive Plan in place that prioritizes problems and colonias for future action. The targeted colonia must be included in the Colonia Comprehensive Plan.

Comments: Is the intent to remove the restriction on one-time assistance from the Colonia Comprehensive Planning Fund? If so scoring priority should be given to applicants that have not been previously funded before those seeking updates.

C. ALLOCATION OF AVAILABLE FUNDS BY FUND CATEGORY

The U.S. Department of Housing and Urban Development has not yet announced the State's 2009 program year CDBG allocation. The State's 2009 allocation could be lower than the 2007 allocation of $73,611,737.

The amount available for Tx CDBG assistance will be the 2009 State CDBG allocation amount plus an estimated $2,000,000 in program income. Funds will be allocated according to the following percentages of the State's 2009 allocation upon the execution of the grant agreement with HUD:

FUND	2009 PERCENT	AMOUNT AVAILABLE
Planning And Capacity Building Fund	0.90	

Comments: It is suggested that the planning fund be increased 0.10% with funds from the STEP fund. Planning for a long period was funded at a full 1.0% and it would be reasonable to restore this activity to at least that amount. The demand for this activity has been extremely high with many good applications not being recommended for assistance due to the lack of funds.

III. APPLICATION INFORMATION

E. REVIEW PROCESS

2. State Review Committee (SRC) - Composition and Role

An applicant for a grant, loan, or award under a community development block grant program may appeal a decision of the State Review Committee by filing a complaint with the ORCA board. The board will hold a hearing on a complaint filed with the board and render a decision.

Comments: The standards for an appeal need to be clearly stated. Note the standards used by TDHCA as available in their TAC website as follows:
http://info.sos.state.tx.us/pls/pub/readtac$ext.ViewTAC?tac_view=5&ti=10&pt=1&ch=1&sch=A&rl=Y
Subsections 1.7 and 1.8.

F. APPLICANT THRESHOLD AND PAST PERFORMANCE REQUIREMENTS

1. Demonstrate the ability to manage and administer the proposed project, including meeting all proposed benefits outlined in its application, by using the following criteria:
    d. TxCDBG management may determine that an applicant has or does not have the capacity to manage and administer the proposed project based on an applicant's prior performance on a TxCDBG contract.
2. Demonstrate the financial management capacity to operate and maintain any improvements made in conjunction with the proposed project, by using the following criteria:

c. TxCDBG management may determine that an applicant has or does not have the financial management capacity to operate and maintain any improvements made in conjunction with the proposed project based on a review of audited financial records, current financial status, or current financial management of a TxCDBG contract.

Comments: These need to be further clarified as to specific circumstances whereby a city or county would understand how such a severe determination of lack of capacity could be made. The agency could be critizied for not having clear and specific polcies with uniform enforcement.

10. Tx CDBG funds cannot be expended in any county that is designated as eligible for the Texas Water Development Board Economically Distressed Areas Program unless the county has adopted and is enforcing the Model Subdivision Rules established pursuant to Section 16.343 of the Water Code.

Comments: EDAP has been expanded statewide and counties are no longer going to be “designated” as EDAP eligible. Technically every county in Texas is eligible if they have an area that qualifies as economically distressed under the statutes and if an application for EDAP funds is made to assist that area.

G. ADMINISTRATION OF TxCDBG CONTRACTS – In order to administer a TxCDBG contract awarded in PY 2009, the administrator must attend and retain the completion certificate at the most recent TxCDBG Project Implementation Manual workshop. (This requirement excludes Texas Capital Fund and Colonia Self-Help Center Set-aside contracts.)

Comments: Additional clarification is requested as who are the administrators and who can represent administrators at these workshops. If contracted grant administrators may attend on behalf of their client communities then this requirement is acceptable, assuming the “most recent” workshop means “most recent round of workshops.” If the communities must attend this is a burdensome and unnecessary requirement.

IV. APPLICATION SELECTION CRITERIA

C. DESCRIPTION OF SELECTION CRITERIA BY FUND CATEGORY

1. COMMUNITY DEVELOPMENT FUND

a.Regional Review Committee (RRC) Objective Scoring

(1) Responsibilities of the RRC:

Each Regional Review Committee is responsible for determining local project priorities and factors. All scoring criteria must be verifiable as well as quantifiable. Furthermore, all scoring factors must be capable of being uniformly applied to all units of general local government within each region and must be applicable to all types of eligible activities.

Comments: Very difficult standards to meet. How does an enforcement letter for a sewer problem be uniformly applied to a drainage or street project. Is this a HUD standard?

b. TxCDBG Scoring - Other Considerations – Maximum Points - 10% of Maximum Possible Score for Each RRC

(1) Past Selection – Maximum Points - 3% of Maximum Possible RRC Score for each region - are awarded to each applicant that did not receive a 2007 or 2008 Community Development Fund or Community Development Supplemental Fund contract award

Comments: Is this referring to State scoring? It is not very clear.

(2) Past Performance - Maximum Points - 7% of Maximum Possible RRC Score for each region

An applicant can receive from ten (10) to zero (0) points based on the applicant’s past performance on previously awarded Tx CDBG contracts. The applicant’s score will be primarily based on our assessment of the applicant’s performance on the applicant's two (2) most recent Tx CDBG contracts that have reached the end of the original contract period stipulated in the contract within the past 6 years. The Tx CDBG will also assess the applicant's performance on existing Tx CDBG contracts that have not reached the end of the original contract period. Applicants that have never received a Tx CDBG grant award will automatically receive these points. The Tx CDBG will assess the applicant's performance on Tx CDBG contracts up to the application deadline date. The applicant's performance after the application deadline date will not be evaluated in this assessment. The evaluation of an applicant's past performance will include, but is not necessarily limited to the following:

- The expenditure timeframes on the applicable TXCDBG contracts.

Comments: These timeframes were never discussed with stakeholders prior to their inclusion in the 2007 contracts and new Implementation Manual. Scoring should NOT be dependent on retroactively introduced thresholds. See comments made regarding the Implementation Manual.

2b. TEXAS CAPITAL FUND	Main Street Program

The selection criteria for the Main Street Program of the Texas Capital Fund will focus upon factors which may include, but which are not limited to, the following:

a. Aid in the elimination of slum or blight
b. The applicant must have been designated by the Texas Historical Commission as a Main Street City
c. Feasibility of project
d. Generation of a greater ratio of private investment to Texas Capital Fund investment
e. Texas Historical Commission scoring
f. Community profile

Following the assessment based on the selection criteria described above, projects will be reviewed and evaluated upon the following additional factors: history of the applicant community in the program; strength of marketing plan; and justification of minimum Texas Capital Fund contribution necessary to serve the project.

Comments: Scoring for this Fund needs to be modified to eliminate subjectivity, particularly with the scoring criteria as required by and used by the Texas Historical Commission.

4. PLANNING AND CAPACITY BUILDING FUND	430 Total Points Maximum

c. Project Design -- 375 Points (Maximum)
(4) Planning Strategy and Products — 275 points

- New applicants receive up to 50 points while previous recipients of planning funds receive either up to 40 or 20 points depending on the level of implementation of previously funded activities. Recipients of Tx CDBG planning funds prior to PY 1995 will be considered new applicants for this scoring factor
- Up to 225 points are awarded for the applicant's Proposed Planning Effort based on an evaluation of the following:
    - the extent to which any previous planning efforts have been implemented or accomplished;
    - how clearly the proposed planning effort will resolve community development needs addressed in the application;
    - whether the proposed activities will result in the development of a viable and implementable strategy and be an efficient use of grant funds; and
    - demonstration of local commitment.

Comments: Scoring for this Fund needs to be modified to eliminate subjectivity.

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Steve Kerbow
Kerbow and Associates Consulting, Inc.
Palestine, Texas

Kerbow and Associates Consulting, Inc., comments on the proposed 2009 CDBG Program Action Plan follow:

1. We concur with most of the program funding category consolidation, except there should be no Renewal Energy Demonstration Pilot Program. Renewal Energy Demonstration Pilot Program funds should be reallocated to the Community Development Fund.

2. We strongly disagree that grant applicant past performance should constitute an ORCA scoring factor. While we are very supportive of improving the State's expenditure ratio, we believe that the current threshold system is sufficient in preventing non-performing recipients from receiving additional funding and that there may be better methods of improving the expenditure ratio rather than measures in the proposal.

   Events or circumstances are often beyond the control of the recipient, which cause contract extensions. The proposed Action Plan is punitive in nature only and does not allow for corrective measures that the recipient may have instituted to prevent reoccurrence of delaying issues. There are a number of current or past contracts on which our firm has worked where the recipient followed legal or ORCA procedures in attempting to resolve matters that resulted in not completing the project within a timely manner.

   Following are several examples:

   a. A recipient had to obtain a contract extension due to the failure of exterior paint on a water storage facility. In this case, the problem was found in time to make the corrections within the 2-year contract period, but the contractor refused to make corrections. The engineer would not issue a Certificate of Construction Completion due to the obvious construction problems. After some preliminary legal negotiations, the contractor finally repainted the tank, but again, a time extension of was needed because of circumstances beyond the control of the recipient. The recipient was performing its due diligence and should not be penalized.

   b. Another recipient's sewer and storm water construction improvements were completed in a timely manner, but the utility construction caused the road to collapse before the contract was closed. The ensuing legal efforts involved four (4) years to resolve. This recipient was performing its due diligence and should not be penalized.

   c. Recipients have teamed up with U.S.D.A. Rural Development (R.D.) to fund projects that TxCDBG funds alone could not address. The average R.D. approval has been four (4) years and this has resulted in contract extensions due to the R.D. approval process. As this leveraging of funds is encourages by ORCA, and the recipient has little control over R.D. funding, these recipients should not be penalized.

   d. Recipients sometimes receive poor engineering, administrative, or construction services. The proposed Action Plan does not allow for corrective measures that the recipient may have taken after a bad experience, such as not allowing the firm to work within the jurisdiction. If the recipient shows that corrective measures have been taken, these recipients should not be penalized.

   e. Counties often sponsor applications on behalf of non-profit utility providers, where the non-profits sometime fail to perform in a timely manner. If the County shows that corrective measures have been taken, these recipients should not be penalized.

Until ORCA develops an internal system that can accurately assess whether or not a recipient has simply not performed in a timely manner or there have been circumstances clearly beyond the control of the recipient, the ORCA proposal will unduly penalize those recipients that have incurred delays for very legitimate reasons. Therefore, we recommend that the past performance scoring factor be eliminated for the 2009 Action Plan.

3. Questions similar to ORCA's 2007/2008 TxCDBG Project Impact scoring factors for "other considerations" should not be used by RRC's as these were subjective and not quantifiable.

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Mrs. Jewel M. Otto
Muenster City Council

I have been a member of the Texoma RRC for a number of years and have always felt the process used to evaluate and score applicants for funding of infrastructure projects through ORCA gave each applicant fair and equitable assessment. I think it is very beneficial to have some local input and would encourage you, if possible, to let us continue the evaluation process we now use or at least have some input in the funding in our area.

INSTITUTIONAL STRUCTURE

Understanding that no single entity will be able to address the enormous needs of the State of Texas, ORCA, TDHCA, and DSHS support the formation of partnerships in the provision of housing, housing-related, and community development endeavors. Considering that the limited amount of financial resources available for affordable housing, community service, and community development activities can be a major obstacle for a single agency to try to address the needs of the state, partnering with other organizations, as well as fund layering and leveraging, helps to stretch those funds that are available.

ORCA, TDHCA, and DSHS are primarily pass-through funding agencies and distribute federal funds to local entities that in turn provide assistance to households. Because of this, the agencies work with many housing and community development partners, including consumer groups, community based organizations, neighborhood associations, community development corporations, councils of governments, community housing development organizations, community action agencies, real estate developers, social service providers, local lenders, investor-owned electric utilities, local government, nonprofits, faith-based organizations, property managers, state and local elected officials, and other state and federal agencies.

There are many benefits to these partnerships: risk and commitment are shared; the principle of reciprocity requires that local communities demonstrate an awareness of their needs and a willingness to participate actively in solving problems, therefore local communities play an active role in tailoring the project to their needs; partners are able to concentrate specifically on their area of expertise; and a greater variety of resources ensure a well targeted affordable product.

HOME AND ESG

The HOME Program encourages partnerships in order to improve the provision of affordable housing. Organizations receiving HBA/ADDI funds are required to provide homebuyer education classes to households directly, or coordinate with a local organization that will provide the education. In addition, organizations receiving TBRA funds must provide self-sufficiency services directly, or coordinate with a local organization that will provide the services. Finally, partnerships with Community Housing Development Organizations and non profit and private-sector organizations facilitate the development of quality rental housing development and assist in the rehabilitation of owner-occupied housing.

TDHCA encourages ESG subrecipients to coordinate services with housing and other service agencies. Collaborative applications funded with ESG funds are required to coordinate services and to provide services as part of a local continuum of care. At the time the Department monitors ESG subrecipients, coordination efforts are reviewed.

CDBG

CDBG funds are awarded to non-entitlement units of general local government thereby providing these communities with financial resources to respond to its community development needs. Such may include planning; constructing community facilities, infrastructure, and housing; and implementing economic development initiatives. Each applicant to the CDBG fund is required throughout its citizen participation process to inform local housing organizations of its intention to apply for CDBG funding through the CDBG and invite their input into the project selection process.

TxCDBG continues to coordinate with the Texas Department of Housing and Community Affairs, the Texas Department of Agriculture, the Texas Water Development Board, Annual State Agency Meeting on Rural Issues, and the 24 Regional Councils of Governments to further its mission and target beneficiaries of CDBG funds through programs such as the Colonia Self-Help Centers, the Colonia Economically Distressed Areas Program, the Housing Tax Credit Program, and the Texas Capital Fund.

HOPWA

DSHS contracts with eight Administrative Agencies, which contract directly with the Project Sponsors serving all 26 HSDAs in the state to administer the HOPWA program. The AAs also administer the delivery of a range of other HIV health and social services, including the Ryan White grant and State HIV Services funds. This structure ensures the coordination of all agencies serving people with HIV/AIDS, avoids duplication, saves dollars, and provides the best possible coordination of services for people with HIV/AIDS in each local community. HOPWA program information is made available to all HIV service agencies in the HSDA and a referral network is established for potential clients. DSHS HOPWA clients are linked through their case managers to a comprehensive network of medical care and supportive services for persons living with HIV/AIDS and their families, consisting of 64 local providers across the state. HOPWA Project Sponsors collaborate locally with these providers to ensure that clients receive the services they need to begin treatment and remain in care. Additionally, Project Sponsors collaborate with local housing authorities in their areas to assure that HOPWA clients are referred to the housing programs and services that best fit their needs and circumstances. Most notable is collaboration of Project Sponsors with local Housing Choice Voucher programs.

AVAILABLE RESOURCES

The Plan must describe the Federal resources expected to be available to address the priority needs and specific objectives identified in the strategic plan, in accordance with §91.315. Descriptions of the funding amounts for the specific HUD programs covered by this Plan are provided in each program's Action Plan section. The Plan must also describe resources from private and non-federal public sources that are reasonably expected to be made available to address the needs identified in the plan. The Plan must explain how Federal funds will leverage those additional resources, including a description of how matching requirements of the HUD programs will be satisfied. A description of the match requirements of the HUD programs covered by this Plan are provided in each program's Action Plan section.

HOME PROGRAM

For the HOME Program, Section 2306.111(d) of the Texas Government Code requires that TDHCA use a Regional Allocation Formula (RAF) to allocate its HOME funding. This RAF objectively measures the affordable housing need and available resources in 13 State Service Regions TDHCA uses for planning purposes. To mitigate any inherent inequities in the way these resources are regionally allocated, the RAF compares each region's level of need to its level of resources. Regional funding adjustments are made based on the results of this comparison. The following available resources were determined to have been available or distributed in FY 2007 in the areas eligible for TDHCA HOME funds.

Source	Funding Level*
Texas Housing Trust Fund	$867,352
Housing Opportunities for Persons with HIV/AIDS	$429,542
HUD PHA Capital Funds	$32,200,371
HUD Housing Choice Vouchers (Sec. 8)	$139,690,050
USDA Multifamily Development	$4,565,687
USDA Rental Assistance	$28,515,830
Housing Tax Credits	$183,550,266
TXBRB Multifamily Tax Exempt Bond	$29,919,340
Housing Tax Credits w/ MF Tax Exempt Bond	$31,824,051
USDA Owner Occupied	$38,824,561
TXBRB Single Family Bond	$158,942,464
HUD HOME Investment Partnerships Program	$23,831,296
Total	$674,356,567

*2007 figures. Updated 2008 dollar amounts will be included in the final version of the Plan.

HOPWA

Leveraged funds are absolutely essential for the provision of HOPWA program administration and supportive services for HOPWA clients in the state of Texas. DSHS, AAs, and Project Sponsors expect to continue to receive leveraged funds from federal, state, local, and private resources to administer the HOPWA program and to achieve established program objectives for 2009. Based on leveraged funds received in 2007, DSHS estimates $196,075 of federal and state funds to provide administration at the state level; $79,189 in leveraged funds at the Administrative Agency level; and $85,701 at the Project Sponsor level. In 2007, Project Sponsors also reported $119,441 was leveraged for housing assistance and $904,083 for supportive services. DSHS anticipates similar levels of leveraged resources for 2009.

GENERAL INFORMATION ON OTHER PROGRAMS

TDHCA is required by State law to publish a *Program Guide* that outlines state and federal housing and housing-related programs available in Texas. The guide describes all TDHCA programs and includes housing-related programs from other state and federal agencies. This detailed document is organized by activity area and then by administering entity. For each specific program, contact information at the appropriate agency is provided. The 120-plus page document is updated annually and is currently available on line at http://www.tdhca.state.tx.us/ppa/housing-center/pubs.htm or in hard copy upon request.

MEETING UNDERSERVED NEEDS AND MITIGATING BARRIERS TO AFFORDABLE HOUSING

The State has identified various obstacles that may affect the ability to meet underserved needs in Texas. They include the lack of affordable housing, lack of organization capacity, lack of organizational outreach, local opposition to affordable housing, regulatory barriers to affordable housing, and area income characteristics (particularly in rural areas). The State takes actions to mitigate these obstacles such as effectively using existing resources to administer programs, providing information resources to individuals and local areas, and coordinating resources. The following outlines those specific actions proposed by the program areas to meet underserved needs and develop affordable housing.

HOME AND ESG

The HOME Program provides grant funds, deferred forgivable loans and repayable loans to Units of General Local Government, nonprofit and for-profit organizations, Community Housing Development Organizations (CHDOs), and Public Housing Authorities (PHAs). These funds are primarily used to foster and maintain affordable housing by providing rental assistance, rehabilitation, or reconstruction of owner-occupied housing units, down payment and closing cost assistance with or without accessibility modifications for the acquisition of affordable single family housing, single family housing development, and funding for rental housing development including the preservation of existing affordable or subsidized rental housing.

HOME funds may also be used in conjunction with the Housing Tax Credit Program to construct or rehabilitate affordable rental housing.

Regarding ESG, while TDHCA encourages the use of ESG funds to provide affordable transitional housing, the majority of funds are utilized to provide emergency shelter. These funds meet the needs of local homeless populations.

CDBG

TxCDBG encourages affordable housing projects using several methods in the allocation of CDBG funds to the eligible communities that can participate in its programs, including favorable state scoring and regional prerogative to prioritize funding for housing infrastructure and rehabilitation. Each region is encouraged to set aside a percentage of the regional allocation for housing improvement projects, and housing applications are scored as high priority projects at the state level. Housing projects continue to be funded through the Colonia Self-Help Centers as well.

In addition, CDBG funding provides a cost savings for housing when CDBG funds are used to provide first-time water and wastewater services by installing water and sewer yardlines and paying impact and connection fees for qualifying residents. For PY 2009, the TxCDBG will make funds available through five different grant categories to provide water or sewer services on private property, with the vast majority being low and moderate income households.

The most commonly cited obstacle to meeting the underserved community development needs of Texas cities (aside from inadequate funding) is the limited administrative capacity of the small rural towns and counties the CDBG program serves. TxCDBG staff offers technical assistance to communities to promote successful CDBG projects.

CDBG funding also helps cities and counties study affordable housing conditions. The plans produced through a TxCDBG planning contracts provide both valuable data concerning a city's or county's affordable housing stock and planning tools for expanding their affordable housing. In PY 2009, TxCDBG will make funds available for planning through the Planning and Capacity Building Fund and the Colonia Planning and Construction Fund.

The Colonia Self-Help Centers continue to address affordable housing needs in border counties by assisting qualifying colonia residents to finance, refinance, construct, improve or maintain a safe, suitable home in suitable areas.

Another obstacle to meeting underserved needs applies to colonias projects. There have been cases when a county applies to provide water service to an area, but more than one water supply corporation or city may have a Certificate of Convenience and Necessity (CCN) in that territory (CCNs have been issued which have overlapping territories). In these cases, a dispute over which water supply corporation/city has the right to serve the territory (and therefore collect the revenues) may arise. A public hearing process may be necessary to resolve this issue, which can then delay projects for months. TxCDBG will continue to work with regulatory agencies as appropriate to resolve issues in project areas in a timely manner.

HOPWA

The Texas HOPWA program continues to meet the needs of underserved populations in several ways.

As assessed regularly by Ryan White needs assessments in all HSDAs, housing needs are high among people living with HIV/AIDS. The Texas HOPWA program meets the needs of this underserved population throughout the state by providing essential housing and utilities assistance as part of a comprehensive medical and supportive services system. As a result, people living with HIV/AIDS and their families are able to maintain safe and affordable housing, reduce their risk of homelessness, and access medical care and supportive services.

In addition, DSHS is continuing to update funding allocations to address the changing needs of local communities and to maximize and target HOPWA funding to HSDAs that are in greatest need. DSHS will consider a variety of factors including but not exclusive to HIV/AIDS morbidity, poverty level, housing costs and needs, homelessness data, program waitlists, and program expenditures.

POVERTY-LEVEL HOUSEHOLDS

According to the 2000 US Census, Texas has the ninth highest poverty rate among the states: 15.4 percent compared to the national rate of 12.4 percent. The federal government defined the poverty threshold for 1999 as $17,029 in income for a family of four, and many poor families make substantially less than this. Poverty can be self-perpetuating, creating barriers to education, employment, health, and financial stability.

ORCA, TDHCA, and DSHS have an important role in addressing Texas poverty. These agencies seek to reduce the number of Texans living in poverty, thereby providing a better future for all Texans. This means trying to provide long-term solutions to the problems facing people in poverty and targeting resources to those with the greatest need.

HOME AND ESG

Through the HOME Tenant-Based Rental Assistance Program, TDHCA assists households with rental subsidy and security and utility deposit assistance for a period not to exceed 24 months. As a condition to receiving rental assistance, households must participate in a self-sufficiency program, which can include job training, GED classes, or drug dependency classes. The HOME Program enables households to receive rental assistance while participating in programs that will enable them to improve employment options and increase their economic independence and self-sufficiency. Additionally, the Department allocates funding toward the rehabilitation and construction of affordable rental housing, incentivizing units to assist very low income households and assists very low income households along the border by promoting the conversion of contract for deed arrangements to traditional mortgages.

The ESG Program funds activities that provide shelter and essential services for homeless persons, as well as intervention services for persons threatened with homelessness. Essential services for homeless persons include medical and psychological counseling, employment counseling, substance abuse treatment, transportation, and other services.

For individuals threatened with homelessness, homelessness prevention funds can be used for short-term subsidies to defray rent and utility arrearages for households receiving late notices, security deposits, and payments to prevent foreclosure.

CDBG

A substantial majority, 85%, of TxCDBG funds are obligated to cities and counties under the funding competitions meeting the national objective to "principally benefit low and moderate income persons." TxCDBG encourages the funding of communities with a high percentage of persons in poverty through its application scoring. The CDBG projects under this national objective are required to serve 51 percent low to moderate income persons; however, for PY2009, the state scoring portion of the largest fund category, the Community Development Fund, provides for points only if it meets the national objective of benefiting low and moderate income persons. In addition, the CDBG allocation formula used to distribute Community Development funds among regions includes a variable for poverty. The percentage of persons in poverty for each region is factored into the allocation formula in order to target funding toward the greatest need.

The CDBG economic development funds have been instrumental in creating infrastructure and jobs. By creating and retaining jobs through assistance to businesses and then providing lower income people access to these jobs, TxCDBG can be a very effective anti-poverty tool. This potential will be further maximized by providing jobs that offer workplace training and education, fringe benefits, opportunities for promotion, and services such as child care. In addition, programs that improve infrastructure affords the opportunity to upgrade existing substandard housing (such as in the colonias) and build new affordable housing where none could exist before.

HOPWA

The DSHS HOPWA Program serves HIV positive persons based on income eligibility criteria of no more than 80 percent of the area median income with adjustments for family and household size, as determined by HUD income limits. With varying poverty levels and housing needs in each HSDA across the state, some Project Sponsors may set stricter local income limits to maximize and target HOPWA resources to those with very low-income or poverty-level income. While many of the HOPWA clients assisted may be at poverty-level, this is not a requirement under 24 CFR 574.3.

NEEDS OF PUBLIC HOUSING

The future success of Public Housing Authorities (PHAs) will center on ingenuity in program design, emphasis on resident participation towards economic self-sufficiency, and partnerships with other organizations to address the needs of this population. While the State of Texas does not have any direct or indirect jurisdiction over the management or operations of PHAs, it is important to maintain a relationship with these service providers.

HOME AND ESG

Because PHAs are eligible applicants under the HOME Program, TDHCA sends notices of funding availability to all PHAs in the state. At HOME application workshops, application processes are discussed in detail, including those related to HBA. Furthermore, staff of PHAs, especially those receiving HOME funds and those with Section 8 Homeownership programs, are targeted by TDHCA's Texas Statewide Homebuyer Education Program for training to provide homebuyer education opportunities and self-sufficiency tools for PHA residents.

In addition to PHAs that have received HOME funds to provide homebuyer assistance in their areas, PHAs have also received HOME tenant-based rental assistance funds, enabling them to provide additional households with rental assistance and services to increase self-sufficiency.

PHA residents are eligible to receive assistance and services from ESG grantees.

In addition to HOME and ESG activities related to PHAs, TDHCA performs certifications of consistency with the State's Consolidated Plan. In 1999, TDHCA, as required by 24 CFR §903.15, started a certification process to ensure that the annual plans submitted by PHAs in an area without a local Consolidated Plan are consistent with the State of Texas's Consolidated Plan.

CDBG

Litigation concerning CDBG funding and public housing authorities, known as *Young v. Martinez*, focused attention and funds on these areas in the past. The State provided three funding set-asides to address Court-ordered activities under the Final Order and Decree for the litigation, obligating a total of $13,664,753.18 for 62 *Young v. Martinez* Fund projects in PHA areas. Although the litigation has been settled, TxCDBG continues to serve public housing areas through other funding categories as residents of PHAs qualify as low to moderate income beneficiaries for CDBG projects.

HOPWA

The HOPWA program administered by DSHS does not provide public housing assistance. However, Project Sponsors coordinate closely with local housing authorities for client referrals and to address local housing issues.

MONITORING

The State ensures compliance with program and comprehensive planning requirements through various compliance measures.

HOME AND ESG

TDHCA has established oversight and monitoring procedures within the TDHCA HOME, Portfolio Management and Compliance and Community Affairs divisions to ensure that activities are completed and funds are expended in accordance with contract provisions and applicable state and federal rules, regulations, policies, and related statutes. TDHCA's monitoring efforts are guided by both its responsibilities under the HOME and ESG programs and its affordable housing goals for the State of Texas. These monitoring efforts include the following:

- Identifying and tracking program and project results
- Identifying technical assistance needs of subrecipients
- Ensuring timely expenditure of funds
- Documenting compliance with program rules
- Preventing fraud and abuse
- Identifying innovative tools and techniques that support affordable housing goals
- Ensuring quality workmanship in funded projects
- Long-term compliance
- Risk management
- Sanctions

Identifying and Tracking Program and Project Results

HOME contract and project activities are tracked through the TDHCA Contract System, including funds committed, pending projects, funds drawn, activities and contracts completed, and funds disbursed through the internet-based system, HUD's IDIS, and other reports generated as needed. The Contract System provides information necessary to track the success of the program and identify process improvements and administrator training needs. IDIS tracks HOME Program data such as commitment and disbursement activities, the number of units developed, the number of households assisted, the ongoing expenditures of HOME funds, and beneficiary information.

Other resources utilized by TDHCA to track project results include a performance team, to provide oversight and monitor contract progress, and an asset management division and loan servicing division. If either of these areas identifies problems, steps are taken to resolve the issue, including project workouts and oversight of reserve accounts. Real Estate Analysis, the division for underwriting economic feasibility pre-award, is also responsible for identification of high risk housing developments, and is responsible for review of housing sponsored annual financial statements and other asset management functions during the affordability period.

ESG project and contract activities are tracked through TDHCA's website, which maintains an Oracle-based reports system. This system maintains funds drawn, funds expended, performance data, and other reports as needed. ESG data such as commitment and disbursement activities, number of persons assisted, ongoing expenditures, and program activities are also tracked through HUD's IDIS.

Identifying Technical Assistance Needs Subrecipients

Identification of technical assistance needs for HOME and ESG subrecipients is performed through analysis of administrator management practices, analysis of sources used by TDHCA to track technical assistance such as information captured in the HOME Division Database and Contract System, review of documentation submitted, desk reviews based on the requirements identified in the Compliance Supplement and State Affordable Housing Program requirements, project completion progress, results of on-site audits, technical assistance visits, phone calls, monitoring visits, and desk reviews conducted by Department staff.

Ensuring Timely Expenditure of Funds

TDHCA ensures adequate progress is made toward committing and expending HOME and ESG funds. Regular review of internal reports and data from IDIS is performed to assess progress of fund commitment and to ensure that all funds are committed by the expiration date of 24 months from the last day of the month in which HUD and TDHCA enter into an Agreement. Performance deadlines for spending and matching funds are reviewed on a monthly basis to track expenditure totals. HOME set-aside requirements are also tracked as a part of the HOME Fund Balance Report, which reports the Division's status of HOME funds including program income and deobligated funds. The Department has also added performance benchmarks in the Department's rules and as part of its written agreements with subrecipients as further incentive of timely expenditure of funds.

Documenting Compliance with Program Rules

Compliance with program rules is documented through contract administration and other formal monitoring processes. Staff document compliance issues as part of their ongoing contract management reviews and notify administrators of any noncompliance and required corrective action. On-site reviews, including physical onsite project site inspections of a representative sample of project sites, on-site reviews of client files, shelters, and the delivery of services are conducted with summarized reports identifying necessary corrective actions.

TDHCA has developed a set of standards for HOME administrators to follow to ensure that subcontractors and lower-tiered organizations entering into contractual agreements with administrators perform activities in accordance with contract provisions and applicable state and federal rules, regulations, policies, and related statutes.

TDHCA maintains a database to document an administrator's compliance history with rental housing developments. During the application process the previous participation of the applicant is evaluated. If there are any minor uncorrected issues of noncompliance identified, the request for funding will be denied unless those issues are corrected. If material noncompliance is identified, the application is terminated. The compliance history is considered by TDHCA's Board prior to finalizing awards and evaluated again prior to execution of written agreements.

Preventing Fraud and Abuse

TDHCA monitors for mismanagement of funds in the HOME and ESG programs during onsite visits through a review of supporting documentation provided by the administrator and through information gathered from outside sources. This is done throughout the contract period to ensure that funds are spent on eligible activities. If an administrator mismanages funds, sanctions are enforced and disallowed costs are refunded to TDHCA. Also, if fraud is suspected, TDHCA makes referrals and works closely with HUD, the State Auditor's Office, the Inspector General, the Internal Revenue Service, and local law enforcement agencies as applicable.

Identifying Innovative Tools and Techniques that Support Affordable Housing Goals

Staff identifies innovative tools and techniques to support affordable housing goals by attending trainings and conferences, maintaining contact with other state affordable housing agencies, and through the HUD internet listserv and HUD website.

Ensuring Quality in Funded Projects

Ensuring the administrator provides the committed product, amenities and compliance with accessibility requirements is a Departmental priority. Staff ensures the quality of workmanship in HOME-funded projects through the inspection process. TDHCA staff, in conjunction with Manufactured Housing Inspectors conduct inspections to substantiate the quality of the work performed. Deficiencies and concerns are identified during an initial inspection, with corrective action required by construction completion. The clearance of a final inspection is required of all rental housing developments funded by the Department.

TDHCA staff has attended trainings and become familiar with the construction standards of Section 504, Rehabilitation Act of 1973. Manufactured Housing Inspection Staff assisting with conducting inspections have been given the necessary tools to thoroughly complete these inspections and are provided annual training by Department staff on the procedures, expectations, and accessibility requirements.

Other processes used to ensure quality workmanship have included plan reviews. With the 2006 commitments the Department will require plans to have architectural sign off on specifications, and confirm compliance with committed amenities and compliance with any accessibility requirements.

Long-Term Compliance

The PMC Division is responsible for long term monitoring of income eligibility and tenure of affordability for applicable HOME projects. In other cases where written agreements require long-term oversight (such as land use restrictive covenants), reporting and enforcement procedures have been implemented.

The PMC division performs on-site monitoring visits in accordance with the requirements of the HOME Program and Department policies and procedures, as described in the Financing/Loan Agreements, Deed Restrictions, and Regulatory and Land Use Restriction Agreement. If a property participates in more than one housing program, the most restrictive monitoring procedure is followed.

Risk Management

HOME contracts are monitored based on a risk assessment model that is updated on an annual basis or more frequently if required. Some of the elements of the Risk Assessment Model may include the type of activity, existence of a construction component, Davis/Bacon requirements, results of previous on-site visits, status of the most recent monitoring report, amount funded, previous administrator experience, entity type, and Single Audit status. In addition to the results of the risk assessment survey, referrals from division staff are considered when determining in depth monitoring reviews or required technical assistance. An emphasis is placed on monitoring of contracts within the current draw period and contracts with projects in the affordability period as defined by HUD.

If complaints are received by TDHCA, they are considered a risk management element and will be reviewed in detail. Supplemental monitoring activities will be performed to ensure program compliance and detection of possible fraud or mismanagement.

The Risk Assessment Model is also implemented for ESG. Some of the elements of the Risk Assessment Model include the following: length of time since last on-site visit, results of last on-site visit, status of most recent monitoring report, timeliness of grant reporting, total amount funded during assessment period, total amount funded for all TDHCA contracts during assessment period, number of TDHCA contracts funded during assessment period, and Single Audit Status. In addition to the results of the risk assessment survey consideration is also given to recommendations made from other TDHCA divisions regarding performance with other TDHCA funded programs.

Sanctions

Based on the results of ongoing HOME monitoring, sanctions are imposed for noncompliance issues based on the severity of noncompliance, which may include delays in project set-ups, draw request processing, questioned/disallowed costs, suspension of the contract, or contract termination. When necessary, the Executive Director executes a referral to the State Auditor's Office for investigation of fraud as required by Section 321.022(a) of the Texas Government Code. Sanctions imposed may affect future application requests and scoring. In addition, if fraud or mismanagement of funds is suspected, TDHCA will make referrals and work closely with HUD, the State Auditor's Office, the Inspector General, the Internal Revenue Service, and local law enforcement agencies as applicable.

The majority of HOME administrators comply with program rules and regulations. However, for the handful who do not, after technical assistance and a corrective action period is provided, administrative penalties are considered. Through a new section of the Texas Administrative Code adopted in December of 2007, TDHCA now has the authority to assess administrative penalties for event of noncompliance, ranging from $100 to up to $1000 per day for serious noncompliance events. Staff has contacted HOME administrators with uncorrected events of noncompliance and provided a final opportunity for correction before pursuing administrative penalties.

In addition, the Department has the ability to debar individuals and companies from participation in our programs. The Department is currently considering the debarment of one consultant and one construction company. If debarred, they will be listed as such on the Department's website which will likely affect their ability to be awarded contracts with other state and federal agencies. At this time, the parties under consideration are moving quickly to cure identified deficiencies; an indication that the existence of the Department's enforcement tools is effective.

The results of ongoing ESG monitoring will also determine if sanctions are imposed for noncompliance issues. Sanctions range from the use of the cost reimbursement method of payment, deobligation of funds, suspension of funds, and termination of the contract. TDHCA's legal staff is notified and referrals are made to the Attorney General's Office. Sanctions imposed affect the future consideration of ESG applications for funding.

CDBG

The monitoring function of the TxCDBG has four components: project implementation, contract management, audit, and monitoring compliance.

Project Implementation

Prior to the award of funds, each community is evaluated for compliance in prior contracts. The application scoring process at the state level includes a scoring factor for past performance on CDBG contracts. In addition, once a funding recommendation has been made the contract is routed through the Program Development, Compliance and Finance Divisions to verify that no outstanding issues in previously awarded contracts prevent the contract execution for the recommended award.

Contract Management

All open TxCDBG projects are assigned to a specific Regional Coordinator who is responsible for contract compliance and project management. All projects have formal contracts that include all federal and state requirements. Regional Coordinators monitor progress and compliance through formal reporting procedures. Program Specialists for Labor Standards and Environmental compliance also exist under the Project Management function. Additionally, all reimbursement requests require complete supporting documentation before payment is made.

Audit

The audit function is authorized by OMB A-133, which requires that governmental units and nonprofit organizations spending more than $500,000 in either federal or state funds during their fiscal years ending after December 31, 2003, submit a copy of a Single Audit to the Agency. A Single Audit is required for desk review by ORCA regardless of whether there are findings noted in the audit pertaining to CDBG funds, since it is an additional monitoring tool used to evaluate the fiscal performance of grantees.

Monitoring Compliance

The on-site programmatic reviews are conducted on every CDBG contract prior to close-out to ensure the contractual obligations of each grant are met. The projects are considered available for review when 75 percent of the contracted funds have been drawn down, and for construction projects, when construction has been substantially completed. Interim monitoring reviews may be conducted as necessary.

The areas reviewed include procurement procedures paid with CDBG funds or with match dollars, accounting records including copies of cancelled checks, bank statements and general ledgers (source documentation is reviewed at the time of draw requests), equipment purchases and/or procurement for small purchases, on-site review of environmental records, review of any applicable construction contracts, file review of any applicable client files for rehabilitation services, review of labor standards and/or a review of local files if internal staff used for construction projects, and a review of documentation on hand pertaining to fair housing and civil rights policies.

In addition to the formal monitoring function described above, the staff of the Compliance Division communicates with the staff of the Community Development Division as needed to evaluate issues throughout the contract implementation phase of CDBG contracts in order to identify and possibly resolve contract issues prior to the monitoring phase of the project.

HOPWA

A team of 7 DSHS Field Operations staff monitor the AAs' HOPWA administration activities, and the AAs monitor the Project Sponsors for HOPWA program compliance. This monitoring involves periodic site visits, technical assistance, and the submission of quarterly progress reports. Desk audits are conducted by the Contract Management Unit at the division level in DSHS. Additionally, fiscal audits are conducted as part of a centralized service of DSHS, the Contract Monitoring and Oversight Section, directly under the Chief Operations Officer.

Administrative Agencies and Project Sponsors are required to comply with HUD regulations, the DSHS Program Manual and their contractual Statement of Work. The DSHS HOPWA program manual is located at http://www.dshs.state.tx.us/hivstd/fieldops/hopwa.shtm. The HOPWA monitoring tool is located at http://www.dshs.state.tx.us/hivstd/fieldops/page_02/hopwa.doc. The HOPWA Statement of Work is located at http://www.dshs.state.tx.us/hivstd/funding/hopwa/HOPWA_Renewal.doc. Principles for fiscal administration are established by the Texas Uniform Grants Management Standards located at http://www.governor.state.tx.us/divisions/stategrants/files/UGMS062004.doc. The requirements for project monitoring are established by DSHS in the Administrative Agency Core Competencies document located at http://www.dshs.state.tx.us/hivstd/pops/pdf/pdf_administrative_duties_standards.pdf.

LEAD-BASED PAINT HAZARDS

The health risks posed by lead-based paint to young children are the most significant health issue facing the housing industry today. According to *The Prevalence of Lead-Based Paint in U.S. Housing* (Environmental Health Perspectives, October 2002), 38 million homes have conditions that are likely to expose families to unsafe levels of lead. These homes are disproportionately older housing stock typical to low income neighborhoods, and the potential for exposure increases as homeowners and landlords defer maintenance. This older housing stock is the target of rehabilitation efforts and is often the desired “starter home” of a family buying their first home.

HOME AND ESG

The HOME Program requires lead screening in housing built before 1978 for all HOME eligible activities and in accordance with 24 CFR Part 92.355 and 24 CFR Part 35, subparts A, B, J, K, M, and R.

For ESG, TDHCA evaluates and reduces lead-based paint hazards for conversion, renovation, or rehabilitation projects funded with ESG funds, and tracks work in these efforts as required by Chapter 58 of the Environmental Protection Act.

CDBG

The TxCDBG encourages the reduction of lead-based hazards through favorable scoring under its Community Development Funds for the replacement of lead fixtures and other lead hazards that are an imminent public health threat. In addition, lead-based paint mitigation is a common activity eligible under housing rehabilitation that is funded under the Colonia Construction Fund and Community Development Funds. Each contract awarded requires the sub-grantee to conform to Section 302 of the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4831(b)) and procedures established by the TxCDBG in response to the Act.

In accordance with CDBG state regulations and the Lead-Based Paint Poisoning Prevention Act, TxCDBG has adopted a policy to eliminate as far as practicable the hazards of lead poisoning due to the presence of lead-based paint in any existing housing assisted under the CDBG. In addition, this policy prohibits the use of lead-based paint in residential structures constructed or rehabilitated with federal assistance. Abatement procedures should be included in the housing rehabilitation contract guidelines for each project and must appear in the approved work write-up documentation for all homes built prior to 1978 that will be rehabilitated, as outlined in the Housing Rehabilitation Manual.

HOPWA

DSHS requires Project Sponsors to give all HOPWA clients the lead-based paint pamphlet entitled *Protect Your Family from Lead in Your Home (*Environmental Protection Agency) during the intake process. The client's case record must include documentation that a copy of the pamphlet was given to the client.

For each HOPWA household, the case manager must certify the following:

> If the structure was built prior to 1978, and there is a child under the age of six who will reside in the property, and the property has a defective paint surface inside or outside the structure, the property cannot be approved until the defective surface is repaired by at least scraping and painting the surface with two coats of non-lead based paint. Defective paint surface means: applicable surface on which paint is cracking, scaling, chipping, peeling or loose. If a child under age six residing in the HOPWA-assisted property has an Elevated Blood

Lead Level, paint surfaces must be tested for lead-based paint. If lead is found present, the surface must be abated in accordance with 24 CFR Part 35.

HOUSING ACTION PLAN:
HOME INVESTMENT PARTNERSHIPS PROGRAM

FEDERAL RESOURCES EXPECTED PY 2009

The purpose of the HOME Investment Partnerships (HOME) Program is to expand the supply of decent, safe, and affordable housing for extremely low, very low, and low income households, and to alleviate the problems of excessive rent burdens, homelessness, and deteriorating housing stock. HOME strives to meet both the short-term goal of increasing the supply and the availability of affordable housing. TDHCA provides technical assistance through application and implementation workshops to all recipients of HOME funds to ensure that all participants meet and follow the state implementation guidelines and federal regulations.

The State of Texas HOME Program anticipates receiving $40,000,000 in HOME funds (including $266,637 of American Dream Downpayment Initiative (ADDI) funds from HUD for PY 2009. The HOME Program also estimates approximately $2.5 million in program income.

ALLOCATION OF PY 2009 FUNDS

TDHCA will use the following method for allocating funds and may make adjustments throughout the program year to transfer funding from an undersubscribed activity or set-aside to an activity that may be experiencing higher demand with the Board's approval:

Use of Funds	Estimated Available Funding	% of Total HOME Allocation
Administration Funds (10% of PY 2008) *	$4,000,000	10%
CHDO Project Funds Set Aside (15% of PY 2008) **	$6,000,000	15%
CHDO Operating Expenses Set Aside (5% of CHDO Set Aside) *	$300,000	1%
State Mandated Funds for Contract for Deed Conversions *	$2,000,000	5%
Housing Programs for Persons with Disabilities *	$2,000,000	5%
Rental Housing Development Program	$5,000,000	13%
General Funds for Single Family Activities***	$23,200,000	55%
Total PY 2008 HOME Allocation and Program Income Estimate***	$42,500,000	104%
PY 2008 American Dream Downpayment Initiative (ADDI) Funds***	$266,637	—
Total Estimated Funding Available for Distribution	$42,233,363	—

* The funding for these activities is not subject to the Regional Allocation Formula.

**$1,000,000 will be reserved from the CHDO set-aside for the Colonia Model Subdivision Program. If sufficient applications are not received for this activity, the remaining funds will be used for other CHDO-eligible activities. TDHCA may set aside 10% of the annual CHDO set-aside for Predevelopment Loans.

***Calculations include $2,500,000 in estimated program income.

The following targets will be used to distribute General Funds for Single Family Activities:

Activity	Funding Amount	% of Available Funding
Homebuyer Assistance	$3,480,000	15%
Owner Occupied Housing Assistance	$16,240,000	70%
Tenant Based Rental Assistance	$3,480,000	15%
Total Estimated Funding Available for Distribution	$23,200,000	100.0%

ESTIMATED PY 2009 BENEFICIARIES

Based on estimated PY 2008 program activity, TDHCA calculates that the number of PY 2009 beneficiaries assisted will be approximately 1,019 low, very low, or extremely low income households. On the basis of historical performance, TDHCA estimates that approximately 60 percent of those households will be minority households.

DEFINITIONS

Basic Access Standards (as required by §2306.514, Texas Government Code): These requirements apply only to newly constructed single family housing.

(1) at least one entrance door, whether located at the front, side, or back of the building:

(A) is on an accessible route served by a ramp or no-step entrance; and

(B) has at least a standard 36-inch door;

(2) on the first floor of the building:

(A) each interior door is at least a standard 32-inch door, unless the door provides access only to a closet of less than 15 square feet in area;

(B) each hallway has a width of at least 36 inches and is level, with ramped or beveled changes at each door threshold;

(C) each bathroom wall is reinforced for potential installation of grab bars;

(D) each electrical panel, light switch, or thermostat is not higher than 48 inches above the floor; and

(E) each electrical plug or other receptacle is at least 15 inches above the floor; and

(3) if the applicable building code or codes do not prescribe another location for the breaker boxes, each breaker box is located not higher than 48 inches above the floor inside the building on the first floor.

A person who builds single family affordable housing to which this section applies may obtain a waiver from TDHCA of the requirement described by Subsection (a)(1)(A) if the cost of grading the terrain to meet the requirement is prohibitively expensive.

Colonia: As defined in §2306.581, Texas Government Code:

(1) "Colonia" means a geographic area that is located in a county some part of which is within 150 miles of the international border of this state, that consists of 11 or more dwellings that are located in close proximity to each other in an area that may be described as a community or neighborhood, and that:

(A) has a majority population composed of individuals and families of low income and very low income, based on the federal Office of Management and Budget poverty index, and meets the qualifications of an economically distressed area under Section 17.921, Water Code; or

(B) has the physical and economic characteristics of a colonia, as determined by the department.

Persons with Disabilities: A household composed of one or more persons, at least one of whom has a disability. A person is considered to have a disability if the person has a physical, mental, or emotional impairment that

- is expected to be of long-continued and indefinite duration,
- substantially impedes his or her ability to live independently, and
- is of such a nature that such ability could be improved by more suitable housing conditions.

A person will also be considered to have a disability if he or she has a developmental disability, which is a severe, chronic disability and as further defined at 24 CFR §92.2.

Special Needs Populations: Includes the following: persons with disabilities, persons with alcohol or other drug addiction, persons with HIV/AIDS and their families, the elderly, victims of domestic violence, persons living in colonias, the homeless, and migrant farmworkers.

ELIGIBLE APPLICANTS

- Units of General Local Government
- Nonprofit and For-Profit Organizations
- Community Housing Development Organizations (CHDOs)
- Public Housing Authorities (PHAs)

ELIGIBLE SERVICE AREAS

Per Section 2306.111(c), TDHCA shall expend 95 percent of HOME funds for the benefit of non–PJ areas of the state. Five percent of HOME funds shall be expended for the benefit of persons with disabilities who live in any area of the state.

DESCRIPTION OF ACTIVITIES

OWNER-OCCUPIED HOUSING ASSISTANCE (OCC)

Rehabilitation or reconstruction cost assistance is provided to eligible homeowners for rehabilitation or reconstruction of their existing home. The home must be the principal residence of the homeowner.

At the completion of the assistance, all properties must meet the International Residential Code and local building codes. If a home is reconstructed, the applicant must also ensure compliance with the universal design features in new construction, established by §2306.514, Texas Government Code, required for any applicants utilizing federal or state funds administered by TDHCA in the construction of single family homes.

The available funding for this activity is approximately $16 million, which may only be used in non-PJs.

TENANT-BASED RENTAL ASSISTANCE (TBRA)

Rental subsidy and security and utility deposit assistance is provided to tenants, in accordance with written tenant selection policies, for a period not to exceed 24 months.

The available funding for this activity is approximately $3.4 million, which may only be used in non-PJs. This amount does not include any Housing Program for Persons with Disabilities TBRA funding that may be issued under a separate NOFA.

HOMEBUYER ASSISTANCE (HBA) WITH OR WITHOUT REHABILITATION

Down payment, closing cost, rehabilitation, and contract for deed conversion assistance is provided to homebuyers for the acquisition of affordable single family housing. This activity may also be used for the following:

- Construction costs associated with architectural barrier removal in assisting homebuyers with disabilities by modifying a home purchased with HOME assistance to meet their accessibility needs.
- Acquisition and rehabilitation costs associated with contract for deed conversions to serve colonia residents.
- Construction costs associated with the rehabilitation of a home purchased with HOME assistance.
- Acquisition or new construction costs for the replacement of manufactured housing.

Eligible homebuyers may receive assistance in the form of a loan. The maximum amount of the homebuyer assistance cannot exceed HUD's 221(d)(3) limits per unit and is further restricted in the Department's HOME Program Rule or the NOFA when funds are made available. HBA loans are to be repaid at the time of resale of the property, refinance of the first lien, repayment of the first lien, or if the unit ceases to be the assisted homebuyer's principal residence. If any of these occur before the end of the loan term, the amount of recapture will be based on the pro-rata share of the remaining loan term and the shared net proceeds in the event of sale of the housing unit.

At the completion of the assistance, all properties must meet the International Residential Code and local building codes. Compliance with the basic access standards in new construction, established by §2306.514, Texas Government Code, is also required for any applicants utilizing federal or state funds administered by TDHCA in the construction of single family homes.

The available funding for this activity is approximately $3.4 million, which may only be used in non-PJs. This amount does not include the Housing Program for Persons with Disabilities HBA funding, which may be issued under a separate NOFA, nor does it include ADDI funds, which are only available upon reauthorization.

RENTAL HOUSING DEVELOPMENT

Awards for eligible applicants are to be used for the acquisition, construction, and rehabilitation of affordable multifamily rental housing.

TDHCA will not provide funding for the refinancing and/or acquisition of affordable housing developments that were constructed within the past 5 years. Eligible applicants include nonprofit organizations, CHDOs, units of general local government, for-profit entities, sole proprietors, and public housing authorities.

Owners are required to make housing units available to low, very low, and extremely low income families and must meet long-term rent restrictions. A standard underwriting review will be performed on applications under this activity. TDHCA generally make awards in form of a loan, however grants may be recommended to and approved by TDHCA's Board based on the underwriting review. Owners of rental units assisted with HOME funds must comply with initial and long-term income restrictions and keep the units affordable for a minimum period. Housing assisted with HOME funds must, upon completion, meet all applicable local, state, and federal construction standards and building codes. Additionally, the owner and/or all future owners of a HOME-assisted rental project must maintain all units in full compliance with local, state, and federal housing codes, which include, but are not limited to, the International Residential Code, Texas Government Code, and Section 504 of the 1973 Rehabilitation Act for the full required period of affordability.

The use of HOME Rental Housing Development funds will be limited to those allowable under 24 CFR Part 92. Eligible expenses and activities may further be limited by TDHCA in accordance with state legislation. Rental Housing Development funds may also be used for the acquisition and/or rehabilitation (including barrier removal activities) for the preservation of existing affordable or subsidized rental housing. Additionally, TDHCA will ensure that all multifamily rental housing developments are built and managed in accordance with its Integrated Housing Rule, 10 TAC §1.15.

Approximately $5 million is available for Rental Housing Development Funding for these activities may only be used in non-PJs. This amount does not include the Housing Program for Persons with Disabilities Rental Development funding which may be issued under a separate NOFA.

ADMINISTRATIVE EXPENSES

Up to 10 percent of the sum of the Program Year HOME basic formula allocation and program income may be set aside for HOME Administrative expenses. Typically, up to 4 percent of the Administrative Expenses Set-Aside may be provided to applicants receiving HOME funds for the cost of administering the program. TDHCA may allow a higher percentage of the Administrative Expenses Set-Aside for some applicants based on the activity being performed. For-profit organizations are not eligible to receive administrative funds. TDHCA will retain the remaining 6 percent of the Administrative Expenses Set-Aside to cover the internal cost of administering the statewide program. TDHCA may utilize these funds for construction and Section 504 inspection costs as needed.

AMERICAN DREAM DOWNPAYMENT INITIATIVE

The American Dream Downpayment Initiative (ADDI) was signed into law on December 16, 2003, and was created to help first time homebuyers with down payment and closing cost assistance. ADDI aims to increase the homeownership rate, especially among lower income and minority households, and revitalize and stabilize communities.

Under ADDI, the definition of a first time homebuyer is an individual and his or her spouse who have not owned a home during the three year period prior to the purchase of a home with assistance under the ADDI program. The term also includes displaced homemakers and single parents. The minimum amount of ADDI funds in combination with HOME funds that must be invested in a project is $1,000. The amount of ADDI assistance provided to any family may not exceed the greater of six percent of the purchase price of a single family housing unit or $10,000. This assistance is in the form of a second or third lien loan. In order to ensure the suitability of households receiving ADDI assistance, first time homebuyers will be required to participate in a homebuyer counseling course.

The American Dream Downpayment Assistance Act authorized up to $200 million nationally annually for fiscal years 2004 – 2007. Approximately $266,637 will be reserved for down payment assistance. These funds must be used in non-PJs. ADDI funding may, at the discretion of TDHCA, include funds for rehabilitation for first time homebuyers in conjunction with home purchases assisted with ADDI funds. The rehabilitation may not exceed 20 percent of the annual ADDI allocation. In accordance with 24 CFR 91.320, applicants must submit a plan for conducting targeted outreach to residents and tenants of public and manufactured housing and to other families assisted by public housing agencies.

TDHCA will continue to promote ADDI through the public hearings held across the state. The program will also be promoted around the state through a Texas Association of Realtors continuing education course for which Department staff provide information. The course was designed to improve the state homeownership rate and to educate Realtors about the availability of affordable housing products.

Since Texas has a large number of manufactured housing units and manufactured housing dealers, questions from real estate agents always arise about the availability of low interest rate loan funds and the availability of down payment assistance. Through continuing education courses and outreach, TDHCA is able to inform real estate agents about how ADDI can assist manufactured housing buyers. In addition, TDHCA will work closely with the Manufactured Housing Division to create awareness of ADDI funds directly to eligible first time homebuyers.

TDHCA also operates a First Time Homebuyer Program hotline. Over 1,200 calls are received on average per month. Interested homebuyers are provided literature and made aware of the various products and programs available.

CHDO SET-ASIDE

A minimum of 15 percent of the annual HOME allocation, approximately $6,000,000 (plus $300,000 in operating expenses) is reserved for CHDOs. CHDO set-aside projects are owned, developed, or sponsored by the CHDO, and result in the development of rental units or homeownership. Development includes projects that have a construction component, either in the form of new construction or the rehabilitation of existing units. If the CHDO owns the project in partnership, it or its wholly-owned for-profit or nonprofit subsidiary must be the managing general partner. These organizations can apply for multifamily rental housing acquisition, rehabilitation, or new construction, as well as for the acquisition, rehabilitation, or new construction of single family housing (through direct funding or loan guarantees). CHDOs can also apply for homebuyer assistance if their organization is the owner or developer of the single family housing project. These funds may only be used in non-PJs.

Once awarded, a CHDO development must remain controlled by a certified CHDO for the entire affordability term.

In accordance with 24 CFR 92.208, up to 5 percent of the State's CHDO Set-Aside may be used for operating expenses for CHDOs. In accordance with 92.300(a)(2)(f), A CHDO may not receive HOME funding for any fiscal year in an amount that provides more than 50 percent or $50,000, whichever is greater, of the CHDOs total operating expenses in that fiscal year. TDHCA may award CHDO Operating Expenses in conjunction with the award of CHDO Development Funds, or through a separate application cycle not tied to a specific activity. In addition, TDHCA may elect to set aside up to 10 percent of funding for predevelopment loans funds, which may only be used for activities such as project-specific technical assistance, site control loans, and project-specific seed money. Predevelopment loans must be repaid from construction loan proceeds or other project income. In accordance with 24 CFR 92.301, TDHCA may elect to waive predevelopment loan repayment, in whole or in part, if there are impediments to project development that TDHCA determines are reasonably beyond the control of the CHDO.

CONTRACT FOR DEED CONVERSIONS

The 80th Legislature passed Appropriations Rider 6 to TDHCA's appropriation, which requires TDHCA to spend no less than $4 million for the biennium on contract for deed conversions for families that reside in a colonia and earn 60 percent or less of the applicable area median family income (AMFI). Furthermore, TDHCA is targeted to convert no less than 200 contracts for deeds into traditional notes and deeds of trust. The intent of this program is to help colonia residents become property owners by converting their contracts for deeds into traditional mortgages. Households served under this initiative must not earn more than 60 percent of AMFI and the home converted must be their primary residence. The properties proposed for this initiative must meet TDHCA's definition of a colonia as defined in Chapter 2306, Texas Government Code or as published in the Department's program rules. These funds may only be used in non-PJs.

To help TDHCA meet this mandate, $2,000,000 in PY 2009 HOME program funds will be targeted to assist households described under this initiative. These funds are a statutorily required set-aside and are not subject to the Regional Allocation Formula, pursuant to §2306.111(d-1)(2) of the Texas Government Code.

COLONIA MODEL SUBDIVISION LOAN PROGRAM SET-ASIDE

Per Subchapter GG of Chapter 2306, Texas Government Code, the intent of this program is to provide low-interest-rate or possible interest-free loans to promote the development of new, high-quality residential subdivisions or infill housing that provide alternatives to substandard colonias, and housing options affordable to individuals and families of extremely low and very low income who would otherwise move into substandard colonias. TDHCA will only make loans to CHDOs it has certified and for the types of activities and costs described under the previous section regarding CHDO Set-Aside. $1,000,000 dollars will be targeted to assist households described under this initiative. These funds will not be subject to the Regional Allocation Formula. These funds may only be used in non-PJs.

These funds are a State mandated set-aside and are not subject to the Regional Allocation Formula, pursuant to §2306.111(d-1)(2) of the Texas Government Code.

HOUSING PROGRAMS FOR PERSONS WITH DISABILITIES

Approximately $2 million of directed assistance for persons with disabilities will be issued under a separate NOFA or NOFAs including eligible activities for Rental Development, TBRA, and HBA with optional rehabilitation activities. This NOFA or NOFAs, separate from the regular HOME activity funding, will provide up to $1,000,000 for Rental Development and $1,000,000 for TBRA and HBA with optional rehabilitation. With the exception of for-profit applicants, funding awards associated with tenant based rental assistance and homebuyer assistance with optional rehabilitation programs will allow up to 6 percent administration costs with no match requirement.

Within the requirements of 2306.111(c) of the Texas Government Code as described below, applications under the $2 million NOFA or NOFAs may serve any area of the state. In its administration of federal housing funds provided to the state under the Cranston-Gonzalez National Affordable Housing Act (42 USC Section 12701 et. seq.), TDHCA shall expend 95 percent of these funds for the benefit of non-participating small cities and rural areas that do not qualify to receive funds under the Cranston-Gonzalez National Affordable Housing Act directly from the United States Department of Housing and Urban Development. Five percent of these funds shall be expended for the benefit of persons with disabilities who live in any area of the state. Eligible applicants include nonprofits, for-profits, units of general local government, and public housing authorities with a documented history of working with special needs populations, or working in partnership with organizations with a documented history of working with special needs populations. TDHCA will ensure that all housing developments are built and managed in accordance with its Integrated Housing Rule, 10 TAC **§**1.15. In addition, funds for rental development may only be used to bring the units for persons with disabilities to be at 30 percent of Area Median Family Income or below.

SPECIAL NEEDS POPULATIONS

Subject to the availability of qualified applications, TDHCA has a goal to allocate a minimum of 20 percent of the annual HOME allocation to applicants serving persons with special needs. Eligible applicants include nonprofits, for-profits, units of general local government, and PHAs with documented histories of working with special needs populations. All HOME Program activities will be included in attaining this goal. Additional incentives may be established under each of the eligible activities to assist TDHCA in reaching its goal.

FUNDING DISTRIBUTION

Subject to Texas Government Code §2306.111, HOME funds will be distributed according to the established Regional Allocation Formula (RAF). The 2008 RAF distributes funding for the following activities:

- CHDO Project Funds,
- Rental Housing Development Program,
- Single Family Activity Program.

Senate Bill 1908, passed during the 80th session of the Texas Legislature, affected changes to the allocation of HOME funds. Funds for the Housing Program for Persons with Disabilities are not regionally allocated and are therefore not factored into the formula below.

The table below shows the draft regional funding distribution for all of the activities distributed under the RAF, except for the ADDI funds, which will be distributed under the RAF if re-authorized by Congress. Targeted funding amounts for each activity will also be established using the percentages generated by the RAF.

2009 Targeted Distribution of Funds under the Draft RAF

Region	Place for Geographical Reference	Regional Funding Amount	Regional Funding %	Rural Funding Amount	Rural Funding %	Urban Funding Amount	Urban Funding %
1	Lubbock	$2,036,866	6.0%	$2,036,536	100.0%	$330	0.0%
2	Abilene	$1,136,259	3.3%	$1,113,703	98.0%	$22,556	2.0%
3	Dallas/Fort Worth	$6,080,791	17.8%	$1,867,007	30.7%	$4,213,784	69.3%
4	Tyler	$3,772,678	11.0%	$3,321,462	88.0%	$451,216	12.0%
5	Beaumont	$1,823,039	5.3%	$1,660,705	91.1%	$162,334	8.9%
6	Houston	$2,547,439	7.4%	$762,140	29.9%	$1,785,300	70.1%
7	Austin/Round Rock	$1,834,882	5.4%	$729,941	39.8%	$1,104,941	60.2%
8	Waco	$1,141,113	3.3%	$787,096	69.0%	$354,017	31.0%
9	San Antonio	$1,898,560	5.6%	$1,120,371	59.0%	$778,189	41.0%
10	Corpus Christi	$2,165,170	6.3%	$1,500,528	69.3%	$664,642	30.7%
11	Brownsville/Harlingen	$6,911,866	20.2%	$3,960,452	57.3%	$2,951,414	42.7%
12	San Angelo	$1,833,151	5.4%	$701,636	38.3%	$1,131,515	61.7%
13	El Paso	$1,018,185	3.0%	$682,199	67.0%	$335,986	33.0%
	Total	$34,200,000	100.0%	$20,243,776	59.2%	$13,956,223	40.8%

TDHCA does not provide priorities for allocating investment geographically to areas of minority concentration as described in Section 91.320(d). However, the geographic distribution of HOME funds to minority populations is analyzed annually. TDHCA is statutorily required by the Texas Government Code to provide a comprehensive statement on its activities during the preceding year through a document called the *State of Texas Low Income Housing Plan and Annual Report*. Part of this document describes the ethnic and racial composition of families and individuals applying for and receiving assistance from each housing-related program operated by TDHCA.

REVIEW OF APPLICATIONS

All programs will be operating and announced by the release of either an open or competitive cycle Notice of Funding Availability. Applicants must submit a completed application to be considered for funding, along with an application fee determined by TDHCA and outlined in the NOFA and/or application guidelines. Applications containing false information and applications not received by the deadline will be terminated and notified in writing. All applications must be received by TDHCA by the deadline identified in the NOFA and/or application materials, regardless of method of delivery.

Applications received by TDHCA will be reviewed for threshold, eligibility and/or scoring criteria in accordance with the Department's rules and application review procedures published in the NOFA and/or application materials.

SELECTION PROCESS

All applications for funds are reviewed for threshold and eligibility requirements regarding application documentation and compliance with Department requirements on previously awarded contracts. Qualifying applications are recommended for funding based on the Department's rules and any additional requirements established in the Notice of Funding Availability. Applications may be recommended up to the limit of funds in accordance with the Department's rules are as further restricted in the Notice of Funding Availability. Applications submitted for development activities will also receive a review for financial feasibility and underwriting. Applications will be reviewed and recommended for funding in the manner prescribed in the State of Texas HOME Program Rules. In any of the activities, the Department may integrate incentive points for applicants to further meet the needs of persons with disabilities.

MATCH REQUIREMENTS

TDHCA will provide matching contributions from several sources for HOME funds drawn down from the State's HOME Investment Trust Funds Treasury account within the fiscal year. The State sources include the following:

- Loans originated from the proceeds of single family mortgage revenue bonds issued by the State. TDHCA will apply no more than 25 percent of bond proceeds to meet its annual match requirement.
- Match contributions from the State's Housing Trust Fund to affordable housing projects that are not HOME assisted, but that meet the requirements as specified in 24 CFR 92.219(b)(2).
- Eligible match contributions from State recipients, as specified in 24 CFR 92.220.
- Match contributions from local political jurisdictions provided through the abatement of real estate property taxes for affordable housing properties developed and owned by qualified CHDO applicants.

Additionally, TDHCA will continue to carry forward match credit.

DEOBLIGATED HOME PROGRAM FUNDS

When administrators have not successfully expended the HOME funds within their contract period, TDHCA deobligates the funds and pools the dollars to award applicants according to TDHCA's Deobligated Funds Policy as defined in 10 TAC §1.19.

APPLICABLE FEDERAL AND STATE REGULATIONS

HOME funds will be distributed in accordance with the eligible activities and eligible costs listed in 24 CFR 92.205–92.209 and 10 TAC Chapter 53. All local administrators will be required to execute certifications that the program will be administered according to federal HOME regulations and State HOME Rules.

Developments receiving funding from TDHCA must comply with accessibility standards required under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), as amended, and specified under 24 CFR Part 8, Subpart C. This includes a provision that a minimum of 5 percent of the total dwelling units or at least one unit, whichever is greater, must be made accessible for individuals with mobility impairments. An additional 2 percent of the total number of dwelling units or at least one unit, whichever is greater, must be accessible for individuals with hearing or vision impairments. In the event that a project does not meet the requirements of Section 504, TDHCA will consider using HOME deobligated funds for eligible Section 504 activities with the purpose of bringing noncompliant projects into compliance when appropriate and when such a request is supported by circumstances beyond the control of the administrator. This provision will not apply if Section 504 activities were included as part of the budget in contracts between TDHCA and administrators.

THE PLANNING PROCESS AND PUBLIC PARTICIPATION

The planning process will include a review of the federal and state regulations that govern the HOME Program, the regional needs assessment, and Department goals and mandates.

The *2009 State of Texas Consolidated Plan: One-Year Action Plan (Draft for Public Comment)* was available for public comment from September 8, 2008, through October 10, 2008. Additionally, TDHCA will hold public hearings in which constituents are given the opportunity to make general comments on the direction of all Department programs. During this time, citizens and organizations were encouraged to send written comment on the Plan via mail, email, or fax.

Any amendments made to the HOME Program Rules are published in the *Texas Register* for a 30-day comment period. The HOME Program also receives public comment during TDHCA Board of Directors meetings.

MINORITY PARTICIPATION

TDHCA encourages minority employment and participation among all applicants under the HOME Program. All applicants to the HOME Program are required to submit an affirmative marketing plan as part of the application process. Additionally, TDHCA encourages applicant outreach to Historically Underutilized Businesses.

RECAPTURE PROVISIONS UNDER HOMEOWNERSHIP PROGRAMS

If the participating jurisdiction intends to use HOME funds for homebuyers, the guidelines for resale or recapture must be described as required in 24 CFR 92.254(a)(5).

TDHCA has elected to utilize the recapture provision under 24 CFR 92.254(a)(5)(ii) as its method of recapturing HOME funds under any program the State administers that is subject to this provision.

1. The following methods of recapture would be acceptable to TDHCA and will be identified in the note prior to closing:

   a. Recapture the amount of the HOME investment reduced on a prorata share based on the time the homeowner has owned and occupied the unit measured against the required affordability period. The recapture amount is subject to available shared net proceeds in the event of sale or foreclosure of the housing unit.

   b. In the event of sale or foreclosure of the housing unit, if the shared net proceeds (i.e., the sales price minus closing costs; any other necessary transaction costs; and loan repayment, other than HOME funds) are in excess of the amount of the HOME investment that is subject to recapture, then the net proceeds may be divided proportionately between TDHCA and the homeowner as set forth in the following mathematical formulas:

      (HOME investment / (HOME investment + homeowner investment)) X net proceeds = HOME amount to be recaptured

      (HOME investment / (HOME investment + homeowner investment)) X net proceeds = amount to homeowner

2. The HOME investment that is subject to recapture is based on the amount of HOME assistance that enabled the homebuyer to buy the dwelling unit. This is also the amount upon which the affordability period is based. This includes any HOME assistance that reduced the purchase price from fair market value to an affordable price, but excludes the amount between the cost of producing the unit and the market value of the property (i.e., the development subsidy). The recaptured funds must be used to carry out HOME-eligible activities. If HOME funds were used for development subsidy and therefore not subject to recapture, the resale provisions at 24 CFR 92.254(a)(5)(i) apply.

3. Upon recapture of the HOME funds used in a single family homebuyer project with more than one unit, the affordability period on the rental units may be terminated at the discretion of TDHCA.

In certain instances, TDHCA may choose to utilize the resale provision at 24 CFR 92.254(a)(5)(i) under any program the State administers that is subject to this provision.

1. The following method of resale would be acceptable to TDHCA and will be identified in the note prior to closing:

   a. Resale requirements must ensure that, if the housing does not continue to be the principal residence of the family for the duration of the period of affordability, the housing is made available for subsequent purchase only to a buyer whose family qualifies as a low or very low income family and will use the property as its principal residence.

   b. The resale requirement must also ensure that the price at resale provides the original HOME-assisted owner a fair return on investment (including the homeowner's investment and any capital improvement) and ensure that the housing will remain affordable to a reasonable range of low or very low income homebuyers.

   c. The period of affordability is based on the total amount of HOME funds invested in the housing.

2. Except as provided in paragraph 24 CFR 92.254(a)(5)(i)(B), deed restrictions, covenants running with the land, or other similar mechanisms must be used as the mechanism to impose the resale requirements.

OTHER FORMS OF INVESTMENT

If a participating jurisdiction intends to use other forms of investment not described in §92.205(b), a description of the other forms of investment must be provided.

The State is not proposing to use any form of investment in its HOME Program that is not already listed as an eligible form of investment in 24 CFR 92.205(b).

REFINANCING DEBT

If the State intends to use HOME funds to refinance existing debt secured by multifamily housing that is being rehabilitated with HOME funds, it must state its refinancing guidelines required under 24 CFR § 92.206(b).

TDHCA may use HOME funds to refinance existing debt secured by multifamily housing that is being rehabilitated with HOME funds as described in 24 CFR § 92.206(b). TDHCA shall use its underwriting and evaluation standards, codified at 10 TAC §§1.31-1.36 and its HOME Program Rule at 10 TAC §53, for refinanced properties in accordance with its administrative rules. At a minimum, these rules require the following:

- That rehabilitation is the primary eligible activity for developments involving refinancing of existing debt;
- Sets a minimum funding level for rehabilitation on a per unit basis;
- Requires a review of management practices to demonstrate that disinvestments in the property has not occurred;
- That long term needs of the project can be met;
- That the financial feasibility of the development will be maintained over an extended affordability period;
- State whether new investment is being made to maintain current affordable units, and or create additional affordable units;
- Specifies the required period of affordability;
- Specifies that HOME funds may be used throughout the entire jurisdiction, except as TDHCA may be limited by the Texas Government Code; and
- States that HOME funds cannot be used to refinance multifamily loans made or insured by any Federal program, including CDBG.

CPD OUTCOME PERFORMANCE MEASUREMENT SYSTEM REPORTING

In accordance with the guidelines from HUD, TDHCA will comply with the new CPD Outcome Performance Measurement System. Compliance will be attained through the creation and development of additional tracking screens in TDHCA's central database to enable the Department to capture information needed for input into IDIS. HOME Program eligible activities will be categorized into the objectives and outcomes listed in the chart below. It is anticipated most HOME Program eligible activities will be categorized as Outcome #2 and Objective #2.

The performance figures are based on actual performance during the Program Year (February 1st through January 31st) of current contracts and actual units and households served. In contrast, the performance measures reported to the Texas Legislative Budget Board for the State Fiscal Year (September 1st through August 31st) are based on projected units and households at time of award. The HOME performance figures reported herein may include funding from several years as funds from previous years are deobligated and refunded.

	OUTCOME 1	OUTCOME 2	OUTCOME 3
OBJECTIVE #1 **Suitable Living Environment**	Enhance Suitable Living Environment Through Improved/New Accessibility	Enhance Suitable Living Environment Through Improved/New Affordability	Enhance Suitable Living Environment Through Improved/New Sustainability
OBJECTIVE #2 **Decent Housing**	Create Decent Housing with Improved/New Availability	**Create Decent Housing with Improved/New Affordability (DH-2)**	Create Decent Housing with Improved/New Sustainability
OBJECTIVE #3 **Economic Opportunity**	Provide Economic Opportunity Through Improved/New Accessibility	Provide Economic Opportunity Through Improved/New Affordability	Provide Economic Opportunity Through Improved/New Sustainability

HOME Program Performance Measures

Outcomes and Objectives	Performance Indicators	Expected Number
DH-2	No. of rental units assisted through new construction and rehabilitation	870
DH-2	No. of tenant-based rental assistance units	725
DH-2	No. of existing homeowners assisted through owner-occupied assistance	432
DH-2	No. of first-time homeowners assisted through homebuyer assistance	437

HOME PROGRAM ACTIONS

This section describes how the HOME Program addresses the following: affordable housing, public housing resident initiatives, lead-based paint hazards, poverty-level households, and institutional structure.

AFFORDABLE HOUSING

The HOME Program provides grant funds, deferred forgivable loans, and repayable loans to units of local government, nonprofit and for-profit organizations, community housing development organizations (CHDOs), and public housing authorities (PHAs). These funds are primarily used to foster and maintain affordable housing by providing rental assistance, rehabilitation, or reconstruction of owner-occupied housing units, down payment and closing cost assistance with optional rehabilitation for the acquisition of affordable single family housing, single family development and funding for rental housing development preservation of existing affordable or subsidized rental housing.

PUBLIC HOUSING RESIDENT INITIATIVES

Because PHAs are eligible applicants under the HOME Program, TDHCA sends notices of funding availability to all PHAs in the state. At HOME application workshops, application processes are discussed in detail, including those related to HBA. In addition to PHAs that have received HOME funds to provide homebuyer assistance in their areas, PHAs have also received HOME tenant-based rental assistance funds, enabling them to provide additional households with rental assistance and services to increase self-sufficiency.

LEAD-BASED HAZARDS

The HOME Program requires an environmental site assessment and the abatement of lead-based paint if the structure being rehabilitated was constructed prior to 1978. There is significant training, technical assistance, and oversight of this requirement on each contract funded under the HOME Program.

POVERTY-LEVEL HOUSEHOLDS

Through the HOME Tenant-Based Rental Assistance Program, TDHCA assists households with rental subsidy and security and utility deposit assistance for a period not to exceed two years. As a condition to receiving rental assistance, households must participate in a self-sufficiency program, which can include job training, GED classes, or drug recovery classes. The HOME Program enables households to receive rental assistance while participating in programs that will enable them to improve employment options and increase their economic independence and self-sufficiency.

INSTITUTIONAL STRUCTURE

The HOME Program encourages partnerships in order to improve the provision of affordable housing. Organizations receiving HBA funds are required to provide homebuyer education classes to households directly, or coordinate with a local organization that will provide the education. In addition, organizations receiving TBRA funds must provide self-sufficiency services directly, or coordinate with a local organization that will provide the services.

HOMELESS ACTION PLAN: EMERGENCY SHELTER GRANTS PROGRAM

FEDERAL RESOURCES EXPECTED PY 2009

TDHCA expects to receive $5,261,641 for PY 2009. This estimate is based on the State's ESG allocation for PY 2008, which was $5,261,641.

RECIPIENTS

Recipients of ESG funds are units of general local government and private nonprofit organizations.

ESTIMATED PY 2009 BENEFICIARIES

It is estimated that in PY 2009 76 private nonprofit entities and units of general local government will be funded to administer projects that will provide shelter and related services to homeless persons and/or intervention services to persons at risk of homelessness. Activities administered by several of these funded entities will involve collaborative efforts with 12 other sub entities. It is estimated that 100,000 homeless persons will be assisted in PY 2009.

TARGETED BENEFICIARIES

The targeted beneficiaries are homeless individuals and individuals at risk of homelessness.

FUNDING DISTRIBUTION

TDHCA has administered the Emergency Shelter Grants Program (ESG) since 1987. TDHCA will administer the S-094-DC-48-0001 ESG funds in a manner consistent with the McKinney-Vento Homeless Assistance Act, as amended (42 U.S.C. Sec 11371 *et seq.*). TDHCA will obligate PY 2009 ESG funds through a statewide competitive application process. ESG funds are reserved for each of the State's 13 Uniform State Service Regions based on the poverty population of each region taken from the 2000 US Census.

OBJECTIVES

The objectives of ESG consist of the following:

- Help improve the quality of emergency shelters for the homeless.
- Make additional emergency shelters available.
- Help meet the costs of operating and maintaining emergency shelters.
- Provide essential services so that homeless individuals have access to the assistance they need to improve their situations.
- Provide emergency intervention assistance to prevent homelessness.

The State's strategy to help homeless persons includes: community outreach efforts to ensure that homeless persons and persons at risk of homelessness are aware of available services, providing funding to support emergency shelter and transitional housing programs, helping homeless persons make the transition to permanent housing and independent living through comprehensive case management, and supporting other efforts to address homelessness. This strategy is outlined below.

Helping low income families avoid becoming homeless:

- TDHCA awards ESG funds using the competitive process described in the ESG One-Year Action Plan. In that process, up to 30 percent of the State's ESG annual allocation is made available to support homelessness prevention activities, and up to 30 percent of the ESG annual allocation is made available to provide essential services. Homelessness prevention efforts include short-term rent and utility assistance for homeless individuals and families and, if they meet certain criteria, those who are at-risk of losing their housing.
- Applicants for ESG funding are required to demonstrate coordination with other providers in their communities as part of the ESG scoring criteria. ESG grant recipients are encouraged to maximize all community resources when providing homelessness prevention assistance to ensure the appropriate use of these limited resources.

Reaching out to homeless persons and assessing their individual needs:

- Each application for ESG funding includes information about the case management system used by the applicant organization.
- Each application for ESG funding includes a description of services provided to homeless persons. This description is evaluated during the application review process as a criterion for receiving ESG funding.

ESG grant recipients will be required to report on outcomes achieved by homeless persons assisted. Reporting on outcomes will provide TDHCA with information on the long-term impact of the services provided such as the attainment of transitional housing or permanent housing, obtaining a GED or high school diploma or the achievement of other education and training goals, obtaining job skills, job placement, etc.

Addressing the emergency shelter and transitional housing needs of homeless persons:

- ESGP grants provide support to organizations that provide emergency services, shelter, and transitional housing to homeless persons and families.
- To ensure equitable distribution of funding, a portion of the ESGP allocation is reserved for each of the 13 regions in the state on the basis of the poverty population in each region. TDHCA expects to fund 76 projects in PY 2009. (See the ESGP Obligation Process later in this section.)

Helping homeless persons make the transition to permanent housing:

- ESGP funds can be used to pay rent and utility deposits as well as first month's rent for homeless individuals making the transition to permanent housing.

Supporting other efforts to address homelessness:

- The State has contracted with an organization to provide technical assistance in FY 2009 to rural homeless coalitions representing approximately 182 Texas counties and will support the State's effort to assist rural communities in their efforts to access federal CoC funds and that are interested in being part of the State's application for Continuum of Care funds for the balance of state areas in the State. Types of technical assistance to be rendered will include, but not be limited to, homeless counts/surveys, compilation of a housing and services inventory, identification of housing gaps, and development of homeless discharge plan strategies for their area. Organizations receiving the technical assistance must be located in a Balance of State area and applying for Continuum of Care funds through the U.S. Department of Housing and Urban Development. The State has released a Request for Proposals for interested parties to submit a proposal. The first year of funding is expected to begin September 1, 2008. The first contract will be for 12 months with the possibility of renewal for an additional 12 months. The Department expects that as a result of the technical assistance that will be rendered, the State will submit a more competitive application to HUD for Continuum of Care funds. If the State receives Continuum of Care funds for the Balance of State areas, additional homeless persons will be assisted in the State. The source of funding for this contract is State general revenue funds.

ELIGIBLE ACTIVITIES

ESG funds may be used for the following eligible activities:

1. Renovation, major rehabilitation, or conversion of buildings to be used as emergency shelters for the homeless.
2. Provision of essential services, including, but not limited to, the following:
   a. Assistance in obtaining permanent housing
   b. Medical and psychological counseling and supervision
   c. Employment counseling
   d. Nutritional counseling
   e. Substance abuse treatment and counseling
   f. Assistance in obtaining other federal, state, and local assistance
   g. Other services such as child care, transportation, job placement, and job training
   h. Staff salaries necessary to provide the above services

   These services may be provided only pursuant to Sec. 414 of the McKinney Act as amended by Sec. 832 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. Sec. 11374), which requires that services funded with ESG must be provided in a nondiscriminatory manner.
3. Payment of maintenance, operation, and furnishings costs, except that not more than 10 percent of the amount of any ESG grant may be used to pay operation staff costs.
4. Developing and implementing homeless prevention activities as per Sec. 414 of the McKinney Act as amended by Sec. 832 of the Cranston-Gonzalez National Affordable Housing Act.

RECIPIENT REQUIREMENTS

Recipients of ESG funding are required to meet certain minimum specifications that include, but are not limited to, the following:

1. Being a unit of general local government or private nonprofit organization.
2. Documenting, in the case of a private nonprofit organization, that the proposed project has the approval of the city, county, or other unit of local government in which the project will operate.
3. Providing for the participation of homeless or formerly homeless individuals on their board of directors or other policy-making entity.
4. Assuring that ESG subrecipients obligate funds within 180 days from the date that TDHCA received the award letter from HUD.
5. Documentation of fiscal accountability, as specified in the application.
6. Proposing to undertake only eligible activities.
7. Demonstrating need.
8. Assuring ability to provide matching funds.
9. Demonstrating effectiveness in serving the homeless, including the ability to establish, maintain, and/or improve the self-sufficiency of homeless individuals.
10. Assuring that homeless individuals will be involved in the provision of services funded through ESG, to the maximum extent feasible, through employment, volunteerism, renovating, maintaining or operating facilities, and/or providing direct services to occupants of facilities assisted with ESG funds.

11. Assuring the operation of an adequate, sanitary, and safe homeless facility.
12. Assuring that it will administer, in good faith, a policy designed to ensure that the homeless facility is free from the illegal use, possession, or distribution of drugs or alcohol by its beneficiaries.
13. Assuring that it will develop and implement procedures to ensure the confidentiality of records of any individual receiving assistance as a result of family violence.
14. Proposing a sound plan consistent with the State of Texas Consolidated Plan, the McKinney-Vento Homeless Assistance Act, and all other assurances and certifications.
15. Assuring the participation in the development and implementation, to the maximum extent practicable and where appropriate, policies and protocols for the discharge of person from publicly funded institutions and systems of care (such as health care facilities, foster care or other youth facilities, or correction programs and institutions) to prevent such discharge from immediately resulting in homelessness for such persons. ESG funds are not to be used to assist such persons in place of State and local resources.
16. Assuring that it will meet HUD’s standards for participation in a local Homeless Management Information System and the collection and reporting of client-level information.
17. Any renovation carried out with ESGP assistance shall be sufficient to ensure that the building involved is safe and sanitary, and the renovation will assist homeless individuals in obtaining:

    (A) appropriate supportive services, including permanent housing, medical and mental health treatment, counseling, supervision, and other services essential for achieving independent living; and
    (B) other Federal, state, local, and private assistance available for such individuals.

FUND OBLIGATION PROCESS

TDHCA will obligate PY 2009 ESG funds to units of general local government or to private nonprofit organizations which have local government approval to operate a project which assists homeless individuals. TDHCA will evaluate all applications received and award funds in accordance with the application specifications. This statewide competitive application process will allow ESG funds to be distributed equitably.

The State’s anticipated ESG allocation for PY 200 is $5,261,641 less 5 percent ($263,082) for state administration costs of which approximately $21,684 will be shared with subrecipient organizations which are units of general local government. TDHCA reserves ESG funds for each of the 13 Uniform State Service Regions. Funds are reserved for each region in direct proportion to the percentage of poverty population that exists in each region according to the most recent county Census data. Applicants compete only against other applicants in their Uniform State Service Region.

TDHCA is statutorily required by the Texas Government Code to provide a comprehensive statement on its activities during the preceding year through a document called the *State of Texas Low Income Housing Plan and Annual Report*. Part of this document describes the ethnic and racial composition of families and individuals applying for and receiving assistance from each housing-related program operated by TDHCA.

TDHCA issues a notice of funding availability (NOFA) and posts an application to its website. Applications are also provided directly to any organization or individual upon request. As the applications are received, they are sorted by region and numbered consecutively. Teams review the applications according to assigned regions, using a standardized review instrument. A variety of factors, as per the application instructions, are evaluated and scored to determine each application’s merit in identifying and addressing the needs of the homeless population, as well as the organization’s capacity to carry out the proposed project.

The top scoring applications in each region will be recommended for funding based on the amount of funds reserved for each region. Any application which receives a score below 70 percent of the highest raw score from the region will not be considered for funding. All available ESG funds are obligated each year through 12-month contracts.

APPLICABLE FEDERAL AND STATE REGULATIONS

- 24 CFR 576 as amended;
- Title IV, Subtitle B of the McKinney-Vento Homeless Assistance Act, as amended (42 U.S.C. sec, 11371 et seq.)
- 10 Texas Administrative Code, Chapter 5, Subchapter C.

LEVERAGING RESOURCES

Section 576.51 of the ESG regulations state that each grantee must match the funding provided by HUD. Match resources must be provided after the date of the ESG grant award and must be provided in an amount equal to or greater than the ESG grant award. Resources used to match a previous grant may not be used to match a subsequent award. Sources of match may include, but are not limited to, unrestricted funds from the grant recipient, volunteer hours, the value of donated materials or buildings, or the fair market rent or lease value of a building used to provide services to the homeless population. Each applicant must identify the source and amount of match they intend to provide if they are selected for funding and may report monthly on the amount of match provided. ESG monitors review the match documentation during each on-site monitoring visit. A desk review is completed at the closeout of each contract to ensure, among other things, that each ESG recipient has provided an adequate amount of match during the contract period.

SPECIAL INITIATIVES AND PARTNERSHIPS

TDHCA is the lead agency in the Texas Interagency Council for the Homeless (TICH). TICH is charged with surveying and evaluating services for the homeless in Texas, assisting in the coordination and provision of services to homeless person throughout the State, increasing the flow of information among service providers and appropriate authorities, developing guidelines to monitor services to the homeless, providing technical assistance to the housing finance division of TDHCA in assessing housing needs for persons with special needs, establishing a central resource and information center for the State's homeless population, and developing a strategic plan to address the needs of the homeless in cooperation with TDHCA and the Health and Human Services Commission.

TDHCA also supports with Community Services Block Grant and State of Texas general revenue funds, activities that address homelessness, including providing technical assistance to develop and strengthen homeless coalitions throughout Texas, distributing a statewide bimonthly newsletter on homelessness, maintaining an information resource center, workshops, sponsoring an annual statewide conference on homeless issues, and the provision of training and technical assistance to organizations interested in being part of the State's application for Continuum of Care funds for the balance of state areas in the State.

MONITORING

TDHCA monitors ESG subrecipients based on an assessment of associated risks. The assessment of associated risks utilizes factors developed by the Department's Portfolio and Compliance Division in conjunction with the Community Affairs Division. The factors include the status of the most recent monitoring report, timeliness of grant reporting, results of the last on-site monitoring review, number and dollar amounts of Department funds contracts and single audit issues. Subrecipients with the highest rankings are considered high risk and will receive an on-site monitoring review. Subrecipients with low rankings will have a desk review conducted. During the monitoring review, staff determine subrecipients' compliance with the ESG contract, ESG State Regulations, State Policy Issuances, 24 CFR Ch V, Part 576, OMB Circulars related to expenditure of funds, and requirements of Chapter 58 of the Environmental Protection Act as it relates to projects funded for rehabilitation, conversion, or renovation.

CPD OUTCOME PERFORMANCE MEASUREMENT SYSTEM REPORTING

ESG began reporting using the HUD CPD Outcome Performance Measurement System on September 1, 2006, with the implementation of the 2006 ESG contracts. TDHCA will continue to utilize this reporting system in 2009. In 2007, the HUD CPD Outcome Performance Measurement System became automated whereby subrecipients began to report performance data via a Web based application. TDHCA's monthly performance reports have been amended to include changes in reporting requirements required by HUD and to gather data on persons assisted with services which are outcome oriented and have a long-term impact. ESG activities related to renovation/rehabilitation, essential services, maintenance, operations, and furnishings will fall under HUD's Outcome 1, Availability/Accessibility, and Objective 1, Create a Suitable Living Environment (SL-1). ESG activities related to homelessness prevention will be reported under HUD's Outcome 1, Affordability and Objective 2, Provide Decent Housing. (DH-2)

ESG Annual Action Plan
Planned Project Results

Outcomes and Objectives	Performance Indicators	Expected Number	Activity Description
SL-1 Availability/ Accessibility and Create a Suitable Living Environment	Accessibility for the purpose of creating a suitable living environment.	100,000	Provide funding to support the provision of emergency and/or transitional shelter to homeless persons.
DH-2 Affordability and Provide Decent Housing	Affordability for the purpose of providing decent housing.	4,000	The provision of non-residential services including homelessness prevention assistance.

ESG ACTIONS

This section describes how ESG addresses the following: affordable housing, public housing resident initiatives, lead-based pain hazards, poverty-level households, and institutional structure.

AFFORDABLE HOUSING

While TDHCA encourages the use of ESG funds to provide affordable transitional housing, the majority of funds are utilized to provide emergency shelter. Fostering affordable housing is not an initiative for which TDHCA provides funding or that TDHCA monitors for the ESG Program.

PUBLIC HOUSING RESIDENT INITIATIVES

Fostering public housing resident initiatives is not an initiative for which TDHCA provides funding or that TDHCA tracks for the ESG Program.

LEAD-BASED HAZARDS

TDHCA evaluates and reduces lead-based hazards for conversion, renovation, or rehabilitation projects funded with ESG funds and tracks work in these efforts in the ESG Program as required by Chapter 58 of the Environmental Protection Act.

POVERTY-LEVEL HOUSEHOLDS

While TDHCA encourages the use of ESG funds to help ESG clients lift themselves above the poverty line, it is not an initiative for which TDHCA provides funding or that TDHCA monitors for the ESG Program.

INSTITUTIONAL STRUCTURE

TDHCA encourages ESG subrecipients to coordinate services with housing and other service agencies. Collaborative applications funded with ESG funds are required to coordinate services and to provide services as part of a local continuum of care. TDHCA reviews ESG subrecipients' coordination efforts during on-site and desk monitoring.

CHRONIC HOMELESSNESS

Based on the 77 Emergency Shelter Grants (ESG) Program organizations funded in FY 2008, it is estimated that 22 of the 77 organizations serve the chronically homeless. Of the 77 subrecipients, 62 provide shelter and have a total of 4,409 beds available. Thirteen of these organizations are Salvation Army organizations. These organizations are located across the State. While the Department does not have a complete "inventory" of the supportive services offered by the ESG funded organizations, the Department began to collect information on the number of persons provided with supportive services in FY 2006. The range of supportive services include: legal advocacy, education, employment, housing, counseling, psychological treatment and/or psychological counseling, substance abuse treatment, medical assistance, parenting and budgeting classes, housing advocacy, transportation assistance, English-as-a- Second Language classes, and clothing.

The following inventory is an account of all the Emergency, Transitional Housing, and Permanent Supportive Housing beds reported in the 2007 Continuum of Care applications. The 2008 Continuum of Care data is not available at this time. These beds represent 245 Texas counties that applied for funding:

Emergency Shelter		
	Existing Beds	Unmet Need*
Family Beds	4,294	1,124
Individual Beds	6,499	5,087
Total	10,793	6,211

Transitional Housing		
	Existing Beds	Unmet Need*
Family Beds	4,914	3,442
Individual Beds	3,632	5,952
Total	8,546	9,349

Permanent Supportive Housing		
	Existing Beds	Unmet Need*
Family Beds	1,447	5,490
Individual Beds	2,179	245
Total	3,626	5,735

*Estimate based on 2007 Continuum of Care applications.

COMMUNITY DEVELOPMENT ACTION PLAN: COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

PROGRAM YEAR 2009 GENERAL PROGRAM INFORMATION

A. COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM ADMINISTRATION

The Office of Rural Community Affairs (ORCA) administers the State of Texas Community Development Block Grant Program (CDBG), called the Texas Community Development Block Grant Program (Texas CDBG). The Texas Department of Agriculture (TDA) administers the Texas Capital Fund through an interagency agreement between ORCA and TDA. The Tx CDBG will continue to fund the Colonia Self-Help Centers Fund but administration of that program will remain with the Texas Department of Housing and Community Affairs (TDHCA) Office of Colonia Initiatives through a Memorandum of Understanding between ORCA and TDHCA.

The mission of the Office of Rural Community Affairs is to assist rural Texans who seek to enhance their quality of life by facilitating, with integrity, the use of the resources of our state so that sustained economic growth will enrich the rural Texas experience for the benefit of all.

B. ELIGIBLE APPLICANTS

Eligible applicants are nonentitlement general purpose units of local government including cities and counties that are not participating or designated as eligible to participate in the entitlement portion of the federal Community Development Block Grant Program (CDBG). Nonentitlement cities that are not participating in urban county programs through existing participation agreements are eligible applicants (unless the city's population is counted towards the urban county CDBG allocation).

Nonentitlement cities are located predominately in rural areas and are cities with populations less than 50,000 thousand persons; cities that are not designated as a central city of a metropolitan statistical area; and cities that are not participating in urban county programs. Nonentitlement counties are also predominately rural in nature and are counties that generally have fewer than 200,000 persons in the nonentitlement cities and unincorporated areas located in the county.

Hidalgo County, a designated CDBG urban county, is eligible to receive assistance under the Texas Community Development Block Grant (Tx CDBG) Program Colonia Fund (and each fund category included under the Colonia Fund).

Counties eligible under both the Tx CDBG Colonia Fund and the Texas Water Development Board's Economically Distressed Areas Program (EDAP) are eligible under the Tx CDBG Colonia Economically Distressed Areas Program Fund. Non-entitlement cities located within eligible counties that meet other eligibility criteria, including the geographic requirements of the Colonia Fund, are also eligible applicants for the Tx CDBG Colonia Economically Distressed Areas Program Fund.

With the enactment of §43.905 of the Texas Local Government Code, a colonia that is annexed by a municipality remains eligible for five years after the effective date of the annexation to receive any form of assistance for which the colonia would be eligible if the annexation had not occurred. This only applies to a colonia annexed by a municipality on or after September 1, 1999.

C. ELIGIBLE ACTIVITIES

Eligible activities under the Texas Community Development Block Grant Program are listed in 42 U.S.C Section 5305. The Tx CDBG staff reviews all proposed project activities included in applications for all fund categories, except the Texas Capital Fund, to determine their eligibility. The Texas Department of Agriculture determines the eligibility of activities included in Texas Capital Fund applications.

All proposed activities must meet one of the following three National Program Objectives:

1. principally benefit low- and moderate-income persons; or
2. aid in the elimination of slums or blight; or
3. meet other community development needs of particular urgency which represent an immediate threat to the health and safety of residents of the community

Area benefit can be used to qualify street paving projects. However, for street paving projects that include multiple and non-contiguous target areas, each target area must separately meet the principally benefit low and moderate income national program objective. At least fifty-one percent (51%) of the residents located in each non-contiguous target area must be low and moderate income persons. A target area that does not meet this requirement cannot be included in an application for Tx CDBG funds. The only exception to this requirement is street paving eligible under the Disaster Relief/Urgent Need Fund.

D. INELIGIBLE ACTIVITIES

In general, any type of activity not described or referred to in 42 U.S.C Section 5305 is ineligible. Specific activities ineligible under the Texas Community Development Block Grant Program are:

1. construction of buildings and facilities used for the general conduct of government (e.g. city halls, courthouses, etc.);
2. new housing construction, except as last resort housing under 49 CFR Part 24 or affordable housing through eligible subrecipients in accordance with 24 CFR 570.204;
3. the financing of political activities;
4. purchases of construction equipment (except in limited circumstances under the STEP Program);
5. income payments, such as housing allowances; and
6. most operation and maintenance expenses (including smoke testing, televising / video taping line work, or any other investigative method to determine the overall scope and location of the project work activities)

The Texas Capital Fund (TCF) will not accept applications in support of public or private prisons, racetracks and projects that address job creation/retention through a government supported facility. The Texas Capital Fund Program may be used to financially assist/facilitate the relocation of a business when certain requirements, as defined in the application guidelines, are met.

E. PRIMARY BENEFICIARIES

The primary beneficiaries of the Texas Community Development Block Grant Program are low to moderate income persons as defined under the U.S. Department of Housing and Urban Development (HUD) Section 8 Assisted Housing Program (Section l02(c)). Low income families are defined as those earning less than 50 percent of the area median family income. Moderate income families are defined as those earning less than 80 percent of the area median family income. The area median family can be based on a metropolitan statistical area, a non-metropolitan county, or the statewide non-metropolitan median family income figure.

F. DISPLACEMENT OF PERSONS ASSISTED

Applicant localities must certify that they will minimize the displacement of persons as a result of activities assisted with Texas Community Development Block Grant Program grant funds.

II. ALLOCATION OF CDBG FUNDS

A. AVAILABLE FUND CATEGORIES

Assistance is available in six funding categories and one pilot program under the Texas Community Development Block Grant Program as indicated below:

Funds:
1. Community Development Fund
2. Texas Capital Fund
3. Colonia Fund
   - 3a. Colonia Planning and Construction Fund
   - 3b. Colonia Economically Distressed Areas Program Legislative Set-Aside
   - 3c. Colonia Self-Help Centers Legislative Set-Aside
4. Planning and Capacity Building Fund
5. Disaster Relief/Urgent Need Fund
6. Tx CDBG STEP Fund

Pilot Program:
Renewable Energy Demonstration Pilot Program

B. DESCRIPTION OF FUNDS

1. Community Development Fund

This fund is available on a biennial basis for funding from program years 2009 and 2010 through a 2009 annual competition in each of the 24 state planning regions. Applications received by the 2009 program year application deadline are selected to receive grant awards from the 2009 and 2010 program year allocations. The scoring of the applications is shared between ORCA and the 24 Regional Review Committees (RRC), with the RRC having the predominate percentage of the total possible score.

Regional Priority Set-asides: Housing and Non-Border Colonia projects - Each Regional Review Committee (RRC) is encouraged to allocate a percentage or amount of its Community Development Fund allocation to housing projects and, for RRCs in eligible areas, non-border colonia projects proposed in and for that region. Under a set-aside, the highest ranked applications for a housing or non-border colonia activity, regardless of the position in the overall ranking, would be selected to the extent permitted by the housing or non-border colonia set-aside level. If the region allocates a percentage of its funds to housing and/or non-border colonia activities and applications conforming to the maximum and minimum amounts are not received to use the entire set-asides, the remaining funds may be used for other eligible activities. (Under a housing and/or non-border colonia set-aside process, a community would not be able to receive an award for both a housing or non-border colonia activity and an award for another Community Development activity during the biennial process. Housing projects/activities must conform to eligibility requirements in 42 U.S.C Section 5305 and applicable HUD regulations.)

Funds for projects under the Community Development Fund are allocated among the 24 state planning regions based on the following:

REGIONAL ALLOCATION METHOD:

The original CD formula is used to allocate 40 percent of the annual state CDBG allocation; and the HUD formula is used to allocate 21.71 percent of the annual state CDBG allocation.

Original CD formula (40%) factors:

a.	Non-Entitlement Population	30%
b.	Number of Persons in Poverty	25%
c.	Percentage of Poverty Persons	25%
d.	Number of Unemployed Persons	10%
e.	Percentage of Unemployed Persons	10%

To the extent possible, the information used to calculate the regional allocations through these factors will be based on the eligible nonentitlement applicants within each region. The population and poverty information used is from the current available decennial census data. The unemployment information used is the current available annual average information.

HUD formula (21.71%) - the formula is the same methodology that HUD uses to allocate CDBG funds to the non-entitlement state programs. The HUD factors, percentages, and methodology are specified in 42 U.S.C. 5306(d). The Tx CDBG will use available data to calculate the allocations to each region.

Using the HUD methodology, the allocation for each region shall be the greater of an amount that bears the same ratio to the allocation for all 24 regions available as either:

(A) the average of the ratios between:

- the population of the nonentitlement areas in that region and the population of the nonentitlement areas of all 24 regions (counted one time - 25% weight);
- the extent of poverty in the nonentitlement areas in that region and the extent of poverty in the nonentitlement areas of all 24 regions (counted two times - 50% weight); and
- the extent of housing overcrowding in the nonentitlement areas in that region and the extent of housing overcrowding in the nonentitlement areas of all 24 regions (counted one time - 25% weight);

OR

(B) the average of the ratios between:

- the age of housing in the nonentitlement areas in that region and the age of housing in the nonentitlement areas in all 24 regions (counted two and one half times - 50% weight);
- the extent of poverty in the nonentitlement areas in that region and the extent of poverty in the nonentitlement areas of all 24 regions (counted one and one half times - 30% weight); and
- the population of the nonentitlement areas in that region and the population of the nonentitlement areas of all 24 regions (counted one time - 20% weight).

The Tx CDBG will continue to involve the non-entitlement communities and the public in a review of the regional allocation formula through public hearings, meetings of the ORCA board, Task Forces, and input from the State Community Development Review Committee, Regional Councils of Governments, local and state government officials, and other interested parties.

Some regions in the state have a small number of eligible applicants and these regions may receive regional allocations large enough to allow each eligible applicant in that region to apply for an equal share of the regional allocations. The share available to each eligible applicant in the region may amount to an equal share based on the number of eligible applicants and the 2009 and 2010 regional allocations for that region. Or the share available to each eligible applicant in the region may be based on an allocation formula used by the region to allocate the funds available through the 2009 and 2010 regional allocations for the region. Each applicant in one of these regions must meet all state and federal eligibility requirements including but not limited to Tx CDBG applicant threshold requirements, federal requirements for eligible activities, and federal requirements that each activity in an application meet one of the three national program objectives. Applicants in these regions are scored by the Regional Review Committees and the Tx CDBG staff in accordance with the established Community Development Fund selection criteria. The total score received by each applicant in these regions determines if the applicant receives funding from the 2009 regional allocation or 2010 regional allocation. Depending on the State of Texas' CDBG allocations for the 2009 and 2010 program years, there could be a large variance between the

2009 and 2010 regional allocations. If the 2010 regional allocation for one of these regions decreases significantly from the 2009 regional allocation, then the total scores received by applicants in these regions could in fact prevent some of the applicants from receiving funds from the 2010 regional allocation.

A significant increase or decrease to the State's 2009 CDBG allocation may result in corresponding increases or decreases to the 2009 Community Development Fund allocation and correspondingly higher or lower regional allocations.

Non-border colonia projects – available to eligible county applicants for projects in severely distressed unincorporated areas located farther than 150 miles from the Texas-Mexico border and non-entitlement counties, or portions of counties, within 150 miles of the Texas-Mexico border that are not eligible for the Colonia Fund because they are located in a standard metropolitan statistical area that has a population exceeding 1,000,000, as specified the Cranston-Gonzalez National Affordable Housing Act. Non-border colonia areas would be an identifiable unincorporated community that is determined to be colonia-like on the basis of objective criteria, including lack of potable water supply, lack of adequate sewage systems, and lack of decent, safe, and sanitary housing; and was in existence as a colonia before the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act (November 28, 1990).

Applicants must demonstrate they are adequately addressing water supply and water conservation issues (in particular contingency plans to address drought-related water supply issues), as described in the application guidance.

Applications requesting funds for projects other than water and sewer must include a description of how the applicant's water and sewer needs would be met and the source of funding that would be used to meet these needs.

2. Texas Capital Fund

This economic development funding is used for projects that will create or retain permanent employment opportunities, primarily for low to moderate income persons, and for county economic and management development activities. Responsibility for this fund is contracted to the Texas Department of Agriculture through an interagency agreement. The funds may be used to provide financial assistance for eligible activities as cited in 42 U.S.C Section 5305, including the following activities.

a. Infrastructure improvements to assist a for-profit entity or a non-profit entity.
b. acquisition of real property or to acquire, construct, reconstruct, or rehabilitate public facilities to assist a for-profit entity.
c. Infrastructure improvements to assist Texas Main Street Program designated municipalities.
d. Downtown Revitalization Program that is designed to foster and stimulate economic development in downtown areas by providing financial assistance for public improvements to non-entitlement cities. This program encourages the elimination of slum and blighted areas by targeting the renovation and/or construction of sidewalks, lighting, drainage and other infrastructure improvements in downtown areas. Communities eligible for the Texas Main Street Program are not eligible for the Downtown Revitalization Program.
e. County economic and management development activities as approved by ORCA. Not more than five percent (5%) of the Texas Capital Fund allocation may be used for these activities. Section 487.352I of the Texas Government Code requires ORCA to "allocate not more than five percent of the funds allocated to the Department of Agriculture under the Texas Capital Fund to be used for county economic and management development." ORCA will review activities proposed for this assistance and determine if the activities are consistent with the federal law governing the CDBG program.
f. Assistance to private, for-profit entities, when the assistance is appropriate to carry out an economic development project (that shall minimize, to the extent practicable, displacement of existing businesses and jobs in neighborhoods) that:

    1) creates or retains jobs for low- and moderate-income persons;
    2) prevents or eliminates slums or blight;
    3) meets urgent needs;

4) creates or retains businesses owned by community residents;
5) assists businesses that provide goods or services needed by, and affordable to, low- and moderate-income residents; or
6) provides technical assistance to promote any of the activities under subparagraphs (1) through (5).

The Texas Capital Fund program will require repayment for Real Estate and Infrastructure projects, as follows:

a. Real Estate Development (including improvements to the business site) projects require full repayment with no interest accruing; and
b. Infrastructure Program (awards for infrastructure or railroad improvements on private property require full repayment with no interest accruing).

3. Colonia Fund

This fund is available to eligible county applicants for projects in severely distressed unincorporated areas which meet the definition as a "colonia" under this fund. Scoring of all the selection criteria for Colonia Fund applications is completed by Tx CDBG staff. The term "colonia" means any identifiable unincorporated community that is determined to be a colonia on the basis of objective criteria, including lack of potable water supply, lack of adequate sewage systems, and lack of decent, safe, and sanitary housing; and was in existence as a colonia before the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act (November 28, 1990). Except for fund categories where additional restrictions apply, a county can only submit applications on behalf of eligible colonia areas located within 150 miles of the Texas-Mexico border region, except that any county that is part of a standard metropolitan statistical area with a population exceeding 1,000,000 is not eligible under this fund.

3a. Colonia Planning and Construction Fund

The allocation is available on a biennial basis for funding from program years 2009 and 2010 through a 2009 annual competition. Applications received by the 2009 program year application deadline are eligible to receive grant awards from the 2009 and 2010 program year allocations. Funding priority shall be given to Tx CDBG applications from localities that have been funded through the Texas Water Development Board Economically Distressed Areas Program (TWDB EDAP) where the Tx CDBG project will provide assistance to colonia residents that cannot afford the cost of service lines, service connections, and plumbing improvements associated with access to the TWDB EDAP-funded water or sewer system.

An eligible county applicant may submit one (1) application for the following eligible construction activities:

(1) Assessments for Public Improvements – The payment of assessments (including any charge made as a condition of obtaining access) levied against properties owned and occupied by persons of low- and moderate-income to recover the capital cost for a public improvement.

(2) Other Improvements – Other activities eligible under 42 U.S.C Section 5305 designed to meet the needs of colonia residents.

Colonia Planning Component

A portion of the funds will be allocated to two separate biennial competitions for applications that include planning activities targeted to selected colonia areas – (Colonia Area Planning activities), and for applications that include countywide comprehensive planning activities (Colonia Comprehensive Planning activities). Applications received by the 2009 program year application deadline are eligible to receive a grant award from the 2009 and 2010 program year allocations.

In order to qualify for the Colonia Area Planning activities, the county applicant must have a Colonia Comprehensive Plan in place that prioritizes problems and colonias for future action. The targeted colonia must be included in the Colonia Comprehensive Plan.

A Colonia Planning activities application must receive a minimum score for the Project Design selection factor of at least 70 percent of the maximum number of points allowable under this factor to be considered for funding.

(1) Colonia Area Planning Activities

An eligible county may submit an application for eligible planning activities that are targeted to one or more colonia areas. Eligible activities include:

- Payment of the cost of planning community development (including water and sewage facilities) and housing activities;
- costs for the provision of information and technical assistance to residents of the area in which the activities are located and to appropriate nonprofit organizations and public agencies acting on behalf of the residents; and
- costs for preliminary surveys and analyses of market needs, preliminary site engineering and architectural services, site options, applications, mortgage commitments, legal services, and obtaining construction loans.

(2) Colonia Comprehensive Planning Activities

To be eligible for these funds, a county must be located within 150 miles of the Texas-Mexico border. The applicant's countywide comprehensive plan will provide a general assessment of the colonias in the county, but will include enough detail for accurate profiles of the county's colonia areas. The prepared comprehensive plan must include the following information and general planning elements:

- Verification of the number of dwellings, number of lots, number of occupied lots, and the number of persons residing in each county colonia
- Mapping of the locations of each county colonia
- Demographic and economic information on colonia residents
- The physical environment in each colonia including land use and conditions, soil types, and flood prone areas
- An inventory of the existing infrastructure (water, sewer, streets, drainage) in each colonia and the infrastructure needs in each colonia including projected infrastructure costs
- The condition of the existing housing stock in each colonia and projected housing costs
- A ranking system for colonias that will enable counties to prioritize colonia improvements rationally and systematically plan and implement short-range and long-range strategies to address colonia needs
- Goals and Objectives
- Five-year capital improvement program

3b. Colonia Economically Distressed Areas Program (CEDAP) Legislative Set-aside

The allocation is distributed on an as-needed basis. Eligible applicants are counties, and nonentitlement cities located in those counties, that are eligible under the Tx CDBG Colonia Fund, including meeting the geographic requirements, and Texas Water Development Board's Economically Distressed Areas Program (TWDB EDAP). Eligible projects shall be located in unincorporated colonias; in colonias located in eligible nonentitlement cities that annexed the colonia and the application for improvements in the colonia is submitted within five (5) years from the effective date of the annexation; or in colonias located in eligible nonentitlement cities where the city is in the process of annexing the colonia where the improvements are to be made.

Eligible applicants may submit an application that will provide assistance to colonia residents that cannot afford the cost of service lines, service connections, and plumbing improvements associated with being connected to a TWDB EDAP-funded water and sewer system improvement project. An application cannot be submitted until the construction of the TWDB EDAP-funded water or sewer system begins.

Eligible program costs include water distribution lines and sewer collection lines providing connection to water and sewer lines installed through the Texas Water Development Board's Economically Distressed Areas Program (when approved by the Tx CDBG), taps and meters (when approved by the Tx CDBG), yard service lines, service

connections, plumbing improvements, and connection fees, and other eligible approved costs associated with connecting an income-eligible family's housing unit to the TWDB improvements.
An applicant may not have an existing CEDAP contract open in excess of 48 months and still be eligible for a new CEDAP award.

3c. Colonia Self-Help Centers Legislative Set-aside

In accordance with Subchapter Z, Chapter 2306, Government Code, TDHCA has established self-help centers in Cameron County, El Paso County, Hidalgo County, Starr County, and Webb County. If deemed necessary and appropriate, TDHCA may establish self-help centers in other counties (self-help centers have been established in Maverick County and Val Verde County) as long as the site is located in a county that is designated as an economically distressed area under the Texas Water Development Board Economically Distressed Areas Program (EDAP), the county is eligible to receive EDAP funds, and the colonias served by the center are located within 150 miles of the Texas-Mexico border.

The geographic area served by each self-help center is determined by TDHCA. Five (5) colonias located in each self-help center service area are designated to receive concentrated attention from the center. Each self-help center sets a goal to improve the living conditions of the residents located in the colonias designated for concentrated attention within a two-year period set under the contract terms. TDHCA has the authority to make changes to the colonias designated for this concentrated attention.

The TDHCA grant contract for each self-help center must be executed with the county where the self-help center is located. TDHCA will enter into a Texas Community Development Block Grant Program contract with each affected county. Each county enters into a subcontract with a non-profit community action agency, a public housing authority, or a non-profit organization.

A Colonia Residents Advisory Committee was established and not fewer than five persons who are residents of colonias were selected from the candidates submitted by local nonprofit organizations and the commissioners' court of a county where a self-help center is located. One committee member shall be appointed to represent each of the counties in which a self-help center is located. Each committee member must be a resident of a colonia located in the county the member represents but may not be a board member, contractor, or employee of or have any ownership interest in an entity that is awarded a contract through the Texas Community Development Block Grant Program. The Advisory Committee shall advise TDHCA regarding:

(1) the needs of colonia residents;
(2) appropriate and effective programs that are proposed or are operated through the centers; and
(3) activities that may be undertaken through the centers to better serve the needs of colonia residents.

The purpose of each center is to assist low income and very low income individuals and families living in colonias located in the center's designated service area to finance, refinance, construct, improve or maintain a safe, suitable home in the designated service area or in another suitable area. Each self-help center may serve low income and very low income individuals and families by:

(1) providing assistance in obtaining loans or grants to build a home;
(2) teaching construction skills necessary to repair or build a home;
(3) providing model home plans;
(4) operating a program to rent or provide tools for home construction and improvement for the benefit of property owners in colonias who are building or repairing a residence or installing necessary residential infrastructure;
(5) helping to obtain, construct, access, or improve the service and utility infrastructure designed to service residences in a colonia, including potable water, wastewater disposal, drainage, streets and utilities;
(6) surveying or platting residential property that an individual purchased without the benefit of a legal survey, plat, or record;
(7) providing credit and debt counseling related to home purchase and finance;
(8) applying for grants and loans to provide housing and other needed community improvements;

(9) providing other eligible services that the self-help center, with TDHCA approval, determines are necessary to assist colonia residents in improving their physical living conditions, including help in obtaining suitable alternative housing outside of a colonia's area;
(10) providing assistance in obtaining loans or grants to enable an individual or family to acquire fee simple title to property that originally was purchased under a contract for a deed, contract for sale, or other executory contract;
(11) monthly programs to educate individuals and families on their rights and responsibilities as property owners; and
(12) providing access to computers, the internet, and computer training.

A self-help center may not provide grants, financing, or mortgage loan services to purchase, build, rehabilitate, or finance construction or improvements to a home in a colonia if water service and suitable wastewater disposal are not available.

4. Planning And Capacity Building Fund

This fund is available on a biennial basis to assist eligible cities and counties in conducting planning activities that assess local needs, develop strategies to address local needs, build or improve local capacity, or that include other needed planning elements (including telecommunications and broadband needs). All planning projects awarded under this fund must include a section in the final planning document that addresses drought-related water supply contingency plans and water conservation plans.

A significant increase or decrease to the State's 2008 CDBG allocation may result in corresponding increases or decreases to the 2008 Planning and Capacity Building Fund allocations.

5. Disaster Relief / Urgent Need Fund

Disaster Relief assistance is available through this fund as needed for eligible activities in relief of disaster situations where either the Governor has proclaimed a state disaster declaration or the President has issued a federal disaster declaration. Tx CDBG may prioritize throughout the program year the use of Disaster Relief assistance funds based on the type of assistance or activity under consideration and may allocate funding throughout the program year based on assistance categories. Depending on the nature and extent of the damage caused by the natural disaster, priority for the use of Tx CDBG funds is the restoration of basic human needs such as water and sewer facilities, housing, and roads.

Urgent Need assistance is contingent upon the availability of funds for activities that will restore water or sewer infrastructure whose sudden failure has resulted in death, illness, injury, or pose an imminent threat to life or health within the affected applicant's jurisdiction. The infrastructure failure must not be the result of a lack of maintenance and must be unforeseeable. As an initial step, Tx CDBG undertakes an assessment of whether the situation is reasonably considered unforeseeable. An application for Urgent Need assistance will not be accepted by the Tx CDBG until discussions between the potential applicant and representatives of the Tx CDBG, the Texas Commission on Environmental Quality (TCEQ), and the Texas Water Development Board (TWDB) have taken place. Through these discussions, a determination shall be made whether the situation meets Tx CDBG Urgent Need threshold criteria; whether shared financing is possible; whether financing for the necessary improvements is, or is not, available from the TWDB; or that the potential applicant does, or does not, qualify for TWDB assistance. If Tx CDBG funds are still available, a potential applicant that meets these requirements will be invited to submit an application for Urgent Need funds.

To qualify for Disaster Relief funds:

- The situation addressed by the applicant must be both unanticipated and beyond the control of the local government.
- The problem being addressed must be of recent origin. For Disaster Relief assistance, this means that the application for assistance must be submitted no later than 12 months from the date of the Presidential or Governor's declaration.

- Under Disaster Relief, funds will not be provided under FEMA's Hazard Mitigation Grant Program for buyout projects unless ORCA receives satisfactory evidence that the property to be purchased was not constructed or purchased by the current owner after the property site location was officially mapped and included in a designated flood plain area.
- Each applicant for these funds must demonstrate that adequate local funds are not available, i.e., the entity has less than six months of unencumbered general operations funds available in its balance as evidenced by the last available audit required by state statute, or funds from other state or federal sources are not available to completely address the problem.
- Tx CDBG will consider whether funds under an existing Tx CDBG contract are available to be reallocated to address the situation.
- The distribution of these funds will be coordinated with other state agencies.

To qualify for Urgent Need funds:

- The situation addressed by the applicant must not be related to a proclaimed state disaster declaration or a federal disaster declaration.
- The situation addressed by the applicant must be both unanticipated and beyond the control of the local government.
- The problem being addressed must be of recent origin. For Urgent Need assistance, this means that the situation first occurred or was first discovered no more than 30 days prior to the date that the potential applicant provides a written request to the Tx CDBG for Urgent Need assistance. The Urgent Need Fund will not fund projects to address a situation that has been known for more than 30 days or should have been known would occur based on the applicant's existing system facilities.
- Each applicant for these funds must demonstrate that local funds or funds from other state or federal sources are not available to completely address the problem.
- The distribution of these funds will be coordinated with other state agencies.
- The infrastructure failure cannot have resulted from a lack of maintenance.
- Urgent Need funds cannot be used to restore infrastructure that has been cited previously for failure to meet minimum state standards.
- The infrastructure failure cannot have been caused by operator error.
- The infrastructure requested by the applicant cannot include back-up or redundant systems.
- Tx CDBG will consider whether funds under an existing Tx CDBG contract are available to be reallocated to address the situation.
- The Urgent Need Fund will not finance temporary solutions to the problem or circumstance.

Construction on an Urgent Need fund project must begin within ninety (90) days from the start date of the Tx CDBG contract. The Tx CDBG reserves the right to deobligate the funds under an Urgent Need Fund contract if the grantee fails to meet this requirement.

Each applicant for Urgent Need funds must provide matching funds. If the applicant's 2000 Census population is equal to or fewer than 1,500 persons, the applicant must provide matching funds equal to 10 percent of the Tx CDBG funds requested. If the applicant's 2000 Census population is over 1,500 persons, the applicant must provide matching funds equal to 20 percent of the Tx CDBG funds requested. For county applications where the beneficiaries of the water or sewer improvements are located in unincorporated areas, the population category for matching funds is based on the number of project beneficiaries.

6. Tx CDBG STEP Fund

Funds will be available for grants on a competitive award basis to cities and counties to provide grant assistance to cities and communities recognizing the need and willingness to solve water and sewer problems through the Texas Small Towns Environment Program (STEP) self-help techniques. The program will accept applications two times a year and utilize a competitive process to evaluate, score and award these projects.

Cities and counties receiving 2007 and 2008 Community Development Fund/Community Development Supplemental Fund grant awards for applications that did not include water, sewer, or housing activities are not eligible to receive a 2008 STEP Fund grant award. However, the Tx CDBG will give consideration to a city's or county's request to transfer funds (that are not financing basic human needs activities such as water, sewer, or housing activities) under a 2007 or 2008 Community Development Fund/Community Development Supplemental Fund grant award to finance water and sewer activities that will be addressed through self-help.

The Texas STEP approach to solving water and sewer needs recognizes affordability factors related to the construction and operations/maintenance of the necessary water or sewer improvements and then initiates a local focus of control based on the capacity and readiness of the community's residents to solve the problem through self-help. By utilizing the community's own resources (human, material and financial), the necessary water or sewer construction costs, engineering costs, and related administration costs can be reduced significantly from the cost for the installation of the same improvements through conventional construction methods.

Tx CDBG staff will provide guidance, assistance, and support to community leaders and residents willing to use self-help to solve their water and sewer problems.

Eligible Activities

For the Tx CDBG STEP Fund eligible activities are limited to:

- the installation of facilities to provide first-time water or sewer service
- the installation of water or sewer system improvements
- ancillary repairs related to the installation of water and sewer systems or improvements
- the acquisition of real property related to the installation of water and sewer systems or improvements (easements, rights of way, etc.)
- sewer or water taps and water meters
- water or sewer yard service lines (for low and moderate income persons)
- water or sewer house service connections (for low and moderate income persons)
- plumbing improvements associated with providing water or sewer service to a housing unit
- water or sewer connection fees (for low and moderate income persons)
- rental of equipment for installation of water or sewer
- reasonable associated administrative costs
- reasonable associated engineering services costs

Ineligible Activities

- any activity not described in the preceding ELIGIBLE ACTIVITIES section is ineligible under the Tx CDBG STEP Fund unless the activity is approved by the Texas Community Development Block Grant Program
- temporary solutions, such as emergency inter-connects that are not used on an on-going basis for supply or treatment and back-ups not required by the regulations of the Texas Commission on Environmental Quality.

The Tx CDBG will not reimburse for force account work for construction activities on the STEP project.

Funding Cycle

Applications are accepted two times a year for Texas STEP Funding as long as funds are available. Funds will be divided among the two application periods. After all projects are ranked, only those that can be fully funded will be awarded a grant. There will be no marginally funded grant awards.

The Tx CDBG will not accept an application for STEP Fund assistance until Tx CDBG staff and representatives of the potential applicant have evaluated the self-help process and Tx CDBG staff determine that self-help is a feasible method for completion of the water or sewer project, the community is committed to self-help as the means to address the problem, and the community is ready and has the capacity to begin and complete a self-help project. If it is determined that the community meets all of the STEP criteria then an invitation to apply for funds will be extended to the community and the application may be submitted.

Threshold Criteria

The self-help response to water and sewer needs may not be appropriate in every community. In most cases, the decision by a community to utilize self-help to obtain needed water and sewer facilities is based on the community's realization that it cannot afford even a "no frills" water or sewer system based on the initial construction costs and the operations/maintenance costs (including debt service costs) for water or sewer facilities installed through conventional financing and construction methods.

The following are threshold requirements for the Texas STEP framework. Without all these elements the project will not be considered under the Texas STEP fund:

1) one or more sparkplugs (preferably three)—local leaders willing to both lead and sustain the effort;
2) readiness—local perception of the problem and the willingness to take action to solve it;
3) capacity— manpower including some skills required to solve the problem;
4) 40% Savings off of retail price; and
5) must be performed predominately by community volunteer workers.

Upon completion of the project, the award recipient will be required to certify that work was performed predominately by community volunteer workers and a minimum of 40 percent savings off of retail prices was maintained (or the savings percentage specified in the application if greater).

Some of the key points staff will review for these thresholds include but are not limited to the following:

1) one or more sparkplugs (preferably three)—local leaders willing to both lead and sustain the effort; Leaders that have been identified and agreed on by the community:

   - at least two of the three sparkplugs must be residents and not local officials (local officials may serve as sparkplugs)
   - one should be detailed enough to maintain the paperwork needed for the project
   - one should have some knowledge or skills to lead the self-help effort
   - And one can have a combination of these skills or just be the motivator and problem solver of the group These are not absolutes but the best scenario for any project.

2) readiness—local perception of the problem and the willingness to take action to solve it:

   - a strong local perception of the problem
   - community perception that local implementation is the best and maybe only solution
   - community has confidence that they can do it adequately
   - community has no strong competing priority
   - local government is supportive and understands the urgency
   - public and private willingness to pay additional costs if needed (fees, hook-ups for churches, other)
   - effort and attention have already been given to local assessment of the problem
   - enthusiastic, capable support by the community from the county or regional field staff of the regulatory agency

3) capacity— manpower including some skills required to solve the problem:

   - Skilled workers within the community (heavy equipment operation, pipe laying, electrician, plumber, engineer, water operator, construction skills)
   - List of Volunteers by task
   - Possible equipment in community (not a requirement)
   - Letters stating support from local businesses in form of donation of supplies or manpower
   - Letter from service provider supporting project and agreeing to provide service

- CPA Letter documenting that the applying locality has financial and management capacity to compete project

4) 40% Savings off of retail price.

Documentation of the 40% savings off of the retail price:

- Two engineering break-outs of cost, one that shows the retail construction cost and another that shows the self-help cost and demonstrates the 40% savings
- Back-up documents of material quotes, pledges of equipment
- List of Volunteers by task
- Determination of appropriate technology and feasibility of project. (letter from engineer)

Pilot Program:
Renewable Energy Demonstration Pilot Program (Using Deobligated and/or Program Income)

The TxCDBG will develop a renewable energy pilot program funded solely through deobligated funds / program income for demonstration projects that employ renewable energy for at least 20% of the total energy requirements, (excluding the purchase of energy from the electric grid that was produced with renewable energy).

The priority will be for projects that are connected with providing public facilities to meet basic human needs such as water or waste water. It is anticipated that the projects funded would meet the National Objective of benefiting a "target area" where at least 51 percent of the residents are low and moderate income persons, although the project would be allowed to qualify under other National Objective alternatives. The maximum amount of the project would be $500,000 and the minimum would be $50,000.

(One example of a pilot program might be helping rural towns in thirsty West Texas install wind turbines to power desalination plants that would clean up brackish well water and make it drinkable, which at least one university in Texas is developing for a community in Texas.)

The projects will be selected on the following basis (which are assigned points under Section IV(C)(6) of this Action Plan):

(A) Type of Project: Primarily used in conjunction with providing public facilities to meet basic human needs such as water or waste water and/or benefit to low/moderate-income persons.

(B) Innovative Technology / Methods – A project that would demonstrate the application of innovative technology and/or methods.

(C) Duplication in Other Rural Areas – A project that could have widespread application (although it would not need to be applicable in every portion of the state.)

(D) Long-term Cost / Benefit and Texas Renewable Energy Goals – Projects that demonstrate long term cost / benefit analysis including benefits to the human environment and consistency with Texas renewable energy goals.

(E) Partnership / Collaboration – Projects that have a demonstrated partnership and collaboration with other entities focusing on promoting renewable energy including universities, funding agencies, associations, or businesses.

(F) Leveraging – projects with committed funds from other entities including funding agencies, local governments, or businesses – percent of portion of total project receiving TxCDBG funds is leveraged with other funds.

(G) Location in Rural Areas – Projects that benefit cites with populations under 10,000 and/or counties under 100,000.

C. ALLOCATION OF AVAILABLE FUNDS BY FUND CATEGORY

The U.S. Department of Housing and Urban Development has not yet announced the State's 2009 program year CDBG allocation. The State's 2009 allocation could be lower than the 2007 allocation of $73,611,737.

The amount available for Tx CDBG assistance will be the 2009 State CDBG allocation amount plus an estimated $2,000,000 in program income. Funds will be allocated according to the following percentages of the State's 2009 allocation upon the execution of the grant agreement with HUD:

FUND	2009 PERCENT	AMOUNT AVAILABLE
Community Development Fund	61.71 [1]	
Texas Capital Fund (TCF)	14.51	
Program Income		$ 2,000,000 [4]
Colonia Fund		
Colonia Planning and Construction Fund	7.28	
Colonia EDAP Legislative Set-aside	2.72	
Colonia Self-Help Centers Legislative Set-aside	2.50	
Planning And Capacity Building Fund	0.90	
Disaster Relief/Urgent Need Fund		
Disaster Relief	4.10	
Urgent Need	0 [2]	
Tx CDBG STEP Fund	3.14	
Administration - Percentage	2.00	
Administration - $100,000	0.1358	
Technical Assistance	1.00	
Pilot Programs (Deobligated Funds/ Program Income):		
Renewable Energy Demonstration Pilot Program	0 [3]	

Note: The percentages shown above are based on the State's actual 2007 allocation percentages. Changes to the above percentages may occur if the State's 2008 CDBG allocation is higher or lower than the 2007 allocation of $73,611,737.

Deobligated funds/program income notes:

1 Allocated to each region based on Section II (B).

2 Deobligated funds and/or program income sufficient to replenish to $1,000,000 is made available for the Urgent Need Fund on the first day of PY 2009. Based on a Tx CDBG Program determination of respective demand for financial assistance under the Urgent Need and Disaster Relief portions of the Disaster Relief/Urgent Need Fund, Urgent Need funds may be used for Disaster Relief projects.

3 Deobligated funds and/or program income of $500,000 is made available on the first day of PY 2009.

The amounts for these fund categories may be adjusted during PY 2009 as needed.

4 Used based on Section II (C) (a).

Summary of Activities That Utilize 1% Technical Assistance Funding

Technical Assistance Performed Through the Community Development Program

The Texas Community Development Block Grant Program will conduct numerous on-site technical assistance visits funded with the one percent technical assistance (1% TA) set-aside approved by HUD. These visits will be conducted throughout the year when the Tx CDBG staff recognizes that assistance is needed at the local level or when assistance is requested by the grantees.

Tx CDBG Community Development staff, including ORCA field office staff, will visit localities that are preliminarily recommended for funding to verify information provided in the applications, to view the project sites, to distribute Project Implementation Manuals, and to provide technical assistance regarding the initial Tx CDBG project implementation procedures.

Other technical assistance visits will be conducted with 1% TA funds for special cases dealing with investigations, compliance issues, and to help contractor localities comply with all program requirements.

The 1% TA funds are utilized for a portion of staff salaries which allows Tx CDBG staff to provide greater one-on-one technical assistance to the small communities throughout the contract period.

The Texas Department of Agriculture is using 1% technical assistance funds for on-site technical assistance on the Texas Capital Fund program.

The Texas Department of Housing and Community Affairs is using 1% technical assistance funds for on-site technical assistance on the Colonia Self-Help Centers program.

The Tx CDBG is utilizing the 1% technical assistance funds to introduce, facilitate, and provide community access to the Texas Small Towns Environment Program (Texas STEP) which targets water and wastewater needs. Staff visits localities that are interested in utilizing the Texas STEP method of self-help and provides technical assistance on the development of a financial framework, managing a self-help project and building capacity within a community through self-help.

The Tx CDBG may utilize the 1% technical assistance funds to support Tx CDBG activities related to ORCA's disaster relief efforts. State efforts for response to disasters and the mitigation of the consequences of disasters have required that ORCA dedicate considerable resources for disaster recovery efforts.

In 2009, the Tx CDBG will use a portion of the 1% technical assistance to provide outreach information regarding the CDBG program to local officials of non-entitlement cities and counties. The technical assistance will include information on the application process, program administration, and to improve their capacity to implement a CDBG program.

The 1% technical assistance funds will also be used by each of the 24 State Planning Regions to provide non-project specific technical assistance to cities and counties that are eligible for Tx CDBG funds in each region.

The 1% technical assistance funds may be used to support the operations of the border colonia technical assistance field offices.

The 1% technical assistance funds may be used to support the operations of ORCA' technical assistance field offices in West Texas, South Texas, and East Texas and other ORCA Community Development-related field office activities.

Deobligated Funds, Unobligated Funds, and Program Income

(a) Deobligated funds, unobligated funds and program income generated by Texas Capital Fund projects shall be retained for expenditure in accordance with the Consolidated Plan. Program income derived from Texas Capital Fund projects will be used by the Tx CDBG for eligible Texas Community Development Block Grant Program activities in accordance with the Consolidated Plan.

Any deobligated funds, unobligated funds, program income, and unused funds from this year's allocation or from previous years' allocations derived from any Texas Community Development Block Grant Program Fund, including program income recovered from Texas Capital Fund local revolving loan funds, and any reallocated funds which HUD has recaptured from Small Cities may be redistributed among the established 2008 program year fund categories, for otherwise eligible projects. The selection of eligible projects to receive such funds is approved by the Executive Director and the ORCA Board on a priority needs basis with eligible disaster relief and urgent need projects as the highest priority, followed by, established priority uses within existing fund categories or programs, any awards necessary to resolve appeals under fund categories requiring publication of contract awards in the Texas Register, TCF projects, special needs projects, projects in colonias, housing activities, and other projects as determined by the Executive Director of ORCA. Other purposes or initiatives may be established as a priority use of such funds within existing fund categories or programs by the ORCA Board.

If a portion of the State's 2009 Community Development Block Grant allocation is rescinded by the federal government, or if the State's 2009 allocation is decreased or increased significantly from the State's 2008 allocation, the Tx CDBG may make corresponding changes within the fund allocation percentages as required.

(b) **Re-distribution of Funds Recaptured from Withdrawn Awards**. Should the applicant fail to substantiate or maintain the claims and statements made in the application upon which the award is based, including failure to maintain compliance with application thresholds in Section III, F.(1) through F.(4), within a period ending 90 days after the date of the Tx CDBG's award letter to the applicant, the award will be immediately withdrawn by the Tx CDBG (excluding the colonia self-help center awards). Should the applicant fail to execute the Tx CDBG's award contract (excluding Texas Capital Fund and colonia self-help center contracts) within 60 days from the date of the letter transmitting the award contract to the applicant, the award will be withdrawn by the Tx CDBG. For an award that is withdrawn from an application, the Tx CDBG follows different procedures for the use of those recaptured funds depending on the fund category where the award is withdrawn.

(1) Funds recaptured under the Community Development Fund from the withdrawal of an award made from the first year of the biennial funding are offered to the next highest ranked applicant from that region that was not recommended to receive an award from the first year regional allocation. Funds recaptured under the Community Development Fund from the withdrawal of an award made from the second year of the biennial funding are offered to the next highest ranked applicant from that region that was not recommended to receive full funding (the applicant recommended to receive marginal funding) from the second year regional allocation. Any funds remaining from the second year regional allocation after full funding is accepted by the second year marginal applicant are offered to the next highest ranked applicant from the region as long as the amount of funds still available exceeds the minimum Community Development Fund grant amount. Any funds remaining from the second year regional allocation that are not accepted by an applicant from the region or that are not offered to an applicant from the region may be used for other Tx CDBG fund categories and, if unallocated to another fund, are then subject to the procedures described in paragraph (a) of this section.

(2) For the Community Development Fund, if there are no remaining unfunded eligible applications in the region from the same biennial application period to receive the withdrawn funding, then the withdrawn funds may be used for other Tx CDBG fund categories and, if unallocated to another fund, are considered as deobligated funds, subject to the procedures described in paragraph (a) of this section.

(3) Funds recaptured under the Planning and Capacity Building Fund from the withdrawal of an award made from the first year of the biennial funding are offered to the next highest ranked applicant from that statewide competition that was not recommended to receive an award from the first year allocation. Funds recaptured under the Planning and Capacity Building Fund from the withdrawal of an award made from the second year of the biennial funding are offered to the next highest ranked applicant from that statewide competition that was not

recommended to receive full funding (the applicant recommended to receive marginal funding) from the second year allocation. Any funds remaining from the second year allocation after full funding is accepted by the second year marginal applicant are offered to the next highest ranked applicant from the statewide competition. Any funds remaining from the second year allocation that are not accepted by an applicant from the statewide competition or that are not offered to an applicant from the statewide competition may be used for other Tx CDBG fund categories and, if unallocated to another fund, are then subject to the procedures described in paragraph (a) of this section.

(4) Funds recaptured under the Colonia Planning and Construction Fund from the withdrawal of an award remain available to potential Colonia Program Fund applicants during that program year to meet the 10 percent colonia set-aside requirement and, if unallocated within the colonia fund, may be used for other Tx CDBG fund categories. Remaining unallocated funds are then subject to the procedures described in paragraph (a) of this section,.

(5) Funds recaptured under the Colonia Economically Distressed Areas Program Legislative Set-Aside from the withdrawal of an award remain available to potential Colonia Economically Distressed Areas program set-aside applicants during that program year. Any funds remaining from the program year allocation that are not used to fund Colonia Economically Distressed Areas Program set-aside applications within twelve months after the Tx CDBG receives the federal letter of credit would remain available to potential Colonia Program Fund applicants during that program year to meet the 10 percent colonia set-aside requirement and, if unallocated within the colonia fund, may be used for other Tx CDBG fund categories. Remaining unallocated funds are then subject to the procedures described in paragraph (a) of this section.

(7) Funds recaptured under the program year allocation for the Disaster Relief/Urgent Need Fund from the withdrawal of an award are subject to the procedures described in paragraph (a) of this section.

(8) Funds recaptured under the Small Towns Environment Program (STEP) Fund from the withdrawal of an award will be made available in the next round of STEP competition following the withdraw date in the same program year. If the withdrawn award had been made in the last of the two competitions in a program year, the funds would go to the next highest scoring applicant in the same STEP competition. If there are no unfunded STEP applicants, then the funds would be available for other Tx CDBG fund categories. Any unallocated STEP funds are subject to the procedures described in paragraph (a) of this section.

(9) Funds recaptured under the Texas Capital Fund from the withdrawal of an award are subject to the procedures described in paragraph (a) of this section.

D. PROGRAM INCOME

Program income is defined as gross income received by a state, a unit of general local government or a subrecipient of a unit of general local government that was generated from the use of CDBG funds. When program income is generated by an activity that is only partially funded with CDBG funds, the income shall be prorated to reflect the percentage of CDBG funds used. Any remaining program income must be used to establish an approved Revolving Loan Fund (RLF) or returned to the State.

The State may use up to the maximum allowable percentage of the amount recaptured and reportable to HUD each year for administrative expenses under the Texas Community Development Block Grant Program. This amount will be matched by the State on a dollar-for-dollar basis.

Program income includes, but is not limited to, the following:

- Payments of principal and interest on loans using CDBG funds
- Proceeds from the sale of loans made with CDBG funds
- Gross income from the use or rental of real or personal property acquired by the unit of general local government or a subrecipient with CDBG funds

- Gross income from the use, sale, or rental of real property and/or real property improvements owned by the unit of general local government or subrecipient that was constructed or improved with CDBG funds
- Gross income from the use of infrastructure improvements constructed or improved with CDBG funds
- Funds collected through special assessments, impact fees or other additional fees from benefiting businesses, if the special assessments or fees are used to recover all or part of the CDBG portion of public improvements
- Proceeds from the disposition of equipment purchased with CDBG funds
- Interest earned on funds held in an RLF account

1. Texas Capital Fund Program Income

For program income generated through Texas Capital Fund projects, communities that elect to participate in the recapture of program income for use at the local level through a designated Revolving Loan Fund (RLF) will be limited to receiving one Texas Capital Fund contract award per program year. If a community elects not to participate in the recapture of program income, the community may apply for as many Texas Capital Fund awards as it has eligible projects. This determination must be made at the time of the original award and cannot be changed with subsequent awards.

A local government, electing to retain program income at the local level, must have a Revolving Loan Fund Plan (RLFP) approved in writing by the Tx CDBG, prior to committing and expending any program income. The RLFP shall be approved and must be used for economic development in accordance with Title I of the United States Housing and Community Development Act of 1974, as amended. The RLFP must be submitted for approval no later than six (6) months from the commencement date of the contract. Program income generated by the award prior to the Tx CDBG approval of an RLFP must be returned to the State.

Funds retained in the local RLF must be committed within three years of the original Tx CDBG contract programmatic close date. Every award from the RLF must be used to fund the same type of activity, for the same business, from which such income is derived. A local Revolving Loan Fund (RLF) may retain a cash balance not greater than 33 percent of its total cash and outstanding loan balance. (If the local government does not comply with the local RLF requirements, all program income retained in the local RLF and any future program income received from the proceeds of the RLF must be returned to the State.

Communities electing to retain program income through an approved RLF are required to monitor and report to the State program income account balances reflecting amounts received and disbursed and the status of outstanding loans or leases. Such report should also include information regarding RLF loans, leases, and commitments made.

If the local government elects not to participate in program income recapture, fails to meet all requirements of this section or requirements identified in Section 6 of its TCF/Tx CDBG contract or an RLFP is not submitted for approval within the first six (6) months from the commencement date of the contract, then all program income must be returned to the state. This section, “Texas Capital Fund Program Income,” replaces the Texas Capital Fund Program Income Sections of the Final Statements for program years 1989, 1990, 1991, 1992, 1993, 1994, and 1995 and affects all TCF local revolving loan funds established by contracts awarded in program years 1989, 1990, 1991, 1992, 1993, 1994, and 1995. The following provisions, however, do not apply: 1) “The RLFP must be submitted for approval no later than six (6) months from the commencement date of the contract. Program income generated by the award prior to Tx CDBG approval of an RLFP must be returned to the State.” 2) “…every award from the RLF must be used to fund the same type of activity, for the same business, from which such income is derived.” 3) “…contract or an RLFP is not submitted for approval within the first six (6) months from the commencement date of the contract, then all program income must be returned to the state.”

2. Program Income Generated Through Housing Activities

For program income generated through housing activities funded through the Housing Fund or Tx CDBG fund categories other than the Texas Capital Fund, a local government, electing to retain program income at the local level, must have a Revolving Loan Fund Plan (RLFP) approved in writing by the Tx CDBG, prior to committing and expending any program income. The RLFP shall be approved and must be used for housing activities principally benefiting low to moderate income persons in accordance with Title I of the United States Housing and Community Development Act of 1974, as amended.

The RLFP must be submitted for approval at least sixty (60) days prior to the termination date of the contract award generating the program income. This requirement shall also apply to 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, and 2004 Housing Fund contract awards. Program income generated by the contract award prior to Tx CDBG approval of an RLFP must be returned to the State.

Funds retained in the local RLF must be committed within three years of the original Tx CDBG contract programmatic close date. A local Revolving Loan Fund (RLF) may retain a cash balance not greater than 33 percent of its total cash and outstanding loan balance. If the local government does not comply with the local RLF requirements, all program income retained in the local RLF and any future program income received from the proceeds of the RLF must be returned to the State.

Communities electing to retain program income through an approved RLF are required to monitor and report the amount of program income recaptured to the state with updates concerning the status of outstanding loans or leases on a quarterly basis, including but not limited to payments received and amendments to the original loan or lease agreement, as required by the Tx CDBG.

If the local government elects not to participate in program income recapture or an RLFP is not approved prior to the contract close-out, then all program income must be returned to the Tx CDBG.

III. APPLICATION INFORMATION

A. TYPES AND NUMBER OF APPLICATIONS

The following two types of applications are permitted under the Texas Community Development Block Grant Program:

1. Single Jurisdiction Applications

An eligible applicant may submit one application on its own behalf. When certain situations exist, which will be defined in Tx CDBG application guides, an eligible city may submit an application which benefits persons residing inside of the extraterritorial jurisdiction of the city, and a county may submit a single jurisdiction application on behalf of a city. The submitting city or county is accountable to the Tx CDBG for financial compliance and program performance. If a city or county submits a single jurisdiction application, or its residents are the beneficiaries of a single jurisdiction application, then the city or county cannot participate in another single jurisdiction or multi-jurisdiction application for the same funding category. Local accountability cannot be assigned to another party.

An application from an eligible city or county for a project that would primarily benefit another city or county that was not meeting the Tx CDBG application threshold requirements would be considered ineligible.

2. Multi-Jurisdiction Applications

Multi-Jurisdiction applications will be accepted from two or more eligible units of general local government where the application clearly demonstrates that the proposed activities will mutually benefit the residents of the city(ies)/county(ies) applying for such funds. One of the participating units of general local government must be designated to act as the authorized applicant for the multi-jurisdiction application and the authorized applicant is accountable to the Tx CDBG for financial compliance and program performance; however, all entities participating in the multi-jurisdiction application will be accountable for application threshold compliance. A multi-jurisdiction application generally cannot be submitted solely on the basis of administrative convenience. Any city or county participating in a multi-jurisdiction application may not submit a single jurisdiction application for the same funding category.

Under the Community Development Fund regional competitions, a multi-jurisdiction application that includes participating units of general local government from more than one state planning region will compete in the regional competition where the majority of the application activity beneficiaries are located.

B. APPLICATION CYCLES

Based on the support from cities and counties for previous biennial funding cycles, applications for the Community Development, Colonia Planning and Construction Fund, and Planning and Capacity Building Fund will be accepted on a biennial basis. The biennial funding cycles for these fund categories will improve the timeliness of the expenditure of CDBG funds and therefore prove more cost effective.

The following table summarizes the proposed frequency of application submission for various application types. The application deadline dates are subject to change:

TYPE OF APPLICATION	SUBMISSION CYCLE	APPLICATION DEADLINE
1. Community Development Fund	***Biennial***[1]	***September 2008***

2. Texas Capital Fund		
Real Estate Program	Four times annually	
Infrastructure Program	Four times annually	
Main Street Program	Annually	
Downtown Revitalization Program	Annually	
3. Colonia Fund:		
Planning and Construction Fund	Biennial	***December 2008***
EDAP Set-aside	As-needed	
4. Planning/Capacity Building Fund	***Biennial***[1]	***September 2008***
5. Disaster Relief/Urgent Need Fund:		
Disaster Relief	As needed	
Urgent Need[2]	By notification	
6. Tx CDBG STEP Fund	Two times annually	
Renewable Energy Demonstration Pilot Program	As announced, at least once annually.	

[1] The applications submitted for the program year 2009 Community Development Fund and Planning and Capacity Building Fund as part of the 2009/2010 biennial application process will be scored and ranked. Applications will be funded to the extent that allocated 2009 funds are available. Applications submitted for the Colonia Planning and Construction Fund will be scored and ranked. The final 2009 program year rankings under the Community Development Fund, Planning and Capacity Building Fund, Colonia Planning and Construction Fund will be used to determine the 2009 applicants that are selected for funding from the 2010 program year allocations. Only one application may be submitted for the combined 2009 program year and 2010 program year period under the Community Development Fund, Colonia Construction component, Colonia Planning component, and the Planning and Capacity Building Fund.

C. CONTRACT AWARDS

With the qualified exceptions of the Texas Capital Fund, Colonia Fund, and Disaster Relief/Urgent Need Fund, an applicant is eligible to receive only one grant award per fund. Maximum and minimum contract awards for any single project allowable under the Texas Community Development Block Grant Program are:

FUND	CONTRACT AWARD MAXIMUM	CONTRACT AWARD MINIMUM
Community Development Fund		
Single Applicant	$ 800,000[1]	$ 75,000[1]
Multi-Jurisdiction Application	$ 800,000[1]	$ 75,000[1]
Texas Capital Fund		
Real Estate Program	$ 750,000[2]	$ 50,000
Infrastructure Program	$ 750,000[2]	$ 50,000
Main Street Program	$ 150,000[3]	$ 50,000
Downtown Revitalization Program	$ 150,000[3]	$ 50,000
Colonia Fund		

Construction Fund Component	$ 500,000	$ 75,000
EDAP Set-aside	$ 500,000	None
Area Planning Component	$ 100,000[4]	None
Comprehensive Planning Component	$ 200,000[4]	None
Planning / Capacity Building Fund	$ 50,000	None
Disaster Relief / Urgent Need Fund		
Disaster Relief Fund	$ 350,000	$ 50,000
Urgent Need Fund	$ 250,000	$ 25,000
Tx CDBG STEP Fund	$ 350,000	None
Renewable Energy Demonstration Pilot Program	$ 500,000	$ 50,000

1 Regional Review Committees are authorized to establish a grant maximum for their respective regions between $250,000 and $800,000 for a single jurisdiction application and between $350,000 and $800,000 for a multi-jurisdiction application. The maximum amount for a housing or non-border colonia priority activity application is the same as other Community Development Fund applications in the region.

2 The maximum contract award amount allows for administrative costs as outlined in the Texas Capital Fund Application Guidelines. The maximum award amount may be increased to an amount greater than $750,000, but may not exceed $1,000,000, if a unit of local government is applying for an award to provide infrastructure or real estate development improvements on behalf of a specific business, and that specific business will create or retain a designated number of jobs at a cost per job level that qualifies for the increased award amount. These increased award amounts are referred to as “jumbo” awards. The number of jobs, the cost per job, and the maximum percentage of Texas Capital Fund financing of the total project costs that will qualify an application for the increased award amount will be defined in Texas Capital Fund Application Guidelines. Texas Capital Funds are not specifically reserved for projects that could receive up to the $1,000,000 increased maximum grant amount, however, projects that receive an amount greater than $750,000 may not exceed $2,000,000 in total awards during the program year.

3 Texas Capital Funds are specifically reserved for Main Street and the Downtown Revitalization infrastructure activities. The maximum award amount for a Main Street or Downtown Revitalization project is $150,000. Main Street Program projects may not exceed $600,000 in total awards. The Downtown Revitalization Program projects may not exceed $1,200,000 in total awards.

4 The maximum grant award for the Colonia Comprehensive Planning component is set at $200,000. However, a sliding scale may be used to establish smaller maximum grant amounts based on an eligible county’s total unincorporated area population.

Amounts shown are maximum funding levels or contract "ceilings," since the Program can fund only the actual, allowable, and reasonable costs of the proposed project, not to exceed these amounts. All grants, except Texas Capital Fund, awarded under the Texas Community Development Block Grant Program are subject to negotiation between ORCA and the applicant regarding the final grant amount. Texas Capital Fund applications are subject to negotiation between the Texas Department of Agriculture and the applicant regarding the final award amount.

D. PROJECT LENGTH

All funded projects, except the Texas Capital Fund and Colonia Self-Help Centers Fund projects, must be completed within two years from the start date of the contract agreement. The Texas Capital Fund Main Street and Downtown Revitalization program awards will be made for a twenty-four (24) month term. The other Texas

Capital Fund programs must be completed within three years from the start date of the contract agreement. Contract end dates for Colonia Self-Help Center contracts may be adjusted to account for each program year award. Waivers through a contract amendment of these requirements for any Tx CDBG contract will only be granted when a waiver request is submitted in writing to ORCA or TDA (for Texas Capital Fund contracts) and ORCA or TDA finds that compelling circumstances exist outside the control of the local government that justify the approval of such a waiver.

E. REVIEW PROCESS

1. Regional Review Committees (RRC) - Composition

There is a Regional Community Development Review Committee in each of the 24 state planning regions. Each committee will be comprised of 12 members appointed at the pleasure of the Governor.

The Regional Review Committees may review and comment on applications to other Tx CDBG fund categories.

2. State Review Committee (SRC) - Composition and Role

A State Community Development Review Committee comprised of 12 local elected officials appointed by the Governor for two-year terms is provided for by State statute. Chapter 487.353 of the Texas Government Code prescribes the duties of the State Review Committee.
Chapter 487.353 says the State Review Committee shall:
(1) consult with and advise the executive director of ORCA on the administration and enforcement of the community development block grant program; and
(2) in consultation with the executive director and TxCDBG office staff, review and approve grant and loan applications and associated funding awards of eligible counties and municipalities and advise and assist the executive director regarding the allocation of program funds to those applicants.

The State Review Committee may annually recommend to the executive director a formula for allocating funds to each geographic state planning region established by the governor under Chapter 391, Local Government Code. The formula must give preference to regions according to the regions' needs.

An applicant for a grant, loan, or award under a community development block grant program may appeal a decision of the State Review Committee by filing a complaint with the ORCA board. The board will hold a hearing on a complaint filed with the board and render a decision.

3. Texas Capital Fund Review Process

The Texas Capital Fund applications will be reviewed and evaluated by Texas Department of Agriculture staff in accordance with the established selection criteria. Recommendations will be made to the Commissioner of the Texas Department of Agriculture for final award.

4. Clearinghouse Review

Regional review of projects will be consistent with guidelines adopted by the Governor's Office for review and comment under the Texas Review and Comment System and Chapter 391, Texas Local Government Code.

5. Regional Water Plans

Water activities included in Tx CDBG applications must be consistent with Regional Water Plans promulgated by Senate Bill 1. (Passed during the 75th State of Texas Legislative Session)

F. APPLICANT THRESHOLD AND PAST PERFORMANCE REQUIREMENTS

A city or county must meet the following requirements in order to submit an application or to receive funding through the Texas Community Development Block Grant Program:

1. Demonstrate the ability to manage and administer the proposed project, including meeting all proposed benefits outlined in its application, by using the following criteria:
   a. Provide the roles and responsibilities of local staff designated to administer or work on the proposed project. Also, include a plan of project implementation;
   b. Indicate intention to use a third-party administrator, if applicable;
   c. If local staff, along with a third-party administrator, will jointly administer the proposed project, the respective roles and responsibilities of the designated local staff; or
   d. TxCDBG management may determine that an applicant has or does not have the capacity to manage and administer the proposed project based on an applicant's prior performance on a TxCDBG contract.

2. Demonstrate the financial management capacity to operate and maintain any improvements made in conjunction with the proposed project, by using the following criteria:
   a. Evidence of a financial person on staff, or evidence of intent to contract financial oversight;
   b. Provide evidence or a statement certifying that financial records for the proposed project will be kept at an officially designated city/county site, accessible by the public, and will be adequately managed on a timely basis using generally accepted accounting principles; and/or
   c. TxCDBG management may determine that an applicant has or does not have the financial management capacity to operate and maintain any improvements made in conjunction with the proposed project based on a review of audited financial records, current financial status, or current financial management of a TxCDBG contract.

3. Levy a local property (ad valorem) tax or local sales tax option.

4. Demonstrate satisfactory performance on all previously awarded Texas Community Development Block Grant Program contracts, by using the following criteria:
   a. Exhibited past responses to audit and monitoring issues (over the most recent 48 months before the application due date) within prescribed times as indicated in ORCA's resolution letter(s);
   b. Evidence related to past contracts (over the most recent 48 months before the application due date), through close-out monitoring and reporting, that the activity or service was made available to all intended beneficiaries, that low and moderate income persons were provided access to the service, or there has been adequate resolution of issues regarding beneficiaries served.
   c. No outstanding delinquent response to a written request from Tx CDBG regarding a request for repayment of funds to Tx CDBG; or
   d. Not more than one outstanding delinquent response to a written request from Tx CDBG regarding compliance issues such as a request for closeout documents or any other required information.

5. Resolve any and all outstanding compliance and audit findings on previous and existing Texas Community Development Block Grant Program contracts, by using the following criteria:
   a. Applicant is actively participating in the resolution of any outstanding audit and/or monitoring issues by responding with substantial progress on outstanding issues within the time specified in the ORCA resolution process.

6. Submit any past due audit to ORCA in accordance with Title 10, Chapter 255, Subchapter A, Section 255.1 of the Texas Administrative Code.

a. A community with one year's delinquent audit may be eligible to submit an application for funding by the established deadline, but the TXCDBG may withhold the award or issuance of a contract until it receives a satisfactory audit.

The Colonia Self-Help Center Fund and the Disaster Relief/Urgent Need Fund are exempt from the threshold.

b. A community with two years of delinquent audits may not apply for additional funding and may not receive a contract award. This applies to all funding categories under the Texas Community Development Block Grant Program.

The Colonia Self-Help Center Fund may be exempt from this threshold, since funds for the self-help center funding is included in the program's state budget appropriation. Failure to meet the threshold will be reported to the Texas Department of Housing and Community Affairs for review and recommendation.

7. **12-Month Applicant Threshold Requirement**

Obligate at least fifty percent (50%) of the total Tx CDBG funds awarded under an open Tx CDBG contract within twelve (12) months from the start date of the contract or prior to the application deadlines and have received all applicable environmental approvals from TxCDBG covering this obligation. This threshold is applicable to Tx CDBG contracts with an original 24-month contract period.

To meet this threshold, 50% of the Tx CDBG funds must be obligated through executed contracts for administrative services, engineering services, acquisition, construction, materials purchase, etc. The Tx CDBG contract activities do not have to be 50% completed, nor do 50% of the Tx CDBG contract funds have to be expended to meet this threshold.

Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories	**Not Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories or when an applicant meets the eligibility criteria for the Tx CDBG Disaster Relief Fund**
Community Development Fund	Texas Capital Fund
Community Development Supplemental Fund	Colonia Self-Help Centers Fund
Colonia Construction Fund	Housing Rehabilitation Fund
Colonia Fund Planning	Housing Infrastructure Fund
Disaster Relief / Urgent Need Fund	Texas STEP
Planning/Capacity Building Fund	Colonia Economically Distressed Areas
Non-Border Colonia Fund	Disaster Recovery Initiative
	Young vs. Martinez
	Microenterprise Loan Fund
	Small Business Loan Fund
	Section 108 Loan Guarantee

8. **24-Month Applicant Threshold Requirement**

Submit to ORCA the Certificate of Expenditures (COE) report showing the expended Tx CDBG funds and a final drawdown for any remaining Tx CDBG funds as required by the latest edition of the Texas Community Development Block Grant Program Project Implementation Manual. Any reserved funds on the COE must be approved in writing by Tx CDBG staff.

For purposes of meeting this threshold "expended" means that the construction and services covered by the Tx CDBG funds are complete and a drawdown for the Tx CDBG funds has been submitted prior to the application deadlines.

This threshold will apply to an open Tx CDBG contract with an original 24-month contract period and to Tx CDBG Contractors that have reached the end of the 24-month period prior to the application deadlines as described below:

Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories	Not Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories or when an applicant meets the eligibility criteria for the Tx CDBG Disaster Relief Fund
Community Development Fund	Texas Capital Fund
Community Development Supplemental Fund	Colonia Self-Help Centers Fund
Colonia Construction Fund	Housing Rehabilitation Fund
Colonia Fund Planning	Housing Infrastructure Fund
extended to	Texas STEP (original 24-month contract,
Disaster Relief / Urgent Need Fund	36-months) awarded prior to PY 2009
Planning/Capacity Building Fund	Colonia Economically Distressed Areas
Non-Border Colonia Fund	Disaster Recovery Initiative
	Young vs. Martinez
	Microenterprise Loan Fund
	Small Business Loan Fund
	Section 108 Loan Guarantee

9. **36-Month Applicant Threshold Requirement**

Submit to ORCA the Certificate of Expenditures (COE) report showing the expended Tx CDBG funds and a final drawdown for any remaining Tx CDBG funds as required by the latest edition of the Texas Community Development Block Grant Program Project Implementation Manual. Any reserved funds on the COE must be approved in writing by Tx CDBG staff.

For purposes of meeting this threshold "expended" means that the construction and services covered by the Tx CDBG funds are complete and a drawdown for the Tx CDBG funds has been submitted prior to the application deadlines.

This threshold is applicable for a previously awarded Tx CDBG contract with an original 36-month contract period or a STEP 24-month contract, extended to 36 months, and to Tx CDBG Contractors that have reached the end of the 36-month period prior to the application deadlines as described below:

Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories	Not Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories or when an applicant meets the eligibility criteria for the Tx CDBG Disaster Relief Fund
Texas STEP (original 36-month contract or original 24-month contract, extended to 36 months)	Texas Capital Fund (see Texas Capital Fund Section)
	Colonia Self-Help Centers Fund
	Housing Rehabilitation Fund
	Colonia Economically Distressed
Areas	
	Disaster Recovery Initiative

Young vs. Martinez
Microenterprise Loan Fund
Small Business Loan Fund
Section 108 Loan Guarantee

10. Tx CDBG funds cannot be expended in any county that is designated as eligible for the Texas Water Development Board Economically Distressed Areas Program unless the county has adopted and is enforcing the Model Subdivision Rules established pursuant to Section 16.343 of the Water Code.

11. Texas Capital Fund contractors must expend all but the reserved audit funds, or other reserved funds that are pre-approved by Texas Department of Agriculture staff, awarded under a Texas Capital Fund contract executed at least 36 months prior to the current program year application deadline and submit to the Texas Department of Agriculture the Certificate of Expenditures required by the most recent edition of the Texas Capital Fund Implementation Manual. Texas Capital Fund contractors intending to submit a new application may not have an existing contract with an award date in excess of 48 months prior to the application deadline date, regardless of extensions granted.

12. Based on a pattern of unsatisfactory (a.) performance on previously awarded Texas Community Development Block Grant Program contracts, (b.) management and administration of Tx CDBG contracts, or (c) financial management capacity based on a review of official financial records and audits, ORCA (or TDA, in the case of the Texas Capital Fund applications) may determine that an applicant is ineligible to apply for Tx CDBG funding even though at the application date it meets the threshold and past performance requirements. ORCA (or TDA, in the case of Texas Capital Fund applications) will consider the most recent 48 months before the application due date. An applicant would still remain eligible for funding under the Disaster Fund.

G. ADMINISTRATION OF TxCDBG CONTRACTS

In order to administer a TxCDBG contract awarded in PY 2009, the administrator (contracted administrators on behalf of the client community or the city or county staff of self-administering award recipients) must attend, and retain the completion certificate, from the most recent cycle of TxCDBG Project Implementation Manual workshops. (This requirement excludes Texas Capital Fund and Colonia Self-Help Center Set-aside contracts.) The TxCDBG contract recipient (city or county) is strongly encouraged to attend the TxCDBG Project Implementation Workshops even if it anticipates using an outside firm to provide it with contract administration services.

IV. APPLICATION SELECTION CRITERIA

A. GENERAL DESCRIPTION

The scoring criteria used in the TxCDBG are described in Section C below.
The points awarded under these criteria are combined to rank the projects in descending order. The projects in each fund are selected based on this descending order and the availability of dollars in each fund.

Texas Capital Fund Real Estate Program, and Infrastructure Program projects are evaluated based upon selection criteria that include, but are not limited to:

(1) Jobs
(2) Business Emphasis
(3) Feasibility
(4) Community Need

Texas Capital Fund Main Street Program and Downtown Revitalization Program projects are evaluated based upon selection criteria that include, but are not limited to:

(1) Community Profile
(2) Project Feasibility
(3) Leverage Ratio
(4) Aiding in the Elimination of Slum an/or Blight Conditions

Except for Main Street Program applications, Texas Capital Fund applications are reviewed and evaluated by Texas Department of Agriculture staff. The Texas Department of Agriculture staff and the Texas Historical Commission review and evaluate the Main Street Program applications. Recommendations for all Texas Capital Fund applications will be made to the Commissioner of the Texas Department of Agriculture for final award.

In accordance with Section 2310.403, Government Code, preference will be given to applications from governing bodies of communities designated as defense economic readjustment zones over other eligible applications for Tx CDBG grants and loans if at least fifty percent (50%) of the grant or loan will be expended for the direct benefit of the readjustment zone and the purpose of the grant or loan is to promote Tx CDBG-eligible economic development in the community or for Tx CDBG-eligible construction, improvement, extension, repair, or maintenance of Tx CDBG-eligible public facilities in the community.

Disaster Relief/Urgent Need applications must meet the threshold factors as discussed under the "Description of Funds" section.

Readiness to Proceed Requirements: In order to determine that the project is ready to proceed, the applicant must provide in its application information that:

a. Identifies the source of matching funds and provides evidence that the applicant has applied for the non-local matching funds, and for local matching funds, evidence that local matching funds would be available.

b. Provides written evidence of a ratified, legally binding agreement, contingent upon award, between the applicant and the utility that will operate the project for the continual operation of the utility system as proposed in the application. For utility projects that require the applicant or service provider to obtain a Certificate of Convenience and Necessity for the target area proposed in the application, provides written evidence that the Texas Commission on Environmental Quality has received the applicant or service provider's application.

c. Where applicable, provide a written commitment from service providers, such as the local water or sewer utility, stating that they will provide the intended services to the project area if the project is constructed.

Any applicant's cash match included in the Tx CDBG contract budget may not be obtained from any person or entity that provides contracted professional or construction-related services (other than utility providers) to the applicant to accomplish the purposes described in the Tx CDBG contract, in accordance with 24 CFR Part 570.

B. RESOURCES FOR DESCRIPTIONS OF SELECTION CRITERIA BY FUND CATEGORY

Starting on the next page, the descriptions for the selection criteria for each fund category provide a basic framework of the selection criteria and selection factors used to distribute the funds under each fund category. Additional information on the selection criteria, selection factors and methods used to determine scores for these fund categories is provided in the application guide for each fund category and in the Texas Administrative Code at 10 T.A.C., Part 6, Chapter 255, Subchapter A.
The information currently available for fund categories in the Texas Administrative Code may not yet reflect changes to selection criteria contained in this 2009 Action Plan for the 2009 program year. Any changes to the selection criteria will be published in the *Texas Register* prior to final adoption.

The Texas Administrative Code can be found on the Texas Secretary of State website at www.sos.state.tx.us. Listed below are the Tx CDBG fund categories that are currently contained in the Texas Administrative Code. Certain Texas Administrative Code sections are retained for previous Fund Categories to govern existing TxCDBG contracts.

Texas Administrative Code, Title 10 T.A.C., Part 6, Chapter 255, Subchapter A

Section	Section Title
255.1	General Provisions
255.2	Community Development Fund
255.3	*Young v. Martinez* Fund
255.4	Planning/Capacity Building Fund
255.5	Disaster Relief Fund
255.6	Urgent Need Fund
255.7	Texas Capital Fund
255.8	Regional Review Committees
255.9	Colonia Fund
255.10	Housing Fund
255.11	Small Towns Environment Program Fund
255.12	Microenterprise Loan Fund
255.13	Small Business Loan Fund
255.14	Section 108 Loan Guarantee Pilot Program
255.15	Community Development Supplemental Fund
255.16	Non-Border Colonia Fund

C. DESCRIPTION OF SELECTION CRITERIA BY FUND CATEGORY

1. COMMUNITY DEVELOPMENT FUND

a. Regional Review Committee (RRC) Objective Scoring

(1) Responsibilities of the RRC:
Each Regional Review Committee is responsible for determining local project priorities and objective factors for all its scoring components based on public input.

(2) Maximum RRC Points Possible:
The RRC shall establish the numerical value of the points assigned to each scoring factor and determine the total combined points for all RRC scoring factors.

(3) RRC Selection of the Scoring Factors:
The RRCs are responsible for convening public hearings to discuss and select the objective scoring factors that will be used to score applications at the regional level. The public must be given an opportunity to comment on the priorities and the scoring criteria considered. The final selection of the scoring factors is the responsibility of each RRC. Each RRC shall develop a Regional Review Committee Guidebook, in the format provided by TxCDBG staff, to notify eligible applicants of the objective scoring factors and other RRC procedures for the region.

(4) Examples of RRC Objective Scoring Factors:
Examples of objective scoring factors are shown in Appendix B to further clarify the term objective.

The RRC must clearly indicate how responses would be scored under each factor and use data sources that are verifiable to the public. After the RRC's adoption of its scoring factors, the score awarded to a particular application under any RRC scoring factor may not be dependent upon an individual RRC member's judgment or discretion. (This does not preclude collective RRC action that the state TxCDBG has approved under any appeals process.)

(5) RRC Priority Set-asides:
Housing and Non-Border Colonia projects - Each Regional Review Committee is highly encouraged to allocate a percentage or amount of its Community Development Fund allocation to housing projects and for RRCs in eligible areas, non-border colonia projects, for that region. Under a set-aside, the highest ranked applications for a housing or non-border colonia activity, regardless of the position in the overall ranking, would be selected to the extent permitted by the housing or non-border colonia set-aside level. If the region allocates a percentage of its funds to housing and/or non-border colonia activities and applications conforming to the maximum and minimum amounts are not received to use the entire set-asides, the remaining funds may be used for other eligible activities. (Under a housing and/or non-border colonia set-aside process, a community would not be able to receive an award for both a housing or non-border colonia activity and an award for another Community Development Fund activity during the biennial process. Housing projects/activities must conform to eligibility requirements in 42 U.S.C Section 5305 and applicable HUD regulations.) The RRC must include any set-aside in its Regional Review Committee Guidebook.

(6) RRC Designation of Staff Support:
The RRC shall select one of the following entities to develop the RRC Guidebook, calculate the RRC scores, and provide other administrative RRC support:

(i) Regional Council of Governments (COG), or
(ii) TxCDBG staff or TxCDBG designee, or
(iii) A combination of COG and TxCDBG staff or TXCDBG designee.

The RRC Guidebook should be adopted by the RRC and approved by TxCDBG staff at least 90 days prior to the application deadline.

The selection of the entity responsible for calculating the RRC scores must be identified in the RRC Guidebook and must define the role of each entity selected. ORCA shall be responsible for reviewing all scores for accuracy and for determining the final ranking of applicants once the RRC and TxCDBG scores are summed. The RRC is responsible for providing to the public the RRC scores, while the TxCDBG is responsible for publishing the final ranking of the applications.

(7) Tie-breaker in a region:

If needed in the ranking of applications within a region based on available funds remaining, a tie between multiple applications shall be broken based on the per capita income ranking, with a lower per capita income level ranking higher, followed by a second tie-breaker, if needed, of the highest poverty rate ranking higher, followed by a third tie-breaker, if needed, of the highest annual unemployment rate ranking higher.

b. State Scoring (TxCDBG Staff Scoring) - Other Considerations – Maximum Points - 10% of Maximum Possible Score for Each RRC

(1) Past Selection – Maximum Points - 2% of Maximum Possible RRC Score for each region - are awarded to each applicant that did not receive a 2007 or 2008 Community Development Fund or Community Development Supplemental Fund contract award

(2) Past Performance - Maximum Points - 4% of Maximum Possible RRC Score for each region
An applicant can receive points based on the applicant's past performance on previously awarded Tx CDBG contracts. The applicant's score will be primarily based on our assessment of the applicant's performance on the applicant's most recent Tx CDBG contract that has reached the end of the original contract period stipulated in the contract within the past 4 years (for CD/CDS contracts only the 2003/2004 and 2005/2006 cycle awards will be considered). The Tx CDBG will also assess the applicant's performance on existing Tx CDBG contracts that have not reached the end of the original contract period. Applicants that have never received a Tx CDBG grant award will automatically receive these points. The Tx CDBG will assess the applicant's performance on Tx CDBG contracts up to the application deadline date. The applicant's performance after the application deadline date will not be evaluated in this assessment. (Adjustments may be made for contracts that are engaged in appropriately pursuing due diligence such as bonding remedies or litigation to ensure adequate performance under the TxCDBG contract.) The evaluation of an applicant's past performance will include the following:

- The applicant's completion of the previous contract activities within the original contract period.
- The applicant's submission of all contract reporting requirements such as Quarterly Progress Reports.
- The applicant's submission of the required close-out documents within the period prescribed for such submission.
- The applicant's timely response to monitoring findings on previous Tx CDBG contracts especially any instances when the monitoring findings included disallowed costs.
- The applicant's timely response to audit findings on previous Tx CDBG contracts.
- The expenditure timeframes on the applicable TXCDBG contracts.

(3) Benefit To Low/Moderate-Income (LMI) Persons -- Applications that meet the Low and Moderate Income National Objective for each activity (51 percent low/moderate-income benefit for each activity within the application) will receive 2% of the Maximum Possible RRC Score for each region.

(4) Cost per Household (CPH) – The total amount of TxCDBG funds requested by the applicant is divided by the total number of households benefiting from the application activities to determine the TxCDBG cost per household. (Use pro rata allocation for multiple activities.) – Up to 2% of the Maximum RRC Score for each region.

(i) Cost per household is equal to or less than $8,750 – 2%.
(ii) Cost per household is greater than $8,750 but equal to or less than $17,500 – 1.75%.
(iii) Cost per household is greater than $17,500 but equal to or less than $26,500 – 1.25%.
(iv) Cost per household is greater than $26,500 but equal to or less than $35,000 – 0.5%.
(v) Cost per household is greater than $35,000 – 0%.

(When necessary, a weighted average is used to score to applications that include multiple activities with different beneficiaries. Using as a base figure the TxCDBG funds requested minus the TxCDBG funds requested for administration, a percentage of the total TxCDBG construction and engineering dollars for each activity is calculated. Administration dollars requested is applied pro-rata to these amounts. The percentage of the total TxCDBG dollars for each activity is then multiplied by the appropriate score and the sum of the calculations determines the score. Related acquisition costs are applied to the associated activity.)

(Maximum State points - the calculated maximum score is rounded to a whole integer, with Past Selection, Past Performance, and LMI being rounded to a whole integer and CPH points being the difference.)

The RRC may not adopt scoring factors that directly negate or offset these state factors.

c. Other TxCDBG State Responsibilities:

The state TxCDBG staff will review each RRC Guidebook to ensure that the scoring procedures are in compliance with 24 CFR 91.320(k)(1). The regulation states in part that "The statement of method of distribution must provide sufficient information so that units of general local government will be able to understand and comment on it and be able to prepare responsive applications." TxCDBG staff will also review the scoring factors selected to ensure that all scoring factors are objective. Each RRC must obtain written approval from TxCDBG staff before implementing the RRC scoring process. As part of the approval process of the RRC Guidebook, the TxCDBG state staff may provide further details or elaboration on the objective scoring methodology, data sources and other clarifying details without the necessity of a subsequent RRC meeting.

In the event that an RRC fails to approve an objective scoring methodology to the satisfaction of the TxCDBG or if the RRC fails to implement the approved methodology, TxCDBG will be score and rank all applications for the region under the methodology shown in Appendix A of this Action Plan.

The state TxCDBG staff may establish:

(i) a deadline for the RRC to adopt objective factors for all of its scoring components and submit its adopted Guidebook incorporating the objective scoring methodology to the state TxCDBG staff for approval;

(ii) an RRC scoring review appeals process in the Guidebook Instructions and/or the Texas Administrative Code.

The TxCDBG will award 2008 funds for a region after its RRC has adopted an objective scoring for PY 2009. If the RRC does not adopt an objective scoring methodology and submit it to the state TxCDBG for approval by the established deadline above, the state TxCDBG staff will establish for the region the scoring factors in Appendix A for the 2009 applications as described above and will award PY 2008 funds for a region after the region's applications have been re-scored using the State scoring method in IV (C)(1)(a-e) of the 2007 Action Plan.

Only the state TxCDBG staff may disqualify an application submitted in a region. The regional scores for RRC factors and the ranking of applications are not considered final until they have been reviewed and approved by the state TxCDBG staff.

Community Development Fund Marginal Competition

Due to the two-year funding cycle proposed for program years 2009 and 2010, a Community Development Fund pooled marginal competition will not be conducted for program year 2009. A pooled marginal competition may be conducted for program year 2010 using available funds if the State's 2010 allocation is not decreased significantly from the State's estimated 2010 Community Development allocation.

All applicants whose marginal amount available is under $75,000 will automatically be considered under this competition.

When the marginal amount left in a regional allocation is equal to or above the Tx CDBG grant minimum of $75,000, the marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. Alternatively, such marginal applicants may choose to compete under the pooled marginal fund competition for the possibility of full project funding.

This fund consists of all regional marginal amounts of less than $75,000, any funds remaining from regional allocations where the number of fully funded eligible applicants does not utilize a region's entire allocation and the contribution of marginal amounts larger than $75,000 from those applicants opting to compete for full funding rather than accept their marginal amount.

The scoring factors used in this competition are the Tx CDBG Community Development Fund factors scored by TXCDBG staff as described in this section with the following adjustments (1) Past Selection – Ten (10) points are awarded to each applicant that did not receive a 2007 or 2008 Community Development Fund or Community Development Supplemental Fund contract award; (2) Past Performance – Up to 25 points; and (3) Community Distress -- 55 Points Maximum (Percentage of persons living in poverty 25 points; Per Capita Income 20 points; Unemployment Rate 10 points)

2a. TEXAS CAPITAL FUND Real Estate, And Infrastructure Programs

The selection criteria for the Real Estate, and Infrastructure Programs of the Texas Capital Fund will focus upon factors which may include, but which are not limited to, the following:

a. Creation or retention of jobs primarily for low to moderate income persons
b. Creation or retention of jobs primarily in areas of above average unemployment and poverty
c. Generation of a greater ratio of private investment to Texas Capital Fund investment
d. Expansion of markets through manufacturing and/or value-added processing
e. Provision of job opportunities at the lowest possible Texas Capital Fund cost per job
f. Benefit to areas of the state most in need by considering job impact to community
g. Assistance for small businesses and Historically Underutilized Businesses
h. Feasibility of project and ability to create and/or retain jobs

Following the assessment based on the selection criteria described above, projects will be reviewed and evaluated upon the following additional factors: history of the applicant community in the program; strength of business or marketing plan; management experience of the business' principals; and justification of minimum Texas Capital Fund contribution necessary to serve the project.

2b. TEXAS CAPITAL FUND Main Street Program

The selection criteria for the Main Street Program of the Texas Capital Fund will focus upon factors which may include, but which are not limited to, the following:

a. Aid in the elimination of slum or blight
b. The applicant must have been designated by the Texas Historical Commission as a Main Street City
c. Feasibility of project
d. Generation of a greater ratio of private investment to Texas Capital Fund investment
e. Texas Historical Commission scoring
f. Community profile

Following the assessment based on the selection criteria described above, projects will be reviewed and evaluated upon the following additional factors: history of the applicant community in the program; strength of marketing plan; and justification of minimum Texas Capital Fund contribution necessary to serve the project.

2c. TEXAS CAPITAL FUND Downtown Revitalization Program

The selection criteria for the Downtown Revitalization Program of the Texas Capital Fund will focus upon factors which may include, but which are not limited to, the following:

a. Aid in the elimination of slum or blight
b. Feasibility of project
c. Generation of a greater ratio of private investment to Texas Capital Fund investment
d. Community profile

Following the assessment based on the selection criteria described above, projects will be reviewed and evaluated upon the following additional factors: strength of marketing plan and justification of minimum Texas Capital Fund contribution necessary to serve the project.

3a. COLONIA CONSTRUCTION COMPONENT	430 Total Points Maximum

a. Community Distress -- 35 Points (Maximum)

• Percentage of persons living in poverty	15 points
• Per Capita Income	10 points
• Percentage of housing units without complete plumbing	5 points
• Unemployment Rate	5 points

b. Benefit To Low/Moderate-Income Persons -- 30 Points (Maximum)

A formula is used to determine the percentage of Tx CDBG funds benefiting low to moderate income persons. The percentage of low to moderate income persons benefiting from each construction, acquisition, and engineering activity is multiplied by the Tx CDBG funds requested for each corresponding construction, acquisition, and engineering activity. Those calculations determine the amount of Tx CDBG benefiting low to moderate income person for each of those activities. Then, the funds benefiting low to moderate income persons for each of those activities are added together and divided by the Tx CDBG funds requested minus the Tx CDBG funds requested for administration to determine the percentage of Tx CDBG funds benefiting low to moderate income persons. Points are then awarded in accordance with the following scale;

100% to 90% of Tx CDBG funds benefiting low to moderate income persons	30
89.99% to 80% of Tx CDBG funds benefiting low to moderate income persons	25
79.99% to 70% of Tx CDBG funds benefiting low to moderate income persons	20
69.99% to 60% of Tx CDBG funds benefiting low to moderate income persons	15
Below 60% of Tx CDBG funds benefiting low to moderate income persons	5

c. Project Priorities -- 195 Points (Maximum)

• Activities (service lines, service connections, and/or plumbing improvements) providing public access to EDAP-funded water or sewer systems	195
• First time public Water service activities (including yard service lines)	145
• First time public Sewer service activities (including yard service lines)	145
• Installation of approved residential on-site wastewater disposal systems for providing first time service	145
• Installation of approved residential on-site wastewater disposal systems for failing systems that cause health issues	140
• Housing Activities	140
• First time Water and/or Sewer service through a privately-owned for-profit utility	135
• Expansion or improvement of existing Water and/or Sewer service	120
• Street Paving and Drainage activities	75
• All Other eligible activities	20

A weighted average is used to assign scores to applications that include activities in the different Project Priority scoring levels. Using as a base figure the Tx CDBG funds requested minus the Tx CDBG funds requested for engineering and administration, a percentage of the total Tx CDBG construction dollars for each activity will be calculated. The percentage of the total Tx CDBG construction dollars for each activity will then be multiplied by the appropriate Project Priorities point level. The sum of these calculations determines the composite Project Priorities score.

d. Project Design -- 140 Points (Maximum)

Each application is scored by a committee composed of Tx CDBG staff using the following information submitted in the application to generate scores on the project design factor:

- For projects other than water and waste water, whether the applicant has already met its basic water and waste water needs.
- Whether the project has provided for future funding necessary to sustain the project.
- The severity of need within the colonia area(s) and how the proposed project resolves the identified need. Additional consideration is given to water system improvements addressing the impacts from the current drought conditions in the state.
- The applicant will use Tx CDBG funds to provide water or sewer connections, yard service lines, and/or plumbing improvements associated with providing access for colonia residents to water or sewer systems funded by the Texas Water Development Board Economically Distressed Areas Program (EDAP).
- The applicant's past efforts (with emphasis on the applicant's most recent efforts) to address water, sewer, and housing needs in colonia areas through applications submitted under the Tx CDBG Community Development Fund or through the use of CDBG entitlement funds.
- The Tx CDBG cost per low/moderate income beneficiary.
- Whether the applicant has provided any local matching funds for administrative, engineering, or construction activities.
- If applicable, the projected water and/or sewer rates after completion of the project based on 3,000 gallons, 5,000 gallons and 10,000 gallons of usage.
- The ability of the applicant to utilize the grant funds in a timely manner.
- Whether the applicant has waived the payment of water or sewer service assessments, capital recovery fees, and any other access fees for the low and moderate income project beneficiaries.
- The availability of grant funds to the applicant for project financing from other sources.
- The applicant's past performance on previously awarded Tx CDBG contracts.
- Proximity of project site to entitlement cities or metropolitan statistical areas.

e. Matching Funds -- 20 Points (Maximum)

Applicant(s) population equal to or less than 1,500 according to the 2000 Census:

- Match equal to or greater than 5% of grant request — 20 points
- Match at least 2%, but less than 5% of grant request — 10 points
- Match less than 2% of grant request — 0 points

Applicant(s) population equal to or less than 3,000 but over 1,500 according to the 2000 Census:

- Match equal to or greater than 10% of grant request — 20 points
- Match at least 2.5%, but less than 10% of grant request — 10 points
- Match less than 2.5% of grant request — 0 points

Applicant(s) population equal to or less than 5,000 but over 3,000 according to the 2000 Census:

- Match equal to or greater than 15% of grant request — 20 points
- Match at least 3.5%, but less than 15% of grant request — 10 points
- Match less than 3.5% of grant request — 0 points

Applicant(s) population over 5,000 according to the 2000 Census:

- Match equal to or greater than 20% of grant request — 20 points
- Match at least 5%, but less than 20% of grant request — 10 points
- Match less than 5% of grant request — 0 points

The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county. For county applications addressing water and sewer improvements in unincorporated areas, the population category is based on the actual number of beneficiaries to be served by the project activities.

The population category under which multi-jurisdiction applications are scored is based on the combined populations of the applicants according to the 2000 Census.

Applications that include a housing rehabilitation and/or affordable new permanent housing activity for low- and moderate-income persons as a part of a multi-activity application do not have to provide any matching funds for the housing activity. This exception is for housing activities only. The Tx CDBG does not consider sewer or water service lines and connections as housing activities. The Tx CDBG also does not consider on-site wastewater disposal systems as housing activities.

Demolition/clearance and code enforcement, when done in the same target area in conjunction with a housing rehabilitation activity, is counted as part of the housing activity. When demolition/clearance and code enforcement are proposed activities, but are not part of a housing rehabilitation activity, then the demolition/clearance and code enforcement are not considered as housing activities. Any additional activities, other than related housing activities, are scored based on the percentage of match provided for the additional activities.

Past Performance – 10 points (Maximum)

An applicant can receive from ten (10) to zero (0) points based on the applicant's past performance on previously awarded Tx CDBG contracts. The applicant's score will be primarily based on our assessment of the applicant's performance on the applicant's two (2) most recent Tx CDBG contracts that have reached the end of the original contract period stipulated in the contract. The Tx CDBG will also assess the applicant's performance on existing Tx CDBG contracts that have not reached the end of the original contract period. Applicants that have never received a Tx CDBG grant award will automatically receive these points. The Tx CDBG will assess the applicant's performance on Tx CDBG contracts up to the application deadline date. The applicant's performance after the application deadline date will not be evaluated in this assessment. The evaluation of an applicant's past performance will include, but is not necessarily limited to the following:

- The applicant's completion of the previous contract activities within the original contract period.
- The applicant's submission of all contract reporting requirements such as Quarterly Progress Reports, Certificates of Expenditures, and Project Completion Reports.
- The applicant's submission of the required close-out documents within the period prescribed for such submission.
- The applicant's timely response to monitoring findings on previous Tx CDBG contracts especially any instances when the monitoring findings included disallowed costs.
- The applicant's timely response to audit findings on previous Tx CDBG contracts.

Colonia Construction Component Marginal Applicant

The marginal applicant is the applicant whose score is high enough for partial funding of the applicant's original grant request. If the marginal amount available to this applicant is equal to or more than the Colonia Construction Component grant minimum of $75,000, the marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. In the event that the marginal amount remaining in the Colonia Construction Component allocation is less than $75,000, then the remaining funds will be used to either fund a Colonia Planning Fund application or will be reallocated to other established Tx CDBG fund categories.

3b. COLONIA ECONOMICALLY DISTRESSED AREAS PROGRAM SET-ASIDE

The allocation is distributed on an as-needed basis to eligible counties, and nonentitlement cities located in those counties, that are eligible under the Tx CDBG Colonia Fund and Texas Water Development Board's Economically Distressed Areas Program (TWDB EDAP). Unutilized funds under this program may be redistributed among the established 2008 program year fund categories, for otherwise eligible projects.

Eligible projects shall be located in unincorporated colonias; in colonias located in eligible nonentitlement cities that annexed the colonia and the application for improvements in the colonia is submitted within five (5) years from the effective date of the annexation; or in colonias located in eligible nonentitlement cities where the city is in the process of annexing the colonia where the improvements are to be made.

Eligible applicants may submit an application that will provide assistance to colonia residents that cannot afford the cost of service lines, service connections, and plumbing improvements associated with being connected to a TWDB EDAP-funded water and sewer system improvement project. An application cannot be submitted until the construction of the TWDB EDAP-funded water or sewer system begins.

Eligible program costs include water distribution lines and sewer collection lines providing connection to water and sewer lines installed through the Texas Water Development Board's Economically Distressed Areas Program (when approved by the Tx CDBG), taps and meters (when approved by the Tx CDBG), yard service lines, service connections, plumbing improvements, and connection fees, and other eligible approved costs associated with connecting an income-eligible family's housing unit to the TWDB improvements.

Tx CDBG staff will evaluate the following factors prior to awarding Colonia Economically Distressed Areas Program funds:

- The proposed use of the Tx CDBG funds including the eligibility of the proposed activities and the effective use of the funds to provide water or sewer connections/yard lines to water/sewer systems funded through EDAP.
- The ability of the applicant to utilize the grant funds in a timely manner.
- The availability of grant funds to the applicant for project financing from other sources.
- The applicant's past performance on previously awarded Tx CDBG contracts.
- Cost per beneficiary.
- Proximity of project site to entitlement cities or metropolitan statistical areas.

3c. COLONIA AREA PLANNING COMPONENT — 340 Total Points Maximum

a. Community Distress -- 35 Points (Maximum)

• Percentage of persons living in poverty	15 points
• Per Capita Income	10 points
• Percentage of housing units without complete plumbing	5 points
• Unemployment Rate	5 points

b. Benefit To Low/Moderate-Income Persons -- 30 Points (Maximum)

Points are then awarded based on the low to moderate income percentage for all of the colonia areas where planning activities are located according to the following scale;

100% to 90% of Tx CDBG funds benefiting low to moderate income persons	30
89.99% to 80% of Tx CDBG funds benefiting low to moderate income persons	25
79.99% to 70% of Tx CDBG funds benefiting low to moderate income persons	20
69.99% to 60% of Tx CDBG funds benefiting low to moderate income persons	15
Below 60% of Tx CDBG funds benefiting low to moderate income persons	5

c. Matching Funds -- 20 Points (Maximum)

Applicant(s) population equal to or less than 1,500 according to the 2000 Census:

• Match equal to or greater than 5% of grant request	20 points
• Match at least 2%, but less than 5% of grant request	10 points
• Match less than 2% of grant request	0 points

Applicant(s) population equal to or less than 3,000 but over 1,500 according to the 2000 Census:

- Match equal to or greater than 10% of grant request 20 points
- Match at least 2.5%, but less than 10% of grant request 10 points
- Match less than 2.5% of grant request 0 points

Applicant(s) population equal to or less than 5,000 but over 3,000 according to the 2000 Census:

- Match equal to or greater than 15% of grant request 20 points
- Match at least 3.5%, but less than 15% of grant request 10 points
- Match less than 3.5% of grant request 0 points

Applicant(s) population over 5,000 according to the 2000 Census:

- Match equal to or greater than 20% of grant request 20 points
- Match at least 5%, but less than 20% of grant request 10 points
- Match less than 5% of grant request 0 points

The population category under which county applications are scored is based on the actual number of beneficiaries to be served by the colonia planning activities.

d. Project Design -- 255 Points (Maximum)

Each application is scored by a committee composed of Tx CDBG staff using the following information submitted in the application to generate scores on the project design factor:

- The severity of need within the colonia area(s), how clearly the proposed planning effort will remove barriers to the provision of public facilities to the colonia area(s) and result in the development of an implementable strategy to resolve the identified needs.
- The planning activities proposed in the application.
- Whether each proposed planning activity will be conducted on a colonia-wide basis.
- The extent to which any previous planning efforts for colonia area(s) have been accomplished.
- The Tx CDBG cost per low/moderate-income beneficiary.
- The availability of grant funds to the applicant for project financing from other sources.
- The applicant's past performance on previously awarded Tx CDBG contracts.

A Colonia Planning Component application must receive a minimum score for the Project Design selection factor of at least 70 percent of the maximum number of points allowable under this factor to be considered for funding.

Colonia Area Planning Component Marginal Applicant

The marginal applicant is the applicant whose score is high enough for partial funding of the applicant's original grant request. The marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. Any unobligated funds remaining in the Colonia Area Planning allocation will be reallocated to either fund additional Colonia Comprehensive
Planning applications, Colonia Construction Component applications, or will be reallocated to other established Tx CDBG fund categories.

3d. COLONIA COMPREHENSIVE PLANNING COMPONENT	200 Total Points Maximum

a. Community Distress -- 25 Points (Maximum)

• Percentage of persons living in poverty	10 points
• Per Capita Income	5 points
• Percentage of housing units without complete plumbing	5 points
• Unemployment Rate	5 points

b. Project Design -- 175 Points (Maximum)

Each application will be scored by a committee composed of Tx CDBG staff using the following information submitted in the application to generate scores on the project design factor:

- The severity of need for the comprehensive colonia planning effort and how effectively the proposed comprehensive planning effort will result in a useful assessment of colonia populations, locations, infrastructure conditions, housing conditions, and the development of short-term and long term strategies to resolve the identified needs.
- The extent to which any previous planning efforts for colonia area(s) have been accomplished.
- Whether the applicant has provided any local matching funds for the planning or preliminary engineering activities.
- The applicant's past performance on previously awarded Tx CDBG contracts.
- An applicant that has previously received a TxCDBG comprehensive planning award would receive lower priority for funding.

A Colonia Planning Component application must receive a minimum score for the Project Design selection factor of at least 70 percent of the maximum number of points allowable under this factor to be considered for funding.

Colonia Comprehensive Planning Component Marginal Applicant

The marginal applicant is the applicant whose score is high enough for partial funding of the applicant's original grant request. The marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. Any unobligated funds remaining in the Colonia Comprehensive Planning allocation will be reallocated to either fund additional Colonia Area Planning Fund applications, Colonia Construction Component applications, or will be reallocated to other established Tx CDBG fund categories.

4. PLANNING AND CAPACITY BUILDING FUND	430 Total Points Maximum

a. Community Distress -- 55 Points (Maximum)

• Percentage of persons living in poverty	25 points
• Per Capita Income	20 points
• Unemployment rate	10 points

b. Benefit to Low/Moderate Income Persons - 0 Points

Applicants are required to meet the 51% low/moderate income benefit as a threshold requirement, but no score is awarded on this factor.

c. Project Design -- 375 Points (Maximum)

(1) Program Priority 50 points

Applicant chooses its own priorities here with 10 points awarded per priority as provided below.

Base studies (base mapping, housing, land use, population components) are recommended as one selected priority for applicants lacking updated studies unless they have been previously funded by TXCDBG or have been completed using other resources.

An applicant requesting TxCDBG funds for fewer than five priorities may receive point credit under this factor for planning studies completed within the last 10 years that do not need to be updated. An applicant requesting TxCDBG funds for a planning study priority that was completed within the past 10 years using TxCDBG funds would not receive scoring credit under this factor.

Applicants should not request funds to complete a water or sewer study if funds have been awarded within the last two years for these activities or funds are being requested under other TxCDBG fund categories.

(2) Base Match 0 points

- Five percent match required from applicants with population equal to or less than 1,500.
- Ten percent match required from applicants with population over 1,500 but equal to or less than 3,000.
- Fifteen percent match required from applicants with population over 3,000 but equal to or less than 5,000.
- Twenty percent match required from applicants with population over 5,000.

The population will be based on available information in the latest national decennial census.

(3) Areawide Proposals 50 points

Applicants with jurisdiction-wide proposals because the entire jurisdiction is at least 51 percent low/moderate-income qualify for these points. County applicants with identifiable, unincorporated communities may also qualify for these points provided that incorporation activities are underway. Proof of efforts to incorporate is required. County applicants with identifiable water supply corporations may apply to study water needs only and receive these points.

(4) Planning Strategy and Products 275 points

- New applicants receive up to 50 points while previous recipients of planning funds receive either up to 30 or 20 points depending on the level of implementation of previously funded activities. Recipients of Tx CDBG planning funds prior to PY 2000 will be considered new applicants for this scoring factor

- Up to 225 points are awarded for the applicant's Proposed Planning Effort based on an evaluation of the following:

  - the extent to which any previous planning efforts have been implemented or accomplished;
  - how clearly the proposed planning effort will resolve community development needs addressed in the application;
  - whether the proposed activities will result in the development of a viable and implementable strategy and be an efficient use of grant funds; and
  - demonstration of local commitment.

5. Tx CDBG STEP FUND — 120 Total Points Maximum

The following is the selection criteria to be used by Tx CDBG staff for the scoring of assessments and applications under the Texas STEP Fund. The maximum score of 120 points is divided among five scoring factors:

a. Project Impact – 60 Points (Maximum)

Activity	Score
• First time service	60-40
• To address drought	60-40
• To address a severe impact to a water system (imminent loss of well, transmission line, supply impact)	60-40
• TCEQ relevant documentation or Texas Department of Health Imminent Threat to Health	60-40
• Problems due to severe sewer issues that can be addressed through the STEP process (documented)	60-40
• Problems due to severe pressure problems (documented)	50-40
• Line replacement (water or sewer) other than for above	40-30
• All other proposed water and sewer projects that are not reflected above	30-20

A weighted average will be used to assign scores to applications that include activities in the different Project Impact scoring levels. Using as a base figure the Tx CDBG funds requested minus the Tx CDBG funds requested for engineering and administration, a percentage of the total Tx CDBG construction dollars for each activity will be calculated. The percentage of the total Tx CDBG construction dollars for each activity will then be multiplied by the appropriate Project Impact point level. The sum of these calculations will determine the composite Project Impact score.

Factors that are evaluated by the Tx CDBG staff in the assignment of scores within the predetermined scoring ranges for activities include, but are not limited to, the following:

1. how the proposed project will resolve the identified need and the severity of the need within the applying jurisdiction; and
2. projects designed to bring existing services up to at least the state minimum standards as set by the applicable regulatory agency are generally given additional consideration.

b. STEP Characteristics, Merits of the Project, and Local Effort - 30 points (Maximum)

The Tx CDBG staff will assess the proposal for the following STEP characteristics not scored in other factors:

1. degree work will be performed by community volunteer workers, including information provided on the volunteer work to total work;
2. local leaders (sparkplugs) willing to both lead and sustain the effort;
3. readiness to proceed – the local perception of the problem and the willingness to take action to solve it;
4. capacity – the manpower required for the proposal including skills required to solve the problem;
5. merits of the projects, including the severity of the need, whether the applicant sought funding from other sources, cost in Tx CDBG dollars requested per beneficiary, etc.; and
6. local efforts being made by applicants in utilizing local resources for community development.

c. Past Participation and Performance – 15 Points (Maximum)

An applicant would receive ten (10) points if they do not have a current Texas STEP grant.

An applicant can receive from five (5) to zero (0) points based on the applicant's past performance on previously awarded Tx CDBG contracts. The applicant's score will be primarily based on our assessment of the applicant's performance on the applicant's two (2) most recent Tx CDBG contracts that have reached the end of the original contract period stipulated in the contract. The Tx CDBG will also assess the applicant's performance on existing Tx CDBG contracts that have not reached the end of the original contract period. Applicants that have never received a Tx CDBG grant award will automatically receive these points. The Tx CDBG will assess the applicant's performance on Tx CDBG contracts up to the application deadline date. The applicant's performance after the application deadline date will not be evaluated in this assessment. The evaluation of an applicant's past performance will include, but is not necessarily limited to the following:

- The applicant's completion of the previous contract activities within the original contract period.
- The applicant's submission of all contract reporting requirements such as Quarterly Progress Reports, Certificates of Expenditures, and Project Completion Reports.
- The applicant's submission of the required close-out documents within the period prescribed for such submission.
- The applicant's timely response to monitoring findings on previous Tx CDBG contracts especially any instances when the monitoring findings included disallowed costs.
- The applicant's timely response to audit findings on previous Tx CDBG contracts.

d. Percentage of Savings off of the retail price – 10 Points (Maximum)

For STEP, the percentage of savings off of the retail price is considered a form of community match for the project. In STEP, a threshold requirement is a minimum of 40 percent savings off the retail price for construction activities.

For Communities that are equal to or below 1,500 in Population

55% or more Savings	10 points
50% - 54.99% Savings	9 points
45% - 49.99% Savings	7 points
41% - 44.99% Savings	5 points

For Communities that are above 1,500 but equal to or below 3,000 in Population

55% or more Savings	10 points
50% - 54.99% Savings	8 points
45% - 49.99% Savings	6 points
41% - 44.99% Savings	3 points

For Communities that are above 3,000 but equal to or below 5,000 in Population

55% or more Savings	10 points
50% - 54.99% Savings	7 points
45% - 49.99% Savings	5 points
41% - 44.99% Savings	2 points

For Communities that are above 5,000 but equal to or below 10,000 in Population

55% or more Savings	10 points
50% - 54.99% Savings	6 points
45% - 49.99% Savings	3 points
41% - 44.99% Savings	1 points

For Communities that are 10,000 or above in Population

55% or more Savings	10 points
50% - 54.99% Savings	5 points

45% - 49.99% Savings	2 points
41% - 44.99% Savings	0 points

The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for beneficiaries for the entire county, the total population of the county is used. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county. For county applications addressing water and sewer improvements in unincorporated areas, the population category is based on the actual number of beneficiaries to be served by the project activities.

The population category under which multi-jurisdiction applications are scored is based on the combined populations of the applicants according to the 2000 Census.

e. Benefit To Low/Moderate-Income Persons – 5 Points (Maximum)

Applicants are required to meet the 51 percent low/moderate-income benefit for each activity as a threshold requirement. Any project where at least 60 percent of the Tx CDBG funds benefit low/moderate-income persons will receive 5 points.

A project must score at least 75 points overall and 15 points under factor 12(b) to be considered for funding.

6. RENEWABLE ENERGY DEMONSTRATION PILOT PROGRAM 70 Total Points Maximum

(A) Type of Project: Primarily used in conjunction with providing public facilities to meet basic human needs such as water or waste water and/or benefit to low/moderate-income persons – up to 15 points.

(B) Innovative Technology / Methods – A project that would demonstrate the application of innovative technology and/or methods – up to 10 points.

(C) Duplication in Other Rural Areas – A project that could have widespread application (although it would not need to be applicable in every portion of the state.) – up to 10 points

(D) Long-term Cost / Benefit and Texas Renewable Energy Goals – Projects that demonstrate long term cost / benefit analysis including benefits to the human environment and consistency with Texas renewable energy goals – up to 10 points

(E) Partnership / Collaboration – Projects that have a demonstrated partnership and collaboration with other entities focusing on promoting renewable energy including universities, funding agencies, associations, or businesses – up to 10 points.

(F) Leveraging – projects with committed funds from other entities including funding agencies, local governments, or businesses.

Applicant(s) population equal to or less than 2,500 according to the latest decennial Census:

• Match equal to or greater than 15% of grant request	10 points
• Match at least 8% but less than 15% of grant request	5 points
• Match at least 3%, but less than 8% of grant request	3 points
• Match at least 2%, but less than 3% of grant request	1 point
• Match less than 2% of grant request	0 points

Applicant(s) population equal to or less than 5,000 but over 2,500 according to the latest decennial Census:

• Match equal to or greater than 25% of grant request	10 points
• Match at least 13% but less than 25% of grant request	5 points
• Match at least 5%, but less than 13% of grant request	3 points
• Match at least 3%, but less than 5% of grant request	1 point
• Match less than 3% of grant request	0 points

Applicant(s) population equal to or less than 10,000 but over 5,000 according to the latest decennial Census:

• Match equal to or greater than 35% of grant request	10 points
• Match at least 18% but less than 35% of grant request	5 points
• Match at least 7%, but less than 18% of grant request	3 points
• Match at least 4%, but less than 7% of grant request	1 point
• Match less than 4% of grant request	0 points

Applicant(s) population over 10,000 according to the latest decennial Census:

• Match equal to or greater than 50% of grant request	10 points
• Match at least 25% but less than 50% of grant request	5 points
• Match at least 10%, but less than 25% of grant request	3 points
• Match at least 5%, but less than 10% of grant request	1 point
• Match less than 5% of grant request	0 points

The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for beneficiaries for the entire county, the total population of the county is used. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county.

(G) Location in Rural Areas – Projects that benefit cites with populations under 10,000 and/or counties under 100,000 – 5 points.

V. PERFORMANCE MEASURES - GOALS, OBJECTIVES, OUTCOMES, STRATEGIES, AND OUTPUTS

Tx CDBG Strategic Plan Performance Measures:

The Tx CDBG currently has a performance measurement system is place that is part of its strategic plan and the Texas legislative budgeting process. The Tx CDBG has already implemented a performance measurement system that supports the HUD goals as stated in *CPD Notice – 03-09*, issued September 3, 2003, which "strongly encouraged each CPD formula grantee to develop and use a state or local performance measurement system." In this notice, HUD asked the State CDBG programs, along with all other CDBG grantees, that currently have and use a state or local performance measurement system to "(1) describe, in their next Consolidated Plan or Annual Action Plan, the method they use to measure the outputs and outcomes of their CPD formula grant programs."

The Tx CDBG has the following Performance Measures system in place for administering and evaluating the success of the CDBG non-entitlement program.

GOALS, OBJECTIVES AND OUTCOMES – For FY 2008-2009

Goal 1: Support Community and Economic Development Projects
Objective 1: Fund Facility, Economic Development, Housing, and Planning Projects
Outcome 1: Percent of the Small Communities' Population Benefiting from Projects
Outcome 2: Percent of Requested Project Funds Awarded to Projects Using Annual HUD Allocation

STRATEGIES AND EFFICIENCY, EXPLANATORY AND OUTPUT MEASURES – For 2007-2008

Goal 1: Support Community and Economic Development Projects
Objective 1: Fund Facility, Economic Development, Housing and Planning Projects
Strategy 1: Provide Grants for Community and Economic Development Projects
Efficiency 1: Average Agency Administrative Cost per Contract Administered
Output 1: Number of New Contracts Awarded
Output 2: Number of Projected Beneficiaries from New Contracts Awarded
Output 3: Number of Jobs Created/Retained through Contracts Awarded Annually
Output 4: Number of Projected Beneficiaries from Self-Help Center Contracts Funded
Output 5: Number of Programmatic Monitoring Visits Conducted
Output 6: Number of Single Audit reviews Conducted Annually

HUD CDBG Performance Outcome Measurement System:

The Tx CDBG has begun to implement the HUD CDBG Performance Outcome Measurement System, which is a nationwide reporting system based on standardized Objective categories, Outcome categories, and specific Output Indicators.

The outcome performance measurement system has three objectives: (1) Creating Suitable Living Environments, (2) Providing Decent Affordable Housing, and (3) Creating Economic Opportunities. There are also three outcomes under each objective: (1) Availability/Accessibility, (2) Affordability, and (3) Sustainability. Thus, the three objectives, each having three possible outcomes, produce nine possible outcome/objective combinations within which to categorize CDBG grant activities. Specific Output Indicators, many of which Tx CDBG has used in the HUD Integrated Disbursement and Information System reporting system, will be used to provide the quantifiable information used to actually measure the outcome/objective combinations for the funded CDBG projects (such as the number of persons who have new access to water facilities).

VI. OTHER 2009 CDBG PROGRAM GUIDELINES

A. COMMUNITY NEEDS ASSESSMENT

Each applicant for Tx CDBG funds must prepare an assessment of the applicant's housing and community development needs. The needs assessment submitted by an applicant in an application for the Community Development Fund must also include information concerning the applicant's past and future efforts to provide affordable housing opportunities in the applicant's jurisdiction and the applicant's past efforts to provide infrastructure improvements through the issuance of general obligation or revenue bonds.

B. LEVERAGING RESOURCES

Texas Capital Fund

The following matching funds requirements apply under the Real Estate, Infrastructure, Main Street and Downtown Revitalization Program:

a. The leverage ratio between all funding sources to the Texas Capital Fund (TCF) request may not be less than 1:1 for awards of $750,000 or less (except for the Main Street and Downtown Revitalization programs which both require 0.1:1, or more match), and 4:1 for awards of $750,100 to $1,000,000.

b. All businesses are required to make financial contributions to the proposed project. A cash injection of a minimum of 2.5% of the total project cost is required. Total equity participation must be no less than 10% of the total project cost. This equity participation may be in the form of cash and/or net equity value in fixed assets utilized within the proposed project. A minimum of a 33% equity injection (of the total projects costs) in the form of cash and/or net equity value in fixed assets is required, if the business has been operating for less than three years and is accessing the Real Estate program.

Over the past five program years the ratio of matching funds to Texas Capital Fund awards is approximately 3.75:1. If this ratio continues for the 2008 program year then the estimated amount of leveraged funds for the 2009 program year is approximately $45 million.

C. MINORITY HIRING/PARTICIPATION

The Tx CDBG encourages minority employment and participation among all applicants under the Community Development Block Grant Program. All applicants to the Community Development Block Grant Program shall be required to submit information documenting the level of minority participation as part of the application for funding.

D. CITIZEN PARTICIPATION

A grant to a locality under the Texas Community Development Block Grant Program may be awarded only if the locality certifies that it is following a detailed citizen participation plan that provides for and encourages citizen participation at all stages of the community development program. Tx CDBG applicants and funded localities are required to carry out citizen participation in accordance with the Citizen Participation Plan requirements described in Tx CDBG application guides.

APPENDIX A

PY 2009-2010 Community Development Fund Scoring for a region if the Regional Review Committee fails to adopt an Objective Methodology

1. COMMUNITY DEVELOPMENT FUND

a. Regional Review Committee (RRC) Project Priorities -- 100 points (Minimum)

The RRC's Project Priorities taken from the TxCDBG-approved RRC Scoring Guidelines for the region for the 2007-2008 CD/CDS cycle.
(Adjusted if necessary for an objective methodology as described in the PY 2009 TxCDBG Action Plan.)

b. Community Distress -- 55 Points (Maximum)

• Percentage of persons living in poverty	25 points
• Per Capita Income	20 points
• Unemployment Rate	10 points

Compare each applicant's per capita income level to all other applicants in the region based on the established TxCDBG method.

c. Benefit To Low/Moderate-Income Persons -- 20 Points (Maximum)

Applications that meet the Low and Moderate Income National Objective for each activity (51 percent low/moderate-income benefit for each activity within the application) will receive 20 points.

d. Project Impact -- 175 Points (Maximum)

Information submitted in the application or presented to the Regional Review Committees is used by a committee composed of Tx CDBG staff to generate scores on the Project Impact factor.

Each application is scored by a committee composed of Tx CDBG staff. Each committee member separately evaluates an application and assigns a score within a predetermined scoring range based on the application activities. The separate scores are then totaled and the application is assigned the average score. The scoring ranges used for Project Impact scoring are:

ACTIVITIES	SCORING RANGE
• Water, Sewer, and Housing	175 - 145
• Eligible Public Facilities Located In A Defense Economic Readjustment Zone	175 - 145
• Street Paving, Drainage, Flood Control and Accessibility Activities for Persons With Disabilities	160 - 130
• Fire Protection, Health Clinics, and Facilities Providing Shelter For Persons With Special Needs (Hospitals, Nursing Homes, Convalescent Homes)	145 - 125
• Community/Senior/Social Services Centers	135 - 115
• Demolition/Clearance, Code Enforcement	135 - 115
• Gas/Electrical Facilities and Solid Waste Disposal	130 - 110
• Access to Basic Telecommunications	125 - 105
• Jails, Detention Facilities	125 - 105
• All Other Eligible Activities	115 - 85

Multi-activity projects which include activities in different scoring ranges receive a combination score within the possible range. As an example, a project including street paving and demolition/clearance activities is scored within a range of 160-115. If the project included a water activity also, the possible range would be 175-115.

Other factors that are evaluated by the Tx CDBG staff in the assignment of scores within the predetermined scoring ranges for activities include, but are not limited to, the following:

- Each application is scored based on how the proposed project will resolve the identified need and the severity of the need within the applying jurisdiction.
- Projects addressing basic human needs such as water, sewer, and housing generally are scored higher than projects addressing other eligible activities.
- Projects providing a first-time public facility or service generally receive a higher score than projects providing an expansion or replacement of existing public facilities or services.
- Public water and sewer projects providing a first-time public facility or service generally receive a higher score than other eligible first-time public facility or service projects.
- Projects designed to bring existing services up to at least the state minimum standards as set by the applicable regulatory agency are generally also given additional consideration.
- For water and sewer projects addressing state regulatory compliance issues, the extent to which the issue was unforeseen.
- Projects designed to address drought-related water supply problems are generally also given additional consideration.
- Water and sewer projects providing first-time water or sewer service through a privately-owned for-profit utility or an expansion/improvement of the existing water or sewer service provided through a privately-owned for-profit utility may, on a case-by-case basis, receive less consideration than the consideration given to projects providing these services through a public nonprofit organization.
- Projects designed to conserve water usage may be given additional consideration.
- Water and sewer projects from applicants that demonstrate a long term commitment to reinvestment in the system and sound management of the system may be given additional consideration (including those that have remained in compliance with health and TCEQ system requirements).
- Consideration will be given to those water and sewer systems that have agreed to undertake improvements to their systems at TCEQ's recommendation but are not under an enforcement order because of this agreement.
- Projects that consider ORCA's Community Viability Index in establishing the issues to be addressed.
- Projects that use renewable energy technology for not less than 10% of the total energy requirements, (excluding the purchase of energy from the electric grid that was produced with renewable energy).

e. Matching Funds -- 60 Points (Maximum)

Applicant(s) population equal to or less than 1,500 according to the 2000 Census:

• Match equal to or greater than 5% of grant request	60 points
• Match at least 4% but less than 5% of grant request	40 points
• Match at least 3%, but less than 4% of grant request	20 points
• Match at least 2%, but less than 3% of grant request	10 points
• Match less than 2% of grant request	0 points

Applicant(s) population equal to or less than 3,000 but over 1,500 according to the 2000 Census:

• Match equal to or greater than 10% of grant request	60 points
• Match at least 7.5% but less than 10% of grant request	40 points
• Match at least 5%, but less than 7.5% of grant request	20 points
• Match at least 2.5%, but less than 5% of grant request	10 points

- Match less than 2.5% of grant request 0 points

Applicant(s) population equal to or less than 5,000 but over 3,000 according to the 2000 Census:

- Match equal to or greater than 15% of grant request 60 points
- Match at least 11.5% but less than 15% of grant request 40 points
- Match at least 7.5%, but less than 11.5% of grant request 20 points
- Match at least 3.5%, but less than 7.5% of grant request 10 points
- Match less than 3.5% of grant request 0 points

Applicant(s) population over 5,000 according to the 2000 Census:

- Match equal to or greater than 20% of grant request 60 points
- Match at least 15% but less than 20% of grant request 40 points
- Match at least 10%, but less than 15% of grant request 20 points
- Match at least 5%, but less than 10% of grant request 10 points
- Match less than 5% of grant request 0 points

Tx CDBG funds cannot be used to install street/road improvements in areas that are not currently receiving water or sewer service from a public or private service provider unless the applicant provides matching funds equal to at least fifty percent (50%) of the total construction cost budgeted for the street/road improvements. This requirement will not apply when the applicant provides assurance that the street/road improvements proposed in the application will not be impacted by the possible installation of water or sewer lines in the future because sufficient easements and rights-of-way are available for the installation of such water or sewer lines.

The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for beneficiaries for the entire county, the total population of the county is used. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county. For county applications addressing water and sewer improvements in unincorporated areas, the population category is based on the actual number of beneficiaries to be served by the project activities.

The population category under which multi-jurisdiction applications are scored is based on the combined populations of the applicants according to the 2000 Census.

Applications that include a housing rehabilitation and/or affordable new permanent housing activity for low- and moderate-income persons as a part of a multi-activity application do not have to provide any matching funds for the housing activity. This exception is for housing activities only. The Tx CDBG does not consider sewer or water service lines and connections as housing activities.

Demolition/clearance and code enforcement, when done in the same target area in conjunction with a housing rehabilitation activity, is counted as part of the housing activity. When demolition/clearance and code enforcement are proposed activities, but are not part of a housing rehabilitation activity, then the demolition/clearance and code enforcement are not considered as housing activities and are counted towards the ratio of local match to Tx CDBG funds requested. Any additional activities, other than related housing activities, are scored based on the percentage of match provided for the additional activities.

f. Other Considerations -- 40 Points (Maximum)

(1) Past Selection – 10 points are awarded to each applicant that did not receive a 2007 or 2008 Community Development Fund or Community Development Supplemental Fund contract award.

(2) Past Performance – 20 Points Maximum
An applicant can receive from thirty (30) to zero (0) points based on the applicant's past performance on previously awarded Tx CDBG contracts. The applicant's score will be primarily based on our assessment of the applicant's performance on the applicant's most recent Tx CDBG contract that has reached the end of the original

contract period stipulated in the contract within the past 4 years. The Tx CDBG will also assess the applicant's performance on existing Tx CDBG contracts that have not reached the end of the original contract period. Applicants that have never received a Tx CDBG grant award will automatically receive these points. The Tx CDBG will assess the applicant's performance on Tx CDBG contracts up to the application deadline date. The applicant's performance after the application deadline date will not be evaluated in this assessment. The evaluation of an applicant's past performance will include the following:

- The applicant's completion of the previous contract activities within the original contract period.
- The applicant's submission of all contract reporting requirements such as Quarterly Progress Reports.
- The applicant's submission of the required close-out documents within the period prescribed for such submission.
- The applicant's timely response to monitoring findings on previous Tx CDBG contracts especially any instances when the monitoring findings included disallowed costs.
- The applicant's timely response to audit findings on previous Tx CDBG contracts.
- The expenditure timeframes on the applicable TXCDBG contracts.

(3) Cost per Household – 10 Points Maximum. The total amount of TxCDBG funds requested by the applicant is divided by the total number of households benefiting from the application activities to determine the TxCDBG cost per beneficiary. (Use pro rata allocation for multiple activities.)

(i) Cost per beneficiary is equal to or less than $8,750 – 10 points.
(ii) Cost per beneficiary is greater than $8,750 but equal to or less than $17,500 – 8 points.
(iii) Cost per beneficiary is greater than $26,500 but equal to or less than $26,500 – 5 points.
(iv) Cost per beneficiary is greater than $26,500 but equal to or less than $35,000 – 2 points.
(v) Cost per beneficiary is greater than $35,000 – zero points.

When necessary, a weighted average is used to score to applications that include multiple activities with different beneficiaries. Using as a base figure the TxCDBG funds requested minus the TxCDBG funds requested for administration, a percentage of the total TxCDBG construction and engineering dollars for each activity is calculated. Administration dollars requested is applied pro-rata to these amounts. The percentage of the total TxCDBG dollars for each activity is then multiplied by the appropriate score and the sum of the calculations determines the score. Related acquisition costs are applied to the associated activity.

APPENDIX B – Examples of Objective Scoring Factors

1. Per Capita Income – 20 points maximum - Compare each applicant's per capita income level to all other applicants in the region.

Method: The base amount for the entire region is divided by the applicant's per capita income level and then multiplied by the maximum possible score of 20, provided the product may not exceed 20 points. The base amount is the average (mean) of the per capita income levels of all the applicants in the region multiplied by a factor 0.75.

Details:

Incorporated City Applications:
For an incorporated city, the data used to score is based on the 2000 decennial Census SF 3 information for the city's entire population.

For a new incorporated city that was not included in the 2000 decennial Census as an incorporated city, the data used to score is based on the 2000 decennial Census information for the entire county unincorporated population.

County Applications:
For a county, the data used to score is based on the 2000 decennial Census SF 3 information for:
- the county's entire population (for county-wide benefit activities);
- the county's entire unincorporated population (for activities that only benefit persons in unincorporated areas); or
- the 2000 decennial census geographic area information specific to the unincorporated areas benefiting from the county's application activities (for activities that only benefit persons in unincorporated areas) (only census tracts, or block numbering areas, and block groups are allowable census geographic areas)

Geographic area information may be substituted only for county applications where the application activities benefit no more than two separate unincorporated target areas. County applications that include application activities for unincorporated areas that are located in more than two county precincts are scored for the entire county unincorporated population or the entire county population.

If a county elects to use census geographic area information that is specific to the unincorporated areas benefiting from the application activities, the county must submit the census geographic area identification number and the associated per capita income amount for each target area.

Multi-Jurisdiction applications - For multi-jurisdiction applications, the data used for scoring is based on a simple average of the per capita income amounts for all of the participating jurisdictions.

Data Source – US Bureau of the Census - 2000 Census – SF 3, Per Capita Income

2. Matching Funds -- 60 Points Maximum

Applicant(s) population equal to or less than 1,500 according to the 2000 Census:

• Match equal to or greater than 5% of grant request	60 points
• Match at least 4% but less than 5% of grant request	40 points
• Match at least 3%, but less than 4% of grant request	20 points
• Match at least 2%, but less than 3% of grant request	10 points
• Match less than 2% of grant request	0 points

Applicant(s) population equal to or less than 3,000 but over 1,500 according to the 2000 Census:

• Match equal to or greater than 10% of grant request	60 points
• Match at least 7.5% but less than 10% of grant request	40 points
• Match at least 5%, but less than 7.5% of grant request	20 points
• Match at least 2.5%, but less than 5% of grant request	10 points
• Match less than 2.5% of grant request	0 points

Applicant(s) population equal to or less than 5,000 but over 3,000 according to the 2000 Census:

• Match equal to or greater than 15% of grant request	60 points
• Match at least 11.5% but less than 15% of grant request	40 points
• Match at least 7.5%, but less than 11.5% of grant request	20 points
• Match at least 3.5%, but less than 7.5% of grant request	10 points
• Match less than 3.5% of grant request	0 points

Applicant(s) population over 5,000 according to the 2000 Census:

• Match equal to or greater than 20% of grant request	60 points
• Match at least 15% but less than 20% of grant request	40 points
• Match at least 10%, but less than 15% of grant request	20 points
• Match at least 5%, but less than 10% of grant request	10 points
• Match less than 5% of grant request	0 points

The population category for an incorporated city is based on the city's 2000 Census population. The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for beneficiaries for the entire county, the total population of the county is used. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county. For county applications addressing water and sewer improvements in unincorporated areas, the population category is based on the actual number of beneficiaries to be served by the project activities.

The population category under which multi-jurisdiction applications are scored is based on the combined populations of the applicants according to the 2000 Census.

Multi-Jurisdiction Applications - The population category under which multi-jurisdiction applications will be scored will be based on the combined populations of the participating applicants according to the 2000 census. The guidelines for determining the population category for county applications will also apply to multi-jurisdiction applications when a county or counties are participants in a multi-jurisdiction application.

Data Source - US Bureau of the Census - 2000 Census, SF 3.

3. Project Priorities – 30 Points Maximum

a. Activities providing or improving water or wastewater (including yardlines on residential property) – 30 Points

b. Housing rehabilitation activities - 15 Points

c. All other eligible activities – 5 Points

(When necessary, a weighted-average is used to score to applications that include multiple activities. Using as a base figure the TxCDBG funds requested minus the TxCDBG funds requested for administration, a percentage of the total TxCDBG construction and engineering dollars for each activity is calculated. Administration dollars requested is applied pro-rata to these amounts. The percentage of the total TxCDBG dollars for each activity is then multiplied by the appropriate score and the sum of the calculations determines the score. Related acquisition costs are applied to the associated activity.)

CPD OUTCOME PERFORMANCE MEASUREMENT SYSTEM REPORTING:

The TxCDBG has implemented the HUD CPD Outcome Performance Measurement System Reporting and has added the performance measurement objectives and outcomes to its new application guides. All applicants are required to indicate the performance measures that best correspond with the activities they are proposing. TxCDBG staff enter the objectives and outcomes in its internal application review database. Upon the award of the funds, TxCDBG enter the performance measure information into the IDIS database. The TxCDBG staff update the information in IDIS as needed. In addition, for existing open contracts, TxCDBG staff has entered the objectives and outcomes for these contracts into the IDIS system.

The outcome performance measurement system has three objectives: (1) Creating Suitable Living Environments, (2) Providing Decent Affordable Housing, and (3) Creating Economic Opportunities. There are also three outcomes under each objective: (1) Availability/Accessibility, (2) Affordability, and (3) Sustainability. Thus, the three objectives, each having three possible outcomes, produce nine possible outcome/objective combinations within which to categorize CDBG grant activities. Specific Output Indicators, many of which Tx CDBG has used in the HUD Integrated Disbursement and Information System reporting system, are used to provide the quantifiable information used to actually measure the outcome/objective combinations for the funded CDBG projects (such as the number of persons who have new access to water facilities).

During the PY 2009 time period, the anticipated objectives and outcomes for the proposed eligible activities using all CDBG funds available are shown below; however, both the actual objectives and outcomes for individual funded projects may vary within the eligible activities depending on the applicant's determination and selection. The number of activities below assumes the deobligated funds and program income available in PY 2009 will be made available for priorities as currently specified in the action plan:

HUD Matrix Code	HUD Matrix Name	Objective	Outcome	PY 2009 -Expected Number of Activities
03E	Neighborhood Facilities	Suitable Living Environment	Availability/ Accessibility	2
03J	Water/Sewer Improvements	Suitable Living Environment	Availability/ Accessibility	133
		Suitable Living Environment	Affordability	5
		Suitable Living Environment	Sustainability	47
03K	Street Improvements	Suitable Living Environment	Availability/ Accessibility	45
		Suitable Living Environment	Affordability	3
		Suitable Living Environment	Sustainability	12
14A	Rehabilitation; Single Unit Residential	Suitable Living Environment	Availability/ Accessibility	48
		Decent Housing	Affordability	2
			Sustainability	5
13	Homeownership Assistance	Decent Housing	Affordability	2
03F	Parks, Playgrounds, and Other Recreational Facilities	Suitable Living Environment	Availability/ Accessibility	2
05	Public Service	Suitable Living Environment	Availability/ Accessibility	3
		Decent Housing	Affordability	2
04	Clearance Demolition Activities	Suitable Living Environment	Availability/ Accessibility	5
			Sustainability	2
18A	ED Direct Financial Assistance for For-Profits	Economic Opportunity	Availability/ Accessibility	1
		Suitable Living Environment	Availability/ Accessibility	0
		Economic Opportunity	Affordability	19
				338

NON-HOMELESS SPECIAL NEEDS ACTION PLAN: HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS

INTRODUCTION

The 2009 Action Plan for Housing Opportunities for Persons with AIDS (HOPWA) is part of the 2005–2009 State of Texas Consolidated Plan for program year 2009 (February 1, 2009, through January 31, 2010). Although this plan is part of the Consolidated Plan submitted to the US Department of Housing and Urban Development (HUD) by the Texas Department of Housing and Community Affairs, HUD will directly contract with the Texas Department of State Health Services (DSHS) for the HOPWA program, as it has done since 1992.

NEEDS STATEMENT

In 2006, persons living with HIV/AIDS (PLWHA) in Texas totaled 60,571. Over the past few years PLWHA show a net increase of about 4,000 cases per year with about 5,000 new cases and 1,000 deaths per year1. From 2002-2006 over one quarter of newly diagnosed persons in Texas received an AIDS diagnosis within one month of their HIV diagnosis. One third of all newly diagnosed received AIDS and HIV diagnoses within one year. In 2006, 39% (22,000) of PLWHA had no evidence of medical care (does not include Medicare, VA and some private payers). The 2008-2010 Texas Statewide Coordinated Statement of Need reported housing as one of the two most frequent gaps in services identified by clients in six of the seven HIV Service Delivery Areas (HSDAs) assessed in Texas2.

In 2008, DSHS distributed $24,944,468 in Ryan White and State Services contracts to provide a wide array of health and social services for persons with HIV/AIDS. In 2007, $77.9 million in state and federal funds was spent on HIV medications.

The Texas HOPWA program contributes to filling the unmet need by providing emergency housing assistance, rental assistance, supportive services, and permanent housing placement services. The continuation of HOPWA funding is critical in addressing the threat of homelessness for persons living with HIV/AIDS in Texas.

PROGRAM OBJECTIVES

The Texas DSHS HOPWA program provides housing assistance and supportive services for income-eligible individuals living with HIV/AIDS and their families to establish or better maintain a stable living environment in housing that is decent, safe, and sanitary, to reduce the risk of homelessness, and to improve access to health care and supportive services.

PROGRAM ACTIVITIES

The Texas DSHS HOPWA program proposes to continue the following activities.

Short-Term Rent, Mortgage, and Utility Assistance Program (STRMU)

[1] Texas Integrated Epidemiologic Profile for HIV/AIDS Prevention and Services Planning http://www.dshs.state.tx.us/hivstd/planning/Epi_Profile_02012008.pdf
[2] 2008-2010 Texas Statewide Coordinated Statement of Need

This program provides short-term rent, mortgage, and utility payments to prevent homelessness of the tenant or mortgagor of a dwelling. It enables low income individuals at risk of becoming homeless to maintain housing for a period not to exceed 21 weeks in any 52-week period. Qualified clients are assisted with rent, mortgage, and/or utilities, up to the annual STRMU cap established locally. The project sponsor makes payments directly to the provider with the client paying any balance due.

Tenant-Based Rental Assistance Program (TBRA)
This program provides tenant-based rental assistance, including assistance for shared housing arrangements. It enables income-eligible HIV-positive clients to pay their rent and utilities until they are able to secure other affordable and stable housing. Clients must contribute the greater of 10 percent of gross income or 30 percent of adjusted gross income towards their rent, or they must contribute the amount of public assistance received for that purpose. The project sponsor pays the balance of the rent up to the fair market rent value.

Supportive Services
This program is limited to case management for HOPWA clients and the purchase of smoke detectors and basic telephone service assistance.

Permanent Housing Placement Services
This program is limited to assistance for housing placement costs, which may include application fees, related credit checks, and reasonable security deposits necessary to move persons into permanent housing, provided such deposits do not exceed the amount equal to two months of rent and are refunded to the program when the HOPWA client leaves the housing for which the deposit was made.

Program Improvement Activities
DSHS is in the process of improving the HOPWA program in various areas. DSHS plans to implement a HOPWA module as part of the state's AIDS Regional Information and Evaluation System (ARIES) for improved data reporting and evaluation. These activities are in addition to ongoing updates to the monitoring tools, program worksheets, and funding allocations. DSHS plans to provide ongoing training and technical assistance to administrative and Project Sponsor contractors.

ANNUAL PROGRAM GOALS

Based on prior-year performance and level funding from HUD, DSHS estimates that 700 households can be provided with short-term rent, mortgage, and utility payments, 550 households can be provided tenant-based rental assistance, and 20 households can be provided permanent housing placement during the 2009 project year. All households will be provided with supportive services funded through HOPWA, Ryan White, or other leveraged sources.

PROJECT SPONSOR SELECTION PROCESS

DSHS selects eight Administrative Agencies (AAs) across the state through a combination of competitive Requests for Proposals (RFP) and intergovernmental agency contracts. The AAs act as an administrative arm for DSHS by administering the HOPWA program locally for a five year project period. This period is concurrent with the Ryan White Part B grant period, which delivers case management and other supportive services to HOPWA clients.

These AAs in turn select HOPWA Project Sponsors through local competitive processes that are open to all grassroots, faith-based, community-based organizations, and governmental agencies. Each AA contracts with one or more Project Sponsors who directly provide HOPWA services to eligible clients throughout the state's 26 HSDAs. Some Project Sponsors may change during 2009 due to local competitive processes.

PROGRAM BUDGET

DSHS reserves three percent of the total award for administrative and indirect costs, including, personnel, supplies, travel, training/technical assistance, and contractual support for ARIES. Project Sponsors are allowed up to seven percent of their allocation for personnel or other administrative costs. The funding allocation is distributed geographically by HSDA and is based on a formula including HIV/AIDS morbidity, poverty level, and population distribution with annual adjustments for project sponsor funding needs.

The 2009 HOPWA Program budget based on level-funding of the 2008 grant award of $2,841,000 and unexpended prior year funds is allocated as follows:

DSHS administration (3%) $85,230
(indirect costs, personnel, supplies, travel, training/technical assistance, contractual support for ARIES)

Contractual $3,051,000
- TBRA $TBD
- STRMU $TBD
- Supportive Services $TBD
- Permanent Housing Placement $TBD
- Project Sponsor Administration (7%) $TBD

GEOGRAPHIC DISTRIBUTION

The funding allocations are geographically distributed across the state to the 26 HSDAs, excluding 35 counties located in the Eligible Metropolitan Areas (EMAs) that receive direct HOPWA funding from HUD. The 35 counties in the five directly-funded EMAs of Austin, Dallas, Fort Worth, Houston, and San Antonio are as follows: Bastrop, Caldwell, Hays, Travis, Williamson, Collin, Dallas, Delta, Denton, Ellis, Hunt, Kaufman, Rockwall, Johnson, Parker, Tarrant, Wise, Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto, Waller, Atascosa, Bandera, Bexar, Comal, Guadalupe, Kendall, Medina, and Wilson.

Administrative Agencies and Project Sponsors

The following chart summarizes the estimated 2009 HOPWA funding allocation for the eight AAs and their 26 Project Sponsors/HSDAs. DSHS distributes funding in excess of the HUD grant award to spend down unobligated balances from previous years. The 2009 funding allocations are estimates based on 2008 funding levels, program expenditures, and waiting lists and may change as the 2009 HUD award is received and contracts are negotiated.

Administrative Agency	2009 funding allocation	Project Sponsor/HSDA	2009 funding allocation
Bexar County	198,000	Alamo Area Resource Center/San Antonio	91,000
		United Medical Centers/Uvalde	28,000
		Victoria City-County Health Department/Victoria	79,000

Brazos Valley Council of Governments P.O. Box 4128 Bryan, TX 77805-4128	258,000	Community Action, Inc./Austin	25,000
		San Angelo AIDS Foundation/Concho-Plateau	53,000
		United Way of the Greater Fort Hood Area/Temple-Killeen	35,000
		Project Unity/Bryan-College Station	67,000
		Waco/McLennan County Public Health District/Waco	78,000
Dallas County HHSD 2377 North Stemmons Frwy., Ste. 600 Dallas, TX 75207-2710	57,000	Dallas County Health and Human Services -HOPWA Program/Dallas	2,000
		Your Health Clinic/Sherman-Dennison	55,000
Houston Regional Resource Group 500 Lovett Boulevard, Ste. 100 Houston, TX 77006	749,000	AIDS Coalition of Coastal Texas/Galveston	20,000
		AIDS Foundation of Houston/Houston	30,000
		Health Horizons/Lufkin	149,000
		Special Health Resources for Texas, Inc. Longview/Tyler	322,000
		Special Health Resources for Texas, Inc. Paris/Texarkana	105,000
		Triangle AIDS Network/Beaumont-Port Arthur	123,000
Lubbock Regional MHMR Center P.O. Box 2828 1602 Tenth St. Lubbock, TX 79408-2828	340,000	Panhandle AIDS Service Organization/Amarillo	120,000
		Permian Basin Community Center/Permian-Basin	125,000
		Planned Parenthood Association of Lubbock/Lubbock	95,000
Planned Parenthood Center of El Paso 1801 Wyoming Avenue, Ste. 202 El Paso, TX 79902	506,000	Planned Parenthood Center of El Paso/El Paso	360,815
South Texas Development Council (STDC) P.O. Box 2187 4812 North Bartlett Laredo, TX 78044-2187	770,000	City of Laredo Health Department/Laredo	105,000
		Coastal Bend AIDS Foundation/Corpus Christi	320,000
		Valley AIDS Council/Brownsville	345,000
Tarrant County Health Department 1101 South Main St., Ste. 2500 Fort Worth, TX 76104-4802	173,000	AIDS Resources of Rural Texas – Abilene/Abilene	60,000
		AIDS Resources of Rural Texas – Weatherford/Fort Worth	55,000
		Wichita Falls Wichita County Health Department/Wichita Falls	58,000
Total	3,051,000		3,051,000

CLIENT PARTICIPATION

Clients participate in shaping local approaches to meeting housing needs in three ways:

All areas conduct periodic needs assessment of client needs, and assessment of housing needs are included in such assessments. These assessments vary in methodology and depth with which housing needs are explored, which is appropriate given the varying needs for housing assistance in various areas of the state. Additionally, all Ryan White Part A councils in Texas have either completed special assessments of homeless persons or persons at risk for homelessness, or will be completing such assessments within the next year. Assessments in all EMAs are joint Ryan White Part A and Part B assessments.

All planning areas in the state must have ways for community members, including clients, to have input into local priorities, allocations, and plans. All plans include discussions of how best to deliver services to meet the needs identified in assessments, and plans that prioritize expenditures on housing or identify housing needs that would include discussions of how best to meet these needs. Plans are written on three to four year cycles, but reviewed annually.

Finally, clients shape housing services via direct interactions with service providers. Through the intake system, HIV/AIDS clients are informed about the HOPWA program, assisted with the application, or referred directly to the HOPWA Project Sponsor. Clients' housing needs are also assessed regularly with case managers as circumstances change and as determined by clients' housing plans.

OUTCOME MEASURES

DSHS HOPWA contractors must address the following outcomes pursuant to the new performance measurement outcome system mandated by HUD:

Annual Action Plan - Planned Project Results			
Outcomes and Objectives	**Performance Indicators**	**Expected Number**	**Activity Description**
DH-2	# of households served	550	TBRA housing assistance
DH-2	# of households served	700	STRMU housing assistance
DH-2	# of households served	1250[3]	Supportive Services (restricted to case mgt., smoke detectors, and phone service)
DH-1	# of households served	20	Permanent Housing Placement (security deposits, application fees, credit checks)
Key	Availability/Acessibility	Affordability	Sustainability
Decent Housing	DH-1	DH-2	DH-3

[3] This is based on total TBRA and STRMU households expected to be served. All HOPWA households are expected to receive case management services funded by multiple funding streams, including Ryan White, HOPWA, and other leveraged resources.

APPENDIX A:
STANDARD FORM 424 AND STATE CERTIFICATIONS

The forms and certifications will be included in the final version of the Action Plan to be sent to HUD.

APPENDIX B:
ACTION PLAN REQUIREMENTS

§ 91.320 Action Plan

The action plan must include the following:

(a) Standard Form 424;

(b) A concise executive summary that includes the objectives and outcomes identified in the plan as well as an evaluation of past performance, a summary of the citizen participation and consultation process (including efforts to broaden public participation) (24 CFR 91.300 (b)), a summary of comments or views, and a summary of comments or views not accepted and the reasons therefore (24 CFR 91.115 (b)(5)).

(c) Resources and objectives--(1) Federal resources. The consolidated plan must provide a concise summary of the federal resources expected to be made available. These resources include grant funds and program income.

(2) Other resources. The consolidated plan must indicate resources from private and non-federal public sources that are reasonably expected to be made available to address the needs identified in the plan. The plan must explain how federal funds will leverage those additional resources, including a description of how matching requirements of the HUD programs will be satisfied. Where the state deems it appropriate, it may indicate publicly owned land or property located within the state that may be used to carry out the purposes identified in the plan;

(3) Annual objectives. The consolidated plan must contain a summary of the annual objectives the state expects to achieve during the forthcoming program year.

(d) Activities. A description of the state's method for distributing funds to local governments and nonprofit organizations to carry out activities, or the activities to be undertaken by the state, using funds that are expected to be received under formula allocations (and related program income) and other HUD assistance during the program year, the reasons for the allocation priorities, how the proposed distribution of funds will address the priority needs and specific objectives described in the consolidated plan, and any obstacles to addressing underserved needs.

(e) Outcome measures. Each state must provide outcome measures for activities included in its action plan in accordance with guidance issued by HUD. For the CDBG program, this would include activities that are likely to be funded as a result of the implementation of the state's method of distribution.

(f) Geographic distribution. A description of the geographic areas of the State (including areas of low-income and minority concentration) in which it will direct assistance during the ensuing program year, giving the rationale for the priorities for allocating investment geographically. When appropriate, the state should estimate the percentage of funds they plan to dedicate to target area(s).

(g) Affordable housing goals. The state must specify one-year goals for the number of households to be provided affordable housing through activities that provide rental assistance, production of new units, rehabilitation of existing units, or acquisition of existing units using funds made available to the state, and one-year goals for the number of homeless, non-homeless, and special-needs households to be provided affordable housing using funds made available to the state. The term affordable housing shall be as defined in 24 CFR 92.252 for rental housing and 24 CFR 92.254 for homeownership.

(h) Homeless and other special needs activities. Activities it plans to undertake during the next year to address emergency shelter and transitional housing needs of homeless individuals and families (including subpopulations), to prevent low-income individuals and families with children (especially those with incomes below 30 percent of median) from becoming homeless, to help homeless persons make the transition to permanent housing and independent living, specific action steps to end chronic homelessness, and to address the special needs of persons who are not homeless identified in accordance with Sec. 91.315(e);

(i) Barriers to affordable housing. Actions it plans to take during the next year to remove or ameliorate the negative effects of public policies that serve as barriers to affordable housing. Such policies, procedures, and processes include but are not limited to: land use controls, tax policies affecting land, zoning ordinances, building codes, fees and charges, growth limitations, and policies affecting the return on residential investment.

(j) Other actions. Actions it plans to take during the next year to implement its strategic plan and address obstacles to meeting underserved needs, foster and maintain affordable housing (including the coordination of Low-Income Housing Tax Credits with the development of affordable housing), evaluate and reduce lead-based paint hazards, reduce the number of poverty level families, develop institutional structure, enhance coordination between public and private housing and social service agencies, address the needs of public housing (including providing financial or other assistance to troubled public housing agencies), and encourage public housing residents to become more involved in management and participate in homeownership.

(k) Program-specific requirements. In addition, the plan must include the following specific information:

(1) CDBG. The action plan must set forth the state's method of distribution.

(i) The method of distribution shall contain a description of all criteria used to select applications from local governments for funding, including the relative importance of the criteria, where applicable. The action plan must include a description of how all CDBG resources will be allocated among funding categories and the threshold factors and grant size limits that are to be applied. The method of distribution must provide sufficient information so that units of general local government will be able to understand and comment on it, understand what criteria and information their application will be judged, and be able to prepare responsive applications. The method of distribution may provide a summary of the selection criteria, provided that all criteria are summarized and the details are set forth in application manuals or other official state publications that are widely distributed to eligible applicants. HUD may monitor the method of distribution as part of its audit and review responsibilities, as provided in Sec. 570.493(a)(1), in order to determine compliance with program requirements.

(ii) If the state intends to help nonentitlement units of general local government apply for guaranteed loan funds under 24 CFR part 570, subpart M, it must describe available guarantee amounts and how applications will be selected for assistance. If a state elects to allow units of general local government to carry out community revitalization strategies, the method of distribution shall reflect the state's process and criteria for approving local government's revitalization strategies.

(2) HOME. (i) The state shall describe other forms of investment that are not described in 24 CFR 92.205(b).

(ii) If the state intends to use HOME funds for homebuyers, it must state the guidelines for resale or recapture, as required in 24 CFR 92.254.

(iii) If the state intends to use HOME funds to refinance existing debt secured by multifamily housing that is being rehabilitated with HOME funds, it must state its refinancing guidelines required under 24 CFR 92.206(b). The guidelines shall describe the conditions under which the state will refinance existing debt. At minimum, the guidelines must:

(A) Demonstrate that rehabilitation is the primary eligible activity and ensure that this requirement is met by establishing a minimum level of rehabilitation per unit or a required ratio between rehabilitation and refinancing.

(B) Require a review of management practices to demonstrate that disinvestment in the property has not occurred; that the long-term needs of the project can be met; and that the feasibility of serving the targeted population over an extended affordability period can be demonstrated.

(C) State whether the new investment is being made to maintain current affordable units, create additional affordable units, or both.

(D) Specify the required period of affordability, whether it is the minimum 15 years or longer.

(E) Specify whether the investment of HOME funds may be state-wide or limited to a specific geographic area, such as a community identified in a neighborhood revitalization strategy under 24 CFR 91.315(g), or a federally designated Empowerment Zone or Enterprise Community.

(F) State that HOME funds cannot be used to refinance multifamily loans made or insured by any federal program, including the CDBG program.

(iv) If the state will receive funding under the American Dream Downpayment Initiative (ADDI) (see 24 CFR part 92, subpart M), it must include:

(A) A description of the planned use of the ADDI funds;

(B) A plan for conducting targeted outreach to residents and tenants of public and manufactured housing and to other families assisted by public housing agencies, for the purposes of ensuring that the ADDI funds are used to provide downpayment assistance for such residents, tenants, and families; and

(C) A description of the actions to be taken to ensure the suitability of families receiving ADDI funds to undertake and maintain homeownership, such as provision of housing counseling to homebuyers.

(3) ESG. The state shall identify the process for awarding grants to state recipients and a description of how the state intends to make its allocation available to units of local government and nonprofit organizations (including community and faith-based organizations).

(4) HOPWA. For HOPWA funds, the state must specify one-year goals for the number of households to be provided housing through the use of HOPWA activities for short-term rent; mortgage and utility assistance

payments to prevent homelessness of the individual or family; tenant-based rental assistance; and units provided in housing facilities that are being developed, leased or operated with HOPWA funds, and shall identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations).

[71 FR 6969, Feb. 9, 2006]

HOUSING RESOURCE CENTER

BOARD ACTION REQUEST
September 3 & 4, 2008

Action Item

Presentation, Discussion and Possible Approval of the *2009 Regional Allocation Formula (RAF) Methodology (Draft for Public Comment)*

Requested Action

Approval of the release of the *2009 RAF Methodology (Draft for Public Comment).*

- See Attachment A for a Summary of Proposed Revisions to the RAF Methodology for 2009.
- See Attachment B for the 2009 Proposed RAF Distribution for the HOME, Housing Tax Credit (HTC) and Housing Trust Fund programs. Note that these figures will change in the final version of the RAF based on updated data on other housing resources and updated population estimates.
- See Attachment C for the *2009 RAF Methodology (Draft for Public Comment)* that will be released for public comment. For the Board's convenience, changes from the final 2008 RAF methodology are shown as a black line.

Background

§2306.111(d) of the Texas Government Code requires that the Department use a Regional Allocation Formula (RAF) to allocate its HOME, Housing Trust Fund (HTF), and Housing Tax Credit (HTC) funding. This RAF objectively measures the affordable housing need and available resources in 13 State Service Regions used for planning purposes. The RAF also allocates funding to rural and urban areas within each region.

As a dynamic measure of need, the RAF is revised annually to reflect updated data; respond to public comment; and better assess regional housing needs and available resources. The RAF provides for the statewide distribution of scarce affordable housing dollars to meet widely varying types and levels of need. With this in mind, the Department relies on statutory direction and reasonably interprets a formula for delivery of these scarce resources. As regional demands for affordable housing resources grow, so does the pressure to revise the formula to try to address particular concerns. Over the course of the year, the Department received informal comments on ways to change the formula. It is anticipated that some of these will be formally submitted and further evaluated by the Department during the public comment period.

The HOME, HTC and HTF RAFs use slightly different formulas because the programs have different eligible activities, households, and geographical service areas. §2306.111(c) of the Texas Government Code requires that 95 percent of HOME funding be set aside for non-participating jurisdictions (non-PJs). Therefore, the HOME RAF only uses need and available resource data for non-PJs.

Following the public comment period from September 19 through October 20, 2008, the final methodology will be presented to the Board in November. The detailed final methodology is published on the TDHCA website. The RAF's resulting funding distribution is published in the State Low Income Housing Plan and Annual Report.

Recommendation

It is recommended that the Board approve the release of the *2009 RAF Methodology (Draft for Public Comment).*

ATTACHMENT A
SUMMARY OF PROPOSED REVISIONS TO THE RAF METHODOLOGY

Population Estimates Update

The affordable housing need factors based on 2000 U.S. Census data (poverty, cost burdened households, overcrowded households, and units with incomplete kitchen or bathroom facilities) are adjusted to current year estimates by applying a growth factor. The growth factor is calculated based on the population growth experienced since the decennial census.

The 2009 draft RAF distribution in Attachment B utilizes the most current growth data available at the time of calculations: the January 1, 2007 population estimates from the Texas State Data Center. The methodology for the Texas State Data Center projections can be found at http://txsdc.utsa.edu/tpepp/txpopest.php. Staff recommends that the 2009 final RAF methodology and distribution utilize a more precise data set for population estimates that includes household and population data by income level and tenure (renter or owner). HISTA (Households by Income, Size, Tenure and Age) data is demographic data based on the 2000 U.S. Census with estimates and projected provided by Claritas, a leading demographics data provider widely used by market analysts. More information on HISTA data can be found at: http://www.ribbondata.com/abouthista.asp.

The proposed methodology will have <u>no negative impact</u> on the amount of statewide housing tax credit rural allocation due to statutory rural minimums of $500,000 per region and 20% of the overall state tax credit ceiling. The regions that have experienced growth since 2000, including regions 3, 6, 7, 9, and 11 show an increase in regional allocation ranging from 0.1% to 1.3%. The regions with declining population show a regional allocation decrease of 0.7% or lower. Regions 1, 4, 5, 10, and 11 show a decrease in the rural allocation.

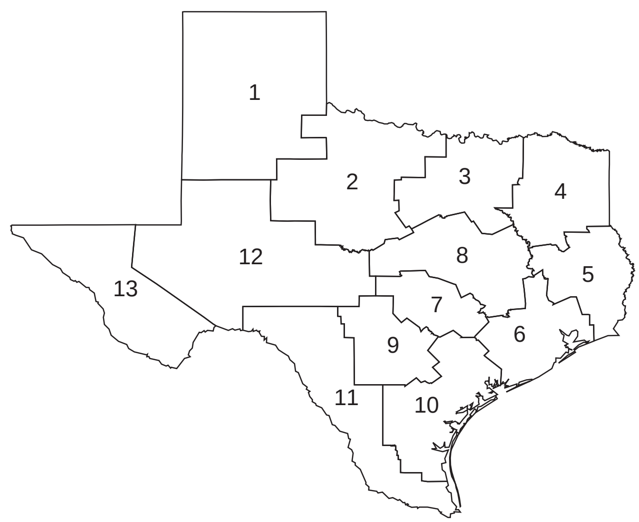

Figure 1. State Service Regions

ATTACHMENT B
2009 DRAFT RAF DISTRIBUTION FOR THE HTC, HOME AND HTF PROGRAMS

Note that shifts in the regional and allocation amounts should be expected in the draft version published for public comment and the final version of the regional allocation formula after current data is incorporated into the formula. Also note that Board actions, including forward commitments, may alter the total amount available for distribution in each region and subregion during the 2009 housing tax credit cycle.

2009 HTC RAF - Draft

Region	Place for Geographical Reference	Regional Funding Amount	Regional Funding %	Rural Funding Amount	Rural Funding %	Urban Funding Amount	Urban Funding %
1	Lubbock	$1,709,619	4.3%	$900,972	52.7%	$808,646	47.3%
2	Abilene	$929,538	2.3%	$520,428	56.0%	$409,110	44.0%
3	Dallas/Fort Worth	$8,605,728	21.5%	$775,493	9.0%	$7,830,235	91.0%
4	Tyler	$1,494,197	3.7%	$888,978	59.5%	$605,219	40.5%
5	Beaumont	$901,928	2.3%	$596,950	66.2%	$304,978	33.8%
6	Houston	$9,672,876	24.2%	$824,011	8.5%	$8,848,865	91.5%
7	Austin/Round Rock	$2,628,924	6.6%	$540,114	20.5%	$2,088,810	79.5%
8	Waco	$2,362,366	5.9%	$627,799	26.6%	$1,734,567	73.4%
9	San Antonio	$2,720,368	6.8%	$551,179	20.3%	$2,169,189	79.7%
10	Corpus Christi	$1,372,782	3.4%	$537,926	39.2%	$834,856	60.8%
11	Brownsville/Harlingen	$5,195,872	13.0%	$1,573,364	30.3%	$3,622,508	69.7%
12	San Angelo	$959,561	2.4%	$525,042	54.7%	$434,519	45.3%
13	El Paso	$1,409,472	3.5%	$540,856	38.4%	$868,616	61.6%
	Total	$39,963,231	100.0%	$9,403,113	23.5%	$30,560,118	76.5%

Rural Percent of Tax Credit Ceiling Amount: 20%

The final amount of rural funding for the HTC RAF was adjusted using the following steps. Step One: Regions with less than $500,000 rural funding were adjusted up to $500,000. Step Two: The rural percentage of the total tax credit ceiling amount was calculated and if the rural percentage was less than 20 percent, the rural amount for each region was increased at a rate equal to their regional funding percentage until the overall state rural percentage reached 20 percent.

2009 HOME RAF - Draft

Region	Large MSA w/in Region for Geographical Reference	Regional Funding Amount	Regional Funding %	Rural Funding Amount	Rural Funding %	Urban Funding Amount	Urban Funding %
1	Lubbock	$2,036,866	6.0%	$2,036,536	100.0%	$330	0.0%
2	Abilene	$1,136,259	3.3%	$1,113,703	98.0%	$22,556	2.0%
3	Dallas/Fort Worth	$6,080,791	17.8%	$1,867,007	30.7%	$4,213,784	69.3%
4	Tyler	$3,772,678	11.0%	$3,321,462	88.0%	$451,216	12.0%
5	Beaumont	$1,823,039	5.3%	$1,660,705	91.1%	$162,334	8.9%
6	Houston	$2,547,439	7.4%	$762,140	29.9%	$1,785,300	70.1%
7	Austin/Round Rock	$1,834,882	5.4%	$729,941	39.8%	$1,104,941	60.2%
8	Waco	$1,141,113	3.3%	$787,096	69.0%	$354,017	31.0%
9	San Antonio	$1,898,560	5.6%	$1,120,371	59.0%	$778,189	41.0%
10	Corpus Christi	$2,165,170	6.3%	$1,500,528	69.3%	$664,642	30.7%
11	Brownsville/Harlingen	$6,911,866	20.2%	$3,960,452	57.3%	$2,951,414	42.7%
12	San Angelo	$1,833,151	5.4%	$701,636	38.3%	$1,131,515	61.7%
13	El Paso	$1,018,185	3.0%	$682,199	67.0%	$335,986	33.0%
	Total	$34,200,000	100.0%	$20,243,776	59.2%	$13,956,223	40.8%

2009 HTF RAF - Draft

Region	Large MSA w/in Region for Geographical Reference	Regional Funding Amount	Regional Funding %	Rural Funding Amount	Rural Funding %	Urban Funding Amount	Urban Funding %
1	Lubbock	$132,478	4.4%	$79,599	60.1%	$52,880	39.9%
2	Abilene	$51,004	1.7%	$32,235	63.2%	$18,769	36.8%
3	Dallas/Fort Worth	$665,670	22.2%	$46,291	7.0%	$619,379	93.0%
4	Tyler	$163,866	5.5%	$99,986	61.0%	$63,880	39.0%
5	Beaumont	$59,534	2.0%	$39,289	66.0%	$20,246	34.0%
6	Houston	$617,758	20.6%	$43,126	7.0%	$574,632	93.0%
7	Austin/Round Rock	$118,772	4.0%	$9,560	8.0%	$109,212	92.0%
8	Waco	$149,179	5.0%	$44,904	30.1%	$104,275	69.9%
9	San Antonio	$208,248	6.9%	$29,688	14.3%	$178,560	85.7%
10	Corpus Christi	$123,584	4.1%	$46,483	37.6%	$77,101	62.4%
11	Brownsville/Harlingen	$517,663	17.3%	$169,823	32.8%	$347,840	67.2%
12	San Angelo	$86,695	2.9%	$30,950	35.7%	$55,746	64.3%
13	El Paso	$105,548	3.5%	$15,588	14.8%	$89,960	85.2%
	Total	$3,000,000	100.0%	$687,522	22.9%	$2,312,478	77.1%

~~2008~~ 2009 REGIONAL ALLOCATION FORMULA METHODOLOGY
DRAFT FOR PUBLIC COMMENT

BACKGROUND

Sections 2306.111(d) and 2306.1115 of the Texas Government Code require that TDHCA use a Regional Allocation Formula (RAF) to allocate its HOME, Housing Trust Fund (HTF), and Housing Tax Credit (HTC) funding. This RAF objectively measures the affordable housing need and available resources in 13 State Service Regions used for planning purposes. These regions are shown in "Figure 1. State Service Regions." The RAF also allocates funding to rural and urban areas within each region.

As a dynamic measure of need, the RAF is revised annually to reflect updated demographic and resource data; respond to public comment; and better assess regional housing needs and available resources. The RAF is submitted annually for public comment.

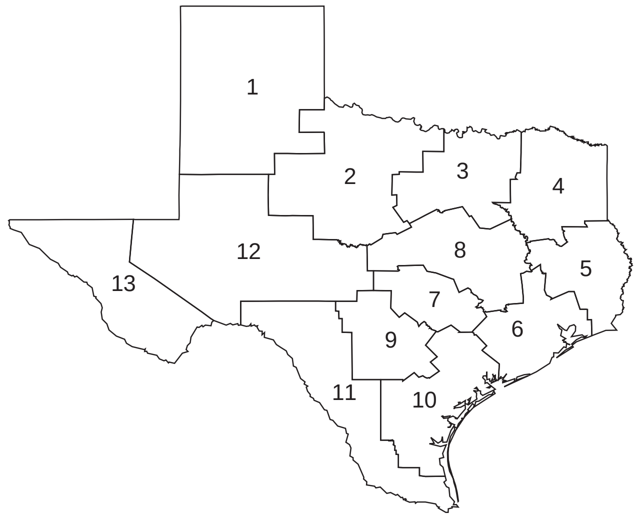

Figure 1. State Service Regions

The HOME, HTF and HTC RAFs use slightly different formulas because the programs have different eligible activities, households, and geographical service areas. §2306.111(c) of the Texas Government Code requires that 95 percent of HOME funding be set aside for non-participating jurisdictions (non-PJs). Therefore, the HOME RAF only uses need and available resource data for non-PJs.

METHODOLOGY

Consideration of Affordable Housing Need

The first part of the RAF determines the funding allocation based solely on objective measures of each region's share of the State's affordable housing need. The RAF uses the following 2000 US Census data to calculate this regional need distribution.

- Poverty: Number of persons in the region who live in poverty.
- Cost Burden: Number of households with a monthly gross rent or mortgage payment to monthly household income ratio that exceeds 30 percent.
- Overcrowded Units: Number of occupied units with more than one person per room.
- Units with Incomplete Kitchen or Plumbing: Number of occupied units that do not have all of the following: sink with piped water; range or cook top and oven; refrigerator, hot and cold piped water, flush toilet, and bathtub or shower.

Non-poverty data is for households at or below 80% of the Area Median Family Income (AMFI).

- Because the HTC program supports rental development activities, renter household data is used for the HTC RAF.
- Because the HOME and HTF programs support renter and owner activities, both renter and owner data is used in the HOME and HTF RAFs.

The following steps are used to measure regional need.

1. Need data is adjusted to current year levels by applying a growth factor based on the growth experienced since 2000.[1]

~~1.~~2. Each need measure is weighted to reflect its perceived relevance in assessing affordable housing need. Half the measure weight is associated with poverty because of the significant number of persons in poverty and the use of this factor in the HUD Community Planning and Development Program Formula Allocations. The remaining measure weight is proportionately allocated based on the relative size of the other three measure populations. The resulting need measure weights are: poverty = 50 percent, cost burden = 36 percent, overcrowding = 12 percent, and substandard housing = 2 percent.

~~2.~~3. The following steps calculate the funding distribution based on the need measures.

   a. The total RAF funding amount is multiplied by each need measure weight to determine the amount of funding distributed by that measure.

   b. Each measure's amount of funding is regionally distributed based on the distribution of persons or households in need.

~~3.~~4. The resulting regional measure distributions are then combined to calculate each region's need-based funding amount.

~~4.~~5. Each region's need based funding amount is divided by the total RAF funding amount. This quotient is the region's need percentage.

Consideration of Available Housing Resources
In addition to TDHCA, there are many other sources of funding that address affordable housing needs. To mitigate any inherent inequities in the way these resources are regionally allocated, the RAF compares each region's level of need to its level of resources.

Because the resources used in the RAF reflect the three programs' eligible households and activities, the following data is used.

- The HTC RAF uses rental funding sources.
- The HTF RAF uses sources of rental and owner funding.
- The HOME RAF uses sources of rental and owner funding in non-PJs.

The following resources are used in the HOME, HTF and HTC RAFs.

- Housing Tax Credits (4% and 9%)[2]
- Housing Trust Fund Rental Development Funding
- HUD HOME Funds (TDHCA and Participating Jurisdiction)
- HUD Housing for Persons with AIDS Funding
- HUD Public Housing Authority (PHA) Capital Funding

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1 The most current and accurate data available at the time of publishing the draft methodology is 2007 population estimates by place and county from the Texas State Data Center. The 2008 HISTA data, or Households by Income, Size, Tenure and Age, from Ribbon Demographics will be available for the RAF methodology to be approved by the Board in November. HISTA data is based upon special tabulations of 2000 US Census data with demographic projections by Claritas.

2 Estimated capital raised through the syndication of the HTCs. For the Draft Methodology, this figure is $0.80 based upon a survey of HTC applicants.

- HUD §8 Tenant-Based Rental Assistance (TDHCA & PHA)
- Multifamily Texas Housing Trust Fund
- Multifamily Tax-Exempt Bond Financing[3]
- United States Department of Agriculture (USDA) Multifamily Development Funding
- USDA Rental Assistance

The HOME and HTF RAFs also include the following sources of owner funding.

- USDA 502 and 504 Loans and Grants
- Single Family Bond Financing (TDHCA and Housing Finance Corporations)

These steps calculate the regional distribution of available housing resources.

1. The available resources are summed by region and for the state. The resulting sums are the regional and state resource totals.
2. The regional resource total is divided by the state resource total. This quotient is the region's resource percentage.

Comparison of Regional Need and Available Resource Distributions

In theory, if the measurement of regional need is accurate, then the region's need percentage should reflect its resource percentage. A region with a negative resource and need difference is considered to be "under allocated." This region should have received a larger portion of the available resources to address their need. Similarly, a region with a positive difference is considered "over allocated." Conversely, it should have received a smaller portion of the available resources.

To address differences between the regional need and resource distributions, the RAF uses a resource funding adjustment to shift a portion of the need based funding distribution from over allocated to under allocated regions.

A resource funding adjustment limit is used to ensure that a particular region or geographical area is not overly penalized or benefited by the resource funding adjustments. A region's need based funding amount cannot be reduced or increased by more than the percentage of the state's available resources that are not already regionally distributed. This percentage is calculated by finding the average difference between each funding source's regional distribution and the regional need percentages. Sources whose average of the regional differences exceeds five percent or that are not distributed to all regions are included in the resource funding adjustment limit.

The following steps calculate the resource funding adjustments.

1. The regional resource percentage and regional need percentage differences are calculated.
2. The resulting over allocated (positive) resource differences are summed to calculate the state resource difference.
3. The state resource difference is multiplied by the total RAF funding. This product is the state over allocated resource amount.
4. Each over allocated resource difference is divided by the state resource difference. This quotient is the over allocation percentage.

[3] The value of the bonds is 62 percent of the total bond amount. This is an estimate of the capital required to fill an affordability gap that remains after the capital raised through the syndication of the 4% HTCs is deducted from the total development cost. The Final RAF will utilize the most current data available on closed bond transactions.

5. Each over allocation percentage is multiplied by the state over allocated resource amount to determine the base resource funding adjustment.
6. The region's need based funding amount is multiplied by the resource funding adjustment limit. This product is the maximum resource funding adjustment.
7. The lesser of the base resource funding adjustment and the maximum resource funding adjustment is the over allocated region's resource funding adjustment.
8. The over allocated regions' resource funding adjustments are summed. This total is the state under allocated resource amount.
9. Each under allocated (negative) resource difference is divided by the state resource difference to determine the under allocation percentage.
10. Each under allocation percentage is multiplied by the state under allocated resource amount. This product is the under allocated region's resource funding adjustment.

Consideration of Rural and Urban Need[4]

There are a number of factors that affect the distribution of resources to rural and urban areas. These include rural area feasible development sizes, allowable rent and income levels, and proximity to developers, contractors, and materials. Access to resources is also an issue because some funding, such as multifamily tax-exempt bond financing, does not work very well in rural areas. As required by §2306.111(d) of the Texas Government Code, to ensure an equitable distribution of funding to both rural and urban areas, the RAF analyzes the distribution of rural and urban need and resources at the regional level.

The RAF uses the following definitions to categorize rural and urban areas.

1. Area - The geographic area contained within the boundaries of:
   a. an incorporated place, or
   b. a Census Designated Place (CDP) as established by the U.S. Census Bureau for the most recent Decennial Census.
2. Rural – An Area that is:
   a. outside the boundaries of a metropolitan statistical area (MSA); or
   b. within the boundaries of a MSA, if the Area has a population of 25,000[5] or less and does not share a boundary with an Urban Area.[6]
   c. in an Area that is eligible for funding by the Texas Rural Development Office of the United States Department of Agriculture, other than an Area that is located in a municipality with a population of more than 50,000.[7]

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[4] §2306.111(d) requires the RAF to consider "rural and urban areas" in its distribution of program funding.

[5] The definition of "population" in state law (Sec. 311.005(3), Government Code) is "the population shown by the most recent federal decennial census." Because of this requirement, the decennial census place population must be used to make the area type determination.

[6] Applicants may petition TDHCA to update the "Rural" designation of an incorporated area within a metropolitan statistical area by providing a letter from a local official. Such letter must clearly indicate that the area's incorporated boundary touches the boundary of another incorporated area with a population of over 25,000. To treat all applicants equitably, such letter must be provided to TDHCA prior to the commencement of the pre-application submission period for HTC applications, or application submission period for HOME applications.

7 TDHCA utilizes the most recent list of designated places produced by the Texas USDA Rural Development State Office. Applicants may petition TDHCA to update the "Rural" designation of an area by providing a letter from a USDA Rural Development official clearly stating that the area is eligible for funding by USDA Rural Development. To treat all applicants equitably, such letter must be provided to TDHCA prior to the commencement of the pre-application submission period for HTC applications, or application submission period for HOME applications.

3. Urban – An Area that:
   a. is located within the boundaries of a metropolitan statistical area (MSA); or
   b. does not meet the Rural Area definition.

Measuring Rural and Urban Affordable Housing Need
The following steps calculate the level of need in rural and urban areas.

1. Need data are adjusted to current year levels by applying a growth factor based on the growth experienced since 2000.

~~1.~~2. The same need measure weights used to determine the regional need distribution are multiplied by the region's funding amount. This product is the measure funding amount.

~~2.~~3. Area level measure data is identified as being rural or urban based on the RAF area definitions.

~~3.~~4. Using the coded area data, each measure's affected number of rural and urban persons or households in the region is calculated.

~~4.~~5. The corresponding measure rural and urban percentages are calculated.

~~5.~~6. For each measure, the regional funding amount is multiplied by the measure rural and urban percentages to calculate the rural and urban measure funding amounts.

~~6.~~7. The rural and urban measure funding amounts are summed for the measures. These totals are the region's rural and urban need based funding amounts.

~~7.~~8. The region's rural and urban need based funding amounts are divided by the region's total funding amount. These quotients provide the region's rural and urban need percentages.

Measuring Rural and Urban Available Resources
The following steps calculate the Rural and Urban distribution of available housing resources.

1. The geographically coded area data is summed to calculate regional rural and urban resource totals. Funding allocated at the county level is proportionately distributed based on the percentage split between rural and urban areas within the county. The resulting totals are the rural and urban resource totals.
2. The corresponding regional rural and urban resource percentages are calculated.

Rural and Urban Available Resources Funding Adjustment
The following steps calculate the rural and urban area resource funding adjustments.

1. The differences between the rural and urban resource percentages and rural and urban need percentages are calculated. The resulting differences show which of the two areas (rural or urban) were over or under allocated.
2. Each over allocated (positive) area resource difference is multiplied by the region's funding amount. For example, if the urban area is over allocated, then the difference is multiplied by the Regional Funding Amount. The resulting product is the area's base resource funding adjustment.
3. The over allocated area's need based funding amount is multiplied by the resource funding adjustment limit. This product is the area's maximum resource funding adjustment.
4. The lesser of the area's base resource funding adjustment or the maximum resource funding adjustment is the area's resource funding adjustment.

Rural and Urban Regional Funding Amounts
The area's over allocated resource funding adjustment is subtracted from the over allocated area's need based funding amount and is added to the under allocated area's need based funding amount.

For the HTC RAF, the regional amount of rural funding is adjusted to a minimum of $500,000, if needed, and the overall state rural percentage of the total tax credit ceiling amount is adjusted to a minimum of 20 percent, if needed.

QUESTIONS AND COMMENTS

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Phone: (512) 305-9038 Fax: (512) 469-9606
Mail: TDHCA, P.O. Box 13941, Austin, TX 78711-3941

HOUSING RESOURCE CENTER

BOARD ACTION REQUEST
September 3 & 4, 2008

Action Item

Presentation, Discussion and Possible Approval of the *2009 Affordable Housing Need Score (AHNS) Methodology (Draft for Public Comment)*

Required Action

Approval of the release of the *2009 AHNS Methodology (Draft for Public Comment)* is requested.

- See Attachment A for the proposed *2009 AHNS Methodology (Draft for Public Comment*). For the Board's convenience, changes from the 2009 AHNS methodology are shown as a black line.
- See Attachment B for the Housing Tax Credit (HTC), Housing Trust Fund (HTF), and HOME Scores as generated by the *2009 AHNS Methodology (Draft for Public Comment)*. Note that scores may change in the final version based on updated data available after the end of the state fiscal year.

Background

The AHNS scoring criterion is used to evaluate HOME, HTC, and HTF applications. The formula is submitted annually for public comment. The final methodology and resulting scores are published on the TDHCA website.

While not specifically legislated by the state, the AHNS helps address other need based funding allocation requirements by responding to:

- an IRS Section 42 requirement that the selection criteria used to award the HTC funding must include "housing needs characteristics."
- State Auditor's Office (SAO) and Sunset findings that called for the use of objective, need based criteria to award TDHCA's funding.

Through the AHNS, applicants are encouraged to request funding to serve communities that have a high level of need.

The HOME, HTF, and HTC programs use slightly modified versions of the AHNS because the programs have different eligible activities, households, and geographical areas. Under §2306.111(c) of the Texas Government Code, 95 percent of HOME funding is set aside for non-participating jurisdictions (PJ). Therefore, the HOME AHNS only uses need data for non-PJs.

Updated data on the actual number of households served from the TDHCA central database has been incorporated into this Draft AHNS. Note that the AHN Scores will shift between the draft and final versions as more current data on households served and demographic data become available.

Recommendation

Approval for the release of the *2009 AHNS Methodology (Draft for Public Comment)*.

~~2008~~ 2009 Affordable Housing Needs Score Methodology
DRAFT FOR PUBLIC COMMENT

Background

The AHNS scoring criterion is used to evaluate HOME, Housing Tax Credit (HTC), and Housing Trust Fund (HTF) applications. The formula is submitted annually for public comment. The final version is published in the SLIHP.

While not specifically legislated by the state, the AHNS helps address other need based funding allocation requirements by responding to:

- an IRS Section 42 requirement that the selection criteria used to award the HTC funding must include "housing needs characteristics."
- State Auditor's Office (SAO) and Sunset findings that called for the use of objective, need based criteria to award TDHCA's funding.

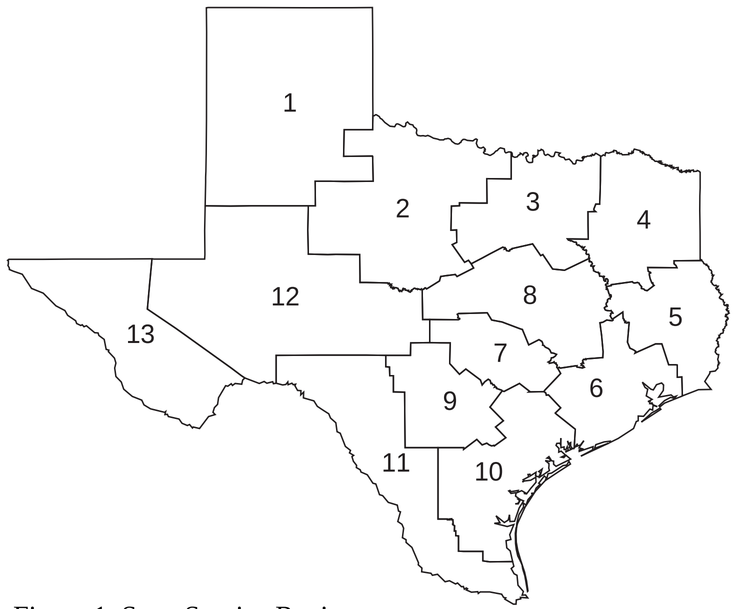

Figure 1. State Service Regions

The AHNS is an extension of the TDHCA Regional Allocation Formula (RAF) in that it provides a comparative assessment of each area's level of need relative to the other areas within its State Service Region. Through the AHNS, applicants are encouraged to request funding to serve communities that have a high level of need.

The HOME, HTF, and HTC programs use slightly modified versions of the AHNS because the programs have different eligible activities, households, and geographical areas. Under §2306.111(c) of the Texas Government Code, at least 95 percent of HOME funding is set aside for non-participating jurisdictions. Therefore, the HOME AHNS only uses need data for non-participating jurisdictions.

Methodology

The following steps measure each area's level of affordable housing need.

1) The Census number of households at or below 80% AMFI with cost burden establishes baseline for each area's number of households in need of housing assistance. The type of household considered for this baseline varies by activity.

  a) Renter data is used for the rental development (RD), tenant based rental assistance (TBRA), and down payment assistance (DPA) scores.

  b) Owner data is used for the owner occupied rehabilitation (OCC) score.

2) For each activity, an adjusted number of households with cost burden is calculated based on the difference between the area's population in the 2000 Census and the most accurate and recent population estimate data available. ~~State Data Center population estimate.~~

3) The number of households assisted using TDHCA funding since the Census was taken (April 1, 2000) is subtracted from the adjusted number of households with cost burden. The resulting number shows the area's estimated remaining need.

  a) For HTC scores, RD activity is used;

b) For HOME and HTF TBRA and RD scores, TBRA[1] and RD activity is used;
c) For HOME and HTF DPA scores, First Time Homebuyer and HOME DPA activity is used; and
d) For HOME and HTF OCC scores, HOME OCC activity is used.

4) The estimated remaining need measure is used to quantify the area's level of need for each scoring activity as measured by the ratio of the area's households in need to the area's total households. This ratio shows the concentration of need within an area.

5) A sliding scale that compares each area's level of need to the region's other areas is used to assign points to each area based on its relative concentration of need (maximum of 6 points).

Rural and Urban Need

Section 2306.111(d) of the Government Code requires the RAF to consider rural and urban areas in its distribution of funds. To assist with this distribution, each area is classified using the RAF's geographic area definitions.

The RAF and AHNS use the following definitions to categorize rural and urban areas.

1. Area - The geographic area contained within the boundaries of:
   a. an incorporated place, or
   b. a Census Designated Place (CDP) as established by the U.S. Census Bureau for the most recent Decennial Census.
2. Rural – An Area that is:
   a. outside the boundaries of a metropolitan statistical area (MSA); or
   b. within the boundaries of a MSA, if the Area has a population of 25,000[2] or less and does not share a boundary with an Urban Area.[3]
   c. in an Area that is eligible for funding by the Texas Rural Development Office of the United States Department of Agriculture, other than an Area that is located in a municipality with a population of more than 50,000.[4]
3. Urban – An Area that:
   a. is located within the boundaries of a metropolitan statistical area (MSA); or
   b. does not meet the Rural Area definition.

For the HOME program, a county score is used for activities that will serve more than one Area within a county. If multiple counties or Areas in multiple counties will be served by an application, then the county scores will be averaged. Participating Jurisdictions (PJ) receive a score of zero.

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[1] Because of the limited duration of TBRA, a conversion factor was used to equate the value of a voucher to an affordable housing unit. This factor equaled the voucher duration divided by the number of years since the Census. For ~~2007~~2008, this is 2 years/~~7~~ 8 years or an approximate reduction in the number of households in need by ~~29~~ 25 percent for each TBRA voucher.

[2] The definition of "population" in state law (Sec. 311.005(3), Government Code) is "the population shown by the most recent federal decennial census." Because of this requirement, the decennial census place population must be used to make the area type determination.

[3] Applicants may petition TDHCA to update the "Rural" designation of an incorporated area within a metropolitan statistical area by providing a letter from a local official. Such letter must clearly indicate that the area's incorporated boundary touches the boundary of another incorporated area with a population of over 25,000. To treat all applicants equitably, such letter must be provided to TDHCA prior to the commencement of the pre-application submission period for HTC applications, or application submission period for HOME applications.

4 TDHCA utilizes the most recent list of designated places produced by the Texas USDA Rural Development State Office. Applicants may petition TDHCA to update the "Rural" designation of an area by providing a letter from a USDA Rural Development official clearly stating that the area is eligible for funding by USDA Rural Development. To treat all applicants equitably, such letter must be provided to TDHCA prior to the commencement of the pre-application submission period for HTC applications, or application submission period for HOME applications.

Draft 2009 HTC Affordable Housing Need Scores (AHNS) Place Level

(Sorted by Region then Place)

Instructions:
Use this table to determine an application's AHNS:
(1) Locate the row that corresponds to the place where the funds will be used.
(2) Development sites located outside the boundaries of a place (as designated by the U.S. Census) will utilize the score of the place whose boundary is closest to the development site.
All questions relating to scoring an application under the AHN Scoring Component should be submitted in writing to Sharon Gamble via facsimile at (512) 475-0764 or by email at sharon.gamble@tdhca.state.tx.us.

Sorted by Region then Area Name

Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
1	Abernathy	Hale	Rural	4	4	0
1	Adrian	Oldham	Rural	6	6	0
1	Amarillo	Potter	Urban	5	5	0
1	Amherst	Lamb	Rural	4	4	0
1	Anton	Hockley	Rural	3	3	0
1	Bishop Hills	Potter	Rural	3	3	0
1	Booker	Lipscomb	Rural	5	5	0
1	Borger	Hutchinson	Rural	4	4	0
1	Bovina	Parmer	Rural	3	3	0
1	Brownfield	Terry	Rural	6	6	0
1	Buffalo Springs	Lubbock	Rural	4	4	0
1	Cactus	Moore	Rural	3	3	0
1	Canadian	Hemphill	Rural	5	5	0
1	Canyon	Randall	Rural	6	6	0
1	Channing	Hartley	Rural	6	6	0
1	Childress	Childress	Rural	4	4	0
1	Clarendon	Donley	Rural	5	5	0
1	Claude	Armstrong	Rural	6	6	0
1	Crosbyton	Crosby	Rural	5	5	0
1	Dalhart	Dallam	Rural	6	6	0
1	Darrouzett	Lipscomb	Rural	6	6	0
1	Denver City	Yoakum	Rural	4	4	0
1	Dickens	Dickens	Rural	6	6	0
1	Dimmitt	Castro	Rural	4	4	0
1	Dodson	Collingsworth	Rural	6	6	0
1	Dumas	Moore	Rural	4	4	0
1	Earth	Lamb	Rural	4	4	0
1	Edmonson	Hale	Rural	3	3	0
1	Estelline	Hall	Rural	6	6	0
1	Farwell	Parmer	Rural	6	6	0
1	Floydada	Floyd	Rural	5	5	0
1	Follett	Lipscomb	Rural	3	3	0
1	Friona	Parmer	Rural	5	5	0
1	Fritch	Hutchinson	Rural	5	5	0
1	Groom	Carson	Rural	6	6	0

Draft 2009 HTC Affordable Housing Needs Score

Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
1	Gruver	Hansford	Rural	5	5	0
1	Hale Center	Hale	Rural	5	5	0
1	Happy	Swisher	Rural	4	4	0
1	Hart	Castro	Rural	3	3	0
1	Hartley	Hartley	Rural	4	4	0
1	Hedley	Donley	Rural	6	6	0
1	Hereford	Deaf Smith	Rural	3	3	0
1	Higgins	Lipscomb	Rural	3	3	0
1	Howardwick	Donley	Rural	6	6	0
1	Idalou	Lubbock	Rural	3	3	0
1	Kress	Swisher	Rural	5	5	0
1	Lake Tanglewood	Randall	Rural	6	6	0
1	Lakeview	Hall	Rural	6	6	0
1	Lefors	Gray	Rural	3	3	0
1	Levelland	Hockley	Rural	5	5	0
1	Lipscomb	Lipscomb	Rural	3	3	0
1	Littlefield	Lamb	Rural	6	6	0
1	Lockney	Floyd	Rural	3	3	0
1	Lorenzo	Crosby	Rural	4	4	0
1	Lubbock	Lubbock	Urban	6	6	0
1	Matador	Motley	Rural	4	4	0
1	McLean	Gray	Rural	5	5	0
1	Meadow	Terry	Rural	3	3	0
1	Memphis	Hall	Rural	4	4	0
1	Miami	Roberts	Rural	6	6	0
1	Mobeetie	Wheeler	Rural	3	3	0
1	Morse	Hansford	Rural	4	4	0
1	Morton	Cochran	Rural	3	3	0
1	Muleshoe	Bailey	Rural	3	3	0
1	Nazareth	Castro	Rural	4	4	0
1	New Deal	Lubbock	Rural	5	5	0
1	New Home	Lynn	Rural	4	4	0
1	O'Donnell	Lynn	Rural	3	3	0
1	Olton	Lamb	Rural	3	3	0
1	Opdyke West	Hockley	Rural	4	4	0
1	Palisades	Randall	Rural	5	5	0
1	Pampa	Gray	Rural	4	4	0
1	Panhandle	Carson	Rural	4	4	0
1	Perryton	Ochiltree	Rural	3	3	0
1	Petersburg	Hale	Rural	3	3	0
1	Plains	Yoakum	Rural	4	4	0
1	Plainview	Hale	Rural	4	4	0
1	Post	Garza	Rural	6	6	0
1	Quail	Collingsworth	Rural	3	3	0
1	Quitaque	Briscoe	Rural	6	6	0
1	Ralls	Crosby	Rural	4	4	0
1	Ransom Canyon	Lubbock	Rural	4	4	0
1	Reese Center	Lubbock	Urban	3	3	0
1	Roaring Springs	Motley	Rural	3	3	0

Draft 2009 HTC Affordable Housing Needs Score

Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
1	Ropesville	Hockley	Rural	3	3	0
1	Samnorwood	Collingsworth	Rural	3	3	0
1	Sanford	Hutchinson	Rural	5	5	0
1	Seth Ward	Hale	Rural	5	5	0
1	Shallowater	Lubbock	Rural	6	6	0
1	Shamrock	Wheeler	Rural	5	5	0
1	Silverton	Briscoe	Rural	6	6	0
1	Skellytown	Carson	Rural	3	3	0
1	Slaton	Lubbock	Rural	5	5	0
1	Smyer	Hockley	Rural	4	4	0
1	Spade	Lamb	Rural	5	5	0
1	Spearman	Hansford	Rural	3	3	0
1	Springlake	Lamb	Rural	6	6	0
1	Spur	Dickens	Rural	3	3	0
1	Stinnett	Hutchinson	Rural	5	5	0
1	Stratford	Sherman	Rural	3	3	0
1	Sudan	Lamb	Rural	4	4	0
1	Sundown	Hockley	Rural	4	4	0
1	Sunray	Moore	Rural	4	4	0
1	Tahoka	Lynn	Rural	3	3	0
1	Texhoma	Sherman	Rural	6	6	0
1	Texline	Dallam	Rural	4	4	0
1	Timbercreek Canyon	Randall	Rural	3	3	0
1	Tulia	Swisher	Rural	4	4	0
1	Turkey	Hall	Rural	3	3	0
1	Vega	Oldham	Rural	5	5	0
1	Wellington	Collingsworth	Rural	4	4	0
1	Wellman	Terry	Rural	4	4	0
1	Wheeler	Wheeler	Rural	4	4	0
1	White Deer	Carson	Rural	5	5	0
1	Whiteface	Cochran	Rural	3	3	0
1	Wilson	Lynn	Rural	3	3	0
1	Wolfforth	Lubbock	Rural	5	5	0
2	Abilene	Taylor	Urban	5	5	0
2	Albany	Shackelford	Rural	5	5	0
2	Anson	Jones	Rural	3	3	0
2	Archer City	Archer	Rural	4	4	0
2	Aspermont	Stonewall	Rural	4	4	0
2	Baird	Callahan	Rural	3	3	0
2	Ballinger	Runnels	Rural	6	6	0
2	Bangs	Brown	Rural	5	5	0
2	Bellevue	Clay	Rural	5	5	0
2	Benjamin	Knox	Rural	3	3	0
2	Blackwell	Nolan	Rural	4	4	0
2	Blanket	Brown	Rural	6	6	0
2	Bowie	Montague	Rural	5	5	0
2	Breckenridge	Stephens	Rural	4	4	0
2	Brownwood	Brown	Rural	4	4	0
2	Bryson	Jack	Rural	5	5	0

Draft 2009 HTC Affordable Housing Needs Score

Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
2	Buffalo Gap	Taylor	Rural	4	4	0
2	Burkburnett	Wichita	Rural	5	5	0
2	Byers	Clay	Rural	6	6	0
2	Carbon	Eastland	Rural	3	3	0
2	Chillicothe	Hardeman	Rural	6	6	0
2	Cisco	Eastland	Rural	6	6	0
2	Clyde	Callahan	Rural	5	5	0
2	Coleman	Coleman	Rural	5	5	0
2	Colorado City	Mitchell	Rural	6	6	0
2	Comanche	Comanche	Rural	6	6	0
2	Cross Plains	Callahan	Rural	3	3	0
2	Crowell	Foard	Rural	5	5	0
2	De Leon	Comanche	Rural	5	5	0
2	Dean	Clay	Rural	6	6	0
2	Early	Brown	Rural	4	4	0
2	Eastland	Eastland	Rural	4	4	0
2	Elbert	Throckmorton	Rural	6	6	0
2	Electra	Wichita	Rural	5	5	0
2	Girard	Kent	Rural	3	3	0
2	Goree	Knox	Rural	3	3	0
2	Gorman	Eastland	Rural	3	3	0
2	Graham	Young	Rural	4	4	0
2	Gustine	Comanche	Rural	6	6	0
2	Hamlin	Jones	Rural	4	4	0
2	Haskell	Haskell	Rural	5	5	0
2	Hawley	Jones	Rural	6	6	0
2	Henrietta	Clay	Rural	5	5	0
2	Hermleigh	Scurry	Rural	5	5	0
2	Holliday	Archer	Rural	3	3	0
2	Impact	Taylor	Urban	3	3	0
2	Iowa Park	Wichita	Rural	5	5	0
2	Jacksboro	Jack	Rural	5	5	0
2	Jayton	Kent	Rural	3	3	0
2	Jolly	Clay	Rural	6	6	0
2	Knox City	Knox	Rural	4	4	0
2	Lake Brownwood	Brown	Rural	6	6	0
2	Lakeside City	Archer	Urban	4	4	0
2	Lawn	Taylor	Rural	3	3	0
2	Loraine	Mitchell	Rural	5	5	0
2	Lueders	Jones	Rural	4	4	0
2	Megargel	Archer	Rural	3	3	0
2	Merkel	Taylor	Rural	6	6	0
2	Miles	Runnels	Rural	5	5	0
2	Moran	Shackelford	Rural	4	4	0
2	Munday	Knox	Rural	3	3	0
2	Newcastle	Young	Rural	5	5	0
2	Nocona	Montague	Rural	4	4	0
2	Novice	Coleman	Rural	3	3	0
2	O'Brien	Haskell	Rural	3	3	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
2	Olney	Young	Rural	4	4	0
2	Paducah	Cottle	Rural	4	4	0
2	Petrolia	Clay	Rural	6	6	0
2	Pleasant Valley	Wichita	Urban	6	6	0
2	Potosi	Taylor	Urban	6	6	0
2	Putnam	Callahan	Rural	6	6	0
2	Quanah	Hardeman	Rural	6	6	0
2	Ranger	Eastland	Rural	4	4	0
2	Rising Star	Eastland	Rural	4	4	0
2	Roby	Fisher	Rural	5	5	0
2	Rochester	Haskell	Rural	4	4	0
2	Roscoe	Nolan	Rural	4	4	0
2	Rotan	Fisher	Rural	4	4	0
2	Rule	Haskell	Rural	4	4	0
2	Santa Anna	Coleman	Rural	3	3	0
2	Scotland	Archer	Rural	3	3	0
2	Seymour	Baylor	Rural	4	4	0
2	Snyder	Scurry	Rural	4	4	0
2	St. Jo	Montague	Rural	3	3	0
2	Stamford	Jones	Rural	4	4	0
2	Sunset	Montague	Rural	3	3	0
2	Sweetwater	Nolan	Rural	5	4	-1
2	Throckmorton	Throckmorton	Rural	4	4	0
2	Trent	Taylor	Rural	6	6	0
2	Tuscola	Taylor	Rural	3	3	0
2	Tye	Taylor	Urban	6	6	0
2	Vernon	Wilbarger	Rural	3	3	0
2	Weinert	Haskell	Rural	6	6	0
2	Westbrook	Mitchell	Rural	5	5	0
2	Wichita Falls	Wichita	Urban	4	4	0
2	Windthorst	Archer	Rural	3	3	0
2	Winters	Runnels	Rural	3	3	0
2	Woodson	Throckmorton	Rural	3	3	0
3	Addison	Dallas	Urban	4	4	0
3	Aledo	Parker	Rural	5	5	0
3	Allen	Collin	Urban	5	5	0
3	Alma	Ellis	Rural	6	6	0
3	Alvarado	Johnson	Rural	4	4	0
3	Alvord	Wise	Rural	5	5	0
3	Angus	Navarro	Rural	5	5	0
3	Anna	Collin	Rural	6	6	0
3	Annetta	Parker	Rural	6	6	0
3	Annetta North	Parker	Rural	6	6	0
3	Annetta South	Parker	Rural	6	6	0
3	Argyle	Denton	Urban	4	4	0
3	Arlington	Tarrant	Urban	5	5	0
3	Aubrey	Denton	Rural	6	6	0
3	Aurora	Wise	Rural	6	6	0
3	Azle	Tarrant	Urban	4	4	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
3	Bailey	Fannin	Rural	6	6	0
3	Balch Springs	Dallas	Urban	3	3	0
3	Bardwell	Ellis	Rural	3	3	0
3	Barry	Navarro	Rural	6	6	0
3	Bartonville	Denton	Rural	3	3	0
3	Bedford	Tarrant	Urban	5	5	0
3	Bells	Grayson	Rural	5	5	0
3	Benbrook	Tarrant	Urban	5	5	0
3	Blooming Grove	Navarro	Rural	4	4	0
3	Blue Mound	Tarrant	Urban	4	4	0
3	Blue Ridge	Collin	Rural	5	5	0
3	Bonham	Fannin	Rural	6	6	0
3	Boyd	Wise	Rural	4	4	0
3	Briar	Tarrant	Rural	3	3	0
3	Briaroaks	Johnson	Rural	3	3	0
3	Bridgeport	Wise	Rural	5	5	0
3	Burleson	Johnson	Urban	4	4	0
3	Caddo Mills	Hunt	Rural	6	6	0
3	Callisburg	Cooke	Rural	4	4	0
3	Campbell	Hunt	Rural	5	5	0
3	Carrollton	Denton	Urban	4	4	0
3	Cedar Hill	Dallas	Urban	5	5	0
3	Celeste	Hunt	Rural	3	3	0
3	Celina	Collin	Urban	4	4	0
3	Chico	Wise	Rural	5	5	0
3	Cleburne	Johnson	Urban	3	3	0
3	Cockrell Hill	Dallas	Urban	3	3	0
3	Colleyville	Tarrant	Urban	4	4	0
3	Collinsville	Grayson	Rural	3	3	0
3	Combine	Kaufman	Rural	4	4	0
3	Commerce	Hunt	Rural	6	6	0
3	Cool	Parker	Rural	6	6	0
3	Coppell	Dallas	Urban	4	4	0
3	Copper Canyon	Denton	Urban	6	6	0
3	Corinth	Denton	Urban	3	3	0
3	Corral City	Denton	Rural	3	3	0
3	Corsicana	Navarro	Rural	5	5	0
3	Cottonwood	Kaufman	Rural	3	3	0
3	Crandall	Kaufman	Rural	4	4	0
3	Cross Roads	Denton	Rural	3	3	0
3	Cross Timber	Johnson	Rural	6	6	0
3	Crowley	Tarrant	Urban	5	4	-1
3	Dallas	Dallas	Urban	4	4	0
3	Dalworthington Gardens	Tarrant	Urban	3	3	0
3	Dawson	Navarro	Rural	3	3	0
3	Decatur	Wise	Rural	5	4	-1
3	Denison	Grayson	Urban	4	4	0
3	Denton	Denton	Urban	6	6	0
3	DeSoto	Dallas	Urban	3	3	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
3	Dodd City	Fannin	Rural	6	6	0
3	Dorchester	Grayson	Urban	3	3	0
3	Double Oak	Denton	Urban	6	6	0
3	Dublin	Erath	Rural	4	4	0
3	Duncanville	Dallas	Urban	5	5	0
3	Eagle Mountain	Tarrant	Urban	4	4	0
3	Ector	Fannin	Rural	5	5	0
3	Edgecliff Village	Tarrant	Urban	6	6	0
3	Emhouse	Navarro	Rural	3	3	0
3	Ennis	Ellis	Rural	3	3	0
3	Euless	Tarrant	Urban	4	4	0
3	Eureka	Navarro	Rural	3	3	0
3	Everman	Tarrant	Urban	5	5	0
3	Fairview	Collin	Urban	6	6	0
3	Farmers Branch	Dallas	Urban	3	3	0
3	Farmersville	Collin	Rural	4	4	0
3	Fate	Rockwall	Rural	6	6	0
3	Ferris	Ellis	Rural	4	4	0
3	Flower Mound	Denton	Urban	4	4	0
3	Forest Hill	Tarrant	Urban	3	3	0
3	Forney	Kaufman	Rural	5	5	0
3	Fort Worth	Tarrant	Urban	4	4	0
3	Frisco	Collin	Urban	5	5	0
3	Frost	Navarro	Rural	5	5	0
3	Gainesville	Cooke	Rural	4	4	0
3	Garland	Dallas	Urban	4	4	0
3	Garrett	Ellis	Rural	6	6	0
3	Glen Rose	Somervell	Rural	4	4	0
3	Glenn Heights	Dallas	Urban	5	5	0
3	Godley	Johnson	Rural	6	6	0
3	Goodlow	Navarro	Rural	3	3	0
3	Gordon	Palo Pinto	Rural	6	6	0
3	Graford	Palo Pinto	Rural	4	4	0
3	Granbury	Hood	Rural	5	5	0
3	Grand Prairie	Dallas	Urban	4	4	0
3	Grandview	Johnson	Rural	5	5	0
3	Grapevine	Tarrant	Urban	4	4	0
3	Grays Prairie	Kaufman	Rural	6	6	0
3	Greenville	Hunt	Rural	4	4	0
3	Gunter	Grayson	Rural	5	5	0
3	Hackberry	Denton	Urban	6	6	0
3	Haltom City	Tarrant	Urban	5	5	0
3	Haslet	Tarrant	Urban	4	4	0
3	Hawk Cove	Hunt	Rural	3	3	0
3	Heath	Rockwall	Urban	3	3	0
3	Hebron	Denton	Urban	3	3	0
3	Hickory Creek	Denton	Urban	3	3	0
3	Highland Park	Dallas	Urban	3	3	0
3	Highland Village	Denton	Urban	5	5	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
3	Honey Grove	Fannin	Rural	3	3	0
3	Howe	Grayson	Urban	5	5	0
3	Hudson Oaks	Parker	Rural	6	6	0
3	Hurst	Tarrant	Urban	5	5	0
3	Hutchins	Dallas	Urban	5	5	0
3	Irving	Dallas	Urban	4	4	0
3	Italy	Ellis	Rural	4	4	0
3	Josephine	Collin	Rural	6	6	0
3	Joshua	Johnson	Urban	4	4	0
3	Justin	Denton	Rural	5	5	0
3	Kaufman	Kaufman	Rural	3	3	0
3	Keene	Johnson	Rural	5	5	0
3	Keller	Tarrant	Urban	3	3	0
3	Kemp	Kaufman	Rural	6	6	0
3	Kennedale	Tarrant	Urban	4	4	0
3	Kerens	Navarro	Rural	5	5	0
3	Knollwood	Grayson	Urban	6	6	0
3	Krugerville	Denton	Rural	6	6	0
3	Krum	Denton	Rural	3	3	0
3	Ladonia	Fannin	Rural	3	3	0
3	Lake Bridgeport	Wise	Rural	3	3	0
3	Lake Dallas	Denton	Rural	5	5	0
3	Lake Kiowa	Cooke	Rural	3	3	0
3	Lake Worth	Tarrant	Urban	5	5	0
3	Lakeside (Tarrant)	Tarrant	Urban	6	6	0
3	Lakewood Village	Denton	Rural	6	6	0
3	Lancaster	Dallas	Urban	3	3	0
3	Lavon	Collin	Rural	3	3	0
3	Leonard	Fannin	Rural	5	5	0
3	Lewisville	Denton	Urban	5	5	0
3	Lincoln Park	Denton	Rural	4	4	0
3	Lindsay (Cooke)	Cooke	Rural	4	4	0
3	Lipan	Hood	Rural	3	3	0
3	Little Elm	Denton	Urban	3	3	0
3	Lone Oak	Hunt	Rural	3	3	0
3	Lowry Crossing	Collin	Urban	6	6	0
3	Lucas	Collin	Urban	6	6	0
3	Mabank	Kaufman	Rural	3	3	0
3	Mansfield	Tarrant	Urban	3	3	0
3	Marshall Creek	Denton	Rural	6	6	0
3	Maypearl	Ellis	Rural	5	5	0
3	McKinney	Collin	Urban	4	4	0
3	McLendon-Chisholm	Rockwall	Rural	6	6	0
3	Melissa	Collin	Urban	5	5	0
3	Mesquite	Dallas	Urban	4	4	0
3	Midlothian	Ellis	Urban	4	4	0
3	Mildred	Navarro	Rural	6	6	0
3	Milford	Ellis	Rural	3	3	0
3	Millsap	Parker	Rural	3	3	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
3	Mineral Wells	Palo Pinto	Rural	5	5	0
3	Mingus	Palo Pinto	Rural	6	6	0
3	Mobile City	Rockwall	Rural	4	4	0
3	Muenster	Cooke	Rural	5	5	0
3	Murphy	Collin	Urban	6	6	0
3	Mustang	Navarro	Rural	3	3	0
3	Navarro	Navarro	Rural	3	3	0
3	Nevada	Collin	Rural	3	3	0
3	New Fairview	Wise	Rural	4	4	0
3	New Hope	Collin	Rural	3	3	0
3	Newark	Wise	Rural	6	6	0
3	Neylandville	Hunt	Rural	3	3	0
3	North Richland Hills	Tarrant	Urban	5	5	0
3	Northlake	Denton	Urban	4	4	0
3	Oak Grove	Kaufman	Rural	6	6	0
3	Oak Leaf	Ellis	Rural	6	6	0
3	Oak Point	Denton	Rural	5	5	0
3	Oak Ridge (Cooke)	Cooke	Rural	6	6	0
3	Oak Ridge (Kaufman)	Kaufman	Rural	6	6	0
3	Oak Trail Shores	Hood	Rural	3	3	0
3	Oak Valley	Navarro	Rural	5	5	0
3	Ovilla	Ellis	Urban	6	6	0
3	Palmer	Ellis	Rural	3	3	0
3	Pantego	Tarrant	Urban	3	3	0
3	Paradise	Wise	Rural	6	6	0
3	Parker	Collin	Urban	3	3	0
3	Pecan Acres	Wise	Rural	6	6	0
3	Pecan Hill	Ellis	Rural	5	5	0
3	Pecan Plantation	Hood	Rural	4	4	0
3	Pelican Bay	Tarrant	Rural	5	5	0
3	Pilot Point	Denton	Rural	4	4	0
3	Plano	Collin	Urban	4	4	0
3	Ponder	Denton	Rural	4	4	0
3	Post Oak Bend City	Kaufman	Rural	3	3	0
3	Pottsboro	Grayson	Rural	4	4	0
3	Powell	Navarro	Rural	3	3	0
3	Princeton	Collin	Urban	5	5	0
3	Prosper	Collin	Urban	4	4	0
3	Quinlan	Hunt	Rural	6	6	0
3	Ravenna	Fannin	Rural	3	3	0
3	Red Oak	Ellis	Urban	5	5	0
3	Rendon	Tarrant	Urban	3	3	0
3	Reno (Parker)	Parker	Rural	5	5	0
3	Retreat	Navarro	Rural	4	4	0
3	Rhome	Wise	Rural	5	5	0
3	Rice	Navarro	Rural	5	5	0
3	Richardson	Dallas	Urban	4	4	0
3	Richland	Navarro	Rural	6	6	0
3	Richland Hills	Tarrant	Urban	5	5	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
3	Rio Vista	Johnson	Rural	3	3	0
3	River Oaks	Tarrant	Urban	5	5	0
3	Roanoke	Denton	Urban	5	5	0
3	Rockwall	Rockwall	Urban	4	4	0
3	Rosser	Kaufman	Rural	6	6	0
3	Rowlett	Dallas	Urban	5	5	0
3	Royse City	Rockwall	Rural	4	4	0
3	Runaway Bay	Wise	Rural	5	5	0
3	Sachse	Dallas	Urban	3	3	0
3	Sadler	Grayson	Rural	6	6	0
3	Saginaw	Tarrant	Urban	5	5	0
3	Sanctuary	Parker	Rural	6	6	0
3	Sanger	Denton	Rural	3	3	0
3	Sansom Park	Tarrant	Urban	5	5	0
3	Savoy	Fannin	Rural	6	6	0
3	Seagoville	Dallas	Urban	3	3	0
3	Shady Shores	Denton	Urban	3	3	0
3	Sherman	Grayson	Urban	5	5	0
3	Southlake	Tarrant	Urban	4	4	0
3	Southmayd	Grayson	Rural	4	4	0
3	Springtown	Parker	Rural	3	3	0
3	St. Paul (Collin)	Collin	Rural	3	3	0
3	Stephenville	Erath	Rural	6	6	0
3	Strawn	Palo Pinto	Rural	5	5	0
3	Sunnyvale	Dallas	Urban	3	3	0
3	Talty	Kaufman	Rural	3	3	0
3	Terrell	Kaufman	Rural	5	5	0
3	The Colony	Denton	Urban	4	3	-1
3	Tioga	Grayson	Rural	3	3	0
3	Tolar	Hood	Rural	4	4	0
3	Tom Bean	Grayson	Rural	3	3	0
3	Trenton	Fannin	Rural	4	4	0
3	Trophy Club	Denton	Rural	4	4	0
3	University Park	Dallas	Urban	4	4	0
3	Valley View	Cooke	Rural	4	4	0
3	Van Alstyne	Grayson	Rural	3	3	0
3	Venus	Johnson	Rural	3	3	0
3	Watauga	Tarrant	Urban	4	4	0
3	Waxahachie	Ellis	Rural	3	3	0
3	Weatherford	Parker	Rural	4	4	0
3	West Tawakoni	Hunt	Rural	6	6	0
3	Westlake	Tarrant	Urban	3	3	0
3	Westminster	Collin	Rural	3	3	0
3	Weston	Collin	Urban	5	5	0
3	Westover Hills	Tarrant	Urban	3	3	0
3	Westworth Village	Tarrant	Urban	4	4	0
3	White Settlement	Tarrant	Urban	4	4	0
3	Whitesboro	Grayson	Rural	5	5	0
3	Whitewright	Grayson	Rural	6	6	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
3	Willow Park	Parker	Rural	3	3	0
3	Wilmer	Dallas	Rural	4	4	0
3	Windom	Fannin	Rural	3	3	0
3	Wolfe City	Hunt	Rural	5	5	0
3	Wylie	Collin	Rural	3	3	0
4	Alba	Wood	Rural	6	6	0
4	Alto	Cherokee	Rural	4	4	0
4	Annona	Red River	Rural	6	6	0
4	Arp	Smith	Rural	3	3	0
4	Athens	Henderson	Rural	4	4	0
4	Atlanta	Cass	Rural	4	4	0
4	Avery	Red River	Rural	5	5	0
4	Avinger	Cass	Rural	6	6	0
4	Beckville	Panola	Rural	6	6	0
4	Berryville	Henderson	Rural	4	4	0
4	Big Sandy	Upshur	Rural	3	3	0
4	Bloomburg	Cass	Rural	3	3	0
4	Blossom	Lamar	Rural	4	4	0
4	Bogata	Red River	Rural	3	3	0
4	Brownsboro	Henderson	Rural	6	6	0
4	Bullard	Smith	Rural	5	5	0
4	Caney City	Henderson	Rural	6	6	0
4	Canton	Van Zandt	Rural	4	4	0
4	Carthage	Panola	Rural	5	5	0
4	Chandler	Henderson	Rural	4	3	-1
4	Clarksville	Red River	Rural	5	5	0
4	Clarksville City	Gregg	Rural	4	4	0
4	Coffee City	Henderson	Rural	3	3	0
4	Como	Hopkins	Rural	4	4	0
4	Cooper	Delta	Rural	6	6	0
4	Cumby	Hopkins	Rural	5	5	0
4	Cuney	Cherokee	Rural	4	4	0
4	Daingerfield	Morris	Rural	6	6	0
4	De Kalb	Bowie	Rural	6	6	0
4	Deport	Lamar	Rural	4	4	0
4	Detroit	Red River	Rural	4	4	0
4	Domino	Cass	Rural	3	3	0
4	Douglassville	Cass	Rural	3	3	0
4	East Mountain	Upshur	Rural	4	4	0
4	East Tawakoni	Rains	Rural	6	6	0
4	Easton	Gregg	Rural	3	3	0
4	Edgewood	Van Zandt	Rural	5	5	0
4	Edom	Van Zandt	Rural	6	6	0
4	Elkhart	Anderson	Rural	5	5	0
4	Emory	Rains	Rural	6	6	0
4	Enchanted Oaks	Henderson	Rural	6	6	0
4	Eustace	Henderson	Rural	3	3	0
4	Frankston	Anderson	Rural	4	4	0
4	Fruitvale	Van Zandt	Rural	4	4	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
4	Gallatin	Cherokee	Rural	4	4	0
4	Gary City	Panola	Rural	3	3	0
4	Gilmer	Upshur	Rural	6	6	0
4	Gladewater	Gregg	Rural	5	5	0
4	Grand Saline	Van Zandt	Rural	3	3	0
4	Gun Barrel City	Henderson	Rural	5	5	0
4	Hallsville	Harrison	Rural	3	3	0
4	Hawkins	Wood	Rural	6	6	0
4	Henderson	Rusk	Rural	3	3	0
4	Hooks	Bowie	Rural	4	4	0
4	Hughes Springs	Cass	Rural	4	4	0
4	Jacksonville	Cherokee	Rural	4	4	0
4	Jefferson	Marion	Rural	6	6	0
4	Kilgore	Gregg	Rural	4	3	-1
4	Lakeport	Gregg	Rural	4	4	0
4	Leary	Bowie	Rural	3	3	0
4	Liberty City	Gregg	Rural	4	4	0
4	Lindale	Smith	Rural	5	5	0
4	Linden	Cass	Rural	4	4	0
4	Log Cabin	Henderson	Rural	6	6	0
4	Lone Star	Morris	Rural	4	4	0
4	Longview	Gregg	Urban	5	5	0
4	Malakoff	Henderson	Rural	5	5	0
4	Marietta	Cass	Rural	3	3	0
4	Marshall	Harrison	Rural	4	4	0
4	Maud	Bowie	Rural	6	6	0
4	Miller's Cove	Titus	Rural	5	5	0
4	Mineola	Wood	Rural	5	5	0
4	Moore Station	Henderson	Rural	6	6	0
4	Mount Enterprise	Rusk	Rural	4	4	0
4	Mount Pleasant	Titus	Rural	4	4	0
4	Mount Vernon	Franklin	Rural	3	3	0
4	Murchison	Henderson	Rural	3	3	0
4	Naples	Morris	Rural	6	6	0
4	Nash	Bowie	Urban	5	5	0
4	Nesbitt	Harrison	Rural	3	3	0
4	New Boston	Bowie	Rural	6	6	0
4	New Chapel Hill	Smith	Rural	3	3	0
4	New London	Rusk	Rural	5	5	0
4	New Summerfield	Cherokee	Rural	4	4	0
4	Noonday	Smith	Rural	4	4	0
4	Omaha	Morris	Rural	6	6	0
4	Ore City	Upshur	Rural	6	6	0
4	Overton	Rusk	Rural	6	6	0
4	Palestine	Anderson	Rural	5	5	0
4	Paris	Lamar	Rural	5	5	0
4	Payne Springs	Henderson	Rural	3	3	0
4	Pecan Gap	Delta	Rural	5	5	0
4	Pittsburg	Camp	Rural	3	3	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
4	Point	Rains	Rural	6	6	0
4	Poynor	Henderson	Rural	6	6	0
4	Queen City	Cass	Rural	6	6	0
4	Quitman	Wood	Rural	4	4	0
4	Red Lick	Bowie	Rural	6	6	0
4	Redwater	Bowie	Rural	4	4	0
4	Reklaw	Cherokee	Rural	3	3	0
4	Reno (Lamar)	Lamar	Rural	3	3	0
4	Rocky Mound	Camp	Rural	3	3	0
4	Roxton	Lamar	Rural	5	5	0
4	Rusk	Cherokee	Rural	5	5	0
4	Scottsville	Harrison	Rural	4	4	0
4	Seven Points	Henderson	Rural	3	3	0
4	Star Harbor	Henderson	Rural	3	3	0
4	Sulphur Springs	Hopkins	Rural	5	5	0
4	Sun Valley	Lamar	Rural	3	3	0
4	Talco	Titus	Rural	5	5	0
4	Tatum	Rusk	Rural	5	5	0
4	Texarkana	Bowie	Urban	4	4	0
4	Tira	Hopkins	Rural	3	3	0
4	Toco	Lamar	Rural	6	6	0
4	Tool	Henderson	Rural	3	3	0
4	Trinidad	Henderson	Rural	5	5	0
4	Troup	Smith	Rural	5	5	0
4	Tyler	Smith	Urban	5	5	0
4	Uncertain	Harrison	Rural	6	6	0
4	Union Grove	Upshur	Rural	3	3	0
4	Van	Van Zandt	Rural	6	6	0
4	Wake Village	Bowie	Urban	4	4	0
4	Warren City	Gregg	Rural	6	6	0
4	Waskom	Harrison	Rural	4	4	0
4	Wells	Cherokee	Rural	5	5	0
4	White Oak	Gregg	Urban	5	5	0
4	Whitehouse	Smith	Rural	3	3	0
4	Wills Point	Van Zandt	Rural	4	4	0
4	Winfield	Titus	Rural	4	4	0
4	Winnsboro	Wood	Rural	5	5	0
4	Winona	Smith	Rural	3	3	0
4	Yantis	Wood	Rural	3	3	0
5	Appleby	Nacogdoches	Rural	5	5	0
5	Beaumont	Jefferson	Urban	4	4	0
5	Bevil Oaks	Jefferson	Rural	3	3	0
5	Bridge City	Orange	Rural	5	5	0
5	Broaddus	San Augustine	Rural	6	6	0
5	Browndell	Jasper	Rural	3	3	0
5	Buna	Jasper	Rural	3	3	0
5	Burke	Angelina	Rural	6	6	0
5	Center	Shelby	Rural	4	4	0
5	Central Gardens	Jefferson	Rural	3	3	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
5	Chester	Tyler	Rural	4	4	0
5	China	Jefferson	Rural	4	4	0
5	Chireno	Nacogdoches	Rural	4	4	0
5	Coldspring	San Jacinto	Rural	5	5	0
5	Colmesneil	Tyler	Rural	4	4	0
5	Corrigan	Polk	Rural	6	6	0
5	Crockett	Houston	Rural	4	4	0
5	Cushing	Nacogdoches	Rural	5	5	0
5	Deweyville	Newton	Rural	5	5	0
5	Diboll	Angelina	Rural	4	4	0
5	Evadale	Jasper	Rural	3	3	0
5	Garrison	Nacogdoches	Rural	4	4	0
5	Goodrich	Polk	Rural	3	3	0
5	Grapeland	Houston	Rural	6	6	0
5	Groves	Jefferson	Urban	4	4	0
5	Groveton	Trinity	Rural	5	5	0
5	Hemphill	Sabine	Rural	3	3	0
5	Hudson	Angelina	Rural	4	4	0
5	Huntington	Angelina	Rural	5	3	-2
5	Huxley	Shelby	Rural	3	3	0
5	Jasper	Jasper	Rural	4	4	0
5	Joaquin	Shelby	Rural	3	3	0
5	Kennard	Houston	Rural	6	6	0
5	Kirbyville	Jasper	Rural	5	5	0
5	Kountze	Hardin	Rural	5	5	0
5	Latexo	Houston	Rural	3	3	0
5	Livingston	Polk	Rural	5	5	0
5	Lovelady	Houston	Rural	6	6	0
5	Lufkin	Angelina	Rural	5	5	0
5	Lumberton	Hardin	Rural	3	3	0
5	Mauriceville	Orange	Rural	4	4	0
5	Milam	Sabine	Rural	3	3	0
5	Nacogdoches	Nacogdoches	Rural	6	6	0
5	Nederland	Jefferson	Urban	4	4	0
5	Newton	Newton	Rural	6	6	0
5	Nome	Jefferson	Rural	5	5	0
5	Oakhurst	San Jacinto	Rural	4	4	0
5	Onalaska	Polk	Rural	6	6	0
5	Orange	Orange	Rural	5	4	-1
5	Pine Forest	Orange	Rural	5	5	0
5	Pinehurst (Orange)	Orange	Rural	3	3	0
5	Pineland	Sabine	Rural	6	6	0
5	Pinewood Estates	Hardin	Rural	3	3	0
5	Point Blank	San Jacinto	Rural	4	4	0
5	Port Arthur	Jefferson	Urban	3	3	0
5	Port Neches	Jefferson	Urban	4	4	0
5	Rose City	Orange	Rural	5	5	0
5	Rose Hill Acres	Hardin	Urban	6	6	0
5	San Augustine	San Augustine	Rural	5	5	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
5	Seven Oaks	Polk	Rural	3	3	0
5	Shepherd	San Jacinto	Rural	4	4	0
5	Silsbee	Hardin	Rural	5	4	-1
5	Sour Lake	Hardin	Rural	3	3	0
5	South Toledo Bend	Newton	Rural	3	3	0
5	Tenaha	Shelby	Rural	5	5	0
5	Timpson	Shelby	Rural	6	6	0
5	Trinity	Trinity	Rural	5	5	0
5	Vidor	Orange	Rural	4	4	0
5	West Livingston	Polk	Rural	5	5	0
5	West Orange	Orange	Rural	4	4	0
5	Woodville	Tyler	Rural	6	6	0
5	Zavalla	Angelina	Rural	6	6	0
6	Aldine	Harris	Urban	3	3	0
6	Alvin	Brazoria	Urban	5	5	0
6	Ames	Liberty	Rural	4	4	0
6	Anahuac	Chambers	Rural	5	5	0
6	Angleton	Brazoria	Rural	3	3	0
6	Arcola	Fort Bend	Rural	5	5	0
6	Atascocita	Harris	Urban	4	4	0
6	Bacliff	Galveston	Urban	6	6	0
6	Bailey's Prairie	Brazoria	Rural	3	3	0
6	Barrett	Harris	Rural	6	6	0
6	Bay City	Matagorda	Rural	5	5	0
6	Bayou Vista	Galveston	Rural	4	4	0
6	Baytown	Harris	Urban	3	3	0
6	Beach City	Chambers	Urban	4	4	0
6	Beasley	Fort Bend	Rural	4	4	0
6	Bellaire	Harris	Urban	4	4	0
6	Bellville	Austin	Rural	3	3	0
6	Blessing	Matagorda	Rural	3	3	0
6	Boling-Iago	Wharton	Rural	3	3	0
6	Bolivar Peninsula	Galveston	Rural	6	6	0
6	Bonney	Brazoria	Rural	3	3	0
6	Brazoria	Brazoria	Rural	5	5	0
6	Brookshire	Waller	Rural	6	5	-1
6	Brookside Village	Brazoria	Urban	4	4	0
6	Bunker Hill Village	Harris	Urban	6	6	0
6	Channelview	Harris	Urban	5	5	0
6	Cinco Ranch	Fort Bend	Urban	5	5	0
6	Clear Lake Shores	Galveston	Urban	4	4	0
6	Cleveland	Liberty	Rural	6	6	0
6	Cloverleaf	Harris	Urban	6	6	0
6	Clute	Brazoria	Urban	3	3	0
6	Columbus	Colorado	Rural	4	4	0
6	Conroe	Montgomery	Urban	4	4	0
6	Cove	Chambers	Rural	6	6	0
6	Crosby	Harris	Rural	5	5	0
6	Cumings	Fort Bend	Rural	3	3	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
6	Cut and Shoot	Montgomery	Urban	6	6	0
6	Daisetta	Liberty	Rural	5	5	0
6	Damon	Brazoria	Rural	6	6	0
6	Danbury	Brazoria	Rural	6	6	0
6	Dayton	Liberty	Rural	5	5	0
6	Dayton Lakes	Liberty	Rural	3	3	0
6	Deer Park	Harris	Urban	4	4	0
6	Devers	Liberty	Rural	6	6	0
6	Dickinson	Galveston	Urban	5	5	0
6	Eagle Lake	Colorado	Rural	5	5	0
6	East Bernard	Wharton	Rural	4	4	0
6	El Campo	Wharton	Rural	4	4	0
6	El Lago	Harris	Urban	4	4	0
6	Fairchilds	Fort Bend	Rural	4	4	0
6	Fifth Street	Fort Bend	Urban	4	4	0
6	Four Corners	Fort Bend	Urban	5	5	0
6	Freeport	Brazoria	Urban	5	5	0
6	Fresno	Fort Bend	Urban	5	5	0
6	Friendswood	Galveston	Urban	5	5	0
6	Fulshear	Fort Bend	Rural	6	6	0
6	Galena Park	Harris	Urban	4	4	0
6	Galveston	Galveston	Urban	6	6	0
6	Greatwood	Fort Bend	Urban	5	5	0
6	Hardin	Liberty	Rural	3	3	0
6	Hedwig Village	Harris	Urban	5	5	0
6	Hempstead	Waller	Rural	3	3	0
6	Highlands	Harris	Urban	4	4	0
6	Hillcrest	Brazoria	Rural	6	6	0
6	Hilshire Village	Harris	Urban	6	6	0
6	Hitchcock	Galveston	Rural	3	3	0
6	Holiday Lakes	Brazoria	Rural	6	6	0
6	Houston	Harris	Urban	4	4	0
6	Humble	Harris	Urban	3	3	0
6	Hungerford	Wharton	Rural	3	3	0
6	Hunters Creek Village	Harris	Urban	3	3	0
6	Huntsville	Walker	Rural	6	6	0
6	Industry	Austin	Rural	3	3	0
6	Iowa Colony	Brazoria	Urban	5	5	0
6	Jacinto City	Harris	Urban	3	3	0
6	Jamaica Beach	Galveston	Urban	6	6	0
6	Jersey Village	Harris	Urban	3	3	0
6	Jones Creek	Brazoria	Rural	4	4	0
6	Katy	Harris	Urban	3	3	0
6	Kemah	Galveston	Urban	6	6	0
6	Kendleton	Fort Bend	Rural	4	4	0
6	Kenefick	Liberty	Rural	4	4	0
6	La Marque	Galveston	Urban	5	4	-1
6	La Porte	Harris	Urban	3	3	0
6	Lake Jackson	Brazoria	Urban	4	4	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
6	League City	Galveston	Urban	3	3	0
6	Liberty	Liberty	Rural	4	4	0
6	Liverpool	Brazoria	Rural	6	6	0
6	Louise	Wharton	Rural	4	4	0
6	Magnolia	Montgomery	Rural	6	6	0
6	Manvel	Brazoria	Urban	3	3	0
6	Markham	Matagorda	Rural	3	3	0
6	Meadows Place	Fort Bend	Urban	3	3	0
6	Mission Bend	Fort Bend	Urban	5	5	0
6	Missouri City	Fort Bend	Urban	4	4	0
6	Mont Belvieu	Chambers	Rural	4	4	0
6	Montgomery	Montgomery	Rural	6	6	0
6	Morgan's Point	Harris	Urban	5	5	0
6	Nassau Bay	Harris	Urban	6	6	0
6	Needville	Fort Bend	Rural	3	3	0
6	New Territory	Fort Bend	Urban	4	4	0
6	New Waverly	Walker	Rural	6	6	0
6	North Cleveland	Liberty	Rural	3	3	0
6	Oak Ridge North	Montgomery	Urban	5	5	0
6	Old River-Winfree	Chambers	Rural	5	5	0
6	Orchard	Fort Bend	Rural	3	3	0
6	Oyster Creek	Brazoria	Rural	4	4	0
6	Palacios	Matagorda	Rural	4	4	0
6	Panorama Village	Montgomery	Urban	5	5	0
6	Pasadena	Harris	Urban	4	4	0
6	Pattison	Waller	Rural	5	5	0
6	Patton Village	Montgomery	Rural	5	5	0
6	Pearland	Brazoria	Urban	5	4	-1
6	Pecan Grove	Fort Bend	Rural	4	4	0
6	Pine Island	Waller	Rural	4	4	0
6	Pinehurst (Montgomery)	Montgomery	Rural	4	4	0
6	Piney Point Village	Harris	Urban	4	4	0
6	Pleak	Fort Bend	Rural	6	6	0
6	Plum Grove	Liberty	Rural	3	3	0
6	Porter Heights	Montgomery	Rural	3	3	0
6	Prairie View	Waller	Rural	3	3	0
6	Quintana	Brazoria	Rural	3	3	0
6	Richmond	Fort Bend	Rural	5	5	0
6	Richwood	Brazoria	Urban	4	4	0
6	Riverside	Walker	Rural	6	6	0
6	Roman Forest	Montgomery	Rural	4	4	0
6	Rosenberg	Fort Bend	Rural	5	5	0
6	San Felipe	Austin	Rural	6	6	0
6	San Leon	Galveston	Urban	6	6	0
6	Santa Fe	Galveston	Urban	4	4	0
6	Seabrook	Harris	Urban	4	4	0
6	Sealy	Austin	Rural	3	3	0
6	Sheldon	Harris	Rural	3	3	0
6	Shenandoah	Montgomery	Urban	6	6	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
6	Shoreacres	Harris	Urban	6	6	0
6	Sienna Plantation	Fort Bend	Urban	5	5	0
6	Simonton	Fort Bend	Rural	6	6	0
6	South Houston	Harris	Urban	4	4	0
6	Southside Place	Harris	Urban	6	6	0
6	Splendora	Montgomery	Rural	6	6	0
6	Spring	Harris	Urban	4	4	0
6	Spring Valley	Harris	Urban	4	4	0
6	Stafford	Fort Bend	Urban	5	5	0
6	Stagecoach	Montgomery	Rural	3	3	0
6	Stowell	Chambers	Rural	4	4	0
6	Sugar Land	Fort Bend	Urban	5	5	0
6	Surfside Beach	Brazoria	Rural	4	4	0
6	Sweeny	Brazoria	Rural	4	4	0
6	Taylor Lake Village	Harris	Urban	3	3	0
6	Texas City	Galveston	Urban	6	5	-1
6	The Woodlands	Montgomery	Urban	4	4	0
6	Thompsons	Fort Bend	Urban	4	4	0
6	Tiki Island	Galveston	Urban	3	3	0
6	Tomball	Harris	Rural	6	6	0
6	Van Vleck	Matagorda	Rural	3	3	0
6	Waller	Waller	Rural	4	4	0
6	Wallis	Austin	Rural	3	3	0
6	Webster	Harris	Urban	3	3	0
6	Weimar	Colorado	Rural	5	5	0
6	West Columbia	Brazoria	Rural	6	6	0
6	West University Place	Harris	Urban	3	3	0
6	Wharton	Wharton	Rural	5	5	0
6	Wild Peach Village	Brazoria	Rural	3	3	0
6	Willis	Montgomery	Rural	3	3	0
6	Winnie	Chambers	Rural	4	4	0
6	Woodbranch	Montgomery	Rural	4	4	0
6	Woodloch	Montgomery	Rural	6	6	0
7	Anderson Mill	Williamson	Urban	5	5	0
7	Austin	Travis	Urban	5	5	0
7	Bartlett	Williamson	Rural	6	6	0
7	Barton Creek	Travis	Urban	6	6	0
7	Bastrop	Bastrop	Rural	5	4	-1
7	Bear Creek	Hays	Rural	3	3	0
7	Bee Cave	Travis	Rural	4	4	0
7	Bertram	Burnet	Rural	4	4	0
7	Blanco	Blanco	Rural	5	5	0
7	Briarcliff	Travis	Rural	4	4	0
7	Brushy Creek	Williamson	Urban	4	4	0
7	Buchanan Dam	Llano	Rural	5	5	0
7	Buda	Hays	Urban	3	3	0
7	Burnet	Burnet	Rural	4	4	0
7	Camp Swift	Bastrop	Rural	3	3	0
7	Carmine	Fayette	Rural	6	6	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
7	Cedar Park	Williamson	Urban	3	3	0
7	Circle D-KC Estates	Bastrop	Rural	3	3	0
7	Cottonwood Shores	Burnet	Rural	6	6	0
7	Creedmoor	Travis	Rural	3	3	0
7	Dripping Springs	Hays	Rural	3	3	0
7	Elgin	Bastrop	Rural	4	4	0
7	Fayetteville	Fayette	Rural	4	4	0
7	Flatonia	Fayette	Rural	5	5	0
7	Florence	Williamson	Rural	6	6	0
7	Garfield	Travis	Rural	4	4	0
7	Georgetown	Williamson	Urban	4	4	0
7	Giddings	Lee	Rural	3	3	0
7	Granger	Williamson	Rural	5	5	0
7	Granite Shoals	Burnet	Rural	5	5	0
7	Hays	Hays	Rural	3	3	0
7	Highland Haven	Burnet	Rural	6	6	0
7	Horseshoe Bay	Llano	Rural	4	4	0
7	Hudson Bend	Travis	Urban	5	5	0
7	Hutto	Williamson	Rural	5	5	0
7	Johnson City	Blanco	Rural	3	3	0
7	Jollyville	Williamson	Urban	5	5	0
7	Jonestown	Travis	Rural	6	6	0
7	Kingsland	Llano	Rural	3	3	0
7	Kyle	Hays	Rural	4	4	0
7	La Grange	Fayette	Rural	5	5	0
7	Lago Vista	Travis	Rural	6	6	0
7	Lakeway	Travis	Rural	4	4	0
7	Leander	Williamson	Urban	6	6	0
7	Lexington	Lee	Rural	4	4	0
7	Liberty Hill	Williamson	Rural	3	3	0
7	Llano	Llano	Rural	4	4	0
7	Lockhart	Caldwell	Rural	5	5	0
7	Lost Creek	Travis	Urban	4	4	0
7	Luling	Caldwell	Rural	4	4	0
7	Manor	Travis	Urban	4	4	0
7	Marble Falls	Burnet	Rural	4	4	0
7	Martindale	Caldwell	Rural	5	5	0
7	Meadowlakes	Burnet	Rural	6	6	0
7	Mountain City	Hays	Rural	6	6	0
7	Mustang Ridge	Caldwell	Rural	3	3	0
7	Niederwald	Hays	Rural	4	4	0
7	Onion Creek	Travis	Urban	4	4	0
7	Pflugerville	Travis	Urban	3	3	0
7	Rollingwood	Travis	Urban	6	6	0
7	Round Mountain	Blanco	Rural	3	3	0
7	Round Rock	Williamson	Urban	5	5	0
7	Round Top	Fayette	Rural	3	3	0
7	San Leanna	Travis	Urban	6	6	0
7	San Marcos	Hays	Urban	6	6	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
7	Schulenburg	Fayette	Rural	5	5	0
7	Serenada	Williamson	Urban	6	6	0
7	Shady Hollow	Travis	Urban	4	4	0
7	Smithville	Bastrop	Rural	6	6	0
7	Sunrise Beach Village	Llano	Rural	5	5	0
7	Sunset Valley	Travis	Urban	5	5	0
7	Taylor	Williamson	Rural	5	5	0
7	The Hills	Travis	Rural	3	3	0
7	Thrall	Williamson	Rural	5	5	0
7	Uhland	Hays	Rural	6	6	0
7	Weir	Williamson	Rural	4	4	0
7	Wells Branch	Travis	Urban	5	5	0
7	West Lake Hills	Travis	Urban	3	3	0
7	Wimberley	Hays	Rural	5	5	0
7	Windemere	Travis	Urban	5	5	0
7	Woodcreek	Hays	Rural	5	5	0
7	Wyldwood	Bastrop	Rural	3	3	0
8	Abbott	Hill	Rural	4	4	0
8	Anderson	Grimes	Rural	3	3	0
8	Aquilla	Hill	Rural	6	6	0
8	Bellmead	McLennan	Urban	4	4	0
8	Belton	Bell	Urban	4	4	0
8	Beverly Hills	McLennan	Urban	5	5	0
8	Blum	Hill	Rural	6	6	0
8	Bremond	Robertson	Rural	4	4	0
8	Brenham	Washington	Rural	4	4	0
8	Bruceville-Eddy	McLennan	Rural	5	5	0
8	Bryan	Brazos	Urban	6	6	0
8	Buckholts	Milam	Rural	6	6	0
8	Buffalo	Leon	Rural	6	6	0
8	Burton	Washington	Rural	4	4	0
8	Bynum	Hill	Rural	6	6	0
8	Caldwell	Burleson	Rural	4	4	0
8	Calvert	Robertson	Rural	3	3	0
8	Cameron	Milam	Rural	3	3	0
8	Carl's Corner	Hill	Rural	6	6	0
8	Centerville	Leon	Rural	4	4	0
8	Clifton	Bosque	Rural	3	3	0
8	College Station	Brazos	Urban	6	6	0
8	Coolidge	Limestone	Rural	5	5	0
8	Copperas Cove	Coryell	Urban	4	4	0
8	Covington	Hill	Rural	3	3	0
8	Cranfills Gap	Bosque	Rural	4	4	0
8	Crawford	McLennan	Rural	4	4	0
8	Evant	Coryell	Rural	6	6	0
8	Fairfield	Freestone	Rural	5	5	0
8	Fort Hood	Bell	Urban	3	3	0
8	Franklin	Robertson	Rural	4	4	0
8	Gatesville	Coryell	Rural	4	4	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
8	Gholson	McLennan	Rural	3	3	0
8	Goldthwaite	Mills	Rural	5	3	-2
8	Golinda	Falls	Rural	5	5	0
8	Groesbeck	Limestone	Rural	4	4	0
8	Hallsburg	McLennan	Rural	6	6	0
8	Hamilton	Hamilton	Rural	3	3	0
8	Harker Heights	Bell	Urban	4	4	0
8	Hearne	Robertson	Rural	5	5	0
8	Hewitt	McLennan	Urban	4	4	0
8	Hico	Hamilton	Rural	4	4	0
8	Hillsboro	Hill	Rural	5	5	0
8	Holland	Bell	Rural	3	3	0
8	Hubbard	Hill	Rural	3	3	0
8	Iredell	Bosque	Rural	4	4	0
8	Itasca	Hill	Rural	3	3	0
8	Jewett	Leon	Rural	6	6	0
8	Kempner	Lampasas	Rural	5	5	0
8	Killeen	Bell	Urban	4	4	0
8	Kirvin	Freestone	Rural	3	3	0
8	Kosse	Limestone	Rural	6	6	0
8	Lacy-Lakeview	McLennan	Urban	5	5	0
8	Lampasas	Lampasas	Rural	4	4	0
8	Leona	Leon	Rural	6	6	0
8	Leroy	McLennan	Rural	3	3	0
8	Little River-Academy	Bell	Rural	6	6	0
8	Lometa	Lampasas	Rural	4	4	0
8	Lorena	McLennan	Rural	3	3	0
8	Lott	Falls	Rural	5	5	0
8	Madisonville	Madison	Rural	4	4	0
8	Malone	Hill	Rural	3	3	0
8	Marlin	Falls	Rural	5	5	0
8	Marquez	Leon	Rural	4	4	0
8	Mart	McLennan	Rural	6	6	0
8	McGregor	McLennan	Urban	5	5	0
8	Meridian	Bosque	Rural	3	3	0
8	Mertens	Hill	Rural	6	6	0
8	Mexia	Limestone	Rural	6	6	0
8	Midway	Madison	Rural	3	3	0
8	Milano	Milam	Rural	4	4	0
8	Millican	Brazos	Rural	3	3	0
8	Moody	McLennan	Rural	6	6	0
8	Morgan	Bosque	Rural	3	3	0
8	Morgan's Point Resort	Bell	Rural	4	4	0
8	Mount Calm	Hill	Rural	4	4	0
8	Mullin	Mills	Rural	5	5	0
8	Navasota	Grimes	Rural	5	5	0
8	Nolanville	Bell	Rural	5	5	0
8	Normangee	Leon	Rural	3	3	0
8	Oakwood	Leon	Rural	4	4	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
8	Oglesby	Coryell	Rural	6	6	0
8	Penelope	Hill	Rural	6	6	0
8	Richland Springs	San Saba	Rural	3	3	0
8	Riesel	McLennan	Rural	6	6	0
8	Robinson	McLennan	Urban	4	4	0
8	Rockdale	Milam	Rural	5	5	0
8	Rogers	Bell	Rural	4	3	-1
8	Rosebud	Falls	Rural	4	4	0
8	Ross	McLennan	Rural	3	3	0
8	Salado	Bell	Rural	4	4	0
8	San Saba	San Saba	Rural	4	4	0
8	Snook	Burleson	Rural	6	6	0
8	Somerville	Burleson	Rural	5	5	0
8	South Mountain	Coryell	Rural	4	4	0
8	Streetman	Freestone	Rural	3	3	0
8	Teague	Freestone	Rural	4	4	0
8	Tehuacana	Limestone	Rural	4	4	0
8	Temple	Bell	Urban	4	4	0
8	Thorndale	Milam	Rural	5	5	0
8	Thornton	Limestone	Rural	5	5	0
8	Todd Mission	Grimes	Rural	3	3	0
8	Troy	Bell	Rural	6	6	0
8	Valley Mills	Bosque	Rural	3	3	0
8	Waco	McLennan	Urban	6	6	0
8	Walnut Springs	Bosque	Rural	3	3	0
8	West	McLennan	Rural	4	4	0
8	Whitney	Hill	Rural	6	6	0
8	Wixon Valley	Brazos	Rural	6	6	0
8	Woodway	McLennan	Urban	3	3	0
8	Wortham	Freestone	Rural	6	6	0
9	Alamo Heights	Bexar	Urban	4	4	0
9	Balcones Heights	Bexar	Urban	6	6	0
9	Bandera	Bandera	Rural	3	3	0
9	Bigfoot	Frio	Rural	3	3	0
9	Boerne	Kendall	Rural	4	4	0
9	Bulverde	Comal	Rural	3	3	0
9	Canyon Lake	Comal	Rural	4	4	0
9	Castle Hills	Bexar	Urban	6	6	0
9	Castroville	Medina	Rural	5	5	0
9	Charlotte	Atascosa	Rural	3	3	0
9	China Grove	Bexar	Rural	3	3	0
9	Christine	Atascosa	Rural	3	3	0
9	Cibolo	Guadalupe	Rural	6	6	0
9	Comfort	Kendall	Rural	4	4	0
9	Converse	Bexar	Urban	3	3	0
9	Cross Mountain	Bexar	Urban	3	3	0
9	Devine	Medina	Rural	5	5	0
9	Dilley	Frio	Rural	6	6	0
9	Elmendorf	Bexar	Rural	4	4	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
9	Fair Oaks Ranch	Bexar	Urban	4	4	0
9	Falls City	Karnes	Rural	4	4	0
9	Floresville	Wilson	Rural	3	3	0
9	Fredericksburg	Gillespie	Rural	3	3	0
9	Garden Ridge	Comal	Rural	6	6	0
9	Geronimo	Guadalupe	Rural	3	3	0
9	Grey Forest	Bexar	Rural	4	4	0
9	Harper	Gillespie	Rural	5	5	0
9	Helotes	Bexar	Urban	4	4	0
9	Hill Country Village	Bexar	Urban	3	3	0
9	Hilltop	Frio	Rural	3	3	0
9	Hollywood Park	Bexar	Urban	6	6	0
9	Hondo	Medina	Rural	4	4	0
9	Ingram	Kerr	Rural	6	6	0
9	Jourdanton	Atascosa	Rural	6	4	-2
9	Karnes City	Karnes	Rural	5	5	0
9	Kenedy	Karnes	Rural	4	4	0
9	Kerrville	Kerr	Rural	6	5	-1
9	Kingsbury	Guadalupe	Rural	3	3	0
9	Kirby	Bexar	Urban	5	5	0
9	La Vernia	Wilson	Rural	6	6	0
9	Lackland AFB	Bexar	Urban	3	3	0
9	LaCoste	Medina	Rural	5	5	0
9	Lakehills	Bandera	Rural	6	6	0
9	Leon Valley	Bexar	Urban	4	4	0
9	Live Oak	Bexar	Urban	4	4	0
9	Lytle	Atascosa	Rural	4	4	0
9	Marion	Guadalupe	Rural	5	5	0
9	McQueeney	Guadalupe	Rural	4	4	0
9	Moore	Frio	Rural	4	4	0
9	Natalia	Medina	Rural	6	6	0
9	New Berlin	Guadalupe	Rural	3	3	0
9	New Braunfels	Comal	Urban	5	5	0
9	North Pearsall	Frio	Rural	4	4	0
9	Northcliff	Guadalupe	Rural	4	4	0
9	Olmos Park	Bexar	Urban	4	4	0
9	Pearsall	Frio	Rural	4	4	0
9	Pleasanton	Atascosa	Rural	6	6	0
9	Poteet	Atascosa	Rural	4	4	0
9	Poth	Wilson	Rural	5	5	0
9	Redwood	Guadalupe	Rural	5	5	0
9	Runge	Karnes	Rural	6	6	0
9	San Antonio	Bexar	Urban	5	5	0
9	Santa Clara	Guadalupe	Rural	6	6	0
9	Scenic Oaks	Bexar	Urban	3	3	0
9	Schertz	Guadalupe	Urban	5	5	0
9	Seguin	Guadalupe	Rural	5	5	0
9	Selma	Bexar	Urban	6	6	0
9	Shavano Park	Bexar	Urban	3	3	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
9	Somerset	Bexar	Rural	6	6	0
9	St. Hedwig	Bexar	Rural	6	6	0
9	Stockdale	Wilson	Rural	5	5	0
9	Stonewall	Gillespie	Rural	5	5	0
9	Terrell Hills	Bexar	Urban	4	4	0
9	Timberwood Park	Bexar	Urban	3	3	0
9	Universal City	Bexar	Rural	5	5	0
9	West Pearsall	Frio	Rural	6	6	0
9	Windcrest	Bexar	Urban	6	6	0
9	Zuehl	Guadalupe	Rural	3	3	0
10	Agua Dulce (Nueces)	Nueces	Rural	5	5	0
10	Airport Road Addition	Brooks	Rural	3	3	0
10	Alfred-South La Paloma	Jim Wells	Rural	3	3	0
10	Alice	Jim Wells	Rural	4	4	0
10	Alice Acres	Jim Wells	Rural	3	3	0
10	Aransas Pass	San Patricio	Rural	4	4	0
10	Austwell	Refugio	Rural	6	6	0
10	Bayside	Refugio	Rural	6	6	0
10	Beeville	Bee	Rural	4	4	0
10	Benavides	Duval	Rural	5	5	0
10	Bishop	Nueces	Rural	5	5	0
10	Bloomington	Victoria	Rural	6	6	0
10	Blue Berry Hill	Bee	Rural	3	3	0
10	Cantu Addition	Brooks	Rural	3	3	0
10	Concepcion	Duval	Rural	3	3	0
10	Corpus Christi	Nueces	Urban	5	5	0
10	Coyote Acres	Jim Wells	Rural	3	3	0
10	Cuero	DeWitt	Rural	6	6	0
10	Del Sol-Loma Linda	San Patricio	Rural	3	3	0
10	Doyle	San Patricio	Urban	3	3	0
10	Driscoll	Nueces	Rural	6	6	0
10	Edgewater-Paisano	San Patricio	Rural	6	6	0
10	Edna	Jackson	Rural	5	5	0
10	Edroy	San Patricio	Rural	3	3	0
10	Encino	Brooks	Rural	3	3	0
10	Falfurrias	Brooks	Rural	6	6	0
10	Falman-County Acres	San Patricio	Rural	6	6	0
10	Flowella	Brooks	Rural	3	3	0
10	Freer	Duval	Rural	4	4	0
10	Fulton	Aransas	Rural	5	5	0
10	Ganado	Jackson	Rural	4	4	0
10	George West	Live Oak	Rural	4	4	0
10	Goliad	Goliad	Rural	3	3	0
10	Gonzales	Gonzales	Rural	4	4	0
10	Gregory	San Patricio	Rural	4	4	0
10	Hallettsville	Lavaca	Rural	5	5	0
10	Inez	Victoria	Rural	4	4	0
10	Ingleside	San Patricio	Urban	4	4	0
10	Ingleside on the Bay	San Patricio	Urban	6	6	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
10	K-Bar Ranch	Jim Wells	Rural	6	6	0
10	Kingsville	Kleberg	Rural	5	5	0
10	La Paloma-Lost Creek	Nueces	Rural	6	6	0
10	La Ward	Jackson	Rural	6	6	0
10	Lake City	San Patricio	Rural	4	4	0
10	Lakeshore Gardens-Hidden Acres	San Patricio	Rural	3	3	0
10	Lakeside (San Patricio)	San Patricio	Rural	3	3	0
10	Lolita	Jackson	Rural	3	3	0
10	Loma Linda East	Jim Wells	Rural	3	3	0
10	Mathis	San Patricio	Rural	6	6	0
10	Morgan Farm Area	San Patricio	Rural	6	6	0
10	Moulton	Lavaca	Rural	4	4	0
10	Nixon	Gonzales	Rural	4	4	0
10	Nordheim	DeWitt	Rural	4	4	0
10	Normanna	Bee	Rural	3	3	0
10	North San Pedro	Nueces	Rural	4	4	0
10	Odem	San Patricio	Rural	5	5	0
10	Orange Grove	Jim Wells	Rural	6	6	0
10	Owl Ranch-Amargosa	Jim Wells	Rural	6	6	0
10	Pawnee	Bee	Rural	3	3	0
10	Pernitas Point	Live Oak	Rural	6	6	0
10	Petronila	Nueces	Rural	3	3	0
10	Pettus	Bee	Rural	4	4	0
10	Point Comfort	Calhoun	Rural	5	5	0
10	Port Aransas	Nueces	Urban	6	6	0
10	Port Lavaca	Calhoun	Rural	5	5	0
10	Portland	San Patricio	Urban	5	5	0
10	Premont	Jim Wells	Rural	5	5	0
10	Rancho Alegre	Jim Wells	Rural	6	6	0
10	Rancho Banquete	Nueces	Rural	3	3	0
10	Rancho Chico	San Patricio	Rural	6	6	0
10	Realitos	Duval	Rural	3	3	0
10	Refugio	Refugio	Rural	4	4	0
10	Robstown	Nueces	Rural	4	3	-1
10	Rockport	Aransas	Rural	4	4	0
10	San Diego	Duval	Rural	5	5	0
10	San Patricio	San Patricio	Rural	6	6	0
10	Sandia	Jim Wells	Rural	3	3	0
10	Sandy Hollow-Escondidas	Nueces	Rural	4	4	0
10	Seadrift	Calhoun	Rural	5	5	0
10	Shiner	Lavaca	Rural	5	5	0
10	Sinton	San Patricio	Rural	5	5	0
10	Skidmore	Bee	Rural	5	5	0
10	Smiley	Gonzales	Rural	5	5	0
10	Spring Garden-Terra Verde	Nueces	Rural	3	3	0
10	St. Paul (San Patricio)	San Patricio	Rural	3	3	0
10	Taft	San Patricio	Rural	5	5	0
10	Taft Southwest	San Patricio	Rural	4	4	0
10	Three Rivers	Live Oak	Rural	5	5	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
10	Tierra Grande	Nueces	Rural	4	4	0
10	Tradewinds	San Patricio	Rural	3	3	0
10	Tuleta	Bee	Rural	3	3	0
10	Tulsita	Bee	Rural	3	3	0
10	Tynan	Bee	Rural	5	5	0
10	Vanderbilt	Jackson	Rural	3	3	0
10	Victoria	Victoria	Urban	5	5	0
10	Waelder	Gonzales	Rural	4	4	0
10	Westdale	Jim Wells	Rural	3	3	0
10	Woodsboro	Refugio	Rural	5	5	0
10	Yoakum	Lavaca	Rural	6	6	0
10	Yorktown	DeWitt	Rural	5	5	0
11	Abram-Perezville	Hidalgo	Rural	6	6	0
11	Alamo	Hidalgo	Urban	3	3	0
11	Alto Bonito	Starr	Rural	3	3	0
11	Alton	Hidalgo	Rural	3	3	0
11	Alton North	Hidalgo	Rural	5	5	0
11	Arroyo Alto	Cameron	Rural	3	3	0
11	Arroyo Colorado Estates	Cameron	Rural	6	6	0
11	Arroyo Gardens-La Tina Ranch	Cameron	Rural	3	3	0
11	Asherton	Dimmit	Rural	6	6	0
11	Batesville	Zavala	Rural	5	5	0
11	Bausell and Ellis	Willacy	Rural	3	3	0
11	Bayview	Cameron	Rural	6	6	0
11	Big Wells	Dimmit	Rural	6	6	0
11	Bixby	Cameron	Rural	3	3	0
11	Bluetown-Iglesia Antigua	Cameron	Rural	5	5	0
11	Botines	Webb	Rural	6	6	0
11	Box Canyon-Amistad	Val Verde	Rural	3	3	0
11	Brackettville	Kinney	Rural	6	6	0
11	Brownsville	Cameron	Urban	5	5	0
11	Brundage	Dimmit	Rural	3	3	0
11	Bruni	Webb	Rural	3	3	0
11	Cameron Park	Cameron	Urban	4	4	0
11	Camp Wood	Real	Rural	6	6	0
11	Carrizo Hill	Dimmit	Rural	6	6	0
11	Carrizo Springs	Dimmit	Rural	6	6	0
11	Catarina	Dimmit	Rural	3	3	0
11	Cesar Chavez	Hidalgo	Urban	5	5	0
11	Chula Vista-Orason	Cameron	Rural	6	6	0
11	Chula Vista-River Spur	Zavala	Rural	3	3	0
11	Cienegas Terrace	Val Verde	Rural	6	6	0
11	Citrus City	Hidalgo	Rural	3	3	0
11	Combes	Cameron	Urban	5	5	0
11	Cotulla	La Salle	Rural	3	3	0
11	Crystal City	Zavala	Rural	5	5	0
11	Cuevitas	Hidalgo	Rural	3	3	0
11	Del Mar Heights	Cameron	Rural	3	3	0
11	Del Rio	Val Verde	Rural	5	5	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
11	Doffing	Hidalgo	Rural	5	5	0
11	Donna	Hidalgo	Rural	3	3	0
11	Doolittle	Hidalgo	Urban	4	4	0
11	Eagle Pass	Maverick	Rural	6	6	0
11	Edcouch	Hidalgo	Rural	3	3	0
11	Edinburg	Hidalgo	Urban	5	5	0
11	Eidson Road	Maverick	Rural	4	4	0
11	El Camino Angosto	Cameron	Rural	3	3	0
11	El Cenizo	Webb	Rural	4	4	0
11	El Indio	Maverick	Rural	6	6	0
11	El Refugio	Starr	Rural	6	6	0
11	Elm Creek	Maverick	Rural	3	3	0
11	Elsa	Hidalgo	Rural	6	4	-2
11	Encantada-Ranchito El Calaboz	Cameron	Rural	3	3	0
11	Encinal	La Salle	Rural	6	6	0
11	Escobares	Starr	Rural	5	5	0
11	Falcon Heights	Starr	Rural	3	3	0
11	Falcon Lake Estates	Zapata	Rural	5	5	0
11	Falcon Mesa	Zapata	Rural	3	3	0
11	Falcon Village	Starr	Rural	6	6	0
11	Faysville	Hidalgo	Urban	6	6	0
11	Fowlerton	La Salle	Rural	3	3	0
11	Fronton	Starr	Rural	3	3	0
11	Garceno	Starr	Rural	6	6	0
11	Grand Acres	Cameron	Rural	3	3	0
11	Granjeno	Hidalgo	Urban	3	3	0
11	Green Valley Farms	Cameron	Rural	3	3	0
11	Guerra	Jim Hogg	Rural	3	3	0
11	Harlingen	Cameron	Urban	5	5	0
11	Havana	Hidalgo	Rural	5	5	0
11	Hebbronville	Jim Hogg	Rural	5	5	0
11	Heidelberg	Hidalgo	Rural	6	6	0
11	Hidalgo	Hidalgo	Rural	5	5	0
11	Indian Hills	Hidalgo	Rural	4	4	0
11	Indian Lake	Cameron	Rural	6	6	0
11	Knippa	Uvalde	Rural	4	4	0
11	La Blanca	Hidalgo	Rural	6	6	0
11	La Casita-Garciasville	Starr	Rural	4	4	0
11	La Feria	Cameron	Rural	6	6	0
11	La Feria North	Cameron	Rural	6	6	0
11	La Grulla	Starr	Rural	4	4	0
11	La Homa	Hidalgo	Urban	5	5	0
11	La Joya	Hidalgo	Rural	4	4	0
11	La Paloma	Cameron	Rural	6	6	0
11	La Presa	Webb	Rural	3	3	0
11	La Pryor	Zavala	Rural	5	5	0
11	La Puerta	Starr	Rural	3	3	0
11	La Rosita	Starr	Rural	5	5	0
11	La Victoria	Starr	Rural	3	3	0

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Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
11	La Villa	Hidalgo	Rural	3	3	0
11	Lago	Cameron	Rural	6	6	0
11	Laguna Heights	Cameron	Rural	4	4	0
11	Laguna Seca	Hidalgo	Rural	3	3	0
11	Laguna Vista	Cameron	Rural	3	3	0
11	Lake View	Val Verde	Rural	3	3	0
11	Laredo	Webb	Urban	5	5	0
11	Laredo Ranchettes	Webb	Rural	3	3	0
11	Larga Vista	Webb	Urban	6	6	0
11	Las Colonias	Zavala	Rural	6	6	0
11	Las Lomas	Starr	Rural	6	6	0
11	Las Lomitas	Jim Hogg	Rural	3	3	0
11	Las Palmas-Juarez	Cameron	Rural	4	4	0
11	Las Quintas Fronterizas	Maverick	Rural	4	4	0
11	Lasana	Cameron	Urban	3	3	0
11	Lasara	Willacy	Rural	4	4	0
11	Laughlin AFB	Val Verde	Rural	4	4	0
11	Laureles	Cameron	Rural	5	5	0
11	Leakey	Real	Rural	6	6	0
11	Llano Grande	Hidalgo	Urban	5	5	0
11	Lopeno	Zapata	Rural	3	3	0
11	Lopezville	Hidalgo	Urban	4	4	0
11	Los Alvarez	Starr	Rural	4	4	0
11	Los Angeles Subdivision	Willacy	Rural	6	6	0
11	Los Ebanos	Hidalgo	Rural	5	5	0
11	Los Fresnos	Cameron	Rural	4	4	0
11	Los Indios	Cameron	Rural	3	3	0
11	Los Villareales	Starr	Rural	3	3	0
11	Lozano	Cameron	Rural	3	3	0
11	Lyford	Willacy	Rural	5	5	0
11	Lyford South	Willacy	Rural	6	6	0
11	McAllen	Hidalgo	Urban	5	5	0
11	Medina	Zapata	Rural	4	4	0
11	Mercedes	Hidalgo	Rural	4	4	0
11	Midway North	Hidalgo	Urban	3	3	0
11	Midway South	Hidalgo	Urban	5	5	0
11	Mila Doce	Hidalgo	Rural	4	4	0
11	Mirando City	Webb	Rural	6	6	0
11	Mission	Hidalgo	Urban	4	4	0
11	Monte Alto	Hidalgo	Rural	5	5	0
11	Morales-Sanchez	Zapata	Rural	3	3	0
11	Muniz	Hidalgo	Rural	6	6	0
11	New Falcon	Zapata	Rural	3	3	0
11	North Alamo	Hidalgo	Urban	4	4	0
11	North Escobares	Starr	Rural	6	6	0
11	Nurillo	Hidalgo	Urban	5	5	0
11	Oilton	Webb	Rural	3	3	0
11	Olivarez	Hidalgo	Rural	5	5	0
11	Olmito	Cameron	Urban	5	5	0

Draft 2009 HTC Affordable Housing Needs Score

Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
11	Palm Valley	Cameron	Urban	4	4	0
11	Palmhurst	Hidalgo	Urban	5	5	0
11	Palmview	Hidalgo	Urban	5	5	0
11	Palmview South	Hidalgo	Urban	5	5	0
11	Penitas	Hidalgo	Rural	5	5	0
11	Pharr	Hidalgo	Urban	4	4	0
11	Port Isabel	Cameron	Rural	5	5	0
11	Port Mansfield	Willacy	Rural	5	5	0
11	Primera	Cameron	Urban	5	5	0
11	Progreso	Hidalgo	Rural	5	5	0
11	Progreso Lakes	Hidalgo	Rural	3	3	0
11	Quemado	Maverick	Rural	3	3	0
11	Radar Base	Maverick	Rural	3	3	0
11	Ranchette Estates	Willacy	Rural	3	3	0
11	Ranchitos Las Lomas	Webb	Rural	3	3	0
11	Rancho Viejo	Cameron	Urban	5	5	0
11	Ranchos Penitas West	Webb	Urban	3	3	0
11	Rangerville	Cameron	Rural	3	3	0
11	Ratamosa	Cameron	Rural	3	3	0
11	Raymondville	Willacy	Rural	4	4	0
11	Reid Hope King	Cameron	Urban	6	6	0
11	Relampago	Hidalgo	Rural	3	3	0
11	Rio Bravo	Webb	Urban	4	4	0
11	Rio Grande City	Starr	Rural	4	4	0
11	Rio Hondo	Cameron	Rural	5	5	0
11	Rocksprings	Edwards	Rural	5	5	0
11	Roma	Starr	Rural	6	6	0
11	Roma Creek	Starr	Rural	3	3	0
11	Rosita North	Maverick	Rural	4	4	0
11	Rosita South	Maverick	Rural	5	5	0
11	Sabinal	Uvalde	Rural	6	6	0
11	Salineno	Starr	Rural	3	3	0
11	San Benito	Cameron	Urban	5	5	0
11	San Carlos	Hidalgo	Rural	6	6	0
11	San Ignacio	Zapata	Rural	3	3	0
11	San Isidro	Starr	Rural	5	5	0
11	San Juan	Hidalgo	Urban	5	5	0
11	San Manuel-Linn	Hidalgo	Rural	3	3	0
11	San Pedro	Cameron	Rural	3	3	0
11	San Perlita	Willacy	Rural	6	6	0
11	Santa Cruz	Starr	Rural	6	6	0
11	Santa Maria	Cameron	Rural	4	4	0
11	Santa Monica	Willacy	Rural	3	3	0
11	Santa Rosa	Cameron	Rural	3	3	0
11	Scissors	Hidalgo	Rural	3	3	0
11	Sebastian	Willacy	Rural	3	3	0
11	Siesta Shores	Zapata	Rural	3	3	0
11	Solis	Cameron	Rural	6	6	0
11	South Alamo	Hidalgo	Rural	5	5	0

Draft 2009 HTC Affordable Housing Needs Score

Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
11	South Fork Estates	Jim Hogg	Rural	3	3	0
11	South Padre Island	Cameron	Rural	6	6	0
11	South Point	Cameron	Rural	6	6	0
11	Spofford	Kinney	Rural	3	3	0
11	Sullivan City	Hidalgo	Rural	5	5	0
11	Tierra Bonita	Cameron	Rural	3	3	0
11	Utopia	Uvalde	Rural	5	5	0
11	Uvalde	Uvalde	Rural	6	5	-1
11	Uvalde Estates	Uvalde	Rural	5	5	0
11	Val Verde Park	Val Verde	Rural	5	5	0
11	Villa del Sol	Cameron	Rural	3	3	0
11	Villa Pancho	Cameron	Urban	6	6	0
11	Villa Verde	Hidalgo	Urban	3	3	0
11	Weslaco	Hidalgo	Urban	5	5	0
11	West Sharyland	Hidalgo	Rural	4	4	0
11	Willamar	Willacy	Rural	3	3	0
11	Yznaga	Cameron	Rural	3	3	0
11	Zapata	Zapata	Rural	4	4	0
11	Zapata Ranch	Willacy	Rural	3	3	0
12	Ackerly	Dawson	Rural	4	4	0
12	Andrews	Andrews	Rural	5	5	0
12	Balmorhea	Reeves	Rural	4	4	0
12	Barstow	Ward	Rural	6	6	0
12	Big Lake	Reagan	Rural	5	5	0
12	Big Spring	Howard	Rural	5	5	0
12	Brady	McCulloch	Rural	4	4	0
12	Bronte	Coke	Rural	6	6	0
12	Christoval	Tom Green	Rural	6	6	0
12	Coahoma	Howard	Rural	4	4	0
12	Coyanosa	Pecos	Rural	3	3	0
12	Crane	Crane	Rural	6	6	0
12	Eden	Concho	Rural	6	6	0
12	Eldorado	Schleicher	Rural	3	3	0
12	Forsan	Howard	Rural	4	4	0
12	Fort Stockton	Pecos	Rural	3	3	0
12	Gardendale	Ector	Rural	3	3	0
12	Goldsmith	Ector	Rural	4	4	0
12	Grandfalls	Ward	Rural	5	5	0
12	Grape Creek	Tom Green	Rural	5	5	0
12	Imperial	Pecos	Rural	3	3	0
12	Iraan	Pecos	Rural	3	3	0
12	Junction	Kimble	Rural	5	5	0
12	Kermit	Winkler	Rural	4	4	0
12	Lamesa	Dawson	Rural	5	5	0
12	Lindsay (Reeves)	Reeves	Rural	3	3	0
12	Los Ybanez	Dawson	Rural	3	3	0
12	Mason	Mason	Rural	5	5	0
12	McCamey	Upton	Rural	4	4	0
12	Melvin	McCulloch	Rural	6	6	0

Draft 2009 HTC Affordable Housing Needs Score

Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
12	Menard	Menard	Rural	5	5	0
12	Mertzon	Irion	Rural	3	3	0
12	Midland	Midland	Urban	5	5	0
12	Monahans	Ward	Rural	6	6	0
12	Odessa	Ector	Urban	5	5	0
12	Ozona	Crockett	Rural	4	4	0
12	Paint Rock	Concho	Rural	6	6	0
12	Pecos	Reeves	Rural	3	3	0
12	Pyote	Ward	Rural	3	3	0
12	Rankin	Upton	Rural	3	3	0
12	Robert Lee	Coke	Rural	6	6	0
12	San Angelo	Tom Green	Urban	6	6	0
12	Sanderson	Terrell	Rural	6	6	0
12	Seagraves	Gaines	Rural	5	5	0
12	Seminole	Gaines	Rural	4	4	0
12	Sonora	Sutton	Rural	3	3	0
12	Stanton	Martin	Rural	5	5	0
12	Sterling City	Sterling	Rural	4	4	0
12	Thorntonville	Ward	Rural	3	3	0
12	Toyah	Reeves	Rural	3	3	0
12	West Odessa	Ector	Urban	5	5	0
12	Wickett	Ward	Rural	6	6	0
12	Wink	Winkler	Rural	4	4	0
13	Agua Dulce (El Paso)	El Paso	Rural	3	3	0
13	Alpine	Brewster	Rural	6	6	0
13	Anthony	El Paso	Urban	3	3	0
13	Butterfield	El Paso	Rural	3	3	0
13	Canutillo	El Paso	Urban	4	4	0
13	Clint	El Paso	Rural	3	3	0
13	Dell City	Hudspeth	Rural	6	6	0
13	El Paso	El Paso	Urban	6	5	-1
13	Fabens	El Paso	Rural	6	6	0
13	Fort Bliss	El Paso	Urban	4	4	0
13	Fort Davis	Jeff Davis	Rural	4	4	0
13	Fort Hancock	Hudspeth	Rural	5	5	0
13	Homestead Meadows North	El Paso	Rural	5	5	0
13	Homestead Meadows South	El Paso	Rural	6	6	0
13	Horizon City	El Paso	Rural	3	3	0
13	Marathon	Brewster	Rural	4	4	0
13	Marfa	Presidio	Rural	4	4	0
13	Morning Glory	El Paso	Rural	3	3	0
13	Prado Verde	El Paso	Urban	3	3	0
13	Presidio	Presidio	Rural	5	5	0
13	Redford	Presidio	Rural	3	3	0
13	San Elizario	El Paso	Urban	4	3	-1
13	Sierra Blanca	Hudspeth	Rural	4	4	0
13	Socorro	El Paso	Urban	5	5	0
13	Sparks	El Paso	Rural	5	5	0
13	Study Butte-Terlingua	Brewster	Rural	4	4	0

Draft 2009 HTC Affordable Housing Needs Score

Region	Area Name	County Name	Area Type	AHNS 08	AHNS 09	Change in AHNS 09 - 08
13	Tornillo	El Paso	Rural	6	6	0
13	Valentine	Jeff Davis	Rural	5	5	0
13	Van Horn	Culberson	Rural	6	6	0
13	Vinton	El Paso	Rural	6	6	0
13	Westway	El Paso	Urban	6	6	0

Draft 2009 HOME Affordable Housing Need Scores (AHNS) Place Level

(Sorted by Region then Place.)

Instructions:
Use this table to determine the AHNS of an application that will serve a **single** place.
Special Circumstances
(1) Rental Development activities that are not located within a place's jurisdiction will utilize the score of closest place.
(2) Participating Jurisdictions (PJ) recieve a score of zero and are not included in the table.
All questions relating to scoring an application under the AHN Scoring Component should be submitted in writing to Sandy Garcia via facsimile at (512) 475-4798 or by email at sandy.garcia@tdhca.state.tx.us.

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
1	Abernathy	Hale	2,839	Rural	5	5	4
1	Adrian	Oldham	159	Rural	6	6	6
1	Amherst	Lamb	791	Rural	4	4	4
1	Anton	Hockley	1,200	Rural	3	3	5
1	Bishop Hills	Potter	210	Rural	3	3	6
1	Booker	Lipscomb	1,315	Rural	5	5	3
1	Borger	Hutchinson	14,302	Rural	4	5	3
1	Bovina	Parmer	1,874	Rural	4	3	3
1	Brownfield	Terry	9,488	Rural	6	6	4
1	Buffalo Springs	Lubbock	493	Rural	4	4	4
1	Cactus	Moore	2,538	Rural	3	3	4
1	Canadian	Hemphill	2,233	Rural	5	5	4
1	Canyon	Randall	12,875	Rural	6	6	3
1	Channing	Hartley	356	Rural	6	6	4
1	Childress	Childress	6,778	Rural	4	5	3
1	Clarendon	Donley	1,974	Rural	5	5	3
1	Claude	Armstrong	1,313	Rural	6	6	4
1	Crosbyton	Crosby	1,874	Rural	5	5	3
1	Dalhart	Dallam	7,237	Rural	6	6	4
1	Darrouzett	Lipscomb	303	Rural	6	6	6
1	Denver City	Yoakum	3,985	Rural	4	4	6
1	Dickens	Dickens	332	Rural	6	6	6
1	Dimmitt	Castro	4,375	Rural	5	4	5
1	Dodson	Collingsworth	115	Rural	6	6	6
1	Dumas	Moore	13,747	Rural	4	4	3
1	Earth	Lamb	1,109	Rural	4	4	5
1	Edmonson	Hale	123	Rural	3	3	5
1	Estelline	Hall	168	Rural	6	6	6
1	Farwell	Parmer	1,364	Rural	6	6	4
1	Floydada	Floyd	3,676	Rural	5	5	3
1	Follett	Lipscomb	412	Rural	4	4	6
1	Friona	Parmer	3,854	Rural	5	5	3
1	Fritch	Hutchinson	2,235	Rural	5	4	4
1	Groom	Carson	587	Rural	6	6	6
1	Gruver	Hansford	1,162	Rural	5	5	4
1	Hale Center	Hale	2,263	Rural	5	5	3
1	Happy	Swisher	647	Rural	4	4	5
1	Hart	Castro	1,198	Rural	4	4	4

2009 Draft HOME AHNS - Place

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
1	Hartley	Hartley	441	Rural	5	5	5
1	Hedley	Donley	379	Rural	6	6	6
1	Hereford	Deaf Smith	14,597	Rural	3	4	4
1	Higgins	Lipscomb	425	Rural	3	3	6
1	Howardwick	Donley	437	Rural	6	6	4
1	Idalou	Lubbock	2,157	Rural	3	3	3
1	Kress	Swisher	826	Rural	5	5	3
1	Lake Tanglewood	Randall	825	Rural	6	6	3
1	Lakeview	Hall	152	Rural	6	6	4
1	Lefors	Gray	559	Rural	3	3	5
1	Levelland	Hockley	12,866	Rural	5	6	5
1	Lipscomb	Lipscomb	44	Rural	3	3	3
1	Littlefield	Lamb	6,507	Rural	6	6	4
1	Lockney	Floyd	2,056	Rural	4	3	4
1	Lorenzo	Crosby	1,372	Rural	4	4	4
1	Matador	Motley	740	Rural	4	4	3
1	McLean	Gray	830	Rural	5	5	6
1	Meadow	Terry	658	Rural	3	3	4
1	Memphis	Hall	2,479	Rural	5	5	3
1	Miami	Roberts	588	Rural	6	6	4
1	Mobeetie	Wheeler	107	Rural	3	3	4
1	Morse	Hansford	172	Rural	4	4	6
1	Morton	Cochran	2,249	Rural	4	3	3
1	Muleshoe	Bailey	4,530	Rural	3	3	4
1	Nazareth	Castro	356	Rural	4	4	4
1	New Deal	Lubbock	708	Rural	5	5	3
1	New Home	Lynn	320	Rural	4	4	3
1	O'Donnell	Lynn	1,011	Rural	3	3	3
1	Olton	Lamb	2,288	Rural	3	3	4
1	Opdyke West	Hockley	188	Rural	4	4	6
1	Palisades	Randall	352	Rural	5	5	4
1	Pampa	Gray	17,887	Rural	5	5	4
1	Panhandle	Carson	2,589	Rural	4	4	3
1	Perryton	Ochiltree	7,774	Rural	3	4	3
1	Petersburg	Hale	1,262	Rural	3	3	3
1	Plains	Yoakum	1,450	Rural	5	5	3
1	Plainview	Hale	22,336	Rural	5	5	4
1	Post	Garza	3,708	Rural	6	6	6
1	Quail	Collingsworth	33	Rural	3	3	3
1	Quitaque	Briscoe	432	Rural	6	6	5
1	Ralls	Crosby	2,252	Rural	5	5	6
1	Ransom Canyon	Lubbock	1,011	Rural	4	4	3
1	Reese Center	Lubbock	42	Urban	3	3	6
1	Roaring Springs	Motley	265	Rural	3	3	3
1	Ropesville	Hockley	517	Rural	3	3	3
1	Samnorwood	Collingsworth	39	Rural	3	3	3
1	Sanford	Hutchinson	203	Rural	5	5	4
1	Seth Ward	Hale	1,926	Rural	5	5	6
1	Shallowater	Lubbock	2,086	Rural	6	6	5
1	Shamrock	Wheeler	2,029	Rural	5	5	6
1	Silverton	Briscoe	771	Rural	6	5	3

2009 Draft HOME AHNS - Place

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
1	Skellytown	Carson	610	Rural	3	3	6
1	Slaton	Lubbock	6,109	Rural	5	5	6
1	Smyer	Hockley	480	Rural	4	4	6
1	Spade	Lamb	100	Rural	5	5	3
1	Spearman	Hansford	3,021	Rural	3	3	4
1	Springlake	Lamb	135	Rural	6	6	3
1	Spur	Dickens	1,088	Rural	3	3	4
1	Stinnett	Hutchinson	1,936	Rural	5	5	4
1	Stratford	Sherman	1,991	Rural	3	3	3
1	Sudan	Lamb	1,039	Rural	5	4	3
1	Sundown	Hockley	1,505	Rural	4	4	4
1	Sunray	Moore	1,950	Rural	4	4	3
1	Tahoka	Lynn	2,910	Rural	4	3	6
1	Texhoma	Sherman	371	Rural	6	6	6
1	Texline	Dallam	511	Rural	4	4	5
1	Timbercreek Canyon	Randall	406	Rural	3	3	3
1	Tulia	Swisher	5,117	Rural	4	4	4
1	Turkey	Hall	494	Rural	3	3	5
1	Vega	Oldham	936	Rural	5	5	6
1	Wellington	Collingsworth	2,275	Rural	4	4	5
1	Wellman	Terry	203	Rural	4	3	6
1	Wheeler	Wheeler	1,378	Rural	4	4	3
1	White Deer	Carson	1,060	Rural	5	5	3
1	Whiteface	Cochran	465	Rural	3	3	6
1	Wilson	Lynn	532	Rural	3	3	4
1	Wolfforth	Lubbock	2,554	Rural	5	5	6
2	Albany	Shackelford	1,921	Rural	5	5	3
2	Anson	Jones	2,556	Rural	3	3	5
2	Archer City	Archer	1,848	Rural	4	4	3
2	Aspermont	Stonewall	1,021	Rural	4	4	5
2	Baird	Callahan	1,623	Rural	3	5	4
2	Ballinger	Runnels	4,243	Rural	6	6	6
2	Bangs	Brown	1,620	Rural	5	5	6
2	Bellevue	Clay	386	Rural	5	5	5
2	Benjamin	Knox	264	Rural	3	3	6
2	Blackwell	Nolan	360	Rural	4	4	3
2	Blanket	Brown	402	Rural	6	6	4
2	Bowie	Montague	5,219	Rural	5	6	6
2	Breckenridge	Stephens	5,868	Rural	5	4	3
2	Brownwood	Brown	18,813	Rural	4	6	4
2	Bryson	Jack	528	Rural	5	5	6
2	Buffalo Gap	Taylor	463	Rural	4	4	3
2	Burkburnett	Wichita	10,927	Rural	5	5	3
2	Byers	Clay	517	Rural	6	6	5
2	Carbon	Eastland	224	Rural	3	3	3
2	Chillicothe	Hardeman	798	Rural	6	6	3
2	Cisco	Eastland	3,851	Rural	6	6	5
2	Clyde	Callahan	3,345	Rural	5	5	4
2	Coleman	Coleman	5,127	Rural	5	5	6
2	Colorado City	Mitchell	4,281	Rural	6	5	6
2	Comanche	Comanche	4,482	Rural	6	6	4

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
2	Cross Plains	Callahan	1,068	Rural	3	6	5
2	Crowell	Foard	1,141	Rural	5	5	5
2	De Leon	Comanche	2,433	Rural	5	5	5
2	Dean	Clay	341	Rural	6	6	5
2	Early	Brown	2,588	Rural	5	4	4
2	Eastland	Eastland	3,769	Rural	3	6	6
2	Elbert	Throckmorton	56	Rural	6	6	3
2	Electra	Wichita	3,168	Rural	5	5	5
2	Girard	Kent	62	Rural	3	3	6
2	Goree	Knox	321	Rural	3	3	6
2	Gorman	Eastland	1,236	Rural	3	3	3
2	Graham	Young	8,716	Rural	4	4	4
2	Gustine	Comanche	457	Rural	6	6	6
2	Hamlin	Jones	2,248	Rural	4	4	6
2	Haskell	Haskell	3,106	Rural	5	5	6
2	Hawley	Jones	646	Rural	6	6	3
2	Henrietta	Clay	3,264	Rural	5	5	4
2	Hermleigh	Scurry	393	Rural	5	5	6
2	Holliday	Archer	1,632	Rural	3	3	5
2	Impact	Taylor	39	Urban	3	3	3
2	Iowa Park	Wichita	6,431	Rural	5	5	3
2	Jacksboro	Jack	4,533	Rural	5	5	5
2	Jayton	Kent	513	Rural	3	3	3
2	Jolly	Clay	188	Rural	6	6	6
2	Knox City	Knox	1,219	Rural	4	4	6
2	Lake Brownwood	Brown	1,694	Rural	6	6	6
2	Lakeside City	Archer	984	Urban	4	4	3
2	Lawn	Taylor	353	Rural	3	3	4
2	Loraine	Mitchell	656	Rural	5	5	3
2	Lueders	Jones	300	Rural	4	4	6
2	Megargel	Archer	248	Rural	3	3	3
2	Merkel	Taylor	2,637	Rural	6	5	3
2	Miles	Runnels	850	Rural	5	5	3
2	Moran	Shackelford	233	Rural	4	4	5
2	Munday	Knox	1,527	Rural	3	3	3
2	Newcastle	Young	575	Rural	5	5	4
2	Nocona	Montague	3,198	Rural	4	3	3
2	Novice	Coleman	142	Rural	3	3	3
2	O'Brien	Haskell	132	Rural	3	3	6
2	Olney	Young	3,396	Rural	4	4	5
2	Paducah	Cottle	1,498	Rural	4	4	3
2	Petrolia	Clay	782	Rural	6	6	3
2	Pleasant Valley	Wichita	408	Urban	6	6	5
2	Potosi	Taylor	1,664	Urban	6	6	3
2	Putnam	Callahan	88	Rural	6	6	4
2	Quanah	Hardeman	3,022	Rural	6	6	3
2	Ranger	Eastland	2,584	Rural	4	3	6
2	Rising Star	Eastland	835	Rural	4	4	5
2	Roby	Fisher	673	Rural	5	5	3
2	Rochester	Haskell	378	Rural	4	4	5
2	Roscoe	Nolan	1,378	Rural	4	3	4

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
2	Rotan	Fisher	1,611	Rural	4	4	3
2	Rule	Haskell	698	Rural	5	4	5
2	Santa Anna	Coleman	1,081	Rural	3	4	4
2	Scotland	Archer	438	Rural	3	3	5
2	Seymour	Baylor	2,908	Rural	4	4	3
2	Snyder	Scurry	10,783	Rural	4	4	4
2	St. Jo	Montague	977	Rural	3	3	5
2	Stamford	Jones	3,636	Rural	4	4	4
2	Sunset	Montague	339	Rural	3	3	6
2	Sweetwater	Nolan	11,415	Rural	5	5	4
2	Throckmorton	Throckmorton	905	Rural	4	3	3
2	Trent	Taylor	318	Rural	6	6	3
2	Tuscola	Taylor	714	Rural	3	3	3
2	Tye	Taylor	1,158	Urban	6	6	4
2	Vernon	Wilbarger	11,660	Rural	3	4	4
2	Weinert	Haskell	177	Rural	6	6	4
2	Westbrook	Mitchell	203	Rural	5	5	4
2	Windthorst	Archer	440	Rural	3	3	6
2	Winters	Runnels	2,880	Rural	3	3	4
2	Woodson	Throckmorton	296	Rural	3	3	4
3	Addison	Dallas	14,166	Urban	4	4	3
3	Aledo	Parker	1,726	Rural	5	5	5
3	Allen	Collin	43,554	Urban	5	5	3
3	Alma	Ellis	302	Rural	6	6	6
3	Alvarado	Johnson	3,288	Rural	4	3	5
3	Alvord	Wise	1,007	Rural	5	5	3
3	Angus	Navarro	334	Rural	5	5	5
3	Anna	Collin	1,225	Rural	6	4	3
3	Annetta	Parker	1,108	Rural	6	6	3
3	Annetta North	Parker	467	Rural	6	6	3
3	Annetta South	Parker	555	Rural	6	6	3
3	Argyle	Denton	2,365	Urban	4	4	3
3	Aubrey	Denton	1,500	Rural	6	5	5
3	Aurora	Wise	853	Rural	6	6	6
3	Bailey	Fannin	213	Rural	6	6	3
3	Bardwell	Ellis	583	Rural	3	3	6
3	Barry	Navarro	209	Rural	6	6	4
3	Bartonville	Denton	1,093	Rural	3	3	3
3	Bells	Grayson	1,190	Rural	5	5	5
3	Blooming Grove	Navarro	833	Rural	4	4	5
3	Blue Ridge	Collin	672	Rural	5	5	6
3	Bonham	Fannin	9,990	Rural	6	5	5
3	Boyd	Wise	1,099	Rural	4	4	5
3	Briar	Tarrant	5,350	Rural	3	3	5
3	Briaroaks	Johnson	493	Rural	3	3	4
3	Bridgeport	Wise	4,309	Rural	4	5	5
3	Caddo Mills	Hunt	1,149	Rural	6	5	5
3	Callisburg	Cooke	365	Rural	4	4	6
3	Campbell	Hunt	734	Rural	5	5	6
3	Carrollton	Denton	109,576	Urban	4	4	3
3	Celeste	Hunt	817	Rural	3	3	5

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
3	Celina	Collin	1,861	Urban	4	3	5
3	Chico	Wise	947	Rural	5	5	5
3	Cleburne	Johnson	26,005	Urban	3	5	5
3	Colleyville	Tarrant	19,636	Urban	4	4	3
3	Collinsville	Grayson	1,235	Rural	3	3	4
3	Commerce	Hunt	7,669	Rural	6	6	3
3	Cool	Parker	162	Rural	6	6	6
3	Copper Canyon	Denton	1,216	Urban	6	6	3
3	Corinth	Denton	11,325	Urban	3	4	3
3	Corral City	Denton	89	Rural	3	3	6
3	Corsicana	Navarro	24,485	Rural	5	5	5
3	Cottonwood	Kaufman	181	Rural	3	3	5
3	Crandall	Kaufman	2,774	Rural	4	4	4
3	Cross Roads	Denton	603	Rural	3	3	6
3	Cross Timber	Johnson	277	Rural	6	6	4
3	Dawson	Navarro	852	Rural	3	3	5
3	Decatur	Wise	5,201	Rural	4	4	5
3	Denison	Grayson	22,773	Urban	4	5	5
3	DeSoto	Dallas	37,646	Urban	3	6	4
3	Dodd City	Fannin	419	Rural	6	6	5
3	Dorchester	Grayson	109	Urban	3	3	6
3	Double Oak	Denton	2,179	Urban	6	6	3
3	Dublin	Erath	3,754	Rural	4	4	6
3	Eagle Mountain	Tarrant	6,599	Urban	4	4	4
3	Ector	Fannin	600	Rural	5	5	3
3	Edgecliff Village	Tarrant	2,550	Urban	6	5	4
3	Emhouse	Navarro	159	Rural	3	3	3
3	Ennis	Ellis	16,045	Rural	3	4	5
3	Euless	Tarrant	46,005	Urban	4	4	3
3	Eureka	Navarro	340	Rural	3	3	5
3	Fairview	Collin	2,644	Urban	6	6	3
3	Farmersville	Collin	3,118	Rural	4	4	3
3	Fate	Rockwall	497	Rural	6	6	4
3	Ferris	Ellis	2,175	Rural	4	4	3
3	Flower Mound	Denton	50,702	Urban	4	4	3
3	Forney	Kaufman	5,588	Rural	5	5	5
3	Frisco	Collin	33,714	Urban	5	5	3
3	Frost	Navarro	648	Rural	5	5	6
3	Gainesville	Cooke	15,538	Rural	4	5	4
3	Garrett	Ellis	448	Rural	6	6	6
3	Glen Rose	Somervell	2,122	Rural	4	4	5
3	Godley	Johnson	879	Rural	6	6	4
3	Goodlow	Navarro	264	Rural	3	3	6
3	Gordon	Palo Pinto	451	Rural	6	6	4
3	Graford	Palo Pinto	578	Rural	4	4	4
3	Granbury	Hood	5,718	Rural	5	6	4
3	Grandview	Johnson	1,358	Rural	5	5	6
3	Grays Prairie	Kaufman	296	Rural	6	6	3
3	Greenville	Hunt	23,960	Rural	4	5	5
3	Gunter	Grayson	1,230	Rural	5	4	4
3	Hackberry	Denton	544	Urban	6	6	6

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
3	Hawk Cove	Hunt	457	Rural	3	3	5
3	Heath	Rockwall	4,149	Urban	3	3	3
3	Hebron	Denton	874	Urban	3	3	3
3	Hickory Creek	Denton	2,078	Urban	3	3	3
3	Highland Village	Denton	12,173	Urban	5	5	3
3	Honey Grove	Fannin	1,746	Rural	3	5	4
3	Howe	Grayson	2,478	Urban	5	5	6
3	Hudson Oaks	Parker	1,637	Rural	6	6	3
3	Italy	Ellis	1,993	Rural	4	4	4
3	Josephine	Collin	594	Rural	6	6	3
3	Joshua	Johnson	4,528	Urban	4	4	4
3	Justin	Denton	1,891	Rural	5	5	4
3	Kaufman	Kaufman	6,490	Rural	3	4	6
3	Keene	Johnson	5,003	Rural	5	5	6
3	Kemp	Kaufman	1,133	Rural	6	6	5
3	Kerens	Navarro	1,681	Rural	5	5	5
3	Knollwood	Grayson	375	Urban	6	6	6
3	Krugerville	Denton	903	Rural	6	6	5
3	Krum	Denton	1,979	Rural	3	3	4
3	Ladonia	Fannin	667	Rural	3	3	5
3	Lake Bridgeport	Wise	372	Rural	3	3	4
3	Lake Dallas	Denton	6,166	Rural	5	4	5
3	Lake Kiowa	Cooke	1,883	Rural	3	3	3
3	Lakewood Village	Denton	342	Rural	6	6	5
3	Lavon	Collin	387	Rural	3	3	4
3	Leonard	Fannin	1,846	Rural	5	5	4
3	Lewisville	Denton	77,737	Urban	5	5	3
3	Lincoln Park	Denton	517	Rural	4	4	6
3	Lindsay (Cooke)	Cooke	788	Rural	4	4	3
3	Lipan	Hood	425	Rural	3	3	5
3	Little Elm	Denton	3,646	Urban	3	4	5
3	Lone Oak	Hunt	521	Rural	3	3	4
3	Lowry Crossing	Collin	1,229	Urban	6	6	3
3	Lucas	Collin	2,890	Urban	6	6	3
3	Mabank	Kaufman	2,151	Rural	3	6	5
3	Marshall Creek	Denton	431	Rural	6	6	6
3	Maypearl	Ellis	746	Rural	5	4	5
3	McKinney	Collin	54,369	Urban	4	5	3
3	McLendon-Chisholm	Rockwall	914	Rural	6	6	3
3	Melissa	Collin	1,350	Urban	5	5	4
3	Mesquite	Dallas	124,523	Urban	4	5	4
3	Midlothian	Ellis	7,480	Urban	4	4	4
3	Mildred	Navarro	405	Rural	5	5	5
3	Milford	Ellis	685	Rural	3	3	6
3	Millsap	Parker	353	Rural	3	3	4
3	Mineral Wells	Palo Pinto	16,946	Rural	5	5	5
3	Mingus	Palo Pinto	246	Rural	6	6	3
3	Mobile City	Rockwall	196	Rural	4	4	6
3	Muenster	Cooke	1,556	Rural	5	5	5
3	Murphy	Collin	3,099	Urban	6	5	3
3	Mustang	Navarro	47	Rural	3	3	6

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Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
3	Navarro	Navarro	191	Rural	3	3	3
3	Nevada	Collin	563	Rural	3	3	3
3	New Fairview	Wise	877	Rural	4	4	6
3	New Hope	Collin	662	Rural	3	3	3
3	Newark	Wise	887	Rural	5	5	5
3	Neylandville	Hunt	56	Rural	3	3	6
3	Northlake	Denton	921	Urban	4	4	6
3	Oak Grove	Kaufman	710	Rural	6	6	3
3	Oak Leaf	Ellis	1,209	Rural	6	6	3
3	Oak Point	Denton	1,747	Rural	5	4	4
3	Oak Ridge (Cooke)	Cooke	224	Rural	5	5	6
3	Oak Ridge (Kaufman)	Kaufman	400	Rural	6	6	6
3	Oak Trail Shores	Hood	2,475	Rural	3	3	6
3	Oak Valley	Navarro	401	Rural	5	5	5
3	Ovilla	Ellis	3,405	Urban	6	6	4
3	Palmer	Ellis	1,774	Rural	3	3	6
3	Paradise	Wise	459	Rural	6	6	6
3	Parker	Collin	1,379	Urban	3	3	3
3	Pecan Acres	Wise	2,289	Rural	6	6	4
3	Pecan Hill	Ellis	672	Rural	5	5	4
3	Pecan Plantation	Hood	3,544	Rural	4	4	3
3	Pelican Bay	Tarrant	1,505	Rural	5	5	6
3	Pilot Point	Denton	3,538	Rural	4	4	5
3	Ponder	Denton	507	Rural	4	3	4
3	Post Oak Bend City	Kaufman	404	Rural	3	3	5
3	Pottsboro	Grayson	1,579	Rural	4	4	3
3	Powell	Navarro	105	Rural	3	3	6
3	Princeton	Collin	3,477	Urban	5	4	5
3	Prosper	Collin	2,097	Urban	4	4	4
3	Quinlan	Hunt	1,370	Rural	6	6	4
3	Ravenna	Fannin	215	Rural	3	3	6
3	Red Oak	Ellis	4,301	Urban	5	5	5
3	Rendon	Tarrant	9,022	Urban	3	3	5
3	Reno (Parker)	Parker	2,441	Rural	5	5	5
3	Retreat	Navarro	339	Rural	4	4	6
3	Rhome	Wise	551	Rural	5	4	6
3	Rice	Navarro	798	Rural	5	5	4
3	Richardson	Dallas	91,802	Urban	4	4	3
3	Richland	Navarro	291	Rural	6	6	6
3	Rio Vista	Johnson	656	Rural	3	3	6
3	Roanoke	Denton	2,810	Urban	5	4	5
3	Rockwall	Rockwall	17,976	Urban	4	4	4
3	Rosser	Kaufman	379	Rural	6	6	3
3	Rowlett	Dallas	44,503	Urban	5	4	3
3	Royse City	Rockwall	2,957	Rural	4	4	6
3	Runaway Bay	Wise	1,104	Rural	5	5	5
3	Sadler	Grayson	404	Rural	6	6	5
3	Sanctuary	Parker	256	Rural	6	6	5
3	Sanger	Denton	4,534	Rural	3	4	5
3	Savoy	Fannin	850	Rural	5	5	3
3	Shady Shores	Denton	1,461	Urban	3	3	5

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
3	Sherman	Grayson	35,082	Urban	5	5	5
3	Southmayd	Grayson	992	Rural	4	4	4
3	Springtown	Parker	2,062	Rural	3	5	5
3	St. Paul (Collin)	Collin	630	Rural	3	3	4
3	Stephenville	Erath	14,921	Rural	6	6	5
3	Strawn	Palo Pinto	739	Rural	5	4	6
3	Sunnyvale	Dallas	2,693	Urban	3	3	5
3	Talty	Kaufman	1,028	Rural	3	3	3
3	Terrell	Kaufman	13,606	Rural	5	6	5
3	The Colony	Denton	26,531	Urban	3	4	3
3	Tioga	Grayson	754	Rural	3	3	4
3	Tolar	Hood	504	Rural	4	4	3
3	Tom Bean	Grayson	941	Rural	3	3	5
3	Trenton	Fannin	662	Rural	4	4	3
3	Trophy Club	Denton	6,350	Rural	4	4	3
3	Valley View	Cooke	737	Rural	4	4	3
3	Van Alstyne	Grayson	2,502	Rural	3	3	3
3	Venus	Johnson	910	Rural	3	3	5
3	Waxahachie	Ellis	21,426	Rural	3	5	5
3	Weatherford	Parker	19,000	Rural	4	5	4
3	West Tawakoni	Hunt	1,462	Rural	5	5	5
3	Westminster	Collin	390	Rural	3	3	5
3	Weston	Collin	635	Urban	5	5	3
3	Westover Hills	Tarrant	658	Urban	3	3	3
3	Whitesboro	Grayson	3,760	Rural	5	5	4
3	Whitewright	Grayson	1,740	Rural	6	6	5
3	Willow Park	Parker	2,849	Rural	3	3	3
3	Windom	Fannin	245	Rural	3	3	5
3	Wolfe City	Hunt	1,566	Rural	5	5	4
3	Wylie	Collin	15,132	Rural	3	4	5
4	Alba	Wood	430	Rural	6	6	6
4	Alto	Cherokee	1,190	Rural	4	4	4
4	Annona	Red River	282	Rural	6	6	6
4	Arp	Smith	901	Rural	3	3	4
4	Athens	Henderson	11,297	Rural	4	5	4
4	Atlanta	Cass	5,745	Rural	4	4	5
4	Avery	Red River	462	Rural	5	5	3
4	Avinger	Cass	464	Rural	6	6	4
4	Beckville	Panola	752	Rural	5	5	4
4	Berryville	Henderson	891	Rural	4	4	6
4	Big Sandy	Upshur	1,288	Rural	3	3	6
4	Bloomburg	Cass	375	Rural	3	3	5
4	Blossom	Lamar	1,439	Rural	4	4	3
4	Bogata	Red River	1,396	Rural	3	3	4
4	Brownsboro	Henderson	796	Rural	6	6	5
4	Bullard	Smith	1,150	Rural	5	5	4
4	Caney City	Henderson	236	Rural	6	6	6
4	Canton	Van Zandt	3,292	Rural	4	4	4
4	Carthage	Panola	6,664	Rural	5	5	4
4	Chandler	Henderson	2,099	Rural	3	4	3
4	Clarksville	Red River	3,883	Rural	5	4	3

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Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
4	Clarksville City	Gregg	806	Rural	4	4	5
4	Coffee City	Henderson	193	Rural	3	3	6
4	Como	Hopkins	621	Rural	4	4	5
4	Cooper	Delta	2,150	Rural	6	6	5
4	Cumby	Hopkins	616	Rural	5	5	4
4	Cuney	Cherokee	145	Rural	4	4	6
4	Daingerfield	Morris	2,517	Rural	6	6	3
4	De Kalb	Bowie	1,769	Rural	6	5	4
4	Deport	Lamar	718	Rural	4	4	3
4	Detroit	Red River	776	Rural	4	4	3
4	Domino	Cass	52	Rural	3	3	3
4	Douglassville	Cass	175	Rural	3	3	3
4	East Mountain	Upshur	580	Rural	4	4	4
4	East Tawakoni	Rains	775	Rural	6	6	3
4	Easton	Gregg	524	Rural	3	3	5
4	Edgewood	Van Zandt	1,348	Rural	5	5	5
4	Edom	Van Zandt	322	Rural	6	6	5
4	Elkhart	Anderson	1,215	Rural	5	5	5
4	Emory	Rains	1,021	Rural	6	5	4
4	Enchanted Oaks	Henderson	357	Rural	6	6	4
4	Eustace	Henderson	798	Rural	3	3	3
4	Frankston	Anderson	1,209	Rural	4	4	4
4	Fruitvale	Van Zandt	418	Rural	4	3	3
4	Gallatin	Cherokee	378	Rural	4	4	5
4	Gary City	Panola	303	Rural	3	3	3
4	Gilmer	Upshur	4,799	Rural	6	6	4
4	Gladewater	Gregg	6,078	Rural	5	6	4
4	Grand Saline	Van Zandt	3,028	Rural	3	3	4
4	Gun Barrel City	Henderson	5,145	Rural	5	5	5
4	Hallsville	Harrison	2,772	Rural	3	3	3
4	Hawkins	Wood	1,331	Rural	6	5	5
4	Henderson	Rusk	11,273	Rural	3	3	3
4	Hooks	Bowie	2,973	Rural	4	4	4
4	Hughes Springs	Cass	1,856	Rural	4	3	3
4	Jacksonville	Cherokee	13,868	Rural	4	5	4
4	Jefferson	Marion	2,024	Rural	6	6	5
4	Kilgore	Gregg	11,301	Rural	3	4	4
4	Lakeport	Gregg	861	Rural	4	4	5
4	Leary	Bowie	555	Rural	3	3	5
4	Liberty City	Gregg	1,935	Rural	4	3	3
4	Lindale	Smith	2,954	Rural	5	4	4
4	Linden	Cass	2,256	Rural	4	4	3
4	Log Cabin	Henderson	733	Rural	6	6	3
4	Lone Star	Morris	1,631	Rural	4	5	3
4	Malakoff	Henderson	2,257	Rural	5	5	5
4	Marietta	Cass	112	Rural	3	3	6
4	Marshall	Harrison	23,935	Rural	4	4	4
4	Maud	Bowie	1,028	Rural	6	6	3
4	Miller's Cove	Titus	120	Rural	5	5	6
4	Mineola	Wood	4,550	Rural	5	5	3
4	Moore Station	Henderson	184	Rural	6	6	5

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
4	Mount Enterprise	Rusk	525	Rural	4	3	5
4	Mount Pleasant	Titus	13,935	Rural	4	4	4
4	Mount Vernon	Franklin	2,286	Rural	3	5	5
4	Murchison	Henderson	592	Rural	3	3	4
4	Naples	Morris	1,410	Rural	6	6	5
4	Nash	Bowie	2,169	Urban	5	3	5
4	Nesbitt	Harrison	302	Rural	3	3	6
4	New Boston	Bowie	4,808	Rural	6	6	4
4	New Chapel Hill	Smith	553	Rural	3	3	6
4	New London	Rusk	987	Rural	5	5	4
4	New Summerfield	Cherokee	998	Rural	4	3	3
4	Noonday	Smith	515	Rural	4	4	3
4	Omaha	Morris	999	Rural	6	6	3
4	Ore City	Upshur	1,106	Rural	6	6	5
4	Overton	Rusk	2,350	Rural	6	6	5
4	Palestine	Anderson	17,598	Rural	5	5	5
4	Paris	Lamar	25,898	Rural	5	6	4
4	Payne Springs	Henderson	683	Rural	3	3	3
4	Pecan Gap	Delta	214	Rural	5	5	6
4	Pittsburg	Camp	4,347	Rural	3	4	4
4	Point	Rains	792	Rural	6	6	6
4	Poynor	Henderson	314	Rural	6	6	4
4	Queen City	Cass	1,613	Rural	6	5	4
4	Quitman	Wood	2,030	Rural	4	4	5
4	Red Lick	Bowie	853	Rural	6	6	3
4	Redwater	Bowie	872	Rural	4	4	6
4	Reklaw	Cherokee	327	Rural	3	3	6
4	Reno (Lamar)	Lamar	2,767	Rural	3	3	3
4	Rocky Mound	Camp	93	Rural	3	3	6
4	Roxton	Lamar	694	Rural	5	5	5
4	Rusk	Cherokee	5,085	Rural	5	5	3
4	Scottsville	Harrison	263	Rural	4	4	6
4	Seven Points	Henderson	1,145	Rural	3	6	6
4	Star Harbor	Henderson	416	Rural	3	3	3
4	Sulphur Springs	Hopkins	14,551	Rural	5	5	4
4	Sun Valley	Lamar	51	Rural	3	3	6
4	Talco	Titus	570	Rural	5	5	6
4	Tatum	Rusk	1,175	Rural	5	5	4
4	Texarkana	Bowie	34,782	Urban	4	5	3
4	Tira	Hopkins	248	Rural	3	3	5
4	Toco	Lamar	89	Rural	6	6	6
4	Tool	Henderson	2,275	Rural	3	3	4
4	Trinidad	Henderson	1,091	Rural	5	5	3
4	Troup	Smith	1,949	Rural	5	4	5
4	Uncertain	Harrison	150	Rural	6	6	6
4	Union Grove	Upshur	346	Rural	3	3	6
4	Van	Van Zandt	2,362	Rural	6	5	4
4	Wake Village	Bowie	5,129	Urban	4	4	3
4	Warren City	Gregg	343	Rural	6	6	5
4	Waskom	Harrison	2,068	Rural	4	4	4
4	Wells	Cherokee	769	Rural	5	5	6

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
4	White Oak	Gregg	5,624	Urban	5	5	4
4	Whitehouse	Smith	5,346	Rural	3	4	3
4	Wills Point	Van Zandt	3,496	Rural	4	4	5
4	Winfield	Titus	499	Rural	4	4	5
4	Winnsboro	Wood	3,584	Rural	5	5	4
4	Winona	Smith	582	Rural	3	3	3
4	Yantis	Wood	321	Rural	3	3	6
5	Appleby	Nacogdoches	444	Rural	5	5	5
5	Bevil Oaks	Jefferson	1,346	Rural	3	3	4
5	Broaddus	San Augustine	189	Rural	6	6	6
5	Browndell	Jasper	219	Rural	3	3	6
5	Buna	Jasper	2,269	Rural	3	3	5
5	Burke	Angelina	315	Rural	6	6	5
5	Center	Shelby	5,678	Rural	4	5	4
5	Central Gardens	Jefferson	4,106	Rural	3	3	3
5	Chester	Tyler	265	Rural	3	3	6
5	Chireno	Nacogdoches	405	Rural	4	4	4
5	Coldspring	San Jacinto	691	Rural	5	4	5
5	Colmesneil	Tyler	638	Rural	4	4	5
5	Corrigan	Polk	1,721	Rural	6	6	4
5	Crockett	Houston	7,141	Rural	4	4	6
5	Cushing	Nacogdoches	637	Rural	5	4	3
5	Deweyville	Newton	1,190	Rural	5	4	3
5	Diboll	Angelina	5,470	Rural	3	3	4
5	Evadale	Jasper	1,430	Rural	3	3	5
5	Garrison	Nacogdoches	844	Rural	4	4	3
5	Goodrich	Polk	243	Rural	3	3	6
5	Grapeland	Houston	1,451	Rural	6	6	6
5	Groves	Jefferson	15,733	Urban	4	4	3
5	Groveton	Trinity	1,107	Rural	5	5	6
5	Hemphill	Sabine	1,106	Rural	3	4	5
5	Hudson	Angelina	3,792	Rural	4	4	4
5	Huntington	Angelina	2,068	Rural	3	5	5
5	Huxley	Shelby	298	Rural	3	3	3
5	Jasper	Jasper	8,247	Rural	3	5	6
5	Joaquin	Shelby	925	Rural	3	4	6
5	Kennard	Houston	317	Rural	6	6	6
5	Kirbyville	Jasper	2,085	Rural	5	5	4
5	Latexo	Houston	272	Rural	3	3	6
5	Livingston	Polk	5,433	Rural	5	5	5
5	Lovelady	Houston	608	Rural	6	6	3
5	Lufkin	Angelina	32,709	Rural	5	6	4
5	Lumberton	Hardin	8,731	Rural	3	3	4
5	Mauriceville	Orange	2,743	Rural	4	4	4
5	Milam	Sabine	1,329	Rural	3	3	3
5	Nacogdoches	Nacogdoches	29,914	Rural	6	6	4
5	Nederland	Jefferson	17,422	Urban	4	4	3
5	Newton	Newton	2,459	Rural	6	6	3
5	Nome	Jefferson	515	Rural	5	5	5
5	Oakhurst	San Jacinto	230	Rural	4	4	5
5	Onalaska	Polk	1,174	Rural	6	6	5

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
5	Pine Forest	Orange	632	Rural	5	5	4
5	Pineland	Sabine	980	Rural	6	6	4
5	Pinewood Estates	Hardin	1,633	Rural	3	3	3
5	Point Blank	San Jacinto	559	Rural	4	4	6
5	Port Neches	Jefferson	13,601	Urban	4	3	3
5	Rose City	Orange	519	Rural	5	5	6
5	Rose Hill Acres	Hardin	480	Urban	6	6	3
5	San Augustine	San Augustine	2,475	Rural	5	4	3
5	Seven Oaks	Polk	131	Rural	3	3	3
5	Shepherd	San Jacinto	2,029	Rural	4	3	5
5	South Toledo Bend	Newton	576	Rural	3	3	4
5	Tenaha	Shelby	1,046	Rural	5	4	5
5	Timpson	Shelby	1,094	Rural	6	6	6
5	Trinity	Trinity	2,721	Rural	5	5	5
5	West Livingston	Polk	6,612	Rural	5	4	6
5	Woodville	Tyler	2,415	Rural	5	6	4
5	Zavalla	Angelina	647	Rural	6	6	3
6	Aldine	Harris	13,979	Urban	3	3	6
6	Ames	Liberty	1,079	Rural	4	4	6
6	Anahuac	Chambers	2,210	Rural	5	5	5
6	Angleton	Brazoria	18,130	Rural	3	5	4
6	Atascocita	Harris	35,757	Urban	4	4	4
6	Bacliff	Galveston	6,962	Urban	6	6	6
6	Barrett	Harris	2,872	Rural	6	6	6
6	Bay City	Matagorda	18,667	Rural	5	4	3
6	Bayou Vista	Galveston	1,644	Rural	4	4	5
6	Baytown	Harris	66,430	Urban	3	4	5
6	Beach City	Chambers	1,645	Urban	4	4	4
6	Bellville	Austin	3,794	Rural	3	3	4
6	Blessing	Matagorda	861	Rural	3	3	6
6	Boling-Iago	Wharton	1,271	Rural	3	3	4
6	Bolivar Peninsula	Galveston	3,853	Rural	6	6	5
6	Brookshire	Waller	3,450	Rural	5	6	6
6	Bunker Hill Village	Harris	3,654	Urban	6	6	4
6	Channelview	Harris	29,685	Urban	5	5	5
6	Cinco Ranch	Fort Bend	11,196	Urban	5	5	3
6	Clear Lake Shores	Galveston	1,205	Urban	4	4	3
6	Cleveland	Liberty	7,605	Rural	6	6	6
6	Cloverleaf	Harris	23,508	Urban	5	5	4
6	Columbus	Colorado	3,916	Rural	4	3	4
6	Conroe	Montgomery	36,811	Urban	4	5	5
6	Cove	Chambers	323	Rural	6	6	3
6	Crosby	Harris	1,714	Rural	4	3	6
6	Cumings	Fort Bend	683	Rural	3	3	3
6	Cut and Shoot	Montgomery	1,158	Urban	6	6	5
6	Daisetta	Liberty	1,034	Rural	5	5	5
6	Damon	Brazoria	535	Rural	6	6	6
6	Dayton Lakes	Liberty	101	Rural	3	3	3
6	Devers	Liberty	416	Rural	6	6	6
6	Dickinson	Galveston	17,093	Urban	5	5	4
6	Eagle Lake	Colorado	3,664	Rural	5	4	5

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
6	East Bernard	Wharton	1,729	Rural	4	4	5
6	El Campo	Wharton	10,945	Rural	4	5	4
6	El Lago	Harris	3,075	Urban	4	4	3
6	Fifth Street	Fort Bend	2,059	Urban	4	4	6
6	Four Corners	Fort Bend	2,954	Urban	5	5	5
6	Fresno	Fort Bend	6,603	Urban	5	3	4
6	Friendswood	Galveston	29,037	Urban	5	5	4
6	Greatwood	Fort Bend	6,640	Urban	5	5	3
6	Hardin	Liberty	755	Rural	3	3	5
6	Hedwig Village	Harris	2,334	Urban	5	4	3
6	Hempstead	Waller	4,691	Rural	3	5	6
6	Highlands	Harris	7,089	Urban	4	3	5
6	Hillcrest	Brazoria	722	Rural	6	6	4
6	Hilshire Village	Harris	720	Urban	6	6	3
6	Hitchcock	Galveston	6,386	Rural	3	5	6
6	Hungerford	Wharton	645	Rural	3	3	5
6	Hunters Creek Village	Harris	4,374	Urban	3	3	3
6	Huntsville	Walker	35,078	Rural	6	6	4
6	Industry	Austin	304	Rural	3	3	6
6	Jamaica Beach	Galveston	1,075	Urban	6	6	5
6	Jersey Village	Harris	6,880	Urban	3	4	3
6	Kemah	Galveston	2,330	Urban	6	6	5
6	Kenefick	Liberty	667	Rural	4	4	6
6	La Marque	Galveston	13,682	Urban	4	5	6
6	League City	Galveston	45,444	Urban	3	4	4
6	Liverpool	Brazoria	404	Rural	6	6	4
6	Louise	Wharton	977	Rural	4	3	4
6	Magnolia	Montgomery	1,111	Rural	5	4	6
6	Markham	Matagorda	1,138	Rural	3	3	3
6	Mission Bend	Fort Bend	30,831	Urban	5	4	5
6	Missouri City	Fort Bend	52,913	Urban	4	4	4
6	Mont Belvieu	Chambers	2,324	Rural	4	4	3
6	Montgomery	Montgomery	489	Rural	6	6	5
6	Nassau Bay	Harris	4,170	Urban	6	6	3
6	New Territory	Fort Bend	13,861	Urban	4	3	3
6	New Waverly	Walker	950	Rural	6	5	5
6	North Cleveland	Liberty	263	Rural	3	3	6
6	Oak Ridge North	Montgomery	2,991	Urban	5	5	3
6	Old River-Winfree	Chambers	1,364	Rural	5	5	5
6	Palacios	Matagorda	5,153	Rural	4	5	4
6	Panorama Village	Montgomery	1,965	Urban	5	4	4
6	Pattison	Waller	447	Rural	5	4	5
6	Patton Village	Montgomery	1,391	Rural	5	5	5
6	Pecan Grove	Fort Bend	13,551	Rural	4	4	3
6	Pine Island	Waller	849	Rural	4	4	3
6	Pinehurst (Montgomery)	Montgomery	4,266	Rural	4	4	4
6	Piney Point Village	Harris	3,380	Urban	4	3	4
6	Plum Grove	Liberty	930	Rural	3	3	6
6	Porter Heights	Montgomery	1,490	Rural	3	3	6
6	Prairie View	Waller	4,410	Rural	3	6	6
6	Quintana	Brazoria	38	Rural	3	3	6

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
6	Riverside	Walker	425	Rural	6	6	6
6	Roman Forest	Montgomery	1,279	Rural	4	3	3
6	San Felipe	Austin	868	Rural	6	6	3
6	San Leon	Galveston	4,365	Urban	5	5	5
6	Santa Fe	Galveston	9,548	Urban	4	4	4
6	Sealy	Austin	5,248	Rural	3	4	5
6	Sheldon	Harris	1,831	Rural	3	3	4
6	Shenandoah	Montgomery	1,503	Urban	5	5	4
6	Sienna Plantation	Fort Bend	1,896	Urban	5	5	3
6	Southside Place	Harris	1,546	Urban	6	6	3
6	Splendora	Montgomery	1,275	Rural	6	6	5
6	Spring	Harris	36,385	Urban	4	4	4
6	Spring Valley	Harris	3,611	Urban	4	3	3
6	Stagecoach	Montgomery	455	Rural	3	3	3
6	Stowell	Chambers	1,572	Rural	4	3	6
6	Sugar Land	Fort Bend	63,328	Urban	5	4	4
6	Taylor Lake Village	Harris	3,694	Urban	3	3	3
6	Texas City	Galveston	41,521	Urban	5	6	5
6	The Woodlands	Montgomery	55,649	Urban	4	5	3
6	Tiki Island	Galveston	1,016	Urban	3	3	4
6	Van Vleck	Matagorda	1,411	Rural	3	3	5
6	Wallis	Austin	1,172	Rural	3	3	5
6	Weimar	Colorado	1,981	Rural	5	4	5
6	Wharton	Wharton	9,237	Rural	5	5	5
6	Wild Peach Village	Brazoria	2,498	Rural	3	3	4
6	Willis	Montgomery	3,985	Rural	3	4	6
6	Winnie	Chambers	2,914	Rural	4	3	5
6	Woodbranch	Montgomery	1,305	Rural	4	3	4
6	Woodloch	Montgomery	247	Rural	6	6	3
7	Anderson Mill	Williamson	8,953	Urban	5	5	4
7	Bartlett	Williamson	1,675	Rural	6	6	5
7	Barton Creek	Travis	1,589	Urban	6	6	3
7	Bastrop	Bastrop	5,340	Rural	4	4	5
7	Bear Creek	Hays	360	Rural	3	3	3
7	Bee Cave	Travis	656	Rural	4	4	3
7	Bertram	Burnet	1,122	Rural	5	4	5
7	Blanco	Blanco	1,505	Rural	5	5	6
7	Briarcliff	Travis	895	Rural	4	3	4
7	Brushy Creek	Williamson	15,371	Urban	4	4	3
7	Buchanan Dam	Llano	1,688	Rural	5	4	5
7	Buda	Hays	2,404	Urban	3	3	5
7	Burnet	Burnet	4,735	Rural	4	5	6
7	Camp Swift	Bastrop	4,731	Rural	3	3	6
7	Carmine	Fayette	228	Rural	6	6	6
7	Cedar Park	Williamson	26,049	Urban	3	5	4
7	Circle D-KC Estates	Bastrop	2,010	Rural	3	3	5
7	Cottonwood Shores	Burnet	877	Rural	6	5	5
7	Creedmoor	Travis	211	Rural	3	3	5
7	Dripping Springs	Hays	1,548	Rural	3	5	6
7	Elgin	Bastrop	5,700	Rural	4	4	5
7	Fayetteville	Fayette	261	Rural	4	3	6

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Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
7	Flatonia	Fayette	1,377	Rural	5	5	4
7	Florence	Williamson	1,054	Rural	6	6	6
7	Garfield	Travis	1,660	Rural	4	3	6
7	Georgetown	Williamson	28,339	Urban	4	5	5
7	Giddings	Lee	5,105	Rural	3	4	3
7	Granger	Williamson	1,299	Rural	5	5	6
7	Granite Shoals	Burnet	2,040	Rural	5	5	6
7	Hays	Hays	233	Rural	3	3	3
7	Highland Haven	Burnet	450	Rural	6	6	3
7	Horseshoe Bay	Llano	3,337	Rural	4	4	4
7	Hudson Bend	Travis	2,369	Urban	5	5	4
7	Hutto	Williamson	1,250	Rural	5	3	5
7	Johnson City	Blanco	1,191	Rural	3	4	4
7	Jollyville	Williamson	15,813	Urban	5	5	3
7	Jonestown	Travis	1,681	Rural	6	6	5
7	Kingsland	Llano	4,584	Rural	3	6	5
7	Kyle	Hays	5,314	Rural	4	3	5
7	La Grange	Fayette	4,478	Rural	5	4	3
7	Lago Vista	Travis	4,507	Rural	6	6	5
7	Lakeway	Travis	8,002	Rural	4	4	4
7	Leander	Williamson	7,596	Urban	6	3	5
7	Lexington	Lee	1,178	Rural	5	4	3
7	Liberty Hill	Williamson	1,409	Rural	3	3	6
7	Llano	Llano	3,325	Rural	4	5	3
7	Lockhart	Caldwell	11,615	Rural	5	5	6
7	Lost Creek	Travis	4,729	Urban	4	3	3
7	Luling	Caldwell	5,080	Rural	4	4	4
7	Manor	Travis	1,204	Urban	4	3	4
7	Marble Falls	Burnet	4,959	Rural	4	6	5
7	Martindale	Caldwell	953	Rural	5	5	4
7	Meadowlakes	Burnet	1,293	Rural	6	6	3
7	Mountain City	Hays	671	Rural	6	6	4
7	Mustang Ridge	Caldwell	785	Rural	3	3	6
7	Niederwald	Hays	584	Rural	4	4	4
7	Onion Creek	Travis	2,116	Urban	4	3	3
7	Pflugerville	Travis	16,335	Urban	3	3	4
7	Rollingwood	Travis	1,403	Urban	6	6	3
7	Round Mountain	Blanco	111	Rural	3	3	3
7	Round Rock	Williamson	61,136	Urban	5	5	3
7	Round Top	Fayette	77	Rural	3	3	6
7	San Leanna	Travis	384	Urban	6	6	3
7	San Marcos	Hays	34,733	Urban	6	6	6
7	Schulenburg	Fayette	2,699	Rural	5	5	5
7	Serenada	Williamson	1,847	Urban	6	6	3
7	Shady Hollow	Travis	5,140	Urban	4	4	3
7	Smithville	Bastrop	3,901	Rural	5	5	6
7	Sunrise Beach Village	Llano	704	Rural	5	5	4
7	Sunset Valley	Travis	365	Urban	5	5	5
7	Taylor	Williamson	13,575	Rural	5	4	4
7	The Hills	Travis	1,492	Rural	3	3	3
7	Thrall	Williamson	710	Rural	5	5	4

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7	Uhland	Hays	386	Rural	6	6	5
7	Weir	Williamson	591	Rural	5	4	6
7	Wells Branch	Travis	11,271	Urban	5	5	4
7	West Lake Hills	Travis	3,116	Urban	3	3	3
7	Wimberley	Hays	3,797	Rural	5	4	6
7	Windemere	Travis	6,868	Urban	5	5	4
7	Woodcreek	Hays	1,274	Rural	5	5	5
7	Wyldwood	Bastrop	2,310	Rural	3	3	4
8	Abbott	Hill	300	Rural	4	4	5
8	Aquilla	Hill	136	Rural	6	6	3
8	Bellmead	McLennan	9,214	Urban	4	4	5
8	Belton	Bell	14,623	Urban	4	5	3
8	Beverly Hills	McLennan	2,113	Urban	5	5	6
8	Blum	Hill	399	Rural	6	6	3
8	Bruceville-Eddy	McLennan	1,490	Rural	5	5	4
8	Buckholts	Milam	387	Rural	6	6	3
8	Bynum	Hill	225	Rural	6	6	6
8	Cameron	Milam	5,634	Rural	3	4	5
8	Carl's Corner	Hill	134	Rural	6	6	6
8	Clifton	Bosque	3,542	Rural	3	4	5
8	Coolidge	Limestone	848	Rural	5	4	4
8	Copperas Cove	Coryell	29,592	Urban	4	4	4
8	Covington	Hill	282	Rural	3	3	4
8	Cranfills Gap	Bosque	335	Rural	4	4	5
8	Crawford	McLennan	705	Rural	4	3	4
8	Evant	Coryell	393	Rural	6	6	6
8	Fairfield	Freestone	3,094	Rural	5	5	6
8	Fort Hood	Bell	33,711	Urban	3	3	3
8	Gatesville	Coryell	15,591	Rural	4	5	4
8	Gholson	McLennan	922	Rural	3	3	4
8	Goldthwaite	Mills	1,802	Rural	3	5	5
8	Golinda	Falls	423	Rural	5	5	4
8	Groesbeck	Limestone	4,291	Rural	4	6	5
8	Hallsburg	McLennan	518	Rural	6	6	3
8	Hamilton	Hamilton	2,977	Rural	3	4	4
8	Harker Heights	Bell	17,308	Urban	4	4	3
8	Hewitt	McLennan	11,085	Urban	4	3	3
8	Hico	Hamilton	1,341	Rural	4	4	6
8	Hillsboro	Hill	8,232	Rural	5	6	4
8	Holland	Bell	1,102	Rural	3	4	4
8	Hubbard	Hill	1,586	Rural	3	4	5
8	Iredell	Bosque	360	Rural	4	4	5
8	Itasca	Hill	1,503	Rural	3	3	3
8	Jewett	Leon	861	Rural	6	6	6
8	Kempner	Lampasas	1,004	Rural	5	4	5
8	Kirvin	Freestone	122	Rural	3	3	4
8	Kosse	Limestone	497	Rural	6	6	6
8	Lacy-Lakeview	McLennan	5,764	Urban	5	5	5
8	Lampasas	Lampasas	6,786	Rural	4	4	5
8	Leroy	McLennan	335	Rural	3	3	5
8	Little River-Academy	Bell	1,645	Rural	6	6	3

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8	Lometa	Lampasas	782	Rural	4	4	3
8	Lorena	McLennan	1,433	Rural	3	3	3
8	Lott	Falls	724	Rural	5	4	3
8	Malone	Hill	278	Rural	3	3	6
8	Marlin	Falls	6,628	Rural	5	5	6
8	Marquez	Leon	220	Rural	4	4	6
8	Mart	McLennan	2,273	Rural	6	6	4
8	McGregor	McLennan	4,727	Urban	5	5	4
8	Meridian	Bosque	1,491	Rural	3	5	5
8	Mertens	Hill	146	Rural	6	6	6
8	Mexia	Limestone	6,563	Rural	6	6	5
8	Milano	Milam	400	Rural	4	3	6
8	Millican	Brazos	108	Rural	3	3	6
8	Moody	McLennan	1,400	Rural	6	6	5
8	Morgan	Bosque	485	Rural	3	3	6
8	Morgan's Point Resort	Bell	2,989	Rural	4	4	3
8	Mount Calm	Hill	310	Rural	4	4	3
8	Mullin	Mills	175	Rural	5	4	6
8	Nolanville	Bell	2,150	Rural	5	5	4
8	Normangee	Leon	719	Rural	3	3	6
8	Oglesby	Coryell	458	Rural	6	6	4
8	Penelope	Hill	211	Rural	6	6	6
8	Richland Springs	San Saba	350	Rural	3	3	3
8	Riesel	McLennan	973	Rural	6	6	3
8	Robinson	McLennan	7,845	Urban	4	3	3
8	Rockdale	Milam	5,439	Rural	5	5	3
8	Rogers	Bell	1,117	Rural	3	4	4
8	Rosebud	Falls	1,493	Rural	4	4	4
8	Ross	McLennan	228	Rural	3	3	6
8	Salado	Bell	3,475	Rural	4	3	3
8	San Saba	San Saba	2,637	Rural	4	4	3
8	South Mountain	Coryell	412	Rural	4	4	3
8	Streetman	Freestone	203	Rural	3	3	6
8	Teague	Freestone	4,557	Rural	4	4	5
8	Tehuacana	Limestone	307	Rural	4	3	3
8	Temple	Bell	54,514	Urban	4	5	3
8	Thorndale	Milam	1,278	Rural	5	5	4
8	Thornton	Limestone	525	Rural	5	5	5
8	Todd Mission	Grimes	146	Rural	3	3	6
8	Troy	Bell	1,378	Rural	6	4	3
8	Valley Mills	Bosque	1,123	Rural	3	3	5
8	Walnut Springs	Bosque	755	Rural	3	3	4
8	West	McLennan	2,692	Rural	4	4	3
8	Whitney	Hill	1,833	Rural	6	6	5
8	Wixon Valley	Brazos	235	Rural	6	6	3
8	Woodway	McLennan	8,733	Urban	3	3	3
8	Wortham	Freestone	1,082	Rural	6	6	5
9	Alamo Heights	Bexar	7,319	Urban	4	4	4
9	Bandera	Bandera	957	Rural	3	5	6
9	Bigfoot	Frio	304	Rural	3	3	4
9	Boerne	Kendall	6,178	Rural	4	6	6

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9	Bulverde	Comal	3,761	Rural	3	3	3
9	Canyon Lake	Comal	16,870	Rural	4	4	5
9	Castle Hills	Bexar	4,202	Urban	6	6	4
9	Castroville	Medina	2,664	Rural	5	4	4
9	Charlotte	Atascosa	1,637	Rural	4	3	5
9	Christine	Atascosa	436	Rural	3	3	5
9	Cibolo	Guadalupe	3,035	Rural	6	6	4
9	Comfort	Kendall	2,358	Rural	4	4	6
9	Cross Mountain	Bexar	1,524	Urban	3	3	3
9	Devine	Medina	4,140	Rural	5	5	5
9	Dilley	Frio	3,674	Rural	6	6	6
9	Fair Oaks Ranch	Bexar	4,695	Urban	5	4	3
9	Falls City	Karnes	591	Rural	4	4	3
9	Floresville	Wilson	5,868	Rural	3	5	5
9	Fredericksburg	Gillespie	8,911	Rural	3	5	5
9	Garden Ridge	Comal	1,882	Rural	6	6	3
9	Geronimo	Guadalupe	619	Rural	3	3	5
9	Harper	Gillespie	1,006	Rural	5	4	6
9	Hill Country Village	Bexar	1,028	Urban	3	3	3
9	Hilltop	Frio	300	Rural	3	3	5
9	Hollywood Park	Bexar	2,983	Urban	6	6	3
9	Hondo	Medina	7,897	Rural	4	5	4
9	Ingram	Kerr	1,740	Rural	6	5	6
9	Jourdanton	Atascosa	3,732	Rural	4	6	5
9	Karnes City	Karnes	3,457	Rural	5	4	5
9	Kenedy	Karnes	3,487	Rural	4	4	5
9	Kerrville	Kerr	20,425	Rural	5	6	5
9	Kingsbury	Guadalupe	652	Rural	3	3	4
9	La Vernia	Wilson	931	Rural	6	6	5
9	Lackland AFB	Bexar	7,123	Urban	3	3	6
9	LaCoste	Medina	1,255	Rural	5	4	5
9	Lakehills	Bandera	4,668	Rural	6	6	5
9	Lytle	Atascosa	2,383	Rural	4	4	6
9	Marion	Guadalupe	1,099	Rural	5	4	4
9	McQueeney	Guadalupe	2,527	Rural	4	4	5
9	Moore	Frio	644	Rural	4	3	3
9	Natalia	Medina	1,663	Rural	6	6	6
9	New Berlin	Guadalupe	467	Rural	3	3	4
9	New Braunfels	Comal	36,494	Urban	5	5	4
9	North Pearsall	Frio	561	Rural	4	3	5
9	Northcliff	Guadalupe	1,819	Rural	4	4	4
9	Olmos Park	Bexar	2,343	Urban	4	3	3
9	Pearsall	Frio	7,157	Rural	4	4	6
9	Pleasanton	Atascosa	8,266	Rural	6	6	5
9	Poteet	Atascosa	3,305	Rural	4	5	5
9	Poth	Wilson	1,850	Rural	5	4	4
9	Redwood	Guadalupe	3,586	Rural	5	5	6
9	Runge	Karnes	1,080	Rural	6	5	4
9	Santa Clara	Guadalupe	889	Rural	6	6	5
9	Scenic Oaks	Bexar	3,279	Urban	3	3	3
9	Schertz	Guadalupe	18,694	Urban	5	4	4

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
9	Seguin	Guadalupe	22,011	Rural	5	5	5
9	Stockdale	Wilson	1,398	Rural	5	5	4
9	Stonewall	Gillespie	469	Rural	5	5	5
9	Terrell Hills	Bexar	5,019	Urban	4	4	3
9	West Pearsall	Frio	349	Rural	6	6	3
9	Windcrest	Bexar	5,105	Urban	6	6	3
9	Zuehl	Guadalupe	346	Rural	3	3	5
10	Agua Dulce (Nueces)	Nueces	737	Rural	5	4	4
10	Airport Road Addition	Brooks	132	Rural	3	3	4
10	Alfred-South La Paloma	Jim Wells	451	Rural	3	3	4
10	Alice	Jim Wells	19,010	Rural	4	4	4
10	Alice Acres	Jim Wells	491	Rural	3	3	3
10	Aransas Pass	San Patricio	8,138	Rural	4	5	6
10	Austwell	Refugio	192	Rural	6	6	6
10	Bayside	Refugio	360	Rural	6	6	5
10	Beeville	Bee	13,129	Rural	4	5	4
10	Benavides	Duval	1,686	Rural	5	5	3
10	Bishop	Nueces	3,305	Rural	5	5	4
10	Bloomington	Victoria	2,562	Rural	6	6	4
10	Blue Berry Hill	Bee	982	Rural	3	3	6
10	Cantu Addition	Brooks	217	Rural	3	3	6
10	Concepcion	Duval	61	Rural	3	3	3
10	Coyote Acres	Jim Wells	389	Rural	3	3	6
10	Cuero	DeWitt	6,571	Rural	6	6	4
10	Del Sol-Loma Linda	San Patricio	726	Rural	3	3	5
10	Doyle	San Patricio	285	Urban	3	3	3
10	Driscoll	Nueces	825	Rural	6	6	3
10	Edgewater-Paisano	San Patricio	182	Rural	6	6	3
10	Edna	Jackson	5,899	Rural	5	6	5
10	Edroy	San Patricio	420	Rural	3	3	6
10	Encino	Brooks	177	Rural	3	3	3
10	Falfurrias	Brooks	5,297	Rural	6	5	6
10	Falman-County Acres	San Patricio	289	Rural	6	6	3
10	Flowella	Brooks	134	Rural	3	3	6
10	Freer	Duval	3,241	Rural	4	4	4
10	Fulton	Aransas	1,553	Rural	5	4	6
10	Ganado	Jackson	1,915	Rural	4	4	4
10	George West	Live Oak	2,524	Rural	4	4	4
10	Goliad	Goliad	1,975	Rural	3	4	6
10	Gonzales	Gonzales	7,202	Rural	4	4	5
10	Gregory	San Patricio	2,318	Rural	4	4	3
10	Hallettsville	Lavaca	2,345	Rural	5	4	3
10	Inez	Victoria	1,787	Rural	4	4	3
10	Ingleside	San Patricio	9,388	Urban	4	6	4
10	Ingleside on the Bay	San Patricio	659	Urban	6	6	6
10	K-Bar Ranch	Jim Wells	350	Rural	6	6	3
10	Kingsville	Kleberg	25,575	Rural	5	6	5
10	La Paloma-Lost Creek	Nueces	323	Rural	6	6	4
10	La Ward	Jackson	200	Rural	6	6	6
10	Lake City	San Patricio	526	Rural	4	4	6
10	Lakeshore Gardens-Hidden /	San Patricio	720	Rural	3	3	3

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Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
10	Lakeside (San Patricio)	San Patricio	333	Rural	3	3	4
10	Lolita	Jackson	548	Rural	3	3	3
10	Loma Linda East	Jim Wells	214	Rural	3	3	3
10	Mathis	San Patricio	5,034	Rural	6	6	4
10	Morgan Farm Area	San Patricio	484	Rural	6	6	3
10	Moulton	Lavaca	944	Rural	4	4	4
10	Nixon	Gonzales	2,186	Rural	4	5	6
10	Nordheim	DeWitt	323	Rural	4	4	6
10	Normanna	Bee	121	Rural	3	3	6
10	North San Pedro	Nueces	920	Rural	4	4	3
10	Odem	San Patricio	2,499	Rural	5	4	3
10	Orange Grove	Jim Wells	1,288	Rural	6	6	3
10	Owl Ranch-Amargosa	Jim Wells	527	Rural	6	6	4
10	Pawnee	Bee	201	Rural	3	3	4
10	Pernitas Point	Live Oak	269	Rural	6	6	4
10	Petronila	Nueces	83	Rural	3	3	3
10	Pettus	Bee	608	Rural	4	4	4
10	Point Comfort	Calhoun	781	Rural	5	4	3
10	Port Aransas	Nueces	3,370	Urban	6	6	5
10	Port Lavaca	Calhoun	12,035	Rural	5	5	4
10	Portland	San Patricio	14,827	Urban	5	5	3
10	Premont	Jim Wells	2,772	Rural	5	5	6
10	Rancho Alegre	Jim Wells	1,775	Rural	6	5	5
10	Rancho Banquete	Nueces	469	Rural	3	3	6
10	Rancho Chico	San Patricio	309	Rural	6	6	3
10	Realitos	Duval	209	Rural	3	3	3
10	Refugio	Refugio	2,941	Rural	4	4	5
10	Robstown	Nueces	12,727	Rural	3	4	5
10	Rockport	Aransas	7,385	Rural	4	5	5
10	San Diego	Duval	4,753	Rural	5	4	5
10	San Patricio	San Patricio	318	Rural	6	6	4
10	Sandia	Jim Wells	431	Rural	3	3	4
10	Sandy Hollow-Escondidas	Nueces	433	Rural	4	4	4
10	Seadrift	Calhoun	1,352	Rural	5	5	3
10	Shiner	Lavaca	2,070	Rural	5	5	6
10	Sinton	San Patricio	5,676	Rural	5	5	4
10	Skidmore	Bee	1,013	Rural	5	5	4
10	Smiley	Gonzales	453	Rural	5	5	6
10	Spring Garden-Terra Verde	Nueces	693	Rural	3	3	5
10	St. Paul (San Patricio)	San Patricio	542	Rural	3	3	4
10	Taft	San Patricio	3,396	Rural	5	5	5
10	Taft Southwest	San Patricio	1,721	Rural	4	4	6
10	Three Rivers	Live Oak	1,878	Rural	5	4	4
10	Tierra Grande	Nueces	362	Rural	4	4	4
10	Tradewinds	San Patricio	163	Rural	3	3	6
10	Tuleta	Bee	292	Rural	3	3	6
10	Tulsita	Bee	20	Rural	3	3	3
10	Tynan	Bee	301	Rural	5	5	3
10	Vanderbilt	Jackson	411	Rural	3	3	3
10	Victoria	Victoria	60,603	Urban	5	5	4
10	Waelder	Gonzales	947	Rural	4	4	4

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
10	Westdale	Jim Wells	295	Rural	3	3	6
10	Woodsboro	Refugio	1,685	Rural	5	5	4
10	Yoakum	Lavaca	5,731	Rural	6	6	3
10	Yorktown	DeWitt	2,271	Rural	5	4	4
11	Abram-Perezville	Hidalgo	5,444	Rural	6	6	4
11	Alto Bonito	Starr	569	Rural	3	3	3
11	Alton North	Hidalgo	5,051	Rural	5	5	4
11	Arroyo Alto	Cameron	320	Rural	3	3	5
11	Arroyo Colorado Estates	Cameron	755	Rural	6	6	3
11	Arroyo Gardens-La Tina Ran	Cameron	732	Rural	3	3	3
11	Asherton	Dimmit	1,342	Rural	6	5	3
11	Batesville	Zavala	1,298	Rural	5	5	3
11	Bausell and Ellis	Willacy	112	Rural	3	3	3
11	Bayview	Cameron	323	Rural	6	6	6
11	Big Wells	Dimmit	704	Rural	5	5	3
11	Bixby	Cameron	356	Rural	3	3	6
11	Bluetown-Iglesia Antigua	Cameron	692	Rural	5	5	4
11	Botines	Webb	132	Rural	6	6	3
11	Box Canyon-Amistad	Val Verde	76	Rural	3	3	6
11	Brackettville	Kinney	1,876	Rural	6	6	5
11	Brundage	Dimmit	31	Rural	3	3	6
11	Bruni	Webb	412	Rural	3	3	6
11	Cameron Park	Cameron	5,961	Urban	5	4	4
11	Camp Wood	Real	822	Rural	6	6	6
11	Carrizo Hill	Dimmit	548	Rural	6	6	6
11	Carrizo Springs	Dimmit	5,655	Rural	6	6	4
11	Catarina	Dimmit	135	Rural	3	3	4
11	Cesar Chavez	Hidalgo	1,469	Urban	5	5	6
11	Chula Vista-Orason	Cameron	394	Rural	6	6	5
11	Chula Vista-River Spur	Zavala	400	Rural	3	3	5
11	Cienegas Terrace	Val Verde	2,878	Rural	6	6	5
11	Citrus City	Hidalgo	941	Rural	3	3	5
11	Combes	Cameron	2,553	Urban	5	5	5
11	Cotulla	La Salle	3,614	Rural	3	5	4
11	Crystal City	Zavala	7,190	Rural	5	5	5
11	Cuevitas	Hidalgo	37	Rural	3	3	6
11	Del Mar Heights	Cameron	259	Rural	3	3	3
11	Del Rio	Val Verde	33,867	Rural	5	5	4
11	Doffing	Hidalgo	4,256	Rural	5	5	4
11	Doolittle	Hidalgo	2,358	Urban	4	4	3
11	Eagle Pass	Maverick	22,413	Rural	6	6	5
11	Edinburg	Hidalgo	48,465	Urban	5	5	5
11	Eidson Road	Maverick	9,348	Rural	4	4	5
11	El Camino Angosto	Cameron	254	Rural	3	3	3
11	El Cenizo	Webb	3,545	Rural	4	4	3
11	El Indio	Maverick	263	Rural	6	6	3
11	El Refugio	Starr	221	Rural	6	6	6
11	Elm Creek	Maverick	1,928	Rural	3	3	6
11	Encantada-Ranchito El Calal	Cameron	2,100	Rural	3	3	4
11	Encinal	La Salle	629	Rural	6	5	3
11	Escobares	Starr	1,954	Rural	5	5	5

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Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
11	Falcon Heights	Starr	335	Rural	3	3	4
11	Falcon Lake Estates	Zapata	830	Rural	5	5	3
11	Falcon Mesa	Zapata	506	Rural	3	3	5
11	Falcon Village	Starr	78	Rural	6	6	6
11	Faysville	Hidalgo	348	Urban	6	6	3
11	Fowlerton	La Salle	62	Rural	3	3	3
11	Fronton	Starr	599	Rural	3	3	4
11	Garceno	Starr	1,438	Rural	6	6	6
11	Grand Acres	Cameron	203	Rural	3	3	4
11	Green Valley Farms	Cameron	720	Rural	3	3	4
11	Guerra	Jim Hogg	8	Rural	3	3	3
11	Havana	Hidalgo	452	Rural	5	5	5
11	Hebbronville	Jim Hogg	4,498	Rural	5	5	5
11	Heidelberg	Hidalgo	1,586	Rural	6	6	6
11	Indian Hills	Hidalgo	2,036	Rural	4	4	6
11	Indian Lake	Cameron	541	Rural	6	6	5
11	Knippa	Uvalde	739	Rural	4	4	4
11	La Blanca	Hidalgo	2,351	Rural	6	6	3
11	La Casita-Garciasville	Starr	2,177	Rural	4	6	4
11	La Feria	Cameron	6,115	Rural	5	5	4
11	La Feria North	Cameron	168	Rural	6	6	3
11	La Grulla	Starr	1,211	Rural	4	4	4
11	La Homa	Hidalgo	10,433	Urban	5	5	5
11	La Paloma	Cameron	354	Rural	6	6	3
11	La Presa	Webb	508	Rural	3	3	3
11	La Pryor	Zavala	1,491	Rural	5	5	4
11	La Puerta	Starr	1,636	Rural	3	3	5
11	La Rosita	Starr	1,729	Rural	5	5	6
11	La Victoria	Starr	1,683	Rural	3	3	3
11	Lago	Cameron	246	Rural	6	6	3
11	Laguna Heights	Cameron	1,990	Rural	4	4	4
11	Laguna Seca	Hidalgo	251	Rural	3	3	6
11	Laguna Vista	Cameron	1,658	Rural	3	5	4
11	Lake View	Val Verde	167	Rural	3	3	5
11	Laredo Ranchettes	Webb	1,845	Rural	3	3	3
11	Larga Vista	Webb	742	Urban	6	6	6
11	Las Colonias	Zavala	283	Rural	6	6	6
11	Las Lomas	Starr	2,684	Rural	6	6	4
11	Las Lomitas	Jim Hogg	267	Rural	3	3	6
11	Las Palmas-Juarez	Cameron	1,666	Rural	4	4	5
11	Las Quintas Fronterizas	Maverick	2,030	Rural	4	4	3
11	Lasana	Cameron	135	Urban	3	3	3
11	Lasara	Willacy	1,024	Rural	4	4	5
11	Laughlin AFB	Val Verde	2,225	Rural	4	4	3
11	Laureles	Cameron	3,285	Rural	5	5	5
11	Leakey	Real	387	Rural	6	6	6
11	Llano Grande	Hidalgo	3,333	Urban	5	5	3
11	Lopeno	Zapata	140	Rural	3	3	6
11	Lopezville	Hidalgo	4,476	Urban	4	4	4
11	Los Alvarez	Starr	1,434	Rural	4	4	6
11	Los Angeles Subdivision	Willacy	86	Rural	6	6	3

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
11	Los Ebanos	Hidalgo	403	Rural	5	5	4
11	Los Fresnos	Cameron	4,512	Rural	5	3	6
11	Los Indios	Cameron	1,149	Rural	3	3	4
11	Los Villareales	Starr	930	Rural	3	3	4
11	Lozano	Cameron	324	Rural	3	3	3
11	Lyford	Willacy	1,973	Rural	5	5	5
11	Lyford South	Willacy	172	Rural	6	6	4
11	Medina	Zapata	2,960	Rural	4	4	4
11	Midway North	Hidalgo	3,946	Urban	3	3	5
11	Midway South	Hidalgo	1,711	Urban	5	5	6
11	Mila Doce	Hidalgo	4,907	Rural	4	4	5
11	Mirando City	Webb	493	Rural	6	6	6
11	Mission	Hidalgo	45,408	Urban	4	5	5
11	Monte Alto	Hidalgo	1,611	Rural	5	5	4
11	Morales-Sanchez	Zapata	95	Rural	3	3	3
11	Muniz	Hidalgo	1,106	Rural	6	6	5
11	New Falcon	Zapata	184	Rural	3	3	3
11	North Alamo	Hidalgo	2,061	Urban	4	4	4
11	North Escobares	Starr	1,692	Rural	6	6	4
11	Nurillo	Hidalgo	5,056	Urban	5	5	6
11	Oilton	Webb	310	Rural	3	3	6
11	Olivarez	Hidalgo	2,445	Rural	5	5	3
11	Olmito	Cameron	1,198	Urban	5	5	5
11	Palm Valley	Cameron	1,298	Urban	4	4	3
11	Palmview South	Hidalgo	6,219	Urban	5	5	4
11	Pharr	Hidalgo	46,660	Urban	4	5	4
11	Port Isabel	Cameron	4,865	Rural	5	4	5
11	Port Mansfield	Willacy	415	Rural	5	5	6
11	Primera	Cameron	2,723	Urban	5	5	5
11	Quemado	Maverick	243	Rural	3	3	3
11	Radar Base	Maverick	162	Rural	3	3	6
11	Ranchette Estates	Willacy	133	Rural	3	3	3
11	Ranchitos Las Lomas	Webb	334	Rural	3	3	4
11	Rancho Viejo	Cameron	1,754	Urban	5	5	3
11	Ranchos Penitas West	Webb	520	Urban	3	3	4
11	Rangerville	Cameron	203	Rural	3	3	6
11	Ratamosa	Cameron	218	Rural	3	3	3
11	Raymondville	Willacy	9,733	Rural	4	5	6
11	Reid Hope King	Cameron	802	Urban	6	6	3
11	Relampago	Hidalgo	104	Rural	3	3	6
11	Rio Bravo	Webb	5,553	Urban	4	3	4
11	Rio Grande City	Starr	11,923	Rural	5	4	4
11	Rio Hondo	Cameron	1,942	Rural	5	3	5
11	Rocksprings	Edwards	1,285	Rural	5	5	5
11	Roma	Starr	9,617	Rural	6	6	5
11	Roma Creek	Starr	610	Rural	3	3	3
11	Rosita North	Maverick	3,400	Rural	4	4	5
11	Rosita South	Maverick	2,574	Rural	5	5	3
11	Sabinal	Uvalde	1,586	Rural	6	6	5
11	Salineno	Starr	304	Rural	3	3	4
11	San Benito	Cameron	23,444	Urban	5	5	4

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Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
11	San Carlos	Hidalgo	2,650	Rural	6	6	6
11	San Ignacio	Zapata	853	Rural	3	3	6
11	San Isidro	Starr	270	Rural	5	5	4
11	San Manuel-Linn	Hidalgo	958	Rural	3	3	3
11	San Pedro	Cameron	668	Rural	3	3	3
11	San Perlita	Willacy	680	Rural	6	6	6
11	Santa Cruz	Starr	630	Rural	6	6	5
11	Santa Maria	Cameron	846	Rural	4	4	3
11	Santa Monica	Willacy	78	Rural	3	3	5
11	Santa Rosa	Cameron	2,833	Rural	3	5	4
11	Scissors	Hidalgo	2,805	Rural	3	3	4
11	Sebastian	Willacy	1,864	Rural	3	3	6
11	Siesta Shores	Zapata	890	Rural	3	3	5
11	Solis	Cameron	545	Rural	6	6	3
11	South Alamo	Hidalgo	3,101	Rural	5	5	4
11	South Fork Estates	Jim Hogg	47	Rural	3	3	3
11	South Padre Island	Cameron	2,422	Rural	6	6	4
11	South Point	Cameron	1,118	Rural	6	6	4
11	Spofford	Kinney	75	Rural	3	3	3
11	Tierra Bonita	Cameron	160	Rural	3	3	4
11	Utopia	Uvalde	241	Rural	5	5	6
11	Uvalde	Uvalde	14,929	Rural	5	5	4
11	Uvalde Estates	Uvalde	1,972	Rural	5	5	5
11	Val Verde Park	Val Verde	1,945	Rural	5	4	4
11	Villa del Sol	Cameron	132	Rural	3	3	5
11	Villa Pancho	Cameron	386	Urban	6	6	6
11	Villa Verde	Hidalgo	891	Urban	3	3	5
11	West Sharyland	Hidalgo	2,947	Rural	4	4	3
11	Willamar	Willacy	15	Rural	3	3	3
11	Yznaga	Cameron	103	Rural	3	3	6
11	Zapata	Zapata	4,856	Rural	4	6	4
11	Zapata Ranch	Willacy	88	Rural	3	3	5
12	Ackerly	Dawson	245	Rural	4	4	6
12	Andrews	Andrews	9,652	Rural	5	4	4
12	Balmorhea	Reeves	527	Rural	4	3	4
12	Barstow	Ward	406	Rural	6	6	5
12	Big Lake	Reagan	2,885	Rural	5	5	4
12	Big Spring	Howard	25,233	Rural	5	6	4
12	Brady	McCulloch	5,523	Rural	5	6	5
12	Bronte	Coke	1,076	Rural	6	6	5
12	Christoval	Tom Green	422	Rural	6	6	5
12	Coahoma	Howard	932	Rural	4	4	3
12	Coyanosa	Pecos	138	Rural	3	3	4
12	Crane	Crane	3,191	Rural	6	6	4
12	Eden	Concho	2,561	Rural	6	6	5
12	Eldorado	Schleicher	1,951	Rural	3	3	6
12	Forsan	Howard	226	Rural	4	4	6
12	Fort Stockton	Pecos	7,846	Rural	3	4	5
12	Gardendale	Ector	1,197	Rural	3	3	3
12	Goldsmith	Ector	253	Rural	4	4	3
12	Grandfalls	Ward	391	Rural	5	4	5

2009 Draft HOME AHNS - Place

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
12	Grape Creek	Tom Green	3,138	Rural	5	5	5
12	Imperial	Pecos	428	Rural	3	3	4
12	Iraan	Pecos	1,238	Rural	3	3	3
12	Junction	Kimble	2,618	Rural	5	5	5
12	Kermit	Winkler	5,714	Rural	4	4	3
12	Lamesa	Dawson	9,952	Rural	5	5	4
12	Lindsay (Reeves)	Reeves	394	Rural	3	3	6
12	Los Ybanez	Dawson	32	Rural	3	3	3
12	Mason	Mason	2,134	Rural	6	5	5
12	McCamey	Upton	1,805	Rural	4	4	4
12	Melvin	McCulloch	155	Rural	6	6	6
12	Menard	Menard	1,653	Rural	5	5	6
12	Mertzon	Irion	839	Rural	3	3	5
12	Midland	Midland	94,996	Urban	5	5	4
12	Monahans	Ward	6,821	Rural	6	6	3
12	Ozona	Crockett	3,436	Rural	4	4	4
12	Paint Rock	Concho	320	Rural	6	6	5
12	Pecos	Reeves	9,501	Rural	3	4	5
12	Pyote	Ward	131	Rural	3	3	6
12	Rankin	Upton	800	Rural	3	3	5
12	Robert Lee	Coke	1,171	Rural	6	6	5
12	Sanderson	Terrell	861	Rural	6	6	5
12	Seagraves	Gaines	2,334	Rural	6	5	3
12	Seminole	Gaines	5,910	Rural	4	4	5
12	Sonora	Sutton	2,924	Rural	3	4	4
12	Stanton	Martin	2,556	Rural	5	5	3
12	Sterling City	Sterling	1,081	Rural	4	4	5
12	Thorntonville	Ward	442	Rural	3	3	4
12	Toyah	Reeves	100	Rural	3	3	3
12	West Odessa	Ector	17,799	Urban	5	5	5
12	Wickett	Ward	455	Rural	6	6	3
12	Wink	Winkler	919	Rural	5	4	3
13	Agua Dulce (El Paso)	El Paso	738	Rural	3	3	6
13	Alpine	Brewster	5,786	Rural	6	6	3
13	Anthony	El Paso	3,850	Urban	3	6	4
13	Butterfield	El Paso	61	Rural	3	3	3
13	Canutillo	El Paso	5,129	Urban	4	4	4
13	Clint	El Paso	980	Rural	3	6	4
13	Dell City	Hudspeth	413	Rural	6	6	5
13	Fabens	El Paso	8,043	Rural	6	6	3
13	Fort Bliss	El Paso	8,264	Urban	4	3	3
13	Fort Davis	Jeff Davis	1,050	Rural	4	4	6
13	Fort Hancock	Hudspeth	1,713	Rural	5	4	5
13	Homestead Meadows North	El Paso	4,232	Rural	5	5	6
13	Homestead Meadows South	El Paso	6,807	Rural	6	6	5
13	Horizon City	El Paso	5,233	Rural	3	3	4
13	Marathon	Brewster	455	Rural	4	3	5
13	Marfa	Presidio	2,121	Rural	4	5	5
13	Morning Glory	El Paso	627	Rural	3	3	3
13	Prado Verde	El Paso	200	Urban	3	3	6
13	Presidio	Presidio	4,167	Rural	5	5	4

2009 Draft HOME AHNS - Place

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
13	Redford	Presidio	132	Rural	3	3	6
13	San Elizario	El Paso	11,046	Urban	3	3	5
13	Sierra Blanca	Hudspeth	533	Rural	4	3	6
13	Socorro	El Paso	27,152	Urban	5	3	6
13	Sparks	El Paso	2,974	Rural	5	5	5
13	Study Butte-Terlingua	Brewster	267	Rural	4	3	3
13	Tornillo	El Paso	1,609	Rural	6	3	4
13	Valentine	Jeff Davis	187	Rural	5	4	3
13	Van Horn	Culberson	2,435	Rural	6	6	4
13	Vinton	El Paso	1,892	Rural	6	6	5
13	Westway	El Paso	3,829	Urban	6	6	5

Draft 2009 HOME Affordable Housing Need Scores (AHNS) County Level

(Sorted by Region then County.)

Instructions:
Use this table to determine an AHNS for an application that will serve an entire county, multiple counties, or multiple places within a county or counties.
Special Circumstances
(1) If multiple counties or places in multiple counties will be served by the application, then the county scores should be averaged.
(2) Participating Jurisdictions (PJ) recieve a score of zero and are not included in the table.
All questions relating to scoring an application under the AHN Scoring Component should be submitted in writing to Sandy Garcia via facsimile at (512) 475-4798 or by email at sandy.garcia@tdhca.state.tx.us.

Region	County	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
1	Armstrong	6	6	4
1	Bailey	3	3	4
1	Briscoe	6	6	4
1	Carson	4	4	4
1	Castro	4	4	4
1	Childress	4	5	3
1	Cochran	4	3	4
1	Collingsworth	4	4	4
1	Crosby	5	5	4
1	Dallam	5	5	4
1	Deaf Smith	3	4	4
1	Dickens	4	4	5
1	Donley	6	6	4
1	Floyd	4	4	4
1	Garza	6	6	6
1	Gray	4	4	5
1	Hale	4	4	4
1	Hall	5	5	4
1	Hansford	4	4	5
1	Hartley	6	6	4
1	Hemphill	5	5	4
1	Hockley	4	4	5
1	Hutchinson	5	5	4
1	Lamb	5	5	4
1	Lipscomb	4	4	5
1	Lubbock	4	4	4
1	Lynn	4	3	4
1	Moore	4	4	3
1	Motley	4	4	3
1	Ochiltree	3	4	3
1	Oldham	6	6	6
1	Parmer	5	5	3

2009 Draft HOME AHNS - County

Region	County	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
1	Potter	3	3	6
1	Randall	5	5	3
1	Roberts	6	6	4
1	Sherman	4	4	4
1	Swisher	4	4	4
1	Terry	4	4	5
1	Wheeler	4	4	4
1	Yoakum	4	4	4
2	Archer	3	3	4
2	Baylor	4	4	3
2	Brown	5	5	5
2	Callahan	4	6	4
2	Clay	6	6	5
2	Coleman	4	4	4
2	Comanche	6	6	5
2	Cottle	4	4	3
2	Eastland	4	4	5
2	Fisher	4	4	3
2	Foard	5	5	5
2	Hardeman	6	6	3
2	Haskell	5	4	5
2	Jack	5	5	6
2	Jones	4	4	5
2	Kent	3	3	4
2	Knox	3	3	5
2	Mitchell	5	5	4
2	Montague	4	4	5
2	Nolan	4	4	4
2	Runnels	5	5	4
2	Scurry	4	4	5
2	Shackelford	4	4	4
2	Stephens	5	4	3
2	Stonewall	4	4	5
2	Taylor	5	4	3
2	Throckmorton	4	4	3
2	Wichita	5	5	4
2	Wilbarger	3	4	4
2	Young	4	4	4
3	Collin	4	4	4
3	Cooke	4	4	4
3	Dallas	4	4	4
3	Denton	4	4	4
3	Ellis	4	5	5
3	Erath	5	5	6
3	Fannin	4	5	4
3	Grayson	4	4	5
3	Hood	4	4	4
3	Hunt	4	4	5

Region	County	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
3	Johnson	4	4	5
3	Kaufman	5	5	4
3	Navarro	4	4	5
3	Palo Pinto	5	5	4
3	Parker	5	5	4
3	Rockwall	4	4	4
3	Somervell	4	4	5
3	Tarrant	4	4	4
3	Wise	5	5	5
4	Anderson	5	5	5
4	Bowie	5	5	4
4	Camp	3	4	5
4	Cass	4	4	4
4	Cherokee	4	4	5
4	Delta	6	6	6
4	Franklin	3	5	5
4	Gregg	4	4	4
4	Harrison	4	4	5
4	Henderson	4	5	4
4	Hopkins	4	4	4
4	Lamar	4	4	4
4	Marion	6	6	5
4	Morris	6	6	4
4	Panola	4	4	4
4	Rains	6	6	4
4	Red River	5	4	4
4	Rusk	5	4	4
4	Smith	4	4	4
4	Titus	4	4	5
4	Upshur	4	4	5
4	Van Zandt	5	4	4
4	Wood	5	5	5
5	Angelina	4	5	4
5	Hardin	4	4	3
5	Houston	5	5	5
5	Jasper	3	4	5
5	Jefferson	4	4	4
5	Nacogdoches	5	5	4
5	Newton	5	4	3
5	Orange	5	5	5
5	Polk	5	4	5
5	Sabine	4	4	4
5	San Augustine	6	5	4
5	San Jacinto	4	4	5
5	Shelby	4	4	5
5	Trinity	5	5	6
5	Tyler	4	4	5
6	Austin	4	4	5

Region	County	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
6	Brazoria	4	5	5
6	Chambers	5	4	4
6	Colorado	5	4	5
6	Fort Bend	4	4	4
6	Galveston	5	5	5
6	Harris	4	4	4
6	Liberty	4	4	5
6	Matagorda	4	4	4
6	Montgomery	5	5	4
6	Walker	6	6	5
6	Waller	4	5	5
6	Wharton	4	4	4
7	Bastrop	4	4	5
7	Blanco	4	4	4
7	Burnet	5	5	5
7	Caldwell	4	4	5
7	Fayette	5	4	5
7	Hays	4	4	5
7	Lee	4	4	3
7	Llano	4	5	4
7	Travis	4	4	4
7	Williamson	5	5	4
8	Bell	4	4	3
8	Bosque	3	4	5
8	Brazos	4	4	4
8	Coryell	5	5	4
8	Falls	5	4	4
8	Freestone	4	4	5
8	Grimes	3	3	6
8	Hamilton	4	4	5
8	Hill	5	5	5
8	Lampasas	4	4	4
8	Leon	4	4	6
8	Limestone	5	5	5
8	McLennan	4	4	4
8	Milam	5	5	4
8	Mills	4	4	6
8	San Saba	4	4	3
9	Atascosa	4	4	5
9	Bandera	4	6	6
9	Bexar	4	4	3
9	Comal	4	4	4
9	Frio	4	4	5
9	Gillespie	4	5	5
9	Guadalupe	4	4	5
9	Karnes	5	4	4
9	Kendall	4	5	6
9	Kerr	6	6	6

Region	County	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
9	Medina	5	5	5
9	Wilson	5	5	4
10	Aransas	4	4	6
10	Bee	4	4	4
10	Brooks	4	3	5
10	Calhoun	5	5	3
10	DeWitt	5	5	5
10	Duval	4	4	4
10	Goliad	3	4	6
10	Gonzales	4	4	5
10	Jackson	4	4	4
10	Jim Wells	4	4	4
10	Kleberg	5	6	5
10	Lavaca	5	5	4
10	Live Oak	5	5	4
10	Nueces	4	4	4
10	Refugio	5	5	5
10	San Patricio	4	5	4
10	Victoria	5	5	4
11	Cameron	4	4	4
11	Dimmit	5	5	4
11	Edwards	5	5	5
11	Hidalgo	4	5	5
11	Jim Hogg	4	4	4
11	Kinney	4	4	4
11	La Salle	4	4	3
11	Maverick	4	4	4
11	Real	6	6	6
11	Starr	4	4	4
11	Uvalde	5	5	5
11	Val Verde	4	4	4
11	Webb	4	4	4
11	Willacy	4	4	5
11	Zapata	3	4	4
11	Zavala	5	5	5
12	Andrews	5	4	4
12	Coke	6	6	5
12	Concho	6	6	5
12	Crane	6	6	4
12	Crockett	4	4	4
12	Dawson	4	4	4
12	Ector	4	4	4
12	Gaines	5	4	4
12	Howard	4	5	4
12	Irion	3	3	5
12	Kimble	5	5	5
12	Martin	5	5	3
12	Mason	6	5	5

2009 Draft HOME AHNS - County

Region	County	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
12	McCulloch	6	6	6
12	Menard	5	5	6
12	Midland	5	5	4
12	Pecos	3	3	4
12	Reagan	5	5	4
12	Reeves	3	3	4
12	Schleicher	3	3	6
12	Sterling	4	4	5
12	Sutton	3	4	4
12	Terrell	6	6	5
12	Tom Green	6	6	5
12	Upton	4	4	4
12	Ward	5	5	4
12	Winkler	4	4	3
13	Brewster	5	4	4
13	Culberson	6	6	4
13	El Paso	4	4	4
13	Hudspeth	5	4	5
13	Jeff Davis	4	4	4
13	Presidio	4	4	5

Draft 2009 HTF Affordable Housing Need Scores (AHNS)
Place Level

(Sorted by Region then Place.)

Instructions:
Use this table to determine the AHNS of an application that will serve a **single** place.
Special Circumstances
(1) Rental Development activities that are not located within a place's jurisdiction will utilize the score of closest place.
All questions relating to scoring an application under the AHN Scoring Component should be submitted in writing to Sandy Garcia via facsimile at (512) 475-4798 or by email at sandy.garcia@tdhca.state.tx.us.

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
1	Abernathy	Hale	2,839	Rural	5	5	4
1	Adrian	Oldham	159	Rural	6	6	6
1	Amarillo	Potter	173,627	Urban	5	6	4
1	Amherst	Lamb	791	Rural	4	4	4
1	Anton	Hockley	1,200	Rural	3	3	5
1	Bishop Hills	Potter	210	Rural	3	3	6
1	Booker	Lipscomb	1,315	Rural	5	5	3
1	Borger	Hutchinson	14,302	Rural	4	5	3
1	Bovina	Parmer	1,874	Rural	4	3	3
1	Brownfield	Terry	9,488	Rural	6	6	4
1	Buffalo Springs	Lubbock	493	Rural	4	4	4
1	Cactus	Moore	2,538	Rural	3	3	4
1	Canadian	Hemphill	2,233	Rural	5	5	4
1	Canyon	Randall	12,875	Rural	6	6	3
1	Channing	Hartley	356	Rural	6	6	4
1	Childress	Childress	6,778	Rural	4	5	3
1	Clarendon	Donley	1,974	Rural	5	5	3
1	Claude	Armstrong	1,313	Rural	6	6	4
1	Crosbyton	Crosby	1,874	Rural	5	5	3
1	Dalhart	Dallam	7,237	Rural	6	6	4
1	Darrouzett	Lipscomb	303	Rural	6	6	6
1	Denver City	Yoakum	3,985	Rural	4	4	6
1	Dickens	Dickens	332	Rural	6	6	6
1	Dimmitt	Castro	4,375	Rural	5	4	5
1	Dodson	Collingsworth	115	Rural	6	6	6
1	Dumas	Moore	13,747	Rural	4	4	3
1	Earth	Lamb	1,109	Rural	4	4	5
1	Edmonson	Hale	123	Rural	3	3	5
1	Estelline	Hall	168	Rural	6	6	6
1	Farwell	Parmer	1,364	Rural	6	6	4
1	Floydada	Floyd	3,676	Rural	5	5	3
1	Follett	Lipscomb	412	Rural	4	4	6
1	Friona	Parmer	3,854	Rural	5	5	3
1	Fritch	Hutchinson	2,235	Rural	5	5	4
1	Groom	Carson	587	Rural	6	6	6
1	Gruver	Hansford	1,162	Rural	5	5	4
1	Hale Center	Hale	2,263	Rural	5	5	3
1	Happy	Swisher	647	Rural	4	4	5

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
1	Hart	Castro	1,198	Rural	4	4	4
1	Hartley	Hartley	441	Rural	5	5	5
1	Hedley	Donley	379	Rural	6	6	6
1	Hereford	Deaf Smith	14,597	Rural	3	4	4
1	Higgins	Lipscomb	425	Rural	3	3	6
1	Howardwick	Donley	437	Rural	6	6	4
1	Idalou	Lubbock	2,157	Rural	3	3	3
1	Kress	Swisher	826	Rural	5	5	3
1	Lake Tanglewood	Randall	825	Rural	6	6	3
1	Lakeview	Hall	152	Rural	6	6	4
1	Lefors	Gray	559	Rural	3	3	5
1	Levelland	Hockley	12,866	Rural	5	6	5
1	Lipscomb	Lipscomb	44	Rural	3	3	3
1	Littlefield	Lamb	6,507	Rural	6	6	4
1	Lockney	Floyd	2,056	Rural	4	3	4
1	Lorenzo	Crosby	1,372	Rural	4	4	4
1	Lubbock	Lubbock	199,564	Urban	6	6	4
1	Matador	Motley	740	Rural	4	4	3
1	McLean	Gray	830	Rural	5	5	6
1	Meadow	Terry	658	Rural	3	3	4
1	Memphis	Hall	2,479	Rural	5	5	3
1	Miami	Roberts	588	Rural	6	6	4
1	Mobeetie	Wheeler	107	Rural	3	3	4
1	Morse	Hansford	172	Rural	4	4	6
1	Morton	Cochran	2,249	Rural	4	3	3
1	Muleshoe	Bailey	4,530	Rural	3	3	4
1	Nazareth	Castro	356	Rural	4	4	4
1	New Deal	Lubbock	708	Rural	5	5	3
1	New Home	Lynn	320	Rural	4	4	3
1	O'Donnell	Lynn	1,011	Rural	3	3	3
1	Olton	Lamb	2,288	Rural	3	3	4
1	Opdyke West	Hockley	188	Rural	4	4	6
1	Palisades	Randall	352	Rural	5	5	4
1	Pampa	Gray	17,887	Rural	5	5	4
1	Panhandle	Carson	2,589	Rural	4	4	3
1	Perryton	Ochiltree	7,774	Rural	3	4	3
1	Petersburg	Hale	1,262	Rural	3	3	3
1	Plains	Yoakum	1,450	Rural	5	5	3
1	Plainview	Hale	22,336	Rural	5	5	4
1	Post	Garza	3,708	Rural	6	6	6
1	Quail	Collingsworth	33	Rural	3	3	3
1	Quitaque	Briscoe	432	Rural	6	6	5
1	Ralls	Crosby	2,252	Rural	5	5	6
1	Ransom Canyon	Lubbock	1,011	Rural	4	4	3
1	Reese Center	Lubbock	42	Urban	3	3	6
1	Roaring Springs	Motley	265	Rural	3	3	3
1	Ropesville	Hockley	517	Rural	3	3	3
1	Samnorwood	Collingsworth	39	Rural	3	3	3
1	Sanford	Hutchinson	203	Rural	5	5	4
1	Seth Ward	Hale	1,926	Rural	5	5	6
1	Shallowater	Lubbock	2,086	Rural	6	6	5

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
1	Shamrock	Wheeler	2,029	Rural	5	5	6
1	Silverton	Briscoe	771	Rural	6	5	3
1	Skellytown	Carson	610	Rural	3	3	6
1	Slaton	Lubbock	6,109	Rural	5	5	6
1	Smyer	Hockley	480	Rural	4	4	6
1	Spade	Lamb	100	Rural	5	5	3
1	Spearman	Hansford	3,021	Rural	3	3	4
1	Springlake	Lamb	135	Rural	6	6	3
1	Spur	Dickens	1,088	Rural	3	3	4
1	Stinnett	Hutchinson	1,936	Rural	5	5	4
1	Stratford	Sherman	1,991	Rural	3	3	3
1	Sudan	Lamb	1,039	Rural	5	4	3
1	Sundown	Hockley	1,505	Rural	4	4	4
1	Sunray	Moore	1,950	Rural	4	4	3
1	Tahoka	Lynn	2,910	Rural	4	3	6
1	Texhoma	Sherman	371	Rural	6	6	6
1	Texline	Dallam	511	Rural	4	4	5
1	Timbercreek Canyon	Randall	406	Rural	3	3	3
1	Tulia	Swisher	5,117	Rural	4	4	4
1	Turkey	Hall	494	Rural	3	3	5
1	Vega	Oldham	936	Rural	5	5	6
1	Wellington	Collingsworth	2,275	Rural	4	4	5
1	Wellman	Terry	203	Rural	4	3	6
1	Wheeler	Wheeler	1,378	Rural	4	4	3
1	White Deer	Carson	1,060	Rural	5	5	3
1	Whiteface	Cochran	465	Rural	3	3	6
1	Wilson	Lynn	532	Rural	3	3	4
1	Wolfforth	Lubbock	2,554	Rural	5	5	6
2	Abilene	Taylor	115,930	Urban	5	5	3
2	Albany	Shackelford	1,921	Rural	5	5	3
2	Anson	Jones	2,556	Rural	3	3	5
2	Archer City	Archer	1,848	Rural	4	4	3
2	Aspermont	Stonewall	1,021	Rural	4	4	5
2	Baird	Callahan	1,623	Rural	3	5	4
2	Ballinger	Runnels	4,243	Rural	6	6	6
2	Bangs	Brown	1,620	Rural	5	5	6
2	Bellevue	Clay	386	Rural	5	5	5
2	Benjamin	Knox	264	Rural	3	3	6
2	Blackwell	Nolan	360	Rural	4	4	3
2	Blanket	Brown	402	Rural	6	6	4
2	Bowie	Montague	5,219	Rural	5	6	6
2	Breckenridge	Stephens	5,868	Rural	5	4	3
2	Brownwood	Brown	18,813	Rural	4	6	4
2	Bryson	Jack	528	Rural	5	5	6
2	Buffalo Gap	Taylor	463	Rural	4	4	3
2	Burkburnett	Wichita	10,927	Rural	5	5	3
2	Byers	Clay	517	Rural	6	6	5
2	Carbon	Eastland	224	Rural	3	3	3
2	Chillicothe	Hardeman	798	Rural	6	6	3
2	Cisco	Eastland	3,851	Rural	6	6	5
2	Clyde	Callahan	3,345	Rural	5	5	4

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
2	Coleman	Coleman	5,127	Rural	5	5	6
2	Colorado City	Mitchell	4,281	Rural	6	5	6
2	Comanche	Comanche	4,482	Rural	6	6	4
2	Cross Plains	Callahan	1,068	Rural	3	6	5
2	Crowell	Foard	1,141	Rural	5	5	5
2	De Leon	Comanche	2,433	Rural	5	5	5
2	Dean	Clay	341	Rural	6	6	5
2	Early	Brown	2,588	Rural	5	4	4
2	Eastland	Eastland	3,769	Rural	3	6	6
2	Elbert	Throckmorton	56	Rural	6	6	3
2	Electra	Wichita	3,168	Rural	5	5	5
2	Girard	Kent	62	Rural	3	3	6
2	Goree	Knox	321	Rural	3	3	6
2	Gorman	Eastland	1,236	Rural	3	3	3
2	Graham	Young	8,716	Rural	4	4	4
2	Gustine	Comanche	457	Rural	6	6	6
2	Hamlin	Jones	2,248	Rural	4	4	6
2	Haskell	Haskell	3,106	Rural	5	5	6
2	Hawley	Jones	646	Rural	6	6	3
2	Henrietta	Clay	3,264	Rural	5	5	4
2	Hermleigh	Scurry	393	Rural	5	5	6
2	Holliday	Archer	1,632	Rural	3	3	5
2	Impact	Taylor	39	Urban	3	3	3
2	Iowa Park	Wichita	6,431	Rural	5	5	3
2	Jacksboro	Jack	4,533	Rural	5	5	5
2	Jayton	Kent	513	Rural	3	3	3
2	Jolly	Clay	188	Rural	6	6	6
2	Knox City	Knox	1,219	Rural	4	4	6
2	Lake Brownwood	Brown	1,694	Rural	6	6	6
2	Lakeside City	Archer	984	Urban	4	4	3
2	Lawn	Taylor	353	Rural	3	3	4
2	Loraine	Mitchell	656	Rural	5	5	3
2	Lueders	Jones	300	Rural	4	4	6
2	Megargel	Archer	248	Rural	3	3	3
2	Merkel	Taylor	2,637	Rural	6	5	3
2	Miles	Runnels	850	Rural	5	5	3
2	Moran	Shackelford	233	Rural	4	4	5
2	Munday	Knox	1,527	Rural	3	3	3
2	Newcastle	Young	575	Rural	5	5	4
2	Nocona	Montague	3,198	Rural	4	3	3
2	Novice	Coleman	142	Rural	3	3	3
2	O'Brien	Haskell	132	Rural	3	3	6
2	Olney	Young	3,396	Rural	4	4	5
2	Paducah	Cottle	1,498	Rural	4	4	3
2	Petrolia	Clay	782	Rural	6	6	3
2	Pleasant Valley	Wichita	408	Urban	6	6	5
2	Potosi	Taylor	1,664	Urban	6	6	3
2	Putnam	Callahan	88	Rural	6	6	4
2	Quanah	Hardeman	3,022	Rural	6	6	3
2	Ranger	Eastland	2,584	Rural	4	3	6
2	Rising Star	Eastland	835	Rural	4	4	5

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
2	Roby	Fisher	673	Rural	5	5	3
2	Rochester	Haskell	378	Rural	4	4	5
2	Roscoe	Nolan	1,378	Rural	4	3	4
2	Rotan	Fisher	1,611	Rural	4	4	3
2	Rule	Haskell	698	Rural	5	4	5
2	Santa Anna	Coleman	1,081	Rural	3	4	4
2	Scotland	Archer	438	Rural	3	3	5
2	Seymour	Baylor	2,908	Rural	4	4	3
2	Snyder	Scurry	10,783	Rural	4	4	4
2	St. Jo	Montague	977	Rural	3	3	5
2	Stamford	Jones	3,636	Rural	4	4	4
2	Sunset	Montague	339	Rural	3	3	6
2	Sweetwater	Nolan	11,415	Rural	5	5	4
2	Throckmorton	Throckmorton	905	Rural	4	3	3
2	Trent	Taylor	318	Rural	6	6	3
2	Tuscola	Taylor	714	Rural	3	3	3
2	Tye	Taylor	1,158	Urban	6	6	4
2	Vernon	Wilbarger	11,660	Rural	3	4	4
2	Weinert	Haskell	177	Rural	6	6	4
2	Westbrook	Mitchell	203	Rural	5	5	4
2	Wichita Falls	Wichita	104,197	Urban	4	5	3
2	Windthorst	Archer	440	Rural	3	3	6
2	Winters	Runnels	2,880	Rural	3	3	4
2	Woodson	Throckmorton	296	Rural	3	3	4
3	Addison	Dallas	14,166	Urban	4	4	3
3	Aledo	Parker	1,726	Rural	5	5	5
3	Allen	Collin	43,554	Urban	5	5	3
3	Alma	Ellis	302	Rural	6	6	6
3	Alvarado	Johnson	3,288	Rural	4	3	5
3	Alvord	Wise	1,007	Rural	5	5	3
3	Angus	Navarro	334	Rural	5	5	5
3	Anna	Collin	1,225	Rural	6	4	3
3	Annetta	Parker	1,108	Rural	6	6	3
3	Annetta North	Parker	467	Rural	6	6	3
3	Annetta South	Parker	555	Rural	6	6	3
3	Argyle	Denton	2,365	Urban	4	4	3
3	Arlington	Tarrant	332,969	Urban	5	5	3
3	Aubrey	Denton	1,500	Rural	6	5	5
3	Aurora	Wise	853	Rural	6	6	6
3	Azle	Tarrant	9,600	Urban	4	4	5
3	Bailey	Fannin	213	Rural	6	6	3
3	Balch Springs	Dallas	19,375	Urban	3	5	6
3	Bardwell	Ellis	583	Rural	3	3	6
3	Barry	Navarro	209	Rural	6	6	4
3	Bartonville	Denton	1,093	Rural	3	3	3
3	Bedford	Tarrant	47,152	Urban	5	5	3
3	Bells	Grayson	1,190	Rural	5	5	5
3	Benbrook	Tarrant	20,208	Urban	5	5	4
3	Blooming Grove	Navarro	833	Rural	4	4	5
3	Blue Mound	Tarrant	2,388	Urban	4	4	4
3	Blue Ridge	Collin	672	Rural	5	5	6

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
3	Bonham	Fannin	9,990	Rural	6	5	5
3	Boyd	Wise	1,099	Rural	4	4	5
3	Briar	Tarrant	5,350	Rural	3	3	5
3	Briaroaks	Johnson	493	Rural	3	3	4
3	Bridgeport	Wise	4,309	Rural	4	5	5
3	Burleson	Johnson	20,976	Urban	4	4	3
3	Caddo Mills	Hunt	1,149	Rural	6	5	5
3	Callisburg	Cooke	365	Rural	4	4	6
3	Campbell	Hunt	734	Rural	5	5	6
3	Carrollton	Denton	109,576	Urban	4	4	3
3	Cedar Hill	Dallas	32,093	Urban	5	5	4
3	Celeste	Hunt	817	Rural	3	3	5
3	Celina	Collin	1,861	Urban	4	3	5
3	Chico	Wise	947	Rural	5	5	5
3	Cleburne	Johnson	26,005	Urban	3	5	5
3	Cockrell Hill	Dallas	4,443	Urban	3	3	4
3	Colleyville	Tarrant	19,636	Urban	4	4	3
3	Collinsville	Grayson	1,235	Rural	3	3	4
3	Combine	Kaufman	1,788	Rural	4	4	4
3	Commerce	Hunt	7,669	Rural	6	6	3
3	Cool	Parker	162	Rural	6	6	6
3	Coppell	Dallas	35,958	Urban	4	4	3
3	Copper Canyon	Denton	1,216	Urban	6	6	3
3	Corinth	Denton	11,325	Urban	3	4	3
3	Corral City	Denton	89	Rural	3	3	6
3	Corsicana	Navarro	24,485	Rural	5	5	5
3	Cottonwood	Kaufman	181	Rural	3	3	5
3	Crandall	Kaufman	2,774	Rural	4	4	4
3	Cross Roads	Denton	603	Rural	3	3	6
3	Cross Timber	Johnson	277	Rural	6	6	4
3	Crowley	Tarrant	7,467	Urban	4	5	4
3	Dallas	Dallas	1,188,580	Urban	4	5	5
3	Dalworthington Gardens	Tarrant	2,186	Urban	3	3	3
3	Dawson	Navarro	852	Rural	3	3	5
3	Decatur	Wise	5,201	Rural	4	4	5
3	Denison	Grayson	22,773	Urban	4	5	5
3	Denton	Denton	80,537	Urban	6	6	5
3	DeSoto	Dallas	37,646	Urban	3	6	4
3	Dodd City	Fannin	419	Rural	6	6	5
3	Dorchester	Grayson	109	Urban	3	3	6
3	Double Oak	Denton	2,179	Urban	6	6	3
3	Dublin	Erath	3,754	Rural	4	4	6
3	Duncanville	Dallas	36,081	Urban	5	5	5
3	Eagle Mountain	Tarrant	6,599	Urban	4	4	4
3	Ector	Fannin	600	Rural	5	5	3
3	Edgecliff Village	Tarrant	2,550	Urban	6	5	4
3	Emhouse	Navarro	159	Rural	3	3	3
3	Ennis	Ellis	16,045	Rural	3	4	5
3	Euless	Tarrant	46,005	Urban	4	4	3
3	Eureka	Navarro	340	Rural	3	3	5
3	Everman	Tarrant	5,836	Urban	5	5	6

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
3	Fairview	Collin	2,644	Urban	6	6	3
3	Farmers Branch	Dallas	27,508	Urban	3	3	4
3	Farmersville	Collin	3,118	Rural	4	4	3
3	Fate	Rockwall	497	Rural	6	6	4
3	Ferris	Ellis	2,175	Rural	4	4	3
3	Flower Mound	Denton	50,702	Urban	4	4	3
3	Forest Hill	Tarrant	12,949	Urban	3	5	6
3	Forney	Kaufman	5,588	Rural	5	5	5
3	Fort Worth	Tarrant	534,694	Urban	4	5	5
3	Frisco	Collin	33,714	Urban	5	5	3
3	Frost	Navarro	648	Rural	5	5	6
3	Gainesville	Cooke	15,538	Rural	4	5	4
3	Garland	Dallas	215,768	Urban	4	4	4
3	Garrett	Ellis	448	Rural	6	6	6
3	Glen Rose	Somervell	2,122	Rural	4	4	5
3	Glenn Heights	Dallas	7,224	Urban	5	5	5
3	Godley	Johnson	879	Rural	6	6	4
3	Goodlow	Navarro	264	Rural	3	3	6
3	Gordon	Palo Pinto	451	Rural	6	6	4
3	Graford	Palo Pinto	578	Rural	4	4	4
3	Granbury	Hood	5,718	Rural	5	6	4
3	Grand Prairie	Dallas	127,427	Urban	4	5	4
3	Grandview	Johnson	1,358	Rural	5	5	6
3	Grapevine	Tarrant	42,059	Urban	4	4	3
3	Grays Prairie	Kaufman	296	Rural	6	6	3
3	Greenville	Hunt	23,960	Rural	4	5	5
3	Gunter	Grayson	1,230	Rural	5	4	4
3	Hackberry	Denton	544	Urban	6	6	6
3	Haltom City	Tarrant	39,018	Urban	5	4	5
3	Haslet	Tarrant	1,134	Urban	4	4	3
3	Hawk Cove	Hunt	457	Rural	3	3	5
3	Heath	Rockwall	4,149	Urban	3	3	3
3	Hebron	Denton	874	Urban	3	3	3
3	Hickory Creek	Denton	2,078	Urban	3	3	3
3	Highland Park	Dallas	8,842	Urban	3	3	3
3	Highland Village	Denton	12,173	Urban	5	5	3
3	Honey Grove	Fannin	1,746	Rural	3	5	4
3	Howe	Grayson	2,478	Urban	5	5	6
3	Hudson Oaks	Parker	1,637	Rural	6	6	3
3	Hurst	Tarrant	36,273	Urban	5	5	3
3	Hutchins	Dallas	2,805	Urban	5	5	5
3	Irving	Dallas	191,615	Urban	4	4	3
3	Italy	Ellis	1,993	Rural	4	4	4
3	Josephine	Collin	594	Rural	6	6	3
3	Joshua	Johnson	4,528	Urban	4	4	4
3	Justin	Denton	1,891	Rural	5	5	4
3	Kaufman	Kaufman	6,490	Rural	3	4	6
3	Keene	Johnson	5,003	Rural	5	5	6
3	Keller	Tarrant	27,345	Urban	3	5	3
3	Kemp	Kaufman	1,133	Rural	6	6	5
3	Kennedale	Tarrant	5,850	Urban	4	4	4

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
3	Kerens	Navarro	1,681	Rural	5	5	5
3	Knollwood	Grayson	375	Urban	6	6	6
3	Krugerville	Denton	903	Rural	6	6	5
3	Krum	Denton	1,979	Rural	3	3	4
3	Ladonia	Fannin	667	Rural	3	3	5
3	Lake Bridgeport	Wise	372	Rural	3	3	4
3	Lake Dallas	Denton	6,166	Rural	5	4	5
3	Lake Kiowa	Cooke	1,883	Rural	3	3	3
3	Lake Worth	Tarrant	4,618	Urban	5	4	5
3	Lakeside (Tarrant)	Tarrant	1,040	Urban	5	5	3
3	Lakewood Village	Denton	342	Rural	6	6	5
3	Lancaster	Dallas	25,894	Urban	3	4	6
3	Lavon	Collin	387	Rural	3	3	4
3	Leonard	Fannin	1,846	Rural	5	5	4
3	Lewisville	Denton	77,737	Urban	5	5	3
3	Lincoln Park	Denton	517	Rural	4	4	6
3	Lindsay (Cooke)	Cooke	788	Rural	4	4	3
3	Lipan	Hood	425	Rural	3	3	5
3	Little Elm	Denton	3,646	Urban	3	4	5
3	Lone Oak	Hunt	521	Rural	3	3	4
3	Lowry Crossing	Collin	1,229	Urban	6	6	3
3	Lucas	Collin	2,890	Urban	6	6	3
3	Mabank	Kaufman	2,151	Rural	3	6	5
3	Mansfield	Tarrant	28,031	Urban	3	4	3
3	Marshall Creek	Denton	431	Rural	6	6	6
3	Maypearl	Ellis	746	Rural	5	4	5
3	McKinney	Collin	54,369	Urban	4	5	3
3	McLendon-Chisholm	Rockwall	914	Rural	6	6	3
3	Melissa	Collin	1,350	Urban	5	5	4
3	Mesquite	Dallas	124,523	Urban	4	5	4
3	Midlothian	Ellis	7,480	Urban	4	4	4
3	Mildred	Navarro	405	Rural	5	5	5
3	Milford	Ellis	685	Rural	3	3	6
3	Millsap	Parker	353	Rural	3	3	4
3	Mineral Wells	Palo Pinto	16,946	Rural	5	5	5
3	Mingus	Palo Pinto	246	Rural	6	6	3
3	Mobile City	Rockwall	196	Rural	4	4	6
3	Muenster	Cooke	1,556	Rural	5	5	5
3	Murphy	Collin	3,099	Urban	6	5	3
3	Mustang	Navarro	47	Rural	3	3	6
3	Navarro	Navarro	191	Rural	3	3	3
3	Nevada	Collin	563	Rural	3	3	3
3	New Fairview	Wise	877	Rural	4	4	6
3	New Hope	Collin	662	Rural	3	3	3
3	Newark	Wise	887	Rural	5	5	5
3	Neylandville	Hunt	56	Rural	3	3	6
3	North Richland Hills	Tarrant	55,635	Urban	5	5	3
3	Northlake	Denton	921	Urban	4	4	6
3	Oak Grove	Kaufman	710	Rural	6	6	3
3	Oak Leaf	Ellis	1,209	Rural	6	6	3
3	Oak Point	Denton	1,747	Rural	5	4	4

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
3	Oak Ridge (Cooke)	Cooke	224	Rural	5	5	6
3	Oak Ridge (Kaufman)	Kaufman	400	Rural	6	6	6
3	Oak Trail Shores	Hood	2,475	Rural	3	3	6
3	Oak Valley	Navarro	401	Rural	5	5	5
3	Ovilla	Ellis	3,405	Urban	6	6	4
3	Palmer	Ellis	1,774	Rural	3	3	6
3	Pantego	Tarrant	2,318	Urban	3	3	3
3	Paradise	Wise	459	Rural	6	6	6
3	Parker	Collin	1,379	Urban	3	3	3
3	Pecan Acres	Wise	2,289	Rural	6	6	4
3	Pecan Hill	Ellis	672	Rural	5	5	4
3	Pecan Plantation	Hood	3,544	Rural	4	4	3
3	Pelican Bay	Tarrant	1,505	Rural	5	5	6
3	Pilot Point	Denton	3,538	Rural	4	4	5
3	Plano	Collin	222,030	Urban	4	4	3
3	Ponder	Denton	507	Rural	4	3	4
3	Post Oak Bend City	Kaufman	404	Rural	3	3	5
3	Pottsboro	Grayson	1,579	Rural	4	4	3
3	Powell	Navarro	105	Rural	3	3	6
3	Princeton	Collin	3,477	Urban	5	4	5
3	Prosper	Collin	2,097	Urban	4	4	4
3	Quinlan	Hunt	1,370	Rural	6	6	4
3	Ravenna	Fannin	215	Rural	3	3	6
3	Red Oak	Ellis	4,301	Urban	5	5	5
3	Rendon	Tarrant	9,022	Urban	3	3	5
3	Reno (Parker)	Parker	2,441	Rural	5	5	5
3	Retreat	Navarro	339	Rural	4	4	6
3	Rhome	Wise	551	Rural	5	4	6
3	Rice	Navarro	798	Rural	5	5	4
3	Richardson	Dallas	91,802	Urban	4	4	3
3	Richland	Navarro	291	Rural	6	6	6
3	Richland Hills	Tarrant	8,132	Urban	5	5	4
3	Rio Vista	Johnson	656	Rural	3	3	6
3	River Oaks	Tarrant	6,985	Urban	5	5	5
3	Roanoke	Denton	2,810	Urban	5	4	5
3	Rockwall	Rockwall	17,976	Urban	4	4	4
3	Rosser	Kaufman	379	Rural	6	6	3
3	Rowlett	Dallas	44,503	Urban	5	4	3
3	Royse City	Rockwall	2,957	Rural	4	4	6
3	Runaway Bay	Wise	1,104	Rural	5	5	5
3	Sachse	Dallas	9,751	Urban	3	3	4
3	Sadler	Grayson	404	Rural	6	6	5
3	Saginaw	Tarrant	12,374	Urban	5	4	3
3	Sanctuary	Parker	256	Rural	6	6	5
3	Sanger	Denton	4,534	Rural	3	4	5
3	Sansom Park	Tarrant	4,181	Urban	5	5	6
3	Savoy	Fannin	850	Rural	5	5	3
3	Seagoville	Dallas	10,823	Urban	3	4	6
3	Shady Shores	Denton	1,461	Urban	3	3	5
3	Sherman	Grayson	35,082	Urban	5	5	5
3	Southlake	Tarrant	21,519	Urban	4	4	3

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
3	Southmayd	Grayson	992	Rural	4	4	4
3	Springtown	Parker	2,062	Rural	3	5	5
3	St. Paul (Collin)	Collin	630	Rural	3	3	4
3	Stephenville	Erath	14,921	Rural	6	6	5
3	Strawn	Palo Pinto	739	Rural	5	4	6
3	Sunnyvale	Dallas	2,693	Urban	3	3	5
3	Talty	Kaufman	1,028	Rural	3	3	3
3	Terrell	Kaufman	13,606	Rural	5	6	5
3	The Colony	Denton	26,531	Urban	3	4	3
3	Tioga	Grayson	754	Rural	3	3	4
3	Tolar	Hood	504	Rural	4	4	3
3	Tom Bean	Grayson	941	Rural	3	3	5
3	Trenton	Fannin	662	Rural	4	4	3
3	Trophy Club	Denton	6,350	Rural	4	4	3
3	University Park	Dallas	23,324	Urban	4	4	3
3	Valley View	Cooke	737	Rural	4	4	3
3	Van Alstyne	Grayson	2,502	Rural	3	3	3
3	Venus	Johnson	910	Rural	3	3	5
3	Watauga	Tarrant	21,908	Urban	4	4	4
3	Waxahachie	Ellis	21,426	Rural	3	5	5
3	Weatherford	Parker	19,000	Rural	4	5	4
3	West Tawakoni	Hunt	1,462	Rural	5	5	5
3	Westlake	Tarrant	207	Urban	3	3	6
3	Westminster	Collin	390	Rural	3	3	5
3	Weston	Collin	635	Urban	5	5	3
3	Westover Hills	Tarrant	658	Urban	3	3	3
3	Westworth Village	Tarrant	2,124	Urban	4	4	4
3	White Settlement	Tarrant	14,831	Urban	4	5	5
3	Whitesboro	Grayson	3,760	Rural	5	5	4
3	Whitewright	Grayson	1,740	Rural	6	6	5
3	Willow Park	Parker	2,849	Rural	3	3	3
3	Wilmer	Dallas	3,393	Rural	4	4	6
3	Windom	Fannin	245	Rural	3	3	5
3	Wolfe City	Hunt	1,566	Rural	5	5	4
3	Wylie	Collin	15,132	Rural	3	4	5
4	Alba	Wood	430	Rural	6	6	6
4	Alto	Cherokee	1,190	Rural	4	4	4
4	Annona	Red River	282	Rural	6	6	6
4	Arp	Smith	901	Rural	3	3	4
4	Athens	Henderson	11,297	Rural	4	5	4
4	Atlanta	Cass	5,745	Rural	4	4	5
4	Avery	Red River	462	Rural	5	5	3
4	Avinger	Cass	464	Rural	6	6	4
4	Beckville	Panola	752	Rural	5	5	4
4	Berryville	Henderson	891	Rural	4	4	6
4	Big Sandy	Upshur	1,288	Rural	3	3	6
4	Bloomburg	Cass	375	Rural	3	3	5
4	Blossom	Lamar	1,439	Rural	4	4	3
4	Bogata	Red River	1,396	Rural	3	3	4
4	Brownsboro	Henderson	796	Rural	6	6	5
4	Bullard	Smith	1,150	Rural	5	5	4

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
4	Caney City	Henderson	236	Rural	6	6	6
4	Canton	Van Zandt	3,292	Rural	4	4	4
4	Carthage	Panola	6,664	Rural	5	5	4
4	Chandler	Henderson	2,099	Rural	3	4	3
4	Clarksville	Red River	3,883	Rural	5	4	3
4	Clarksville City	Gregg	806	Rural	4	4	5
4	Coffee City	Henderson	193	Rural	3	3	6
4	Como	Hopkins	621	Rural	4	4	5
4	Cooper	Delta	2,150	Rural	6	6	5
4	Cumby	Hopkins	616	Rural	5	5	4
4	Cuney	Cherokee	145	Rural	4	4	6
4	Daingerfield	Morris	2,517	Rural	6	6	3
4	De Kalb	Bowie	1,769	Rural	6	5	4
4	Deport	Lamar	718	Rural	4	4	3
4	Detroit	Red River	776	Rural	4	4	3
4	Domino	Cass	52	Rural	3	3	3
4	Douglassville	Cass	175	Rural	3	3	3
4	East Mountain	Upshur	580	Rural	4	4	4
4	East Tawakoni	Rains	775	Rural	6	6	3
4	Easton	Gregg	524	Rural	3	3	5
4	Edgewood	Van Zandt	1,348	Rural	5	5	5
4	Edom	Van Zandt	322	Rural	6	6	5
4	Elkhart	Anderson	1,215	Rural	5	5	5
4	Emory	Rains	1,021	Rural	6	5	4
4	Enchanted Oaks	Henderson	357	Rural	6	6	4
4	Eustace	Henderson	798	Rural	3	3	3
4	Frankston	Anderson	1,209	Rural	4	4	4
4	Fruitvale	Van Zandt	418	Rural	4	3	3
4	Gallatin	Cherokee	378	Rural	4	4	5
4	Gary City	Panola	303	Rural	3	3	3
4	Gilmer	Upshur	4,799	Rural	6	6	4
4	Gladewater	Gregg	6,078	Rural	5	6	4
4	Grand Saline	Van Zandt	3,028	Rural	3	3	4
4	Gun Barrel City	Henderson	5,145	Rural	5	5	5
4	Hallsville	Harrison	2,772	Rural	3	3	3
4	Hawkins	Wood	1,331	Rural	6	5	5
4	Henderson	Rusk	11,273	Rural	3	3	3
4	Hooks	Bowie	2,973	Rural	4	4	4
4	Hughes Springs	Cass	1,856	Rural	4	3	3
4	Jacksonville	Cherokee	13,868	Rural	4	5	4
4	Jefferson	Marion	2,024	Rural	6	6	5
4	Kilgore	Gregg	11,301	Rural	3	4	4
4	Lakeport	Gregg	861	Rural	4	4	5
4	Leary	Bowie	555	Rural	3	3	5
4	Liberty City	Gregg	1,935	Rural	4	3	3
4	Lindale	Smith	2,954	Rural	5	4	4
4	Linden	Cass	2,256	Rural	4	4	3
4	Log Cabin	Henderson	733	Rural	6	6	3
4	Lone Star	Morris	1,631	Rural	4	5	3
4	Longview	Gregg	73,344	Urban	5	5	3
4	Malakoff	Henderson	2,257	Rural	5	5	5

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
4	Marietta	Cass	112	Rural	3	3	6
4	Marshall	Harrison	23,935	Rural	4	4	4
4	Maud	Bowie	1,028	Rural	6	6	3
4	Miller's Cove	Titus	120	Rural	5	5	6
4	Mineola	Wood	4,550	Rural	5	5	3
4	Moore Station	Henderson	184	Rural	6	6	5
4	Mount Enterprise	Rusk	525	Rural	4	3	5
4	Mount Pleasant	Titus	13,935	Rural	4	4	4
4	Mount Vernon	Franklin	2,286	Rural	3	5	5
4	Murchison	Henderson	592	Rural	3	3	4
4	Naples	Morris	1,410	Rural	6	6	5
4	Nash	Bowie	2,169	Urban	5	3	5
4	Nesbitt	Harrison	302	Rural	3	3	6
4	New Boston	Bowie	4,808	Rural	6	6	4
4	New Chapel Hill	Smith	553	Rural	3	3	6
4	New London	Rusk	987	Rural	5	5	4
4	New Summerfield	Cherokee	998	Rural	4	3	3
4	Noonday	Smith	515	Rural	4	4	3
4	Omaha	Morris	999	Rural	6	6	3
4	Ore City	Upshur	1,106	Rural	6	6	5
4	Overton	Rusk	2,350	Rural	6	6	5
4	Palestine	Anderson	17,598	Rural	5	5	5
4	Paris	Lamar	25,898	Rural	5	6	4
4	Payne Springs	Henderson	683	Rural	3	3	3
4	Pecan Gap	Delta	214	Rural	5	5	6
4	Pittsburg	Camp	4,347	Rural	3	4	4
4	Point	Rains	792	Rural	6	6	6
4	Poynor	Henderson	314	Rural	6	6	4
4	Queen City	Cass	1,613	Rural	6	5	4
4	Quitman	Wood	2,030	Rural	4	4	5
4	Red Lick	Bowie	853	Rural	6	6	3
4	Redwater	Bowie	872	Rural	4	4	6
4	Reklaw	Cherokee	327	Rural	3	3	6
4	Reno (Lamar)	Lamar	2,767	Rural	3	3	3
4	Rocky Mound	Camp	93	Rural	3	3	6
4	Roxton	Lamar	694	Rural	5	5	5
4	Rusk	Cherokee	5,085	Rural	5	5	3
4	Scottsville	Harrison	263	Rural	4	4	6
4	Seven Points	Henderson	1,145	Rural	3	6	6
4	Star Harbor	Henderson	416	Rural	3	3	3
4	Sulphur Springs	Hopkins	14,551	Rural	5	5	4
4	Sun Valley	Lamar	51	Rural	3	3	6
4	Talco	Titus	570	Rural	5	5	6
4	Tatum	Rusk	1,175	Rural	5	5	4
4	Texarkana	Bowie	34,782	Urban	4	5	3
4	Tira	Hopkins	248	Rural	3	3	5
4	Toco	Lamar	89	Rural	6	6	6
4	Tool	Henderson	2,275	Rural	3	3	4
4	Trinidad	Henderson	1,091	Rural	5	5	3
4	Troup	Smith	1,949	Rural	5	4	5
4	Tyler	Smith	83,650	Urban	4	5	4

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Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
4	Uncertain	Harrison	150	Rural	6	6	6
4	Union Grove	Upshur	346	Rural	3	3	6
4	Van	Van Zandt	2,362	Rural	6	5	4
4	Wake Village	Bowie	5,129	Urban	4	4	3
4	Warren City	Gregg	343	Rural	6	6	5
4	Waskom	Harrison	2,068	Rural	4	4	4
4	Wells	Cherokee	769	Rural	5	5	6
4	White Oak	Gregg	5,624	Urban	5	5	4
4	Whitehouse	Smith	5,346	Rural	3	4	3
4	Wills Point	Van Zandt	3,496	Rural	4	4	5
4	Winfield	Titus	499	Rural	4	4	5
4	Winnsboro	Wood	3,584	Rural	5	5	4
4	Winona	Smith	582	Rural	3	3	3
4	Yantis	Wood	321	Rural	3	3	6
5	Appleby	Nacogdoches	444	Rural	5	5	5
5	Beaumont	Jefferson	113,866	Urban	4	5	4
5	Bevil Oaks	Jefferson	1,346	Rural	3	3	4
5	Bridge City	Orange	8,651	Rural	5	5	4
5	Broaddus	San Augustine	189	Rural	6	6	6
5	Browndell	Jasper	219	Rural	3	3	6
5	Buna	Jasper	2,269	Rural	3	3	5
5	Burke	Angelina	315	Rural	6	6	5
5	Center	Shelby	5,678	Rural	4	5	4
5	Central Gardens	Jefferson	4,106	Rural	3	3	3
5	Chester	Tyler	265	Rural	3	3	6
5	China	Jefferson	1,112	Rural	4	4	3
5	Chireno	Nacogdoches	405	Rural	4	4	4
5	Coldspring	San Jacinto	691	Rural	5	4	5
5	Colmesneil	Tyler	638	Rural	4	4	5
5	Corrigan	Polk	1,721	Rural	6	6	4
5	Crockett	Houston	7,141	Rural	4	4	6
5	Cushing	Nacogdoches	637	Rural	5	4	3
5	Deweyville	Newton	1,190	Rural	5	4	3
5	Diboll	Angelina	5,470	Rural	3	3	4
5	Evadale	Jasper	1,430	Rural	3	3	5
5	Garrison	Nacogdoches	844	Rural	4	4	3
5	Goodrich	Polk	243	Rural	3	3	6
5	Grapeland	Houston	1,451	Rural	6	6	6
5	Groves	Jefferson	15,733	Urban	4	4	3
5	Groveton	Trinity	1,107	Rural	5	5	6
5	Hemphill	Sabine	1,106	Rural	3	4	5
5	Hudson	Angelina	3,792	Rural	4	4	4
5	Huntington	Angelina	2,068	Rural	3	5	5
5	Huxley	Shelby	298	Rural	3	3	3
5	Jasper	Jasper	8,247	Rural	3	5	6
5	Joaquin	Shelby	925	Rural	3	4	6
5	Kennard	Houston	317	Rural	6	6	6
5	Kirbyville	Jasper	2,085	Rural	5	5	4
5	Kountze	Hardin	2,115	Rural	5	5	6
5	Latexo	Houston	272	Rural	3	3	6
5	Livingston	Polk	5,433	Rural	5	5	5

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
5	Lovelady	Houston	608	Rural	6	6	3
5	Lufkin	Angelina	32,709	Rural	5	6	4
5	Lumberton	Hardin	8,731	Rural	3	3	4
5	Mauriceville	Orange	2,743	Rural	4	4	4
5	Milam	Sabine	1,329	Rural	3	3	3
5	Nacogdoches	Nacogdoches	29,914	Rural	6	6	4
5	Nederland	Jefferson	17,422	Urban	4	4	3
5	Newton	Newton	2,459	Rural	6	6	3
5	Nome	Jefferson	515	Rural	5	5	5
5	Oakhurst	San Jacinto	230	Rural	4	4	5
5	Onalaska	Polk	1,174	Rural	6	6	5
5	Orange	Orange	18,643	Rural	4	5	4
5	Pine Forest	Orange	632	Rural	5	5	4
5	Pineland	Sabine	980	Rural	6	6	4
5	Pinewood Estates	Hardin	1,633	Rural	3	3	3
5	Point Blank	San Jacinto	559	Rural	4	4	6
5	Port Arthur	Jefferson	57,755	Urban	3	4	4
5	Port Neches	Jefferson	13,601	Urban	4	3	3
5	Rose City	Orange	519	Rural	5	5	6
5	Rose Hill Acres	Hardin	480	Urban	6	6	3
5	San Augustine	San Augustine	2,475	Rural	5	4	3
5	Seven Oaks	Polk	131	Rural	3	3	3
5	Shepherd	San Jacinto	2,029	Rural	4	3	5
5	Silsbee	Hardin	6,393	Rural	3	4	4
5	Sour Lake	Hardin	1,667	Rural	3	5	4
5	South Toledo Bend	Newton	576	Rural	3	3	4
5	Tenaha	Shelby	1,046	Rural	5	4	5
5	Timpson	Shelby	1,094	Rural	6	6	6
5	Trinity	Trinity	2,721	Rural	5	5	5
5	Vidor	Orange	11,440	Rural	3	4	4
5	West Livingston	Polk	6,612	Rural	5	4	6
5	West Orange	Orange	4,111	Rural	4	4	4
5	Woodville	Tyler	2,415	Rural	5	6	4
5	Zavalla	Angelina	647	Rural	6	6	3
6	Aldine	Harris	13,979	Urban	3	3	6
6	Alvin	Brazoria	21,413	Urban	5	5	5
6	Ames	Liberty	1,079	Rural	4	4	6
6	Anahuac	Chambers	2,210	Rural	5	5	5
6	Angleton	Brazoria	18,130	Rural	3	5	4
6	Arcola	Fort Bend	1,048	Rural	5	5	5
6	Atascocita	Harris	35,757	Urban	4	4	4
6	Bacliff	Galveston	6,962	Urban	6	6	6
6	Bailey's Prairie	Brazoria	694	Rural	3	3	5
6	Barrett	Harris	2,872	Rural	6	6	6
6	Bay City	Matagorda	18,667	Rural	5	4	3
6	Bayou Vista	Galveston	1,644	Rural	4	4	5
6	Baytown	Harris	66,430	Urban	3	4	5
6	Beach City	Chambers	1,645	Urban	4	4	4
6	Beasley	Fort Bend	590	Rural	4	3	6
6	Bellaire	Harris	15,642	Urban	4	3	3
6	Bellville	Austin	3,794	Rural	3	3	4

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
6	Blessing	Matagorda	861	Rural	3	3	6
6	Boling-Iago	Wharton	1,271	Rural	3	3	4
6	Bolivar Peninsula	Galveston	3,853	Rural	6	6	5
6	Bonney	Brazoria	384	Rural	3	3	3
6	Brazoria	Brazoria	2,787	Rural	5	5	5
6	Brookshire	Waller	3,450	Rural	5	6	6
6	Brookside Village	Brazoria	1,960	Urban	4	4	4
6	Bunker Hill Village	Harris	3,654	Urban	6	6	4
6	Channelview	Harris	29,685	Urban	5	5	5
6	Cinco Ranch	Fort Bend	11,196	Urban	5	5	3
6	Clear Lake Shores	Galveston	1,205	Urban	4	4	3
6	Cleveland	Liberty	7,605	Rural	6	6	6
6	Cloverleaf	Harris	23,508	Urban	5	5	4
6	Clute	Brazoria	10,424	Urban	3	4	4
6	Columbus	Colorado	3,916	Rural	4	3	4
6	Conroe	Montgomery	36,811	Urban	4	5	5
6	Cove	Chambers	323	Rural	6	6	3
6	Crosby	Harris	1,714	Rural	4	4	6
6	Cumings	Fort Bend	683	Rural	3	3	3
6	Cut and Shoot	Montgomery	1,158	Urban	6	6	5
6	Daisetta	Liberty	1,034	Rural	5	5	5
6	Damon	Brazoria	535	Rural	6	6	6
6	Danbury	Brazoria	1,611	Rural	5	5	4
6	Dayton	Liberty	5,709	Rural	5	5	5
6	Dayton Lakes	Liberty	101	Rural	3	3	3
6	Deer Park	Harris	28,520	Urban	4	4	4
6	Devers	Liberty	416	Rural	6	6	6
6	Dickinson	Galveston	17,093	Urban	5	5	4
6	Eagle Lake	Colorado	3,664	Rural	5	4	5
6	East Bernard	Wharton	1,729	Rural	4	4	5
6	El Campo	Wharton	10,945	Rural	4	5	4
6	El Lago	Harris	3,075	Urban	4	4	3
6	Fairchilds	Fort Bend	678	Rural	4	3	4
6	Fifth Street	Fort Bend	2,059	Urban	4	4	6
6	Four Corners	Fort Bend	2,954	Urban	5	5	5
6	Freeport	Brazoria	12,708	Urban	5	6	5
6	Fresno	Fort Bend	6,603	Urban	5	4	4
6	Friendswood	Galveston	29,037	Urban	5	5	4
6	Fulshear	Fort Bend	716	Rural	6	6	6
6	Galena Park	Harris	10,592	Urban	4	4	6
6	Galveston	Galveston	57,247	Urban	6	6	6
6	Greatwood	Fort Bend	6,640	Urban	5	5	3
6	Hardin	Liberty	755	Rural	3	3	5
6	Hedwig Village	Harris	2,334	Urban	5	4	3
6	Hempstead	Waller	4,691	Rural	3	5	6
6	Highlands	Harris	7,089	Urban	4	4	5
6	Hillcrest	Brazoria	722	Rural	6	6	4
6	Hilshire Village	Harris	720	Urban	6	6	3
6	Hitchcock	Galveston	6,386	Rural	3	5	6
6	Holiday Lakes	Brazoria	1,095	Rural	6	6	3
6	Houston	Harris	1,953,631	Urban	4	5	5

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Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
6	Humble	Harris	14,579	Urban	3	5	5
6	Hungerford	Wharton	645	Rural	3	3	5
6	Hunters Creek Village	Harris	4,374	Urban	3	3	3
6	Huntsville	Walker	35,078	Rural	6	6	4
6	Industry	Austin	304	Rural	3	3	6
6	Iowa Colony	Brazoria	804	Urban	5	5	5
6	Jacinto City	Harris	10,302	Urban	3	4	3
6	Jamaica Beach	Galveston	1,075	Urban	6	6	5
6	Jersey Village	Harris	6,880	Urban	3	4	3
6	Jones Creek	Brazoria	2,130	Rural	4	4	4
6	Katy	Harris	11,775	Urban	3	3	5
6	Kemah	Galveston	2,330	Urban	6	6	5
6	Kendleton	Fort Bend	466	Rural	4	3	6
6	Kenefick	Liberty	667	Rural	4	4	6
6	La Marque	Galveston	13,682	Urban	4	5	6
6	La Porte	Harris	31,880	Urban	3	4	4
6	Lake Jackson	Brazoria	26,386	Urban	4	5	3
6	League City	Galveston	45,444	Urban	3	4	4
6	Liberty	Liberty	8,033	Rural	4	5	6
6	Liverpool	Brazoria	404	Rural	6	6	4
6	Louise	Wharton	977	Rural	4	3	4
6	Magnolia	Montgomery	1,111	Rural	5	5	6
6	Manvel	Brazoria	3,046	Urban	3	3	3
6	Markham	Matagorda	1,138	Rural	3	3	3
6	Meadows Place	Fort Bend	4,912	Urban	3	4	4
6	Mission Bend	Fort Bend	30,831	Urban	5	4	5
6	Missouri City	Fort Bend	52,913	Urban	4	4	4
6	Mont Belvieu	Chambers	2,324	Rural	4	4	3
6	Montgomery	Montgomery	489	Rural	6	6	5
6	Morgan's Point	Harris	336	Urban	5	4	4
6	Nassau Bay	Harris	4,170	Urban	6	6	3
6	Needville	Fort Bend	2,609	Rural	3	3	4
6	New Territory	Fort Bend	13,861	Urban	4	3	3
6	New Waverly	Walker	950	Rural	6	5	5
6	North Cleveland	Liberty	263	Rural	3	3	6
6	Oak Ridge North	Montgomery	2,991	Urban	5	5	3
6	Old River-Winfree	Chambers	1,364	Rural	5	5	5
6	Orchard	Fort Bend	408	Rural	3	3	3
6	Oyster Creek	Brazoria	1,192	Rural	4	4	4
6	Palacios	Matagorda	5,153	Rural	4	5	4
6	Panorama Village	Montgomery	1,965	Urban	5	4	4
6	Pasadena	Harris	141,674	Urban	4	5	5
6	Pattison	Waller	447	Rural	5	4	5
6	Patton Village	Montgomery	1,391	Rural	5	5	5
6	Pearland	Brazoria	37,640	Urban	4	5	4
6	Pecan Grove	Fort Bend	13,551	Rural	4	4	3
6	Pine Island	Waller	849	Rural	4	4	3
6	Pinehurst (Montgomery)	Montgomery	4,266	Rural	4	4	4
6	Piney Point Village	Harris	3,380	Urban	4	3	4
6	Pleak	Fort Bend	947	Rural	6	6	6
6	Plum Grove	Liberty	930	Rural	3	3	6

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
6	Porter Heights	Montgomery	1,490	Rural	3	3	6
6	Prairie View	Waller	4,410	Rural	3	6	6
6	Quintana	Brazoria	38	Rural	3	3	6
6	Richmond	Fort Bend	11,081	Rural	5	5	4
6	Richwood	Brazoria	3,012	Urban	4	4	4
6	Riverside	Walker	425	Rural	6	6	6
6	Roman Forest	Montgomery	1,279	Rural	4	3	3
6	Rosenberg	Fort Bend	24,043	Rural	5	5	5
6	San Felipe	Austin	868	Rural	6	6	3
6	San Leon	Galveston	4,365	Urban	5	5	5
6	Santa Fe	Galveston	9,548	Urban	4	4	4
6	Seabrook	Harris	9,443	Urban	4	3	3
6	Sealy	Austin	5,248	Rural	3	4	5
6	Sheldon	Harris	1,831	Rural	3	3	4
6	Shenandoah	Montgomery	1,503	Urban	5	5	4
6	Shoreacres	Harris	1,488	Urban	6	6	4
6	Sienna Plantation	Fort Bend	1,896	Urban	5	5	3
6	Simonton	Fort Bend	718	Rural	6	6	4
6	South Houston	Harris	15,833	Urban	4	4	6
6	Southside Place	Harris	1,546	Urban	6	6	3
6	Splendora	Montgomery	1,275	Rural	6	6	5
6	Spring	Harris	36,385	Urban	4	4	4
6	Spring Valley	Harris	3,611	Urban	4	3	3
6	Stafford	Fort Bend	15,681	Urban	5	5	5
6	Stagecoach	Montgomery	455	Rural	3	3	3
6	Stowell	Chambers	1,572	Rural	4	3	6
6	Sugar Land	Fort Bend	63,328	Urban	5	4	4
6	Surfside Beach	Brazoria	763	Rural	4	4	4
6	Sweeny	Brazoria	3,624	Rural	4	4	5
6	Taylor Lake Village	Harris	3,694	Urban	3	3	3
6	Texas City	Galveston	41,521	Urban	5	6	5
6	The Woodlands	Montgomery	55,649	Urban	4	5	3
6	Thompsons	Fort Bend	236	Urban	4	4	6
6	Tiki Island	Galveston	1,016	Urban	3	3	4
6	Tomball	Harris	9,089	Rural	6	6	5
6	Van Vleck	Matagorda	1,411	Rural	3	3	5
6	Waller	Waller	2,092	Rural	4	6	6
6	Wallis	Austin	1,172	Rural	3	3	5
6	Webster	Harris	9,083	Urban	3	4	4
6	Weimar	Colorado	1,981	Rural	5	4	5
6	West Columbia	Brazoria	4,255	Rural	6	6	5
6	West University Place	Harris	14,211	Urban	3	3	3
6	Wharton	Wharton	9,237	Rural	5	5	5
6	Wild Peach Village	Brazoria	2,498	Rural	3	3	4
6	Willis	Montgomery	3,985	Rural	3	4	6
6	Winnie	Chambers	2,914	Rural	4	3	5
6	Woodbranch	Montgomery	1,305	Rural	4	3	4
6	Woodloch	Montgomery	247	Rural	6	6	3
7	Anderson Mill	Williamson	8,953	Urban	5	5	4
7	Austin	Travis	656,562	Urban	5	6	5
7	Bartlett	Williamson	1,675	Rural	6	6	5

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
7	Barton Creek	Travis	1,589	Urban	6	6	3
7	Bastrop	Bastrop	5,340	Rural	4	4	5
7	Bear Creek	Hays	360	Rural	3	3	3
7	Bee Cave	Travis	656	Rural	4	4	3
7	Bertram	Burnet	1,122	Rural	5	4	5
7	Blanco	Blanco	1,505	Rural	5	5	6
7	Briarcliff	Travis	895	Rural	4	3	4
7	Brushy Creek	Williamson	15,371	Urban	4	4	3
7	Buchanan Dam	Llano	1,688	Rural	5	4	5
7	Buda	Hays	2,404	Urban	3	3	5
7	Burnet	Burnet	4,735	Rural	4	5	6
7	Camp Swift	Bastrop	4,731	Rural	3	3	6
7	Carmine	Fayette	228	Rural	6	6	6
7	Cedar Park	Williamson	26,049	Urban	3	5	4
7	Circle D-KC Estates	Bastrop	2,010	Rural	3	3	5
7	Cottonwood Shores	Burnet	877	Rural	6	5	5
7	Creedmoor	Travis	211	Rural	3	3	5
7	Dripping Springs	Hays	1,548	Rural	3	5	6
7	Elgin	Bastrop	5,700	Rural	4	5	5
7	Fayetteville	Fayette	261	Rural	4	3	6
7	Flatonia	Fayette	1,377	Rural	5	5	4
7	Florence	Williamson	1,054	Rural	6	6	6
7	Garfield	Travis	1,660	Rural	4	3	6
7	Georgetown	Williamson	28,339	Urban	4	5	5
7	Giddings	Lee	5,105	Rural	3	4	3
7	Granger	Williamson	1,299	Rural	5	5	6
7	Granite Shoals	Burnet	2,040	Rural	5	5	6
7	Hays	Hays	233	Rural	3	3	3
7	Highland Haven	Burnet	450	Rural	6	6	3
7	Horseshoe Bay	Llano	3,337	Rural	4	4	4
7	Hudson Bend	Travis	2,369	Urban	5	5	4
7	Hutto	Williamson	1,250	Rural	5	3	5
7	Johnson City	Blanco	1,191	Rural	3	4	4
7	Jollyville	Williamson	15,813	Urban	5	5	3
7	Jonestown	Travis	1,681	Rural	6	6	5
7	Kingsland	Llano	4,584	Rural	3	6	5
7	Kyle	Hays	5,314	Rural	4	3	5
7	La Grange	Fayette	4,478	Rural	5	4	3
7	Lago Vista	Travis	4,507	Rural	6	6	5
7	Lakeway	Travis	8,002	Rural	4	4	4
7	Leander	Williamson	7,596	Urban	6	3	5
7	Lexington	Lee	1,178	Rural	5	4	3
7	Liberty Hill	Williamson	1,409	Rural	3	3	6
7	Llano	Llano	3,325	Rural	4	5	3
7	Lockhart	Caldwell	11,615	Rural	5	5	6
7	Lost Creek	Travis	4,729	Urban	4	3	3
7	Luling	Caldwell	5,080	Rural	4	4	4
7	Manor	Travis	1,204	Urban	4	3	4
7	Marble Falls	Burnet	4,959	Rural	4	6	5
7	Martindale	Caldwell	953	Rural	5	5	4
7	Meadowlakes	Burnet	1,293	Rural	6	6	3

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
7	Mountain City	Hays	671	Rural	6	6	4
7	Mustang Ridge	Caldwell	785	Rural	3	3	6
7	Niederwald	Hays	584	Rural	4	4	4
7	Onion Creek	Travis	2,116	Urban	4	3	3
7	Pflugerville	Travis	16,335	Urban	3	3	4
7	Rollingwood	Travis	1,403	Urban	6	6	3
7	Round Mountain	Blanco	111	Rural	3	3	3
7	Round Rock	Williamson	61,136	Urban	5	5	3
7	Round Top	Fayette	77	Rural	3	3	6
7	San Leanna	Travis	384	Urban	6	6	3
7	San Marcos	Hays	34,733	Urban	6	6	6
7	Schulenburg	Fayette	2,699	Rural	5	5	5
7	Serenada	Williamson	1,847	Urban	6	6	3
7	Shady Hollow	Travis	5,140	Urban	4	4	3
7	Smithville	Bastrop	3,901	Rural	5	5	6
7	Sunrise Beach Village	Llano	704	Rural	5	5	4
7	Sunset Valley	Travis	365	Urban	5	5	5
7	Taylor	Williamson	13,575	Rural	5	4	4
7	The Hills	Travis	1,492	Rural	3	3	3
7	Thrall	Williamson	710	Rural	5	5	4
7	Uhland	Hays	386	Rural	6	6	5
7	Weir	Williamson	591	Rural	5	4	6
7	Wells Branch	Travis	11,271	Urban	5	5	4
7	West Lake Hills	Travis	3,116	Urban	3	3	3
7	Wimberley	Hays	3,797	Rural	5	4	6
7	Windemere	Travis	6,868	Urban	5	5	4
7	Woodcreek	Hays	1,274	Rural	5	5	5
7	Wyldwood	Bastrop	2,310	Rural	3	3	4
8	Abbott	Hill	300	Rural	4	4	5
8	Anderson	Grimes	257	Rural	3	3	6
8	Aquilla	Hill	136	Rural	6	6	3
8	Bellmead	McLennan	9,214	Urban	4	4	5
8	Belton	Bell	14,623	Urban	4	5	3
8	Beverly Hills	McLennan	2,113	Urban	5	5	6
8	Blum	Hill	399	Rural	6	6	3
8	Bremond	Robertson	876	Rural	4	3	4
8	Brenham	Washington	13,507	Rural	4	6	5
8	Bruceville-Eddy	McLennan	1,490	Rural	5	5	4
8	Bryan	Brazos	65,660	Urban	6	6	5
8	Buckholts	Milam	387	Rural	6	6	3
8	Buffalo	Leon	1,804	Rural	6	6	6
8	Burton	Washington	359	Rural	4	4	6
8	Bynum	Hill	225	Rural	6	6	6
8	Caldwell	Burleson	3,449	Rural	4	4	3
8	Calvert	Robertson	1,426	Rural	3	3	6
8	Cameron	Milam	5,634	Rural	3	4	5
8	Carl's Corner	Hill	134	Rural	6	6	6
8	Centerville	Leon	903	Rural	4	4	6
8	Clifton	Bosque	3,542	Rural	3	4	5
8	College Station	Brazos	67,890	Urban	6	6	4
8	Coolidge	Limestone	848	Rural	5	5	4

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
8	Copperas Cove	Coryell	29,592	Urban	4	4	4
8	Covington	Hill	282	Rural	3	3	4
8	Cranfills Gap	Bosque	335	Rural	4	4	5
8	Crawford	McLennan	705	Rural	4	3	4
8	Evant	Coryell	393	Rural	6	6	6
8	Fairfield	Freestone	3,094	Rural	5	5	6
8	Fort Hood	Bell	33,711	Urban	3	3	3
8	Franklin	Robertson	1,470	Rural	4	4	6
8	Gatesville	Coryell	15,591	Rural	4	5	4
8	Gholson	McLennan	922	Rural	3	3	4
8	Goldthwaite	Mills	1,802	Rural	3	5	5
8	Golinda	Falls	423	Rural	5	5	4
8	Groesbeck	Limestone	4,291	Rural	4	6	5
8	Hallsburg	McLennan	518	Rural	6	6	3
8	Hamilton	Hamilton	2,977	Rural	3	4	4
8	Harker Heights	Bell	17,308	Urban	4	4	3
8	Hearne	Robertson	4,690	Rural	5	5	5
8	Hewitt	McLennan	11,085	Urban	4	3	3
8	Hico	Hamilton	1,341	Rural	4	4	6
8	Hillsboro	Hill	8,232	Rural	5	6	4
8	Holland	Bell	1,102	Rural	3	4	4
8	Hubbard	Hill	1,586	Rural	3	4	5
8	Iredell	Bosque	360	Rural	4	4	5
8	Itasca	Hill	1,503	Rural	3	3	3
8	Jewett	Leon	861	Rural	6	6	6
8	Kempner	Lampasas	1,004	Rural	5	5	5
8	Killeen	Bell	86,911	Urban	4	4	4
8	Kirvin	Freestone	122	Rural	3	3	4
8	Kosse	Limestone	497	Rural	6	6	6
8	Lacy-Lakeview	McLennan	5,764	Urban	5	5	5
8	Lampasas	Lampasas	6,786	Rural	4	4	5
8	Leona	Leon	181	Rural	6	6	3
8	Leroy	McLennan	335	Rural	3	3	5
8	Little River-Academy	Bell	1,645	Rural	6	6	3
8	Lometa	Lampasas	782	Rural	4	4	3
8	Lorena	McLennan	1,433	Rural	3	3	3
8	Lott	Falls	724	Rural	5	4	3
8	Madisonville	Madison	4,159	Rural	4	3	5
8	Malone	Hill	278	Rural	3	3	6
8	Marlin	Falls	6,628	Rural	5	5	6
8	Marquez	Leon	220	Rural	4	4	6
8	Mart	McLennan	2,273	Rural	6	6	4
8	McGregor	McLennan	4,727	Urban	5	5	4
8	Meridian	Bosque	1,491	Rural	3	5	5
8	Mertens	Hill	146	Rural	6	6	6
8	Mexia	Limestone	6,563	Rural	6	6	5
8	Midway	Madison	288	Rural	3	3	4
8	Milano	Milam	400	Rural	4	3	6
8	Millican	Brazos	108	Rural	3	3	6
8	Moody	McLennan	1,400	Rural	6	6	5
8	Morgan	Bosque	485	Rural	3	3	6

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
8	Morgan's Point Resort	Bell	2,989	Rural	4	4	3
8	Mount Calm	Hill	310	Rural	4	4	3
8	Mullin	Mills	175	Rural	5	4	6
8	Navasota	Grimes	6,789	Rural	5	5	5
8	Nolanville	Bell	2,150	Rural	5	5	4
8	Normangee	Leon	719	Rural	3	3	6
8	Oakwood	Leon	471	Rural	4	4	6
8	Oglesby	Coryell	458	Rural	6	6	4
8	Penelope	Hill	211	Rural	6	6	6
8	Richland Springs	San Saba	350	Rural	3	3	3
8	Riesel	McLennan	973	Rural	6	6	3
8	Robinson	McLennan	7,845	Urban	4	3	3
8	Rockdale	Milam	5,439	Rural	5	5	3
8	Rogers	Bell	1,117	Rural	3	4	4
8	Rosebud	Falls	1,493	Rural	4	4	4
8	Ross	McLennan	228	Rural	3	3	6
8	Salado	Bell	3,475	Rural	4	3	3
8	San Saba	San Saba	2,637	Rural	4	4	3
8	Snook	Burleson	568	Rural	6	6	4
8	Somerville	Burleson	1,704	Rural	5	5	5
8	South Mountain	Coryell	412	Rural	4	4	3
8	Streetman	Freestone	203	Rural	3	3	6
8	Teague	Freestone	4,557	Rural	4	4	5
8	Tehuacana	Limestone	307	Rural	4	3	3
8	Temple	Bell	54,514	Urban	4	5	3
8	Thorndale	Milam	1,278	Rural	5	5	4
8	Thornton	Limestone	525	Rural	5	5	5
8	Todd Mission	Grimes	146	Rural	3	3	6
8	Troy	Bell	1,378	Rural	6	4	3
8	Valley Mills	Bosque	1,123	Rural	3	3	5
8	Waco	McLennan	113,726	Urban	6	6	4
8	Walnut Springs	Bosque	755	Rural	3	3	4
8	West	McLennan	2,692	Rural	4	4	3
8	Whitney	Hill	1,833	Rural	6	6	5
8	Wixon Valley	Brazos	235	Rural	6	6	3
8	Woodway	McLennan	8,733	Urban	3	3	3
8	Wortham	Freestone	1,082	Rural	6	6	5
9	Alamo Heights	Bexar	7,319	Urban	4	4	4
9	Balcones Heights	Bexar	3,016	Urban	6	6	3
9	Bandera	Bandera	957	Rural	3	5	6
9	Bigfoot	Frio	304	Rural	3	3	4
9	Boerne	Kendall	6,178	Rural	4	6	6
9	Bulverde	Comal	3,761	Rural	3	3	3
9	Canyon Lake	Comal	16,870	Rural	4	4	5
9	Castle Hills	Bexar	4,202	Urban	6	6	4
9	Castroville	Medina	2,664	Rural	5	4	4
9	Charlotte	Atascosa	1,637	Rural	4	3	5
9	China Grove	Bexar	1,247	Rural	3	3	3
9	Christine	Atascosa	436	Rural	3	3	5
9	Cibolo	Guadalupe	3,035	Rural	6	6	4
9	Comfort	Kendall	2,358	Rural	4	4	6

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
9	Converse	Bexar	11,508	Urban	3	4	5
9	Cross Mountain	Bexar	1,524	Urban	3	3	3
9	Devine	Medina	4,140	Rural	5	5	5
9	Dilley	Frio	3,674	Rural	6	6	6
9	Elmendorf	Bexar	664	Rural	5	4	5
9	Fair Oaks Ranch	Bexar	4,695	Urban	5	4	3
9	Falls City	Karnes	591	Rural	4	4	3
9	Floresville	Wilson	5,868	Rural	3	5	5
9	Fredericksburg	Gillespie	8,911	Rural	3	5	5
9	Garden Ridge	Comal	1,882	Rural	6	6	3
9	Geronimo	Guadalupe	619	Rural	3	3	5
9	Grey Forest	Bexar	418	Rural	4	4	4
9	Harper	Gillespie	1,006	Rural	5	4	6
9	Helotes	Bexar	4,285	Urban	4	4	3
9	Hill Country Village	Bexar	1,028	Urban	3	3	3
9	Hilltop	Frio	300	Rural	3	3	5
9	Hollywood Park	Bexar	2,983	Urban	6	6	3
9	Hondo	Medina	7,897	Rural	4	5	4
9	Ingram	Kerr	1,740	Rural	6	5	6
9	Jourdanton	Atascosa	3,732	Rural	4	6	5
9	Karnes City	Karnes	3,457	Rural	5	4	5
9	Kenedy	Karnes	3,487	Rural	4	4	5
9	Kerrville	Kerr	20,425	Rural	5	6	5
9	Kingsbury	Guadalupe	652	Rural	3	3	4
9	Kirby	Bexar	8,673	Urban	5	5	5
9	La Vernia	Wilson	931	Rural	6	6	5
9	Lackland AFB	Bexar	7,123	Urban	3	3	6
9	LaCoste	Medina	1,255	Rural	5	4	5
9	Lakehills	Bandera	4,668	Rural	6	6	5
9	Leon Valley	Bexar	9,239	Urban	4	5	4
9	Live Oak	Bexar	9,156	Urban	5	4	5
9	Lytle	Atascosa	2,383	Rural	4	4	6
9	Marion	Guadalupe	1,099	Rural	5	4	4
9	McQueeney	Guadalupe	2,527	Rural	4	4	5
9	Moore	Frio	644	Rural	4	3	3
9	Natalia	Medina	1,663	Rural	6	6	6
9	New Berlin	Guadalupe	467	Rural	3	3	4
9	New Braunfels	Comal	36,494	Urban	5	5	4
9	North Pearsall	Frio	561	Rural	4	3	5
9	Northcliff	Guadalupe	1,819	Rural	4	4	4
9	Olmos Park	Bexar	2,343	Urban	4	3	3
9	Pearsall	Frio	7,157	Rural	4	4	6
9	Pleasanton	Atascosa	8,266	Rural	6	6	5
9	Poteet	Atascosa	3,305	Rural	4	5	5
9	Poth	Wilson	1,850	Rural	5	4	4
9	Redwood	Guadalupe	3,586	Rural	5	5	6
9	Runge	Karnes	1,080	Rural	6	5	4
9	San Antonio	Bexar	1,144,646	Urban	5	5	5
9	Santa Clara	Guadalupe	889	Rural	6	6	5
9	Scenic Oaks	Bexar	3,279	Urban	3	3	3
9	Schertz	Guadalupe	18,694	Urban	5	4	4

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
9	Seguin	Guadalupe	22,011	Rural	5	5	5
9	Selma	Bexar	788	Urban	6	6	4
9	Shavano Park	Bexar	1,754	Urban	3	3	3
9	Somerset	Bexar	1,550	Rural	6	6	6
9	St. Hedwig	Bexar	1,875	Rural	6	5	3
9	Stockdale	Wilson	1,398	Rural	5	5	4
9	Stonewall	Gillespie	469	Rural	5	5	5
9	Terrell Hills	Bexar	5,019	Urban	4	4	3
9	Universal City	Bexar	14,849	Rural	5	5	3
9	West Pearsall	Frio	349	Rural	6	6	3
9	Windcrest	Bexar	5,105	Urban	6	6	3
9	Zuehl	Guadalupe	346	Rural	3	3	5
10	Agua Dulce (Nueces)	Nueces	737	Rural	5	4	4
10	Airport Road Addition	Brooks	132	Rural	3	3	4
10	Alfred-South La Paloma	Jim Wells	451	Rural	3	3	4
10	Alice	Jim Wells	19,010	Rural	4	4	4
10	Alice Acres	Jim Wells	491	Rural	3	3	3
10	Aransas Pass	San Patricio	8,138	Rural	4	5	6
10	Austwell	Refugio	192	Rural	6	6	6
10	Bayside	Refugio	360	Rural	6	6	5
10	Beeville	Bee	13,129	Rural	4	5	4
10	Benavides	Duval	1,686	Rural	5	5	3
10	Bishop	Nueces	3,305	Rural	5	5	4
10	Bloomington	Victoria	2,562	Rural	6	6	4
10	Blue Berry Hill	Bee	982	Rural	3	3	6
10	Cantu Addition	Brooks	217	Rural	3	3	6
10	Concepcion	Duval	61	Rural	3	3	3
10	Corpus Christi	Nueces	277,454	Urban	5	5	5
10	Coyote Acres	Jim Wells	389	Rural	3	3	6
10	Cuero	DeWitt	6,571	Rural	6	6	4
10	Del Sol-Loma Linda	San Patricio	726	Rural	3	3	5
10	Doyle	San Patricio	285	Urban	3	3	3
10	Driscoll	Nueces	825	Rural	6	6	3
10	Edgewater-Paisano	San Patricio	182	Rural	6	6	3
10	Edna	Jackson	5,899	Rural	5	6	5
10	Edroy	San Patricio	420	Rural	3	3	6
10	Encino	Brooks	177	Rural	3	3	3
10	Falfurrias	Brooks	5,297	Rural	6	5	6
10	Falman-County Acres	San Patricio	289	Rural	6	6	3
10	Flowella	Brooks	134	Rural	3	3	6
10	Freer	Duval	3,241	Rural	4	4	4
10	Fulton	Aransas	1,553	Rural	5	4	6
10	Ganado	Jackson	1,915	Rural	4	4	4
10	George West	Live Oak	2,524	Rural	4	4	4
10	Goliad	Goliad	1,975	Rural	3	4	6
10	Gonzales	Gonzales	7,202	Rural	4	4	5
10	Gregory	San Patricio	2,318	Rural	4	4	3
10	Hallettsville	Lavaca	2,345	Rural	5	4	3
10	Inez	Victoria	1,787	Rural	4	4	3
10	Ingleside	San Patricio	9,388	Urban	4	6	4
10	Ingleside on the Bay	San Patricio	659	Urban	6	6	6

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
10	K-Bar Ranch	Jim Wells	350	Rural	6	6	3
10	Kingsville	Kleberg	25,575	Rural	5	6	5
10	La Paloma-Lost Creek	Nueces	323	Rural	6	6	4
10	La Ward	Jackson	200	Rural	6	6	6
10	Lake City	San Patricio	526	Rural	4	4	6
10	Lakeshore Gardens-Hidden A	San Patricio	720	Rural	3	3	3
10	Lakeside (San Patricio)	San Patricio	333	Rural	3	3	4
10	Lolita	Jackson	548	Rural	3	3	3
10	Loma Linda East	Jim Wells	214	Rural	3	3	3
10	Mathis	San Patricio	5,034	Rural	6	6	4
10	Morgan Farm Area	San Patricio	484	Rural	6	6	3
10	Moulton	Lavaca	944	Rural	4	4	4
10	Nixon	Gonzales	2,186	Rural	4	5	6
10	Nordheim	DeWitt	323	Rural	4	4	6
10	Normanna	Bee	121	Rural	3	3	6
10	North San Pedro	Nueces	920	Rural	4	4	3
10	Odem	San Patricio	2,499	Rural	5	4	3
10	Orange Grove	Jim Wells	1,288	Rural	6	6	3
10	Owl Ranch-Amargosa	Jim Wells	527	Rural	6	6	4
10	Pawnee	Bee	201	Rural	3	3	4
10	Pernitas Point	Live Oak	269	Rural	6	6	4
10	Petronila	Nueces	83	Rural	3	3	3
10	Pettus	Bee	608	Rural	4	4	4
10	Point Comfort	Calhoun	781	Rural	5	4	3
10	Port Aransas	Nueces	3,370	Urban	6	6	5
10	Port Lavaca	Calhoun	12,035	Rural	5	5	4
10	Portland	San Patricio	14,827	Urban	5	5	3
10	Premont	Jim Wells	2,772	Rural	5	5	6
10	Rancho Alegre	Jim Wells	1,775	Rural	6	5	5
10	Rancho Banquete	Nueces	469	Rural	3	3	6
10	Rancho Chico	San Patricio	309	Rural	6	6	3
10	Realitos	Duval	209	Rural	3	3	3
10	Refugio	Refugio	2,941	Rural	4	4	5
10	Robstown	Nueces	12,727	Rural	3	4	5
10	Rockport	Aransas	7,385	Rural	4	5	5
10	San Diego	Duval	4,753	Rural	5	4	5
10	San Patricio	San Patricio	318	Rural	6	6	4
10	Sandia	Jim Wells	431	Rural	3	3	4
10	Sandy Hollow-Escondidas	Nueces	433	Rural	4	4	4
10	Seadrift	Calhoun	1,352	Rural	5	5	3
10	Shiner	Lavaca	2,070	Rural	5	5	6
10	Sinton	San Patricio	5,676	Rural	5	6	4
10	Skidmore	Bee	1,013	Rural	5	5	4
10	Smiley	Gonzales	453	Rural	5	5	6
10	Spring Garden-Terra Verde	Nueces	693	Rural	3	3	5
10	St. Paul (San Patricio)	San Patricio	542	Rural	3	3	4
10	Taft	San Patricio	3,396	Rural	5	5	5
10	Taft Southwest	San Patricio	1,721	Rural	4	4	6
10	Three Rivers	Live Oak	1,878	Rural	5	4	4
10	Tierra Grande	Nueces	362	Rural	4	4	4
10	Tradewinds	San Patricio	163	Rural	3	3	6

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
10	Tuleta	Bee	292	Rural	3	3	6
10	Tulsita	Bee	20	Rural	3	3	3
10	Tynan	Bee	301	Rural	5	5	3
10	Vanderbilt	Jackson	411	Rural	3	3	3
10	Victoria	Victoria	60,603	Urban	5	5	4
10	Waelder	Gonzales	947	Rural	4	4	4
10	Westdale	Jim Wells	295	Rural	3	3	6
10	Woodsboro	Refugio	1,685	Rural	5	5	4
10	Yoakum	Lavaca	5,731	Rural	6	6	3
10	Yorktown	DeWitt	2,271	Rural	5	4	4
11	Abram-Perezville	Hidalgo	5,444	Rural	6	6	4
11	Alamo	Hidalgo	14,760	Urban	3	4	4
11	Alto Bonito	Starr	569	Rural	3	3	3
11	Alton	Hidalgo	4,384	Rural	3	5	4
11	Alton North	Hidalgo	5,051	Rural	5	5	4
11	Arroyo Alto	Cameron	320	Rural	3	3	5
11	Arroyo Colorado Estates	Cameron	755	Rural	6	6	3
11	Arroyo Gardens-La Tina Ran	Cameron	732	Rural	3	3	3
11	Asherton	Dimmit	1,342	Rural	6	5	3
11	Batesville	Zavala	1,298	Rural	5	5	3
11	Bausell and Ellis	Willacy	112	Rural	3	3	3
11	Bayview	Cameron	323	Rural	6	6	6
11	Big Wells	Dimmit	704	Rural	5	5	3
11	Bixby	Cameron	356	Rural	3	3	6
11	Bluetown-Iglesia Antigua	Cameron	692	Rural	5	5	4
11	Botines	Webb	132	Rural	6	6	3
11	Box Canyon-Amistad	Val Verde	76	Rural	3	3	6
11	Brackettville	Kinney	1,876	Rural	6	6	5
11	Brownsville	Cameron	139,722	Urban	5	5	5
11	Brundage	Dimmit	31	Rural	3	3	6
11	Bruni	Webb	412	Rural	3	3	6
11	Cameron Park	Cameron	5,961	Urban	5	4	4
11	Camp Wood	Real	822	Rural	6	6	6
11	Carrizo Hill	Dimmit	548	Rural	6	6	6
11	Carrizo Springs	Dimmit	5,655	Rural	6	6	4
11	Catarina	Dimmit	135	Rural	3	3	4
11	Cesar Chavez	Hidalgo	1,469	Urban	5	5	6
11	Chula Vista-Orason	Cameron	394	Rural	6	6	5
11	Chula Vista-River Spur	Zavala	400	Rural	3	3	5
11	Cienegas Terrace	Val Verde	2,878	Rural	6	6	5
11	Citrus City	Hidalgo	941	Rural	3	3	5
11	Combes	Cameron	2,553	Urban	5	5	5
11	Cotulla	La Salle	3,614	Rural	3	5	4
11	Crystal City	Zavala	7,190	Rural	5	5	5
11	Cuevitas	Hidalgo	37	Rural	3	3	6
11	Del Mar Heights	Cameron	259	Rural	3	3	3
11	Del Rio	Val Verde	33,867	Rural	5	5	4
11	Doffing	Hidalgo	4,256	Rural	5	5	4
11	Donna	Hidalgo	14,768	Rural	3	5	4
11	Doolittle	Hidalgo	2,358	Urban	4	4	3
11	Eagle Pass	Maverick	22,413	Rural	6	6	5

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Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
11	Edcouch	Hidalgo	3,342	Rural	3	5	5
11	Edinburg	Hidalgo	48,465	Urban	5	5	5
11	Eidson Road	Maverick	9,348	Rural	4	4	5
11	El Camino Angosto	Cameron	254	Rural	3	3	3
11	El Cenizo	Webb	3,545	Rural	4	4	3
11	El Indio	Maverick	263	Rural	6	6	3
11	El Refugio	Starr	221	Rural	6	6	6
11	Elm Creek	Maverick	1,928	Rural	3	3	6
11	Elsa	Hidalgo	5,549	Rural	4	6	4
11	Encantada-Ranchito El Calal	Cameron	2,100	Rural	3	3	4
11	Encinal	La Salle	629	Rural	6	5	3
11	Escobares	Starr	1,954	Rural	5	5	5
11	Falcon Heights	Starr	335	Rural	3	3	4
11	Falcon Lake Estates	Zapata	830	Rural	5	5	3
11	Falcon Mesa	Zapata	506	Rural	3	3	5
11	Falcon Village	Starr	78	Rural	6	6	6
11	Faysville	Hidalgo	348	Urban	6	6	3
11	Fowlerton	La Salle	62	Rural	3	3	3
11	Fronton	Starr	599	Rural	3	3	4
11	Garceno	Starr	1,438	Rural	6	6	6
11	Grand Acres	Cameron	203	Rural	3	3	4
11	Granjeno	Hidalgo	313	Urban	3	3	6
11	Green Valley Farms	Cameron	720	Rural	3	3	4
11	Guerra	Jim Hogg	8	Rural	3	3	3
11	Harlingen	Cameron	57,564	Urban	5	5	4
11	Havana	Hidalgo	452	Rural	5	5	5
11	Hebbronville	Jim Hogg	4,498	Rural	5	5	5
11	Heidelberg	Hidalgo	1,586	Rural	6	6	6
11	Hidalgo	Hidalgo	7,322	Rural	5	5	6
11	Indian Hills	Hidalgo	2,036	Rural	4	4	6
11	Indian Lake	Cameron	541	Rural	6	6	5
11	Knippa	Uvalde	739	Rural	4	4	4
11	La Blanca	Hidalgo	2,351	Rural	6	6	3
11	La Casita-Garciasville	Starr	2,177	Rural	4	6	4
11	La Feria	Cameron	6,115	Rural	5	5	4
11	La Feria North	Cameron	168	Rural	6	6	3
11	La Grulla	Starr	1,211	Rural	4	4	4
11	La Homa	Hidalgo	10,433	Urban	5	5	5
11	La Joya	Hidalgo	3,303	Rural	4	5	5
11	La Paloma	Cameron	354	Rural	6	6	3
11	La Presa	Webb	508	Rural	3	3	3
11	La Pryor	Zavala	1,491	Rural	5	5	4
11	La Puerta	Starr	1,636	Rural	3	3	5
11	La Rosita	Starr	1,729	Rural	5	5	6
11	La Victoria	Starr	1,683	Rural	3	3	3
11	La Villa	Hidalgo	1,305	Rural	3	5	5
11	Lago	Cameron	246	Rural	6	6	3
11	Laguna Heights	Cameron	1,990	Rural	4	4	4
11	Laguna Seca	Hidalgo	251	Rural	3	3	6
11	Laguna Vista	Cameron	1,658	Rural	3	5	4
11	Lake View	Val Verde	167	Rural	3	3	5

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
11	Laredo	Webb	176,576	Urban	5	5	5
11	Laredo Ranchettes	Webb	1,845	Rural	3	3	3
11	Larga Vista	Webb	742	Urban	6	6	6
11	Las Colonias	Zavala	283	Rural	6	6	6
11	Las Lomas	Starr	2,684	Rural	6	6	4
11	Las Lomitas	Jim Hogg	267	Rural	3	3	6
11	Las Palmas-Juarez	Cameron	1,666	Rural	4	4	5
11	Las Quintas Fronterizas	Maverick	2,030	Rural	4	4	3
11	Lasana	Cameron	135	Urban	3	3	3
11	Lasara	Willacy	1,024	Rural	4	4	5
11	Laughlin AFB	Val Verde	2,225	Rural	4	4	3
11	Laureles	Cameron	3,285	Rural	5	5	5
11	Leakey	Real	387	Rural	6	6	6
11	Llano Grande	Hidalgo	3,333	Urban	5	5	3
11	Lopeno	Zapata	140	Rural	3	3	6
11	Lopezville	Hidalgo	4,476	Urban	4	4	4
11	Los Alvarez	Starr	1,434	Rural	4	4	6
11	Los Angeles Subdivision	Willacy	86	Rural	6	6	3
11	Los Ebanos	Hidalgo	403	Rural	5	5	4
11	Los Fresnos	Cameron	4,512	Rural	5	3	6
11	Los Indios	Cameron	1,149	Rural	3	3	4
11	Los Villareales	Starr	930	Rural	3	3	4
11	Lozano	Cameron	324	Rural	3	3	3
11	Lyford	Willacy	1,973	Rural	5	5	5
11	Lyford South	Willacy	172	Rural	6	6	4
11	McAllen	Hidalgo	106,414	Urban	5	5	5
11	Medina	Zapata	2,960	Rural	4	4	4
11	Mercedes	Hidalgo	13,649	Rural	4	6	5
11	Midway North	Hidalgo	3,946	Urban	3	3	5
11	Midway South	Hidalgo	1,711	Urban	5	5	6
11	Mila Doce	Hidalgo	4,907	Rural	4	4	5
11	Mirando City	Webb	493	Rural	6	6	6
11	Mission	Hidalgo	45,408	Urban	4	5	5
11	Monte Alto	Hidalgo	1,611	Rural	5	5	4
11	Morales-Sanchez	Zapata	95	Rural	3	3	3
11	Muniz	Hidalgo	1,106	Rural	6	6	5
11	New Falcon	Zapata	184	Rural	3	3	3
11	North Alamo	Hidalgo	2,061	Urban	4	4	4
11	North Escobares	Starr	1,692	Rural	6	6	4
11	Nurillo	Hidalgo	5,056	Urban	5	5	6
11	Oilton	Webb	310	Rural	3	3	6
11	Olivarez	Hidalgo	2,445	Rural	5	5	3
11	Olmito	Cameron	1,198	Urban	5	5	5
11	Palm Valley	Cameron	1,298	Urban	4	4	3
11	Palmhurst	Hidalgo	4,872	Urban	5	5	4
11	Palmview	Hidalgo	4,107	Urban	5	5	5
11	Palmview South	Hidalgo	6,219	Urban	5	5	4
11	Penitas	Hidalgo	1,167	Rural	5	4	4
11	Pharr	Hidalgo	46,660	Urban	4	5	4
11	Port Isabel	Cameron	4,865	Rural	5	4	5
11	Port Mansfield	Willacy	415	Rural	5	5	6

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
11	Primera	Cameron	2,723	Urban	5	5	5
11	Progreso	Hidalgo	4,851	Rural	5	5	4
11	Progreso Lakes	Hidalgo	234	Rural	3	3	4
11	Quemado	Maverick	243	Rural	3	3	3
11	Radar Base	Maverick	162	Rural	3	3	6
11	Ranchette Estates	Willacy	133	Rural	3	3	3
11	Ranchitos Las Lomas	Webb	334	Rural	3	3	4
11	Rancho Viejo	Cameron	1,754	Urban	5	5	3
11	Ranchos Penitas West	Webb	520	Urban	3	3	4
11	Rangerville	Cameron	203	Rural	3	3	6
11	Ratamosa	Cameron	218	Rural	3	3	3
11	Raymondville	Willacy	9,733	Rural	4	5	6
11	Reid Hope King	Cameron	802	Urban	6	6	3
11	Relampago	Hidalgo	104	Rural	3	3	6
11	Rio Bravo	Webb	5,553	Urban	4	3	4
11	Rio Grande City	Starr	11,923	Rural	5	4	4
11	Rio Hondo	Cameron	1,942	Rural	5	4	5
11	Rocksprings	Edwards	1,285	Rural	5	5	5
11	Roma	Starr	9,617	Rural	6	6	5
11	Roma Creek	Starr	610	Rural	3	3	3
11	Rosita North	Maverick	3,400	Rural	4	4	5
11	Rosita South	Maverick	2,574	Rural	5	5	3
11	Sabinal	Uvalde	1,586	Rural	6	6	5
11	Salineno	Starr	304	Rural	3	3	4
11	San Benito	Cameron	23,444	Urban	5	5	4
11	San Carlos	Hidalgo	2,650	Rural	6	6	6
11	San Ignacio	Zapata	853	Rural	3	3	6
11	San Isidro	Starr	270	Rural	5	5	4
11	San Juan	Hidalgo	26,229	Urban	5	5	5
11	San Manuel-Linn	Hidalgo	958	Rural	3	3	3
11	San Pedro	Cameron	668	Rural	3	3	3
11	San Perlita	Willacy	680	Rural	6	6	6
11	Santa Cruz	Starr	630	Rural	6	6	5
11	Santa Maria	Cameron	846	Rural	4	4	3
11	Santa Monica	Willacy	78	Rural	3	3	5
11	Santa Rosa	Cameron	2,833	Rural	3	5	4
11	Scissors	Hidalgo	2,805	Rural	3	3	4
11	Sebastian	Willacy	1,864	Rural	3	3	6
11	Siesta Shores	Zapata	890	Rural	3	3	5
11	Solis	Cameron	545	Rural	6	6	3
11	South Alamo	Hidalgo	3,101	Rural	5	5	4
11	South Fork Estates	Jim Hogg	47	Rural	3	3	3
11	South Padre Island	Cameron	2,422	Rural	6	6	4
11	South Point	Cameron	1,118	Rural	6	6	4
11	Spofford	Kinney	75	Rural	3	3	3
11	Sullivan City	Hidalgo	3,998	Rural	5	5	4
11	Tierra Bonita	Cameron	160	Rural	3	3	4
11	Utopia	Uvalde	241	Rural	5	5	6
11	Uvalde	Uvalde	14,929	Rural	5	5	4
11	Uvalde Estates	Uvalde	1,972	Rural	5	5	5
11	Val Verde Park	Val Verde	1,945	Rural	5	4	4

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Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
11	Villa del Sol	Cameron	132	Rural	3	3	5
11	Villa Pancho	Cameron	386	Urban	6	6	6
11	Villa Verde	Hidalgo	891	Urban	3	3	5
11	Weslaco	Hidalgo	26,935	Urban	5	5	4
11	West Sharyland	Hidalgo	2,947	Rural	4	4	3
11	Willamar	Willacy	15	Rural	3	3	3
11	Yznaga	Cameron	103	Rural	3	3	6
11	Zapata	Zapata	4,856	Rural	4	6	4
11	Zapata Ranch	Willacy	88	Rural	3	3	5
12	Ackerly	Dawson	245	Rural	4	4	6
12	Andrews	Andrews	9,652	Rural	5	4	4
12	Balmorhea	Reeves	527	Rural	4	3	4
12	Barstow	Ward	406	Rural	6	6	5
12	Big Lake	Reagan	2,885	Rural	5	5	4
12	Big Spring	Howard	25,233	Rural	5	6	4
12	Brady	McCulloch	5,523	Rural	5	6	5
12	Bronte	Coke	1,076	Rural	6	6	5
12	Christoval	Tom Green	422	Rural	6	6	5
12	Coahoma	Howard	932	Rural	4	4	3
12	Coyanosa	Pecos	138	Rural	3	3	4
12	Crane	Crane	3,191	Rural	6	6	4
12	Eden	Concho	2,561	Rural	6	6	5
12	Eldorado	Schleicher	1,951	Rural	3	3	6
12	Forsan	Howard	226	Rural	4	4	6
12	Fort Stockton	Pecos	7,846	Rural	3	4	5
12	Gardendale	Ector	1,197	Rural	3	3	3
12	Goldsmith	Ector	253	Rural	4	4	3
12	Grandfalls	Ward	391	Rural	5	4	5
12	Grape Creek	Tom Green	3,138	Rural	5	5	5
12	Imperial	Pecos	428	Rural	3	3	4
12	Iraan	Pecos	1,238	Rural	3	3	3
12	Junction	Kimble	2,618	Rural	5	5	5
12	Kermit	Winkler	5,714	Rural	4	4	3
12	Lamesa	Dawson	9,952	Rural	5	5	4
12	Lindsay (Reeves)	Reeves	394	Rural	3	3	6
12	Los Ybanez	Dawson	32	Rural	3	3	3
12	Mason	Mason	2,134	Rural	6	5	5
12	McCamey	Upton	1,805	Rural	4	4	4
12	Melvin	McCulloch	155	Rural	6	6	6
12	Menard	Menard	1,653	Rural	5	5	6
12	Mertzon	Irion	839	Rural	3	3	5
12	Midland	Midland	94,996	Urban	5	5	4
12	Monahans	Ward	6,821	Rural	6	6	3
12	Odessa	Ector	90,943	Urban	5	5	4
12	Ozona	Crockett	3,436	Rural	4	4	4
12	Paint Rock	Concho	320	Rural	6	6	5
12	Pecos	Reeves	9,501	Rural	3	4	5
12	Pyote	Ward	131	Rural	3	3	6
12	Rankin	Upton	800	Rural	3	3	5
12	Robert Lee	Coke	1,171	Rural	6	6	5
12	San Angelo	Tom Green	88,439	Urban	6	6	4

Region	Place Name	County	2000 Census Population	Area Type	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
12	Sanderson	Terrell	861	Rural	6	6	5
12	Seagraves	Gaines	2,334	Rural	6	5	3
12	Seminole	Gaines	5,910	Rural	4	4	5
12	Sonora	Sutton	2,924	Rural	3	4	4
12	Stanton	Martin	2,556	Rural	5	5	3
12	Sterling City	Sterling	1,081	Rural	4	4	5
12	Thorntonville	Ward	442	Rural	3	3	4
12	Toyah	Reeves	100	Rural	3	3	3
12	West Odessa	Ector	17,799	Urban	5	5	5
12	Wickett	Ward	455	Rural	6	6	3
12	Wink	Winkler	919	Rural	5	4	3
13	Agua Dulce (El Paso)	El Paso	738	Rural	3	3	6
13	Alpine	Brewster	5,786	Rural	6	6	3
13	Anthony	El Paso	3,850	Urban	3	6	4
13	Butterfield	El Paso	61	Rural	3	3	3
13	Canutillo	El Paso	5,129	Urban	4	4	4
13	Clint	El Paso	980	Rural	3	6	4
13	Dell City	Hudspeth	413	Rural	6	6	5
13	El Paso	El Paso	563,662	Urban	5	6	4
13	Fabens	El Paso	8,043	Rural	6	6	3
13	Fort Bliss	El Paso	8,264	Urban	4	3	3
13	Fort Davis	Jeff Davis	1,050	Rural	4	4	6
13	Fort Hancock	Hudspeth	1,713	Rural	5	4	5
13	Homestead Meadows North	El Paso	4,232	Rural	5	5	6
13	Homestead Meadows South	El Paso	6,807	Rural	6	6	5
13	Horizon City	El Paso	5,233	Rural	3	3	4
13	Marathon	Brewster	455	Rural	4	3	5
13	Marfa	Presidio	2,121	Rural	4	5	5
13	Morning Glory	El Paso	627	Rural	3	3	3
13	Prado Verde	El Paso	200	Urban	3	3	6
13	Presidio	Presidio	4,167	Rural	5	5	4
13	Redford	Presidio	132	Rural	3	3	6
13	San Elizario	El Paso	11,046	Urban	3	3	5
13	Sierra Blanca	Hudspeth	533	Rural	4	3	6
13	Socorro	El Paso	27,152	Urban	5	3	6
13	Sparks	El Paso	2,974	Rural	5	5	5
13	Study Butte-Terlingua	Brewster	267	Rural	4	3	3
13	Tornillo	El Paso	1,609	Rural	6	3	4
13	Valentine	Jeff Davis	187	Rural	5	4	3
13	Van Horn	Culberson	2,435	Rural	6	6	4
13	Vinton	El Paso	1,892	Rural	6	6	5
13	Westway	El Paso	3,829	Urban	6	6	5

Draft 2009 HTF Affordable Housing Need Scores (AHNS) County Level

(Sorted by Region then County.)

Instructions:
Use this table to determine an AHNS for an application that will serve an entire county, multiple counties, or multiple places within a county or counties.
Special Circumstances
(1) If multiple counties or places in multiple counties will be served by the application, then the county scores should be averaged.
All questions relating to scoring an application under the AHN Scoring Component should be submitted in writing to Sandy Garcia via facsimile at (512) 475-4798 or by email at sandy.garcia@tdhca.state.tx.us.

Region	County	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
1	Armstrong	6	6	4
1	Bailey	3	3	4
1	Briscoe	6	6	4
1	Carson	4	4	4
1	Castro	4	4	4
1	Childress	4	5	3
1	Cochran	4	3	4
1	Collingsworth	4	4	4
1	Crosby	5	5	4
1	Dallam	5	5	4
1	Deaf Smith	3	4	4
1	Dickens	4	4	5
1	Donley	6	6	4
1	Floyd	4	4	4
1	Garza	6	6	6
1	Gray	4	4	5
1	Hale	4	4	4
1	Hall	5	5	4
1	Hansford	4	4	5
1	Hartley	6	6	4
1	Hemphill	5	5	4
1	Hockley	4	4	5
1	Hutchinson	5	5	4
1	Lamb	5	5	4
1	Lipscomb	4	4	5
1	Lubbock	5	5	4
1	Lynn	4	3	4
1	Moore	4	4	3
1	Motley	4	4	3
1	Ochiltree	3	4	3
1	Oldham	6	6	6
1	Parmer	5	5	3
1	Potter	4	4	5
1	Randall	5	5	3
1	Roberts	6	6	4

Region	County	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
1	Sherman	4	4	4
1	Swisher	4	4	4
1	Terry	4	4	5
1	Wheeler	4	4	4
1	Yoakum	4	4	4
2	Archer	3	3	4
2	Baylor	4	4	3
2	Brown	5	5	5
2	Callahan	4	6	4
2	Clay	6	6	5
2	Coleman	4	4	4
2	Comanche	6	6	5
2	Cottle	4	4	3
2	Eastland	4	4	5
2	Fisher	4	4	3
2	Foard	5	5	5
2	Hardeman	6	6	3
2	Haskell	5	4	5
2	Jack	5	5	6
2	Jones	4	4	5
2	Kent	3	3	4
2	Knox	3	3	5
2	Mitchell	5	5	4
2	Montague	4	4	5
2	Nolan	4	4	4
2	Runnels	5	5	4
2	Scurry	4	4	5
2	Shackelford	4	4	4
2	Stephens	5	4	3
2	Stonewall	4	4	5
2	Taylor	5	5	3
2	Throckmorton	4	4	3
2	Wichita	5	5	4
2	Wilbarger	3	4	4
2	Young	4	4	4
3	Collin	4	4	4
3	Cooke	4	4	4
3	Dallas	4	4	4
3	Denton	4	4	4
3	Ellis	4	5	5
3	Erath	5	5	6
3	Fannin	4	5	4
3	Grayson	4	4	5
3	Hood	4	4	4
3	Hunt	4	4	5
3	Johnson	4	4	5
3	Kaufman	4	5	4
3	Navarro	4	4	5

Region	County	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
3	Palo Pinto	5	5	4
3	Parker	5	5	4
3	Rockwall	4	4	4
3	Somervell	4	4	5
3	Tarrant	4	4	4
3	Wise	5	5	5
4	Anderson	5	5	5
4	Bowie	5	5	4
4	Camp	3	4	5
4	Cass	4	4	4
4	Cherokee	4	4	5
4	Delta	6	6	6
4	Franklin	3	5	5
4	Gregg	4	4	4
4	Harrison	4	4	5
4	Henderson	4	5	4
4	Hopkins	4	4	4
4	Lamar	4	4	4
4	Marion	6	6	5
4	Morris	6	6	4
4	Panola	4	4	4
4	Rains	6	6	4
4	Red River	5	4	4
4	Rusk	5	4	4
4	Smith	4	4	4
4	Titus	4	4	5
4	Upshur	4	4	5
4	Van Zandt	5	4	4
4	Wood	5	5	5
5	Angelina	4	5	4
5	Hardin	4	4	4
5	Houston	5	5	5
5	Jasper	3	4	5
5	Jefferson	4	4	4
5	Nacogdoches	5	5	4
5	Newton	5	4	3
5	Orange	4	5	4
5	Polk	5	4	5
5	Sabine	4	4	4
5	San Augustine	6	5	4
5	San Jacinto	4	4	5
5	Shelby	4	4	5
5	Trinity	5	5	6
5	Tyler	4	4	5
6	Austin	4	4	5
6	Brazoria	4	5	4
6	Chambers	5	4	4
6	Colorado	5	4	5

Region	County	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
6	Fort Bend	4	4	4
6	Galveston	5	5	5
6	Harris	4	4	4
6	Liberty	4	4	5
6	Matagorda	4	4	4
6	Montgomery	5	5	4
6	Walker	6	6	5
6	Waller	4	5	5
6	Wharton	4	4	4
7	Bastrop	4	4	5
7	Blanco	4	4	4
7	Burnet	5	5	5
7	Caldwell	4	4	5
7	Fayette	5	4	5
7	Hays	4	4	5
7	Lee	4	4	3
7	Llano	4	5	4
7	Travis	4	4	4
7	Williamson	5	5	4
8	Bell	4	4	3
8	Bosque	3	4	5
8	Brazos	5	5	4
8	Burleson	5	5	4
8	Coryell	5	5	4
8	Falls	5	4	4
8	Freestone	4	4	5
8	Grimes	4	4	6
8	Hamilton	4	4	5
8	Hill	5	5	5
8	Lampasas	4	4	4
8	Leon	5	5	6
8	Limestone	5	5	5
8	Madison	4	3	4
8	McLennan	4	4	4
8	Milam	5	5	4
8	Mills	4	4	6
8	Robertson	4	4	5
8	San Saba	4	4	3
8	Washington	4	5	6
9	Atascosa	4	4	5
9	Bandera	4	6	6
9	Bexar	4	4	4
9	Comal	4	4	4
9	Frio	4	4	5
9	Gillespie	4	5	5
9	Guadalupe	4	4	5
9	Karnes	5	4	4
9	Kendall	4	5	6

Region	County	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
9	Kerr	6	6	6
9	Medina	5	5	5
9	Wilson	5	5	4
10	Aransas	4	4	6
10	Bee	4	4	4
10	Brooks	4	3	5
10	Calhoun	5	5	3
10	DeWitt	5	5	5
10	Duval	4	4	4
10	Goliad	3	4	6
10	Gonzales	4	4	5
10	Jackson	4	4	4
10	Jim Wells	4	4	4
10	Kleberg	5	6	5
10	Lavaca	5	5	4
10	Live Oak	5	5	4
10	Nueces	4	4	4
10	Refugio	5	5	5
10	San Patricio	4	5	4
10	Victoria	5	5	4
11	Cameron	4	4	4
11	Dimmit	5	5	4
11	Edwards	5	5	5
11	Hidalgo	4	5	5
11	Jim Hogg	4	4	4
11	Kinney	4	4	4
11	La Salle	4	4	3
11	Maverick	4	4	4
11	Real	6	6	6
11	Starr	4	4	4
11	Uvalde	5	5	5
11	Val Verde	4	4	4
11	Webb	4	4	4
11	Willacy	4	4	5
11	Zapata	3	4	4
11	Zavala	5	5	5
12	Andrews	5	4	4
12	Coke	6	6	5
12	Concho	6	6	5
12	Crane	6	6	4
12	Crockett	4	4	4
12	Dawson	4	4	4
12	Ector	4	4	4
12	Gaines	5	4	4
12	Howard	4	5	4
12	Irion	3	3	5
12	Kimble	5	5	5
12	Martin	5	5	3

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Region	County	Rental Development & Tenant Based Rental Assistance	Homebuyer Assistance	Owner Occupied Rehabilitation
12	Mason	6	5	5
12	McCulloch	6	6	6
12	Menard	5	5	6
12	Midland	5	5	4
12	Pecos	3	3	4
12	Reagan	5	5	4
12	Reeves	3	3	4
12	Schleicher	3	3	6
12	Sterling	4	4	5
12	Sutton	3	4	4
12	Terrell	6	6	5
12	Tom Green	6	6	5
12	Upton	4	4	4
12	Ward	5	5	4
12	Winkler	4	4	3
13	Brewster	5	4	4
13	Culberson	6	6	4
13	El Paso	4	4	4
13	Hudspeth	5	4	5
13	Jeff Davis	4	4	4
13	Presidio	4	4	5

Internal Audit Division

BOARD ACTION REQUEST

September 4, 2008

Action Items

Approval of Minutes of the June 26, 2008 Audit Committee Meeting.

Required Action

Approval of the Minutes from the June 26, 2008 Audit Committee Meeting.

Background

Minutes from the June 26, 2008 Audit Committee Meeting.

Recommendation

Recommend approval.

AUDIT COMMITTEE
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

June 26, 2008; 9:00 am
Capitol Auditorium
1500 N. Congress

AUDIT COMMITTEE SUMMARY OF MINUTES

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Audit Committee Meeting of the Texas Department of Housing and Community Affairs of September 13, 2007 was called to order by the Chair, Gloria Ray at 9:00 a.m. It was held at 1500 North Congress, Capitol Auditorium.

Roll call certified a quorum was present.

Members Present:

Gloria Ray – Chair
Tomas Cardenas
Leslie Bingham-Escarẽno joined the meeting at 9:15 am.

Members Absent:

None

PUBLIC COMMENT

The Audit Committee of the Board of the Texas Department of Housing and Community Affairs will solicit Public Comment at the beginning of the meeting and will also provide for Public Comment on each agenda item after the presentation made by the department staff and motions made by the Committee.

No public comment.

The Audit Committee of the Board of the Texas Department of Housing and Community Affairs will meet to consider and possibly act on the following:

Approval of the following items presented in the Board materials:

General Administration:

AGENDA ITEM 1

Minutes of the Audit Committee Meeting of September 13, 2007.
Motion by Mr. Cardenas to approve minutes; seconded by Mrs. Ray; minutes unanimously approved.

REPORT ITEM MATERIALS AVAILABLE IN BOARD BOOK FOR June 26, 2008

Internal Audit Division staff were introduced.

AGENDA ITEM 2

Presentation and discussion of Internal Audit Report on the Draw Processing and Monitoring Functions of the Community Affairs Division's Community Services Block Grant and Emergency Shelter Grants Programs. Briefing only. No action taken.

AGENDA ITEM 3

Presentation and Discussion of the Department of Energy's Monitoring Report on the Weatherization Assistance Program. Briefing only. No action taken.

AGENDA ITEM 4
Status of the TDHCA Fraud Hotline - implemented.
Briefing only. No action taken.

AGENDA ITEM 5
Status of Prior Audit Issues.
Briefing only. No action taken.

AGENDA ITEM 6
Status of the Internal Audit Division's Fiscal Year 2008 Work Plan.
Briefing only. No action taken.

AGENDA ITEM 7
Status of External Audits.
Briefing only. No action taken.

EXECUTIVE SESSION

Executive Session was not held.

a) The Board may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551
b) The Board may go into Executive Session Pursuant to Texas Government Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee

ADJOURN

Since there was no other business to come before the Audit Committee, the meeting was adjourned at 9:25 a.m.

____

Mr. Kevin Hamby
Board Secretary

NOTE:
For a full transcript of this meeting, please see the TDHCA website at: www.TDHCA.state.tx.us

Internal Audit Division

BOARD ACTION REQUEST

September 4, 2008

Action Items

Presentation, Discussion and Possible Approval of the Internal Audit Division's Fiscal Year 2009 Audit Plan.

Required Action

Review and approve the 2009 TDHCA Internal Audit Plan.

Background

TX Gov't. Code 2102.005, The Texas Internal Auditing Act, requires a state agency to conduct a program of internal auditing that includes, among other requirements, an annual audit plan that is prepared using risk assessment techniques and that identifies the individual audits to be conducted during the year.

Recommendation

Recommend approval.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
PROPOSED INTERNAL AUDIT PLAN
FISCAL YEAR 2009

INTERNAL AUDITS		
Project	**General Objectives**	**Estimated Completion Date**
CDBG Disaster Recovery Program (carryover from FY2008)	<u>Phase II: Testing of Set Ups and Draws</u> To assess whether the Department's payment and draw processing provides reasonable assurance that sub-recipient requests for reimbursement of expenditures: ➢ comply with applicable laws, regulations, policies, and contract provisions, ➢ are adequately supported (including support for allowable activities, costs and eligibility to participate in the program), ➢ are properly posted to the accounting and program systems, and ➢ are properly authorized or approved. *(Note: This project was delayed from FY 2007 in order to have a sufficient number of payments to test.)*	December 2008
HOME Program – Loan Servicing and Recycling of Program Income	To determine: ➢ if loan servicing results in the maximum affordability period, ➢ loans are completed in compliance with relevant laws, regulations, and policies, and ➢ the amount of program income that has been recycled over the past three years.	December 2008
CDBG Disaster Recovery Program (carryover from FY2008)	<u>Phase III: Sub-recipient Monitoring</u> • To evaluate the sub-recipient monitoring procedures, processes and on-site visits to assess whether the program ensures that sub-recipients: ➢ comply with applicable laws, regulations, program rules, and contract terms, ➢ operate within expenditure budgets and limits, ➢ expend administration and program funds at allowable rates, and ➢ meet contract performance goals. • To assess whether monitoring results are communicated to sub-recipients and any findings or exceptions are noted, tracked and monitored until resolved.	April 2009

INTERNAL AUDITS		
Project	**General Objectives**	**Estimated Completion Date**
	(Note: This audit was delayed from FY 2007 in order for the program staff to develop and implement the processes and to enable follow-up on the findings related to the program's sub-recipient monitoring identified by the State Auditor's Office during their October 2007 review of the disaster recovery program.)	
4% Non-Competitive Housing Tax Credit Program	To review the 4% Non-Competitive Housing Tax Credit Program for the 2008 tax application cycle to: ➢ identify significant risks, ➢ evaluate whether there are adequate controls in place to address the risks, and ➢ determine whether the Department has complied with all program requirements.	June 2009
Section 8 – Housing Choice Voucher Program	To review the Section 8 Housing Choice Voucher Program to determine if: ➢ The revised rules, policies and procedures adequately address the significant risks and compliance requirements associated with the program, ➢ The program is operated in compliance with the newly revised rules, policies and procedures, ➢ The processes for awarding local provider contracts and distributing Section 8 vouchers results in a fair and equitable process, and ➢ the program is functioning as intended.	August 2009

OTHER ACTIVITIES These are required activities that are part of Internal Audit's overall responsibilities.		
Follow-Up on Status of Prior Internal Audit Issues	To independently verify corrective actions taken by management in response to prior internal audit issues. Follow-up projects will be pursued during the course of current related audits when the issues have been reported as implemented by management. We will also prioritize and evaluate issues that have been reported as implemented on an ongoing basis (as time allows.)	Ongoing
Tracking the Status of Prior Audit Issues	To track the status of prior audit issues for management/board reporting purposes.	Ongoing
Fraud Hotline	To provide tracking, follow-up and disposal of issues identified as a result of fraud hotline communications.	Ongoing
FY 2009 Annual Audit Plan	To develop an annual audit plan for FY 2009 as required by the Texas Internal Auditing Act.	August 2008
FY 2008 Annual Internal Audit Report	To prepare an annual internal auditing report for FY 2008 pursuant to the Texas Internal Auditing Act.	November 2008
Internal Audit Charter	To revise the Internal Audit Division's charter to comply with new standards set by the Institute for Internal Auditing.	January 2009
Coordinate External Auditors	To coordinate and assist external auditors. This includes attending entrance and exit conferences, providing information, audit reports and working papers, and coordinating with management to ensure a prompt and accurate response to draft audit reports.	As Needed

Internal Audit Division

BOARD ACTION REQUEST

September 4, 2008

Action Items

Status of the Internal Audit Division's Fiscal Year 2008 Audit Plan.

Required Action

None, information item only.

Background

Internal Audit has completed or is currently working on five of the seven audits on the fiscal year 2008 audit work plan. The completed audits include:

- The 9% Housing Tax Credit Program's Pre-Application and Notification Process,
- The 9% Housing Tax Credit Program's Scoring, Threshold and Awards Process, and
- The Draw Processing and Monitoring Functions of the Community Affairs Division's Community Services Block Grant and Emergency Shelter Grant Programs

We are currently working on the following audits and expect to have them completed in September 2008:

- The Office of Colonia Initiatives' Bootstrap Program, and
- The Office of Colonia Initiatives' Border Field Offices.

The last two projects, which are audits of the CDBG Disaster Recovery Program, will be carried over to fiscal year 2009 work plan. The timing of these two audits depends on the extent of the audit work currently being performed by the U.S. Department of Housing and Urban Development's Office of Inspector General.

In addition:

- We have completed a review and revision of Internal Audit's policies and procedures to comply with the most recent version of the *Government Auditing Standards.*
- We are continuing our efforts to follow up and close prior audit issues from our database.
- We are continuing to coordinate and provide assistance to external auditors. So far this year there have been eleven groups of external auditors that have performed or are currently performing work at the Department.

Recommendation

No action is required.

Internal Audit Division

BOARD ACTION REQUEST

September 4, 2008

Action Items

Presentation and Discussion of the State Auditor's Office Audit Report on the Single Family Mortgage Revenue Bond Program.

Required Action

None, information item only.

Background

The SAO concluded that the Department has effectively managed the cash flows to ensure that revenues from the mortgage payments are sufficient to meet the debt service payments and that the use of interest rate swaps has limited risk. However, they noted some room for improvement in the monitoring of the mortgage backed securities and of the master servicer (Countrywide Home Loans, Inc.) The auditors tested mortgages that originated during 2006 and 2007 and found that all of the mortgages they tested benefited the intended recipients and complied with all program requirements.

The specific findings and recommendations include:

- The Department should more closely monitor the mortgage-backed securities to ensure that the purchase price equates to the total principal of the underlying mortgages, reconcile the mortgage payment data between Countrywide and the Bank of New York and develop a plan to monitor the loan files held by Countrywide. The SAO auditors tested the pool purchases at Countrywide and the Bank of New York. They identified $250,291 in discrepancies between Countrywide and the Bank of New York for 3 bond issuances - this is an error rate of 1%.
- The Department should improve its swap policies to address other types of swaps including forward-starting swaps, fixed notional value swaps and knock-out options. (Not all of these types of transactions are used by the Department.) In addition, the Department should improve its monitoring of the fair values of the swaps, document procedures for issuing bonds and ensure that it complies with the recently-adopted policy of diversifying swaps among financial institutions.
- The Department should develop a process to track, allocate and monitor the bond program's administrative costs. The Department does not track the administrative costs allocated to the program when these costs are shared by the Department's other divisions. (The Department uses a cost allocation method.) Based on the Department's best estimates of these costs, the SAO found that the Department undercharged the bond program $50,000 for administrative overhead in FY 2007.
- The Department has adequate general and security controls over its network and adequate password parameters. However, controls over the Mitas system used to track the internal accounting records for the bond program needs improvement. The Department should consider enabling the audit trails in Mitas to track changes to the data, enforce periodic changes to Mitas users' passwords and prohibit shared passwords in Mitas.
- The Department should develop detailed policies and procedures over passwords, update its security risk assessment and ensure that an annual test of its disaster recovery plan is conducted.

Recommendation

No action is required.

Internal Audit Division

BOARD ACTION REQUEST

September 4, 2008

Action Items

Presentation and Discussion of the State Auditor's Office Audit Report on the Single Family Mortgage Revenue Bond Program.

Required Action

None, information item only.

Background

The SAO concluded that the Department has effectively managed the cash flows to ensure that revenues from the mortgage payments are sufficient to meet the debt service payments and that the use of interest rate swaps has limited risk. However, they noted some room for improvement in the monitoring of the mortgage backed securities and of the master servicer (Countrywide Home Loans, Inc.) The auditors tested mortgages that originated during 2006 and 2007 and found that all of the mortgages they tested benefited the intended recipients and complied with all program requirements.

The specific findings and recommendations include:

- The Department should more closely monitor the mortgage-backed securities to ensure that the purchase price equates to the total principal of the underlying mortgages, reconcile the mortgage payment data between Countrywide and the Bank of New York and develop a plan to monitor the loan files held by Countrywide. The SAO auditors tested the pool purchases at Countrywide and the Bank of New York. They identified $250,291 in discrepancies between Countrywide and the Bank of New York for 3 bond issuances - this is an error rate of 1%.

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- The Department has adequate general and security controls over its network and adequate password parameters. However, controls over the Mitas system used to track the internal accounting records for the bond program needs improvement. The Department should consider enabling the audit trails in Mitas to track changes to the data, enforce periodic changes to Mitas users' passwords and prohibit shared passwords in Mitas.

- The Department should develop detailed policies and procedures over passwords, update its security risk assessment and ensure that an annual test of its disaster recovery plan is conducted.

Recommendation

No action is required.

John Keel, CPA
State Auditor

An Audit Report on

The Single Family Mortgage Revenue Bond Program at the Department of Housing and Community Affairs

August 2008

Report No. 08-043

John Keel, CPA
State Auditor

An Audit Report on

The Single Family Mortgage Revenue Bond Program at the Department of Housing and Community Affairs

SAO Report No. 08-043
August 2008

Overall Conclusion

The Department of Housing and Community Affairs (Department) is effectively managing the cash flows needed to fund the Single Family Mortgage Revenue Bond Program's (Program) debt service payments. However, it could improve its monitoring to ensure that all Program cash flows are adequately managed and accounted for by the Program trustee and master servicer.

The Department performs consistent monitoring activities, but it could strengthen its reviews, analysis, and reconciliations of Program financial information provided by its master servicer (Countrywide Home Loans, Inc.) and trustee (The Bank of New York Mellon Corporation[1]). The Department also could improve its monitoring of the Program's master servicer to ensure Program funds are used for qualified borrowers' mortgages that meet all Program requirements.

Additionally, the Department could strengthen its policies and procedures related to its use of interest rate swaps (swaps). While the Department's use of swaps has been highly effective to date, the Department could further reduce the Program's exposure to risks associated with swaps and variable interest rates by further defining the parameters under which it uses swaps and ensuring that Program financial information is as complete and accurate as possible.

Department of Housing and Community Affairs and the Single Family Revenue Bond Program

The Department of Housing and Community Affairs (Department) oversees 19 programs, one of which is the Single Family Mortgage Revenue Bond Program (Program). The Department's fiscal year 2008 appropriations totaled $152.6 million, which includes $128.7 million in federal funds. The Department had 284 full-time equivalent positions in the second quarter of fiscal year 2008.

The Program provides below-market interest rate mortgages to lower income, first time home buyers. The Program also provides down payment assistance to some qualified borrowers. The Department issues tax-exempt bonds to fund the mortgages.

The bond debts issued by the Department for the Program are repaid using revenues generated by mortgage-backed securities that pass through principal and interest payments from Program mortgages; the bond debts are not general obligations of the State.

As of August 31, 2007, the Program had an outstanding bonds payable balance of $1,045,708,000 and had used its funds to issue more than 4,900 mortgage loans with a total initial principal of more than $559 million during fiscal years 2006 and 2007.

The Department is statutorily required to use a portion of the proceeds from each of the Program's new bond issues to provide mortgages to very low income borrowers and borrowers in certain targeted geographic areas of the state. (See Appendix 2 for more information on Program targets.)

Sources: Department Web site and financial records, and the General Appropriations Act (80th Legislature).

Program expenditures recorded by the Department are reasonable and generally necessary; however, the Department

[1] On July 2, 2007, The Bank of New York merged with the Mellon Financial Corporation and now operates under the name of The Bank of New York Mellon Corporation.

lacks a formalized methodology to distribute indirect administrative costs to the Program. Without a methodology to assign agency-wide costs, the Department cannot ensure that administrative costs are accurately allocated to the Program.

Key Points

The Department could improve its monitoring of mortgage-backed security purchases and its Program master servicer.

The Department effectively monitors its cash flows to ensure that actual revenues from mortgage-backed securities are sufficient to meet debt service payments on a timely basis. However, the Department could more closely monitor its purchase of mortgage-backed securities to ensure that the purchase price is based on the total principal of the underlying mortgages contained in the securities.

In addition, the Department could improve its monitoring of the Program master servicer by developing a compliance review plan to verify that all mortgages funded through the Program meet all requirements. The master servicer is responsible for reviewing all borrower applications for compliance with Program requirements. It should be noted that auditors' testing indicated that mortgages originated during calendar years 2006 and 2007 benefited intended recipients and complied with Program requirements.

The Department could improve its reconciliation of data received from its Program trustee and master servicer to ensure that Program bonds are redeemed appropriately.

Although the Department accurately records financial data received from its master servicer into its internal accounting system, the Department does not reconcile the bond redemption schedule created by its trustee with the mortgage payment data received from its master servicer to ensure that Program bonds are redeemed in an appropriate and timely manner.

The Department should strengthen its policies and procedures to minimize risks associated with interest rate swaps.

The Department's use of interest rate swaps (swaps) is generally sound and has limited potential risk. The Department's use of swaps has proven to be highly effective by industry and accounting standards. However, the Department could improve its current policies and procedures to strengthen the Program's controls over the use of swaps.

The Department lacks a process to track and allocate administrative costs for the Program.

The Department tracks direct Program expenses for the Texas Homeownership Program Division, which is dedicated solely to the operation of the Program;

however, the Department does not track Program administrative expenses that are shared with other divisions. Additionally, the Department lacks a documented allocation schedule or formal process to identify and allocate all appropriate Program costs.

The Department does not include statutorily required language in all Program contracts.

The Program's contracts do not contain the statutorily required language granting the State Auditor's Office audit authority and access to records. These contracts include those with bond counsel, The Bank of New York Mellon Corporation, and Countrywide Home Loans, Inc. Contracts that do not contain this statutorily required language may limit the State's ability to provide effective oversight of contract terms, contractors, and the use of state funds. Access to records is an essential element of auditing.

Summary of Management's Response

The Department agrees with the recommendations in this report, and it provided the following summary of its responses:

> *Overall, the Department agrees with the recommendations in the report and plans to implement them. The Department is committed to helping Texans achieve the dream of homeownership through its First Time Homebuyer Program. Over the past two state fiscal years, the Department helped 4,900 families achieve their dream and provided a majority of funds (approximately $318 million out of $557 million) to borrowers earning 80 percent of the area median family income or below. Moreover, the report clearly shows that the Department's Single Family Programs are well administered and have earned the confidence of Texas taxpayers, as well as investors in the market.*

Detailed management responses are included in the Detailed Results section of this report.

Summary of Information Technology Review

Auditors reviewed access controls over the MITAS System, the Department's internal accounting system for the Program. The MITAS System includes data on the Program's expenditures, mortgage purchases, and mortgage payments received. The MITAS System is an accounting software package that the Department purchased from the MITAS Group.

The Department has adequate general controls and security controls over its network and adequate password parameters. However, it lacks detailed, written policies on password parameters and procedures. In addition, system security weaknesses expose some Program data to an increased risk of undetected or unauthorized changes (see Chapter 3 for more information).

Summary of Objectives, Scope, and Methodology

The audit objectives were to:

- Determine whether the Department effectively manages the Program to ensure that cash flows from mortgage investments are sufficient to meet the debt service requirements over the life of the bonds.
- Determine whether Program expenditures are necessary and reasonable and made in accordance with the terms of the bond indentures and service provider contracts, as applicable.

The scope of this audit covered the Department's processes of managing Program bond payments, interest rate swaps, mortgage payment receipts, and expenditures from September 1, 2005, to January 31, 2008.

The audit methodology consisted of conducting interviews; collecting and reviewing information; and performing tests, procedures, and analysis against predetermined criteria.

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Detailed Results

Chapter 1

The Department Effectively Manages Program Cash Flows to Meet Its Debt Service Payments; However, It Could Improve Its Review Processes of Program Financial Information

> **Single Family Mortgage Revenue Bond Program**
>
> The Single Family Mortgage Revenue Bond Program (Program) was authorized by the 66th Legislature to provide below-market interest rate mortgages to lower income, first time home buyers. The Program also provides down payment assistance to some qualified borrowers. The Department of Housing and Community Affairs (Department) issues tax-exempt bonds to fund the mortgages.
>
> As of August 31, 2007, the Program had an outstanding bonds payable balance of $1,045,708,000 and had used its funds to issue more than 4,900 mortgage loans with a total initial principal of more than $559 million during fiscal years 2006 and 2007.
>
> The Department is statutorily required to use a portion of the proceeds from each of the Program's new bond issues to provide mortgages to very low income borrowers and borrowers in certain targeted geographic areas of the state. (See Appendix 2 for more information on Program targets.)
>
> Source: Department fiscal years 2006 and 2007 financial records and externally audited financial statements.

The Department of Housing and Community Affairs (Department) has effectively managed the cash flows needed to fund the Single Family Mortgage Revenue Bond Program (Program) debt service payments; however, it could improve its monitoring to ensure that all Program cash flows are adequately accounted for by the Program master servicer and trustee.

Although the Department performs consistent monitoring activities, it could improve its monitoring of cash flows by strengthening its reviews, analysis, and reconciliations of Program financial information provided by its master servicer and trustee. The Department also could improve its monitoring of the Program master servicer to ensure the master servicer complies with Program requirements.

Additionally, the Department could strengthen its policies and procedures related to its use of interest rate swaps (swap). While the Department's use of swaps has been highly effective to date, it could further reduce the Program's exposure to risks associated with swaps and variable interest rates by further defining the parameters under which it uses swaps and ensuring that Program financial information is as complete and accurate as possible.

Chapter 1-A

The Department Could Improve Its Monitoring of Program Cash Flows and Its Program Master Servicer and Trustee

The Department effectively monitors its cash flows to ensure that actual revenues from mortgage payments are sufficient to meet debt service payments on a timely basis. However, the Department could improve its monitoring of cash flows by:

- More closely monitoring mortgage-backed securities to ensure that the purchase price is based on the total principal of the underlying mortgages contained in the securities.

- Reconciling mortgage payment data received from the Program master servicer and trustee to ensure the Program trustee is accurately accounting for Program funds.

The Department could also improve its monitoring of the Program master servicer by assessing risk and developing a monitoring plan to ensure the master servicer complies with Program requirements.

Program Funding

The Program uses bond proceeds to fund Program mortgage loans. Loans issued using Program funds are traditional, fixed-rate, 30-year mortgages. The Department uses a network of participating lenders to issue mortgage loans using Program funds to qualified home buyers. After an approved borrower closes on the mortgage with the originating lender, the Department's master servicer purchases the mortgage loan. The master servicer pools the Program loans and converts them to mortgage-backed securities that are guaranteed by Ginnie Mae, Fannie Mae, and Freddie Mac.

The mortgage-backed securities purchased by the Department's trustee include only Program-funded mortgages. The Program uses revenue from mortgage-backed securities to pay its bond debt service liability. The Texas Government Code and bond indenture terms require the bond debt to be fully repaid using the proceeds generated from Program mortgages. These revenue bond debts are solely obligations of the Department and payable soley from Program funds. They are not general obligations of the State.

The Department could improve its monitoring of Program mortgage-backed security purchases by reconciling them at the loan level. The Department purchases mortgage-backed securities through the Program's master servicer, Countrywide Home Loans, Inc. (Countrywide)[2] (see text box). These securities include only Program-funded mortgages. The Department receives detailed mortgage information for all mortgage-backed securities (pools) from Countrywide. Additionally, the Department receives summary pool purchase information from The Bank of New York Mellon Corporation, the Program's trustee. The Department reconciles this pool purchase data with the information it receives from Countrywide. However, the Department's reconciliation does not verify that the individual pools purchased are supported by the principal amounts of the underlying mortgages. Without a reconciliation of the underlying mortgages, the Department cannot adequately ensure that the pool purchase prices are accurate. It should be noted that auditors did not identify any discrepancies in the pool purchases tested.

The Department could improve its reconciliation of mortgage payment data received from Countrywide and The Bank of New York Mellon Corporation to ensure that Program bonds are redeemed appropriately. The Department receives monthly data from Countrywide on the payments received from holders of Program-financed mortgages. The Department also receives and accurately records in the MITAS System, its internal accounting system, corresponding payment information from The Bank of New York Mellon Corporation detailing Program revenues posted to the Department's accounts. Also, every six months, the Department receives a bond redemption schedule from The Bank of New York Mellon Corporation, which is based on compiled mortgage payment data. However, the Department does not sufficiently reconcile the bond redemption schedule to the monthly mortgage payment data to ensure that bonds are being redeemed in a timely manner. Auditors compared Countrywide payment data to The Bank of New York Mellon Corporation data for 18 months for 3 corresponding bond issues during fiscal years 2006 and 2007 and identified discrepancies totaling $250,291, resulting in an error rate of 1 percent of the total principal received for these three bond issues during this period. These discrepancies included

[2] Countrywide groups similar mortgages together, based on specific guarantor and other loan distinctions, and "pools" them into mortgage-backed securities for the Department to purchase with Program bond proceeds.

both overpayments and underpayments of bond principal. Reconciling the mortgage payment data will assist the Department to ensure that bond redemptions are accurately calculated.

The Department does not adequately monitor the performance of the Program's master servicer to ensure that bond proceeds have been used to fund only mortgages that meet all Program requirements. The Department does not perform any reviews of the mortgage loan files to ensure that the borrowers qualify for the Program. Auditors' testing indicated that mortgages originated during calendar years 2006 and 2007 benefited intended recipients and complied with Program requirements. However, without adequate compliance monitoring, there is an increased risk that the Program could fund mortgages to borrowers who do not meet the Program requirements.

The Department should document its current procedures for issuing Program bonds. The Department has not documented its procedures for issuing bonds under the Program. Detailed, written policies and procedures are a key management control that helps the Department ensure that desired results are achieved and that current procedures are continued in the event of staff turnover.

Recommendations

The Department should improve its monitoring of cash flows by:

- Expanding its mortgage-backed security purchase reconciliation process to include verification of pool purchases by individual mortgage principal amounts.
- Reconciling mortgage payment data and bond redemption schedules received from Countrywide and The Bank of New York Mellon Corporation to ensure that Program bonds are redeemed timely.
- Developing a risk-based compliance monitoring process of its master servicer to ensure all Program requirements are met.
- Document its current policies, procedures, and control processes for issuing Program bonds.

Management's Response

The Department agrees to implement these recommendations as follows:

- *The Department intends to reconcile the individual loan pools purchased to the principal amounts of the underlying mortgages to ensure pool purchase prices are accurate. To accomplish this, the Department anticipates contracting with an independent third party provider to perform program monitoring responsibilities.*

Target Date for Completion: March 31, 2009
Person Responsible: Director of Texas Homeownership Division

- *In April 2008, a process was implemented to compare pool level repayment data provided by Countrywide to the financial data reported by Bank of New York on a monthly basis. To date, no discrepancies have been found. Additionally, effective June 2008, the semi annual Bank of New York supplemental payment schedules were reconciled to actual cash receipts for the previous six month period. The Department will continue these reconciliations semiannually.*

  ***Target Date for Completion**: Implemented*
  ***Person(s) Responsible**: Financial Services Team Leader; Bond Financial Analyst*

- *In order to supplement and enhance the current agreement with Countrywide to perform a tax compliance review on each loan, the Department proposes to develop a risk-based compliance monitoring process of its Master Servicer in conjunction with an independent third party provider.*

  ***Target Date for Completion**: March 31, 2009*
  ***Person Responsible**: Director of Texas Homeownership Division*

- *The Department intends to consolidate documentation on its current policies, procedures, and control processes by preparing a Standard Operating Procedure for issuing bonds. The Department currently maintains detailed bond transcripts, flow charts, calendars, board resolutions, applications and documents indicating compliance with all applicable laws and regulations.*

  ***Target Date for Completion**: December 31, 2008*
  ***Person Responsible**: Bond Financial Analyst*

Chapter 1-B

The Department Should Strengthen Its Policies and Procedures to Minimize Risks Associated with Interest Rate Swaps

Interest Rate Swaps

The Department uses interest rate swaps when it issues variable interest rate bonds for the Program. These interest rate swaps require the Department to make interest payments to the financial institution based on a fixed rate, and the financial institution makes payments to the Department based on a variable interest rate. It is important to note that an interest rate swap does not eliminate the Department's obligation to pay the bond's variable interest rate payments.

Because of recent economic conditions, these swaps have resulted in the Department incurring more expenses than it would have incurred if it not entered into the interest rate swaps. However, these swaps protect the Department against rising interest rates in the future (which may be higher than the revenues it receives from the fixed-rate mortgages). Swaps expose the Department to additional risks that must be effectively managed. (See Appendix 2 for more information on the risks of swaps.)

The Department's use of interest rate swaps (swaps) is generally sound and has limited potential risk. The Department uses interest rate swaps to synthetically convert a variable interest rate to a fixed interest rate on revenue bonds it issues (see text box). The Department is generally prepared to react quickly to the risks associated with swaps, and its use of swaps has proven to be highly effective by industry and accounting standards. However, it could improve the current policies and procedures to strengthen the Program's controls over the use of swaps. As of August 31, 2007, the Department had entered into swaps with a total notional value[3] of $365 million and had total outstanding Program bonds valued at $1.04 billion.

The Department should improve its documented swap polices. The Department's documented policies for swaps address many significant issues related to the risks of swaps. However, the Department could improve its current policies by addressing other swap issues, including:

- Forward-starting swaps–These are swaps with effective dates that are delayed until a specified time after the issuance date of the bonds. Using these swaps creates a risk because the Department is not protected from interest rate increases on its variable rate bonds until the effective date of the swap. The Department's current swap policies do not limit the duration of forward-starting swaps, which could increase the Department's exposure to interest rate fluctuations.

- Fixed notional value swaps and declining notional value swaps–Two of the Program's five current swaps have notional values that decline similarly to that of the corresponding bond principal. The remaining three swaps have a notional value that is fixed for the first 9 to 10 years, at which point the notional value systematically declines. Fixed notional value swaps may place the Department at risk of incurring an incrementally higher interest expense if the related bond principal is paid off early (due to mortgage prepayments or other circumstances) than it may have incurred if the swap had been based on a declining notional value. The Department's policies do not establish parameters for use of fixed and declining notional value swaps.

- Knock-out options–These are swap options that cause the swap to be terminated if interest rates escalate or decline beyond levels specified in

[3]Notional value of a swap is the principal amount to which the fixed rates and variable rates are applied.

the swap. Currently, the Department does not have any swaps that contain these options, and its policies do not address the use of knock-out options, which could expose the Department to higher interest rates if it enters into future swaps with these options.

The Department should improve its monitoring of the fair values of its swaps. The Department does not have an internal process to monitor and validate the fair value of its swaps, which is disclosed in the notes to its financial statements. As a result, it cannot adequately evaluate the accuracy of the swap valuations received from its financial advisors. The accuracy of a swap's fair value becomes significant if the swap is terminated before its expiration date. The Department has not terminated, nor does it anticipate terminating, any of its swaps. The Department has the option to terminate its current swaps at its discretion. The current swaps could also be terminated under certain situations, such as the financial institution participating in the swap files bankruptcy or changes in laws allowing the use of swaps. As of August 31, 2007, the Department's five Program swaps had an estimated fair value of negative $5.8 million, as reported by its swap advisor. This represents a payment the Department would be required to make if early termination occurs for all five swaps.

The Department should ensure it complies with its recently adopted policy requiring diversification of swaps. Currently, the Department has $241 million (66 percent) of its swap notional value with one financial institution, Bear Stearns Financial Products, Inc. The Department approved a swap policy in January 2008 that requires the Department to diversify its swaps among financial institutions. Department management stated it intends to follow this policy when entering into future swaps. In March 2008, Bear Stearns Companies Inc. (parent company to Bear Stearns Financial Products, Inc.) experienced financial difficulties and was acquired by JPMorgan Chase & Co., with the help of the federal government. Bear Stearns Financial Products, Inc. had credit ratings of AAA and Aaa from Standard and Poor's and Moody's, respectively, as of April 2008.

Recommendations

The Department should:

- Improve its written swap policies to:
  - Address the allowable and unallowable uses of forward-starting swaps by defining the allowable duration and amount of such swaps.
  - Establish parameters for the use of fixed notional value and declining notional value swaps.
  - Establish parameters for the use or prohibition of knock-out options.

- Develop, document, and maintain a methodology to calculate and monitor the fair values and termination values of interest rate swaps.

- Implement, as soon as feasible, its recently adopted policy to diversify its interest rate swaps among various financial institutions for future swaps.

Management's Response

The Department agrees to amend its Interest Rate Swap Policy by:

- *Addressing the allowable and unallowable uses of forward-starting swaps by defining the allowable duration and amount of such swaps.*

- *Establishing general parameters for the use of fixed notional value and declining notional value swaps depending on transaction structure and the appropriateness of either type of swap.*

- *Establishing general parameters for the use of knock-out options, however under current market conditions it is not the intention of the Department to use knock-out options.*

Target Date for Completion*: January 2009*
Person Responsible*: Director of Bond Finance*

The Department agrees to:

- *Develop, document, and maintain a methodology to calculate and monitor the fair values and termination values of interest rate swaps. In October 2005, the Department selected an independent third party advisor, Swap Financial Group, as its Interest Rate Swap Advisor & Consultant to primarily be responsible for duties and services necessary or advisable for monitoring and managing risks associated with TDHCA's interest rate swaps. Swap Financial Group will continue to provide quarterly fair values and termination values, however the Department will actively work to document the methodology for each calculation.*

  Target Date for Completion*: September 30, 2008*
  Person Responsible*: Bond Finance Project Manager*

- *Diversify swap counterparties as directed by the current swap policy, which was revised in January 2008. To date, no additional swap contracts have been negotiated.*

  Target Date for Completion*: upon negotiation of a new swap contract*
  Person Respo*nsible: Director of Bond Finance*

Chapter 2

The Department Effectively Uses Program Funds as Required by Bond Indentures and Contracts; However, It Should Develop a Process to Track and Allocate Administrative Costs for the Program

Although the Program expenditures recorded by the Department are reasonable and generally necessary, it could improve its monitoring of the use of Program funds. The Department does not have a formalized methodology to distribute indirect administrative costs to the Program. The Department does have a federally approved cost allocation plan that it uses to allocate administrative overhead costs to federal grants and contracts. However, it does not identify and allocate administrative costs to the Department's non-federal programs. Without an agency-wide cost allocation methodology, the Department cannot ensure that administrative costs are accurately allocated to select programs.

The Department tracks direct Program expenses for the Texas Homeownership Program Division, which is dedicated solely to the operation of the Program; however, the Department does not track Program administrative expenses that are shared with other divisions. Additionally, the Department lacks a documented allocation schedule or formal process to identify and allocate all appropriate Program costs.

The Program's bond indenture allows the Department to be reimbursed for "expenses of carrying out and administering its powers and duties and functions" in connection with the Program. The bond indenture further states that these expenses are to be "properly allocable to the Program." To comply with these requirements, all Program costs should be accurately identified and tracked, including administrative overhead costs. This would allow the Department to determine whether Program funds transferred to the Department for administration costs are insufficient or excessive.

According to the Department's fiscal year 2007 financial statements and accounting records, the Department transferred a total of $2.12 million from Program funds and Residential Mortgage Revenue Bond Program funds to its general fund to reimburse itself for administration of these two programs.

At auditors' request, the Department prepared its best estimate of fiscal year 2007 administrative costs for both the Program and the Residential Mortgage Revenue Bond Program. Based on this estimate, the Department's total cost to administer these programs for fiscal year 2007 was $2.17 million. The Department may have undercharged these programs by a total of $50,000 for administrative overhead costs during fiscal year 2007. This indicates a need to develop a methodology to allocate costs to the Program.

Recommendations

The Department should:

- Develop and document a cost allocation methodology that includes appropriate allocations to the Program.
- Ensure that reimbursements of administrative costs from Program funds do not exceed actual costs.

Management's Response

The Department concurs with the recommendation to develop and document a cost-allocation methodology for allocating program funds and to periodically evaluate administrative Program costs to ensure that the reimbursement of administrative costs does not exceed actual costs.

***Target Date for Completion**: November 30, 2008*
***Responsible Person**: Manager of Financial Services*

Chapter 3

The Department Has Adequate Information Technology Controls Over Its Network; However, Improvements Are Needed to Ensure the Protection of Its Internal Accounting System

Overall, the Department has adequate general controls and security controls over its network and adequate password parameters. However, it lacks detailed, written policies on password parameters and procedures. In addition, system security weaknesses expose some Program data to an increased risk of undetected or unauthorized changes.

Specific weaknesses include:

- The Department has not enabled the audit trail feature in the MITAS System, its internal accounting system used for the Program.
- The Department does not consistently enforce its policy requiring shared MITAS System passwords to be changed at least every six months.
- The Department uses shared passwords to access certain restricted information in the MITAS System.
- The Department has not performed and documented a security risk assessment since 2005, and has it not tested its disaster recovery plan in more than two years.

Internal Controls

Internal controls are the policies and procedures, as well as the overall control environment, established by management to protect the government's assets and to ensure the integrity and comprehensiveness of accounting data used in external and internal reporting.

Source: *An Elected Official's Guide to Auditing*, Government Finance Officers Association, 1992.

Title 1, Texas Administrative Code, Section 202.25 Requirements

- Information resources systems must provide the means whereby authorized personnel have the ability to audit and establish individual accountability for any action that can potentially cause access to, generation of, modification of, or effect the release of confidential information.
- Appropriate audit trails shall be maintained to provide accountability for updates to mission critical information, hardware and software, and for all changes to automated security or access rules.
- Based on the security risk assessment, a sufficiently complete history of transactions shall be maintained to permit an audit of the information resources system by logging and tracing the activities of individuals through the system.

Chapter 3-A

The Department Has Not Configured Its Internal Accounting System to Maintain Audit Trails

Although the Department controls access to the MITAS System through the use of user logins and passwords, it has not enabled the audit trail feature in the MITAS System. The MITAS System is the Department's internal accounting system for the Program; it contains general Program loan information, but it does not contain specific confidential information of Program borrowers. The MITAS System is an accounting software package the Department purchased from the MITAS Group.

Audit trails maintain a transaction and logging history for a system. Without audit trails, the Department cannot consistently identify who created a transaction or changed data or when the activity occurred. This weakness may hinder any Department efforts to identify and resolve the source of errors or unauthorized changes to its data.

If unauthorized changes are made, it may limit the Department's ability to identify the source of the change and accurately reconcile Program funds.

The Texas Administrative Code requires agencies to maintain appropriate audit trails based on a documented security risk assessment (see text box).

Recommendation

The Department should perform a risk assessment to determine whether it should enable the audit trail function in the MITAS System and implement the resulting decision.

Management's Response

The Department agrees with the recommendation and will perform a risk assessment to decide whether it should enable the MITAS audit trail function. Because of resource limitations on the server hardware that currently houses MITAS, the Department will also upgrade the hardware to add the disk space required for increased system logging.

Target Date for Completion*: November 30, 2008*
Person Responsible*: Director of Information Systems*

Chapter 3-B

The Department Lacks Detailed, Written Password Policies and Procedures

The Department uses adequate password parameters to ensure the use of "strong" passwords. However, the Department could improve its overall password controls by updating its documented information technology policies to reflect its current password criteria and other detailed password procedures. In addition, the Department uses shared passwords to access certain restricted information in the MITAS System and does not consistently enforce its policy requiring shared MITAS System passwords to be changed at least every six months.

The Department's information technology policies could be improved by including detailed password criteria and procedures. Although the Department's current use of information technology password parameters ensures the use of "strong" passwords (see text box), it has not documented these parameters and other password procedures in its written policies and procedures. Written, detailed policies and procedures are an important tool in ensuring consistency in the event of staff turnover and other operational changes.

Strong Password Policy

Elements of a strong password policy include:

- Defining the number of times a unique password must be used before an old password can be reused.
- Defining the maximum period of time (in days) that a password can be used before it should be changed by the user, usually 30 to 90 days.
- Defining the minimum period of time (in days) that a password must be used before the user can change it, usually greater than zero.
- Defining the minimum password length (in characters), usually six characters in length.
- Defining the complexity requirements of user passwords. Usually contain three of the four following categories:
  - English uppercase characters (A-Z).
  - English lowercase characters (a-z).
  - Non-alphabetic characters (for example, !,@,#,%).
  - Numeric characters (0-9).

Source: Microsoft Windows password policy recommendations.

A detailed written policy should include:

- A prohibition against the use of recently used passwords.
- The Department's criteria for the minimum age of passwords before they can be changed, as well as the minimum password length and complexity.
- A maximum password age, requiring all passwords to be changed on a regular basis.

The Department uses shared passwords to access certain protected screens in the MITAS System. Access to these screens permits the user to create, edit, or delete certain loan information contained in the MITAS System. Several Department supervisory employees have access to these passwords and grant access to other personnel on an as-needed basis. Because of the use of shared passwords, the Department cannot identify the users who access the screens and alter the data. Furthermore, the Department's policies do not address who should be granted access to these password protected screens or the assignment of passwords. Implementing a role-based access system would more effectively protect the MITAS System. A role-based access system restricts access to users based on their job functions, with permissions assigned to specific roles.

The Department does not consistently enforce its policies that require passwords to be changed periodically. The shared passwords discussed above have not been changed in nearly one year, at a minimum. Three of the passwords have not been changed in more than 15 months. Department policy requires shared MITAS System passwords to be changed every six months.

Older passwords are more likely to be ascertained by unauthorized individuals. An agency should require users to change their passwords as often as necessary for its environment.

Recommendations

The Department should:

- Update its written policies to document current password parameters and procedures.
- Establish role-based access to the MITAS System and eliminate the use of shared passwords.

- Ensure that users comply with its policy requiring shared MITAS System passwords to be changed at least every six months if the Department continues the use of shared passwords.

Management's Response

The Department agrees to implement the recommendations by:

- *Updating TDHCA Standard Operating Procedure (SOP) 1264.01, "User Accounts and Network Access," with additional policies to state the password parameters that are already systematically enforced for network accounts through Windows domain settings.*

  ***Target Date for Completion**: September 30, 2008*
  ***Person Responsible**: Director of Information Systems*

- *Eliminating the use of shared passwords in MITAS and establishing role-based access to the system screens that currently require a shared password, which will also eliminate the need for the policy requiring shared MITAS passwords to be changed every six months.*

  ***Target Date for Completion**: November 30, 2008*
  ***Person Responsible**: Director of Information Systems*

Chapter 3-C

The Department Has Not Conducted a Security Risk Assessment Since 2005

Title 1, Texas Administrative Code, Section 202.25 (1 TAC 202.25), recommends that state agencies adopt 24 security policies and other information technology security controls based on a documented security risk assessment. The Department performed an agency-wide risk assessment in 2005, including an assessment of the security over information systems and its controls over high-impact information system processes. The Department reviewed the controls over these high impact information system processes again in 2006. The Department did not document its reasons for not implementing an information security control and eight of the policies recommended in 1 TAC 202.25. Auditors communicated details of these system security weaknesses to Department management. The Department could improve its information technology security by conducting a security risk assessment and addressing any weaknesses it identifies.

Recommendation

The Department should perform, document, and implement (as appropriate) a security risk assessment.

Management's Response

The Department agrees with the recommendation and has created a security policy upgrade plan which includes the step of performing an updated security risk assessment.

***Target Date for Completion**: November 30, 2008*
***Person Responsible**: Director of Information Systems*

Chapter 3-D

The Department Does Not Conduct Tests of Its Disaster Recovery Plan in a Timely Manner

The Department conducted a test of its disaster recovery plan in June 2008. Prior to that time, the Department had not conducted a complete test since January 2006. Title 1, Texas Administrative Code, Section 202.24, and Department policy requires an annual test of the disaster recovery plan.

A disaster recovery plan outlines steps staff should take to secure or recover information when a natural disaster or other business disruption prevents normal operations. Conducting timely tests of its disaster recovery plan can help the Department decrease its risk of losing data in the event of a disaster and ensure that the Department's mission-critical functions can be resumed as quickly as possible.

Recommendation

The Department should conduct a test of its disaster recovery plan at least annually and when major changes are made to the plan.

Management's Response

The Department agrees with the recommendation and will conduct complete tests of its disaster recovery plan on an annual basis and when major changes are made to the plan.

The Department notes that although a complete test of its disaster recovery plan was not completed in fiscal year 2007, it carried out disaster recovery testing activities such as restoring databases and files from backup tapes and *evaluating backup scripts and schedules. Additionally, the Department's Disaster Recovery Team engaged in planning activities for the June 2008 test at intervals throughout fiscal year 2008.*

***Target Date for Completion**: Immediate*
***Person Responsible**: Director of Information Systems*

Chapter 4

The Department Does Not Include Statutorily Required Language in All Program Contracts

The Program's contracts do not contain the statutorily required language granting the State Auditor's Office audit authority and access to records. These contracts include those with bond counsel, The Bank of New York Mellon Corporation, and Countrywide Home Loans, Inc.

Contracts that do not contain this statutorily required language may limit the State's ability to provide effective oversight of contract terms, contractors, and the use of state funds. Access to records is an essential element of auditing.

Texas Government Code, Section 2262.003, requires that all state agency contracts contain contract terms specifying that:

- The State Auditor may conduct an audit of any entity receiving funds from the State directly or indirectly under the contract.
- An entity subject to audit by the State Auditor must provide the State Auditor with access to any information that the State Auditor considers relevant to the audit.

These contract language requirements were effective as of September 1, 2003.

Recommendations

The Department should comply with statutory requirements by:

- Amending all current contracts to include terms granting the State Auditor audit authority and access to records.
- Including in all future contracts terms granting the State Auditor audit authority and access to records.

Management's Response

The Department agrees to comply with statutory requirements relating to program contracts. The Department will review and amend all contracts to include terms granting the State Auditor audit authority and access to records as contracts are renewed. The Department has already incorporated Section 2262.003 of the Texas Government Code in the Request for Proposal for Underwriting Services and Request for Proposal for Master Servicer to be presented to the Board at the September 4, 2008 meeting, which included terms granting the State Auditor audit authority and access to records.

***Target Date for Completion**: Fiscal Year 2009*
***Person Responsible**: Director of Bond Finance and General Counsel*

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to:

- Determine whether the Department of Housing and Community Affairs (Department) effectively manages the Single Family Mortgage Revenue Bond Program (Program) to ensure that cash flows from mortgage investments are sufficient to meet the debt service requirements over the life of the bonds.
- Determine whether Program expenditures are necessary and reasonable and made in accordance with the terms of the bond indentures and service provider contracts, as applicable.

Scope

The scope of this audit covered the Department's processes of managing Program bond payments, interest rate swaps, mortgage payment receipts, and expenditures from September 1, 2005, to January 31, 2008.

Methodology

The audit methodology consisted of conducting interviews; collecting and reviewing information; observing Board meetings; and performing tests, procedures, and analyses against predetermined criteria.

Information collected and reviewed included the following:

- Internal policies and procedures.
- Process maps.
- U.S. Internal Revenue Service regulations on tax-exempt bonds.
- The General Appropriations Act (79th and 80th Legislature) and Texas Government Code.
- Interviews with staff and management.
- Interviews with Program trustee.
- Interviews with Countrywide Home Loans, Inc.

- Interviews with Program swap advisor.
- Consultation with Program financial statement auditor.
- Answers to questions submitted to Program bond counsel.
- Interviews with Sunset Advisory Commission staff.
- Interviews with Legislative Budget Board staff.
- Bond transaction reports of the Bond Review Board.
- Master bond indenture and supplements.
- Bond issue official statements.
- Program administration and servicing agreement.
- Program guidelines.
- Contracts and agreements with trustee, master servicer, lenders, swap counterparties, and standby purchasing liquidity providers.
- Program *Lender's Manual*.
- Bond tracker spreadsheets.
- Indenture cash flow projections.
- Bond disclosures.
- Bond arbitrage advisor reports.
- Hedged swap analysis.
- Department financial statements for fiscal years 2006 and 2007.
- MITAS System reports and reconciliations.
- Invoices, letters of instructions, and support for Program expenditures.
- Trustee bank statements.
- Texas Treasury Safekeeping Trust Company statements.
- Uniform Statewide Accounting System (USAS) reports.
- Information technology access logs.
- Department investment reports.

- Countrywide Home Loans, Inc. loan level payment detail reports.
- Individual mortgage loan applications, closing settlement statements, underwriting summaries, loan registrations, affidavits of borrower, W-2 forms, and employment verification documentation.
- Surplus/excess call calculations.
- Trustee prepayment spreadsheets.
- Trustee repayment support documentation.
- Internal Program management reports.
- Department and swap counterparty credit rating reports.

Procedures and tests conducted included the following:

- Attended Department board meetings and bond and swap training.
- Evaluated swap effectiveness.
- Reviewed bond principal and interest payments.
- Reviewed swap payments.
- Reviewed swap counterparty ratings.
- Tested matching of swap notional value with bond principal.
- Reviewed swap fair values.
- Tested mortgage loan compliance with the General Appropriations Act (79th and 80th Legislatures) and U.S. Internal Revenue Code requirements.
- Reviewed the need for large cash balances in bond programs.
- Evaluated mortgage-backed security purchase prices.
- Tested disclosures regarding the purchase of mortgage-backed securities by bond issue.
- Compared the reasonableness of mortgage-backed security income and bond issue Program interest expense.
- Reviewed Department compliance tracking spreadsheets.
- Reviewed mortgage interest received by the Program.

- Reviewed MITAS System accounting records and posting process.
- Reviewed Program internal management reports.
- Tested Program expenditures for reasonableness and allowability.
- Reviewed Program cost allocation, accumulation, budgeting, and cash flows.
- Evaluated information technology security controls over the MITAS System.
- Evaluated the MITAS System information technology policies and procedures for compliance with Texas Administrative Code.
- Evaluated the MITAS System backup procedures and disaster recovery plan.
- Evaluated the MITAS System audit trails.

Criteria used included the following:

- U.S. Internal Revenue Service regulations on tax-exempt bonds.
- Texas Government Code.
- Texas Administrative Code.
- The General Appropriations Act (79th and 80th Legislatures).
- Master bond indenture and supplement.
- Texas Government Code, Chapter 2256 (Public Funds Investment).

Project Information

Audit fieldwork was conducted from January 2008 through June 2008. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Robert G. Kiker, CGAP (Project Manager)
- Ronald Zinsitz, CPA, CIDA (Assistant Project Manager)

- John Boyd
- Scott Ela, CPA
- Ashlee C. Jones, MAcy, CGAP
- Kenneth Manke
- Stephen Randall, MBA
- J. Scott Killingsworth, CIA, CGAP, CGFM (Quality Control Reviewer)
- John Young, MPAff (Audit Manager)

Additional Information on the Single Family Mortgage Revenue Bond Program

Bond Issue Authority

The Department of Housing and Community Affairs (Department) is authorized by the Texas Government Code to issue bonds and to make home mortgage loans available to moderate to extremely low income, first time homebuyers for single-family housing under the Single Family Mortgage Revenue Bond Program (Program). The Texas Government Code authorizes the Department to issue tax-exempt revenue bonds for the Program, and the U.S. Internal Revenue Code places volume cap limitations on the extent and conditions under which these bonds will be considered exempt from federal income taxes. These revenue bond debts are repaid using revenues generated by the mortgages issued under the Program, and they are not general obligations or liabilities of the State.

The Program’s tax-exempt bonds are part of the State’s private activity bond allocation program, which is limited by federal law and monitored by the Bond Review Board (Board). The Department is required to submit its bond issuance proposals to the Board for review and approval. The Department is also required by the Texas Government Code to keep all Program funds outside the State Treasury; however, most Program funds flow through the Department’s Program trustee bank and ultimately are deposited with the Texas Treasury Safekeeping Trust Company, which is outside the State Treasury. All funds dedicated to repaying the bond debt are restricted for Program use and cannot be used for other purposes.

Statutory Requirements

The General Appropriations Act (80th Legislature) and U.S. Internal Revenue Code, Section 143, require the Department to use a portion of the proceeds from each of the Program’s new bond issues to provide mortgages to very low income borrowers and borrowers in certain targeted geographic areas of the state. Specifically, the Department is required to:

- Set aside for a period of one year at least 30 percent of the Program’s bond proceeds for mortgages to borrowers earning 60 percent or less of the area median family income (AMFI), as calculated by the U.S. Department of Housing and Urban Development (HUD).

- Set aside for a period of one year at least 20 percent of the bond proceeds for mortgages to borrowers purchasing homes in certain targeted geographical areas. The targeted areas include the 22 counties affected by

Hurricane Rita and designated by the Gulf Opportunity Zone Act of 2005 and other targeted areas designated by HUD.[4]

The U.S. Internal Revenue Code also limits the use of the tax-exempt bond proceeds to finance mortgages. Specifically:

- Mortgages must be issued within 42 months of the bond's issuance.
- Mortgages must be for owner-occupied principal residences.

Program Borrower Qualification

Borrowers purchasing homes in non-targeted geographic areas cannot have owned a home for at least three years (the U.S. Internal Revenue Code defines these borrowers as "first time homebuyers") to qualify for a mortgage issued using Program funds. Borrowers in targeted geographic areas are not required to be first time homebuyers. In addition, a borrower must meet maximum income and purchase price limits, which vary according to (1) the borrower's geographic area and (2) whether the mortgage issued is using targeted or non-targeted Program funds. There are some exceptions to these requirements for qualified veterans. Table 1 lists the Program's income and purchase price limits as of March 1, 2008. Because the purchase price limits are updated annually, these limits may differ depending on when a borrower applies for a Program loan.

Table 1

Single Family Mortgage Revenue Bond Program
Income and Purchase Price Limits as of March 1, 2008

Area [a]	Maximum Income for Very Low Income Targeted Funds (any size household)	Loans Using Non-Targeted Funds			Loans Using Targeted Geographical Area Funds [b]		
		Maximum Income for 1 or 2 Person Household	Maximum Income for 3 or More Person Household	Maximum Purchase Price	Maximum Income for 1 or 2 Person Household	Maximum Income for 3 or More Person Household	Maximum Purchase Price
Austin-Round Rock MSA	$42,660	$71,100	$81,765	$237,031	$85,320	$99,540	$289,704
College Station-Bryan MSA	$33,480	$55,800	$64,170	$237,031	$66,960	$78,120	$289,704
Dallas HMFA	$39,900	$66,500	$76,475	$237,031	$79,800	$93,100	$289,704
Fort Worth-Arlington HMFA	$38,760	$64,600	$74,290	$237,031	$77,520	$90,440	$289,704
Wise County HMFA	$34,980	$58,300	$67,045	$237,031	N/A	N/A	N/A
Houston-Baytown-Sugar Land HMFA	$36,660	$61,100	$70,265	$237,031	$73,320	$85,540	$289,704
Austin County HMFA	$33,720	$56,200	$64,630	$237,031	N/A	N/A	N/A
Brazoria County HMFA	$40,980	$68,300	$78,545	$237,031	$81,960	$95,620	$289,704

[4] Targeted areas are census tracts in which 70 percent or more of the families have incomes that are 80 percent or less of the statewide median income or an area of severe economic distress as identified by HUD.

Single Family Mortgage Revenue Bond Program Income and Purchase Price Limits as of March 1, 2008							
Area [a]	Maximum Income for Very Low Income Targeted Funds (any size household)	Loans Using Non-Targeted Funds			Loans Using Targeted Geographical Area Funds [b]		
		Maximum Income for 1 or 2 Person Household	Maximum Income for 3 or More Person Household	Maximum Purchase Price	Maximum Income for 1 or 2 Person Household	Maximum Income for 3 or More Person Household	Maximum Purchase Price
Midland MSA	$38,840	$56,400	$64,860	$237,031	$67,680	$78,960	$289,704
Sherman-Denison MSA	$33,540	$55,900	$64,285	$237,031	N/A	N/A	N/A
Blanco County	$33,060	$55,100	$63,365	$237,031	N/A	N/A	N/A
Hartley County	$37,860	$63,100	$72,565	$237,031	N/A	N/A	N/a
Hood County	$37,620	$62,700	$72,105	$237,031	N/A	N/A	N/A
Kendall County	$42,720	$71,200	$81,880	$237,031	N/A	N/A	N/A
Loving County	$39,000	$65,000	$74,750	$237,031	N/A	N/A	N/A
Ochiltree County	$33,720	$56,200	$64,630	$237,031	N/A	N/A	N/A
Roberts County	$37,080	$61,800	$71,070	$237,031	N/A	N/A	N/A
Somervell County	$33,540	$55,900	$64,285	$237,031	N/A	N/A	N/A
All Other Texas Counties, MSAs, and HMFAs	$33,000	$55,000	$63,250	$237,031	$66,000	$77,000	$289,704

[a] MSA is the metropolitan statistical area; HMFA is the HUD metro fair market area.

[b] Currently, not all counties, MSAs, or HFMAs contain targeted tracts.

Source: Department of Housing and Community Affairs' Texas First Time Homebuyer Program Web site.

Program Funding

The Program uses revenues from mortgage payments to repay its revenue bond debt. Loans issued using Program funds are traditional, fixed-rate, 30-year mortgages. The Department uses a network of participating lenders to issue mortgage loans with Program funds. After an approved borrower closes on the mortgage with the originating lender, Countrywide Home Loans, Inc. (Countrywide), the Department's master servicer, purchases the mortgage loan for the Department through the use of mortgage-backed securities. All of the Program's mortgage-backed securities consist solely of Program mortgages. These loans are guaranteed by one of three entities:

- Ginnie Mae, which is a U.S. government-owned corporation within HUD. Its guaranty of mortgage-backed securities is fully backed by the U.S. government, and, therefore, these securities have the same credit rating as the government of the United States and for capital purposes have a risk-weighting of zero. About 83 percent of the Program's mortgage-backed securities are guaranteed by Ginnie Mae.

- Fannie Mae, which is a shareholder-owned corporation that was chartered by the U.S. Congress. Fannie Mae was formerly a U.S. government agency before it became a corporation. It is not currently backed or funded by the U.S. government and the securities it issues do not benefit from any explicit government guarantee or protection. About 17 percent of the Department's mortgage-backed securities are guaranteed by Fannie Mae.

- Freddie Mac, which is a stockholder-owned corporation similar to Fannie Mae. It was chartered in 1970 as a corporation and has never been a federal agency. The Department started using Freddie Mac to guarantee mortgage-backed securities in fiscal year 2008.

The Department has an agreement with Countrywide that requires Countrywide to (1) make any homeowner-missed payments to the Department and (2) separately settle with the homeowner or the guarantor. By obtaining these guarantees and issuing only traditional, fixed-rate mortgages, the Department greatly reduces its risk exposure to mortgage defaults.

During calendar years 2006 and 2007, the Department reported that borrowers defaulted on 330 mortgage loans issued using Program funds. Table 2 notes the Program's mortgage loan default rate, as well as the state and national default rates for the last three quarters of calendar year 2007. It should be noted that the state and national averages include all income levels and adjustable rate mortgages. It should also be noted that the Department did not lose any Program funds as a result of these defaults because of the guarantees explained above.

Table 2

Mortgage Loan Default Rates			
Program or Geographic Area	**Quarter Ending June 2007**	**Quarter Ending September 2007**	**Quarter Ending December 2007**
Single Family Mortgage Revenue Bond Program [a]	0.36%	0.21%	0.28%
Texas [b]	0.52%	0.58%	0.68%
United States [b]	0.59%	0.78%	0.88%

[a] According to Department of Housing and Community Affairs data.

[b] According to Mortgage Bankers Association data.

Source: Department of Housing and Community Affairs.

The Department continues to manage 736 mortgage loans that were issued using Program funds prior to the Department's use of mortgage-backed securities. These loans had a total outstanding principal of $16.2 million as of April 30, 2008, and the Department is exposed to risk if any of these loans goes into default. However, the individual loan balances are low, homeowner equity is high, and the last of these loans should be fully repaid by 2020; therefore, the default loss risk is relatively low. The Department carries insurance to cover this risk.

Interest Rate Swaps

To obtain the best possible interest rates, the Department occasionally issues Program bonds at variable interest rates. The Department is authorized by the Texas Government Code to enter into interest rate swap agreements for Program bonds. These interest rate swaps allow the Department to synthetically convert variable interest rates to fixed interest rates on the bonds it issues.

The interest rate swaps are negotiated with financial institutions and are based on a "notional value." Generally, this notional value matches the outstanding bond principal amount that was issued at a variable interest rate. The Department uses the notional value to calculate the interest associated with the interest rate swaps and does not exchange the notional value with the financial institution. These interest rate swaps require the Department to make interest payments to the financial institution based on a fixed rate, and the financial institution makes payments to the Department based on a variable interest rate based on the London Interbank Offered Rate (LIBOR). This LIBOR-based variable interest rate has closely matched the variable interest rates at which the corresponding Program bonds were issued. It is important to note that an interest rate swap does not eliminate the Department's obligation to pay the bond's variable interest rate payments.

Appendix 3

Recent State Auditor's Office Work

Recent SAO Work		
Number	**Product Name**	**Release Date**
08-005	An Audit Report on Hurricane Recovery Funds Administered by the Department of Housing and Community Affairs and the Office of Rural Community Affairs	October 2007
07-710	A Classification Compliance Review Report on the Department of Housing and Community Affairs	June 2007
07-016	A Special Investigations Unit Report Regarding a Department of Housing and Community Affairs HOME Program Contract Awarded to the Harbor Lights Residence Council	February 2007
06-026	A Review of State Entity and Community College District Compliance with the Public Funds Investment Act and Investment Reporting Requirements	March 2006

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable David Dewhurst, Lieutenant Governor, Joint Chair
The Honorable Tom Craddick, Speaker of the House, Joint Chair
The Honorable Steve Ogden, Senate Finance Committee
The Honorable Thomas “Tommy” Williams, Member, Texas Senate
The Honorable Warren Chisum, House Appropriations Committee
The Honorable Jim Keffer, House Ways and Means Committee

Office of the Governor

The Honorable Rick Perry, Governor

Department of Housing and Community Affairs

Members of the Department of Housing and Community Affairs Governing Board
- Mr. C. Kent Conine, Chair
- Ms. Gloria L. Ray, Vice Chair
- Ms. Leslie Bingham-Escareño
- Mr. Tomas Cardenas, P.E.
- Mr. Dionicio Vidal (Sonny) Flores
- Dr. Juan Sanchez Muñoz

Mr. Michael Gerber, Executive Director

Internal Audit Division

BOARD ACTION REQUEST

September 4, 2008

Action Items

Presentation and Discussion of the Department of Housing and Urban Development's Management Review of CDBG Supplemental Disaster Funds.

Required Action

None, information item only.

Background

The HUD review of the disaster recovery program concluded that the Department has procedures and systems in place for monitoring the Council of Government (COG) housing activities, including:

- Details in contracts and agreements,
- Review of contractor payments,
- Household eligibility and amount of assistance, and
- Reasonableness and allowability of planning and administrative costs.

However, similar systems have not been applied to ensure eligibility of activities, compliance with applicable requirements, or allowability of costs regarding Houston and Harris County. HUD identified 10 findings for the disaster recovery program. These include:

- Agreements are needed for Houston and Harris County under Round 2. The existing agreements should be amended or supplemented within 30 days.
- Monitoring and oversight should be extended to Houston and Harris County. The Department should develop and apply procedures for monitoring and for processing payment requests.
- The Department is drawing funds in advance of need and should revise its cash management procedures to comply with HUD's three day standard.
- The Department was unable to reconcile its administrative draws with specific administrative expenses. As a result, there is no way to ensure that the expenses were incurred for program needs.
- Environmental reviews resulted in inappropriate classifications, inadequate project descriptions and inadequate supporting documentation. In addition, two of the environmental assessments reviewed were not correct. The Department has adequate processes for environmental assessments.
- Public notices were not properly documented. The Department's procedures correctly describe the process but were not followed.
- ORCA has not developed new procedures for assuming HUD's environmental responsibilities and is using the CDBG procedures.

Recommendation

No action is required.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

AUG 1 2008

OFFICE OF COMMUNITY PLANNING
AND DEVELOPMENT

Mr. Michael Gerber
Executive Director
Texas Department of Housing
and Community Affairs (TDHCA)
P.O. 13941
Austin, TX 78711-3941

Dear Mr. Gerber:

Thank you for the time you and your staff spent with HUD representatives during the April 28- May 2, 2008, management review of the State of Texas's disaster recovery supplemental appropriations, under the Community Development Block Grant program (CDBG). Based on this review, HUD is hereby submitting the enclosed report to the state's designated program administrator, Texas Department of Housing and Community Affairs (TDHCA). The objective of the review was to determine if TDHCA is implementing its actions for the disaster grant in accordance with all applicable regulations, OMB circulars, as well as the pertinent Notices and Waivers specific to Texas.

TDHCA has made progress in the recovery efforts for the State of Texas and has disbursed \$6.9 million in housing funds and \$11.2 million in non-housing funds under the first supplemental grant. The second supplemental grant disbursed \$1.5 million in housing for renters, \$1.1 million for Infrastructure and \$121,537 in Public Services. This figures were for the period ending May 1, 2008.

The enclosed report identifies ten (10) findings; each finding is noted in the specific program area reviewed along with corrective action to be taken by the State.

If you have additional information that is relevant to our monitoring conclusions and that was not discussed during the monitoring review, or comments on the substance of the enclosed report, please submit them to the Department in writing within 30 days of the date of this letter.

HUD is appreciative of the difficult work you and your staff are engaged in and commends you for your efforts.

Sincerely,

Stanley Gimont
Acting Director
Office of Block Grant Assistance

Enclosure

U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT
MANAEMENT REVIEW REPORT
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Community Development Block Grant
Supplemental Disaster Funds
State of Texas
B-06-DG-48-0001
B-06-DG-48-0002

INTRODUCTION

HUD conducts management reviews, in conjunction with monitoring visits, to ensure that its programs are carried out efficiently, effectively, and in compliance with applicable laws, regulations, and established policy. Just as importantly, these reviews are intended to assist grantees in improving their performance, developing or increasing capacity, and augmenting their management and technical skills. A management review is not limited to a one-time evaluation but is part of an ongoing process that assesses the quality of a grantee's performance over a period of time and requires effective communication and cooperation between Federal, state and local partners.

From April 28 to May 2, 2008, HUD staff conducted an on-site review of the State of Texas's management of the disaster recovery supplemental Community Development Block Grants (CDBG). The Department appreciates the cooperation of the Texas Department of Housing and Community Development (TDHCA) and the Office of Rural Community Affairs (OCRA) in making this effort a success. This report presents the results of this monitoring review. This report also notes technical assistance HUD provided while on site.

SCOPE OF REVIEW

The following areas of grant management requirements under the CDBG regulations applicable to supplemental funding for disaster recovery were reviewed:

- Overall Management and Information Systems
- Financial Management
  Cash Management   Sub recipient Management System
  Audit Management   Sub recipient Audit System
- Citizen Participation and Citizen Complaints
- Sub recipient and Contractor Management Systems
- Procurement Multi-family Rental Restoration Program
- Environmental Review

The team included Grace Saenz, Team Leader and Community Planning and Development Specialist for the State of Texas; Jeanie Smith, Assistant Director, Disaster Recovery and Special Issues Division; Mark Mitchell, Deputy Director, Disaster Recovery and Special Issues Division; Donna Roachford, Community Planning and Development Specialist for the State of Florida, Earl Randall, Community Planning and Development Specialist for the State of Louisiana; Brenda Jennings, Senior Financial Analyst, Region 6, Jack Pipkin, Environmental Officer Region 6; Lester Berman, Environmental Officer Region 6 and Rhoda Nicholson, Program Assistant.

An exit meeting was held on May 1, with staff from ORCA and TDHCA and the above mentioned HUD staff to report on our findings and conclusions.

SUMMARY OF RESULTS AND CONCLUSIONS

Monitoring reviews may result in the identification of findings, concerns or exemplary practices. A finding is a deficiency in program performance based on a statutory, regulatory or program requirement for which sanctions or other corrective actions are authorized. A concern is a deficiency in program performance not based on a statutory, regulatory, or other program requirement. HUD issues a concern about program design or operations, when in HUD's judgment the practice could, if not corrected, result in noncompliance with a statutory, regulatory, or program requirement.

The April 2008 review resulted in ten findings. Summaries of the background and status of HUD's reviews and conclusions are provided below under the appropriate area.

HUD is available to discuss the results of this review or to provide technical assistance, if requested. Please address any outstanding issues in writing to Jessie Handforth Kome, Director, Disaster Recovery and Special Issues Division, within 30 days of the date of this report. Correspondence should be sent to the U.S. Department of Housing and Urban Development, Headquarters, 451 7th Street S.W., Room 7286, Washington, DC 20410. Electronic submissions should be sent to the following mailbox: Disaster_Recovery@hud.gov.

AREA REVIEWED

STRUCTURE AND OPERATION

Areas reviewed included sub recipient agreements, oversight and monitoring under Supplemental Rounds 1 and 2. Many of the infrastructure and public facility programs under both rounds are coordinated by staff at ORCA while housing and other programs are coordinated by staff at TDHCA. Interviews were held with TDHCA and ORCA executive staff: Mr. Michael Gerber, Executive Director TDHCA and Mr. Charlie Stone, Executive Director ORCA.

TDHCA procedures and systems in place appear comprehensive and thorough for review of Council Of Government (COG) housing activities, including details in contracts/agreements; review of payments for housing contractors; eligibility and amount of assistance at the household level; as well as reasonableness/allowability of COG planning and administrative costs. However, similar systems have not been applied to ensure eligibility of activities, compliance with applicable requirements, or allowability and reasonableness of costs with regard to funds provided to Houston and Harris County.

The development of contract management software for housing activities allows extensive oversight of contractor activities by TDHCA. The use of Teammate Audit software provides a comprehensive method to assess risk, ensure compliance in key categories and track the results of audit testing in applicable compliance areas.

Finding One: Contracts with Houston and Harris County do not meet Minimum Requirements for Subrecipient Agreements

Condition: Although, TDHCA has agreements in place for housing activities under Supplemental Round 1 that outline scope of work and federal requirements applicable to funded activities, it has not executed comparable agreements for Houston and Harris County under Supplemental Round 2. Instead, contracts for Houston/Harris County include indemnifaction agreements and do not include any detail on activities funded, scope of work, reporting requirements, or identify applicable federal compliance requirements.

Criteria: Agreements with subrecipients receiving CDBG funds must meet minimum standards outlined in 24 CFR 570.503. This provision of the Entitlementt CDBG regulations is made applicable to these supplemental funds by the Federal Register notice of allocations, waivers and alternatives requirements dated February 13, 2006 (71 FR 7666). These requirements include at a minimum, the written agreement with the subrecipient shall include provisions concerning the following items:

(1) Statement of work
(2) Records and reports
(3) Program income
(4) Uniform administrative requirements
(5) Other program requirements
(6) Suspension and termination
(7) Reversion of assets

Corrective Actions: Within 30 days, amend or supplement existing agreements with Houston and Harris County to cover the minimum requirements outlined in 24 CFR 570.503.

Finding Two: Fiscal controls and accounting procedures for Houston and Harris County Inadequate to Demonstrate Program Compliance

Condition: Although TDHCA has comprehensive monitoring and oversight processes and procedures for housing activities under Supplemental Round 1 to ensure eligibility, allowability and reasonableness of costs, it has not applied comparable controls to funds provided to Houston and Harris County under Supplemental Round 2. Relying on the indemnification clauses in funding agreements with the City of Houston, TDHCA approved drawdowns for Houston and submitted them to HUD for approval without any support material related to the expenses and without any plans to monitor Houston or Harris County activities.

Criteria: Fiscal controls and accounting procedures must ensure funds for these activities are used in compliance with all applicable statutory and regulatory provisions as required by 24 CFR 570.489(d). These include controls that ensure that records "(i) Be sufficiently specific to ensure that funds received under this subpart are used in compliance with all applicable statutory and regulatory provisions; (ii) Ensure that funds received under this subpart are only spent for reasonable and necessary costs of operating programs under this subpart; and (iii) Ensure that funds received under this subpart are not used for general expenses required to carry out other responsibilities of state and local governments."

Corrective Actions: Within 30 days, TDHCA must develop and apply procedures for processing payment requests and/or monitoring systems to ensure activities funded under Supplement Round 2 are in compliance with applicable federal requirements.

Technical Assistance was provided on what was required from the state in order to be compliant with 24 CFR 570.489(d).

Financial Management

The purpose of the financial management review is to provide HUD with assurance that TDHCA and ORCA have the systems and controls in place to account for the receipt and disbursement of the CDBG disaster recovery funds.

The following areas were tested for compliance with the applicable Federal and State rules and regulations:

- Financial Management Systems
  - Cash Management
  - Subrecipient Management System
- Audit Management Systems
  - Subrecipient Audit Systems

Interviews were held with TDHCA executive staff; Mr. Bill Dally, Deputy Director for Agency Administration, and Mr. David Cervantes, Director of Financial Administration, and with ORCA executive staff, Mr. Mark Wyatt, Director of Community Development Division and Mr. David Flores, Chief Financial Officer. The HUD reviewer noted that staff for both TDHCA and ORCA appeared to have a high-level of commitment to carrying out the financial management requirements.

Financial Management Systems

Federal regulations at 24 CFR 570.489(d) require state grantees to establish fiscal and administrative requirements for expending and accounting of grant funds. Systems must be sufficient to ensure that funds are used in compliance with all applicable statutory and regulatory requirements, are spent for reasonable and necessary costs of operating programs, and are not used for carrying out other governmental responsibilities. States may choose, but are not required, to follow 24 CFR 85 which provides additional guidance on standards, fiscal controls, and procedures for maintaining acceptable financial management systems.

TDHCA uses its own written procedures for basic financial operations, and has not adopted 24 CFR 85. Due to time constraints, TDHCA's written procedures were not reviewed for compliance with 24 CFR 85. ORCA has adopted 24 CFR 85 as its administrative requirements.

Cash Management

Program regulations at 24 CFR 570.489(c) require state grantees to request advance payments of grant funds in accordance with 31 CFR 205. Under subpart A of these authorities, the U.S. Department of the Treasury (Treasury) generally negotiates intergovernmental agreement with states that outline covered programs, approved drawdown method(s), and interest liability calculation method. HUD's discussions with TDHCA noted that while the State of Texas does have an agreement with Treasury, the agreement does not currently include TDHCA or the CDBG disaster funds.

Without a specific agreement that specifies otherwise, the CDBG disaster funds are subject to the subpart B requirements of 31 CFR 205. This subpart limits advances of federal funds to the minimum amounts needed for actual, immediate cash requirements in carrying out a program or project. Timing and amount of cash advances shall be as close as is administratively feasible to actual cash outlay by the state grantee. HUD has historically used a three-day rule for evaluating the reasonableness of grantee cash advances when cash disbursement is not subject to other, more specific, restrictions.

HUD's review of TDHCA's system to reimburse its administrative expenses resulted in the following finding.

Finding Three: TDHCA is drawing funds in advance of need.

Condition: As stated above, it has been established that without a specific agreement with Treasury to draw funds in advance, the agency is subject to the requirements found in subpart B of 31 CFR 205, which limits advances of federal funds to the minimum amounts needed for actual, immediate cash requirements. As shown in the table below, the review of the agency's administrative cash balances for the period September 1, 2007 through March 31, 2008, noted that the agency was in a positive cash position beyond the three-day standard for four of the seven months. The positive cash position appeared to be a result of drawing funds in advance of need and drawing salaries based on estimates instead of actual time worked.

Month	Days in Positive Cash Position
September	18 days
November	17 days
December	19 days
March	24 days

In discussions with the agency concerning how it requested funds from Treasury, it was explained that the agency would draw one-twelfth of the grant award at the beginning of each month for administrative expenses. No other explanation for drawing in advance of need was provided. HUD's review did not substantiate the statement, as the timing of the draws and the amount drawn fluctuated every month and there did not appear to be any pattern to the draws. Without further explanation, there does not appear to be justification for TDHCA to be drawing funds in advance of need, especially since the agency may request funds from HUD's line of credit system daily and will generally receive the funds within 48 hours.

With regards to the salaries, it was explained that the agency drew the salaries based on budgeted time and then reconciled the budgeted time to the actual time worked and adjusted the cash balance for any overages noted. It was further explained that the reconciliations were not timely as the employees were often late in submitting the actual time distribution reports. The process used to draw the salaries is permissible since TDHCA is reconciling the budgeted amounts to actual, as required in OMB Circular A-87 and the reconciliations are completed within the timeframe specified in the circular.

Criteria: The CDBG regulations found at 24 CFR 570.489(c) required the state to be in compliance with the Treasury requirements.

Corrective Action: TDHCA has agreed to revise its cash management procedures to be in compliance with HUD's three-day standard and is in the process of implementing new procedures. Continued discussions with TDHCA have noted that the agency is going to revise its process for drawing salaries, and that the salary requests will be based on actual time worked instead of budgeted time. Changing the way the salaries are being drawn will assist the agency in obtaining optimal cash management status.

Within 30 days from the date of this letter, the agency is to provide HUD with its revised cash management procedures and a sample of the format it is will use to draw the funds.

Finding Four: TDHCA was unable to reconcile its expenses to the draw requests.

Condition: HUD's review noted that the agency could not tie the administrative draws to specific administrative expenses. The process currently being used is a process that nets the expenditures to the revenues and then draws the difference. As the agency could not tie its draws to its administrative expenses, HUD has no way of knowing whether the expenses were incurred for actual program needs or whether the supporting documentation presented ties to a specific draw. To assist HUD in obtaining a level of comfort with its procedures, the agency identified all program expenses for the months of September and December 2007, and March 2008. HUD's review of the categories of expenses for the sample months noted that the expenses appeared to be eligible charges under the grant. However, due to time constraints specific invoices were not reviewed for program compliance.

Criteria: The CDBG regulations found at 24 CFR 570.489(d) set forth the fiscal control and accounting standards for the state.

Corrective Action: As stated above, TDHCA is in the process of implementing new procedures that will bring its cash management system in line with HUD's requirements. The agency has assured HUD that the new procedures will incorporate weekly to bi-weekly draws and the draws will reconcile to actual expenditures in the general ledger.

Within 30 days from the date of this letter, the agency is to provide HUD with a copy of its new draw procedures.

In addition to reviewing TDHCA's administrative draw procedures, we reviewed ORCA's draw procedures as well. The following information was obtained directly from ORCA.

For DRS-I draws:

- Direct non-payroll costs are drawn 2 weeks after the expenses have been paid.
- Direct payroll costs are drawn the day the State Comptroller' Office requires cash to be in their accounts for payroll. It takes two business days for ORCA to receive these funds. These are paid the 1st of the month.
- Indirect costs are drawn on a monthly basis 2 weeks after the month ends (April's indirect is drawn May 15th).

For DRS-II draws:

- Direct non-payroll costs are drawn every 2-3 months after the expenses have been paid.
- Direct payroll costs are drawn every 2-3 months after the expenses have been paid.
- Indirect costs are included in the direct draw requests that are 2-3 months after the fact.

When questioned about the differences between the draw processes for the two grants, it was explained that very little monies had been expended from the Disaster II B-06-DG-48-0002 grants and that once the expenditures pick up, the procedures would be in line with the procedures noted for the Disaster I B-06-DG-48-0001 grant. Additionally, HUD's review of the categories of administration expenses noted that the expenses appeared to be eligible to be charged to the grant. However, due to time constraints specific invoices were not reviewed for program compliance. Overall, based on the review, ORCA was in compliance with the cash management requirements.

SUBRECIPIENT MANAGEMENT SYSTEMS

Program regulations found at 24 CFR 570.490 (b) specify that the state shall establish recordkeeping requirements for units of general local governments. The February 13, 2006 and October 30, 2006 Notices add to sample the state's subrecipient management systems for financial compliance, the HUD reviewer selected a sample of program draws for each agency and provided the sample to the agency prior to the review. Due to communication issues between the agencies and the HUD reviewer concerning the information needed, and the time constraints involved, the sample draws were discarded. Instead the HUD reviewer selected a sample of files to review for each agency.

To sample TDHCA's subrecipient management process, two files pertaining to South East Texas Regional Planning Commission – CO 60003, were reviewed. The review noted that:

- Support documentation included summary sheets that tie to the agency's general ledger.

- Evidence that TDHCA staff is reconciling the summary sheet to the general ledger to ensure program compliance was found in the files.
- The reimbursement requests include a statement attesting that the expenses were made in accordance with the terms of the contract and have not been drawn previously.
- A contractor's request for payment was supported by a breakdown of the work performed.
- The file contained before and after pictures, which provided further evidence that the work was performed.
- Final bills were accompanied by an affidavit of work performed by the contractor.

In addition to the above, the review noted a change in the support documentation requirements. Discussions with TDHCA staff found that in the beginning TDHCA required its subrecipients to submit copies of all source documentation, which included time distribution and personnel activity reports, invoices, cancelled checks, etc. in support of the reimbursement request. After a length of time, a decision was made to eliminate the requirement to submit all source documentation, and instead submit a summary sheet that identified categories of expenses. The decision was based on the previous evidence that noted that all of the subrecipient expenses appeared to be eligible and the actual invoices were being reviewed during field monitoring visits.

If TDHCA is routinely monitoring its subrecipients, not requiring the actual support documentation to be submitted with the reimbursement request, may not have an adverse effect on the agency. However, if the subrecipients are only being monitored once a year, the change could potentially result in an adverse effect on the agency as the untimely review of the expenses and support documentation may allow practices to continue that may result in ineligible and/or unsupported costs. The Department encourages TDHCA to monitor the procedural change closely, so that the agency's subrecipients remain in compliance with the applicable regulations.

Five files were reviewed pertaining to ORCA's subrecipient administration: Houston County – DRS 060034, Woodsville – DRS 060094, Jasper – DRS 060039, Browndell – DRS 060008, and Bridge City – DRS 06006. The review noted that:

- A statement from a CPA attesting to the subrecipient's capacity is required prior to issuing a contract.
- Support documentation includes actual invoices.
- Each reimbursement request includes a local certification that the payment request is for goods and services received under the contract.
- Evidence was found that ORCA staff is reviewing the invoices prior to paying the expenses.
- Evidence was noted that reimbursements were being held for compliance issues, such as outstanding audits, or lack of support documentation.
- Evidence was found that quotes are being received from at least two sources for small purchase items.

In addition to the above, the review noted that for the DRS-2 funding, ORCA has established a maximum amount that the subrecipients may request for its administrative costs. Establishing a standard ensures that the subrecipient administrative costs are fairly consistent among applicants and reasonable.

Overall, based on the review both agencies are doing an excellent job in managing their subrecipients for financial compliance.

AUDIT MANAGEMENT

OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations requires non-federal entities that expend $500,000 or more in a year in combined federal funds to have an annual audit performed.

The single audit report for the State of Texas for the period ending September 30, 2007, noted no findings, or other compliance issues related to TDHCA or ORCA.

SUBRECIPIENT AUDIT SYSTEMS

The program regulations found at 24 CFR 570.489(m) requires the states to develop and administer an audits management system to ensure that audits of units of general local government are conducted in accordance with 24 CFR 44. HUD's review noted that both agencies have developed a subrecipient audit tracking system that ensures that any subrecipient that expends $500,000 or more in federal funds submits a single audit report.

Specifically:

TDHCA uses an EXCEL spreadsheet system to track its subrecipient audits. HUD's review of the system noted that:

- Staff checks the Contract Monitoring system monthly and enters new contracts into the audit system.
- Audit certification forms are received from the subrecipients within 60 days after their fiscal year ends. The certification forms attest to whether an audit is required or not.
- Audits are required to be submitted nine months after the subrecipients fiscal year end.
- TDHCA staff reviews the audit reports within 180 days from receipt.

ORCA utilizes a database system to track its subrecipient audits. HUD's review of ORCA's system noted the following:

- All subrecipient contracts are entered into ORCA's contract management system.
- The agency's fiscal year end is captured at contract issuance.
- Quarterly reports are run from the system to determine if an entity is past due on submitting its audit and/or certification form.
- Audits are required to be submitted within 9 months of the subrecipient's year end.
- ORCA staff reviews the audit reports within 180 days of receipt.

Interviews with staff from both agencies noted that there were no outstanding audits for any of the disaster subrecipients. Overall, both agencies appear to be doing an excellent job in ensuring that their subrecipients are in compliance with the single audit requirement.

CITIZEN PARTICIPATION AND CITIZEN COMPLAINTS

In accordance with the February 13, 2006, *Federal Register* Notice, all grantees receiving CDBG disaster recovery funding are required to solicit citizen participation for their funding choices. The standard CDBG citizen participation requirement at 24 CFR 91.115 (b) for all local and state grant recipients has been waived. The waiver allows grantees to streamline the citizen participation requirements by using innovative methods to notify state and federal legislators, local government officials, community groups, social services agencies and citizens as quickly as possible about the grantee's assistance choices from the CDBG disaster recovery program. The state was required to include the methods it would use to disseminate information in its approved Action Plan.

During this visit, HUD reviewed compliance with citizen participation requirements at TDHCA and ORCA to ensure that citizens were made aware of the hearings the state chose to provide, and to determine if the information about the hearings was disseminated in a timely manner. Five meetings were held beginning November 2005 through March 2006. An extension to request public comment from non-English speaking citizens was made from April 21-May 8, 2006. TDHCA disseminated the solicitation through their e-mail list-serve of approximately 2,000 interested parties. The attendees list of the November 17, 2005 meeting and a flyer solicitation for the December 14, 2005 meeting was reviewed to ensure that interested parties including non-entitlement and entitlement cities, state and federal legislators, local government officials, community groups, social services agencies were contacted as stated in the Action Plan. HUD reviewed a copy of the agendas for these meetings and a list of the attendees, along with a copy of the notes that were taken at each meeting held during the month of March 2006.

Several citizen complaints were received in TDHCA's Public Information Request Tracking System, TDHCA's Housing Resource Center Consumer Complaint System and the state's e-mail system. Two requests from the Public Information Request tracking system, were related to needing additional information about the disaster recovery funds. Two others were reviewed from the state's Consumer Complaint System. One complaint was referring to not receiving funds in a timely manner and the other one was about needing assistance based on the money that was provided from SBA being stolen. HUD reviewed ten (10) e-mails dating from March 27, 2006-April 6, 2006 that commented on how the funds would be distributed. Six complaints from South East Texas were reviewed. All complaints except one were denied based on the income eligibility of the region and one thanking the State for providing funds to rebuild.

Several documents from ORCA were reviewed to determine whether notification was provided as stated in the approved Action Plan in a timely manner and if a summary of all comments from the hearings were provided in the approved Action Plan. No citizen complaints have been received to date. Based on the review, HUD had no issues in this area.

SUBRECIPIENT AGREEMENTS

A management review of ORCA was conducted. ORCA in conjunction with TDHCA was named by the governor to manage the first supplemental grant of $74,523,000. Time did not permit for a review of TDHCA's recipients.

ORCA uses subrecipients and local government grant recipients to carry out activities funded with disaster funds as they relate to non-housing activities. Subrecipient, recipient, and contractor management are areas of emphasis in HUD's monitoring. ORCA is responsible for compliance with program requirements. ORCA has worked with four Councils of Government (COGs) as subrecipients to distribute funds to areas most impacted and distressed by Hurricane Rita under the CDBG disaster program. The four COGs are: Deep East Texas Council of Governments (DETOG), East Texas Council of Government (ETCOG), Houston-Galveston Area Council (HGAC), and the South East Texas Regional Planning Commission (SETRPC). These COGs applied and received funding on behalf of eligible entitlement communities, non-entitlement communities, and federally-recognized Indian Tribes within their regions.

Prior to execution of the subrecipient agreements, the program coordinators conducted on-site visits with COGs who received funding. Subsequent to awarding contracts, ORCA provides on-going technical assistance and remote monitoring to its recipients. This is achieved through regular contact, e.g., by phone, email, and meetings.

ORCA has established a written process for conducting on-site reviews and has a very detailed monitoring Standard Operating Procedures (SOP). ORCA also developed an implementation manual and a procedures manual which is used to communicate specific requirements and responsibilities to the COG's. When conducting a review, program coordinators are required to use the SOP and checklist along with the implementation manual to ensure that statutory and regulatory requirements are being met.

It is ORCA's policy to perform on-site monitoring initially when the recipient agreement is signed and at 75 percent completion of each project. If an issue is identified between the initial on-site monitoring and before 75 percent completion, ORCA will monitor as needed. Technical assistance visits are made each time a draw is made and when other matters such as labor and environmental concerns arise.

For on-site monitoring, ORCA sends a letter to its COGs announcing their intent to visit. In that letter, areas to be reviewed are specified. Once the on-site monitoring visit has been concluded, a letter goes to the COG with a definitive conclusion of the recipient's performance. This letter will go out within 30 days from the date of the monitoring. However, the letter could be delayed if ORCA is awaiting supporting documentation from its recipient. If a finding or concern has been identified, a resolution is required by the COG. Findings and concerns are tracked in a database system used by ORCA called Oracle. Findings are typically resolved within two weeks from the date of the letter. This information was verified by the reviewer in the recipient files selected for review.

ORCA's process provides for the imposition of further sanctions on grant recipients that fail to demonstrate compliance or resolve issues of noncompliance. Although this has not been an issue with the four COGS, ORCA's policy is that it may disallow cost. Approximately 6 percent ($4,433,600) of the recipient agreements ($30,537,574) were selected for review. Sixteen (16) of the ninety-four (94) files were reviewed. Based on the review, ORCA continues its efforts to ensure that staff is properly trained. Staff has been trained in-house on contract/recipient management. The training is conducted prior to and after the execution of the recipient agreements. The policies and procedures that are in place appear to adequately ensure compliance with grant requirements. A review of ORCA files shows it maintains adequate records to document that reviews of its recipients have been conducted. As of April 15, 2008, 75 percent of communities have expended funds on their approved projects and 35 percent of the total grant has been expended. Based on the review, there were no findings in this program area.

PROCUREMENT - MULTIFAMILY RENTAL RESTORATION PROGRAM

TDHCA allocated $82,867,166 in supplemental CDBG funds to support the Multifamily Rental Restoration Program. The focus of this program is to use CDBG disaster recovery funds for repair, rehabilitation and reconstruction (including demolition, site clearance and remediation, as described in 24 CFR 570) of existing affordable rental housing that sustained damage by Hurricane Rita. TDHCA's program specifically targets the 22 disaster-affected counties designated in the State's Action Plan.

To satisfy requirements of the supplemental appropriations, fundable activities must meet the following standards: (1) must be eligible under program rules, (2) meet a CDBG national objective, and (3) the activity is included in an approved action plan. The grantee's program documentation for fundable activities must include sufficient information showing that the preceding requirements are met and demonstrating that the activities are carried out in accordance with all program requirements. The Multifamily Rental Restoration Program is a housing program subject to the waiver granted for such activity in the August 1, 2006, *Federal Register* Notice (71 FR 43622).

This review was HUD's first on-site review of this program. HUD staff focused on determining whether the state has policies and procedures in place to ensure program compliance. Because of the program's size and being in the initial stages, HUD reviewers evaluated the program's application and selection process and reviewed the current status of program applicants. The review included an evaluation of policy and procedure documents for the application process, selection criteria and program monitoring. The review also included file reviews and TDHCA staff interviews. TDHCA staff interviewed was: Jen Joyce, Disaster Recovery Program Manager, and Jennifer Molinari, CDBG Disaster Recovery Program Coordinator. As the program progresses, future reviews will include site visits and a more detailed management review, highlighting participant eligibility.

The state's policies and procedures related to overall fundability for the Multifamily Rental Restoration Program are explained in the following documents:

- Action Plan (2nd Supplemental),
- Application Submission Procedures Manual,

- Multifamily Rental Restoration Program Questions & Answers
- Multifamily Rental Restoration Program Notice of Funding Availability (NOFA),
- TDHCA Portfolio Management and Compliance Monitoring Manual

Based on the review, the policies and procedures that TDHCA has in place adequately cover eligibility and national objectives. These policies and procedures create a reasonable expectation that funded applicants will be in compliance with program requirements.

Multifamily Rental Restoration Program Application Review

Of the 9 applications submitted to TDHCA, a "funded" project and "rejected" project were reviewed to evaluate the application and selection process. The following files were reviewed:

- Virginia Estates (funded)
- Sunlight Manor (not funded)

HUD staff reviewed these files for compliance in the following areas:

- Eligibility
- National Objectives
- Adherence to Action Plan, Policies and Procedures

Eligibility

The procedures and policies for this program are specific as to the eligibility of the projects/applicants. Specifically, applications were accepted for development of sixteen (16) or more units through October 24, 2007 (180 days from the date the NOFA was published in the Texas Register). Scattered site development is an eligible activity as long as all the sites included in the development total 16 or more units. The applicant must establish that the property was physically damaged by Hurricane Rita and an appropriate insurance claim has been filed. The applicant property must have been located in an eligible county designated by the Action Plan. Our review of the program and applicant files found that eligibility criteria had been met.

National Objective

The national objective for the Multifamily Rental Restoration Program is Low and Moderate Income benefit. This national objective will be achieved because all assisted developments must designate at least 51% of all assisted units to serve low- and moderate income individuals and families earning 80% or less of the area median family income. The information provided to applicants during the application process explicitly outlined the parameters of meeting the national objective. The applicant files that were reviewed identified the applicant's methodology and approach to meeting the national objective.

Adherence to Action Plan, Policies and Procedures

The applicant files were also reviewed to determine if the state is in compliance with its established guidelines. Multifamily Rental Restoration Program applications were all submitted based on the guidance provided in the State's Action Plan and NOFA. Applicants were also informed of the policies and procedures established to ensure program compliance through on-going monitoring. All documentation reviewed supports that the Multifamily Rental Restoration Program is compliant with established policies and procedures.

ENVIRONMENTAL REVIEW

Environmental Review Records (ERRs) were reviewed for the following programs:

- Southeast Texas Regional Planning Commission (SETRPC) first Supplemental CDBG Disaster Recovery Grant B-06-DB-48-0001;
- Deep East Texas Council of Governments first Supplemental CDBG Disaster Recovery Grant B-06-DB-48-0001;
- Houston-Galveston Area Council first Supplemental CDBG Disaster Recovery Grant B-06-DB-48-0001;
- Gulf Breeze Phase I and Gulf Breeze Phase II
- Brittany Place Homes II and the Development at Ray Avenue and Hwy 73.

Monitoring of the Environmental files noted above resulted in five (5) findings and one (1) concern.

Finding Five: Incorrect Project Classification

CONDITION: The review of TDHCA's environmental files revealed that the Environmental Review Record for SETRPC included reconstruction activities that had been classified as Categorically Excluded under 24 CFR 58.35(a)(4) (An Individual Action). This classification is only appropriate when a project developing five or more housing units on scattered sites includes units that are no closer than 2,000 feet. Programs may not use the classification of Categorical Exclusion when they do not comply with this condition. TDHCA staff discovered the error that more than 5 units are within 2000 feet of each other prior to the monitoring visit.

CRITERIA: The regulations at 24 CFR 58.35(a) (4) allow for certain projects for individual actions to be classified as Categorically Excluded from NEPA review, thus allowing for a relatively simpler environmental review than for more complex projects.

Unfortunately, the State has used this classification for a project that does not meet the qualifying conditions. This error in classification has allowed the project to proceed without the proper depth of environmental review required by the regulations. Currently, HUD has reviewed the TDHCA Operating Procedures that correctly describe the classification process. Because of the tiered nature of this project, the relative vague project design, and the perceived urgency to provide needed resources to affected individuals, these procedures were not followed. This error appears to be compounded by the intense workload imposed in a condensed time period. Staff clearly understands the regulations and applications, but was unable to immediately and thoroughly review the volume of necessary environmental documentation.

CORRECTIVE ACTION: Because there are many more housing reconstructions yet to be funded, TDHCA must prepare a tiered Environmental Assessment for the balance of this project, including a revised public notice and Request for Release of Funds (RROF). Please work with HUD to submit these documents as soon as possible.

Finding Six: Inadequate Project Descriptions

CRITERIA: An ERR is required for each project subject to 24 CFR 58.38. The ERR is required to include a complete description of the project and all the activities that the recipient has determined to be part of the project.

CONDITION: The review of TDHCA's environmental files found that the tiered disaster programs lacked an adequate project description for the site-specific actions. Although the broad plans (level one tier) provided a general project description, such as "rehabilitation of buildings", the actual description to be accomplished at each address, such as "roof replacement" was omitted on all site specific reviews. For the tiered programs the site-specific project description was not detailed and does not meet the requirements of 24 CFR 58.38(a) (1). A detailed project description is critical because it is necessary for projects to be properly classified and experience the proper level of environmental review.

CORRECTIVE ACTION: Currently, HUD has reviewed the TDHCA Operating Procedures which require complete descriptions for all proposed projects. However, the TDHCA tiering procedures do not require a site-specific activity description. The State procedure for tiering must be amended to include a requirement for the site-specific activity description and review. Please work with HUD to submit your amended, written tiering procedure that will ensure compliance with the requirements of 24 CFR 58.38(a) (1) as soon as possible. The State must then implement the tiering procedure approved by this office.

Finding Seven: Support Documentation

CRITERIA: Based on the lack of documentation in the files reviewed, the State has failed to fully comply with the requirements of 24 CFR 58.5 (Related Federal Laws and Authorities).

CONDITION: The inadequate documentation includes:

a. **Floodplain Management.** All projects that receive federal funds that do not meet the requirements of being exempt under 24 CFR 58.34 or categorically excluded under 24 CFR 58.35(b) must have documentation of compliance with 24 CFR 58.5(b) and the requirements of Executive Order 11988, Floodplain Management. These requirements obligate grantees to determine if projects are located in or impact floodplains. If the project is located in or impacts a floodplain, the prescribed 8-step process must be completed and documentation of the 8-step process compliance is required to be included in the ERR as noted at 24 CFR 55.20.

Both the City of Port Arthur and SETRPC have completed the 8-step process for the demolition of dangerous structures at seven locations and the repair and reconstruction of homes. Both of the early notices (step 2) were published July 15, 2007 and both omitted the total number of acres of floodplain involved, as required by regulation. The identification and evaluation of practicable alternatives (step 3) was incomplete and did not discuss locations outside the floodplain or alternative methods to serve the project objective. Since step 3 was incomplete, the succeeding steps were also unacceptable. (i.e. Step 7 includes a list of the alternatives considered)

Rehabilitation activities completed in the City of Beaumont by SETRPC identified properties that were located in the 100 year floodplain, however it was not documented whether the 8-step process review was necessary or performed.

b. **HUD environmental standards.** 24 CFR 58.5(i) requires that noise-sensitive projects which are located in high noise areas must conduct a noise analysis and must provide noise attenuation measures, as appropriate under 24 CFR 51, subpart B. The environmental review of Brittany Place, a proposed new multifamily facility, did not include a noise assessment of appropriate rail and highway noise generators, although a railroad is within 3,000 feet and the South Twin City Highway (347) is within 1,000 feet.

The environmental assessment Gulf Breeze II overlooked the presence of aboveground storage tanks, although the pictures of the project site clearly show the tanks. The tanks are located approximately one thousand feet west of the proposed facility. The regulation at 24 CFR 51 subpart C which establishes the safety standards for HUD-assisted projects from specific, stationary, hazardous, above ground operations which store, handle, or process hazardous substances was overlooked. The calculation of an Acceptable Separation Distance (ASD) for potentially hazardous sites is required, barring documentation that the tanks are not (and will never be) operative.

CORRECTIVE ACTION: As part of HUD's environmental review procedures, the TDHCA must certify that it has complied with the requirements of the laws and authorities of 24 CFR 58.5, as applicable, and must consider the criteria, standards, policies and regulations associated with these laws and authorities. TDHCA currently has HUD-reviewed operating procedures that correctly describe the review and documentation process. Those procedures were not followed. This error appears to be a result of a rush by the agency to serve the public's housing needs after the disaster and excessive workload in a brief time period. Staff clearly understands the regulations and applications. However they are unable to immediately and thoroughly review the volume of necessary environmental documentation within management imposed time frames. This finding can be cleared by the same actions to address Concern #1, which is presented later in this letter.

Finding Eight: Environmental Assessment

CRITERIA: The State, as Responsible Entity (RE), is obligated to prepare an Environmental Assessment (EA) in accordance with 24 CFR 58.4, 58.10, and 58.36 for projects which are neither exempt nor categorically excluded.

CONDITION: In the EAs reviewed for Brittany Place Homes II, the project at Ray Avenue & Hwy 73 and Gulf Breeze I and II, the State did not provide adequate compliance with both NEPA and HUD regulatory requirements to evaluate alternatives to the project, and to recommend modifications to minimize adverse effects of a project. These EAs failed to document the identification, consideration, or evaluation of alternatives or modifications to the projects. In addition to the required "No Action" alternative, EAs must consider other alternatives including scope, location, design and materials.

CORRECTIVE ACTION: TDHCA currently has operating procedures that correctly describe the EA process, including the assessment of alternatives. This error appears to be a result of new personnel, a rush to serve the public in need of housing after the disaster and an excessive workload. In part due to training for the new personnel, staff clearly understands the regulations and applications, but is unable to immediately and thoroughly review the volume of necessary environmental documentation. To clear this Finding, submit all environmental assessments that support future RROFs for multifamily projects. HUD will notify TDHCA when this procedure is no longer needed based on a pattern of acceptable submissions.

Finding Nine: Dissemination of Public Notice Not Properly Documented

CONDITION: The State's distribution of copies of its public notices to interested parties is required, but was not observed on any of the projects reviewed.

CRITERIA: The Notice of Intent to Request Release of Funds (RROF) and the Notice of Finding of No Significant Impacts, per 24 CFR 58.43 and 24 CFR 58.70 (on a combined Notice), must be distributed to the local news media; individuals and groups known to be interested in its activities; appropriate local, state, and Federal agencies; the Headquarters and the appropriate Regional Office of the Environmental Protection Agency; and to the HUD Area Office. These Notice distribution requirements are in addition to publishing the Notice in a newspaper of general circulation.

CORRECTIVE ACTION: TDHCA currently has operating procedures that correctly describe the dissemination of the public notice process. Future RROFs must attach the dissemination list used so that HUD may verify that the proper public notice dissemination occurred.

Finding Ten: Assumption Authority and Responsibilities of States Assuming HUD Environmental Responsibilities

CRITERIA: For the projects reviewed, the State has assumed HUD's environmental responsibilities. These responsibilities require the State to:

1. Provide procedures for responsible entities (RE) to document their environmental compliance, (24 CFR 58.4(a));
2. Approve RE's environmental certifications and RROFs, (24 CFR 58.4(b)(2));
3. Develop a monitoring and enforcement program, (24 CFR 58.18(a)(1)); and
4. Receive Request Release of Funds (RROF) package from REs, accept objections, and perform other related responsibilities regarding the RROF process, (24 CFR 58.18(a)(2)).

CONDITION: Based on the review for the Texas CDBG Disaster Recovery funding, ORCA has not developed new procedures and is employing those of its ongoing CDBG program. This includes the annual provision of less than one hour of environmental training each year to some of the grantees. This is insufficient. Based on item 3 of the criteria above, ORCA has not yet monitored any of the disaster grants. Thus commenting on ORCA's Monitoring and Enforcement Program would normally be premature. A review of the current monitoring checklist indicated that many substantive environmental questions are on the list. However, to date, the ongoing monitoring program allows only a few hours for the entire monitoring review and this is inadequate to permit the level of detail needed to assure compliance with the environmental requirements. Furthermore, anecdotal information suggests that sanctions are usually avoided even in cases of 24 CFR 58.22 violations, in the standard monitoring performed to date. Based on the review, the system of monitoring and enforcement that will be employed in the CDBG Disaster Recovery Grants will be the same as for the standard, on going CDBG program. Because the scope and nature of the programs differs, this is inadequate and will not encourage better environmental performance among ORCA's grant recipients. Currently, ORCA requests 10% of the grantees to submit their ERRs in support of their RROF. Given the deficiencies observed in grant recipient files and the limited number of grantees experiencing in-depth environmental monitoring, this system is in need of enhancement and strengthening.

CORRECTIVE ACTION: The observed deficiencies in the ORCA grantees' ERR process can be corrected by enhanced environmental training (for the HUD recipients, there is a requirement of at least a 2 day course to address the minimum material needed), a stronger monitoring and enforcement program, and additional staff. This additional staffing resource is needed, at a minimum, to accomplish the necessary improvements. At present, one person has the lead environmental staff position as a portion of his duties. To accomplish the requirements identified above, non-environmental duties need to be removed from this position's responsibilities and additional staff support beyond this change in responsibility is highly encouraged.

The environmental staff needs to better communicate with others throughout ORCA to ensure that they share decisions, opinions, and policies internally and consistently apply guidance to their clients. Also, HUD strongly recommends an environmental presence when program design discussions are being conducted, so that time and resource requirements of environmental reviews may be considered in the decision making. The environmental function should be located organizationally in a position to provide guidance to both the Community Development Division and the Office of Rural Health & Compliance Division, at a minimum. Within 30 days of this letter, identify in writing to HUD when the changes in staff responsibility and organizational structure the state will implement to accomplish the commitment of needed resources to address this deficiency.

Concern One- TDHCA

While five findings have been made, the basis for these findings does not appear to be the lack of proper written operating procedures or knowledgeable staff. Thus, it must be concluded that other organizational and structural factors are contributing to these findings. First, it appears that additional environmental staff resources are needed to respond to the workload level staff faces. Second, it is helpful to centralize the environmental function so that there is consistency throughout the agency in applying environmental regulations and policies. While it may be impractical to run all decisions through one individual, the environmental staff needs to better communicate with each other through TDHCA systems to ensure that they share decisions, opinions, and policies with others continually. Third, there needs to be an environmental presence when program design discussions are being conducted, so that time and resource requirements of environmental reviews may be considered in the design decision making.

Concern Two-ORCA

CONDITION: A review of selected project files revealed that the project description and classification errors of the past CDBG programs have been generally corrected and projects are now being properly described and classified. Occasional errors and omissions were found in the project files reviewed. However, these were regulatory violations committed by the State's grant recipients in their role as Responsible Entities (REs). The suspected cause of these errors and omissions is in part the limited guidance and training provided to the REs. HUD expects that the State would detect these errors during its in-depth monitoring process. It is unclear, based on past performance, whether the standard monitoring process would detect these deficiencies.

CRITERIA: The types or errors observed include:

1. As Responsible Entities, the State's grant recipients are obligated to prepare an Environmental Assessment in accordance with 24 CFR 58.36 for projects which are neither exempt nor categorically excluded. In preparing Environmental Assessments the REs generally failed to fully comply with both NEPA and HUD regulatory requirements to evaluate alternatives to the project and recommend modifications to minimize adverse effects of a project. The ERRs for projects all failed to document the identification, consideration, or evaluation of alternatives or modifications to their proposed project.

2. Based on the lack of documentation in the files reviewed, the State's grant recipients have failed to fully comply with the requirements of 24 CFR 58.5 and 24 CFR 58.6 (Related Federal Laws and Authorities). Examples of inadequate documentation by grant recipients include:

a. Some project files did not include any Texas Historical Commission (THC) clearance documentation. Also, for one project, documentation of Section 106 historic preservation compliance was provided by the THC after the RE's Request for Release of Funds (RROF) and Environmental Certification. Federal law and regulations require completion of the Section 106 requirements prior to the RROF process.

b. Documentation of compliance with the Endangered Species Act (ESA) requirements for some projects included providing a list of endangered and threatened species for the county containing the project. However, a conclusion of whether the project would affect the listed species was never made.

c. The requirements of Executive Order 11988, Floodplain Management, obligate the State's REs to determine if projects are located in or impact the 100 year floodplain, and document that determination. For all project activities located in or impacting the 100 year flood hazard area, compliance with 24 CFR 55.20 (the 8-step process) must be documented, unless exempted by 24 CFR 55.12. Should a 24 CFR 55.12 exemption be appropriate, documentation of that fact is required. Some projects with activities located in the special flood hazard areas did not include the 8-step process.

d. For the some activities, adequate documentation was not observed to support the determination that all properties which are being proposed for use in HUD programs are free of hazardous materials, contamination, toxic chemicals and gases, and radioactive substances as required by 24 CFR 58.5(i)(2)(*i*).

e. There was no noise study completed for the rehabilitation of a community shelter that was located near a State highway. Proof of compliance with 24 CFR 51 subpart B (HUD noise standards) was not provided.

3. The required distribution of copies of public notices is described in 24 CFR 58.43 and 24 CFR 58.70. These regulations require that the Notice of Intent to Request Release of Funds, the Notice of Finding of No Significant Impact, or the Combined Notice must be distributed "to individuals and groups known to be interested in the activities, to the local news media, to the appropriate tribal, local, State and Federal agencies; to the Regional Offices of the Environmental Protection Agency having jurisdiction and to the HUD Field Office". These Notice distribution requirements are in addition to publishing the Notice in a newspaper of general circulation. This notice distribution was not observed in most of the files reviewed.

Internal Audit Division

BOARD ACTION REQUEST

September 4, 2008

Action Items

Status of external audits.

Required Action

None, information item only.

Background

The status of external audits provides an overview of the status of all external audits currently in progress, recently completed, or anticipated in the near future.

Recommendation

No action is required.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT DIVISION – STATUS OF EXTERNAL AUDITS
September 4, 2008

Internal Audits/Activities	Scope/Description	Stage	Comments
U.S. Department of Housing and Urban Development	Review of the Community Affairs Division's Emergency Shelter Grants Program	Fieldwork	Started August 18, 2008.
U.S. Department of Housing and Urban Development – Office of Inspector General	Testing of the Department's CDBG Supplemental Disaster Funds	Fieldwork	Started August 12, 2008.
KPMG	The scope of the financial portion of the Statewide Single Audit includes an audit of the State's basic financial statements for fiscal year 2008 and a review of significant controls over financial reporting and compliance with applicable requirements.	Fieldwork	This audit will be completed in January, 2009.
Deloitte and Touche	Annual opinion audits: • Consolidated Financial Statements for the FYE August 31, 2007 • Revenue Bond Enterprise Fund for the FYE August 31, 2007 • Opinion Audit on FY 2007 Computation of Unencumbered Fund Balances	Fieldwork	This audit will be completed in December, 2008.
Comptroller of Public Accounts	A post-payment audit of certain payroll, purchase, and travel transactions.	Reporting	Anticipated report release in August 2008.
State Auditor's Office	Audit of the Single Family Mortgage Revenue Bond Program.	Reporting	Report Released August 18, 2008

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT DIVISION – STATUS OF EXTERNAL AUDITS
September 4, 2008

Internal Audits/Activities	Scope/Description	Stage	Comments
U.S. Department of Housing and Urban Development	Management Review of the Department's CDBG Supplemental Disaster Funds.	Completed	Report Released August 1, 2008.
Department of Energy	Review of the Department's Weatherization Assistance Program.	Completed	Report released May 14, 2008.
KPMG	Follow-up on prior audit issue related to the Department incorporating a control to ensure delinquent A-133 reports are monitored and appropriate communications and actions are taken with the respective subrecipients.	Completed	This issue was cleared in the December 29, 2007 Federal Portion of the Statewide Single Audit Report for Year Ended August 31, 2007.
Deloitte and Touche	Annual Opinion Audits: • Consolidated Financial Statements for the FYE August 31, 2007 • Revenue Bond Enterprise Fund for the FYE August 31, 2007 • Opinion Audit on FY 2007 Computation of Unencumbered Fund Balances	Completed	Report released December 19, 2007.
State Auditor's Office	To determine whether the Department appropriately awarded and disbursed hurricane recovery funds.	Completed	Report released October 30, 2007.

REAL ESTATE ANALYSIS DIVISION
BOARD ACTION REQUEST
September 4, 2008

Action Item

Presentation, Discussion and Possible Action for 2008 Competitive Housing Tax Credit ("HTC") Appeals of Underwriting.

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeal.

Background and Recommendations

Harris Manor Apartments, 08260

This Applicant is appealing a condition contained in the underwriting report that requires 50% income restrictions for all of the units elected to have 50% rent restrictions.

The Applicant proposes the rehabilitation of an existing development that was funded with Low Income Housing Tax Credits in 1992. The development's 15 year compliance period ended in 2007 and the Applicant received a new allocation of $725,011 annually in housing tax credits at the July 31, 2008 TDHCA Board Meeting to revitalize the property. The Applicant's appeal was received subsequent to the deadline for appealing to that July meeting.

During the underwriting process it was identified that the achievable market rents as determined by the Market Analyst were less than the HTC 50% rents and that the proposed units targeting households earning 60% of the area median income would not be able to achieve rents greater than those affordable to households earning 50% of the area median income. Pursuant to the 2008 Real Estate Analysis Rules [10 TAC Section 1.32(i)(4)], units that have Achievable Market Rents below the 50% level will be required to restrict these units in the LURA at the 50% level or the development will be characterized as infeasible and would therefore not be recommended. It has been the Board's policy and Department's practice to ensure that rent restrictions have corresponding income restrictions. Thus when a reference to a 50% tax credit unit is made, today it means a unit that is restricted both to leasing to tenants that make not more than 50% of the are median income and charging not more than the 50% rent levels (which is based on 30% of the 50% of area median rent adjusted for family size).

While exceptions to this rule exist, the Board as well as our State Legislature have moved toward this corresponding income and rent approach as evidenced by the Private Activity Bond priority system changes to the highest priority which formerly called for rents at 50% and incomes up to 60% but now prioritize developments which have 50% rents and target 50% incomes. This is also evidenced in the scoring criteria Section 50.9(i)(3) of the QAP which explicitly requires that "…income levels require corresponding rent levels that do not exceed 30% of the income limitation…" It has been the Department's experience that developments targeting 60% households but underwritten and restricted with 50% rents have a competitive advantage over existing and future Department funded properties that compete for 60% income tenants but must achieve higher 60% rents. This competitive advantage has led to artificially depressed rents in some markets. Additionally, this results in less 50% units available for lower income households who need them and undermines the financial viability of new development wishing to target 60% households. The subject units are effectively utilizing more tax credits to achieve rent levels that are affordable to 50% households. If the property was underwritten at the maximum rent levels based on the higher income restrictions originally proposed by the Applicant, the gap in financing would decrease significantly, and the Underwriter estimates that the development would need approximately $205K less in tax credits annually.

Relevant documentation related to this appeal is provided behind the Board Action Request.

Applicant :	2216 Harris Investors, LLC
Site Location:	2216 Harris Ave
City/County:	Pasadena, Harris
Regional Allocation Category:	Urban
Population Served:	Family
Region:	6
Set Asides:	At-Risk
Type of Development:	Acquisition/Rehabilitation
Units:	201
Credits Requested:	$725,011
Credits Recommended:	$725,011

Staff Recommendation: The Executive Director denied the original appeal. Staff is recommending that the Board also deny the appeal.

08260
Harris Manor Apartments
Executive Director Response

August 18, 2008

Daniel Betsalel
2216 Harris Investors LLC
1050 Wall Street West, Suite 230
Lyndhurst, New Jersey 07071
Phone: 201.531.9100
Fax: 201.935.5272

Re: Underwriting Appeal for Harris Manor Apartments (#08260)

Dear Mr. Betsalel:

<u>Appeal Review</u>

I have reviewed your letter that was received on August 14, 2008 regarding the underwriting report dated July 23, 2008. Your letter appeals the underwriting report's condition requiring all units to be restricted for households with incomes at or below 50% of AMI.

Your request to remove the subject condition is inconsistent with the Board's policy to ensure that the targeted rent restricted units are available to households at those lower incomes. This policy directive is reflected in the 2008 QAP 2008 § 50.9(i)(3) and has been consistently applied across transactions, including another transaction that received a 2008 award of 9% housing tax credits. Staff is also proposing a clarification of this policy for consideration in the 2009 rule cycle.

If higher 60% income households are allowed to rent units restricted at the 50% level then fewer units will be available to serve the 50% households in the market. While you suggest that households between 50% and 60% incomes will be adversely affected, the already low market rent in this area is indicative that 60% households already have comparably affordable housing opportunities. Moreover, the existing tenants with incomes over 50% of AMI will have the opportunity continue residing in their units and will not be impacted by this restriction.

The Department's previous experience with allowing incomes at 60% and rents at 50% suggests that these properties have a long-term competitive advantage over existing properties that must achieve

60% rents in order to maintain financial feasibility. Moreover, future proposed properties targeting 60% incomes and rents may have difficulty achieving the higher rent levels needed. It is in the Department's interest to continue to apply this policy as intended, fairly and consistently to all applications.

Appeal Determination

Your appeal is denied.

Pursuant to Title 10 Texas Administrative Code Section 1.7 you have requested that your appeal, if denied by me, be filed with the Board and heard at its next regularly scheduled meeting. Thus if you wish for this appeal to be considered by the Board at the September 4, 2008 Board meeting you need to submit your appeal to the Board by the earlier of seven days from the date of this notice or three days prior to the meeting date.

If you have questions or comments, please call me or Tom Gouris, Director of our Real Estate Analysis Division at (512) 475-1470.

Sincerely,

Michael Gerber
Executive Director

MGG: CFD

08260
Harris Manor Apartments
Applicant Appeal

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

REAL ESTATE ANALYSIS

Housing Tax Credit Program – 2008 Application Cycle
Underwriting Report Notice

Appeal Election Form: 08260 Harris Manor Apts **Date Notice Sent: 7/24/2008**

I am in receipt of my 2008 Underwriting report notice and have reviewed the Appeal Policy at 10TAC Section 50.17(**b**). I recognize that should I choose to file an appeal, I must file a formal appeal to the Executive Director within seven days from the date this Notice was issued and the Underwriting report was posted to the Department's web site. I understand that my appeal must identify my specific grounds for appeal.
If my appeal is denied by the Executive Director, I

☒ Do wish to have my appeal to the Board of Directors and request that my appeal be added to the next available Board of Directors' meeting agenda. I understand that my Board appeal documentation must still be submitted by 5:00 p.m., seven days prior to the next Board meeting or three days prior if the Executive Director has not responded to my appeal in order to be included in the Board book. I understand that if no documentation is submitted, the appeal documentation submitted to the Executive Director will be utilized.

☐ Wish to wait to hear the Executive Director's response before deciding on my appeal to the Board of Directors.

☐ Do **not** wish to appeal to the Board of Directors or Executive Director.

Signed [signature]

Title Authorized Representative

Date 7/29/08

Please fax or e-mail to the attention of:
Pam Cloyde: (fax) 512.475.4420
(e-mail) pamela.cloyde@tdhca.state.tx.us

2216 HARRIS INVESTORS LLC
1050 WALL STREET WEST, SUITE 230
LYNDHURST, NEW JERSEY 07071
(201) 531-9100
FAX: (201) 935-5272

August 14, 2008

Texas Department of Housing & Community Affairs
Attention: Michael Gerber, Executive Director
221 East 11th Street
Austin, TX 78701

Re: Underwriting Appeal for TDHCA # 08260, Harris Manor Apartments

Dear Mr. Gerber:

2216 Harris Investors LLC (the "Applicant") hereby appeals the first condition imposed in the underwriting report performed by the Real Estate Analysis Division dated 7/23/08. It reads as follows:

1. The rent and income levels for all one- and two-bedroom units should be restricted to no more than 50% of AMGI.

Background

Harris Manor Apartments (the "Development") is an existing tax credit development that originally received credits in 1992 (TDHCA #92028). The project was placed-in-service in 1993 and the first year of the credit period started on January 1, 1993. The original compliance period ended on December 31, 2007, which is 15 years after the start of the credit period. The Development has been operated and managed with rent and income levels for all units no more than 60% of AMGI.

In the initial 2008 application, the Applicant designated 32 of the Development's 58 one-bedroom units as 60% AMGI units and 65 of the Development's 116 two-bedroom units as 60% AMGI units. The remaining one- and two-bedroom units were designated with incomes and rent limits at or below a combination of 50% and 30% of AMGI.

The TDHCA Real Estate Analysis Division invoked Section 1.32(i)(4) of the Real Estate Analysis Rules as follows:

> The Restricted Market Rent for units with rents restricted at 60% of AMGI is less than both the Net Program Rent and Market Rent for units with rents restricted at or below 50% of the AMGI unless the development proposes all restricted units with rents restricted at or below the 50% of AMGI level.

Please note that the Real Estate Analysis rules do not discuss income at all; only rents. The Applicant agreed to abide by this guideline and restrict the rents on the one- and two-bedrooms to 50% of AMGI level. However, the Applicant believes it is in the best interest of both the Development and the potential low-income renters in the Development's market, to allow the income of the residents to be restricted at 60% of AMGI or less for the units we originally designated as 60%.

The Division also states the following reason for the first condition, on page 8 of the underwriting report:

> "The Department would be missing the opportunity to target more units specifically toward the harder to reach 50% income level without negatively impacting the income potential for the development. The rental income for the development would be the same either way but the benefit to households earning 50% or less of the area median income would be more units available. For these reasons the underwriting report will recommend that the one- and two-bedroom units be restricted at corresponding rent and income limits no greater than 50% of AMGI. "

Please consider the following:

1. The Real Estate Analysis Rules do not require a restriction of the tenant incomes in this instance. They only require a restriction of the rents, as evidenced by the language above.

2. The Applicant disagrees with the Department's assertion that targeting more units specifically toward 50% income level tenants will not negatively impact the income potential for the development. The restriction will limit the pool of potential renters available to the Development thereby making it more difficult to maintain occupancy and thereby could negatively affect rental income.

3. The Applicant disagrees with the assertion that the restriction of the one- and two-bedrooms will greatly benefit the households earning 50% or less of AMGI. While it is true that more units will be targeted to the 50% AMGI renters the Applicant believes the benefit will be outweighed by the negative impact on the low-income renter who is above 50% but below the 60% AMGI income level that will be restricted from renting one- and two-bedrooms at the Development. The terms of the Development's current LURA are 90% of the units at 60% of AMGI.

At the present time approximately 69% of the one- and two-bedrooms at the Development are rented to tenants that would qualify at the 50% AMGI income level. The fact that the Development had the right to rent every one of these units to 60% AMGI level tenants did not have a negative impact on these 50% AMGI income level households that in fact rented apartments at the Development. On the other hand the approximately 31% of the one- and two-bedroom units which are rented to tenants above the 50% AMGI level but below the 60% AMGI will be restricted from renting at the Development when the new tax credits are put in service. In addition, in light of the fact that we have agreed to restrict all rentals of the one- and two-bedrooms to the 50% level maximum there will be no economic incentive for the Development to target rentals to 60% income level tenants as opposed to 50% income level tenants.

4. It is our understanding that there is a precedent for projections having rent restrictions at the 50% level but with income at 60% level as this was a standard structure for projects using tax exempt bonds with tax credits for many years.

5. The Applicant understands that the Department has language in the QAP with respect to restricting both rents and incomes and targeted units. However, the Applicant would point out that the language in the QAP is only relevant to Section 50.9(i)(3) of the QAP relating to a scoring item in which the applicant has agreed to restrict the rents and incomes of certain specified units, for which they were awarded points. However, this would only apply to those units that the Applicant specified in their original application. The Applicant will meet their obligations as they originally intended to do.

Summary

The Applicant respectfully requests that the Development not be required to meet the first condition of the underwriting report and be permitted to rent 32 one-bedroom units and 65 two-bedroom units to 60% AMGI level tenants but restricted to the maximum rent of the 50% AMGI level tenant. This would allow the Development to continue leasing to essentially the same tenant population that it has served for the last 15 years.

Should the Executive Director deny this appeal, the Applicant requests that it be considered at the September 4th Board Meeting.

Thank you for your consideration of this matter.

Very truly yours,
2216 Harris Investors, LLC (to be formed)

By: ____________________
Daniel Betsalel, Authorized Representative

08260
Harris Manor Apartments
Underwriting Report

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 07/23/08 PROGRAM: HTC 9% FILE NUMBER: 08260

DEVELOPMENT

Harris Manor

Location: 2216 Harris Ave Region: 6

City: Pasadena County: Harris Zip: 77506 [X] QCT [X] DDA

Key Attributes: Multifamily, acquisition / rehabilitation, family, urban

ALLOCATION

	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$725,011			**$725,011**		

CONDITIONS

1 The rent and income levels for all one- and two-bedroom units should be restricted to no more than 50% of AMI.

2 Receipt, review, and acceptance, prior to any planned remodeling or demolition, of documentation that a comprehensive survey for asbestos-containing materials has been completed, and any subsequent recommendations have been fully executed.

3 Receipt, review, and acceptance, prior to any planned remodeling or demolition, of documentation that a comprehensive survey for lead-based paint has been completed, and any subsequent recommendations have been fully executed.

4 Receipt, review, and acceptance, prior to carryover, of documentation that a program has been initiated to visually inspect the property-owned transformers at regular intervals for stains and leaks that could indicate discharge of PCB's.

5 Receipt, review, and acceptance, prior to carryover, of documentation that a noise study has been completed, and any subsequent recommendations have been fully executed.

6 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.

7 If the rates or terms of the proposed financing change the transaction should be reevaluated, and adjustments to the credit allocation may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	11
50% of AMI	50% of AMI	167
60% of AMI	60% of AMI	15

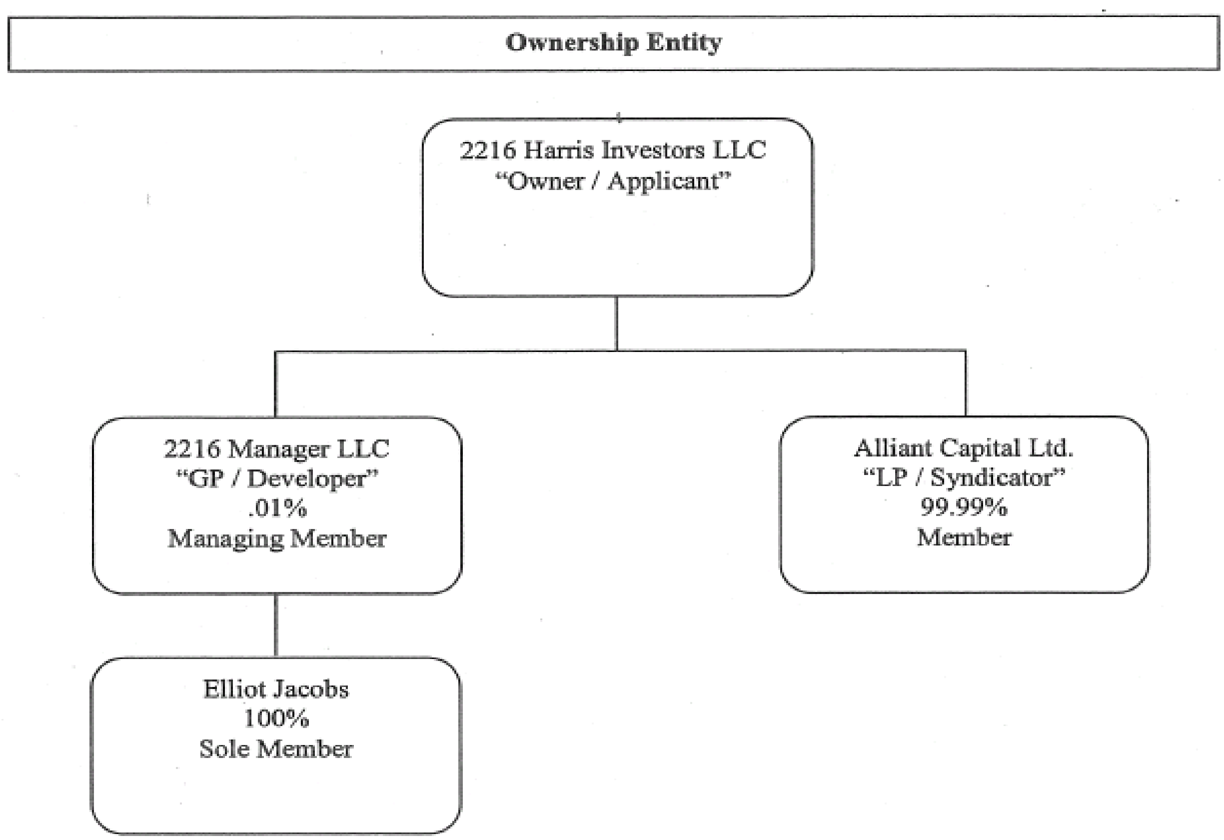
PROS	CONS
▫ The proposed rehabilitation will preserve the affordability and extend the useful life for a 37-year-old property with 201 existing units.	▫ If the ultimate source of funds for the loan from Southeast Texas Housing Finance Corp. is federal, e.g. local HOME funds, the rate would have to be at or above AFR to avoid jeopardizing the 30% boost to eligible basis. ▫ Both the Market Analyst's and Underwriter's inclusive capture rate are well over 25% however this is an existing development which is predominantly leased and therefore exempt from the capture rate requirement.

PREVIOUS UNDERWRITING REPORTS

The subject received an allocation of 9% tax credits in 1992. No underwriting report from that transaction is available.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact:	Daniel Betsalel	Phone:	(201) 531-9100	Fax:	(201) 935-5272
Email:	dbtexman@aol.com				

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Elliot Jacobs	N/A	2 Developments in 1992

IDENTITIES of INTEREST

- The Applicant, Developer, and Property Manager are related entities. These are common relationships for HTC-funded developments.
- The Principal of the Applicant is also the Principal of the Seller.

PROPOSED SITE

SITE PLAN

BUILDING CONFIGURATION

Building Type	1	2	8	11							Total Buildings
Floors/Stories	3	3	3	3							
Number	1	10	3	3							**17**

BR/BA	SF	Units										Total Units	Total SF
1 / 1	700		4		6							58	40,600
2 / 1.5	876		8		12							116	101,616
3 / 1.5	1,275	9		6								27	34,425
Units per Building		9	12	6	18							**201**	**176,641**

This section intentionally left blank.

Comments:

A Property Condition Assessment (PCA) was provided by Commercial Building Consultants, LLC. "The subject property consists of 201 apartments and 2 ancillary buildings, a leasing/office/mailroom and a laundry/boiler room. The apartments are divided as 17 three story wood framed structures with two story brick exterior veneers and wood accent panels mansard roofs ... the buildings were built in (1971), making the units (37 years old) ... In general, the entire complex has reached a mature operations point where all major systems will need to be renewed. The entire building complex is approximately 35 years old, which places most components at the end of their economic useful life. Galvanized piping, electrical services, unit cabinets, appliances, and finishes should be budgeted for renovation on a rotational basis, with 5% of units being renovated per year over the next 20 years.

Some units have been rehabbed as of this report, but in 20 years they will be due again. Those components which are fully depreciated may be placed in immediate needs or as part of a replacement reserve program. ADA required accessibility should be grandfathered although parking and public area access should be addressed during renovations."

The PCA itemized $5 million in immediate renovations, and $3.7 million in capital requirements over a 30 year period.

SITE ISSUES

Total Size:	4.9388 acres	Scattered site?	[ ] Yes	[X] No
Flood Zone:	X	Within 100-yr floodplain?	[ ] Yes	[X] No
Zoning:	non-conforming	Needs to be re-zoned?	[ ] Yes	[X] No [ ] N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff   Date: 5/1/2008

Overall Assessment:

[ ] Excellent [X] Acceptable [ ] Questionable [ ] Poor [ ] Unacceptable

Surrounding Uses:

North:	Apartments	East:	Apartments
South:	Industrial	West:	Vacant

Comments:

The TDHCA staff member that inspected the site marked "questionable" in the rehab portion of the inspection report with the following comments: "Site is in a good location for low income tenants. Police were at the location when I arrived. The rep stated that there was some drug activity in the complex. The security gates were inoperative. No accessible units and it appears it would be difficult to make accessible."

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: LandAmerica Assessment Corporation   Date: 3/14/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

The inspector concluded that "This assessment has revealed no evidence of Recognized Environmental Conditions in connection with the Property." However the inspector also noted the following:

- Based on the age of the Property (early 1970's), there is the potential that vinyl floor tile and mastic, joint compound and wall and ceiling texture contain asbestos. The presumed ACM's appeared non-friable in their current state and were observed to be in good condition with a low potential for disturbance ... An Operations and Maintenance program should be developed to manage the presumed asbestos-containing materials in place at the subject property.

- Prior to any planned remodeling or demolition, a comprehensive survey for asbestos-containing materials should be conducted. Removal of identified ACM's, including the preparation of specifications, should be conducted … according to applicable regulations.

- Based on the age of the Property (early 1970's), there is the potential that lead-based paint is present on the Property. In general, the painted surfaces appeared in good condition, as no chalking, peeling, or flaking paint was observed … Prior to any planned remodeling or demolition, a comprehensive survey for lead-based paint should be conducted. Removal of identified lead-based paint, including the preparation of specifications, should be conducted ... according to applicable regulations.

- The pad-mounted electrical transformers are owned by the Property. No information is available as to the repair or replacement history of the transformers. Based on the date of original construction (early 1970's), the transformers should be treated as PCB-containing transformers ... A program should be initiated to visually inspect the property-owned transformers at regular intervals for stains and leaks.

- The Property is located within 1,000 feet of a busy road. Red Bluff Road, a busy, four-lane divided road, is located approximately 400 feet northeast of the Property. The Property is located within 15 miles of a military airport. Ellington Field is located approximately six miles southeast of the Property ... In accordance with HUD guidelines, a noise study is recommended for the Property.

Comments:

This report will be conditioned on receipt, review, and acceptance, by carryover, of evidence that all ESA recommendations have been carried out, and any subsequent recommendations have been followed.

MARKET HIGHLIGHTS

Provider: Novogradac & Company LLP   Date: 3/14/2008

Contact: Davonne Lewis   Phone: (512) 340-0420   Fax: (512) 340-0421

Number of Revisions: none   Date of Last Applicant Revision: N / A

Primary Market Area (PMA): 19 sq. miles   2 mile radius

The Subject's Primary Market Area is comprised by the following census tracts:

48201321200	48201322800	48201323200	48201323500	48201323800
48201322100	48201322900	48201323300	48201323600	48201323900
48201322600	48201323000	48201323400	48201323700	48201324000
48201322700	48201323100			

This area comprises a large portion of the City of Pasadena … it is assumed 100 percent of the income qualified demand for the Subject will be generated from within the PMA … The estimated population of the PMA in 2007 was 93,845, with 31,351 households. The population is projected to grow to 97,600 by 2012, an increase of 4%. The projected population increase is a positive indicator of the need for affordable housing like the Subject ... As the number of households increases, there will be a larger pool of potential tenants, some of which will need affordable housing such as the Subject.

Secondary Market Area (SMA):

The Market Analyst defined a Secondary Market Area as a portion of Pasadena, which is bound by SR 225 / Pasadena Freeway and Loop 610 to the north, Sam Houston Tollway to the east, and IH 45 to the north and west.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Villas at Shaver	07406	240	240				
Windshire Apartments	07620	252	252				
Primrose at Pasadena	04428	248	senior				

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$12,850	$14,700	$16,500	$18,350	$19,800	$21,300
50	$21,400	$24,450	$27,500	$30,550	$33,000	$35,450
60	$25,680	$29,340	$33,000	$36,660	$39,600	$42,540

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR 30%	78			78	3	0	4%
1BR 50%	153			153	20	0	13%
1BR 60%	238			238	32	12	18%
2BR 30%	89			89	6	0	7%
2BR 50%	195			195	42	0	22%
2BR 60%	355			355	65	132	55%
3BR 30%	79			79	2	0	3%
3BR 50%	129			129	8	0	6%
3BR 60%	252			252	15	96	44%

OVERALL DEMAND												
			Target Households		Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER												
Market Analyst	p.	70				31,334	33%	10,246	45%	4,580	35%	1,603
Underwriter			100%	31,595	92%	29,099	33%	9,710	45%	4,340	35%	1,519
PMA DEMAND from HOUSEHOLD GROWTH												
Market Analyst	p.					280	33%	92	45%	41	100%	41
Underwriter					92%	247	33%	76	45%	34	100%	34

INCLUSIVE CAPTURE RATE								
			Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand	**Inclusive Capture Rate**
Market Analyst	p.	70	193	240		433	1,644	26%
Underwriter			193	492		685	1,553	44%

Supply and Demand Analysis

The Market Analyst identified two unstabilized LIHTC properties in the PMA. Primrose at Pasadena is a 2004 senior development , and would therefore not be considered comparable. The Villas on Shaver is a family development approved in 2007 with 240 units all at 60% of AMI. The Market Analyst included the Villas at Shaver in the unstabilized supply when determining an inclusive capture rate for the subject. The Market Analyst failed to identify a third development, Windshire Apartments, another 2007 family project in the PMA with 252 units at 60% of AMI. The underwriting analysis will include the Windshire units as well as the Villas at Shaver units in the supply.

The Market Analyst determined demand for 1,603 units due to household turnover, and demand for 41 units due to household growth; however, the Market Analyst did not adjust the household population for household size. The underwriting analysis only considered households of 5 persons or less, and determined demand for 1,519 units due to turnover and 34 units due to household growth.

Including the LIHTC units at the subject as well as the 240 units at the Villas at Shaver, the Market Analyst determined an inclusive capture rate of 26%. Factoring in the units at Windshire as well, the underwriting analysis determined an inclusive capture rate of 44%. The limit for family developments in urban areas is 25%; however, this limit does not apply to existing developments which are at least 80% occupied and give displaced existing tenants a leasing preference. The subject is currently 85% occupied and the Applicant does not anticipate the need for any tenants to be relocated.

Primary Market Occupancy Rates:

"Vacancy rates reported at the comparable properties ranged from 0.4 to 12.9 percent, with an average vacancy rate of 6.2 percent. The LIHTC properties average vacancy rate is 8.8 percent, which is higher than the comparable market properties' average of 4.9 percent ... The Subject currently maintains an occupancy rate of approximately 85 percent. According to current management, the Subject has been exhibiting high turnover rates and vacancy rates due to issues with previous management. Additionally, the Subject is also one of the only properties of its vintage in the neighborhood that has not undergone a significant renovation in the last five years and is showing signs of deferred maintenance ... Due to the prevalence of similarly priced or lower priced market rate multi-family offerings near the Subject, Novogradac anticipates that some tenant loss is likely, despite the added value of the renovated units. Therefore, we anticipate some turnover as a result of the new rental rate scheme post renovation." (pp. 51-52)

Rent Analysis

The Applicant's proposed rent schedule designated one-, two-, and three-bedroom units each at 30%, 50%, and 60% of AMI restrictions. However, the achievable market rents for the one- and two-bedroom units determined by the Market Analyst are below the maximum net LIHTC rents at 50% of AMGI; additionally, the Applicant's proposed rents for the one- and two-bedrooms at 50% and the two-bedroom at 60% were below the market rent, while the proposed rent for the 60% two-bedroom units was equal to the market rent (which is below the max 50% program rent). This rent structure conflicts with §1.32(i) of the 2008 Real Estate Analysis Rules which states: "A development will be characterized as infeasible if ... The Restricted Market Rent for units with rents restricted at 60% of the AMGI is less than both the Net Program Rent and the Market Rent for units with rents restricted at or below 50% of AMGI unless the development proposes all restricted units with rents restricted at or below the 50% of AMGI level."

"The Subject is surrounded by market rate properties offering rental rates similar to or lower than the Subject's proposed 50 percent and 60 percent of AMI rents. Additionally, all of these properties are of similar vintage to the Subject and have undergone recent renovations ... Three of the four market rate properties also offer a two-bedroom two-bath option as compared to the Subject and all of the market rate comparables offer at least two bathrooms in the three bedroom units. The Subject is currently offering the lowest rental rates in the market and has the highest vacancy rate at 15 percent"

"The Subject will be in direct competition with the four surveyed market rate properties and LIHTC rents will have to be set at comparable levels in order to compete with the immediate market ..."In order to show a rental advantage when comparing the Subject's proposed one and two-bedroom LIHTC rents to the achievable market rents and the rents at the surveyed most comparable properties, Novogradac recommends lowering the one and two-bedroom 60 percent of AMI rental rates to $475 and $570 respectively. "

"No change is recommended to the three bedroom rents at 60 percent of AMI, as the rent is well below the achievable market rent and the surveyed LIHTC properties." (p. 58)

The Applicant did not follow these recommendations of the Market Analyst. The Market Analyst's proposed changes would further conflict with the Restricted Market Rent rule discussed above, but they also serve to confirm the conditions the rule is intended to address. Specifically, if a development is being funded to operate with rents no greater than the 50% of AMI level, the Department policy requires those units to be restricted to that same level.

After being notified of this issue, the Applicant provided a revised rent schedule; no rent amounts were changed, but the one- and two-bedroom units which had been designated 60 percent were now designated "Rents @ 50%, Incomes @ 60%". This proposed structure conflicts with the 2008 QAP § 50.9(i)(3): "The Development Owner ... will set aside Units at the levels of AMGI and will maintain the percentage of such Units continuously over the compliance and extended use period as specified in the LURA. These income levels require corresponding rent levels that do not exceed 30% of the income limitation in accordance with §42(g), Internal Revenue Code."

The Department would be missing the opportunity to target more units specifically toward the harder to reach 50% income level without negatively impacting the income potential for the development. The rental income for the development would be the same either way but the benefit to households earning 50% or less of the area median income would be more units available. For these reasons the underwriting report will recommend that the one- and two-bedroom units be restricted at corresponding rent and income limits no greater than 50% of AMGI.

The subject property also proposes eight market rate units. The Market Analyst points out that "the Subject's proposed market rate rents for the one- and two-bedroom units are substantially higher than the achievable market rents. Novogradac recommends lowering the Subject's proposed market rate rents to $490 and $590 respectively for the one- and two-bedroom units." The Applicant did not follow the Market Analyst's recommendations; the underwriting analysis will presume that the market rate units will not achieve rents any higher than the achievable market rent as determined by the Market Analyst.

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 700 SF 30%	$284	$285	$490	$285	$205
1 BR 700 SF 50%	$465	$514	$490	$490	$0
1 BR 700 SF 50%	$490	$514	$490	$490	$0
1 BR 700 SF Mrkt	$550	N / A	$490	$490	$0
2 BR 876 SF 30%	$330	$331	$590	$331	$259
2 BR 876 SF 50%	$560	$606	$590	$590	$0
2 BR 876 SF 50%	$585	$606	$590	$590	$0
2 BR 876 SF Mrkt	$650	N / A	$590	$590	$0
3 BR 1,275 SF 30%	$368	$369	$775	$369	$406
3 BR 1,275 SF 50%	$680	$687	$775	$687	$88
3 BR 1,275 SF 60%	$705	$846	$775	$775	$0
3 BR 1,275 SF Mrkt	$750	N / A	$775	$775	$0

Market Impact:

"There are two existing family oriented LIHTC properties in the PMA. Typically, we would note that the Subject would compete with these properties for tenants. However, the Subject is located a significant distance from these two comparables in a different submarket. The Subject is more likely to compete with the surrounding market rate properties than the two LIHTC properties, as the market rate properties are offering similar or lower rents on average than the LIHTC properties. Further, the Villas at Shaver, as a new construction, will likely offer higher rental rates than the potential tenants in the Subject neighborhood can afford, due to the fact that all of the existing LIHTC comparables are renovated properties offering rents at well below the maximum allowable. Based on these factors we anticipate the potential impact on the existing affordable housing stock to be minimal."

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Concentration:

Section 1.32(i)(2) of the Texas Administrative Code approved in 2007 prohibits the Department form funding multifamily developments in areas that exceed certain limits of concentration of multifamily units. These limits do not apply to existing housing that is at least 80% occupied and gives a leasing preference to any displaced tenants; the limits therefore do not apply to the subject. Nevertheless, the Underwriter has concluded a census tract concentration of 938 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 518 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

Comments:

The market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 6/27/2008

As discussed above, the Applicant's projected income is based on rents which are for the most part below the achievable market rents determined by the Market Analyst (with the exception of the market rate units, which have proposed rents significantly higher than the market). The underwriting analysis uses the lesser of the maximum program rent or the market rent as indicated in the market study. The Applicant has included $22.70 per unit per month in secondary non-rental income; the underwriting analysis has applied the maximum $15. The Applicant's projected losses due to vacancy and collection are consistent with underwriting guidelines at 7.5% of potential gross income.

The Applicant has also included a $4,000 per month charge against potential income for rental concessions. The Market Analyst reported that "Concessions are prevalent in the market ... The Subject is currently offering a concession of $299 and $399 for the first month's rent, respectively, for the two- and three-bedroom garden style units. As the majority of the Subject's neighboring comparables are of similar vintage, have undergone recent renovations, and are currently offering some form of concession, we anticipate that the Subject will also need to offer concessions post renovation, based on the proposed rents. However, if the rents are reduced to the recommended amounts ... we do not anticipate that the Subject will need to offer concessions." (p. 51) The Underwriter, therefore, has not included any charge for concessions. Overall, the Applicant's projected effective gross income is within 5% of the underwriting estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 6/27/2008

The Applicant's projected annual operating expenses total $3,929 per unit. This is within 2% of the underwriting estimate of $4,055 per unit. The most significant category of variation is utilities. The Applicant's projected expenses for utilities and water, sewer, and trash total $1,312 per unit; the underwriting estimate, based on the TDHCA database, and other sources, totals $1,002 per unit. The actual expense in 2007 for total utilities is an extraordinary $1,660 per unit. The Appraisal noted that utility expenses had been steadily increasing for several years and were a definite disadvantage to the subject. "It is assumed that part of the deferred maintenance correction is an energy audit which should significantly reduce the subject's utility expenses, along with a tenant program to encourage the reporting of leaks, etc." The Appraiser used $1,055 in the income valuation of the property, "although further reductions should be experienced." (p. 40)

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Other line items in which the Applicant's projection differs significantly from the underwriting estimate include general and administrative (the Applicant's figure is $28K lower), repairs and maintenance (the Applicant's figure is $21K lower), property insurance (the Applicant's figure is $18K lower), and property tax (the Applicant's figure is $19K lower). The Applicant's projected property tax is based on actual costs; the underwriting estimate is based on the same tax rate, but applied to the Appraisal District's increased assessed value of the property for 2008. It should be noted that affordable housing is supposed to be taxed based on a capitalization of the property's net operating income. If HCAD were to apply this method the subject's tax bill would likely increase; the property is currently assessed at approximately $14K per unit, but the underwriting analysis indicates an NOI-derived value of $24K per unit.

The Applicant included $300 per unit per year as reserve for replacements; this is the underwriting minimum for rehabilitation projects. However, the Capital Replacement and Reserve Expenditure analysis provided in the PCA combined with the underwriting proforma analysis indicates $332 per unit per year is required to maintain a positive reserve balance through year 30; $332 has therefore been included in the underwriting budget.

Conclusion:

The Applicant's projected effective gross income and annual operating expenses are each within 5% of the underwriting estimates, but the net operating income (NOI) differs by more than 5%; therefore, the underwriting estimates will be used to determine debt capacity and financial feasibility. The underwriting estimate of NOI and the Applicant's proposed financing structure result in a debt coverage ratio (DCR) of 1.36. However, the Applicant's financing includes a Seller note at an unnecessarily high interest rate. This will be discussed further under Financing Structure. The underwriting report will recommend the rate on the Seller note be reduced to that of the primary mortgage; this results in an increased DCR of 1.48, well above the maximum 1.35, indicating the development has the capacity to service additional debt. The recommended financing structure will therefore include an increase in the total amount of debt.

Feasibility:

The underwriting estimates and recommended financing are used to create a 30-year operating proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates continued positive cash flow and a DCR that remains above the minimum 1.15 throughout the proforma period. The development can therefore be considered financially feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Cheryl D. Person Date: 7/26/2007

Number of Revisions: none Date of Last Applicant Revision: N / A

Land Only: 4.94 acres	$220,000	As of:	7/26/2007
Existing Buildings: (as-is)	$3,580,000	As of:	7/26/2007
Total Development: (as-is)	$3,800,000	As of:	7/26/2007

ASSESSED VALUE

Land Only: 5.0 acres	$381,150	Tax Year:	2008
Existing Buildings:	$2,425,464	Valuation by:	Harris County CAD
Total Assessed Value:	$2,806,614	Tax Rate:	2.698198

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EVIDENCE of PROPERTY CONTROL

Type: Special Warranty Deed — Acreage: 5.0

Deed Date: 3/4/1992 — Valid Through Board Date? [X] Yes [ ] No

Acquisition Cost: $2,215,881 — Other: current transfer price is $3.8M

Seller: Harris Manor Associates — Related to Development Team? [X] Yes [ ] No

Comments:

The Principal of the Seller is also the Principal of the Applicant / Buyer. The Seller received a tax credit allocation for the subject property in 1992.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 6/18/2008

Acquisition Value:

The application initially proposed a total acquisition cost of $3,850,000, consisting of $570,000 for the land, $3,230,000 for the buildings, and $50,000 in closing costs. The $3.8 million purchase price is equal to the as-is appraised value of the property. Since this is an identity of interest acquisition, the eligible acquisition value is limited to the lesser of the original acquisition cost plus verifiable costs of owning, holding, or improving the property, or the as-is appraised value. The Seller acquired the property in an arm's length transaction in 1992 for $2,215,881. The Seller has provided Forms 8609 related to a 1992 allocation of rehabilitation tax credits evidencing an eligible basis of $1,151,350; this was a simple eligible basis without any boost, so it clearly represents eligible costs of improving the property.

The Applicant also included a return on equity calculation based on an annual 6% return on the $507,474 equity contribution of the Limited Partner. This calculation, however, disregards the fact that the Limited Partner received $957,498 in total tax credits over ten years, as well as the tax benefits related to those credits and ownership of the property. The underwriting determination of acquisition value, therefore, did not consider the proposed return on equity; the original cost and the eligible basis of the 1992 rehabilitation were added to determine an acquisition value of $3,367,231. The Applicant's claimed land value of $570,000 was deducted from the total, resulting in an eligible building acquisition basis of $2,797,231. The $50,000 in acquisition closing costs were also added back to the Underwriter's total acquisition costs, but like in the Applicant's cost, was not added to eligible basis.

Sitework Cost:

The development cost schedule submitted with the application indicated $1.88 million in site work. The Applicant was notified that this total exceeded the $9,000 per unit safe harbor limit, and subsequently provided certification of these costs by a third party engineer. The Applicant was also requested to reconcile the significant differences between the development cost schedule and the capital requirements identified in the Property Condition Assessment provided with the application. The Applicant then submitted a revised development cost schedule with a site work total of $692,300, exactly matching the site work category in the PCA. The underwriting development cost schedule indicates higher sitework of $712K because a number of items were shifted between site work and direct construction for consistency between the PCA and the application.

Direct Construction Cost:

The revised development cost schedule also included an increase in direct construction costs from $2,170,000 to $4,241,416. Site work and direct construction costs combined were increased by $883,716, to a total of $4,933,716. This is 2% less than the total of $5,037,566 provided by the PCA.

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Ineligible Costs:

The development cost schedule indicates $97K in ineligible costs as well as $621K in ineligible developer fees. The Applicant claimed $761K in eligible developer fees; however, the underwriting analysis indicates that total eligible fees would equal $913K. Department practice for developer fees on ineligible costs follow the 15% proportionate cost limit and thus fees above the 15% of eligible cost limit are limited to 15% of all ineligible costs, including land and funding for reserves. The underwriting analysis has therefore accepted ineligible developer fees of $286K ($335K less than claimed by the Applicant) consisting of the $152K in unclaimed eligible fees, as well as 15% of $892,025 (the total of $97K in ineligible costs plus $570K land cost plus $225K in reserve funding). Limiting the ineligible developer fee in this way reduces the risk of the gap funds needed being overstated and the use of tax credits to fund such ineligible activities.

Interim Interest Expense:

The Applicant has claimed $80,000 in construction loan interest and $39,500 in bridge loan interest; this total is within the underwriting guidelines of one year of fully drawn interest on construction period financing.

Contingency & Fees:

Again the Applicant has claimed eligible developer fees of $760,000, and ineligible developer fees of $621,234. It is unusual for an Applicant to claim ineligible developer fee; the effect of this would be to increase the gap in required financing and potentially increase the tax credit award. As explained above, the underwriting analysis has restricted the developer fee to 15% of costs and allowed the excess eligible fee that was not claimed plus 15% of all ineligible costs. The initial application also included $450K in developer fee on the acquisition cost. The Applicant was reminded that an identity of interest acquisition is not eligible for any developer fee on acquisition cost. This fee was deleted on the revised development cost schedule.

Conclusion:

The Underwriter's cost schedule was derived from the third-party Property Condition Assessment (PCA) provided by the Applicant and the information presented in the application. Thus, the Underwriter's development cost schedule, as derived from the PCA, will be used to determine the development's need for permanent funds and to calculate eligible basis. The rehabilitation cost basis of $6,845,913 is increased by 30% as a result of Harris County's status as a Difficult Development Area; the adjusted basis of $8,899,687 is further adjusted by the Applicable Fraction of 95.88% because eight of the 201 units will not be covered by the rent and income restrictions; the resulting basis of $8,533,000 supports an annual allocation of $709,946 in 9% credits. The acquisition basis of $2,797,231 is adjusted by the Applicable Fraction to $2,681,979; this basis supports an annual allocation of $95,210 in 4% credits. The total credit amount of $805,156 will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine any recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 3 Date of Last Applicant Revision: 6/27/2008

Source: Greystone Servicing Corp. Type: **Interim to Permanent Financing**

Principal: $1,450,000 Interest Rate: 6.43% [X] Fixed Amort 360 months

Comments:

A fifteen year term amortized over thirty years, at the higher of 6.43% or 265 basis points over the 15-year Treasury.

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Source: Harris Manor Associates, LP Type: **Interim to Permanent Financing**

Principal: $2,350,000 Interest Rate: 8.0% [X] Fixed Amort: 360 months

Comments:

The Applicant has proposed a 30 year note to the related party Seller at 8.0%. The Underwriter sees no reason why these funds cannot be financed at a more conventional rate. The underwriting analysis will therefore assume that these funds are financed at a rate equivalent to the primary mortgage, resulting in an increased debt coverage ratio. This will be discussed further under the Conclusions section of this report.

Source: Southeast Texas Housing Finance Corp. Type: **Interim to Permanent Financing**

Principal: $580,000 Interest Rate: AFR [X] Fixed Amort: 180 months

Comments:

The Applicant provided a Certification of an Intent to Apply for Funding from a Local Political Subdivision; the initial commitment indicated that the loan would be fully amortized over 15 years at 1.0%. The Applicant was informed that the Real Estate Analysis Rules generally require permanent debt to be amortized over not less than 30 years; the Applicant was also informed that if this source of funds is considered to be federally financed (e.g. local HOME funds) the rate would have to be at or above AFR to avoid jeopardizing the 30% boost to eligible basis. The Applicant responded that the source of funds would not be federal, however, the revised Certification of Intent indicates a rate "at or below AFR". The stipulation "at or below AFR" is required to earn application points for Funding from a Local Political Subdivision. The amortization period was not changed by the Applicant but has been adjusted by the Underwriter to meet the 30 year minimum TDHCA requirement.

Source: Alliant Capital, Ltd. Type: **Syndication**

Proceeds: $5,939,146 Syndication Rate: 82% Anticipated HTC: $ 725,011

Comments:

The syndication rate of $0.82 appears to be within the current range of market prices. In order to determine the sensitivity of the financing structure to the syndication price, the ineligible developer fee of $621K was excluded, but $152K in unclaimed eligible fee plus 15% of ineligible costs were added to the eligible developer fee of $760K. The analysis indicates that if the syndication price increases to 82.5 cents or higher, the equity proceeds would exceed the gap in financing , and the allocation should be limited accordingly. The syndication price can fall as far as 48 cents; below that point, the excess funds required would exceed the deferrable developer fees, and the transaction would have to be characterized as infeasible.

Amount: $1,216,177 Type: **Deferred Developer Fees**

Comments:

The most recent Sources and Uses document submitted by the Applicant proposes $400,000 in deferred developer fee amortized over 15 years, and $816,177 payable from available cash flow.

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

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Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant has proposed a $2.35 million note to the related party Seller at an above-market interest rate. The underwriting analysis is based on the assumption that these funds are financed at terms equivalent to the primary mortgage. The Applicant has also proposed a permanent loan from Southeast Texas Housing Finance Corp fully amortized over fifteen years at or below AFR. The 2008 Real Estate Analysis Rules §1.32(d)(4)(B) states: *The Department generally requires an amortization period of not less than 30 years and not more than 50 years, or an adjustment to the amortization structure is evaluated and recommended* . Accordingly, the underwriting analysis will assume that these funds are amortized over 30 years.

With a reduced rate on the Seller Note, and an extended amortization on the SETH loan, the proforma analysis indicates a debt coverage ratio above the maximum 1.35. The underwriting analysis assumes an increase in the Seller Note amount to $2,857,871, at the reduced rate of 6.43% (equivalent to the primary mortgage). The SETH loan is assumed to be amortized at 4.39% (AFR in June 2008) over 30 years. These changes result in a debt coverage ratio of 1.35%.

The Underwriter's total development cost estimate less the adjusted permanent debt of $4,887,871 (a Primary mortgage for $1.45M, a Seller Note for $2.9M, and a SETH loan for $580K), indicates the need for $5,983,413 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $730,415 annually would be required to fill this gap in financing. The three possible tax credit allocation amounts are:

Allocation Determined by Eligible Basis:	$805,156
Allocation Requested by the Applicant:	**$725,011**
Allocation Determined by Gap in Financing:	$730,415

The requested allocation amount is recommended. An annual allocation of $725,011 results in total equity proceeds of $5,939,146 at a syndication price of $0.82 per tax credit dollar. The Underwriter's recommended financing structure indicates the need for a nominal additional permanent funds of $44,267 which is repayable in the first year of stabilized occupancy.

Underwriter:	*Thomas Cavanagh*	Date:	July 23, 2008
Reviewing Underwriter:	*Raquel Morales*	Date:	July 23, 2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	July 23, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Harris Manor, Pasadena, HTC 9% #08260

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	NWS&T
TC 30%	3	1	1	700	$344	$285	$855	$0.41	$59.00	$52.00
TC 50%	20	1	1	700	$573	$490	$9,800	$0.70	$59.00	$52.00
TC 50%	32	1	1	700	$573	$490	$15,680	$0.70	$59.00	$52.00
MR	3	1	1	700		$490	$1,470	$0.70	$59.00	$52.00
TC 30%	6	2	1.5	876	$412	$331	$1,986	$0.38	$81.00	$66.00
TC 50%	42	2	1.5	876	$687	$590	$24,780	$0.67	$81.00	$66.00
TC 50%	65	2	1.5	876	$687	$590	$38,350	$0.67	$81.00	$66.00
MR	3	2	1.5	876		$590	$1,770	$0.67	$81.00	$66.00
TC 30%	2	3	1.5	1,275	$476	$369	$738	$0.29	$107.00	$81.00
TC 50%	8	3	1.5	1,275	$794	$687	$5,496	$0.54	$107.00	$81.00
TC 60%	15	3	1.5	1,275	$953	$775	$11,625	$0.61	$107.00	$81.00
MR	2	3	1.5	1,275		$775	$1,550	$0.61	$107.00	$81.00
TOTAL:	201		**AVERAGE:**	879		$568	$114,100	$0.65	$78.14	$63.98

			TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
INCOME	Total Net Rentable Sq Ft:	176,641					
POTENTIAL GROSS RENT			$1,369,200	$1,334,496	Harris	Houston	6
late fees, app fees, laundry, vending	Per Unit Per Month:	$15.00	36,180	54,744	$22.70	Per Unit Per Month	
Other Support Income:			0		$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME			$1,405,380	$1,389,240			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(105,404)	(104,196)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				(48,000)			
EFFECTIVE GROSS INCOME			$1,299,977	$1,237,044			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.29%	$342	0.39	$68,809	$40,752	$0.23	$203	3.29%
Management		3.60%	233	0.27	46,816	49,482	0.28	246	4.00%
Payroll & Payroll Tax		14.77%	955	1.09	192,037	193,700	1.10	964	15.66%
Repairs & Maintenance		6.31%	408	0.46	82,019	61,522	0.35	306	4.97%
Utilities		6.58%	426	0.48	85,569	118,200	0.67	588	9.56%
Water, Sewer, & Trash		8.91%	576	0.66	115,860	145,467	0.82	724	11.76%
Property Insurance		4.76%	308	0.35	61,824	44,000	0.25	219	3.56%
Property Tax	2.70	5.83%	377	0.43	75,728	56,609	0.32	282	4.58%
Reserve for Replacements		5.13%	332	0.38	66,659	60,300	0.34	300	4.87%
TDHCA Compliance Fees		0.59%	38	0.04	7,720	7,720	0.04	38	0.62%
Other: Security		0.92%	60	0.07	12,000	12,000	0.07	60	0.97%
TOTAL EXPENSES		62.70%	$4,055	$4.61	$815,040	$789,752	$4.47	$3,929	63.84%
NET OPERATING INC		37.30%	$2,413	$2.75	$484,936	$447,292	$2.53	$2,225	36.16%
DEBT SERVICE									
Greystone		8.40%	$543	$0.62	$109,180	$109,176	$0.62	$543	8.83%
Seller Note		15.92%	$1,029	$1.17	206,922	207,274	$1.17	$1,031	16.76%
SETH Loan		3.20%	$207	$0.24	41,655	41,655	$0.24	$207	3.37%
NET CASH FLOW		9.78%	$633	$0.72	$127,179	$89,187	$0.50	$444	7.21%
AGGREGATE DEBT COVERAGE RATIO					1.36	1.25			
RECOMMENDED DEBT COVERAGE RATIO					1.35				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		31.43%	$17,001	$19.35	$3,417,231	$3,850,000	$21.80	$19,154	33.38%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.55%	3,542	4.03	711,900	692,300	3.92	3,444	6.00%
Direct Construction		39.79%	21,521	24.49	4,325,666	4,241,416	24.01	21,102	36.77%
Contingency	3.85%	1.78%	965	1.10	194,000	194,000	1.10	965	1.68%
Contractor's Fees	12.46%	5.77%	3,122	3.55	627,497	627,497	3.55	3,122	5.44%
Indirect Construction		0.89%	482	0.55	96,850	96,850	0.55	482	0.84%
Ineligible Costs		3.52%	1,906	2.17	383,141	718,259	4.07	3,573	6.23%
Developer's Fees	8.56%	7.00%	3,784	4.31	760,500	760,500	4.31	3,784	6.59%
Interim Financing		1.19%	644	0.73	129,500	129,500	0.73	644	1.12%
Reserves		2.07%	1,119	1.27	225,000	225,000	1.27	1,119	1.95%
TOTAL COST		100.00%	$54,086	$61.54	$10,871,285	$11,535,322	$65.30	$57,390	100.00%
Construction Cost Recap		*53.89%*	***$29,150***	***$33.17***	***$5,859,063***	***$5,755,213***	***$32.58***	***$28,633***	*49.89%*

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED	
Greystone	13.34%	$7,214	$8.21	$1,450,000	$1,450,000	$1,450,000	Developer Fee Available
Seller Note	21.62%	$11,692	$13.30	2,350,000	2,350,000	2,857,871	$1,046,616
SETH Loan				580,000	580,000	580,000	
HTC Syndication Proceeds	54.63%	$29,548	$33.62	5,939,146	5,939,146	5,939,146	% of Dev. Fee Deferred
Deferred Developer Fees	11.19%	$6,051	$6.89	1,216,177	1,216,177	44,267	4%
Additional (Excess) Funds Req'd	-6.11%	($3,304)	($3.76)	(664,038)	(1)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$10,871,285	$11,535,322	$10,871,285	$2,505,218

PAYMENT COMPUTATION

Primary	$1,450,000	Amort	360
Int Rate	6.43%	DCR	4.44

Secondary	$2,350,000	Amort	360
Int Rate	8.00%	Subtotal DCR	1.53

Additional	$580,000	Amort	180
Int Rate	1.00%	Aggregate DCR	1.36

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$109,180
Secondary Debt Service	215,188
Additional Debt Service	34,812
NET CASH FLOW	$125,756

Primary	$1,450,000	Amort	360
Int Rate	6.43%	DCR	4.44

Secondary	$2,857,871	Amort	360
Int Rate	6.43%	Subtotal DCR	1.50

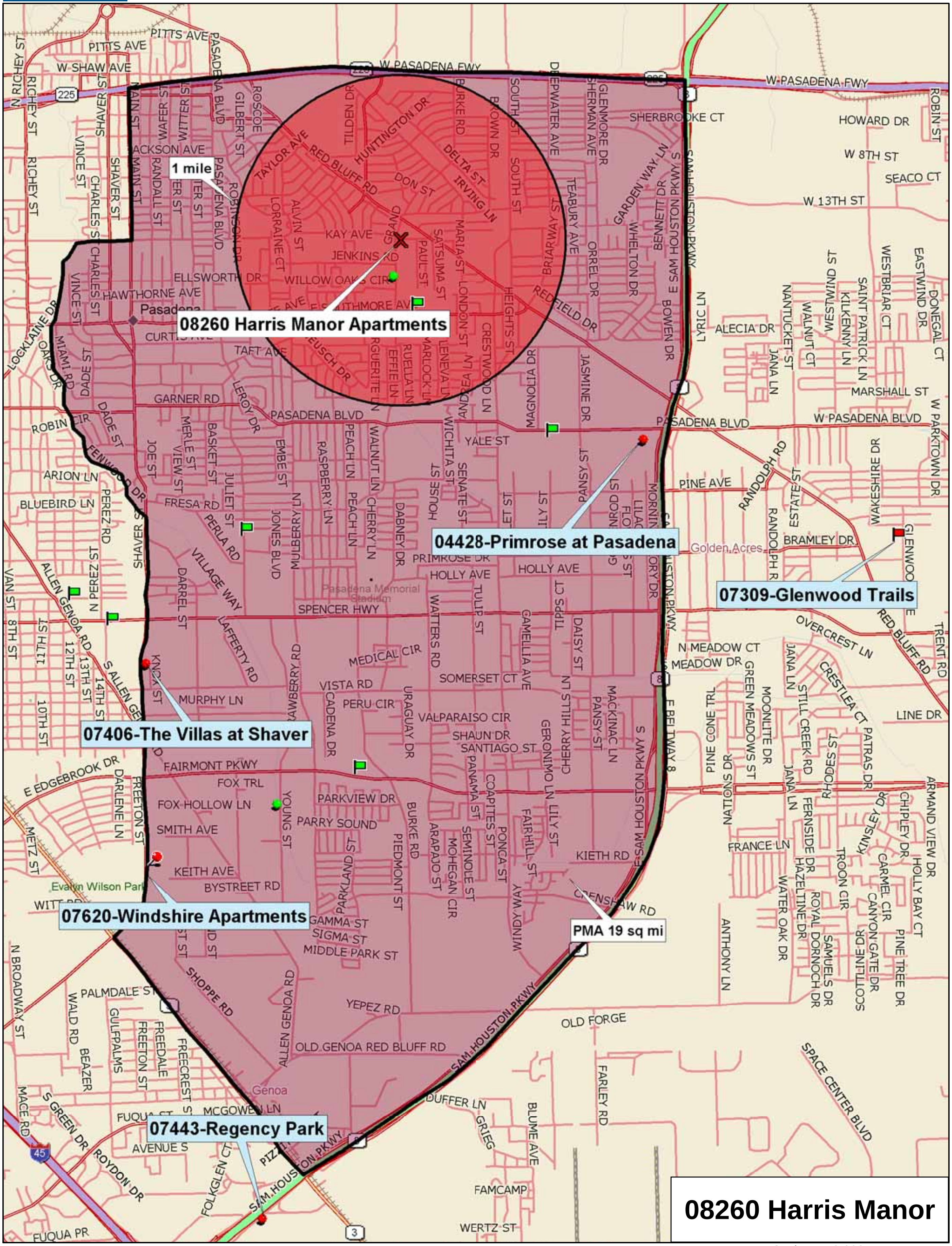
Additional	$580,000	Amort	360
Int Rate	4.39%	Aggregate DCR	1.35

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,369,200	$1,410,276	$1,452,584	$1,496,162	$1,541,047	$1,786,495	$2,071,038	$2,400,900	$3,226,609
Secondary Income	36,180	37,265	38,383	39,535	40,721	47,207	54,725	63,442	85,261
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,405,380	1,447,541	1,490,968	1,535,697	1,581,768	1,833,702	2,125,763	2,464,342	3,311,870
Vacancy & Collection Loss	(105,404)	(108,566)	(111,823)	(115,177)	(118,633)	(137,528)	(159,432)	(184,826)	(248,390)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,299,977	$1,338,976	$1,379,145	$1,420,519	$1,463,135	$1,696,174	$1,966,331	$2,279,517	$3,063,480
EXPENSES at 4.00%									
General & Administrative	$68,809	$71,561	$74,424	$77,401	$80,497	$97,936	$119,155	$144,970	$214,591
Management	46,816	48,220	49,667	51,157	52,692	61,084	70,813	82,092	110,324
Payroll & Payroll Tax	192,037	199,718	207,707	216,015	224,656	273,328	332,546	404,593	598,896
Repairs & Maintenance	82,019	85,300	88,712	92,260	95,950	116,738	142,030	172,801	255,788
Utilities	85,569	88,992	92,551	96,253	100,104	121,791	148,178	180,281	266,860
Water, Sewer & Trash	115,860	120,494	125,314	130,327	135,540	164,905	200,632	244,100	361,327
Insurance	61,824	64,297	66,869	69,544	72,326	87,995	107,060	130,255	192,809
Property Tax	75,728	78,757	81,907	85,184	88,591	107,785	131,136	159,547	236,169
Reserve for Replacements	66,659	69,325	72,098	74,982	77,981	94,876	115,431	140,440	207,885
Other	19,720	20,509	21,329	22,182	23,070	28,068	34,149	41,547	61,500
TOTAL EXPENSES	$815,040	$847,174	$880,578	$915,305	$951,405	$1,154,507	$1,401,129	$1,700,625	$2,506,149
NET OPERATING INCOME	$484,936	$491,802	$498,567	$505,215	$511,730	$541,668	$565,202	$578,892	$557,331
DEBT SERVICE									
First Lien Financing	$109,180	$109,180	$109,180	$109,180	$109,180	$109,180	$109,180	$109,180	$109,180
Second Lien	215,188	215,188	215,188	215,188	215,188	215,188	215,188	215,188	215,188
Other Financing	34,812	34,812	34,812	34,812	34,812	34,812	34,812	34,812	34,812
NET CASH FLOW	$125,756	$132,622	$139,387	$146,035	$152,550	$182,488	$206,022	$219,712	$198,151
DEBT COVERAGE RATIO	1.35	1.37	1.39	1.41	1.42	1.51	1.57	1.61	1.55

HTC ALLOCATION ANALYSIS -Harris Manor, Pasadena, HTC 9% #08260						
CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	$620,000	$620,000				
Purchase of buildings	$3,230,000	$2,797,231	$3,230,000	$2,797,231		
Off-Site Improvements						
Sitework	$692,300	$711,900			$692,300	$711,900
Construction Hard Costs	$4,241,416	$4,325,666			$4,241,416	$4,325,666
Contractor Fees	$627,497	$627,497			$627,497	$627,497
Contingencies	$194,000	$194,000			$194,000	$194,000
Eligible Indirect Fees	$96,850	$96,850			$96,850	$96,850
Eligible Financing Fees	$129,500	$129,500			$129,500	$129,500
All Ineligible Costs	$718,259	$383,141				
Developer Fees						
Developer Fees	$760,500	$760,500			$760,500	$760,500
Development Reserves	$225,000	$225,000				
TOTAL DEVELOPMENT COSTS	$11,535,322	$10,871,285	$3,230,000	$2,797,231	$6,742,063	$6,845,913

Deduct from Basis:					
All grant proceeds used to finance costs in eligible basis					
B.M.R. loans used to finance cost in eligible basis					
Non-qualified non-recourse financing					
Non-qualified portion of higher quality units [42(d)(3)]					
Historic Credits (on residential portion only)					
TOTAL ELIGIBLE BASIS		$3,230,000	$2,797,231	$6,742,063	$6,845,913
High Cost Area Adjustment				130%	130%
TOTAL ADJUSTED BASIS		$3,230,000	$2,797,231	$8,764,682	$8,899,687
Applicable Fraction		96%	96%	96%	96%
TOTAL QUALIFIED BASIS		$3,096,917	$2,681,979	$8,403,558	$8,533,000
Applicable Percentage		3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		$109,941	$95,210	$699,176	$709,946
Syndication Proceeds	**0.8192**	**$900,611**	**$779,943**	**$5,727,511**	**$5,815,733**
Total Tax Credits (Eligible Basis Method)				**$809,117**	**$805,156**
Syndication Proceeds				**$6,628,122**	**$6,595,677**
Requested Tax Credits				**$725,011**	
Syndication Proceeds				**$5,939,146**	
Gap of Syndication Proceeds Needed					**$5,983,413**
Total Tax Credits (Gap Method)					**$730,415**



TN

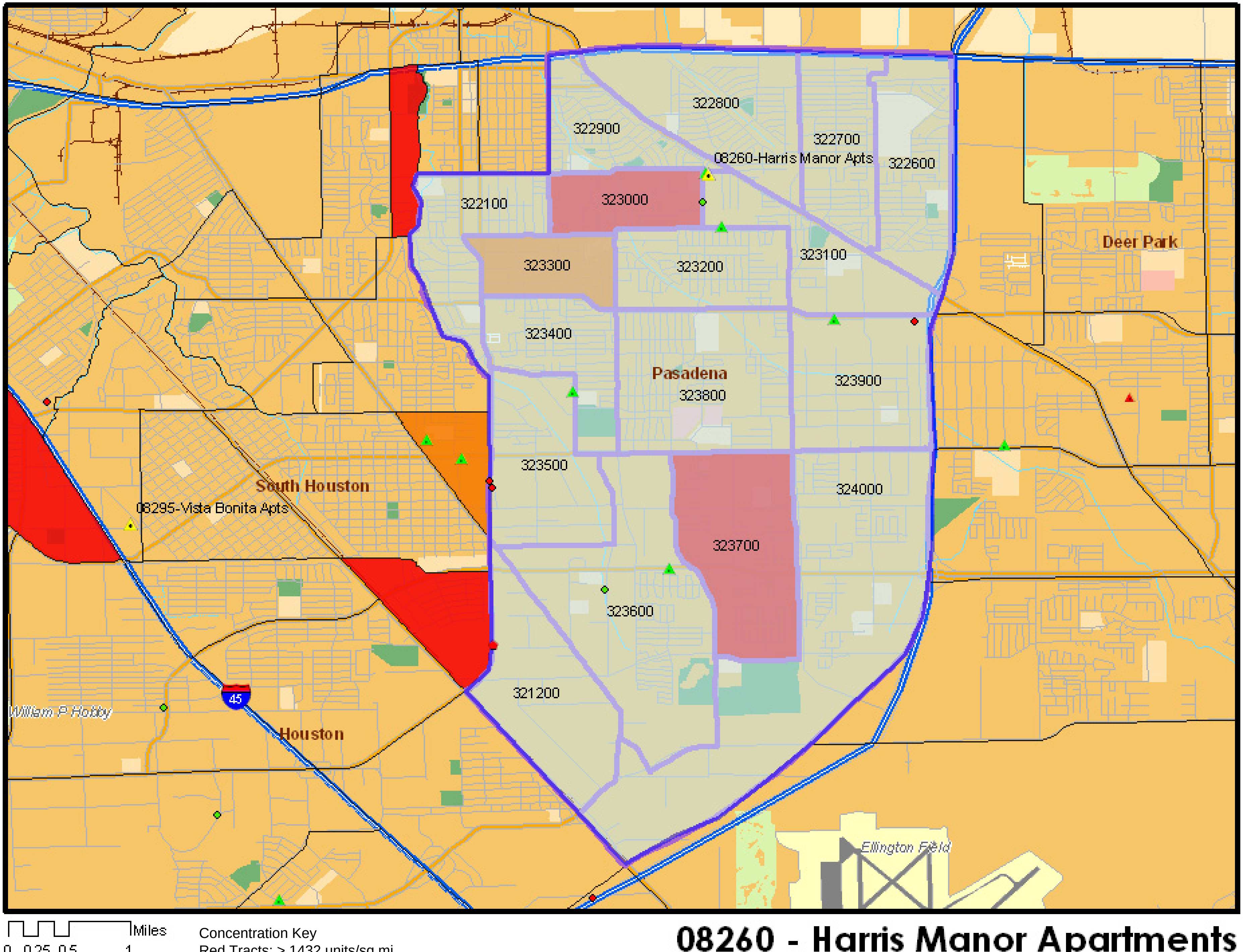
MN (3.5°E)

Scale 1 : 50,000

1" = 4,166.7 ft

Data Zoom 12-0

Census Tract Map



Concentration Key
Red Tracts: > 1432 units/sq.mi.
Orange Tracts: 1000 to 1432 units/sq.mi.

08260 - Harris Manor Apartments

REAL ESTATE ANALYSIS DIVISION

BOARD ACTION REQUEST

September 3, 2008

Action Item

Presentation, Discussion and Possible Action on Housing Tax Credit Allocation Amount for IRS Forms 8609 for 05195 / 08059 San Gabriel Senior Village

Requested Action

Approve or amend staff's recommendation of a housing tax credit allocation amount for IRS Forms 8609 for 05195 / 08059 San Gabriel Senior Village.

Background and Recommendations

San Gabriel Senior Village was awarded a 9% housing tax credit allocation of $712,154 in July 2005. In October 2005 the Applicant requested an amendment to the application, which was approved by the Department's Board in 2005. Then in July 2006, the Applicant requested an additional amendment in which the site plan was significantly modified and construction costs increased significantly compared to the original application and the first amendment; this amendment was also approved by the Department's Board. Neither amendment resulted in a change in the recommended tax credit allocation. Subsequently, in October 2006, the Department approved the Final Policy for Addressing Cost Increases for 2004 and 2005 Competitive Housing Tax Credit Developments (the "Final Policy"), which provided additional tax credits to previously awarded developments. San Gabriel Village received an award of $64,206 in 2008 housing tax credits pursuant to the Final Policy.

San Gabriel Senior Village has completed the Department's cost certification process, and the Department has recommended that IRS Forms 8609 be issued in a total amount of $727,254, including $712,154 in 2005 tax credits and $15,100 in 2008 tax credits. At the July 31, 2008 Board meeting, the Applicant requested to be placed on the September 4, 2008 Board meeting agenda in order that the Applicant be allowed to present the circumstances surrounding this development and request that a larger allocation be approved.

The Applicant's request for a larger tax credit allocation is related to the method the Department uses to determine the amount of additional housing tax credits for which a development qualifies pursuant to the Final Policy. The Final Policy stated that the amount of each development's award of additional tax credits would be determined by the Department using a methodology that applies a 14% increase to the site work and direct construction costs as reflected in the most recent underwriting report. The most recent underwriting report for San Gabriel Senior Village was completed in conjunction with the second amendment to the application in August 2006; this underwriting report reflected an increase of 18% in site work and direct construction costs as compared to the original application. Using this methodology, San Gabriel Senior Village received an allocation of $64,206 of 2008 tax credits.

Pursuant to the Final Policy, in order for a development to receive the full amount of the additional allocation, the development must have experienced a 14% or greater increase in site work and direct construction costs, as determined using the cost certification documentation. The cost certification documentation for San Gabriel Senior Village indicated that site work and direct construction costs increased by 3% from the costs utilized by the Department to determine the additional credit allocation. This increase qualifies the development to receive the full amount of tax credits from the 2005 credit allocation and $15,100 from the 2008 credit ceiling, for a total credit allocation of $727,254.

The Applicant submitted a letter with the cost certification requesting that the Department consider the unique circumstances surrounding this development and award the entire additional tax credit allocation of $64,206, for a total credit allocation of $776,360. In the letter, the Applicant asserts that most of the increase in construction costs was captured in the underwriting report for the second amendment, which was completed shortly before the Final Policy was approved, and more than one year after this project was initially awarded tax credits. The Applicant states the cost increase was captured in the underwriting report that would then become the basis for the determination of the amount of the additional allocation. In comparison to site work and direct construction costs indicated by the Applicant in the application, the site work costs and direct construction costs indicated by the Applicant in the second amendment increased by 18%. The Applicant asserts that if this 18% increase is taken into account, the development can qualify for the entire amount of the additional 2008 allocation, $64,206.

If staff evaluates the increase in site work and direct construction costs between application and cost certification, the development could substantiate an award of additional tax credits based on a 22% cost increase. However, if this methodology had been applied initially, and the award of additional 2008 tax credits was based on the costs contained in the original application, the award of additional tax credits pursuant to the Final Policy would have been limited to $54,454, rather than $64,206. Therefore, if the Board directs staff to evaluate the development's eligibility for additional tax credits based on the cost increase between application and cost certification, staff recommends that the award of additional credits be limited to an annual allocation of $54,454.

Below, please find a comparison of the tax credit allocation amounts that result from the use of different base numbers for the calculation of the additional 2008 tax credit the development is eligible for.

Comparison of Credit Allocations Using Different Base Costs for Determination of Additional 2008 Allocation

	Application	**1st Addendum**	**2nd Addendum**
Site Work and Direct Construction Costs	**$4,801,941**	**$4,752,433**	**$5,661,897**
Applicable Percentage	**8.10%**	**8.10%**	**8.10%**
Qualified Credits from Additional Allocation	**$54,454**	**$53,893**	**$64,206**
Final Site Work and Direct Construction Costs	**$5,848,314**	**$5,848,314**	**$5,848,314**
Increase in Costs	**22%**	**23%**	**3%**
Total Allocation	**$766,608**	**$766,047**	**$727,254**
Syndication Proceeds	**$7,653,765**	**$7,648,263**	**$7,271,083**

Recommendation

Staff recommends that the Board approve the allocation of $15,100 from the 2008 credit ceiling, as supported by the increase in the Applicant's site work and direct construction costs between the time of the second amendment to the application and cost certification. This recommendation is consistent with the methodology required by the Final Policy. The Applicant accepted the allocation amount of $64,206 by executing a Binding Allocation Agreement, and was aware that the final site work and direct construction costs would be compared to the most recent Underwriting report, which was completed in conjunction with the second amendment to the application, in order to determine eligibility to receive those additional credits. The development can be considered financially feasible with a $15,100 allocation of additional 2008 tax credits and $712,154 allocation of 2005 tax credits. Based on the Underwriter's analysis, the Applicant would be required to defer $385,353 of the $1,212,754 developer fee to cover the remaining gap in permanent financing. This amount of deferred developer fee can be repaid within 4 years of stabilized operations.

Should the Board direct Staff to consider the development's eligibility for additional 2008 tax credits based on the increase in costs between application and cost certification, Staff would recommend that the Board approve an allocation of $54,454 from the 2008 ceiling. This is the amount of 2008 tax credits that would have been awarded to the development had the award been based on an increase in the original application costs, rather than the development costs presented in the second amendment to the application. This would result in a total credit allocation of $766,608. In comparison to the original estimates of the Applicant, the final site work and direct construction costs have increased by 22%. Based on the Underwriter's analysis, the Applicant would be required to defer $2,671 of the $1,212,754 developer fee to cover the remaining gap in permanent financing.

05195 / 08059
Applicant Request

DDC San Gabriel Senior Village, Ltd.
3701 North Lamar, Ste. 206
Austin, Texas 78705
(512) 732-1226 / (512) 732-1276 FAX
Colby@denisondevelopment.com

May 28, 2008

Audrey Martin
Senior Cost Certification Specialist
Texas Department of Housing and Community Affairs
Ph: (512) 475-3872
Fax: (512) 475-3746
audrey.martin@tdhca.state.tx.us
RE: Add. Tax Credit Request Explanation (San Gabriel Senior Village – 05195/08059)

Dear Audrey,

At our meeting with Tom Gouris a few weeks ago concerning the additional tax credits for San Gabriel Senior Village, you all requested that I write you a letter explaining the unique circumstances surrounding the amount of additional tax credits for which this project qualifies.

Almost simultaneous with Board's approval of the additional tax credits for 2004 and 2005 deals, the board had approved an amendment request for a major modification to our building layout. Please see the following table regarding the increase in cost from application to the modified building amendment. Please also note the actual cost per our cost certification submittal.

	Original Application	**Amendment**	**Percent Increase**
Site Work	$745,631	$1,385,500	85.8%
Direct Construction Cost	$4,056,310	$4,114,745	1.4%
Total	**$4,801,941**	**$5,500,245**	**14.54%**
Cost Certification		**$5,847,909**	**21.8%**

As you see, most of the increase in construction cost on this project was captured in the underwriting report for our amendment. This occurred because the underwriting

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for the amendment was performed over a year after this project was awarded the tax credits. Therefore, the cost increase was captured in the underwriting report that would then become the basis for the cost increase.

As you can also see, our cost, as reflected in the final pay application and the cost certification, increased 21.8% from the original application; more than justifying the additional tax credits awarded to this project.

We respectfully request that you consider the unique circumstances surrounding this particular project and award the project the entire additional tax credit allocation of $64,206.

Sincerely,

Colby Denison

05195 / 08059
Cost Certification Analysis

COST CERTIFICATION COMPARATIVE ANALYSIS

San Gabriel Senior Village, Georgetown, HTC#05195

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	UW Net Rent	CC Net Rent	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	1	1	1	718	$400	$346	$346	$346	$346	$0.48	$54.00	$47.00
TC 60%	1	1	1	718	$800	642	$560	$746	642	0.89	54.00	47.00
TC 60%	48	1	1	727	$800	642	$560	$746	30,816	0.88	54.00	47.00
TC 60%	12	1	1	733	$800	642	$560	$746	7,704	0.88	54.00	47.00
TC 30%	6	1	1	747	$400	346	$346	$346	2,076	0.46	54.00	47.00
TC 60%	2	1	1	847	$800	642	$560	$746	1,284	0.76	54.00	47.00
TC 60%	2	1	1	860	$800	642	$560	$746	1,284	0.75	54.00	47.00
TC 30%	3	2	2	968	$480	411	$411	$411	1,233	0.42	69.00	54.00
TC 60%	19	2	2	968	$960	767	$650	$891	14,573	0.79	69.00	54.00
TC 60%	6	2	2	975	$960	767	$650	$891	4,602	0.79	69.00	54.00
TOTAL:	100		AVERAGE:	802		$646			$64,560	$0.81	$58.20	$48.96

INCOME	Total Net Rentable Sq Ft: 80,170				TDHCA - CC	TDHCA-UW 2nd Addendum	TDHCA-UW 1st Addendum	TDHCA-UW	Applicant - UW	Applicant - 1st Addendum	Applicant - 2nd Addendum	APPLICANT - CC	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT					$774,720	$678,528	$774,720	$775,665	$681,240	$774,720	$688,500	$747,060	Williamson	Austin	7
Secondary Income		Per Unit Per Month:		$12.00	14,400	12,000	12,000	12,000	12,000	12,000	12,000	14,400	$12.00	Per Unit Per Month	
Other Support Income:					0	35,700	0	0	0	0	35,700	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					$789,120	$726,228	$786,720	$787,665	$693,240	$786,720	$736,200	$761,460			
Vacancy & Collection Loss		% of Potential Gross Income:		-7.50%	(59,184)	(54,467)	(59,004)	(59,075)	(51,996)	(59,004)	(55,212)	(57,108)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0	0	0	0	0	0	0	0			
EFFECTIVE GROSS INCOME					$729,936	$671,761	$727,716	$728,590	$641,244	$727,716	$680,988	$704,352			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT									PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.29%	$386	0.48	$38,604	$38,717	$38,623	$38,623	$32,400	$33,500	$28,500	$28,500	$0.36	$285	4.05%
Management		4.00%	292	0.36	29,197	33,588	36,386	36,430	32,062	36,386	27,239	28,174	0.35	282	4.00%
Payroll & Payroll Tax		13.24%	967	1.21	96,669	94,614	94,379	94,379	87,932	93,775	83,840	104,502	1.30	1,045	14.84%
Repairs & Maintenance		6.51%	475	0.59	47,503	40,653	40,554	40,554	42,540	40,200	36,200	49,520	0.62	495	7.03%
Utilities		2.39%	175	0.22	17,460	23,673	23,615	23,615	24,000	23,400	30,000	14,400	0.18	144	2.04%
Water, Sewer, & Trash		5.26%	384	0.48	38,392	38,091	37,990	37,990	36,000	37,800	30,000	43,800	0.55	438	6.22%
Property Insurance		2.82%	206	0.26	20,618	20,043	19,938	19,938	21,000	22,500	22,500	20,004	0.25	200	2.84%
Property Tax	2.13569	4.67%	341	0.43	34,074	39,202	85,766	85,766	78,404	86,245	39,200	34,421	0.43	344	4.89%
Reserve for Replacements		2.74%	200	0.25	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	0.25	200	2.84%
TDHCA Compliance Fees		0.55%	40	0.05	4,000	33,100	11,230	8,000	8,000	11,230	33,100	4,000	0.05	40	0.57%
Other: Cable TV and Supportive Se		3.30%	241	0.30	24,100							24,100	0.30	241	3.42%
TOTAL EXPENSES		50.77%	$3,706	$4.62	$370,618	$381,681	$408,481	$405,295	$382,338	$405,036	$350,579	$371,421	$4.63	$3,714	52.73%
NET OPERATING INC		49.23%	$3,593	$4.48	$359,318	$290,080	$319,235	$323,295	$258,906	$322,680	$330,409	$332,931	$4.15	$3,329	47.27%
DEBT SERVICE															
JP Morgan Chase		35.91%	$2,621	$3.27	$262,120	$285,280	$257,908	$214,924	$214,924	$251,717	$285,280	$262,120	$3.27	$2,621	37.21%
Additional Financing		0.00%	$0	$0.00	0	0	0	0	0	0	0		$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	0	0	0	0	0		$0.00	$0	0.00%
NET CASH FLOW		13.32%	$972	$1.21	$97,198	$4,800	$61,327	$108,371	$43,982	$70,963	$45,129	$70,811	$0.88	$708	10.05%
AGGREGATE DEBT COVERAGE RATIO					1.37	1.02	1.24	1.50	1.20	1.28	1.16	1.27			
RECOMMENDED DEBT COVERAGE RATIO					1.37										

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA - CC	TDHCA-UW 2nd Addendum	TDHCA-UW 1st Addendum	TDHCA-UW	Applicant - UW	Applicant - 1st Addendum	Applicant - 2nd Addendum	APPLICANT - CC	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		9.30%	$9,939	$12.40	$993,946	$991,487	$987,550	$986,028	$986,028	$987,550	$991,487	$993,946	$12.40	9939.46	9.10%
Off-Sites		0.00%	0	0.00	0	0	199,640	0	0	199,640	0	0	0.00	0	0.00%
Sitework		10.07%	10,760	13.42	1,075,997	1,385,500	671,631	745,631	745,631	671,631	1,385,500	1,075,997	13.42	10,760	9.85%
Direct Construction		44.65%	47,723	59.53	4,772,317	4,114,745	3,934,273	3,934,273	4,056,310	4,080,802	4,276,397	4,772,317	59.53	47,723	43.68%
Contingency						275,012	230,295	233,995	240,097	251,108	283,095		0.00	0	0.00%
Contractor's Fees	13.54%	7.41%	7,921	9.88	792,103	770,035	644,826	655,186	672,273	703,103	792,666	792,103	9.88	7,921	7.25%
Indirect Construction		8.77%	9,376	11.69	937,569	806,630	906,706	485,840	485,840	906,706	806,630	937,569	11.69	9,376	8.58%
Ineligible Costs		1.12%	1,198	1.49	119,808	383,960	290,385	144,750	144,750	290,385	383,960	119,808	1.49	1,198	1.10%
Developer's Fees	15.00%	11.35%	12,128	15.13	1,212,754	1,180,505	1,052,068	967,412	990,696	1,085,910	1,209,360	1,212,754	15.13	12,128	11.10%
Interim Financing		4.74%	5,070	6.32	507,042	518,113	626,050	394,489	394,489	626,050	518,113	507,042	6.32	5,070	4.64%
Reserves		2.60%	2,777	3.46	277,720	290,137	299,387	277,895	300,000	397,002	412,670	514,900	6.42	5,149	4.71%
TOTAL COST		100.00%	$106,893	$133.33	$10,689,256	$10,716,124	$9,842,811	$8,825,499	$9,016,114	$10,199,887	$11,059,878	$10,926,436	$136.29	$109,264	100.00%
Construction Cost Recap		*62.12%*	***$66,404***	***$82.83***	***$6,640,417***	***$6,545,292***	***$5,481,025***	***$5,569,085***	***$5,714,311***	***$5,706,644***	***$6,737,658***	***$6,640,417***	***$82.83***	***$66,404***	*60.77%*

SOURCES OF FUNDS

												RECOMMENDED	
JP Morgan Chase	30.59%	$32,700	$40.79	$3,270,000	$3,400,000	$3,000,000	$2,500,000	$2,500,000	$3,000,000	$3,400,000	$3,270,000	$3,270,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0	0	0	0	0	0	0	$1,212,754
HTC Syndication Proceeds	70.68%	$75,550	$94.24	7,555,000	6,978,000	6,978,000	6,750,000	6,750,000	6,978,000	6,978,000	7,555,000	7,271,083	% of Dev. Fee Deferred
Deferred Developer Fees	0.95%	$1,014	$1.27	101,436	681,878	221,887	52,276	52,276	221,887	681,878	101,436	385,353	32%
Additional (Excess) Funds Req'd	-2.22%	($2,372)	($2.96)	(237,180)	(343,754)	(357,076)	(476,777)	(286,162)	0	0	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$10,689,256	$10,716,124	$9,842,811	$8,825,499	$9,016,114	$10,199,887	$11,059,878	$10,926,436	$10,926,436	$2,225,991

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

San Gabriel Senior Village, Georgetown, HTC#05195

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost				$0
Adjustments				
Exterior Wall Finish			$0.00	$0
Elderly			0.00	0
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(2.47)	(198,020)
Floor Cover			2.43	194,813
Breezeways/Balconies	$20.33		0.00	0
Plumbing Fixtures	$805		0.00	0
Rough-ins	$400		0.00	0
Built-In Appliances	$1,850	100	2.31	185,000
Exterior Stairs	$1,800		0.00	0
Enclosed Corridors	($9.92)		0.00	0
Heating/Cooling			1.90	152,323
Garages/Carports			0.00	0
Comm &/or Aux Bldgs			0.00	0
Other: fire sprinkler	$1.95	80,170	1.95	156,332
SUBTOTAL			6.12	490,448
Current Cost Multiplier	0.98		(0.12)	(9,809)
Local Multiplier			(6.12)	(490,448)
TOTAL DIRECT CONSTRUCTION COSTS			($0.12)	($9,809)
Plans, specs, survy, bld prm	3.90%		$0.00	$383
Interim Construction Interes	3.38%		0.00	331
Contractor's OH & Profit	11.50%		0.01	1,128
NET DIRECT CONSTRUCTION COSTS			($0.10)	($7,967)

PAYMENT COMPUTATION

Primary	$3,270,000	Amort	360
Int Rate	7.04%	DCR	1.37

Secondary	$0	Amort	
Int Rate		Subtotal DCR	1.37

Additional	$7,555,000	Amort	
Int Rate		Aggregate DCR	1.37

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$262,120
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$97,198

Primary	$3,270,000	Amort	360
Int Rate	7.04%	DCR	1.37

Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.37

Additional	$7,555,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.37

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$774,720	$797,962	$821,900	$846,557	$871,954	$1,010,834	$1,171,834	$1,358,476	$1,825,678
Secondary Income	14,400	14,832	15,277	15,735	16,207	18,789	21,781	25,250	33,935
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	789,120	812,794	837,177	862,293	888,162	1,029,623	1,193,615	1,383,727	1,859,613
Vacancy & Collection Loss	(59,184)	(60,960)	(62,788)	(64,672)	(66,612)	(77,222)	(89,521)	(103,780)	(139,471)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$729,936	$751,834	$774,389	$797,621	$821,549	$952,401	$1,104,094	$1,279,947	$1,720,142
EXPENSES at 4.00%									
General & Administrative	$38,604	$40,149	$41,754	$43,425	$45,162	$54,946	$66,850	$81,334	$120,394
Management	29,197	30,073	30,976	31,905	32,862	38,096	44,164	51,198	68,806
Payroll & Payroll Tax	96,669	100,536	104,557	108,740	113,089	137,590	167,400	203,667	301,478
Repairs & Maintenance	47,503	49,403	51,379	53,434	55,572	67,611	82,260	100,082	148,145
Utilities	17,460	18,158	18,885	19,640	20,426	24,851	30,235	36,786	54,452
Water, Sewer & Trash	38,392	39,927	41,524	43,185	44,913	54,643	66,482	80,885	119,730
Insurance	20,618	21,443	22,301	23,193	24,120	29,346	35,704	43,440	64,301
Property Tax	34,074	35,437	36,855	38,329	39,862	48,498	59,006	71,790	106,266
Reserve for Replacements	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Other	28,100	29,224	30,393	31,609	32,873	39,995	48,660	59,202	87,634
TOTAL EXPENSES	$370,618	$385,151	$400,256	$415,957	$432,276	$524,044	$635,394	$770,520	$1,133,578
NET OPERATING INCOME	$359,318	$366,683	$374,133	$381,664	$389,273	$428,357	$468,700	$509,427	$586,564
DEBT SERVICE									
First Lien Financing	$262,120	$262,120	$262,120	$262,120	$262,120	$262,120	$262,120	$262,120	$262,120
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$97,198	$104,563	$112,013	$119,544	$127,154	$166,237	$206,580	$247,307	$324,444
DEBT COVERAGE RATIO	1.37	1.40	1.43	1.46	1.49	1.63	1.79	1.94	2.24

San Gabriel Senior Village, TDHCA #05195 / 08059

COST CERTIFICATION ANALYSIS

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$993,946	$993,946		
Purchase of buildings	$0	$0		
(2) Rehabilitation/New Construction Cost				
On-site work	$1,075,997	$1,075,997	$1,075,997	$1,075,997
Off-site improvements	$0	$0		
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$4,772,317	$4,772,317	$4,772,317	$4,772,317
(4) Contractor Fees & General Requirements	$792,103	$792,103	$792,103	$792,103
(5) Contingencies	$0	$0	$0	$0
(6) Eligible Indirect Fees	$937,569	$937,569	$937,569	$937,569
(7) Eligible Financing Fees	$507,042	$507,042	$507,042	$507,042
(8) All Ineligible Costs	$119,808	$119,808		
(9) Developer Fees			$0	$0
Developer fees	$1,212,754	$1,212,754	$1,212,754	$1,212,754
(10) Development Reserves	$514,900	$277,720		
TOTAL DEVELOPMENT COSTS	$10,926,436	$10,689,256	$9,297,782	$9,297,782

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis		$0	$0
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing		$0	$0
Non-qualified portion of higher quality units [42(d)(3)]		$0	$0
Historic Credits (on residential portion only)		$0	$0
TOTAL ELIGIBLE BASIS		$9,297,782	$9,297,782
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$12,087,117	$12,087,117
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$12,087,117	$12,087,117
Applicable Percentage		8.12%	8.12%
TOTAL AMOUNT OF TAX CREDITS		$981,474	$981,474
Syndication Proceeds - Rate for 2005 Credits	**0.9998**	**$9,812,776**	**$9,812,776**
Syndication Proceeds - Rate for 2008 Credits	**0.9800**		

Total Tax Credits (Eligible Basis Method)	**$981,474**	**$981,474**
Syndication Proceeds	**$9,812,776**	**$9,812,776**
2004/2005 Approved Tax Credits	**$712,154**	
Syndication Proceeds	**$7,120,116**	
2007/2008 Approved Additional Tax Credits	**$64,206**	
Additional Allocation Amount Accepted	**$64,206**	
Cost Certification Request	**$776,360**	
Syndication Proceeds	**$7,762,047**	
Gap of Syndication Proceeds Needed	**$7,656,436**	
Total Tax Credits (Gap Method)	**$766,881**	
Original Sitework + Direct Costs	**$5,661,897**	
Final Sitework + Direct Costs	**$5,848,314**	
Percentage Increase	3.29%	
Credits Qualified for from 2nd Allocation	**$15,100**	
Total Approved Allocation	**$776,360**	
Total Qualified Allocation	**$727,254**	
Eligible Credits per CC Analysis	**$727,254**	
Total from Additional Allocation	**$15,100**	
Reconciled Tax Credits	**$727,254**	
Syndication Proceeds	**$7,271,083**	
Unused/Recaptured 2008 Credit Amount	**$49,106**	

05195 / 08059 Underwriting Reports

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS 2nd ADDENDUM

DATE: August 16, 2006 **PROGRAM:** 9% HTC **FILE NUMBER:** 05195

DEVELOPMENT NAME

San Gabriel Senior Village Apartments

APPLICANT

Name:	DDC San Gabriel Senior Village, Ltd.	**Type:**	For-profit
Address:	7000 Bee Caves Road, Suite 300	**City:**	Austin **State:** TX
Zip:	78746 **Contact:** Colby Denison	**Phone:**	(512) 732-1226 **Fax:** (512) 459-5817

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	DDC SGSV GP, LLC	**(%):**	0.01	**Title:**	Managing General Partner
Name:	DDC Residential, Ltd.	**(%):**	N/A	**Title:**	Co-Developer
Name:	Crossroads Housing Development Corporation (501c3 Non-profit)	**(%):**	N/A	**Title:**	Sole Owner of MGP & Co-Developer

PROPERTY LOCATION

Location:	1900, 1906, and 1910 Leander Street	☒ **QCT**	☐ **DDA**		
City:	Georgetown	**County:**	Williamson	**Zip:**	78626

REQUEST

Amount	Interest Rate	Amortization	Term
$785,000	N/A	N/A	N/A

Other Requested Terms: Annual ten-year allocation of housing tax credits-712,154 allocated in 2005

Proposed Use of Funds: New construction **Property Type:** Multifamily

Special Purpose (s): Elderly

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $712,154 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance of documentation from the local taxing entities that the property qualifies for a 50% property tax exemption by cost certification.
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

ADDENDUM

San Gabriel Senior Village was awarded an annual tax credit allocation of $712,154 in July 2005. The Owner has by letter dated July 5, 2006 requested several amendments to the original application including a change in the number of residential buildings from sixteen to four, a change in the general partner of DDC San Gabriel Senior Village, Ltd. to a 501c3 non-profit entity, a change in one of the common amenities from full perimeter fencing with controlled access gate to a pool, and a change from tenant paid water and wastewater to project paid water and wastewater. Along with the requested changes the Owner also included a revised rent schedule, annual operating expenses, total development cost schedule, revised architectural drawings and revised commitments. This analysis evaluates the impact the requested changes have on the feasibility of this development as currently proposed.

Operating Proforma: The Owner's revised rent schedule reflects rents that are significantly lower than the maximum tax credit rents for the 60% units. It should be noted that at the time of the original analysis, the Owner restricted rents to less than the maximum HTC guidelines and less than the Market Analyst's conclusion of adjusted market rent at application. Currently, the Owner is restricting the 60% units to the adjusted market rents concluded in the owner's latest market study by O'Connor and Associates for a current 2006 application (060151, Bluffs Landing) which is also located in the City of Georgetown. The adjusted market rents concluded for the 2006 application ($560 for one-bedrooms and $650 for two-bedrooms) are less than the adjusted market rents concluded for San Gabriel ($642 for one-bedrooms and $767 for two-bedrooms) at application. The Owner also reflects a change from tenant paid water and wastewater to project paid water and wastewater in the rent schedule. However, the Underwriter has verified that the original analysis did not assume tenant paid water and wastewater as the Owner indicates. Therefore, no adjustments were required. The Underwriter has underwritten the development using the maximum HTC rents for the 30% units and the current adjusted market rents as concluded by O'Connor and Associates for the 60% units. Should the maximum rents be achieved there is a potential for additional income (approximately $220K). The Owner's estimate of secondary income of $39.75/unit/month exceeds the Department's standard due to the inclusion of bulk cable which the Owner anticipates charging $35 per month for each unit. The Owner assumes that 85% of the units will purchase the cable service. The Underwriter assumed a secondary income based on a lease rate of 85% for cable service. Vacancy and collection loss are in line with TDHCA underwriting guidelines. As a result, the Owner's effective gross income is within 5% of the Underwriter's current estimate. The Owner's revised operating expense estimate is 9% lower than the Underwriter's current database-derived estimate. It appears that the Owner's expenses have decreased in almost every category but there was no explanation as to why the expenses went down. Also, the Owner's revised expense estimate includes a 50% reduction in property taxes based on the request to change the General Partner of DDC San Gabriel Senior Village, Ltd. to a 501c3 non-profit entity, Crossroads Housing Development Corporation (CHDO). The Underwriter assumed the 50% tax exemption in this analysis. While the Owner's estimated income is consistent with the Underwriter's expectations, the estimated operating expenses and net operating income are not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate the development's debt service capacity. Due primarily to the difference in expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.02 falls below the program minimum standard of 1.10. This suggests that the development's annual debt service should be limited to not more than $263,785.

Development Plan & Cost: The original proposal was to have sixteen medium, garden style residential buildings sporadically distributed among the site. The Owner's current proposal contains a total of five residential buildings which combine to make up one large, three-story contiguous structure, with the community building in the center. Based on the Owner's intent to separate the one structure into five separate buildings it appears that the Owner will separate the structure along firewalls, however, it is unclear from the building floor plans provided where these firewalls are located. Based on the revised floor plans, it appears that the large structure will be served by one elevator, which was confirmed by the Owner. The Owner explains that the request to change the number of residential buildings is a result of construction cost inflation which makes it financially infeasible to build the development as originally planned. The Owner further states that despite the more cost effective nature of building one large building when compared with the cost of seventeen smaller buildings, the material and labor cost increases across the State have offset these efficiencies. The Underwriter's current 2006 Marshall & Swift *Residential Cost Handbook*-derived estimate for the currently proposed design is $10,716,123, which is $345K or 3.21% lower than the Owner's current total development cost estimate, which is reasonable. The Owner's current cost estimate is $860K or 8.43% higher than the cost estimate provided at Carryover for the originally proposed design. When comparing the Owner's cost breakdown provided at Carryover to the current cost breakdown, significant differences are apparent in the following categories: offsite costs (decrease of $199K), site work (increase of $714K), hard costs (increase of $196K), and developer fees (increase of $123K). The Underwriter inquired about the differences in cost for offsite work to which the Owner responded that it was originally thought that the existing wastewater line would be too shallow in the street, but the Owner's civil engineer elected to use a lift station instead of replacing the wastewater line in the city street. As a result no costs were required for this line item. The Owner also provided a detailed cost breakdown of site work costs prepared by the development's civil engineer, as well as a letter from a CPA certifying that all of the costs identified by the engineer are includable in eligible basis. It should be noted that the total site work costs certified by both the engineer and CPA amounts to $1,385,500, which is $32,102 less than the owner's total site work costs as reflected in the cost schedule. The discrepancy appears to be attributed to the engineer's and CPA's exclusion of demolition costs included by the owner. It should be noted that the Owner has also requested a change to one of the common amenities so that a pool is substituted for the perimeter fence with controlled access gate. The Owner's revised site work cost includes $50K for this line item. As for the increases in other costs, the Owner states that the higher than expected construction costs are attributed to rock subsurface that resulted in a high cost of excavation and installation of site utilities, a 700% increase in the price of copper (which affects plumbing, electrical and HVAC budgets), a 100% increase in the cost of drywall over the last 12-18 months and a large increase in the cost of lumber and concrete. It should be noted that the Underwriter re-evaluated the originally proposed development using the current 2006 Marshall & Swift costs to compare to the cost of building one large building with the cost of sixteen smaller buildings. As a result, the Underwriter's current cost estimate for the originally proposed sixteen residential building design is $10,521,814 which is $194K or 1.8% lower than the cost estimate to build the currently proposed design.

Financing: Based on the revised commitment from JP Morgan Chase, the development's annual debt service on the proposed first lien permanent loan amount of $3.4M is $285,280. The permanent loan amount has increased by $400K from that estimated at Carryover. As stated earlier in this addendum, the Underwriter's NOI of 1.02 falls below the program's minimum standard of 1.10. This suggests that the project's annual debt service should be limited to not more than $263,785, resulting in a potential reduction of the permanent loan amount. Deferred developer fee would increase to $937,639 which is repayable from development cash flow by year 20. It should be noted that if the Owner is not able to obtain the 50% property tax exemption anticipated for this development, the annual debt service would be further limited in order to achieve a minimum 1.10 DCR, which in turn would result in insufficient deferred developer fee available to repay the difference. As a result, this addendum is conditioned upon receipt, review and acceptance of documentation from the local taxing entities that the property qualifies for a 50% property tax exemption by cost certification.

Based on a through evaluation of the information provided by the Owner the requested changes to this development do not appear to have an adverse impact on the development if the owner is able to obtain a 50% property tax exemption. Therefore, the 2005 credit award of $712,154 is still recommended and conditioned upon receipt, review and acceptance of documentation from the local taxing entities that the property qualifies for a 50% property tax exemption by cost certification.

SUMMARY OF SALIENT RISKS AND ISSUES

- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the estimated market rents concluded by the Market Analyst could be achieved.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Raquel Morales*	**Date:**	August 16, 2006
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	August 16, 2006

MULTIFAMILY COMPARATIVE ANALYSIS

San Gabriel Senior Village, Georgetown, 9% HTC #05195 2nd ADDENDUM

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit			Rent per Month	Rent per SF	Tnt-Pd Util	Wtr, Swr, Trsh
TC (30%)	2	1	1	718	$400	$346			$692	$0.48	$54.00	$47.00
TC (30%)	5	1	1	727	400	$346			1,730	0.48	54.00	47.00
TC (60%)	43	1	1	727	800	$560			24,080	0.77	54.00	47.00
TC (60%)	6	1	1	747	800	$560			3,360	0.75	54.00	47.00
TC (60%)	12	1	1	733	800	$560			6,720	0.76	54.00	47.00
TC (60%)	2	1	1	860	800	$560			1,120	0.65	54.00	47.00
TC (60%)	2	1	1	847	800	$560			1,120	0.66	54.00	47.00
TC (30%)	2	2	2	968	480	$411			822	0.42	69.00	54.00
TC (60%)	20	2	2	968	960	$650			13,000	0.67	69.00	54.00
TC (60%)	6	2	2	975	960	$650			3,900	0.67	69.00	54.00
TOTAL:	100		AVERAGE:	802	$807	$565			$56,544	$0.71	$58.20	$48.96

				TDHCA-Amendment II	TDHCA-Amendment I	APPLICANT-Amendment I	APPLICANT-Amendment II			
INCOME	Total Net Rentable Sq Ft:	80,170							Comptroller's Region	7
POTENTIAL GROSS RENT				$678,528	$774,720	$774,720	$688,500		IREM Region	
Secondary Income		Per Unit Per Month:	$10.00	12,000	12,000	12,000	12,000	$10.00	Per Unit Per Month	
Other Support Income: (bulk cable)				35,700			35,700			
POTENTIAL GROSS INCOME				$726,228	$786,720	$786,720	$736,200			
Vacancy & Collection Loss	% of Potential Gross Income:		-7.50%	(54,467)	(59,004)	(59,004)	(55,212)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0						
EFFECTIVE GROSS INCOME				$671,761	$727,716	$727,716	$680,988			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT					PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.76%	$387	0.48	$38,717	$38,623	$33,500	$28,500	$0.36	$285	4.19%
Management	5.00%	336	0.42	33,588	36,386	36,386	27,239	0.34	272	4.00%
Payroll & Payroll Tax	14.08%	946	1.18	94,614	94,379	93,775	83,840	1.05	838	12.31%
Repairs & Maintenance	6.05%	407	0.51	40,653	40,554	40,200	36,200	0.45	362	5.32%
Utilities	3.52%	237	0.30	23,673	23,615	23,400	30,000	0.37	300	4.41%
Water, Sewer, & Trash	5.67%	381	0.48	38,091	37,990	37,800	30,000	0.37	300	4.41%
Property Insurance	2.98%	200	0.25	20,043	19,938	22,500	22,500	0.28	225	3.30%
Property Tax 2.61	5.84%	392	0.49	39,202	85,766	86,245	39,200	0.49	392	5.76%
Reserve for Replacements	2.98%	200	0.25	20,000	20,000	20,000	20,000	0.25	200	2.94%
Other: cable tv/supp svcs/complianc	4.93%	331	0.41	33,100	11,230	11,230	33,100	0.41	331	4.86%
TOTAL EXPENSES	56.82%	$3,817	$4.76	$381,682	$408,481	$405,036	$350,579	$4.37	$3,506	51.48%
NET OPERATING INC	43.18%	$2,901	$3.62	$290,079	$319,235	$322,680	$330,409	$4.12	$3,304	48.52%
DEBT SERVICE										
Washington Mutual	42.47%	$2,853	$3.56	$285,280	$257,908	$251,717	$285,280	$3.56	$2,853	41.89%
Additional Financing	0.00%	$0	$0.00	0				$0.00	$0	0.00%
Additional Financing	0.00%	$0	$0.00	0				$0.00	$0	0.00%
NET CASH FLOW	0.71%	$48	$0.06	$4,800	$61,327	$70,963	$45,129	$0.56	$451	6.63%
AGGREGATE DEBT COVERAGE RATIO				1.02	1.24	1.28	1.16			
RECOMMENDED DEBT COVERAGE RATIO				1.10						

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA- Current	TDHCA-Amendment I	Applicant-Amendment I	APPLICANT-Current	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		9.25%	$9,915	$12.37	$991,487	$987,550	$987,550	$991,487	$12.37	$9,915	8.96%
Off-Sites		0.00%	0	0.00	0	199,640	199,640	0	0.00	0	0.00%
Sitework		12.93%	13,855	17.28	1,385,500	671,631	671,631	1,385,500	17.28	13,855	12.53%
Direct Construction		38.40%	41,147	51.33	4,114,745	3,934,273	4,080,802	4,276,397	53.34	42,764	38.67%
Contingency	5.00%	2.57%	2,750	3.43	275,012	230,295	251,108	283,095	3.53	2,831	2.56%
General Req'ts	6.00%	3.08%	3,300	4.12	330,015	276,354	301,330	339,714	4.24	3,397	3.07%
Contractor's G & A	2.00%	1.03%	1,100	1.37	110,005	92,118	100,443	113,238	1.41	1,132	1.02%
Contractor's Profit	6.00%	3.08%	3,300	4.12	330,015	276,354	301,330	339,714	4.24	3,397	3.07%
Indirect Construction		7.53%	8,066	10.06	806,630	906,706	906,706	806,630	10.06	8,066	7.29%
Ineligible Costs		3.58%	3,840	4.79	383,960	290,385	290,385	383,960	4.79	3,840	3.47%
Developer's G & A	2.71%	1.99%	2,130	2.66	213,017	140,276	144,788	241,872	3.02	2,419	2.19%
Developer's Profit	12.29%	9.03%	9,675	12.07	967,488	911,792	941,122	967,488	12.07	9,675	8.75%
Interim Financing		4.83%	5,181	6.46	518,113	626,050	626,050	518,113	6.46	5,181	4.68%
Reserves		2.71%	2,901	3.62	290,137	299,387	397,002	412,670	5.15	4,127	3.73%
TOTAL COST		100.00%	$107,161	$133.67	$10,716,123	$9,842,811	$10,199,887	$11,059,878	$137.96	$110,599	100.00%
Recap-Hard Construction Costs		*61.08%*	***$65,453***	***$81.64***	***$6,545,292***	***$5,481,025***	***$5,706,644***	***$6,737,658***	***$84.04***	***$67,377***	*60.92%*

SOURCES OF FUNDS

								RECOMMENDED	
Washington Mutual	31.73%	$34,000	$42.41	$3,400,000	$3,000,000	$3,000,000	$3,400,000	$3,143,827	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0		0	$1,209,360
HTC Syndication Proceeds	65.12%	$69,780	$87.04	6,978,000	6,978,000	6,978,000	6,978,000	6,978,411	% of Dev. Fee Deferred
Deferred Developer Fees	6.36%	$6,819	$8.51	681,878	221,887	221,887	681,878	937,639	78%
Additional (Excess) Funds Req'd	-3.21%	($3,438)	($4.29)	(343,755)	(357,076)	0	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$10,716,123	$9,842,811	$10,199,887	$11,059,878	$11,059,878	$916,002

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

San Gabriel Senior Village, Georgetown, 9% HTC #05195 2nd ADDENDUM

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$48.82	$3,913,742
Adjustments				
Exterior Wall Finish	8.00%		$3.91	$313,099
Elderly/9-Ft. Ceilings	6.00%		2.93	234,824
Roofing			0.00	0
Subfloor			(0.68)	(54,248)
Floor Cover			2.00	160,340
Porches/Balconies	$20.33	7,456	1.89	151,580
Plumbing	$680	84	0.71	57,120
Built-In Appliances	$1,675	100	2.09	167,500
Exterior Stairs	$1,650	12	0.25	19,800
Enclosed Corridors	$38.90	4042	1.96	157,226
Heating/Cooling			2.03	162,745
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$64.12	4,470	3.57	286,605
Other: Elevator	$58,400.00	1	0.73	58,400
SUBTOTAL			70.21	5,628,734
Current Cost Multiplier	1.04		2.81	225,149
Local Multiplier	0.86		(9.83)	(788,023)
TOTAL DIRECT CONSTRUCTION COSTS			$63.19	$5,065,860
Plans, specs, survy, bld prm	3.90%		($2.46)	($197,569)
Interim Construction Interest	3.38%		(2.13)	(170,973)
Contractor's OH & Profit	11.50%		(7.27)	(582,574)
NET DIRECT CONSTRUCTION COSTS			$51.33	$4,114,745

PAYMENT COMPUTATION

Primary	$3,400,000	Amort	360
Int Rate	7.50%	DCR	1.02

Secondary	$0	Amort	
Int Rate	0.00%	Subtotal DCR	1.02

Additional		Amort	
Int Rate		Aggregate DCR	1.02

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$263,785
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$26,294

Primary	$3,143,827	Amort	360
Int Rate	7.50%	DCR	1.10

Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$678,528	$698,884	$719,850	$741,446	$763,689	$885,325	$1,026,334	$1,189,803	$1,598,996
Secondary Income	12,000	12,360	12,731	13,113	13,506	15,657	18,151	21,042	28,279
Other Support Income: (bulk ca	35,700	36,771	37,874	39,010	40,181	46,580	53,999	62,600	84,129
POTENTIAL GROSS INCOME	726,228	748,015	770,455	793,569	817,376	947,563	1,098,485	1,273,445	1,711,404
Vacancy & Collection Loss	(54,467)	(56,101)	(57,784)	(59,518)	(61,303)	(71,067)	(82,386)	(95,508)	(128,355)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$671,761	$691,914	$712,671	$734,051	$756,073	$876,496	$1,016,099	$1,177,937	$1,583,049
EXPENSES at 4.00%									
General & Administrative	$38,717	$40,266	$41,877	$43,552	$45,294	$55,107	$67,046	$81,572	$120,746
Management	33,588	34,596	35,634	36,703	37,804	43,825	50,805	58,897	79,152
Payroll & Payroll Tax	94,614	98,399	102,334	106,428	110,685	134,665	163,841	199,337	295,068
Repairs & Maintenance	40,653	42,280	43,971	45,730	47,559	57,862	70,399	85,651	126,784
Utilities	23,673	24,620	25,605	26,629	27,694	33,694	40,994	49,876	73,829
Water, Sewer & Trash	38,091	39,614	41,199	42,847	44,561	54,215	65,961	80,252	118,792
Insurance	20,043	20,844	21,678	22,545	23,447	28,527	34,707	42,227	62,506
Property Tax	39,202	40,770	42,401	44,097	45,861	55,797	67,885	82,593	122,258
Reserve for Replacements	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Other	33,100	34,424	35,801	37,233	38,722	47,112	57,318	69,737	103,227
TOTAL EXPENSES	$381,682	$396,613	$412,131	$428,260	$445,024	$539,270	$653,590	$792,277	$1,164,735
NET OPERATING INCOME	$290,079	$295,301	$300,540	$305,791	$311,049	$337,225	$362,508	$385,659	$418,314
DEBT SERVICE									
First Lien Financing	$263,785	$263,785	$263,785	$263,785	$263,785	$263,785	$263,785	$263,785	$263,785
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$26,294	$31,516	$36,754	$42,006	$47,264	$73,440	$98,723	$121,874	$154,529
DEBT COVERAGE RATIO	1.10	1.12	1.14	1.16	1.18	1.28	1.37	1.46	1.59
						60,352	86,082	110,299	138,202
Cumulative Cash Flow	26,294	57,810	94,564	136,570	183,834	485,594	916,002	1,467,496	2,849,511

LIHTC Allocation Calculation - San Gabriel Senior Village, Georgetown, 9% HTC #05195 2nd A

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$991,487	$991,487		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,385,500	$1,385,500	$1,385,500	$1,385,500
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$4,276,397	$4,114,745	$4,276,397	$4,114,745
(4) Contractor Fees & General Requirements				
Contractor overhead	$113,238	$110,005	$113,238	$110,005
Contractor profit	$339,714	$330,015	$339,714	$330,015
General requirements	$339,714	$330,015	$339,714	$330,015
(5) Contingencies	$283,095	$275,012	$283,095	$275,012
(6) Eligible Indirect Fees	$806,630	$806,630	$806,630	$806,630
(7) Eligible Financing Fees	$518,113	$518,113	$518,113	$518,113
(8) All Ineligible Costs	$383,960	$383,960		
(9) Developer Fees				
Developer overhead	$241,872	$213,017	$241,872	$213,017
Developer fee	$967,488	$967,488	$967,488	$967,488
(10) Development Reserves	$412,670	$290,137		
TOTAL DEVELOPMENT COSTS	$11,059,878	$10,716,123	$9,271,760	$9,050,540

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$9,271,760	$9,050,540
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$12,053,289	$11,765,702
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$12,053,289	$11,765,702
Applicable Percentage		8.10%	8.10%
TOTAL AMOUNT OF TAX CREDITS		$976,316	$953,022
Syndication Proceeds	**0.9799**	**$9,566,944**	**$9,338,680**
Total Credits (Eligible Basis Method)		**$976,316**	**$953,022**
Syndication Proceeds		**$9,566,944**	**$9,338,680**
Original Credit Award		**$712,154**	
Syndication Proceeds		**$6,978,411**	
Gap of Syndication Proceeds Needed		**$7,916,051**	
Credit Amount		**$807,841**	

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS-ADDENDUM

DATE: November 14, 2005 **PROGRAM:** 9% HTC **FILE NUMBER:** 05195

DEVELOPMENT NAME

San Gabriel Senior Village Apartments

APPLICANT

Name:	DDC San Gabriel Senior Village, Ltd.		**Type:**	For-profit			
Address:	7000 Bee Caves Road, Suite 300		**City:**	Austin		**State:**	TX
Zip:	78746	**Contact:** Colby Denison	**Phone:**	(512) 732-1226		**Fax:**	(512) 459-5817

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	DDC Operations, LLC	**(%):**	0.01	**Title:**	Managing General Partner
Name:	DDC Residential, Ltd.	**(%):**	N/A	**Title:**	Developer
Name:	SCD Housing	**(%):**	N/A	**Title:**	51% Owner of MGP
Name:	Colby Denison	**(%):**	N/A	**Title:**	49% Owner of MGP

PROPERTY LOCATION

Location: 1900, 1906, and 1910 Leander Street ☒ **QCT** ☐ **DDA**

City: Georgetown **County:** Williamson **Zip:** 78626

REQUEST

Amount	Interest Rate	Amortization	Term
$785,000	N/A	N/A	N/A

Other Requested Terms: Annual ten-year allocation of housing tax credits

Proposed Use of Funds: New construction **Property Type:** Multifamily

Special Purpose (s): Elderly

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $712,154 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of documentation from the city of the zoning change to MF as requested;
2. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report, prior to Board approval;
3. Receipt, review, and acceptance of an acceptable report for asbestos and lead-based paint which indicates that no issues of environmental concern exist with regard to the existing structures removed, the open well on this site to be closed, and that there is no condition or circumstance that warrants further investigation or analysis, prior to commencement of construction;
4. Receipt, review and acceptance of a revised project cost schedule that reflects the cost of demolition and removal of the existing structures as ineligible costs prior to carryover;
5. Receipt, review and acceptance of a revised permanent loan commitment reflecting an increase in the debt by $392,200, or maintenance of an initial deferred developer fee of at least $392,200 or any combination of additional debt plus initial deferred developer fee totaling the same amount; and
6. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-

evaluated and an adjustment to the credit amount may be warranted.

FINANCING STRUCTURE

INTERIM TO PERMANENT FINANCING

Source: JPMorgan Chase Bank **Contact:** Eugene Bynum

Principal Amount: $3,000,000 **Interest Rate:** 7.50% underwriting rate

Additional Information:

Amortization: 30 yrs **Term:** 18 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

Annual Payment: $251,717 **Lien Priority:** 1st **Date:** 10/ 20/ 2005

TAX CREDIT SYNDICATION

Source: MMA Financial, LLC **Contact:** Marie Keutmann

Net Proceeds: $6,978,000 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 98¢

Commitment: ☐ LOI ☐ Firm ☒ Conditional **Date:** 2/ 24/ 2005

Additional Information:

APPLICANT EQUITY

Amount: $221,887 **Source:** Deferred Developer Fee

ADDENDUM

The Applicant in July 2005 was awarded a Housing Credit Allocation Amount of $712,154 annually for the construction of San Gabriel Senior Village in Georgetown.

The Applicant has by letter dated October 31, 2005 requested that the source of energy for heating and hot water be changed from natural gas to all electric. This is due to the fact that gas is not available at the project site. The Applicant has also submitted a revised development cost schedule, annual operating expenses, source and use of funds, permanent financing commitment, and syndication agreement.

Based on a through evaluation of the information provided by the Applicant the request to change the type of heating and hot water to electric is reasonable and the 2005 awarded credits of $712,154 is still recommended.

SUMMARY OF SALIENT RISKS AND ISSUES

- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Carl Hoover*	**Date:**	November 14, 2005
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	November 14, 2005

MULTIFAMILY COMPARATIVE ANALYSIS

San Gabriel Senior Village, Georgetown, 9% HTC #05195 ADDENDUM

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit			Rent per Month	Rent per SF	Tnt-Pd Util	Wtr, Swr, Trsh
TC (30%)	7	1	1	727	$400	$346			$2,422	$0.48	$54.00	$47.00
TC (60%)	29	1	1	727	800	$642			18,618	0.88	54.00	47.00
TC (60%)	36	1	1	765	800	$642			23,112	0.84	54.00	47.00
TC (30%)	3	2	2	930	480	$411			1,233	0.44	69.00	54.00
TC (60%)	25	2	2	930	960	$767			19,175	0.82	69.00	54.00
TOTAL:	100		AVERAGE:	798	$802	$646			$64,560	$0.81	$58.20	$48.96

INCOME	Total Net Rentable Sq Ft:	79,752	TDHCA	TDHCA	APPLICANT	APPLICANT	Comptroller's Region	7
POTENTIAL GROSS RENT			$774,720	$775,665	$681,240	$774,720	IREM Region	
Secondary Income	Per Unit Per Month:	$10.00	12,000	12,000	12,000	12,000	$10.00	Per Unit Per Month
Other Support Income: (describe)			0	0				
POTENTIAL GROSS INCOME			$786,720	$787,665	$693,240	$786,720		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(59,004)	(59,075)	(51,996)	(59,004)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions			0	0				
EFFECTIVE GROSS INCOME			$727,716	$728,590	$641,244	$727,716		

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	TDHCA	APPLICANT	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.31%	$386	0.48	$38,623	$38,623	$32,400	$33,500	$0.42	$335	4.60%
Management	5.00%	364	0.46	36,386	36,430	32,062	36,386	0.46	364	5.00%
Payroll & Payroll Tax	12.97%	944	1.18	94,379	94,379	87,932	93,775	1.18	938	12.89%
Repairs & Maintenance	5.57%	406	0.51	40,554	40,554	42,540	40,200	0.50	402	5.52%
Utilities	3.25%	236	0.30	23,615	23,615	24,000	23,400	0.29	234	3.22%
Water, Sewer, & Trash	5.22%	380	0.48	37,990	37,990	36,000	37,800	0.47	378	5.19%
Property Insurance	2.74%	199	0.25	19,938	19,938	21,000	22,500	0.28	225	3.09%
Property Tax 2.613477	11.79%	858	1.08	85,766	85,766	78,404	86,245	1.08	862	11.85%
Reserve for Replacements	2.75%	200	0.25	20,000	20,000	20,000	20,000	0.25	200	2.75%
Other: compl fees	1.54%	112	0.14	11,230	8,000	8,000	11,230	0.14	112	1.54%
TOTAL EXPENSES	56.13%	$4,085	$5.12	$408,481	$405,295	$382,339	$405,036	$5.08	$4,050	55.66%
NET OPERATING INC	43.87%	$3,192	$4.00	$319,235	$323,295	$258,905	$322,680	$4.05	$3,227	44.34%
DEBT SERVICE										
Washington Mutual	35.44%	$2,579	$3.23	$257,908	$214,924	$214,924	$251,717	$3.16	$2,517	34.59%
Additional Financing	0.00%	$0	$0.00	0	0			$0.00	$0	0.00%
Additional Financing	0.00%	$0	$0.00	0	0			$0.00	$0	0.00%
NET CASH FLOW	8.43%	$613	$0.77	$61,326	$108,372	$43,982	$70,963	$0.89	$710	9.75%
AGGREGATE DEBT COVERAGE RATIO				1.24	1.50	1.20	1.28			
RECOMMENDED DEBT COVERAGE RATIO				1.25	1.30					

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	TDHCA	APPLICANT	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		10.03%	$9,876	$12.38	$987,550	$986,028	$986,028	$987,550	$12.38	$9,876	9.68%
Off-Sites		2.03%	1,996	2.50	199,640	0	0	199,640	2.50	1,996	1.96%
Sitework		6.82%	6,716	8.42	671,631	745,631	745,631	671,631	8.42	6,716	6.58%
Direct Construction		39.97%	39,343	49.33	3,934,273	3,934,273	4,056,310	4,080,802	51.17	40,808	40.01%
Contingency	5.00%	2.34%	2,303	2.89	230,295	233,995	240,097	251,108	3.15	2,511	2.46%
General Req'ts	6.00%	2.81%	2,764	3.47	276,354	280,794	288,117	301,330	3.78	3,013	2.95%
Contractor's G & A	2.00%	0.94%	921	1.16	92,118	93,598	96,039	100,443	1.26	1,004	0.98%
Contractor's Profit	6.00%	2.81%	2,764	3.47	276,354	280,794	288,117	301,330	3.78	3,013	2.95%
Indirect Construction		9.21%	9,067	11.37	906,706	485,840	485,840	906,706	11.37	9,067	8.89%
Ineligible Costs		2.95%	2,904	3.64	290,385	144,750	144,750	290,385	3.64	2,904	2.85%
Developer's G & A	2.00%	1.43%	1,403	1.76	140,276	128,988	132,093	144,788	1.82	1,448	1.42%
Developer's Profit	13.00%	9.26%	9,118	11.43	911,792	838,424	858,603	941,122	11.80	9,411	9.23%
Interim Financing		6.36%	6,261	7.85	626,050	394,489	394,489	626,050	7.85	6,261	6.14%
Reserves		3.04%	2,994	3.75	299,387	277,895	300,000	397,002	4.98	3,970	3.89%
TOTAL COST		100.00%	$98,428	$123.42	$9,842,811	$8,825,500	$9,016,114	$10,199,887	$127.90	$101,999	100.00%
Recap-Hard Construction Costs		*55.69%*	***$54,810***	***$68.73***	***$5,481,026***	***$5,569,086***	***$5,714,311***	***$5,706,644***	***$71.55***	***$57,066***	*55.95%*

SOURCES OF FUNDS								RECOMMENDED	
Washington Mutual	30.48%	$30,000	$37.62	$3,000,000	$2,500,000	$2,500,000	$3,000,000	$3,000,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0			0	$1,078,223
HTC Syndication Proceeds	70.89%	$69,780	$87.50	6,978,000	6,750,000	6,750,000	6,978,000	6,978,411	% of Dev. Fee Deferred
Deferred Developer Fees	2.25%	$2,219	$2.78	221,887	52,276	52,276	221,887	221,476	21%
Additional (Excess) Funds Req'd	-3.63%	($3,571)	($4.48)	(357,076)	(476,776)	(286,162)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$9,842,811	$8,825,500	$9,016,114	$10,199,887	$10,199,887	$1,577,005

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

San Gabriel Senior Village, Georgetown, 9% HTC #05195 ADDENDUM

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$45.89	$3,660,063
Adjustments				
Exterior Wall Finish	8.00%		$3.67	$292,805
4-Plex Elderly/9-Ft. Ceilin	13.00%		5.97	475,808
Roofing			0.00	0
Subfloor			(2.03)	(161,897)
Floor Cover			2.00	159,504
Porches/Balconies	$16.71	6,786	1.42	113,394
Plumbing	$605	84	0.64	50,820
Built-In Appliances	$1,650	100	2.07	165,000
Stairs/Fireplaces			0.00	0
Enclosed Corridors	$35.97		0.00	0
Heating/Cooling			1.53	122,021
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$65.16	2,578	2.11	167,975
Other:			0.00	0
SUBTOTAL			63.26	5,045,493
Current Cost Multiplier	1.11		6.96	555,004
Local Multiplier	0.85		(9.49)	(756,824)
TOTAL DIRECT CONSTRUCTION COSTS			$60.73	$4,843,673
Plans, specs, survy, bld prm	3.90%		($2.37)	($188,903)
Interim Construction Interest	3.38%		(2.05)	(163,474)
Contractor's OH & Profit	11.50%		(6.98)	(557,022)
NET DIRECT CONSTRUCTION COSTS			$49.33	$3,934,273

PAYMENT COMPUTATION

	Primary	$3,000,000	Amort	360
	Int Rate	7.75%	DCR	1.24

	Secondary	$0	Amort	
	Int Rate	0.00%	Subtotal DCR	1.24

	Additional		Amort	
	Int Rate		Aggregate DCR	1.24

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	$257,908
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$64,772

	Primary	$3,000,000	Amort	360
	Int Rate	7.75%	DCR	1.25

	Secondary	$0	Amort	0
	Int Rate	0.00%	Subtotal DCR	1.25

	Additional	$0	Amort	0
	Int Rate	0.00%	Aggregate DCR	1.25

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$774,720	$797,962	$821,900	$846,557	$871,954	$1,010,834	$1,171,834	$1,358,476	$1,825,678
Secondary Income	12,000	12,360	12,731	13,113	13,506	15,657	18,151	21,042	28,279
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	786,720	810,322	834,631	859,670	885,460	1,026,491	1,189,985	1,379,518	1,853,957
Vacancy & Collection Loss	(59,004)	(60,774)	(62,597)	(64,475)	(66,410)	(76,987)	(89,249)	(103,464)	(139,047)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$727,716	$749,547	$772,034	$795,195	$819,051	$949,504	$1,100,736	$1,276,054	$1,714,910
EXPENSES at 4.00%									
General & Administrative	$38,623	$40,168	$41,774	$43,445	$45,183	$54,972	$66,882	$81,372	$120,451
Management	36,386	37,477	38,602	39,760	40,953	47,475	55,037	63,803	85,746
Payroll & Payroll Tax	94,379	98,155	102,081	106,164	110,411	134,331	163,435	198,843	294,337
Repairs & Maintenance	40,554	42,176	43,863	45,617	47,442	57,721	70,226	85,441	126,473
Utilities	23,615	24,560	25,542	26,564	27,626	33,612	40,894	49,753	73,647
Water, Sewer & Trash	37,990	39,510	41,091	42,734	44,443	54,072	65,787	80,040	118,479
Insurance	19,938	20,736	21,565	22,428	23,325	28,378	34,526	42,006	62,180
Property Tax	85,766	89,197	92,765	96,475	100,334	122,072	148,519	180,696	267,475
Reserve for Replacements	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Other	11,230	11,679	12,146	12,632	13,138	15,984	19,447	23,660	35,022
TOTAL EXPENSES	$408,481	$424,457	$441,060	$458,317	$476,252	$577,083	$699,386	$847,752	$1,246,182
NET OPERATING INCOME	$319,235	$325,091	$330,974	$336,878	$342,799	$372,421	$401,350	$428,303	$468,729
DEBT SERVICE									
First Lien Financing	$257,908	$257,908	$257,908	$257,908	$257,908	$257,908	$257,908	$257,908	$257,908
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$61,326	$67,182	$73,065	$78,970	$84,891	$114,513	$143,442	$170,394	$210,820
DEBT COVERAGE RATIO	1.24	1.26	1.28	1.31	1.33	1.44	1.56	1.66	1.82

LIHTC Allocation Calculation - San Gabriel Senior Village, Georgetown, 9% HTC #05195 ADDE

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$987,550	$987,550		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$671,631	$671,631	$671,631	$671,631
Off-site improvements	$199,640	$199,640		
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$4,080,802	$3,934,273	$4,080,802	$3,934,273
(4) Contractor Fees & General Requirements				
Contractor overhead	$100,443	$92,118	$95,049	$92,118
Contractor profit	$301,330	$276,354	$285,146	$276,354
General requirements	$301,330	$276,354	$285,146	$276,354
(5) Contingencies	$251,108	$230,295	$237,622	$230,295
(6) Eligible Indirect Fees	$906,706	$906,706	$906,706	$906,706
(7) Eligible Financing Fees	$626,050	$626,050	$626,050	$626,050
(8) All Ineligible Costs	$290,385	$290,385		
(9) Developer Fees			$1,078,223	
Developer overhead	$144,788	$140,276		$140,276
Developer fee	$941,122	$911,792		$911,792
(10) Development Reserves	$397,002	$299,387		
TOTAL DEVELOPMENT COSTS	$10,199,887	$9,842,811	$8,266,374	$8,065,849

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$8,266,374	$8,065,849
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$10,746,286	$10,485,604
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$10,746,286	$10,485,604
Applicable Percentage		8.10%	8.10%
TOTAL AMOUNT OF TAX CREDITS		$870,449	$849,334
Syndication Proceeds	**0.9799**	**$8,529,549**	**$8,322,640**
Total Credits (Eligible Basis Method)		**$870,449**	**$849,334**
Syndication Proceeds		**$8,529,549**	**$8,322,640**
Requested Credits		**$712,154**	
Syndication Proceeds		**$6,978,411**	
Gap of Syndication Proceeds Needed		**$7,199,887**	
Credit Amount		**$734,756**	
Original Allocation		**$712,154**	

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

DATE: July 8, 2005 **PROGRAM:** 9% HTC **FILE NUMBER:** 05195

DEVELOPMENT NAME

San Gabriel Senior Village Apartments

APPLICANT

Name:	DDC San Gabriel Senior Village, Ltd.		**Type:**	For-profit			
Address:	7000 Bee Caves Road, Suite 300		**City:**	Austin		**State:**	TX
Zip:	78746	**Contact:** Colby Denison	**Phone:**	(512)	732-1226	**Fax:**	(512) 459-5817

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	DDC Operations, LLC	**(%):**	0.01	**Title:**	Managing General Partner
Name:	DDC Residential, Ltd.	**(%):**	N/A	**Title:**	Developer
Name:	Leslie Holleman	**(%):**	N/A	**Title:**	51% Owner of MGP
Name:	Colby Denison	**(%):**	N/A	**Title:**	49% Owner of MGP

PROPERTY LOCATION

Location:	1900, 1906, and 1910 Leander Street			☒ **QCT**	☐ **DDA**
City:	Georgetown	**County:**	Williamson	**Zip:**	78626

REQUEST

Amount	Interest Rate	Amortization	Term
$785,000	N/A	N/A	N/A

Other Requested Terms: Annual ten-year allocation of housing tax credits

Proposed Use of Funds: New construction **Property Type:** Multifamily

Special Purpose (s): Elderly

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $712,154 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of documentation from the city of the zoning change to MF as requested;
2. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report, prior to Board approval;
3. Receipt, review, and acceptance of an acceptable report for asbestos and lead-based paint which indicates that no issues of environmental concern exist with regard to the existing structures removed, the open well on this site to be closed, and that there is no condition or circumstance that warrants further investigation or analysis, prior to commencement of construction;
4. Receipt, review and acceptance of a revised project cost schedule that reflects the cost of demolition and removal of the existing structures as ineligible costs prior to carryover;
5. Receipt, review and acceptance of a revised permanent loan commitment reflecting an increase in the debt by $392,200, or maintenance of an initial deferred developer fee of at least $392,200 or any combination of additional debt plus initial deferred developer fee totaling the same amount; and
6. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-

evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	100	**# Rental Buildings**	16	**# Non-Res. Buildings**	1	**# of Floors**	1	**Age:**	N/A yrs

Net Rentable SF:	79,752	**Av Un SF:**	798	**Common Area SF:**	2,578	**Gross Bldg SF:**	82,330

STRUCTURAL MATERIALS

The structure will be wood frame on a post-tensioned concrete slab. According to the plans provided in the application the exterior will be comprised as follows: 50% masonry/brick veneer/50% cement fiber siding and wood trim. The interior wall surfaces will be drywall and the pitched roof will be finished with asphalt composite shingles.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & vinyl tile. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, individual heating and air conditioning & 9-foot ceilings.

ONSITE AMENITIES

A 2,578-square foot community building will include an activity room, management offices, a kitchen, restrooms, a dining room & a central mailroom. The community building will be located at the entrance to the property. In addition perimeter fencing with limited access gates are planned for the site.

Uncovered Parking:	136	spaces	**Carports:**	0	spaces	**Garages:**	0	spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: San Gabriel Senior Village is a 13.3-unit per acre new construction development of 100 units of affordable housing located in central Georgetown. The development is comprised of sixteen sporadically distributed medium garden style residential buildings as follows:

- Nine Building Type I with 8 one-bedroom/one-bath units;
- Seven Building Type II with 4 two-bedroom/two-bath units;

Architectural Review: The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with simple fenestration.

SITE ISSUES

SITE DESCRIPTION

Size:	7.53 acres	328,007 square feet	**Flood Zone Designation:**	Zone X
Zoning:	Currently LI & C1, requesting MF			

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Georgetown is located in north central Williamson County, approximately 26 miles north from Austin. The site is an irregularly-shaped parcel located in the central area of Georgetown. The site is situated on the west side of Leander Street.

Adjacent Land Uses:

- **North:** Hart Street immediately adjacent and vacant land beyond;
- **South:** vacant land immediately adjacent and multi-family residential beyond;
- **East:** Leander Street immediately adjacent and single-family residential beyond; and
- **West:** vacant land immediately adjacent and multifamily-residential beyond.

Site Access: Access to the property is from the north or south from Leander Street. The development is to have one main entry from Leander Street. Access to Interstate Highway 35 is one mile west, which provides connections to all other major roads serving the Georgetown area.

Public Transportation: Public transportation services are not available in the City of Georgetown.

Shopping & Services: The site is within several miles of a major grocery store, drug stores, restaurants, financial institutions, and multi-purpose stores.

Special Adverse Site Characteristics:

- **Zoning:** A portion of the site currently has a nonconforming zoning but an application for appropriate zoning has been submitted to the city. Receipt, review, and acceptance of documentation verifying the appropriate re-zoning of the site for the use as planned is a condition of this report.
- **Environmental Hazard:** The site is currently improved with two single family homes and a storage shed. The existing structures will be removed or demolished but due to their age should be tested for hazardous materials (lead and asbestos) and removed in accordance with state and local requirements. The ESA also identified debris that will need to be removed and an open well that will need to be closed.

The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated March 15, 2005 was prepared by ECS-Texas, LLP and contained the following findings and recommendations:

Recommendations: "This assessment has revealed no evidence of recognized environmental conditions in connection with the property; thus further assessment is not needed at this time. Additional issues were assessed during this investigation per TDHCA guidelines. Due to the age of the structures at both 1906 and 1910 Leander Street, asbestos and lead-based paint should be inspected prior to site development." (p. 14) The recommendations of this underwriting report are conditioned upon receipt, review and acceptance of documentation indicating the recommendations of the Phase I Environmental Site Assessment and all subsequent environmental reports have been satisfactorily completed prior to the initial closing on the property.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. One hundred of the units (100% of the total) will be reserved for low-income and elderly tenants. Ten of the units (10%) will be reserved for households earning 30% or less of AMGI, ninety units (90%) will be reserved for households earning 60% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$29,880	$34,140	$38,400	$42,660	$46,080	$49,500

MARKET HIGHLIGHTS

A market feasibility study dated March 30, 2005 was prepared by Mark C. Temple & Associates, LLC ("Market Analyst") and highlighted the following findings:

Definition of Primary Market Area (PMA): "The defined market area for the San Gabriel Senior Village Apartments is considered the Northern Section of the Georgetown-Round Rock MCD, which includes the City of Georgetown and is described by the following farthest boundaries: North – Williamson County Line, South – FM Highway 1431, County Roads 111, 112, 117, 109, 110, 104 and Texas State Highway 29, East – County Roads 341 and 332, and West – U.S. Highway 183 and County Road 175. This area encompasses approximately 399 square miles and is equivalent to a circle with a radius of 11.3 miles.

Population: The estimated total population in the PMA is $55,033 and the senior population of the PMA was 11,046 and is expected to increase by 61% to approximately 17,829 by 2009. Within the primary market area there were estimated to be 10,263 households in 2009.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 1,016 qualified households in the PMA, based on the current estimate of 3,079 households, the projected annual growth rate of 7.1%, income-qualified households estimated at 25.3%, and an annual renter turnover rate of 30 %. (p. V-8) The Market Analyst used an income band of $12,000 to $38,400. The Market Analyst failed to apply a renter's household percentage to determine demand and the Underwriter utilized an estimate of 20% based upon census data.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	237	23%	44	25%
Resident Turnover	779	77%	129	75%
TOTAL ANNUAL DEMAND	**1,016**	**100%**	**173**	**100%**

Ref: p. V-8

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 14.8% based upon 1,016 units of demand and 150 unstabilized affordable housing in the PMA (including the subject) (p. V-8). The Underwriter calculated an inclusive capture rate of 57.8% based upon a revised supply of unstabilized comparable affordable units of 100 divided by a revised demand of 173. A second seniors' development proposed (Wesleyan Retirement Homes) is within one mile of the subject but was not considered in the capture rate since it is a rehabilitation of an existing occupied development. Furthermore, when Wesleyan Retirement Homes is completed, it will serve fewer resident than it currently serves.

Local Housing Authority Waiting List Information: "There are 6 subsidized apartment projects in the Georgetown Market Area. Currently, the projects maintain a 100 percent occupancy level with a waiting list."(p. V-2).

Market Rent Comparables: The Market Analyst surveyed seven comparable apartment projects totaling 1,048 units in the market area. (p.III-1).

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Est. Market**	**Differential**
1-Bedroom (30%) 727 sq ft	$351	$351	$0	$642	-$291
1-Bedroom (60%) 727 sq ft	$528	$751	-$223	$642	-$114
1-Bedroom (60%) 765 sq ft	$528	$751	-$223	$642	-$114
2-Bedroom (30%) 930 sq ft	$425	$425	$0	$767	-$342
2-Bedroom (60%) 930 sq ft	$748	$905	-$157	$767	-$19

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =$500, program max =$600, differential = -$100)

Primary Market Occupancy Rates: "Occupancy levels for the Georgetown Market Area are estimated to remain in the 95-96 percent range from 2005 through 2006." (p. V-1)

Absorption Projections: "According to the Georgetown Chamber of Commerce and Claritas, Inc. present absorption trends of apartment projects located in Georgetown Market Area range from 10 to 20 units per month. It is estimated that a 95+ percent occupancy level can be achieved in a 5 to 10 month time frame." (p. V-3)

Market Study Analysis/Conclusions: The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are significantly lower than the maximum rents allowed under

HTC guidelines, reflecting the state of the subject. There is the potential for additional income (approximately $126K over the market rents) if the maximum rents could be achieved. The Applicant chose to restrict rents $19 to $114 less than the Market Analyst's conclusion of adjusted market rent for the one bedroom and two bedroom units, respectively. The Underwriter has underwritten the development at the higher market rents, resulting in $94K in additional potential income over the Applicant's estimate. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a net result the Applicant's effective gross income is $87K lower than the Underwriter's estimate.

Expenses: The Applicant's estimate of total operating expense is 6% lower than the Underwriter's database-derived estimate. Each of the Applicant's specific expense line items, however, compare well to the Underwriter's estimates and therefore no further adjustments to expenses was needed.

Conclusion: The Applicant's estimated income and total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income (NOI) estimate is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in income and expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.50 exceeds the program maximum standard of 1.30. This suggests that the project could support additional debt service of up to $33,712 annually. This results in a potential additional $392,200 in serviceable debt, and may reduce the need for other funds.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: (7.53) acres combined	$241,544	**Assessment for the Year of:**	2004
Tax Rate:	2.613477	**Valuation by:**	Williamson County Appraisal District

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Unimproved commercial property contract (1.72 acres)		
Contract Expiration Date:	10/ 31/ 2005	**Anticipated Closing Date:**	10/ 31/ 2005
Acquisition Cost:	$171,616	**Other Terms/Conditions:**	Earnest money: $1,700
Seller:	Albert Bartschmid and Clifton Omera	**Related to Development Team Member:**	No

Type of Site Control:	Unimproved commercial property contract (2.80 acres)		
Contract Expiration Date:	10/ 31/ 2005	**Anticipated Closing Date:**	10/ 31/ 2005
Acquisition Cost:	$455,000	**Other Terms/Conditions:**	Earnest money: $4,500
Seller:	George Taylor	**Related to Development Team Member:**	No

Type of Site Control:	Unimproved commercial property contract (.01 acres)		
Contract Expiration Date:	10/ 31/ 2005	**Anticipated Closing Date:**	10/ 31/ 2005
Acquisition Cost:	$358,935	**Other Terms/Conditions:**	Earnest money: $3,500
Seller:	Nieves and Karen Rodriquez	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of $986,028 ($3.00/SF, $130,947/acre, or $9,860/unit) is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $7,456 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation. However, the Applicant included no identifiable cost for the demolition and/or removal of the existing structures. These costs would be ineligible and, if they are contained within the rough grading cost indicated in the application, would overstate that line item. Receipt, review and acceptance of a revised project cost schedule that reflects the cost of demolition and/or removal of the existing structures as an ineligible cost prior to carryover is a condition of this report.

Direct Construction Cost: The Applicant's direct construction cost estimate is $122K or 3% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis by $1,500 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

Conclusion: Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter is used to calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of $7,583,835 is used to determine a credit allocation of $798,578 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM TO PERMANENT FINANCING

Source: Washington Mutual **Contact:** Mahesh Aiyer

Principal Amount: $2,500,000 **Interest Rate:** 7.75% underwriting rate

Additional Information:

Amortization: 30 yrs **Term:** 18 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

Annual Payment: $214,924 **Lien Priority:** 1st **Date:** 2/ 24/ 2005

TAX CREDIT SYNDICATION

Source: MMA Financial, LLC **Contact:** Korbin Heiss

Net Proceeds: $6,750,000 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 86¢

Commitment: ☐ LOI ☐ Firm ☒ Conditional **Date:** 2/ 24/ 2005

Additional Information:

APPLICANT EQUITY

Amount: $52,276 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

HTC Syndication: The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The syndication rate proposed in the commitment is in the low end of the range of current credit prices. If the final syndication rate were to increase at all, an excess of funds would exist, all else held constant, and a reduction in recommended tax credits would be required based on the gap method of determining credits.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $52,276 amount to 5% of the total fees.

Financing Conclusions: The Applicant's NOI was significantly lower than the Underwriter's estimate and the Underwriter's estimate exceeds the Department's 1.30 DCR limit. Based on the proposed first lien rates and terms, an additional $392,200 in debt could be serviced and still provide a 1.30 DCR. Therefore, receipt, review and acceptance of a revised permanent loan commitment reflecting an increase in the debt by $392,200, or maintenance of an initial deferred developer fee of at least $392,200, or any combination of additional debt plus initial deferred developer fee totaling the same amount is a condition of this report.

Since the Applicant's total development costs were only 2.2% more than the Underwriter's estimate, the Applicant's adjusted development costs were used to determine eligible basis. This lead to a tax credit allocation of $798,578 per year, resulting in syndication proceeds of approximately $6,867,082. However, this is more than requested and $743,168 more than the gap requirement based on the Underwriter's analysis. Therefore, the maximum potential tax credit allocation for this project should be reduced to not more than $712,154 or $72,876 less than requested. The Applicant initially anticipated the need to defer $52,276 in developer fee, but based on the Underwriter's analysis, it is anticipated there will not be a need to defer a portion of the developer fee. In the event of a cost overrun, there will be a sufficient amount of developer fee to defer to fund such overruns as they occur.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant and Developer firms are all related entities. These are common relationships for HTC-funded developments.

APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The principals of the General Partner, Leslie Holleman and Colby Denison, submitted unaudited financial statements as of January 1, 2005 and February 8, 2005 respectively and are anticipated to be guarantors of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Leslie Holleman, the 51% Owner of the General Partner, has completed six HTC housing developments totaling 396 units since 2001.
- Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated income, operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Carl Hoover*	**Date:**	July 8, 2005
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	July 8, 2005

MULTIFAMILY COMPARATIVE ANALYSIS

San Gabriel Senior Village, Georgetown, 9% HTC #05195

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt-Pd Util	Wtr, Swr, Trsh
TC (30%)	7	1	1	727	$400	$351	$2,459	$0.48	$48.75	$44.00
TC (60%)	29	1	1	727	800	$642	18,618	0.88	48.75	44.00
TC (60%)	36	1	1	765	800	$642	23,112	0.84	48.75	44.00
TC (30%)	3	2	2	930	480	$425	1,275	0.46	55.00	47.25
TC (60%)	25	2	2	930	960	$767	19,175	0.82	55.00	47.25
TOTAL:	100		AVERAGE:	798	$802	$646	$64,639	$0.81	$50.50	$44.91

INCOME			TDHCA	APPLICANT		
Total Net Rentable Sq Ft:		79,752			Comptroller's Region	7
POTENTIAL GROSS RENT			$775,665	$681,240		IREM Region
Secondary Income	Per Unit Per Month:	$10.00	12,000	12,000	$10.00	Per Unit Per Month
Other Support Income: (describe)			0			
POTENTIAL GROSS INCOME			$787,665	$693,240		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(59,075)	(51,996)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions			0			
EFFECTIVE GROSS INCOME			$728,590	$641,244		

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.30%	$386	0.48	$38,623	$32,400	$0.41	$324	5.05%
Management		5.00%	364	0.46	36,430	32,062	0.40	321	5.00%
Payroll & Payroll Tax		12.95%	944	1.18	94,379	87,932	1.10	879	13.71%
Repairs & Maintenance		5.57%	406	0.51	40,554	42,540	0.53	425	6.63%
Utilities		3.24%	236	0.30	23,615	24,000	0.30	240	3.74%
Water, Sewer, & Trash		5.21%	380	0.48	37,990	36,000	0.45	360	5.61%
Property Insurance		2.74%	199	0.25	19,938	21,000	0.26	210	3.27%
Property Tax	2.613477	11.77%	858	1.08	85,766	78,404	0.98	784	12.23%
Reserve for Replacements		2.75%	200	0.25	20,000	20,000	0.25	200	3.12%
Other: compl fees		1.10%	80	0.10	8,000	8,000	0.10	80	1.25%
TOTAL EXPENSES		55.63%	$4,053	$5.08	$405,295	$382,339	$4.79	$3,823	59.62%
NET OPERATING INC		44.37%	$3,233	$4.05	$323,295	$258,905	$3.25	$2,589	40.38%
DEBT SERVICE									
Washington Mutual		29.50%	$2,149	$2.69	$214,924	$214,924	$2.69	$2,149	33.52%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		14.87%	$1,084	$1.36	$108,372	$43,982	$0.55	$440	6.86%
AGGREGATE DEBT COVERAGE RATIO					1.50	1.20			
RECOMMENDED DEBT COVERAGE RATIO					1.30				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		11.17%	$9,860	$12.36	$986,028	$986,028	$12.36	$9,860	10.94%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.45%	7,456	9.35	745,631	745,631	9.35	7,456	8.27%
Direct Construction		44.58%	39,343	49.33	3,934,273	4,056,310	50.86	40,563	44.99%
Contingency	5.00%	2.65%	2,340	2.93	233,995	240,097	3.01	2,401	2.66%
General Req'ts	6.00%	3.18%	2,808	3.52	280,794	288,117	3.61	2,881	3.20%
Contractor's G & A	2.00%	1.06%	936	1.17	93,598	96,039	1.20	960	1.07%
Contractor's Profit	6.00%	3.18%	2,808	3.52	280,794	288,117	3.61	2,881	3.20%
Indirect Construction		5.50%	4,858	6.09	485,840	485,840	6.09	4,858	5.39%
Ineligible Costs		1.64%	1,448	1.82	144,750	144,750	1.82	1,448	1.61%
Developer's G & A	2.00%	1.46%	1,290	1.62	128,988	132,093	1.66	1,321	1.47%
Developer's Profit	13.00%	9.50%	8,384	10.51	838,424	858,603	10.77	8,586	9.52%
Interim Financing		4.47%	3,945	4.95	394,489	394,489	4.95	3,945	4.38%
Reserves		3.15%	2,779	3.48	277,895	300,000	3.76	3,000	3.33%
TOTAL COST		100.00%	$88,255	$110.66	$8,825,500	$9,016,114	$113.05	$90,161	100.00%
Recap-Hard Construction Costs		*63.10%*	***$55,691***	***$69.83***	***$5,569,086***	***$5,714,311***	***$71.65***	***$57,143***	*63.38%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Washington Mutual	28.33%	$25,000	$31.35	$2,500,000	$2,500,000	$2,500,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0		392,200	$989,196
HTC Syndication Proceeds	76.48%	$67,500	$84.64	6,750,000	6,750,000	6,123,914	% of Dev. Fee Deferred
Deferred Developer Fees	0.59%	$523	$0.66	52,276	52,276		0%
Additional (Excess) Funds Req'd	-5.40%	($4,768)	($5.98)	(476,776)	(286,162)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$8,825,500	$9,016,114	$9,016,114	$1,727,057

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

San Gabriel Senior Village, Georgetown, 9% HTC #05195

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$45.89	$3,660,063
Adjustments				
Exterior Wall Finish	8.00%		$3.67	$292,805
4-Plex Elderly/9-Ft. Ceilin	13.00%		5.97	475,808
Roofing			0.00	0
Subfloor			(2.03)	(161,897)
Floor Cover			2.00	159,504
Porches/Balconies	$16.71	6,786	1.42	113,394
Plumbing	$605	84	0.64	50,820
Built-In Appliances	$1,650	100	2.07	165,000
Stairs/Fireplaces			0.00	0
Enclosed Corridors	$35.97		0.00	0
Heating/Cooling			1.53	122,021
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$65.16	2,578	2.11	167,975
Other:			0.00	0
SUBTOTAL			63.26	5,045,493
Current Cost Multiplier	1.11		6.96	555,004
Local Multiplier	0.85		(9.49)	(756,824)
TOTAL DIRECT CONSTRUCTION COSTS			$60.73	$4,843,673
Plans, specs, survy, bld prm	3.90%		($2.37)	($188,903)
Interim Construction Interes	3.38%		(2.05)	(163,474)
Contractor's OH & Profit	11.50%		(6.98)	(557,022)
NET DIRECT CONSTRUCTION COSTS			$49.33	$3,934,273

PAYMENT COMPUTATION

Primary	$2,500,000	Amort	360
Int Rate	7.75%	DCR	1.50
Secondary	$0	Amort	
Int Rate	0.00%	Subtotal DCR	1.50
Additional		Amort	
Int Rate		Aggregate DCR	1.50

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$248,641
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$74,654

Primary	$2,892,200	Amort	360
Int Rate	7.75%	DCR	1.30
Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.30
Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.30

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$775,665	$798,935	$822,903	$847,590	$873,018	$1,012,067	$1,173,263	$1,360,133	$1,827,905
Secondary Income	12,000	12,360	12,731	13,113	13,506	15,657	18,151	21,042	28,279
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	787,665	811,295	835,634	860,703	886,524	1,027,724	1,191,414	1,381,175	1,856,184
Vacancy & Collection Loss	(59,075)	(60,847)	(62,673)	(64,553)	(66,489)	(77,079)	(89,356)	(103,588)	(139,214)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$728,590	$750,448	$772,961	$796,150	$820,035	$950,645	$1,102,058	$1,277,587	$1,716,970
EXPENSES at 4.00%									
General & Administrative	$38,623	$40,168	$41,774	$43,445	$45,183	$54,972	$66,882	$81,372	$120,451
Management	36,430	37,522	38,648	39,808	41,002	47,532	55,103	63,879	85,849
Payroll & Payroll Tax	94,379	98,155	102,081	106,164	110,411	134,331	163,435	198,843	294,337
Repairs & Maintenance	40,554	42,176	43,863	45,617	47,442	57,721	70,226	85,441	126,473
Utilities	23,615	24,560	25,542	26,564	27,626	33,612	40,894	49,753	73,647
Water, Sewer & Trash	37,990	39,510	41,091	42,734	44,443	54,072	65,787	80,040	118,479
Insurance	19,938	20,736	21,565	22,428	23,325	28,378	34,526	42,006	62,180
Property Tax	85,766	89,197	92,765	96,475	100,334	122,072	148,519	180,696	267,475
Reserve for Replacements	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Other	8,000	8,320	8,653	8,999	9,359	11,386	13,853	16,855	24,949
TOTAL EXPENSES	$405,295	$421,142	$437,613	$454,731	$472,522	$572,543	$693,859	$841,023	$1,236,211
NET OPERATING INCOME	$323,295	$329,305	$335,348	$341,419	$347,512	$378,102	$408,199	$436,564	$480,759
DEBT SERVICE									
First Lien Financing	$248,641	$248,641	$248,641	$248,641	$248,641	$248,641	$248,641	$248,641	$248,641
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$74,654	$80,664	$86,707	$92,778	$98,872	$129,461	$159,559	$187,923	$232,118
DEBT COVERAGE RATIO	1.30	1.32	1.35	1.37	1.40	1.52	1.64	1.76	1.93

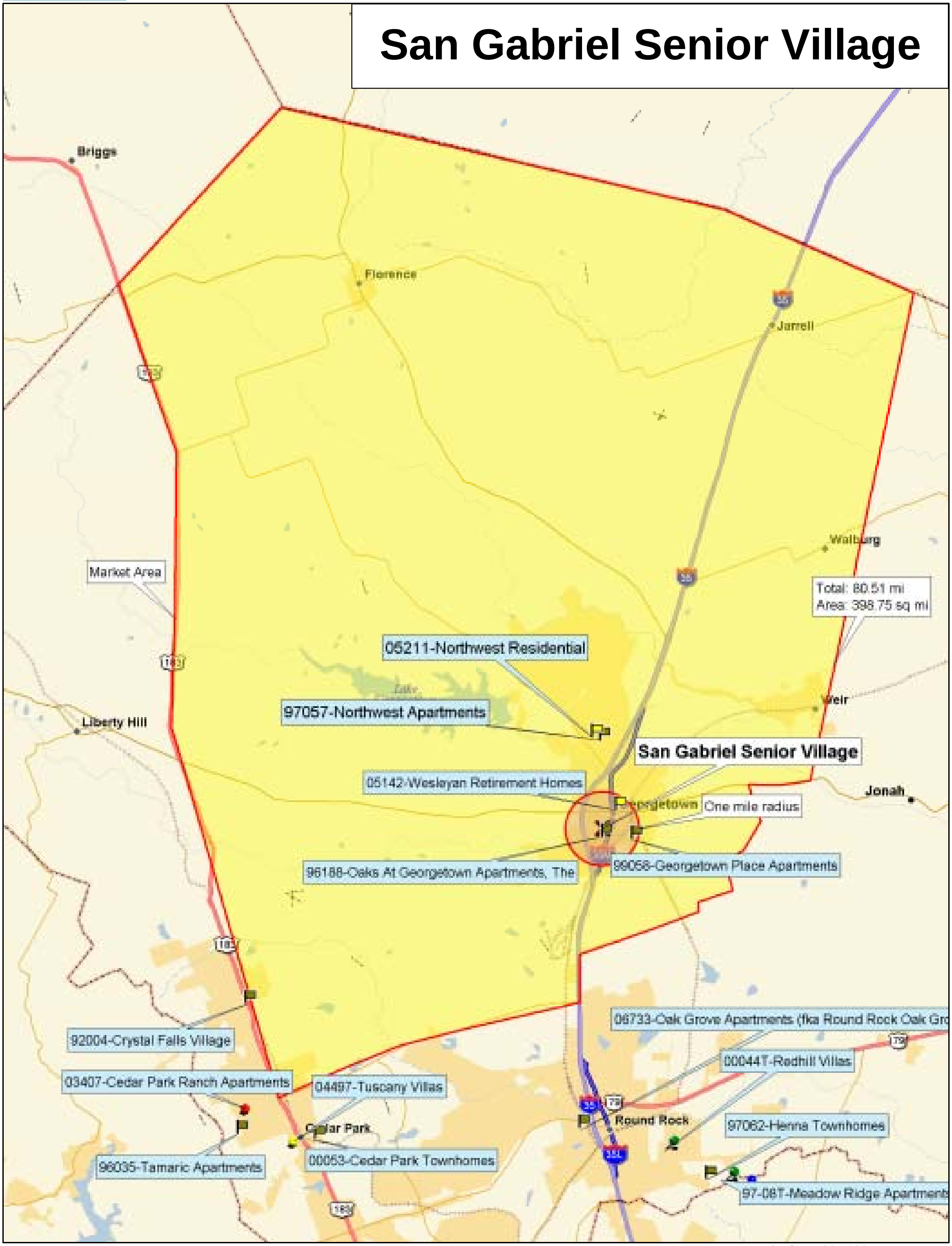
LIHTC Allocation Calculation - San Gabriel Senior Village, Georgetown, 9% HTC #05195

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$986,028	$986,028		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$745,631	$745,631	$745,631	$745,631
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$4,056,310	$3,934,273	$4,056,310	$3,934,273
(4) Contractor Fees & General Requirements				
Contractor overhead	$96,039	$93,598	$96,039	$93,598
Contractor profit	$288,117	$280,794	$288,116	$280,794
General requirements	$288,117	$280,794	$288,116	$280,794
(5) Contingencies	$240,097	$233,995	$240,097	$233,995
(6) Eligible Indirect Fees	$485,840	$485,840	$485,840	$485,840
(7) Eligible Financing Fees	$394,489	$394,489	$394,489	$394,489
(8) All Ineligible Costs	$144,750	$144,750		
(9) Developer Fees			$989,196	
Developer overhead	$132,093	$128,988		$128,988
Developer fee	$858,603	$838,424		$838,424
(10) Development Reserves	$300,000	$277,895		
TOTAL DEVELOPMENT COSTS	$9,016,114	$8,825,500	$7,583,835	$7,416,827

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$7,583,835	$7,416,827
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$9,858,985	$9,641,876
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$9,858,985	$9,641,876
Applicable Percentage		8.10%	8.10%
TOTAL AMOUNT OF TAX CREDITS		$798,578	$780,992
Syndication Proceeds	**0.8599**	**$6,867,082**	**$6,715,859**
Total Credits (Eligible Basis Method)		**$798,578**	**$780,992**
Syndication Proceeds		**$6,867,082**	**$6,715,859**
Requested Credits		**$785,000**	
Syndication Proceeds		**$6,750,325**	
Gap of Syndication Proceeds Needed		**$6,123,914**	
Credit Amount		**$712,154**	

Street Atlas USA® 2004 Plus

San Gabriel Senior Village



TN
MN (5.3°E)

Scale 1 : 225,000

1" = 3.55 mi
Data Zoom 9-7

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST
September 3, 2008

Action Item

Presentation and Discussion of the Disaster Recovery Division's Status Report on CDBG and FEMA AHPP Contracts Administered by TDHCA

Requested Action

Presentation and Discussion of the Disaster Recovery Division's Status Report on CDBG and FEMA AHPP Contracts Administered by TDHCA

Background

This Board Action Request summarizes the activities of the Disaster Recovery Division which has oversight responsibility for Community Development Block Grant (CDBG) Disaster Recovery Programs for Round I and Round II funding administered by TDHCA, as well as the FEMA Alternative Housing Pilot Program (AHPP).

Public Law 109-148 – 1st Supplemental ($74.5 Million)

Under the **1st Supplemental CDBG Disaster Recovery Program (referred to as Round I),** three Councils of Governments (COGs) are responsible for administering housing contracts to help restore and rebuild in areas of the State most directly impacted by Hurricane Rita. Of the $74.5 million, the total funding allocation administered by the COGs is $40,259,276 broken down as follows:

- Deep East Texas Council Of Governments (DETCOG) - $6,745,034
- Houston-Galveston Area Council (H-GAC) - $7,015,70
- South East Texas Regional Planning Commission (SETRPC) - $26,498,536
  - *SETRPC - $15,788,536*
  - *Beaumont - $5,145,000*
  - *Port Arthur - $5,565,000*

The Disaster Recovery Division has been focused on assisting the COGs with completing activities under Round I. As of this Board meeting, the COGs cumulatively have over 100% of their contracted number of households to be served either under bid award, under construction, or completed. The COGs are continuing to access Housing Trust Fund (HTF) dollars to finance gap amounts as well. As of August 25, 2008, $493,630.63 of HTF dollars has been committed and $166,516.70 had been drawn, for an increase of $80,591.35 and $49,414.11 respectively over the previous month. The COGs have identified an estimated need of approximately $933,755 of the $1,000,000 reserved under the HTF program.

Staff continues to receive weekly updates from each COG to gauge their progress in completing contract activities by the end of the contract term, December 31, 2008. The COGs have completed assistance to two hundred fifty-seven (257) households to date and another eighty-two (82) are currently under construction.

Financial Summary

	Current Budget	Admin $ Drawn To Date	Project $ Drawn To Date	Total Drawn	% of Funds Disbursed
DETCOG	**$6,745,034.00**	**$542,681.39**	**$6,070,531.00**	**$ 3,653,840.52**	**54.17%**
H-GAC	**$7,015,706.00**	**$733,598.56**	**$6,217,954.00**	**$ 3,019,182.19**	**43.03%**
SETRPC	**$26,498,536.00**	**$1,493,520.13**	**$23,310,000.00**	**$ 7,521,691.23**	**28.39%**
SETRPC	$15,788,536.00	$1,387,436.14	$13,110,000.00	$6,619,249.42	41.92%
Beaumont	$5,145,000.00	$91,703.99	$4,900,000.00	$584,316.81	11.36%
Port Arthur	$5,565,000.00	$14,380.00	$5,300,000.00	$318,125.00	5.72%
Totals	**$40,259,276.00**	**$2,769,800.08**	**$35,598,485.00**	**$14,194,713.94**	**35.26%**

Project Summary

	No. to be Served per Contract*	No. out for Bid	**Units Under Contract	No. Site-built Under Construction	No. Site-built Constructed	No. of MHUs Delivered	Total No. Constructed/ Delivered
DETCOG	**96**	**0**	**14**	**5**	**6**	**80**	**86**
H-GAC	**110**	**24**	**10**	**18**	**0**	**58**	**58**
SETRPC	**229**	**16**	**45**	**59**	**72**	**41**	**113**
SETRPC	127	0	29	8	50	41	91
Beaumont	56	9	10	32	9	0	9
Port Arthur	46	7	6	19	13	0	0
Total	**435**	**40**	**69**	**82**	**78**	**179**	**257**

** Based on the contractual number of households that the COGs will be able to serve with the funding allocation*
*** Total of MHUs ordered but not yet delivered and construction contracts signed for site-built units*

COG Activity Highlights as of August 25, 2008

Deep East Texas Council of Governments

DETCOG has delivered homes to eighty (80) homeowners, has fourteen (14) additional homes pending delivery or start of construction, has five (5) rehabilitation projects under construction, and has completed construction activities for six (6) rehabilitation projects as of August 25, 2008. DETCOG's Housing Trust Fund (HTF) contract amount is $178,321. DETCOG has identified a gap financing need for eighty-one (81) households totaling approximately $210,641.

Houston-Galveston Area Council

H-GAC has delivered fifty-eight (58) homes to homeowners, has eighteen (18) units under construction, and has ten (10) households that will be under construction or have a new MHU by mid September. H-GAC's HTF contract amount is $184,414. H-GAC has reported a gap financing need for fifty-six (56) households totaling $158,190.

South East Texas Regional Planning Commission

SETRPC has delivered ninety-one (91) homes to homeowners, has eight (8) homes under construction, and has twenty-nine (29) more homes ready to begin construction activities as of August 25, 2008. The total HTF contract amount for SETRPC is $637,265 with $374,360 of that total available for all households within their service area excluding households in the cities of Beaumont and Port Arthur. SETRPC identified a gap financing need for seventy-eight (78) households totaling approximately $298,832 in those areas.

SETRPC continues to work closely with each of its subcontractors, the cities of Beaumont and Port Arthur to move the program forward to a successful completion.

City of Beaumont

The City of Beaumont has nine (9) houses out to bid and ten (10) homes under contract as of August 25, 2008. The city also has thirty-two (32) homes under construction, and has completed assistance to nine (9) households. The amount of the HTF contract amount available to the City of Beaumont is $143,937. The city identified a gap financing need for forty-six (46) households totaling approximately $143,795.

City of Port Arthur

As of August 25, seven (7) houses are out to bid, six (6) construction contracts have been signed and are pending the on-set of construction activities, nineteen (19) units are under construction and thirteen (13) homes have been completed. The amount of the HTF contract amount available to the City of Port Arthur is $118,968. The city identified a gap financing need for thirty-four (34) households totaling approximately $115,150.

Public Law 109-234 – Round II ($428 Million)

The **2nd Supplemental CDBG Disaster Recovery Funding (referred to as Round II)** is the second of two awards in CDBG funding to help restore and rebuild in areas of the State most directly impacted by Hurricanes Rita, but it also addresses needs arising from Katrina evacuees. The total funding allocation is $428,671,849, broken down as follows:

2nd Supplemental CDBG Disaster Recovery Activity	Available Funding	Amount Contracted per Activity	Cumulative Expenditures	% of Expenditures Disbursed	Balance Remaining
Rental Housing Stock Restoration Program (“Rental”)	$82,866,984	$81,147,333	$5,776,659.08	7.12%	$75,370,673.92
ORCA’s Restoration of Critical Infrastructure Program (Infrastructure)	$42,000,000	$42,000,000	$3,844,412.01	9.15%	$38,155,587.99
City of Houston and Harris County Public Service and CDP (“Houston/Harris”)	$60,000,000	$60,000,000	$13,987,365.31	23.31%	$46,012,634.69
Homeowner Assistance Program (“HAP”)	$210,371,273	$210,371,273	$3,692,776.26	1.76%	$206,678,496.74
Sabine Pass Restoration Program (“SPRP”)	$12,000,000	$12,000,000	$154,111.70	1.28%	$11,845,888.30
State Administration Funds (Used to Administer Funding)	$21,433,592	$21,433,592	$3,341,459.35	15.59%	$18,092,132.65
Total CDBG Round 2 Funding	**$428,671,849**	**$426,952,198**	**$30,796,783.71**	**7.21%**	**$396,155,414.29**

CDBG Round II City of Houston and Harris County Public Service and Community Development Program

City of Houston

Funding of $20 million was allocated to the Houston Police Department for establishment of a Multi-Family Apartment Community Program, which includes public safety and police overtime. An additional $20 million was allocated to carry out rehabilitation of existing multi-family housing stock through the existing Apartment to Standards Program.

Based on the collaborative efforts between TDHCA and the City of Houston, expenditures of $13,865,842.31, from October 2007 through June 2008, have been paid to the City of Houston. The majority of expenditures consist of police overtime as well as down payment assistance and multi-rehabilitation expenditures pertaining to the City’s first multifamily rehabilitation project.

Harris County
Funding of $20 million was allocated to provide services to the residents of Harris County among five different program components: Expanded Services to Hurricane Evacuees (Harris County Sheriff's Dept.), Evacuee Medical Services (Harris County Hospital District), Katrina Crisis Counseling Program (Mental Health and Mental Retardation Authority), Youth Offenders Services (Harris County Sheriff's Dept.) and the Disaster Housing Assistance Program Component (Harris County).

Activities for each program continue to be provided to hurricane evacuees and expenditures will be submitted by September 2008. TDHCA is expected to perform additional monitoring to focus on participant program records, which are maintained by the different entities administering each of the five program components.

CDBG Round II Multifamily Rental Housing Stock Restoration Program

On September 13, 2007, the TDHCA Board awarded $81.1 million to repair or rebuild seven Golden Triangle-area affordable multifamily rental properties damaged or destroyed by Hurricane Rita. The construction work, once completed, will restore rental unit housing to 813 low-income individuals and families. Award-specific status is outlined in the table below:

Loan Number	Development Name	City	Total Units	Type of Activity	CDBG Loan Amount	Environ Clearance Date	Loan Closing Date*	Notice to Proceed Date**	Notes on Status of Award
7060007	Orange Navy Homes	Orange	115	Recon.	$14,189,439	Pending	10/15/08*	Pending Closing	Pending Site Environmental Clearance Anticipated for September 24, 2008
7060010	Brittany Place II Single Family	Port Arthur	100	Recon.	$13,077,366	03/11/08	Pending Board Action	Pending Closing	Pending Board Action on September 4, 2008. Applicant has not yet met conditions of Award.
7060006	Pointe North	Beaumont	158	Recon.	$13,778,332	Pending	9/30/08*	Pending Closing	Pending Site Environmental Clearance Anticipated for August 18, 2008
7060011	Gulfbreeze Plaza I	Port Arthur	86	Recon.	$9,067,577	03/18/08	8/30/08*	Pending Closing	Closing is pending resolution of HUD loan issue.
7060012	Gulfbreeze Plaza II	Port Arthur	148	Recon.	$13,280,250	03/18/08	6/11/08	6/12/08	Started Construction
7060008	Virginia Estates	Beaumont	110	Rehab	$6,707,534	05/26/08	6/09/08	6/10/08	Started Construction
7060009	Brittany Place I Multifamily	Port Arthur	96	Recon.	$11,046,835	03/11/08	4/09/08	4/09/08	Started Construction
		Totals:	**813**		**$81,147,333**				

* The awarded applications have not closed, and dates reflected are anticipated closing dates.
** Only applicable once closed on the loan.

CDBG Round II Homeowner Assistance Program and Sabine Pass Restoration Program Update from ACS State & Local Solutions, Inc.

Round II Rita Recovery activities continue on schedule. With the program infrastructure in place, the 30 days since the last Board meeting have included a focus on finalizing contractor agreements, home design, program environmental requirements, and a significant focus on public outreach and interaction with program applicants.

Contractors and Home Design
Since the last Board meeting, we completed negotiations with the selected contractors to finalize pricing and home design for the program. Currently 9 contractors, 5 Site Built and 4 MHU or Modular contractors have submitted

designs and pricing that meet the requirements of the program. Home sizes vary from approximately 800 sq. ft. for a 2 bedroom, 1 bath home to 1,451 sq. ft. for a 4 bedroom, 2 bath home. In addition to discussions with the contractors, the Round II team and members of TDHCA have also met with and incorporated suggestions from local low income housing advocates.

Environmental Noticing

All environmental floodplain noticing has been completed for the Sabine Pass Restoration Program and the required Request for Release of Funds (RROF) was sent to HUD on August 18, 2008. HUD has a 15 day comment period after which grant funds will be made available to the program.

A meeting is scheduled with the Regional HUD environmental staff for August 26th to finalize the environmental program description for the Homeowners Assistance Program (HAP). Once finalized, the required floodplain noticing can begin for HAP, which will culminate in the RROF for this program.

Outreach and Applicant Interaction

Community Days continue to play an important role in informing applicants about the program and assisting them in completing the application process. In July and August, we conducted 10 Community Days where we saw 194 applicants. The events were held in the following locations:

- Beaumont
- Newton
- Jasper
- Port Arthur
- Liberty
- Buna
- Orange
- Sabine Pass

There are currently 4 Community Days scheduled in September. These events will be held in Deweyville, Beaumont, Silsbee, and Port Arthur.

In addition to Community Days, appointments in the Service Centers have increased significantly. In July, we conducted 377 appointments and as of the fifteenth of August, we have conducted 237 appointments. Appointments are scheduled through both inbound and outbound calling by the project call center. In July, we made 4,754 outbound calls and received 2,220. As of August 15th, call center activities include 3,031 outbound calls and 1,174 inbound calls.

To facilitate responses from applicants and to help homeowners complete the application process, we continue to work with the faith-based community. Recent faith-based activities include discussion of missing or incomplete applications by zip code with local church leaders. We believe these discussions will allow the local clergy to reach out to individuals within their congregations that have either not returned Part 1 of the application or need assistance completing Part 2. While currently focused in Beaumont, if this program is successful, it will be implemented in other communities eligible for participation in the program.

The project team is finalizing processes that will allow Lone Star Legal Aid to provide assistance to individuals participating in the program who are having problems proving ownership of the home for which services are being requested. Typically through the use of an Heirship Affidavit, Lone Star will assist homeowners in proving sufficient ownership interest in the home to participate in the program.

Project Metrics

Sabine Pass Restoration Program – As of August 15th, the Sabine Pass Restoration Program has received 81 applications. Of those 81 applicants, 29 have been found eligible to participate in the program. The breakdown of the eligible applicants is as follows:

Eligible Reconstruction/Repair, or replace	21
Eligible Elevation ONLY	5
Eligible Accessibility Assistance only	1
Eligible Elevation and Accessibility only	2

Inspections have been conducted on 19 of these homes and these applicants are moving through the grant determination process. Repair, replacement or reconstruction of these homes will start before September 15th. We continue to work with the homeowners that have yet to be found eligible to gather the necessary information and documentation to complete their applications.

Homeowners Assistance Program – As of August 15th, the program has received 921 Part 1 supplemental applications. Of the applications received, 278 have also returned the Part 2 forms and associated required documentation and affidavits. Eligibility determination is beginning on these applications during the week of August 22nd.

<u>FEMA Affordable Housing Pilot Program</u>

The Disaster Recovery Division is also responsible for administration of the Federal Emergency Management Agency (FEMA) award of $16,471,725 for the Affordable Housing Pilot Program (AHPP). The purpose of the AHPP is to demonstrate an alternative housing solution to the FEMA trailer in the areas affected by the 2005 Hurricanes.

On January 7, 2008, the Federal Emergency Management Agency (FEMA) awarded $16,471,725 for the Affordable Housing Pilot Program (AHPP). The purpose of the AHPP is to demonstrate an alternative housing solution to the FEMA trailer in the areas affected by the 2005 Hurricanes for a time period of twenty-four months. A one-time exemption to the Stafford Act, AHPP permits the use of FEMA funding to study alternatives to the FEMA trailer by examining cost-effective solutions that meet a variety of housing needs. Pursuant to FEMA requirements, the pre-fabricated units must be awarded within the 22 counties affected by the 2005 Hurricanes.

The Heston Group was selected to pilot a pre-fabricated, panelized solution which can be deployed quickly and built to accommodate a diverse population. According to The Heston Group, an *estimated* average price of each pre-fabricated unit is $77,500.

TDHCA staff continues to work with the Harris County Housing Authority to establish an acceptable budget and scope of work for the proposed Harris County group site.

TDHCA Executive Director and staff met with Congresswoman Sheila Jackson Lee on Friday, August 8, 2008 to discuss the possibility of working with Habitat for Humanity on a potential group site for AHPP.

The administrative review on the first four AHPP sites has been completed by the Civil Engineering firm (CBI) procured by Heston to conduct all civil engineering activities.

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST
September 4, 2008

Action Item

Presentation, Discussion and possible Approval of Amendment #5 to the State of Texas Partial Action Plan for Disaster Recovery to Use Community Development Block Grant (CDBG) Funding (Action Plan) related to the City of Houston and Harris County Public Service and Community Development Program as amended and approved on January 31, 2008 by the U.S. Department of Housing and Urban Development (HUD).

Requested Action

Approve, deny or approve with changes the proposed Amendment #5 related to the City of Houston and Harris County Public Service and Community Development Program to allow Harris County to reprogram funds. The proposed amendment modifies the previously adopted Action Plan (including Amendments #1 through #4).

Background

The Partial Action Plan for Disaster Recovery to Use Community Development Block Grant (CDBG) Funding (Action Plan) was approved by the U.S. Department of Housing and Urban Development (HUD) on April 13, 2007. The General Use of Funds and Funding Allocation under the Plan totaled $428,671,849. To date, there have been four (4) total amendments to the Action Plan approved by the TDHCA Board of Directors and HUD.

Amendment 5 Summary

TDHCA requires Harris County, as a subrecipient of Round 2 funds, to assess the local needs and to determine if the changes meet the national objective. As such, TDHCA has received a request from Harris County for an amendment to their applicable sections of the Action Plan. TDHCA staff has reviewed their request for initial compliance issues, and has approved this Amendment 5 request for board consideration.

As requested by Harris County and approved by TDHCA staff, the following substantial changes to action plan language are proposed for board approval:

1. Reduce the estimated number of persons served under the Continuation of Katrina Counseling Services from 30,000-40,000 people to 6,992 people;
2. Reduce the estimated number of persons served under the Youth Offender Services from 212 to 67 youths;
3. Change all costs associated with the Evacuee Medical Services Program to meet the CDBG National Objective of Urgent Need instead of Low Moderate Income Benefit;
4. Reduce the funding of the Disaster Housing Assistance Program (DHAP) Transportation Program from $3,232,314 to $2,232,314 and changing eligibility requirements for DHAP from only low income to at least 51% low income;
5. Add a new activity, Disaster Housing Assistance Program (DHAP) Case Management Program, with an allocation of $1,000,000.

Further information is outlined in the attached documents "TDHCA Proposed Action Plan Amendment 5 for HUD Approval." This form is the HUD required amendment request format.

Harris County conducted a public hearing on these proposed amendments August 12, 2008. The meeting was held to receive public comment for the proposed amendment to the Action Plan; however, no public comments were received. In addition, the TDHCA Board meeting will also serve as a public hearing. Written comments on this amendment will be accepted by mail, e-mail, and facsimile through September 4, 2008.

If this request is approved by the THDCA Board, TDHCA will submit the attached "TDHCA Proposed Action Plan Amendment 5 for HUD Approval" document to HUD for approval. Once approved by HUD, TDHCA staff will monitor the activities according to the amended Action Plan and our contract with Harris County.

Recommendation

Staff recommends Governing Board approval of the Amendment #5 to the Action Plan, as proposed. The plan amendment will then be submitted to HUD, as required, for their approval.

State of Texas

Partial Action Plan for
Disaster Recovery to Use Community Development
Block Grant (CDBG) Funding

Public Law 109-234

to Assist with the Recovery of Distressed Areas
Related to the Consequences of

Hurricanes Katrina, Rita, and Wilma
in the Gulf of Mexico in 2005

TDHCA Proposed Action Plan Amendment 5 for HUD Approval
(Second Allocation)

Changes to the Harris County Projects

Public Comment: August 12, 2008 through September 4, 2008
Original Submission: September 5, 2008

Texas Department of Housing and Community Affairs

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TDHCA Amendment 5 Request to HUD Regarding Harris County Programs

National Objective: Benefit to Low and Moderate income persons or urgent need.

Activity Amount: $20 Million

Relevant Action Plan and Amendment History:

Public Law 109-234 (effective June 15, 2006) provided $5.2 billion supplemental appropriation of CDBG Disaster Recovery Funding for *"necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure in the most impacted and distressed areas related to the consequences of Hurricanes Katrina, Rita, or Wilma."* In reviewing the totality of the need in the five state region covered by the law, $428,671,849 was specifically allocated to Texas by the Secretary of HUD. As further provided for under the law, *"funds provided under this heading shall be administered through an entity or entities designated by the Governor of each State."* Governor Rick Perry has designated TDHCA as this entity for the State of Texas.

The Partial Action Plan for Disaster Recovery to Use Community Development Block Grant (CDBG) Funding (Plan) was approved by the U.S. Department of Housing and Urban Development (HUD) on April 13, 2007. The General Use of Funds and Funding Allocation under the Plan totaled $428,671,849 including a line item activity for the City of Houston and Harris County Public Service and Community Development Program totaling $60,000,000. On Aril 13, 2007, HUD approved line item activities totaling $368,671,849; approval of the remaining $60,000,000 set-aside for City of Houston and Harris County was subject to a Partial Action Plan Amendment detailing the specific use and distribution of funds, delivery mechanisms, how the programs would address Action Plan priorities, and other HUD requirements.

On August 29, 2007, HUD approved the Partial Action Plan Amendment #1 in the amount of **$60 million** for the City of Houston and Harris County for public service, community development, and housing activities in areas (police districts, schools, apartment complexes, neighborhoods) comprised predominantly of low to moderate income households and where it can be clearly demonstrated that the population within the area has seen a dramatic population increase due to an influx of Katrina evacuees. On May 22, 2008 HUD approved Amendment 4 to the Partial Action Plan, which included new provisions to Harris County services to reflect the changing needs of evacuees.

Substantial Amendment 5 Request Summary:

TDHCA requires Harris County, as a subrecipient of Round 2 funds, to assess the local needs and to determine if the changes meet the national objective. As such, TDHCA has received a request from Harris County for an amendment to their applicable sections of the Action Plan. Harris County has identified a need to further amend their program as approved by HUD, and, as the grant recipient of funding from HUD, TDHCA has worked closely with Harris County to draft and eventually submit the Amendment 5. On September 4, 2008, the TDHCA Governing Board authorized the submission of Amendment 5 to the Partial Action Plan. TDHCA requested approval of the substantial amendment to the Partial Action Plan from the US Department of Housing and Urban Development (HUD) on September 5, 2008.

As requested by Harris County and approved by TDHCA staff and Board, the following substantial changes to Harris County portion of the action plan are proposed for HUD approval:

6. Reduce the estimated number of persons served under the Continuation of Katrina Counseling Services from 30,000-40,000 people to 6,992 people;
7. Reduce the estimated number of persons served under the Youth Offender Services from 212 to 67 youths;
8. Change all costs associated with the Evacuee Medical Services Program to meet the CDBG National Objective of Urgent Need instead of Low Moderate Income Benefit;
9. Reduce the funding of the Disaster Housing Assistance Program (DHAP) Transportation Program from $3,232,314 to $2,232,314 and changing eligibility requirements for DHAP from only low income to at least 51% low income;
10. Add a new activity, Disaster Housing Assistance Program (DHAP) Case Management Program, with an allocation of $1,000,000.

TDHCA staff has reviewed their request for initial compliance issues, and the TDHCA board has approved this Amendment 5 request for HUD consideration. Once approved by HUD, TDHCA staff will monitor the activities according to the amended Action Plan and our contract with Harris County.

Harris County's Reasons for Substantial Amendment 5 Request, as Approved by TDHCA:

Table 1 (below), reflects the current allocations for Harris County's $20 million as Amended and approved by HUD and TDHCA. Harris County manages five projects including the provision of 16 percent of funds available for **Disaster Housing Assistance Program** (DHAP) **Transportation Program** to serve 1,000 persons at a cost of $3,232,314, 18 percent of funds for the **Continuation of Katrina Crisis Counseling Program** (MHMRA) to serve 30,000-40,000 people as well as the provision of 1 percent of funds available for **Youth Offender Services** (HCJPD) to provide services to 212 youth at a cost of $225,686.

Table 1. Funding Summary- Current Harris Projects

Harris County Proposed Projects	National Objective	Est. Persons Served	Amount Allocated	%Harris Funds
Evacuee Public Services:				
Expanded Services to Hurricane Evacuees (HCSO)	LMC	1,200	$6,707,000	33%
Evacuee Medical Services (HCHD)	LMC/ UN	35,515	$6,285,000	32%
Continuation of Katrina Crisis Counseling Program (MHMRA)	LMC	30,000- 40,000	$3,550,000	18%
Youth Offender Services (HCJPD)	LMC	212 youths	$225,686	1%
DHAP Transportation Program (HCCEDD)	LMC	1,000	$3,232,314	17%
Harris County Total			**$20,000,000**	

Since implementation of these programs, agencies have consistently made observations about both the number of evacuees as well as the depth of services needed. While actual numbers of evacuees requiring services in the Harris County are less than initially proposed, the intensity of services for those remaining is much higher than initially anticipated. The following Table 2 reflects those findings as identified by HCHD, HCJPD, MHMRA and DHAP.

Table 2. Funding Summary- Proposed Harris County Amendment

Harris County Proposed Projects	National Objective	Est. Persons Served	Amount Allocated	%Harris Funds
Evacuee Public Services:				
Expanded Services to Hurricane Evacuees (HCSO)	LMC	1,200 Persons	$6,707,000	33%
Evacuee Medical Services (HCHD)	**Urgent Need**	35,515 Persons	$6,285,000	32%
Katrina Crisis Counseling Program (MHMRA)	LMC	**6,992 Persons**	$3,550,000	18%
Youth Offender Services (HCJPD)	LMC	**67 youth**	$225,686	1%
DHAP Transportation Program (HCCSD)	LMC	1,000 Persons	**$2,232,314**	**11%**
DHAP Case Management Program (HCCSD)	**LMC**	**250 Persons**	**$1,000,000**	**5%**
Harris County Total			**$20,000,000**	

Harris County requested to amend Table 1 as noted in the highlighted sections of Table 2 (above) to reduce the DHAP Transportation Program from the originally allocated amount of $3,232,314 to $2,232,314 to award the balance of $1,000,000 to the DHAP Case Management Program.

The services provided under the DHAP Case Management Program will be provided to the same clients receiving services under DHAP Transportation. Additionally, eligibility requirements for DHAP programs will change from those originally proposed in Amendment #4 to reflect CDBG requirements. Amendment #4 restricted eligibility for DHAP Transportation to 100 percent low-income. Now, clients for both the DHAP Transportation and Case Management Programs will be at least 51percent low-income.

The DHAP Case Management Program will provide additional services to clients currently participating in DHAP. As DHAP is a step-down program meant to encourage clients to move to self-sufficiency, all funding will be terminated in March 2009.

The reduction in clients for both the MHMRA and HCJPD programs reflects findings among program staff that while the actual number of clients receiving services is fewer than originally predicted, those clients enrolled in the programs require much greater depth of services. For MHMRA to provide this same level of service to survivors, the agency will maintain the current level of staffing

HCJPD has also indicated that services to clients are much more in depth than originally projected. HCJPD provides outpatient counseling and mental health services as well as residential services. In the original allocation for HCJPD, most of the money and the majority of the client base were derived from intervention and prevention services for youth and families. HCJPD anticipated that only three youths would require hospitalization for acute psychological problems; however, five are currently enrolled and staff predicts more will benefit from these services. The cost to provide services that adequately address the needs of youths in a hospital setting are much more costly for the program.

Harris County also proposes to change the client eligibility requirements for recipients of Evacuee Medical Services. Currently, the Action Plan states that all clients served after September 15, 2005 will meet the CDBG National Objective of Low Mod Clientele; however, the services provided to evacuees thru December 2006 meet the National Objective of Urgent Need.

Summary of State's Response to Public Comments for Proposed Action Plan Amendment 5

Harris County conducted a public hearing on August 12, 2008. This hearing was publicized in the local newspaper. In addition, the TDHCA Board meeting served as a public hearing. Written comments on this amendment were accepted by mail, e-mail, and facsimile through September 4, 2008. The meetings were held to receive public comment for the proposed amendment to the Action Plan; however, no public comments were received.

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST
September 3, 2008

Action Item

Presentation, Discussion, and Possible Approval Related to Unobligated Funds under CDBG Round I

Requested Action

Presentation, Discussion, and Possible Approval to Make an Additional $582,530 Available for CDBG Round I Administrative Expenses and $538,989 to provide continuity of case management activities for applicants adopted under Round 2

Background

The Disaster Recovery Division previously received approval for two-thirds of the total available funding for general administrative expenses and is now requesting the balance of available funding under Round I of the Community Development Block Grant Disaster Recovery Program (Program). This request will increase administrative funds from $997,390 to $1,579,920, or an increase of $582,530.

Although $1,579,920 was available to TDHCA under the grant, to date staff has only requested $997,390. The original budget was based on assumptions related to the absorption of the Program into TDHCA's existing staffing structure, assumptions that efficiencies would be gained through existing systems and controls, and assumptions that the Program would be complete by July 27, 2008. During administration of the Program, a new Disaster Recovery Division was formed, the Department enhanced existing systems and controls specifically for the Program, staff provided a greater level of on-site technical assistance than was originally contemplated, and the contracts with the COGs were extended through the end of this year, requiring further staff activities under the Program such as set-ups, draws, technical assistance, monitoring, and reporting. The current pace of administrative expenses cannot be sustained by the originally approved budget.

The funds being requested today will cover the costs of extending oversight of COG housing activities for an additional 6 months through December 31, 2008, provide funding for 6 months of contract close-out procedures, and provide funding for a close-out audit of the Program by external auditors.

In addition to the administrative funds, $538,989 in project funds remains unobligated under the program to be used for additional housing related activities. Staff intends to utilize these funds to provide continuity of case management activities for applicants that were not served under Round 1 due to limited funding and have been adopted under Round 2.

Recommended Action

Staff recommends approval to increase administrative funds by $582,530 from $997,390 to $1,579,920 and approval to access $538,989 to extend case management services to applicants for determination of eligibility and assistance for disaster recovery housing.

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST
September 4, 2008

Action Item

Presentation, Discussion and Possible Approval of CDBG Disaster Recovery Multifamily Rental Award Extensions and Amendments.

Requested Action

Approve or deny the requests for CDBG Disaster Recovery Multifamily Rental Award Extension and Amendment.

Background and Recommendation

On September 13, 2007, the TDHCA Board awarded $81.1 million to repair or rebuild seven Golden Triangle-area affordable multifamily rental properties damaged or destroyed by Hurricane Rita. The construction work, once completed, will restore rental unit housing to 813 low-income individuals and families. One of those awards included $13,077,366 for Brittany Place II Single Family Homes in Port Arthur, Texas.

Due to the imperative to utilize the funds and provide needed rental housing units in the Rita damaged areas of southeast Texas in a timely manner, the Board approved as a condition of the award a 12 month deadline for the single family lots to have been properly platted, and fully improved with infrastructure or the funds would be deobligated. The Applicant has been unable to meet the Board approved condition timeline for platting and infrastructure.

Applicant Amendment Request

The Applicant has proposed an amendment/extension request so that the funds are not deobligated on September 13, 2008, outlined below. The REA Underwriting Report Addendum and the full applicant request is attached for reference.

1. The applicant requests that the CDBG loan closing occur by September 30, 2008, without meeting the platting and infrastructure condition.
2. The applicant requests that CDBG and private loan funds be used to pay for the lot acquisition dollars in the approved budget to buy the Phase One undeveloped site for $600,000, and use the balance of the budgeted funds, $2.0 million, to complete the installation of the lot infrastructure. The Chicory Court partnership would draw funds from the CDBG loan on a percentage completion basis up to $2.0 million for completion of the lots in accordance with existing loan documents with TDHCA and with IBC bank.
3. Under this proposal, assuming a September 30, 2008, CDBG loan closing, the partnership would have until February 28, 2009, for completion of the lots (150 days from actual closing).
4. The CDBG loan closing would proceed and infrastructure development costs for a Phase One (approximately) 40 acre tract would be incorporated in the Board approved development plan. Infrastructure costs would be reimbursed throughout the lot development.
5. There would be no change to the bottom line of the previous budget. No TDHCA sureties would be required for non-CDBG loan agreements.
6. The Applicant has requested that an additional 2 lots be added to the original four lots that will house the community facilities.

Requested Action

Staff recommends Board approval of applicant requests 1 – 6 (above), conditioned on the following to requirements to ensure timely loan closing and commencement of construction.

- Loan closing must occur no later than 90 days from the date of the September 4, 2008 TDHCA Board meeting.
- No later than 30 days prior to loan closing, receipt, review and acceptance of all documentation required by TDHCA staff for loan closing, including but not limited to, documentation from the City of proper platting that reflects the correct boundaries for the proposed Phase I, documentation that final City approval can be given once the Phase I infrastructure has been completed, and information regarding any other City requirements that must be completed prior to the City accepting the final platting and infrastructure.

REEA Underwriting Report Addendum

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report Addendum

REPORT DATE: 08/26/08 PROGRAM: CDBG Disaster Recovery FILE NUMBER: **07903**

This underwriting report has been modified in scope due to the uniqueness of the CDBG Disaster Recovery Program application and funding requirements. This addendum and the original report describe the general characteristics of the development and focuses on the information available regarding the reconstruction or rehabilitation costs and the 5 year viability of the development as proposed and per the funding source guidelines. The scope limitations include not fully evaluating or making recommendations based upon potential events beyond the initial 5 year period.

DEVELOPMENT

Brittany Place Homes II

Location: 3500 Normandy & single family sites at Ray Ave/Port Acres area Region: 5

City: Port Arthur County: Jefferson Zip: 77642 ☐ QCT ☒ DDA

Key Attributes: Family, Urban/Exurban, Reconstruction/New Construction

ALLOCATION

	GRANT REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
CDBG Disaster Funds	$24,350,000	Grant		**$24,124,201**	Forgivable Loan	

CONDITIONS

1 Closing on the CDBG funds must occur within 90 days of Board approval of the subject amendment.

2 Receipt, review and acceptance, prior to closing, of documentation from the City of proper platting that reflects the correct boundaries for the proposed Phase I, documentation that final City approval can be given once the Phase I infrastructure has been completed, and information regarding any other City requirements that must be completed prior to the City accepting the final platting and infrastructure.

3 Should the terms and rates of the proposed debt or Section 8 rents change prior to completion, the transaction should be re-evaluated and an adjustment to the recommended award amount may be warranted.

ADDENDUM

The subject addendum has been completed in order to evaluate the Applicant requests to amend the development plan as originally approved by the TDHCA Board at the September 2007 Board meeting. More specifically, the Applicant's request and this addendum deal solely with part 2 of the original application; the 100 single family rental units that were proposed and approved for a second development site. The apartment/multifamily portion of the award was closed separately and progress on redevelopment of the multifamily portion is being made. However, the single family portion of the development plan as originally proposed was dependent on several important factors being completed in a timely manner, as follows.

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Purchase of 104 fully developed, scattered-site single-family lots from a third-party developer located in a subdivision that was in the planning and preliminary platting process when the application was underwritten and approved. The Applicant indicated that the first lots would be completed and available to purchase by the first quarter of 2008. Due to the imperative to utilize the funds and provide needed rental housing units in the Rita damaged areas of southeast Texas in a timely manner, the Board approved as a condition of the award a 12 month deadline to commence construction on the homes. Moreover, due to underwriting concerns regarding the ability and capacity of the third-party developer to have the plat approved by the City, secure the needed financing, and develop the significant dedicated infrastructure, the Board approved as a condition of the award, that no funds be expended for the single family portion until the lots had been fully developed.

The Applicant has been unable meet the Board approved timeline for commencement of construction on the single family homes. The Applicant has indicated that they believe the Department should be responsible for providing the necessary surety and indeed, release funds to be escrowed for surety purposes prior to any expenditures being incurred. However, the Board approved plan specifically and intentionally contemplated the purchase of fully developed lots and that the CDBG funds would play no part of the subdivision development.

Currently, the Applicant has provided documentation that the City has approved the preliminary plat and that construction on the infrastructure is ready to proceed. However, this cannot reasonably be completed by the September 13 deadline established. Additionally, the Applicant has indicated that the current owner will no longer be acting as developer of the subdivision so that the fully developed lots are delivered as originally proposed in the application and approved by the Board. It appears that the Applicant was either unable or unwilling to provide sufficient guarantees for the owner to secure the necessary financing. Moreover, the legal division staff indicated that such surety by the Department, beyond the commitment and contract already available to the Applicant, cannot be provided.

The Applicant has requested an amendment as follows:

- Extension of the Board approved deadline from September 13, 2008 to December 15, 2008 and that a closing on the CDBG funds for the single family portion occur by this date, but this date shall not be a deadline for commencement of construction on the single family homes.

This extension has been requested independent of several other amendments. However, staff has reviewed the Applicant's other requested amendments, which propose two options for substantially changing the originally approved development plan so that the development can proceed. As indicated previously, the Applicant was unable to execute the originally approved development plan.

APPLICANT'S PROPOSAL: OPTION A

- Odyssey Residential (Developer) purchase the entire 71.54 acres and develop all of the infrastructure and transfer the completed lots to the Applicant.
- Allow the CDBG loan closing to proceed prior to the subdivision infrastructure being developed.
- Release approximately $350,000 to reimburse the already incurred soft costs (architectural fees, etc.).
- The TDHCA enter into a Tri-Party Agreement is provide the necessary assurance to the construction lender (IBC Bank) that the 106 lots will be purchased for $2.6M if and when completed.
- That 120 to 180 days from closing be allowed to complete the subdivision infrastructure (to adjust based on actual closing date).

APPLICANT'S PROPOSAL: OPTION B

- Odyssey Residential (Developer) purchase the entire 71.54 acres but develop the subdivision in two phases. Phase one would consist of development of the infrastructure necessary to serve 106 single family lots.
- The CDBG loan closing would proceed and infrastructure development costs for Phase One would be incorporated in the Board approved development plan. Infrastructure costs would be reimbursed throughout the lot development.

- There would be no change to the bottom line of the previous budget as the 37 acres of raw land would be acquired for $600,000 and the infrastructure cost budget proposed is $2,000,000 totaling $2.6M, which is equal to the originally approved acquisition cost for the developed lots.
- The extension of the CDBG closing would be to October 28, 2008 and lot completion date 150 days from actual closing.

Both of these options would require a Board waiver of the existing underwriting condition regarding timeframes and release of funds. The Applicant has also requested a modification to the 10% retainage requirement for all draw amounts. This is inconsistent with existing Department procedure and is not recommended but is a program area operating procedure and is being addressed separately in the program area write up. Moreover, the Applicant has requested that an additional 2 lots be added to the original four lots that will house the community facilities.

The original intent of the CDBG disaster funds that have been committed for the subject single family development was to replace existing units in properties that were badly damaged by Hurricane Rita. The multifamily property that is currently being reconstructed qualified the application for the CDBG funds and did not specifically disallow expansion of the existing housing on a different site as was approved for the subject.

The Applicant has not been able to execute the development plan within the Board established timeframe. Both of the alternatives, as evaluated more fully below, expose the Department to significant additional risks and it remains unclear that approval of either amendment will satisfy the assurance requirements of the lender or that the development team now will be able deliver lots and completed homes in a timely manner. The original reasons for including the underwriting condition establishing the one year deadline to expedite the reconstruction activity are not mitigated under either of the two proposed plans.

The Applicant has indicated the Option B is the preferred option and it is the opinion of staff that Option A is not possible given the Department's limitations regarding the provision of assurance that the lender is requesting. The legal division has already indicated that release of funds for escrow prior to actual costs or liability was not within HUD or TDHCA rules and guidelines. Moreover, the proposal to enter into a Tri-Party Agreement is unlikely to be a fruitful endeavor as the legal division has indicated that any level of assurance that would not already be provided through a commitment for funding or loan closing is not a viable option.

For these reasons, the Underwriter has focused this addendum on evaluating Option B. The Underwriter has evaluated the potential impact of the proposed changes primarily with respect to the significant risks of any venture into lot development and release of funds prior to the lots being fully developed and has proposed additional considerations should the Board ultimately choose to approve portions of the Applicant's amendment requests.

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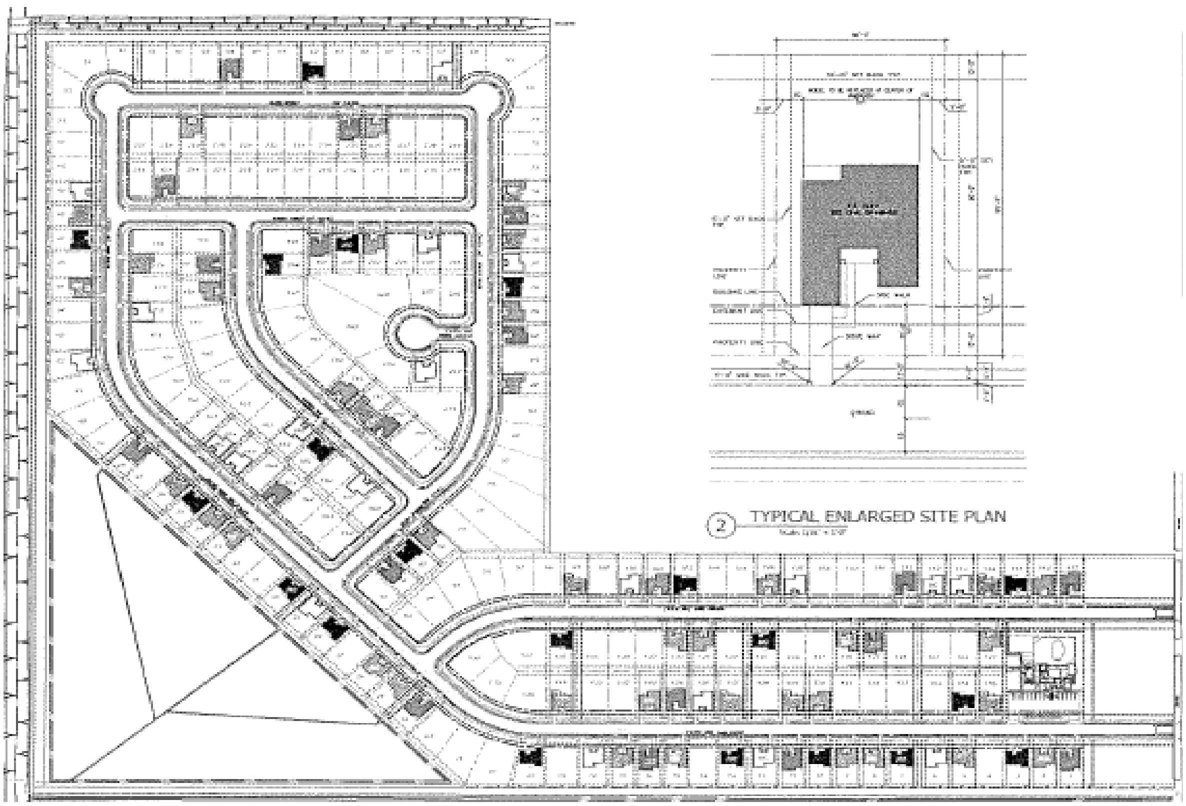
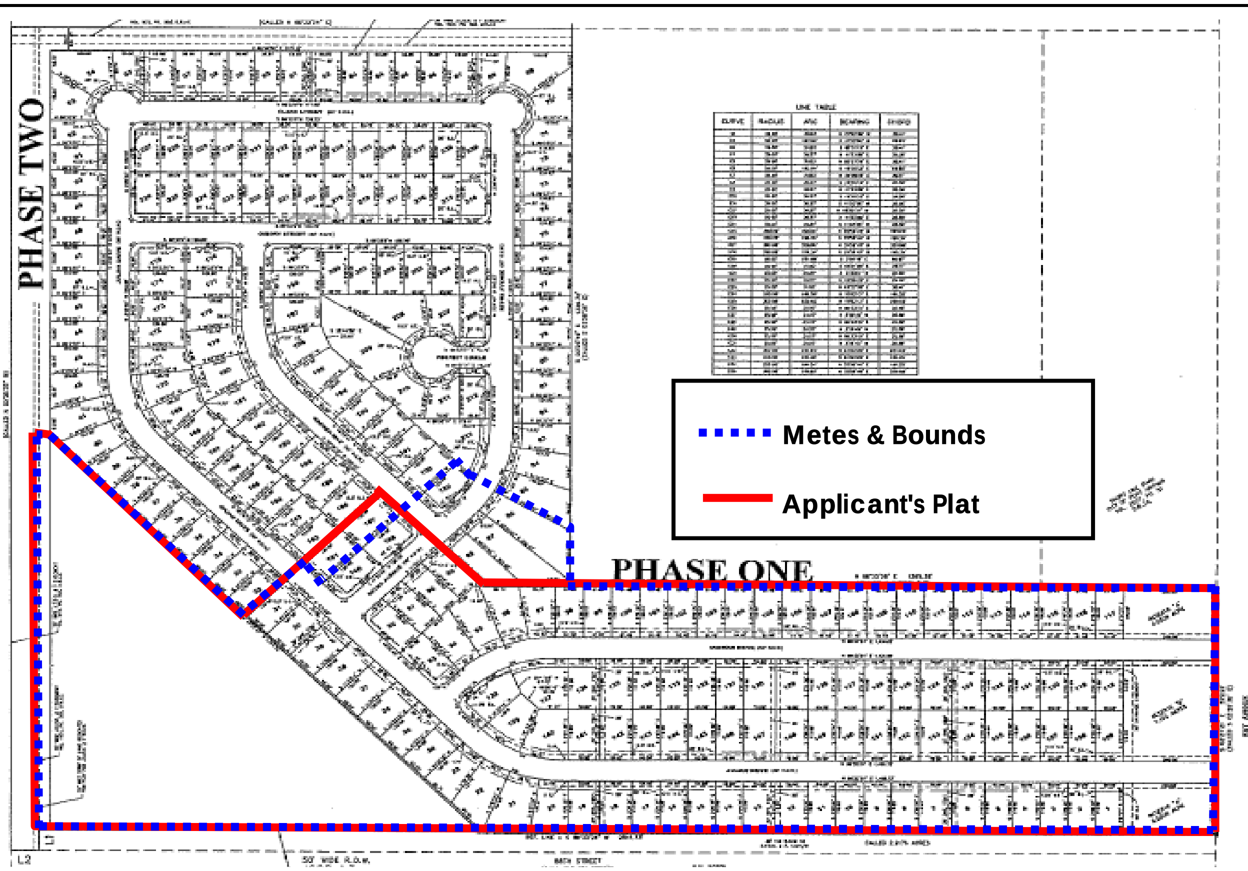
SITE PLAN

ORIGINAL CONCEPT with scattered sites



OPTION B SITE PLAN



INFRASTRUCTURE COST ESTIMATE EVALUATION

COST SCHEDULE

Acquisition Value:

The Applicant has provided an Unimproved Property Contract between the current owner and an affiliate of Odyssey Residential reflecting an acquisition cost of $1,073,100 for the entire 71.54 acre tract. Of the 71.54 acres, the Applicant has provided metes and bounds reflecting that Phase One plus the 10 acre detention pond amounts to 37.588 acres or 52.54% of the total acquisition. The Applicant has provided a contract for the transfer of this 37.588 acres to the partnership for $600,000 which is 55.91% of the purchase price. The prorata purchase price would be $563,820 for the 37.588 acres.

However, the metes and bounds description provided from the engineer differs from the actual plat that the Applicant has provided and that the City presumably provided an acceptance letter for. The plat reflects boundaries of Phase One encompassing 106 residential lots, 3 commercial lots, and a ten acre detention pond. The metes and bounds description encompasses 108 residential lots, 3 commercial lots, and the ten acre detention pond (see plat above). The reason for the discrepancy is unclear, but this results a difference of 1.13 acres plus commercial lots that are 2.20 acres.

Therefore, if the CDBG funds were limited to funding just the 106 residential lots plus land for the necessary infrastructure (including the entire detention pond), the purchase price would be limited to $513,870 or 47.89% of the total purchase price.

In addition to funding the raw land acquisition for more acreage than actually used for the 100 CDBG units and community facilities, the Applicant's budget also includes infrastructure costs that will increase the value of the excess lots included in the 37.588 acres. Moreover, the Applicant is proposing a detention pond that will serve the entire 71.54 acres and presumably increase the value of land that will not be restricted.

Though inconsistent with other programs, the Underwriter's understanding from program staff is that these costs can be funded with CDBG funds under HUD guidelines.

Infrastructure Construction Costs:

The Applicant has provided a bid from CIVCO Management Group, LLC reflecting an estimated cost of $2,000,000 for development of the infrastructure. An initial bid from CIVCO was addressed to Brownstone Developers (developer of another CDBG development in the area), but Brownstone does not appear not involved in this transaction. The Applicant subsequently provided a revised estimate that is addressed to Odyssey.

It is unclear what portion of the bid is associated with construction of the detention pond, roads, water, sewer, etc, although some line items appear to be specific. The bid total represents a cost of $20,000 per unit. The Applicant has also indicated sitework costs of $355,275 not related to these dedicated infrastructure improvements. This results in a total sitework cost of $23,553 per unit; it is unclear if any additional contingency has been accounted for in the contractor's estimate. This per unit infrastructure cost is significantly higher than the $9,000 per unit safe harbor sitework cost associated with the Department's standard multifamily developments.

The Applicant has indicated that the bottom line has not changed because $600,000 in acquisition plus $2,000,000 in infrastructure is equal to the originally proposed purchase price for the fully improved lots. However, the risk associated with funding the construction of $2,000,000 in infrastructure is much greater than purchasing completed lots and is significantly more acute than the Department's typical experience with multifamily developments.

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The Applicant has indicated that the construction should take 150 days, however, the 12 months that have already passed yielded relatively little progress. Moreover, the improvements must be accepted by the City when the infrastructure improvements are completed. Staff's past experience with such infrastructure suggests that a City will often impose a waiting period between the date the improvements are complete and the date that the City will accept the improvements. This waiting period allows the City to ensure that the improvements are properly constructed and functional and that no minor or significant repairs are needed before they are accepted.

If the improvements are not accepted then the owner must fund the cost to bring the infrastructure up to standard. Other times, the infrastructure is bonded to ensure that the improvements hold up over time. It is unclear how or what process the City will use to accept the infrastructure, but the Applicant indicated that he did not think bonding was required.

Additional permitting is also often needed for dedicated infrastructure projects. The Applicant has provided documentation that the proper permitting is in place. However, the Developer, Odyssey Residential, cited the development of Marshall Meadows, a tax exempt bond/HTC deal located in San Antonio as one example of experience with successfully completing dedicated infrastructure projects.

The development was to have a dedicated roadway located adjacent to the site to provide for adequate access. However, the per Department site visits and correspondence with the bond issuer, Texas State Affordable Housing Corporation, the infrastructure stood incomplete for approximately one year due to permitting issues with the roadway. At the same time, two of the completed multifamily buildings could not be occupied until the roadway was completed. The Applicant has also cited other infrastructure projects that the Underwriter is less familiar with as experience and the contractor, CIVCO, appear to have extensive experience.

Conclusion:

The Underwriter has not completed any additional reevaluation of the development costs because the Applicant has indicated that the only changes regard the acquisition and infrastructure development plan not the costs themselves. Based upon the Underwriter's evaluation of the costs submitted, the contractor bid is assumed to be reasonable. Moreover, the program staff has indicated that the excess land being accounted for in the acquisition cost is eligible to be funded per HUD guidelines.

Underwriter:	*Cameron Dorsey*	Date:	August 26, 2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	August 26, 2008

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 09/05/07 PROGRAM: CDBG Disaster Recovery FILE NUMBER: **07903**

This underwriting report has been modified in scope due to the uniqueness of the CDBG Disaster Recovery Program application and funding requirements. This report describes the general characteristics of the development and focuses on the information available regarding the reconstruction or rehabilitation costs and the 5 year viability of the development as proposed and per the funding source guidelines. The scope limitations include not fully evaluating or making recommendations based upon potential events beyond the initial 5 year period.

DEVELOPMENT

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ALLOCATION

	GRANT REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
CDBG Disaster Funds	$24,350,000	Grant		**$24,124,201**	TBD*	

*Short term forgiveness of the loan may have a significant impact on the viability of property owners as continued owners.

CONDITIONS

1 Receipt review and acceptance of clarification of the ownership structure and the requested method of funding from the Applicant.

2 Receipt, review, and acceptance, before demolition, of an Operations and Maintenance program to identify asbestos-containing materials and lead-based paint during the demolition process, and procedures to abate the effects of such materials as needed.

3 Receipt, review, and acceptance, prior to closing, of documentation to support the ability for the title company to issue clear title which is free from the Bankruptcy and foreclosure proceedings that are currently impacting the property and the Seller and Special Limited Partner of the Applicant.

4 Receipt, review and acceptance prior to commitment of an explanation from the Seller of the Brittany I site regarding the difference in the sales price and sales price listed on the web.

5 Receipt, review, and acceptance, by commitment, of a new commitment for permanent financing with a competitive market interest rate.

6 Receipt, review and acceptance, of documentation that the single family lots have been properly platted, and fully improved with infrastructure prior to funding any expenses on the single family site and that such documentation shall be provided not less than 12 months from the Board's approval of the award or the single family portion of the award will be deobligated.

7 Should the terms and rates of the proposed debt or Section 8 rents change prior to completion, the transaction should be re-evaluated and an adjustment to the recommended award amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	13
80% of AMI	High HOME	183

PROS

- The application proposes the reconstruction of a multifamily property that is currently uninhabitable due to extensive structural damages.
- The Applicant proposes to expand the opportunity for affordable housing by adding a net of 92 units to the Port Arthur market.

CONS

- The lack of third party reports, including an appraisal, market study, and Phase I ESA, poses a risk due to the addition of units, addition of 15 undeveloped acres, related party involvement, and upfront grant structure of the requested funds.
- The potential tax consequences of receiving $24M in grant funds for the involved for-profit entity do not appear to have been fully contemplated and could adversely affect the viability of the transaction.
- The purchase of the 104 single family lots for $25K per lot appears to be high given the bulk purchase and current undeveloped nature of the property.
- The single family sites have not yet completed the platting process and the development of these units may be delayed or canceled if the current owner fails to complete the significant tasks remaining.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

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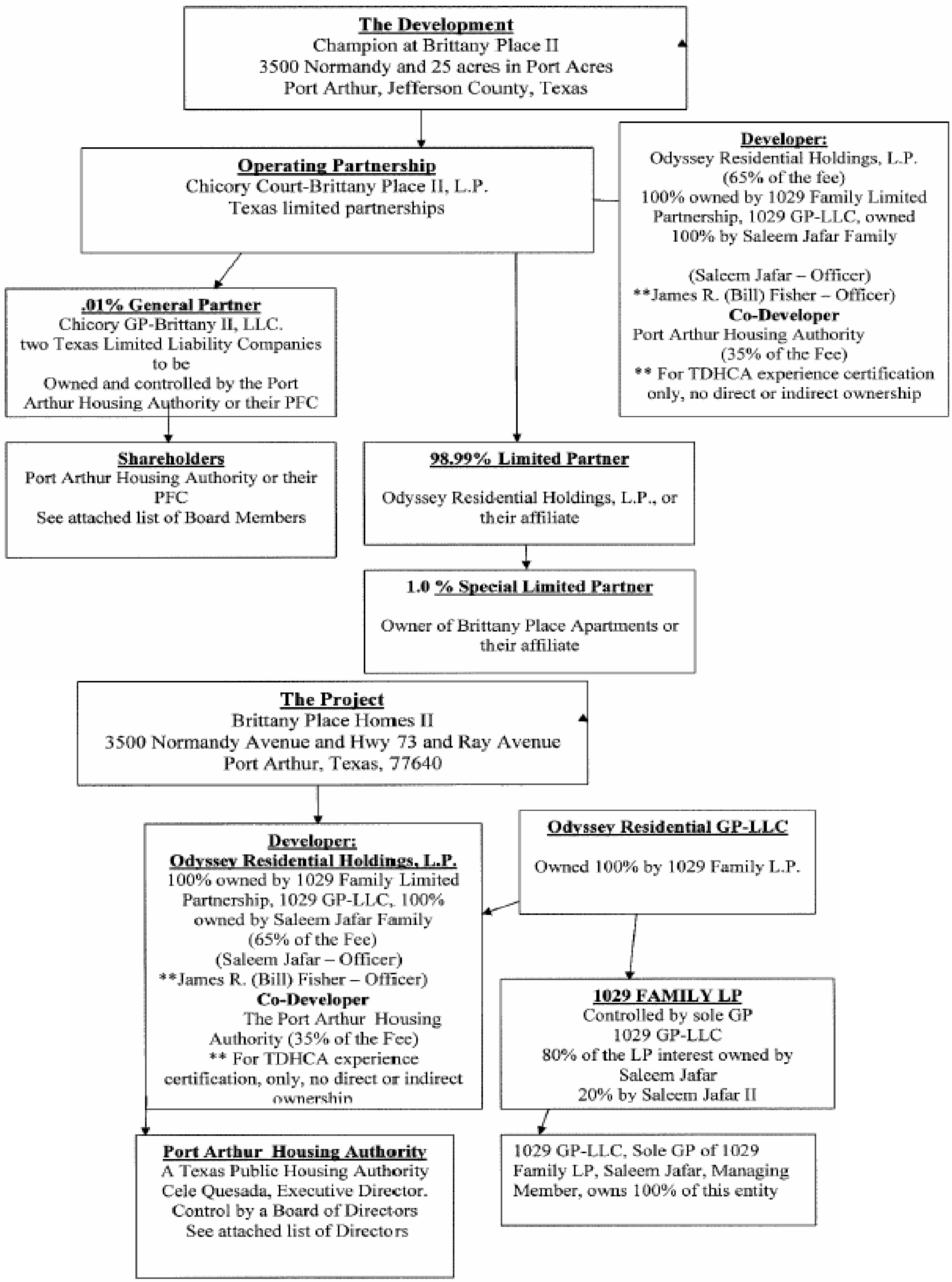
DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Saleem Jafar or Bill Fisher Phone: 972-701-5550 Fax: 972-701-5562
Email: sjafar@orhlp.com or bfisher8@airmail.net

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# of Complete Developments
Port Arthur Housing Authority	$17,006,125	$9,097,202	--
Odyssey Residential Holdings, LP	$8,475,690	$4,332,777	--
Saleem Jafar	Confidential		11 LIHTC Properties
Bill Fisher	N/A		N/A

[1] Liquidity = Current Assets - Current Liabilities

Comments:

The ownership structure as proposed, with a for-profit entity (Odyssey Residential Holdings, LP), is unlikely to be maintained due to the possible tax consequences if the proposed grant funds are received. The Underwriter requested that the Applicant explain how the potential tax consequences will be handled (i.e. the grant funds should be recorded as phantom income with a tax burden). The Applicant responded, "Our structure as an LP was done to address this specific tax consequence. The Housing Authority as an federal income tax exempt entity and will be specifically allocated all income and loss during construction. The grant funds will come during construction, the income goes to the PHA and there is no tax consequence that affects our funding."

However, it is unclear to the Underwriter how this will mitigate the tax consequences of concern. While the grant will be received during construction, the grant funds are being used to build an asset (i.e. the buildings). Even if the grant funds are recorded as income for the Housing Authority during construction, the for-profit entity's entrance into the partnership with a 98.99% interest after construction equates to acquisition of a substantial asset at no cost. Therefore, whether the grant is in the form of cash during construction or a fixed asset after construction, there will likely be a substantial tax consequence to the for profit partner as long as the grant or forgiveness is provided up front. Alternatively, the grant could be provided to the housing authority and then loaned to the partnership or a deferred loan to the partnership could be made and forgiveness could occur once the for-profit partners exit the partnership.

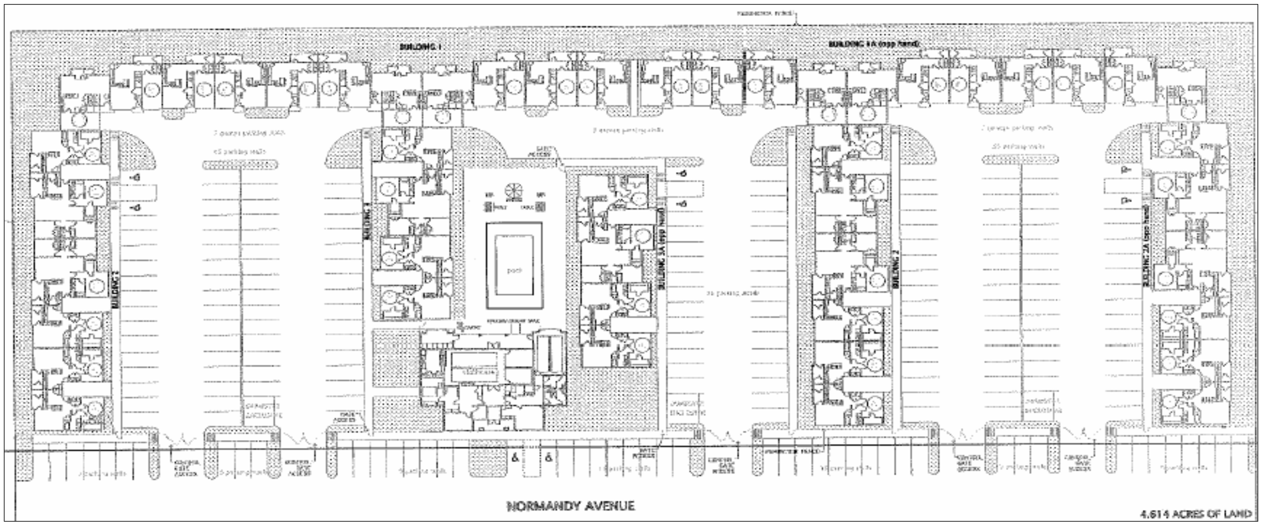
According to the Applicant, the proposed partnership agreement will require the for-profit partners to exit the partnership as soon as will be allowed under the CDBG program rules. It was also implied that the exit price would be nominal and not require the liquidation of all or any portion of the property. Receipt review and acceptance of clarification of the ownership structure and the requested method of funding from the Applicant.

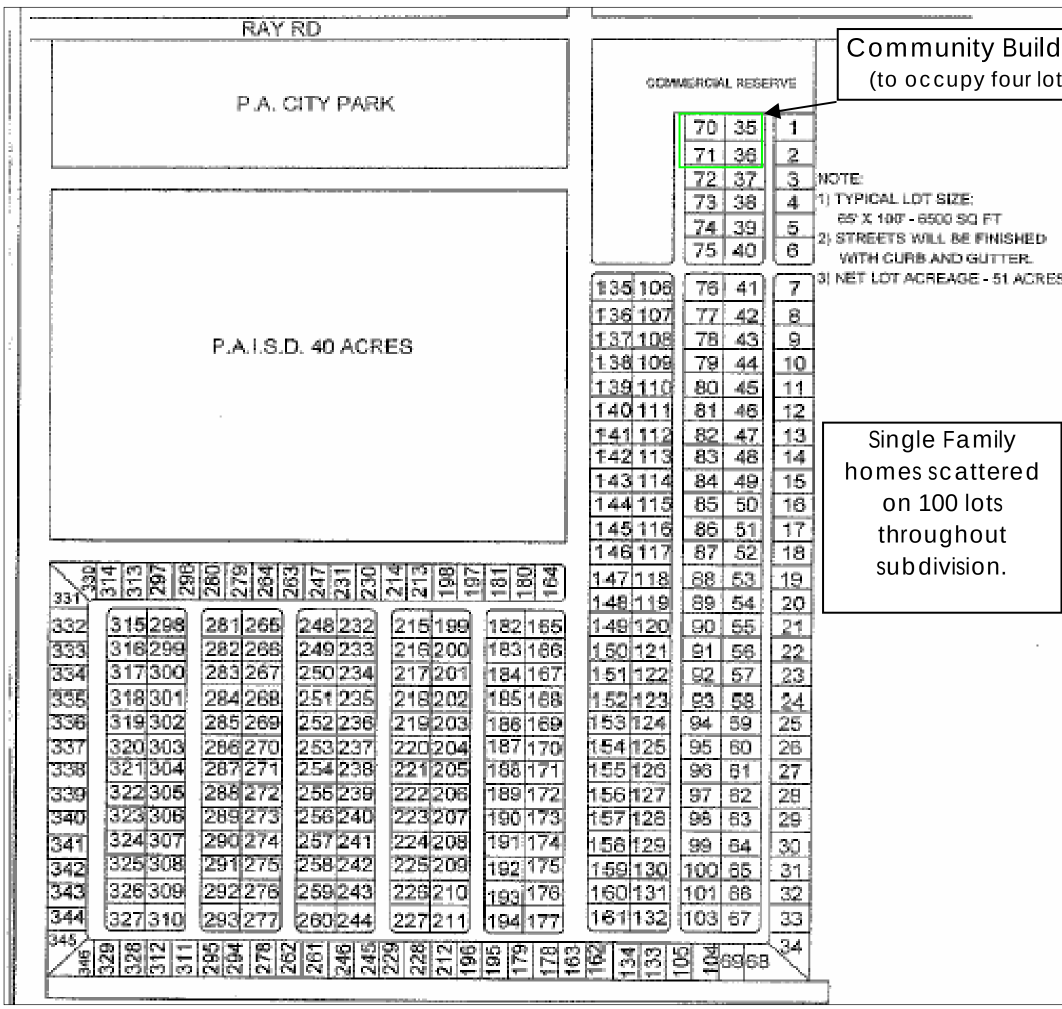
IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities.
- The seller of the townhome site will maintain an ownership interest in the property as a 1% Special Limited Partner.

The Memorandum of Understanding included in the application states, "In order to comply with the requirements of the CDBG NOFA from TDHCA, the owner of the existing property, Brittany Place, will participate in the partnership with a 1.0% limited partner interest as a Special Limited Partner. The SLP is obligated to participate only to the extent required by the rules applicable to the CDBG funding and is further obligated to withdraw at the earliest possible opportunity allowed by the rules. As an SLP, it will have no management authority of any kind in the Partnership and will share income, gains, losses, deductions, credits and distributions of the Partnership in accordance with its Partnership interest, until it withdraws."

PROPOSED SITE
SITE PLAN





BUILDING CONFIGURATION

Building Type	T 1	T 1a	T 2	T 2a	T 3	T 3	S 1a	S 1	S 2	S 3	S 4	Buildings
Floors/Stories	2	2	2	2	2	2	1	1	1	1	1	
Number	1	1	2	1	1	1	20	20	20	20	20	**107**

BR/BA	SF	Units											# Units	Total SF
1/1	760			12	12	7	7						50	38,000
2/2	940	8	8										16	15,040
3/2	1,120			6	6	3	3						24	26,880
3/2	1,268	3	3										6	7,608
3/2	1,500							1					20	30,000
3/2	1,505								1				20	30,100
3/2	1,506									1			20	30,120
3/2	1,505										1		20	30,100
3/2	1,506											1	20	30,120
Units per Building	11	11	18	18	10	10	1	1	1	1	1		**196**	**237,968**

SITE ISSUES

Total Size:	20.134 acres	Scattered site?	[x] Yes	[ ] No	
Flood Zone:	X	Within 100-yr floodplain?	[ ] Yes	[x] No	
SF Sites Zoning:	Single Family	Needs to be re-zoned?	[ ] Yes	[x] No	[ ] N/A
TH Site Zoning:	Multi-Family	Needs to be re-zoned?	[ ] Yes	[x] No	[ ] N/A

TDHCA SITE INSPECTION

Inspector: Real Estate Analysis Staff Date: 8/30/2007

Overall Assessment:

[ ] Excellent [x] Acceptable [ ] Questionable [ ] Poor [ ] Unacceptable

Surrounding Uses Brittany I:

- North: Retail
- East: Vacant site, 32nd street and single family residential beyond
- South: Normandy Street and single family residential beyond
- West: Normandy Apartments

Surrounding Uses Brittany II:

- North: Vacant land and occasional single family residential and 58th street
- East: Single family residential, Ray Road with numerous vacant lots and some newer homes
- South: Highway 73 with vacant frontage and gulf/ bayou beyond
- West: Vacant land and occasional single family residential and Jade street

Comments:

The Applicant has proposed the demolition of 104 existing units and the construction of 96 new units at the same site (the existing 104 units have been unoccupied and uninhabitable since the hurricane). The Applicant has indicated that a lower density product is sought and that an additional site is needed to meet the NOFA requirement of replacing at least as many units as are to be demolished. It is not clear that the zoning requirements necessitate a slight reduction in the density from 22.5 units per acre to 20.8 units per acre. In addition to the 96 townhome/garden units to be reconstructed at the existing multifamily site, the Applicant has proposed 100 single family units to be scattered throughout a planned single family subdivision more than 5 miles to the southwest (see attached map).

At this point the single family subdivision has not yet completed the platting process and the site inspection indicates that the property is currently 71 acres of raw land. The plan proposes two 3,600 square foot community buildings, one to the single family development and one to serve the multifamily development. From a functional standpoint, the Applicant has proposed the construction of two separate developments that will be funded under a common financing structure.

The single family portion of the development plan is a significant risk due to the current undeveloped nature of the property and the preliminary development stage of the subdivision. Moreover, it is unclear that the subdivision developer has the capacity to complete the roads and infrastructure in a reasonable time period. The Applicant has indicated:

> "The contract has time lines for lot delivery that work for our development plans. Generally and according to my meetings with the City of Port Arthur, the platting will take 90-120 days to complete. During that process, all the engineering issues and public infrastructure issues are addressed. Construction on the lots will begin immediately there after. That work will take 90-120 days for the first completed lots. We will take down lots and commence construction on the [Single Family homes] as soon as they are ready. The Seller must adhere to our time lines. Note: We have already been contacted by the Seller's bank, Whitney Bank, who is providing their lot development financing. Our first lot closing is expected in the first quarter of 2008" (email from Bill Fisher dated 8/30/2007).

Given that the single family portion of the development is not currently ready to proceed, the uncertainty of projecting construction costs so far into the future and the urgent nature of the Disaster Recovery funding source, the Underwriter recommends setting a firm time constraint that, if not met, would limit the ability of the single family portion of the development to move forward. Therefore, this report is conditioned upon receipt, review and acceptance, of documentation that the single family lots have been properly platted, and fully improved with infrastructure prior to funding any expenses on the single family site and that such documentation shall be provided not less than 12 months from the Board's approval of the award or the single family portion of the award will be deobligated.

The proposed development will have a 5 year compliance affordability period at which time the Applicant may choose to maintain the rents at an affordable level, sell each individual home, or convert the properties to market rate.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

A Phase I ESA is not required by the CDBG NOFA under which the subject application has been submitted. However, this is a risk of the transaction; particularly due to the use of additional currently undeveloped land and the potential for unknown costs that could result in overruns. Given that the existing development at Brittany I thirty or more years old there is a reasonable expectation that lead based paint and asbestos-containing material may be present within the structures. Receipt, review, and acceptance, by demolition, of an Operations and Maintenance program to identify any lead based paint and asbestos-containing materials during the demolition process and abate any effects as needed, is a condition of this report. In addition, an analysis by staff will be conducted prior to funding as part of the HUD mandated environmental review.

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MARKET HIGHLIGHTS

Comments:

The NOFA guidelines exclude the requirement that the Applicant provide a market study for the subject development based upon the proposed 30% and 80% rents. The absence of having a market study causes some inherent risks to the Department in not being able to ascertain the market demand for the proposed units particularly since the 104 Brittany I units are currently unoccupied, and the 92 Brittany II units are completely new units. The dedicated Section 8 Vouchers for 13 units will provide some limited mitigation for this risk. A recent (post Hurricane Rita) market study was conducted for One Southwood Crossing (TDHCA #060238), a multifamily development located near the Brittany I site. The market study for the Southwood application was performed by the Gerald Teel Company and provides a valid source of data regarding a Primary Market Area which can be considered to be as appropriate to the subject application as it was to One Southwood Crossing.

One Southwood Crossing is an 84-unit development; 10 units have rent and income restrictions at 30% of AMI, and the remaining 75 units are restricted at 60% of AMI. One Southwood is the second phase of the adjacent development, Southwood Crossing Apartments (TDHCA #05199), which received a tax credit allocation in 2005. The phase I property contains 12 units restricted to 30% of AMI and 108 units restricted at 60% of AMI. Both of these developments are currently in lease-up. A third development, Sunset Way (TDHCA # 060186) is a completed but unstablized development also in the market area. Sunset Way is "the first Rita GO Zone housing complex ...built using a federal housing tax credit set aside after Hurricane Rita ... Only open for two months, the facility is already at 60% occupancy". (www.panews.com 08/08/2007)

Including these three properties as the unstable supply, the underwriting report for One Southwood Crossing calculated an inclusive capture rate of 5% for the 30% AMI units, and 32% for the 60% AMI units. The overall capture rate was 21%.

Currently, there are two other pending applications for CDBG Disaster Recovery funds in Port Arthur both of which propose reconstruction of existing predominately occupied units. One of these two applications, Gulfbreeze I & II, contains 234 new units on two sites to replace 152 existing units that are 76% occupied with public housing tenants. The Gulfbreeze development proposes to add 148 new non-public housing units and replace 86 public housing units (the Housing Authority plans to replace the other 66 public housing units in some future development). Demand is not considered to be an issue for Public Housing units since there is no minimum income requirement. Therefore, this demand analysis will only include the supply of non Public Housing units associated with Gulfbreeze and the units associated with Brittany Place I & II.

The proposed Gulfbreeze Plaza II will have 6 non-Public Housing units with rent and income limits restricted at 30% of AMI while all 13 of the project based Section 8 Voucher units at the subject will target households earning 30% of AMI or less. Combining these with the unstabilized supply of 30% AMI units with the existing unstabilized units form the prior study results in a still very low inclusive capture rate of 8%.

The remaining CDBG units are not exactly comparable to the remaining unstable units in the market area, which have rent and income restricted to 60% of AMI. The CDBG units are limited to the High HOME rent, which is equivalent to 65% of AMI, and therefore slightly higher than the restricted comparables. However, the income limit for these units is 80% of AMI, thereby providing a larger income band from which to draw demand. Expanding the income band to 80% of AMI demand and including the 60% units in the comparable unstable supply results in an inclusive capture rate of over 40% for this units, and an overall capture rate for all of the potential unstabilized properties of 32%.

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This should be considered a worst-case scenario however, since 115 of the 148 units at Gulfbreeze will be made available to the tenants relocating from the old Gulfbreeze Plaza. If all of these Gulfbreeze tenants accept the relocation vouchers and move to the new Gulfbreeze the 33 units remaining units would reduce the inclusive capture rate from the additional Brittany I & II units to 25.5% or just over the inclusive capture rate threshold established by the Department. Without a project specific market study for the subject, however, it would be difficult to conclude that the subject and Gulfbreeze I & II will cause an over saturation of this market. In addition, the quick lease up rate evidenced at Sunset Way suggests that there currently is still significant demand in this market. Finally, the favorable financing projected for the subject and the uniqueness of the single family design plan may also mitigate the lease-up risk that would otherwise be associated with a potentially over saturated market.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 2 Date of Last Applicant Revision: 8/30/2007

The Applicant's net rents are derived from the gross program rent limits less the applicable utility allowances. The Applicant has indicated that 13 of the units will be dedicated Section 8 Voucher units and the Housing Authority has agreed to dedicate Section 8 Vouchers in the Memorandum of Understanding (MOU) signed by all of the involved parties. In addition to the signed MOU, the Applicant has formally requested that said vouchers be committed to the proposed development.

However, due to program guidelines, the gross program rents cannot be exceeded by the tenant paid rent plus utility allowance plus Section 8 Voucher subsidy. Therefore, if the property ultimately does not receive Section 8 Vouchers, the development's projected potential gross income will not be significantly adversely affected. Moreover, if the vouchers are used for the non 30% households, the lease-up risk of the higher income households would be reduced further without significantly impacting project income.

The program guidelines do not require the Applicant to submit a market study or appraisal to verify the maximum achievable market rents. Therefore, there is some risk associated with assuming the maximum program rents will be achieved. The estimated market rent in the One Southwood Crossing market study does suggest that the maximum rents at that time could be achieved in this market. The Underwriter has assumed rent levels based on the gross program rents less utility allowances. The tenants will be responsible for electric, water, and sewer costs.

The Applicant's secondary income and vacancy and collection loss estimates are in line with Department standards. However, the Applicant has also included other income from cable and phone services provided to tenants. Typically such services are accompanied by a comparable offsetting expense, but the Applicant has not done so for the phone service. In addition, it is not typical for such services to be provided by the developer in scattered single family site developments. For these reasons, the Underwriter has not included these sources of other income. However, the Underwriter has assumed the Department's standard maximum secondary income per unit of $15 per year.

Despite the difference described above, the Applicant's effective gross income estimate is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 8/30/2007

The Applicant operating expense estimate of $3,932 per unit is not within 5% of the Underwriter's estimate of $4,312 per unit. A number of the Applicant's estimates of individual line items differ significantly from the Underwriter's estimates, including: general and administrative ($55K lower); payroll and payroll tax ($53K lower); utilities ($13K higher); water, sewer, and trash ($21K higher); and reserve for replacements ($9,800 higher).

The Applicant indicated that the permanent lender will require the projected $300 per unit per year in reserves; however, the lender's commitment does not provide such a requirement and the Applicant has provided no further support. Also of note, the Applicant has included TDHCA compliance fees of $40 per unit per year, but the CDBG program has no compliance fee requirement.

The Applicant and Underwriter have assumed a 100% property tax exemption due to the ownership structure and involvement of the Public Housing Authority. The Applicant has also provided a letter from legal counsel indicating that property will be ground leased to the Applicant in order to qualify for the 100% exemption.

The Applicant has provided an insurance quote to support the Applicant's estimated insurance expense. The Underwriter has used the insurance quote.

Due to the Applicant's plan to operate two 3,600 square foot community buildings to serve the two different property areas and the distance between each property, it is unlikely that the Applicant will be able to achieve significant economies of scale. Therefore, the Underwriter has remained steadfast in the use of expenses that are consistent with the TDHCA database averages for comparable properties in the area.

Conclusion:

The Applicant's estimates of total operating expense and net operating income are each not within 5% of the Underwriter's estimates. Therefore, the Underwriter's Year One proforma will be used to determine the development's debt capacity and debt coverage ratio (DCR). The Underwriter's proforma results in a debt coverage ratio below the Department's 1.15 minimum DCR. Therefore, the Underwriter's recommended financing structure will reflect a decrease in the permanent debt amount and an increase in the development's gap in financing. This will be discussed in detail below in the "Recommended Financing Structure" section.

The Underwriter's expense to income ratio of 69.51% is above the Department's 65% maximum. However, the property has 13 dedicated Section 8 Voucher units, which under the 2007 Real Estate Analysis Rules and Guidelines is a mitigating factor for the 65% maximum. Moreover, the development has a five year affordability horizon at which time the rents may be able to float to market rents, assuming the market rents are higher than the restricted rent levels.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's minimum 15 year period and for the programs 5 year time horizon. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Not Provided   Date: N/A

Comments:

Despite the identity of interest nature of the transaction, an appraisal of the subject property was not provided and is not required under the program NOFA requirements. Moreover, due to the request that the funds be a full grant, the risk associated with over-payment for even the non-related party purchase of the single family sites exists.

ASSESSED VALUE

TOWNHOME SITE:

Land Only: 4.61 acres	$100,410	Tax Year:	2006
Existing Buildings:	$349,830	Valuation by:	Jefferson CAD
Total Assessed Value:	$450,240	Tax Rate:	2.973579

SINGLE FAMILY SITES (UNDEVELOPED):

Land Only:	71.54 acres	$178,850	Tax Year:	2006
One Acre:		$2,500	Valuation by:	Jefferson CAD
Prorata:	15.52 acres	$38,800	Tax Rate:	2.973579
Productivity Value:		$4,220		

EVIDENCE of PROPERTY CONTROL

TOWNHOME RELATED-PARTY PURCHASE:

Type: Commercial Contract - Improved Property   Acreage: 4.614

Contract Expiration: 10/31/2007   Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $1,500,000   Other:

Seller: Wythe II Corporation   Related to Development Team? [x] Yes [ ] No

SINGLE FAMILY SCATTERED SITES PURCHASE:

Type: Lot Purchase Agreement   Acreage: 104 lots

Contract Expiration: See Comments   Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $2,600,000   Other:

Seller: Angel Mid Jeff County JV   Related to Development Team? [ ] Yes [x] No

Comments:

The Lot Purchase Agreement indicates site control for the single family lots will expire 30 days after the plats have been recorded. Because the platting is currently in the beginning stages, it is likely that such date will occur after the Board meeting.

TITLE

Comments:

The title commitment indicates a number of items of concern regarding the existing multifamily site, as follows. Schedule C of the title commitment indicates a two liens for outstanding debt on the property. These two liens are discussed below in the acquisition cost section. Additionally, several mechanic's liens are reflected in Schedule C title commitment. As discussed below, the current owner is currently in bankruptcy and the Applicant has provided a letter from bankruptcy court indicating that the purchase of the property is authorized and that the outstanding debt will be paid at closing. The letter indicates that only these two liens will need to be cleared for the property to be transferred to the seller free and clear.

Receipt, review, and acceptance, prior to closing, of documentation to support the ability for the title company to issue clear title which is free from the Bankruptcy and foreclosure proceedings that are currently impacting the property and the Seller and Special Limited Partner of the Applicant.

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CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The Applicant has provided a Lot Purchase Agreement for the third-party purchase of the 104 single family lots for $25,000 per lot. The 104 single family lots make up approximately half of the entire planned subdivision. The purchase price of $25K per lot appears to be high given the current undeveloped nature of the property and the bulk number of lots under contract; the platting has yet to be completed. Moreover, the neighboring subdivision still has a number of remaining vacant lots. This concern is heightened as a result of the grant form of the funds requested which may stifle the true third-party nature of the transaction. However, the transaction is a third-party transaction under the Department's current guidelines and the purchase price is therefore assumed to be acceptable.

The Applicant has provided a Commercial Contract for Improved Property for the purchase of the existing multifamily site that will be demolished and reconstructed under the proposed development plan. The property is under contract for $1,500,000 or $325,098 per acre. The current owner of the property will be a 1% owner in the partnership. However, the current owner appears to have declared bankruptcy and is currently unable to service the existing debt on the property. The outstanding debt appears to total approximately $968,638. According to the title commitment, the original debt, dated April of 2001, totaled $977,500. It appears that the Developer has received a written authorization from the Bankruptcy Court to purchase the property free and clear for $1,500,000 with the outstanding $968,638 to be paid at closing by the Seller.

The transaction is considered to be an identity of interest transaction due to the continued ownership interest of the seller. An appraisal is not required under the program guidelines; however, the Underwriter requested documentation of the seller's original tax basis in land and buildings to support the transfer price. The Applicant has been unable to provide such documentation at this point. Waleed Kahn (current owner of Wythe II Corp; owner of the subject property) purchase 100% interest in Wythe II Corp in 2003. It is unclear if Wythe II has other assets.

The Underwriter has identified the subject property's listing on the commercial real estate website LoopNet.com where the property is listed for $1,400,000 or $100K less that the contract price. Thus the proposed purchase price may not in fact be a negotiated arms length price. Receipt, review and acceptance of an explanation from the Seller regarding the difference in the sales price and sales price listed on the web is a condition of this report.

It should also be noted that the Applicant has estimated $450,000 in demolition costs and the existing buildings are uninhabitable. Therefore, the transfer of a clean site is approximately $1,950,000 or $423,627 per acre.

The Underwriter has adjusted the purchase price to equal the outstanding debt on the property ($968,638). Based on the bankruptcy court's authorization, it appears that this purchase price would allow for the free and clear transfer of the property. This results in a total transfer price of $3,743,638 for the multifamily and single family sites including $175,000 in closing costs.

Sitework Cost:

The Applicant has estimated $8,042 in sitework costs including $450,000 of demolition costs. It is likely that a majority of the non-demolition sitework costs will be attributed to the single family lots.

Direct Construction Cost:

The Applicant's direct construction cost of $69,107 per unit is within 5% of the Underwriter's estimate of $69,810 per unit. The Underwriter has estimated the direct construction cost of the 100 single family units and associated community building accounts for approximately 67% of the total direct construction cost. When considering the sitework costs, contractor fees, and contingency, it is likely that construction costs associated with the single family sites would exceed 70% of the total construction costs. The Underwriter has provided a breakdown of the costs for the townhome units, garden style units, and single family units in the attached spreadsheet.

Marketing Costs:

The Applicant has included $200,000 in marketing costs. The Department currently has no maximum for marketing costs. However, these costs appear to be unexpectedly high considering the involvement of the housing authority and the inclusion of Section 8 voucher units. Since the Department has no clear limit and a comparable development scenario is not available, the Underwriter has made no adjustment.

Ineligible Costs:

The Applicant has included $50,000 in relocation costs. However, the existing structures are unoccupied; therefore, the Underwriter has removed these costs in the adjusted costs column.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's total costs. Therefore, the Applicant's costs, adjusted for the acquisition price and relocation costs, will be used to determine the development's financing needs. The Applicant's adjusted costs are reflected in the "ADJUSTED" column of the development cost schedule.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: AIG SunAmerica Type: **Interim to Permanent Financing**

Interim:	$5,570,000	Interest Rate:	9.75%	x	Fixed	Term:	24	months
Permanent:	$5,570,000	Interest Rate:	9.75%	x	Fixed	Amort:	360	months

Comments:

The Applicant has provided a commitment indicating interim to permanent financing of $5.57M. However, the Applicant has indicated that only $3,290,000 of the committed funds will be used. Moreover, at the quoted interest rate it would appear that the project can not support the entire amount of the proposed debt.

The commitment indicates an interest rate of 9.75%, which is substantially higher than comparable transactions underwritten by the Department. Another application seeking funds under the CDBG program involving the Port Arthur Housing Authority (07902 - Gulfbreeze Plaza) has received a commitment for permanent financing with an interest rate of 7.75%. In this case it appears that the higher interest rate results in a decrease in the permanent debt that the property can support and an over reliance on Department funds. Therefore, receipt, review, and acceptance, by commitment, of a new commitment for permanent financing with a competitive market interest rate is a condition of this report.

Amount: $192,133 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio below the Department's minimum guideline of 1.15. In addition, the interest rate on the commitment provided does not appear to be a competitive rate given current market conditions and the collateral (loan to value) risk associated with this development. Therefore, receipt, review and acceptance, by commitment, of a new permanent loan commitment with a market competitive interest rate and supporting a debt coverage ratio at a minimum of 1.15 is a condition of this report. The current underwriting analysis assumes a decrease in the permanent loan amount to $3,126,570 based on the terms reflected in the application materials. As a result, a lower interest rate will result in a greater debt amount and the development's gap in financing that will need to be funded with CDBG funds will likely decrease.

The Applicant's total adjusted development cost estimate less the adjusted permanent loan of $3,126,570 indicates the need for $24,174,201 in gap funds. This is less than the Applicant's funding request of $24,350,000. The Department should consider delaying the forgiveness or grant until the end of the 5 years and/or approve the funding subject to an agreement that prevents the proposed majority for profit owner from requiring the liquidation of the all or part of the subject as a condition of exiting the partnership.

The Underwriter's recommended financing structure indicates no need for additional permanent funds or deferred developer fee. Should the Applicant ultimately receive a more favorable interest rate on the permanent first lien, a reduction in the CDBG funds may be warranted.

The CDBG award amount is below the 221(d)(3) limit for this project.

Underwriter:		Date:	September 5, 2007
	Cameron Dorsey		
Director of Real Estate Analysis:		Date:	September 5, 2007
	Tom Gouris		

MULTIFAMILY COMPARATIVE ANALYSIS

Brittany Place Homes II, Port Arthur, CDBG Disaster Recovery #07903

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected		Rent per Month	Rent per SF	Tnt-Pd Util	Trash
CDBG 30%/ Sec 8	3	1	1	760	$285	$216		$648	$0.28	$69.14	$16.50
CDBG 80%	47	1	1	760	496	427		20,062	0.56	69.14	16.50
CDBG 30%/ Sec 8	2	2	2	940	342	253		507	0.27	88.71	16.50
CDBG 80%	14	2	2	940	593	504		7,060	0.54	88.71	16.50
CDBG 30%/ Sec 8	2	3	2	1,120	395	292		583	0.26	103.36	16.50
CDBG 80%	22	3	2	1,120	735	632		13,896	0.56	103.36	16.50
CDBG 80%	6	3	2	1,268	735	632		3,790	0.50	103.36	16.50
CDBG 30%/ Sec 8	6	3	2	1,504	395	281		1,685	0.19	114.17	16.50
CDBG 80%	94	3	2	1,504	735	621		58,358	0.41	114.17	16.50
TOTAL:	196		**AVERAGE:**	1,214		$544		$106,589	$0.45	$98.95	$16.50

INCOME	Total Net Rentable Sq Ft:	237,968		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$1,279,066	$1,280,220	Jefferson		5
Secondary Income		Per Unit Per Month:	$15.00	35,280	23,520	$10.00	Per Unit Per Month	
Other Support Income: Cable & Phone				0	23,520	$10.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$1,314,346	$1,327,260			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(98,576)	(99,540)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$1,215,770	$1,227,720			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		7.16%	$444	0.37	$86,990	$31,800	$0.13	$162	2.59%
Management		5.00%	310	0.26	60,789	61,386	0.26	313	5.00%
Payroll & Payroll Tax		17.97%	1,115	0.92	218,487	165,200	0.69	843	13.46%
Repairs & Maintenance		8.82%	547	0.45	107,192	87,956	0.37	449	7.16%
Utilities		3.28%	203	0.17	39,825	53,200	0.22	271	4.33%
Water, Sewer, & Trash		4.70%	292	0.24	57,165	78,350	0.33	400	6.38%
Property Insurance		16.82%	1,043	0.86	204,461	205,000	0.86	1,046	16.70%
Property Tax	2.973579	0.00%	0	0.00	0	1	0.00	0	0.00%
Reserve for Replacements		4.03%	250	0.21	49,000	58,800	0.25	300	4.79%
TDHCA Compliance Fees		0.00%	0	0.00	0	7,840	0.03	40	0.64%
Other: Cbl/SuppServ/Security		1.74%	108	0.09	21,150	21,150	0.09	108	1.72%
TOTAL EXPENSES		69.51%	$4,312	$3.55	$845,059	$770,683	$3.24	$3,932	62.77%
NET OPERATING INC		30.49%	$1,891	$1.56	$370,711	$457,037	$1.92	$2,332	37.23%
DEBT SERVICE									
First Lien Mortgage		27.90%	$1,731	$1.43	$339,194	$339,194	$1.43	$1,731	27.63%
TDHCA CDBG Request		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		2.59%	$161	$0.13	$31,517	$117,843	$0.50	$601	9.60%
AGGREGATE DEBT COVERAGE RATIO					1.09	1.35			
RECOMMENDED DEBT COVERAGE RATIO					1.15				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	ADJUSTED	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		13.67%	$19,100	$15.73	$3,743,638	$4,275,000	$3,743,638	$15.73	$19,100	13.74%
Off-Sites		0.00%	0	0.00	0	0	0	0.00	0	0.00%
Sitework		5.76%	8,042	6.62	1,576,265	1,576,265	1,576,265	6.62	8,042	5.78%
Direct Construction		49.96%	69,810	57.50	13,682,722	13,544,889	13,544,889	56.92	69,107	49.70%
Contingency	4.95%	2.76%	3,857	3.18	756,058	756,058	756,058	3.18	3,857	2.77%
Contractor's Fees	13.87%	7.73%	10,801	8.90	2,116,961	2,116,961	2,116,961	8.90	10,801	7.77%
Indirect Construction		5.39%	7,533	6.20	1,476,500	1,526,500	1,476,500	6.20	7,533	5.42%
Permanent Financing		0.83%	1,158	0.95	226,930	226,930	226,930	0.95	1,158	0.83%
Developer's Fees	14.49%	10.65%	14,878	12.25	2,916,000	2,916,000	2,916,000	12.25	14,878	10.70%
Interim Financing		1.89%	2,646	2.18	518,530	518,530	518,530	2.18	2,646	1.90%
Reserves		1.37%	1,913	1.58	375,000	375,000	375,000	1.58	1,913	1.38%
TOTAL COST		100.00%	$139,738	$115.09	$27,388,604	$27,832,133	$27,250,771	$114.51	$139,035	100.00%
Construction Cost Recap		*66.20%*	***$92,510***	***$76.20***	***$18,132,006***	***$17,994,173***	***$17,994,173***	***$75.62***	***$91,807***	*66.03%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	ADJUSTED	RECOMMENDED	
First Lien Mortgage	12.01%	$16,786	$13.83	$3,290,000	$3,290,000	$3,290,000	$3,126,570	Developer Fee Available
TDHCA CDBG Request	88.91%	$124,235	$102.32	24,350,000	24,350,000	24,350,000	24,124,201	$2,916,000
HTC Syndication Proceeds	0.00%	$0	$0.00	0	0	0	0	% of Dev. Fee Deferred
Deferred Developer Fees	0.70%	$980	$0.81	192,133	192,133	192,133	0	0%
Additional (Excess) Funds Req'd	-1.62%	($2,263)	($1.86)	(443,529)	0	(581,362)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$27,388,604	$27,832,133	$27,250,771	$27,250,771	$930,971

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Brittany Place Homes II, Port Arthur, CDBG Disaster Recovery #07903

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook

Average Quality Basis

CATEGORY	TOWNHOME	GARDEN	SINGLE FAM	TOTAL
Base Cost	$1,356,041	$3,597,901	$12,105,991	$17,059,933
Adjustments				
Exterior Wall Finish	27,121	71,958	0	99,079
10% Subdivision Discount	0	0	(1,210,599)	(1,210,599)
9-Ft. Ceilings	0	0	0	0
Roofing	0	0	0	0
Subfloor	(20,949)	(53,418)	(377,604)	(451,972)
Floor Cover	69,756	157,658	481,408	708,822
Breezeways/Balconies	28,578	132,081	276,840	437,499
Plumbing Fixtures	21,230	57,960	0	79,190
Rough-ins	9,350	59,200	45,000	113,550
Built-In Appliances	53,350	136,900	257,500	447,750
Exterior Stairs	0	57,600	0	57,600
Enclosed Corridors	0	0	0	0
Heating/Cooling	55,035	123,272	267,783	446,090
Garages/Carports	109,181	0	857,230	966,411
Comm &/or Aux Bldgs	0	241,362	241,362	482,724
Other: fire sprinklers	0	126,516	0	126,516
SUBTOTAL	1,708,692	4,708,991	12,944,911	19,362,594
Current Cost Multiplier	(34,174)	(94,180)	(258,898)	(387,252)
Local Multiplier	(187,956)	(517,989)	(1,423,940)	(2,129,885)
TOTAL DIRECT CONSTRUCTION COSTS				
Plans, specs, survy, bld prmts	(57,976)	(159,776)	(439,221)	(656,973)
Interim Construction Interest	(50,171)	(138,268)	(380,095)	(568,534)
Contractor's OH & Profit	(170,955)	(471,135)	(1,295,138)	(1,937,228)
NET DIRECT COSTS	$1,207,460	$3,327,644	$9,147,618	$13,682,722

PAYMENT COMPUTATION

Primary	$3,290,000	Amort	360
Int Rate	9.75%	DCR	1.09

Secondary	$24,350,000	Amort	
Int Rate		Subtotal DCR	1.09

Additional	$0	Amort	
Int Rate		Aggregate DCR	1.09

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$322,345
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$48,366

Primary	$3,126,570	Amort	360
Int Rate	9.75%	DCR	1.15

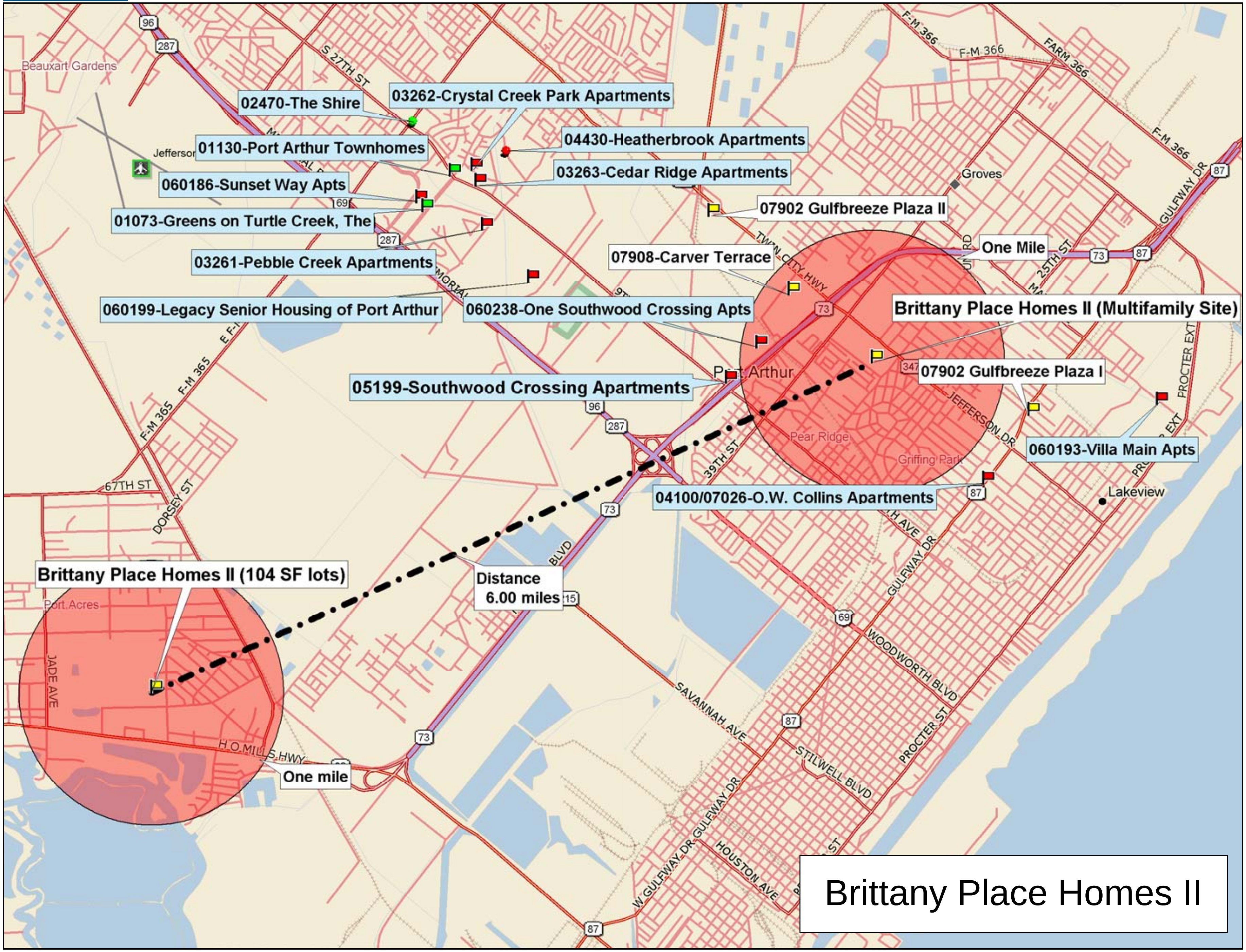
Secondary	$24,124,201	Amort	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

221 (d)(3) Limit	1-Bedroom	2-Bedroom	3-Bedroom
	$109,142	$132,718	$171,692
$29,900,548	50	16	130

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,279,066	$1,317,438	$1,356,961	$1,397,670	$1,439,600	$1,668,891	$1,934,702	$2,242,850	$3,014,203
Secondary Income	35,280	36,338	37,429	38,551	39,708	46,032	53,364	61,864	83,140
Other Support Income: Cable & Pł	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,314,346	1,353,776	1,394,390	1,436,221	1,479,308	1,714,924	1,988,066	2,304,714	3,097,343
Vacancy & Collection Loss	(98,576)	(101,533)	(104,579)	(107,717)	(110,948)	(128,619)	(149,105)	(172,854)	(232,301)
Employee or Other Non-Rental Uni	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,215,770	$1,252,243	$1,289,811	$1,328,505	$1,368,360	$1,586,304	$1,838,961	$2,131,860	$2,865,042
EXPENSES at 4.00%									
General & Administrative	$86,990	$90,470	$94,089	$97,852	$101,766	$123,814	$150,639	$183,276	$271,293
Management	60,789	62,612	64,491	66,425	68,418	79,315	91,948	106,593	143,252
Payroll & Payroll Tax	218,487	227,227	236,316	245,768	255,599	310,975	378,349	460,320	681,386
Repairs & Maintenance	107,192	111,479	115,939	120,576	125,399	152,567	185,621	225,837	334,294
Utilities	39,825	41,418	43,075	44,798	46,590	56,683	68,964	83,905	124,200
Water, Sewer & Trash	57,165	59,452	61,830	64,303	66,876	81,364	98,992	120,439	178,279
Insurance	204,461	212,639	221,145	229,991	239,190	291,012	354,060	430,768	637,643
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	49,000	50,960	52,998	55,118	57,323	69,742	84,852	103,236	152,814
Other	21,150	21,996	22,876	23,791	24,743	30,103	36,625	44,560	65,959
TOTAL EXPENSES	$845,059	$878,254	$912,758	$948,623	$985,904	$1,195,577	$1,450,051	$1,758,933	$2,589,119
NET OPERATING INCOME	$370,711	$373,989	$377,053	$379,882	$382,456	$390,727	$388,910	$372,927	$275,923
DEBT SERVICE									
First Lien Financing	$322,345	$322,345	$322,345	$322,345	$322,345	$322,345	$322,345	$322,345	$322,345
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$48,366	$51,645	$54,708	$57,537	$60,111	$68,382	$66,565	$50,582	($46,422)
DEBT COVERAGE RATIO	1.15	1.16	1.17	1.18	1.19	1.21	1.21	1.16	0.86



TN
MN (2.8°E)

Scale 1 : 62,500
1" = 5,208.3 ft
Data Zoom 11-6

Applicant Extension and Amendment Request and Backup Evidence Submitted for Board Consideration

ODYSSEY RESIDENTIAL HOLDINGS, L.P.
5420 LBJ FREEWAY, SUITE 1235
TWO LINCOLN CENTRE
DALLAS, TX 75240
972-701-5551
972-701-5562 FAX

Ms. Jennifer Joyce
TDHCA
221 E. 11th Street
Insurance Building Annex
Austin, TX 78711 August 20, 2008

RE: Brittany Place Homes II award of CDBG funding #07-903; Amendment and Extension requests for the SF portion of the budget

Dear Jennifer:

In follow up to the amendment requests we have pending on the above referenced CDBG award, I am confirming our order of preference on the submissions as you requested. Our preference is approval of Plan B at this time because it vests control over the entire development and construction process with the partnership. In addition, it gets the homes on the ground in the shortest period of time. Plan B will allow the partnership with the Port Arthur Housing Authority to adhere most closely to the original development timelines for use of these funds.

Plan B does not require any surety and contemplates a standard loan closing with TDHCA as contained in the current commitment, excluding underwriting and loan commitment Condition #6. The partnership agrees to amend their loan commitment with TDHCA on the SF portion to comply with any new conditions or requirements consistent with the intent of the amendment request reasonably required by staff or the Board.

If the Board prefers the approach around a larger scale site development and original site plan, we will proceed expeditiously with Plan A. Please remember Plan A requires a tri party or other acceptable surety to allow the lot development loan to close.

It is our preference at this point, for the benefit of families in need of homes, to obtain Board approval on either plan A or B. If the Board needs more time to consider the merits of the two alternatives, then we ask that they act on our request for an extension of time as proposed in our stand alone extension request. If you need additional information, please do not hesitate to contact us.

Sincerely,

James R. (Bill) Fisher
Vice President

ODYSSEY RESIDENTIAL HOLDINGS, L.P.
5420 LBJ FREEWAY, SUITE 1235
TWO LINCOLN CENTRE
DALLAS, TX 75240
972-701-5551
972-701-5562 FAX
214-280-6308 or 214-755-2539 Cell

Ms. Kellie Crawford, Deputy Executive Director
TDHCA
221 E. 11th Street
Insurance Building Annex
Austin, TX 78711 August 19, 2008

RE: Brittany Place II, single family homes request for amendment

Dear Ms. Crawford:

In follow up to our discussion this Friday, on behalf of Chicory Court Brittany Place Homes II, we respectfully request the follow amendment to the CDBG award from the TDHCA board.

1. Site Plan Change: Approval of a change in the site plan from the original application approval for 100 homes and a clubhouse on 104 lots scattered throughout the to-be constructed Angel Trace Subdivision at Ray Avenue and 59th Street to a newly proposed site plan on the same property in Port Arthur. The application called for 100 homes located on scattered lots throughout the subdivision. The amendment requests a change to 100 homes and a clubhouse and common area on 106 lots in Phase One of the Angel Trace subdivisions. See the lot plans attached. Exhibit A is the original concept site plan submitted with the loan closing in April 2008 for the MF site at 3500 Normandy and Exhibit B is the new site plan for which your approval is requested. The change is requested prior to the commencement of this portion of the development.

2. Development Plan Changes: The original Seller of the property, Mid Jeff County JV, is no longer willing or able to provide completed lots in a timely manner. Odyssey has contracted with Mid Jeff for the entire 71.54 acre undeveloped land site and will convey, at cost, up to 40 acres required out of the total tract of land of 71.54 acres needed to implement the completion of the Angel Trace Phase One as shown in Exhibit B attached. The partnership is asking for approval to use the lot acquisition dollars in the approved budget to buy the Phase One undeveloped site for $600,000 and use the balance of the budgeted funds, $2.0 million, to complete the installation of the lot infrastructure. The lot development has all the required approvals to start construction, with the preliminary plat and City

approvals on all construction plans so we are ready for the start of construction, See information attached as Exhibit C, letter from the City of Port Arthur. Odyssey will be the general contractor for the lot infrastructure. ORC is an experienced general contractor having completed over 2500 units since 2003 including many with significant site work including publicly dedicated streets and infrastructure. ORC in turn will contract with the local office of a national company, CIVCO, to do the majority of the utility work, site work and road work including installation of sidewalks throughout Phase One of the subdivision. All this work is approved by the City of Port Arthur and ready to commence. CIVCO has provided the cost estimates for the budget used in this request. Exhibit D attached.

3. Waiver to REA condition #6: The developer is requesting a waiver of the restrictions to the disbursement of funds, subject to Board approval of the revised site and development plan. Specifically, REA underwriting Condition #6, which required completion of the lots by a third party and final platting plus 30 days for the CDBG loan closing before any funds could be disbursed on the award for the SF site. This approach is commercially infeasible and does not conform to the requirements of the purchase contract contained in the original application for funds. The revised site and development plan, using the same sources of financing under the same total uses budget, vests full control of the site and the lot construction in the development partnership. The partnership will close on the site, +- 40 acres, using the financing sources contained in the approved budget of April 2008. The Chicory Court partnership will then draw funds from the CDBG loan on a percentage completion basis up to $2.0 million for completion of the lots in accordance with existing loan documents with TDHCA and with IBC bank. Assuming a September 30, 2008, CDBG loan closing, the partnership would have until February 28, 2009, for substantial, lien free completion of all of Angel Trace Phase One lots. A total of 106 lots per the attached site plan, Exhibit B. A later TDHCA loan closing will push the completion deadlines back in an equal amount.

4. Extension of time to close the loan: The waiver of the REA condition #6 and the conditions in the loan commitment, Exhibit F attached hereto, the TDHCA loan commitment. It requires an extension of the time for the compliance with the loan closing requirement and defers any issue of de-obligation. The developer has worked with staff from many months on a solution to the issues the lot development phase has encountered. In the interim, we have accomplished much from environmental clearance to commencement of construction on the MF site. We have also vigorously monitored and help execute the lot development plan to final approval with the City so commencement of lot construction can begin at the earlier possible time. See Exhibit C and G attached hereto, two status letters from the City of Port Arthur. In addition to the lot portion of the revised development plan, full plans and specifications for the single family homes have been submitted to TDHCA for review and approval. The house plans are permit ready with the City of Port Arthur. The loan closing would be extended 45 days from

September 13, 2008 to October 28, 2008 and the lot completion date would be extended to 150 days from the actual date of the loan closing and funding on this single family portion. In the event this request is deferred to the November 2008 board meeting the closing date would be set 45 days following that meeting with the lot completion date extended 150 days beyond the actual date the CDBG loan closes and funds on this single family portion.

5. We ask the Board for approval to modify the retainage to 10% of all draw amounts but excluding stored materials, purchased equipment and fixtures plus fees to the contractor, including general conditions and overhead. This 10% across the board has precluded many local and midsized contractors from bidding this work. This modification will apply to the entire loan with Chicory Court Brittany Place II, L.P.

I have attached background information from the application and issues raised by the developer and housing authority regarding the grant restrictions and how they preclude the lot development acquisition process from proceeding in a normal market place manner with a single family lot developer. Approval of this amendment by the Board brings certainty to the project, vesting the responsibility for execution of the development plan with the housing authority and Odyssey without the involvement of third party lot developers or third party lenders.

Our amendment proposal will help meet the grant deadlines and meet the spirit of REA's funding restrictions. We are asking for staff recommendation in support of this request without penalty.

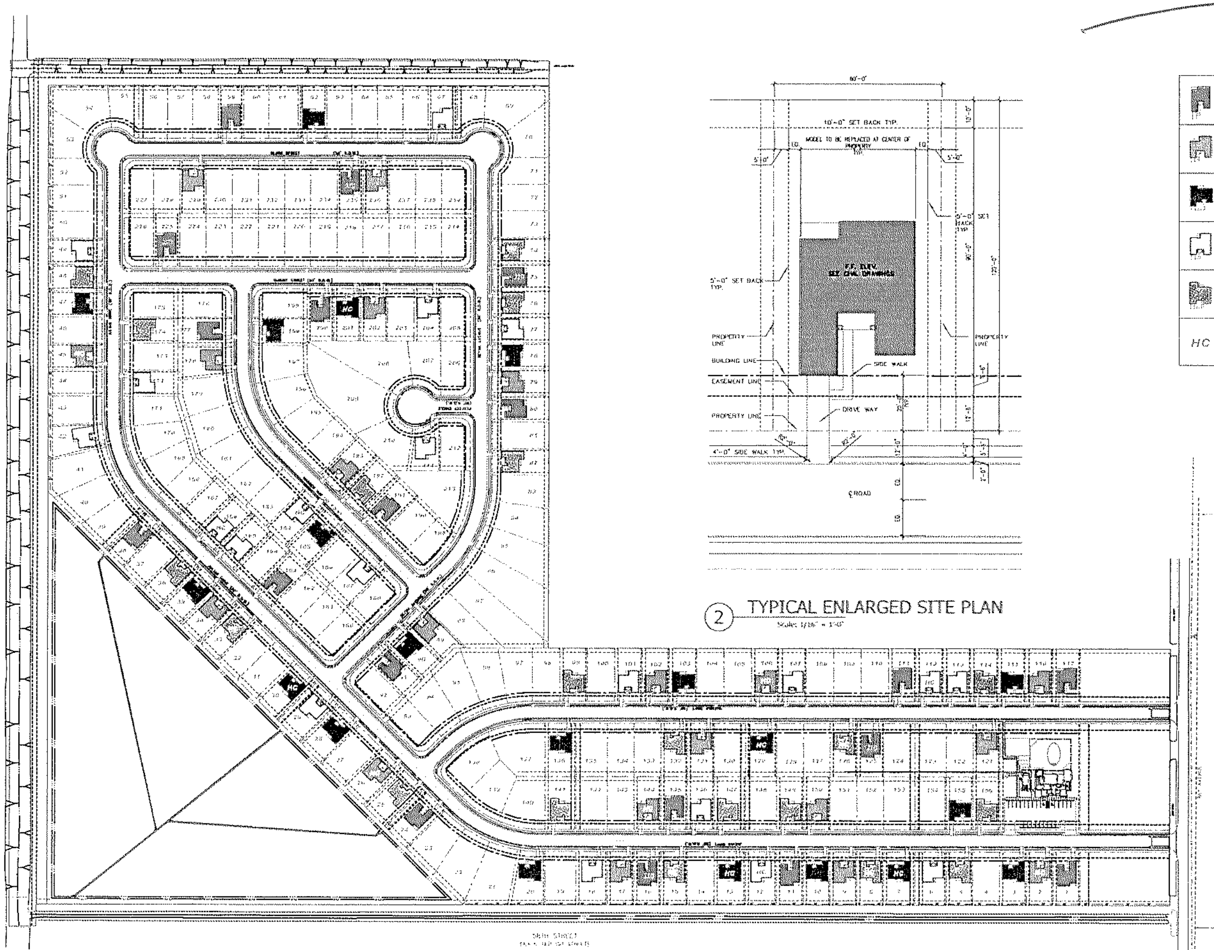
Your consideration of our request is appreciated.

Sincerely,

Saleem Jafar
President of the GP
Odyssey Residential Holdings, L.P.

Attachments

Exhibit A



1 OVERALL MASTER SITE PLAN

Scale: 1" = 100'

2 TYPICAL ENLARGED SITE PLAN

Scale: 1/16" = 1'-0"

	MODEL-1
	MODEL-2
	MODEL-3
	MODEL-4
	MODEL-5
HC	HANDY CAP

GENERAL NOTES:

1. MASTER SITE PLAN IS SCHEMATIC. SEE CIVIL DRAWINGS FOR SPECIFIC AND DETAIL PLANS FOR THE SUBDIVISION.
2. WHERE CONFLICTS ARE NOTED BETWEEN EACH INDIVIDUAL SITE PLAN AND ANY UTILITIES (FIRE HYDRANTS, LIGHTING STANDARDS, CURB INLETS, ETC.) NOTIFY GENERAL CONTRACTOR PRIOR TO PROCEEDING.
3. SEE DETAILED SITE PLANS ON ARCHITECTURAL SHEETS FOR MORE DETAILING AND LANDSCAPING.
4. FOLLOW ALL CITY OF PORT ARTHUR DEVELOPMENT REQUIREMENTS AND STANDARDS FOR REQUIREMENTS NOT SHOWN ON THESE PLANS.
5. CONNECTION DETAILS FOR ALL UTILITIES (POTABLE WATER, SEWER AND OTHER); SEE CIVIL DRAWINGS.
6. REFER TO SPECIFIC GEOTECHNICAL REPORT FOR SOILS RECOMMENDATIONS. COORDINATE WITH FOUNDATION DESIGN PLANS.
7. THERE ARE NO "FLIP-FLOP PLANS" OF HOUSES AVAILABLE. PROCEED WITH ALL PLANNING AND LAYOUT WITH THE AVAILABLE PLANS.
8. PRIOR TO CONSTRUCTION, VERIFY WITH ODYSSEY THAT ALL PLANS SHOWN ON GIVEN SITES ARE IN FACT ACCURATE AND ARE TO BE CONSTRUCTED. THERE MAY BE CHANGES IN "SITING" AND LOCATION. PROCEED WITH CAUTION.

Chicory Court

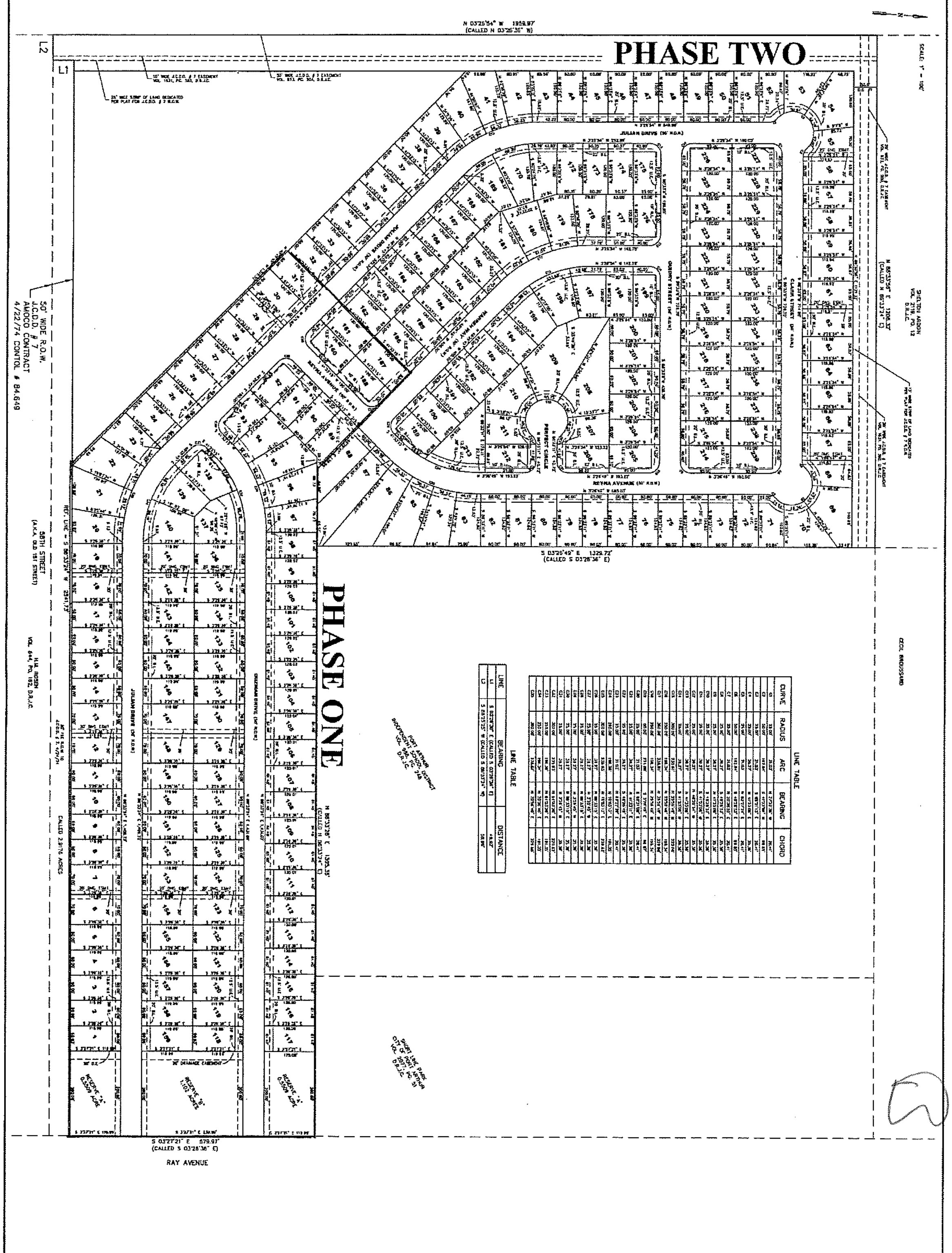
Brittany Place II - LP
(Single Family)

HADP ARCHITECTURE, INC.
HARPER AIKEN DONAHUE & PARTNERS

SITE PLANS
OVERALL MASTER PLAN & TYPICAL ENLARGED SITE PLAN

A001

Exhibit B



NOTE:
BEARINGS, DISTANCES AND ACREAGE ARE BASED ON STATE PLANE COORDINATE GRID SYSTEM, TEXAS SOUTH CENTRAL ZONE, NAD 83 DATUM. SCALE FACTOR = 0.99991366

PROJECT NO. 07-1294

FEMA Flood Zone: B
Community Panel NO.: 485489-0025-B
Panel Date: 4/17/84

ANGEL TRACE
71.54 ACRES OF LAND PART OF THE
T. & N.O.R.R. SURVEY NO. 275, ABSTRACT NO. 316
CITY OF PORT ARTHUR
JEFFERSON COUNTY, TEXAS

SHEET 2 OF 2

SOUTEX
SURVEYORS INC.
3737 DOCTORS DRIVE
PORT ARTHUR, TEXAS 77642
(409) 983-2004 (409) 983-2005

DELORIS "BOBBIE" PRINCE, MAYOR
JACK CHATMAN, JR., MAYOR PRO-TEM

COUNCIL MEMBERS:
ELIZABETH "LIZ" SEGLER
MORRIS ALBRIGHT, III
MARTIN FLOOD
JOHN BEARD, JR.
ROBERT E. WILLIAMSON
D. KAY WISE
THOMAS J. HENDERSON

City of Energy City Port Arthur Texas

STEPHEN FITZGIBBONS
CITY MANAGER

TERRI HANKS
ACTING CITY SECRETARY

MARK T. SOKOLOW
CITY ATTORNEY

EXHIBIT C

July 25, 2008

Mr. James R. Fisher
Vice President
Odyssey Residential Holdings, L.P.
5420 LBJ Freeway #1235
Dallas, TX 75240

RE: Angel Trace Single Family Lot Development, Ray Avenue And 59th Street, Port Acres Area, Port Arthur, Texas

Dear Mr. Fisher:

In response to your request for up-to-date information on this development, I am pleased to advise you of the following:

(1) Angel Trace development, totaling 239 lots, has been granted an approved preliminary plat. Final plat will only occur once the development infrastructure is installed and accepted by the City
(2) The City Commission has passed the necessary permits to dig the detention pond on approximately 10 acres of the site. This was passed in June, 2008
(3) City Staff has reviewed and approved the construction plans for the installation of the infrastructure by the developer necessary to complete all 239 lots
(4) There are no other requirements of the City of Port Arthur to be met, and the property owner can proceed with construction of the lots in accordance with the approved plans

If you have additional questions, please do not hesitate to call me.

Sincerely,

Steve Fitzgibbons
City Manager

/dl

Exhibit D

CIVCO Management Group, LLC

2395 West Cardinal Dr
Beaumont TX 77703
409-840-5667

AUGUST 17, 2008

Proposal for Services:
Chicory Court Brittan y Place II, L.P.
Two Lincoln Centre, Suite 1253
Dallas, TX 75240

Project: Angel Trace Subdivision, Phase One, 106 lots, Ray Avenue, Port Arthur, TX

Items of work: CIVCO Management Group will provide all construction materials, labor and equipment necessary for the site work, roads, curbs, and all underground utilities including: Storm sewer, Sanitary sewer and services, water main and services, for said project.

Scope of Work:

1. Site Clearing/ Tree Removal
2. Rough Grade
3. Excavation with Imported Fill
4. Sanitary Sewer
5. Storm Sewer
6. Storm Drainage with Catch Basins and Junction Boxes
7. Water and Utilities
8. Form, Pour and Finish Roads with Curbs

Totals of Work provided:

Storm Drainage: 3944 LF HDPE Pipe, including all Drain Basins & Junction Boxes

Water Main: 5660 LF C900 Pipe, including all B-84-B FH, 8100 LF of 1" SDR9 and meter boxes for services

Sanitary Sewer: 5026 LF SDR26 HW pipe and all manholes and materials for services

Soil left on site Cubic Yards **3151 cy**

fill to be add to site **7564 cy**

Price :

1. EROSION SWPP	**$**	**10,658.00**
2. SITE WORK/ POND/TRICKEL CHANNEL	**$**	**246,117.18**
3. TRUCKING AND SELECT FILL	**$**	**52,906.96**
4. GRADE ROADS/FILL	**$**	**52,293.17**
5. STORM AND DRAIN/BACKFILL	**$**	**212,769.60**
6. SANITARY SEWER/BACKFILL	**$**	**285,805.60**
7. UTILITIES AND WATER/BACKFILL	**$**	**211,806.50**
8. CONCRETE, FORMING, POUR AND FINISH	**$**	**743,789.60**
9. ELECTRIC GRID AND UNDERGROUND	**$**	**105,676.00**
10. STABILIZED SAND,BANK SAND,STONE	**$**	**48,177.00**
11. FUEL	**$**	**30,000.00**
12. SALES TAX (subject to exemption certification)	**$**	**---0-----**

TOTAL PRICE: $ 2,000,000.00

We are looking forward to doing business with Chicory Court Brittany Place II, L.P.. Please phone if you have any questions on proposal.

Thank you,

Shane Henderson cell# 409-504-8667 or Greg Newman Cell# 816-218-9349

Exhibit E

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 09/05/07 PROGRAM: CDBG Disaster Recovery FILE NUMBER: **07903**

This underwriting report has been modified in scope due to the uniqueness of the CDBG Disaster Recovery Program application and funding requirements. This report describes the general characteristics of the development and focuses on the information available regarding the reconstruction or rehabilitation costs and the 5 year viability of the development as proposed and per the funding source guidelines. The scope limitations include not fully evaluating or making recommendations based upon potential events beyond the initial 5 year period.

DEVELOPMENT

Brittany Place Homes II

Location: 3500 Normandy & single family sites at Ray Ave/Port Acres area Region: 5

City: Port Arthur County: Jefferson Zip: 77642 ☐ QCT ☒ DDA

Key Attributes: Family, Urban/Exurban, Reconstruction/New Construction

ALLOCATION

	GRANT REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
CDBG Disaster Funds	$24,350,000	Grant		**$24,124,201**	TBD*	

*Short term forgiveness of the loan may have a significant impact on the viability of property owners as continued owners.

CONDITIONS

1 Receipt review and acceptance of clarification of the ownership structure and the requested method of funding from the Applicant.

2 Receipt, review, and acceptance, before demolition, of an Operations and Maintenance program to identify asbestos-containing materials and lead-based paint during the demolition process, and procedures to abate the effects of such materials as needed.

3 Receipt, review, and acceptance, prior to closing, of documentation to support the ability for the title company to issue clear title which is free from the Bankruptcy and foreclosure proceedings that are currently impacting the property and the Seller and Special Limited Partner of the Applicant.

4 Receipt, review and acceptance prior to commitment of an explanation from the Seller of the Brittany I site regarding the difference in the sales price and sales price listed on the web.

5 Receipt, review, and acceptance, by commitment, of a new commitment for permanent financing with a competitive market interest rate.

6 Receipt, review and acceptance, of documentation that the single family lots have been properly platted, and fully improved with infrastructure prior to funding any expenses on the single family site and that such documentation shall be provided not less than 12 months from the Board's approval of the award or the single family portion of the award will be deobligated.

7 Should the terms and rates of the proposed debt or Section 8 rents change prior to completion, the transaction should be re-evaluated and an adjustment to the recommended award amount may be warranted.

Exhibit F

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

CFDA 14.228 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM
Awarding Federal Agency: United States Department of Housing and Urban Development

TDHCA Federal Award Number: B-06-DG-48-0002
Federal Award Year (Year of Award from HUD to TDHCA): 2006
TDHCA Award Year: 2007

CDBG Program Loan Commitment ("Commitment", or "commitment")
Issued to the Development Owner: Chicory Court – Brittany Place II, LP, a Texas limited partnership

Development Name and TDHCA#:	07903, Brittany Place Homes II
Loan Commitment #:	TBD
Effective Date of Loan Commitment:	September 13, 2007
Closing Date of Loan:	On or before April 13, 2008, unless extended
Expiration Date of Funds:	September 13, 2010
CDBG Loan Amount:	$24,124,201.00
Contact Person:	Saleem Jafar or Bill Fisher
Contact Address:	5420 LBJ Freeway, Suite 1235 Dallas, Texas 75240
Contact Phone/Fax:	(972)701-5550 / (972)701-5562
Development Address:	3500 Normandy, Port Arthur, Jefferson County, Texas
Region:	5
State Fiscal Year of Award:	2007

If you have any questions concerning this matter, please do not hesitate to contact Jen Joyce in the Disaster Recovery Division at jennifer.joyce@tdhca.state.tx.us, before executing this commitment. Your execution of this commitment shall evidence your unconditional acceptance of and agreement to the terms and conditions expressed herein. Please mail to attention: Jen Joyce at PO Box 13941, Capitol Station, Austin, Texas 78711-3941 or 221 East 11th Street, Austin, Texas 78701. Fax number (512)469-9606.

CDBG RENTAL MULTIFAMILY LOAN COMMITMENT Due-diligence Documents Checklist	**Required with Executed Commitment**	**Required Prior to Loan Closing**
21. Due-diligence and/or Special Provisions as follows:		
1. Should the terms and rates of the existing debt, scope of work, the approved rents or the required reserve for replacements be different than the assumptions in this document, the transaction may be re-evaluated by the Department and an adjustment to the award amount or terms may be warranted.	☐	☒
2. To the extent required in the Environmental Review, receipt, review, and acceptance, before demolition, of an Operations and Maintenance program to identify asbestos-containing materials and lead-based paint during the demolition process, and procedures to abate the effects of such materials as needed.		
3. Receipt, review, and acceptance, prior to closing, of documentation to support the ability for the title company to issue clear title which is free from the Bankruptcy and foreclosure proceedings that are currently impacting the property and the Seller and Special Limited Partner of the Applicant.		
4. Receipt, review and acceptance prior to commitment of an explanation from the Seller of the Brittany I site regarding the difference in the sales price and sales price listed on the web.		
5. Receipt, review, and acceptance, by commitment, of a new commitment for permanent financing with a competitive market interest rate.		
6. Receipt, review and acceptance, of documentation that the single family lots have been properly platted, and fully improved with infrastructure prior to funding any expenses on the single family site and that such documentation shall be provided, or an extension is requested and approved or a waiver of this restriction is requested and approved, not less than 12 months from the Board's approval of the award or the single family portion of the award will be deobligated.		
7. Should the terms and rates of the proposed debt or Section 8 rents change prior to loan closing, the transaction should be re-evaluated and an adjustment to the recommended award amount may be warranted.		
8. Any differences between these conditions and those in the published REA report for this development have been approved by the Executive Director, and these conditions supersede and replace those in the published REA report.		
22. ***Insurance Certifications: (Borrower must copy to escrow agent for Closing CD)** ➢ Borrower Liability w/TDHCA as additional insured – amount sufficient to cover TDHCA loan with a minimum policy amount of $1,000,000 ➢ General Contractor Public Liability, and Builder's Risk w/TDHCA as additional insured (must be non-reporting type) – this can be supplied 1 - 2 days prior to closing ➢ Once the project is completed then supply TDHCA w/Property and casualty insurance in an amount sufficient to protect Department's interest in the Property, issued on a replacement cost basis and insuring the full replacement cost of the Mortgaged Property. This insurance is to be furnished through a company of Borrower's choice with a rating of at least "A-" by Standard & Poor Insurance Solvency Review and/or at least "A, XI" by Best's Insurance Guide with the Texas Department of Housing and Community Affairs listed as a mortgagee. General Contractor Public Liability, Builder's Risk & Workers Comp w/TDHCA as additional insured (must be non-reporting type)	☐	☒
23. Notice to Proceed. Borrower must receive a Notice to Proceed from the Department's Portfolio Monitoring and Compliance Division prior to the start of any construction activities, or prior to disbursements of funding for construction related activities. Developments with **8 or more CDBG** assisted units are also required to meet Davis Bacon Prevailing Wage Regulations and submit required documents prior to the issuance of the Notice to Proceed. This will be addressed in the CDBG Multifamily Rental Disaster	INFO ONLY	

CDBG RENTAL MULTIFAMILY LOAN COMMITMENT Due-diligence Documents Checklist	Required with Executed Commitment	Required Prior to Loan Closing
Recovery Program Training.		
24. The Borrower must register and participate in a CDBG Multifamily Rental Disaster Recovery Program Training (dates and location TBD—if information relating to registration is not available by January 30, 2008, the Borrower or it's approved designee must register within 5 business days of release date).	☒	☒

If you have any questions concerning this matter, please do not hesitate to contact Jen Joyce in the Disaster Recovery Division at jennifer.joyce@tdhca.state.tx.us, before executing this commitment. Your execution of this commitment shall evidence your unconditional acceptance of and agreement to the terms and conditions expressed herein. Please mail to attention: Jen Joyce at PO Box 13941, Capitol Station, Austin, Texas 78711-3941 or 221 East 11 Street, Austin, Texas 78701. Fax number (512)469-9606.

READ, UNDERSTOOD, AGREED TO AND ACCEPTED BY BORROWER

Chicory Court – Brittany Place II, LP,
a Texas limited partnership

By: Chicory GP – Brittany Place II, LLC, a Texas limited liability company, its general partner
By: Saleem A - Jafar, ~~Managing Member~~ Manager

By: ______________________ 1/4/08 Its: ~~Managing Member~~ Manager
Signature of Borrower/Authorized Signatory *Date*

City of Port Arthur Texas
Energy City

Exhibit G

August 19, 2008

Mr. James R. (Bill) Fisher
Vice President
Odyssey Residential Holdings L.P.
5420 LBJ Freeway, Suite 1235
Dallas, TX 75240

RE: Angel Trace Single Family Lot Development, Ray Avenue And 59th Street
Port Acres Area, Port Arthur, Texas

Dear Mr. Fisher:

In response to your request for information during our Friday meeting, I am pleased to advise you of the following:

1. The Angel Trace development totaling 239 lots can be installed in two phases as we discussed with Staff on Friday. The first phase can receive a final plat and acceptance from the City without work or completion of the second phase. We are aware this phase may be sold to a third party and not developed by Odyssey

2. With your current excavation permit, you can proceed with grading and earthwork. Since you are revising the layout and phasing, you will need preliminary plat approval, Staff review, and approval of public infrastructure

If you have additional questions, please do not hesitate to call me.

Sincerely,

Steve Fitzgibbons
City Manager

P.O. BOX 1089 • PORT ARTHUR, TEXAS 77641-1089 • 409/983-8115 • FAX 409/983-8291

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST
September 3, 2008

Action Item

Presentation, Discussion and Possible Approval of Requests for Amendments to CDBG Disaster Recovery housing contracts administered by TDHCA for CDBG Round 1 Funding

Requested Action

Approve the request for an amendment related to South East Texas Regional Planning Commission's housing contract under the CDBG Disaster Recovery Program

Background

The State of Texas Action Plan (Action Plan) approved by the U. S. Department of Housing and Urban Development related to the *CDBG Disaster Recovery Funds to Areas Most Impacted & Distressed by Hurricane Rita* specifically states that contract amendments that vary more than 5% must be approved by the TDHCA Board.

South East Texas Regional Planning Commission (SETRPC) Contract Number C060003

Summary of Request
SETRPC is requesting Amendment #3 to transfer $3,275,500 from SETRPC's rehabilitation budget category and $365,750 from SETRPC's demolition category to SETRPC's reconstruction budget category for a total reconstruction budget category increase of $3,641,250. These changes are requested because as SETRPC completed assessments on the project sites of households that were certified eligible, SETRPC identified more households in need of reconstruction assistance than was originally contemplated. This amendment request will allow SETRPC to continue to provide assistance to 33 households that are currently in the final stages of assistance through the Program, and will allow SETRPC to complete their contract with TDHCA to best help with the identified need in their region. The number of proposed beneficiaries will be reduced from 345 to 284 or a reduction in proposed beneficiaries of 58.

SETRPC

Proposed Budget

	Current	**Requested**	**$ Change**	**% Change**
Rehabilitation	$4,075,500	$800,000	($3,275,500)	-80.37%
Reconstruction	$8,668,750	$12,310,000	$3,641,250	42.00%
Demolition	$365,750	$0	($365,750)	100.00%
Planning/Project Delivery	$2,038,241	$2,038,241	$0	0.00%
General Administration	$640,295	$640,295	$0	0.00%
	$15,788,536	**$15,788,536**		

Proposed Project Deliverables

	Maximum/ Activity	Current Beneficiaries	Requested Beneficiaries	Change	% Change
Rehabilitation	$65,000	165	32	-133	-80.61%
Reconstruction	$135,000	180	255	75	41.67%
Demolition	$5,000	0	0	0	0.00%
Total		**345**	**287**	**-58**	**-38.94%**

Requested Action

$3,275,500 from SETRPC's rehabilitation budget category and $365,750 from SETRPC's demolition category to SETRPC's reconstruction budget category for a total reconstruction budget category increase of $3,641,250. The required beneficiaries to be assisted will also be reduced by 58 accordingly.

BOND FINANCE DIVISION

BOARD ACTION REQUEST
September 4, 2008

Action Items

Presentation, Discussion and Approval of Resolution 08-030 authorizing the issuance of TDHCA's Single Family Mortgage Revenue Bonds (Draw Down Facility).

Required Action

Approval of Resolution 08-030 authorizing the issuance of TDHCA's Single Family Mortgage Revenue Bonds (Draw Down Facility).

Background

On May 8, 2008, the Board approved issuing a Request for Proposal ("RFP") for Underwriting services from investment banking firms interested in developing a Draw Down Bond Program for TDHCA's single family mortgage revenue bond recycling program. The Draw Down Bond Program would replace an existing Commercial Paper (CP) Program which currently serves this purpose. On June 26, 2008, the Board approved Morgan Keegan & Company, Inc. as Underwriter for the TDHCA Draw Down Bond Program. Today, staff is requesting approval of a $400 million Draw Down Bond Program which will allow TDHCA to capture and preserve tax-exempt lending authority over the next three to four years for use in future single family bond programs.

The Draw Down Program is similar to TDHCA's existing CP Program in that it provides financing for TDHCA (i) to warehouse mortgage principal payments and prepayments from TDHCA's outstanding single family bond issues ("Prior Bonds") for later recycling into new mortgage loans, and (ii) to capture new bond volume cap from the State for use in future single family bond issues. For example, when eligible mortgage principal payments and prepayments accumulate under the Prior Bonds and would be used to redeem these bonds, Draw Down bonds are issued in an amount equal to the accumulated principal. The new Draw Down Bond proceeds are then used to redeem the Prior Bonds, while the accumulated mortgage principal repayments transfer to a guaranteed investment contract (GIC) as security for the Draw Down Bonds. When TDHCA is ready to issue a new long term single family bond issue, bond proceeds from the new long term issue pay off the Draw Down Bonds and the accumulated mortgage principal repayments transfer to the new issue and are recycled into new mortgage loans. The same process is used when new Draw Down Bonds are issued to capture new bond volume cap from the State.

Morgan Keegan will purchase TDHCA's Draw Down Bonds in a private placement transaction. Because staff anticipates that the security for the new Draw Down Bonds will be an AA- rated or better GIC, the Draw Down Bonds will have a rating equal to that of the GIC provider. The tax-exempt Draw Down Bonds are issued with a stated maximum principal amount not to exceed $400 million over the next three to four years. The principal and interest amounts due on the Draw Down Bonds will only be for the actual principal amount of tax-exempt allocation that has been captured by TDHCA and is outstanding. As noted above, the Draw Down Bonds are to be issued (i) to capture and recycle mortgage principal payments and prepayments under the Prior Bonds, and (ii) to preserve new money allocation of private activity bond volume cap from the State.

The Department will transfer approximately $71 million of existing prepayments and repayments from our expiring CP Program to the new 2008 Draw Down Program. The Department will also transfer $60 million of the 2008 private activity bond volume cap to the Draw Down Program. This Draw Down structure will allow ease of use and maximum flexibility, and will enable the Department (i) to take advantage of both the AMT and non-AMT market to recycle from the Prior Bonds, and (ii) to take advantage of the non-AMT market to capture one or more new bond volume cap allocations from the State. In addition to these operational benefits, there are two financial benefits: the elimination of negative arbitrage (investment interest rate on the GIC will always be greater than or at least equal to the bond interest rate), and a reduction of the cost of issuance and municipal underwriting fees.

The following table provides certain key dates for this plan of finance.

Program Designation	**Drawdown Bond Key Dates**
TDHCA Board Approval of Drawdown Bond Structure	September 4, 2008
BRB Planning Session	September 9, 2008
BRB Board Meeting Approving Drawdown Bond Structure	September 18, 2008
Closing Date	October 14, 2008

Recommendation

Approval of Resolution 08-030 authorizing the issuance of TDHCA's Single Family Mortgage Revenue Bonds (Draw Down Facility).

Resolution No. 08-030

RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS SINGLE FAMILY MORTGAGE REVENUE BONDS (DRAW DOWN FACILITY) IN ONE OR MORE SERIES; AUTHORIZING THE APPROVAL OF THE FORM AND SUBSTANCE OF THE TRUST INDENTURE, THE DEPOSITORY AGREEMENT, THE BOND PURCHASE AGREEMENTS, THE CONTINUING DISCLOSURE AGREEMENT, THE REMARKETING AGREEMENT AND THE LIMITED OFFERING MEMORANDUM FOR THE BONDS; AUTHORIZING THE EXECUTION OF DOCUMENTS AND INSTRUMENTS NECESSARY OR CONVENIENT TO CARRY OUT THE SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAM; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the “Department”) has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended from time to time (the “Act”), for the purpose of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe and sanitary housing for individuals and families of low and very low income and families of moderate income (as described in the Act as determined by the Governing Board of the Department (the “Governing Board”) from time to time) at prices they can afford; and

WHEREAS, the Act authorizes the Department: (a) to acquire, and to enter into advance commitments to acquire, mortgage loans (including participations therein) secured by mortgages on residential housing in the State of Texas (the “State”); (b) to issue its bonds, for the purpose of obtaining funds to make and acquire such mortgage loans or participations therein, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds and to enter into interest rate swap agreements related to such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such mortgage loans or participations therein, and to mortgage, pledge or grant security interests in such mortgages, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Act and Chapter 1207, Texas Government Code, as amended, further authorize the Department to issue its revenue bonds for the purpose of refunding any bonds theretofore issued by the Department or the Texas Housing Agency, its predecessor (the “Agency”), under such terms, conditions and details as shall be determined by the Governing Board; and

WHEREAS, the Department has previously issued certain prior issues of single family and residential mortgage revenue bonds and single family and residential mortgage revenue refunding bonds and notes and may in the future issue such bonds (collectively, the “Prior Bonds”); and

WHEREAS, the Governing Board has determined to authorize the issuance of its Single Family Mortgage Revenue Bonds (Draw Down Facility) in one or more series (collectively, the “Bonds”) pursuant to a Trust Indenture relating to the Bonds (the “Indenture”) in substantially the form attached hereto between the Department and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), for the purpose of continuing and extending the Department’s Single Family Mortgage Revenue Bond Program implemented through the Prior Bonds (the “Program”) by providing funds (i) to originate mortgage loans upon the refunding or conversion of the Bonds, as the case may be, (ii) to refund the maturing principal or the principal portion of the redemption price, as the case may be, of portions of the Prior Bonds and (iii) to warehouse new money allocations of private activity bond volume cap received or to be received by the Department; and

WHEREAS, the Governing Board has determined to authorize the execution and delivery of a Depository Agreement relating to the Bonds (the "Depository Agreement"), by and among the Department, the Trustee and the Texas Treasury Safekeeping Trust Company, in substantially the form attached hereto to provide for the holding, administering and investing of certain moneys and securities relating to the Bonds; and

WHEREAS, the Governing Board has further determined that the Department should enter into separate Bond Purchase Agreements with respect to each series of the Bonds (collectively, the "Bond Purchase Agreements") with Morgan Keegan & Company, Inc. (the "Purchaser") and/or any other parties to the Bond Purchase Agreements as authorized by the execution thereof by an authorized representative of the Department named in this Resolution, in substantially the forms attached hereto setting forth certain terms and conditions upon which the Purchaser and/or any other parties will purchase the Bonds from the Department and the Department will sell the Bonds to the Purchaser and/or any other parties to the Bond Purchase Agreements; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") in substantially the form attached hereto between the Department and the Trustee; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Variable Rate Remarketing Agreement relating to the Bonds (the "Remarketing Agreement") with Morgan Keegan & Company, Inc., as remarketing agent (the "Remarketing Agent"), in substantially the form attached hereto setting forth the terms under which the Bonds will be remarketed from time to time; and

WHEREAS, the Governing Board has been presented with a draft of a limited offering memorandum to be used in the offering of the Bonds (the "Limited Offering Memorandum") and the Governing Board desires to approve such Limited Offering Memorandum in substantially the form attached hereto; and

WHEREAS, the Governing Board has determined to authorize the investment of the proceeds of the Bonds in one or more guaranteed investment contracts (the "GICs") on or after the closing date or such other investments as the authorized representatives named herein may approve; and

WHEREAS, the Governing Board desires to approve the use of an amount not to exceed $200,000 of Department funds for any purpose authorized under the Act and the Indenture, including to pay a portion of the costs of issuance of the Bonds; and

WHEREAS, in accordance with Section 2306.142(m) of the Act, the Governing Board has determined that the issuance of bonds to finance mortgage loans to meet the credit needs of borrowers in underserved economic and geographic submarkets in the State is unfeasible or would damage the financial condition of the Department and desires to authorize the authorized representatives of the Department named in this Resolution to seek from the Texas Bond Review Board a waiver of the requirements of Section 2306.142(l) of the Act; and

WHEREAS, the Governing Board hereby determines that the purpose for which the Department may issue the Bonds constitutes "public works" as contemplated by Chapter 1371, Texas Government Code, as amended; and

WHEREAS, the Governing Board desires to approve the forms of the Indenture, the Depository Agreement, the Bond Purchase Agreements, the Continuing Disclosure Agreement, the Remarketing Agreement and the Limited Offering Memorandum, in order to find the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined to extend and continue the Program in accordance with such documents by authorizing the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient to carry out the Program; NOW, THEREFORE,

BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE I
ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

<u>Section 1.1--Issuance, Execution and Delivery of the Bonds</u>. That the issuance of the Bonds is hereby authorized, all under and in accordance with the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives named herein are each hereby authorized to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of Texas (the "Attorney General") for approval, the Comptroller of Public Accounts of the State of Texas (the "Comptroller") for registration and the Trustee for authentication, and thereafter to deliver the Bonds to or upon the order of the Purchaser and/or any other parties pursuant to the Bond Purchase Agreements.

<u>Section 1.2--Authority to Approve Form of Documents, Determine Series Designations, Interest Rates, Principal Amounts, Maturities and Prices</u>. That the Chairman of the Governing Board or the Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, as amended, to determine the designations to be borne by the Bonds in order to distinguish one series from another, to fix and determine the interest rates (which will be determined from time to time in accordance with the Indenture), principal amounts and maturities of, and the prices at which the Department will sell to the Purchaser and/or any other parties to the Bond Purchase Agreements, the Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chairman of the Governing Board or the Executive Director of the Department of the Indenture, the Bond Purchase Agreements and the Depository Agreement; provided, however, that: (a) the aggregate principal amount of the Bonds shall not exceed $400,000,000; (b) the final maturity date of the Bonds shall occur not later than October 1, 2048; (c) the price at which the Bonds are sold to the Purchaser and/or any other parties to the Bond Purchase Agreements shall not exceed 100% of the principal amount thereof; and (d) the Purchaser's fee shall not exceed the amount approved by the Texas Bond Review Board. In no event shall the interest rate on the Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law.

<u>Section 1.3--Approval, Execution and Delivery of the Indenture</u>. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Indenture, and to deliver the Indenture to the Trustee.

<u>Section 1.4--Approval of Depository Agreement</u>. That the form and substance of the Depository Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Depository Agreement and to deliver the Depository Agreement to the Trustee and to the Texas Treasury Safekeeping Trust Company.

Section 1.5--Approval, Execution and Delivery of the Bond Purchase Agreements. That the sale of the Bonds to the Purchaser and/or any other parties pursuant to the Bond Purchase Agreements is hereby approved and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Bond Purchase Agreements and to deliver the Bond Purchase Agreements to the Purchaser and/or any other parties to the Bond Purchase Agreements.

Section 1.6--Approval of Continuing Disclosure Agreement. That the form and substance of the Continuing Disclosure Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Continuing Disclosure Agreement and to deliver the Continuing Disclosure Agreement to the Trustee.

Section 1.7--Approval, Execution and Delivery of the Remarketing Agreement. That the form and substance of the Remarketing Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Remarketing Agreement and to deliver the Remarketing Agreement to the Remarketing Agent.

Section 1.8--Limited Offering Memorandum. That the Limited Offering Memorandum relating to the Bonds, in substantially the form presented to the Governing Board, is hereby approved.

Section 1.9--Approval of GIC Broker; Approval of Investment in GICs. That the Executive Director or the Director of Bond Finance of the Department and the Chairman of the Governing Board are hereby authorized to select a GIC Broker, if any, and that the investment of funds held under the Indenture in GICs is hereby approved and that the Executive Director or the Director of Bond Finance of the Department is hereby authorized to complete arrangements for the investment in GICs or such other investments as the authorized representatives named herein may approve.

Section 1.10--Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest, affix the Department's seal to and deliver such other agreements, advance commitment agreements, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, the Indenture, the Depository Agreement, the Bond Purchase Agreements, the Continuing Disclosure Agreement and the Remarketing Agreement.

Section 1.11--Power to Revise Form of Documents. That, notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution are each hereby authorized to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.12--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit A	-	Indenture
Exhibit B	-	Depository Agreement
Exhibit C	-	Bond Purchase Agreements
Exhibit D	-	Continuing Disclosure Agreement
Exhibit E	-	Remarketing Agreement
Exhibit F	-	Limited Offering Memorandum

Section 1.13--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman and Vice Chair of the Governing Board, Executive Director of the Department, Deputy Executive Director for Administration of the Department, Director of Bond Finance of the Department and the Secretary to the Governing Board.

Section 1.14--Department Contribution. That the contribution of Department funds in an amount not to exceed $200,000 to be used for any purpose authorized under the Act and the Indenture, including to pay a portion of the costs of issuance of the Bonds is hereby authorized.

ARTICLE II
APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Submission to the Attorney General of Texas. That the Governing Board of the Department hereby approves the submission by the Department's Bond Counsel to the Attorney General of Texas, for his approval, of a transcript of the legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.2--Engagement of Other Professionals. That the Executive Director or the Director of Bond Finance is authorized to engage an accounting firm to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the Bond Purchase Agreements and the requirements of the purchasers of the Bonds and Bond Counsel to the Department, provided such engagement is done in accordance with applicable State law.

Section 2.3--Certification of the Minutes and Records. That the Secretary and any Assistant Secretary to the Governing Board of the Department are hereby authorized to certify and authenticate minutes and other records on behalf of the Department for the Program, the issuance of the Bonds and all other Department activities.

Section 2.4--Approval of Requests for Rating from Rating Agencies. That the Executive Director, the Director of Bond Finance and the Department's consultants are authorized to seek ratings from Standard & Poors, Moody's Investors Service, Inc. and/or Fitch Ratings.

Section 2.5--Ratifying Other Actions. That all other actions taken or to be taken by the Executive Director and the Department's staff in connection with the Program and the issuance of the Bonds are hereby ratified and confirmed.

Section 2.6--Authority to Invest Funds. That the Executive Director or the Director of Bond Finance is hereby authorized to undertake all appropriate actions required under the Indenture and the Depository Agreement and to provide for investment and reinvestment of all funds held under the Indenture.

Section 2.7--Redemption of Prior Bonds. The manner in which the Prior Bonds are being refunded does not make it practicable to make the determination required by Section 1207.008, Texas Government Code.

Section 2.8--Waiver from Texas Bond Review Board. That the Governing Board of the Department ratifies actions taken by the authorized representatives of the Department named in this Resolution seeking from the Texas Bond Review Board a waiver of the requirements of Section 2306.142(l) of the Act in accordance with Section 2306.142(m) of the Act.

ARTICLE III
CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Determination of Interest Rate. That the Governing Board of the Department hereby declares that the Department shall fix and determine the interest rates on the mortgage loans for the Program at the time and in accordance with the procedures set forth in the Indenture and that such rates shall be established at levels such that the mortgage loans for the Program will produce, together with other available funds, the amounts required to pay for the Department's costs of operation with respect to the Program and debt service on the Bonds that convert to a fixed interest rate, if any, and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds that convert to a fixed interest rate, if any, without adversely affecting the exclusion from gross income for federal income tax purposes of interest on any of such bonds.

Section 3.2--Bonds to Finance Mortgage Loans in Underserved Economic and Geographic Markets. That, in accordance with Section 2306.142(m) of the Act, the Governing Board hereby finds that the issuance of bonds to finance mortgage loans to meet the credit needs of borrowers in underserved economic and geographic submarkets in the State is unfeasible or would damage the financial condition of the Department.

Section 3.3--Purpose of Bonds. That the Governing Board hereby determines that the purpose for which the Department may issue the Bonds constitutes "public works" as contemplated by Chapter 1371, Texas Government Code, as amended.

ARTICLE IV
GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate pledged under the Indenture to secure payment of the bonds issued under the Indenture and payment of the Department's costs and expenses for the Program thereunder and under the Indenture, and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State.

Section 4.3--Purposes of Resolution. That the Governing Board of the Department has expressly determined and hereby confirms that the issuance of the Bonds and the furtherance of the Program contemplated by this Resolution accomplish a valid public purpose of the Department by providing for the housing needs of persons and families of low, very low and extremely low income and families of moderate income in the State.

Section 4.4--Notice of Meeting. That written notice of the date, hour and place of the meeting of the Governing Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Governing Board as required by Section 2306.032, Texas Government Code, as amended.

Section 4.5--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

[Signature Page Follows]

PASSED AND APPROVED this _____ day of September, 2008.

____
Chairman, Governing Board

ATTEST:

____
Secretary to the Governing Board

(SEAL)

ALL DOCUMENTS REFERRED TO IN THE FOREGOING RESOLUTION ARE ATTACHED TO THE ORIGINAL COPY OF SAID RESOLUTION, WHICH IS ON FILE IN THE OFFICIAL RECORDS OF THE DEPARTMENT, AND EXECUTED COUNTERPARTS OF SUCH EXHIBITS ARE INCLUDED IN THE OFFICIAL TRANSCRIPT OF PROCEEDINGS RELATING TO THE BONDS.

BOND FINANCE DIVISION

BOARD ACTION REQUEST
September 4, 2008

Action Items

Presentation, Discussion and Approval of a Request for Proposal ("RFP") for investment banking firms interested in providing investment banking services as Senior Manager and Co-Manager for one or more proposed single family mortgage revenue bonds starting in 2009.

Required Action

Approve issuing a Request for Proposal ("RFP") for investment banking firms interested in providing investment banking services as Senior Manager and Co-Manager for one or more proposed single family mortgage revenue bonds starting in 2009.

Background

In the bond market, a syndicate of bankers is needed to market bond structures. The number of bonds available for sale typically dictates the size of the syndicate needed at the time of pricing. With TDHCA's structures at or over $100 million, a pool of bankers which include the Senior Underwriting Manager, Co-Senior Manager and four Co-Managers have previously been successful in marketing the Department's bonds.

On March 10, 2005, the TDHCA Board selected three investment banking firms to provide single family bond underwriting services as Senior Manager for TDHCA. On May 26, 2005, the TDHCA Board selected three investment banking firms for the role of Co-Senior Manager from a pool of fifteen Co-Managers in conjunction with the sale of TDHCA's single family mortgage revenue bonds.

Staff is recommending a change that will allow the Board to select four Senior Managers that will work as Underwriters in structuring our bonds and eight Co-Managers that will work in conjunction with the sale of TDHCA's single family mortgage revenue bonds. By selecting four Senior Managers, TDHCA will have a broader base to help diversify our swap counterparty position. To ensure synergy, the next Senior Manager in the rotation will be the Co-Senior Manager for the proposed bond structure. Both the Senior Manager and Co-Manager will work in rotation. The eight Co-Managers will be divided into two groups of four in a rotation to help market our bonds.

The responses in the RFP will be reviewed, analyzed, and scored by Bond Finance staff and TDHCA's Financial Advisor, RBC Capital Markets, before coming back to the TDHCA Board for oral presentations at the November 12, 2008 Board Meeting.

The following table provides certain key dates.

Program Designation	RFP Key Dates
TDHCA Board Approval of RFP	September 4, 2008
Publish RFP in Texas Register, Bond Buyer, Marketplace	September 19, 2008
RFP Responses Due	October 17, 2008
Oral Presentation to the TDHCA Board	November 12, 2008
TDHCA Board Approval of Selected Underwriter	November 13, 2008

The attached RFP for Underwriter Services lists the scope of services requested in connection with this assignment. The selected Senior Managers and Co-Managers will work with the Board of Directors and TDHCA's staff to structure, market and sell TDHCA single family revenue bonds.

Recommendation

Approve issuing a Request for Proposal ("RFP") for investment banking firms interested in providing investment banking services as Senior Manager and Co-Manager for one or more proposed single family mortgage revenue bonds starting in 2009.

Texas Department of Housing and Community Affairs
Request for Proposal for Underwriting Services

I. Purpose of Request

The Texas Department of Housing and Community Affairs ("TDHCA") is issuing this request for proposal (RFP) from investment banking firms interested in providing investment banking services from time to time as Senior Manager or Co-Manager for one or more of its proposed single family mortgage revenue bond new issues and/or refundings. TDHCA desires to revise its list of approved underwriters from which to select its underwriting team for specific municipal bond issues as financing opportunities arise. TDHCA reserves the right to select a team for any particular financing project, from the approved list of Senior Managers and Co-Managers with any combination or number of participants.

Four Senior Managers will be selected and work in rotation as Underwriter in structuring our cashflows for our bonds. Eight Co-Managers will be selected (two groups of four in rotation) and will work in conjunction with the sale of TDHCA's single family mortgage revenue bonds. Both the Senior Manager and Co-Manager will work in rotation. To insure synergy, the next Senior Managers in the rotation will be the Co-Senior Managers for the proposed bond structure.

Selected firms for Senior Managers and Co-Managers will begin rotations in calendar year 2009.

II. Deadline for Responses And Other Information

Response Due: Friday, October 17, 2008 4:00 P.M. C.D.T.

No proposal received after the deadline will be considered. Only electronic responses will be accepted. TDHCA further reserves the right to negotiate individual elements of a firm's proposal.

All responses must be complete as to all terms and conditions, on the date submitted. Additional information submitted after the response or separate from the response for purposes of clarification, explanation, interpretation, or annotation will not be considered by TDHCA unless specifically requested by TDHCA and then only to the extent requested.

In releasing this RFP, TDHCA shall not be obligated to proceed with any action on the RFP and may decide it is in TDHCA's best interest to refrain from pursuing an approval process. TDHCA reserves and may, at any time, exercise the right to 1) reject any or all responses to this RFP, or 2) waive, in writing, minor irregularities in submitted responses. Any written waiver exercised under this section will in no way modify any provision of this RFP.

With the exception of certain written communications allowed under Section VI, investment banking firms, or any representative of the firm, responding to the RFP must refrain from any contact or communication with members of the Board of Directors or with any TDHCA staff as to the selection of firms pursuant to this RFP. A DETERMINATION BY THE BOARD THAT A VIOLATION OF THIS POLICY HAS OCCURRED WILL BE GROUNDS FOR DISQUALIFICATION OF A FIRM'S PROPOSAL.

III. Delivery of Responses

Responses must be submitted through email, in the form of a Microsoft Word or Adobe PDF attachment, to the email address listed below. Electronic ZIP files and delivery via fax will not be accepted. The subject line of the email must contain the following text, with no additional characters**: TDHCA Underwriting RFP.** If the response consists of several files, they must be combined into a single attachment prior to submission; the only exception is outlined under Financial Condition.

Submission emails with attachments must be received by Heather Hodnett as indicated on the following page by 4:00 p.m. central daylight time on October 17, 2008. Responders are encouraged to contact Heather Hodnett at TDHCA prior to the submission deadline to confirm TDHCA's receipt of their proposal.

Texas Department of Housing and Community Affairs

Attention: Heather Hodnett
Phone: 512-475-1899
heather.hodnett@tdhca.state.tx.us

IV. TDHCA Board Review and Oral Presentations

Firms that have responded to this RFP may be asked to make oral presentations at a meeting of TDHCA's Board. In such event, those firms will be given not less than three (3) business days notice along with the date, time and place for such oral presentation. The Board will give final approval based on recommendations from the review team.

V. Response Format

- Identify at the beginning of your response if you are applying for the position of Senior Manager or Co-Manager. If you are applying for a Senior Manager position you also will be considered for the position of Co-Manager. If you are applying for a Co-Manager position you do not need to answer question D-1, D-2, D-4, or D-5.

- Each question in this Section V should be specifically addressed or the reason no response was given should be indicated.

- Responses should be submitted by individual firms only.

- Responses should be limited to the information requested by TDHCA in this RFP and should be no longer than 40 pages. Do not submit any additional information, such as attachments or appendices, not requested by TDHCA. TDHCA will consider only the information for which a response has been requested.

- Identify the question being answered in the introduction to each response.

- **Do not include multi-family mortgage revenue bond transactions in your response to this question or any question in this RFP.**

A. Overview of Firm

Provide an overview of your firm. Describe, in general terms, your firm's organizational structure and provide the location of your headquarters. Include information describing your firm's municipal bond underwriting operation. Please provide a general overview of your company's policy on background checks of employees and how your company handles confidential documents.

Indicate the desired underwriting role that your firm is applying for.

B. Distribution Capabilities

Provide the following information:

1. Number of professionals (analyst level or above) specializing in public finance.
2. Number of professionals (analyst level or above) specializing in housing finance. Indicate whether or not your firm has a separate and distinct housing finance group.
3. Number of Retail Municipal Bond Salespeople.
4. Number of Institutional Municipal Bond Salespeople.
5. Number of Taxable Municipal Bond Salespeople.
6. Number of Institutional Mortgage-Backed Securities Salespeople.

7. Number of underwriters and location of the underwriting office(s) that would handle TDHCA's account.

C. Experience

1. Senior Manager, Co-Senior Manager and Co-Manager Experience: For the current year and the past four calendar years (**2004**, **2005, 2006, 2007 and 2008**), list in table format the firm's experience as underwriter with negotiated, new money and refunding single family mortgage revenue bond transactions.

   This information should be provided in **table format** with the column headings across the top in order from left to right. Please total each category and/or column by year and show an overall total. Use the column headings provided below for your response. (These items should be included as an attachment or appendix and will not be considered part of the page limitation.)

   Column Headings

   Date of Issue
   Name of Issuer
   Issue Description
   Issue Amount (Principal Amount ($) and Lendable Proceeds Amount ($))
   Amount of New Money Included in Issue Amount
   Role in Transaction (Senior Manager, Co-Senior Manager or Co-Manager)
   Management Fee
   Takedown
   Expenses
   Risk
   Total Gross Spread
   Any Other Fees Outside the Transaction (Swap Fees, etc.)
   Participation %

2. State Housing Agency Clients. Indicate state housing agencies where your firm currently and actively serves as senior manager, co-senior manager or co-manager for the sale of negotiated, new money and refunding single family mortgage revenue bond transactions. Indicate when you were hired and provide a reference. Provide each reference's name, title, affiliation, address and telephone number. Each firm responding shall be deemed to have authorized TDHCA to contact all such state housing agency references. TDHCA also reserves the right to independently contact any other references as deemed necessary. Use the format provided below for your response.

State HFA	***Role***	***Date Hired***	***Reference***

3. Local Housing Issuer Clients in Texas. Indicate local housing issuer clients in Texas where your firm currently and actively serves as senior manager, co-senior manager or co-manager for the sale of negotiated, new money and refunding single family mortgage revenue bond transactions. Indicate when you were hired and provide a reference. Provide each reference's name, title, affiliation, address and telephone number. Each firm responding shall be deemed to have authorized TDHCA to contact all such local housing issuer references. TDHCA also reserves the right to independently contact these and other references. Use the format provided below for your response.

Local Housing Agency	***Role***	***Date Hired***	***Reference***

D. Other Qualifications

1. Senior Manager and Co-Senior Manager Quantitative Capabilities. Discuss your firm's computer capabilities in structuring housing bond issues and cash flows. Identify your firm's current housing software. Indicate through narrative and on a percentage basis, your firm's use of external consultants to conduct your housing related quantitative analysis.

2. Taxable Capabilities. TDHCA is interested in pursuing tax-exempt/taxable single family bond financings. Provide the par amount of taxable single family bonds managed in the current year and in calendar years 2006 and 2007 (Full Credit to Senior Manager). Also provide the par amount of taxable single family bonds managed in the current year and calendar years 2006 and 2007 (Full Credit to Each Manager). Indicate whether your firm maintains a separate and distinct taxable municipal bond group. Use the format provided below for your response.

	Full Credit to Senior Manager	*Full Credit to Each Manager*
2006	**$**	**$**
2007	**$**	**$**
2008	**$**	**$**
Total	**$**	**$**

3. Mortgage-Backed Securities Sales and Trading Capabilities. Describe your firm's mortgage-backed securities sales and trading operations.

   Provide the overall par amount of agency certificates/whole loans your firm has sold as senior manager, co-senior manager or co-manager in the current year and in calendar years 2006 and 2007 as a result of refunding or restructuring tax-exempt single family mortgage revenue bond issues. Indicate whether your firm maintains a separate and distinct mortgage-backed securities sales and trading group. Use the format provided below for your response.

	Role	*Agency Certificates/Whole Loans*
2006		**$**
2007		**$**
2008		**$**
Total		**$**

4. Mortgage-Backed Securities Secured by Subprime Mortgages. Indicate whether your firm has structured and marketed mortgage-backed securities secured by subprime "A-" and/or "B" first lien, purchase and/or refinance mortgages.

   Provide the par amount of such subprime mortgage-backed securities (asset-backed securities) your firm sold as senior manager, co-senior manager or co-manager during the current calendar year and in 2006 and 2007. Please provide totals for each year. Use the format provided below for your response.

	Role	*Subprime MBS/ABS*
2006		**$**
2007		**$**
2008		**$**
Total		**$**

5. Variable Rate Demand Bonds, Auction Rate Bonds and Interest Rate Swaps. Describe your firm's experience with Variable Rate Demand Bonds, Auction Rate Bonds and Interest Rate Swaps for

single family mortgage revenue bonds. Please indicate whether your firm executes interest rate swap transactions on a principal or agent basis. Provide the par/notional amount of such products your firm managed as senior manager, co-senior manager or co-manager during the current year and in 2006 and 2007 (single family mortgage revenue bonds only). Please provide totals for each product for each year. Use the format provided below for your response.

	Variable Rate Demand Bonds	*Auction Rate Bonds*	*Interest Rate Swaps (par)*	*Interest Rate Swaps (notional)*
2006		**$**	**$**	**$**
2007		**$**	**$**	**$**
2008		**$**	**$**	**$**
Total		**$**	**$**	**$**

E. Personnel

Provide names, titles, brief resumes and office location of the persons to be assigned to this account. Specifically, indicate the capacity of the persons assigned to this account as that of a relationship banker, a technical banker or an analyst.

List, on an individual basis by banker, other clients served by the personnel assigned to TDHCA's team.

F. Litigation

Describe any litigation, arbitration, or other actions current, pending, or past against the firm arising from the firm's involvement in municipal or public purpose debt. **Please indicate your willingness to provide additional information on any litigation pending against your firm should TDHCA request it.**

G. Financial Condition

Provide a copy of your firm's most recent annual audited financial statements. **Provide a recent copy** of your firm's FOCUS I or FOCUS IIa report or provide your capital **and** net capital calculated as of December 31, 2007 pursuant to SEC Rule 15c3-1. **Failure to provide this information will result in the disqualification of your response**. (These items should be included as an attachment or appendix and will not be considered part of the page limitation.)

H. Ratings

Please indicate your firm's short- and long-term ratings from Standard & Poor's, Moody's and Fitch.

VI. Program Information

To obtain further information about the TDHCA Single Family Bond Program or this RFP, please email your request to the attention of Heather Hodnett at heather.hodnett@tdhca.state.tx.us or visit the Bond Finance Division web page at www.tdhca.state.tx.us. The Bond Finance Division will post questions received and answers on its web page for review by all respondents.

VII. Public Information

Information submitted to TDHCA is public information and is available upon request after the Board has approved the selection of firms for its list of underwriters in accordance with the Texas Public Information Act, Chapter 552 of the Government Code (the "Act"). A firm submitting any information it considers confidential as to trade secrets or commercial or financial information which it desires not to be disclosed must clearly identify all such information in its proposal. If information so identified by a firm is requested from TDHCA, the firm will be notified and given an opportunity to present its position to the Texas

Attorney General, who shall make the final determination as to whether such information is excepted from disclosure under the Act. Information not clearly identified as confidential will be deemed to be non-confidential and will be made available by TDHCA upon request.

VIII. Cost Incurred in Responding

All costs directly or indirectly related to preparation of a response to this RFP or any oral presentation required to supplement and/or clarify the RFP which may be required by TDHCA shall be the sole responsibility of and shall be borne by your firm.

IX. Historically Underutilized Businesses

Since 1992, TDHCA has provided outreach assistance to all vendors interested in doing business with our Agency. Through TDHCA Historically Underutilized Business (HUB) Plan it is our intent to increase the HUB participation in all facets of procurement. TDHCA encourages all vendors eligible for HUB certification to take part in opportunities with TDHCA. You may access the Comptroller of Public Accounts at www.cpa.state.tx.us/procurement/prog/hub/ for information on becoming a certified HUB. If you will be subcontracting services to a HUB vendor, please see the Comptroller's web site at www.cpa.state.tx.us/procurement/prog/hub/hub-subcontracting-plan/ for the HUB Subcontracting Plan.

X. Right to Audit

Pursuant to Section 2262.003 of the Texas Government Code, the state auditor may conduct an audit or investigation of the bidder or any other entity or person receiving funds from the state directly under this contract or indirectly through a subcontract under this contract. The acceptance of funds by the bidder or any other entity or person directly under this contract or indirectly through a subcontract under this contract acts as acceptance of the authority of the state auditor, under the direction of the legislative audit committee, to conduct an audit or investigation in connection with those funds. Under the direction of the legislative audit committee, the bidder or other entity that is the subject of an audit or investigation by the state auditor must provide the state auditor with access to any information the state auditor considers relevant to the investigation or audit. Bidder will ensure that this clause concerning the authority to audit funds received indirectly by subcontractors through the vendor and the requirement to cooperate is included in any subcontract it awards.

XI. Conflict of Interest

Under Section 2155.003 of the Texas Government Code, a TDHCA employee may not have an interest in, or in any manner be connected with a contract or bid for a purchase of goods or services by an agency of the state; or in any manner, including by rebate or gift, accept or receive from a person to whom a contract may be awarded, directly or indirectly, anything of value or a promise, obligation, or contract for future reward or compensation. Bidder represents and warrants that it has no actual or potential conflicts of interest in providing the requested services to TDHCA and any resulting contract, if any, would not reasonably create an appearance of impropriety.

XII. Cancellation

The Texas Department of Housing and Community Affairs reserves the right to cancel this contract with a thirty (30) day written notice to the vendor. The vendor may cancel this contract with a thirty (30) day written notice to the Department.

XIII. Indemnification

The Vendor shall defend, indemnify, and hold harmless the State of Texas, its officers, and employees, and TDHCA, it's officers, and employees and contractors, from and against all claims, actions, suits, demands, proceedings, costs, damages, and liabilities, including without limitation attorneys' fees and court costs, arising out of, connected with, or resulting from any acts or omissions of vendor or any agent, employee, subcontractor, or vendor in the execution or performance of any contract with vendor resulting from this

RFP. Vendor shall coordinate its defense with the Texas Attorney General as requested by TDHCA. This section is not intended to and shall not be construed to require vendor to indemnify or hold harmless the state or TDHCA for any claims or liabilities resulting form the negligent acts or omissions of TDHCA or its employees.

XIV. Dispute Resolution

The dispute resolution process provided for in Chapter 2260 of the Texas Government Code must be used by the Texas Department of Housing and Community Affairs and the vendor to attempt to resolve any dispute arising under this contract resulting from this RFP.

XV. Executive Order 13224

Vendor certifies that the proposing entity and its principals are eligible to participate in this transaction and have not been subjected to suspension, debarment, or similar ineligibility determined by any federal, state or local governmental entity and that vendor is in compliance with the State of Texas statutes and rules relating to procurement and that vendor is not listed on the federal government's terrorism watch list as described in Executive Order 13224. Entities ineligible for federal procurement are listed at Excluded Parties List System (EPLS, http://www.epls.gov).

XVI. Hurricane Rita/Katrina Disaster

Sections 2155.006 and 2261.053, Gov't Code, prohibit state agencies from awarding contracts to any person who, in the past five years, has been convicted of violating a federal law or assessed a penalty in connection with a contract involving relief for Hurricane Rita, Hurricane Katrina, or any other disaster, as defined by §418.004, Gov't Code, occurring after September 24, 2005. Under §2155.006, Gov't Code, vendor certifies that the individual or business entity named in its proposal is not ineligible to receive a contract and acknowledges that any contract resulting from this RFP may be terminated and payment withheld if this certification is inaccurate.

BOND FINANCE DIVISION

BOARD ACTION REQUEST
September 4, 2008

Action Items

Presentation, Discussion and Approval of Resolution No. 08-033 authorizing application to the Texas Bond Review Board for reservation of H.R. 3221 single family private activity bond authority.

Required Action

Approval of Resolution No. 08-033 authorizing application to the Texas Bond Review Board for reservation of H.R. 3221 single family private activity bond authority.

Background

The Housing and Economic Recovery Act of 2008 (H.R. 3221), signed into law on July 30, 2008, provides $11 billion in new tax-exempt volume cap authority for only single family and multifamily housing financings throughout the country (apportioned based on population) for use through the end of 2010. Any unused new authority allocated in 2008 can be carried forward but only for housing issues. The State of Texas is projected to receive $770 million for use over the next two and a half years.

Staff has had working group meetings with the Texas Association of Local Housing Finance Agencies (TALHFA), the Texas State Affordable Housing Corporation (TSAHC) and the Bond Review Board (BRB) to help draft rules relating to the distribution and use of the $770 million. The Texas Bond Review Board will conduct a special called meeting on August 29, 2008 to discuss rules relating to the distribution of this new volume cap. TDHCA is confident that we can utilize a portion of this additional new volume cap over the time allotted to finance additional affordable mortgages.

Staff anticipates using $60 million of this new authority with Program 71 along with $69.6 million from the 2008 volume cap. The remaining 2008 volume cap of $60 million will be warehoused under the draw down bond program.

Recommendation

Approve Resolution No. 08-033 authorizing application to the Texas Bond Review Board for reservation of H.R. 3221 single family private activity bond authority.

Resolution No. 08-033

RESOLUTION AUTHORIZING THE FILING OF AN APPLICATION FOR RESERVATION WITH TEXAS BOND REVIEW BOARD WITH RESPECT TO QUALIFIED MORTGAGE BOND AUTHORITY UNDER H.R. 3221; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended from time to time (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for persons and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time) at prices they can afford; and

WHEREAS, the Act authorizes the Department: (a) to make, acquire and finance, and to enter into advance commitments to make, acquire and finance, mortgage loans and participating interests therein, secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose, among others, of obtaining funds to acquire or finance such mortgage loans, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such single family mortgage loans or participating interests, and to mortgage, pledge or grant security interests in such mortgages or participating interests, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, Section 103 and Section 143 of the Internal Revenue Code of 1986, as amended (the "Code"), provide that the interest on obligations issued by or on behalf of a state or a political subdivision thereof the proceeds of which are to be used to finance owner-occupied residences shall be excludable from gross income of the owners thereof for federal income tax purposes if such issue meets certain requirements set forth in Section 143 of the Code; and

WHEREAS, Section 146(a) of the Code requires that certain "private activity bonds" (as defined in Section 141(a) of the Code) must come within the issuing authority's private activity bond limit for the applicable calendar year in order to be treated as obligations the interest on which is excludable from the gross income of the holders thereof for federal income tax purposes; and

WHEREAS, pursuant to the H.R. 3221, the Housing and Economic Recovery Act of 2008 which became effective on July 30, 2008, additional private activity bond volume cap for qualified mortgage bonds and qualified residential rental projects has become available to the State of Texas (the "H.R. 3221 Volume Cap"); and

WHEREAS, in order to reserve a portion of the H.R. 3221 Volume Cap for bonds (the "Reservation"), and to satisfy the requirements of Section 146(a) of the Code, the Board has determined to file an application for reservation (the "Application for Reservation") with the Texas Bond Review Board (the "Bond Review Board"), in the manner authorized by Section 146(e) of the Code;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

Section 1 - Application for Reservation. The Board hereby authorizes Vinson & Elkins L.L.P., as Bond Counsel to the Department, to file on its behalf with the Bond Review Board the Application for Reservation in the maximum amount of $60,000,000, together with any other documents and opinions required by the Bond Review Board as a condition to the granting of the Reservation.

Section 2 - Authorization of Certain Actions. The Board authorizes the Executive Director, the staff of the Department, as designated by the Executive Director, and Bond Counsel to take such actions on its behalf as may be necessary to carry out the purposes of this Resolution. The Executive Director, the staff of the Department, as designated by the Executive Director, and Bond Counsel are further authorized to submit to the Bond Review Board an election to carry forward the Reservation.

Section 3 - Purposes of Resolution. The Board has expressly determined and hereby confirms that the issuance of the bonds will accomplish a valid public purpose of the Department by providing for the housing needs of persons and families of low, very low and extremely low income and families of moderate income in the State.

Section 4 - Mortgage Credit Certificate Authority. The Department reserves the right, upon receipt of a Reservation, to convert all or any part of its authority to issue qualified mortgage bonds to mortgage credit certificates.

Section 5 - Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 6 - Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

(Execution page follows)

PASSED AND APPROVED this ____ day of September, 2008.

____
Chairman, Governing Board

ATTEST:

____
Secretary to the Governing Board

(SEAL)

BOND FINANCE DIVISION

BOARD ACTION REQUEST
September 4, 2008

Action Items

Presentation, Discussion and Approval of Resolution 08-031 authorizing the issuance of TDHCA's Single Family Mortgage Revenue Bonds, 2008 Series A and Single Family Variable Rate Mortgage Revenue Bonds, 2008 Series B (Program 71).

Required Action

Approval of Resolution 08-031 authorizing the issuance of TDHCA's Single Family Mortgage Revenue Bonds, 2008 Series A and Single Family Variable Rate Mortgage Revenue Bonds, 2008 Series B (Program 71).

Background

On June 26, 2008, the TDHCA Board approved Resolution No. 08-025 authorizing application to the Texas Bond Review Board to draw down $129.6 million in remaining reservation of TDHCA's 2008 single family private activity bond authority and approval of the Underwriting Team for Program 71. Bond Finance is coming to you today for approval of Resolution 08-031 authorizing issuance of Single Family Mortgage Revenue Bonds, 2008 Series A and Single Family Variable Rate Mortgage Revenue Bonds, 2008 Series B (Program 71).

As of August 20, 2008, 92% of the $161.5 million ($149.3 million) of Program 70 lendable proceeds have already been purchased or are in the pipeline to be purchased. This leaves only $12.2 million available, most of which must be set aside until September 20, 2008 for families with income of no more than 60% of area median family income (AMFI). On September 20, any of these remaining set aside funds under Program 70 will become available for use statewide for any families with income up to 140% AMFI.

TDHCA wants to provide stimulus to the Texas housing market by doubling our normal amount of down payment assistance from 30% to 60% and increasing our down payment assistance to families with income up to 80% AMFI. Staff has surveyed our lenders and there remains demand for our product as long as it has an attractive rate. Our proposed unassisted target mortgage is 5.75% which is currently approximately 85 basis points (bps) below market which is expected to be at least 100 bps below the market by the time Program 71 starts in mid October. Current comparable market mortgage rates are 6.60%. Taking a conservative look at this potential demand, Staff recommends issuing $129.6 million of bonds for Program 71. Of the $189.6 million in volume cap available to TDHCA in 2008, TDHCA has already approved $60 million for use with our MCC program, leaving $129.6 million in 2008 volume cap.

The Housing and Economic Recovery Act of 2008 (H.R. 3221), signed into law on July 30, provides $11 billion in new tax-exempt volume cap authority exclusively for single family and multifamily housing financings throughout the country (apportioned based on population) for use through the end of 2010. Any unused new authority allocated in 2008 can be carried forward but only for housing issues. The State of Texas is projected to receive $770 million for use over the next two and a half years. Staff has had working group meetings with the Texas Association of Local Housing Finance Agencies (TALHFA), the Texas State Affordable Housing Corporation (TSAHC) and the Bond Review Board (BRB) to help draft rules relating to the distribution and use of the $770 million. H.R. 3221 requires that this new volume cap for Single Family must be allocated, originated and purchased within 12 months instead of the customary 42 months. In order to expedite the process and shorten delivery times, staff is recommending reducing the 180 days reservation to 120 days for builders for this structure. TDHCA is confident that we can utilize a portion of this additional new volume cap over the time allotted to finance additional affordable mortgages. Staff anticipates using $60 million of this new authority with Program 71 along with $69.6 million from the 2008 volume cap. The remaining 2008 volume cap of $60 million will be warehoused under the draw down bond program.

The Housing and Economic Recovery Act of 2008 also extends disaster relief in presidentially declared disaster areas on or after May 1, 2008 through January 1, 2010. In conjunction with this legislation and Hurricane Dolly, the President has declared three additional Texas counties as disaster areas to be included in our Targeted Area set aside. As a result, in addition to the 22 counties in the Rita GO Zone, Cameron, Hidalgo and Willacy counties will be part of the targeted area for Program 71.

The Housing and Economic Recovery Act of 2008 also provides for the permanent exemption from the alternative minimum tax (AMT) for HFAs issuing bonds with volume cap. Compared to yields currently achievable for AMT housing bonds, TDHCA is projected (by our underwriters) to be able to save approximately 75 basis points (bps) on short term bonds and more than 50 bps on long term bonds by issuing non-AMT debt, and these savings can be implemented with Program 71.

The Housing and Economic Recovery Act of 2008 also makes refinancing adjustable rate mortgages originated after January 31, 2001 and before January 1, 2008 an eligible MRB activity through the end of 2010. The legislation creates a board, composed of the HUD Secretary, the Secretary of the Treasury, the Chair of the Board of Governors of the Federal Reserve System, and the Chair of the Board of Directors of the Federal Deposit Insurance Corporation, to establish program requirements and standards and to provide necessary guidance. Staff will inform the TDHCA Board of the requirements and standards established by this new federal board when presenting TDHCA's foreclosure prevention refinancing program to the TDHCA Board in the Spring of 2009.

As with TDHCA's past single family bond structures and required by State statutes, 30% of our lendable proceeds must provide down payment assistance (DPA) to families with income at or below 60% AMFI. Recent Texas legislative changes now require that TDHCA's lendable single family proceeds must provide down payment assistance, targeting families with income at or below 80% AMFI (note that the 30% requirement to families at or below 60% AMFI still exists.) To help stimulate the housing economy, TDHCA is increasing the amount of bond proceeds to be used for assisted loans to 60%. This change has caused stress in structuring our $129.6 million bond program as TDHCA will have to provide approximately $77.8 million of assisted mortgages (previously this would have been only $38.9 million) and $51.8 million of unassisted mortgages with this structure. Because of this change, TDHCA recommends changing our down payment assistance from 5% to 4% which will help reduce stress in structuring this bond financing. Our 4% DPA of approximately $3.11 million will be funded by using Program 71 bond proceeds and a portion of the servicing release premium paid upon the sale of mortgage servicing rights.

The Bond Finance Division and the Texas Homeownership Division recently analyzed the current mortgage market and found mortgage rates with approximately 2 points in Texas are 6.60%. Therefore, Staff is recommending a target unassisted mortgage rate at 5.75% and an assisted mortgage rate of 6.50% with 4% of assistance. In order to achieve these targets, TDHCA must consider a prudent mix of structuring alternatives and the use of its limited zero percent participation mortgage proceeds. Also, Staff will continue with program guidelines adopted at the July 30, 2007 Board meeting that establish a $2 million daily cap for loan originations for the program with a $10 million cap per lender for funds originated statewide (was targeted area only) for a period of four months. Starting with Program 71, Staff is recommending that homebuyer education become a requirement.

Staff recommends issuing not more than 60% of the transaction in the form of variable rate demand bonds (VRDBs) to lower the cost of borrowing to the Department thereby allowing the Department to lower the mortgage rate to first-time homebuyers. The exact amount of VRDBs will depend on market conditions at the time of pricing. In order to reduce risk associated with VRDBs interest rate changes each week according to market conditions, Staff recommends implementing a hedge referred to as an interest rate swap. An interest rate swap is a contractual agreement whereby two parties, called counterparties, agree to exchange periodic interest payments. Through an interest rate swap agreement, TDHCA will pay as counterparty, Goldman Sachs Capital Market, L.P., a fixed interest rate. (Goldman Sachs Capital Market, L.P., is fully and unconditionally guaranteed by The Goldman Sachs Group which is rated Aa3 by Moody's and AA- by S&P.) In exchange, the highly-rated counterparty/guarantor will pay TDHCA a variable interest rate which is reasonably expected to be similar to the variable interest rate TDHCA will pay on the VRDBs. An interest rate swap contract is a derivative security.

Staff successfully incorporated TDHCA's first VRDB offering and interest rate swap in March 2004. Since that time, the Board has approved four additional VRDB/swap financings; Program 71 would be the sixth. TDHCA's mix of swap counterparties will be more diversified after this transaction. If approved, the mix would be 24% with Goldman Sachs (ratings: Aa3/AA-), 21% with UBS (ratings: Aa1/AA-), and 55% with Bear Stearns Financial Products Inc. (ratings: Aaa/AAA).

The interest rate swap proposed for this transaction will be very similar to TDHCA's swaps with Goldman Sachs Capital Market in 2004, thereby ensuring ongoing compliance with State law for variable rate debt and derivatives. For this Program 71 financing, Staff recommends a structure that utilizes fixed rate debt together with VRDBs (no more than 60% of the transaction) hedged using a swap whereby TDHCA pays a fixed rate of interest and receives a variable rate of interest intended to approximate TDHCA's variable rate debt cost. Staff reserves the option but at this time recommends not using forward starting swaps or use of knock-out options with this structure. $3.6 million of TDHCA's available zero percent funds could possibly be used to help blend down the mortgage rates or will be reconstituted for future use.

Bond Finance, along with our Underwriter, JPMorgan, our Financial Advisor, RBC Capital Markets and our Swap Financial Monitor, Swap Financial Group has reviewed the following scenarios which are preliminary and could change before pricing. The scenarios reflect the lowest mortgage rates that TDHCA could offer under each while still earning the maximum spread permitted by law. We are recommending scenario 2 based on current market conditions, flexibility of the structure and ability to meet Department objectives, but will continue to monitor alternatives subject to the constraints presented here and in the documents presented to the Board for its approval.

Scenario	**1**	**2**	**3**
Bond Structure	**100% Fixed Rate Bonds**	**48% Fixed Rate Bonds, 52% Variable Rate Bonds**	**100% Variable Rate Bonds (Comparative Purpose)**
Unassisted Mortgage Rate	6.30%	5.75%	5.26%
Assisted Mortgage Rate	7.05%	6.50%	6.01%

The mortgages will be marketed to very low, low and moderate income residents of Texas and, upon origination, the loans will be securitized into mortgage-backed securities.

As previously approved by the Board on June 26, 2008 and continuing with the senior manager rotation plan, JPMorgan will be the Senior Underwriter for this transaction. In keeping with TDHCA's policy of rotating firms in the co-senior and co-manager pool, Bond Finance recommends the following firms and roles for this transaction:

Firm	Role
Lehman Brothers	Co-Senior
Bank of America Securities LLC	Co-Manager
Loop Capital Markets, LLC	Co-Manager
Merrill Lynch & Co.	Co-Manager
Morgan Stanley	Co-Manager

In the bond market, a syndicate of bankers is needed to market the structure. The number of bonds available for sale typically dictates the size of the syndicate needed at the time of pricing. With TDHCA's structures exceeding $100 million, a pool of bankers including the senior underwriter, co-senior and four co-managers have previously been successful in marketing the bonds.

The following table provides certain key dates for this plan of finance.

Program Designation	Program 71
TDHCA Board Approval Date	September 4, 2008
Texas Bond Review Board Planning Session	September 9, 2008
Texas Bond Review Board Approval Date	September 18, 2008
Retail Bond Pricing Date	September 24, 2008
Institutional Bond Pricing Date	September 25, 2008
Execute Bond Purchase Agreement	September 26, 2008
Pre-Closing/Closing Dates	October 15 / 16, 2008

Recommendation

Approval of Resolution 08-031 authorizing the issuance of TDHCA's Single Family Mortgage Revenue Bonds, 2008 Series A and Single Family Variable Rate Mortgage Revenue Bonds, 2008 Series B (Program 71).

Transaction Overview

Program Designation	Program 71
Bond Indenture – Single Family Mortgage Revenue	Series A and Series B
Program 71	
2008 Private Activity Bond Authority	$ 69,600,000
H.R. 3221 Private Activity Bond Authority	$ 60,000,000
Total Program 71	$ 129,600,000
Statewide Assisted	
60% AMFI or below 30%	$ 38,880,000
60% AMFI to 80% AMFI 16%	$ 20,736,000
Total Statewide Assistance 46%	$ 59,616,000
Statewide Unassisted 34%	$ 44,064,000
Statewide Targeted Area	
Assisted 14%	$ 18,144,000
Unassisted 6%	$ 7,776,000
Statewide Targeted Area 20%	$ 25,920,000
Down Payment Assistance 4%	$ 3,110,400

Mortgage Pipeline Information

Current lendable proceeds in existing programs as of August 20, 2008

Program Number	Current Allocation	Rate	Loans Purchased	Committed/ In Pipeline	Uncommitted Allocation
66	243,036,011	5.625% 5.875% 6.125%	235,616,646	7,372,375	46,990
68	131,680,720	5.65% 5.99% 6.20%	125,798,747	5,822,566	59,407
69	97,154,796	5.25% 5.99%	90,766,465	6,388,331	0
70	161,517,562	5.75%- 6.50%	90,720,409	58,620,907	12,176,246*
TOTAL:	$633,389,089		$542,902,267	$ 78,204,179	$12,282,643

* Of the $12.2 million uncommitted under Program 70, $11.7 million are for families with income at or below 60% AMFI. This restriction will be lifted on September 20, 2008 and mortgage loans will be made available to families with income up to 140% AMFI statewide.

Resolution No. 08-031

RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS SINGLE FAMILY MORTGAGE REVENUE BONDS, 2008 SERIES A AND SINGLE FAMILY VARIABLE RATE MORTGAGE REVENUE BONDS, 2008 SERIES B; AUTHORIZING THE APPROVAL OF THE FORM AND SUBSTANCE OF THE SUPPLEMENTAL INDENTURES, THE DEPOSITORY AGREEMENT, THE PROGRAM GUIDELINES, THE SERVICING AGREEMENT, THE COMPLIANCE AGREEMENT, THE FUNDING AGREEMENT, THE BOND PURCHASE AGREEMENT, THE CONTINUING DISCLOSURE AGREEMENT, THE REMARKETING AGREEMENT, THE TENDER AGENT AGREEMENT, THE STANDBY BOND PURCHASE AGREEMENT, THE SWAP AGREEMENT AND THE OFFICIAL STATEMENT FOR THE BONDS; AUTHORIZING THE EXECUTION OF DOCUMENTS AND INSTRUMENTS NECESSARY OR CONVENIENT TO CARRY OUT THE SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAM; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code (the "Act"), as amended from time to time, for the purpose of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe and sanitary housing for individuals and families of low and very low income and families of moderate income (as described in the Act as determined by the Governing Board of the Department (the "Governing Board") from time to time) at prices they can afford; and

WHEREAS, the Act authorizes the Department: (a) to acquire, and to enter into advance commitments to acquire, mortgage loans (including participations therein) secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose of obtaining funds to make and acquire such mortgage loans or participations therein, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds and to enter into interest rate swap agreements related to such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such mortgage loans or participations therein, and to mortgage, pledge or grant security interests in such mortgages, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Agency or the Department, as its successor, has, pursuant to and in accordance with the provisions of the Act, issued, sold and delivered its Single Family Mortgage Revenue Bonds pursuant to the Single Family Mortgage Revenue Bond Trust Indenture dated as of October 1, 1980 (as amended by supplemental indentures numbered First through Fifty-Sixth and any amendments thereto, collectively, the "Single Family Indenture") between the Department, as successor to the Agency, and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), to implement the various phases of the Agency's (now the Department's) Single Family Mortgage Revenue Bond Program; and

WHEREAS, Section 302 of the Single Family Indenture authorizes the issuance of additional bonds for the purposes of acquiring Mortgage Loans or participations therein, payment of costs of issuance, funding of reserves, payments of certain Department expenses and refunding bonds; and

WHEREAS, the Governing Board has determined to authorize the issuance of the Department's Single Family Mortgage Revenue Bonds, to be known as (i) its Single Family Mortgage Revenue Bonds, 2008 Series A (the "2008 Series A Bonds") and (ii) its Single Family Variable Rate Mortgage Revenue Bonds, 2008

Series B (the "2008 Series B Bonds") (collectively, the "Series 2008 Bonds") pursuant to the Single Family Indenture, each for the purposes of providing funds to make and acquire qualifying mortgage loans (including participations therein through the purchase of mortgage backed securities ("Mortgage Certificates") issued and guaranteed by Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") or Government National Mortgage Association ("Ginnie Mae")) (referred to herein as "Mortgage Loans"), to fund capitalized interest and to pay a portion of the costs of issuance; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of the Fifty-Seventh Supplemental Single Family Mortgage Revenue Bond Trust Indenture (the "Fifty-Seventh Supplemental Indenture") in substantially the form attached hereto relating to the 2008 Series A Bonds and the Fifty-Eighth Supplemental Single Family Mortgage Revenue Bond Trust Indenture (the "Fifty-Eighth Supplemental Indenture") in substantially the form attached hereto relating to the 2008 Series B Bonds; and

WHEREAS, the Fifty-Seventh Supplemental Indenture and the Fifty-Eighth Supplemental Indenture are hereinafter collectively referred to as the "Supplemental Indentures"; and

WHEREAS, the Governing Board has determined to authorize the execution and delivery of a 2008 A/B Supplement to Depository Agreement relating to the Series 2008 Bonds (the "Depository Agreement"), by and among the Department, the Trustee and the Texas Treasury Safekeeping Trust Company, in substantially the form attached hereto to provide for the holding, administering and investing of certain moneys and securities relating to the Series 2008 Bonds; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of the Program Guidelines (the "Program Guidelines") in substantially the form attached hereto, setting forth the terms and conditions upon which Mortgage Loans will be purchased by the Department and the terms of such Mortgage Loans; and

WHEREAS, under the Program Guidelines, 100% of the funds available under the Department's single family mortgage purchase program designated as Bond Program No. 71 (the "Program") will be available to Mortgage Lenders participating in a controlled, first-come, first-served reservation system with (a) approximately 30% of such funds reserved in the first year of the Program to finance Mortgage Loans, including down payment and closing cost assistance, to eligible borrowers having a family income not exceeding 60% of applicable median family income; (b) approximately 20% of such funds reserved in the first year of the Program to finance Mortgage Loans to eligible borrowers in certain targeted areas; and (c) downpayment and closing cost assistance available on a first-come, first-served basis to eligible borrowers having a family income not exceeding 80% of applicable median family income; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Program Administration and Servicing Agreement (the "Servicing Agreement") in substantially the form attached hereto setting forth the terms under which Countrywide Bank, FSB, as master servicer (the "Servicer"), will review, acquire, package and service the Mortgage Loans and sell the Mortgage Certificates to the Trustee on behalf of the Department; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Compliance Agreement (the "Compliance Agreement") in substantially the form attached hereto setting forth the terms under which Countrywide Bank, FSB, as compliance agent (the "Compliance Agent"), will review and examine certain documents submitted by the Mortgage Lenders in connection with the Mortgage Loans to ensure compliance with the requirements of the Department set forth therein; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Funding Agreement (the "Funding Agreement") in substantially the form attached hereto setting forth the terms under which the Servicer will advance funds to the Department to be used to pay a portion of the costs of issuance of the Series 2008 Bonds; and

WHEREAS, the Governing Board has further determined that the Department should enter into one or more Bond Purchase Agreements relating to the sale of the Series 2008 Bonds (collectively, the "Bond Purchase Agreement") with J.P. Morgan Securities Inc., as representative of the group of underwriters listed on Exhibit A to this Resolution (the "Underwriters") with respect to the 2008 Series A Bonds and as sole underwriter with respect to the 2008 Series B Bonds, and/or any other parties to the Bond Purchase Agreement as authorized by the execution thereof by an authorized representative of the Department named in this Resolution, in substantially the forms attached hereto setting forth certain terms and conditions upon which the Underwriters and/or any other parties to the Bond Purchase Agreement will purchase the Series 2008 Bonds from the Department and the Department will sell the Series 2008 Bonds to the Underwriters and/or any other parties to the Bond Purchase Agreement; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") in substantially the form attached hereto between the Department and the Trustee; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Remarketing Agreement relating to the 2008 Series B Bonds (the "Remarketing Agreement") with J.P. Morgan Securities Inc., as remarketing agent (the "Remarketing Agent"), in substantially the form attached hereto setting forth the terms under which the 2008 Series B Bonds will be remarketed from time to time; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Tender Agent Agreement relating to the 2008 Series B Bonds (the "Tender Agent Agreement") among the Department, the Remarketing Agent and The Bank of New York Mellon Trust Company, N.A., as tender agent and paying agent (the "Tender Agent"), in substantially the form attached hereto setting forth the terms under which the Tender Agent will purchase 2008 Series B Bonds subject to optional and mandatory tender by the owners thereof; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Standby Bond Purchase Agreement relating to the 2008 Series B Bonds (the "Standby Bond Purchase Agreement") with Dexia Credit Local, acting through its New York Branch (the "Liquidity Bank"), and the Trustee and Tender Agent, in substantially the form attached hereto setting forth the terms under which the Liquidity Bank will advance funds from time to time for the purchase of 2008 Series B Bonds; and

WHEREAS, the Governing Board has determined that it may reduce its obligation to pay interest on the 2008 Series B Bonds by issuing the 2008 Series B Bonds as variable rate bonds and entering into an interest rate swap transaction (the "Swap Transaction") with respect to the 2008 Series B Bonds, pursuant to which the Department would agree to pay the swap provider a fixed interest rate (the "Fixed Rate"), and the swap provider would agree to pay the Department a variable interest rate based upon a formulation approved by an authorized representative of the Department named in this resolution (the "Floating Rate Option"), on an initial notional principal amount equal to the anticipated principal amount of the 2008 Series B Bonds; and

WHEREAS, the expected close correlation between the Floating Rate Option and the interest rate payable by the Department on the 2008 Series B Bonds, when combined with the Fixed Rate payable by the Department, will result in the Department having a virtual "synthetic" fixed rate obligation with respect to the 2008 Series B Bonds; and

WHEREAS, the Governing Board has determined to enter into the Swap Transaction with Goldman Sachs Capital Markets, L.P., or such other swap counterparty approved by an authorized representative of the Department named in this resolution (in any event, the "Swap Counterparty"); and

WHEREAS, the Governing Board desires to authorize the execution of an ISDA Master Agreement, Schedule and Credit Support Annex (collectively, the "Swap Agreement") in substantially the form attached hereto setting forth the general terms under which the Department will enter into interest rate swap transactions with the Swap Counterparty; and

WHEREAS, the Governing Board desires to grant a subordinate lien on the Trust Estate (as defined in the Single Family Indenture) to the Swap Counterparty as set forth in the Fifty-Eighth Supplemental Indenture; and

WHEREAS, the Governing Board has been presented with a draft of a preliminary official statement to be used in the public offering of the Series 2008 Bonds (the "Official Statement") and the Governing Board desires to approve such Official Statement in substantially the form attached hereto; and

WHEREAS, the Governing Board has determined to authorize the investment of the proceeds of the Series 2008 Bonds and any other amounts held under the Single Family Indenture with respect to the Series 2008 Bonds in one or more guaranteed investment contracts (the "GICs") on or after the closing date or such other investments as the authorized representatives named herein may approve; and

WHEREAS, the Governing Board desires to approve the use of an amount not to exceed $250,000 of Department funds for any purpose authorized under the Act and the Single Family Indenture, including to pay a portion of the costs of issuance of the Series 2008 Bonds, to fund down payment and closing cost assistance or to fund capitalized interest; and

WHEREAS, the Governing Board desires to authorize the use of up to $4,900,000 of 0% loan funds in connection with the Program made available from various prior Single Family Mortgage Revenue Bond issues and Residential Mortgage Revenue Bond issues of the Department; and

WHEREAS, in accordance with Section 2306.142(m) of the Act, the Governing Board has determined that the issuance of bonds to finance Mortgage Loans to meet the credit needs of borrowers in underserved economic and geographic submarkets in the State is unfeasible or would damage the financial condition of the Department and desires to authorize the authorized representatives of the Department named in this Resolution to seek from the Texas Bond Review Board a waiver of the requirements of Section 2306.142(l) of the Act; and

WHEREAS, the Governing Board hereby determines that the purpose for which the Department may issue the Series 2008 Bonds constitutes "public works" as contemplated by Chapter 1371, Texas Government Code, as amended; and

WHEREAS, the Governing Board desires to approve the forms of the Supplemental Indentures, the Depository Agreement, the Program Guidelines, the Servicing Agreement, the Compliance Agreement, the Funding Agreement, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Remarketing Agreement, the Tender Agent Agreement, the Standby Bond Purchase Agreement, the Swap Agreement and the Official Statement, in order to find the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined to implement the Program in accordance with such documents by authorizing the issuance of the Series 2008 Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient to carry out the Program; NOW, THEREFORE,

BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE I
ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1--Issuance, Execution and Delivery of the Series 2008 Bonds. That the issuance of the Series 2008 Bonds is hereby authorized, all under and in accordance with the Single Family Indenture, and that, upon execution and delivery of the Supplemental Indentures, the authorized representatives named herein are each hereby authorized to execute, attest and affix the Department's seal to the Series 2008 Bonds and to deliver the Series 2008 Bonds to the Attorney General of Texas (the "Attorney General") for approval, the Comptroller of Public Accounts of the State of Texas (the "Comptroller") for registration and the Trustee for authentication, and thereafter to deliver the Series 2008 Bonds to or upon the order of the Underwriters and/or any other parties pursuant to the Bond Purchase Agreement.

Section 1.2--Authority to Approve Form of Documents, Determine Interest Rates, Principal Amounts, Maturities and Prices. That the Chairman of the Governing Board or the Executive Director of the Department (i) are hereby authorized and empowered to determine which series of the Series 2008 Bonds shall be issued on a taxable or a tax-exempt basis and to determine which series of the Series 2008 Bonds will be issued as new money bonds, refunding bonds, or governmental purpose bonds (or any combination thereof) and (ii) are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, as amended, to fix and determine the interest rates (which, with respect to the 2008 Series B Bonds, will be determined from time to time by the Remarketing Agent), principal amounts and maturities of, and the prices at which the Department will sell to the Underwriters and/or any other parties to the Bond Purchase Agreement, the Series 2008 Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chairman of the Governing Board or the Executive Director of the Department of the Supplemental Indentures, the Bond Purchase Agreement, the Depository Agreement and the Official Statement; provided, however, that: (a) the net effective interest rate on the 2008 Series A Bonds shall not exceed 8.00% per annum and the initial net effective interest rate on the 2008 Series B Bonds shall not exceed 5.00% per annum; (b) the aggregate principal amount of the Series 2008 Bonds shall not exceed $129,600,000 for the 2008 Series A Bonds and $75,000,000 for the 2008 Series B Bonds, provided that the aggregate principal amount of all Series 2008 Bonds will not exceed $129,600,000; (c) the final maturity of the Series 2008 Bonds shall occur not later than October 1, 2041 for the 2008 Series A Bonds and October 1, 2041 for the 2008 Series B Bonds; (d) the price at which the Series 2008 Bonds are sold to the Underwriters and/or any other parties to the Bond Purchase Agreement shall not exceed 104.00% of the principal amount thereof for the 2008 Series A Bonds and 100.00% of the principal amount thereof for the 2008 Series B Bonds; and (e) the Underwriters' fee shall not exceed the amount approved by the Texas Bond Review Board. In no event shall the interest rate on the Series 2008 Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law. Notwithstanding anything herein to the contrary, the interest rate on 2008 Series B Bonds held by the Liquidity Bank shall be determined as provided in the Standby Bond Purchase Agreement.

Section 1.3--Authorization of Swap Transaction. That the authorized representatives of the Department named in this resolution are hereby severally authorized and directed to negotiate and enter into a confirmation (the "Confirmation") of the Swap Transaction with the Swap Counterparty, provided that (i) the initial notional amount of the Swap Transaction is equal to the anticipated initial principal amount of the 2008 Series B Bonds, (ii) the Swap Transaction shall terminate on the anticipated final maturity date of the 2008 Series B Bonds, (iii) the fixed payor rate may not exceed 5.00% per annum, and (iv) if the 2008 Series B Bonds are not issued by the delivery date of the 2008 Series A Bonds, the Swap Transaction shall terminate automatically pursuant to the terms of the Swap Agreement, and such authorized representatives are hereby severally directed and authorized, in the name and on behalf of the Department to execute and deliver, and, if requested, affix the seal of the Department to, the Confirmation.

Section 1.4--Approval, Execution and Delivery of the Supplemental Indentures. That the form and substance of the Supplemental Indentures are hereby approved, and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Supplemental Indentures, and to deliver the Supplemental Indentures to the Trustee.

Section 1.5--Approval of Depository Agreement. That the form and substance of the Depository Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Depository Agreement and to deliver the Depository Agreement to the Trustee and to the Texas Treasury Safekeeping Trust Company.

Section 1.6--Approval of Program Guidelines. That the form and substance of the Program Guidelines are hereby authorized and approved.

Section 1.7--Approval of Servicing Agreement. That the form and substance of the Servicing Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Servicing Agreement and to deliver the Servicing Agreement to the Trustee and the Servicer.

Section 1.8--Approval of Compliance Agreement. That the form and substance of the Compliance Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Compliance Agreement and to deliver the Compliance Agreement to the Compliance Agent.

Section 1.9--Approval of Funding Agreement. That the form and substance of the Funding Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Funding Agreement and to deliver the Funding Agreement to the Servicer and the Trustee.

Section 1.10--Approval, Execution and Delivery of the Bond Purchase Agreement. That the sale of the Series 2008 Bonds to the Underwriters and/or any other parties pursuant to the Bond Purchase Agreement is hereby approved and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Bond Purchase Agreement and to deliver the Bond Purchase Agreement to the Underwriters and/or any other parties to the Bond Purchase Agreement.

Section 1.11--Approval of Continuing Disclosure Agreement. That the form and substance of the Continuing Disclosure Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Continuing Disclosure Agreement and to deliver the Continuing Disclosure Agreement to the Trustee.

Section 1.12--Approval, Execution and Delivery of the Remarketing Agreement. That the form and substance of the Remarketing Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Remarketing Agreement and to deliver the Remarketing Agreement to the Remarketing Agent.

Section 1.13--Approval, Execution and Delivery of the Tender Agent Agreement. That the form and substance of the Tender Agent Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Tender Agent Agreement and to deliver the Tender Agent Agreement to the Remarketing Agent and the Tender Agent.

Section 1.14--Approval, Execution and Delivery of the Standby Bond Purchase Agreement. That the form and substance of the Standby Bond Purchase Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Standby Bond Purchase Agreement and to deliver the Standby Bond Purchase Agreement to the Liquidity Bank.

Section 1.15--Approval of Swap Agreement. That the form and substance of the Swap Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Swap Agreement and to deliver the Swap Agreement to the Swap Counterparty approved by such authorized representative.

Section 1.16--Approval of Subordinate Lien. That the Department hereby authorizes the granting of a subordinate lien on the Trust Estate to the Swap Counterparty.

Section 1.17--Official Statement. That the Official Statement relating to the Series 2008 Bonds, in substantially the form presented to the Governing Board, is hereby approved; that prior to the execution of the Bond Purchase Agreement, the authorized representatives of the Department named in this Resolution, acting for and on behalf of the Governing Board, are hereby authorized and directed to finalize the Official Statement for distribution by the Underwriters to prospective purchasers of the Series 2008 Bonds, with such changes therein as the authorized representatives of the Department named in this Resolution may approve in order to permit such an authorized representative, for and on behalf of the Governing Board, to deem the Official Statement relating to the Series 2008 Bonds final as of its date, except for such omissions as are permitted by Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), such approval to be conclusively evidenced by the distribution of such Official Statement; and that within seven business days after the execution of the Bond Purchase Agreement, the authorized representatives of the Department named in this Resolution, acting for and on behalf of the Governing Board, shall cause the final Official Statement, in substantially the form of the Official Statement attached hereto, with such changes as such an authorized representative may approve, such approval to be conclusively evidenced by such authorized representative's execution thereof, to be provided to the Underwriters in compliance with Rule 15c2-12.

Section 1.18--Approval of GIC Broker; Approval of Investment in GICs. That the Executive Director or the Director of Bond Finance and the Chairman of the Governing Board are hereby authorized to select a GIC Broker, if any, and that the investment of funds held under the Single Family Indenture in connection with the Series 2008 Bonds in GICs is hereby approved and that the Executive Director or the Director of Bond Finance of the Department is hereby authorized to complete arrangements for the investment in GICs or such other investments as the authorized representatives named herein may approve.

Section 1.19--Approval of Verification Agent. That the Executive Director or the Director of Bond Finance and the Chairman of the Governing Board are hereby authorized to select a verification agent, if any.

Section 1.20--Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest, affix the Department's seal to and deliver such other agreements, advance commitment agreements, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, the Single Family Indenture, the Swap Transaction, the Supplemental Indentures, the Depository Agreement, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Remarketing Agreement, the Standby Bond Purchase Agreement and the Swap Agreement.

Section 1.21--Power to Revise Form of Documents. That, notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution are each hereby authorized to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this

Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.22--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B	-	Supplemental Indentures
Exhibit C	-	Depository Agreement
Exhibit D	-	Program Guidelines
Exhibit E	-	Servicing Agreement
Exhibit F	-	Compliance Agreement
Exhibit G	-	Funding Agreement
Exhibit H	-	Bond Purchase Agreement
Exhibit I	-	Continuing Disclosure Agreement
Exhibit J	-	Remarketing Agreement
Exhibit K	-	Tender Agent Agreement
Exhibit L	-	Standby Bond Purchase Agreement
Exhibit M	-	Swap Agreement
Exhibit N	-	Official Statement

Section 1.23--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman and Vice Chair of the Governing Board, Executive Director of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department and the Secretary to the Governing Board.

Section 1.24--Department Contribution. That the contribution of Department funds in an amount not to exceed $250,000 to be used for any purpose authorized under the Act and the Single Family Indenture, including to pay a portion of the costs of issuance of the Series 2008 Bonds, to fund down payment and closing cost assistance or and to fund capitalized interest, is hereby authorized.

Section 1.25--Use of 0% Loan Funds. That the use of up to $4,900,000 of 0% loan funds in connection with the Program made available from various Single Family Mortgage Revenue Bond issues and Residential Mortgage Revenue Bond issues of the Department is hereby authorized.

ARTICLE II
APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Submission to the Attorney General of Texas. That the Governing Board of the Department hereby approves the submission by the Department's Bond Counsel to the Attorney General of Texas, for his approval, of a transcript of the legal proceedings relating to the issuance, sale and delivery of the Series 2008 Bonds.

Section 2.2--Engagement of Other Professionals. That the Executive Director or the Director of Bond Finance is authorized to engage an accounting firm to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the Bond Purchase Agreements and the requirements of the purchasers of the Series 2008 Bonds and Bond Counsel to the Department, provided such engagement is done in accordance with applicable State law.

Section 2.3--Certification of the Minutes and Records. That the Secretary and any Assistant Secretary to the Governing Board of the Department are hereby authorized to certify and authenticate minutes and other records on behalf of the Department for the Program, the issuance of the Series 2008 Bonds and all other Department activities.

Section 2.4--Approval of Requests for Rating from Rating Agencies. That the Executive Director, the Director of Bond Finance and the Department's consultants are authorized to seek ratings from Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

Section 2.5--Ratifying Other Actions. That all other actions taken or to be taken by the Executive Director and the Department's staff in connection with the Program and the issuance of the Series 2008 Bonds are hereby ratified and confirmed.

Section 2.6--Authority to Invest Funds. That the Executive Director or the Director of Bond Finance is hereby authorized to undertake all appropriate actions required under the Single Family Indenture and the Depository Agreement and to provide for investment and reinvestment of all funds held under the Single Family Indenture.

Section 2.7--Eligibility for Refunding Under Draw Down Facility. That Series 2008 Bonds qualify as "Prior Bonds" for purposes of Resolution No. 08-030 authorizing the Department's Single Family Mortgage Revenue Bonds (Draw Down Facility) and the trust indenture relating thereto.

Section 2.8--Waiver from Texas Bond Review Board. That the Governing Board of the Department ratifies actions taken by the authorized representatives of the Department named in this Resolution seeking from the Texas Bond Review Board a waiver of the requirements of Section 2306.142(l) of the Act in accordance with Section 2306.142(m) of the Act.

ARTICLE III
CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Determination of Interest Rate. That the Governing Board of the Department hereby declares that the Department shall fix and determine the interest rates on the Mortgage Loans for the Program at the time and in accordance with the procedures set forth in the Single Family Indenture and that such rates shall be established at levels such that the Mortgage Loans for the Program will produce, together with other available funds, the amounts required to pay for the Department's costs of operation with respect to the Program and debt service on the Series 2008 Bonds, and enable the Department to meet its covenants with and responsibilities to the holders of the bonds issued under the Single Family Indenture without adversely affecting the exclusion from gross income for federal income tax purposes of interest on any of such tax-exempt bonds.

Section 3.2--Bonds to Finance Mortgage Loans in Underserved Economic and Geographic Markets. That, in accordance with Section 2306.142(m) of the Act, the Governing Board hereby finds that the issuance of bonds to finance Mortgage Loans to meet the credit needs of borrowers in underserved economic and geographic submarkets in the State is unfeasible or would damage the financial condition of the Department.

Section 3.3--Purpose of Series 2008 Bonds. The Governing Board hereby determines that the purpose for which the Department may issue the Series 2008 Bonds constitutes "public works" as contemplated by Chapter 1371, Texas Government Code, as amended.

ARTICLE IV
GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Series 2008 Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate pledged under the Single Family Indenture to secure payment of the bonds issued under the Single Family Indenture and payment of the Department's costs and expenses for the Program thereunder and under the Single Family Indenture, and under no circumstances shall the Series 2008 Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non Governmental Obligations. That the Series 2008 Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State.

Section 4.3--Purposes of Resolution. That the Governing Board of the Department has expressly determined and hereby confirms that the issuance of the Series 2008 Bonds and the furtherance of the Program contemplated by this Resolution accomplish a valid public purpose of the Department by providing for the housing needs of persons and families of low, very low and extremely low income and families of moderate income in the State.

Section 4.4--Notice of Meeting. That written notice of the date, hour and place of the meeting of the Governing Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Governing Board as required by Section 2306.032, Texas Government Code, as amended.

Section 4.5--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

[Signature page follows.]

PASSED AND APPROVED this ___ day of September, 2008.

____
Chairman, Governing Board

ATTEST:

____
Secretary to the Governing Board

(SEAL)

EXHIBIT A

List of Underwriters

Senior Manager

J.P. Morgan Securities Inc.

Co-Senior Manager

Lehman Brothers

Co-Managers

Bank of America Securities LLC
Loop Capital Markets, LLC
Merrill Lynch & Co.
Morgan Stanley & Co.

ALL DOCUMENTS REFERRED TO IN THE FOREGOING RESOLUTION ARE ATTACHED TO THE ORIGINAL COPY OF SAID RESOLUTION, WHICH IS ON FILE IN THE OFFICIAL RECORDS OF THE DEPARTMENT, AND EXECUTED COUNTERPARTS OF SUCH EXHIBITS ARE INCLUDED IN THE OFFICIAL TRANSCRIPT OF PROCEEDINGS RELATING TO THE BONDS.

HOME DIVISION

BOARD ACTION REQUEST

September 4, 2008

Action Item

Presentation of the current HOME Fund Balance Report.

Fund Balance Report

The HOME Fund Balance Report is prepared monthly and is the Department's internal tracking of available balances of HOME funds. As required in the Department's rule regarding deobligated funds (10 TAC §1.19), the Department must not retain a balance of deobligated funds that exceeds 15% of the most current annual allocation of HOME funds. This equates to a maximum balance of slightly over $6 million. Deobligated funds are those that have been voluntarily or involuntarily returned from an individual project address or an awarded contract from a Contract Administrator. The reconciliation of deobligated funds began in September 2007 and included a reconciliation of deobligated funds for specific set-asides for Disaster, Persons with Disabilities, American Dream Downpayment Initiative (ADDI) and Contract for Deed Conversion.

The beginning balance of this report is the previous month's total HOME funds that are available to commit in HUD's Integrated Disbursement Information System (IDIS). This total includes primarily funds that have not been awarded to a Contract Administrator, which may include a balance of funds from an undersubscribed NOFA, deobligated funds and program income received. The reconciliation provides a monthly reconciliation of activities that affect the Department's balance with HUD and ends with the balance of the current month's total HOME funds available in IDIS.

The report then further separates this available balance into two categories of funds – Community Housing Development Organization (CHDO) funds and non-CHDO funds. As you will note, CHDO funds are presented first since this set-aside is a federal mandate and staff attempts to ensure an over-commitment of CHDO funds and a pipeline of committed awards. Non-CHDO funds may be used to fund CHDO activities.

The CHDO and non-CHDO categories are further segmented into federal and programmatic set-asides and open Notices of Funding Availability (NOFA's). Additionally, please note a column reflects deobligated funds that are reserved to be used for reprogramming priority into specific set-asides, namely CHDO (required by HUD), Disaster, Persons with Disabilities, American Dream Downpayment Initiative (ADDI) and Contract for Deed Conversion set-asides.

Finally, the Fund Balance Report provides a grand total of HOME funds available for programming after mandated set-asides, Board-approved awards (that do not have executed contracts or commitments), and published, open NOFA's have been reserved. The current report reflects $6,810,640 available for programming at this time. Staff is not making recommendations for the programming of this balance in order to allow time to analyze the subscription rate of the various open NOFAs and anticipated disaster relief funding needs.

On March 24, 2008, the Department received its Funding Approval and Grant Agreement from the U.S. Department of Housing and Urban Development (HUD). The approval and agreement included $40,043,225 for the Department's Program Year 2008 allocation of the HOME Investment Partnerships Program. With the exception of the Colonia Model Subdivision Program and the approximate $6.8 million available balance for programming, all HOME funds, including the 2008 allocation, are programmed, awarded, or available in open NOFA's.

HOME FUND BALANCE REPORT
As of August 8, 2008

				Total
Total Available Balance in IDIS on July 15, 2008 [1]				**$106,743,542.66**
Committed since last report				($455,000.00)
Program Income received since last report				$24,000.00
Deobligated since last report				$1,523,344.20
Total Available Balance in IDIS on August 8, 2008 [1]				**$107,835,886.86**
CHDO (Community Housing Development Organization) Funds				
		Uncommitted	**Reserved Deobligated**	**Total**
Available Balance in IDIS		$12,524,726.30	$0.00	$12,524,726.30
Programmatic Set-Asides:				
2007 CHDO Operating Funds[2]	($205,602.00)			$0.00
2008 CHDO Operating Funds[2]	($298,324.00)			$0.00
Colonia Model Subdivision Program		($2,000,000.00)		($2,000,000.00)
Open Notices of Funding Availability (NOFA's):				
Awards approved by the Board but not committed in IDIS yet		($9,493,882.00)		($9,493,882.00)
2007 Open Cycle CHDO NOFA $6 Million (expired June 2, 2008 and increase of $6M on May 8, 2008)		($2,170,618.00)		($2,170,618.00)
2008 Open Cycle CHDO NOFA $5.9 Million (expires April 30, 2009)		($5,966,488.00)		($5,966,488.00)
Total CHDO Funds Available for Programming:		**($7,106,261.70)**		**($7,106,261.70)**
Non-CHDO (Community Housing Development Organization) Funds				
		Uncommitted	**Reserved Deobligated**	**Total**
Available Balance in IDIS		$92,591,096.25	$2,720,064.31	$95,311,160.56
Programmatic Set-Asides:				
Disaster Set-Aside		($1,750,000.00)	($2,050,000.00)	($3,800,000.00)
American Dream Downpayment Initiative (ADDI)		$0.00	$0.00	$0.00
Contract for Deed Set-Aside		$0.00	($670,064.31)	($670,064.31)
Persons with Disabilities Set-Aside		($1,500,000.29)	$0.00	($1,500,000.29)
Open Notices of Funding Availability (NOFA's)/Board-Approved Awards:				
Awards approved by the Board but not committed in IDIS yet		($22,017,191.00)		($22,017,191.00)
Contract for Deed NOFA $9.2 Million (approved by Board May 8, 2008 and expires May 1, 2009)		($9,200,000.00)		($9,200,000.00)
2007 RHD NOFA $15 Million (expired June 2, 2008 and increase of $12M on May 8, 2008)		($14,419,797.00)		($14,419,797.00)
RHD Persons with Disabilities NOFA $1.6 Million (approved by Board June 26, 2008 and expires October 31, 2009)		($1,249,162.00)		($1,249,162.00)
2008 Single Family NOFA $23 Million (approved by Board July 31, 2008 andexpires April 30, 2009)		($23,034,118.00)		($23,034,118.00)
2008 RHD NOFA $5 Million (approved by the Board June 26, 2008 and expires April 30, 2009)		($5,000,000.00)		($5,000,000.00)
Total Non-CHDO Funds Available for Programming:		**$13,916,901.96**		**$13,916,901.96**
Grand Total of HOME Funds Available for Programming: [3]		**$6,810,640.26**		**$6,810,640.26**

[1] This amount does reflect the Program Year 2008 HOME allocation. Of the available balance, the cumulative program income to-date is $24,221,626.

[2] CHDO Operating funds are non-chdo funds used for CHDO projects.

[3] Since September 2007, the Department has deobligated a total of $15,843,714.00 in completed, terminated or expired contracts. Additionally, $4,725,000 in HOME funds were declined from the 2007 awards. This includes $4,200,000 in OCC awards and one RHD award of $525,000. The remaining funds available for programming are cumulative program income and deobligations that occurred prior to September 2007 and have not yet been reprogrammed.

Below is a brief status on the activities listed on the Fund Balance Report for which HOME funds have been programmed or reserved:

- **2007 CHDO Operating Funds.** These funds equate to 5% of the annual set-aside for CHDO projects. As awards are made to CHDO's, a portion of these funds is reserved to award to the organization for CHDO operating expenses and is based on the amount the CHDO is eligible for, requests and is approved by the Board as part of the award of the CHDO project funds. As these funds are not utilized, they are returned to the total amount of non-CHDO funds available.
- **Colonia Model Subdivision Program**. In February 2007 the Board approved the first two awards for this program totaling $3.5 million. Both contracts have been executed and are in the process of being implemented. In order to develop another proposed NOFA for this program later this year, staff will be revising the programmatic requirements to ensure compliance with federal regulations and to allow the most flexibility and efficiency in the use of the funds for this activity.
- **2007 and 2008 Community Housing Development Organization (CHDO) Rental Housing Development (RHD) NOFAs**. The 2007 NOFA expired on June 2, 2008 and over $7.5 million in awards were approved by the Board at the July 31, 2008 board meeting. Staff is continuing to review applications received in response to this NOFA. Any unawarded balance left remaining in the 2007 NOFA will be transferred to the 2008 CHDO NOFA in October 2008, as previously approved by the Board. The 2008 NOFA expires April 30, 2009.
- **Disaster Set-Aside**. While only approximately $2 million is required to be reserved for disasters pursuant to the Department's rule on deobligated funds (10 TAC §1.19(e)(1), the Disaster Set-Aside currently includes $1.7 million of uncommitted 2007 Single Family funds, as approved by the Board in August 2007. As reflected on the Fund Balance Report, the total reservation including both uncommitted and deobligated funds is $3.8 million. Today, staff will present for Board action one award recommendation totaling $500,000.
- **American Dream Downpayment Initiative (ADDI).** ADDI is a separate allocation of HOME funds received by the Department to provide downpayment and closing cost assistance to eligible first-time homebuyers. Through the open cycle Homebuyer NOFA released in January 2008, all funds have been awarded, including over $2 million in deobligated funds that due to federal requirement must be committed to this type of activity.
- **Contract for Deed Set-Aside**. In May 2008, the Board approved the release of the Contract for Deed Conversion Program NOFA, which made available a total of $9.2 million in funding for the conversion of contracts for deeds to traditional mortgage and/or the rehabilitation or reconstruction of housing units. The amount available includes the unprogrammed balance of $4 million from 2006 and 2007, the reserved deobligated balance of $3.2 million and the $2 million set-aside from the 2008 HOME allocation. Staff has experienced much interest in the program from the El Paso area and has conducted three application workshops in El Paso, Harlingen, and Laredo.
- **Persons with Disabilities Set-Aside.** This set-aside reflects both the set-aside from the 2008 allocation and the balance of approximately $1,175,307 in uncommitted and deobligated funds targeted to assist persons with disabilities through previous year's awards. Staff has been meeting with the Department's Disability Advisory Workgroup to develop proposed programming activities for these funds. Today staff is presenting and requesting approval of the $1.5 million remaining available under this set-aside in the Single Family Program for Persons with Disabilities NOFA.
- **2007 and 2008 Rental Housing Development (RHD) NOFA**. As with the CHDO RHD NOFAs, the 2007 RHD NOFA expired on June 2, 2008 and over $11.4 million in awards

were approved by the Board at the July 31, 2008 board meeting. Staff is continuing to review applications received in response to this NOFA. Any unawarded balance left remaining in the 2007 NOFA will be transferred to the 2008 RHD NOFA in October 2008, as previously approved by the Board. The 2008 NOFA expires April 30, 2009.

- **2008 Single Family NOFA**. At the July 31, 2008 Board meeting, the Board approved this NOFA which provides $23,034,118 in funding for the Owner-Occupied Housing Assistance, Homebuyer Assistance, and Tenant-Based Rental Assistance Programs. This amount is the 2008 allocation set-aside for general single family activities. The NOFA expires April 30, 2009.

HOME DIVISION

BOARD ACTION REQUEST

September 4, 2008

Action Item

Presentation, Discussion and Possible Approval of HOME Investment Partnerships Program Award Recommendations.

Requested Action

Approve, Deny or Approve with Amendments the HOME Investment Partnerships Program Award Recommendations.

Background

Awards for contracts from all active Notices of Funding Availability (NOFAs), reflecting multiple activity types, are combined in this one action item.

All applications have been reviewed by the Portfolio Management and Compliance Division and no issues of material non-compliance, unresolved audit findings or questioned or disallowed costs have been identified.

Activity Type	Administrator	Rec. Project Amt.	Rec. Admin. Amt.	# of Units
Disaster – OCC	La Salle County	$500,000	$10,000	7
HBA	FUTURO Communities	$300,000	$12,000	30
TBRA	Center for Health Care Services	$274,500	$10,980	12

DISASTER RELIEF PROGRAM

In January, 2008 Governor Rick Perry issued a Proclamation certifying that 152 counties in Texas were threatened by extreme fire hazard. The County of LaSalle is listed in the Proclamation among the 152 counties. During the month of February 2008, the County of LaSalle experienced wildfires burning approximately 19,000 acres which destroyed several homes and caused severe smoke damage to over 150 homes. On April 4, 2008 the Department received a letter from Governor Perry recognizing that a disaster due to wildfires had occurred in the Counties of LaSalle, Parker, and Wise and requested the Department to make available any and all assistance. The availability of HOME disaster relief funds, available from the Department's deobligated HOME funds as permitted by the Deobligated Funds Policy, was shared with the affected County Judges and technical assistance for completing an application was offered.

In accordance with the Department's HOME Program Rule at 10 TAC §53.47(a)(5), applications for disaster relief are accepted within six months after the first day assistance is made available.

LaSalle County submitted an application for assistance under the HOME Owner Occupied Housing Assistance for Disaster Relief Program. The County is requesting $500,000 in project funds and $10,000 in Administrative funds, and is proposing to assist 9 households that were directly affected by the disaster. The proposed application reflects that most of the households affected did not have insurance and are living in substandard conditions. Upon discussion with the applicant the number of units proposed and the maximum amount of assistance allowed, the County decided to revise their request to assist a minimum of 7 households. LaSalle County has previously been awarded 4 Owner-Occupied Housing Assistance contracts totaling $1,358,924 and assisted 37 households. La Salle County has a strong track record with the Department and has worked with Department staff to resolve any issue that may arise during the course of a contract to ensure program compliance and successful completion of the contract.

Staff recommends an award to LaSalle County for $500,000 with changes from the original request for the number of units required decreased from 9 to 7 due to the current HOME Rule for maximum amount of assistance. Staff also recommends approval of 2% of project funds requested for program administration.

Attached:

- Disaster Relief Award Recommendations; and,
- Disaster Relief Application Log.

HOMEBUYER ASSISTANCE PROGRAM

A Notice of Funding Availability (NOFA) for $6 million for Homebuyer Assistance (HBA) was released in January 2008 with applications due by May 30, 2008.

The Homebuyer Assistance Program provides assistance to first time homebuyers earning 80 percent (80%) or less of the Area Median Family Income (AMFI) as defined by HUD, for downpayment and closing costs assistance. The amount of HOME HBA funds provided to any household shall not exceed the greater of six percent of the purchase price of the single family housing or $10,000. Assistance will be provided to the family in the form of a deferred forgivable loan.

Of twenty two (22) applications received in response to the NOFA, 20 have been approved by the Board totaling $4,246,081 in project funds, targeted to serve 448 households. A balance of $1,753,919 of the original $6 million remained and was returned to the balance of HOME funds available for programming as reflected on the current HOME Fund Balance Report presented in a previous action item. Of the two applications remaining, one has been terminated and one application is presented today for funding recommendation. Attached is an application log reflecting all applications received in response to this NOFA. Staff has provided a brief description of the applicant being recommended for an award below:

FUTURO Communities, Inc. is a non-profit corporation, Empowerment Zone and Enterprise Community designation entity that provides housing services in the counties of Dimmit, LaSalle, Maverick, Uvalde, and Zavala, all located in the southwest region of Texas. FUTURO has established partnerships with other cities and organizations to maximize resources and leverage funds in order to provide an array of housing services. In 2003, FUTURO was awarded

$160,000 for a Homebuyer Assistance Program and $16,000 for CHDO Operating Expenses under the Community Development Housing Organization (CHDO) set aside which the applicant voluntarily and fully deobligated in 2007. FUTURO administered a $300,000 American Dream Downpayment Initiative Program assisting 30 first time homebuyers. FUTURO also administered a $25,000 Housing Trust Fund Capacity Building grant and a $300,000 Texas Bootstrap Loan Program with which 10 households were assisted. In addition, the applicant has received $637,000 from USDA and the Federal Home Loan Bank to assist 94 families within its 5-county service area. The applicant is requesting $300,000 and is proposing to assist 30 homebuyers.

If the recommendation is approved, $300,000 in project funds and $12,000 in administrative funds will be awarded from the balance of HOME funds available for programming.

Attached:

- 2007 HOME HBA NOFA – Award Recommendation; and,
- 2007 HOME HBA NOFA - Application Log.

TENANT-BASED RENTAL ASSISTANCE PROGRAM

A Notice of Funding Availability (NOFA) for $3 million for Tenant Based Rental Assistance (TBRA) was released in January 2008 with applications due by May 30, 2008. The Tenant-Based Rental Assistance Program provides eligible households rental subsidies, including security and utility deposits to tenants, for up to 24 months and earning 80 percent (80%) or less of the Area Median Family Income (AMFI) as defined by HUD. Tenants must also participate in a self sufficiency program. Although a Self-Sufficiency Plan is not required by the federal regulations, the Department does require all TBRA program participants to participate in a Self-Sufficiency Plan as a condition of rental assistance. The Self-Sufficiency Plan is designed to facilitate the assisted family's transition from rental assistance to permanent housing, since TBRA assistance is not to exceed 24 months. Self-Sufficiency Plans range in designs because they are tailored to the populations being served. For example, a self-sufficiency plan may include a goal of acquiring and maintaining adequate permanent housing after the temporary 24 month TBRA rental assistance contract has ended. At a minimum, the action item of the plan should state the household must be on the local Housing Authority's Section 8 waiting list. In addition, specific goals relating to paying for housing, either through other assistance programs or earned income must be included in the plan.

Of fourteen (14) applications received in response to the NOFA, 9 have been approved by the Board totaling $1,864,762 in project funds, targeted to serve 183 households. A balance of $1,135,238 of the original $3 million remained and was returned to the balance of HOME funds available for programming as reflected on the current HOME Fund Balance Report presented in a previous action item. Of the five (5) remaining applications, three applications have been terminated, one application has been withdrawn, and one application is being recommended for an award. Center for Health Care Services submitted 2 applications totaling $549,000; however, in accordance with 10 TAC §53.47(3) the maximum contract award cannot exceed $300,000 per applicant per NOFA. Therefore, one application has been withdrawn and one is being recommended for funding today. Attached is an application log reflecting all applications received in response to this NOFA. Staff has provided a brief description of the applicant being recommended for an award below:

Center for Health Care Services (CHCS) is a nonprofit corporation located in San Antonio, whose mission is to be the community-supported provider of services to consumers with disabilities related to mental health and substance abuse. CHCS has a 30-year history of providing services, including housing, to adult and children needing mental health and substance abuse services. CHCS operates 2 Safe Havens, a 22 bed transitional facility for men and a 22 bed permanent housing facility for women. CHCS has also developed programs that support transition to and maintenance in the community. CHCS is requesting $274,500 and is proposing to assist 12 households.

If the above recommendation is approved, $274,500 in project funds and $10,980 in administrative funds will be awarded from the balance of HOME funds available for programming.

Attached:

- 2007 HOME TBRA NOFA – Award Recommendation; and,
- 2007 HOME TBRA NOFA - Application Log.

Recommendation

Staff recommends that the Board approve all of the following awards as detailed in the Award Logs attached:

- Disaster Relief Award to LaSalle County;
- Homebuyer Assistance Award to FUTURO Communities; and
- Tenant-Based Rental Assistance Award to Center for Health Care Services

HOME Disaster Relief Fund Award Recommendations

Sorted by date/time received

App number	Received Date	Time Received	Applicant	Region	Project Funds Recommended	Admin Funds Recommended	Total Units
2008-0061	7/23/2008	4:13 PM	County of La Salle	11	$500,000	$10,000	7
			Total Recommended:		**$500,000**	**$10,000**	**7**

HOME Disaster Relief Fund - Application Log

Sorted by date/time received

Total NOFA Amount - $6,800,000

**Total Amount Available: $3,800,000*

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0001	2/1/2008	8:23 AM	Crystal City	11	$500,000	$20,000	9	$500,000	$10,000	9	Awarded 3/13/2008
2008-0010	2/18/2008	11:36 AM	City of Ames	6	$500,000	$20,000	6	$500,000	$10,000	7	Awarded 5/8/2008
2008-0009	2/19/2008	9:30 AM	City of Cleveland	6	$500,000	$20,000	6	$500,000	$10,000	7	Awarded 5/8/2008
2008-0011	2/20/2008	10:27 AM	Liberty County	6	$500,000	$20,000	5	$500,000	$10,000	7	Awarded 5/8/2008
2008-0029	3/27/2008	11:15 AM	Baylor County	3	$500,000	$20,000	10	$500,000	$10,000	10	Awarded 5/8/2008
2008-0056	5/29/2008	4:06 PM	City of Dayton	6	$500,000	$20,000	6	$500,000	$10,000	7	Awarded 7/31/2008
2008-0061	7/23/2008	4:13 PM	County of La Salle	11	$500,000	$10,000	9	$500,000	$10,000	7	Pending Award
				Totals:	**$3,500,000**	**$130,000**	**51**	**$3,500,000**	**$70,000**	**54**	

This amount reflects $6,800,000 in funds made available in the NOFA less awards approved by the Board.

2007 HOME HBA NOFA Award Recommendations

Sorted by date/time received

App number	Received Date	Time Received	Applicant	Region	Project Funds Recommended	Admin Funds Recommended	Total Units	Comments
2008-0032	4/17/2008	10:45 AM	FUTURO Communities, Inc.	11	$300,000	$12,000	30	Pending Award
				Total Recommended:	**$300,000**	**$12,000**	**30**	

2007 HOME HBA NOFA - Application Log

Sorted by date/time received

Total NOFA Amount - $6,000,000

**Total Amount Available: $1,753,919*

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0006	1/2/2008	12:00 PM	El Paso Collaborative for Community and Economic Development	13	$192,014	$8,001	20	$200,000	$8,000	20	Awarded 5/8/2008
2008-0008	1/15/2008	3:13 PM	Southeast Texas HFC	6	$174,842	$6,993	18	$174,842	$6,994	18	Awarded 5/8/2008
2008-0003	2/7/2008	12:00 PM	Cameron County Housing Finance Corporation	11	$300,000	$12,000	30	$300,000	$12,000	30	Awarded 5/8/2008
2008-0004	2/7/2008	12:00 PM	City Of Paris	4	$200,000	$8,000	20	$200,000	$8,000	20	Awarded 5/8/2008
2008-0002	2/7/2008	12:00 PM	Community Development Corporation of Brownsville	11	$300,000	$12,000	30	$300,000	$12,000	30	Awarded 5/8/2008
2008-0005	2/14/2008	12:00 PM	Southeast Texas HFC	6	$251,239	$10,049	28	$251,239	$10,050	28	Awarded 5/8/2008
2008-0012	2/27/2008	12:12 PM	San Benito Housing Authority	11	$300,000	$12,000	30	$300,000	$12,000	30	Awarded 5/8/2008
2008-0013	2/27/2008	1:42 PM	City of Hughes Springs	4	$150,000	$6,000	15	$150,000	$6,000	15	Awarded 5/8/2008
2008-0014	2/28/2008	10:22 AM	City of Nash	4	$250,000	$10,000	25	$250,000	$10,000	25	Awarded 5/8/2008
2008-0015	2/28/2008	10:27 AM	Travis County Housing Finance Corporation	7	$300,000	$12,000	40	$300,000	$12,000	40	Awarded 5/8/2008
2008-0017	2/29/2008	8:51 AM	City of Midland	12	$100,000	$4,000	10	$100,000	$4,000	10	Awarded 5/8/2008

This amount reflects $6,000,000 in funds made available in the NOFA less awards approved by the Board.

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0018	2/29/2008	9:37 AM	City of Bay City	6	$250,000	$10,000	25	$250,000	$10,000	25	Awarded 5/8/2008
2008-0019	2/29/2008	10:42 AM	Temple Housing Authority	8	$120,000	$4,800	12	$120,000	$4,800	12	Awarded 5/8/2008
2008-0023	3/3/2008	3:28 PM	City of McKinney	3	$300,000	$12,000	40	$300,000	$12,000	40	Awarded 5/8/2008
2008-0030	4/1/2008	2:49 PM	City of Terrell	3	$200,000	$12,000	20	$200,000	$8,000	20	Awarded 5/8/2008
2008-0032	4/17/2008	10:45 AM	FUTURO Communities, Inc.	11	$300,000	$12,000	30	$300,000	$12,000	30	Pending Award
2008-0033	4/21/2008	12:00 PM	Organizacion Progresiva De San Elizario	13	$110,000	$4,400	11	$110,000	$4,400	11	Awarded 7/31/2008
2008-0034	4/22/2008	12:00 PM	Community Council of Southwest Texas, Inc.	11	$500,000	$20,000	50				Terminated
2008-0035	4/29/2008	3:49 PM	Midland Habitat for Humanity	12	$80,000	$3,200	8	$80,000	$3,200	8	Awarded 6/26/2008
2008-0045	5/19/2008	12:37 PM	City of La Feria	11	$300,000	$12,000	30	$300,000	$12,000	30	Awarded 6/26/2008
2008-0057	5/29/2008	4:03 PM	El Paso Credit Union HOAP Inc.	13	$300,000	$0	30	$300,000	$0	30	Awarded 7/31/2008
2008-0054	5/30/2008	2:01 PM	Hill Country Home Opportunity Council, Inc.	9	$60,000	$2,400	6	$60,000	$2,400	6	Awarded 7/31/2008
				Totals:	**$5,038,095**	**$193,843**	**528**	**$4,546,081**	**$169,844**	**478**	

This amount reflects $6,000,000 in funds made available in the NOFA less awards approved by the Board.

2007 HOME TBRA NOFA Award Recommendations

Sorted by date/time received

App number	Received Date	Time Received	Applicant	Region	Project Funds Recommended	Admin Funds Recommended	Total Units	Comments
2008-0055	5/29/2008	10:08 AM	Center for Health Care Services	9	$274,500	$10,980	12	Pending Award
			Total Recommended:		**$274,500**	**$10,980**	**12**	

2007 HOME TBRA NOFA - Application Log

Sorted by date/time received

Total NOFA Amount - $3,000,000

**Total Amount Available: $1,135,238*

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0007	2/15/2008	12:00 PM	Ellis Community Resources Inc.	9	$300,000	$12,000	28	$300,000	$12,000	28	Awarded 5/8/2008
2008-0016	2/28/2008	12:34 PM	Spindletop MHMR Services	5	$163,700	$6,548	25	$163,700	$6,548	25	Awarded 5/8/2008
2008-0024	3/17/2008	2:08 PM	Affordable Caring Housing, Inc.	4	$152,472	$6,099	15	$152,472	$6,099	15	Awarded 5/8/2008
2008-0025	3/18/2008	1:13 PM	Special Health Resource for Texas, Inc.	4	$300,000	$12,000	30	$300,000	$12,000	30	Awarded 5/8/2008
2008-0027	3/24/2008	10:43 AM	Affordable Caring Housing, Inc.	3	$42,864	$1,715	4	$42,864	$1,715	4	Awarded 5/8/2008
2008-0028	3/24/2008	3:07 PM	Affordable Caring Housing, Inc.	6	$68,376	$2,735	7	$68,376	$2,735	7	Awarded 5/8/2008
2008-0042	5/6/2008	4:58 PM	Christian Community Action	3	$300,000	$12,000	22	$300,000	$12,000	22	Awarded 6/26/2008
2008-0046	5/7/2008	12:00 PM	Buckner Children & Family Services, Inc. dba Buckner Family Place	5	$250,000	$10,000	20	$250,000	$10,000	20	Awarded 7/31/2008
2008-0047	5/15/2008	12:00 PM	Affordable Housing of Parker County, Inc.	3	$217,800	$8,712	15				Terminated
2008-0049	5/27/2008	10:35 AM	Combined Community Action, Inc.	7	$150,000	$6,000	15				Terminated

This amount reflects $3,000,000 in funds made available in the NOFA less awards approved by the Board.

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0050	5/27/2008	10:48 AM	Combined Community Action, Inc.	6	$80,000	$3,200	10				Terminated
2008-0053	5/28/2008	10:05 AM	Burke Center	5	$287,350	$11,494	32	$287,350	$11,494	32	Awarded 6/26/2008
2008-0059	5/29/2008	10:08 AM	Center for Health Care Services	9	$274,500	$10,980	12	$0	$0	0	Withdrawn
2008-0055	5/29/2008	10:08 AM	Center for Health Care Services	9	$274,500	$10,980	12	$274,500	$10,980	12	Pending Award
				Totals:	**$2,861,562**	**$114,463**	**247**	**$2,139,262**	**$85,571**	**195**	

This amount reflects $3,000,000 in funds made available in the NOFA less awards approved by the Board.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
September 3, 2008

Action Item

Housing Tax Credit Amendments.

Requested Action

Approve, amend or deny the requests for amendments.

Background and Recommendations

§2306.6712, Texas Government Code, indicates that the Board should determine the disposition of a requested amendment if the amendment is a "material alteration," would materially alter the development in a negative manner or would have adversely affected the selection of the application in the application round. The statute identifies certain changes as material alterations and the requests presented below include material alterations.

The requests and pertinent facts about the affected developments are summarized below. The recommendation of staff is included at the end of each write-up.

Limitations on the Approval of Amendment Requests

The approval of a request to amend an application does not exempt a development from the requirements of Section 504 of the Rehabilitation Act of 1973, fair housing laws, local and state building codes or other statutory requirements that are not within the Board's purview. Notwithstanding information that the Department may provide as assistance, the development owner retains the ultimate responsibility for determining and implementing the courses of action that will satisfy applicable regulations.

Penalties for Amendment Requests

§50.9(c), 2008 Qualified Allocation Plan and Rules, entitled, "Adherence to Obligations," states in part:

> If a Development Owner does not produce the Development as represented in the Application; does not receive approval for an amendment to the Application by the Department prior to implementation of such amendment; or does not provide the necessary evidence for any points received by the required deadline:
>
> (1) The Development Owner must provide a plan to the Department, for approval and subsequent implementation, that incorporates additional amenities to compensate for the non-conforming components; and
>
> (2) The Board will opt either to terminate the Application and rescind the Commitment Notice, Determination Notice or Carryover Allocation Agreement as applicable or the Department must:
>
> (A) Reduce the score for Applications for Competitive Housing Tax Credits that are submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development by up to ten points for the two Application Rounds concurrent to, or following, the date that the non-conforming aspect, or lack of financing, was recognized by the Department of the need for the amendment; the placed in service date; or the date the amendment is accepted by the Board.
>
> (B) Prohibit eligibility to apply for Housing Tax Credits for a Tax-Exempt Bond Development that are [sic] submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development for up to 24 months from the

date that the non-conforming aspect, or lack of financing, was recognized by the Department of the need for the amendment; the placed in service date; or the date the amendment is accepted by the Board, less any time delay caused by the Department.

(C) In addition to, or in lieu of, the penalty in subparagraph A or B of this paragraph, the Board may assess a penalty fee of up to $1,000 per day for each violation.

HTC No. 03184, Pegasus

Summary of Request: The owner is requesting approval, after implementation, for the following amendments to the development. The development is a single high-rise building proposed to contain 142,628 square feet of net rentable area (NRA) in 124 tax credit units and 32 market rate units. The owner requested approval to increase the number of tax credit units by five units to 129 units and decrease the market rate units by five units to 27 units. The owner also requested approval to decrease the NRA to 133,007 square feet, a reduction of approximately 9,621 square feet or 6.7%.

The owner stated that the increase in the ratio of tax credit units to market rate units (applicable fraction) was needed to allow an increase of the applicable fraction and, in turn, the eligible basis, to an amount sufficient to validate the issuance of a Form 8609 for all of the tax credits that were originally awarded. The owner stated that the applicable fraction was 77.47% without the change but would be 79.95% with the change.

The 9,621 square foot reduction in the NRA is about 62 square feet per unit. The one-bedroom/one-bathroom units decreased from a range of 540 to 855 square feet as originally proposed to a range of 533 to 804 square feet as built. The two-bedroom/two-bathroom units decreased from a range of 820 to 1,405 square feet as originally proposed to 767 to 1,313 square feet as built. In contrast to the NRA, the development architect certified that the common area of the development increased by 5,502 square feet, from 48,698 square feet as proposed to 54,200 square feet as built. The common area includes corridor space.

The five market rate units that were converted into affordable units were all one-bedroom/one-bathroom units, and were added as one 40% unit, one 50% unit and three 60% units. In addition, the targeting of the two-bedroom/two-bathroom affordable units was adjusted, adding one 30% unit and one 50% unit in exchange for eliminating one 40% unit and one 60% unit. Therefore, the development would target lower rent levels than were originally targeted.

The changes described above would not have affected the points scored for the application's rent and income targeting. However, one scoring item would have been affected, the score for the applicable fraction. Reversing the current scoring rules, applications prior to 2004 scored more points for having lower applicable fractions than for having higher ones. In the case at hand, the increase in the applicable fraction would have reduced the application score by two points. The reduction in points would not have changed the recommendation for an award.

The development architect certified that washers and dryers were installed in all units. This amenity was worth three points in a 2003 application. The amenity is a compensating feature for deficiencies in the development as built and is noted for the Board's information. It should also be noted that the final number of parking spaces was reduced from 316 to 294. The parking ratio of this elderly development was approved by the City of Dallas and is approximately 1.9 spaces per unit.

Governing Law:	§2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including any modification considered significant by the board.
Owner:	Pegasus Villas, Ltd.
General Partner:	Pegasus Stemmons Development, Inc.
Developers:	Glenn Lynch Companies, Inc.
Principals/Interested Parties:	Operation Relief Center, Inc. (Nonprofit)
Syndicator:	Paramount Financial Group
Construction Lender:	Red Capital Markets

Permanent Lender:	Red Capital Markets
Other Funding:	NA
City/County:	Dallas/Dallas
Set-Aside:	General Population
Type of Area:	Urban
Region:	3
Type of Development:	Acquisition/Rehabilitation (Adaptive Reuse)
Population Served:	Elderly Population
Units:	124 HTC units and 32 market rate units (as originally proposed)
2003 Allocation:	$1,153,613
Allocation per HTC Unit:	$9,303 (as originally proposed)
Prior Board Actions:	7/03 – Approved award of tax credits; 3/07 – Approved amendment (please see attachment).
Underwriting Reevaluation:	Does not recommend a change in the amount of credits.
Staff Recommendation:	**Staff recommends approving the request because the substitute amenities of laundry equipment in each unit is compensatory for the loss in square footage, along with the additional low-income units and lower income targeting that is present.**
Penalty Assessment:	**Staff recommends the assessment of appropriate penalties, pursuant to §50.9(c) of the QAP, because the request is made after the implementation of the changes.**

<u>HTC No. 04432, Mariposa Apartment Homes</u>

<u>Summary of Request</u>: The owner is requesting approval to change the site plan, unit mix and number of units. The owner is also requesting to make a substitution for self-cleaning ovens and microwave ovens that were proposed in all units but not installed and a second fireplace that was proposed but not installed in the clubhouse. The last deficiency covered by the request was that 54 of 180 units were built without the covered balconies or porches that were proposed for all units.

Offsetting the deficiencies, documentation indicates that the development was built with some features that exceed the original proposal. The additional features include two additional one-bedroom units (currently designated as management units), R-15 insulation in the walls with R-30 insulation in the ceilings, and thirty-year architectural shingles. Other additions indicated by the owner include an entry ramp into the pool, dog park, sun room with complimentary tea and coffee, recreation room with card and pool tables and a television, rose garden, and both a community garden and a walking trail.

The changes include an increase in the average size of one-bedroom units from 709 square feet to 714 square feet and a decrease in average size of two-bedroom units from 1,050 square feet to 999 square feet. The unit sizes remain above the scoring minimums of 550 square feet and 750 square feet, respectively. The net rentable area of the development decreased by 1% from 151,149 square feet to 149,613 square feet and the total common area (corridors and office/clubhouse) of the development increased from 51,379 square feet to 53,248 square feet, or about 3.6%.

The owner stated that the site plan was changed to improve the original design, in part by including a central courtyard and adding two one-bedroom units.

Although the owner's request mentions changes in the parking spaces as needing approval, the 105 covered spaces certified by the architect as built exceeded the 100 covered spaces proposed. While the 135 open spaces built do not match the 180 open spaces proposed, this elderly development has 240 spaces of all types, or about 1.3 spaces per unit and this ratio was approved by the city.

The development was awarded tax credits in association with its tax-exempt bond financing and the change proposed would not have affected the recommendation for an award. The owner first made this amendment request in a letter dated July 27, 2006. The owner retracted the request until after the 2007 competitive application round, in which the owner received an award of $1,199,797 to HTC No. 07291, Cypress Creek at Reed Road, one of two applications that the owner had submitted. The owner renewed the request after the award but all changes could not be satisfactorily identified and documented until after the cost certification was submitted on March 31, 2008.

The original and final site plans are included as attachments behind the owner's letter of request.

Governing Law:	§2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including a modification of the number of units or bedroom mix of units and any other modification considered significant by the board.
Owner:	Hunter Road Affordable Housing, Ltd.
General Partner:	SMRC Willow Springs, LLC, Managing GP; SMRC FPGP Inc., Co-GP
Developers:	Hunter Road Development, LLC

Principals/Interested Parties:	Housing Authority of the City of San Marcos, sole owner of both GPs; Stuart Shaw, owner of a special limited partner
Syndicator:	Paramount Financial Group
Construction Lender:	Newman Capital
Permanent Lender:	Newman Capital
Other Funding:	Tax Exempt Bonds from Capital Area HFC
City/County:	San Marcos/Hays
Set-Aside:	Tax Exempt Bond Development
Type of Area:	Exurban
Region:	7
Type of Development:	New Construction
Population Served:	Elderly Population
Units:	180 HTC units as originally proposed (2 units added as built)
2004 Allocation:	$482,804
Allocation per HTC Unit:	$2,682
Prior Board Actions:	7/04 – Approved award of tax credits
Underwriting Reevaluation:	Does not recommend a change in the amount of credits.
Staff Recommendation:	**Staff recommends denying the request because the changes negatively affect the future tenants. Staff recommends the owner provide additional amenities to compensate for the reduction in square footage in the two bedroom units and lack of microwaves in each unit.**
Penalty Assessment:	**Staff recommends the assessment of appropriate penalties, pursuant to §50.9(c) of the QAP, because the request is made after the implementation of the changes.**

HTC No. 07203, Melbourne Senior Community

Summary of Request: The owner requests approval to change the site plan, building plans, unit plans and some amenities. The previous owner designed the development to meet city code. The original general partner has exited the partnership and the Department approved the change in the general partner. The new owner met with the City of Alvin (after the award of the credits) to discuss the City's preferences with the goal of removing some of the limitations on the building design imposed by city code. The owner created a new design, including creating a storm water detention pond on-site instead of using off-site facilities. The owner documented that the City granted variances from code to approve the new design. The owner states that the changes improve the living environment, security, accessibility, marketability and long term probability of the development. The owner indicates the foregoing qualities were improved by connecting the units and common areas with interior corridors and concentrating the buildings and dwelling units into less space on the site and, therefore leaving more green space.

The changes will reduce the number of residential buildings from fourteen without interior corridors to four with an estimated interior corridor space of 17,541 square feet. The number of elevators will be decreased from twelve to four. The net rentable area will be increased from 110,872 square feet to 112,084 square feet. The effect on the units is shown in the table below.

	Application			Amendment		
Units	Number	Size	NRA	Number	Size	NRA
1BR/1Bath	8	751	6,008	8	776	6,208
2BR/2Bath	40	994	39,760	102	1,038	105,876
2BR/2Bath	40	1,049	41,960			
2BR/2Bath	22	1,052	23,144			
Totals	110		110,872	110		112,084

The open parking spaces in the development will be decreased from 188 spaces to 165 spaces, but would remain compliant with the city development code. The new parking ratio of the elderly development is 1.5 spaces per unit.

The changes would not have affected the score of the application or the recommendation for an award.

Governing Law:	§2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including a reduction of three percent or more of the square footage of the units or common areas and any modification considered significant by the board.
Owner:	Melbourne Development Partners, LP
General Partner:	NZ-H Properties, Inc.
Developers:	NZ-H Properties, Inc.; MRG Allycat, Inc.; LDG Development
Principals/Interested Parties:	Frank Doyle (NZ-H and MRG); Chris Dischinger and Mark Lechner (LDG)
Syndicator:	Red Capital
Construction Lender:	JP Morgan Chase
Permanent Lender:	CitiGroup
Other Funding:	NA
City/County:	Alvin/Brazoria

Set-Aside:	Elderly Population
Type of Area:	Urban/Exurban
Region:	6
Type of Development:	New Construction
Population Served:	Elderly Population
Units:	110 HTC units
2007 Allocation:	$1,200,000
Allocation per HTC Unit:	$1,091
Prior Board Actions:	7/07 – Approved award of tax credits
Underwriting Reevaluation:	Does not recommend a change in the amount of tax credits
Staff Recommendation:	**Although staff recommends denying the request because the proposed amendments will result in a completely different development than was originally proposed, staff does recognize that the amendments will not negatively affect the development or tenants and the City of Alvin has approved the changes.**
Penalty Assessment:	**No penalty is recommended because the Board's approval has been requested prior to implementing the changes.**

<u>HTC No. 07206, Villa Estella Trevino</u>

<u>Summary of Request</u>: The owner is requesting approval to reduce the number of elevators from five to three, reduce the common area (office-clubhouse and other amenities) from 12,748 square feet to 3,630 square feet, reduce the corridor area from 5,848 square feet to 1,110 square feet, move the entrance to the site from the southeast corner to the center of the southern boundary, and change the exterior walls from 80% masonry and 20% stucco to 40% masonry and 60% fiber cement siding.

The owner is requesting to decrease the number of elevators and reduce the size of the common area because, according to the owner, further review of similar elderly developments found that the original size of the common area and corridors was functionally excessive, as was the number of elevators. According to the owner, the original design is also excessive with regard to cost, both to build and to operate.

The owner states that, besides relocating the entry to the site, the entrance/exit would be widened from 60 feet to 80 feet, improving the visibility and appeal of the property. The owner also states that all of the original amenities would remain in place.

Staff found that the change in the composition of the exterior walls would remain in conformity with the three points scored for 100% masonry exterior and the change in common area and corridor space would not have affected the ten points scored for cost per square foot. Therefore, the changes requested would not have affected the score of the application or the recommendation for an award.

Although the owner states that the changes will not negatively affect the future tenants, staff does not support that belief. A reduction in the number of elevators and decrease in the amount of common space does negatively affect a development, especially, one serving the elderly.

At the time of publication, the owner does not have a firm commitment from a syndicator and lender for this development. The owner asserts that he is unable to obtain a firm commitment without the approval of the requested amendments.

Governing Law:	§2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including any modification considered significant by the board.
Owner:	Villa Estella Trevino LP
General Partner:	Edinburg VET GP LLC
Developers:	Housing Authority of the City of Edinburg; Fortuna Enterprises (Gilberto De Los Santos)
Principals/Interested Parties:	Housing Authority of the City of Edinburg; Gilberto De Los Santos
Syndicator:	Boston Capital
Construction Lender:	Boston Capital;
Permanent Lender:	Boston Capital
Other Funding:	Housing Authority of the City of Edinburg; BEY, LLC
City/County:	Edinburg/Hidalgo
Set-Aside:	None
Type of Area:	Urban
Region:	11
Type of Development:	New Construction
Population Served:	Elderly Population
Units:	161 HTC units and 7 market rate units
2007 Allocation:	$1,151,989

Allocation per HTC Unit:	$7,155
Prior Board Actions:	7/07 – Approved award of tax credits
Underwriting Reevaluation:	Does not recommend a change in the amount of tax credits.
Staff Recommendation:	**Staff recommends denying the request because the changes would reduce the quantity of the features that were originally proposed and have a significant impact on the quality of life of elderly residents at the property. In particular, no substitute features were proposed for the reduction in common area and corridors. Furthermore, the magnitude of the changes creates significant concerns about the owner's ability to make the remainder of the development fit the original plan.**
Penalty Assessment:	**No penalty is recommended because the Board's approval has been requested prior to implementing the changes.**

<u>HTC No. 07291, Cypress Creek</u>

<u>Summary of Request</u>: The owner requests approval to change the land area and site plan. The owner stated that the site was found to contain wetlands and wetlands mitigation was required in association with the City of Houston's HOME loan. Therefore, the owner indicated, the wetlands area was not purchased but the same price was paid for the reduced area as reported in the application for the original area. This resolution reduced the land area from 10.286 acres to 9.277 acres, increasing the residential density from 12.8 units per acre (132 units divided by 10.286 acres) to 14.2 units per acre (132 units divided by 9.277 acres). The increase of 1.4 units per acre is an increase of 11.1%, an amount that can be viewed as a material alteration of the development by statute.

The owner states that the reduction in land area made it necessary to reduce the number of residential buildings from fifteen to seven and to revise the site plan appropriately. The non-residential building remains the same as originally proposed. The owner also stated that an exit was added to the rear of the site.

Governing Law:	§2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including a modification of the residential density of the development of at least five percent.
Owner:	Cypress Creek Reed Road LP
General Partner:	SSFP 288 VII LLC
Developers:	Bonner Carrington
Principals/Interested Parties:	Stuart Shaw
Syndicator:	Apollo Housing Capital
Construction Lender:	JP Morgan Chase
Permanent Lender:	JP Morgan Chase
Other Funding:	City of Houston HOME loan
City/County:	Houston/Harris
Set-Aside:	General Population
Type of Area:	Urban
Region:	6
Type of Development:	New Construction
Population Served:	General Population
Units:	126 HTC units and 6 market rate units
2007 Allocation:	$1,199,797
Allocation per HTC Unit:	$9,522
Prior Board Actions:	7/07 – Approved award of tax credits
Underwriting Reevaluation:	Does not recommend a change in the amount of tax credits.
Staff Recommendation:	**Although staff recommends denying the request because the proposed amendments will result in a different development that was originally proposed and the owner should have been aware of the wetlands issue, staff does recognize that the amendments will not materially affect the development in a negative manner.**
Penalty Assessment:	**No penalty is recommended because the Board's approval has been requested prior to implementing the changes.**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report Addendum

REPORT DATE: 08/25/08 PROGRAM: 9% HTC FILE NUMBER: **03184**

DEVELOPMENT

Pegasus Villas

Location: 7200 Stemmons Freeway Region: 0

City: Dallas County: Dallas Zip: 75247 [X] QCT [ ] DDA

Key Attributes: Dallas

ALLOCATION

	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$1,153,613			**$1,153,613**		

* The original tax credit award amount was $1,153,613.

RECOMMENDATION

Staff has evaluated the financial viability of the requested amendment. Based on the information provided, the transaction does not currently meet the Department's 2008 Real Estate Analysis Rules and Guidelines. However, the requested amendment does not have an effect on the financial viability of the development; therefore, the Underwriter recommends approval of the requested amendment. The Underwriter anticipates that the development will achieve breakeven in year 5 and a 1.15 DCR prior to year 15; therefore, the Underwriter anticipates that the development will meet the Department's Real Estate Analysis Rules and Guidelines by year 15. If the Board chooses to approve the amendment, the Underwriter recommends a total allocation of $1,153,613. The development has satisfied all previous conditions and is currently completing the Cost Certification process.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	26
40% of AMI	40% of AMI	13
50% of AMI	50% of AMI	27
60% of AMI	60% of AMI	63

PROS

- The development is complete and is currently providing safe, decent, affordable housing to low-income Texans.
- The requested increase in the number of low income units will allow the development to serve a greater number of low-income tenants.
- Both the Underwriter's and Applicant's expense to income ratio is below 53%, which is well below the Department's 65% guideline.

CONS

- The development is considered infeasible pursuant to the Department's 2008 Real Estate Analysis Rules and Guidelines.
- The property is currently unable to pay its debt service and is relying on cash injections by the equity provider for operations.
- No resize of the loan is being considered as a means to improve the development's DCR.

ADDENDUM

The development was originally underwritten and approved for an award of 9% Housing Tax Credits in 2003. The reconstruction of the development has been completed and the development is currently leased at above 90% occupancy. Subsequently, on July 14, 2008, the Applicant submitted a request to amend the application as follows:

- An increase in the number of housing tax credit units from 124 to 129. The number of market rate units will decrease by 5 units, from 32 to 27, and no change will be made to the total number of units.
- A reduction in the net rentable area ("NRA") in the development from 142,628 to 133,077, a 7% decrease.

The Applicant asserts that the reason for the increase in the number of rent-restricted units is to allow the development to have a higher applicable fraction, which allows the Applicant access to all of the tax credits originally allocated to the development. According to the Applicant, the increased applicable fraction will also prevent adjusters under the Limited Partnership Agreement that will reduce equity to the development. However, according to the Underwriter's analysis, it appears that the development would continue to qualify for the entire amount of the original allocation without increasing the number of rent-restricted units and, as a result, the applicable fraction.

The net rentable area of the development decreased by 7% between application and the completion of the development. The average square footage of 1 bedroom units decreased from 655 to 608, a 7% decrease, and the average square footage of 2 bedroom units decreased from 1,069 to 1,031 square feet, a 4% decrease. The Applicant asserts that the reason for the decrease in the NRA and average unit sizes is the difference in the methodology used to calculate NRA at application, as compared to the methodology required by HUD, as a result of the FHA-insured mortgage.

The requested changes on their own do not seem to have a significant effect on the feasibility of the development. However, due to lower than projected actual rents the development is currently operating below a 1.00 DCR, and as a result would currently be considered infeasible by underwriting guidelines. The investor limited partner (Wachovia) has been active in the amendment request, and has contributed $76,754.44 to date enabling Pegasus to weather the initial unsteadiness in operations. The investor limited partner has not committed to fund operating deficits indefinitely, but has stated that their willingness to fund the deficits so far "can be taken as a sign of [Wachovia's] confidence that the operational challenges can be surmounted."

According to the investor limited partner, several factors contributed to the current situation. Rental concessions offered during the property's lease-up phase were larger, and lasted longer than forecasted. The Underwriter's analysis assumes achievement of maximum tax credit rents less utility allowances and still results in a DCR below a 1.00, without the inclusion of any rental concessions, but as a result of higher utility allowances and therefore lower maximum rents. The development is currently 94.87% occupied, and has been approximately 96% occupied over the past 6 months, according to the investor limited partner.

In addition, the investor limited partner stated that the development experienced several challenges that contributed to the initial unsteadiness in operations, including a lightning strike, a sprinkler break, and a fire, which required more intensive property management than is expected to be necessary going forward.

The Applicant has taken steps to decrease the development's utility expense, which has been high historically, in part due to the fact that the development is a high-rise building. The Applicant has entered into a fixed-rate pricing structure with TXU Energy to reduce utility costs, and has reported an average decrease in utility expense of 25% over the past 6 months.

The investor limited partner (Wachovia) has provided the Underwriter with the assumptions Wachovia has utilized to draw the conclusion that the development will achieve breakeven by the end of year 2010. Through December 2007, the development has had approximately $1.1M in operating deficits which have been funded with a combination of initial reserves and class B limited partner advances. So far in 2008 the development has incurred $76K in operating deficits, which Wachovia has already funded. Through December 2010, Wachovia expects that an additional $104K in operating deficits will be incurred, which Wachovia is willing to fund.

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The investor limited partner has assumed that income will grow at 3% per year, while existing concessions will decrease at a rate of 50% per year over the next 3 years, from $78K currently to $10K in 2011. In addition, Wachovia has assumed that expenses will grow at a rate of 4% per year, with the exception of make-ready expense which is anticipated to decrease by 25% per year for the next 3 years, and leasing expense which is anticipated to decrease by 40% per year over the next 3 years. Utilizing these assumptions, Wachovia concludes that the development will achieve breakeven in 2011, with continued improvements in operations and a DCR of 1.17 by 2017.

Wachovia has pointed out the presence of other mitigating factors. First, $525,801 in tax credit equity contributions remain outstanding and serve as a reserve of sorts. While the investor limited partner is not obligated to advance additional equity proceeds, Wachovia has exercised its discretion to do so in the past to fund operating deficits. The general partner has an unlimited obligation to fund operating deficits until the development achieves a 1.15 DCR. Finally, Wachovia has stated that the development would benefit from enhanced local sponsorship, and to that end Wachovia will explore the possibility of bringing in additional partners.

The development currently has a replacement reserve balance of $43K, which exceeds the annual replacement reserve requirement of $40K. Based on the existing balance, the development could forgo 1 year of replacement reserve expense, without depleting the existing reserve balance. If replacement reserve expense was $0 during year 1 of the Underwriter's proforma, the Underwriter's recommended DCR would be 1.00. The Underwriter's DCR would drop below a 1.00 in year 2 with a return to a full reserve for replacement set aside from income, however, and would not achieve a 1.00 again until year 5 with full reserves set aside. A DCR of 1.15 would be achieved prior to year 15.

OPERATING PROFORMA ANALYSIS

Income:

The Applicant's potential rents were calculated by subtracting tenant paid utility allowances from the City of Dallas from 2008 program gross rent limits. The decrease in income since application is attributable to the fact that gross rent limits have not increased, while utility allowances have increased. In addition, the increase in the number of restricted units has also marginally decreased income. Estimated secondary income of $19,212 is in line with the Department's standard at approximately $10 per unit per month, and as such is considered reasonable, though less than originally anticipated. Vacancy losses are also within Department guidelines. The Applicant's effective gross income estimate is within 5% of the Underwriter's estimate.

Expense:

The Applicant's total operating expense estimate of $3,564 per unit is 7% lower than the Underwriter's estimate of $3,845 per unit derived from the TDHCA database, IREM data, and actual operations at the property.

As stated previously, the Applicant has entered into a fixed-rate pricing structure with TXU Energy to reduce utility costs. However, the Underwriter's analysis has already taken this utility savings into account by utilizing current actual expenses, which presumably reflect the reduction in utility expense as compared to the period of time before the expense reduction measures were taken.

Conclusion:

The Applicant's expenses and net operating income are not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 0.97, which is NOT within the Department's DCR guideline of 1.15 to 1.35.

The loan converted to the permanent phase in November 2006 and the loan amount has increased by $2,675,400 since application. Currently, the development is unable to support debt service on this loan and is relying on the investor limited partner to fund current operating deficits. According to the Applicant and investor limited partner, there are no current plans to resize the loan in order to allow the development to support a lower debt service amount.

Feasibility:

While the development is complete, it is considered infeasible based on the Department's 2008 Real Estate Analysis Rules and Guidelines because the development's DCR is below the Department's minimum of 1.15. The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio below a 1.00. The Underwriter's proforma indicates that the development would not reach a 1.00 DCR until year 5, and would not reach a DCR of 1.15 (the Department's minimum for feasibility) until year 13. Therefore, the development cannot be characterized as feasible for the long-term.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE

The Department has received the Cost Certification for this development, and as part of the Cost Certification documentation has received evidence of the final development costs, as certified by the development CPA. The Applicant's direct construction costs have increased by 39% from the Applicant's estimate at the time of application. However, because the development is a rehabilitation, the Underwriter utilized the Applicant's direct construction costs.

The 39% increase in direct construction costs also affected contractor fees, which increased by 28%. Developer fee, however, decreased by 11% since application. The final, certified costs indicate a 25% decrease in site work costs, a 27% decrease in indirect construction costs, a 418% increase in ineligible expenses, and a 486% increase in required reserves from the Applicant's estimates at application. According to the applicant, the increase in both ineligible expenses and reserves is a result of a change in financing structure to an FHA mortgage, for which HUD required larger escrows and reserves, and which increased financing costs due to a longer timeline to close on the loan.

Conclusion:

The Underwriter's cost schedule was derived from the Applicant's final costs presented in the Cost Certification documentation, as certified by the development CPA. The reduction in NRA has not affected the reasonableness of the Applicant's final, certified development costs. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, the Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. Eligible basis of $1,720,306 for acquisition and adjusted basis of $14,411,100 for rehabilitation supports annual tax credits of $1,257,871. This figure will be compared to the Board approved tax credits, the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES

Source: Red Capital Group   Type: **Permanent Financing**

Principal: $9,003,400   Interest Rate: 5.7%   [X] Fixed   Amort: 480 months

Comments:

The loan converted to the permanent phase in November 2006. The loan amount increased by $2,675,400 since application. Currently, the development is unable to support debt service on this loan and is relying on the investor limited partner to fund current operating deficits. According to the Applicant and investor limited partner, there are no current plans to resize the loan in order to allow the development to support a lower debt service amount.

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Source:	Operations Relief Center, Inc. (ORC) / City of Dallas HOME			Type:	**Permanent Financing**		
Principal:	$500,000	Interest Rate:	0.0%	[X] Fixed	Amort:	0	months

Comments:

The 100% owner of the development's general partner, Operation Relief Center, Inc. ("ORC") received a HOME loan from the City of Dallas, which ORC in turn loaned to the partnership at the terms indicated above. The loan is a cash flow loan, and as such has no associated debt service payment. The terms of the loan state that no payment of interest or principle is required prior to maturity in 2046. The Underwriter's recommended financing structure includes the amortization of the loan at 0% interest over 40 years.

Source:	ORC Loan / Chicago Federal Home Loan Bank			Type:	**Permanent Financing**		
Principal:	$0	Interest Rate:	0.0%	[X] Fixed	Amort:	0	months

Comments:

The 100% owner of the development's general partner, Operation Relief Center, Inc. ("ORC") received a loan from the Chicago Federal Home Loan Bank, which ORC in turn loaned to the partnership at the terms indicated above. The loan is a cash flow loan, and as such has no associated debt service payment. The terms of the loan state that no payment of interest or principle is required prior to maturity in 2046. The Underwriter's recommended financing structure includes the amortization of the loan at 0% interest over 40 years.

Source:	Wachovia			Type:	**Syndication**
Proceeds:	$9,680,659	Syndication Rate:	84%	Anticipated HTC:	

Comments:

The investor limited partner changed from Key Investment Fund Limited Partnership at application to Wachovia. Syndication proceeds increased by $325K as a result of an increase in the syndication rate from 81% at application to 84% at Cost Certification.

Amount:	$616,569	Type:	**Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio below the Department's minimum guideline of 1.15. Therefore, the Underwriter's recommended financing structure indicates that a decrease in the total permanent loan amount to $8,173,595 based on the terms reflected in the Cost Certification materials would be required to increase the development's DCR to the Department's minimum of 1.15. However, as previously stated, the Applicant has indicated that there are no current plans to resize the loan in order to increase DCR, and as a result the Underwriter's recommended financing structure utilizes the current total permanent loan amount of $10,003,400.

The Underwriter's total development cost estimate less the permanent loan of $10,003,400 indicates the need for $9,803,716 in gap funds, which could be filled by a tax credit allocation of $1,167,110 based on the submitted syndication terms. Using the Underwriter's recommended decreased total permanent loan amount of $8,173,595, a gap of $11,633,520 could be filled with a tax credit allocation of $1,384,944. Of the three possible tax credit allocations, Applicant's request / previously Board approved allocation ($1,153,613), the gap-driven amount based on the current loan amount ($1,167,110), and eligible basis-derived estimate ($1,257,871), the Applicant's request / previously Board approved allocation of $1,153,613 is recommended resulting in proceeds of $9,690,344 based on a syndication rate of 84%.

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The Underwriter's recommended financing structure using a decreased total permanent loan amount indicates the need for $1,943,176 in additional permanent funds. This amount exceeds 100% of developer fee, $1,673,627, and therefore, would leave a gap of $269,545 that is unable to be filled. However, because there are no current plans to resize the primary permanent loan, an examination of deferred developer fee based on current loan terms is appropriate. Using the existing total permanent loan amount of 10,003,400, additional permanent funds in the amount of $113,372 are needed. Deferred developer in this amount appear to be repayable from development cashflow within 11 years of stabilized operation.

The development does not currently meet the Department's 2008 Real Estate Analysis Rules and Guidelines because the development is operating below a 1.15 DCR; however, the operating plan suggests that a return to a financially feasible position is possible in the near future.

Underwriter:	Audrey Martin	Date:	August 25, 2008
Director of Real Estate Analysis:	Tom Gouris	Date:	August 25, 2008

COST CERTIFICATION COMPARATIVE ANALYSIS

Pegasus Villas, Dallas, HTC#3184
Reviewed by: Raquel Morales
Date: 5/5/2007

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	UW Net Rent	CC Net Rent	Rent per Month	Rent per SF	Tnt-Pd Util	Wtr, Swr, Trsh
TC60%	1	1	1	533	748	$671		$671	671	1.26	77.00	46.00
TC30%	4	1	1	543	373	$296		$296	1,184	0.55	77.00	46.00
TC40%	4	1	1	543	499	$422		$422	1,688	0.78	77.00	46.00
TC50%	2	1	1	543	623	$546		$546	1,092	1.01	77.00	46.00
TC60%	1	1	1	543	748	$671		$671	671	1.24	77.00	46.00
TC30%	9	1	1	549	373	$296		$296	2,664	0.54	77.00	46.00
TC40%	1	1	1	549	499	$422		$422	422	0.77	77.00	46.00
TC60%	1	1	1	549	748	$671		$671	671	1.22	77.00	46.00
TC30%	1	1	1	564	373	$296		$296	296	0.52	77.00	46.00
TC40%	1	1	1	564	499	$422		$422	422	0.75	77.00	46.00
TC50%	9	1	1	564	623	$546		$546	4,914	0.97	77.00	46.00
TC50%	1	1	1	571	623	$546		$546	546	0.96	77.00	46.00
TC50%	1	1	1	585	623	$546		$546	546	0.93	77.00	46.00
TC40%	2	1	1	588	499	$422		$422	844	0.72	77.00	46.00
TC50%	1	1	1	588	623	$546		$546	546	0.93	77.00	46.00
TC60%	19	1	1	588	748	$671		$671	12,749	1.14	77.00	46.00
MR	1	1	1	588		$825		$825	825	1.40	77.00	46.00
TC50%	1	1	1	625	623	$546		$546	546	0.87	77.00	46.00
TC60%	12	1	1	625	748	$671		$671	8,052	1.07	77.00	46.00
MR	10	1	1	625		$825		$825	8,250	1.32	77.00	46.00
TC60%	1	1	1	662	748	$671		$671	671	1.01	77.00	46.00
TC60%	1	1	1	667	748	$671		$671	671	1.01	77.00	46.00
TC60%	1	1	1	804	748	$671		$671	671	0.83	77.00	46.00
MR	2	1	1	804		$825		$825	1,650	1.03	77.00	46.00
TC30%	10	2	2	767	448	$352		$352	3,520	0.46	96.00	54.00
TC40%	1	2	2	767	599	$503		$503	503	0.66	96.00	54.00
TC50%	1	2	2	767	748	$652		$652	652	0.85	96.00	54.00
TC40%	1	2	2	855	599	$503		$503	503	0.59	96.00	54.00
TC50%	1	2	2	855	748	$652		$652	652	0.76	96.00	54.00
TC30%	1	2	2	873	448	$352		$352	352	0.40	96.00	54.00
TC50%	1	2	2	1,010	748	$652		$652	652	0.65	96.00	54.00
TC50%	1	2	2	1,049	748	$652		$652	652	0.62	96.00	54.00
TC50%	1	2	2	1,147	748	$652		$652	652	0.57	96.00	54.00
TC60%	1	2	2	1,147	898	$802		$802	802	0.70	96.00	54.00
TC30%	1	2	2	1,231	448	$352		$352	352	0.29	96.00	54.00
TC60%	1	2	2	1,231	898	$802		$802	802	0.65	96.00	54.00
MR	2	2	2	1,231		$1,099		$1,099	2,198	0.89	96.00	54.00
TC40%	3	2	2	1,313	599	$503		$503	1,509	0.38	96.00	54.00
TC50%	7	2	2	1,313	748	$652		$652	4,564	0.50	96.00	54.00
TC60%	24	2	2	1,313	898	$802		$802	19,248	0.61	96.00	54.00
MR	12	2	2	1,313		$1,099		$1,099	13,188	0.84	96.00	54.00
TOTAL:	156		AVERAGE:	853	$557	$654			$102,063	$0.77	$85.40	$49.54

INCOME	Total Net Rentable Sq Ft: 133,007			TDHCA-CC	TDHCA-UW	APPLICATION	COST CERT		Comptroller's Region	3
POTENTIAL GROSS RENT				$1,224,756	$1,254,060	$1,254,060	$1,224,756	1160220	IREM Region	Dallas
Secondary Income		Per Unit Per Month:	$10.26	19,212	28,080	28,080	19,212	$10.26	Per Unit Per Month	
Other Support Income: (describe)				0	20,000	21,624	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$1,243,968	$1,302,140	$1,303,764	$1,243,968			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(93,298)	(97,661)	(97,788)	(93,300)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0			0			
EFFECTIVE GROSS INCOME				$1,150,670	$1,204,479	$1,205,976	$1,150,668			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT					PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.84%	$357	0.42	$55,723	$53,133	$53,900	$42,293	$0.32	$271	3.66%
Management	4.00%	295	0.35	46,027	60,224	54,269	42,374	0.32	272	3.68%
Payroll & Payroll Tax	12.06%	889	1.04	138,737	138,528	120,713	126,825	0.95	813	11.02%
Repairs & Maintenance	5.70%	421	0.49	65,626	53,356	49,012	44,492	0.33	285	3.87%
Utilities	13.33%	983	1.15	153,368	53,196	49,561	190,204	1.43	1,219	16.53%
Water, Sewer, & Trash	2.65%	196	0.23	30,544	39,780	27,838	20,856	0.16	134	1.81%
Property Insurance	4.43%	327	0.38	50,977	27,099	28,750	33,252	0.25	213	2.89%
Property Tax Exempt	0.00%	0	0.00	0	139,643	164,287	0	0.00	0	0.00%
Reserve for Replacements	3.46%	255	0.30	39,780	46,800	46,800	39,780	0.30	255	3.46%
Other: compl fees	1.66%	122	0.14	19,089	0	0	15,864	0.12	102	1.38%
TOTAL EXPENSES	52.13%	$3,845	$4.51	$599,870	$611,759	$595,130	$555,940	$4.18	$3,564	48.31%
NET OPERATING INC	47.87%	$3,531	$4.14	$550,800	$592,720	$610,846	$594,728	$4.47	$3,812	51.69%
DEBT SERVICE										
Red Capital Group	49.52%	$3,653	$4.28	$569,793	$530,956	$531,000	$569,793	$4.28	$3,653	49.52%
Operations Relief Center, Inc. (ORC	0.00%	$0	$0.00	0				$0.00	$0	0.00%
ORC Loan / Chicago Federal Home	0.00%	$0	$0.00	0				$0.00	$0	0.00%
Additional Financing	0.00%	$0	$0.00	0				$0.00	$0	0.00%
NET CASH FLOW	-1.65%	($122)	($0.14)	($18,993)	$61,764	$79,846	$24,935	$0.19	$160	2.17%
AGGREGATE DEBT COVERAGE RATIO				0.97	1.12	1.15	1.04			
RECOMMENDED DEBT COVERAGE RATIO				0.93					-3%	3946.865

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA-CC	TDHCA-UW	APPLICATION	COST CERT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		14.68%	$18,641	$21.86	$2,908,000	$2,908,000	$3,000,000	$2,908,000	$21.86	$18,641	14.32%
Off-Sites		0.00%	0	0.00	0	27,000	27,000	0	0.00	0	0.00%
Sitework		2.65%	3,359	3.94	524,000	700,349	700,349	524,000	3.94	3,359	2.58%
Direct Construction		54.61%	69,339	81.33	10,816,945	7,788,097	7,788,097	10,816,945	81.33	69,339	53.28%
Contingency						655,772	655,772				
General Req'ts	5.61%	3.21%	4,079	4.78	636,251	509,306	509,306	636,251	4.78	4,079	3.13%
Contractor's G & A	1.99%	1.14%	1,447	1.70	225,784	169,768	169,768	225,784	1.70	1,447	1.11%
Contractor's Profit	5.68%	3.25%	4,132	4.85	644,522	509,306	509,306	644,522	4.85	4,132	3.17%
Indirect Construction		2.36%	2,997	3.51	467,499	548,360	638,360	467,499	3.51	2,997	2.30%
Ineligible Costs		3.98%	5,049	5.92	787,569	241,971	151,971	787,569	5.92	5,049	3.88%
Developer's G & A	0.00%	0.00%	0	0.00	0	501,773	501,773		0.00	0	0.00%
Developer's Profit	10.83%	8.45%	10,728	12.58	1,673,627	1,378,777	1,378,777	1,673,627	12.58	10,728	8.24%
Interim Financing		2.98%	3,785	4.44	590,535	604,857	604,857	590,535	4.44	3,785	2.91%
Reserves		2.69%	3,413	4.00	532,384	258,923	175,000	1,025,896	7.71	6,576	5.05%
TOTAL COST		100.00%	$126,969	$148.92	$19,807,116	$16,802,259	$16,810,336	$20,300,628	$152.63	$130,132	100.00%
Construction Cost Recap		*64.86%*	*$82,356*	*$96.59*	*$12,847,502*	*$10,332,598*	*$10,332,598*	*$12,847,502*	*$96.59*	*$82,356*	*63.29%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA-CC	TDHCA-UW	APPLICATION	COST CERT	RECOMMENDED	
Red Capital Group	45.46%	$57,714	$67.69	$9,003,400	$6,328,000	$6,328,000	$9,003,400	$9,003,400	Developer Fee Available
Operations Relief Center, Inc. (ORC	2.52%	$3,205	$3.76	500,000	350,000	350,000	500,000	500,000	$1,673,627
ORC Loan / Chicago Federal Home	2.52%	$3,205	$3.76	500,000	0	0	500,000	500,000	15-yr CCF
Syndication Proceeds - Wachovia	48.87%	$62,056	$72.78	9,680,659	9,355,628	9,355,628	9,680,659	9,690,344	% of Dev. Fee Deferred
Deferred Developer Fees	3.11%	$3,952	$4.64	616,569	776,708	776,708	616,569	113,372	7%
Additional (Excess) Funds Req'd	-2.49%	($3,164)	($3.71)	(493,512)	(8,077)	0	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$19,807,116	$16,802,259	$16,810,336	$20,300,628	$19,807,116	$476,005

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basi

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost				$0
Adjustments				
Exterior Wall Finish			$0.00	$0
Elderly/9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(2.24)	(297,958)
Floor Cover			2.22	295,276
Porches/Balconies	$20.33		0.00	0
Plumbing	$650		0.00	0
Built-In Appliances	$1,675	156	1.96	261,300
Stairs/Fireplaces			0.00	0
Enclosed Corridors	($9.92)		0.00	0
Heating/Cooling			1.73	230,102
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs			0.00	0
Other:			0.00	0
SUBTOTAL			3.67	488,742
Current Cost Multiplier	1.03		0.11	14,662
Local Multiplier			(3.67)	(483,712)
TOTAL DIRECT CONSTRUCTION COSTS			$0.11	$14,662
Plans, specs, survy, bld prm	3.90%		($0.09)	($572)
Interim Construction Interest	3.38%		(0.00)	(495)
Contractor's OH & Profit	11.50%		(0.01)	(1,686)
NET DIRECT CONSTRUCTION COSTS			$0.09	$11,909

PAYMENT COMPUTATION

Primary	$9,003,400	Amort	480
Int Rate	5.67%	DCR	0.97

Secondary	$500,000	Amort	
Int Rate	0.00%	Subtotal DCR	0.97

Additional	$500,000	Amort	
Int Rate	0.00%	Aggregate DCR	0.97

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$569,793
Secondary Debt Service	12,500
Additional Debt Service	12,500
NET CASH FLOW	($43,993)

Primary	$9,003,400	Amort	480
Int Rate	5.67%	DCR	0.97

Secondary	$500,000	Amort	480
Int Rate	0.00%	Subtotal DCR	0.95

Additional	$500,000	Amort	480
Int Rate	0.00%	Aggregate DCR	0.93

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,224,756	$1,261,499	$1,299,344	$1,338,324	$1,378,474	$1,598,029	$2,147,617	$2,886,218
Secondary Income	19,212	19,788	20,382	20,993	21,623	25,067	33,688	45,274
Other Support Income: (descri	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,243,968	1,281,287	1,319,726	1,359,317	1,400,097	1,623,096	2,181,305	2,931,492
Vacancy & Collection Loss	(93,298)	(96,097)	(98,979)	(101,949)	(105,007)	(121,732)	(163,598)	(219,862)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,150,670	$1,185,191	$1,220,746	$1,257,369	$1,295,090	$1,501,364	$2,017,708	$2,711,630
EXPENSES at 4.00%								
General & Administrative	$55,723	$57,951	$60,270	$62,680	$65,188	$79,311	$117,399	$173,779
Management	46,027	47,408	48,830	50,295	51,804	60,055	80,708	108,465
Payroll & Payroll Tax	138,737	144,287	150,058	156,061	162,303	197,466	292,299	432,673
Repairs & Maintenance	65,626	68,251	70,981	73,820	76,773	93,408	138,264	204,664
Utilities	153,358	159,503	165,883	172,516	179,419	218,290	323,123	478,301
Water, Sewer & Trash	30,544	31,766	33,036	34,358	35,732	43,474	64,352	95,256
Insurance	50,977	53,016	55,136	57,342	59,636	72,556	107,400	158,979
Property Tax	0	0	0	0	0	0	0	0
Reserve for Replacements	39,780	41,371	43,026	44,747	46,537	56,619	83,810	124,060
Other	19,089	19,853	20,647	21,473	22,331	27,170	40,218	59,532
TOTAL EXPENSES	$599,870	$623,405	$647,867	$673,293	$699,722	$848,346	$1,247,573	$1,835,710
NET OPERATING INCOME	$550,800	$561,786	$572,879	$584,075	$595,368	$653,017	$770,135	$875,920
DEBT SERVICE								
First Lien Financing	$569,793	$569,793	$569,793	$569,793	$569,793	$569,793	$569,793	$569,793
Second Lien	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Other Financing	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
NET CASH FLOW	($43,993)	($33,007)	($21,914)	($10,718)	$575	$58,224	$175,342	$281,127
DEBT COVERAGE RATIO	0.93	0.94	0.96	0.98	1.00	1.10	1.29	1.47

COST CERTIFICATION ANALYSIS -Date: 5/5/2007

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) .Acquisition Cost						
Purchase of land	$1,355,757	$1,355,757				
Purchase of buildings	$1,552,243	$1,552,243	$1,552,243	$1,552,243		
(2) Rehabilitation/New Construction Cost						
On-site work	$524,000	$524,000			$524,000	$524,000
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	$10,816,945	$10,816,945			$10,816,945	$10,816,945
(4) Contractor Fees & General Requirements						
Contractor overhead	$225,784	$225,784			$225,784	$225,784
Contractor profit	$644,522	$644,522			$644,522	$644,522
General requirements	$636,251	$636,251			$636,251	$636,251
(5) Contingencies						
(6) Eligible Indirect Fees	$467,499	$467,499			$467,499	$467,499
(7) Eligible Financing Fees	$590,535	$590,535			$590,535	$590,535
(8) All Ineligible Costs	$787,569	$787,569				
(9) Developer Fees						
Developer overhead						
Developer fee	$1,673,627	$1,673,627	$168,063	$168,063	$1,505,564	$1,505,564
(10) Development Reserves	$1,025,896	$532,384				
TOTAL DEVELOPMENT COSTS	$20,300,628	$19,807,116	$1,720,306	$1,720,306	$15,411,100	$15,411,100

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis					$1,000,000	$1,000,000
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			$1,720,306	$1,720,306	$14,411,100	$14,411,100
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			$1,720,306	$1,720,306	$18,734,430	$18,734,430
Applicable Fraction			80%	80%	79.95%	79.95%
TOTAL QUALIFIED BASIS			$1,375,435	$1,375,435	$14,978,727	$14,978,727
Applicable Percentage			3.46%	3.46%	8.08%	8.08%
TOTAL AMOUNT OF TAX CREDITS			$47,590	$47,590	$1,210,281	$1,210,281
Syndication Proceeds		0.8400	$399,756	$399,756	$10,166,356	$10,166,356
Total Tax Credits (Eligible Basis Method)					$1,257,871	$1,257,871
Syndication Proceeds					$10,566,112	$10,566,112
Approved Tax Credits					$1,153,613	
Syndication Proceeds					$9,690,344	
Cost Certification Request					$1,153,613	
Syndication Proceeds					$9,690,344	
Gap of Syndication Proceeds Needed					$10,297,228	$9,803,716
Total Tax Credits (Gap Method)					$1,225,861	$1,167,110
Reconciled Tax Credits					$1,153,613	
Syndication Proceeds					$9,690,344	

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

DATE: June 16, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03184

DEVELOPMENT NAME

The Pegasus

APPLICANT

Name:	Pegasus Villas, Ltd.		**Type:**	For Profit			
Address:	1675 Fort Worth Highway		**City:**	Weatherford		**State:**	Texas
Zip:	76086 **Contact:**	Glenn Lynch	**Phone:**	(817) 341-1378	**Fax:**	(817) 341-1391	

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Pegasus Stemmons Development, Inc.	**(%):**	50.50	**Title:**	Managing General Partner
Name:	GLC Stemmons Development, Inc.	**(%):**	49.50	**Title:**	Co-General Partner
Name:	Operation Relief Center, Inc.	**(%):**	N/A	**Title:**	100% Owner Of MGP
Name:	Sherman Roberts	**(%):**	N/A	**Title:**	President of Operation Relief Center

PROPERTY LOCATION

Location:	7200 North Stemmon Freeway		☒ QCT	☐ DDA	
City:	Dallas	**County:**	Dallas	**Zip:**	75247

REQUEST

Amount	**Interest Rate**	**Amortization**	**Term**
$1,156,172	N/A	N/A	15 years

Other Requested Terms: Annual ten-year allocation of low-income housing tax credits

Proposed Use of Funds: New Construction **Property Type:** Multifamily

Set-Aside(s): ☒ General ☐ Rural ☐ TX RD ☐ Non-Profit ☒ Elderly ☐ At Risk

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $1,153,613 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of verification by the City of Dallas as to the terms of the HOME program forgivable loan and its associated use restrictions;
2. Receipt, review, and acceptance of a plan of abatement for the asbestos, lead and mold in the building by a qualified professional and implemented in accordance with appropriate local state and federal regulations;
3. Should the terms or rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: File

From: Audrey Martin, Real Estate Analysis

cc: Ben Sheppard, Multifamily Finance

Date: August 15, 2008

Re: Amendment Request for Pegasus Villas, #03184

I have reviewed the request made in a letter dated July 14, 2008 in which the owner is asking for approval of the following:

- An increase in the number of housing tax credit units from 124 to 129. The number of market rate units will decrease by 5 units, from 32 to 27, and no change will be made to the total number of units.
- A reduction in the net rentable area ("NRA") in the development from 142,628 to 133,077, a 7% decrease.

The Applicant asserts that the reason for the increase in the number of rent-restricted units is to allow the development to have a higher applicable fraction, which allows the Applicant access to all of the tax credits originally allocated to the development. According to the Applicant, the increased applicable fraction will also prevent adjusters under the Limited Partnership Agreement that will reduce equity to the development.

The net rentable area of the development decreased by 7% between application and the completion of the development. The average square footage of 1 bedroom units decreased from 655 to 608, a 7% decrease, and the average square footage of 2 bedroom units decreased from 1,069 to 1,031 square feet, a 4% decrease. The Applicant asserts that the reason for the decrease in the NRA and average unit sizes is the difference in the methodology used to calculate NRA at application, as compared to the methodology required by HUD in conjunction with the FHA-insured mortgage.

The requested changes do not affect the amount of the tax credit allocation. Currently, the underwriting for the development is not complete, and is pending the receipt of additional information from the Applicant. Currently, the development appears to have issues with feasibility, but the investor limited partner is providing additional information to explain the mitigating factors in place to address these issues.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report Addendum

REPORT DATE: 08/18/08 PROGRAM: 4% LIHTC FILE NUMBER: **04432**

DEVELOPMENT

Mariposa at Hunter Road (fka Willow Springs Senior Residences)

Location: 2600 Hunter Road Region: 7

City: San Marcos County: Hays Zip: 78666 ☐ QCT ☐ DDA

Key Attributes:

ALLOCATION

	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$442,104			**$442,104**		

* The original tax credit award amount was $482,804.

RECOMMENDATION

Staff has evaluated the financial viability of the requested amendment. Based on the revised information provided, the transaction would meet the Department's 2008 Real Estate Analysis Rules and Guidelines if approved. If the Board chooses to approve the amendment, the Underwriter recommends a total allocation of $442,104. The development has satisfied all previous conditions and is currently completing the Cost Certification process.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	182

PROS

- The development is complete and is currently providing safe, decent, affordable housing to low-income Texans.
- The tenants will benefit from having management and maintenance employees living in the development.

CONS

- The acquisition is an identity of interest.

ADDENDUM

The subject development was originally underwritten and approved for an award of 4% Housing Tax Credits in 2004. In a letter to the Department dated September 10, 2007, the Owner has requested to amend the application as follows:

This section intentionally left blank.

• Approval of a revised site plan, which includes an increase in the number of one-bedroom units from 111 to 113, and a corresponding increase in total units from 180 to 182.
• Approval for the substitution of 30-year architectural roofing and R-15 Walls/R-30 Ceilings for self-cleaning ovens and microwaves.
• Approval for the installation of one fireplace in the community building instead of two.
• Approval for a reduction in the number of parking spaces from 180 uncovered parking spaces and 103 carport spaces to 135 uncovered parking spaces and 105 carport spaces.
• Approval for the addition of 3 employee occupied units.

In July of 2006 the Owner submitted an amendment request addressing the changes to the site plan and unit mix identified during the mid-development construction inspection conducted by the Department. However, the request was not fully processed, and in September of 2007, the Owner submitted a revised request addressing issues identified during the final construction inspection conducted by the Department. The Underwriter requested additional information of the Owner in order to evaluate the requested amendment. The Owner responded with the required information on March 31, 2008 via submission of the development's final Cost Certification. Therefore, this analysis will address the changes made to the development as built and reflected in the Cost Certification documentation submitted.

According to the Owner the site plan was reconfigured to make the property more appealing to the tenants. The number of one-bedroom units increased from 111 to 113, and this increased the total number of units at the development from 180 to 182. The reconfiguration of the site plan also resulted in slight changes to the unit sizes. The size of the one-bedroom units increased from 709 sq. ft. to 714 sq. ft., while the size of the two-bedroom units decreased from 1,050 sq. ft. to 999 sq. ft. The net rentable square footage decreased from 151,149 sq. ft. to 149,613 sq. ft. or 1%.

The Owner's amendment request also states two of the one-bedroom units are designated as management units, but after further communication, it was discovered that three of the one-bedroom units are used for employees. It should be noted that when the transaction was underwritten and approved in 2004 there were no employee units identified. The Underwriter confirmed with the Owner that no rents are being collected for these units. The Owner indicated two of the units are exempt units and these units will be permanent employee-occupied units. The third employee-occupied unit is a low-income qualified unit occupied by the supportive services employee. The Owner was not certain this unit would be available for lease in the near future.

In addition to the unit mix change, the following amenities committed to in the application were not provided: self-cleaning ovens, microwaves, and two fireplaces. The Owner indicated the microwave ovens and self-cleaning ovens were selected in the Unit Amenities and Quality section in the Development Certification, which should not have been completed since it applies to 9% LIHTC applications and not to the 4% Bond applications. Nevertheless, the Owner offers 30-year architectural roofing and R-15 Walls/R-30 Ceilings as substitutes. The number of fireplaces is also being addressed as the Owner stated that two fireplaces were inadvertently selected in the Activity Overview section of the application when only one fireplace was intended as reflected in the architectural plans submitted at application.

Finally, the number of parking spaces has changed from that proposed and approved due to the modification of the site plan, causing a reduction in the number of parking spaces on the site. Originally, the application indicated 180 uncovered parking spaces and 103 carport spaces, but the development was built with 135 uncovered parking spaces and 105 carport spaces. The Owner received approval for this variance from the City as evidenced by the Certificate of Occupancy.

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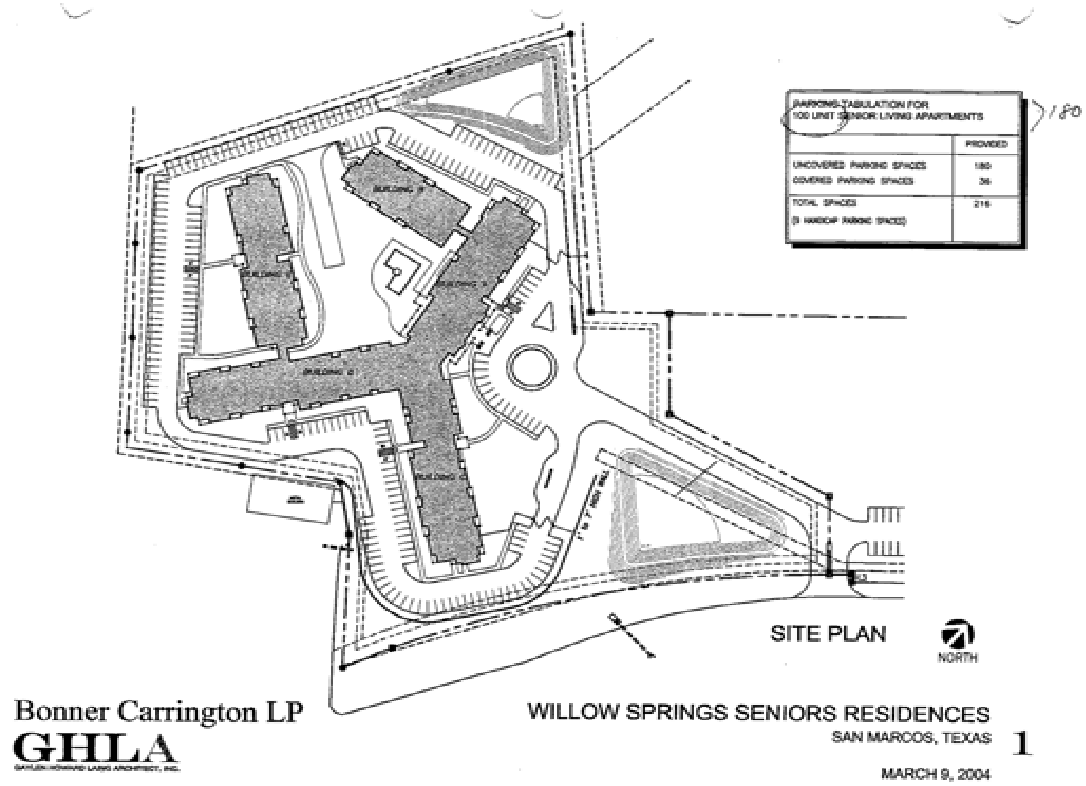
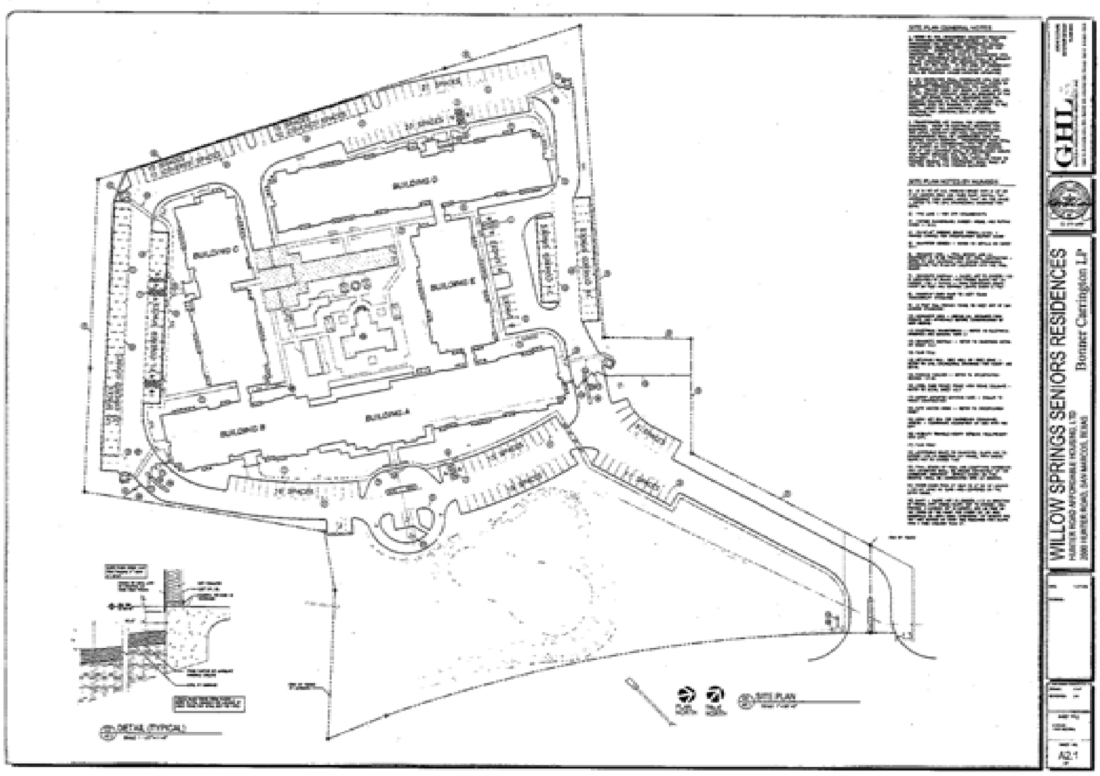
SITE PLAN
ORIGINAL SITE PLAN



AS-BUILT SITE PLAN



ORIGINAL BUILDING CONFIGURATION

Building Type	A	B	C	D	E						Total Buildings
Floors/Stories	3	3	3	3	3						
Number	1	1	1	1	1						**5**

BR/BA	SF	Units										Total Units	Total SF
1/1	709	26	18	27	19	21						111	78,699
2/2	1,050	11	8	12	30	8						69	72,450
												0	0
Units per Building		37	26	39	49	29						**180**	**151,149**

AS-BUILT BUILDING CONFIGURATION

Building Type	A	B	C	D	E						Total Buildings
Floors/Stories	3	3	3	3	3						
Number	1	1	1	1	1						**5**

BR/BA	SF	Units										Total Units	Total SF
1/1	714	28	21	20	26	18						113	80,682
2/2	999	11	8	30	12	8						69	68,931
												0	0
Units per Building		39	29	50	38	26						**182**	**149,613**

OPERATING PROFORMA ANALYSIS

Income:

The Owner's rent projections as reflected in the Cost Certification are significantly lower than the maximum HTC rents and the market rents concluded in the original market study. The Underwriter used the 2008 HTC rents for purposes of this analysis, resulting in a potential gross income that is $89,133 greater than the Owner's projection. Of note, the Owner's actual rents collected according to a February 2008 rent roll reflects average rents of $628 and $789 for the one and two-bedroom units, respectively. This would result in a difference in potential income of $73K compared to the Owner's projected rental income.

The Owner's estimate of vacancy and collection loss rate of 7.5% is consistent with TDHCA's standards. Overall the Owner's effective gross income is not within 5% of the Underwriter's estimate.

Expense:

The Owner's estimate of $3,443 per unit in operating expenses is less than 1% greater than the Underwriter's $3,415 per-unit estimate. The particular line items that deviate significantly from the Underwriter's estimate are payroll and payroll tax ($72K or 38% higher) and repairs and maintenance ($25K or 28% lower). The Underwriter has confirmed via the Hays County Appraisal District website that the property is 100% tax exempt since it is owned by the Housing Authority of the City of San Marcos.

Despite differences between the Owner's and Underwriter's revised expense estimates, the Owner's total expenses are within 5% of the Underwriter's estimates, and both the Owner's and Underwriter's expense to income ratios are below 45%, which is well below the Department's 65% limit.

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Conclusion:

The Owner's estimates of expenses are within 5% of the Underwriter's estimate, however the Owner's projection of effective gross income and net operating income are more than 5% different than the Underwriter's projection. Therefore, the Underwriter's year one proforma is used to determine the development's debt capacity. Based on the final financing structure reflected in the Cost Certification the resulting DCR of 1.29 falls within the Department's guidelines.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current Department guidelines. As noted above, the Underwriter’s base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's 15 year minimum. Therefore, the development can be characterized as feasible for the long term.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE

Stuart Shaw, a principal of the Owner and of the developer, originally acquired the site through the Stuart Shaw Family Partnership, Ltd. on January 31, 2002 for $334,576.70 plus closing costs. At cost certification, the Owner indicated the land transaction was structured with a ground lease so the property could obtain a tax exemption. The Ground Lease submitted as part of the cost certification documentation identifies the Housing Authority of the City of San Marcos as the landlord and Hunter Road Affordable Housing, Ltd. as the tenant. Additionally, the Ground Lease requires pre-payment of annual rent for the first ten years of the lease term, which amounts to $1,034,500. The Owner utilized this payment and $72,157 in closing costs as the acquisition cost. It must be noted that the Housing Authority of the City of San Marcos is related to a member of the development team. The Underwriter requested from the Owner an explanation of the transactions that took place for the acquisition of the land, but no additional information was provided.

Due to the fact that the transaction is considered an identity of interest acquisition, the acquisition value utilized in the Underwriter's analysis consists of the original acquisition price of the land of $334,576.70 plus closing costs, plus property tax and interest expenses for two years for a total acquisition cost of $385,184. This amount is consistent with the value utilized by the Underwriter when the transaction was initially underwritten.

While the Owner's final direct construction costs have increased by 10% from the Owner's estimate at the time of application, the Owner's final total development costs have decreased by $29K or less than 1%. The Owner's direct construction costs are within 5% of the Underwriter’s current construction cost estimate updated using current Marshall and Swift cost estimates and the revised development plans. The amenities that were omitted and substituted in the amendment request did not impact the Underwriter's underwriting since Marshall & Swift does not provide adjustments for these items. Therefore, the changes in amenities did not impact the credit allocation.

Conclusion:

The Owner's final total development cost, adjusted for the difference in acquisition cost, is within 5% of the Underwriter's estimate; therefore, the Owner's final costs will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $12,777,573 supports annual tax credits of $442,104. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds, adjusted for the difference in acquisition cost, to determine the final credit allocation.

FINANCING STRUCTURE

Issuer: Capital Area Housing Finance Corporation

Source: Wells Fargo Bank, N.A. Type: **Interim to Permanent Bond Financing**

Tax-Exempt: $10,895,000 Interest Rate: Variable ☐ Fixed Amort: 360 months

Comments:

The construction and permanent lender changed from Newman Capital at application to Wells Fargo. The loan amount increased by $30,000 from original underwriting and the interest rate decreased from an underwritten rate of 6.75% to BMA plus 2.35%, which is underwritten at 4.59% as of 8/5/08. The amortization period decreased from 40 years to 30 years.

The loan has not yet converted to the permanent phase. The Applicant expects conversion will occur during the end of the first quarter of 2009.

Source: Capmark Capital, Inc. Type: **Syndication**

Proceeds: $3,613,131 Syndication Rate: 82% Anticipated HTC: $ 436,192

Comments:

The original syndication commitment from Paramount Financial Group provided syndication proceeds of $3,481,084 at a rate of 80 cents per credit dollar. The new commitment from Capmark Capital provides an effective increase in the syndication rate to 82 cents per credit dollar and an increase in proceeds of $132,047.

Amount: $1,646,270 Type: **Deferred Developer Fees**

Amount: $170,448 Type: **Interest Income**

The Underwriter has included this source of funds with the deferred developer fees.

Amount: $187,483 Type: **263A Interest**

Amount: $7,443 Type: **GP Capital Contribution**

The Underwriter has included this source of funds with the deferred developer fees.

CONCLUSIONS

Recommended Financing Structure:

The owner's total development cost, adjusted for the difference between the Underwriter's and Owner's acquisition cost, less the permanent loan of $10,985,000 indicates the need for $4,903,302 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $599,792 annually would be required to fill this gap in financing. Of the four possible tax credit allocations: previously approved credit amount ($482,804), the Owner's request ($442,104), the gap-driven amount ($599,792), and eligible basis-derived estimate ($442,104), the Owner's requested credits of $442,104 is recommended resulting in proceeds of $3,614,201 based on a syndication rate of 82%.

The Underwriter's recommended financing structure indicates the need for $1,101,618 in additional permanent funds. Deferred developer fee in this amount appears to be repayable from development cashflow within 5 years of stabilized operations.

Underwriter:	*Rosalio Banuelos*	Date:	August 18, 2008
Reviewing Underwriter:	*Raquel Morales*	Date:	August 18, 2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	August 18, 2008

COST CERTIFICATION COMPARATIVE ANALYSIS

Mariposa at Hunter Road, San Marcos, HTC#04432

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	UW Net Rent	CC Net Rent	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 60%	110	1	1	714	$800	$708	$710	$708	$77,892	$0.99	$91.89	$65.81
EO	3	1	1	714		0		$0	0	0.00	91.89	65.81
TC 60%	69	2	2	999	$960	858	$898	$858	59,201	0.86	102.02	65.81
TOTAL:	182		**AVERAGE:**	822		$753			$137,093	$0.92	$95.73	$65.81

INCOME	Total Net Rentable Sq Ft:	149,613	TDHCA	TDHCA-UW	APPLICATION	COST CERT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT			$1,645,113	$1,689,264	$1,483,380	$1,555,980	Hays	Austin	7
Secondary Income	Per Unit Per Month:	$15.00	32,760	32,400	45,996	39,204	$17.95	Per Unit Per Month	
Other Support Income:			0	0	0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME			$1,677,873	$1,721,664	$1,529,376	$1,595,184			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(125,840)	(129,125)	(115,860)	(119,640)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions		-4.14%	(69,528)	0	0	(69,528)	-4.36%	of Potential Gross Income	
EFFECTIVE GROSS INCOME			$1,482,504	$1,592,539	$1,413,516	$1,406,016			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	TDHCA-UW	APPLICATION	COST CERT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.07%	$413	0.50	$75,223	$68,727	$40,600	$79,098	$0.53	$435	5.63%
Management		5.00%	407	0.50	74,125	79,627	57,100	42,181	0.28	232	3.00%
Payroll & Payroll Tax		12.70%	1,035	1.26	188,330	161,804	135,400	260,565	1.74	1,432	18.53%
Repairs & Maintenance		5.90%	481	0.58	87,487	66,282	58,200	62,798	0.42	345	4.47%
Utilities		3.15%	256	0.31	46,631	44,644	38,700	42,929	0.29	236	3.05%
Water, Sewer, & Trash		4.77%	389	0.47	70,780	74,453	65,000	70,842	0.47	389	5.04%
Property Insurance		2.56%	209	0.25	37,972	37,787	45,000	27,216	0.18	150	1.94%
Property Tax	Exempt	0.00%	0	0.00	0	0	0	0	0.00	0	0.00%
Reserve for Replacements		2.46%	200	0.24	36,400	36,000	36,000	36,400	0.24	200	2.59%
TDHCA Compliance Fees		0.31%	25	0.03	4,550	10,000	10,000	4,550	0.03	25	0.32%
Other:		0.00%	0	0.00	0			0	0.00	0	0.00%
TOTAL EXPENSES		41.92%	$3,415	$4.15	$621,498	$579,324	$486,000	$626,579	$4.19	$3,443	44.56%
NET OPERATING INC		58.08%	$4,731	$5.75	$861,006	$1,013,215	$927,516	$779,437	$5.21	$4,283	55.44%
DEBT SERVICE											
Wells Fargo Bank, N.A.		45.16%	$3,678	$4.47	$669,450	$786,657	$790,000	$677,853	$4.53	$3,724	48.21%
Interest Income		0.00%	$0	$0.00	0	0	0	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	0	0	$0.00	$0	0.00%
NET CASH FLOW		12.92%	$1,053	$1.28	$191,556	$226,558	$137,516	$101,584	$0.68	$558	7.22%
AGGREGATE DEBT COVERAGE RATIO					1.29	1.29	1.17	1.15			
RECOMMENDED DEBT COVERAGE RATIO					1.29						

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	TDHCA-UW	APPLICATION	COST CERT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		2.44%	$2,116	$2.57	$385,184	$385,184	$1,125,000	$1,106,657	$7.40	6080.532967	6.70%
Off-Sites		0.00%	0	0.00	0	0	0	0	0.00	0	0.00%
Sitework		7.04%	6,120	7.45	1,113,899	1,350,000	1,776,022	1,113,899	7.45	6,120	6.74%
Direct Construction		46.84%	40,710	49.52	7,409,303	7,475,703	6,618,978	7,298,384	48.78	40,101	44.18%
Contingency	0.00%	0.00%	0	0.00	0	419,750	419,750	0	0.00	0	0.00%
Contractor's Fees	13.11%	7.07%	6,140	7.47	1,117,532	1,201,142	1,250,300	1,117,532	7.47	6,140	6.76%
Indirect Construction		5.09%	4,423	5.38	804,935	897,350	897,350	804,935	5.38	4,423	4.87%
Ineligible Costs		11.98%	10,409	12.66	1,894,388	1,263,443	1,263,443	1,894,388	12.66	10,409	11.47%
Developer's Fees	14.85%	10.59%	9,201	11.19	1,674,642	1,785,179	1,785,179	1,674,642	11.19	9,201	10.14%
Interim Financing		5.24%	4,558	5.54	829,528	938,794	938,794	829,528	5.54	4,558	5.02%
Reserves		3.72%	3,230	3.93	587,937	473,952	473,952	679,810	4.54	3,735	4.12%
TOTAL COST		100.00%	$86,909	$105.72	$15,817,348	$16,190,497	$16,548,768	$16,519,775	$110.42	$90,768	100.00%
Construction Cost Recap		*60.95%*	***$52,971***	***$64.44***	***$9,640,734***	***$10,446,595***	***$10,065,050***	***$9,529,815***	***$63.70***	***$52,362***	*57.69%*

SOURCES OF FUNDS	%	PER UNIT	PER SQ FT	TDHCA	TDHCA-UW	APPLICATION	COST CERT	RECOMMENDED	
Wells Fargo Bank, N.A.	68.88%	$59,863	$72.82	$10,895,000	$10,865,000	$10,865,000	$10,895,000	$10,895,000	Developer Fee Available
Interest Income	1.08%	$937	$1.14	170,448	0	0	170,448		$1,674,642
263A Interest	1.19%	$1,030	$1.25	187,483	0	0	187,483	187,483	
GP Capital Contribution	0.05%	$41	$0.05	7,443	0	0	7,443		
HTC Syndication Proceeds	22.84%	$19,852	$24.15	3,613,131	3,481,084	3,481,084	3,613,131	3,614,201	% of Dev. Fee Deferred
Deferred Developer Fees	10.41%	$9,045	$11.00	1,646,270	410,857	410,857	1,646,270	1,101,618	66%
Additional (Excess) Funds Req'd	-4.44%	($3,859)	($4.69)	(702,427)	1,433,556	1,791,827	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$15,817,348	$16,190,497	$16,548,768	$16,519,775	$15,798,302	$5,081,486

Mariposa at Hunter Road, San Marcos, HTC#04432

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$40.82	$6,106,491
Adjustments				
Exterior Wall Finish	1.30%		$0.53	$79,384
Elderly	3.00%		1.22	183,195
9-Ft. Ceilings	3.00%		1.22	183,195
Roofing			0.00	0
Subfloor			(0.82)	(123,181)
Floor Cover			2.43	363,560
Breezeways/Balconies	$15.84	15,611	1.65	247,226
Plumbing Fixtures	$805	9	0.05	7,245
Rough-ins	$400	364	0.97	145,600
Built-In Appliances	$1,850	182	2.25	336,700
Exterior Stairs	$1,800	16	0.19	28,800
Elevators	$52,750	4	1.41	211,000
Heating/Cooling			1.90	284,265
Garages/Carports	$10.15	21,000	1.42	213,150
Comm &/or Aux Bldgs	$40.82	53,248	14.53	2,173,330
Other: fire sprinkler	$1.95	149,613	1.95	291,745
SUBTOTAL			71.73	10,731,705
Current Cost Multiplier	0.98		(1.43)	(214,634)
Local Multiplier	0.87		(9.32)	(1,395,122)
TOTAL DIRECT CONSTRUCTION COSTS			$60.97	$9,121,949
Plans, specs, survy, bld prm	3.90%		($2.38)	($355,756)
Interim Construction Interes	3.38%		(2.06)	(307,866)
Contractor's OH & Profit	11.50%		(7.01)	(1,049,024)
NET DIRECT CONSTRUCTION COSTS			$49.52	$7,409,303

PAYMENT COMPUTATION

Primary	$10,895,000	Amort	360
Int Rate	4.59%	DCR	1.29

Secondary	$170,448	Amort	
Int Rate		Subtotal DCR	1.29

Additional	$3,613,131	Amort	
Int Rate		Aggregate DCR	1.29

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$669,450
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$191,556

Primary	$10,895,000	Amort	360
Int Rate	4.59%	DCR	1.29

Secondary	$170,448	Amort	0
Int Rate	0.00%	Subtotal DCR	1.29

Additional	$3,613,131	Amort	0
Int Rate	0.00%	Aggregate DCR	1.29

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,645,113	$1,694,466	$1,745,300	$1,797,659	$1,851,589	$2,146,499	$2,488,380	$2,884,715	$3,876,816
Secondary Income	32,760	33,743	34,755	35,798	36,872	42,744	49,552	57,445	77,201
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,677,873	1,728,209	1,780,055	1,833,457	1,888,460	2,189,243	2,537,933	2,942,160	3,954,017
Vacancy & Collection Loss	(125,840)	(129,616)	(133,504)	(137,509)	(141,635)	(164,193)	(190,345)	(220,662)	(296,551)
Employee or Other Non-Rental	(69,528)	(71,614)	(73,762)	(75,975)	(78,254)	(90,718)	(105,167)	(121,918)	(163,847)
EFFECTIVE GROSS INCOME	$1,482,504	$1,526,979	$1,572,789	$1,619,972	$1,668,572	$1,934,332	$2,242,421	$2,599,580	$3,493,618
EXPENSES at 4.00%									
General & Administrative	$75,223	$78,232	$81,361	$84,616	$88,000	$107,066	$130,262	$158,484	$234,595
Management	74,125	76,349	78,639	80,999	83,429	96,717	112,121	129,979	174,681
Payroll & Payroll Tax	188,330	195,863	203,698	211,845	220,319	268,052	326,126	396,783	587,335
Repairs & Maintenance	87,487	90,986	94,626	98,411	102,347	124,521	151,499	184,321	272,840
Utilities	46,631	48,496	50,436	52,453	54,552	66,370	80,750	98,244	145,425
Water, Sewer & Trash	70,780	73,611	76,556	79,618	82,803	100,742	122,568	149,123	220,739
Insurance	37,972	39,491	41,071	42,714	44,422	54,047	65,756	80,002	118,423
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	36,400	37,856	39,370	40,945	42,583	51,809	63,033	76,689	113,519
Other	4,550	4,732	4,921	5,118	5,323	6,476	7,879	9,586	14,190
TOTAL EXPENSES	$621,498	$645,617	$670,678	$696,719	$723,778	$875,799	$1,059,994	$1,283,212	$1,881,747
NET OPERATING INCOME	$861,006	$881,362	$902,110	$923,253	$944,794	$1,058,532	$1,182,426	$1,316,368	$1,611,871
DEBT SERVICE									
First Lien Financing	$669,450	$669,450	$669,450	$669,450	$669,450	$669,450	$669,450	$669,450	$669,450
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$191,556	$211,912	$232,660	$253,803	$275,344	$389,082	$512,976	$646,918	$942,421
DEBT COVERAGE RATIO	1.29	1.32	1.35	1.38	1.41	1.58	1.77	1.97	2.41

HTC ALLOCATION ANALYSIS -Mariposa at Hunter Road, San Marcos, HTC#04432				
CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$1,106,657	$385,184		
Purchase of buildings				
Off-Site Improvements				
Sitework	$1,113,899	$1,113,899	$1,113,899	$1,113,899
Construction Hard Costs	$7,298,384	$7,409,303	$7,298,384	$7,409,303
Contractor Fees	$1,117,532	$1,117,532	$1,117,532	$1,117,532
Contingencies				
Eligible Indirect Fees	$804,935	$804,935	$804,935	$804,935
Eligible Financing Fees	$829,528	$829,528	$829,528	$829,528
All Ineligible Costs	$1,894,388	$1,894,388		
Developer Fees			$1,674,642	
Developer Fees	$1,674,642	$1,674,642		$1,674,642
Development Reserves	$679,810	$587,937		
TOTAL DEVELOPMENT COSTS	$16,519,775	$15,817,348	$12,838,920	$12,949,839

Deduct from Basis:			
Commercial Space		$61,347	$61,347
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$12,777,573	$12,888,492
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$12,777,573	$12,888,492
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$12,777,573	$12,888,492
Applicable Percentage		3.46%	3.46%
TOTAL AMOUNT OF TAX CREDITS		$442,104	$445,942
Syndication Proceeds	**0.817500092**	**$3,614,201**	**$3,645,575**
Total Tax Credits (Eligible Basis Method)		**$442,104**	**$445,942**
Syndication Proceeds		**$3,614,201**	**$3,645,575**
Previously Approved Tax Credits		**$482,804**	
Syndication Proceeds		**$3,946,923**	
Cost Certification Request		**$442,104**	
Syndication Proceeds		**$3,614,201**	
Gap of Syndication Proceeds Needed		**$4,903,302**	
Total Tax Credits (Gap Method)		**$599,792**	
Reconciled Tax Credits		**$442,104**	
Syndication Proceeds		**$3,614,201**	

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

DATE: July 15, 2004 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 04432

DEVELOPMENT NAME

Willow Springs Senior Residences

APPLICANT

Name:	Hunter Road Affordable Housing, Ltd.			**Type:**	For Profit		
Address:	1201 Thorpe Street			**City:**	San Marcos	**State:**	TX
Zip:	78666	**Contact:**	Albert Sierra	**Phone:**	(512) 353-5058	**Fax:**	(512) 392-7458

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	SMRC Willow Springs, LLC	**(%):**	.0051	**Title:**	Managing General Partner
Name:	SMRC FPGP Inc.	**(%):**	.0049	**Title:**	Co-General Partner
Name:	Hunter Road Development, LLC	**(%):**	.0051	**Title:**	Special Limited Partner
Name:	SSFP Willow Springs III, LP	**(%):**	.0049	**Title:**	Special Limited Partner
Name:	Housing Authority of the City of San Marcos	**(%):**	N/A	**Title:**	Sole owner of SMRC Willow Springs and SMRC FPGP
Name:	Stuart Shaw	**(%):**		**Title:**	Sole owner of SSFP Willow Springs III
Name:	PFG Holding Corp. (A subsidiary of GMAC Commercial Holding Corp.)	**(%):**	N/A	**Title:**	Sole owner of Hunter Road Development, LLC

PROPERTY LOCATION

Location:	2600 Block of Hunter Road	☐ **QCT**		☐ **DDA**	
City:	San Marcos	**County:**	Hays	**Zip:**	78666

REQUEST

Amount	Interest Rate	Amortization	Term
$485,866	N/A	N/A	N/A

Other Requested Terms: Annual ten-year allocation of low-income housing tax credits

Proposed Use of Funds: New Construction **Property Type:** Multifamily

RECOMMENDATION

NOT RECOMMENDED DUE TO THE FOLLOWING:

☒

- Significant outstanding site and cost changes and the new market study were not provided 60 days prior to the Board meeting (10TAC§50.12(b)
- The original of record market study and revisions could not support less than 100% inclusive capture rate (10TAC§1.32 (g)(2)

CONDITIONS

SHOULD THE BOARD APPROVE A DETERMINATION LETTER FOR THIS DEVELOPMENT, THE BOARD MUST WAIVE ITS RULES FOR THE ISSUES LISTED ABOVE. ANY SUCH

DETERMINATION OF CREDITS SHOULD NOT EXCEED $482,804 AND SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

1. Receipt, review, and acceptance prior to the issuance of a determination notice of the Architect's revised unit matrix and detailed square footage breakdown typically found on the architectural plans prior to execution of a determination letter;
2. Receipt, review, and acceptance prior to the issuance of a determination notice of a) a detailed statement from the prior seller of the property, Tetco, Inc. as to their purpose in originally acquiring the site, and their use of the land since their initial ownership, and b) a supplement from the ESA provider reviewing Tetco, Inc.'s statement and assessing its implications with respect to the ESA's findings within 90 days of any Board approval;
3. Receipt, review, and acceptance at the time of cost certification that the water well has been closed in accordance with applicable regulations prior to cost certification
4. Receipt, review, and acceptance of a third party detailed site work cost breakdown for all sitework costs, including costs per unit of materials and numbers of units required certified by an architect or engineer familiar with the sitework costs of this proposed project, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis prior to the issuance of a determination notice;
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 180 **# Rental Buildings** 5 **# Common Area Bldgs** 1 **# of Floors** 3 **Age:** N/A yrs **Vacant:** N/A at / /

Net Rentable SF: 151,149 **Av Un SF:** 841 **Common Area SF:** 51,379 **Gross Bldg SF:** 204,628

STRUCTURAL MATERIALS

The structure will have a wood frame on a concrete slab on grade. According to the plans provided in the application the exterior will be comprised as 65% stucco veneer and 35% stone or cement fiber siding. The interior wall surfaces will be painted or papered drywall. The pitched roof will be finished with asphalt composite shingles.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & linoleum. Each unit will include a range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, ceiling fans, 9 foot ceilings fiberglass tub/shower, washer & dryer connections, and laminated counter tops.

ON-SITE AMENITIES

Community areas of 6,082 square feet will include an activity room, a t.v. room, a living room, management offices, fitness & laundry facilities, a kitchen, restrooms, and a barber shop/beauty salon. A swimming pool will also be planned for the development.

Uncovered Parking: 180 spaces **Carports:** 103 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The Willow Springs Senior Residences is a dense (20 units per acre) new development of 180 units of affordable housing located in southwest San Marcos. The development is comprised of five large, connected, elevator-served, low-rise residential buildings as follows:

- 1 building of Type A with 26 one-bedroom/one-bath units, and 11 two-bedroom/two-bath units;
- 1 building of Type B with 18one-bedroom/one-bath units, and 8 two-bedroom/two-bath units;
- 1 building of Type C with 27 one-bedroom/one-bath units, and 12 two-bedroom/two-bath units;

- 1 building of Type D with 19 one-bedroom/one-bath units, and 30 two-bedroom/two-bath units; and
- 1 building of Type E with 21 one-bedroom/one-bath units, and 8 two-bedroom/two-bath units.

Revised architectural plans submitted to the Department on July 12, 2004 reflect 180 units as compared to the plans provided as part of the application which indicated that there are 182 units in the development. The revised plans do no provide a full unit/square footage breakdown on a building by building basis and the Applicant only incdicated in a later sent with the revised plans that they have increased area in the 2/2 units to 1,000-1,050 SF. The 2/2 units were originally listed at 946 square feet. The architectural plans provided reflect total building square footage which is significantly greater than previously indicated and if all of the 2/2 units are 1,050 square feet and the 1/1 units have not changed size would reflect common areas and corridors square footage representing 34% of the net rentable square footage. This is an exceptionally large percentage even for a senior's development and needs further investigation given the lack of specificity in the revised plans. Receipt, review, and acceptance prior to the issuance of a determination notice of the Architect's revised unit matrix and detailed square footage breakdown typically found on the architectural plans is therefore a condition of this report.

Architectural Review: Each of the units appears well arranged with an adequate amount of space in each of the rooms and work areas.

Supportive Services: The Applicant has indicated that supportive services will include transportation, recreational activities, and health seminars.

Schedule: The Applicant anticipates construction to begin in August of 2004 and to be completed in August of 2005. The development should be placed in service in May of 2005 and substantially leased-up in August of 2006.

SITE ISSUES

SITE DESCRIPTION

Size:	9.057	acres	394,522	square feet	**Zoning/ Permitted Uses:** Multifamily
Flood Zone Designation:	Zone X		**Status of Off-Sites:**	Partially Improved	

SITE and NEIGHBORHOOD CHARACTERISTICS

Location San Marcos is located in south central Texas, approximately 35 miles south from Austin in Hays County. The site is an irregularly-shaped parcel located in the southwest area of the San Marcos, approximately 2.5 miles from the central business district. The site is situated on the west side of Hunter Road.

Adjacent Land Uses:

- **North:** Doris Miller Junior High School
- **South:** Retail and office center
- **East:** Restaurants, mobile homes, and vacant land across Hunter Road
- **West:** Single family residential

Site Access: The development is to have one main entrance, one from the west from Hunter Road. Access to Interstate Highway 35 is approximately one mile east, which provides connections to all other major roads serving the San Marcos area.

Public Transportation: Public transportation to the area is provided by the San Marcos Transit Authority. The location of the nearest bus stop is approximately 0.9 of a mile from the site.

Shopping & Services: The site is approximately within two miles of major grocery stores, pharmacies, shopping centers, libraries, post offices, restaurants, schools, and health care facilities.

Site Inspection Findings: TDHCA staff performed a site inspection on March 29, 2004 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated April 7, 2004, 2003 and prepared by HBC/Terracon did not identify any recognized environmental conditions. The environmental professional identified a water well associated with a historic homestead which formerly stood on the site, and recommended that the well be plugged in accordance with applicable regulations. Receipt, review, and acceptance at the time of cost certification that the water well has been closed in accordance with applicable regulations is a condition of approval.

The report, however, does not conform to ASTM and TDHCA's guidelines by not having reviewed all reasonably attainable standard historical sources and not having conducted any interviews of owners or occupants of the property. The Underwriter noted that the prior seller of the property was Tetco, Inc. According to Hoover's Online (www.hoover's.com), "Tetco is a Texas-based retailer of gasoline. Tetco was founded by Tom E. Turner (hence the "Tetco" brand), and operates a statewide network of more than 300 stations. In addition, the company owns bulk chemical transporter Mission Petroleum Carriers and V.K. Knowlton Paving Contractors." Because of the prior seller's business in the petrochemical industry, a discussion of the prior seller's activities on the property is warranted, but is not present within the ESA report. Receipt, review, and acceptance prior to the issuance of a determination notice of a) a detailed statement from the prior seller of the property, Tetco, Inc. as to their purpose in originally acquiring the site, and their use of the land since their initial ownership, and b) a supplement from the ESA provider reviewing Tetco, Inc.'s statement and assessing its implications with respect to the ESA's findings is a condition of this report.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, and as a Priority 1 private activity bond lottery development the Applicant has elected the 100% at 60% option. All of the units (100% of the total) will be reserved for low-income, elderly tenants.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$29,880	$34,140	$38,400	$42,660	$46,080	$49,500

MARKET HIGHLIGHTS

A market feasibility study dated April 9, 2004 was prepared by Capitol Market Research, Inc. ("Market Analyst") and an addendum letter was provided on June 2, 2004 highlighted the following findings:

Definition of Primary Market Area (PMA): "The Willow Springs Market Area is defined as the Austin MSA" (p. 57). This area encompasses approximately 4,300 square miles and is equivalent to a circle with a radius of 37 miles.

Population: The estimated population of senior households in 2003 was 211,350 and is expected to increase by 7.6% annually to approximately 291,785 by 2008. Within the primary market area there were estimated to be 126,557 senior households in 2003.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 698 income qualified, senior households who would be interested in senior specific housing for independent living, based on the current estimate of 47,582 income qualified senior households, a projected annual growth rate of 4% for this demographic profile, 4.8% of this population being interested in seniors rental housing for independent living, and an annual renter turnover rate of 24.6%. (pp. 51-55). The Market Analyst used an income band of $0 to $38,400.The Market Analyst provided no documentation that households with no income (or even income below the 50% AMI level) could afford to live at the development.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		**Underwriter**	
Type of Demand	**Units of Demand**	**% of Total Demand**	**Units of Demand**	**% of Total Demand**
Household Growth	105	12%	179	19%

Resident Turnover	805	88%	743	81%
TOTAL ANNUAL DEMAND	**910**	**100%**	**922**	**100%**

Ref: p. 55

Inclusive Capture Rate: The Market Analyst provided a revised inclusive capture rate of 95.71% based upon 910 units of demand and 871 unstabilized affordable housing in the PMA (including the subject) (p. 55). The Underwriter calculated an inclusive capture rate of 108% based upon a revised supply of unstabilized comparable affordable units of 999 units. The Market Analyst excluded Heatherwilde Park in Pflugerville which has recently reached 90% occupancy but has not been at that level for a full 12 months as prescribed in 10TAC§1.32(g)(2) Including these units in the Market Analyst's inclusive capture rate calculation results in an unacceptable capture rate of 110%.

These capture rate calculations do not include the nearby Stone Brook Seniors (a 1999 private activity bond transaction) which according to the owner developer has struggled for three years to reach stabilized occupancy for its 280 units. The Underwriter has independently confirmed that by year end 2002 the property had exceeded 90% occupancy. The Underwriter's inclusive capture rate also does not include La Vista, a 1997 9% HTC transaction with 201 units dedicated to seniors but originally targeting seniors with hearing impairments. Due to the exceptionally targeted population of La Vista it is known to have struggled to lease-up and/or maintain occupancy. While La Vista should have stabilized several years ago it is uncertain if it ever did so in accordance with the departments requirements for exclusion in the inclusive capture rate calculation

Market Rent Comparables: The Market Analyst surveyed four comparable apartment projects totaling 429 units in the market area (p. 39).

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Est. Market**	**Differential**
1-Bedroom (60%)	$635	$751	-$116	$732	-$97
2-Bedroom (60%)	$770	$898	-$128	$985	-$215

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =$500, program max =$600, differential = -$100)

Primary Market Occupancy Rates: "The area wide seniors housing market surveyed for this report is currently reporting a 96.7% stabilized occupancy and many projects have a long waiting list." (p. 19).

Known Planned Development: "According to a survey conducted by Capitol Markets Research, there are four (4) other private new independent living communities under construction in the Austin area; one being built in partnership with the City of Austin and with a "202" HUD grant, one being built by the Travis County Housing Authority, one 9% LIHTC project and another tax credit project under construction in Cedar Park.. The City of Austin Housing Authority has no plans for building additional units, and while it is possible that additional properties may be submitted through the TDHCA tax credit application process, there are only three known applications (including the subject) currently on file. In addition, there are four other sites where an independent seniors project is under construction and two projects that were completed in 2003" (pp. 57-58).

Other Relevant Information: Subsequent to the submission of the original application, and after the Underwriter reviewed the addendum to the original market study and still had concerns regarding the inclusive capture rate, the Applicant submitted a second Market Study dated June 28, 2004 from O'Conner and Associates analyzing the potential market from a slightly different perspective. Commenting on the previous market study, O'Conner & Associates noted that the market area examined in the first analysis was much larger in population than TDHCA's guidelines suggest as appropriate, and that the method of determining potential demand was based on a survey of people who might be interested in independent seniors rental housing, rather than quantifying the total number of qualified households within the region, which resulted in an estimate of demand which was much more conservative than might typically be produced by a market analysis performed under TDHCA's guidelines. The O'Conner market study examines a potential primary market area surrounding San Marcos which includes an area extending from the southern limits of Austin to the northern outskirts of San Antonio, and includes the cities of Wimberly, Kyle, Lockhart, New Braunfels, and Seguin.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	**Units of Demand**	**% of Total Demand**	**Units of Demand**	**% of Total Demand**
Household Growth	53	7%	204	22%
Resident Turnover	596	84%	725	78%
Other: Pent up demand	65	9%		
TOTAL ANNUAL DEMAND	**713**	**100%**	**929**	**100%**

The Market Analyst calculated a total demand of 713 income qualified, senior households based on the current estimate of 85,843 households, a projected annual growth rate of 3.4% for this demographic profile, 20% of the population qualifying in age, 21% qualifying by income, 33% of the population renting and an annual renter turnover rate of 60%. The Market Analyst used an income band of $21,771 to $38,400. The Underwriter did identify an error within the Market Analysts mathematical calculations which would result in a higher total number of 929 units of demand. The Market Analyst calculated an inclusive capture rate of 67% based upon 713 units of demand and 481 unstabilized affordable housing in the PMA (including the subject). The Underwriter calculated an inclusive capture rate of 48% based upon a revised supply of unstabilized comparable affordable units of 441 units, and a revised demand of 929 units. The Market analyst included Green Oaks, a 100 unit proposed 2004 9% transaction that would not have priority over this subject transaction but excluded 60 units at Eden Place in Seguin, a 2001 9% HTC which is, according to the Executive Director of the Housing Authority struggling to maintain occupancy but according to the O'Connor market study is 100% occupied.

Independently of the two market analyses provided with the application, the Underwriter was able to locate publicly available data from HUD and the U.S. Census Bureau identifying households by age, income, and ownership status for the Austin MSA and Hays County. With this information, the Underwriter inferred that there would be approximately 2,093 units of demand within the Austin MSA, and 213 units of demand within Hays County.

The O'Connor market study also appropriately provides two sets of comparable rents, an unrestricted set, which suggest market comparable rents of $710 and $950 respectively, but provides restricted comparable rents of $635 and $770 (equal to the Applicant's original rent projections). The fact that the unrestricted market rents are roughly equal to the maximums allowable tax credit rents of $751 and $898 but the restricted units are renting for far less than the maximum level suggests the level of supply at restricted rents may be greater than the demand at the 60% income level. In fact the restricted rent level conclusions reflect that demand meets supply at the 52% income level.

Conclusions: The original market study of record and its revisions could not support an inclusive capture rate less than 100% (10TAC§1.32 (g)(2)). The subsequent study, while otherwise acceptable, was provided less than 60 days prior to the Board meeting (10TAC§50.12(b)) and therefore requires a waiver by the Board of this rule to be accepted. With a Board waiver the second study provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are significantly lower than the maximum rents allowed under HTC program guidelines and the potential market rents indicated by both market studies. In fact the rents proposed equate to the 52% AMI level. The Underwriter used the lesser of maximum HTC rents or revised market rents, resulting in a potential gross income $256,740 greater than the Applicant's projection. Conversely, the Applicant overstated secondary income and provided insufficient additional substantiation for their estimate. The Applicant's use of a vacancy and collection loss rate of 7.5% is consistent with TDHCA's standards. As a result of these differences the Applicant's effective gross income estimate is $211,038 less than the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of $2,670 per unit is approximately 16% less than the Underwriter's database-derived estimate of $3,218 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative ($28K lower), management fees ($23K lower), and payroll ($27K lower). The San Marcos Housing Authority's (SMHA's) effective ownership of the transaction for the purpose of furthering its public purposes will provide the property with a 100% property tax exemption.

Conclusion: The Applicant's estimated income and total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income (NOI) estimate is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30. It should be noted that if the maximum tax credit rents can be achieved an additional $55K in income could be achieved and the DCR would significantly exceed the Department's 1.30 guideline.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 9.057 acres	$1,050,000	**Date of Valuation:**	01/ 26/ 2004
Appraiser: Paul Hornsby & company	**City:** Austin	**Phone:**	(512) 477-6311

APPRAISAL ANALYSIS/CONCLUSIONS

An appraisal, provided by the purchaser, was performed by Paul Hornsby & Company and dated January 26, 2004. The appraisal reviewed five comparable land sales since 2001 ranging in price from $1.95 per s.f. to $2.69 per s.f. After adjustments for differences, the appraiser concluded with a value of $2.65 per s.f. for the subject property resulting in a total value of $1,050,000.

ASSESSED VALUE

Land: 9.057 acres	$591,780	**Assessment for the Year of:**	2003
Building:	N/A	**Valuation by:**	Hays County Appraisal District
Total Assessed Value:	$591,780	**Tax Rate:**	$2.5171

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Repurchase Agreement, Assignment of Sellers Interest in Repurchase Agreement		
Contract Expiration Date:	08/ 06/ 2004	**Anticipated Closing Date:**	08/ 06/ 2004
Acquisition Cost:	$950,000	**Other Terms/Conditions:**	i) plus interest of 12% until closing ii) plus the sum of holding costs
Seller:	Hunter Road Affordable Housing, Ltd. (to be formed)	**Related to Development Team Member:**	Yes

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: Stuart Shaw, a principal of the Applicant and of the Developer, originally acquired the site through the Stuart Shaw Family Partnership, Ltd. on January 31, 2002 for $334,576.70 plus closing costs. The Stuart Shaw Family Partnership entered into a Repurchase Agreement with Hunter Road Development, LLC, a principal of the Applicant and the Developer, and a subsidiary of GMAC, on January 30, 2004. The Repurchase Agreement which was submitted as documentation of site control alludes to the sale of the property to Hunter Road Development, LLC having already occurred for an unknown price, and defines the terms of an option for the Stuart Shaw Family Partnership, LLC to repurchase the property for $950,000 plus 12% interest during the term of the contract, plus any holding costs of taxes and insurance. This repurchase price is the basis of the Applicant's projected acquisition costs of $1,050,000. The Applicant provided a letter from their attorney, Barry Palmer at Coats Rose dated July 9, 2004 which confirms that "The Department has properly concluded that the acquisition of the Project will be an identity of interest acquisition; however the Department is improperly treating the acquisition by the Family Partnership as the original acquisition determining the site cost. The Department's position completely ignores the intervening sale of the site to the LLC by the Family Partnership which was carried out as an arm's length transaction between unrelated entities." The Letter also confirms that the sale price between from the Family Partnership to the LLC occurred at a price of $950,000 and that the repurchase agreement was executed by the Family Partnership to retain site control. The Texas Bond Review Board has previously required that the applicant in the 4% private activity bond lottery have site control and remain in place through closing of the bonds. The Applicant has left unexplained why the sale and immediate agreement to repurchase the property was conducted but claims that it is an arm's length transaction and is supported by the appraised value. The Department's identity of interest regulation at 10TAC section 1.32(e)(1)(B) indicates that the parties with the identity of interest in the transfer of a property would include the Applicant, Developer, Housing Consultant, or general contractor or affiliates or beneficial owners of same. In this case Mr. Shaw as the Principal of the Family Trust and the LLC are both partners in the Applicant and their sale and resale to each other constitute two identity of interest transfers but with same result of one; allowing a profit on the sale of the land to potentially escape from the transaction. The Underwriter included the original acquisition price of the land of $334,567.70 plus closing costs, plus property tax and interest expenses for two years for a total acquisition cost of $385,184. This equates to an acquisition cost of $0.98/SF, $42,529/acre, or $2,116/unit. Should the Applicant's total cost be used to evaluate the credit amount the sources of recommended funds will be reduced by the difference in the Underwriter and Applicant's acquisition cost.

Sitework Cost: The Applicant originally claimed sitework costs of $6,639 per unit which would have been considered reasonable compared to historical sitework costs for multifamily projects. On July 12, 2004 the Applicant submitted a new development cost budget which reflected an overall increase in costs of 12%. The Applicant's revised site work cost rose to $9,867 per unit which far exceeds the Department's guideline for sitework costs. Moreover, the Applicant claimed these additional sitework costs without providing any explanation for their significant increase though explanations for 13 other direct construction cost changes were provided. In the absence of any such substantiation, the Underwriter lowered the TDHCA sitework costs to $7.5K per unit for the purpose of evaluating the project's total construction budget. A third party detailed cost estimate certified by an architect or engineer familiar with the sitework costs of this proposed project is required as a condition of his report, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis.

Direct Construction Cost: The Applicant's original direct construction cost estimate were $47K or 1% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and were regarded as reasonable as submitted. The Applicant subsequently submitted significantly revised plans and a revised cost breakdown less than 60 days prior to the Board meeting date in violation of 10TAC§50.12(b). Staff did evaluate the new plans and found them to be wanting in specificity to corroborate the unit sizes and corridor and common areas. However based on the total building square footage, staff was able to make an estimate of the revised cost and found they may have indeed increased by 16% or more. The Applicant's revised direct costs are now 11% lower than the Underwriter's revised costs.

Interim Financing Fees: The Underwriter originally reduced the Applicant's eligible interim financing fees by $227K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. However this reduction was taken care of by the Applicant in the revised cost breakdown.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are set at the maximums allowed by TDHCA guidelines, however the Applicant included another $75K of other fees in this section and, therefore, the Underwriter adjusted the Applicant's eligible basis by an equal amount.

Conclusion: The Applicant's total development costs identified to the Department increased by $1,791,827 or 12%. Due to the offsetting nature of the Applicant's overstatement of land and sitework cost and potential understatement of direct construction costs the Applicant's total development cost is now within 5% of the Underwriter's costs. Therefore, the Applicant's revised cost estimate is used to calculate eligible basis and determine the HTC allocation. As a result an eligible basis of $13,600,123 (or over $2M more than originally anticipated) is used to determine a credit allocation of $482,804 from this method. This is more than the $410,144 originally requested but should the Board waive the 60-day rule for the market study they should also do so for the tardy cost breakdown and credit request. The resulting syndication proceeds will be used to compare to the gap of need using the Underwriter's costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM TO PERMANENT BOND FINANCING

Source: Newman Capital **Contact:** Jerry Wright

Tax-Exempt Amount: $10,865,000 **Interest Rate:** 6.75%

Additional Information:

Amortization: 40 yrs **Term:** 32 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

Annual Payment: $786,657 **Lien Priority:** 1st **Commitment Date** 03/ 04/ 2004

TAX CREDIT SYNDICATION

Source: Paramount Financial Group **Contact:** Dale E. Cook

Address: 4009 Columbus Road, SW **City:** Granville

State: Ohio **Zip:** 43023 **Phone:** (830) 997-6960 **Fax:** (830) 997-5939

Net Proceeds: $3,481,084 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 80¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 03/ 05/ 2004

Additional Information: Based on an applicable percentage of 3.65%.

APPLICANT EQUITY

Amount: $410,857 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by the Capital Area Housing Finance Corporation pursuant to a reservation of private activity cap in the amount of $12,000,000, and will be purchased by Newman Capital. Should the terms of the loan change prior to closing, the corresponding annual debt service ought to be no less than $775,743 in order to comply with the requirement of a maximum DCR of 1.30. This minimum debt service is strictly for TDHCA's analysis determining the amount of eligible annual tax credits. The actual choice of whether to increase debt or to defer a portion of the Developer's fee would be up to the Applicant and lender.

HTC Syndication: The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The Applicant has subsequently provided a revised credit amount and it is anticipated that since the development partner is an affiliate of the syndicator the same rate can be achieved for the additional credits, however, receipt review and acceptance of same is a condition of this report.

Deferred Developer's Fees: The Applicant's originally proposed deferred developer's fees of $410,857 amount to 27% of the total fees originally anticipated. The Applicants revised estimate includes $1,791,827 in deferred fees or 100% of total developer fees claimed. When the excess land profit resulting form the identity of interest transfer is removed the true deferral of fees is reduced to $1,081,587.

Financing Conclusions: Based on the Applicant's revised budget the development is eligible for credits not to exceed $482,084. Syndication proceeds from this amount equate to $3,862,435. The Underwriter estimates that deferred developer fees of $1,081,587, exclusive of the higher land value transfer will be required to fund the gap of need. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis additional Developer's fee may be deferred to fund such excesses.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, Property Manager and Supportive Services firm are all related entities. These are common relationships for HTC-funded developments. The PFG Holdings Corp., the Co-developer and Paramount Financial Group, the tax credit syndicator are related entities which are both subsidiaries of GMAC. Two of the principals of the applicant also have an identity of interest in the sale and resale of the property but the effect of this on the credit allocation was mitigated in the discussion of acquisition costs above.

APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The Housing Authority of the City of San Marcos, the principal of the General Partner, submitted an audited financial statement as of September 30, 2002 reporting total assets of $11,235,852 and consisting of $2,558,974 in cash and other current assets, $8,468,011 in land, buildings, furniture and equipment, and $208,867 in other assets. Liabilities totaled $1,322,947, resulting in a net worth of $9,912,905.
- GMAC Commercial Holding Corp., the Co-developer and Special Limited Partner through its subsidiary PFG Holdings, Corp., submitted audited financial statements for the year ending December 31, 2002, showing total assets of $11,994,520,000, comprised of $12,325,000 in cash, $236,137,000 in short term investments, $536,776,000 in accounts and other receivables, $1,762,566,000 in investment securities, $6,632,000 in mortgage loans held for sale, $1,040,024,000 in mortgage loans held for investment, $337,487,000 in real estate investments, $402,117,000 in equity investments, $410,066,000 in mortgage servicing rights, $494,973,000 in other assets, and $129,783,000 in goodwill. Total liabilities of $10,878,058,000 result in shareholders' equity of $1,116,462,000.
- Stuart Shaw, the principals of one of the Co-developers, submitted an unaudited financial statements as of March 5, 2004 and is anticipated to be a guarantor of the development.

Background & Experience:

- PFG Holdings, Corp., through its subsidiary, Protech Development I, LLC, has completed one affordable development of 261 units in Texas since 2001, and 11 other developments totaling 1,158 units in other states throughout the country since 1999.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated income, operating expenses, and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- Significant inconsistencies in the application could affect the financial feasibility of the development.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.
- The seller of the property has an identity of interest with the Applicant.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Stephen Apple*	**Date:**	July 15, 2004
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	July 15, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Willow Springs Senior Residences, San Marcos, HTC #04432

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC60%	111	1	1	709	$800	$710	$78,810	$1.00	$48.68	$58.01
TC60%	69	2	2	1,050	960	898	61,962	0.86	62.26	77.49
TOTAL:	180		AVERAGE:	840	$861	$782	$140,772	$0.93	$53.89	$65.48

INCOME	Total Net Rentable Sq Ft:	151,149	TDHCA	APPLICANT		Comptroller's Region	7
POTENTIAL GROSS RENT			$1,689,264	$1,483,380		IREM Region	Austin
Secondary Income	Per Unit Per Month:	$15.00	32,400	45,996	$21.29	Per Unit Per Month	
Other Support Income			0	0			
POTENTIAL GROSS INCOME			$1,721,664	$1,529,376			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(129,125)	(115,860)	-7.58%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME			$1,592,539	$1,413,516			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.32%	$382	0.45	$68,727	$40,600	$0.27	$226	2.87%
Management		5.00%	442	0.53	79,627	57,100	0.38	317	4.04%
Payroll & Payroll Tax		10.16%	899	1.07	161,804	135,400	0.90	752	9.58%
Repairs & Maintenance		4.16%	368	0.44	66,282	58,200	0.39	323	4.12%
Utilities		2.80%	248	0.30	44,644	38,700	0.26	215	2.74%
Water, Sewer, & Trash		4.68%	414	0.49	74,453	65,000	0.43	361	4.60%
Property Insurance		2.37%	210	0.25	37,787	45,000	0.30	250	3.18%
Property Tax	2.5171	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements		2.26%	200	0.24	36,000	36,000	0.24	200	2.55%
Services, Compliance		0.63%	56	0.07	10,000	10,000	0.07	56	0.71%
TOTAL EXPENSES		36.38%	$3,218	$3.83	$579,325	$486,000	$3.22	$2,700	34.38%
NET OPERATING INC		63.62%	$5,629	$6.70	$1,013,215	$927,516	$6.14	$5,153	65.62%
DEBT SERVICE									
First Lien Mortgage		49.40%	$4,370	$5.20	$786,657	$790,000	$5.23	$4,389	55.89%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		14.23%	$1,259	$1.50	$226,558	$137,516	$0.91	$764	9.73%
AGGREGATE DEBT COVERAGE RATIO					1.29	1.17			
RECOMMENDED DEBT COVERAGE RATIO					1.29				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		2.38%	$2,140	$2.55	$385,184	$1,125,000	$7.44	$6,250	6.80%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.34%	7,500	8.93	1,350,000	1,776,022	11.75	9,867	10.73%
Direct Construction		46.17%	41,532	49.46	7,475,703	6,618,978	43.79	36,772	40.00%
Contingency	4.76%	2.59%	2,332	2.78	419,750	419,750	2.78	2,332	2.54%
General Req'ts	6.00%	3.27%	2,942	3.50	529,542	578,700	3.83	3,215	3.50%
Contractor's G & A	1.90%	1.04%	933	1.11	167,900	167,900	1.11	933	1.01%
Contractor's Profit	5.71%	3.11%	2,798	3.33	503,700	503,700	3.33	2,798	3.04%
Indirect Construction		5.54%	4,985	5.94	897,350	897,350	5.94	4,985	5.42%
Ineligible Costs		7.80%	7,019	8.36	1,263,443	1,263,443	8.36	7,019	7.63%
Developer's G & A	3.26%	2.47%	2,222	2.65	400,000	400,000	2.65	2,222	2.42%
Developer's Profit	11.28%	8.56%	7,695	9.16	1,385,179	1,385,179	9.16	7,695	8.37%
Interim Financing		5.80%	5,216	6.21	938,794	938,794	6.21	5,216	5.67%
Reserves		2.93%	2,633	3.14	473,952	473,952	3.14	2,633	2.86%
TOTAL COST		100.00%	$89,947	$107.12	$16,190,497	$16,548,768	$109.49	$91,938	100.00%
Recap-Hard Construction Costs		*64.52%*	***$58,037***	**$69.11**	***$10,446,595***	***$10,065,050***	**$66.59**	***$55,917***	*60.82%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	67.11%	$60,361	$71.88	$10,865,000	$10,865,000	$10,865,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0	$1,785,179
HTC Syndication Proceeds	21.50%	$19,339	$23.03	3,481,084	3,481,084	3,862,435	% of Dev. Fee Deferred
Deferred Developer Fees	2.54%	$2,283	$2.72	410,857	410,857	1,081,517	61%
Additional (excess) Funds Required	8.85%	$7,964	$9.48	1,433,556	1,791,827	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$16,190,497	$16,548,768	$15,808,952	$6,193,097.15

MULTIFAMILY COMPARATIVE ANALYSIS(continued)

Willow Springs Senior Residences, San Marcos, HTC #04432

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$42.10	$6,362,803
Adjustments				
Exterior Wall Finish	1.40%		$0.59	$89,079
9-Ft. Ceilings	3.00%		1.26	190,884
Roofing			0.00	0
Subfloor			(0.68)	(102,277)
Floor Cover			2.00	302,298
Porches/Balconies	$12.82	15611	1.32	200,081
Plumbing	$605	207	0.83	125,235
Built-In Appliances	$1,650	180	1.96	297,000
Stairs	$1,475	16	0.16	23,600
Floor Insulation			0.00	0
Heating/Cooling			1.53	231,258
Garages/Carports	$8.18	20,600	1.11	168,508
Comm area hallways	$42.10	51,379	14.31	2,162,862
Elevators	$43,750.00	4	1.16	175,000
SUBTOTAL			67.66	10,226,331
Current Cost Multiplier	1.03		2.03	306,790
Local Multiplier	0.87		(8.80)	(1,329,423)
TOTAL DIRECT CONSTRUCTION COSTS			$60.89	$9,203,697
Plans, specs, survy, bld prm	3.90%		($2.37)	($358,944)
Interim Construction Interest	3.38%		(2.06)	(310,625)
Contractor's OH & Profit	11.50%		(7.00)	(1,058,425)
NET DIRECT CONSTRUCTION COSTS			$49.46	$7,475,703

PAYMENT COMPUTATION

Primary	$10,865,000	Amort	480
Int Rate	6.75%	DCR	1.29

Secondary	$0	Amort	
Int Rate	0.00%	Subtotal DCR	1.29

Additional	$3,481,084	Amort	
Int Rate		Aggregate DCR	1.29

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$786,657
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$226,558

Primary	$10,865,000	Amort	480
Int Rate	6.75%	DCR	1.29

Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.29

Additional	$3,481,084	Amort	0
Int Rate	0.00%	Aggregate DCR	1.29

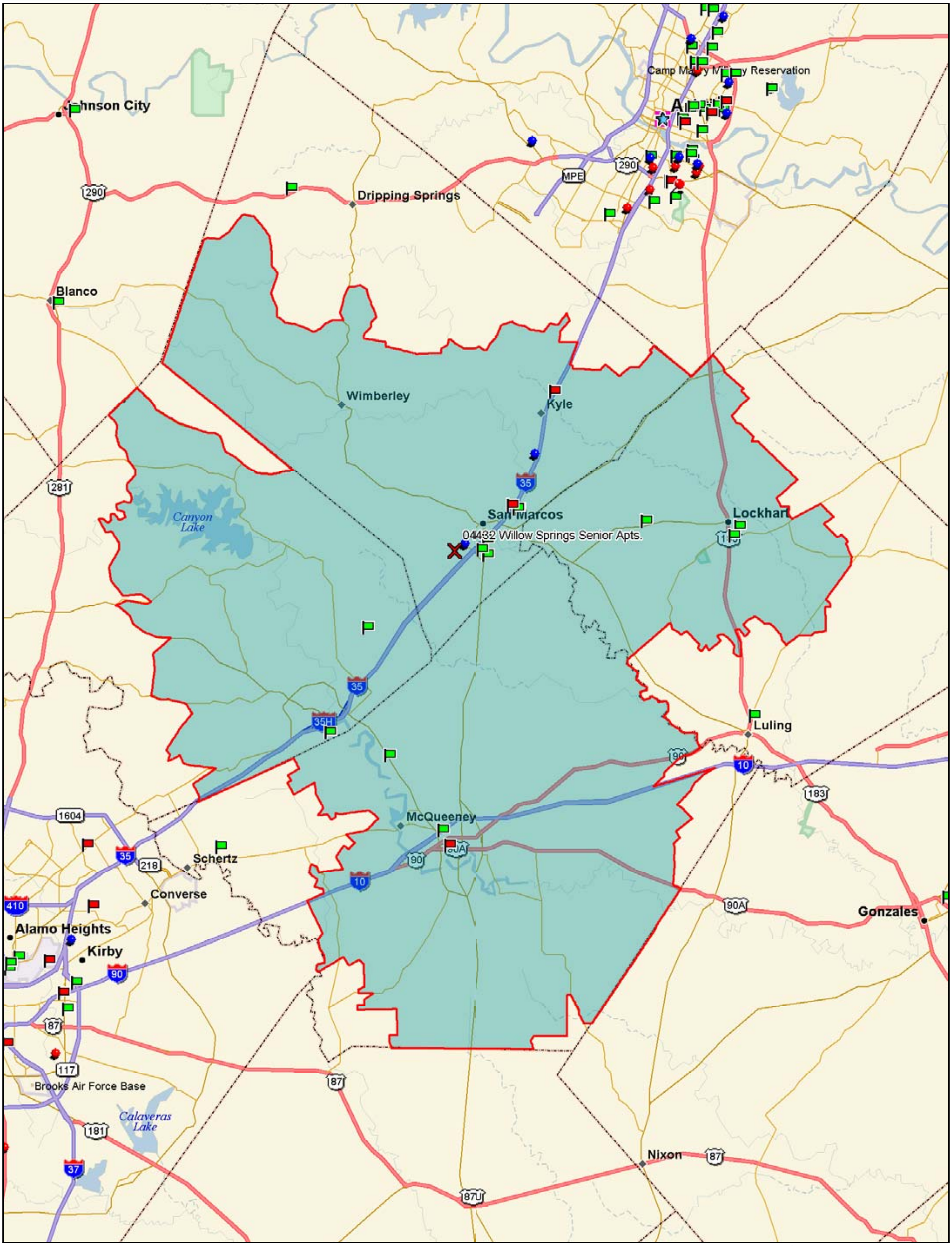
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,689,264	$1,739,942	$1,792,140	$1,845,904	$1,901,282	$2,204,106	$2,555,163	$2,962,135	$3,980,861
Secondary Income	32,400	33,372	34,373	35,404	36,466	42,275	49,008	56,814	76,353
Other Support Income	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,721,664	1,773,314	1,826,513	1,881,309	1,937,748	2,246,381	2,604,171	3,018,948	4,057,214
Vacancy & Collection Loss	(129,125)	(132,999)	(136,989)	(141,098)	(145,331)	(168,479)	(195,313)	(226,421)	(304,291)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,592,539	$1,640,315	$1,689,525	$1,740,211	$1,792,417	$2,077,902	$2,408,858	$2,792,527	$3,752,923
EXPENSES at 4.00%									
General & Administrative	$68,727	$71,476	$74,335	$77,308	$80,401	$97,820	$119,013	$144,797	$214,335
Management	79,627	82,016	84,476	87,011	89,621	103,895	120,443	139,626	187,646
Payroll & Payroll Tax	161,804	168,276	175,008	182,008	189,288	230,298	280,193	340,897	504,611
Repairs & Maintenance	66,282	68,933	71,690	74,558	77,540	94,340	114,779	139,646	206,710
Utilities	44,644	46,430	48,287	50,219	52,227	63,543	77,309	94,059	139,230
Water, Sewer & Trash	74,453	77,431	80,528	83,749	87,099	105,970	128,928	156,861	232,193
Insurance	37,787	39,299	40,871	42,506	44,206	53,783	65,435	79,612	117,845
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	36,000	37,440	38,938	40,495	42,115	51,239	62,340	75,847	112,271
Other	10,000	10,400	10,816	11,249	11,699	14,233	17,317	21,068	31,187
TOTAL EXPENSES	$579,325	$601,701	$624,949	$649,102	$674,196	$815,121	$985,757	$1,192,414	$1,746,029
NET OPERATING INCOME	$1,013,215	$1,038,614	$1,064,576	$1,091,108	$1,118,221	$1,262,782	$1,423,101	$1,600,113	$2,006,894
DEBT SERVICE									
First Lien Financing	$786,657	$786,657	$786,657	$786,657	$786,657	$786,657	$786,657	$786,657	$786,657
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$226,558	$251,958	$277,919	$304,452	$331,564	$476,125	$636,444	$813,457	$1,220,238
DEBT COVERAGE RATIO	1.29	1.32	1.35	1.39	1.42	1.61	1.81	2.03	2.55

LIHTC Allocation Calculation - Willow Springs Senior Residences, San Marcos, HTC #04432

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$1,125,000	$385,184		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,776,022	$1,350,000	$1,776,022	$1,350,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$6,618,978	$7,475,703	$6,618,978	$7,475,703
(4) Contractor Fees & General Requirements				
Contractor overhead	$167,900	$167,900	$167,900	$167,900
Contractor profit	$503,700	$503,700	$503,700	$503,700
General requirements	$578,700	$529,542	$503,700	$529,542
(5) Contingencies	$419,750	$419,750	$419,750	$419,750
(6) Eligible Indirect Fees	$897,350	$897,350	$897,350	$897,350
(7) Eligible Financing Fees	$938,794	$938,794	$938,794	$938,794
(8) All Ineligible Costs	$1,263,443	$1,263,443		
(9) Developer Fees			$1,773,929	
Developer overhead	$400,000	$400,000		$400,000
Developer fee	$1,385,179	$1,385,179		$1,385,179
(10) Development Reserves	$473,952	$473,952		
TOTAL DEVELOPMENT COSTS	$16,548,768	$16,190,497	$13,600,123	$14,067,918

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$13,600,123	$14,067,918
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$13,600,123	$14,067,918
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$13,600,123	$14,067,918
Applicable Percentage		3.55%	3.55%
TOTAL AMOUNT OF TAX CREDITS		$482,804	$499,411
Syndication Proceeds	**0.8000**	**$3,862,435**	**$3,995,289**
Total Credits (Eligible Basis Method)		**$482,804**	**$499,411**
Syndication Proceeds		**$3,862,435**	**$3,995,289**
Requested Credits		**$485,866**	
Syndication Proceeds		**$3,886,928**	
Gap of Syndication Proceeds Needed		**$5,683,768**	
Credit Amount		**$710,471**	
Original Requested Credits		**$435,479**	
Syndication Proceeds		**$3,483,832**	


Johnson City
Camp Mabry Military Reservation
Dripping Springs
Blanco
Wimberley
Kyle
Canyon Lake
San Marcos
04432 Willow Springs Senior Apts.
Lockhart
Luling
McQueeney
Schertz
Converse
Alamo Heights
Kirby
Gonzales
Brooks Air Force Base
Calaveras Lake
Nixon
TN
MN (5.6°E)
Scale 1 : 550,000
1" = 8.68 mi
Data Zoom 8-5

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report Addendum

REPORT DATE: 08/18/08 PROGRAM: 9% HTC FILE NUMBER: **07203**

DEVELOPMENT

The Melbourne Apartments

Location: 3337 Mustang Rd Region: 6

City: Alvin County: Brazoria Zip: 77511 [ ] QCT [x] DDA

Key Attributes: Elderly, New Construction, Urban

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$1,200,000			**$1,200,000**		

*The original tax credit request and recommendation was $1,200,000.

RECOMMENDATION

The Underwriter has evaluated the financial viability of the requested amendment. Based on the revised information provided, the transaction would meet the Department's 2008 Real Estate Analysis Rules and Guidelines if approved. However, despite the fact that the development is financially feasible as proposed, the Underwriter makes no recommendation regarding the modification to the site plan because it can be considered material under the 2008 QAP. If the Board chooses to approve the amendment, the Underwriter recommends an allocation of tax credits equal to the amount originally approved by the Department's Board, $1,200,000, subject to the following conditions.

CONDITIONS

1. Receipt, review, and acceptance, by cost certification, of certification by a qualified third party architect or engineer that the design plans are in accordance with QAP rules with regard to the 100-year floodplain, specifically: "Any Development proposing New Construction located within the 100 year floodplain ... must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain".
2. Receipt, review, and acceptance, by cost certification, of evidence that all Phase I ESA recommendations have been carried out.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	11
60% of AMI	60% of AMI	99

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PROS	CONS
▫ The City of Alvin has granted variances to existing building ordinances in order to allow the development to be constructed as proposed in this amendment request.	▫ The market analysis reflects mixed inclusive capture rate conclusions though HISTA Data demographics support an acceptable capture rate. ▫ The market for 1 and 2 bedroom units at 60% AMI may be somewhat saturated with unit capture rates of over 130%.

ADDENDUM

The Underwriter has reviewed the Applicant's most current request, dated August 8, 2008, for significant changes in the site plan, architectural design of the development, building types, and an additional 4' by 6' tract of land. In a previous amendment request submitted June 6, 2008, the Applicant proposed a 4% decrease in the average unit size, resulting in an overall decrease in the net rentable area ("NRA") by the same amount. Consequently, the previous amendment request was also considered material under the 2008 QAP. However, the current amendment request proposes an overall 1% increase in NRA, which is not considered a material alteration. Specifically, 1 bedroom units are proposed to increase from 751 to 776 square feet, an increase of 3%; and 2 bedroom units are proposed to increase on average from 1,028 square feet to 1,038 square feet, an increase of 1%.

The new site plan still decreases the number of buildings from 14 to 4 larger buildings connected by interior corridors. In addition, the revised site plan results in a decrease in the number of elevators from 12 to 4, with one passenger elevator located in each residential building. Finally, the Applicant proposes the construction of two parking garage structures and the inclusion of a sizable detention pond on the eastern end of the property.

The Applicant provided an updated rent schedule, expenses, cost schedule, sources and uses, and commitments for the permanent funds and syndication proceeds. The Applicant indicates the current requested modifications and design was approved by the City through variances to the building ordinances that previously restricted the original project design. The Applicant believes the changes "will increase the marketability of the project, improve the living environment of the residents, and provide greater assurance that the project will achieve long-term success as an affordable senior community in Alvin."

Of note, it appears that several site constraints coupled with ineffective planning, particularly with regard to improvements inside the floodplain, made the previous site plan infeasible and may have prompted the extensive modifications to the site plan. The Applicant indicates the current Co-Developer, LDG Multifamily, LLC, was brought in subsequent to TDHCA approving the subject development, and may have identified these issues which have resulted in the requested modifications to the site.

The Underwriter has expressed several concerns particularly with regard to viability of the proposed plan, especially since there have been no changes to the site or direct construction costs, and the overall development budget has increased only marginally. Typically, these types of modifications would warrant higher construction costs; however, correspondence with the Applicant indicates that with the exception of a few adjustments (which are described in detail in the construction section below), the overall budget for the original development plan seemed reasonable enough that the Developer was comfortable with the previous site and direct construction costs.

The Underwriter has evaluated the impact of these changes on the financial viability of the transaction and the tax credit award based on the documentation provided and the requested changes. Only those portions of the report that are materially affected by the proposed changes are discussed below. This report should be read in conjunction with the original underwriting report with a full evaluation of the originally proposed development plan and structure.

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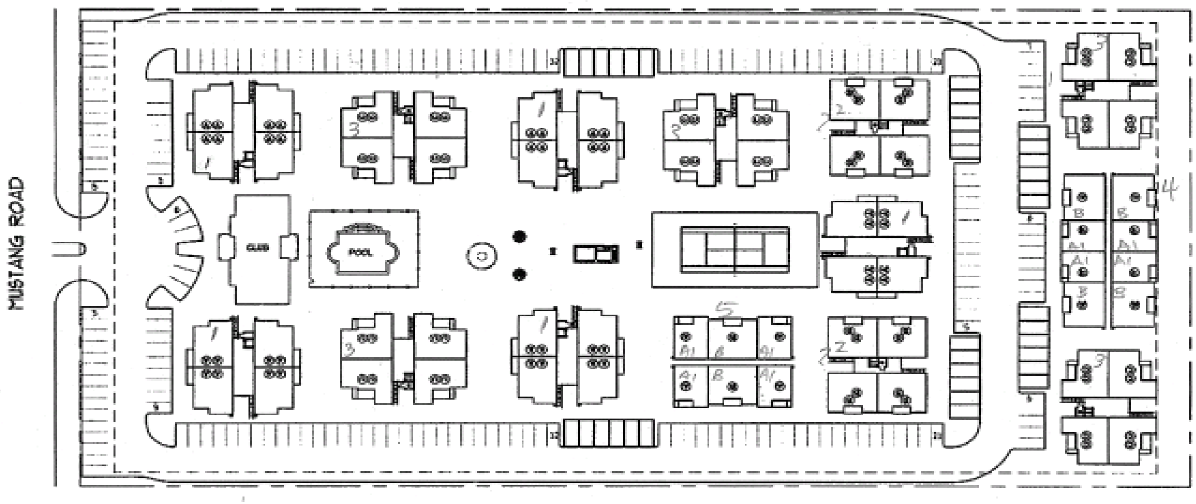
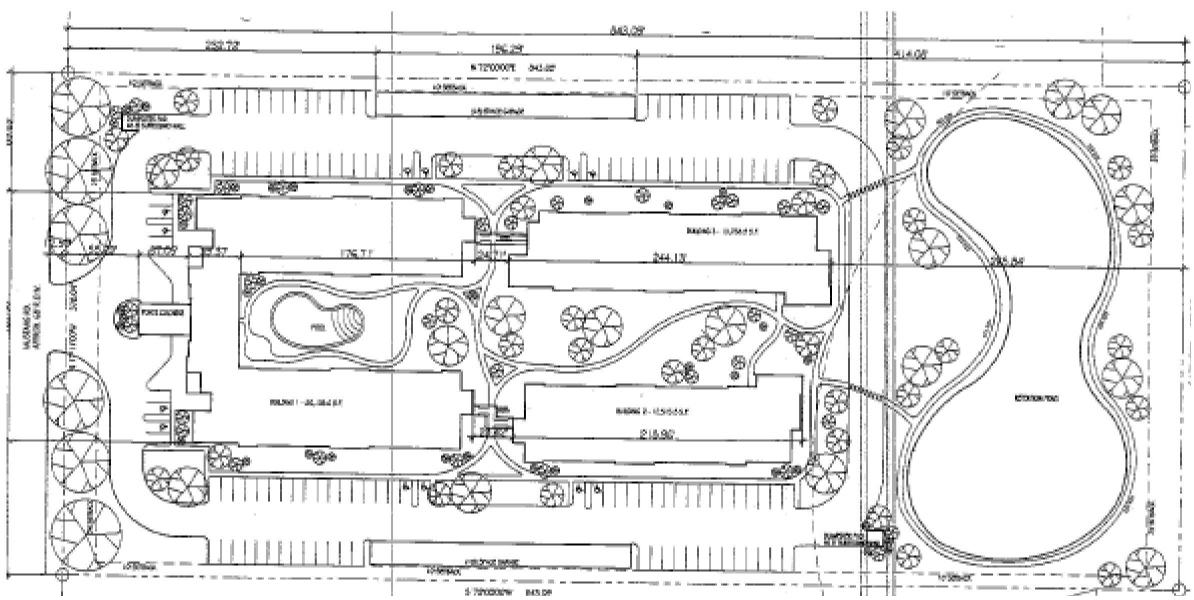
PROPOSED SITE (ORIGINAL)

SITE PLAN (ORIGINAL)



PROPOSED SITE (AMENDMENT REQUEST)

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II	III								Total Buildings
Floors/Stories	3	3	3								
Number	2	1	1								**4**

BR/BA	SF	Units										Total Units	Total SF
1/1	719	2	2	2								8	5,752
2/2	984	24	27	27								102	100,368
Units per Building		26	29	29								**110**	**106,120**

OPERATING PROFORMA ANALYSIS

Income:

The Underwriter utilized the lesser of the Market Analyst's market rent conclusion or the projected rents collected per unit calculated by subtracting tenant-paid utility allowances as of October 1, 2007, maintained by the Brazoria County Housing Authority, from the 2008 program gross rent limits. Tenants will be required to pay electric utility costs only.

The Applicant's secondary income assumptions are in line with current TDHCA underwriting guidelines; however, the Applicant provided for losses due to vacancy and collection equal to 6.72% of potential income. Underwriting guidelines assume an allowance of 7.5% of potential income. Due to the Applicant's use of slightly lower rents for the 60% units and lower vacancy and collection loss assumption, effective gross income is slightly more than 5% lower than the Underwriter's estimate.

Expense:

The Applicant's total revised annual operating expense projection of $4,218 per unit is within 5% of the Underwriter's estimate of $4,267. As indicated in the original underwriting report, the Applicant included $44,200 as "other expenses"; the Underwriter effectively moved $20K for association dues to general & administrative expense, and $24,200 for additional elevator expenses to repairs & maintenance. The Applicant's revised budget still shows several line item estimates that deviate significantly when compared to the Underwriter's, specifically: Payroll and Payroll Tax ($29K or 32% lower), Repairs & Maintenance ($15K or 26% higher), Utilities ($19K or 54% lower), and Property Tax ($19K or 22% higher).

Conclusion:

The Applicant's effective gross income and net operating income are not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.28, which is within the Department's DCR guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the ***Underwriter's*** base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE

Acquisition Value:

It should be noted, during Carryover, the Applicant made a substantial adjustment to the acquisition cost. The total acquisition price at application was reported to be $2,762,000, which amounts to more than $25K per unit. Despite the reported arms length nature of the transaction, the Underwriter expressed serious concerns about contract price which is one of the highest acquisition prices per unit that has been evaluated by underwriting.

Subsequently, the Applicant claimed due to the potentially negative impact the significant changes/corrections to the financing structure and development costs that were made at Carryover could have on the financial feasibility of the development, the purchase price was renegotiated to $1.4M (~$1.4M less than originally reported). An amendment to the Purchase and Sale Agreement, initialed by both parties was submitted by the Applicant.

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Construction Cost:

The Applicant's revised development cost schedule reflects a $371K increase in total development costs, largely attributed to the addition of parking garages. The Applicant indicates no changes in sitework or direct construction costs; however, the indirect construction cost estimate has been reduced by $29K, and as a result, certain other eligible and ineligible costs have also shifted slightly according to the new cost schedule. It should be noted, the Applicant submitted a revised commitment from the syndicator indicating that $400K in operating reserves will be required. In addition, the Applicant has indicated an additional $100K for lease-up reserves and furniture, fixtures, and equipment. The Underwriter has assumed the Lender's total reserve requirement of $400K which is more than the typical underwriting requirement.

Also of note, the Underwriter re-evaluated the Applicant's direct construction cost estimate based on the current Marshall & Swift -derived estimate, resulting in an increase of 7% or approximately $459K from underwriting at Carryover. This estimate is 1% lower than the Applicant's current estimate and is therefore considered comparable.

Conclusion:

As a result, the Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's revised cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $12,118,754 supports annual tax credits of $1,347,000. This figure will be compared to the Applicant's previously approved credits and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES

Source: Southeast Texas Housing Finance Corp Type: **Interim Financing**

Principal: $800,000 Interest Rate: TBD ☐ Fixed Term: 12 months

Comments:

During initial underwriting, the Applicant submitted a certification of intent to apply for a loan at a rate at or below AFR; As of the date of this addendum, the Applicant has still not provided any documentation from Southeast TX HFC to verify any future intentions specifically regarding the proposed terms of this source of funding.

Source: Lone Wolf Capital Type: **Interim Financing**

Principal: $315,000 Interest Rate: TBD ☐ Fixed Amort: 12 months

Comments:

During initial underwriting, the Applicant submitted a lender's commitment for the proposed amount, terms to be determined. As of the date of this addendum, no further information has been provided.

Source: MMA Financial Type: **Interim to Permanent Financing**

Interim: $6,294,998 Interest Rate: 5.48% ☐ Fixed Amort: 30 months

Permanent: $4,652,000 Interest Rate: 7.00% x Fixed Amort: 420 months

Comments:

The submitted commitment from MMA Financial indicates a construction and bridge loan estimate totaling approximately $7,002,000, for 30 months with a free optional 6 month extension at a floating rate based on 30-day LIBOR plus 3%.

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Source: Red Capital | Type: **Syndication**

Proceeds: $9,959,004 | Syndication Rate: 83% | Anticipated HTC: $ 1,200,000

Comments:

Due to the recent volatility in credit pricing, it should be noted, a decrease in rate below $0.728 per credit dollar may increase the amount of deferred developer fee such that 100% of the fee would be utilized, and the need to defer contractor fee may be warranted. Similarly, a decrease below $0.646 per dollar of credit may jeopardize the financial viability of the transaction. Alternatively, should the final credit price increase to more than $0.859, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: $349,397 | Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

The Applicant’s total revised development cost estimate less the permanent loan of $4,652,000 indicates the need for $10,308,401 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,242,100 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, the Board approved award ($1.2M), the gap-driven amount ($1,242,100), and eligible basis-derived estimate ($1,347,000), the Board approved credit amount of $1.2M is recommended resulting in proceeds of $9,959,004 based on a syndication rate of 83%.

The Underwriter’s recommended financing structure indicates the need for $349,397 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within four years of stabilized operation.

Underwriter:	*Diamond Unique Thompson*	Date:	August 18, 2008
Reviewing Underwriter:	*Audrey Martin*	Date:	August 18, 2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	August 18, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

The Melbourne Apartments, Alvin, 9% HTC #07203

Type of Unit	Other	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%		1	1	1	776	$384	$299	$299	$0.39	$85.00	$56.00
TC 60%		7	1	1	776	$768	$647	$4,530	0.83	85.00	56.00
TC 30%		10	2	2	1,038	$461	$345	$3,450	0.33	116.00	62.00
TC 60%		92	2	2	1,038	$922	$797	$73,328	$0.77	116.00	62.00
TOTAL:		110		AVERAGE:	1,019		$742	$81,606	$0.73	$113.75	$61.56

					TDHCA	TDHCA at CO	TDHCA at UW	APP at UW	APP at CO	APPLICANT			
INCOME	Total Net Rentable Sq Ft:	112,084									COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT					$979,277	$855,240	$855,240	$840,600	$840,600	$895,524	Brazoria	Houston	6
Secondary Income			Per Unit Per Month:	$15.00	19,800	13,200	13,200	13,200	13,200	41,400	$31.36	Per Unit Per Month	
Other Support Income:					0	0	0	0	0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					$999,077	$868,440	$868,440	$853,800	$853,800	$936,924			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(74,931)	(65,133)	(65,133)	(59,772)	(59,772)	(62,976)	-6.72%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0	0	0	0	0				
EFFECTIVE GROSS INCOME					$924,146	$803,307	$803,307	$794,028	$794,028	$873,948			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT							PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.68%	$393	0.39	$43,232	$43,232	$43,232	$36,500	$16,500	$36,500	$0.33	$332	4.18%
Management		3.60%	303	0.30	33,281	28,929	28,929	39,740	39,740	34,965	0.31	318	4.00%
Payroll & Payroll Tax		9.95%	836	0.82	91,960	$91,960	$91,960	62,810	62,810	62,810	0.56	571	7.19%
Repairs & Maintenance		6.45%	542	0.53	59,646	$60,589	$60,589	85,250	105,250	75,390	0.67	685	8.63%
Utilities		3.79%	319	0.31	35,057	34,396	34,396	16,000	16,000	16,000	0.14	145	1.83%
Water, Sewer, & Trash		4.56%	383	0.38	42,122	38,553	38,553	50,000	50,000	50,000	0.45	455	5.72%
Property Insurance		4.24%	357	0.35	39,229	31,755	31,755	44,000	44,000	44,000	0.39	400	5.03%
Property Tax	3.080722	9.80%	823	0.81	90,530	102,364	102,364	110,000	110,000	110,000	0.98	1,000	12.59%
Reserve for Replacements		2.98%	250	0.25	27,500	27,500	27,500	27,500	27,500	27,500	0.25	250	3.15%
TDHCA Compliance Fees		0.48%	40	0.04	4,400	4,400	4,400	4,400	4,400	4,400	0.04	40	0.50%
Other: cable		0.26%	22	0.02	2,400	2,400	2,400	2,400	2,400	2,400	0.02	22	0.27%
TOTAL EXPENSES		50.79%	$4,267	$4.19	$469,358	$466,078	$466,078	$478,600	$478,600	$463,965	$4.14	$4,218	53.09%
NET OPERATING INC		49.21%	$4,134	$4.06	$454,788	$337,229	$337,229	$315,428	$315,428	$409,983	$3.66	$3,727	46.91%
DEBT SERVICE													
MMA Financial		38.59%	$3,242	$3.18	$356,635	$272,132	$263,381	$263,381	$272,132	$356,635	$3.18	$3,242	40.81%
Additional Financing		0.00%	$0	$0.00	0	0	0	0	0		$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	0	0	0		$0.00	$0	0.00%
NET CASH FLOW		10.62%	$892	$0.88	$98,153	$65,097	$73,848	$52,047	$43,296	$53,348	$0.48	$485	6.10%
AGGREGATE DEBT COVERAGE RATIO					1.28	1.24	1.28	1.20	1.16	1.15			
RECOMMENDED DEBT COVERAGE RATIO					1.28	1.24	1.28						
CONSTRUCTION COST													
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	TDHCA at CO	TDHCA at UW	APP at UW	APP at CO	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		9.28%	$12,727	$12.49	$1,400,000	$1,400,000	$2,762,000	$2,762,000	$1,400,000	$1,400,000	$12.49	$12,727	9.36%
Off-Sites		0.00%	0	0.00	0	0	0	0	0	0	0.00	0	0.00%
Sitework		5.39%	7,400	7.26	814,000	814,000	814,000	814,000	814,000	814,000	7.26	7,400	5.44%
Direct Construction		48.36%	66,357	65.12	7,299,321	6,592,840	6,592,840	7,045,000	7,070,500	7,070,500	63.08	64,277	47.26%
Contingency	4.86%	2.61%	3,582	3.52	394,000	370,342	330,557	330,557	437,850	394,000	3.52	3,582	2.63%
Contractor's Fees	12.63%	6.79%	9,318	9.14	1,025,000	1,036,958	984,410	984,410	1,085,980	1,025,000	9.14	9,318	6.85%
Indirect Construction		4.35%	5,967	5.86	656,375	685,380	465,380	465,380	685,380	656,375	5.86	5,967	4.39%
Ineligible Costs		6.26%	8,592	8.43	945,097	487,391	656,300	656,300	487,391	945,097	8.43	8,592	6.32%
Developer's Fees	14.62%	10.44%	14,318	14.05	1,575,000	1,520,678	1,460,000	1,460,000	1,535,000	1,575,000	14.05	14,318	10.53%
Interim Financing		3.87%	5,308	5.21	583,879	638,336	642,589	642,589	638,336	583,879	5.21	5,308	3.90%
Reserves		2.65%	3,636	3.57	400,000	375,370	297,327	297,327	435,370	496,550	4.43	4,514	3.32%
TOTAL COST		100.00%	$137,206	$134.66	$15,092,672	$13,921,295	$15,005,403	$15,457,563	$14,589,807	$14,960,401	$133.47	$136,004	100.00%
Construction Cost Recap		*63.16%*	***$86,657***	***$85.05***	***$9,532,321***	***$8,814,140***	***$8,721,807***	***$9,173,967***	***$9,408,330***	***$9,303,500***	***$83.00***	***$84,577***	*62.19%*
SOURCES OF FUNDS											RECOMMENDED		
MMA Financial		30.82%	$42,291	$41.50	$4,652,000	$3,500,000	$3,170,000	$3,170,000	$3,500,000	$4,652,000	$4,652,000	Developer Fee Available	
Additional Financing		0.00%	$0	$0.00	0	0	800,000	800,000			0	$1,575,000	
Red Capital		65.99%	$90,536	$88.85	9,959,004	10,918,908	10,918,908	10,918,908	10,918,908	9,959,004	9,959,004	% of Dev. Fee Deferred	
Deferred Developer Fees		2.32%	$3,176	$3.12	349,397	170,899	568,655	568,655	170,899	349,397	349,397	22%	
Additional (Excess) Funds Req'd		0.88%	$1,202	$1.18	132,271	(668,512)	(452,160)	0	0	0	0	15-Yr Cumulative Cash Flow	
TOTAL SOURCES					$15,092,672	$13,921,295	$15,005,403	$15,457,563	$14,589,807	$14,960,401	$14,960,401	$2,439,024	

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$52.69	$5,905,227
Adjustments				
Exterior Wall Finish	13.60%		$7.17	$803,111
Elderly	3.00%		1.58	177,157
9-Ft. Ceilings	4.00%		2.11	236,209
Roofing			0.00	0
Subfloor			(0.82)	(92,282)
Floor Cover			2.43	272,364
Porches/Balconies	$22.27	12,822	2.55	285,546
Plumbing Fixtures	$805	306	2.20	246,330
Rough-ins	$400	110	0.39	44,000
Built-In Appliances	$1,850	110	1.82	203,500
Exterior Stairs	$1,800	16	0.26	28,800
Enclosed Corridors	$42.77	17541	6.69	750,154
Heating/Cooling			1.90	212,960
Elevator	$53,600	4	1.91	214,400
Comm &/or Aux Bldgs	$68.24	6,691	4.07	456,594
Other: fire sprinkler	$2.15	112,084	2.15	240,981
SUBTOTAL			89.09	9,985,049
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.90		(8.91)	(998,505)
TOTAL DIRECT CONSTRUCTION COSTS			$80.18	$8,986,545
Plans, specs, survy, bld prmts	3.90%		($3.13)	($350,475)
Interim Construction Interest	3.38%		(2.71)	(303,296)
Contractor's OH & Profit	11.50%		(9.22)	(1,033,453)
NET DIRECT CONSTRUCTION COSTS			$65.12	$7,299,321

PAYMENT COMPUTATION

Primary	$4,652,000	Amort	420
Int Rate	7.00%	DCR	1.28
Secondary	$0	Amort	
Int Rate		Subtotal DCR	1.28
Additional	$9,959,004	Amort	
Int Rate		Aggregate DCR	1.28

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$356,635
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$98,153

Primary	$4,652,000	Amort	420
Int Rate	7.00%	DCR	1.28
Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.28
Additional	$9,959,004	Amort	0
Int Rate	0.00%	Aggregate DCR	1.28

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$979,277	$1,008,655	$1,038,915	$1,070,082	$1,102,184	$1,277,734	$1,481,244	$1,717,167	$2,307,729
Secondary Income	19,800	20,394	21,006	21,636	22,285	25,835	29,949	34,719	46,660
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	999,077	1,029,049	1,059,920	1,091,718	1,124,469	1,303,568	1,511,193	1,751,887	2,354,389
Vacancy & Collection Loss	(74,931)	(77,179)	(79,494)	(81,879)	(84,335)	(97,768)	(113,339)	(131,392)	(176,579)
Employee or Other Non-Rental Units or Conces	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$924,146	$951,870	$980,426	$1,009,839	$1,040,134	$1,205,801	$1,397,853	$1,620,495	$2,177,810
EXPENSES at 4.00%									
General & Administrative	$43,232	$44,961	$46,759	$48,630	$50,575	$61,532	$74,863	$91,083	$134,825
Management	33,281	34,279	35,308	36,367	37,458	43,424	50,341	58,359	78,429
Payroll & Payroll Tax	91,960	95,638	99,464	103,442	107,580	130,888	159,245	193,746	286,791
Repairs & Maintenance	59,646	62,032	64,513	67,094	69,778	84,895	103,288	125,666	186,016
Utilities	35,057	36,460	37,918	39,435	41,012	49,898	60,708	73,861	109,332
Water, Sewer & Trash	42,122	43,807	45,559	47,381	49,276	59,952	72,941	88,744	131,363
Insurance	39,229	40,799	42,431	44,128	45,893	55,836	67,933	82,650	122,343
Property Tax	90,530	94,151	97,917	101,834	105,907	128,852	156,769	190,733	282,332
Reserve for Replacements	27,500	28,600	29,744	30,934	32,171	39,141	47,621	57,938	85,763
Other	6,800	7,072	7,355	7,649	7,955	9,679	11,775	14,327	21,207
TOTAL EXPENSES	$469,358	$487,799	$506,968	$526,894	$547,606	$664,097	$805,484	$977,106	$1,438,400
NET OPERATING INCOME	$454,788	$464,071	$473,458	$482,945	$492,528	$541,703	$592,369	$643,389	$739,410
DEBT SERVICE									
First Lien Financing	$356,635	$356,635	$356,635	$356,635	$356,635	$356,635	$356,635	$356,635	$356,635
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$98,153	$107,436	$116,823	$126,310	$135,893	$185,068	$235,734	$286,754	$382,775
DEBT COVERAGE RATIO	1.28	1.30	1.33	1.35	1.38	1.52	1.66	1.80	2.07

HTC ALLOCATION ANALYSIS -The Melbourne Apartments, Alvin, 9% HTC #07203

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$1,400,000	$1,400,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	$814,000	$814,000	$814,000	$814,000
Construction Hard Costs	$7,070,500	$7,299,321	$7,070,500	$7,299,321
Contractor Fees	$1,025,000	$1,025,000	$1,025,000	$1,025,000
Contingencies	$394,000	$394,000	$394,000	$394,000
Eligible Indirect Fees	$656,375	$656,375	$656,375	$656,375
Eligible Financing Fees	$583,879	$583,879	$583,879	$583,879
All Ineligible Costs	$945,097	$945,097		
Developer Fees				
Developer Fees	$1,575,000	$1,575,000	$1,575,000	$1,575,000
Development Reserves	$496,550	$400,000		
TOTAL DEVELOPMENT COSTS	$14,960,401	$15,092,672	$12,118,754	$12,347,575

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$12,118,754	$12,347,575
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$15,754,380	$16,051,847
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$15,754,380	$16,051,847
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		$1,347,000	$1,372,433
Syndication Proceeds	**0.8299**	**$11,178,978**	**$11,390,054**
Total Tax Credits (Eligible Basis Method)		**$1,347,000**	**$1,372,433**
Syndication Proceeds		**$11,178,978**	**$11,390,054**
Previously Approved Tax Credits		**$1,200,000**	
Syndication Proceeds		**$9,959,004**	
Gap of Syndication Proceeds Needed		**$10,308,401**	
Total Tax Credits (Gap Method)		**$1,242,100**	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 12/12/07 PROGRAM: 9% HTC FILE NUMBER: **07203**

DEVELOPMENT

The Melbourne Apartments

Location: 3337 Mustang Rd Region: 6

City: Alvin County: Brazoria Zip: 77511 [ ] QCT [X] DDA

Key Attributes: Multifamily, New Construction, Urban/Exurban, Elderly

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$1,200,000			**$1,200,000**		

CONDITIONS

1 Receipt, review, and acceptance, by cost certification, of certification by a qualified third party architect or engineer that the design plans are in accordance with QAP rules with regard to the 100-year floodplain, specifically: "Any Development proposing New Construction located within the 100 year floodplain ... must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain".

2 Receipt, review, and acceptance, by cost certification, of evidence that all Phase I ESA recommendations have been carried out.

3 Should the terms and rates of the proposed debt or syndication change, or if any Local HOME funds are approved, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	11
60% of AMI	60% of AMI	99

PROS

CONS

- The market analysis reflects mixed inclusive capture rate conclusions though HISTA Data demographics support an acceptable capture rate.
- The market for 1 and 2 bedroom units at 60% AMI may be somewhat saturated with unit capture rates of over 130%.

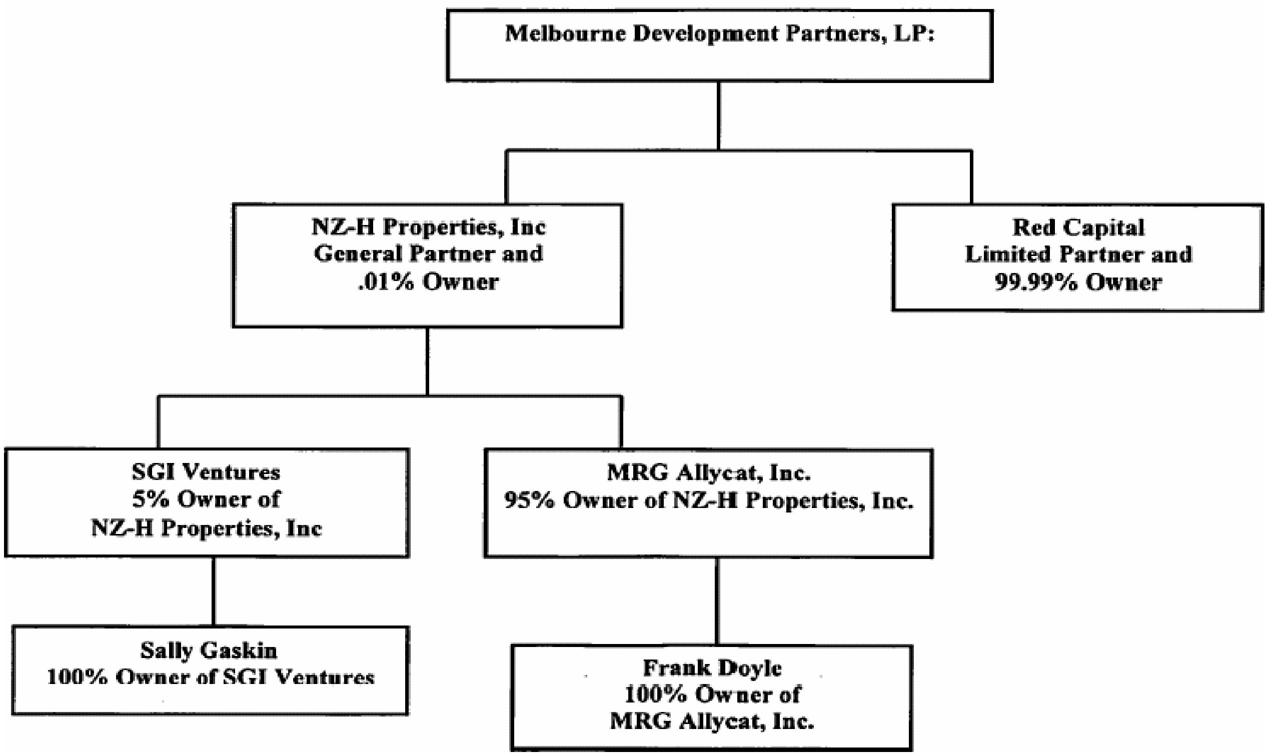
The acquisition price is significantly higher than is typical and was adjusted from the pre-application submission due to a $2,000,000 error in the original contract.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Alyssa Carpenter Phone: (512) 789-1295 Fax: (512) 233-2269
Email: ajcarpen@gmail.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# of Complete Developments
Sally Gaskin	confidential		7 previous developments reported
SGI Ventures	$1,697,525	$372,000	7 previous developments reported
Frank Doyle	confidential		None Reported
NZ-H Properties, Inc.	newly formed		N/A
MRG Allycat, Inc.	newly formed		N/A

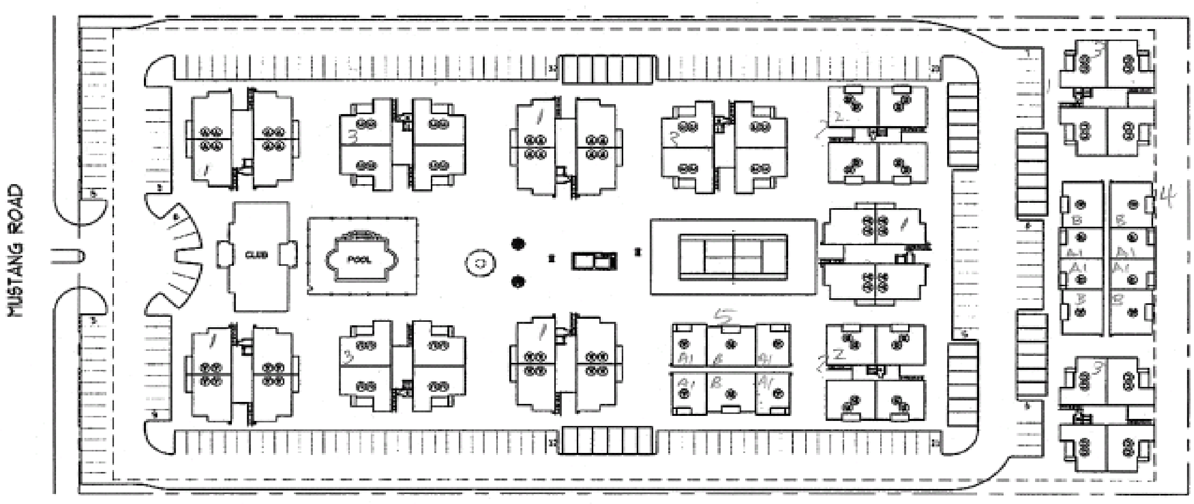
[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant, Developer, and co-Developers are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1	2	3	4	5						Total Buildings
Floors/Stories	2	2	2	1	1						
Number	5	2	5	1	1						**14**

BR/BA	SF	Units										Total Units	Total SF
1/1	751				4	4						8	6,008
2/2	994	8										40	39,760
2/2	1,049			8								40	41,960
2/2	1,052		8		4	2						22	23,144
Units per Building		8	8	8	8	6						**110**	**110,872**

SITE ISSUES

Total Size: 7.316 acres — Scattered site? ☐ Yes ☒ No

Flood Zone: X and AE — Within 100-yr floodplain? ☒ Yes ☐ No

Zoning: N/A — Needs to be re-zoned? ☐ Yes ☐ No ☒ N/A

Comments:

The survey indicates that part of the site lies within the 100-year floodplain. The QAP requires that "Any Development proposing New Construction located within the 100 year floodplain ... must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain." The application acknowledges the floodplain location and the Applicant has indicated that the development "is designed as required by program rules". Receipt, review, and acceptance, by cost certification, of certification by a qualified third party architect or engineer that the design plans are in accordance with QAP rules with regard to the 100-year floodplain, will be a condition of this report.

ADDENDUM

The Applicant's carryover reflects revisions to the financing structure and development cost schedule. This addendum has been issued in order to evaluate the effect, if any, these changes have on the recommended tax credit allocation.

The most noticeable change to the financing structure is the elimination of $800K in permanent local funds. The Applicant originally anticipated for these funds to be in the form of long-term debt; however, it now appears the funds will be available during the construction period only. The Applicant also provided a revised commitment and sources and uses, reflecting an increase in the permanent loan from $3.17M to $3.5M, and a decrease in the amount of deferred developer fee to $170,899.

Furthermore, the Applicant has provided a new development cost schedule reflecting a substantial decrease in the acquisition cost. The total acquisition price at application was reported to be $2,762,000, which amounts to more than $25K per unit. Despite the reported arms length nature of the transaction, the Underwriter expressed serious concern about contract price which is one of the highest acquisition prices per unit that has been evaluated by underwriting.

The Applicant's carryover indicates that due to the possibility that the afore-mentioned changes to the financing structure and further corrections to the development costs could have a potentially negative impact on the financial feasibility of the development, the purchase price was renegotiated to $1.4M (~$1.4MK less than originally reported). An amendment to the Purchase and Sale Agreement, initialed by both parties was submitted by the Applicant.

Finally, the Applicant indicates revisions to the development costs have been made in order to correct understatements to architectural and engineering costs and reserve estimates. It should be noted, upon the Underwriter's request for clarification on the reserve estimate, the Applicant submitted a revised commitment from the syndicator indicating that $375,370 in operating reserves will be required. In addition, the Applicant has indicated $60,000 in additional lease-up reserves. The Underwriter has assumed the Lender's total reserve requirement of $375,370 which is more than the typical underwriting requirement. Certain other eligible and ineligible costs have also shifted according to the new cost schedule.

The Applicant’s total revised development cost is within 5% of the Underwriter’s estimate; therefore, the Applicant’s cost schedule will continue be used to determine the development’s need for permanent funds and to calculate eligible basis. An eligible basis of $12,223,421 supports annual tax credits of $1,358,633. This figure will be compared to the Applicant’s previously approved credits and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/18/2007

Source: JPMorgan Chase Type: **Interim Financing**

Principal: $4,747,437 Interest Rate: 8.25% ☐ Fixed Term: 30 months

Comments:

Floating interest rate at JPMC Prime, underwritten at 8.25%

Source: Southeast Texas Housing Finance Corp Type: **Interim Financing**

Principal: $800,000 Interest Rate: TBD ☐ Fixed Term: 12 months

Comments:

The Applicant submitted a certification of intent to apply for a loan at a rate at or below AFR. It is unclear as to whether this is a permanent source or not. For the purposes of the recommendations in this analysis it has been removed and replaced with deferred developer fee.

Source: Lone Wolf Capital Type: **Interim Financing**

Principal: $315,000 Interest Rate: TBD ☐ Fixed Term: 12 months

Comments:

The Applicant submitted a lender's commitment for the amount, terms to be determined.

Source:	Citigroup				Type:	**Permanent Financing**		
Principal:	$3,500,000	Interest Rate:	7.4%	X	Fixed	Amort:	360	months

Comments:

acknowledges JPMorgan Chase as construction lender; $200 per unit per year replacement reserve

Source:	Red Capital Group		Type:	**Syndication**	
Proceeds:	$10,918,908	Syndication Rate:	91%	Anticipated HTC:	$ 1,200,000
Amount:	$170,899		Type:	**Deferred Developer Fees**	

CONCLUSIONS

Recommended Financing Structure:

The Applicant’s total development cost estimate less the revised permanent loan of $3,500,000 indicates the need for $11,089,807 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,218,782 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant’s previously approved credits of ($1.2M), the gap-driven amount ($1,218,782), and eligible basis-derived estimate ($1,358,633), the Applicant’s previously approved credits of $1.2M is recommended.

The Underwriter’s recommended financing structure indicates the need for $170,899 in additional permanent funds. Deferred developer and contractor fees in this amount appear to be repayable from development cashflow within three years of stabilized operation.

Underwriter:	*Diamond Unique Thompson*	Date:	December 12, 2007
Reviewing Underwriter:	*Raquel Morales*	Date:	December 12, 2007
Director of Real Estate Analysis:	*Tom Gouris*	Date:	December 12, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

The Melbourne Apartments, Alvin, 9% HTC #07203

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	1	1	1	751	$366	$225	$225	$0.30	$141.00	$42.00
TC 60%	7	1	1	751	$732	591	4,137	0.79	141.00	42.00
TC 30%	4	2	2	994	$440	260	1,040	0.26	180.00	51.00
TC 60%	36	2	2	994	$879	699	25,164	0.70	180.00	51.00
TC 30%	3	2	2	1,049	$440	260	780	0.25	180.00	51.00
TC 60%	37	2	2	1,049	$879	699	25,863	0.67	180.00	51.00
TC 30%	3	2	2	1,052	$440	260	780	0.25	180.00	51.00
TC 60%	19	2	2	1,052	$879	699	13,281	0.66	180.00	51.00
TOTAL:	110		AVERAGE:	1,008		$648	$71,270	$0.64	$177.16	$50.35

INCOME	Total Net Rentable Sq Ft:	110,872		TDHCA at CO	TDHCA	APPLICANT	APP at CO	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$855,240	$855,240	$840,600	$840,600	Brazoria	Houston	6
Secondary Income		Per Unit Per Month:	$10.00	13,200	13,200	13,200	13,200	$10.00	Per Unit Per Month	
Other Support Income:				0	0	0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$868,440	$868,440	$853,800	$853,800			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(65,133)	(65,133)	(59,772)	(59,772)	-7.00%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0	0	0			
EFFECTIVE GROSS INCOME				$803,307	$803,307	$794,028	$794,028			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT					PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.38%	$393	0.39	$43,232	$43,232	$36,500	$16,500	$0.15	$150	2.08%
Management		3.60%	263	0.26	28,929	28,929	39,740	39,740	0.36	361	5.00%
Payroll & Payroll Tax		11.45%	836	0.83	$91,960	$91,960	62,810	62,810	0.57	571	7.91%
Repairs & Maintenance		7.54%	551	0.55	$60,589	$60,589	85,250	105,250	0.95	957	13.26%
Utilities		4.28%	313	0.31	34,396	34,396	16,000	16,000	0.14	145	2.02%
Water, Sewer, & Trash		4.80%	350	0.35	38,553	38,553	50,000	50,000	0.45	455	6.30%
Property Insurance		3.95%	289	0.29	31,755	31,755	44,000	44,000	0.40	400	5.54%
Property Tax	3.080722	12.74%	931	0.92	102,364	102,364	110,000	110,000	0.99	1,000	13.85%
Reserve for Replacements		3.42%	250	0.25	27,500	27,500	27,500	27,500	0.25	250	3.46%
TDHCA Compliance Fees		0.55%	40	0.04	4,400	4,400	4,400	4,400	0.04	40	0.55%
Other: cable		0.30%	22	0.02	2,400	2,400	2,400	2,400	0.02	22	0.30%
TOTAL EXPENSES		58.02%	$4,237	$4.20	$466,078	$466,078	$478,600	$478,600	$4.32	$4,351	60.27%
NET OPERATING INC		41.98%	$3,066	$3.04	$337,229	$337,229	$315,428	$315,428	$2.84	$2,868	39.73%
DEBT SERVICE											
Citigroup		33.88%	$2,474	$2.45	$272,132	$263,381	$263,381	$272,132	$2.45	$2,474	34.27%
SE Texas HFC		0.00%	$0	$0.00	0	0	0	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	0	0	$0.00	$0	0.00%
NET CASH FLOW		8.10%	$592	$0.59	$65,097	$73,848	$52,047	$43,296	$0.39	$394	5.45%
AGGREGATE DEBT COVERAGE RATIO					1.24	1.28	1.20	1.16			
RECOMMENDED DEBT COVERAGE RATIO					1.24	1.28					

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	TDHCA	APPLICANT	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		10.06%	$12,727	$12.63	$1,400,000	$2,762,000	$2,762,000	$1,400,000	$12.63	$12,727	9.60%
Off-Sites		0.00%	0	0.00	0	0	0	0	0.00	0	0.00%
Sitework		5.85%	7,400	7.34	814,000	814,000	814,000	814,000	7.34	7,400	5.58%
Direct Construction		47.36%	59,935	59.46	6,592,840	6,592,840	7,045,000	7,070,500	63.77	64,277	48.46%
Contingency	5.00%	2.66%	3,367	3.34	370,342	330,557	330,557	437,850	3.95	3,980	3.00%
Contractor's Fees	14.00%	7.45%	9,427	9.35	1,036,958	984,410	984,410	1,085,980	9.79	9,873	7.44%
Indirect Construction		4.92%	6,231	6.18	685,380	465,380	465,380	685,380	6.18	6,231	4.70%
Ineligible Costs		3.50%	4,431	4.40	487,391	656,300	656,300	487,391	4.40	4,431	3.34%
Developer's Fees	15.00%	10.92%	13,824	13.72	1,520,678	1,460,000	1,460,000	1,535,000	13.84	13,955	10.52%
Interim Financing		4.59%	5,803	5.76	638,336	642,589	642,589	638,336	5.76	5,803	4.38%
Reserves		2.70%	3,412	3.39	375,370	297,327	297,327	435,370	3.93	3,958	2.98%
TOTAL COST		100.00%	$126,557	$125.56	$13,921,295	$15,005,403	$15,457,563	$14,589,807	$131.59	$132,635	100.00%
Construction Cost Recap		*63.31%*	***$80,129***	***$79.50***	***$8,814,140***	***$8,721,807***	***$9,173,967***	***$9,408,330***	***$84.86***	***$85,530***	*64.49%*

SOURCES OF FUNDS

								RECOMMENDED	
Citigroup	25.14%	$31,818	$31.57	$3,500,000	$3,170,000	$3,170,000	$3,500,000	$3,500,000	Developer Fee Available
SE Texas HFC	0.00%	$0	$0.00	0	800,000	800,000			$1,535,000
HTC Red Capital Group	78.43%	$99,263	$98.48	10,918,908	10,918,908	10,918,908	10,918,908	10,918,908	% of Dev. Fee Deferred
Deferred Developer Fees	1.23%	$1,554	$1.54	170,899	568,655	568,655	170,899	170,899	11%
Additional (Excess) Funds Req'd	-4.80%	($6,077)	($6.03)	(668,512)	(452,160)	0	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$13,921,295	$15,005,403	$15,457,563	$14,589,807	$14,589,807	$1,538,710

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

The Melbourne Apartments, Alvin, 9% HTC #07203

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$54.60	$6,053,258
Adjustments				
Exterior Wall Finish	4.00%		$2.18	$242,130
Elderly	3.00%		1.64	181,598
9-Ft. Ceilings	3.50%		1.91	211,864
Hurricane wind adj	$0.94	110,872	0.94	104,220
Subfloor			(1.30)	(144,134)
Floor Cover			2.43	269,419
Breezeways/Balconies	$21.40	22,787	4.40	487,565
Plumbing Fixtures	$805	358	2.60	288,190
Rough-ins	$400	110	0.40	44,000
Built-In Appliances	$1,850	110	1.84	203,500
Exterior Stairs	$1,800	24	0.39	43,200
Elevators	$43,500	12	4.71	522,000
Heating/Cooling			1.90	210,657
Garages	$19.52	7,200	1.27	140,508
Comm &/or Aux Bldgs	$65.36	3,908	2.30	255,437
Other: fire sprinkler	$1.95	110,872	1.95	216,200
SUBTOTAL			84.15	9,329,612
Current Cost Multiplier	0.98		(1.68)	(186,592)
Local Multiplier	0.89		(9.26)	(1,026,257)
TOTAL DIRECT CONSTRUCTION COSTS			$73.21	$8,116,763
Plans, specs, survy, bld prm	3.90%		($2.86)	($316,554)
Interim Construction Interes	3.38%		(2.47)	(273,941)
Contractor's OH & Profit	11.50%		(8.42)	(933,428)
NET DIRECT CONSTRUCTION COSTS			$59.46	$6,592,840

PAYMENT COMPUTATION

Primary	$3,500,000	Amort	360
Int Rate	6.74%	DCR	1.24
Secondary	$0	Amort	0
Int Rate	4.90%	Subtotal DCR	1.24
Additional		Amort	
Int Rate		Aggregate DCR	1.24

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$272,132
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$65,097

Primary	$3,500,000	Amort	360
Int Rate	6.74%	DCR	1.24
Secondary		Amort	0
Int Rate		Subtotal DCR	1.24
Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.24

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$855,240	$880,897	$907,324	$934,544	$962,580	$1,115,894	$1,293,627	$1,499,669	$2,015,429
Secondary Income	13,200	13,596	14,004	14,424	14,857	17,223	19,966	23,146	31,107
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	868,440	894,493	921,328	948,968	977,437	1,133,117	1,313,593	1,522,815	2,046,536
Vacancy & Collection Loss	(65,133)	(67,087)	(69,100)	(71,173)	(73,308)	(84,984)	(98,520)	(114,211)	(153,490)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$803,307	$827,406	$852,228	$877,795	$904,129	$1,048,133	$1,215,074	$1,408,604	$1,893,046
EXPENSES at 4.00%									
General & Administrative	$43,232	$44,961	$46,759	$48,630	$50,575	$61,532	$74,863	$91,083	$134,825
Management	28,929	29,797	30,691	31,612	32,560	37,746	43,758	50,728	68,174
Payroll & Payroll Tax	91,960	95,638	99,464	103,442	107,580	130,888	159,245	193,746	286,791
Repairs & Maintenance	60,589	63,012	65,533	68,154	70,880	86,237	104,920	127,651	188,955
Utilities	34,396	35,772	37,202	38,690	40,238	48,956	59,562	72,467	107,268
Water, Sewer & Trash	38,553	40,095	41,699	43,367	45,101	54,873	66,761	81,225	120,233
Insurance	31,755	33,025	34,346	35,720	37,149	45,198	54,990	66,903	99,033
Property Tax	102,364	106,459	110,717	115,146	119,751	145,696	177,261	215,666	319,238
Reserve for Replacements	27,500	28,600	29,744	30,934	32,171	39,141	47,621	57,938	85,763
Other	6,800	7,072	7,355	7,649	7,955	9,679	11,775	14,327	21,207
TOTAL EXPENSES	$466,078	$484,432	$503,511	$523,344	$543,962	$659,945	$800,758	$971,734	$1,431,487
NET OPERATING INCOME	$337,229	$342,975	$348,718	$354,451	$360,167	$388,189	$414,316	$436,870	$461,558
DEBT SERVICE									
First Lien Financing	$272,132	$272,132	$272,132	$272,132	$272,132	$272,132	$272,132	$272,132	$272,132
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$65,097	$70,843	$76,585	$82,319	$88,035	$116,057	$142,184	$164,738	$189,426
DEBT COVERAGE RATIO	1.24	1.26	1.28	1.30	1.32	1.43	1.52	1.61	1.70

HTC ALLOCATION ANALYSIS -The Melbourne Apartments, Alvin, 9% HTC #07203

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$1,400,000	$1,400,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	$814,000	$814,000	$814,000	$814,000
Construction Hard Costs	$7,070,500	$6,592,840	$7,070,500	$6,592,840
Contractor Fees	$1,085,980	$1,036,958	$1,085,980	$1,036,958
Contingencies	$437,850	$370,342	$394,225	$370,342
Eligible Indirect Fees	$685,380	$685,380	$685,380	$685,380
Eligible Financing Fees	$638,336	$638,336	$638,336	$638,336
All Ineligible Costs	$487,391	$487,391		
Developer Fees				
Developer Fees	$1,535,000	$1,520,678	$1,535,000	$1,520,678
Development Reserves	$435,370	$375,370		
TOTAL DEVELOPMENT COSTS	$14,589,807	$13,921,295	$12,223,421	$11,658,534

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$12,223,421	$11,658,534
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$15,890,447	$15,156,095
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$15,890,447	$15,156,095
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		$1,358,633	$1,295,846
Syndication Proceeds	**0.9099**	**$12,362,326**	**$11,791,020**

Total Tax Credits (Eligible Basis Method)	**$1,358,633**	**$1,295,846**
Syndication Proceeds	**$12,362,326**	**$11,791,020**
Previously Approved Credits	**$1,200,000**	
Syndication Proceeds	**$10,918,908**	
Gap of Syndication Proceeds Needed	**$11,089,807**	
Total Tax Credits (Gap Method)	**$1,218,782**	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 07/17/07 PROGRAM: 9% HTC FILE NUMBER: **07203**

DEVELOPMENT

The Melbourne Apartments

Location: 3337 Mustang Rd Region: 6

City: Alvin County: Brazoria Zip: 77511 ☐ QCT ☒ DDA

Key Attributes: Multifamily, New Construction, Urban/Exurban, Elderly

ALLOCATION

	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$1,200,000			**$1,200,000**		

CONDITIONS

1 Receipt review and acceptance of another copy of the final contract with each page initialed by both the buyer and seller and a notarized certification signed by both the Seller and the Applicant that reflects the revised sales price, explains how the error in price occurred and confirms that there are no other agreements written or otherwise between the buyer and seller or any principals or beneficiaries of each for the acquisition of additional property, discount, refund or recovery of the purchase price or provision of other benefit which is not identified in the purchase contract.

2 Receipt, review, and acceptance, by cost certification, of certification by a qualified third party architect or engineer that the design plans are in accordance with QAP rules with regard to the 100-year floodplain, specifically: "Any Development proposing New Construction located within the 100 year floodplain ... must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain".

3 Receipt, review, and acceptance, prior to carryover, of evidence that all Phase I ESA recommendations have been carried out.

4 Should the terms and rates of the proposed debt or syndication change, or if any Local HOME funds are approved, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	11
60% of AMI	60% of AMI	99

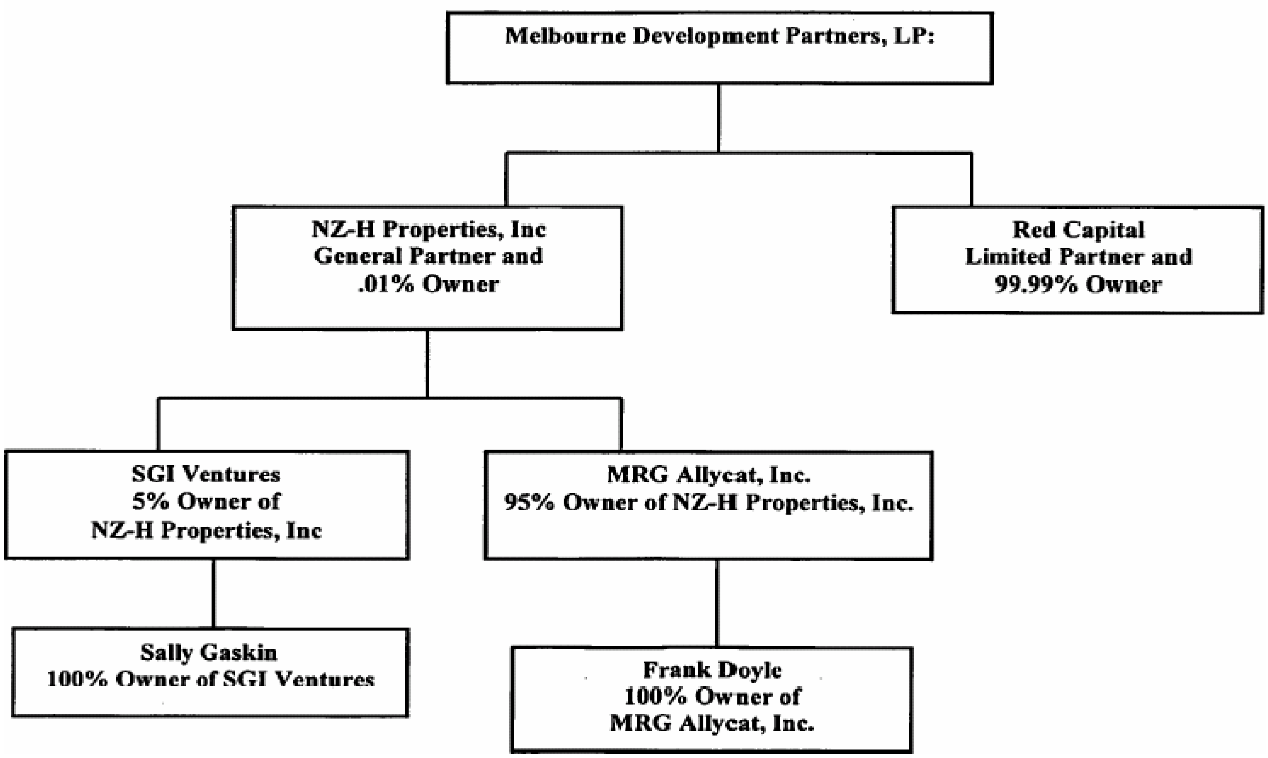
PROS	CONS
	▫ The market analysis reflects mixed inclusive capture rate conclusions though HISTA Data demographics support an acceptable capture rate. ▫ The market for 1 and 2 bedroom units at 60% AMI may be somewhat saturated with unit capture rates of over 130%. The acquisition price is significantly higher than is typical and was adjusted from the preapplication submission due to a $2,000,000 error in the original contract.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Alyssa Carpenter Phone: (512) 789-1295 Fax: (512) 233-2269
Email: ajcarpen@gmail.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# of Complete Developments
Sally Gaskin	confidential		7 previous developments reported
SGI Ventures	$1,697,525	$372,000	7 previous developments reported
Frank Doyle	confidential		None Reported
NZ-H Properties, Inc.	newly formed		N/A
MRG Allycat, Inc.	newly formed		N/A

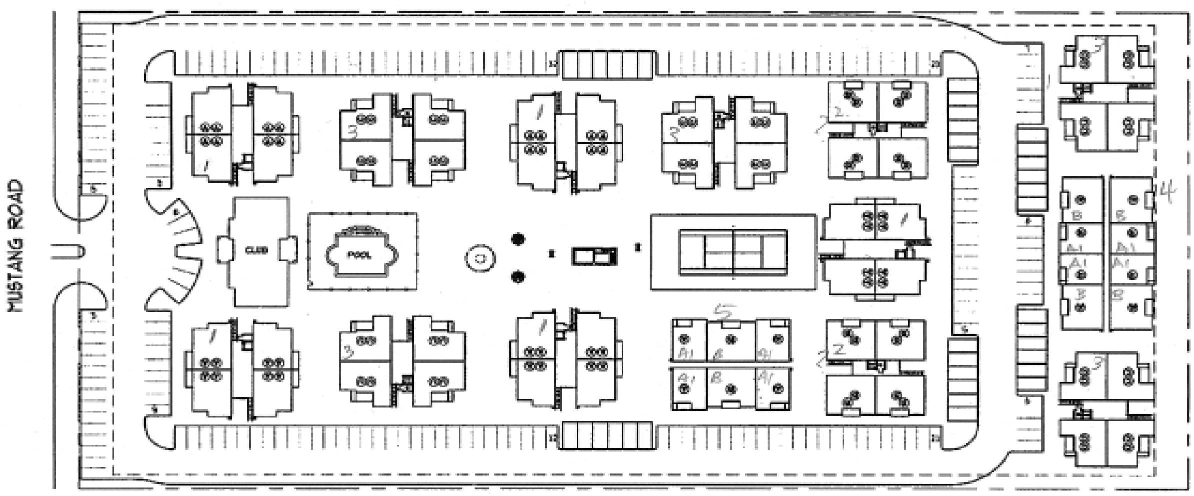
[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant, Developer, and co-Developers are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1	2	3	4	5						Total Buildings
Floors/Stories	2	2	2	1	1						
Number	5	2	5	1	1						**14**

BR/BA	SF	Units										Total Units	Total SF
1/1	751				4	4						8	6,008
2/2	994	8										40	39,760
2/2	1,049			8								40	41,960
2/2	1,052		8		4	2						22	23,144
Units per Building		8	8	8	8	6						**110**	**110,872**

SITE ISSUES

Total Size:	7.316 acres	Scattered site?	[ ] Yes [X] No	
Flood Zone:	X and AE	Within 100-yr floodplain?	[X] Yes [ ] No	
Zoning:	N/A	Needs to be re-zoned?	[ ] Yes [ ] No	[X] N/A

Comments:

The survey indicates that part of the site lies within the 100-year floodplain. The QAP requires that "Any Development proposing New Construction located within the 100 year floodplain ... must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain." The application acknowledges the floodplain location and the Applicant has indicated that the development "is designed as required by program rules". Receipt, review, and acceptance, by cost certification, of certification by a qualified third party architect or engineer that the design plans are in accordance with QAP rules with regard to the 100-year floodplain, will be a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/20/2007

Overall Assessment:

[ ] Excellent [X] Acceptable [ ] Questionable [ ] Poor [ ] Unacceptable

Surrounding Uses:

North: vacant land, residential East: drainage ditch, residential, schools

South: community college, multifamily West: multifamily, commercial

Comments:

A drainage ditch is shown on the survey, and described in the title policy, to be along the south boundary of the site but does not appear to impact the development of the site.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 3/28/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- "Miscellaneous debris including abandoned tires and an empty 55 gallon drum was observed on the subject property. No staining was noted on or around the 55 gallon drum. The debris is in possible violation of Texas Health and Safety Code Section 365, 341, and 343. No recognized environmental conditions appear to exist provided the debris is disposed of off site in accordance with all applicable federal, state, and local regulations." (p. 2)

Comments:

Receipt, review, and acceptance, before carryover, of evidence that all Phase I ESA recommendations have been carried out, will be a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData, LLC Date: 3/16/2007

Contact: Darrell G. Jack Phone: (210) 530-0040 Fax: (210) 340-5830

Number of Revisions: 2 Date of Last Applicant Revision: 7/16/2007

Primary Market Area (PMA): 203 square miles ≈ 8 mile radius

"For this analysis we utilized a primary market area comprising 203 square miles (roughly equivalent to a radius of eight miles). The boundaries of the PMA are County Road 101 to the north, State Highway 35 and the Brazoria County Line to the east, the Brazoria County line and FM 2004 (extended west) to the south, and State Highway 288 to the west." (p. 3)

This section intentionally left blank.

This market area does not take into account another proposed development, The Gardens at Friendswood Lakes (07310). The Gardens at Friendswood Lakes, also targeting seniors, is located seven miles north of the subject and less than three miles outside the rather small defined PMA. The Underwriter considered it important to determine the combined effect of these two proposed properties on the market. For this reason the Market Analyst (who in fact provided both market studies) was requested to evaluate a PMA to include both proposed developments, as well as two unstabilized senior projects, Maplewood Crossing (#04160 fka The Village on Hobbs Road), and Baybrook Park Retirement Center (#04079). The analysis of both market areas is discussed below.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Village on Hobbs Rd.	04160	100	Not in PMA	N/A			
Baybrook Retirement Ctr	04079	100	Not in PMA				
Gardens at Friendswood Lakes	07310	114	Not in PMA				

INCOME LIMITS						
Brazoria						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$13,700	$15,650	$17,600	$19,550	$21,100	$22,700
60	$27,360	$31,260	$35,160	$39,060	$42,180	$45,300

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR / 30% AMI	58	1	0	59	11	0	19%
1 BR / 60% AMI	68	4	0	72	99	0	138%
2 BR / 30% AMI	59	1	0	60	11	0	18%
2 BR / 60% AMI	47	4	0	51	99	0	194%

OVERALL DEMAND													
			Target Households		Household Size		Income Eligible		Tenure		Demand		
PMA DEMAND from TURNOVER													
Market Analyst	p.	51	19%	5,489	100%	5,489	24%	1,304	17%	224	64%	144
Mkt. A. (HISTA)	p.	58								268	64%	172
Underwriter			19%	5,836	100%	5,836	24%	1,389	17%	239	44%	105
Underwriter (HISTA)										309	44%	136
PMA DEMAND from HOUSEHOLD GROWTH													
Market Analyst	p.	51				318	24%	75	17%	13	100%	13
Mkt. A. (HISTA)	p.	58									100%	7
Underwriter					100%	245	24%	58	17%	10	100%	10
Underwriter (HISTA)											100%	13
DEMAND from OTHER SOURCES													
Market Analyst	p.											18
Underwriter												18

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 54	110	0	0	110	175	63%
Mkt. A. (HISTA) p. 54	110	0	0	110	197	56%
Underwriter	110	0	0	110	133	83%
Underwriter (HISTA)	110	0	0	110	167	66%

Overall Demand:

The Market Analyst provided two sets of demand calculations. The first series of data presented above is based on MapInfo demographic data, a traditional data source which has been applied in TDHCA reports for a number of years. The Market Analyst's second series of data is based on HISTA Data which is said to provide a more accurate demographic picture of the percentage of renters by income and by age. In both cases the Analyst calculates demand from turnover based on the general IREM turnover rate for all multifamily households in the Houston Area. From both sets of data the Analyst reported inclusive capture rates below the underwriting maximum of 75%.

The Underwriter's calculations use the same basic data from the two data series but apply a different, more realistic turnover rate to get to demand. The Market Analyst explains: "Turnover information for existing projects is difficult to obtain ... In most cases, the on-site personnel do not track such information on an ongoing basis. As a result, one of the only sources for turnover information is the IREM Income and Expense publication, and even this has limited participation. IREM reports the turnover rate for the typical garden style project in Houston to be 64.4% per year." This rate unquestionably overstates turnover for elderly households. Since the only senior developments in the vicinity are the proposed and newly constructed projects discussed above, it is difficult to obtain specific information to reflect the senior market in the area. Historical data has generally suggested that senior households in rental developments turnover at a much lower rate than non-senior households.

The available data on eleven developments with over 900 households in the vicinity of the subject indicate a turnover rate of 44% for 2006. The underwriting analysis applies this lower turnover rate which produced mixed results. The capture rate for the MapInfo demographic data exceeded the limit, but the capture rate with HISTA Data was acceptable. Based on these mixed results, the Analyst was asked to provide any additional information that would support demand for the subject in the original PMA. (As already stated, the Analyst was also challenged to demonstrate that the greater Friendswood / Alvin area can support both the subject and another proposed senior project in addition to two existing unstabilized projects. That issue is discussed further in the following section.)

To further support the original PMA, the Analyst determined that there are a total of 560 Section 8 Housing Choice vouchers in Brazoria County. From this, the Analyst estimates potential additional demand from 18 senior households that are not already accounted for in the income-eligible population. With this additional demand included, the Analyst calculates capture rates of 63% with MapInfo and 56% with HISTA Data, both rates satisfying the limit. The underwriting analysis continues to show mixed results, with inclusive capture rates of 83% with MapInfo and 66% with HISTA Data.

Inclusive Capture Rate for Larger Friendswood / Alvin area:

At the Underwriter's request, the Analyst looked at the greater Friendswood / Alvin area and evaluated a primary market that would include the subject property as well as the Gardens of Friendswood Lakes and Maplewood Crossing/Village on Hobbs Road. Baybrook Park Retirement Center is actually just outside the boundary, but was included in the revised supply by the Market Analyst and thus accounted for in the capture rate. The revised PMA encompasses 373 square miles with a population of approximately 245,000 (the maximum population for senior developments is 250,000).

Employing HISTA Data demographics the Analyst calculated demand for 814 senior units in this market area. With a supply of 384 unit, made up of the two proposed developments and the two unstabilized properties, the Analyst calculated a capture rate of 47%. However, with MapInfo demographics, the Analyst identified demand for only 485 senior units, and a capture rate of 79%, exceeding the maximum. Both of these calculations are based on the IREM turnover rate of 65%. The Analyst reported that using HISTA Data, 39% is the minimum turnover rate required to achieve an inclusive capture rate of 75%. Underwriting analysis of the HISTA data with a 44% turnover rate (from properties in the vicinity as discussed above) indicates an inclusive capture rate of 69% for the larger PMA with all four competing properties. This suggests that there is sufficient demand to support both of the proposed developments in a larger PMA.

Primary Market Occupancy Rates:

The Analyst "conducted an analysis of some 500+ conventional (market rate) units within the primary trade area. These projects were all built between 1973 and 2003. Morgan Oaks has some of its units still in lease up, and phase 5 is under construction. The occupancy rate for market rate one bedrooms is 90.2%, for market rate two bedrooms it is 88.2% ... and the overall average occupancy for market rate units is 89.6%. The overall occupancy is slightly low due to Morgan Oaks which includes vacant units from its fifth phase of the project. " (p. 15)

Absorption Projections:

"Based on the occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject's units. Absorption over the previous sixteen years for all unit types is estimated to be 40 units per year. We expect this to continue as the number of new households continues to grow, and as additional rental units become available. Absorption has been limited in recent years due to a lack of new construction and only slight increases in overall demand." (p. 100)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 751 SF 30%	$214	$225	$675	$225	$450
1 BR 751 SF 60%	$580	$591	$675	$591	$84
2 BR 994 SF 30%	$248	$260	$805	$260	$545
2 BR 994 SF 60%	$688	$699	$805	$699	$106
2 BR 1,049 SF 30%	$248	$260	$825	$260	$565
2 BR 1,049 SF 60%	$688	$699	$825	$699	$126
2 BR 1,052 SF 30%	$248	$260	$825	$260	$565
2 BR 1,052 SF 60%	$688	$699	$825	$699	$126

It should be noted that the market rents concluded by the Market Analyst are higher in Friendswood but the underwriting rent will be higher in Alvin due to differences in the area median income between Brazoria and Galveston Counties and due to difference in utility allowances. Thus in theory the Friendswood development will provide better value economically to the tenants.

Market Impact:

"The proposed is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market." (p. 14)

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Houston Market Study:

The Department commissioned a market study for the Houston-Baytown-Sugar Land Metropolitan Statistical Area (MSA). The study, completed in February 2006 by Vogt, Williams & Bowen, LLC, only considers demand from household growth, and from replacement or renovation of existing housing. It does not incorporate demand from turnover as normally considered in development-specific market studies because in an overall study the demand from turnover returns to all of the units in the market area. A development-specific market study identifies the demand from turnover as potential demand that can be attracted away from existing units and to the proposed development (and any other new developments that have not yet become fully occupied).

The proposed development is located in the Friendswood/Clear Lake submarket within the Houston MSA. In this submarket, with a total population of 309,000, the Vogt, Williams study determines total one year growth-based demand for 47 units from senior households below 30% AMI, and negative demand (-41 units) from senior households between 51-60% AMI.

Conclusions:

The Analyst identified sufficient demand to support the subject property in the original primary market area using either demographic methodology. But it should be noted that application 07310, the Gardens at Friendswood Lakes, is located less than three miles outside that original PMA. If the Friendswood development is included in the supply for that PMA, the capture rate exceeds 100%. The same Market Analyst originally provided market studies with separate PMA's for each of the two proposed properties. The Analyst was challenged to define a market area to include both proposed developments as well as the two nearby unstabilized senior projects. Furthermore, the Underwriter challenged the turnover rate as being unrealistically high.

The Analyst responded with a market area that meets the Department guidelines for senior developments, and indicated that with a minimum turnover rate of 39% this PMA could support all four projects. The Underwriter independently determined from TDHCA data that the average turnover for all tax credit properties in the vicinity is 44%. And as discussed above, when the Analyst defined a substantially larger market area to encompass all the unstabilized senior demand in the vicinity, the demand will marginally support two new developments. The Underwriter's analysis of the HISTA data with a 44% turnover rate indicates an inclusive capture rate of 66% for the original PMA with no other competing property and 69% for the larger PMA with all four competing properties.

The conclusion that sufficient demand exists to support the subject application requires reliance on the HISTA Data demographic information. The Analyst explains "HISTA Data comes from a custom four-way cross tabulation of household data designed specifically for affordable housing analysis that has been built by Claritas. It contains actual Census cross tabulations - not extrapolations of SF3 data. The key to this data is that it gives us the number of households by household size by income by age grouping (i.e. <55, 55-61, and 62+ years of age). This breakout is very useful in arriving at a capture rate for the subject." (p. 51) It should be added that another key parameter provided by HISTA Data is renter tenure. This application clearly demonstrates the value provided by the information available from HISTA Data, particularly for developments targeting seniors.

The Department's traditional underwriting methodology determines senior demand through extrapolation from overall household income distribution patterns and general renter percentages. The HISTA Data report provides a specific tabulation of income-qualified, age-specific renter households. Since this data is taken directly from the Census rather than calculated based on various assumptions, it is reasonable to believe that it more accurately depicts the age and income distribution patterns in the population. Based on this, it is the Underwriter's conclusion that there is sufficient demand to recommend a funding allocation to the subject.

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OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 4/18/2007

The Applicant's income is based on rents which are between 3-5% lower than the maximum HTC program rents. The maximum HTC program rents are achievable based on the market rent conclusions of the Market Study and, therefore, are used as the underwriting rents. When contacted to make corrections to their rent schedule, the Applicant indicated that the development would still be feasible with less than the maximum rents. Utility allowances provided by the Brazoria County Housing Authority are factored into the net rents.

The Applicant included secondary income of $10 per unit per month from laundry, vending, and cable TV; this amount is consistent with underwriting guidelines. The Applicant provided for losses due to vacancy and collection equal to 7.0% of potential income; underwriting guidelines assume an allowance of 7.5% of potential income. The application indicates there will be 36 detached garage spaces on the site; the Applicant has indicated that there will be no charge to the tenants for the use of the garages. Overall, the Applicant's projection for effective gross income is within 1% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 4/18/2007

The Applicant's projected total annual operating expenses, at $4,351 per unit, are within 3% of the Underwriter's estimate of $4,237. The Applicant included $44,200 as "other expenses"; the Underwriter moved $20,000 for association dues to general & administrative expense, and $24,200 for additional elevator expenses to repairs & maintenance. Other specific line items with significant variances include: payroll & payroll tax (the Applicant's projection is $29K less than the Underwriter's estimate); repairs & maintenance (the Applicant's projection, including the additional elevator expense, is higher by $25K); and utilities (the Applicant's projection is lower by $18K).

Conclusion:

The Applicant's projected effective gross income and total annual operating expenses are each within 5% of the Underwriter's estimates; however, the projected net operating income (NOI) differs by more than 5%. Therefore, the Underwriter's figures will be used to determine debt capacity. The Applicant's NOI and projected debt service expense provide a first year debt coverage ratio (DCR) within the acceptable range of 1.15 to 1.35.

Feasibility:

The Underwriter's projected NOI and debt service are used to create a 30-year operating proforma, applying a 3% growth factor to income and 4% to expenses. Using the debt service for only the conventional loan as suggested by the application materials, the proforma analysis indicates continued positive cash flow and a DCR that remains above 1.15; as such, the development would be considered financially feasible.

However, the sources and uses of funds indicates an $800,000 amount as both interim and permanent financing, while the Applicant's proforma does not indicate any debt service other than for the primary loan of $3.17M. The Applicant indicated by email on 6/14/07 that "It is our expectation that the $800,000 amount will be 'long-term' in nature, that it will be either a grant or a loan (perhaps forgivable) without any required debt service. The form describes it as a one-year loan simply in order to conform to the minimum requirements of the QAP that it have a term of at least one year and an interest rate at or below the AFR."

If the $800,000 was treated as an amortized loan at AFR the result would be a debt coverage ratio of 1.00, well below the minimum. A determination of financial feasibility is dependent on the Applicant producing a source for this funding in the form of a grant or a forgivable loan. Furthermore, it should be noted that if these funds were received from a federally subsidized source, such below market financing would have to be removed from eligible basis or the Applicant would forfeit the anticipated 30% Difficult Development Area boost. The allocation may be conditioned on the Applicant proving the existence of a suitable source for all necessary funding due to selection criteria points. Alternatively, these funds could be sourced by additional deferral of available developer fee and the transaction would not have a DCR issue.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 42.9 acres	$343,040	Tax Year:	2006
Assessed Value per acre:	$8,000	Valuation by:	Brazoria County CAD
prorata 7.316 acres	$58,528	Tax Rate:	3.080722

EVIDENCE of PROPERTY CONTROL

Type: Purchase and Sale Agreement — Acreage: ≈ 7

Contract Expiration: 10/31/2007 — Valid Through Board Date? [X] Yes [ ] No

Acquisition Cost: $2,762,000 — Other: survey indicates 7.316 acres

Seller: Jerald A. Turboff, Trustee — Related to Development Team? [ ] Yes [X] No

Comments:

The site is part of a 42.9 acre tract owned by the Seller since 1974; no survey had been made since the entire tract was surveyed at that time. When the Applicant approached the Seller about purchasing the site, a contract was drawn up without the benefit of a detailed survey. The contract referred to "approximately 7 acres, more or less (to be determined by the Survey as hereinafter defined and described), as generally depicted on Exhibit A-1". Upon completion of the Survey it became evident that the Seller's general description and sketch (Exhibit A-1) were inaccurate. In order to clear up any misunderstanding as to the exact definition of the Property, the Seller executed an affidavit clearly stating that the general description was merely a best-effort attempt to define the Property pending a detailed Survey, and that once completed, the Survey was intended to be the controlling definition of the Property for the purpose of the Contract.

TITLE

Comments:

LandAmerica Commonwealth Title issued a letter dated 4/17/07 explaining that it is common practice, when a valid survey does not exist, for a real estate contract to include a best-effort general description pending the completion of a current survey with metes and bounds description, at which point the title company will "issue a revised title commitment for the property which accurately, and currently, reflect the property and title matters attributable thereto". The Applicant has provided a copy of the revised title commitment for 7.316 acres as defined by the Survey completed on 3/26/07.

The revised title commitment includes under Schedule B, Exceptions from Coverage, item 10(j): "A portion of the subject property lies in a F.I.A. (federal insurance agency) designated flood zone, as shown on that certain survey dated March 26, 2007." As indicated above under Site Issues, The QAP requires that "Any Development proposing New Construction located within the 100 year floodplain ... must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain." The application acknowledges the floodplain location and the Applicant has indicated that the development "is designed as required by program rules". Receipt, review, and acceptance, by cost certification, of certification by a qualified third party architect or engineer that the design plans are in accordance with QAP rules with regard to the 100-year floodplain, will be a condition of this report.

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CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The acquisition cost of $2,762,000, or $378K per acre, would typically be assumed to be reasonable as the purchase is said to be an arm's length transaction. However, at over $25K per unit, the acquisition price is one of the highest per unit acquisition cost the Department has ever seen. The typical rule of thumb has been that you have to acquire your land for $5K to $8K per unit at the most to make a development work.

It should also be noted and is of significant concern that the Applicant originally included a purchase contract in the pre-application for $762,000. The Applicant's contacted the Department after submission of the pre-application but before the full application was submitted and indicated that there existed an error in the contract price in the original contract. The Applicant did not disclose the magnitude of the error but asked if they should correct the Pre application or just submit the corrected contract with the full application. Staff agreed to allow the change to come in at full application. The revised contract however appears to use the same signature page as the originally submitted contract. In fact the only noticeable difference is the $2,000,0000 difference listed on the front page of the contract.

It should also be noted that none of the contract pages are initialed and the significant change in the contract amount was not initialed or otherwise verifiable in the revised contract. Therefore this report is conditioned upon receipt, review, and acceptance of another copy of the final contract with each page initialed by both the Buyer and Seller, and a notarized certification signed by both the Seller and the Applicant that reflects the revised sales price, explains how the error in price occurred, and confirms that there are no other agreements, written or otherwise, between the Buyer and Seller or any principals or beneficiaries of each, for the acquisition of additional property, discount, refund or recovery of the purchase price, or provision of other benefit which is not identified in the purchase contract.

Direct Construction Cost:

The application indicates there will be 36 detached garage spaces, but the development cost schedule did not include any specific costs for garages. The Applicant indicated that the costs for garages were included within the overall construction costs. The Applicant indicated under specifications and amenities that all residential areas would be equipped with fire sprinklers; however, application points were not requested for this amenity. The Applicant explained that this feature was not confirmed with the architect until late in the application process. The Underwriter has included $216K in direct construction costs for fire sprinklers. The Applicant's projected direct construction cost is $452K, or 7%, higher than the Underwriter's estimate, based on the Marshall & Swift Residential Cost Handbook.

Contingency & Fees:

The Applicant included $50K for soft cost contingency under Financing Costs. The Underwriter included this amount with the hard cost contingency listed with direct construction costs.

Conclusion:

The Applicant's projection for total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's figures will be used to calculate eligible basis and determine the need for permanent financing. The calculated eligible basis of $11,741,936 is increased by 30% because Brazoria County has been designated a Difficult Development Area. The resulting adjusted basis of $15,264,517 supports an annual tax credit allocation of $1,305,116; however, allocations are limited to $1,200,000 per development. This amount will be compared to the Applicant's requested allocation, and the credit amount determined by the gap in financing, to determine any recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 4/18/2007

Source: JPMorgan Chase Type: **Interim Financing**

Principal: $4,747,437 Interest Rate: 8.25% ☐ Fixed Term: 30 months

Comments:

Floating interest rate at JPMC Prime, underwritten at 8.25%

Source: Southeast Texas Housing Finance Corp Type: **Interim Financing/Permanent**

Principal: $800,000 Interest Rate: TBD ☐ Fixed Term: 12 months

Comments:

The Applicant submitted a certification of intent to apply for a loan at a rate at or below AFR. It is unclear as to whether this is a permanent source or not. For the purposes of the recommendations in this analysis it has been removed and replaced with deferred developer fee.

Source: Lone Wolf Capital Type: **Interim Financing**

Principal: $315,000 Interest Rate: TBD ☐ Fixed Term: 12 months

Comments:

The Applicant submitted a lender's commitment for the amount, terms to be determined.

Source: Citigroup Type: **Permanent Financing**

Principal: $3,170,000 Interest Rate: 7.4% ☒ Fixed Amort: 360 months

Comments:

acknowledges JPMorgan Chase as construction lender; $200 per unit per year replacement reserve

Source: Red Capital Group Type: **Syndication**

Proceeds: $10,918,908 Syndication Rate: 91% Anticipated HTC: $ 1,200,000

Amount: $568,655 Type: **Deferred Developer Fees**

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CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of $3,170,000 indicates the need for $12,287,563 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,350,417 annually would be required to fill this gap in financing. However, allocations are limited to $1,200,000 per application. The credit amount determined by eligible basis was also limited to $1,200,000, and the Applicant's request was for $1,200,000. Therefore, an annual allocation of $1,200,000 would be recommended.

The Underwriter's recommended financing structure indicates the need for an additional $1,368,655 permanent funds. Deferred developer fees in this amount represents 94% of the developer fee and appear to be repayable from development cashflow within 15 years of stabilized operation. Should the Applicant receive the proposed $800,000 in additional permanent funds, the gap would decrease to $568,655. Deferred fees in this amount are repayable within 10 years of stabilized operation. Therefore, with or without the $800,000 in additional permanent funds, the development would be considered feasible from this perspective.

Underwriter:	*Thomas Cavanagh*	Date:	July 17, 2007
Reviewing Underwriter:	*Lisa Vecchietti*	Date:	July 17, 2007
Director of Real Estate Analysis:	*Tom Gouris*	Date:	July 17, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

The Melbourne Apartments, Alvin, 9% HTC #07203

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	1	1	1	751	$366	$225	$225	$0.30	$141.00	$42.00
TC 60%	7	1	1	751	$732	591	4,137	0.79	141.00	42.00
TC 30%	4	2	2	994	$440	260	1,040	0.26	180.00	51.00
TC 60%	36	2	2	994	$879	699	25,164	0.70	180.00	51.00
TC 30%	3	2	2	1,049	$440	260	780	0.25	180.00	51.00
TC 60%	37	2	2	1,049	$879	699	25,863	0.67	180.00	51.00
TC 30%	3	2	2	1,052	$440	260	780	0.25	180.00	51.00
TC 60%	19	2	2	1,052	$879	699	13,281	0.66	180.00	51.00
TOTAL:	110		AVERAGE:	1,008		$648	$71,270	$0.64	$177.16	$50.35

INCOME	Total Net Rentable Sq Ft:	110,872		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$855,240	$840,600	Brazoria	Houston	6
Secondary Income		Per Unit Per Month:	$10.00	13,200	13,200	$10.00	Per Unit Per Month	
Other Support Income:				0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$868,440	$853,800			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(65,133)	(59,772)	-7.00%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$803,307	$794,028			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.38%	$393	0.39	$43,232	$36,500	$0.33	$332	4.60%
Management		3.60%	263	0.26	28,929	39,740	0.36	361	5.00%
Payroll & Payroll Tax		11.45%	836	0.83	$91,960	62,810	0.57	571	7.91%
Repairs & Maintenance		7.54%	551	0.55	$60,589	85,250	0.77	775	10.74%
Utilities		4.28%	313	0.31	34,396	16,000	0.14	145	2.02%
Water, Sewer, & Trash		4.80%	350	0.35	38,553	50,000	0.45	455	6.30%
Property Insurance		3.95%	289	0.29	31,755	44,000	0.40	400	5.54%
Property Tax	3.080722	12.74%	931	0.92	102,364	110,000	0.99	1,000	13.85%
Reserve for Replacements		3.42%	250	0.25	27,500	27,500	0.25	250	3.46%
TDHCA Compliance Fees		0.55%	40	0.04	4,400	4,400	0.04	40	0.55%
Other: cable		0.30%	22	0.02	2,400	2,400	0.02	22	0.30%
TOTAL EXPENSES		58.02%	$4,237	$4.20	$466,078	$478,600	$4.32	$4,351	60.27%
NET OPERATING INC		41.98%	$3,066	$3.04	$337,229	$315,428	$2.84	$2,868	39.73%
DEBT SERVICE									
Citigroup		32.79%	$2,394	$2.38	$263,381	$263,381	$2.38	$2,394	33.17%
SE Texas HFC		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		9.19%	$671	$0.67	$73,848	$52,047	$0.47	$473	6.55%
AGGREGATE DEBT COVERAGE RATIO					1.28	1.20			
RECOMMENDED DEBT COVERAGE RATIO					1.28				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		18.41%	$25,109	$24.91	$2,762,000	$2,762,000	$24.91	$25,109	17.87%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		5.42%	7,400	7.34	814,000	814,000	7.34	7,400	5.27%
Direct Construction		43.94%	59,935	59.46	6,592,840	7,045,000	63.54	64,045	45.58%
Contingency	4.46%	2.20%	3,005	2.98	330,557	330,557	2.98	3,005	2.14%
Contractor's Fees	13.29%	6.56%	8,949	8.88	984,410	984,410	8.88	8,949	6.37%
Indirect Construction		3.10%	4,231	4.20	465,380	465,380	4.20	4,231	3.01%
Ineligible Costs		4.37%	5,966	5.92	656,300	656,300	5.92	5,966	4.25%
Developer's Fees	14.85%	9.73%	13,273	13.17	1,460,000	1,460,000	13.17	13,273	9.45%
Interim Financing		4.28%	5,842	5.80	642,589	642,589	5.80	5,842	4.16%
Reserves		1.98%	2,703	2.68	297,327	297,327	2.68	2,703	1.92%
TOTAL COST		100.00%	$136,413	$135.34	$15,005,403	$15,457,563	$139.42	$140,523	100.00%
Construction Cost Recap		*58.12%*	***$79,289***	***$78.67***	***$8,721,807***	***$9,173,967***	***$82.74***	***$83,400***	*59.35%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
Citigroup	21.13%	$28,818	$28.59	$3,170,000	$3,170,000	$3,170,000	Developer Fee Available
SE Texas HFC	5.33%	$7,273	$7.22	800,000	800,000		$1,460,000
HTC Red Capital Group	72.77%	$99,263	$98.48	10,918,908	10,918,908	10,918,908	% of Dev. Fee Deferred
Deferred Developer Fees	3.79%	$5,170	$5.13	568,655	568,655	1,368,655	94%
Additional (Excess) Funds Req'd	-3.01%	($4,111)	($4.08)	(452,160)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$15,005,403	$15,457,563	$15,457,563	$1,669,972

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

The Melbourne Apartments, Alvin, 9% HTC #07203

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$54.60	$6,053,258
Adjustments				
Exterior Wall Finish	4.00%		$2.18	$242,130
Elderly	3.00%		1.64	181,598
9-Ft. Ceilings	3.50%		1.91	211,864
Hurricane wind adj	$0.94	110,872	0.94	104,220
Subfloor			(1.30)	(144,134)
Floor Cover			2.43	269,419
Breezeways/Balconies	$21.40	22,787	4.40	487,565
Plumbing Fixtures	$805	358	2.60	288,190
Rough-ins	$400	110	0.40	44,000
Built-In Appliances	$1,850	110	1.84	203,500
Exterior Stairs	$1,800	24	0.39	43,200
Elevators	$43,500	12	4.71	522,000
Heating/Cooling			1.90	210,657
Garages	$19.52	7,200	1.27	140,508
Comm &/or Aux Bldgs	$65.36	3,908	2.30	255,437
Other: fire sprinkler	$1.95	110,872	1.95	216,200
SUBTOTAL			84.15	9,329,612
Current Cost Multiplier	0.98		(1.68)	(186,592)
Local Multiplier	0.89		(9.26)	(1,026,257)
TOTAL DIRECT CONSTRUCTION COSTS			$73.21	$8,116,763
Plans, specs, survy, bld prm	3.90%		($2.86)	($316,554)
Interim Construction Interest	3.38%		(2.47)	(273,941)
Contractor's OH & Profit	11.50%		(8.42)	(933,428)
NET DIRECT CONSTRUCTION COSTS			$59.46	$6,592,840

PAYMENT COMPUTATION

Primary	$3,170,000	Amort	360
Int Rate	7.40%	DCR	1.28
Secondary	$800,000	Amort	0
Int Rate	4.90%	Subtotal DCR	1.28
Additional		Amort	
Int Rate		Aggregate DCR	1.28

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$263,381
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$73,848

Primary	$3,170,000	Amort	360
Int Rate	7.40%	DCR	1.28
Secondary		Amort	0
Int Rate		Subtotal DCR	1.28
Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.28

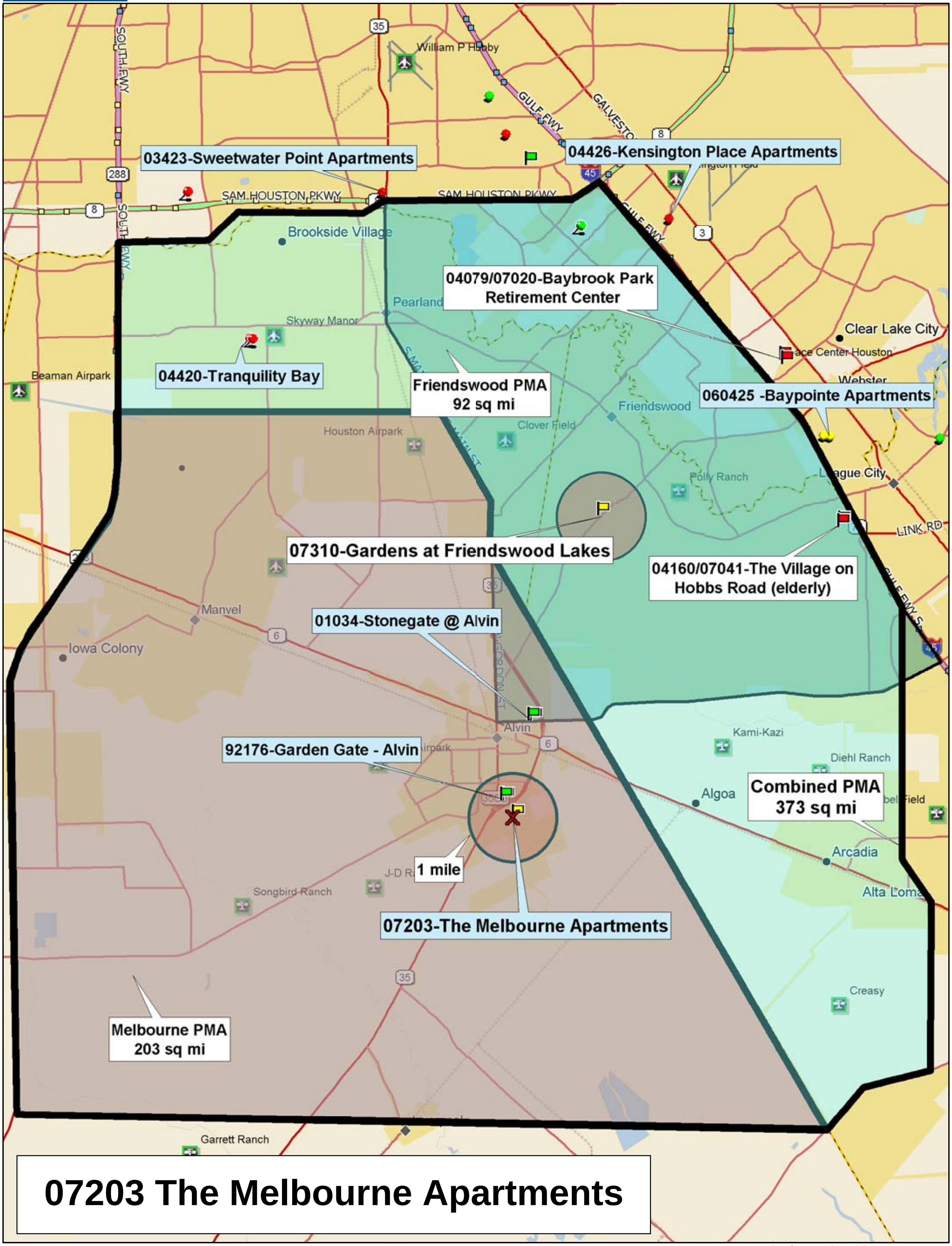
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$855,240	$880,897	$907,324	$934,544	$962,580	$1,115,894	$1,293,627	$1,499,669	$2,015,429
Secondary Income	13,200	13,596	14,004	14,424	14,857	17,223	19,966	23,146	31,107
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	868,440	894,493	921,328	948,968	977,437	1,133,117	1,313,593	1,522,815	2,046,536
Vacancy & Collection Loss	(65,133)	(67,087)	(69,100)	(71,173)	(73,308)	(84,984)	(98,520)	(114,211)	(153,490)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$803,307	$827,406	$852,228	$877,795	$904,129	$1,048,133	$1,215,074	$1,408,604	$1,893,046
EXPENSES at 4.00%									
General & Administrative	$43,232	$44,961	$46,759	$48,630	$50,575	$61,532	$74,863	$91,083	$134,825
Management	28,929	29,797	30,691	31,612	32,560	37,746	43,758	50,728	68,174
Payroll & Payroll Tax	91,960	95,638	99,464	103,442	107,580	130,888	159,245	193,746	286,791
Repairs & Maintenance	60,589	63,012	65,533	68,154	70,880	86,237	104,920	127,651	188,955
Utilities	34,396	35,772	37,202	38,690	40,238	48,956	59,562	72,467	107,268
Water, Sewer & Trash	38,553	40,095	41,699	43,367	45,101	54,873	66,761	81,225	120,233
Insurance	31,755	33,025	34,346	35,720	37,149	45,198	54,990	66,903	99,033
Property Tax	102,364	106,459	110,717	115,146	119,751	145,696	177,261	215,666	319,238
Reserve for Replacements	27,500	28,600	29,744	30,934	32,171	39,141	47,621	57,938	85,763
Other	6,800	7,072	7,355	7,649	7,955	9,679	11,775	14,327	21,207
TOTAL EXPENSES	$466,078	$484,432	$503,511	$523,344	$543,962	$659,945	$800,758	$971,734	$1,431,487
NET OPERATING INCOME	$337,229	$342,975	$348,718	$354,451	$360,167	$388,189	$414,316	$436,870	$461,558
DEBT SERVICE									
First Lien Financing	$263,381	$263,381	$263,381	$263,381	$263,381	$263,381	$263,381	$263,381	$263,381
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$73,848	$79,593	$85,336	$91,070	$96,786	$124,807	$150,935	$173,489	$198,177
DEBT COVERAGE RATIO	1.28	1.30	1.32	1.35	1.37	1.47	1.57	1.66	1.75

HTC ALLOCATION ANALYSIS -The Melbourne Apartments, Alvin, 9% HTC #07203

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$2,762,000	$2,762,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	$814,000	$814,000	$814,000	$814,000
Construction Hard Costs	$7,045,000	$6,592,840	$7,045,000	$6,592,840
Contractor Fees	$984,410	$984,410	$984,410	$984,410
Contingencies	$330,557	$330,557	$330,557	$330,557
Eligible Indirect Fees	$465,380	$465,380	$465,380	$465,380
Eligible Financing Fees	$642,589	$642,589	$642,589	$642,589
All Ineligible Costs	$656,300	$656,300		
Developer Fees				
Developer Fees	$1,460,000	$1,460,000	$1,460,000	$1,460,000
Development Reserves	$297,327	$297,327		
TOTAL DEVELOPMENT COSTS	$15,457,563	$15,005,403	$11,741,936	$11,289,776

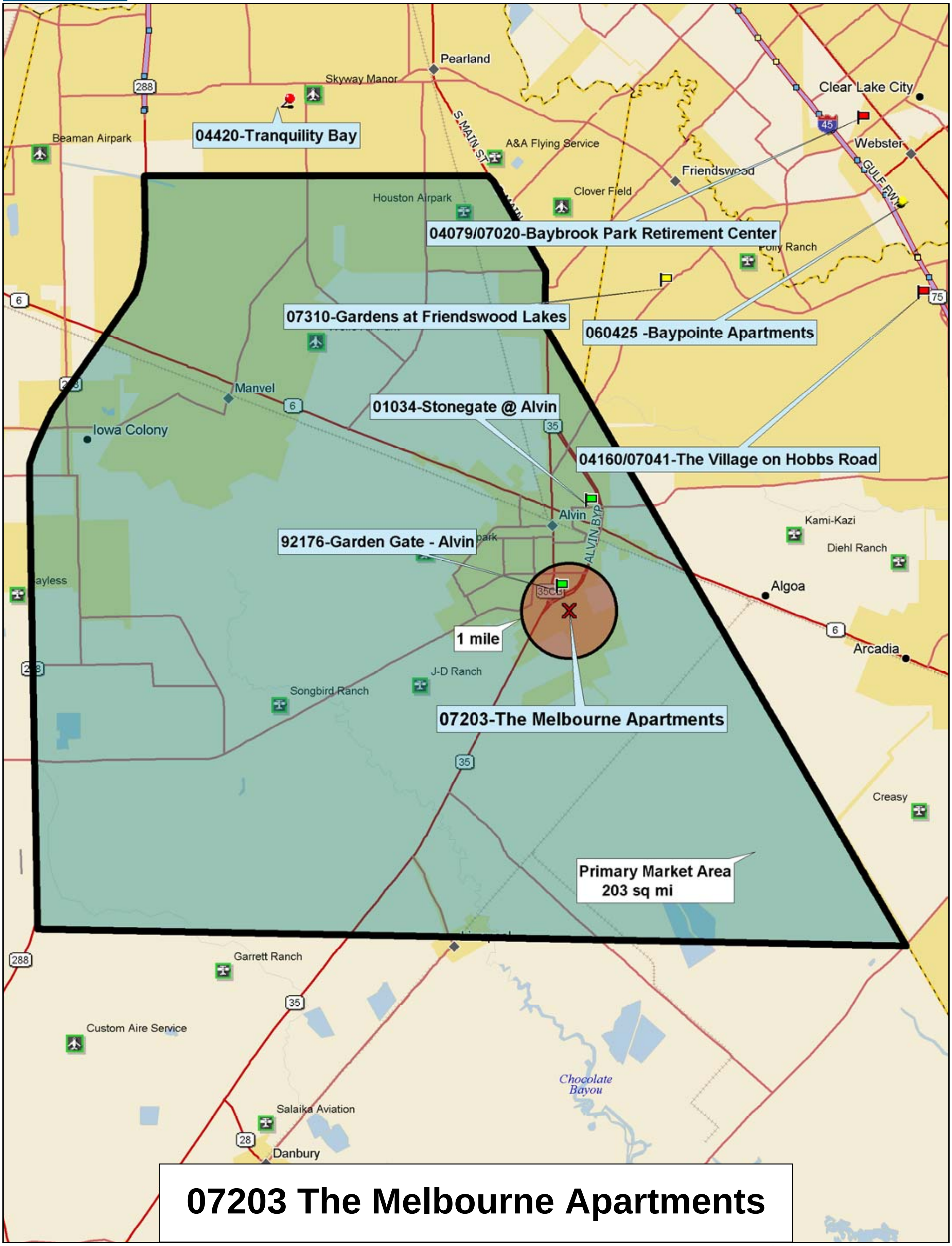
Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$11,741,936	$11,289,776
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$15,264,517	$14,676,709
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$15,264,517	$14,676,709
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		$1,305,116	$1,254,859
Syndication Proceeds	**0.9099**	**$11,875,370**	**$11,418,072**
Total Tax Credits (Eligible Basis Method)		**$1,305,116**	**$1,254,859**
Syndication Proceeds		**$11,875,370**	**$11,418,072**
Requested Tax Credits		**$1,200,000**	
Syndication Proceeds		**$10,918,908**	
Gap of Syndication Proceeds Needed		**$12,287,563**	
Total Tax Credits (Gap Method)		**$1,350,417**	



07203 The Melbourne Apartments

TN
MN (3.7°E)

Scale 1 : 187,500
1" = 2.96 mi
Data Zoom 10-1



07203 The Melbourne Apartments

TN
MN (3.7°E)

Scale 1 : 175,000
1" = 2.76 mi
Data Zoom 10-2

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report Addendum

REPORT DATE: 08/18/08 PROGRAM: 9% HTC FILE NUMBER: **07206**

DEVELOPMENT

Villa Estella Trevino

Location: 1/4 mile east of Sugar Rd on the North side of Mile 17 1/2 (aka Russell Rd) Region: 11

City: Edinburg County: Hidalgo Zip: 78530 [ ] QCT [X] DDA

Key Attributes: Multifamily, Elderly, Urban/Exurban, New Construction

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$1,152,000			**$1,151,989**		

* The amount of the original allocation as approved by the Board is $1,151,989.

RECOMMENDATION

Staff has evaluated the financial viability of the requested amendment. Based on the revised information provided, the transaction would meet the Department's 2008 Real Estate Analysis Rules and Guidelines. If the Board chooses to approve the amendment, the Underwriter recommends no change in the originally approved award of $1,151,989 in housing tax credits, subject to the following conditions.

If the Board chooses to not grant the amendment request, the Underwriter has determined that the transaction as originally structured would continue to meet the Department's 2008 Real Estate Analysis Rules and Guidelines. Therefore, no change in the originally approved award of $1,151,989 is recommended if the amendment is not granted and this award would continue to be subject to the conditions of the original underwriting report.

CONDITIONS

1 The LURA restrictions should include the following amenities/services: a hot daily meal, medical monitoring, and recreational activities.

2 Receipt, review, and acceptance, by October 4, 2008, of a signed syndication commitment and signed construction and permanent financing commitments in line with the assumptions of this addendum or a reevaluation may be warranted.

3 Receipt, review, and acceptance, by October 4, 2008, of a signed syndication commitment and signed construction and permanent financing commitments in line with the assumptions of this addendum or a reevaluation may be warranted.

4 Receipt, review, and acceptance, by carryover, of documentation for the new Co-Developer and Guarantor in order to provide the Department with the necessary information to review previous participation, potential non-compliance, and financial strength.

5 Receipt, review, and acceptance, by cost certification, of an agreement giving ingress and egress rights to Russell Road from the site to all tenants of the subject property based on the revised site access if approved by the TDHCA Board.

6 Receipt, review, and acceptance of documentation that all Phase I ESA recommendations including an asbestos survey, subsequent environmental report recommendations, and proper removal of all septic tanks have been carried out.

7 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	17
60% of AMI	60% of AMI	144

LURA restrictions to include the following amenities/services: a hot daily meal, medical monitoring, and recreational activities.

PROS

- The entire Rio Grande Valley is a fast growing area where safe, decent, and affordable housing is a key concern.

CONS

- The Developer has little experience with HTC programs and has received one other allocation from 2006 but has not yet completed an HTC development.

ADDENDUM

On August 11, 2008, the Applicant submitted an amendment letter reflecting the following requested changes to the subject application:

- Shift the site access from the eastern boundary of the site west to the middle of the site and widen the access drive from 60 feet to 80 feet.
- Reduce the common area square footage from 18,596 SF (including 5,848 SF of corridors) to 4,710 SF (including approximately 1,110 SF of corridors).

The Applicant has also indicated that the decrease in onsite community area will be compensated through the development of an adult daycare center to be located on 2.5 acres adjacent to the site. This property is also owned by the developer. The Applicant has indicated that an Assistant Manager position onsite will be eliminated as some services originally committed will be located at the adult daycare center.

The Applicant has provided no additional details regarding the financing or readiness to proceed on the development of this adult daycare nor would this daycare be restricted in the LURA. However, the Applicant has indicated no change in the level of services that will be provided to the tenants. The letter provided reflects the following amenities that can be included in the LURA: a hot daily meal, medical monitoring, and recreational activities. As such, this report is conditioned upon these amenities being provided and that such amenities will be reflected in the executed and recorded Land Use Restriction Agreement (LURA).

The Applicant's letter indicates that these changes will help contain rising costs and will not adversely affect the tenants or services provided. The primary motivation for these changes appears to be a significant decrease in the syndication rate from $0.88 per dollar of credit to $0.79 and an increase in the eligible hard construction costs (sitework costs, direct costs, contingency and contractor fees) of $980,653 after accounting for the requested changes. The reduced common area square footage and shifted site access drive are in line with features comparable to other tax credit transactions and would have been approved if originally submitted at application. Moreover, the Applicant's revised costs are more consistent with the Underwriter's current Marshall and Swift derived estimate than the Applicant's original costs were to the Underwriter's original estimate; although, the Applicant's revised direct costs are 6% higher than the Underwriter's.

The Applicant has submitted a revised rent schedule, operating proforma, development cost schedule, and sources and uses of funds that reflect the effects of the proposed changes on the financial viability of the transaction. However, the Applicant has not submitted architectural plans that reflect the most current building plans. Several sets of plans have been received for several previous amendment requests that never moved forward, and to ensure that the most current set of plans is on-file, receipt, review, and acceptance, by October 4, 2008, of revised, scaled building plans and unit plans consistent with the Applicant's request is a condition of this report.

Also of note, in correspondence with the Underwriter, the Applicant indicated that a Co-Developer and Guarantor that has significant experience with the tax credit program has been sought for the subject development. However, this Co-Developer was not contemplated at application and staff has not had the opportunity to review previous participation or financial information for this organization. Therefore, receipt, review, and acceptance, by carryover, of documentation for the new Co-Developer and Guarantor in order to provide the Department with the necessary information to review previous participation, potential non-compliance, and financial strength is a condition of this report.

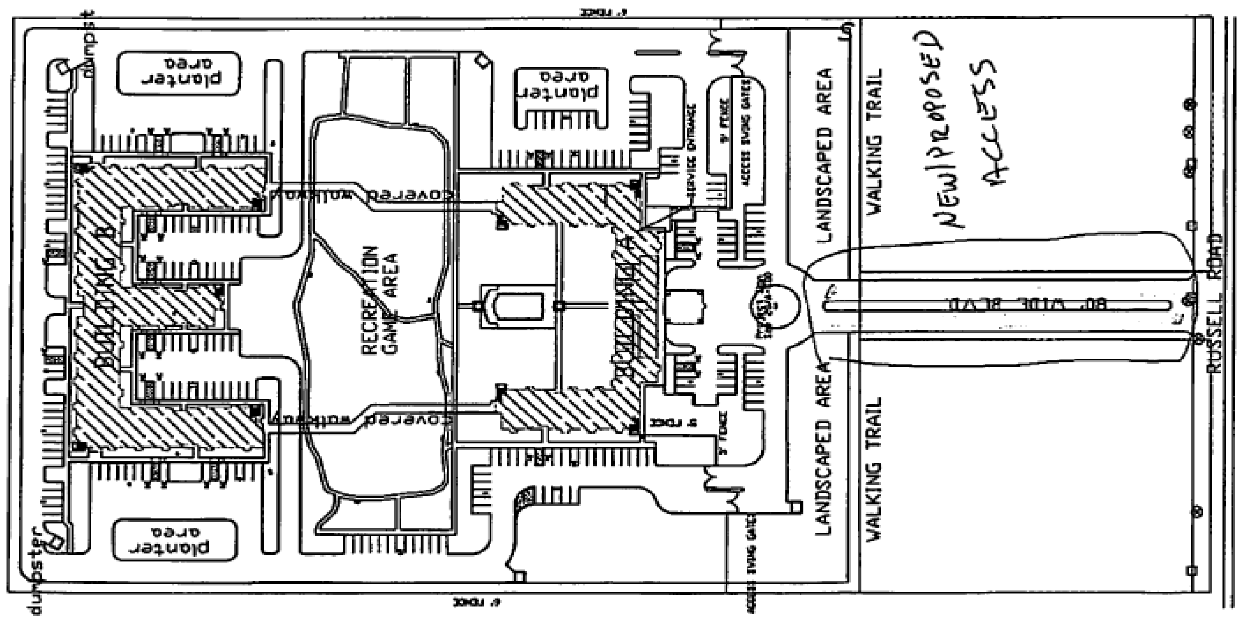
The Underwriter has fully reviewed the revised information and reevaluated the transaction to ensure that it continues to meet the Department's Real Estate Analysis Rules and Guidelines [10 TAC Section 1.32]. The development with the requested changes meets the Department's REA Rules.

However, based on the Underwriter's original development costs and on the TDHCA Board approved development plan, the transaction would remain viable if the proposed changes were not approved.

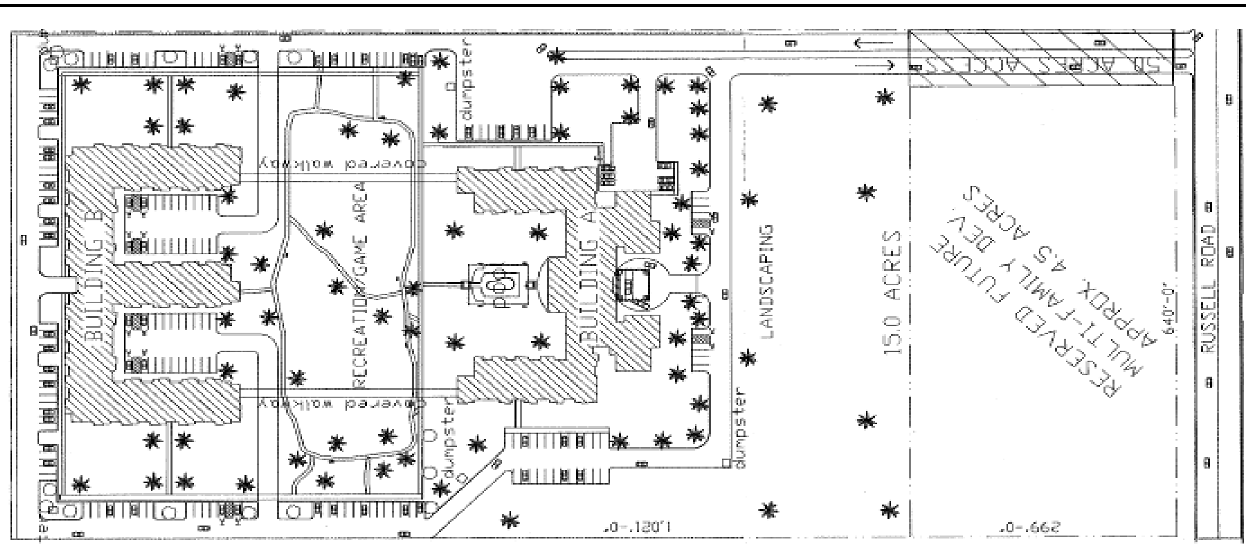
This addendum includes only those portions of the report that are materially affected by the requested changes and this addendum should be read in conjunction with the original report.

PROPOSED SITE

REVISED SITE PLAN



ORIGINALLY APPROVED SITE PLAN



OPERATING PROFORMA ANALYSIS

Income:

The Applicant provided an updated rent schedule to reflect a slight increase in the gross tax credit rents from 2007 to 2008. This change results in a $10K increase in the Applicant's effective gross income. The Underwriter's effective gross income estimate reflects a comparable increase.

The Applicant has indicated that the property will be all-bills-paid, and as such, utility allowances are not subtracted from the program rent limits. The Market Analyst indicates that the maximum program rents can be achieved in the market. The Applicant's estimates of secondary income and vacancy and collection loss are in line with Department guidelines and the Applicant's effective gross income estimate is within 5% of the Underwriter's estimate.

Expense:

The Applicant's revised operating proforma reflects a $370 per unit decrease in annual expenses, which is primary attributed to significant decreases in payroll and payroll tax ($10K or 9%), utilities ($16K or 10%), insurance ($23K or 35%), and other expenses ($21K or 67%). The decrease in other expenses is primarily attributed to supportive services which will presumably move offsite and this report has been conditioned upon LURA restriction of supportive services. The Underwriter's expenses are comparable to those originally underwritten with a correction to the compliance fee line item and a decrease in other expenses comparable to that reflected by the Applicant.

At application, the Applicant submitted a legal opinion from Coats-Rose indicating that the property will be assigned to the Housing Authority and the Housing Authority will ground lease the site to the partnership. The legal opinion indicates that the ground lease and organizational structure will allow the development to obtain a 100% property tax exemption. The Underwriter has assumed a 100% property tax exemption.

The Applicant's total revised operating expense estimate of $3,143 per unit is within 5% of the Underwriter's estimate of $3,243 per unit derived from the TDHCA database, IREM data, and other sources.

Conclusion:

The Applicant's estimates of income, total expense, and net operating income are each within 5% of the Underwriter's estimate. Therefore, the Applicant's year one proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma results in a DCR of 1.16 after correcting the Applicant's projected annual debt service based on the potential lender's terms.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's 15 year minimum. Therefore, the development can be characterized as feasible.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE

Acquisition Value:

The Applicant has indicated no change to the acquisition cost.

The site cost of $50,000 per acre or $4,940 per unit is assumed to be reasonable since the acquisition is an arm’s-length transaction. However, only 15 of the 20 acres to be purchased will be used for the subject development. As a result the Applicant has used a prorata value of $750,000 plus closing costs. The Underwriter has also determined a prorata value of $750,000 ($50,000 x 15) plus closing costs.

Off-Site Cost:

The Applicant's revised schedule reflects off-site costs of $285,801 for off-site concrete, storm drains, hydrants, sewer laterals, off-site paving, and off-site electrical. The Architect provided a sealed verification of the Applicant's off-site estimate. This estimate is the same as originally underwritten despite the widening of the offsite access drive.

Sitework Cost:

The Applicant’s claimed sitework costs of $8,921 per unit (including demolition) are within current Department guidelines. Therefore, further third party substantiation is not required. The Applicant included demolition costs of $82,000, which are ineligible. While the sitework costs are the same as at application, the Applicant has increased the portion of the sitework costs that are included in eligible basis.

Direct Construction Cost:

The Applicant's eligible direct construction cost estimate has increased $875,446K from application even after accounting for the cost saving changes that have been requested. The Applicant's original eligible direct cost estimate was $711K lower than the Underwriter's original estimate. The revised documentation reflects direct costs that are $374K higher than the Underwriter's estimate after accounting for the requested changes.

Ineligible Costs:

The Applicant included marketing costs of $5,000 in eligible basis. These costs are generally not eligible and as a result the Applicant's cost schedule was changed to reallocate the marketing costs to the ineligible costs line item.

Contingency & Fees:

The Applicant's contingencies exceed the Department's 5% maximum by $4,167. As a result, the Underwriter has reallocated the Applicant's excess contingency to ineligible costs.

Conclusion:

While the Applicant's total hard construction costs reflect an increase of $981K, the Applicant's total development costs as revised are $532K higher than at application. It appears that the Applicant's estimated ineligible costs have decreased significantly, which accounts for the smaller overall change in cost. Additionally, the Applicant has slightly reduced developer fee despite the higher costs.

The Applicant’s revised total development cost is within 5% of the Underwriter’s revised estimate; therefore, the Applicant’s cost schedule, as adjusted above, will be used to determine the development’s need for permanent funds and to calculate eligible basis. An eligible basis of $12,377,096 supports annual tax credits of $1,315,799. This figure will be compared to the Applicant’s request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation. The Underwriter has continued to use an 8.55% applicable percentage as required by the 2007 and 2008 QAPs.

FINANCING STRUCTURE

SOURCES & USES

Source: Edinburg Housing Authority Type: **Interim Financing**

Principal: $800,000 Interest Rate: 4.9% [ ] Fixed Term: 12 months

Comments:

The Applicant has indicated that the Edinburg Housing Authority will provide construction financing in the amount of $800,000. The Applicant anticipates a rate equal to AFR and a minimum term of 12 months. The Applicant has indicated no change in this source of financing.

Source: BEY, LLC Type: **Interim Financing**

Principal: $480,000 Interest Rate: 7.8% [X] Fixed Amort: 18 months

Source:	Greystone or other lender			Type:	**Interim to Permanent Financing**			
Interim:	$8,060,000	Interest Rate:	7.00%	X	Fixed	Term:	24	months
Permanent:	$4,300,000	Interest Rate:	7.74%	X	Fixed	Amort:	360	months

Comments:

The Applicant originally contemplated the permanent financing provided by Boston Capital. However, the Applicant has provided a financing offer from Greystone for construction and permanent financing. The commitments provided have not been signed and the Applicant has indicated that they are still fielding offers and are not ready to commit to the Greystone offer.

The Applicant has indicated that several lenders have been resistant to showing interest in the transaction due to the originally committed community area being substantially larger than generally provided, which would have a significant negative impact on operating costs. At this late stage it is not typical to have made such limited progress. Receipt, review, and acceptance, by October 4, 2008, of signed commitments for construction and permanent financing in line with the subject underwriting addendum are conditions of this report.

However, the Applicant contemplates a permanent loan of $4,035,000, which is less than reflected in the Greystone letter but $560K more than originally underwritten. It is unclear how much due diligence was done on the lender's part as the debt amount reflected in the commitment is significantly higher than can be expected based on both the Applicant's and Underwriter's proformas.

Additionally, the construction loan has increased dramatically, which is likely the result of an anticipated less favorable equity pay-in schedule.

Source:	Phoenix Realty Group or other syndicator		Type:	**Syndication**	
Proceeds:	$9,099,800	Syndication Rate:	79.0%	Anticipated HTC:	$ 1,151,989

Comments:

The Applicant has been unable to provide a solid LOI, commitment, or term sheet for syndication. In lieu, the Phoenix Realty Group, LLC has provided a short letter addressed to the Director of Real Estate Analysis indicating that they may be interested in making an equity investment in the subject transaction but additional due diligence is required before providing an LOI. The letter also states that reducing upfront costs would help make the project stronger and emphasizes that they cannot move forward with a project that has community area in excess of 5,000 SF.

The letter indicates that a credit price of $0.79 may be expected and indicates that less than 70% deferral of developer fee will likely be needed. It is unclear, however, that the Applicant's proposed changes will be sufficient to meet the syndicator's requirements as it appears that they are still at a preliminary stage of evaluation. Moreover, the projected deferred developer fee in this analysis is 80%, which is equal to the absolute maximum that would be accepted by Phoenix Realty. Receipt, review, and acceptance, by October 4, 2008, of a signed syndication commitment in line with the assumptions of this addendum is a condition of this report.

A credit price of $0.88 per dollar of credit was originally underwritten. The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. Some other 2007 transactions that did not lock in their pricing prior to January and February have experienced such pricing declines.

Based on the Underwriter's evaluation and all else held equal, the syndication price can decline to $0.743 before the required deferred developer fees would exceed the development's projected 15 year cashflow and the development would be infeasible.

Amount:	$1,009,095	Type:	**Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total revised development cost estimate less the permanent loan of $4,035,000 indicates the need for $10,108,898 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,279,735 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, originally approved allocation ($1,151,989), the gap-driven amount ($1,279,735), and eligible basis-derived estimate ($1,315,799), the original Board approved award of $1,151,989 is recommended resulting in proceeds of $9,099,800 based on a syndication rate of 79%.

There is no change in the Underwriter's recommended tax credit award.

The Underwriter's recommended financing structure indicates the need for $1,009,098 in additional permanent financing. Deferred developer fees in this amount appear to be repayable within 12 years of stabilized operations.

Underwriter:	______________________ *Cameron Dorsey*	Date:	August 18, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Villa Estella Trevino, Edinburg, 9% HTC #07206 -- ADDENDUM

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent Collected		Rent per Month	Rent per SF	Utilities	WS&T
TC 30%	13	1	1	650	$245	$245	$242		$3,185	$0.38	$43.00	$32.00
TC 60%	109	1	1	650	$490	490	485		53,410	0.75	43.00	32.00
MR	4	1	1	650		625	625		2,500	0.96	43.00	32.00
TC 30%	1	1	1	727	$245	245	242		245	0.34	43.00	32.00
TC 60%	7	1	1	727	$490	490	485		3,430	0.67	43.00	32.00
MR	2	1	1	727		625	625		1,250	0.86	43.00	32.00
TC 30%	2	2	2	800	$295	295	291		590	0.37	58.00	39.00
TC 60%	26	2	2	800	$588	588	582		15,288	0.74	58.00	39.00
TC 30%	1	2	2	975	$295	295	291		295	0.30	58.00	39.00
TC 60%	2	2	2	975	$588	588	582		1,176	0.60	58.00	39.00
MR	1	2	2	975		725	725		725	0.74	58.00	39.00
TOTAL:	168		**AVERAGE:**	687		$489	$484		$82,094	$0.71	$45.86	$33.33

INCOME	Total Net Rentable Sq Ft:	115,470			TDHCA	TDHCA Orig	APP Orig	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT					$985,128	$975,504	$975,504	$985,092	Hidalgo		11
Secondary Income		Per Unit Per Month:		$10.00	20,160	20,160	20,160	20,160	$10.00	Per Unit Per Month	
Other Support Income:					0	0	0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					$1,005,288	$995,664	$995,664	$1,005,252			
Vacancy & Collection Loss		% of Potential Gross Income:		-7.50%	(75,397)	(74,675)	(74,675)	(75,396)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0	0	0	0			
EFFECTIVE GROSS INCOME					$929,891	$920,989	$920,989	$929,856			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT					PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.43%	$245	0.36	$41,186	$41,186	$33,900	$37,775	$0.33	$225	4.06%
Management		5.00%	277	0.40	46,495	46,049	45,428	45,429	0.39	270	4.89%
Payroll & Payroll Tax		12.11%	670	0.98	112,622	112,622	115,000	105,000	0.91	625	11.29%
Repairs & Maintenance		6.58%	364	0.53	61,147	61,147	60,820	55,820	0.48	332	6.00%
Utilities		13.97%	773	1.12	129,868	129,868	156,089	140,013	1.21	833	15.06%
Water, Sewer, & Trash		5.85%	324	0.47	54,397	54,397	34,373	43,373	0.38	258	4.66%
Property Insurance		4.35%	241	0.35	40,415	40,415	65,000	42,000	0.36	250	4.52%
Property Tax	2.8663	0.00%	0	0.00	0	0	0	0	0.00	0	0.00%
Reserve for Replacements		4.52%	250	0.36	42,000	42,000	42,000	42,000	0.36	250	4.52%
TDHCA Compliance Fees		0.69%	38	0.06	6,440	5,200	6,400	6,400	0.06	38	0.69%
Other:Cbl/SuppServ/Secur		1.10%	61	0.09	10,200	31,200	31,200	10,200	0.09	61	1.10%
TOTAL EXPENSES		58.58%	$3,243	$4.72	$544,769	$564,084	$590,210	$528,010	$4.57	$3,143	56.78%
NET OPERATING INC		41.42%	$2,292	$3.34	$385,122	$356,905	$330,779	$401,846	$3.48	$2,392	43.22%
DEBT SERVICE											
Alliant		37.27%	$2,063	$3.00	$346,552	$278,306	$278,298	$335,623	$2.91	$1,998	36.09%
Additional Financing		0.00%	$0	$0.00	0	0	0	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	0	0	$0.00	$0	0.00%
NET CASH FLOW		4.15%	$230	$0.33	$38,570	$78,600	$52,481	$66,223	$0.57	$394	7.12%
AGGREGATE DEBT COVERAGE RATIO					1.11	1.28	1.19	1.20			
RECOMMENDED DEBT COVERAGE RATIO						1.28		1.16			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	TDHCA Orig	APP Orig	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		6.05%	$4,940	$7.19	$830,000	$830,000	$830,000	$830,000	$7.19	$4,940	5.87%
Off-Sites		2.08%	1,701	2.48	285,801	285,801	285,801	285,801	2.48	1,701	2.02%
Sitework		10.33%	8,433	12.27	1,416,800	1,360,128	1,360,128	1,416,800	12.27	8,433	10.02%
Direct Construction		48.62%	39,676	57.73	6,665,631	6,875,621	6,164,160	7,039,606	60.96	41,902	49.77%
Contingency	5.00%	2.95%	2,405	3.50	404,122	379,200	379,200	426,987	3.70	2,542	3.02%
Contractor's Fees	11.26%	6.64%	5,416	7.88	909,923	909,175	909,175	909,923	7.88	5,416	6.43%
Indirect Construction		4.77%	3,890	5.66	653,500	673,440	673,440	653,500	5.66	3,890	4.62%
Ineligible Costs		1.57%	1,285	1.87	215,834	685,889	685,889	215,834	1.87	1,285	1.53%
Developer's Fees	11.83%	9.25%	7,545	10.98	1,267,631	1,291,757	1,291,757	1,267,631	10.98	7,545	8.96%
Interim Financing		4.86%	3,969	5.77	666,816	549,458	549,458	666,816	5.77	3,969	4.71%
Reserves		2.87%	2,340	3.40	393,093	358,970	483,000	431,000	3.73	2,565	3.05%
TOTAL COST		100.00%	$81,602	$118.72	$13,709,151	$14,199,439	$13,612,008	$14,143,898	$122.49	$84,190	100.00%
Construction Cost Recap		*68.54%*	***$55,931***	***$81.38***	***$9,396,476***	***$9,524,124***	***$8,812,663***	***$9,793,316***	***$84.81***	***$58,294***	*69.24%*

SOURCES OF FUNDS

	%	Per Unit	Per SF	TDHCA	TDHCA Orig	APP Orig	APPLICANT	RECOMMENDED	
Alliant	29.43%	$24,018	$34.94	$4,035,000	$3,475,322	$3,475,422	$4,035,000	$4,035,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0	0	0	$1,267,631
Alliant HTC Equity	66.38%	$54,165	$78.81	9,099,803	10,136,686	10,136,586	9,099,803	9,099,800	% of Dev. Fee Deferred
Deferred Developer Fees	7.36%	$6,007	$8.74	1,009,095	0	0	1,009,095	1,009,098	80%
Additional (Excess) Funds Req'd	-3.17%	($2,588)	($3.77)	(434,747)	587,431	0	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$13,709,151	$14,199,439	$13,612,008	$14,143,898	$14,143,898	$1,551,497

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Villa Estella Trevino, Edinburg, 9% HTC #07206 -- ADDENDUM

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$52.62	$6,075,739
Adjustments				
Exterior Wall Finish	6.40%		$3.37	$388,847
Elderly	3.00%		1.58	182,272
9-Ft. Ceilings	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(0.90)	(103,713)
Floor Cover			2.43	280,592
Breezeways/Balconies	$24.65	9,465	2.02	233,286
Plumbing Fixtures	$805	96	0.67	77,280
Rough-ins	$400	336	1.16	134,400
Built-In Appliances	$1,850	168	2.69	310,800
Exterior Stairs	$1,800	15	0.23	27,000
Enclosed Corridors	$42.70	33,250	12.29	1,419,691
Heating/Cooling			1.90	219,393
Elevators	$51,594	8	3.57	412,750
Comm &/or Aux Bldgs	$52.62	4,710	2.15	247,828
Other: fire sprinkler	$1.95	115,470	1.95	225,167
SUBTOTAL			87.74	10,131,332
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.81		(16.67)	(1,924,953)
TOTAL DIRECT CONSTRUCTION COSTS			$71.07	$8,206,379
Plans, specs, survy, bld prm	3.90%		($2.77)	($320,049)
Interim Construction Interest	3.38%		(2.40)	(276,965)
Contractor's OH & Profit	11.50%		(8.17)	(943,734)
NET DIRECT CONSTRUCTION COSTS			$57.73	$6,665,631

PAYMENT COMPUTATION

Primary	$4,035,000	Amort	360
Int Rate	7.74%	DCR	1.11

Secondary	$0	Amort	
Int Rate		Subtotal DCR	1.11

Additional		Amort	
Int Rate		Aggregate DCR	1.11

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$346,552
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$55,294

Primary	$4,035,000	Amort	360
Int Rate	7.74%	DCR	1.16

Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.16

Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.16

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 5	YEAR 10	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$985,092	$1,014,645	$1,045,084	$1,076,437	$1,108,730	$1,097,938	$1,272,811	$1,285,322	$1,490,040	$1,727,365	$2,321,434
Secondary Income	20,160	20,765	21,388	22,029	22,690	22,690	26,304	26,304	30,494	35,351	47,508
Other Support Income:	0	0	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,005,252	1,035,410	1,066,472	1,098,466	1,131,420	1,120,629	1,299,116	1,311,626	1,520,534	1,762,715	2,368,942
Vacancy & Collection Loss	(75,396)	(77,656)	(79,985)	(82,385)	(84,856)	(84,047)	(97,434)	(98,372)	(114,040)	(132,204)	(177,671)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$929,856	$957,754	$986,486	$1,016,081	$1,046,563	$1,036,581	$1,201,682	$1,213,254	$1,406,494	$1,630,512	$2,191,272
EXPENSES at 4.00%											
General & Administrative	$37,775	$39,286	$40,857	$42,492	$44,191	$39,658	$48,250	$53,766	$65,414	$79,586	$117,807
Management	45,429	46,792	48,196	49,642	51,131	51,130	59,273	59,275	68,716	79,660	107,057
Payroll & Payroll Tax	105,000	109,200	113,568	118,111	122,835	134,534	163,681	149,448	181,826	221,219	327,458
Repairs & Maintenance	55,820	58,053	60,375	62,790	65,302	71,151	86,566	79,449	96,662	117,604	174,083
Utilities	140,013	145,614	151,438	157,496	163,795	182,602	222,163	199,282	242,457	294,986	436,652
Water, Sewer & Trash	43,373	45,108	46,912	48,789	50,740	40,212	48,924	61,733	75,108	91,380	135,265
Insurance	42,000	43,680	45,427	47,244	49,134	76,041	92,515	59,779	72,730	88,488	130,983
Property Tax	0	0	0	0	0	0	0	0	0	0	0
Reserve for Replacements	42,000	43,680	45,427	47,244	49,134	49,134	59,779	59,779	72,730	88,488	130,983
Other	16,600	17,264	17,955	18,673	19,420	43,987	53,517	23,627	28,746	34,974	51,770
TOTAL EXPENSES	$528,010	$548,676	$570,155	$592,480	$615,682	$688,447	$834,668	$746,138	$904,390	$1,096,386	$1,612,058
NET OPERATING INCOME	$401,846	$409,078	$416,331	$423,602	$430,881	$348,134	$367,014	$467,116	$502,104	$534,126	$579,213
DEBT SERVICE											
First Lien Financing	$346,552	$346,552	$346,552	$346,552	$346,552	$278,025	$278,025	$346,552	$346,552	$346,552	$346,552
Second Lien	0	0	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$55,294	$62,525	$69,779	$77,049	$84,329	$70,109	$88,989	$120,564	$155,552	$187,574	$232,661
DEBT COVERAGE RATIO	1.16	1.18	1.20	1.22	1.24	1.25	1.32	1.35	1.45	1.54	1.67

HTC ALLOCATION ANALYSIS -Villa Estella Trevino, Edinburg, 9% HTC #07206 -- ADDENDUM				
CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$830,000	$830,000		
Purchase of buildings				
Off-Site Improvements	$285,801	$285,801		
Sitework	$1,416,800	$1,416,800	$1,416,800	$1,416,800
Construction Hard Costs	$7,039,606	$6,665,631	$7,039,606	$6,665,631
Contractor Fees	$909,923	$909,923	$909,923	$909,923
Contingencies	$426,987	$404,122	$422,820	$404,122
Eligible Indirect Fees	$653,500	$653,500	$653,500	$653,500
Eligible Financing Fees	$666,816	$666,816	$666,816	$666,816
All Ineligible Costs	$215,834	$215,834		
Developer Fees				
Developer Fees	$1,267,631	$1,267,631	$1,267,631	$1,267,631
Development Reserves	$431,000	$393,093		
TOTAL DEVELOPMENT COSTS	$14,143,898	$13,709,151	$12,377,096	$11,984,423
Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			$12,377,096	$11,984,423
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			$16,090,225	$15,579,750
Applicable Fraction			95.64%	95.64%
TOTAL QUALIFIED BASIS			$15,389,457	$14,901,214
Applicable Percentage			8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			$1,315,799	$1,274,054
Syndication Proceeds		**0.7899**	**$10,393,769**	**$10,064,018**

Total Tax Credits (Eligible Basis Method)	**$1,315,799**	**$1,274,054**
Syndication Proceeds	**$10,393,769**	**$10,064,018**
Requested Tax Credits	**$1,152,000**	
Syndication Proceeds	**$9,099,890**	
Gap of Syndication Proceeds Needed	**$10,108,898**	
Total Tax Credits (Gap Method)	**$1,279,735**	
Board Approved Allocation	**$1,151,989**	
Syndication Proceeds	**$9,099,800**	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 07/07/07 PROGRAM: 9% HTC FILE NUMBER: **07206**

DEVELOPMENT

Villa Estrella Trevino

Location: 1/4 mile east of Sugar Rd on the North side of Mile 17 1/2 (aka Russell Rd) Region: 11

City: Edinburg County: Hidalgo Zip: 78530 ☐ QCT ☒ DDA

Key Attributes: Multifamily, Elderly, Urban/Exurban, New Construction

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$1,152,000			**$1,151,989**		

CONDITIONS

1 Receipt, review, and acceptance of an agreement giving ingress and egress rights to Russell Road from the site to all tenants of the subject property.

2 Receipt, review, and acceptance of documentation that all Phase I ESA recommendations including an asbestos survey, subsequent environmental report recommendations, and proper removal of all septic tanks have been carried out.

3 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	17
60% of AMI	60% of AMI	144

PROS

- The entire Rio Grande Valley is a fast growing area where safe decent and affordable housing is a key concern.

CONS

- The Developer has little experience with HTC programs and has received one other allocation from 2006 but has not yet completed an HTC development and has another application for funding in 2007.

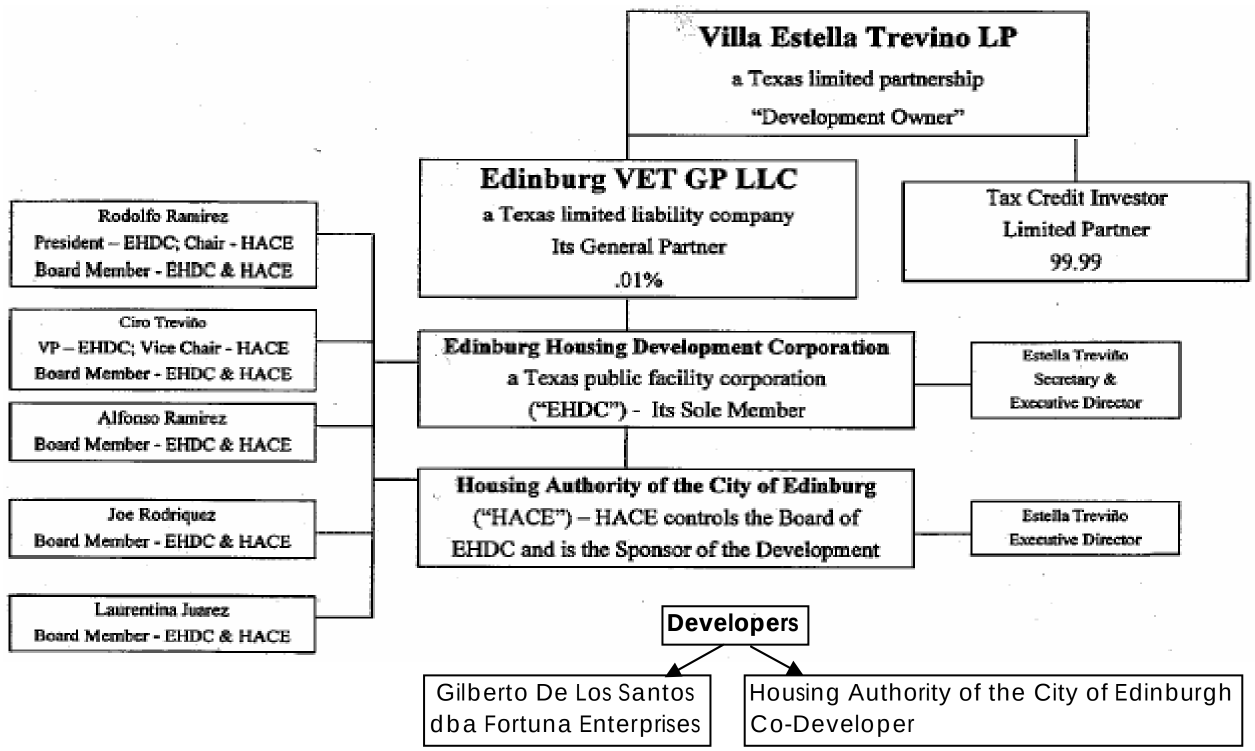
- The Applicant's high expense to income ratio is within 1% of the maximum guideline, reflecting extensive deep rent targeting, but still an acceptable ratio.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Gilberto de los Santos Phone: 956.383.3033 Fax: 956.318.3934
Email: gdls@rgv.rr.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# of Complete Developments
Edinburg Housing Developmen	Non-Material Financials		N/A
Edinburg Housing Authority	$4,553,795	$680,546	N/A
Estella Trevino	Confidential		1 LIHTC Development in Texas
Gilberto de los Santos	Confidential		1 LIHTC Allocation in Texas
William T Cornwell III	Consultant		N/A
Sarah Anderson Consulti	Consultant		N/A

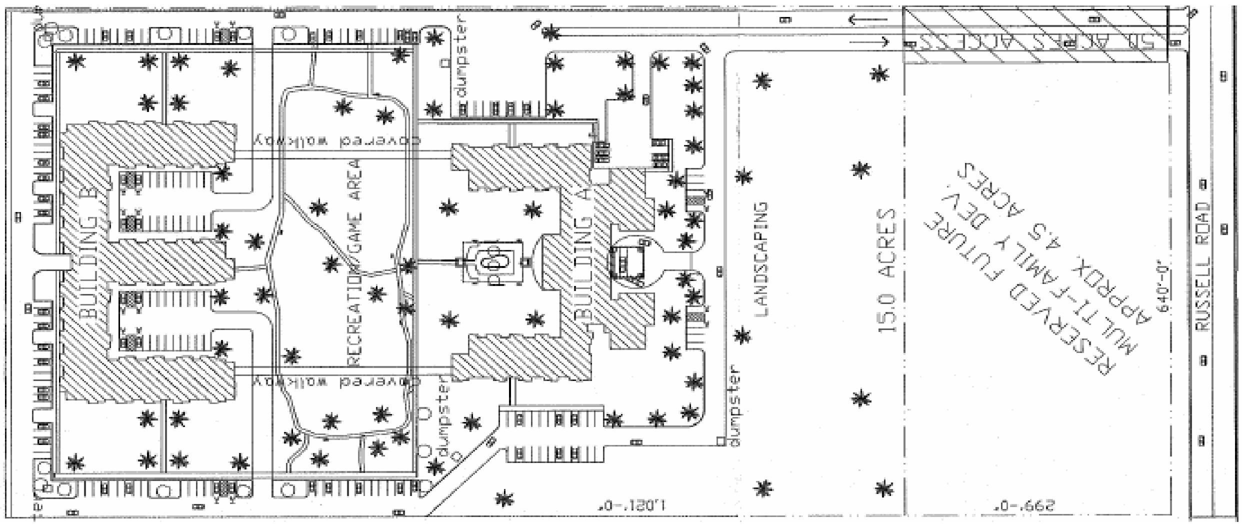
[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, Architect, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B								Total Buildings
Floors/Stories	3	3								
Number	1	1								**2**

BR/BA	SF	Units										Total Units	Total SF
1/1	650	42	84									126	81,900
1/1	727	2	8									10	7,270
2/2	800	10	18									28	22,400
2/2	975	2	2									4	3,900
Units per Building		56	112									**42**	**33,570**

SITE ISSUES

Total Size: 15 acres — Scattered site? ☐ Yes ☒ No

Flood Zone: Zone X — Within 100-yr floodplain? ☐ Yes ☒ No

Zoning: R-B2/Multifamily — Needs to be re-zoned? ☐ Yes ☒ No ☐ N/A

Comments:

The 5 acre portion of the site not being developed is located between the development site and the dedicated roadway. Therefore, a right of way agreement will be required to obtain access to the site. This 5 acres is under contract with the Developer and as a result sufficient access should be obtainable. Receipt, review, and acceptance of an agreement giving ingress and egress rights to all tenants of the subject property is a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff — Date: 4/27/2007

Overall Assessment:

☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: agricultural land — East: overgrown land and small residences

South: Russell Road / vacant land — West: elevated concrete irrigation canal

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Environmental Risk Management, Inc   Date: 3/14/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- "Per the Texas Asbestos Health Protection Rules (TAHPR), a formal asbestos survey must be performed on each individual structure prior to the planned demolition" (letter dated June 5, 2007).
- "Development of the property will encounter septic tanks associated with the residences" (p. 21).

Comments:

The Applicant has certified that the septic tanks will be removed in conformity with state laws, county health department regulations, and city codes. Receipt, review, and acceptance of documentation that all Phase I ESA recommendations including an asbestos survey, subsequent environmental report recommendations, and proper removal of all septic tanks have been carried out is a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData, LLC   Date: 3/27/2007

Contact: Darrell Jack   Phone: 210.530.0040   Fax: 210.340.5830

Number of Revisions: 0   Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 158.87 square miles (7.11 mile radius)

The boundaries of the Primary Market Area are as follows: (p. 3)

North: FM 2812
East N 3rd Avenue
South: US Highway 83
West: Wallace Road North / Sharyland Road

This is a large market area for an urban/exurban location and extends well beyond Edinburg to include northern sections of McAllen, Pharr, San Juan, and Alamo. Seniors developments, however typically draw tenants from longer distances than non-senior households.

Secondary Market Area (SMA):

The Market Analyst did not indicate a secondary market area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS								
PMA				SMA				
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25%	Comp Units
N/A				N/A				

Comments:

The Market Analyst did not identify any other unstabilized comparable properties within the primary market area. The Underwriter has identified one other unstabilized comparable property. Providence at Edinburg is a 100-unit elderly property that received a 9% HTC allocation in 2004 (and an additional allocation in 2007). However, the property is an existing development that will be reconstructed and include Pubic Housing Units and Section 8 units. Moreover, it has already been absorbed and it is likely that the many of the existing tenants will choose to return. Therefore, the Underwriter has not included these units in the inclusive capture rate. It should be noted however, that inclusion of these units in the Underwriter's demand calculations would result in a capture rate above the Department's 75% threshold.

It is also worth noting that two additional elderly developments are just south of the primary market area boundary. One is a 2003 development (Las Brisas Apartments) which should have stabilized by now and the other is a proposed 2007 application (Bluebonnet Senior) which does not appear to have scored high enough to be a priority for funding at this time.

INCOME LIMITS						
Hidalgo						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$9,050	$10,350	$11,650	$12,950	$14,000	$15,000
60	$18,120	$20,700	$23,280	$25,860	$27,900	$30,000

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	211	9	0	220	14	0	6%
1 BR/ 60% Rent Limit	158	9	0	167	132	0	79%
2 BR/ 30% Rent Limit	55	2	0	57	2	0	4%
2 BR/ 60% Rent Limit	83	7	0	90	12	0	13%

Comments:

Subsequent to the Market Analyst's completion of the study, the Applicant changed the unit mix to include fewer one-bedroom 60% units and more two-bedroom 30% and 60% units. The change results in a reduction in the highest per unit capture rate and only slight increases in the capture rates for the two-bedroom units. Based on the Market Analyst's demand calculations the new unit mix appear to conform more to the needs of the market. As a result, the Underwriter did not request revisions to the demand by unit type calculations.

OVERALL DEMAND												
			Target Households		Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER												
Market Analyst	p.	58	15%	20,615	100%	20,615	22%	4,520	18%	796	65%	513
Underwriter			15%	21,738	100%	21,738	22%	4,767	18%	839	23%	197
PMA DEMAND from HOUSEHOLD GROWTH												
Market Analyst	p.	58			100%	441	22%	97	18%	17	100%	17
Underwriter					100%	622	22%	136	18%	24	100%	24

INCLUSIVE CAPTURE RATE								
			Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p.	59	160	0	0	160	530	30.19%
Underwriter			161	0	0	161	221	72.86%

Comments:

As stated above, subsequent to the Market Analyst's completion of the study, the Applicant changed the unit mix to include one additional restricted unit. The addition of one restricted unit has little effect on the overall capture rate and the resulting capture rate remains below the Department's maximum. Moreover, the Underwriter has used the correct number of units to determine the inclusive capture rate. Therefore, the Underwriter did not request revisions to the market study.

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The Market Analyst derived demand from turnover using a turnover rate based on IREM data. However, IREM data generally overstates turnover rates for elderly and LIHTC properties due to the reliance on market rate family properties. The Underwriter used a much lower turnover rate of 23% which is derived from 2005 and 2006 data collected from the Owner's Financial Certifications for six LIHTC properties in Hidalgo County. Four of the properties included in the Underwriter's turnover analysis are elderly properties and two are family properties. The family developments included are located within the Market Analyst's Primary Market Area, while the four elderly developments are located outside of the PMA but within Hidalgo County.

The Underwriter's inclusive capture rate, using 23% turnover and correcting for the additional unit, of 72.86% is substantially higher than Market Analyst's inclusive capture rate but still slightly below the Department's maximum of 75% for elderly developments.

Primary Market Occupancy Rates:

"The competitive sub-market supply and demand analysis conducted by Apartment MarketData Research Services included 548 existing income restricted family units and 825 conventional family units within the Primary Market Area. ... The occupancy rate for the income restricted one bedrooms is 92.0%, for income restricted two bedrooms it is 91.8%, for the three bedroom units it is 92.0%, and the overall average occupancy for income restricted units is 92.0%" (p. 119).

Absorption Projections:

"Today, the PMA is 93.6% occupied overall. Based on occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject’s units. Absorption over the previous sixteen years for all unit types is estimated to be 384 units per year. We expect this to continue as the number of new household continues to grow, and as additional rental units become available" (p. 110).

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 650 SF 30%	$242	$242	$650	$242	$408
1 BR 650 SF 60%	$485	$485	$650	$485	$165
1 BR 650 SF MR	$625		$650	$625	$25
1 BR 727 SF 30%	$242	$242	$650	$242	$408
1 BR 727 SF 60%	$485	$485	$650	$485	$165
1 BR 727 SF MR	$625		$650	$625	$25
2 BR 800 SF 30%	$291	$291	$760	$291	$469
2 BR 800 SF 60%	$582	$582	$760	$582	$178
2 BR 975 SF 30%	$291	$291	$760	$291	$469
2 BR 975 SF 60%	$582	$582	$760	$582	$178
2 BR 975 SF MR	$725		$760	$725	$35

Market Impact:

"In the neighborhood is a mix of uses, but primarily vacant tracts of land and single family homes. Due to the surrounding development and use, the analyst feels that there would be minimal social resistance to developing the subject site as apartments. An apartment development would also help with labor support for retail and industrial development in the immediate area, and would not significantly impact neighborhood single-family housing. In fact, an apartment development would have less of an impact on the existing housing than most other development types present in the sub-market" (p. 104).

Comments:

The market study provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income:	Number of Revisions: 2	Date of Last Applicant Revision:	5/10/2007

The Applicant's projected net rent collected is equal to the gross program rent. The Applicant has indicated that the property will be all-bills-paid, and as such, utility allowances are not subtracted from the program rent limits. The Market Analyst indicates that the maximum program rents can be achieved in the market. The Applicant's estimates of secondary income and vacancy and collection loss are in line with Department guidelines.

Expense:	Number of Revisions: 2	Date of Last Applicant Revision:	5/10/2007

The Applicant's total operating expense estimate of $3,513 per unit is within 5% of the Underwriter's estimate of $3,358 per unit derived from the TDHCA database, IREM data, and other sources. However, the Applicant's estimates of water, sewer, and trash expense and property insurance are each significantly different ($20K lower and $25K higher respectively) than the Underwriter's estimates. The Underwriter's utilities and water, sewer, and trash have been adjusted to account for the all-bills-paid utility structure. Additionally, the Applicant has overstated TDHCA compliance fees.

The Applicant has submitted a legal opinion from Coats-Rose indicating that the property will be assigned to the Housing Authority and the Housing Authority will ground lease the site to the partnership. The legal opinion indicates that the ground lease and organizational structure will allow the development to obtain a 100% property tax exemption. The Underwriter has assumed a 100% property tax exemption.

Conclusion:

The Applicant's estimates of net operating income is not within 5% of the Underwriter's estimates. Therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Underwriter's Year One proforma results in a DCR within the Department's guideline of 1.15 to 1.35.

Feasibility:

The Applicant's revised operating proforma estimates and initial expense to income ratio is less than 1% below the Department's 65% maximum and no mitigating circumstances exist in the application to support such a high figure. The Underwriter's analysis, reflects a slightly lower expense estimate and a lower expense to income ratio. In both cases, however, the development can be characterized as feasible under this criterion.

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter’s base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's 15 year minimum. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	20.6 acres	$242,453	Tax Year:	2006
One Acre:		$11,752	Valuation by:	Hidalgo CAD
Prorata Value:	15 acres	$176,287	Tax Rate:	2.8663

The property is currently subdivided into four lots that are improved for agricultural uses and with small occupied homes. As such, the assessments are inconsistent in there treatment and assessment of the land only values. The above figures do not account for the assessed value of the agricultural improvements or residential improvements. It should be noted that the residences appear to be in very poor condition.

EVIDENCE of PROPERTY CONTROL

Type:	Commercial Contract - Unimproved Property	Acreage:	≈ 20.0
Contract Expiration:	12/31/2007	Valid Through Board Date?	[X] Yes [ ] No
Acquisition Cost:	$1,000,000	Other:	
Seller:	Lydia Alfredo & Alejo Salinas, Jr	Related to Development Team?	[ ] Yes [X] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2 Date of Last Applicant Revision: 5/10/2007

Acquisition Value:

The site cost of $50,000 per acre or $4,940 per unit is assumed to be reasonable since the acquisition is an arm’s-length transaction. However, only 15 of the 20 acres to be purchased will be used for the subject development. As a result the Applicant has used a prorata value of $750,000 plus closing costs. The Underwriter has also determined a prorata value of $750,000 ($50,000 x 15) plus closing costs.

Off-Site Cost:

The Applicant has included off-site costs of $285,801 for off-site concrete, storm drains, hydrants, sewer laterals, off-site paving, and off-site electrical. The Architect provided a sealed verification of the Applicant's off-site estimate. The Applicant included off-site costs as eligible; however, off-site costs cannot be included in eligible basis. As a result, the Underwriter has removed these costs from basis. The Applicant was informed of this adjustment.

Sitework Cost:

The Applicant’s claimed sitework costs of $8,921 per unit are within current Department guidelines. Therefore, further third party substantiation is not required. The Applicant included demolition costs of $78,720 in eligible basis. However, demolition costs are not eligible and the Underwriter has moved these costs to the ineligible costs line item.

Direct Construction Cost:

The Applicant’s direct construction cost estimate is $711,461 or 10% lower than the Underwriter’s Marshall & Swift Residential Cost Handbook-derived estimate.

Ineligible Costs:

As stated above, the Applicant included off-site costs, demolition costs, and marketing costs in eligible basis. These costs are generally not eligible and were therefore reallocated to ineligible costs.

Interim Interest Expense:

The Applicant's estimate of eligible interest expense is greater than one year of fully drawn interest on the construction period financing indicated in the sources and uses of funds exhibit. As a result, the Applicant's eligible interest has been reduced to the Department maximum and the overage has been allocated to ineligible costs.

Contingency & Fees:

The Applicant's contingencies exceed the Department's 5% maximum by $2,986. As a result, the Underwriter has reallocated the excess contingency to ineligible costs.

Conclusion:

The Applicant’s total development cost is within 5% of the Underwriter’s estimate; therefore, the Applicant’s cost schedule, as adjusted above, will be used to determine the development’s need for permanent funds and to calculate eligible basis. An eligible basis of $11,324,332 supports annual tax credits of $1,203,880. This figure will be compared to the Applicant’s request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 2 Date of Last Applicant Revision: 5/10/2007

Source: Edinburg Housing Authority Type: **Interim Financing**

Principal: $800,000 Interest Rate: 4.9% [ ] Fixed Term: 12 months

Comments:

The Applicant has indicated their intent to apply for a construction loan from the Edinburg Housing Authority in the amount of $800,000. The Applicant anticipates a rate equal to AFR and a minimum term of 12 months.

Source: BEY, LLC Type: **Interim Financing**

Principal: $480,000 Interest Rate: 7.8% [X] Fixed Amort: 18 months

Source: Boston Capital Type: **Interim to Permanent Financing**

Interim: $2,400,000 Interest Rate: 7.02% [X] Fixed Term: 24 months

Permanent: $3,475,322 Interest Rate: 7.02% [X] Fixed Amort: 360 months

Comments:

The Applicant has used a rate of 7.03%. The commitment indicates a rate equal to the 10-Year Treasury rate plus 235 basis points. The Underwriter used a rate of 7.02% which is the rate identified by the lender.

Source: Boston Capital Type: **Syndication**

Proceeds: $10,136,686 Syndication Rate: 88% Anticipated HTC: $ 1,152,000

Comments:

The syndication commitment indicates an equity contribution that this slightly higher than indicated in the Applicant's sources and uses. The Underwriter has adjusted this understatement in the recommended financing structure. Even so, the syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little or no deferred developer fee to absorb excess syndication proceeds.

Amount: $0 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

The Applicant’s total development cost estimate less the permanent loan of $3,475,422 indicates the need for $10,136,586 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,151,989 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant’s request ($1,152,000), the gap-driven amount ($1,151,989), and eligible basis-derived estimate ($1,203,880), the gap-driven amount of $1,151,989 is recommended resulting in proceeds of $10,136,586 based on a syndication rate of 88%.

The Underwriter’s recommended financing structure indicates no need for deferred developer fees.

Underwriter: ______________________ Date: July 7, 2007

Cameron Dorsey

Reviewing Underwriter: ______________________ Date: July 7, 2007

Lisa Vecchietti

Director of Real Estate Analysis: ______________________ Date: July 7, 2007

Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Villa Estrella Trevino, Edinburg, 9% HTC #07206

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Utilities	WS&T
TC 30%	13	1	1	650	$242	$242	$3,146	$0.37	$43.00	$32.00
TC 60%	109	1	1	650	$485	485	52,865	0.75	43.00	32.00
MR	4	1	1	650		625	2,500	0.96	43.00	32.00
TC 30%	1	1	1	727	$242	242	242	0.33	43.00	32.00
TC 60%	7	1	1	727	$485	485	3,395	0.67	43.00	32.00
MR	2	1	1	727		625	1,250	0.86	43.00	32.00
TC 30%	2	2	2	800	$291	291	582	0.36	58.00	39.00
TC 60%	26	2	2	800	$582	582	15,132	0.73	58.00	39.00
TC 30%	1	2	2	975	$291	291	291	0.30	58.00	39.00
TC 60%	2	2	2	975	$582	582	1,164	0.60	58.00	39.00
MR	1	2	2	975		725	725	0.74	58.00	39.00
TOTAL:	168		AVERAGE:	687		$484	$81,292	$0.70	$45.86	$33.33

INCOME	Total Net Rentable Sq Ft:	115,470	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT			$975,504	$975,504	Hidalgo		11
Secondary Income	Per Unit Per Month:	$10.00	20,160	20,160	$10.00	Per Unit Per Month	
Other Support Income:			0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME			$995,664	$995,664			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(74,675)	(74,675)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME			$920,989	$920,989			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.47%	$245	0.36	$41,186	$33,900	$0.29	$202	3.68%
Management		5.00%	274	0.40	46,049	45,428	0.39	270	4.93%
Payroll & Payroll Tax		12.23%	670	0.98	112,622	115,000	1.00	685	12.49%
Repairs & Maintenance		6.64%	364	0.53	61,147	60,820	0.53	362	6.60%
Utilities		14.10%	773	1.12	129,868	156,089	1.35	929	16.95%
Water, Sewer, & Trash		5.91%	324	0.47	54,397	34,373	0.30	205	3.73%
Property Insurance		4.39%	241	0.35	40,415	65,000	0.56	387	7.06%
Property Tax	2.8863	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements		4.56%	250	0.36	42,000	42,000	0.36	250	4.56%
TDHCA Compliance Fees		0.56%	31	0.05	5,200	6,400	0.06	38	0.69%
Other:Cbl/SuppServ/Secur		3.39%	186	0.27	31,200	31,200	0.27	186	3.39%
TOTAL EXPENSES		61.25%	$3,358	$4.89	$564,084	$590,210	$5.11	$3,513	64.08%
NET OPERATING INC		38.75%	$2,124	$3.09	$356,905	$330,779	$2.86	$1,969	35.92%
DEBT SERVICE									
Boston Capital		30.22%	$1,657	$2.41	$278,306	$278,298	$2.41	$1,657	30.22%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		8.53%	$468	$0.68	$78,600	$52,481	$0.45	$312	5.70%
AGGREGATE DEBT COVERAGE RATIO					1.28	1.19			
RECOMMENDED DEBT COVERAGE RATIO					1.28				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		5.85%	$4,940	$7.19	$830,000	$830,000	$7.19	$4,940	6.10%
Off-Sites		2.01%	1,701	2.48	285,801	285,801	2.48	1,701	2.10%
Sitework		9.58%	8,096	11.78	1,360,128	1,360,128	11.78	8,096	9.99%
Direct Construction		48.42%	40,926	59.54	6,875,621	6,164,160	53.38	36,691	45.28%
Contingency	4.60%	2.67%	2,257	3.28	379,200	379,200	3.28	2,257	2.79%
Contractor's Fees	11.04%	6.40%	5,412	7.87	909,175	909,175	7.87	5,412	6.68%
Indirect Construction		4.74%	4,009	5.83	673,440	673,440	5.83	4,009	4.95%
Ineligible Costs		4.83%	4,083	5.94	685,889	685,889	5.94	4,083	5.04%
Developer's Fees	12.02%	9.10%	7,689	11.19	1,291,757	1,291,757	11.19	7,689	9.49%
Interim Financing		3.87%	3,271	4.76	549,458	549,458	4.76	3,271	4.04%
Reserves		2.53%	2,137	3.11	358,970	483,000	4.18	2,875	3.55%
TOTAL COST		100.00%	$84,520	$122.97	$14,199,439	$13,612,008	$117.88	$81,024	100.00%
Construction Cost Recap		*67.07%*	***$56,691***	***$82.48***	***$9,524,124***	***$8,812,663***	***$76.32***	***$52,456***	*64.74%*

SOURCES OF FUNDS	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
Boston Capital	24.48%	$20,686	$30.10	$3,475,322	$3,475,422	$3,475,422	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0	$1,291,757
Boston Capital HTC Equity	71.39%	$60,337	$87.79	10,136,686	10,136,586	10,136,586	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$0	$0.00	0	0	0	0%
Additional (Excess) Funds Req'd	4.14%	$3,497	$5.09	587,431	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$14,199,439	$13,612,008	$13,612,008	$1,703,027

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Villa Estrella Trevino, Edinburg, 9% HTC #07206

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$51.35	$5,929,678
Adjustments				
Exterior Wall Finish	6.40%		$3.29	$379,499
Elderly	3.00%		1.54	177,890
9-Ft. Ceilings	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(0.90)	(103,713)
Floor Cover			2.43	280,592
Breezeways/Balconies	$24.65	9,465	2.02	233,286
Plumbing Fixtures	$805	96	0.67	77,280
Rough-ins	$400	336	1.16	134,400
Built-In Appliances	$1,850	168	2.69	310,800
Exterior Stairs	$1,800	15	0.23	27,000
Enclosed Corridors	$41.43	42,392	15.21	1,756,408
Heating/Cooling			1.90	219,393
Elevators	$51,594	8	3.57	412,750
Comm &/or Aux Bldgs	$51.35	12,748	5.67	654,642
Other: fire sprinkler	$1.95	115,470	1.95	225,167
SUBTOTAL			92.80	10,715,072
Current Cost Multiplier	0.98		(1.86)	(214,301)
Local Multiplier	0.81		(17.63)	(2,035,864)
TOTAL DIRECT CONSTRUCTION COSTS			$73.31	$8,464,907
Plans, specs, survy, bld prm	3.90%		($2.86)	($330,131)
Interim Construction Interes	3.38%		(2.47)	(285,691)
Contractor's OH & Profit	11.50%		(8.43)	(973,464)
NET DIRECT CONSTRUCTION COSTS			$59.54	$6,875,621

PAYMENT COMPUTATION

Primary	$3,475,422	Amort	360
Int Rate	7.03%	DCR	1.28

Secondary	$0	Amort	
Int Rate		Subtotal DCR	1.28

Additional		Amort	
Int Rate		Aggregate DCR	1.28

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$278,025
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$78,880

Primary	$3,475,422	Amort	360
Int Rate	7.02%	DCR	1.28

Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.28

Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.28

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

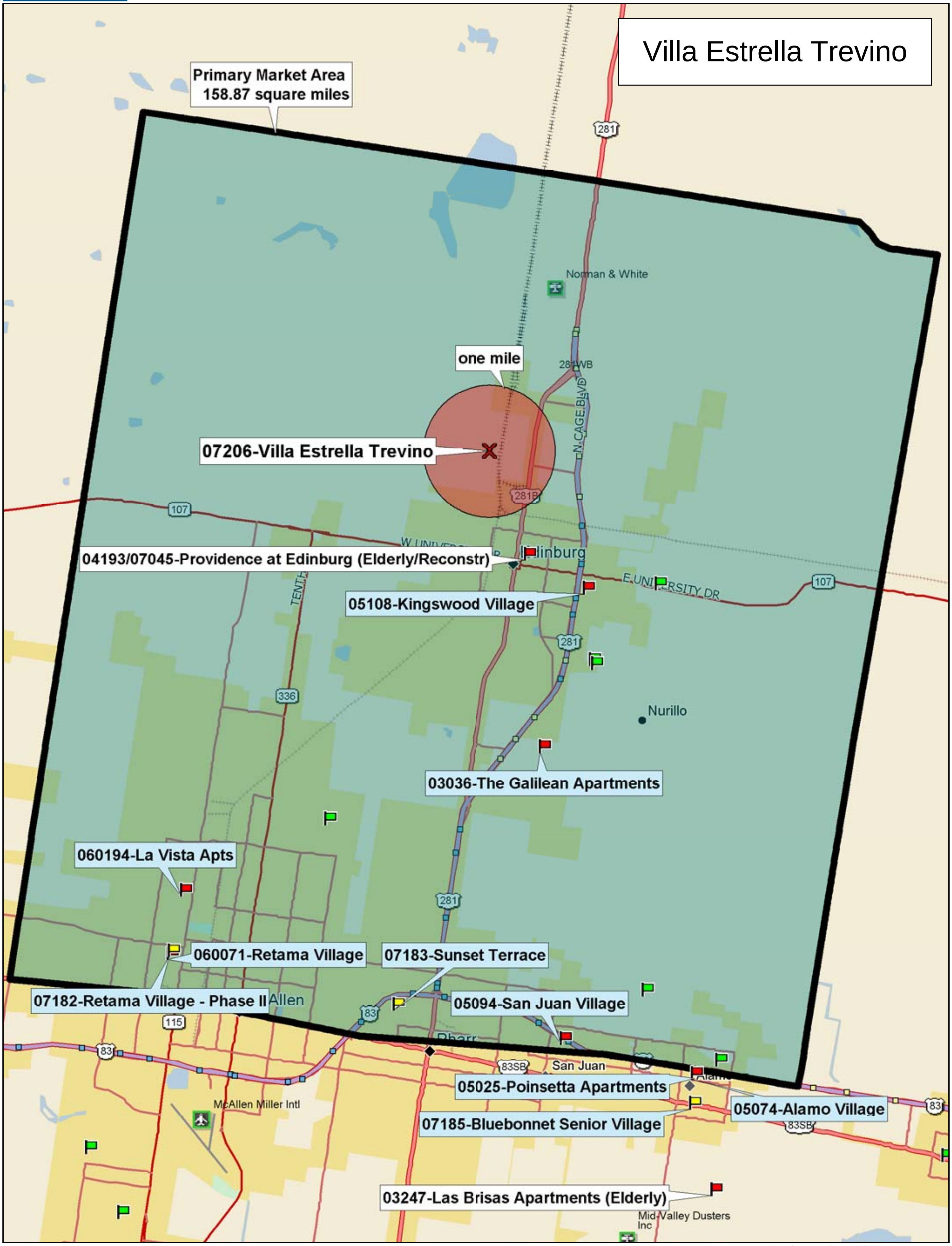
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$975,504	$1,004,769	$1,034,912	$1,065,960	$1,097,938	$1,272,811	$1,475,537	$1,710,552	$2,298,839
Secondary Income	20,160	20,765	21,388	22,029	22,690	26,304	30,494	35,351	47,508
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	995,664	1,025,534	1,056,300	1,087,989	1,120,629	1,299,116	1,506,031	1,745,903	2,346,347
Vacancy & Collection Loss	(74,675)	(76,915)	(79,222)	(81,599)	(84,047)	(97,434)	(112,952)	(130,943)	(175,976)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$920,989	$948,619	$977,077	$1,006,390	$1,036,581	$1,201,682	$1,393,079	$1,614,960	$2,170,371
EXPENSES at 4.00%									
General & Administrative	$41,186	$42,834	$44,547	$46,329	$48,182	$58,621	$71,321	$86,773	$128,446
Management	46,049	47,431	48,854	50,319	51,829	60,084	69,654	80,748	108,519
Payroll & Payroll Tax	112,622	117,127	121,812	126,684	131,751	160,296	195,024	237,277	351,228
Repairs & Maintenance	61,147	63,593	66,137	68,782	71,534	87,032	105,887	128,828	190,697
Utilities	129,868	135,062	140,465	146,084	151,927	184,842	224,889	273,612	405,012
Water, Sewer & Trash	54,397	56,573	58,836	61,189	63,637	77,424	94,198	114,606	169,645
Insurance	40,415	42,031	43,712	45,461	47,279	57,522	69,985	85,147	126,039
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	42,000	43,680	45,427	47,244	49,134	59,779	72,730	88,488	130,983
Other	36,400	37,856	39,370	40,945	42,583	51,809	63,033	76,689	113,519
TOTAL EXPENSES	$564,084	$586,187	$609,160	$633,038	$657,856	$797,409	$966,722	$1,172,168	$1,724,087
NET OPERATING INCOME	$356,905	$362,432	$367,918	$373,352	$378,725	$404,273	$426,357	$442,792	$446,284
DEBT SERVICE									
First Lien Financing	$278,025	$278,025	$278,025	$278,025	$278,025	$278,025	$278,025	$278,025	$278,025
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$78,880	$84,407	$89,892	$95,327	$100,700	$126,248	$148,332	$164,767	$168,259
DEBT COVERAGE RATIO	1.28	1.30	1.32	1.34	1.36	1.45	1.53	1.59	1.61

HTC ALLOCATION ANALYSIS -Villa Estrella Trevino, Edinburg, 9% HTC #07206

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$830,000	$830,000		
Purchase of buildings				
Off-Site Improvements	$285,801	$285,801		
Sitework	$1,360,128	$1,360,128	$1,360,128	$1,360,128
Construction Hard Costs	$6,164,160	$6,875,621	$6,164,160	$6,875,621
Contractor Fees	$909,175	$909,175	$909,175	$909,175
Contingencies	$379,200	$379,200	$376,214	$379,200
Eligible Indirect Fees	$673,440	$673,440	$673,440	$673,440
Eligible Financing Fees	$549,458	$549,458	$549,458	$549,458
All Ineligible Costs	$685,889	$685,889		
Developer Fees				
Developer Fees	$1,291,757	$1,291,757	$1,291,757	$1,291,757
Development Reserves	$483,000	$358,970		
TOTAL DEVELOPMENT COSTS	$13,612,008	$14,199,439	$11,324,332	$12,038,779

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$11,324,332	$12,038,779
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$14,721,632	$15,650,413
Applicable Fraction		96%	96%
TOTAL QUALIFIED BASIS		$14,080,469	$14,968,799
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		$1,203,880	$1,279,832
Syndication Proceeds	**0.8799**	**$10,593,190**	**$11,261,509**

Total Tax Credits (Eligible Basis Method)	**$1,203,880**	**$1,279,832**
Syndication Proceeds	**$10,593,190**	**$11,261,509**
Requested Tax Credits	**$1,152,000**	
Syndication Proceeds	**$10,136,686**	
Gap of Syndication Proceeds Needed	**$10,136,586**	
Total Tax Credits (Gap Method)	**$1,151,989**	



Data use subject to license.

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TN

MN (5.3°E)

Scale 1 : 125,000

1" = 1.97 mi

Data Zoom 10-6

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report Second Addendum

REPORT DATE: 08/08/08 PROGRAM: 9% HTC FILE NUMBER: **07291**

DEVELOPMENT

Cypress Creek at Reed Road

Location: Approximately the 2900 block of Reed Road Region: 6

City: Houston County: Harris Zip: 77051 [X] QCT [X] DDA

Key Attributes: Multifamily, New Construction, Urban, General

ALLOCATION

	ORIGINAL REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$1,199,797			**$1,199,797**		

RECOMMENDATION

The Underwriter has evaluated the financial viability of the requested amendment. Based on the revised information provided, the transaction would meet the Department's 2008 Real Estate Analysis Rules and Guidelines if approved. However, despite the fact that the development is financially feasible as proposed, the Underwriter makes no recommendation regarding the modification to the site plan because it can be considered material under the 2008 QAP. If the Board chooses to approve the amendment, the Underwriter recommends an allocation of tax credits equal to the amount originally approved by the Department's Board, $1,199,797, subject to the following conditions.

CONDITIONS

1 Receipt, review, and acceptance of evidence by cost certification that all Environmental recommendations with regard to a) a noise attenuation due to the proximity of Reed Road, and b) removal of on-site debris have been implemented.

2 Receipt, review, and acceptance by the 10% test of complete documentation from the City of Houston clarifying the funding approval for the subject and related Mariposa at Reed Road.

3 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	14
60% of AMI	60% of AMI	112

PROS

- The proposed local HOME funds for the subject could be funded out of deferred developer fee and still be repaid in just over 10 years.

CONS

- The number of two and three bedroom units targeting 60% households may be somewhat oversaturated based upon the unit capture rates of over 120% calculated by the Market Analyst.

- Wastewater service will not be available to the site until at least early 2008 and is subject to the development of another related HTC property.

ADDENDUM

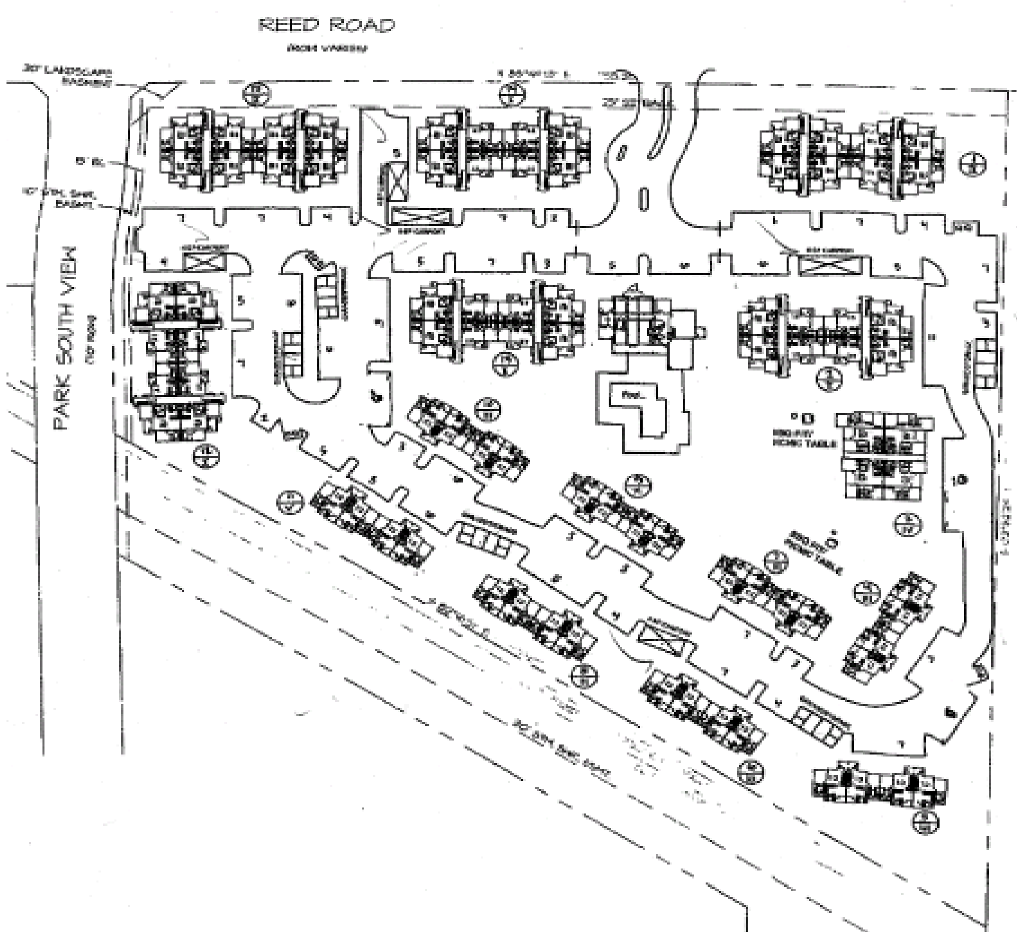
The Underwriter has reviewed the Applicant's request, dated June 26, 2008, for changes in the site plan, architectural design of the development, building types, and a reduction in the site acreage by 1.009 acres. In order to more efficiently accommodate the reduced site, the revised site plan results in a decrease in the number of buildings from 15 two-story buildings to 6 three-story and 1 two-story building for a total of 7 buildings. Additionally, the new site plan allows for a secondary exit from the property that was not included in the original plan. The Applicant indicates these changes are due to requirements from the City of Houston and to allow wetlands mitigation.

The Applicant provided an updated rent schedule, expenses, cost schedule, sources and uses, and commitments for the permanent funds and syndication proceeds.

The Underwriter has evaluated the impact of these changes on the financial viability of the transaction and the tax credit award based on the documentation provided and the requested changes. Only those portions of the report that are materially affected by the proposed changes are discussed below. This report should be read in conjunction with the original underwriting report for a full evaluation of the originally proposed development plan and structure.

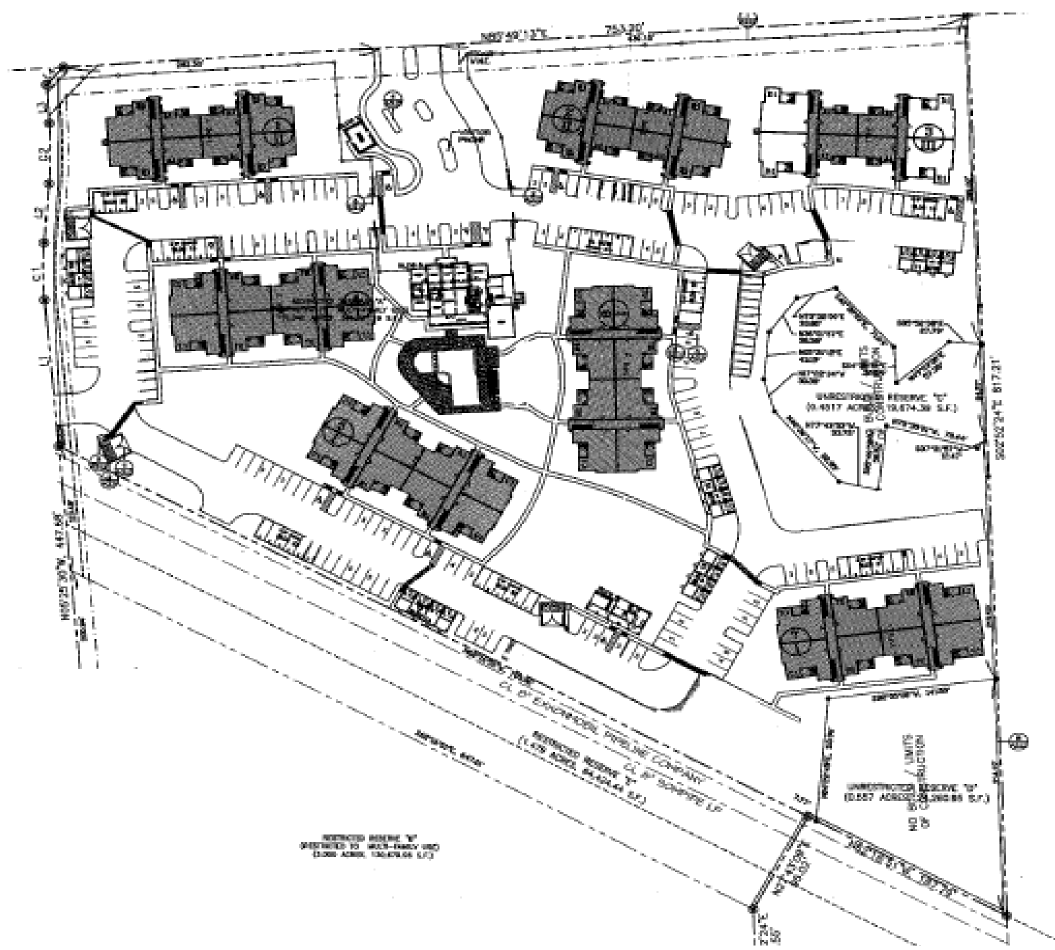
PROPOSED SITE (ORIGINAL)

SITE PLAN (ORIGINAL)



PROPOSED SITE (AMENDMENT REQUEST)

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II	III								Total Buildings
Floors/Stories	3	3	2								
Number	4	2	1								**7**

BR/BA	SF	Units										Total Units	Total SF
1/1	708		12	8								32	22,656
2/2	1,031	12	8									64	65,984
3/2	1,215	8										32	38,880
4/2	1,357			4								4	5,428
Units per Building		20	20	8								**132**	**132,948**

SITE ISSUES

Total Size:	9.277 acres	Scattered site?	[ ] Yes	[X] No	
Flood Zone:	Zone X	Within 100-yr floodplain?	[ ] Yes	[X] No	
Zoning:	N/A	Needs to be re-zoned?	[ ] Yes	[ ] No	[X] N/A

Comments:

As previously indicated, the new site plan reduces the site acreage from 10.286 acres to 9.277 acres. The Applicant indicates the reduced site allows for wetland mitigation as required by the HOME loan administered by the City of Houston.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 7/30/2008

In general, the Applicant’s projected rents for units set aside at 30% AMI were calculated by subtracting anticipated tenant-paid utility allowance estimates as provided by Diamond Property Consultants, from the 2008 program gross rent limits. The property will have six market rate units (three 2-bedroom units and three 3-bedroom units). The rent schedule indicates the Applicant projects the same rent in these units as the 60% units. The Underwriter utilized the maximum net tax credit rents for these units; however, the Applicant chose not to anticipate the maximum tax credit rents or the rents quoted by the Market Analyst as achievable, but rather indicates that the lenders required that they utilize rents that are $48 to $60 less than the underwritten and estimated market rate units. The Applicant indicates the lender's lower rents will allow the Subject to be more competitive with other developments in the market, as well as provide more sustainability in a fluctuating market.

The Applicant indicates Diamond Property Consultants will estimate the electric portion of the utility allowance estimate for each unit type will be based on the estimates provided by the utility provider, Cirro Energy. The gas, water and sewer portion will be based on the Houston Housing Authority allowances.

The Applicant has projected total secondary income of $25 per unit per month from miscellaneous fees, vending, cable, telephone, and garage and storage rental. Underwriting guidelines allow for a maximum of $15 per unit per month in non-rental income. The Applicant's provision for losses due to vacancy and collection at 7% of potential gross income is slightly less than underwriting guideline of 7.5%.

Finally, as indicated in the original underwriting report, the Applicant included a provision for rental concessions equal to 2% of potential income; however, the proforma provided by the primary lender excluded the rental concessions. In addition, the Market Analyst indicates "The recently completed affordable projects, as well as the two comparable affordable projects, are all achieving at or near maximum HTC rents ... Further, the fact that the developer's proposed rents for the 30% and 60% units are well below estimated market rents ... bodes well for the success of the proposed subject property."

"The comparatively affordable rents will provide the subject property with a competitive advantage in the subject market area, which will likely translate into a quick lease-up period." (Market Study p. 90) For these reasons the Underwriter concludes that rental concessions should not be applied. Overall, due to the differences described above and the Applicant's use of lower rents for the market rate units and units set aside at 60% AMI, the Applicant's projected effective gross income is 6.61% less than the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 8/7/2008

The Applicant’s total revised annual operating expense projection of $4,006 per unit is not within 5% of the Underwriter’s estimate of $4,282. The Applicant’s revised budget still shows several line item estimates that deviate significantly when compared to the Underwriter's, specifically: General and Administrative ($14K or 25% lower), Property Insurance ($12K or 31% lower), and Property Tax ($15K or 16% higher).

Conclusion:

The Applicant’s effective gross income, expenses and net operating income are not within 5% of the Underwriter’s estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year’s debt coverage ratio (DCR) of 1.17, which is within the Department’s DCR guideline of 1.15 to 1.35.

It should be noted that the lower rents used by the lender result in an initial year’s DCR of 1.09. However, it appears the lender may have utilized different expenses not provided to the Underwriter, as they were able to underwrite to their required DCR of 1.15.

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Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 8/7/2008

Acquisition Value:

The site cost of $206,074 per acre or $14,483 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction by Stuart Shaw Family Partnership, Ltd., the sole member of the General Partner of the Applicant. Ownership will then be transferred to the Applicant for an equivalent purchase price.

Direct Construction Cost:

The Applicant's revised development cost schedule reflects a $623K increase in total development costs, largely due to the modifications to the building mixes as a result of a decreased site to allow wetlands mitigation. Specifically, the Applicant indicates no changes in sitework, but a $140K increase in direct construction cost. Additionally, indirect construction costs has been increased by $193K, and as a result, certain other eligible and ineligible costs have also shifted slightly according to the new cost schedule. The Applicant's revised direct construction cost is within 5% of the Underwriter's current Marshall & Swift-derived estimate.

The Underwriter's current direct construction cost estimate increased by 3% or approximately $223K compared to underwriting at Carryover. This estimate is less than 1% lower than the Applicant's current estimate and is therefore considered comparable.

Contingency & Fees:

The Applicant's eligible contingency costs were adjusted down by $175,050 to meet the Department guideline of 5% of eligible sitework and direct construction costs for new construction developments. The Applicant's developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines; however, the Applicant's contractor fees exceed the 14% maximum allowed by HTC guidelines by a nominal amount of $1 based on their own construction costs. Consequently, the Applicant's eligible fees in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $12,360,017 (adjusted down by the amount of the requested below market HOME funds, $1,500,000) supports annual tax credits of $1,304,189. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

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FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 8/7/2008

Source: JPMorgan Chase Type: **Interim Financing**

Principal: $9,500,000 Interest Rate: 5.40% ☐ Fixed Term: 24 months

Comments:

Interim Rate Index is based on the 1-month LIBOR + 175 bps and a 25 bps cushion, and is to be swapped at closing. The current indicative all-in rate is 5.4%.

Source: Citi Community Capital Type: **Permanent Financing**

Principal: $5,500,000 Interest Rate: 7.19% ☐ Fixed Term: 420 months

Comments:

Loan increased approximately $1M from original underwriting.

Source: City of Houston Type: **Interim to Permanent Financing**

Principal: $1,500,000 Interest Rate: 1.00% X Fixed Term: 360 months

Comments:

This is an interest-only loan, at a below-market rate, payable only from available cash flow. The principle amount of this loan must be deducted from eligible costs in order for the Applicant to qualify for the Difficult Development Area 30% boost to eligible basis.

Source: Apollo Housing Capital, LLC Type: **Syndication**

Proceeds: $9,790,619 Syndication Rate: 82% Anticipated HTC: $1,194,097

Comments:

The Applicant provided an updated equity commitment from Apollo Equity Partners, offering to purchase the tax credits for $0.82 per dollar of credit. This is a decrease from $0.88 per dollar of credit offered at application. The $0.06 per credit dollar decrease results in a $863K decrease in net proceeds from original underwriting.

Due to the recent volatility in credit pricing, it should be noted, a decrease in rate below $0.67 per credit dollar may increase the amount of deferred developer fee such that 100% of the fee would be utilized, and the need to defer contractor fee may be warranted. Similarly, a decrease below $0.65 per dollar of credit may jeopardize the financial viability of the transaction. Alternatively, should the final credit price increase to more than $0.869, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Source: Construction Net Operating Income

Proceeds: $200,000

Comments:

The Applicant has included income from operations as a source of income for the development. However, due to the uncertainty of this income the Underwriter has not included this as a separate source of funds in the recommended financing structure, but has instead included it in the deferred developer fee.

Amount: $389,818 Type: **Deferred Developer Fees**

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CONCLUSIONS

Recommended Financing Structure:

The Applicant's total revised development cost estimate less the permanent loan of $5.5M indicates the need for $10,277,172 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,253,439 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, the Board approved award ($1,199,797), the gap-driven amount ($1,253,439), and eligible basis-derived estimate ($1,304,189), the Board approved credit amount of $1,199,797 is recommended resulting in proceeds of $9,837,354 based on a syndication rate of 82%.

The Underwriter's recommended financing structure indicates the need for $589,818 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 6 years of stabilized operation.

Underwriter:	*Diamond Thompson*	Date:	8/8/2008
Reviewing Underwriter:	*Audrey Martin*	Date:	8/8/2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	8/8/2008

MULTIFAMILY COMPARATIVE ANALYSIS

Cypress Creek at Reed Road, Houston, 9% HTC #07291

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Applicant	Market Rents	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	6	1	1	708	$343	$281	$282	$731	$1,686	$0.40	$62.00	$50.31
TC 60%	26	1	1	708	$686	624	576	731	16,224	0.88	62.00	50.31
TC 30%	8	2	2	1,031	$411	340	342	889	2,720	0.33	71.00	61.31
TC 60%	53	2	2	1,031	$823	752	704	889	39,856	0.73	71.00	61.31
MR	3	2	2	1,031		752	704	889	2,256	0.73	71.00	61.31
TC 60%	29	3	2	1,215	$951	868	809	992	25,172	0.71	83.00	71.31
MR	3	3	2	1,215		868	809	992	2,604	0.71	83.00	71.31
TC 60%	4	4	2	1,357	$1,062	966	906	1,074	3,864	0.71	96.00	81.31
TOTAL:	132		AVERAGE:	1,007		$715			$94,382	$0.71	$72.48	$61.67

INCOME	Total Net Rentable Sq Ft:	132,948		TDHCA Amend	TDHCA at CO	TDHCA Orig	APP Orig	APP at CO	APP Amend	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$1,132,584	$1,113,624	$1,113,624	$1,113,576	$1,113,576	$1,060,080	Harris	Houston	6
fees, deposits, cable, phone,laundry, vending	Per Unit Per Month:		$15.00	23,760	23,760	23,760	21,324	21,324	21,324	$13.46	Per Unit Per Month	
garage and storage rental				0	0	0	10,200	10,200	18,288	$11.55	Per Unit Per Month	
POTENTIAL GROSS INCOME				$1,156,344	$1,137,384	$1,137,384	$1,145,100	$1,145,100	$1,099,692			
Vacancy & Collection Loss	% of Potential Gross Income:		-7.50%	(86,726)	(85,304)	(85,304)	(85,884)	(85,884)	(76,980)	-7.00%	of Potential Gross Income	
Rental Concessions							(23,760)	(23,760)	(23,760)			
EFFECTIVE GROSS INCOME				$1,069,618	$1,052,080	$1,052,080	$1,035,456	$1,035,456	$998,952			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT							PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.16%	$418	0.42	$55,228	$55,228	$55,228	$41,465	$41,465	$41,465	$0.31	$314	4.15%
Management	3.60%	292	0.29	38,520	37,888	37,888	52,960	52,960	40,908	0.31	310	4.10%
Payroll & Payroll Tax	12.56%	1,018	1.01	134,355	134,355	134,355	129,154	129,154	126,720	0.95	960	12.69%
Repairs & Maintenance	6.79%	551	0.55	72,678	72,678	72,678	55,320	55,320	64,240	0.48	487	6.43%
Utilities	2.68%	217	0.22	28,704	33,444	33,444	23,100	23,100	29,700	0.22	225	2.97%
Water, Sewer, & Trash	4.32%	350	0.35	46,246	46,246	46,246	49,500	49,500	33,000	0.25	250	3.30%
Property Insurance	3.56%	289	0.29	38,091	38,091	38,091	52,800	52,800	26,400	0.20	200	2.64%
Property Tax 2.86215	8.97%	727	0.72	95,969	95,969	95,969	125,400	125,400	110,880	0.83	840	11.10%
Reserve for Replacements	3.09%	250	0.25	33,000	33,000	33,000	33,000	33,000	33,000	0.25	250	3.30%
TDHCA Compliance Fees	0.49%	40	0.04	5,280	5,280	5,280	5,280	5,280	5,280	0.04	40	0.53%
Other: supportive services	1.60%	130	0.13	17,143	19,800	19,800	19,800	19,800	17,143	0.13	130	1.72%
TOTAL EXPENSES	52.84%	$4,282	$4.25	$565,214	$571,980	$571,980	$587,779	$587,779	$528,736	$3.98	$4,006	52.93%
NET OPERATING INC	47.16%	$3,821	$3.79	$504,404	$480,101	$480,101	$447,677	$447,677	$470,216	$3.54	$3,562	47.07%
DEBT SERVICE												
Citi Community Capital	40.25%	$3,261	$3.24	$430,469	$377,072	$377,072	$377,072	$377,072	$430,469	$3.24	$3,261	43.09%
City of Houston HOME	0.00%	$0	$0.00	0	0	0	12,000	12,000	0	$0.00	$0	0.00%
Additional Financing	0.00%	$0	$0.00	0	0	0	0	0	0	$0.00	$0	0.00%
NET CASH FLOW	6.91%	$560	$0.56	$73,935	$103,028	$103,028	$58,605	$58,605	$39,747	$0.30	$301	3.98%
AGGREGATE DEBT COVERAGE RATIO				1.17	1.27	1.27	1.15	1.15	1.09			
RECOMMENDED DEBT COVERAGE RATIO				1.17	1.23	1.23						

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA Amend	TDHCA at CO	TDHCA Orig	APP Orig	APP at CO	APP Amend	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		11.09%	$14,483	$14.38	$1,911,747	$1,904,247	$1,904,221	$1,904,247	$1,904,247	$1,911,747	$14.38	$14,483	10.97%
Off-Sites		0.00%	0	0.00	0	0	0	0	0	0	0.00	0	0.00%
Sitework		6.89%	8,995	8.93	1,187,340	1,187,340	1,187,340	1,187,340	1,187,340	1,187,340	8.93	8,995	6.81%
Direct Construction		41.35%	53,994	53.61	7,127,209	6,904,444	6,904,444	7,001,084	7,001,084	7,141,737	53.72	54,104	40.98%
Contingency	5.00%	2.41%	3,149	3.13	415,727	404,589	404,589	409,421	409,421	591,504	4.45	4,481	3.39%
Contractor's Fees	14.00%	6.75%	8,818	8.76	1,164,037	1,132,850	1,132,850	1,146,381	1,146,381	1,166,072	8.77	8,834	6.69%
Indirect Construction		7.76%	10,137	10.07	1,338,122	1,144,650	794,650	794,650	1,144,650	1,338,122	10.07	10,137	7.68%
Ineligible Costs		6.33%	8,260	8.20	1,090,357	1,064,791	1,064,739	1,035,559	1,035,611	1,090,357	8.20	8,260	6.26%
Developer's Fees	14.98%	10.47%	13,667	13.57	1,803,980	1,695,495	1,642,995	1,810,621	1,863,121	1,803,980	13.57	13,667	10.35%
Interim Financing		4.68%	6,108	6.06	806,313	529,430	529,430	529,430	529,430	806,313	6.06	6,108	4.63%
Reserves		2.26%	2,955	2.93	390,000	426,542	426,542	582,426	582,426	390,000	2.93	2,955	2.24%
TOTAL COST		100.00%	$130,567	$129.64	$17,234,832	$16,394,379	$15,991,801	$16,401,159	$16,803,711	$17,427,172	$131.08	$132,024	100.00%
Construction Cost Recap		*57.41%*	***$74,957***	***$74.42***	***$9,894,313***	***$9,629,223***	***$9,629,223***	***$9,744,226***	***$9,744,226***	***$10,086,653***	***$75.87***	***$76,414***	*57.88%*

SOURCES OF FUNDS	%	PER UNIT	PER SQ FT	TDHCA Amend	TDHCA at CO	TDHCA Orig	APP Orig	APP at CO	APP Amend	RECOMMENDED	
Citi Community Capital	31.91%	$41,667	$41.37	$5,500,000	$4,494,000	$4,494,000	$4,494,000	$4,494,000	$5,500,000	$5,500,000	Developer Fee Available
City of Houston HOME	8.70%	$11,364	$11.28	1,500,000	1,500,000	1,200,000	1,200,000	1,500,000	1,500,000	1,500,000	$1,803,980
HTC Apollo	56.81%	$74,171	$73.64	9,790,619	10,654,007	10,654,007	10,654,007	10,654,007	9,837,352	9,837,354	% of Dev. Fee Deferred
Construction NOI	0.00%	$0	$0.00	0	0	0	0	0	200,000	0	
Deferred Developer Fees	2.26%	$2,953	$2.93	389,818	155,703	53,151	53,151	155,703	389,818	589,818	33%
Additional (Excess) Funds Req'd	0.32%	$412	$0.41	54,395	(409,331)	(409,357)	1	1	2	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$17,234,832	$16,394,379	$15,991,801	$16,401,159	$16,803,711	$17,427,172	$17,427,172	$2,122,753

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Cypress Creek at Reed Road, Houston, 9% HTC #07291

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$53.95	$7,172,083
Adjustments				
Exterior Wall Finish	0.02%		$0.01	$1,148
Hurricane Wind Adj	$0.94	132,948	0.94	124,971
Carports	10.15	3,750		0
Breezeways	$22.97	24,942	4.31	572,802
Subfloor			(0.86)	(113,671)
Floor Cover			2.43	323,064
Balconies	$21.19	13,205	2.10	279,834
Plumbing Fixtures	$805	300	1.82	241,500
Rough-ins	$400	264	0.79	105,600
Built-In Appliances	$1,675	132	1.66	221,100
Exterior Stairs	$1,800	24	0.32	43,200
Interior Stairs	$1,350	32	0.32	43,200
Heating/Cooling			1.73	230,000
Garages/Storage	$18.43	4,000		0
Comm &/or Aux Bldgs	$65.99	3,721	1.85	245,530
Other: fire sprinkler	$1.95	132,948	1.95	259,249
SUBTOTAL			73.33	9,749,610
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.90		(7.33)	(974,961)
TOTAL DIRECT CONSTRUCTION COSTS			$66.00	$8,774,649
Plans, specs, survy, bld prm	3.90%		($2.57)	($342,211)
Interim Construction Interes	3.38%		(2.23)	(296,144)
Contractor's OH & Profit	11.50%		(7.59)	(1,009,085)
NET DIRECT CONSTRUCTION COSTS			$53.61	$7,127,209

PAYMENT COMPUTATION

Primary	$5,500,000	Amort	420
Int Rate	7.19%	DCR	1.17

Secondary	$1,500,000	Amort	
Int Rate	1.00%	Subtotal DCR	1.17

Additional	$9,837,352	Amort	
Int Rate		Aggregate DCR	1.17

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$430,469
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$73,935

Primary	$5,500,000	Amort	420
Int Rate	7.19%	DCR	1.17

Secondary	$1,500,000	Amort	0
Int Rate	1.00%	Subtotal DCR	1.17

Additional	$9,837,352	Amort	0
Int Rate	0.00%	Aggregate DCR	1.17

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,132,584	$1,166,562	$1,201,558	$1,237,605	$1,274,733	$1,477,765	$1,713,135	$1,985,993	$2,669,008
Secondary Income	23,760	24,473	25,207	25,963	26,742	31,001	35,939	41,663	55,992
garage and storage rental	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,156,344	1,191,034	1,226,765	1,263,568	1,301,475	1,508,767	1,749,074	2,027,656	2,725,000
Vacancy & Collection Loss	(86,726)	(89,328)	(92,007)	(94,768)	(97,611)	(113,157)	(131,181)	(152,074)	(204,375)
Rental Concessions	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,069,618	$1,101,707	$1,134,758	$1,168,801	$1,203,865	$1,395,609	$1,617,893	$1,875,582	$2,520,625
EXPENSES at 4.00%									
General & Administrative	$55,228	$57,437	$59,735	$62,124	$64,609	$78,607	$95,637	$116,357	$172,237
Management	38,520	39,676	40,866	42,092	43,354	50,260	58,265	67,545	90,775
Payroll & Payroll Tax	134,355	139,729	145,318	151,131	157,176	191,229	232,659	283,065	419,006
Repairs & Maintenance	72,678	75,586	78,609	81,753	85,023	103,444	125,855	153,122	226,659
Utilities	28,704	29,852	31,046	32,288	33,580	40,855	49,706	60,475	89,518
Water, Sewer & Trash	46,246	48,095	50,019	52,020	54,101	65,822	80,082	97,432	144,224
Insurance	38,091	39,615	41,200	42,848	44,562	54,216	65,962	80,253	118,794
Property Tax	95,969	99,808	103,800	107,952	112,270	136,594	166,188	202,193	299,294
Reserve for Replacements	33,000	34,320	35,693	37,121	38,605	46,969	57,145	69,526	102,915
Other	22,423	23,320	24,253	25,223	26,232	31,915	38,829	47,242	69,930
TOTAL EXPENSES	$565,214	$587,437	$610,538	$634,551	$659,512	$799,910	$970,329	$1,177,210	$1,733,350
NET OPERATING INCOME	$504,404	$514,269	$524,220	$534,250	$544,352	$595,699	$647,565	$698,372	$787,275
DEBT SERVICE									
First Lien Financing	$430,469	$430,469	$430,469	$430,469	$430,469	$430,469	$430,469	$430,469	$430,469
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$73,935	$83,801	$93,751	$103,781	$113,884	$165,231	$217,096	$267,903	$356,806
DEBT COVERAGE RATIO	1.17	1.19	1.22	1.24	1.26	1.38	1.50	1.62	1.83

HTC ALLOCATION ANALYSIS -Cypress Creek at Reed Road, Houston, 9% HTC #07291

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$1,911,747	$1,911,747		
Purchase of buildings				
Off-Site Improvements				
Sitework	$1,187,340	$1,187,340	$1,187,340	$1,187,340
Construction Hard Costs	$7,141,737	$7,127,209	$7,141,737	$7,127,209
Contractor Fees	$1,166,072	$1,164,037	$1,166,071	$1,164,037
Contingencies	$591,504	$415,727	$416,454	$415,727
Eligible Indirect Fees	$1,338,122	$1,338,122	$1,338,122	$1,338,122
Eligible Financing Fees	$806,313	$806,313	$806,313	$806,313
All Ineligible Costs	$1,090,357	$1,090,357		
Developer Fees				
Developer Fees	$1,803,980	$1,803,980	$1,803,980	$1,803,980
Development Reserves	$390,000	$390,000		
TOTAL DEVELOPMENT COSTS	$17,427,172	$17,234,832	$13,860,017	$13,842,728

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis		$1,500,000	$1,500,000
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$12,360,017	$12,342,728
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$16,068,022	$16,045,547
Applicable Fraction		95%	95%
TOTAL QUALIFIED BASIS		$15,253,671	$15,232,335
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		$1,304,189	$1,302,365
Syndication Proceeds	**0.8199**	**$10,693,282**	**$10,678,325**
Total Tax Credits (Eligible Basis Method)		**$1,304,189**	**$1,302,365**
Syndication Proceeds		**$10,693,282**	**$10,678,325**
Previous Recommendation		**$1,199,797**	
Syndication Proceeds		**$9,837,354**	
Gap of Syndication Proceeds Needed		**$10,427,172**	
Total Tax Credits (Gap Method)		**$1,271,733**	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report Addendum

REPORT DATE: 12/31/07 PROGRAM: 9% HTC FILE NUMBER: **07291**

DEVELOPMENT

Cypress Creek at Reed Road

Location: Approximately the 2900 block of Reed Road Region: 6

City: Houston County: Harris Zip: 77051 [X] QCT [X] DDA

Key Attributes: Multifamily, New Construction, Urban/Exurban, Family

ALLOCATION

	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$1,199,797			**$1,199,797**		

CONDITIONS

1 Receipt, review, and acceptance of evidence by cost certification that all Environmental recommendations with regard to a) a noise attenuation due to the proximity of Reed Road, and b) removal of on-site debris have been implemented.

2 Receipt, review, and acceptance by the 10% test of complete documentation from the City of Houston clarifying the funding approval for the subject and related Mariposa at Reed Road.

3 Receipt, review, and acceptance of documentation from the City of Houston and/or wastewater utility provider regarding approval/acceptance, time frame and hook up/impact fees for the wastewater service line extension for the subject or clarification of the whole funding structure for both the elderly (Mariposa) and family (subject) apartment transactions and off-sites.

4 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	14
60% of AMI	60% of AMI	112

PROS

- The proposed local HOME funds for the subject could be funded out of deferred developer fee and still be repaid in just over 10 years.

CONS

- The number of two and three bedroom units targeting 60% households may be somewhat oversaturated based upon the unit capture rates of over 120% calculated by the Market Analyst.
- Wastewater service will not be available to the site until at least early 2008 and is subject to the development of another related HTC property.

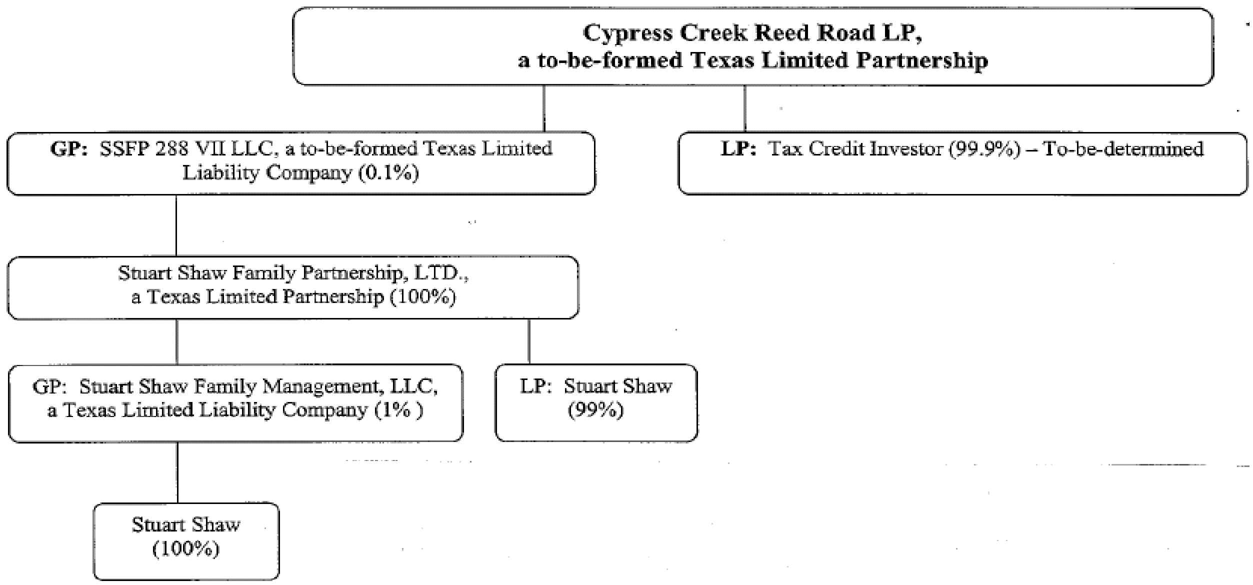
- The Applicant has attempted to increase the development cost by creating a related party acquisition broker fee.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact:	Stuart Shaw	Phone:	(512) 220-8000	Fax:	(512) 329-9002
Email:	stuart@bonnercarrington.com				

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: JPMorgan Chase Type: **Interim to Permanent Financing**

Principal:	$4,494,000	Interest Rate:	7.50%	☐	Fixed	Term:	24	months
Principal:	$4,494,000	Interest Rate:	7.50%	X	Fixed	Term:	360	months

Comments:

construction loan at Chase Prime; permanent loan fixed at closing at 10-year T-Note + spread; 1.15 debt coverage ratio; $250 per unit per year replacement reserve

Source: City of Houston Type: **Interim to Permanent Financing**

Principal:	$1,500,000	Interest Rate:	1.00%	X	Fixed	Term:	360	months

Comments:

This is an interest-only loan, at a below-market rate, payable only from available cash flow. The principle amount of this loan must be deducted from eligible costs in order for the Applicant to qualify for the Difficult Development Area 30% boost to eligible basis.

Source:	Apollo Housing Capital, LLC			Type:	**Syndication**
Proceeds:	$10,654,007	Syndication Rate:	88%	Anticipated HTC:	$1,210,804

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount:	$155,703	Type:	**Deferred Developer Fees**

ADDENDUM

The Applicant's carryover reflects revisions to the financing structure and development cost schedule. This addendum has been issued in order to evaluate the effect, if any, these changes have on the recommended tax credit allocation. Any underwriting addendum such as this should be reviewed in conjunction with the original underwriting report to enable the reader to have a full picture of the development and the whole underwriting analysis.

The Applicant has provided a Limited Site Investigation (LSI) report by Terracon Consulting Engineers & Scientists to address the first portion of the condition from the original underwriting report which required "Receipt, review, and acceptance of evidence that all Phase I Environmental Site Assessment recommendations with regard to a) subsurface investigation of the environmental impact of the dry hole oil well, b) a noise study due to the proximity of HWY 288, and c) removal of on-site debris. In addition, receipt, review and acceptance by cost certification of any subsequent environmental reports and evidence that recommendations regarding the dry hole or noise have been implemented." After testing soil from several sampling borings near the dry hole, the Terracon report concluded "Based on the findings of this LSI we do not believe further investigation of the dry hole is warranted."

The Applicant provided a second letter from Terracon regarding the noise issue which concluded that, "...potential noise impacts attributed to Reed Road would exceed 65dB and require attenuation." The developer confirmed that they plan to comply with a plan for attenuation for noise through specialized building architecture and use of sound dampening construction materials to achieve indoor noise levels that are acceptable. The developer has also agreed to remove the debris identified in the Phase I ESA as part of the pre construction activities on the site.

The Applicant has provided a new development cost schedule reflecting an $350K increase in indirect construction costs due to wetland mitigation for the small, isolated wetlands located on the site. Certain other eligible and ineligible costs have also shifted slightly according to the new cost schedule. The Applicant also provided revised sources and uses, reflecting an increase in the HOME loan from $1.2M to $1.5M, and an increase in the amount of deferred developer fee to $155,703.

The Applicant’s total revised development cost estimate less the permanent loan of $4,494,000 and adjusted HOME Loan of $1.5M indicates the need for $10,659,711 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,211,452 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant’s previously approved credits of ($1,199,797), the revised gap-driven amount ($1,211,452), and eligible basis-derived estimate ($1,227,271), the previously approved credits of $1,199,797 is recommended.

The Underwriter’s recommended financing structure indicates the need for $102,556 in additional permanent funds. Deferred developer and contractor fees in this amount appear to be repayable from development cashflow within two years of stabilized operation.

Finally, the original underwriting report was conditioned upon receipt, review, and acceptance, before commitment, of documentation from the City of Houston regarding the funding approval for the related Mariposa at Reed Road in order to facilitate the wastewater line connection. Also, documentation from the City of Houston regarding approval/acceptance, time frame and hook-up/impact fees for the wastewater service line extension for the subject or an amendment to the purchase contract to reflect that Seller will provide wastewater service if the waste water service line extension is not completed. The applicant provided a letter from the Seller that indicated that the sewer connection fees were not included in the purchase price but that the fees will be reimbursed by the MUD which is expected to occur around December 2008. These statements do not make sense on their face as they appear to be in conflict if the reimbursement is due to the buyer. Clarification of this issue should be required by the next Departmental benchmark, the 10% test.

The Applicant also provided an amendment to the contract between the Buyer (an entity related to the Applicant) and the partnership (Applicant) reflecting that all sewer would be provided by the Buyer entity if it was not available before closing of the debt and equity. This amendment is relatively meaningless since it does not evidence a source of funds for such a commitment.

E-mail correspondence from the Applicant as well as a commitment from the City of Houston indicates that the HOME funds totaling $1.5M will be provided by the City of Houston. This amounts to a $300,000 increase in funds. The Applicant indicates that the HOME funds will be used to fund the on-site improvements at Mariposa @ Reed Road (MRR) and a portion of the debt or equity will be used to fund the offsite waste water improvements. The Applicant has further indicated that the City of Houston, MRR, lenders and investors have already approved the structure however clear documentation of this approval has not been provided. The Applicant confirms that the HOME funds cannot be used to fund the off-site improvements for the property. The commitment from the City reflects their commitment to the related neighboring elderly transaction, Cypress Creek at Reed Road, which is crossed out and replaced with Reed Road Apartment Homes (this change is initialed only by the Applicant).

Therefore, receipt review and acceptance of clarification from the City of Houston remains a condition of this report which could be extended to the 10% test. In addition, clarification of the whole funding structure for both transactions and off-site is required. It should also be noted that the HOME funds are anticipated to be below market rate financing and could impact the eligibility for the full tax credits and/or the 30% QCT boost.

Should any further changes be requested, the transaction should be reevaluated and an adjustment to the 9% HTC recommendation may be warranted.

Underwriter:	*Diamond Thompson*	Date:	12/31/2007
Reviewing Underwriter:	*Raquel Morales*	Date:	12/31/2007
Director of Real Estate Analysis:	*Tom Gouris*	Date:	12/31/2007

MULTIFAMILY COMPARATIVE ANALYSIS

Cypress Creek at Reed Road, Houston, 9% HTC #07291

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	6	1	1	708	$343	$270	$1,620	$0.38	$73.00	$38.31
TC 60%	26	1	1	708	$686	613	15,938	0.87	73.00	38.31
TC 30%	8	2	2	1,031	$411	327	2,616	0.32	84.00	41.31
TC 60%	53	2	2	1,031	$823	739	39,167	0.72	84.00	41.31
MR	3	2	2	1,031		739	2,217	0.72	84.00	41.31
TC 60%	29	3	2	1,215	$951	857	24,853	0.71	94.00	52.31
MR	3	3	2	1,215		857	2,571	0.71	94.00	52.31
TC 60%	4	4	2	1,357	$1,062	955	3,820	0.70	107.00	63.31
TOTAL:	132		**AVERAGE:**	1,007		$703	$92,802	$0.70	$84.45	$43.92

INCOME	Total Net Rentable Sq Ft:	132,948	1,095,072	TDHCA at CO	TDHCA Orig	APP Orig	APP at CO	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$1,113,624	$1,113,624	$1,113,576	$1,113,576	Harris	Houston	6
fees, deposits, cable, phone,laundry, vending		Per Unit Per Month:	$15.00	23,760	23,760	21,324	21,324	$13.46	Per Unit Per Month	
garage and storage rental				0	0	10,200	10,200	$6.44	Per Unit Per Month	
POTENTIAL GROSS INCOME				$1,137,384	$1,137,384	$1,145,100	$1,145,100			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(85,304)	(85,304)	(85,884)	(85,884)	-7.50%	of Potential Gross Income	
Rental Concessions						(23,760)	(23,760)			
EFFECTIVE GROSS INCOME				$1,052,080	$1,052,080	$1,035,456	$1,035,456			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT					PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.25%	$418	0.42	$55,228	$55,228	$41,465	$41,465	$0.31	$314	4.00%
Management	3.60%	287	0.28	37,888	37,888	52,960	52,960	0.40	401	5.11%
Payroll & Payroll Tax	12.77%	1,018	1.01	134,355	134,355	129,154	129,154	0.97	978	12.47%
Repairs & Maintenance	6.91%	551	0.55	72,678	72,678	55,320	55,320	0.42	419	5.34%
Utilities	3.18%	253	0.25	33,444	33,444	23,100	23,100	0.17	175	2.23%
Water, Sewer, & Trash	4.40%	350	0.35	46,246	46,246	49,500	49,500	0.37	375	4.78%
Property Insurance	3.62%	289	0.29	38,091	38,091	52,800	52,800	0.40	400	5.10%
Property Tax 2.86215	9.12%	727	0.72	95,969	95,969	125,400	125,400	0.94	950	12.11%
Reserve for Replacements	3.14%	250	0.25	33,000	33,000	33,000	33,000	0.25	250	3.19%
TDHCA Compliance Fees	0.50%	40	0.04	5,280	5,280	5,280	5,280	0.04	40	0.51%
Other: supportive services	1.88%	150	0.15	19,800	19,800	19,800	19,800	0.15	150	1.91%
TOTAL EXPENSES	54.37%	$4,333	$4.30	$571,980	$571,980	$587,779	$587,779	$4.42	$4,453	56.77%
NET OPERATING INC	45.63%	$3,637	$3.61	$480,101	$480,101	$447,677	$447,677	$3.37	$3,391	43.23%
DEBT SERVICE										
Chase	35.84%	$2,857	$2.84	$377,072	$377,072	$377,072	$377,072	$2.84	$2,857	36.42%
City of Houston HOME	0.00%	$0	$0.00	0	0	12,000	12,000	$0.09	$91	1.16%
Additional Financing	0.00%	$0	$0.00	0	0	0	0	$0.00	$0	0.00%
NET CASH FLOW	9.79%	$781	$0.77	$103,028	$103,028	$58,605	$58,605	$0.44	$444	5.66%
AGGREGATE DEBT COVERAGE RATIO				1.27	1.27	1.15	1.15			
RECOMMENDED DEBT COVERAGE RATIO				1.23	1.23					

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA at CO	TDHCA Orig	APP Orig	APP at CO	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		11.62%	$14,426	$14.32	$1,904,247	$1,904,221	$1,904,247	$1,904,247	$14.32	$14,426	11.33%
Off-Sites		0.00%	0	0.00	0	0	0	0	0.00	0	0.00%
Sitework		7.24%	8,995	8.93	1,187,340	1,187,340	1,187,340	1,187,340	8.93	8,995	7.07%
Direct Construction		42.11%	52,306	51.93	6,904,444	6,904,444	7,001,084	7,001,084	52.66	53,039	41.66%
Contingency	5.00%	2.47%	3,065	3.04	404,589	404,589	409,421	409,421	3.08	3,102	2.44%
Contractor's Fees	14.00%	6.91%	8,582	8.52	1,132,850	1,132,850	1,146,381	1,146,381	8.62	8,685	6.82%
Indirect Construction		6.98%	8,672	8.61	1,144,650	794,650	794,650	1,144,650	8.61	8,672	6.81%
Ineligible Costs		6.49%	8,067	8.01	1,064,791	1,064,739	1,035,559	1,035,611	7.79	7,846	6.16%
Developer's Fees	15.00%	10.34%	12,845	12.75	1,695,495	1,642,995	1,810,621	1,863,121	14.01	14,115	11.09%
Interim Financing		3.23%	4,011	3.98	529,430	529,430	529,430	529,430	3.98	4,011	3.15%
Reserves		2.60%	3,231	3.21	426,542	426,542	582,426	582,426	4.38	4,412	3.47%
TOTAL COST		100.00%	$124,200	$123.31	$16,394,379	$15,991,801	$16,401,159	$16,803,711	$126.39	$127,301	100.00%
Construction Cost Recap		*58.73%*	***$72,949***	***$72.43***	***$9,629,223***	***$9,629,223***	***$9,744,226***	***$9,744,226***	***$73.29***	***$73,820***	*57.99%*

SOURCES OF FUNDS				TDHCA at CO	TDHCA Orig	APP Orig	APP at CO	RECOMMENDED	
Chase	27.41%	$34,045	$33.80	$4,494,000	$4,494,000	$4,494,000	$4,494,000	$4,494,000	Developer Fee Available
City of Houston HOME	9.15%	$11,364	$11.28	1,500,000	1,200,000	1,200,000	1,500,000	1,500,000	$1,712,746
HTC Apollo	64.99%	$80,712	$80.14	10,654,007	10,654,007	10,654,007	10,654,007	10,557,155	% of Dev. Fee Deferred
Deferred Developer Fees	0.95%	$1,180	$1.17	155,703	53,151	53,151	155,703	102,556	6%
Additional (Excess) Funds Req'd	-2.50%	($3,101)	($3.08)	(409,331)	(409,357)	1	1	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$16,394,379	$15,991,801	$16,401,159	$16,803,711	$16,653,711	$2,285,781

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Cypress Creek at Reed Road, Houston, 9% HTC #07291

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$54.50	$7,245,438
Adjustments				
Exterior Wall Finish	0.02%		$0.01	$1,159
Hurricane Wind Adj	$0.94	132,948	0.94	124,971
Carports	10.15	3,750	0.29	38,063
Breezeways	$20.97	11,897	1.88	249,495
Subfloor			(1.24)	(164,191)
Floor Cover			2.43	323,064
Balconies	$21.19	13,205	2.10	279,834
Plumbing Fixtures	$805	640	3.88	515,200
Rough-ins	$400	384	1.16	153,600
Built-In Appliances	$1,675	132	1.66	221,100
Exterior Stairs	$1,800	24	0.32	43,200
Interior Stairs	$1,350	32	0.32	43,200
Heating/Cooling			1.73	230,000
Garages/Storage	$18.43	4,000	0.55	73,704
Comm &/or Aux Bldgs	$65.99	3,721	1.85	245,530
Other: fire sprinkler	$1.95	132,948	1.95	259,249
SUBTOTAL			74.33	9,882,616
Current Cost Multiplier	0.98		(1.49)	(197,652)
Local Multiplier	0.89		(8.18)	(1,087,088)
TOTAL DIRECT CONSTRUCTION COSTS			$64.67	$8,597,876
Plans, specs, survy, bld prm	3.90%		($2.52)	($335,317)
Interim Construction Interest	3.38%		(2.18)	(290,178)
Contractor's OH & Profit	11.50%		(7.44)	(988,756)
NET DIRECT CONSTRUCTION COSTS			$52.53	$6,983,625

PAYMENT COMPUTATION

Primary	$4,494,000	Amort	360
Int Rate	7.50%	DCR	1.27
Secondary	$1,500,000	Amort	
Int Rate	1.00%	Subtotal DCR	1.27
Additional	$10,654,007	Amort	
Int Rate		Aggregate DCR	1.27

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$377,072
Secondary Debt Service	12,000
Additional Debt Service	0
NET CASH FLOW	$91,028

Primary	$4,494,000	Amort	360
Int Rate	7.50%	DCR	1.27
Secondary	$1,500,000	Amort	0
Int Rate	1.00%	Subtotal DCR	1.23
Additional	$10,654,007	Amort	0
Int Rate	0.00%	Aggregate DCR	1.23

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,113,624	$1,147,033	$1,181,444	$1,216,887	$1,253,394	$1,453,027	$1,684,456	$1,952,746	$2,624,328
Secondary Income	23,760	24,473	25,207	25,963	26,742	31,001	35,939	41,663	55,992
garage and storage rental	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,137,384	1,171,506	1,206,651	1,242,850	1,280,136	1,484,028	1,720,395	1,994,410	2,680,320
Vacancy & Collection Loss	(85,304)	(87,863)	(90,499)	(93,214)	(96,010)	(111,302)	(129,030)	(149,581)	(201,024)
Rental Concessions	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,052,080	$1,083,643	$1,116,152	$1,149,636	$1,184,126	$1,372,726	$1,591,366	$1,844,829	$2,479,296
EXPENSES at 4.00%									
General & Administrative	$55,228	$57,437	$59,735	$62,124	$64,609	$78,607	$95,637	$116,357	$172,237
Management	37,888	39,025	40,196	41,402	42,644	49,436	57,309	66,437	89,286
Payroll & Payroll Tax	134,355	139,729	145,318	151,131	157,176	191,229	232,659	283,065	419,006
Repairs & Maintenance	72,678	75,586	78,609	81,753	85,023	103,444	125,855	153,122	226,659
Utilities	33,444	34,782	36,173	37,620	39,125	47,601	57,914	70,461	104,300
Water, Sewer & Trash	46,246	48,095	50,019	52,020	54,101	65,822	80,082	97,432	144,224
Insurance	38,091	39,615	41,200	42,848	44,562	54,216	65,962	80,253	118,794
Property Tax	95,969	99,808	103,800	107,952	112,270	136,594	166,188	202,193	299,294
Reserve for Replacements	33,000	34,320	35,693	37,121	38,605	46,969	57,145	69,526	102,915
Other	25,080	26,083	27,127	28,212	29,340	35,697	43,430	52,840	78,216
TOTAL EXPENSES	$571,980	$594,480	$617,869	$642,182	$667,455	$809,614	$982,183	$1,191,687	$1,754,931
NET OPERATING INCOME	$480,101	$489,163	$498,283	$507,455	$516,671	$563,112	$609,183	$653,142	$724,365
DEBT SERVICE									
First Lien Financing	$377,072	$377,072	$377,072	$377,072	$377,072	$377,072	$377,072	$377,072	$377,072
Second Lien	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$91,028	$100,090	$109,211	$118,382	$127,598	$174,040	$220,111	$264,070	$335,293
DEBT COVERAGE RATIO	1.23	1.26	1.28	1.30	1.33	1.45	1.57	1.68	1.86

HTC ALLOCATION ANALYSIS -Cypress Creek at Reed Road, Houston, 9% HTC #07291

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$1,904,247	$1,904,247		
Purchase of buildings				
Off-Site Improvements				
Sitework	$1,187,340	$1,187,340	$1,187,340	$1,187,340
Construction Hard Costs	$7,001,084	$6,904,444	$7,001,084	$6,904,444
Contractor Fees	$1,146,381	$1,132,850	$1,146,379	$1,132,850
Contingencies	$409,421	$404,589	$409,421	$404,589
Eligible Indirect Fees	$1,144,650	$1,144,650	$1,144,650	$1,144,650
Eligible Financing Fees	$529,430	$529,430	$529,430	$529,430
All Ineligible Costs	$1,035,611	$1,064,791		
Developer Fees			$1,712,746	
Developer Fees	$1,863,121	$1,695,495		$1,695,495
Development Reserves	$582,426	$426,542		
TOTAL DEVELOPMENT COSTS	$16,803,711	$16,394,379	$13,131,050	$12,998,799

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis		$1,500,000	$1,500,000
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$11,631,050	$11,498,799
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$15,120,365	$14,948,438
Applicable Fraction		95%	95%
TOTAL QUALIFIED BASIS		$14,354,043	$14,190,830
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		$1,227,271	$1,213,316
Syndication Proceeds	**0.8799**	**$10,798,899**	**$10,676,110**

Total Tax Credits (Eligible Basis Method)	**$1,227,271**	**$1,213,316**
Syndication Proceeds	**$10,798,899**	**$10,676,110**
Previous Reccomendation	**$1,199,797**	
Syndication Proceeds	**$10,557,155**	
Gap of Syndication Proceeds Needed	**$10,659,711**	
Total Tax Credits (Gap Method)	**$1,211,452**	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 07/19/07 PROGRAM: 9% HTC FILE NUMBER: **07291**

DEVELOPMENT

Cypress Creek at Reed Road

Location: Approximately the 2900 block of Reed Road Region: 6

City: Houston County: Harris Zip: 77051 X QCT X DDA

Key Attributes: Multifamily, New Construction, Urban/Exurban, Family

ALLOCATION

	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$1,200,000			**$1,199,797**		

CONDITIONS

1 Receipt, review, and acceptance, before carryover, of evidence that all Phase I Environmental Site Assessment recommendations with regard to a) subsurface investigation of the environmental impact of the dry hole oil well, b) a noise study due to the proximity of HWY 288, and c) removal of on-site debris. In addition, receipt, review and acceptance by cost certification of any subsequent environmental reports and evidence that recommendations regarding the dry hole or noise have been implemented.

2 Receipt, review, and acceptance, before commitment, of documentation from the City of Houston regarding the funding approval for the related Mariposa at Reed Road in order to facilitate the wastewater line connection.

3 Receipt, review, and acceptance, before carryover of documentation from the City of Houston regarding approval/acceptance, time frame and hook up/impact fees for the wastewater service line extension for the subject or an amendment to the purchase contract to reflect that Seller will provide wastewater service if the waste water service line extension is not completed.

4 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	14
60% of AMI	60% of AMI	112

PROS

- The proposed local HOME funds for the subject could be funded out of deferred developer fee and still be repaid in just over 10 years

CONS

- The number of two and three bedroom units targeting 60% households may be somewhat oversaturated based upon the unit capture rates of over 120% calculated by the Market Analyst.

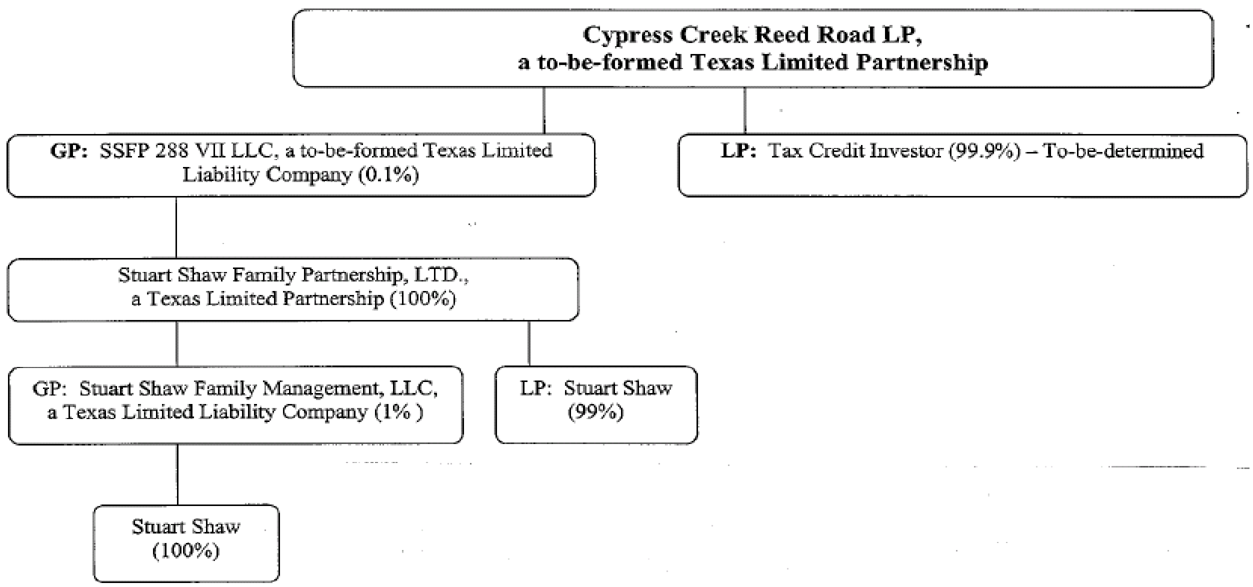
- Wastewater service will not be available to the site until at least early 2008 and is subject to the development of another related HTC property
- The Applicant has attempted to increase the development cost by creating a related party acquisition broker fee

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Stuart Shaw Phone: (512) 220-8000 Fax: (512) 329-9002
Email: stuart@bonnercarrington.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# of Complete Developments
Stuart Shaw Family Partnership, Ltd	$419,795	$353,643	3 completed 2 in construction
Stuart Shaw Family Management, LLC	$23,957	-$1,757	3 completed 2 in construction
Stuart Shaw	Confidential		3 completed 2 in construction

[1] Liquidity = Current Assets - Current Liabilities

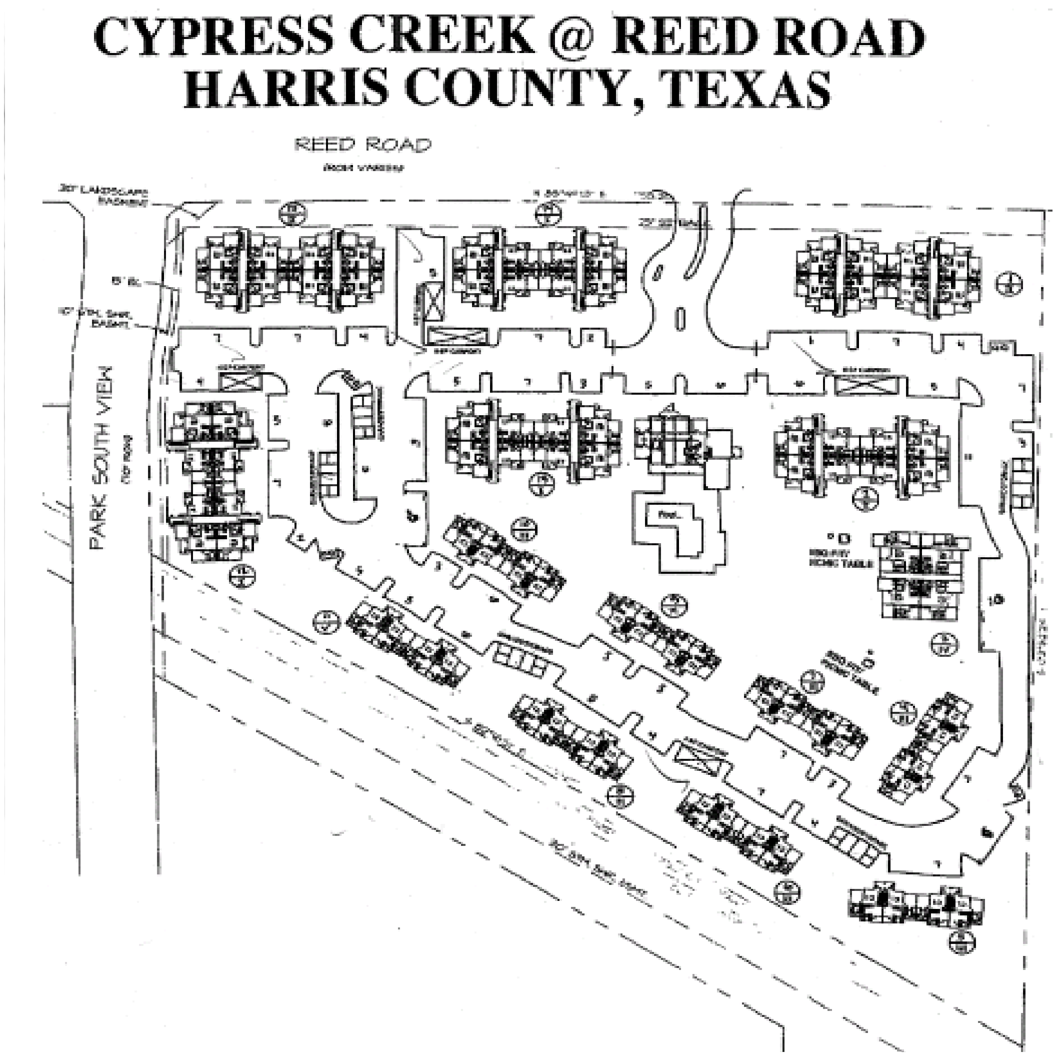
IDENTITIES of INTEREST

- The Applicant, Developer and General Contractor are related entities. These are common relationships for HTC-funded developments.

- A real estate brokerage related to the Applicant will receive a $150,000 commission on the transfer of the property. This amount is considered as part of total developer's fees, over and above the maximum eligible fees already claimed. If the Applicant's direct costs are used to recommend credits an equal amount will be reduced from the gap to ensure that the tax credit syndication proceeds are not being used to fund this extra fee.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II	III	IV							Total Buildings
Floors/Stories	2	2	2	2							
Number	4	2	8	1							**15**

BR/BA	SF	Units										Total Units	Total SF
1/1	708	8										32	22,656
2/2	1,031	8	16									64	65,984
3/2	1,215			4								32	38,880
4/2	1,357				4							4	5,428
Units per Building		16	16	4	4							**132**	**132,948**

SITE ISSUES

Total Size:	10.286 acres	Scattered site?	☐ Yes	☒ No	
Flood Zone:	X	Within 100-yr floodplain?	☐ Yes	☒ No	
Zoning:	N/A	Needs to be re-zoned?	☐ Yes	☐ No	☒ N/A

Comments:

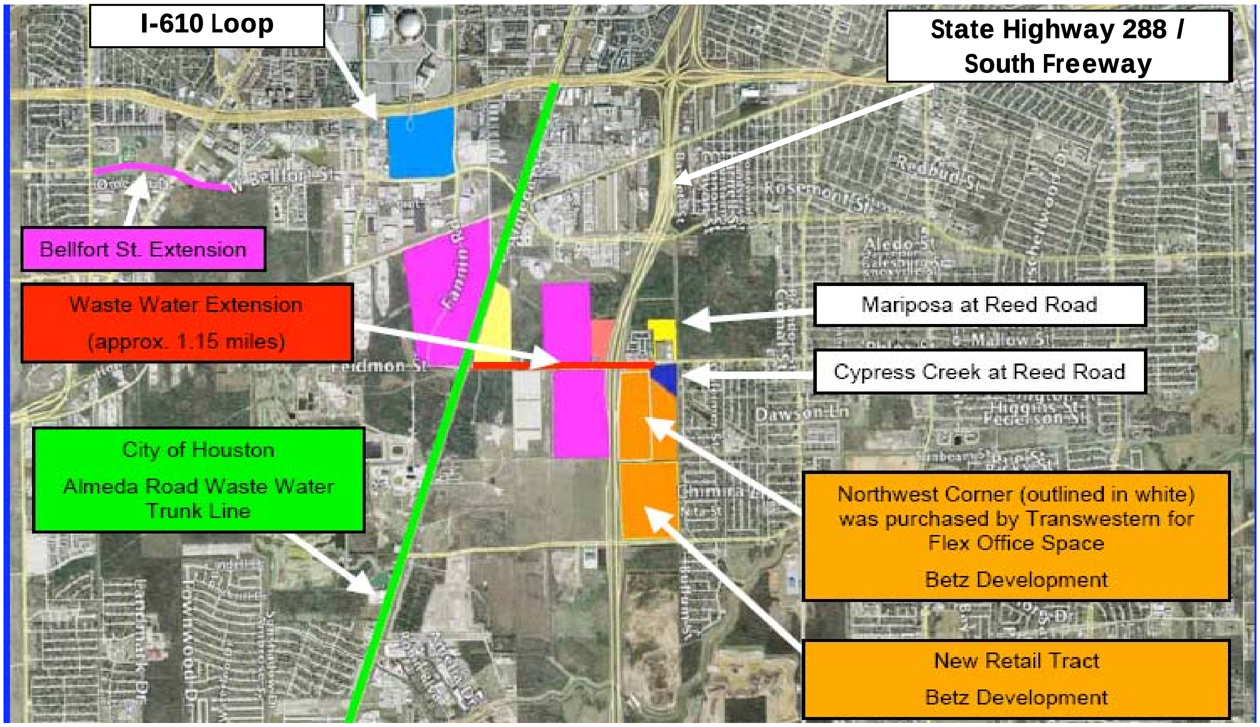
The owner of several other developments in the area, Mr. John Barineau, contacted the Department regarding the subject application. Mr. Barineau questioned the availability of wastewater service for the subject development, and the lack of offsite costs budgeted by the Applicant. Mr. Stuart Shaw, the principal of the Applicant, was contacted and responded: "Wastewater is available ... You just have to install a line to get to it ... Funding is in place, design is done, bidding is underway, construction should start in August and be completed in 4-5 months ... Funding is not from Cypress Creek thus there would be nothing in the sources and uses. All Cypress Creek has to do is pay normal impact fees. Connection fees are paid by land developer and contributed into the cost of the land."

The wastewater infrastructure for the immediate area is being developed along with another LIHTC project, Reed Road Senior Residential (#060217, now known as Mariposa at Reed Road), for which Mr. Shaw received a 9% allocation in 2006. Reed Road Senior is being built directly across Reed Road from the subject. Reed Road Senior claimed no offsite cost at initial application. This was not noted as an issue at the time it was underwritten. Considering the location in central Houston, there was no reason to believe wastewater service would not be available. Mr. Shaw has been working with the City of Houston to make sure the wastewater line is constructed. At carryover, Mr. Shaw submitted a revised development schedule including offsite costs of $1.9M, as well as a conditional commitment from the City of Houston for HOME funds in the form of a $2.5M forgivable loan.

The expected cost of the wastewater pipeline has increased to $3.6M. At present, Mr. Shaw has reported that the City Council of the City of Houston approved $4.25M in HOME funding to the Mariposa / Reed Road Senior Residential project on July 18, 2007. The Applicant is aware that HOME funds cannot be used for offsite development. The HOME funds can be applied toward housing development costs while the conventional debt will be used to fund the infrastructure but be collateralized by the Reed Road Senior property. The Reed Road Senior project underwriting analysis indicated significantly more eligible basis than needed to receive the maximum $1.2M tax credit allocation permitted for a single development. The HOME funds proposed at carryover were deducted from eligible basis to preserve the Difficult Development Area boost; Mr. Shaw believes there remains sufficient eligible costs to allow deduction of the increased HOME funding and still preserve the maximum tax credit amount.

Based on this information and subject to verification from the City of Houston, the wastewater line is expected to be developed in the context of Mariposa / Reed Road Senior in the next 12 months. It will therefore be available for the subject development. The Applicant has indicated that the cost of connection to the wastewater line for the subject site will be a nominal hook-up fee or be borne by the land developer (the Seller) prior to the property transfer. Receipt, review, and acceptance, before carryover, of documentation from the City of Houston regarding approval/acceptance, time frame and hook-up/impact fees for the wastewater service line extension for the subject, or an amendment to the purchase contract to reflect that Seller will provide wastewater service if the waste water service line extension is not completed, will be a condition of this report.

The following aerial photo shows the proximity of the wastewater line today and the location of the new line and the other development that is expected to result. The seller of the subject land is represented on this map as the Betz Development.



TDHCA SITE INSPECTION

Inspector: Manufactured Housing — Date: 4/18/2007

Overall Assessment:

☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North:	commercial, HTC multifamily	East:	drainage ditch, residential
South:	pipeline easement, vacant land	West:	vacant agricultural land

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Terracon Consultants, Inc. — Date: 4/2/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- "Terracon contracted GeoSearch to review the Railroad Commission of Texas records in an attempt to identify oil and gas wells on or adjacent to the site ... a dry hole was identified on-site. The oil/gas database did not report a completion date, plugged date, operator, or total depth of the well. Apparent evidence of oil/gas exploration/production activities was observed on the 1979 aerial photograph on the eastern portion of the site. The use of drilling mud typically associated with oil/gas exploration well sites commonly lead to soil and groundwater impact from metals above TCEQ Texas Risk Reduction Program residential protective concentration levels. Based on this information, potential releases from former oil/gas exploration/production activities appear to present an REC to the site." (p. 23)
- "A NEPA Site Specific Statutory Checklist was completed for the site ... All categories were either not applicable or had a negative response with the exception of Category 4, Railroad/Highway/Airport Noise Assessment. The site is located within 1,000 feet of a heavily-traveled roadway." (p. 21)
- "Trash and debris were observed along the northern boundary of the site ... Based on visual observation (only of surface materials), the debris appeared to consist of paper, glass bottles, and plastic bottles. The debris materials did not appear to be hazardous in nature; however, they should be removed and disposed in accordance with applicable regulations." (p. 20)

- "GeoSearch identified three pipelines south of the site ... owned by Genesis Pipeline Texas, LP, ExxonMobile Pipeline Company, and Sempipe, LP. The ExxonMobile Pipeline Company ... stated the pipelines were likely installed in the 1960's ... had only consisted of refined products (and) to the best knowledge, there had not been any leaks or spills. Genesis Pipeline ... said the pipeline had been sold to Southwest Pipe within the last year or so ... Genesis had owned the pipeline for approximately ten years and to the best knowledge, there had not been any leaks or spills ... the pipeline has always consisted of crude oil ... Sempipe, LP was contacted ... however, a response has not been received. GeoSearch reported that the pipeline contained crude oil." (p. 16)

Comments:

"Based on the scope of services, limitations and findings of this assessment, Terracon recommends subsurface investigation of the on-site dry-hole and a noise study." (p. 25) Receipt, review, and acceptance, before carryover, of evidence that all ESA recommendations have been followed, and all subsequent recommendations appropriately carried out, will be a condition of this report.

MARKET HIGHLIGHTS

Provider: O'Connor & Associates Date: 3/26/2007

Contact: Leslie Countryman Phone: (713) 686-9955 Fax: (713) 686-8336

Number of Revisions: 1 Date of Last Applicant Revision: 6/8/2007

Primary Market Area (PMA):

"For the purposes of this report, we will define the primary market area as the aggregated area of the following ZIP Codes: 77051 (where the subject is located), 77021, 77033, 77045, and 77054." (p. 33) This market area encompasses 36 square miles, roughly equivalent to a 3.4 mile radius. The estimated 2006 population of the PMA is 110,014, exceeding the underwriting guideline limit of 100,000. For this reason the Market Analyst prorated the population-related calculations down to an equivalent 100,000 population. The Analyst was requested to provide a revised demand analysis based on a PMA with a population conforming to TDHCA guidelines. The revised PMA is 37 square miles, with a total population of 95,000. It is shifted slightly to the south such that it is entirely outside the I-610 loop.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Lansborough	04268	176	141				
The Oakmoor	05619	248	248				
Reed Road Senior	060217	180	Seniors				
Andalusia	07280	102	Proposed Seniors	N/A			

Mr. John Barineau, the owner of several other developments in the area, also contacted the Department regarding market concerns relating to the subject application. Mr. Barineau expressed concerns that the area was saturated with tax credit properties. Mr. Barineau also suggested that two additional properties, Parkside Point (03438) and Cullen Park (01410) should be included in the unstabilized supply for purposes of calculating the capture rate for the subject property. The Underwriter contacted the property manager of Parkside Point and confirmed that it has been more than 90% occupied for the last 12 months. The same property manager had recently taken over Cullen Park, and indicated it is only 73% occupied at present, but was unable to provide any historical information.

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The Market Analyst provided information from their database confirming that Cullen Park had greater than 90% occupancy from September 2005 through August of 2006. So while the occupancy at Cullen Park is currently low, it is considered to have achieved stable occupancy as it had maintained 90% occupancy for twelve consecutive months. Moreover it is speculated by the Underwriter that the occupancy problem at Cullen Park has more to do with the current ownership dynamics of that property as manifested by the recent change in property management. But it should also be noted that even if the 240 units at Cullen Park are included in the supply, all else held the same, the Underwriter's calculated capture rate would be right at the 25% limit.

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$12,800	$14,650	$16,450	$18,300	$19,750	$21,250
60	$25,620	$29,280	$32,940	$36,600	$39,540	$42,480

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
I BR / 30%	14	0	0	14	6	3	64%
1 BR / 60%	173	2	0	175	26	89	66%
2 BR / 30%	97	-2	0	95	8	7	16%
2 BR / 60%	150	-1	0	149	53	130	**123%**
3 BR / 60%	80	-2	0	78	29	110	**178%**
4 BR / 60%	40	-1	0	39	4	0	10%

OVERALL DEMAND											
		Target Households		Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER											
Market Analyst p.	77-79	100%	31,087	95%	29,576	w/ tenure	29,576	17%	4,889	53%	2,591
Underwriter		100%	31,289	95%	29,768	31%	9,373	58%	5,442	53%	2,885
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst p.	79			95%	190	w/ tenure	190	17%	31	100%	31
Underwriter				95%	192	31%	58	58%	33	100%	33
DEMAND from OTHER SOURCES (section 8 vouchers)											
Market Analyst p.	79										312
Underwriter											141

Mr. Barineau also expressed concerns that the renter tenure and renter household turnover rates supporting the subject development were overly optimistic. These concerns were communicated to the Market Analyst, who defended the analysis provided. The original market study applied an overall renter tenure of 48% derived from Claritas demographic information. However, this Market Analyst typically provides a more detailed calculation of tenure by income bands based on US Census data. The more detailed approach was used in the revised study, indicating that 58% of the households in the target income bands are renters. This latter rate was used by the Underwriter.

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The Market Analyst had originally used a turnover rate of 65% derived from IREM data. In response to the questions raised, and "to accurately estimate turnover in the market, (the Analyst) surveyed turnover at all the properties in the primary market area. Properties currently in lease-up (The Oakmoor, Lansborough, and Alexan Cityside) have been excluded from the turnover calculations, as their figures would overstate stabilized market turnover ... Based on the expanded survey, which includes both conventional and tax-credit properties (39 total), the weighted turnover rate is 53%. As this is a significantly larger sample size than from strictly the comparable properties ... we feel it more accurately reflects the true turnover rate of properties in the area from which the proposed subject will draw demand." (Market Analyst letter 6/27/2007)

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 80	126	424	0	515	2,935	17.5%
Underwriter	126	424	0	550	3,058	18.0%

Applying the turnover rate of 53% as discussed above, the Analyst arrived at an inclusive capture rate of 17.5%, including Lansborough and Oakmoor in the unstabilized supply. The Underwriter also applied the 53% turnover rate, and arrived at a similar inclusive capture rate of 18.0%. Mr. Barineau had responded to the Analyst's turnover survey results. He suggested that his own survey demonstrated a turnover rate of 40% would more accurately reflect the local market area. If the lower rate of 40% is applied to the underwriting analysis, all else held the same, the calculated inclusive capture rate is 23.7%, which is acceptable within underwriting guidelines. The Underwriter used the higher 53% turnover rate, however because the Market Analyst used a broader survey of apartments and more routinely surveys apartment managers for such information.

Primary Market Occupancy Rates:

The Market Analyst indicated that "Historical occupancy in the primary market has remained relatively strong over the last five years ... Similar to the pattern in the Greater Houston market, occupancy in the primary market area has declined in 2006, as (Katrina) evacuees previously on the voucher program, have since settled elsewhere or returned to New Orleans. Occupancy currently stands at 91.83% ... The overall occupancy level of the affordable housing projects in the primary market area is 89.99%, with the average pre-leased occupancy rate at 92.21%." (pp. 48-49)

Restricted Rent Analysis

The Market Analyst confirms that "We expect the most competitive projects located within the PMA to be the other new HTC projects, which include the recently completed, but unstabilized Lansborough Apartments and the currently under construction Oakmoor Apartments. These properties and the other HTC properties that are located within the PMA are obtaining rents at or near HTC maximums. Considering the proposed subject will be a high quality product and located in the 2900 block of Reed Road, the proposed subject rental rates at the maximum allowable HTC rents are considered reasonable and attainable." (p. 74)

Mr. Barineau, however, expressed concerns with occupancy/vacancy rates in the area and the ability to achieve the maximum 60% rent. He provided an extensive survey of occupancy of other tax credit units within a 2 mile and 6 mile radius of the subject. He identified 493 vacant units out of 3,219 existing units or a 15% vacancy rate. This vacancy figure is overstated compared to data reported by property owners in the Department's CMTS system and reflected in the chart below. In addition, Mr. Barineau include the vacant units from two properties that are still in lease up and excluding those units the actual vacancy rate is a relatively strong 5.97% according to TDHCA data.

		total units	vacant	achieving HTC Rent? 60%	50%
within 2 miles of the subject					
05619	Oakmoor*	248	215	**yes**	n/a
04268	Lansborough*	176	58	**yes**	yes
02020	Kings Row	180	1	n/a	**yes**
01410	Cullen Park	241	65	n/a	**yes**
01412	Bellfort Pines	248	12	n/a	**yes**
98008	Reed Parque	192	16	**-9%**	**yes**
95149	Simmons Gardens	120	0	n/a	**-13%**
	Total for 2 miles	1,405	367		
Percent Vacant excluding Lease-up*			**9.58%**		
within 6 miles of the subject					
04611	Alta Gardens	240	6	**yes**	n/a
04024	South Union Place	125	15	**-7%**	**-7%**
03411	Peninsula	280	7	n/a	**yes**
03438	Parkside Point	259	1	n/a	**yes**
02099	Sunrise / Norma's	80	1	**-15%**	**yes**
01040	Scott Street	96	1	**-4%**	**yes**
01416	Aristocrat / Palomino	272	32	n/a	**yes**
99011	Plum Creek	152	4	**yes**	**yes**
95120	Park Yellowstone	210	6	**-5%**	**yes**
93096	Willow Glen	100	0	n/a	n/a
	Total for 2 to 6 miles	1,814	73		
Percent Vacant			**4.02%**		
	Total for entire area	**3,219**	**440**		
Percent Vacant excluding Lease-up			**5.97%**		

Source : Texas Department of Housing and Community Affairs Central Database (CMTS)

This chart also identifies the ability of properties in the area to achieve the maximum 60% and 50% rents according to compliance data submitted to the Department. While five properties are exhibiting difficulty in achieving the maximum 60% rents and seeing loss to lease of 4% to 15%, four others are achieving the maximum 60% rents for the majority of their 60% units. Moreover, three of the five not achieving the maximum 60% rents are owned and operated by Mr. Barineau. In addition, two developments in the survey are not achieving the maximum 50% rent, (one of which is Mr. Barineau's property) though it is clear that the maximum 50% rent is a significant rent savings to prospective tenants in this market.

Absorption Projections:

The Market Analyst indicates in his report that "... recently constructed rent-restricted projects in the market area have been readily absorbed. Parkside Point, built in February 2005, leased to 95% occupancy within 8 months ... Peninsula Apartments, built in August 2004, leased to 100% occupancy within 9 months ... Scott Street Townhomes, built in October 2002, leased to 90% within two months ...Belfort Pines, built in July 2002, was absorbed in less than six months ... Cullen Park, built in May 2002, was absorbed in four months ... Reed Parque Townhomes, built in 2000, was absorbed in four months ... With the demonstrated high demand in the primary market area and taking into account the location and quality of the proposed subject, we expect the property to lease-up rapidly and to enjoy continued success, similar to that of the other affordable properties in the primary market area." (p. 75)

This section intentionally left blank.

Mr. Barineau challenged the Market Analyst's information and conclusions regarding absorption of recently constructed rent-restricted properties. Mr. Barineau pointed out that Parkside Point, Peninsula, Bellfort Pines, and Cullen Park were Priority One bond projects with rents restricted at 50% AMI levels but income limits at 60% AMI levels. As a result these properties with 1,028 units enjoyed the market advantage of offering a discounted rent to 60% AMI households.

Mr. Barineau also questioned specific absorption rates reported by the Market Analyst and offered what he stated were the correct rates: "South Union Place achieved 90% occupancy in 12 months; Scott Street Townhomes actual rent-up rate on 96 units was over five months; Reed Parque Townhomes had a rent-up period of eight months; Norma's Plaza began pre-leasing four to five months prior to completion of construction, and the physical move-in of pre-leased tenants happened over a few days; and Lansborough Apartments started pre-leasing in Sept. and had 123 occupied units as of June 4, 2007 (for a rate of 13 units per month)." Mr. Barineau states that Lansborough's "lease-up rate has slowed significantly following the rent-up of its units serving 30%, 40%, and 50% AMHI families. All of their 53 remaining and still-to-be-occupied units are targeted for 60% AMHI families."

TDHCA data indicates, however, that Lansborough currently has 33 units leased to 60% tenants, and is achieving the maximum 60% rents (13 of these are receiving rental assistance). Additionally, it would appear that even if the Market Analyst's absorption data is overstated, the absorption rates quoted by Mr. Barineau indicate a strong market with all developments (family and senior developments) leasing in 13 months or less.

The Market Analyst concluded: "the recently completed affordable projects, as well as the two comparable affordable projects, are all achieving at or near maximum HTC rents ... Further, the fact that the developer's proposed rents for the 30% and 60% units are well below estimated market rents ... bodes well for the success of the proposed subject property. The comparatively affordable rents will provide the subject property with a competitive advantage in the subject market area, which will likely translate into a quick lease-up period." (p. 90)

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 708 SF 30%	$270	$270	$731	$270	$461
1 BR 708 SF 60%	$613	$613	$731	$613	$118
2 BR 1,031 SF 30%	$327	$327	$889	$327	$562
2 BR 1,031 SF 60%	$739	$739	$889	$739	$150
2 BR 1,031 SF MR	$739	N/A	$889	$739	$150
3 BR 1,215 SF 60%	$857	$857	$992	$857	$135
3 BR 1,215 SF MR	$857	N/A	$992	$857	$135
4 BR 1,357 SF 60%	$954	$955	$1,074	$955	$119

Market Impact:

The Market Analyst opined that "Based on the high occupancy levels of the existing properties in the market, along with the strong absorption history, we project the subject will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 89)

Houston MSA Market Study:

The Department commissioned a market study for the Houston-Baytown-Sugar Land Metropolitan Statistical Area (MSA). The study, completed in February 2006 by Vogt, Williams & Bowen, LLC, only considers demand from household growth, and from replacement or renovation of existing housing. It does not incorporate demand from turnover as normally considered in development-specific market studies because in an overall study the demand from turnover returns to all of the units in the market area. A development-specific market study identifies the demand from turnover as potential demand that can be attracted away from existing units and to the proposed development (and any other new developments that have not yet become fully occupied).

The proposed development is located in the Highway 288 South submarket as defined in the Vogt study. This submarket had a 2005 population of 154,000, as compared to 2006 population of 95,000 in the subject PMA. The subject PMA is approximately 60% contained within the Highway 288 South submarket. In this submarket, the Vogt, Williams study determines total one year growth-based demand for 379 units from households below 30% AMI, and negative demand (-314 units) from households between 51-60% AMI due to the lack of population growth in the area.

Comments:

Based on the revised PMA and the surveyed turnover rate of 53%, the Market Analyst determined an Inclusive Capture Rate of 17.5%; the Underwriter determined a similar rate of 18.0%. For a family development in an urban area an inclusive capture rate below 25% is considered acceptable. The Market Analyst also provided a second source of demographics from HISTA Data for both the original and the revised PMA. HISTA Data provides a more detailed breakdown of households by income bracket, age groups, and renter tenure. The two sources produced similar results for the original PMA, but the HISTA Data for the revised PMA indicated a much smaller number of income-eligible renter households than the Claritas Data. This was cause for some concern, but the results are far enough off that it simply cannot reflect the same area.

This Market Analyst has a stronger working knowledge of the traditional Claritas data and has struggled with the proper use of the HISTA data. Moreover, in the vast majority where a comparison of "standard" Claritas demographics are used and HISTA data is used, the HISTA data generally reflects a higher renter percentage because it is able to more accurately identify that percentage for lower income households. The Underwriter believes that there was an error in defining the market area when the HISTA Data was generated for the revised PMA.

The Market Analyst was able to show demand support and meet our inclusive capture rate guidelines using the traditional Claritas data and provided sufficient information to make an affirmative funding recommendation for the subject.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected rental income is based on the maximum HTC program rents for Harris County adjusted for the utility allowance dated 1/1/2007 maintained by the Houston Housing Authority. The property will have six market rate units (three 2-bedroom units and three 3-bedroom units). The rent schedule indicates the Applicant projects the same rent in these units as the 60% units. The Applicant has projected total secondary income of $19.90 per unit per month from miscellaneous fees, vending, cable, telephone, and garage and storage rental. Underwriting guidelines allow for a maximum of $15 per unit per month in non-rental income. The Applicant's provision for losses due to vacancy and collection (7.5% of potential gross income) is consistent with underwriting guidelines.

The Applicant also included a provision for rental concessions equal to 2% of potential income; however, the proforma provided by the primary lender excluded the rental concessions. In addition, the Market Analyst indicates "The recently completed affordable projects, as well as the two comparable affordable projects, are all achieving at or near maximum HTC rents ... Further, the fact that the developer's proposed rents for the 30% and 60% units are well below estimated market rents ... bodes well for the success of the proposed subject property. The comparatively affordable rents will provide the subject property with a competitive advantage in the subject market area, which will likely translate into a quick lease-up period." (Market Study p. 90) For these reasons the Underwriter concludes that rental concessions should not be applied. This partially offsets the additional income the Applicant included from parking and storage rental. Overall, the Applicant's projected effective gross income is 2% less than the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected total annual operating expenses, at $4,453 per unit, are 3% higher than the Underwriter's estimate of $4,333. Specific line items with significant variances include: General & Administrative expense (the Applicant's projected expense is $14K lower than the Underwriter's estimate; Repairs & Maintenance (the Applicant's projection is lower by $17K); Property Insurance (the Applicant's projection is higher by $15K; and Property Tax (the Applicant's projection is higher by $29K).

Conclusion:

The Applicant's projections for effective gross income and total annual operating expenses are both within 5% of the Underwriter's estimates; however, the Applicant's Net Operating Income (NOI) is $32K, or 7%, less than the Underwriter's estimate. When gross income, total expenses, and NOI are not each within 5% of the Underwriter's estimates, underwriting guidelines require that the Underwriter's estimated NOI be used to determine debt capacity.

The first lien of $4.5M at 7.5% interest for 30 years requires annual debt service of $377K. The application indicates a second permanent lien of $1.2M in HOME funds from the City of Houston in the form of an interest-only loan, at 1.0% APR, payable only from available cash flow. If this loan were amortized over 30 years the required debt service would result in a first year debt coverage ratio (DCR) of 1.13, below the acceptable underwriting range of 1.15 to 1.35. With the interest-only obligation of $12,000 included, the first year DCR is 1.23.

However, because the loan is repayable only from cashflow, the principal and interest payment estimates are not required to be considered in the debt coverage ratio analysis. The development will have a Year One DCR of 1.27 based on the proposed financing structure and the Underwriter's net operating income estimate.

Feasibility:

The Underwriter's estimated NOI and recommended financing structure are used to create a 30-year operating proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates continued positive cash flow providing debt coverage that remains above 1.15. The development can therefore be considered financially feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: O'Connor & Associates Date: 3/12/2007

Number of Revisions: 1 Date of Last Applicant Revision: 6/7/2007

Land Only: 10.2859 acres $1,480,000 As of: 3/12/2007

Comments:

The Applicant ordered and included a land appraisal with the application due to a related party interest in the transfer of ownership. (This is discussed further under "Acquisition Value" below.) An "As Is" land value of $1,340,000 was concluded based on comparable sales; The Appraiser then commented that "the subject property is part of a larger land development project totaling more than 100 acres ... (which) calls for all of the (water) detention necessary for the entire 100+ acres to be located on one designated tract. This allows for 100% development of the subject site, whereas if this off-site detention was not in place, the subject site would have to allow for approximately 1 acre of detention ... While the generally accepted adjustment categories for vacant land do not take this situation into account, we feel that there is additional value created ... since the detention requirement is approximately 10%, we have multiplied our adjusted value by 10%."

ASSESSED VALUE

Land Only: 12.2 acres	$159,484	Tax Year:	2005
Assessed Value per acre	$13,065	Valuation by:	Harris County CAD
pro rata 10.286 acres	$134,389	Tax Rate:	2.86215

EVIDENCE of PROPERTY CONTROL

Type: Agreement for Sale and Purchase   Acreage: 10.286

Contract Expiration: 2/1/2008   Valid Through Board Date? [X] Yes [ ] No

Acquisition Cost: $1,904,221   Other: $4.25 per square foot

Seller: SH 288 / Reed 102, Ltd   Related to Development Team? [ ] Yes [X] No

Comments:

The contract also gives the buyer the option to purchase an additional three acres adjacent to the subject site, at a cost of $4.00 per square foot. The Applicant has been informed that the additional property cannot be included as part of the development because the ESA was only performed on the initial 10.286 acres.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0   Date of Last Applicant Revision: N/A

Acquisition Value:

The acquisition cost of $1,904,221, or $185K per acre, is assumed to be reasonable as the purchase is an arm's length transaction by Stuart Shaw Family Partnership, Ltd., the sole member of the General Partner of the Applicant. Ownership will then be transferred to the Applicant for an equivalent purchase price; however, a sales commission of $150,000 will be paid to Carrington Block 19, Inc., a brokerage owned and used by Stuart Shaw. The Applicant ordered and included a land appraisal supporting the acquisition price with the application to allay any concerns about related parties. The $150,000 broker's commission should have been included in developer's fees or excluded altogether if it has the impact of increasing the gap of funds needed to be filled with tax credits.

Direct Construction Cost:

The Applicant's projected direct construction cost is within 5% of the Underwriter's estimate. The Applicant excluded $50,000 from eligible basis as the cost for Carports and/or Garages which will be rented to tenants. The Underwriter estimated the cost for carports, garages, and storage units at $111,767 and included this amount in ineligible costs.

Contingency & Fees:

The Applicant's developer's fees exceeded the eligibility limit by $150,375, primarily due to the broker's commission discussed above. The Development's eligible basis is not affected as the commission was also considered ineligible by the Applicant.

Conclusion:

The Applicant's projected total development cost is within 5% of the Underwriter's estimate; the Appplicant's projections will therefore be used to calculate eligible basis and determine the need for permanent financing. The project qualifies for a 30% boost to eligible basis because Harris County is a designated Difficult Development Area. However, the second permanent lien is a federally subsidized loan at a below-market interest rate; as such, eligible basis must be reduced by the amount of this financing to receive the 30% boost. The adjusted eligible basis (reduced by $1.2M, then increased by 30%) is $14,987,115. This basis would support an annual tax credit allocation of $1,216,455; however, the QAP limits the tax credit allocation to any single development to $1.2M. This amount will be compared to the Applicant's requested allocation and the allocation amount determined by the gap in financing; the lowest of the three amounts will be recommended.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: JPMorgan Chase Type: **Interim to Permanent Financing**

Principal:	$4,494,000	Interest Rate:	7.50%	[ ] Fixed	Term:	24	months
Principal:	$4,494,000	Interest Rate:	7.50%	[X] Fixed	Term:	360	months

Comments:

construction loan at Chase Prime; permanent loan fixed at closing at 10-year T-Note + spread; 1.15 debt coverage ratio; $250 per unit per year replacement reserve

Source: City of Houston Type: **Interim to Permanent Financing**

Principal:	$1,200,000	Interest Rate:	1.00%	[X] Fixed	Term:	360	months

Comments:

This is an interest-only loan, at a below-market rate, payable only from available cash flow. The principle amount of this loan must be deducted from eligible costs in order for the Applicant to qualify for the Difficult Development Area 30% boost to eligible basis.

Source: Apollo Housing Capital, LLC Type: **Syndication**

Proceeds: $10,654,007 Syndication Rate: 88% Anticipated HTC: $1,210,804

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: $53,151 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of $4,494,000, and the $1.2M HOME Loan, indicates the need for $10,557,159 in gap funds once the $150,000 related party Broker fee is removed. Based on the submitted syndication terms, a tax credit allocation of $1,199,797 annually would be required to fill this gap in financing. The three possible allocation amounts are:

Applicant's Requested Credit Amount	$1,200,000
Credit Amount Determined by Eligible Basis	$1,216,455
Credit Amount Determined by Gap in Financing	**$1,199,797**

The recommended allocation amount is $1,199,797 annually for ten years. The Underwriter's recommended financing structure indicates the need for no deferred developer fees.

Underwriter:	*Thomas Cavanagh*	Date:	7/19/2007
Reviewing Underwriter:	*Lisa Vecchietti*	Date:	7/19/2007
Director of Real Estate Analysis:	*Tom Gouris*	Date:	7/19/2007

MULTIFAMILY COMPARATIVE ANALYSIS

Cypress Creek at Reed Road, Houston, 9% HTC #07291

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	6	1	1	708	$343	$270	$1,620	$0.38	$73.00	$38.31
TC 60%	26	1	1	708	$686	613	15,938	0.87	73.00	38.31
TC 30%	8	2	2	1,031	$411	327	2,616	0.32	84.00	41.31
TC 60%	53	2	2	1,031	$823	739	39,167	0.72	84.00	41.31
MR	3	2	2	1,031		739	2,217	0.72	84.00	41.31
TC 60%	29	3	2	1,215	$951	857	24,853	0.71	94.00	52.31
MR	3	3	2	1,215		857	2,571	0.71	94.00	52.31
TC 60%	4	4	2	1,357	$1,062	955	3,820	0.70	107.00	63.31
TOTAL:	132		**AVERAGE:**	1,007		$703	$92,802	$0.70	$84.45	$43.92

					TDHCA	APPLICANT			
INCOME	Total Net Rentable Sq Ft:	132,948			**TDHCA**	**APPLICANT**	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT					$1,113,624	$1,113,576	Harris	Houston	6
fees, deposits, cable, phone,laundry, vending		Per Unit Per Month:		$15.00	23,760	21,324	$13.46	Per Unit Per Month	
garage and storage rental					0	10,200	$6.44	Per Unit Per Month	
POTENTIAL GROSS INCOME					$1,137,384	$1,145,100			
Vacancy & Collection Loss		% of Potential Gross Income:		-7.50%	(85,304)	(85,884)	-7.50%	of Potential Gross Income	
Rental Concessions						(23,760)			
EFFECTIVE GROSS INCOME					$1,052,080	$1,035,456			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.25%	$418	0.42	$55,228	$41,465	$0.31	$314	4.00%
Management		3.60%	287	0.28	37,888	52,960	0.40	401	5.11%
Payroll & Payroll Tax		12.77%	1,018	1.01	134,355	129,154	0.97	978	12.47%
Repairs & Maintenance		6.91%	551	0.55	72,678	55,320	0.42	419	5.34%
Utilities		3.18%	253	0.25	33,444	23,100	0.17	175	2.23%
Water, Sewer, & Trash		4.40%	350	0.35	46,246	49,500	0.37	375	4.78%
Property Insurance		3.62%	289	0.29	38,091	52,800	0.40	400	5.10%
Property Tax	2.86215	9.12%	727	0.72	95,969	125,400	0.94	950	12.11%
Reserve for Replacements		3.14%	250	0.25	33,000	33,000	0.25	250	3.19%
TDHCA Compliance Fees		0.50%	40	0.04	5,280	5,280	0.04	40	0.51%
Other: supportive services		1.88%	150	0.15	19,800	19,800	0.15	150	1.91%
TOTAL EXPENSES		54.37%	$4,333	$4.30	$571,980	$587,779	$4.42	$4,453	56.77%
NET OPERATING INC		45.63%	$3,637	$3.61	$480,101	$447,677	$3.37	$3,391	43.23%
DEBT SERVICE									
Chase		35.84%	$2,857	$2.84	$377,072	$377,072	$2.84	$2,857	36.42%
City of Houston HOME		0.00%	$0	$0.00	0	12,000	$0.09	$91	1.16%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		9.79%	$781	$0.77	$103,028	$58,605	$0.44	$444	5.66%
AGGREGATE DEBT COVERAGE RATIO					1.27	1.15			
RECOMMENDED DEBT COVERAGE RATIO					1.23				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		11.91%	$14,426	$14.32	$1,904,221	$1,904,247	$14.32	$14,426	11.61%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.42%	8,995	8.93	1,187,340	1,187,340	8.93	8,995	7.24%
Direct Construction		43.17%	52,306	51.93	6,904,444	7,001,084	52.66	53,039	42.69%
Contingency	5.00%	2.53%	3,065	3.04	404,589	409,421	3.08	3,102	2.50%
Contractor's Fees	14.00%	7.08%	8,582	8.52	1,132,850	1,146,381	8.62	8,685	6.99%
Indirect Construction		4.97%	6,020	5.98	794,650	794,650	5.98	6,020	4.85%
Ineligible Costs		6.66%	8,066	8.01	1,064,739	1,035,559	7.79	7,845	6.31%
Developer's Fees	15.00%	10.27%	12,447	12.36	1,642,995	1,810,621	13.62	13,717	11.04%
Interim Financing		3.31%	4,011	3.98	529,430	529,430	3.98	4,011	3.23%
Reserves		2.67%	3,231	3.21	426,542	582,426	4.38	4,412	3.55%
TOTAL COST		100.00%	$121,150	$120.29	$15,991,801	$16,401,159	$123.37	$124,251	100.00%
Construction Cost Recap		*60.21%*	***$72,949***	***$72.43***	***$9,629,223***	***$9,744,226***	***$73.29***	***$73,820***	*59.41%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
Chase	28.10%	$34,045	$33.80	$4,494,000	$4,494,000	$4,494,000	Developer Fee Available
City of Houston HOME	7.50%	$9,091	$9.03	1,200,000	1,200,000	1,200,000	$1,660,246
HTC Apollo	66.62%	$80,712	$80.14	10,654,007	10,654,007	10,557,159	% of Dev. Fee Deferred
Deferred Developer Fees	0.33%	$403	$0.40	53,151	53,151		0%
Additional (Excess) Funds Req'd	-2.56%	($3,101)	($3.08)	(409,357)	1	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$15,991,801	$16,401,159	$16,251,159	$2,285,781

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Cypress Creek at Reed Road, Houston, 9% HTC #07291

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$54.50	$7,245,438
Adjustments				
Exterior Wall Finish	0.02%		$0.01	$1,159
Hurricane Wind Adj	$0.94	132,948	0.94	124,971
Carports	10.15	3,750	0.29	38,063
Breezeways	$20.97	11,897	1.88	249,495
Subfloor			(1.24)	(164,191)
Floor Cover			2.43	323,064
Balconies	$21.19	13,205	2.10	279,834
Plumbing Fixtures	$805	640	3.88	515,200
Rough-ins	$400	384	1.16	153,600
Built-In Appliances	$1,675	132	1.66	221,100
Exterior Stairs	$1,800	24	0.32	43,200
Interior Stairs	$1,350	32	0.32	43,200
Heating/Cooling			1.73	230,000
Garages/Storage	$18.43	4,000	0.55	73,704
Comm &/or Aux Bldgs	$65.99	3,721	1.85	245,530
Other: fire sprinkler	$1.95	132,948	1.95	259,249
SUBTOTAL			74.33	9,882,616
Current Cost Multiplier	0.98		(1.49)	(197,652)
Local Multiplier	0.89		(8.18)	(1,087,088)
TOTAL DIRECT CONSTRUCTION COSTS			$64.67	$8,597,876
Plans, specs, survy, bld prm	3.90%		($2.52)	($335,317)
Interim Construction Interest	3.38%		(2.18)	(290,178)
Contractor's OH & Profit	11.50%		(7.44)	(988,756)
NET DIRECT CONSTRUCTION COSTS			$52.53	$6,983,625

PAYMENT COMPUTATION

Primary	$4,494,000	Amort	360
Int Rate	7.50%	DCR	1.27

Secondary	$1,200,000	Amort	
Int Rate	1.00%	Subtotal DCR	1.27

Additional	$10,654,007	Amort	
Int Rate		Aggregate DCR	1.27

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$377,072
Secondary Debt Service	12,000
Additional Debt Service	0
NET CASH FLOW	$91,028

Primary	$4,494,000	Amort	360
Int Rate	7.50%	DCR	1.27

Secondary	$1,200,000	Amort	0
Int Rate	1.00%	Subtotal DCR	1.23

Additional	$10,654,007	Amort	0
Int Rate	0.00%	Aggregate DCR	1.23

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

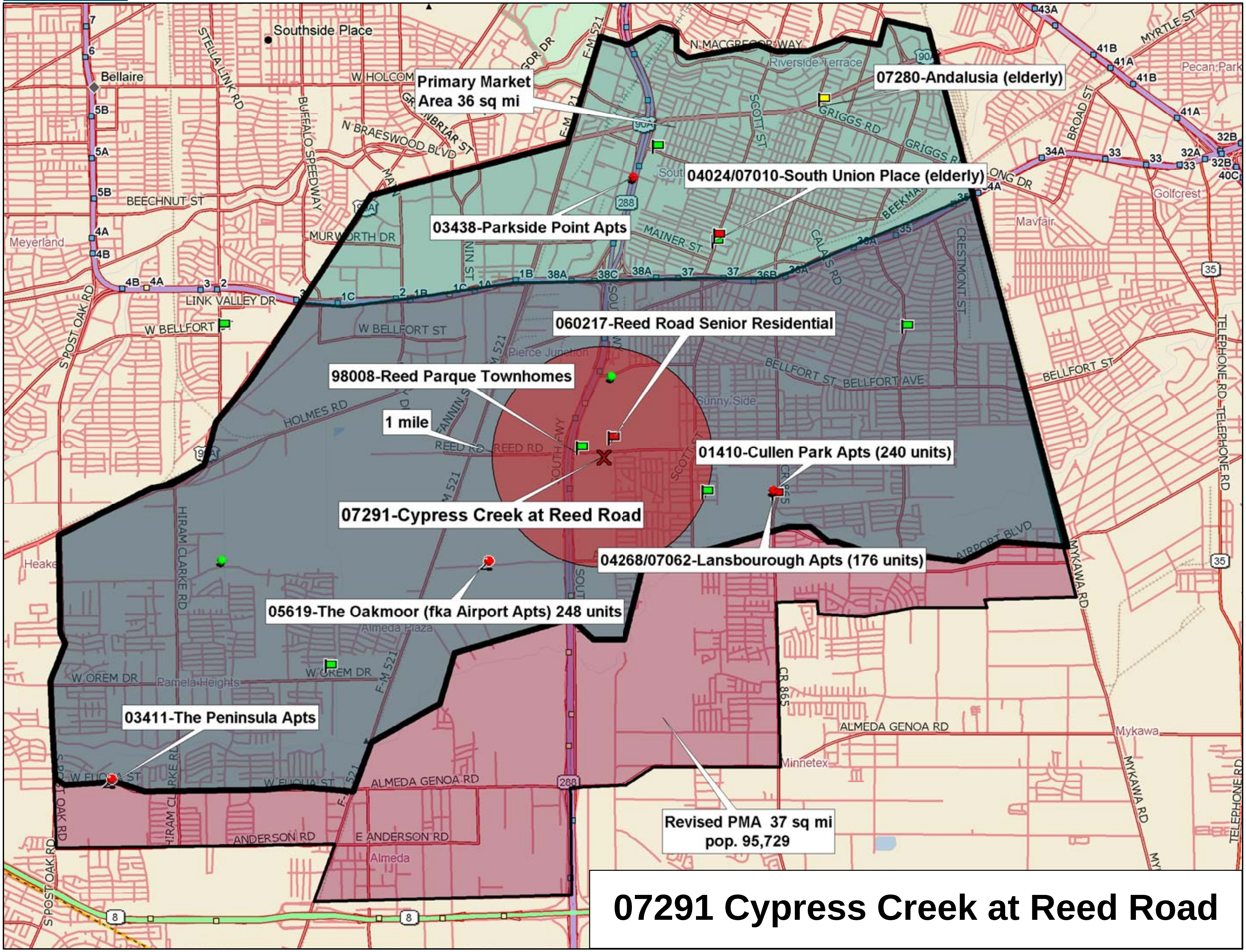
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,113,624	$1,147,033	$1,181,444	$1,216,887	$1,253,394	$1,453,027	$1,684,456	$1,952,746	$2,624,328
Secondary Income	23,760	24,473	25,207	25,963	26,742	31,001	35,939	41,663	55,992
garage and storage rental	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,137,384	1,171,506	1,206,651	1,242,850	1,280,136	1,484,028	1,720,395	1,994,410	2,680,320
Vacancy & Collection Loss	(85,304)	(87,863)	(90,499)	(93,214)	(96,010)	(111,302)	(129,030)	(149,581)	(201,024)
Rental Concessions	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,052,080	$1,083,643	$1,116,152	$1,149,636	$1,184,126	$1,372,726	$1,591,366	$1,844,829	$2,479,296
EXPENSES at 4.00%									
General & Administrative	$55,228	$57,437	$59,735	$62,124	$64,609	$78,607	$95,637	$116,357	$172,237
Management	37,888	39,025	40,196	41,402	42,644	49,436	57,309	66,437	89,286
Payroll & Payroll Tax	134,355	139,729	145,318	151,131	157,176	191,229	232,659	283,065	419,006
Repairs & Maintenance	72,678	75,586	78,609	81,753	85,023	103,444	125,855	153,122	226,659
Utilities	33,444	34,782	36,173	37,620	39,125	47,601	57,914	70,461	104,300
Water, Sewer & Trash	46,246	48,095	50,019	52,020	54,101	65,822	80,082	97,432	144,224
Insurance	38,091	39,615	41,200	42,848	44,562	54,216	65,962	80,253	118,794
Property Tax	95,969	99,808	103,800	107,952	112,270	136,594	166,188	202,193	299,294
Reserve for Replacements	33,000	34,320	35,693	37,121	38,605	46,969	57,145	69,526	102,915
Other	25,080	26,083	27,127	28,212	29,340	35,697	43,430	52,840	78,216
TOTAL EXPENSES	$571,980	$594,480	$617,869	$642,182	$667,455	$809,614	$982,183	$1,191,687	$1,754,931
NET OPERATING INCOME	$480,101	$489,163	$498,283	$507,455	$516,671	$563,112	$609,183	$653,142	$724,365
DEBT SERVICE									
First Lien Financing	$377,072	$377,072	$377,072	$377,072	$377,072	$377,072	$377,072	$377,072	$377,072
Second Lien	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$91,028	$100,090	$109,211	$118,382	$127,598	$174,040	$220,111	$264,070	$335,293
DEBT COVERAGE RATIO	1.23	1.26	1.28	1.30	1.33	1.45	1.57	1.68	1.86

HTC ALLOCATION ANALYSIS -Cypress Creek at Reed Road, Houston, 9% HTC #07291

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$1,904,247	$1,904,221		
Purchase of buildings				
Off-Site Improvements				
Sitework	$1,187,340	$1,187,340	$1,187,340	$1,187,340
Construction Hard Costs	$7,001,084	$6,904,444	$7,001,084	$6,904,444
Contractor Fees	$1,146,381	$1,132,850	$1,146,379	$1,132,850
Contingencies	$409,421	$404,589	$409,421	$404,589
Eligible Indirect Fees	$794,650	$794,650	$794,650	$794,650
Eligible Financing Fees	$529,430	$529,430	$529,430	$529,430
All Ineligible Costs	$1,035,559	$1,064,739		
Developer Fees			$1,660,246	
Developer Fees	$1,810,621	$1,642,995		$1,642,995
Development Reserves	$582,426	$426,542		
TOTAL DEVELOPMENT COSTS	$16,401,159	$15,991,801	$12,728,550	$12,596,299

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis		$1,200,000	$1,200,000
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$11,528,550	$11,396,299
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$14,987,115	$14,815,188
Applicable Fraction		95%	95%
TOTAL QUALIFIED BASIS		$14,227,546	$14,064,333
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		$1,216,455	$1,202,500
Syndication Proceeds	**0.8799**	**$10,703,732**	**$10,580,943**

Total Tax Credits (Eligible Basis Method)	**$1,216,455**	**$1,202,500**
Syndication Proceeds	**$10,703,732**	**$10,580,943**
Requested Tax Credits	**$1,200,000**	
Syndication Proceeds	**$10,558,941**	
Gap of Syndication Proceeds Needed	**$10,557,159**	
Total Tax Credits (Gap Method)	**$1,199,797**	



07291 Cypress Creek at Reed Road

Scale 1 : 75,000

1" = 1.18 mi

TN

MN (3.7°E)

03184

PEGASUS VILLAS, LTD.
2425 OLD DENNIS ROAD
WEATHERFORD, TX 76087
PHONE: (817) 599-0730

July 14, 2008

Mr. Ben Sheppard
TDHCA
P.O. Box 13941
Austin, TX 78711-3941
(512) 475-2122

RE: Request for Initial Application Amendment
TDHCA #03184

Dear Mr. Sheppard:

Let me begin by apologizing to the department for the vast amount of correspondence and alterations to our cost certification submission, and subsequently the LURA and application.

Please accept this letter as our formal request to amend our application for tax credits due to a discrepancy in the final floor plan square footage upon completion of the rehabilitation of Pegasus Villas. The LURA and application on file call for an applicable fraction of 79.49%. Upon completion and review of the final cost certification we found that, using the unit mix promised in the application, the applicable fraction was only 77.47%.

Rather than losing tax credits by lowering our applicable fraction, we respectfully request an amendment to our original application. According to the attached Exhibit 11A out of the final cost certification, we now propose to provide 129 tax credit units out of the total 156 units rather than the originally committed 124. The applicable fraction using these numbers would be 82.69% based on number of units or 79.95% based on square footage (106,343 tax credit footage/133,007 total square footage). A corrected rent roll is also attached for your review.

Please confirm that, by increasing the number of low income units, we will not create a problem with respect to the points scored under the initial application and subsequent award of tax credits.

Thank you so much for reviewing our request. We sincerely hope this is the last alteration and respectfully request consideration of our application amendment. We are anxious to implement the change as soon as possible and would like to discuss the process and timeframe for obtaining your formal approval to these changes as well as the issuance of the 8609's. If you require any further information, please contact me at (817) 771-9674.

Sincerely,

Suzy Hudson

03184

Comparison of Units Proposed Vs. Units Built

Unit Targets and Types As Proposed					Unit Targets and Types As Built / Amended					
Target	No. of Units	Unit Type	NRA	Total NRA	Target	No. of Units	Unit Type	NRA	Total NRA	Change
30%	1	1/1	540	540	30%	4	1/1	543	2,172	
30%	1	1/1	580	580	30%	9	1/1	549	4,941	
30%	12	1/1	591	7,092	30%	1	1/1	564	564	
Total 1/1 @ 30%	14			8,212	Total 1/1 @ 30%	14			7,677	~
					40%	4	1/1	543	2,172	
					40%	1	1/1	549	549	
40%	5	1/1	591	2,955	40%	1	1/1	564	564	
40%	2	1/1	616	1,232	40%	2	1/1	588	1,176	
Total 1/1 @ 40%	7			4,187	Total 1/1 @ 40%	8			4,461	+1
					50%	2	1/1	543	1,086	
					50%	9	1/1	564	5,076	
					50%	1	1/1	571	571	
50%	5	1/1	616	3,080	50%	1	1/1	585	585	
50%	1	1/1	618	618	50%	1	1/1	588	588	
50%	8	1/1	632	5,056	50%	1	1/1	625	625	
Total 1/1 @ 50%	14			8,754	Total 1/1 @ 50%	15			8,531	+1
					60%	1	1/1	533	533	
					60%	1	1/1	543	543	
					60%	1	1/1	549	549	
					60%	19	1/1	588	11,172	
60%	13	1/1	632	8,216	60%	12	1/1	625	7,500	
60%	17	1/1	674	11,458	60%	1	1/1	662	662	
60%	1	1/1	727	727	60%	1	1/1	667	667	
60%	3	1/1	855	2,565	60%	1	1/1	804	804	
Total 1/1 @ 60%	34			22,966	Total 1/1 @ 60%	37			22,430	+3
					30%	10	2/2	767	7,670	
					30%	1	2/2	873	873	
30%	11	2/2	820	9,020	30%	1	2/2	1,231	1,231	
Total 2/2 @ 30%	11			9,020	Total 2/2 @ 30%	12			9,774	+1
40%	1	2/2	910	910						
40%	1	2/2	1,073	1,073	40%	1	2/2	767	767	
40%	1	2/2	1,115	1,115	40%	1	2/2	855	855	
40%	3	2/2	1,285	3,855	40%	3	2/2	1,313	3,939	
Total 2/2 @ 40%	6			6,953	Total 2/2 @ 40%	5			5,561	-1
					50%	1	2/2	767	767	
					50%	1	2/2	855	855	
					50%	1	2/2	1,049	1,049	
					50%	1	2/2	1,010	1,010	
50%	1	2/2	1,285	1,285	50%	7	2/2	1,313	9,191	
50%	10	2/2	1,405	14,050	50%	1	2/2	1,147	1,147	
Total 2/2 @ 50%	11			15,335	Total 2/2 @ 50%	12			14,019	+1
					60%	24	2/2	1,313	31,512	
					60%	1	2/2	1,231	1,231	
60%	27	2/2	1,405	37,935	60%	1	2/2	1,147	1,147	
Total 2/2 @ 60%	27			37,935	Total 2/2 @ 60%	26			33,890	-1
Total HTC Units	124			113,362	Total HTC Units	129			106,343	+5
Mkt	5	1/1	591	2,955						
Mkt	4	1/1	616	2,464						
Mkt	2	1/1	632	1,264	Mkt	2	1/1	804	1,608	
Mkt	6	1/1	674	4,044	Mkt	1	1/1	588	588	
Mkt	1	1/1	721	721	Mkt	10	1/1	625	6,250	
Total 1/1 @ Mkt	18			11,448	Total 1/1 @ Mkt	13			8,446	-5
Mkt	1	2/2	820	820						
Mkt	1	2/2	873	873						
Mkt	1	2/2	910	910						
Mkt	2	2/2	1,285	2,570	Mkt	12	2/2	1,313	15,756	
Mkt	9	2/2	1,405	12,645	Mkt	2	2/2	1,231	2,462	
Total 2/2 @ Mkt	14			17,818	Total 2/2 @ Mkt	14			18,218	~
Total Mkt Units	32			29,266	Total Mkt Units	27			26,664	-5
Total All Units	156			142,628	Total All Units	156			133,007	~

CC
03184

FROM COST CERTIFICATION

EXHIBIT 11A. RENT SCHEDULE

DEVELOPMENT NAME: Pegasus Villas, Ltd. **FILE NUMBER:** 03184

Type of Unit designation should be one or more of the following based on the unit's rent restrictions:
Tax Credit: *(TC30%), (TC40%), (TC50%), (TC60%)*
501(c)(3) Mortgage Revenue Bond: *(MRB)*
HOME: *High (HH) or Low (LH)*
Other: *(OT)* ***describe any "Other" restrictions on an attached sheet***
Housing Trust Fund: *(HTF30%), (HTF60%), (HTF65%)*

For units funded under more than one program, the "Income Level Served" should be the most restrictive - for example a LH and TC50% would be "50%".

The rent and utility limits available at the time the Cost Certification Packet is submitted should be used to complete this form. Gross Rent cannot exceed the HUD maximum rent limits.

Type of Unit	Income Level Served	# of Units (A)	# of Bedrooms	# of Baths	Unit Size (Net Rentable Sq. Ft.) (B)	Total Net Rentable Sq. Ft. (A) x (B)	Gross Rent (C)	Tenant Paid Utility Allow. (D)	Tenant Paid Rent/ Unit (C) - (D) = (E)	Total Monthly Rent (A) x (E)
A1	50%	1	1	1.00	585	585	623	77	546	546
A10	60%	1	1	1.00	804	804	748	77	671	671
A2	30%	9	1	1.00	549	4,941	373	77	296	2,664
A2	40%	1	1	1.00	549	549	499	77	422	422
A2	60%	1	1	1.00	549	549	748	77	671	671
A2ALT	30%	4	1	1.00	543	2,172	373	77	296	1,184
A2ALT	40%	4	1	1.00	543	2,172	499	77	422	1,688
A2ALT	50%	2	1	1.00	543	1,086	623	77	546	1,092
A2ALT	60%	1	1	1.00	543	543	748	77	671	671
A3	60%	1	1	1.00	533	533	748	77	671	671
A4	50%	1	1	1.00	571	571	623	77	546	546
A5	40%	2	1	1.00	588	1,176	499	77	422	844
A5	50%	1	1	1.00	588	588	623	77	546	546
A5	60%	19	1	1.00	588	11,172	748	77	671	12,749
A6	30%	1	1	1.00	564	564	373	77	296	296
A6	40%	1	1	1.00	564	564	499	77	422	422
A6	50%	9	1	1.00	564	5,076	623	77	546	4,914
A7	50%	1	1	1.00	625	625	623	77	546	546
A7	60%	12	1	1.00	625	7,500	748	77	671	8,052
A8	60%	1	1	1.00	662	662	748	77	671	671
A9	60%	1	1	1.00	667	667	748	77	671	671
B1	30%	10	2	2.00	767	7,670	448	96	352	3,520
B1	40%	1	2	2.00	767	767	599	96	503	503
B1	50%	1	2	2.00	767	767	748	96	652	652
B2	40%	1	2	2.00	855	855	599	96	503	503
B2	50%	1	2	2.00	855	855	748	96	652	652
B3	30%	1	2	2.00	873	873	448	96	352	352
B4	50%	1	2	2.00	1,049	1,049	748	96	652	652
B4ALT	50%	1	2	2.00	1,010	1,010	748	96	652	652
B5	40%	3	2	2.00	1,313	3,939	599	96	503	1,509
B5	50%	7	2	2.00	1,313	9,191	748	96	652	4,564
B5	60%	24	2	2.00	1,313	31,512	898	96	802	19,248
B6	30%	1	2	2.00	1,231	1,231	448	96	352	352
B6	60%	1	2	2.00	1,231	1,231	898	96	802	802
B6ALT	50%	1	2	2.00	1,147	1,147	748	96	652	652
B6ALT	60%	1	2	2.00	1,147	1,147	898	96	802	802
Rent Restricted Total		129				106,343				75,952
Market Rate (A10)		2	1	1.00	804	1,608			825	1,650
Market Rate (A5)		1	1	1.00	588	588			825	825
Market Rate (A7)		10	1	1.00	625	6,250			825	8,250
Market Rate (B5)		12	2	2.00	1,313	15,756			1,099	13,188
Market Rate (B6)		2	2	2.00	1,231	2,462			1,099	2,198
Market Rate Total		27				26,664				26,111
Employee/Owner Occupied*						0				-
Total Units		156				133,007				102,063
+ Non Rental Income Source #1		$ 10.26	per unit/month for:		vending, storage, fees					1,601
+ Non Rental Income Source #2			per unit/month for:		describe source here					-
+ Non Rental Income Source #3			per unit/month for:		describe source here					-
= POTENTIAL GROSS MONTHLY INCOME										103,664
- Provision for Vacancy & Collection Loss						% of Potential Gross Income:			7.50%	7,775
- Rental Concessions										
= EFFECTIVE GROSS MONTHLY INCOME										95,889
x 12 = EFFECTIVE GROSS ANNUAL INCOME										1,150,666

*** Only enter Employee/Owner Occupied Units if not included in rent restricted or market rate units shown above.**

App
03184

FROM APPLICATION UNDERWRITING REPORT

MULTIFAMILY COMPARATIVE ANALYSIS

The Pegasus, Dallas, LIHTC #03184

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC30%	1	1	1	540	$373	$314	$314	$0.58	$59.00	$46.00
TC30%	1	1	1	580	373	314	314	0.54	59.00	46.00
TC30%	12	1	1	591	373	314	3,768	0.53	59.00	46.00
TC40%	5	1	1	591	499	440	2,200	0.74	59.00	46.00
Market	5	1	1	591	825	825	4,125	1.40	59.00	46.00
TC40%	2	1	1	616	499	440	880	0.71	59.00	46.00
TC50%	5	1	1	616	623	564	2,820	0.92	59.00	46.00
Market	4	1	1	616	825	825	3,300	1.34	59.00	46.00
TC50%	1	1	1	618	623	564	564	0.91	59.00	46.00
TC50%	8	1	1	632	623	564	4,512	0.89	59.00	46.00
TC60%	13	1	1	632	748	689	8,957	1.09	59.00	46.00
Market	2	1	1	632	825	825	1,650	1.31	59.00	46.00
TC60%	17	1	1	674	748	689	11,713	1.02	59.00	46.00
Market	6	1	1	674	825	825	4,950	1.22	59.00	46.00
Market	1	1	1	721	825	825	825	1.14	59.00	46.00
TC60%	1	1	1	727	748	689	689	0.95	59.00	46.00
TC60%	3	1	1	855	748	689	2,067	0.81	59.00	46.00
TC30%	11	2	2	820	448	373	4,103	0.45	75.00	52.00
Market	1	2	2	820	999	999	999	1.22	75.00	52.00
Market	1	2	2	873	999	999	999	1.14	75.00	52.00
TC40%	1	2	2	910	599	524	524	0.58	75.00	52.00
Market	1	2	2	910	999	999	999	1.10	75.00	52.00
TC40%	1	2	2	1,073	599	524	524	0.49	75.00	52.00
TC40%	1	2	2	1,115	599	524	524	0.47	75.00	52.00
TC40%	3	2	2	1,285	599	524	1,572	0.41	75.00	52.00
TC50%	1	2	2	1,285	748	673	673	0.52	75.00	52.00
Market	2	2	2	1,285	999	999	1,998	0.78	75.00	52.00
TC50%	10	2	2	1,405	748	673	6,730	0.48	75.00	52.00
TC60%	27	2	2	1,405	898	823	22,221	0.59	75.00	52.00
Market	9	2	2	1,405	999	999	8,991	0.71	75.00	52.00
TOTAL:	156		AVERAGE:	914	$710	$670	$104,505	$0.73	$56.87	$41.68

PRIOR AMENDMENT APPROVED

03184

Texas Department of Housing and Community Affairs

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Housing Tax Credit Program

U.S. Mailing Address: P.O. Box 13941, Austin, Texas 78711-3941
Private Carrier Delivery: 507 Sabine, Suite 400 Austin, TX 78701
Telephone: (512) 475-3340 Telecopier: (512) 475-0764

To: Glenn Lynch **NOTICE OF BOARD DECISION RE: AMENDMENT REQUEST HEARD 3/20/07**

HTC No. 03184, Pegasus Villas

Summary of Request: In a package received on November 11, 2006, owner requested the Board's approval for several items as follow:

(1) The owner requested the Board's acknowledgement and acceptance of the applicant's original intent to indicate that the building would have a secured entry as the feature represented by checking the box for "monitored unit security" in the Specifications and Amenities section of the application. The single residential building that comprises the development has two entry doors that are monitored by management staff during the day and that are only accessible via key code after management hours. The building also has a security feature that was not proposed in the application, a full perimeter security fence with controlled gate access.

(2) Owner requested that a "Community Garden/Walk Trail," as described in the Specifications and Amenities section of the application, be replaced by the substitute feature of an observation deck on the roof. The observation deck was not named as an amenity in the application.

(3) Owner requested that the Board accept the development as built with 316 parking spaces instead of 350 as described in the application. The reduction is approximately 9.7% of the number of spaces originally proposed and leaves the elderly development with a parking ratio that is still slightly more than two spaces per unit. The parking was reduced to allow islands to exist around twelve large oak trees, the feature substituting for the parking spaces. The final number of parking spaces exceeds city code.

Governing Law and Rules:	§2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including a significant modification of the site plan, any modification that is considered significant by the board.
Owner:	Pegasus Villas, Ltd.
General Partner:	Pegasus Stemmons Development, Inc.
Principals/Interested Parties:	Operation Relief Center, Inc. (Nonprofit owner of GP)
Syndicator:	Wachovia Securities
Construction Lender:	Western National Bank
Permanent Lender:	Red Mortgage Capital, Inc.
Other Funding:	City of Dallas (forgivable loan)
City/County:	Dallas/Dallas
Set-Aside:	Acquisition/Rehabilitation
Type of Area:	Urban
Type of Development:	Rehabilitation (adaptive reuse of an office building)
Population Served:	Elderly
Units:	124 HTC units and 32 market rate units
2003 Allocation:	$1,153,613
Allocation per HTC Unit:	$9,303
Prior Board Actions:	7/03 – Approved award of tax credits
Underwriting Reevaluation:	The change would not materially affect the underwriting and no change in the amount of the award is recommended.
Staff Recommendation:	**Staff recommends approving the request. The changes would not materially alter the development in a negative manner and would not have adversely affected the selection of the application.**
Penalty Assessment:	**No penalty assessment is recommended because the request was made prior to the December 1, 2006 effective date of the penalty language in the QAP.**

THIS REQUEST WAS APPROVED AT THE BOARD MEETING OF MARCH 20, 2007. THE APPROVAL WILL BE CONFIRMED BY THE MINUTES AS APPROVED AND RECORDED IN A SUBSEQUENT BOARD MEETING. THIS NOTIFICATION MUST BE INCLUDED IN YOUR COST CERTIFICATION.

Ben Sheppard

Ben Sheppard
Multifamily Finance Production

04432

Hunter Road Affordable Housing, Ltd.
PO Box 2217
Austin, Texas 78768

February 6, 2008

Ms. Robbye Meyer, Director
Multifamily Finance Production Division
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

Re: Mariposa Apartment Homes at Hunter Road (fka Willow Springs) – TDHCA #04432 – Application Amendment Request

Dear Ms. Meyer,

I am sending you this application amendment request resulting from the Final Inspection for Mariposa Apartment Home at Hunter Road (MHR) conducted on April 13, 2007 at the request of Hunter Road Affordable Housing, Ltd. (the "Owner"). A copy of the current status of all items remaining on the final inspection deficiency list is attached (see letter to Gavin Reid dated August 27, 2007).

The final inspection noted a change in the unit mix and unit sizes presented in the 4% LIHTC application. The unit mix provided in the finished product for MHR yielded 113 one-bedroom units and 69 two-bedroom units versus 111 one-bedroom units and 69 two-bedroom units presented in the 4% LIHTC application. The MHR site plan was reconfigured to make the property more appealing to the tenants and consequently allowed MHR to provide two more affordable units. The applicant requests two one-bedroom units be designated as "management units".

The reconfiguration of the site plan caused a sight change the size of the units. According to the TDHCA Underwriting Report the one bedroom increased in size from 709 sq. ft. to 714 sq. ft. and the two-bedroom unit decreased in size from 1050 sq. ft. to 999 sq. ft. The resulting change in the net rentable square footage is less than one percent that does not trigger a material change with the TDHCA.

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04432

Hunter Road Affordable Housing, Ltd.
PO Box 2217
Austin, Texas 78768

Application						Proposed					
Target	Units	BR	BA	Net Rent Sq. Ft.	Total Sq.Ft.	Units	BR	BA	Net Rent Sq. Ft.	Total Sq.Ft.	Change in Unit Count
60%	111	1	1	709	78,699	113**	1	1	714	81,396	+2
60%	69	2	2	1,050	72,450	69	2	2	999	67,932	0
Total						**Two Management Units					+2
Total	180				151,149	182				149,613	<1% Reduction

MHR does not see a negative impact to the residents as a result of the change in unit sizes or unit mix and believes there is great benefit to residents because of the improved site plan along with the amenity package that was installed at MHR. Please find attached copies of the MHR site current site plan along with current unit plans for your review.

The final construction inspection also noted that MHR did not install microwave ovens, self-cleaning or continuous cleaning ovens, two fireplaces nor the 180 uncovered parking spaces detailed in the 4% LIHTC application. The microwave ovens and self-cleaning ovens were selected in the Unit Amenities and Quality section in the Development Certification (Tab 4G of the Application) that normally applies to 9% LIHTC applications not to 4% Bond applications. While the Owner should not have completed the Unit Amenities section in the application there are a number of amenities from this section that were installed at MHR even though this section primarily is meant for 9% LIHTC applications. Please see the attached amenities chart for your reference. As you will see, the Owner would have exceeded the possible 12 points if MHR had been submitted under the 9% LIHTC application round. The Owner also went above and beyond the Threshold Requirements by 8 points (also detailed on amenities detail). The final inspection notes that two fireplaces were not installed. The Owner had an application consultant that inadvertently selected two fireplaces and requests that the TDHCA remove this deficiency because of conflicting commitments in the LIHTC application. Finally, the inspection references the number of parking spots on the site. The modification of the site plan caused a reduction in the number of parking spaces on the site. The Owner received approval from the City as evidenced for the total number of parking spots currently installed at MHR as evidenced by the Certificate of Occupancy.

If the TDHCA does not agree with the argument above the Applicant proposes the specific substitutions detailed below:

1) Substitute Microwave Ovens for 30 Year Architectural Roofing

Hunter Road Affordable Housing, Ltd.
PO Box 2217
Austin, Texas 78768

2) Substitute Self Cleaning or Continuous Cleaing Ovens for R-15 Walls and R-30 Ceilings (Rating of Wall Systems)
3) One fireplace was installed and the second was not installed. The Owner requested the TDHCA remove this deficiency and accept the installation of one fireplace.

MHR requests approval from the TDHCA for amending the LIHTC application to reflect the current unit mix, site plan and amenity improvements detailed in this letter. MHR strives to bring quality affordable housing to the residents of San Marcos and we welcome you to a personal tour of the property at any time. Thank you for your assistance on this matter. Please feel free to contact me or Casey Bump at 512-220-8000 with questions or to set up a personal tour.

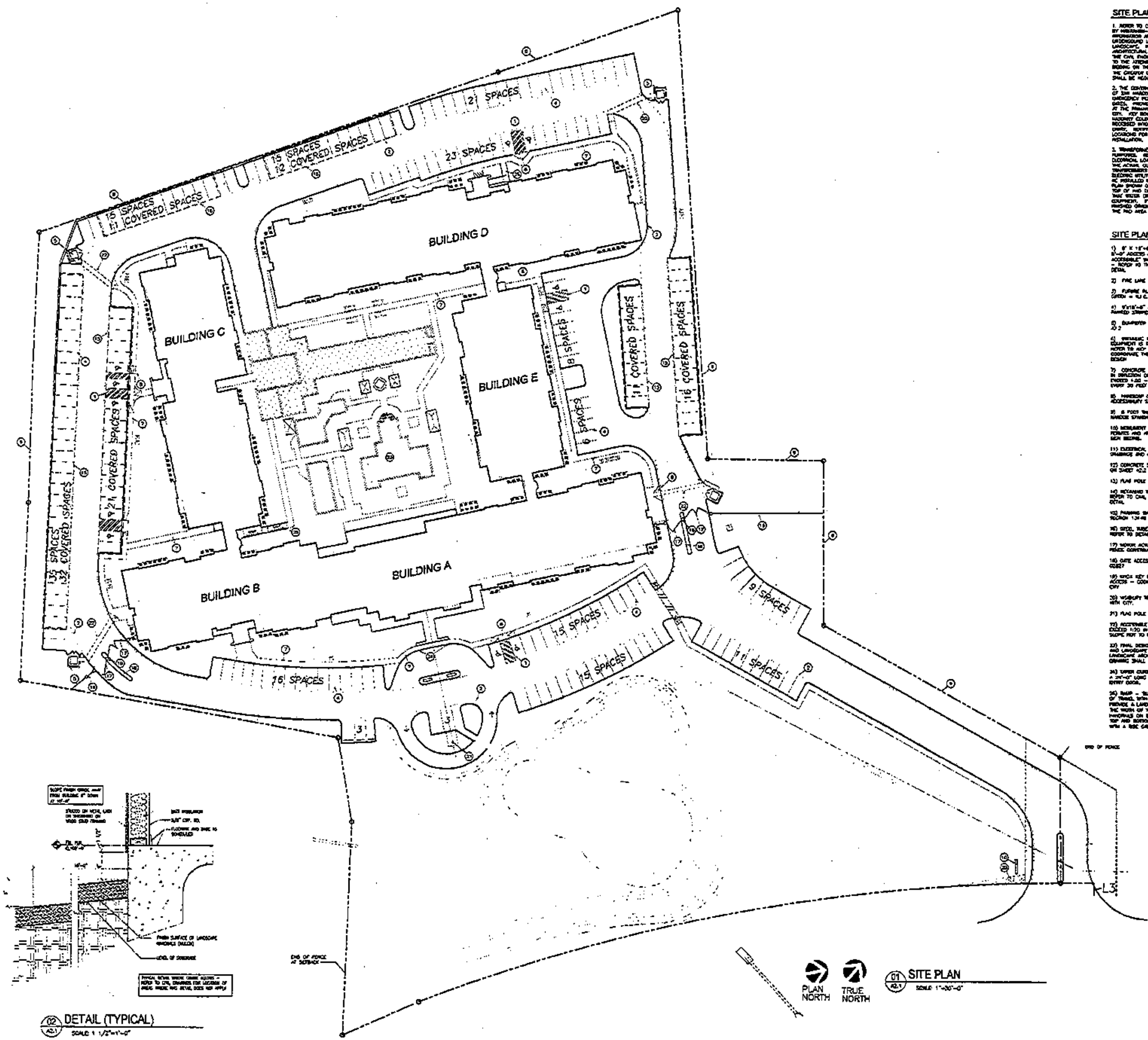
Sincerely,

Stuart B. Shaw
Owner's Representative

Attachments:
- MHR Site Photos
- MHR Brochure
- Current Site Plan
- Current Unit Plans
- MHR Amenity Points Summary Sheet
- Final Construction Inspection Response & Letter to TDHCA

04432

AS BUILT



01 SITE PLAN
A2.1 SCALE 1"=30'-0"

02 DETAIL (TYPICAL)
A2.1 SCALE 1 1/2"=1'-0"

SITE PLAN GENERAL NOTES

1. REFER TO CIVIL ENGINEERING DRAWINGS PRODUCED BY [illegible] ENGINEERING, INC. FOR INFORMATION AND DIRECTIONS CONCERNING GRADING, UNDERGROUND UTILITIES, STORM SEWER, PAVING AND LANDSCAPE. INFORMATION SHOWN ON THIS ARCHITECTURAL SITE PLAN THAT IS INCONSISTENT WITH THE CIVIL ENGINEERING DOCUMENTS SHALL BE BROUGHT TO THE ATTENTION OF THE ARCHITECT PRIOR TO BIDDING ON THE WORK. IN THE CASE OF DISCREPANCY THE GREATER QUANTITY AND/OR QUALITY OF WORK SHALL BE REQUIRED UNLESS DIRECTED OTHERWISE.

2. THE CONTRACTOR SHALL COORDINATE WITH THE CITY OF SAN MARCOS AUTHORITIES CONCERNING ACCESS BY EMERGENCY PERSONNEL THROUGH THE AUTOMATIC GATES. PROVIDE KNOX KEY BOXES AT EACH GATE AND AT THE PRIMARY ENTRANCE DOOR AS REQUIRED BY THE CITY. KEY BOXES SHALL BE RECESSED INTO THE MASONRY COLUMNS AT THE GATES IF ALLOWED AND RECESSED INTO THE BUILDING WALL ADJACENT TO THE ENTRY. NOTIFY THE ARCHITECT OF REQUIRED LOCATIONS FOR ADDITIONAL DETAIL OF KEY BOX INSTALLATION.

3. TRANSFORMERS ARE SHOWN FOR COORDINATION PURPOSES. REFER TO ELECTRICAL DRAWINGS FOR ELECTRICAL LOADS AND DISTRIBUTION INFORMATION. THE ACTUAL QUANTITY AND FINAL LOCATION OF TRANSFORMERS SHALL BE COORDINATED WITH THE ELECTRIC UTILITY COMPANY. TRANSFORMER PADS SHALL BE INSTALLED IN COORDINATION WITH THE GRADING PLAN SHOWN ON THE CIVIL ENGINEERING DRAWINGS. TOP OF PAD ELEVATION SHALL BE ESTABLISHED ENSURING THAT WATER DRAINAGE WILL NOT AFFECT THE EQUIPMENT. IF THESE PADS ARE INSTALLED PRIOR TO FINISHED GRADING THE CONTRACTOR SHALL BUILD UP THE PAD AREA TO THE PROPER ELEVATION.

SITE PLAN NOTES BY NUMBER

1) 8' X 18'-6" H.C. PARKING SPACE WITH 5'-0" OR 8'-0" ACCESS AISLE AND CURB RAMP. INSTALL "VAN ACCESSIBLE" SIGN WHERE NOTED "VAN" ON THE SPACE - REFER TO THE CIVIL ENGINEERING DRAWINGS FOR DETAIL.

2) FIRE LANE - PER CITY REQUIREMENTS

3) FUTURE PLAYGROUND, GARDEN AREAS, AND PUTTING GREEN - N.I.C.

4) 9'x18'-6" PARKING SPACE TYPICAL U.N.O. - PAINTED STRIPES PER SPECIFICATION SECTION 02580

5) DUMPSTER SCREEN - REFER TO DETAILS ON SHEET A2.2

6) SWIMMING POOL - FINAL DESIGN AND ALL EQUIPMENT IS TO BE PROVIDED BY POOL CONTRACTOR - REFER TO MEP DRAWINGS FOR SYSTEM PROVISIONS; COORDINATE THE STUB-UP LOCATIONS WITH THE POOL DESIGN

7) CONCRETE SIDEWALK - SLOPE NOT TO EXCEED 1:20 IN DIRECTION OF TRAVEL WITH CROSS SLOPE NOT TO EXCEED 1:50 - TYPICAL - FORM EXPANSION JOINTS EVERY 30 FEET AND CONTROL JOINTS EVERY 5 FEET

8) HANDICAP CURB RAMP TO MEET TEXAS ACCESSIBILITY STANDARDS

9) 8 FOOT TALL PRIVACY FENCE TO MEET CITY OF SAN MARCOS STANDARDS

10) MONUMENT SIGN - OBTAIN ALL REQUIRED SIGN PERMITS AND APPROVALS BEFORE CONSTRUCTION OF SIGN BEGINS.

11) ELECTRICAL TRANSFORMER - REFER TO ELECTRICAL DRAWINGS AND GENERAL NOTE 3

12) CONCRETE SIDEWALK - REFER TO DIMENSION DETAIL ON SHEET A2.2

13) FLAG POLE

14) RETAINING WALL, TYPE WELL OR [illegible] - REFER TO CIVIL ENGINEERING DRAWINGS FOR HEIGHT AND DETAIL

15) PARKING SHELTER - REFER TO SPECIFICATION SECTION 13148

16) STEEL TUBE PICKET FENCE WITH STONE COLUMNS - REFER TO DETAIL SHEET A2.2

17) MOTOR ACTUATED SWINGING GATE - SIMILAR TO FENCE CONSTRUCTION

18) GATE ACCESS KIOSK - REFER TO SPECIFICATION [illegible]

19) KNOX KEY BOX FOR EMERGENCY PERSONNEL ACCESS - COORDINATE ACQUISITION OF BOX WITH THE CITY

20) VISIBILITY TRIANGLE-VERIFY SETBACK REQUIREMENT WITH CITY.

21) FLAG POLE

22) ACCESSIBLE ROUTE TO DUMPSTER, SLOPE NOT TO EXCEED 1:20 IN DIRECTION OF TRAVEL, WITH CROSS SLOPE NOT TO EXCEED 1:50

23) FINAL DESIGN OF POOL AND COURTYARD HARDSCAPE AND LANDSCAPE SHALL BE PROVIDED SEPARATELY BY THE LANDSCAPE ARCHITECT. DESIGN SHOWN ON THIS DRAWING SHALL BE COORDINATED WITH LA DRAWING.

24) TAPER CURB FROM 6" HIGH TO 0" IN 10' LEAVING A 24'-0" LONG NO CURB AREA CENTERED ON THE ENTRY DOOR.

25) RAMP - SLOPE NOT TO EXCEED 1:12 IN DIRECTION OF TRAVEL WITH CROSS SLOPE NOT TO EXCEED 1:50. PROVIDE A LANDING 60" IN LENGTH AND AS WIDE AS THE WIDTH OF THE RAMP FOR EVERY 30" OF RISE. HANDRAILS ON BOTH SIDES EXTENDING 12" BEYOND THE TOP AND BOTTOM OF RAMP ARE REQUIRED FOR RAMPS WITH A RISE GREATER THAN 6".

GHL

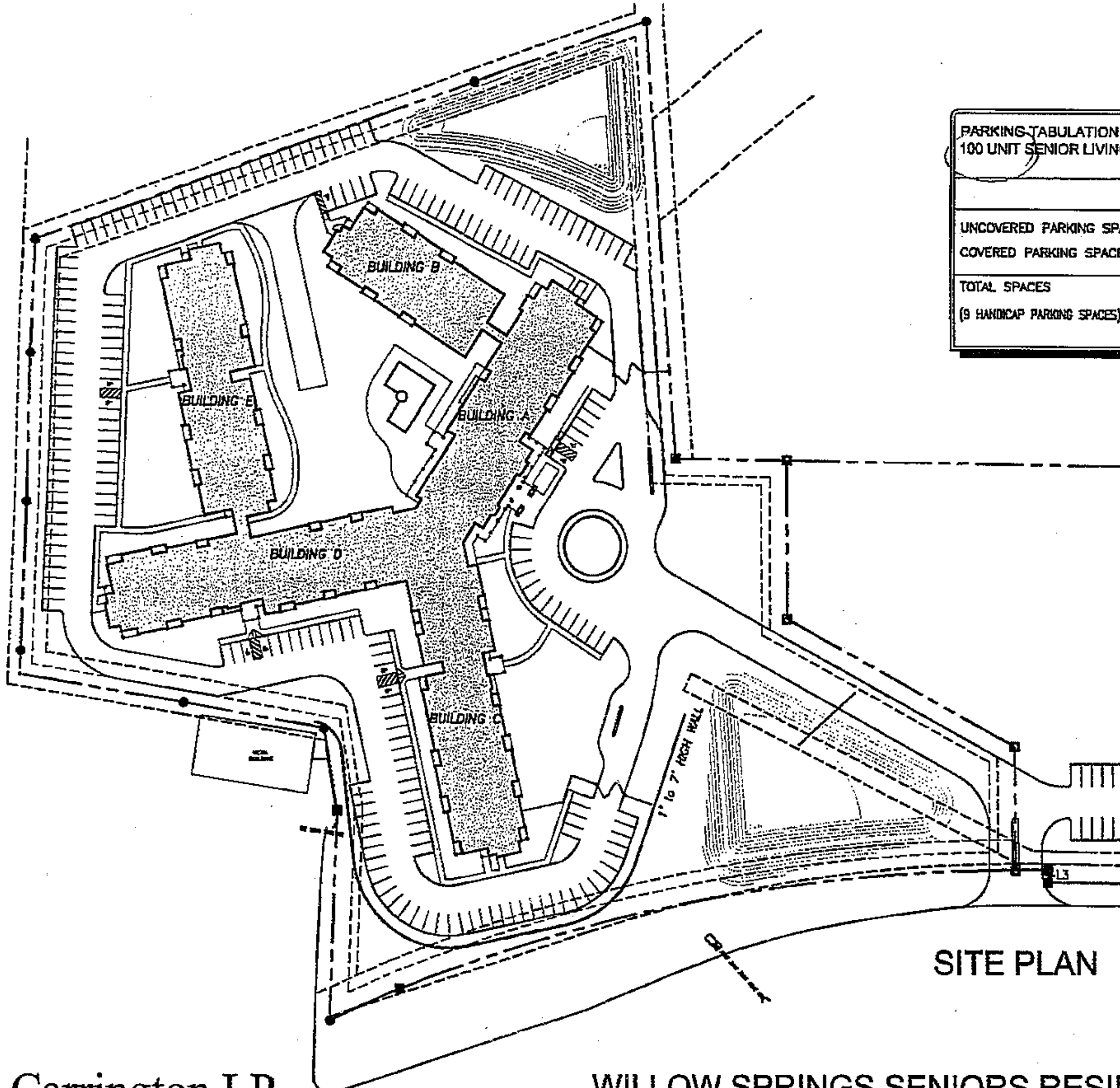
WILLOW SPRINGS SENIORS RESIDENCES
HUNTER ROAD AFFORDABLE HOUSING, LTD
2600 HUNTER ROAD, SAN MARCOS, TEXAS
Bonner Carrington LP

11/17/04

A2.1

04432

APPLICATION



PARKING TABULATION FOR 100 UNIT SENIOR LIVING APARTMENTS	
	PROVIDED
UNCOVERED PARKING SPACES	180
COVERED PARKING SPACES	36
TOTAL SPACES	216
(9 HANDICAP PARKING SPACES)	

) 180

SITE PLAN

NORTH

Bonner Carrington LP

GHLA
GAYLEN HOWARD LAING ARCHITECT, INC.

WILLOW SPRINGS SENIORS RESIDENCES
SAN MARCOS, TEXAS

1

MARCH 9, 2004

07203

August 8, 2008

Mr. Ben Sheppard
Housing Specialist, Multifamily Finance Production Division
P.O. Box 13941
Austin, TX 78711-3941

08-12-08A10:35 RCVD

RE: Melbourne Senior Apartments
Request to Amend LIHTC Application – Project #07203

Dear Mr. Sheppard,

LDG Multifamily, LLC a Co-Developer of Melbourne Senior Apartments ("Melbourne") is seeking approval for a modification request to Melbourne's Application. Specifically, LDG is requesting approval to reduce the number of residential buildings and the related changes to the original unit layouts and site plan. The proposed design actually increases the total project square footage by adding interior corridor space as well as increasing the clubhouse space. Our request does not impact the financial assumptions and underwriting, the scoring of the original application, the number of units, amenities or total square footage of the residential buildings. See attached Exhibit A for the certification of square footage.

The original application contained a building configuration and site plan that was specifically designed by the initial developer and architect to comply with the existing multifamily building ordinances for the City of Alvin. The most restrictive of these ordinances required no more than ten multifamily units per building. As such, the site design required utilization of the entire tract of property for these buildings and the required detention for the site was negotiated to be included on adjacent property. The City of Alvin had put these requirements in place to limit the density within apartment buildings due to concerns over other non-senior communities in Alvin. See attached Exhibit B for a copy of the reference building ordinance.

When LDG was approved as co-developer by TDHCA, we first met with the City of Alvin to review the building ordinances that limited the initial design of the project, discussed the nature of the project and gather input on what design elements the City would like included. Their suggestions were gathered along with their recommendation to visit a luxury senior facility in a nearby community that they believed to be the best project that illustrated senior living. LDG visited this project and incorporated many of those features, the City's comments as well as our thoughts, and after several follow-up meetings with the City we concluded with the project design submitted with this request. Based on this design, the City approved variances to the building ordinances that originally restricted the project design. See attached Exhibit C for documentation supporting these variances and Exhibit D for a copy of the letter from Mayor of the City of Alvin outlining our actions and their complete support of the project and the final design.

We firmly believe the changes made to this project will increase the marketability of the project, improve the living environment of the residents, and provide greater assurance that the project will achieve long-term success as an affordable senior community in Alvin. The following outlines some of the benefits as a result of the change:

- Increased security and accessibility for residents – Based on our research and own development experiences, security and accessibility are two of the most important elements for seniors. The proposed design provides for greater security through secured exterior entrances and monitored doorways, corridors, and common areas as well as connectivity to most common amenities with minimal exposure to outside elements. In addition, the design provides for secured access through a centrally located clubhouse with many amenities for active senior living and connectivity of all apartment units via internal corridors or covered breezeways to these amenities and on-site management personnel.

- Community Amenities, including outdoor community and semi-private spaces – The proposed design provides further amenities than originally designed that create more open green spaces and community areas. By moving the detention area back on the site, a park-like setting can be created around the detention by converting it to retention and providing benches and a trail for walking. In addition, creating a courtyard affect for the residents with outdoor sitting areas will encourage interactive living and sense of community within the project. The ultimate goal is to provide residents with a living experience that will improve resident satisfaction therefore reducing turnover and improve long-term occupancy.

The Melbourne project has received a firm commitment letter from an equity provider and we are in a position to close on this transaction in approximately 60 days pending approval of this modification. The City of Alvin has overwhelming supported this change and has been instrumental in expediting the plan review process so that this quality affordable senior project may be completed and delivered to their community. In a very difficult time for our industry, we ask that TDHCA be flexible and support the efforts to assure that is much needed affordable housing that is supported by the Alvin community and can be closed timely, does get done.

Sincerely,

Bill Shircliff

Bill Shircliff
Chief Operating Officer
LDG Multifamily, LLC

CC: Ms. Robbye Meyer, Director – Multifamily Finance Production Division
Mr. Tom Gouris, Director of Programs

07203

Exhibit A

07203

DESIGN
BUILD
FABRICATE

WEBER GROUP, INC.
5233 PROGRESS WAY
SELLERSBURG, IN 47172
812.246.2100 TELEPHONE
812.246.2109 FACSIMILE
www.webergroupinc.com

08-12-08A10:35 RCVD

August 8, 2008

Texas Department of Housing and Community Affairs
Attn: Housing Specialist,
Multifamily Finance Production Division
PO Box 13941
Austin, TX 78711-3941

RE Melbourne Senior Apartments, Alvin TX

This is to certify that the above referenced project contains 112,084 square feet of net rentable area, calculated using the area of all dwelling units and excluding all common areas, corridors, elevators, clubhouse spaces and similar common areas.

Should there be any questions, please do not hesitate to contact me.

Sincerely,

Joseph Argabrite Jr., AIA
Director of Architecture
Weber Group Inc.

07203

Exhibit B

Chapter 31 APARTMENT DEVELOPMENTS*

*Cross references: Buildings, ch. 5; housing, ch. 12 1/2; streets and sidewalks, ch. 20; subdivisions and property developments, ch. 21; townhouses, condominiums and patio homes, ch. 23 1/2.

Sec. 31-1. Definitions.

The following definitions shall apply to this chapter:

Apartment shall mean a structure containing three (3) or more dwelling units with common walls, including units that are located one over the other.

Apartment project shall mean an apartment development or plan which is submitted and approved by a single permit and which is layed out on contiguous or adjacent land which is owned in fee by the developer.

Interior street shall apply to public streets dedicated by the developer of an apartment project. Said streets shall not exceed six hundred (600) feet in length and shall be designed to serve a limited area within such project and not properties outside the apartment project.

Access street shall apply to a public street either within or bounding an apartment project which serves an apartment project and other property outside the project.

Driveway shall mean a private access to parking spaces within the apartment project or subdivision.

(Ord. No. 03-AAA, § 2, 10-16-03)

Sec. 31-2. Requirement for issuance of building permit.

Before a building permit is issued for an apartment project, the developer must submit to the city for approval a plat or site plan, as applicable, in conformity with all provisions of chapter 21 of the Code of Ordinances, City of Alvin, Texas, which are not in conflict or inconsistent with this chapter.

(Ord. No. 03-AAA, § 2, 10-16-03)

Sec. 31-3. Streets and alleys.

(a) Interior streets shall have a minimum right-of-way width of fifty (50) feet and shall be developed with a minimum 27-foot paving section with concrete curbs and gutters and sidewalks in accordance with standards set forth in chapter 21 of this Code.

(b) Access streets shall have a minimum right-of-way width of sixty (60) feet and shall be developed with a minimum 44-foot paving section with concrete curbs and gutters in accordance with the standards set forth in chapter 21 of this Code.

(c) All apartment projects shall have direct access from at least one dedicated and accessible public street having a right-of-way width of not less than sixty (60) feet.

(d) Alleys, where provided, shall have a minimum right-of-way width of twenty (20) feet and shall be developed with a concrete pavement in accordance with the standards set forth in chapter 21 of this Code.

(Ord. No. 03-AAA, § 2, 10-16-03)

Sec. 31-4. Lots.

(a) Each apartment project shall be located on a minimum one acre lot with a maximum acreage of ten (10) acres.

(b) Minimum set back lines:

Front and rear: Minimum front and rear apartment setback lines shall be at least twenty-five (25) feet from the property line. Each corner lot shall have at least the minimum front residential building setback on both streets.

Side yard: Side yard setback lines shall be at least ten (10) feet from the property line for apartment. Exception: Minimum setback lines shall increase ten (10) feet from a 60-foot right-of-way where minor or major thoroughfare is planned in the thoroughfare plan of the City of Alvin.

(Ord. No. 03-AAA, § 2, 10-16-03)

Sec. 31-5. Height and coverage.

No building or accessory structure shall exceed three (3) stories or thirty-five (35) feet in height.

(Ord. No. 03-AAA, § 2, 10-16-03)

Sec. 31-6. Parking spaces.

(a) Two off-street parking spaces shall be provided per apartment.

(Ord. No. 03-AAA, § 2, 10-16-03)

Sec. 31-7. Additional regulations.

(a) No mining, excavation, or soil removal shall be allowed except in connection with construction covered by a building permit.

(b) All utilities shall be placed underground.

(c) At least eighty (80) percent of the exterior walls of each apartment group shall be constructed of brick, stone or masonry.

(d) A wooden, brick, or masonry fence at least six (6) feet in height shall be constructed along that portion of the perimeter of the property upon which the apartment project is located which does not abut a public street.

(e) No apartment project shall be located nearer than three hundred (300) feet to a single family residential dwelling unless it is, also, located within three hundred (300) feet of another apartment project. The measurement of the distance between the apartment project and single family residential dwelling or other apartment project shall be in a direct line from the property line of the apartment project to the property line of the single family residential dwelling or other apartment project.

08-12-08A10:36 RCVD

(Ord. No. 03-AAA, § 2, 10-16-03)

Sec. 31-8. Density.

An apartment project shall have a minimum area of one acre and the following requirements shall apply:

(1) Apartment buildings shall be built with a minimum of three (3) apartment units per building; and

(2) Each apartment building shall contain a maximum of ten (10) apartment units; and

(3) Each apartment building shall be separated by a minimum of twelve (12) feet; and

(4) No apartment project shall exceed a density of more than fifteen (15) apartment units per acre.

(Ord. No. 03-AAA, § 2, 10-16-03; Ord. No. 05-O, § 1, 5-19-05)

Sec. 31-9. Landscaped area.

In addition to paved parking and driving areas, service walks and other service areas, at least ten (10) percent of the apartment project site must be maintained in landscaped open area.

(Ord. No. 03-AAA, § 2, 10-16-03)

Sec. 31-10. Compliance with laws.

The developer of an apartment project must comply with all applicable federal, state and city laws and regulations pertaining to the apartment project. However, this chapter shall prevail to the extent of any inconsistency or conflict with a city law or regulation.

(Ord. No. 03-AAA, § 2, 10-16-03)

Sec. 31-11. Penalty

Any person convicted of a violation of any provision, restriction of requirement of this chapter shall be deemed guilty of a misdemeanor and shall be fined in a sum not exceeding five hundred dollars ($500.00). A separate offense shall be deemed committed on each day during or on which a violation occurs or continues.

(Ord. No. 03-AAA, § 2, 10-16-03)

Exhibit C

07203

MINUTES
CITY OF ALVIN, TEXAS
216 W. SEALY STREET
REGULAR CITY COUNCIL MEETING
MAY 15, 2008
7:00 P.M.

I. CALL TO ORDER

BE IT REMEMBERED that, on the above date, the City Council of the City of Alvin, Texas, met in regular session at 7:00 P.M. in the Council Chambers at City Hall, with the following members present: Mayor Gary Appelt and Councilmembers Jim Landriault, Steve Troha, Bob Dillman, John Ralph, Larry Nelson, and Eddie Murray. Also present were Paul Horn, City Manager Bobbi Kacz, City Attorney, and David Olson, attorney of Olson and Olson. Councilmember Kathleen Holton was absent.

II. INVOCATION

The Reverend Ray Harper of First Presbyterian Church gave the Invocation.

III. PLEDGE OF ALLEGIANCE

Councilmember Ralph led the Pledge of Allegiance.

IV. SPECIAL PRESENTATIONS

There were none.

V. APPROVAL OF MINUTES

A. Approval of the minutes of the regular Council meeting of May 1, 2008.

Councilmember Nelson moved to approve the minutes of the regular Council meeting of May 1, 2008. Seconded by Councilmember Ralph. The motion to approve carried on a vote of 6 Ayes.

VI. PETITIONS OR REQUESTS FROM THE PUBLIC

There were none.

VII. REPORTS FROM CITIZENS BOARDS, COMMISSIONS, AND COMMITTEES

There were none.

Following discussion Councilmember Ralph moved to approve the request for a variance only as the variance allows Hardie Plank in the interior courtyard. Seconded by Councilmember Dillman. Discussion followed. The City Manager remarked that revised drawings of the proposed facility would be available for inspection at a workshop. David Olson, attorney, addressed the Council for explanations.

A roll call vote followed:

Councilmember Landriault	Aye	Councilmember Troha	Aye
Councilmember Dillman	Aye	Councilmember Ralph	Aye
Councilmember Nelson	No	Councilmember Murray	Aye

Therefore, the motion carried on a vote of 5 Ayes and 1 No.

Councilmember Landriault's absence noted at 8:04 P.M.

K. Consider a request from LDG Development, LLC to Chapter 31-7 (d) A wooden, brick, or masonry fence at least six (6) feet in height shall be constructed etc.

Councilmember Murray moved to approve the request for a variance from LDG Development, LLC to Chapter 31-7 (d) A wooden, brick, or masonry fence at least six (6) feet in height shall be constructed etc. Seconded by Councilmember Dillman. The motion to approve carried on a vote of 5 Ayes.

Councilmember Landriault's presence noted at 8:05 P.M.

L. Consider a request from LDG Development, LLC to Chapter 31-8 Density (2) Each apartment building shall contain a maximum of ten (10) apartment units.

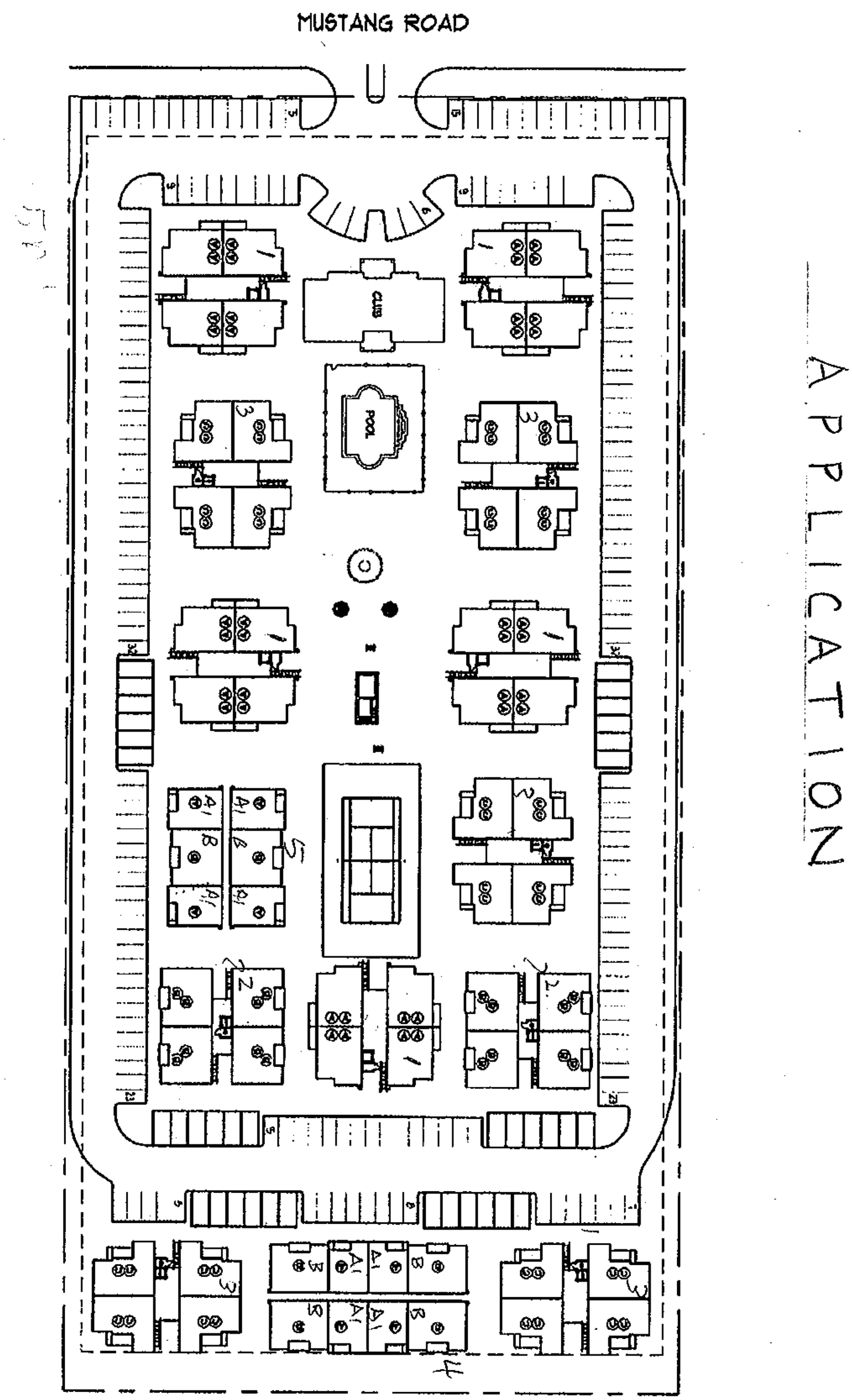
Michelle Lira, Director of Community Development, addressed the Council for explanations.

Following discussion Councilmember Ralph moved to approve the variance request. Seconded by Councilmember Dillman. Discussion followed. The City Manager addressed the Council to say that clarification of elements of the apartment ordinance would be included in the Council's Goals and Objectives for the coming year. Bill Shircliff addressed the Council to report that the project should be ready for occupancy the last quarter of 2009. The motion to approve carried on a vote of 6 Ayes.

Exhibit D

07203

SITE PLAN AT APPLICATION



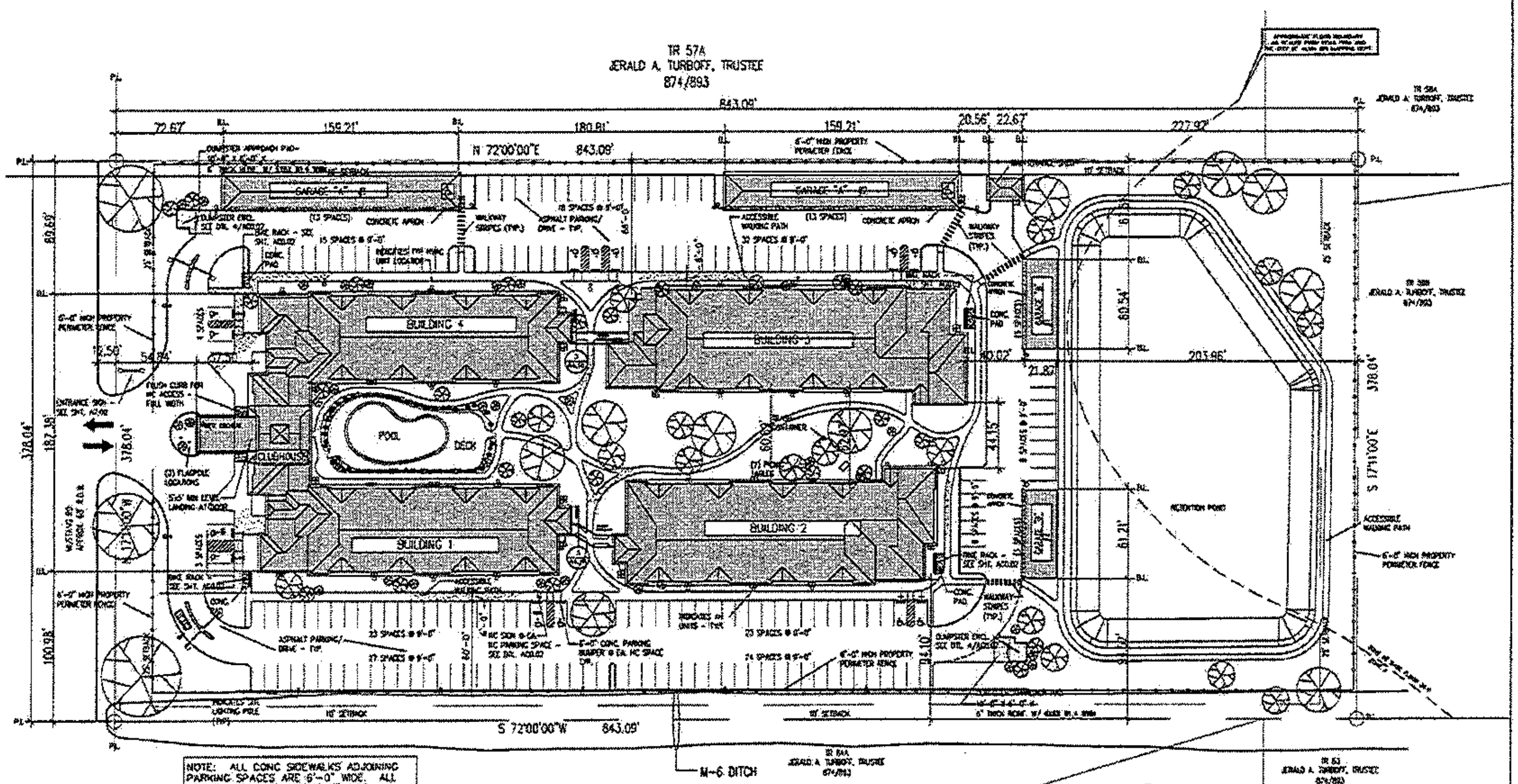
01 | ARCHITECTURAL SITE PLAN
NTS

PROJECT NAME:
THE MELBOURNE APARTMENTS

PROJECT LOCATION:
ALVIN, TX

0 5 10 20

TED TROUT
ARCHITECT
AND ASSOCIATES, LTD.
Architecture - Planning - Interior Design
5353 Woodway Suite 500
Houston, Texas 77057

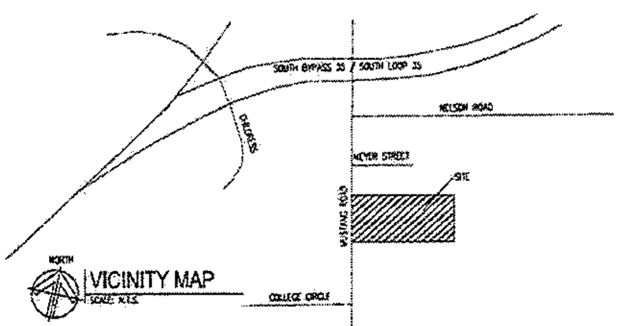


NOTE: ALL CONC SIDEWALKS ADJOINING PARKING SPACES ARE 6'-0" WIDE. ALL OTHER SIDEWALKS ARE 5'-0" WIDE.

NOTE: COORDINATE ALL LANDSCAPING WITH LANDSCAPE DRAWINGS IN SET.

SITE PLAN

SCALE: 1" = 30'



VICINITY MAP

SCALE: N.T.S.

NOTES:

REV.	NO.	DATE	ISSUE NOTES

WEBER GROUP, INC

- DESIGN
- CONSTRUCTION
- SPECIALTY FABRICATIONS

Melbourne Senior Apartments

3337 Mustang Road

DATE:

DRAWN BY:

CHECKED BY:

PROJECT NO.

SITE PLAN

SHEET AC0.01

SITE PLAN AS AMENDED

07203

07203

CITY OF ALVIN
Office of the Mayor

281 388-4278 * 216 W. Sealy * Alvin, Texas 77511 * Fax: 281 331-7215

July 29, 2008

Robbye G. Meyer
Multifamily Bond Administrator
Texas Department of Housing and Community Affairs
507 Sabine, Suite 700
Austin, Texas 78711-3941

Dear Ms. Meyer:

This letter is written to demonstrate the full support of the proposed Melbourne Senior's Development project by LDG Development, to be located in Alvin, across from Alvin Community College. The City of Alvin, along with many citizens, is anxiously awaiting the start and completion due to the many phone calls from potential residents wanting more information on this project.

LDG Development came to the City of Alvin to introduce themselves and obtain all ordinances applicable to the development. After an initial meeting with our Director of Economic Development, Larry Buehler, a pre-development meeting was scheduled. At this meeting, the City had a full slate of city staff to request information and answer any questions LDG brought with them. Through this discovery process, it became clear that a senior's development has some unique qualities that our ordinances did not address. Several variances were examined and recommended for approval by city staff.

Following these steps, a full presentation was given to my Council in a workshop setting where they asked several questions and addressed each variance. It was clear that the revised designs from LDG over the original designs submitted were going to be a premier product and much better suited for the senior's community that will be moving in. Council voted to move the variance requests on to a regular Council meeting for full approval, which has been granted.

The City of Alvin appreciates the Texas Department of Housing and Community Affairs for its efforts to provide the many types of housing the citizens of Texas need. We certainly are optimistic that this project be approved by your full Board of Directors, complete with these recent design changes that we have approved of.

As Mayor of Alvin, let me personally thank you and your staff for serving the great State of Texas.

Sincerely,

Gary Appelt
Mayor, City of Alvin

Volume 1, Tab 2. Populations Served

Part B. Rent Schedule (Required for All Rental Developments)

Unit types should be entered from smallest to largest based on "# of Bedrooms" and "Unit Size", then within the same "# of Bedrooms" and "Unit Size" from lowest to highest "Rental Income/Unit".

Type of Unit designation should be one or more of the following based on the unit's rent restrictions:

***Tax Credit:** (TC30%), (TC40%), (TC50%), (TC60%), Employee Occupied (EO), Market Rate (MR), as allowed by Sec. 42.*

***HOME:** High (HH), Low (LH), Employee Occupied non LI unit (MR/EO), Market Rate (MR)*

***501(c)(3) Mortgage Revenue Bond:** (MRB), (MRB30%), (MRB40%), (MRB50%), (MRB60%), Market Rate(MRBMR).*

***Other:** describe any "Other" rental assistance or rent restrictions in the space provided; documentation supporting the rent assistance or restrictions must be provided*

***Housing Trust Fund :** (HTF30%), (HTF40%), (HTF50%), (HTF60%), (HTF80%), Market Rate (MR)*

Units funded under more than one program, the "Program Rent Limit" should be the most restrictive - for example, a LH and TC60% unit would use the "LH" Program rent limit.

The rent and utility limits available at the time the Application Packet is submitted should be used to complete this form. Gross Rent cannot exceed the HUD maximum rent limits unless documentation of project-based rental assistance is provided. The unit mix and net rentable square footages must be consistent with the site plan and architectural drawings.

Development Name: Melbourne Senior Apartments **City:** Alvin

HTC Unit Designation	HOME Unit Designation	HTF Unit Designation	MRB Unit Designation	Other	# of Units (A)	# of Bed-rooms	# of Baths	Unit Size (Net Rentable Sq. Ft.) (B)	Total Net Rentable Sq. Ft. (A) x (B)	Program Rent Limit	Tenant Paid Utility Allow.	Rent Collected /Unit (E)	Total Monthly Rent (A) x (E)
TC30%					1	1	1.00	776	776	384	87	297	297
TC30%					10	2	2.00	1,038	10,380	461	118	343	3,430
TC60%					7	1	2.00	776	5,432	768	87	600	4,200
TC60%					92	2	2.00	1,038	95,496	922	118	725	66,700
					Interior Corridors			17,541	17,541				
									0				-
									0				-
									0				-
													-
													-
													-
													-
													-
									0				-
									0				-
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									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
			TOTAL		110				129,625				74,627

Non Rental Income	$10.00	per unit/month for:	*Laundry, vending, cable TV, etc.*	1,100
Non Rental Income	65.00	per unit/month for:	*Garages*	2,350
Non Rental Income	0.00	per unit/month for:	*describe source here*	
+ TOTAL NONRENTAL INCOME	$75.00	per unit/month		3,450
= POTENTIAL GROSS MONTHLY INCOME				78,077
- Provision for Vacancy & Collection Loss			% of Potential Gross Income: 7.00%	5,248
- Rental Concessions				
= EFFECTIVE GROSS MONTHLY INCOME				72,829
x 12 = EFFECTIVE GROSS ANNUAL INCOME				873,948

Volume 1, Tab 2. ACTIVITY OVERVIEW

Part F. Building/Unit Type Configuration (Required for All Rental Developments)

Unit types should be entered from smallest to largest based on "# of Bedrooms" and "Sq. Ft. Per Unit." "Unit Label" should correspond to the unit label or name used on the unit floor plan. "Building Label" should conform to the building label or name on the building floor plan. The total number of units per unit type and totals for "Total # of Units" and "Total Sq Ft. for Unit Type" should match the rent schedule and site plan. If additional building types are needed, they are available by unhiding the columns between J and Z in Excel.

Development Name: **Melbourne Senior Apartments** **City:** **Alvin**

Building Configuration						Total # of Buildings
Building Label	1	2	3			
Number of Buildings	2	1	1			4

Unit Type					Number of Units Per Building					Total # of Units	Total Sq Ft for Unit Type
Unit Label	# of Bedrooms	# of Baths	Sq. Ft. Per Unit								
A1	1	1	776		1	1	1			4	3,104
1HC	1	1	776		1	1	1			4	3,104
2a	2	2	1,038		23	26	26			98	101,724
2HC	2	2	1,038		1	1	1			4	4,152
										-	-
										-	-
Interior Corridors			17,541					Interior Corridors			17,541
Net Rentable			112,084							-	-
Clubhouse			5,666							-	-
										-	-
										-	-
										-	-
										-	-
										-	-
										-	-
										-	-
										-	-
										-	-
										-	-
										-	-
				Totals	52	29	29	-	-	110	129,625

Net Rentable Square Footage from Rent Schedule: 129,625

07203

07206

August 11, 2008

Ben Sheppard
TDHCA
PO Box 13941
Austin, TX 78711-3941

Dear Mr. Sheppard,

Please accept this as a formal request to amend TDHCA application #07206 (Villa Estella Trevino) located in Edinburg, TX. The developer, architect, and general contractor have gone through an extensive value engineering process and firmly believe that the following changes will have a positive impact on the project.

ITEM 1--Change the Common Amenities Area Square Footage
We propose to change the common amenities area in building "A'. After further research, we have found that the original size of the amenity space was excessive and over designed and would ultimately negatively impact the operating cost of the development. Please note that all of the services and amenities that the developer agreed to in the application will be provided, so there is no material alteration. (See attached plan which reflects this the proposed common area.) In order to compensate for the decrease in common area, we have agreed to provide tenant services by building an adult day care center adjacent to the Villa Estella Trevino senior residence living facility to provide a daily hot meal, transportation, medical monitoring, and recreational activities for senior residents. (See attached letter of commitment.)

ITEM 2--Change the Entrance and Exit
In order to increase street appeal to the project, we propose to change the entrance and exit from the Southeast corner of the 15-acre property site to the South center of the property site, and to increase the width of the entrance from 60 to 80 feet which will allow a divided one-way entry and one-way exit. This will enhance the ingress and egress of the project. Please see attached site plan reflecting this change.

ITEM 3--Change Operating Budget Expenses
It has become necessary to increase construction costs due to spiraling inflation in construction costs. (See attached financials and articles on construction price increases.) We are requesting a reduction in operating expenses in order to cut the gap between sources and uses of funds. The biggest cut in operating expense is in deleting the position of Assistant Manager. The justification for this is that the adult day care center will decrease the work of the management team, without decreasing tenant services.

Cordially,

Gilberto de los Santos

07206

FORTUNA ENTERPRISES

1802 W. Smith * Edinburg, Texas 78541 * (956) 383-3033 * Fax (956) 318-3934

August 11, 2008

Mrs. Estella Trevino, Executive Director
Edinburg Housing Authority
910 S. Sugar Road
Edinburg, Texas 78539

Dear Mrs. Trevino:

This letter is to formalize plans that you and I have discussed on several occasions about providing a hot meal daily, transportation, medical monitoring, and recreational activities for senior residents at the Villa Estella Trevino project.

You and I agreed that an adult day care center built in the 2.5 acre tract of land Fortuna Enterprises owns adjacent to the 15-acre plot where the Villa Estella Trevino project is being constructed would serve these needs, since the project would not be able to provide them. Fortuna Enterprises is committing to building and running an adult day care center for the residents of the Villa Estella Trevino project who would qualify and who would want to enroll in the adult day care center.

The adult day care center would be constructed in time to be opened for service at the same time as the Villa Estella Trevino project would be ready for occupancy. We will employ an experience manager, assisted by Cristal Mejia and Robert de los Santos, to operate the adult day care facility.

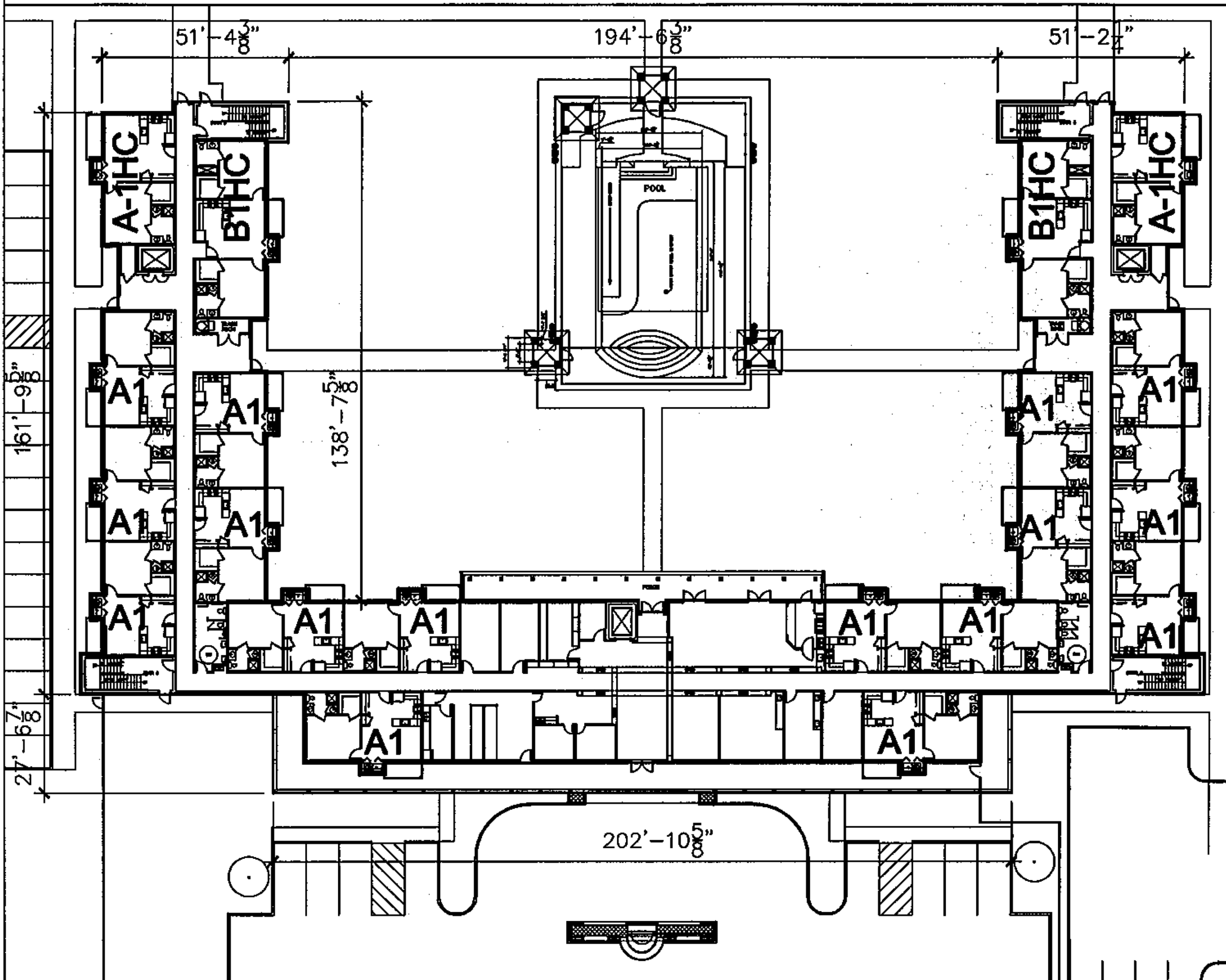
Cordially,

Gilberto de los Santos

Gilberto de los Santos,
President

07206

AP-6 REV.
06-30-08



BRICK VENEER 40%
HARDI PLANKS 60%

GROSS GROUND FLOOR	19,600 SQ. FT.
CORRIDORS (INCLUDED IN GROSS)	2,999 SQ. FT.
AMENITY AREA	4,710 SQ. FT.
BALCONIES/PORCHES	882 SQ. FT.
PORTE COCHERE	1,125 SQ. FT.

BUILDING "A" GROUND FLOOR

Villa Estella Trevino - Seniors Residences

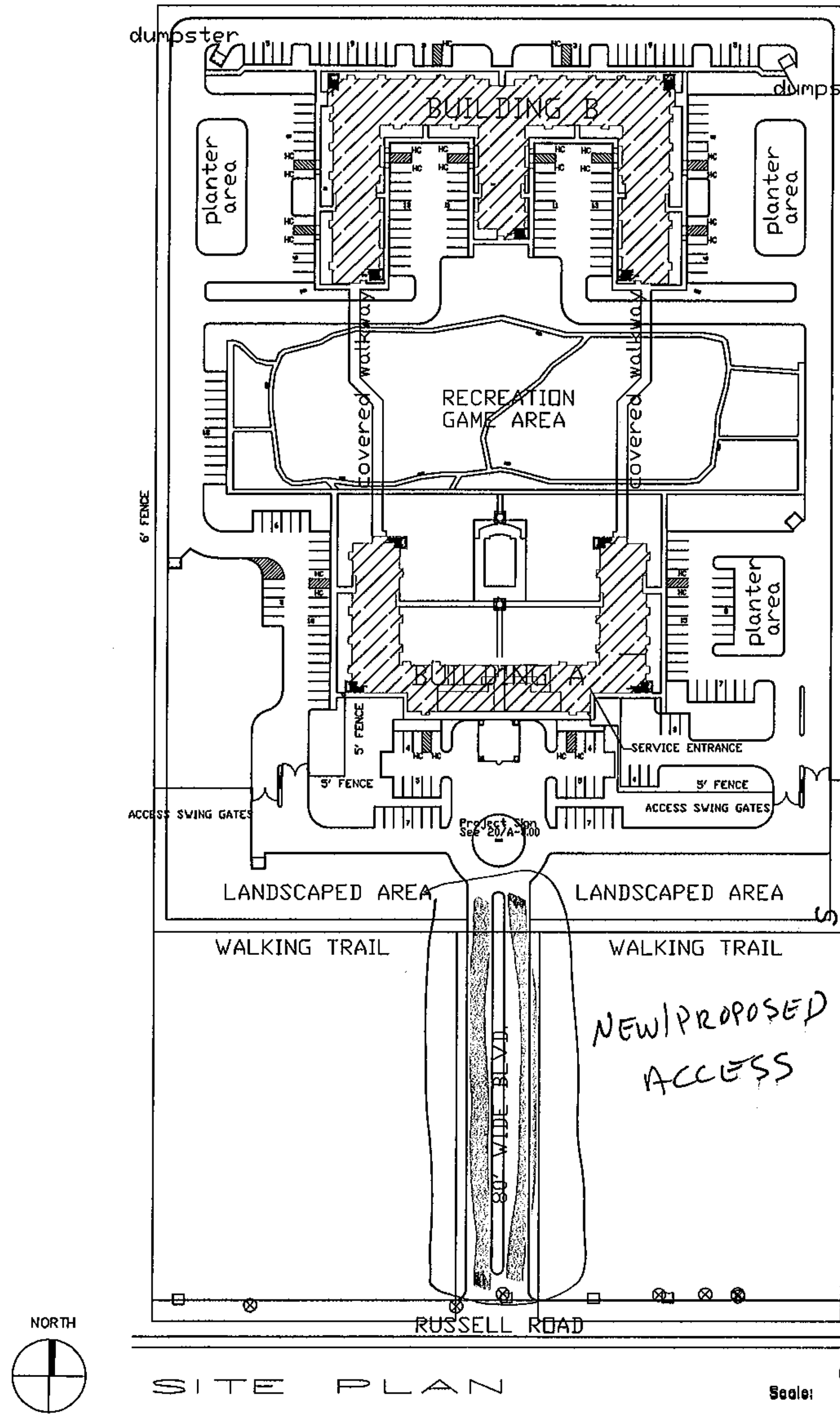
Edinburg, Texas

Art Ayala Architects
aaainc@sbcglobal.net
1504 Rothwell Street
Houston, Texas 77002
(713) 224-7390 (V)
(713) 224-7391 (F)

AP-1 REV
03-24-08

SITE PLAN AS AMENDED

07206



PARKING SPACES FOR 213
UNIT SENIOR LIVING APARTMENTS

Uncovered spaces	187
Handicap spaces	26
Total spaces	213

SITE PLAN

Scale: 0 60 120 240 FEET

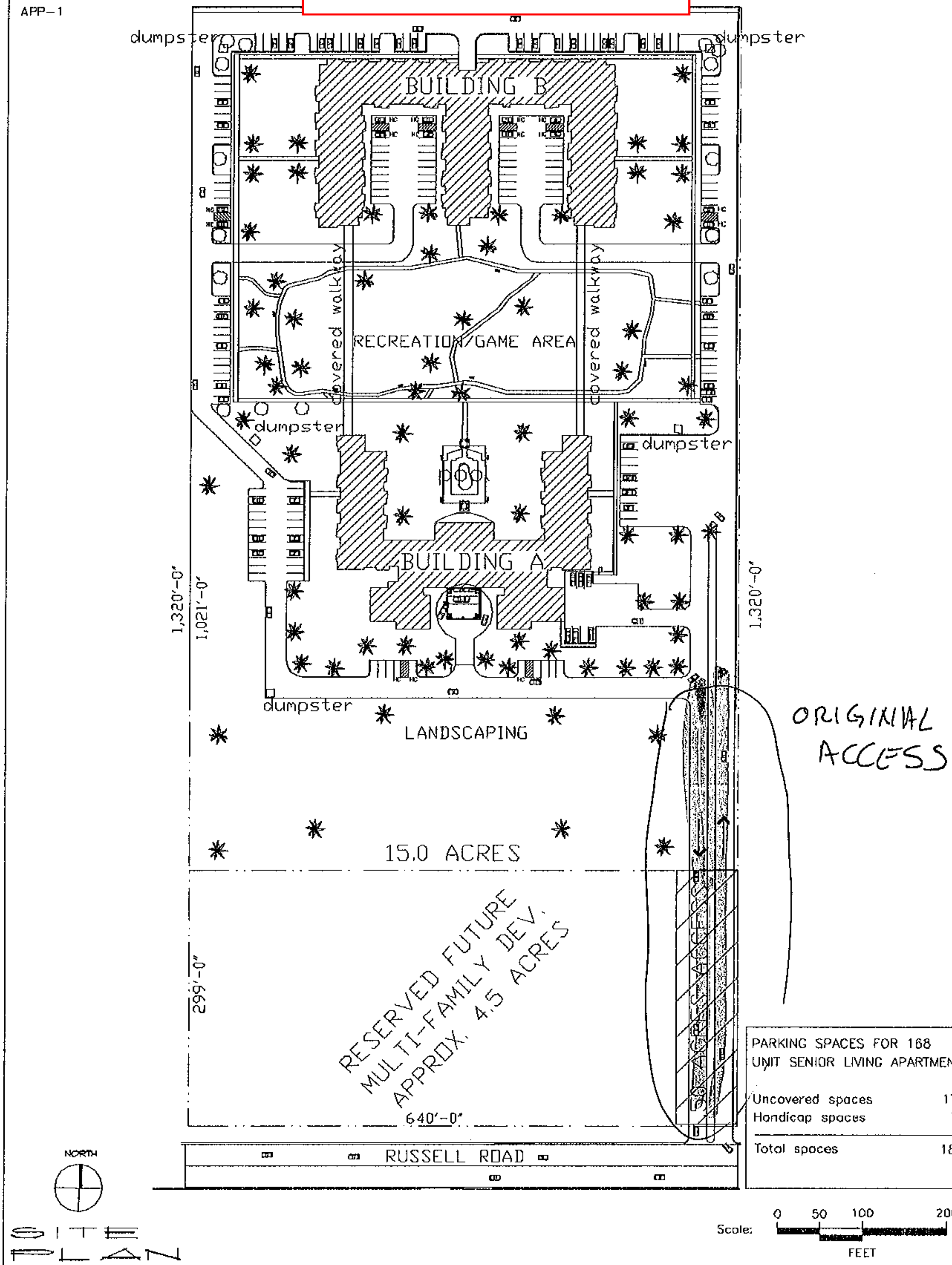
Villa Estella Trevino – Seniors Residences

Edinburg, Texas

Art Ayala Architects
aaainc@sbcglobal.net
1504 Rothwell Street
Houston, Texas 77002
(713) 224-7390 (V)
(713) 224-7391 (F)

SITE PLAN AT APPLICATION

07206



PARKING SPACES FOR 168 UNIT SENIOR LIVING APARTMENTS	
Uncovered spaces	170
Handicap spaces	15
Total spaces	185

Villa Estella Trevino - Seniors Residences

Edinburg, Texas

Art Ayala Architects
aaainc@sbcglobal.net

1504 Rothwell Street
Houston, Texas 77002

(713) 224-7390 (V)
(713) 224-7391 (F)

07291

BONNER CARRINGTON

June 26, 2008

Robbye Meyer
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

05-30-08P12:25 RCVD

RE: 07291 – Cypress Creek at Reed Road Changes to Site Plan and Building Mix

Via Courier

Dear Ms. Meyer,

Cypress Creek Reed Road LP (CCRR) is submitting the request an application amendment to the Cypress Creek at Reed Road Apartment Home 2007 9% LIHTC application. The CCRR transaction recently closed and, as required in the 10% test submission, requests approval to a minor building mix modification and site acreage reduction.

The acreage for the CCRR site was reduced by 1.009 acres (9.81%) from 10.286 acres to 9.277 to allow for wetlands mitigation relating to the HOME loan administered by the City of Houston. The areas designated as wetlands were not purchased by CCRR, but purchase price of the tract remained the same. The reduced site acreage required a minor building mix modification to use the site more efficiently. The previous building plan contained too many buildings for the reduced site size, but in the end the new site plan more efficient use of the property. The common area building (club, mail/maintenance and laundry) remained the same, the number of residential buildings was reduced from 15 to 7 buildings and the number of building types was reduced from four to three. The new building mix allows for a secondary, exit only from the property that was not contemplated under the proposed LIHTC site plan. This was an oversight, but definitely something CCRR needs to provide adequate entrances and exits for the fire department. The secondary exit is a requirement of the City of Houston and would have been difficult, if not impossible, to implement with the original building plan. The reduction in the number of buildings will not impact the future residents, but will allow for economies of scale for the General Contractor and a cleaner site that. Please note that the net rentable area did not change nor did the construction costs.

CCRR does not believe these changes are "material alterations" as defined by the 2007 QAP and respectfully requests staff approval for the modifications nor do any of these changes adversely affect the future residents. If you have any questions please contact me or Casey Bump in my office at 512-220-8000.

Sincerely,

Stuart B. Shaw
Owner's Representative

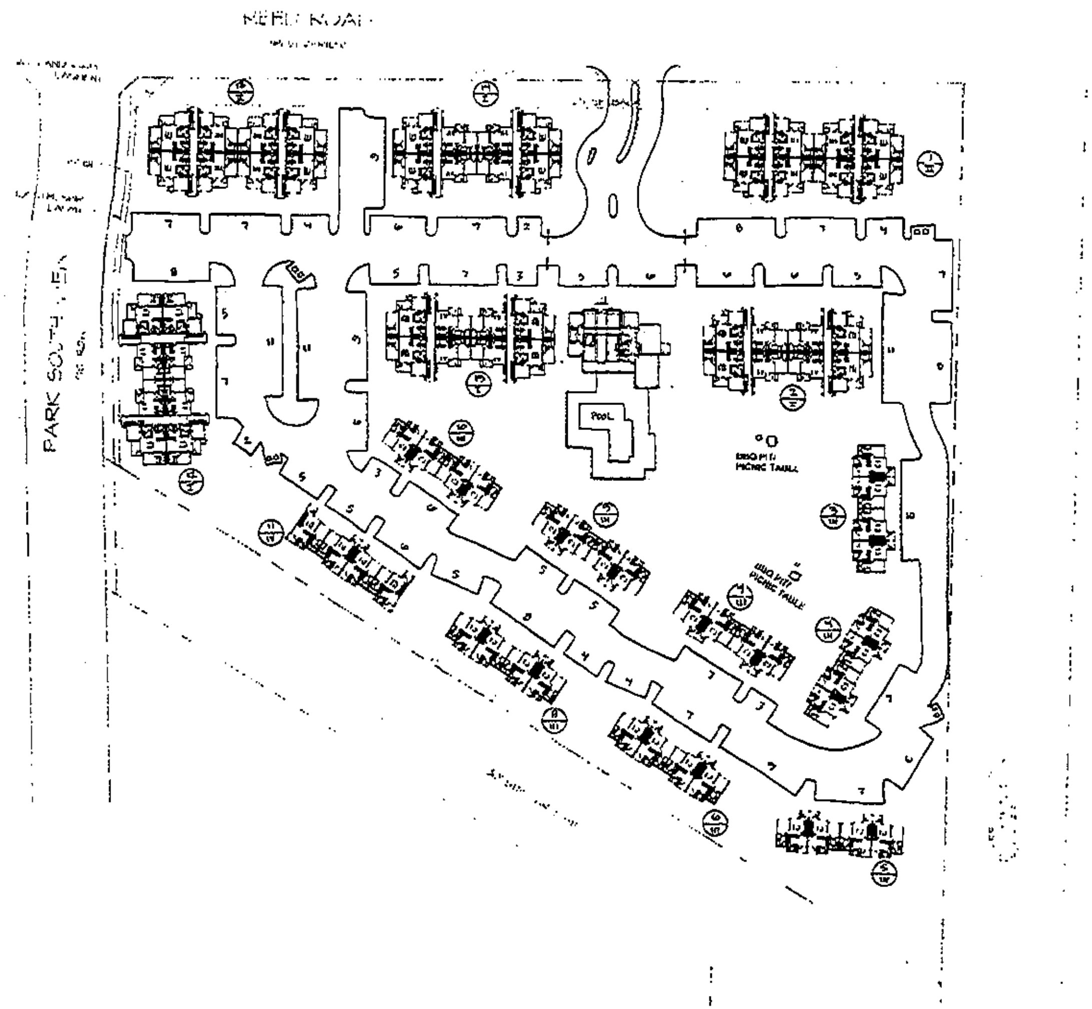
Attachments:
1) CCRR Revised Building Mix
2) CCRR Revised Site Plan
3) CCRR Application Amendment Payment & Receipt

07291

SITE PLAN AT APPLICATION

APPLICATION

CYPRESS CREEK @ REED ROAD
HARRIS COUNTY, TEXAS



BLDG TYPE	QTY	A1	B1	C1	D1	TOTAL
I	4	32	32			64
II	2		32			32
III	8			32		32
IV	1				4	4
TOTAL	16	32	64	32	4	132

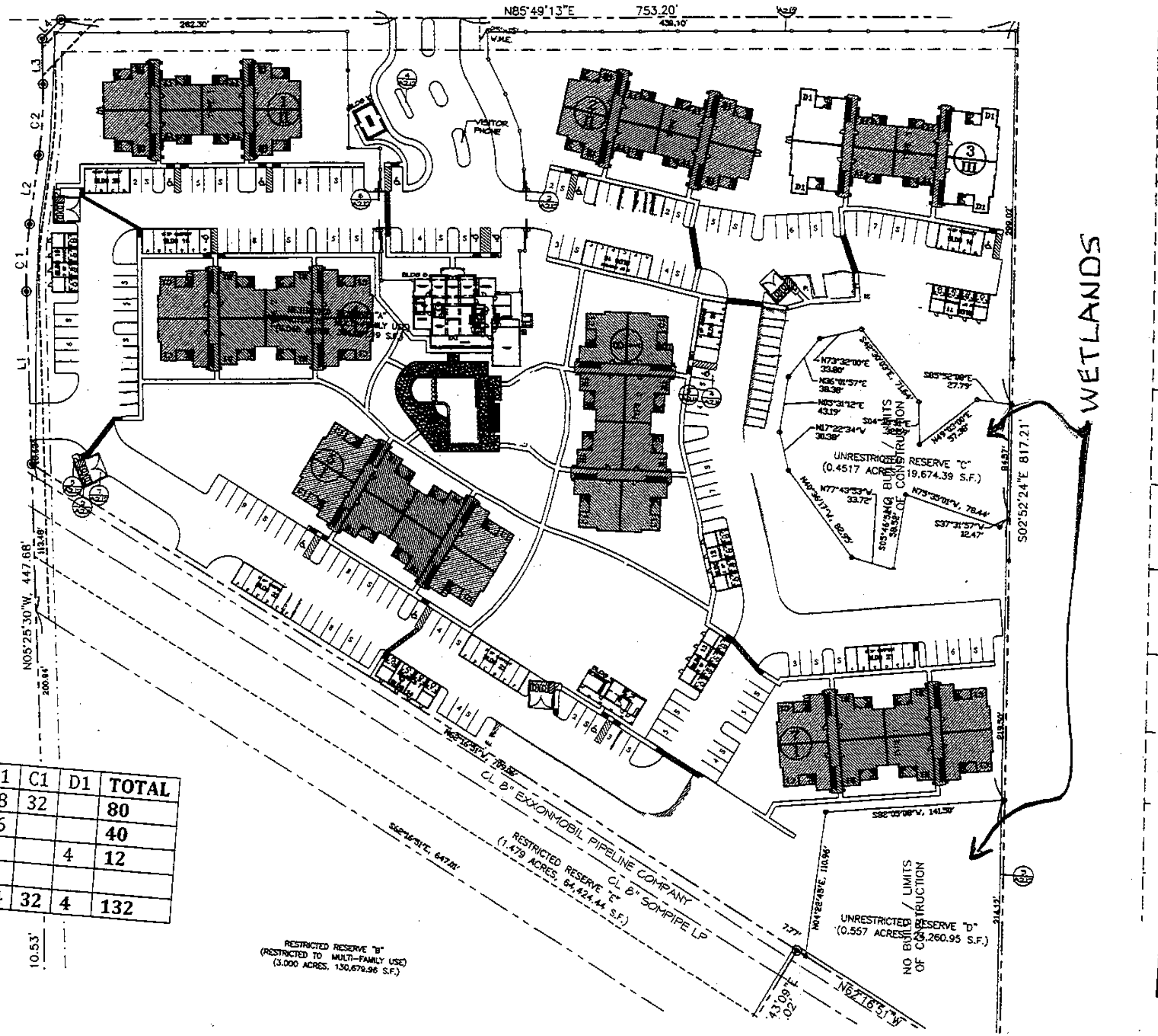
SITE PLAN

Chiles Architects, Inc.

ARCHITECTURE
LAND PLANNING
LANDSCAPE DESIGN

07291

SITE PLAN AS AMENDED



	B1	C1	D1	TOTAL
	48	32		80
	16			40
			4	12
	64	32	4	132

\# OF STORIES IN APT. BLDG.

1 STORY · 2 STORY · 3 STORY

8' WIDE HANDICAP PARKING SPACE WITH A 5' WIDE AISLE

VAN — 8' WIDE HANDICAP HANDICAP VAN PARKING SPACE WITH A 8' WIDE AISLE

SC — SPRINKLER CLOSET

RAMP

STEPS

D — DUMPSTER

LIMITED ACCESS GATE

DECORATIVE FENCE

PRIVACY FENCE

ACCESSIBLE ROUTE

FFE=XXXXX — FINISH FLOOR ELEVATION

FFE=XXX.XX FFE=XXXXX — BUILDING DROP

GENERAL SITE NOTES

1. THE ARCHITECTURAL SITE PLAN GRAPHICALLY INDICATES THE APPROXIMATE LOCATION OF THE BUILDINGS, DRIVES & PARKING.

2. ALL SITE WORK MUST BE PERFORMED IN ACCORDANCE WITH THE REQUIREMENTS OF THE APPROVED CIVIL DRAWINGS. REFER TO CIVIL ENGINEER'S DRAWINGS FOR ALL GRADING, UTILITY WORK, DRAINAGE, DIMENSIONAL CONTROLS, BUILDING FINISH FLOOR ELEVATION AND LOCATION OF REQUIRED RETAINING WALLS AT BUILDINGS. ALL DIMENSIONS ON THIS PLAN ARE FOR REFERENCE ONLY.

3. REFER TO LANDSCAPE DRAWINGS FOR LANDSCAPING, SIDEWALKS, HANDICAP RAMPS, ACCESSIBLE ROUTES TO BUILDINGS, A/C PAD LOCATIONS, VEHICULAR ACCESS CONTROL GATES, AND HANDICAP PARKING SPACES.

4. REFER TO MECHANICAL ENGINEER'S DRAWINGS FOR LOCATIONS OF ALL PANELS, METERS, TRANSFORMERS, CLEANOUTS, AND PARKING LOT LIGHTING.

5. KNOX BOX ENTRY SYSTEM MUST BE PROVIDED AT ALL ENTRY GATES AND THE FRONT DOOR OF THE CLUBHOUSE.

6. THE CONTRACTOR IS RESPONSIBLE FOR COMPARING THE FINISHED FLOOR ELEVATIONS OF THE BUILDINGS TO THE FINISHED GRADES AROUND THE BUILDINGS. ACCESS SHOULD BE PROVIDED FROM THE BREEZEWAYS TO FINISHED GRADE AND IF THE PATIOS ARE 2 1/2 FEET OR GREATER ABOVE GRADE, A GUARD RAIL IS REQUIRED.

BONNER CARRINGTON LP
901 S MOPAC EXPRESSWAY
BUILDING IV, SUITE 160

Chiles Architec Inc.
ARCHITECTURE
LAND PLANNING
LANDSCAPE DESI
5900 SOUTHWEST PARKWAY BLDG. 4, SUITE 420 AUSTIN, TEXAS 78735 512/327-3397

CYPRESS CREEK @ REED RD APARTMENT HOMES

REED ROAD

REVISIONS

ISSUED FOR PERMIT 05-28-08

ISSUED FOR BID

ISSUED FOR CONST.

DWG. NAME

05-28-08

Copyright

REGISTERED ... STATE OF

01-

BONNER CARRINGTON

TO: BEN SHEPPARD

CC: AUDREY MARTIN
ROBBYE MEYER
STUART SHAW
JEFF SPICER
WILLIAM WALTER

FROM: CASEY BUMP

REGARDING: CYPRESS CREEK AT REED ROAD – TDHCA #07291
REQUEST FOR INFORMATION

DATE: AUGUST 8, 2008

Ben,

I am sending you the following response to your information request on August 7, 2008 at the request of Cypress Creek Reed Road LP.

1. We must have documentation that the land to be lost will be for wetlands. Whatever documents you present should show how the land will be conveyed and who is getting it (i.e. organization). Document that the land is to be taken for mitigation and will be preserved as wetlands or that some other, equivalent replacement land will be preserved (i.e. show how the subject land will be used and who will control it).

   The wetlands are not owned nor are they part of the Cypress Creek at Reed Road property. A copy of the Cypress Creek at Reed Road LP settlement statement, warranty deed and title survey are attached. The exact use of the wetlands area is undetermined at this time, but ownership of the wetlands areas remain in the hands of Stuart Shaw Family Partnership, Ltd. who will own the land for the foreseeable future.

2. Document the conveyance of the development site to the development owner by submitting a settlement statement so that there is evidence that the price paid for the smaller site is the same as the price originally proposed for the larger site.

   The settlement statements for the Cypress Creek Reed Road LP and Stuart Shaw Family Partnership Ltd purchase are attached.

3. One other thing about the land lost. Document and explain whether you are giving the land up by choice or could have kept it in the development by the owner preserving its status as wetlands. In other words, fully explain the options that were available to you in how to resolve this issue.

   The wetlands were removed from the Cypress Creek at Reed Road LP tract as a result of the wetlands assessment performed by Terracon and also at the request of the City of Houston to ensure adherence to the most stringent Federal Guidelines by avoiding wetlands altogether. Removing the wetlands from the Cypress Creek Reed Road site was the only option that gave the highest chances of approval for the HOME loan from the City.

4. My apologies, but you better also document and identify how (the event, e.g. survey, ESA, engineering study, etc.) and when (date) that the wetlands were identified.

   The wetlands were identified in the attached report supplied by Terracon.

If you have any questions or need additional information please let us know.

Thanks,

Casey

Attachments

January 9, 2008

Terracon
Consulting Engineers & Scientists

Terracon Consultants, Inc.
5307 Industrial Oaks Boulevard
Suite 160
Austin, Texas 78735
Phone 512.442.1122
Fax 512.442.1181
www.terracon.com

Cypress Creek Reed Road LP
~~Reed Road Senior Residential LP~~
c/o Stuart Shaw
Bonner Carrington LLC
901 Mopac Expressway South
Building IV, Suite 180
Austin, Texas 78746

Re: Waters of the US and Isolated Wetland Assessments
Approximately 10-Acres located at approximately 2900 Reed Road
Houston, Harris County, Texas
Terracon Project No. 92077655

Dear Mr. Bump:

The following letter report provides Terracon Consultants, Inc.'s (Terracon's) Waters of the US (WATERS) and Isolated Wetland Assessments. It is our understanding that the proposed project is a Apartment Complex to be partially funded by the Federal HOME Funds administered by the City of Houston. As such, Terracon performed a WATERS Assessment to comply with Section 404 of the Clean Water Act and an Isolated Wetland Assessment to comply with Executive Order No. 11990 (May 24, 1977, F.R. 26961).

The definition of a WATERS is as follows: (1) waters used in interstate or foreign commerce, including all waters subject to the ebb and flow of tides; (2) all interstate waters including interstate wetlands; (3) all other waters such as intrastate lakes, rivers, streams (including intermittent and ephemeral streams), mudflats, sandflats, *wetlands*, sloughs, prairie potholes, wet meadows, playa lakes, or natural ponds, etc., which the use, degradation, or destruction could affect interstate/foreign commerce; (4) all impoundments of waters otherwise defined as WATERS, (5) tributaries of waters identified in 1 through 4 above; (6) the territorial seas; and (7) wetlands adjacent to waters identified in 1 through 6 above.

Activities in WATERS are regulated by two statutes, the Rivers and Harbors Act of 1899 (Section 10) which pertains to navigable bodies of water and the Clean Water Act (Section 404) which pertains to all other WATERS. The principal agency responsible for enforcing these acts is the USACE working under the direction of the Environmental Protection Agency (EPA). The USACE (in coordination with the EPA) is the final authority in a jurisdictional determination.

In "Rapanos v. United States & Carabell v. United States" (June 19, 2006) the US Supreme Court issued a ruling addressing the breadth of the USACE regulatory program under Section 404 of the Clean Water Act. Although the ruling was a split decision (4-1-4), the general consensus was that USACE jurisdiction would be restricted to traditionally navigable waters (TNW) and waters with a "significant nexus" to TNW. This ruling effectively removed hydrologically isolated wetlands and some headwater streams from USACE jurisdiction.

However, Executive Order No. 11990 (in furtherance of the National Environmental Policy Act) requires that projects with a federal nexus avoid all wetlands whenever there is a practicable alternative. Therefore, Terracon also evaluated the site for the presence or absence of hydrologically isolated wetlands regardless of whether they met the criteria to be subject to USACE regulation.

1.0 SITE DESCRIPTION

Terracon originally performed an investigation of a 10.286-acre site located in south-central Houston just east of State Highway 288 South (SH 288) and south of Loop 610 (Inner Loop), Harris County, Texas (Figure 1, Appendix A). As described below, the site was later modified to remove two areas along the eastern site boundary which total 1.009 acre (Figure 2, Appendix A).

The site is bounded to the north by Reed Road, to the east by a man-made drainage ditch; to the south by a pipeline and utility easement, and to the west by historically undeveloped land that is currently being developed. The subject site is currently undeveloped and has no apparent land use. No structures or other improvements were observed during the field investigation. Vegetation on-site is dominated by grasses and forbs; however, numerous Chinese tallow (*Sapium sebiferum*) are becoming established in portions of the site. Representative photographs are provided in Appendix B.

2.0 WATERS OF THE US AND ISOLATED WETLAND ASSESSMENTS

2.1 Methodology

The WATERS and Isolated Wetland Assessments consisted of a resource review and field investigation. The resource review was performed prior to the field investigation to gather site specific information and evaluate the potential for presence of WATERS and/or wetlands on the site. The field investigation was then performed to further evaluate potential WATERS/wetlands identified by the resource review. The assessments were performed according to the routine determination methodology prescribed by the "*US Army Corps of Engineers Wetlands Delineation Manual*" (1987 Manual). The 1987 Manual defines wetlands as those areas that are inundated or saturated by surface or groundwater at a frequency and duration sufficient to support, and that under normal circumstances do support, a prevalence of vegetation typically adapted for life in saturated soil conditions.

If WATERS or wetlands were identified, Terracon was to delineate those areas (utilizing methodologies defined in the 1987 Manual) for subsequent survey by a registered surveyor. Hydrologic conditions on-site and in the immediate area were then reviewed to help evaluate USACE jurisdiction under the Clean Water Act.

4.2 Resource Review

Resources including Natural Resources Conservation Service (NRCS) *Soil Survey of Harris County, Texas* provided on the Web Soil Survey web pages; 7.5 minute USGS Bellaire, Texas Topographic Quadrangle Map (1982); Federal Emergency Management Agency (FEMA) Floodplain Maps provided on the Tropical Allison Recovery Project web pages (2007);

National Wetland Inventory (NWI) Bellaire, Texas map provided on the US Fish and Wildlife Services Wetlands Online Mapper (1993); and aerial photographs (1935, 1944, 1969, 1986, 2002, and 2006) were reviewed to identify mapped soil types, historic conditions, water bodies, floodplain designations, and potential wetlands.

4.2.1 Soil Survey

As mapped by the NRCS Soil Survey, the northern half of the site is underlain by the Bernard-Edna Complex (Be), while the southern portion of the site is underlain by Lake Charles clay, 0 to 1 percent slopes (LcA). According to the *Hydric Soils List of Texas*, neither of the mapped soils are hydric. Characteristics of on-site soils are summarized in the table below.

Soil Characteristics

Soil Name	Soil Type	Soil Depth (FEET)	Underlying Material	Permeability	Available Water Capacity	Shrink Swell Capacity
Bernard-Edna Complex (Be)	clay	6.3	clay	slow	moderate	low to moderate
Lake Charles clay, 0 to 1 percent slopes (LcA)	clay	6.6	clay	slow	moderate	moderate to high

4.2.2 Topographic Map

Based on review of the USGS topographic map, the site is relatively flat, and is approximately 50 feet above mean sea level (MSL). No water features, structures, or land forms are depicted on-site, although the man-made drainage ditch is depicted to the east of the site. The drainage ditch is clearly man-made as evidenced by its linear nature and lack of natural drainage contours surrounding the feature.

4.2.3 FEMA Floodplain Map

The FEMA floodplain map indicates the entire site is mapped as Zone X, which depicts areas outside of the 500-year flood zone. Additionally, the access easement and subtle berm along the drainage ditch (immediately east of the site) are also mapped as Zone X.

4.2.4 National Wetland Inventory Map

The NWI Map does identify one, relatively small, isolated wetland in the northeastern portion of the site. The wetland is characterized as palustrine, emergent, persistent, and temporarily flooded (PEM1A). As described in Section 4.3 of this report, it appears that the mapped location of this wetland is slightly north of the actual location. No other potential wetlands were indicated on the site or in the immediate vicinity.

4.2.5 Aerial Photographs

Based on a review of historical aerial photographs the site has been undeveloped with no discernable land use from prior to 1935 to the present. Surrounding tracts predominantly consisted of agricultural land or unutilized land from 1935 to the 1960s. By 1969, a large, single-family subdivision was under construction east of the site (beyond the drainage ditch), and significant earthmoving operations had begun on a large tract northeast of the site. However, most of the surrounding areas remained relatively undeveloped. The 1986 aerial depicts SH 288 to the west of the site and increasing development in the general area. The 2002 aerial photograph revealed that the tracts north and northwest of the site had been developed. The drainage ditch that parallels the eastern site boundary was evident and appeared to be well-maintained in all of the aerial photographs reviewed. No other drainages or water bodies were evident on the site or adjoining tracts.

4.3 Field Investigation

As previously indicated, the site is dominated by upland grasses and forbs. Common species observed in most portions of the site include common carpetgrass (*Axonopus affinis* - FAC), sensitive brier (*Schrankia uncinata* - NI), snow-on-the-prairie (*Euphorbia bicolor* - NI), sumpweed (*Iva annua* - FAC), lance-leaf tickseed (*Coreopsis lanceolata* - FAC), and foxglove (*Penstemon digitalis* – FACW-). Chinese tallow (FACU+), Roosevelt weed (*Baccharis halimifolia* – FACW-), rattlebox (*Sesbania drummondii* - FACW), and an unknown woody vine with thorns are also common in portions of the site.

A sample point (SP-1) was taken at an upland location that typified conditions in the southwestern portion of the site. Sumpweed, common carpetgrass, sensitive brier, snow-on-the-prairie, and Chinese tallow seedlings were the dominant species at this location. Depth to free water in a pit was approximately 6 inches. The clay loam soil was fairly uniform to a depth of at least 12 inches with a 10YR 2/1 matrix and no apparent mottles or concretions. A few very subtle oxidized root channels (ORCs) were observed in the upper 2 inches. Although this sample location did exhibit potential wetland hydrology, the high water table is likely due to heavy rains in the weeks and days preceding the field investigation, and not a reflection of typical conditions.

SP-2 was taken in the northwestern portion of the site where conditions were very similar to those noted for SP-1. Sumpweed, snow-on-the-prairie, lance-leaf tickseed, and foxglove were the dominant species at this location. Depth to free water in a pit was greater than 10 inches; however, small depressions contained up to an inch of surface water. Again, recent rains and slowly permeable soils contributed to this hydrology. The upper 10 inches of silty, clay, loam soils exhibited a 10YR 3/1 soil matrix; no ORCs, mottles, or concretions were observed.

SP-3 was taken in an upland woodland in the central portion of the site, where Chinese tallow was the dominant species. The understory was limited to sumpweed and an unknown grass. Saturated soils were present at the surface and free water was observed in a pit at approximately 4 inches. The loamy clay soil had a 10 YR 2/1 matrix; no ORCs, mottles, or concretions were observed.

Terracon did observe three, relatively small, hydrologically isolated wetlands within the original site boundaries. SP-4 was taken in Wetland A. Dominant species within this localized depression consisted of Chinese tallow, thin-leaf flatsedge (*Cyperus tenuifolius* – FACW), yellow flatsedge (*C. flavescens* – OBL), sand spikerush (*Eleocharis montevidensis* – FACW+), smartweed (*Polygonum* sp. – OBL-FAC), and rush (*Juncus* sp. – OBL-FAC). Portions of the depression contained up to 2 inches of standing water. The upper 4 inches of soil were a cobbly clay with a matrix color of 10 YR 3/1; however, numerous 2.5 YR 4/8 mottles were present. From 4 to 10 inches, the soil had a 10 YR 6/1 matrix and still exhibited abundant 2.5 YR 4/8 mottles.

SP-5 characterizes the upland ridge that separates Wetlands A and B. Sumpweed, common carpetgrass, sensitive brier, rattlebox, and foxglove were the dominant species at this location. Depth to free water in a pit was greater than 12 inches, though saturated soils were present at approximately 6 inches. The upper 2 inches of soil had a 10 YR 4/1clay loam matrix with a few, subtle ORCs. From 2 to 6 inches, the soil had a silty clay matrix that was 10 YR 5/2 with 10 YR 4/6 mottles. From 6 to 12 inches, the soil had a more sandy loam consistency and was characterized as 10 YR 3/1, with no apparent mottles or concretions.

SP-6 was taken in Wetland B. Dominant species within this localized depression consisted of Chinese tallow, sumpweed, thin-leaf flatsedge, yellow flatsedge, smartweed, water hyssop (*Bacopa* sp. - OBL), and white-top sedge (*Dichromena colorata* - FACW). Portions of the depression contained up to 2 inches of standing water. The upper 10 inches of soil were a loamy clay with a matrix color of 10 YR 3/1 and numerous 2.5 YR 4/8 mottles.

Wetlands A and B (collectively) appear to comprise the small, isolated wetland indicated on the NWI map. Because NWI maps are based on interpretation of aerial photographs (which are subject to minor distortions) discrepancies with field observations are not uncommon, and the mapped wetland appears to be shifted slightly north of the actual location. However, the observed wetlands were consistent with the NWI's PEM1A characterization, in that both wetlands are dominated by herbaceous, emergent vegetation and appear to be persistent, but are only inundated for short periods of time. Both wetlands currently contain Chinese tallow, though they are immature and were not likely present when the NWI maps were prepared.

The northern perimeter of both Wetlands A and B are relatively abrupt and well-defined. The area immediately north of these features was traversed on foot extensively; no additional depressions or potential wetlands were identified. This upland area has very similar vegetation, hydrology, and soils to those described for SP-2.

SP-7 characterizes the upland immediately northwest of Wetland C. The vegetation, hydrology, and soils at this location were very similar to those described for SP-2. The vegetation, hydrology, and soils observed at SP-8 was very similar to those described for SP-6.

The following table provides a brief summary of the eight sample points taken within the original site boundaries.

Table 1: Sample Points

Sample Point	Location	Description	Wetland Acreage
SP-1	Upland	SP-1	--
SP-2	Upland	SP-2	--
SP-3	Upland	SP-3	--
SP-4	Wetland A	SP-4	0.06
SP-5	Upland	SP-5	--
SP-6	Wetland B	SP-6	0.22
SP-7	Upland	SP-2	--
SP-8	Wetland C	SP-6	0.24
		Total	0.52

No other potential WATERS or isolated wetlands were identified on the site during the field investigation.

4.4 USACE Jurisdiction

Based on the resource review and observed field conditions, it appears that the three relatively small wetlands present within the original site boundaries are hydrologically isolated and would not be subject to USACE jurisdiction. The topographic map does not indicate any potential hydrologic connection and the wetlands are not within the FEMA 100-year floodplain. Further, there is a slight berm along the perimeter of the drainage ditch (off-site) that would prevent surface water on-site from reaching the ditch. Two drains are present along this berm, that could potentially provide a hydrologic connection from the site to the ditch; however, the drain elevation is considerably higher than the average elevation of the eastern portion of the site. Therefore, there would need to be standing water (up to 1 foot deep) across much of the site (and Reed Road) before water would spill-over into the drains. It is Terracon's opinion that the two drains present do not provide a potential hydrologic connection from the wetlands present within the original site boundaries to the ditch. Despite the recent heavy rains that occurred prior to the field investigation the water level in the ditch was up to 5 feet below the elevation of the eastern portion of the site.

4.5 Site Boundary Revision

Pursuant to Executive Order No. 11990, the site boundary was modified following the identification and delineation of the three wetlands located within the original site boundaries. As indicated above, the Executive Order stipulates that impacts to wetlands are to be avoided if practicable alternatives are available. Therefore, the originally proposed site plans were revised and the delineated wetlands (and a narrow buffer) were removed from the site boundaries to ensure that the project would not impact these wetlands. The revised site is 9.277 acres out of the original site.

5.0 SUMMARY

Terracon identified and delineated three, small wetlands within the original site boundaries. It is Terracon's opinion that these wetlands are hydrologically isolated and are not subject to USACE

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Terracon

Nat'l Environmental Policy Act

jurisdiction. However, to ensure NEPA compliance, the boundaries of the site have been revised to exclude all potential wetlands. It is Terracon's opinion that there are no potential wetlands within the revised/current site boundaries identified in Figure 2, Appendix A. Additionally, please note, the revised site boundaries are off-set a minimum of 10 feet from the delineated wetlands to further minimize potential impacts to these protected features. Although the wetlands on-site total only 0.520 acre, a total of 1.009 acres were excluded from the original site boundaries. No further WATERS or wetland investigations are required or recommended at this time.

If you have any questions or wish to discuss the proposed project further, please do not hesitate to call me at (512) 442-1122.

Sincerely,
Terracon Consultants, Inc.

Valerie Learman

Valerie Learman
Senior Project Manager

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APPENDIX A

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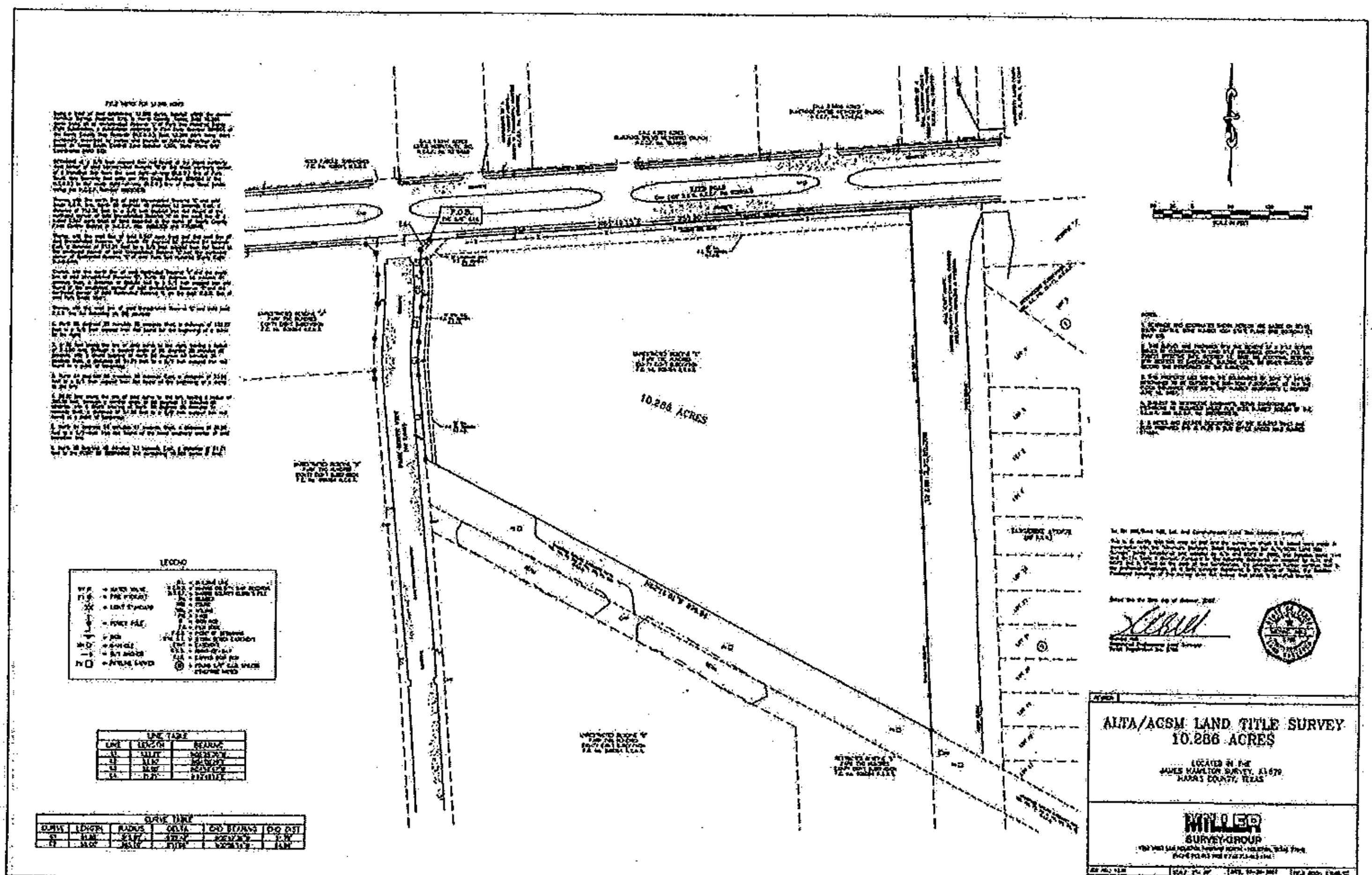
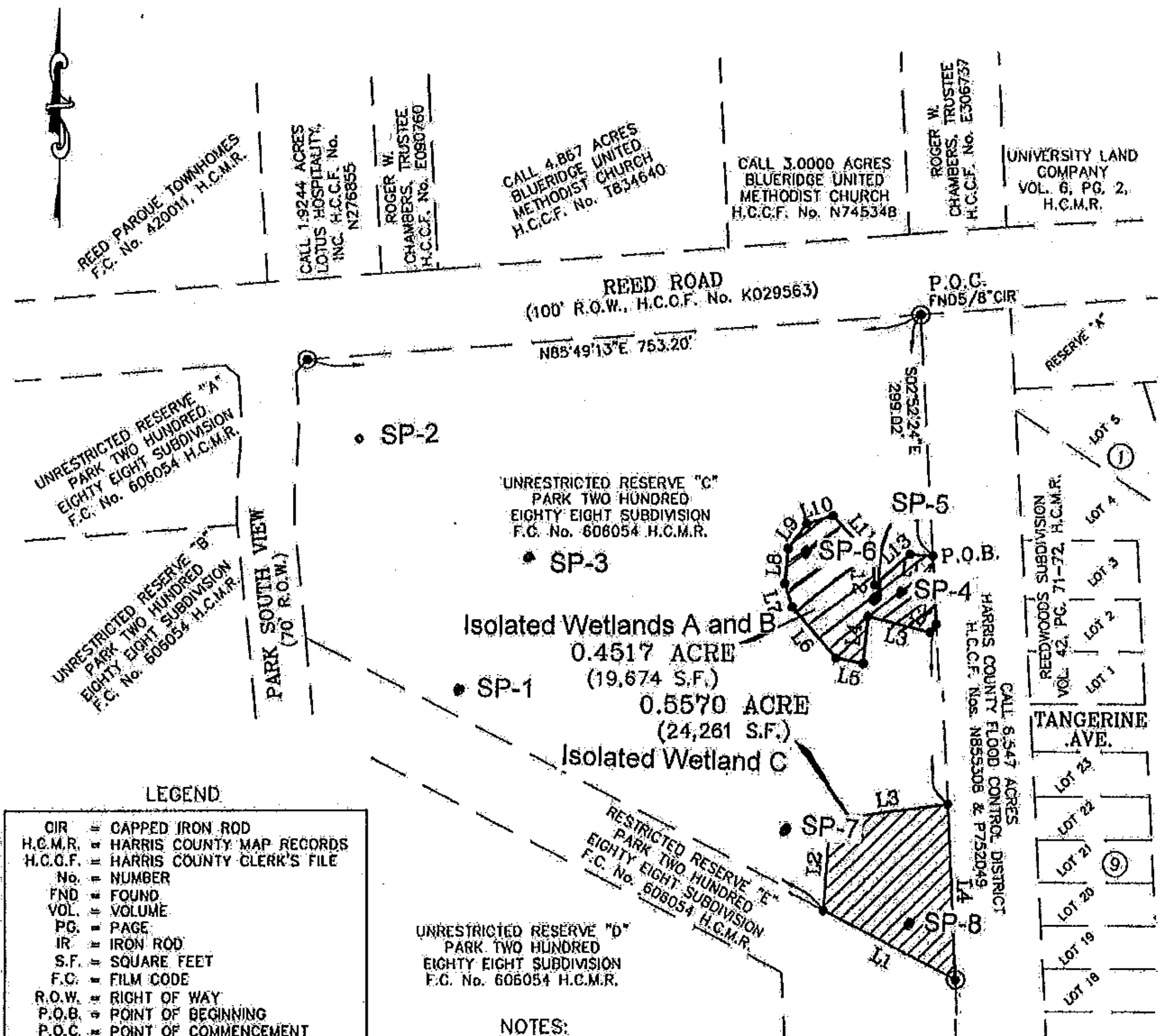


Figure 1
Original Site Boundaries



LEGEND

CIR	=	CAPPED IRON ROD
H.C.M.R.	=	HARRIS COUNTY MAP RECORDS
H.C.C.F.	=	HARRIS COUNTY CLERK'S FILE
No.	=	NUMBER
FND	=	FOUND
VOL.	=	VOLUME
PG.	=	PAGE
IR	=	IRON ROD
S.F.	=	SQUARE FEET
F.C.	=	FILM CODE
R.O.W.	=	RIGHT OF WAY
P.O.B.	=	POINT OF BEGINNING
P.O.C.	=	POINT OF COMMENCEMENT
⦿	=	FOUND 5/8" CAPPED IRON ROD

NOTES:

1. BEARINGS AND COORINATES SHOWN HEREON ARE BASED ON TEXAS SOUTH CENTRAL ZONE NUMBER 4204 STATE PLANE GRID COORDINATES (NAD 83).

2. A METES AND BOUNDS DESCRIPTION OF THE SUBJECT EASEMENT HAS BEEN PREPARED BY MILLER SURVEY GROUP AND ACCOMPANIES THIS EXHIBIT.

LINE TABLE

LINE	BEARING	DISTANCE
L1	S02°52'24"E	84.57'
L2	S37°31'57"W	12.47'
L3	N75°35'01"W	78.44'
L4	S05°46'52"W	58.52'
L5	N77°43'53"W	33.72'
L6	N40°36'17"W	82.95'
L7	N17°22'34"W	30.38'
L8	N05°31'12"E	43.19'
L9	N36°01'57"E	38.38'
L10	N73°32'00"E	33.80'
L11	S42°30'03"E	71.64'
L12	S04°35'51"E	32.59'
L13	N49°03'00"E	57.38'
L14	S85°52'08"E	27.79'

Figure 2
Current Site Boundaries

MILLER
SURVEY GROUP
1760 WEST SAM HOUSTON PARKWAY NORTH
HOUSTON, TEXAS 77043
PHONE 713-413-1900 FAX 713-413-1944

JOB NO.: 1539	SCALE: 1"=200'	DATE: 12-21-07	FIELD BOOK: N/A
DWG. NO.: 1539-EXH1 R1	DRAWN BY: MH	CHK. BY: BEW	M&B NO.: 071634 R1

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APPENDIX B

Project No. 92067655

Terracon

Photo 1 Typical view of western portion of the site.

Photo 2 Typical view upland grassland – near SP-1.

Photo 3 Typical view from SP-2 looking eastward.

Photo 4 Wetland A.

Photo 5 Typical view from SP-7 looking toward the southeast.

Photo 6 View of utility easement – note ridgeline of soils along pipeline.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

September 3, 2008

Action Item

Presentation, Discussion, and Possible Approval of the Issuance of Forward Commitments for Allocations from the 2009 State Housing Credit Ceiling for 2008 Applications not Awarded in the 2008 Application Round.

Required Action

Discuss and Possibly Approve the Issuance of Commitments for Allocations of 2008 Housing Tax Credits from the 2009 State Housing Credit Ceiling.

Background

As permitted under §50.10(c) of the 2008 Qualified Allocation Plan and Rules (the "QAP"): "The Board may determine to issue commitments of tax credit authority with respect to Applications from the State Housing Credit Ceiling for the calendar year following the year of issuance (each a "forward commitment")."

The Board may consider all Applications submitted under the 2008 Application Round. Included with this Board Action Request is a report titled 2008 Competitive HTC Awards and Waiting List – September 4, 2008; all Applications indicated by an "N" in the Status column are those Applications that did not receive an award of 2008 Housing Tax Credits, and are eligible for consideration of a forward commitment under this agenda item. Pursuant to §50.10(c) of the 2008 QAP, "The Board will utilize its discretion in determining the amount of credits to be allocated as forward commitments and the reasons for those commitments considering score and discretionary factors".

The following issues should be noted:

1. As described in §50.10(c) of the 2008 QAP: "Applications that are submitted under the 2008 QAP and granted a Forward Commitment of 2009 Housing Tax Credits are considered by the Board to comply with the 2009 QAP by having satisfied the requirements of this 2008 QAP, except for statutorily required QAP changes."

2. As described in §50.10(c)(1) of the 2008 QAP: "Unless otherwise provided in the Commitment Notice with respect to a Development selected to receive a forward commitment, actions which are required to be performed under this chapter by a particular date within a calendar year shall be performed by such date in the calendar year of the Credit Ceiling from which the credits are allocated."
3. For any Application approved by the Board for a forward commitment, the credit amount awarded will be attributed to the proper region and Set-Asides from the 2009 State Housing Credit Ceiling to ensure adherence to the requirements of §2306.6714 and the Regional Allocation Formula in 2009.
4. Any approved Applications will be reviewed to ensure that they do not have Material Noncompliance consistent with §50.5(b)(2) and (3) of the 2008 QAP.
5. Any approved Applications will be reviewed consistent with §50.6(f) of the 2008 QAP to ensure that they do not have any violations of the "one-mile, one-year test." This rule prohibits the Department from allocating to an Application with a proposed site that is within one mile of any other Application's proposed site awarded in the same calendar year.
6. Staff will review to ensure that consistent with §50.6(d) of the 2008 QAP, the Department "shall not allocate more than $2 million of tax credits in any given Application Round to any Applicant, Developer, Related Party or Guarantor."
7. Any Applications that have not been reviewed, at this time, will be reviewed for Eligibility and Threshold, financial feasibility and compliance with previous participation; conditions to the award and the amount of final credits awarded will be those identified by Real Estate Analysis and/or Multifamily Finance Production Division.

Recommendations

Staff does not recommend the allocation of forward commitments at this time. There is much uncertainty in the market place at this time that may be clearer as the full effects of HR 3221 and the credit crunch have more time to develop. Most of the applications that did not score sufficiently to be awarded credits this year would be eligible to reapply in 2009 under the terms of the new QAP. Without the reapplication process, the deals awarded out of next year's allocation will not be held to the same standards as other applicants in 2009.

Forward commitments made this year will reduce the amount of Housing Tax Credits available in 2009 to other qualified applications that will be submitted for the 2009 Application Round; the scoring process and Department rules were objectively applied to all 2008 Applications and those Applications not recommended for an award did not achieve a competitive score and/or did not meet the requirements of the program.

Housing Tax Credit Program
Board Action Request
September 3, 2008

Action Item

Request review and board determination of four (4) four percent (4%) tax credit applications with other issuers for the tax-exempt bond transactions.

Recommendation

Staff is recommending that the board review and approve the issuance of four (4) four percent (4%) Tax Credit Determination Notices with **other issuers** for the tax-exempt bond transactions known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Requested Credit Allocation	Recommended Credit Allocation
08416	Park Shadows	Beaumont	Jefferson County HFC	150	150	$13,440,525	$8,500,000	$458.728	$458,728
08417	Seville Row Apartments	Beaumont	Jefferson County HFC	90	90	$8,262,707	$7,200,000	$288,807	$288,807
08413	City View Apartments	San Antonio	San Antonio HFC	245	61	$34,862,893	$25,000,000	$318,785	$318,785
08401	Artisan at San Pedro Creek	San Antonio	San Antonio HFC	252	252	$27,961,120	$15,000,000	$1,105,744	$1,105,744

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
September 3, 2008

Action Item

Presentation, Discussion and Possible Issuance of Determination Notices for Housing Tax Credits associated with Mortgage Revenue Bond Transactions with other Issuers.

Requested Action

Approve, Amend or Deny the staff recommendation for Park Shadows Apartments, #08416 in Beaumont, Texas.

Summary of the Transaction

Background and General Information: The application was received on July 3, 2008. The Issuer for this transaction is Jefferson County HFC with a reservation of allocation that expires on November 15, 2008. The development consists of the acquisition and rehabilitation of 150 total units targeting the general population and 100% of the units are proposed to be restricted at 60% AMFI. The proposed development will be located in Beaumont, Jefferson County. The site is currently zoned for this type of development.

Staff notes this Development was presented before the Board in December 2007 and March 2008 and was approved; however, the Applicant was unable to close the bond transaction due to timing issues with the financing parties and the uncertainties in the tax credit market.

Pursuant to §50.12(a)(2) of the 2008 Qualified Allocation Plan and Rules, "any outstanding documentation must be submitted to the Department at least 60 days prior to the Board meeting at which the decision to issue a Determination Notice would be made unless a waiver is requested by the Applicant". As a result of the changes that were proposed since the Board approved the application in March 2008, the Department required the Applicant to re-submit the entire application which would need to be re-evaluated and underwritten. The Volume 3 and third party reports were not submitted by the required 60 day deadline and therefore the Applicant is requesting the Board waive the 60 day requirement for the receipt of the Volume 3 and third party reports. The expiration of the current bond reservation does not allow sufficient time for the application to be presented at the next scheduled Board meeting in November and still close before the expiration date.

Organizational Structure and Compliance: The Borrower is Beaumont Leased Housing Associates I, L.P. and the General Partner is Beaumont Leased Housing Associates I, LLC, of which Housing Services, Inc. have 100% ownership and Polaris Holdings I, LLC is a Class B Limited Partner of which David L. Brierton has 20% ownership interest, Jack W. Safar has 20% ownership interest, Armand E. Brachman has 20% ownership interest, Paul R. Sween has 20% ownership interest and Mark S. Moorhouse has 20% ownership interest. The Compliance Status Summary completed on August 26, 2008 reveals that the principals of the general partner have twelve (12) properties that have been monitored by the Department with no material non-compliance.

Census Demographics: The development is to be located at 1075 Pinchback Road Beaumont. Demographics for the census tract (13.02) include AMFI of $66,100; the total population is 2,905; the percent of population that is minority is 38.24%; the percent of population that is below the poverty line is 14.29%; the number of owner occupied units is 778; the number of renter units is 304 and the number of vacant units is 46. (Census information from FFIEC Geocoding for 2008).

Public Comment: The Department has received one letter of support from Jefferson County Judge Ronald L. Walker and no letters of opposition.

Recommendation

Staff recommends the Board approve the issuance of a Determination Notice of $458,728 in Housing Tax Credits for Park Shadows Apartments. By approving this determination, the Board is waiving the 60 day application deadline pursuant to §50.12(a)(2) of the 2008 Qualified Allocation Plan and Rules.

MULTIFAMILY FINANCE PRODUCTION DIVISION

September 3-4, 2008

Development Information, Public Input and Board Summary

Park Shadow Apartments, TDHCA Number 08416

BASIC DEVELOPMENT INFORMATION

Site Address:	1075 Pinchback Road			Development #:	08416
City:	Beaumont	Region:	5	Population Served:	General
County:	Jefferson	Zip Code:	77707	Allocation:	Urban
HOME Set Asides:	☐ CHDO ☐ Preservation ☐ General			Purpose/Activity:	ACQ/R
Bond Issuer:	Jefferson County HFC				

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner:	Beaumont Leased Housing Associates I, LP
Owner Contact and Phone	Mark Moorhouse, (763) 354-5613
Developer:	Beaumont Leased Housing Development I, LLC
Housing General Contractor:	Benson-Orth Associates, Inc.
Architect:	BKV Group
Market Analyst:	Integra Realty Resources
Syndicator:	Richman Group
Supportive Services:	Dominium Management Services, Inc.
Consultant:	Not Utilized

UNIT/BUILDING INFORMATION

30%	40%	50%	60%	80%	Eff	1 BR	2 BR	3 BR	4 BR	5 BR
0	0	0	150	0	0	40	62	44	4	0

Type of Building:

- ☐ Duplex
- ☐ Triplex
- ☐ Fourplex
- ☑ 4 units or more per building
- ☐ Detached Residence
- ☐ Single Room Occupancy
- ☐ Transitional
- ☐ Townhome

Total Restricted Units:	150
Market Rate Units:	0
Owner/Employee Units:	0
Total Development Units:	150
Total Development Cost:	$13,440,525
Number of Residential Buildings:	11
HOME High Total Units:	0
HOME Low Total Units:	0

Note: If Development Cost =$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis	Amort	Term	Rate
4% Housing Tax Credits with Bonds:	$458,728	$458,728	0	0	0%
TDHCA Bond Allocation Amount:	$0	$0	0	0	0%
HOME Activity Fund Amount:	$0	$0	0	0	0%
HOME CHDO Operating Grant Amount:	$0	$0			

MULTIFAMILY FINANCE PRODUCTION DIVISION
September 3-4, 2008
Development Information, Public Input and Board Summary

Park Shadow Apartments, TDHCA Number 08416

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Williams, District 4 NC
US Representative: Poe, District 2, NC
TX Representative: Ritter, District 21 NC
US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Becky Ames, Mayor, City of Beaumont - NC
Resolution of Support from Local Government ☐

Ronald L. Walker, Judge, Jefferson County - S

Individuals/Businesses: In Support: **0** In Opposition **0**

Neighborhood Input:

General Summary of Comment:

The Department has received no letters of support and no letters of opposition from the community.

CONDITIONS OF COMMITMENT

Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."

Waiver of the 2008 QAP rule regarding the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made (10 TAC 50.12(b)), due to the Applicant's failure to provide a current Market Study by the 60 day deadline.

Approval of a tax credit allocation for Seville Row Apartments (TDHCA #08417) at the September 4, 2008 TDHCA Board meeting.

Receipt, review, and acceptance, by cost certification, of documentation that asbestos containing material was removed in accordance with federal, state, and local requirements or that the material is being managed in place through an O&M Program per the Phase I ESA.

Receipt, review, and acceptance, by closing, of at least a 2.2% increase in the existing HAP contract rents.

Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

MULTIFAMILY FINANCE PRODUCTION DIVISION

September 3-4, 2008

Development Information, Public Input and Board Summary

Park Shadow Apartments, TDHCA Number 08416

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

4% Housing Tax Credits:		Credit Amount:	$458,728
Recommendation:	Recommend approval of a Housing Tax Credit Allocation not to exceed $458,728 annually for ten years, subject to conditions.		
TDHCA Bond Issuance:		Bond Amount:	$0
Recommendation:			
HOME Activity Funds:		Loan Amount:	$0
HOME CHDO Operating Expense Grant:		Grant Amount:	$0
Recommendation:			

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 08/26/08 PROGRAM: 4% HTC FILE NUMBER: **08416**

DEVELOPMENT

Park Shadows Apartments

Location: 1075 Pinchback Road Region: 5

City: Beaumont County: Jefferson Zip: 77707 ☐ QCT ☒ DDA

Key Attributes: Family, Urban/exurban, Acquisition/rehabilitation

ALLOCATION

	REQUEST*			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$458,728			**$458,728**		

CONDITIONS

1. Waiver of the 2008 QAP rule regarding the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made (10 TAC 50.12(b)), due to the Applicant's failure to provide a current Market Study by the 60 day deadline.
2. Approval of a tax credit allocation for Seville Row Apartments (TDHCA #08417) at the September 4, 2008 TDHCA Board meeting.
3. Receipt, review, and acceptance, by cost certification, of documentation that asbestos containing material was removed in accordance with federal, state, and local requirements or that the material is being managed in place through an O&M Program per the Phase I ESA.
4. Receipt, review, and acceptance, by closing, of at least a 2.2% increase in the existing HAP contract rents.
5. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	150

PROS

- The application proposes the rehabilitation of a 27 year old HUD property and renewal of the existing HAP contract for 100% of the units.

CONS

- The viability of the transaction is dependent upon 100% deferral of developer fees and deferral of most of the contractor fees. The total deferred fees are projected to be repayable over 15 years.

This section intentionally left blank.

- The property is currently operating at stabilized occupancy of 93% and most of the tenants will likely remain at the property due to the project-based Section 8 assistance.

The proposed rehabilitation will limit the displacement of existing tenants.

- The structure of the acquisition with the assumption of existing debt may put eligibility for the 4% HTCs in jeopardy and will leave a large portion of the bonds unused until the assumed debt can be extinguished.
- Any increase in the interest rate on the bonds or decrease in the credit pricing may jeopardize the financial viability of the transaction.

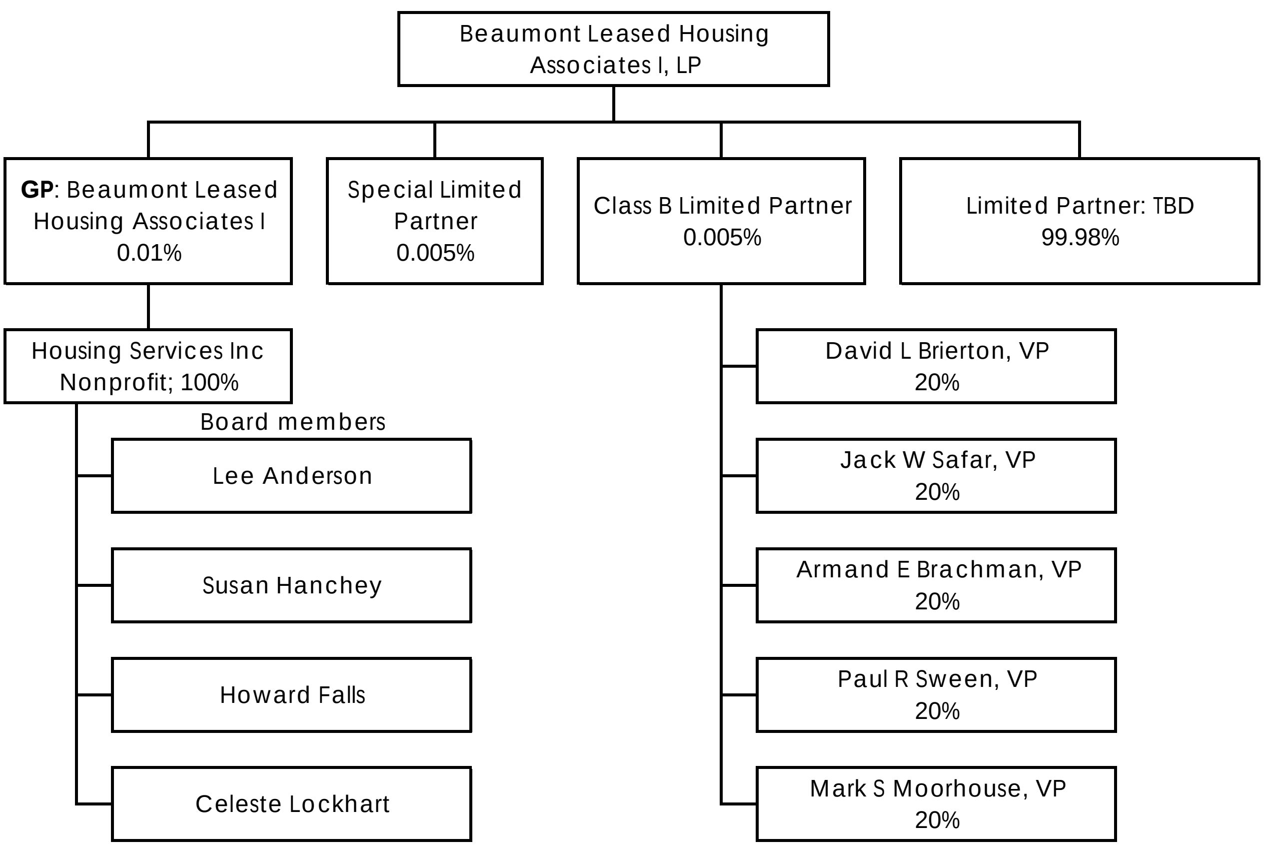
PREVIOUS UNDERWRITING REPORTS

The subject was originally underwritten in December 2007 with a slightly different financing structure and a tax-exempt bond reservation from the 2007 private activity cap. Although not recommended due to violation of the 60-day rule, the TDHCA board approved the previous application for a 4% HTC allocation of $546,051 annually. The Applicant indicated that they were unable to close prior to the 150 day deadline for the bond reservation as a result of issues with syndication of the tax credits.

The subject received 2008 reservation and was approved for a 4% HTC allocation for a second time in early 2008. However, the Applicant was again unable to close by the 150 day deadline. The current application proposes a similar financing structure but includes a nonprofit in the ownership structure in order to achieve a 50% property tax exemption and enhance the viability of the transaction. It should be noted that the credit price has dropped from $0.97 when originally underwritten to $0.90 to $0.885 currently. The latest credit pricing is more in line with current credit prices.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Mark Moorhouse Phone: 763.354.5613 Fax: 763.354.5633
Email: mmoorhouse@dominiuminc.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# Completed Developments
Housing Services, Inc	N/A		One 9% LIHTC Allocation
Beaumont Leased Housing Associates II, LP	No material assets		Not Yet Formed
David L Brierton	Confidential		One 9% LIHTC Allocation
Jack W Safar	Confidential		One 9% LIHTC Allocation
Armand E Brachman	Confidential		One 9% LIHTC Allocation
Paul R Sween	Confidential		One 9% LIHTC Allocation
Mark S Moorhouse	Confidential		One 9% LIHTC Allocation

[1] Liquidity = Current Assets - Current Liabilities

Comments:

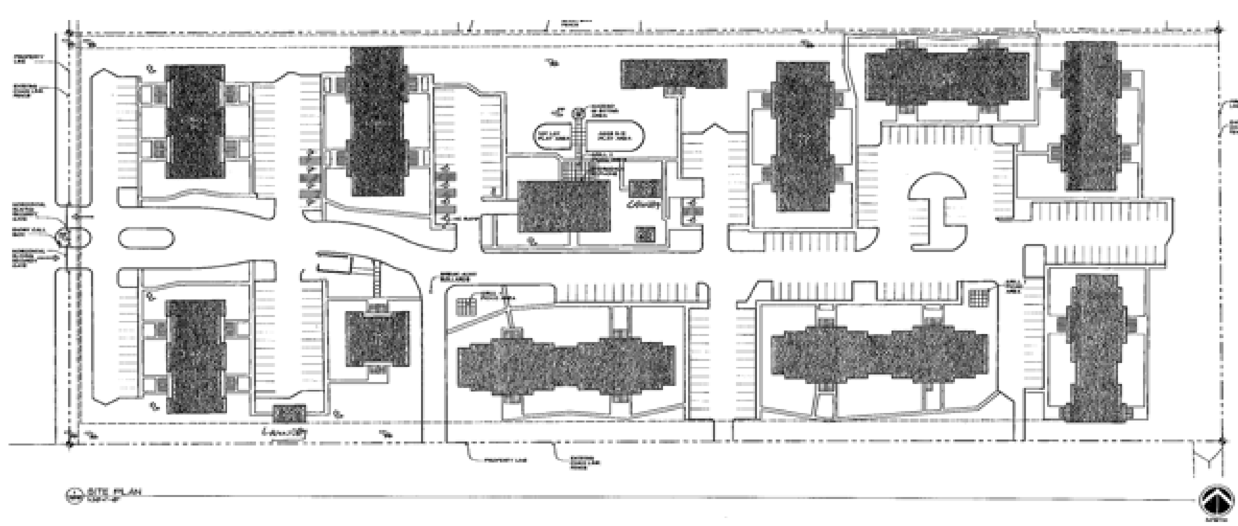
While the development team participants have limited experience with the LIHTC program in Texas, the participants appear to have significant experience with the acquisition and rehabilitation of properties in several other states.

IDENTITIES of INTEREST

- The Applicant, Developer, supportive service provider, and property manager are related entities. These are common relationships for HTC-funded developments.
- The Applicant's latest revised financing structure reflects a loan from the related party property manager, Dominium Management Services, to fill a portion of the financing gap. As underwritten, the transaction would not meet the Department's feasibility criteria without this source of financing.
- The application submitted in 2007 was structured with a below market seller note that resulted in an inflated purchase price and use of additional 4% tax credits. Staff expressed concerns about this structure and the Applicant restructured the purchase to exclude the seller note. The restructured acquisition reduced the purchase price by the amount of the seller note ($1,425,000).

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D	E	F	G				Total Buildings
Floors/Stories	2	2	2	2	2	2	2				
Number	2	1	2	1	3	1	1				**11**

BR/BA	SF	Units										Total Units	Total SF
1/1	618	16	8									40	24,720
2/1	767					16	14					62	47,554
3/1.5	993			16	12							44	43,692
4/2	1,108							4				4	4,432
Units per Building		16	8	16	12	16	14	4				**150**	**120,398**

Rehabilitation Plan:

The Applicant provided a Property Condition Assessment with one revision that included the following scope of work: landscaping; parking lot repairs; upgrade site lighting; rebuild trash enclosures; replace site concrete as needed; replacement of signage; clean out sewer lines; upgrade laundry buildings; renovation of clubhouse; upgrade common area kitchen and bathrooms; replace roofs; repair/replace siding; repair exterior stairs; re-glaze windows; replace entry doors; replace kitchen appliances, floors, cabinets, and sinks; replace HVAC units and condensers as needed (Approx 75%); new flooring throughout units; replace bathroom fixtures; new interior doors; replace closet shelving; retexture and paint walls; repair drywall as needed; add plumbing access panels.

Relocation Plan:

The Applicant has indicated that a "rolling rehabilitation" will be performed to minimize the temporary relocation of existing tenants. According to the relocation plan submitted, between 6 and 16 units will be vacated to allow for rehabilitation.

SITE ISSUES

Total Size:	9.36 acres	Scattered site?	☐ Yes	☒ No	
Flood Zone:	X	Within 100-yr floodplain?	☐ Yes	☒ No	
Zoning:	RM-High Density	Needs to be re-zoned?	☐ Yes	☒ No	☐ N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 10/5/2007

Overall Assessment:

☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: undeveloped land, retail and commercial
South: undeveloped land followed by athletic complex
East: undeveloped land
West: Pinchback Road followed by undeveloped land and commercial and residential

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HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Peer Engineering   Date: 8/8/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- "Limited sampling of suspect asbestos-containing materials (ACM) was conducted during the 2007 assessment. Based on the laboratory analysis, cream sink undercoating and 12" x 12" tan with brown streaks floor tile were determined to be regulated non-friable ACM" (Add). "If the sinks must be replaced as part of renovation, they should be removed and disposed by a licensed asbestos abatement contractor in accordance with applicable federal, state, or local requirements. Depending on renovation plans, the 12" x 12" asbestos-containing floor tile could be either covered over with a new flooring system or removed and disposed by a licensed asbestos abatement contractor. If either the sink undercoating or asbestos-containing floor tile is left in place, then these materials should be managed in good condition through an O&M Program" (p. 16).

Comments:

Receipt, review, and acceptance, by cost certification, of documentation that asbestos containing material was removed in accordance with federal, state, and local requirements or that the material is being managed in place through an O&M Program per the Phase I ESA is a condition of this report.

MARKET HIGHLIGHTS

Provider: Integra Realty Resources   Date: 10/10/2007

Contact: Mark R Lamb   Phone: 972.960.1222   Fax: --

Number of Revisions: 1   Date of Last Applicant Revision: 7/18/2008

Comments:

The original market study was performed in October of 2007. In order to comply with the 2008 QAP and Real Estate Analysis Rules and Guidelines the Market Analyst has provided an update indicating that the market has generally improved since the original study and that the occupancy for comparable product has increased.

The updated information was not provided with the application and was submitted on July 23, 2008, which is less than 60 days before the September 4, 2008 TDHCA Board meeting. As such, a waiver of the 2008 QAP rule regarding the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made (10 TAC 50.12(b)) is required as a condition of this report.

Primary Market Area (PMA): 167.6 square feet (7.3 mile radius)

"We consider the market area for the subject to consist of the following zip codes located within the City of Beaumont: 77701, 77702, 77703, 77706, 77707, 77708, 77710, 77713" (p. 17).

Secondary Market Area (SMA):

The Market Analyst did not delineate a secondary market area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS				
PMA				SMA
Name	File #	Total Units	Comp Units	
Timber Creek at Sienna	060239	36	36	N/A
Stone Hearst Apartmen	04228	104	83	
Regent I	07416	160	160	

This section intentionally left blank.

Comments:

The Market Analyst included 158 comparable unstabilized units in the total inclusive capture rate calculation; however, it is unclear what properties these units are from. The market study indicates that this is the number of HTC units coming online within the next 24 months (p. 54). The Market Analyst does not include the 150 units from the subject development due to the high current occupancy of 93%. The Underwriter has included all of the 150 units at the subject development and all of the comparable unstabilized units currently known (identified in the above chart), which results in a total number of unstabilized comparable units of 429.

INCOME LIMITS						
Jefferson						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60	$21,240	$24,300	$27,300	$30,360	$32,760	$35,220

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 60% Rent Limit	1,875	0	0	1,875	40	Not included	2%
2 BR/ 60% Rent Limit	658	0	0	658	62		9%
3 BR/ 60% Rent Limit	570	0	0	570	44		8%
4 BR/ 60% Rent Limit	613	0	0	613	4		1%

Comments:

The methodology used by the Market Analyst results in overlapping demand for the three and four bedroom units. The Analyst assumed that all one and two person households would demand a one-bedroom unit, all three-person households would demand a two bedroom unit and four and five person households would demand a three or four bedroom unit. Generally, the overlapping demand for three and four bedroom units would result in overstated demand. However, the Analyst used the number of existing rental units as the basis for determining turnover. The estimated existing rental units is lower than the estimated number of households that rent. Because the TDHCA methodology uses households as the basis for turnover, ultimately the Analyst's methodology may result in a lower demand calculation that the Underwriter's.

Also of note, the Market Analyst did not include unstabilized units to calculate an inclusive capture rate by unit type. However, the property is currently at stabilized occupancy (93%) and the calculation of a capture rate may not be a meaningful tool for calculating demand.

OVERALL DEMAND					
	Target Households	Household Size	Income Eligible	Tenure	Demand
PMA DEMAND from TURNOVER					
Market Analyst p. 54					65% 3,715
Underwriter	100% 39,820	99% 39,282	44% 17,185	39% 6,685	65% 4,345
PMA DEMAND from HOUSEHOLD GROWTH					
Market Analyst p. 54					0
Underwriter		99% -48	44% -21	39% -8	100% -8

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 55	0	158	0	0	3,715	4.3%
Underwriter	150	279	0	429	4,337	9.9%

Comments:

The Market Analyst did not include any of the subject units in the capture rate calculation because the property is currently at stabilized occupancy. While this is inconsistent with the methodology used by the Department which includes all of the subject units in order to develop the capture rate calculation, current occupancy levels do play a role in the interpretation of the inclusive capture rate calculation.

Also of note, the Analyst used the used the sum of the unit type demand to determine the total demand. The potential effects of the Analyst's methodology are described above. Moreover, the Analyst's lower demand is primarily the result of the differences in methodology described above.

Despite these issues, the Market Analyst provided sufficient demographic data to allow for the independent calculation of demand in accordance with the Department's guidelines. The Underwriter has accordingly derived an inclusive capture rate of 9.89%, which is below the Department guideline. In this case because the property is well over 90% occupied and the tenant population is not expected to change, the inclusive capture rate calculation is not a meaningful tool to determine financial feasibility.

Primary Market Occupancy Rates:

"The average occupancy rates for LIHTC properties within the PMA is 98%" (p. 38). The average occupancy for Section 8 and low-income properties within the PMA is 95%" (p. 39). "As of the effective date of this report, the occupancy of the subject is 93%, which is considered stabilized occupancy" (p. 41).

Absorption Projections:

"No new projects have recently been completed within the PMA. Thus, we are unable to analyze absorption trends specific to the PMA. As of the effective date of this report, the occupancy of the subject is 93%, which is considered stabilized occupancy" (p. 41).

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
1 BR 618 SF 60%	$552	$574	$525	$574	$22
2 BR 767 SF 60%	629	654	625	654	25
3 BR 993 SF 60%	746	776	750	776	30
4 BR 1,108 SF 60%	796	828	875	828	32

Market Impact:

The Market Analyst did not explicitly discuss the market impact. However, the Analyst indicates that the property is currently stabilized, and therefore the Underwriter believes the rehabilitation will have no impact on existing properties.

Comments:

As indicated above, the Market Analyst's methodology for determining demand is inconsistent with the Department guidelines. However, the Analyst provided sufficient data for the Underwriter to derive a capture rate that is within the Department's guideline. Moreover, the property is currently operating at a stabilized occupancy of 93%; therefore, use of the inclusive capture rate is not an effective tool for estimating demand. The market study provides sufficient information on which to base a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 43 unit(s) per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 24 unit(s) per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department’s standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's net rents are equal to the program gross rent limits less utility allowances as reflected in the property's current HAP contract. The Applicant included the difference between the projected HAP rents and the program net rents as a source of secondary income. However, the Underwriter has used the full projected HAP rents to determine potential gross rent. Despite this methodological difference, the Applicant's HAP subsidy plus rent collected is roughly comparable to the Underwriter's potential gross rent estimate.

The Applicant expects to receive a 4% increase from the current HAP contract rents, and the Underwriter has based the proforma analysis on the higher projected rents. As indicated above, the market rents determined by the Market Analyst are significantly lower than the projected HAP rents. Rent increases must generally be supported by comparable market rents; however, there are some exceptions allowed by HUD. The Applicant has indicated that the subject property will be exempt from the comparable market rent cap on the contract rents due to the non-HUD/FHA insured mortgage proposed. This was not confirmed with supporting documentation.

Assuming that above market contract rents can be secured, the HAP contract indicates two mechanisms for increases in the contract rents: (1) increases based on the Operating Cost Adjustment Factor (OCAF); or (2) budget-based rent increases. The OCAF is applied to the current contract rent less the debt service attributed to each unit. Therefore, if the 5.1% 2008 OCAF increase is repeated for 2009 this will likely to allow for a 2.64% increase over the current rents after debt service is considered. The Underwriter ran a sensitivity analysis on the minimum rent increase needed in order to maintain financial feasibility and determined that the property needs just a 2.2% increase over the current HAP contract rents.

The Applicant has included typical secondary income of $8.50 per unit per month, which is in line with Department standards. Therefore, the Underwriter has used secondary income of $8.50 per unit per month. The Underwriter has used vacancy and collection loss of 5% due to the maintenance of the existing HAP contract and the current 94% occupancy.

The Applicant's effective gross income estimate is within 5% of the Underwriter's.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant has indicated total expenses of $3,885 per unit which is not within 5% of the Underwriter's estimate of $4,069 per unit derived from actual operations of the development, the TDHCA database, IREM, and other sources. Additionally, several of the Applicant's estimates of individual line items differ significantly from the Underwriter's, including: general and administrative ($12K lower); payroll and payroll tax ($18K higher); repairs and maintenance ($19K lower); and property tax ($9K lower).

The Underwriter relied heavily on audited financial statements to derive a number of the estimates, particularly utility and water, sewer and trash costs. It should be noted that the Underwriter's and Applicant's estimates are each well below the actual operations based on the financials provided. However, the Underwriter expects that some additional efficiency may be achieved by bringing in a new owner and the Applicant provided solid information to support the lower projected operating costs.

Additionally, the Applicant has claimed a 50% property tax exemption due to the 100% general partner ownership by a nonprofit. This is a typical ownership structure employed to achieve a partial exemption and has been incorporated in the subject transaction as the previously underwritten structures are no longer viable without the additional ongoing operating expense savings.

Conclusion:

The Applicant's estimate of net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's Year One proforma will be used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma results in a DCR within the Department's current guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized, and after necessary adjustments to the terms and/or amounts of the anticipated debt, the 30-year proforma reflects a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Integra Realty Resources   Date: 11/15/2007

Number of Revisions: none   Date of Last Applicant Revision: N/A

Land Only: 9.36 acres	$610,000	As of:	7/25/2007
Existing Buildings: (as-is)	$3,650,000	As of:	7/25/2007
HAP Contract:	$696,000	As of:	7/25/2007
Cash Reserves:	$444,000	As of:	7/25/2007
Total Development: (as-is)	$6,010,000	As of:	7/25/2007

ASSESSED VALUE

Land Only: 9.36 acres	$203,860	Tax Year:	2007
Existing Buildings:	$2,757,560	Valuation by:	Jefferson CAD
Total Assessed Value:	$2,961,420	Tax Rate:	2.433281

EVIDENCE of PROPERTY CONTROL

Type: Purchase Agreement with Eleven Amendments   Acreage: N/A

Contract Expiration: 9/15/2008   Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $5,400,000   Other:

Seller: Park Shadows Apartments, Ltd   Related to Development Team? [ ] Yes [x] No

Comments:

The First Amendment to the Purchase Agreement indicates that closing is contingent upon a simultaneous closing of the subject and Seville Row Apartments, which has also been underwritten for 4% HTCs. As such, this report is conditioned upon the approval of a tax credit allocation for Seville Row Apartments (TDHCA #08417).

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none   Date of Last Applicant Revision: N/A

Acquisition Value:

As indicated above, the subject transaction originally submitted application in 2007. At this time the acquisition was structured to include a $1,425,000 below-market seller note. The inclusion of the seller note resulted in an inflated purchase price which increased eligible acquisition basis and the requested 4% tax credit amount. However, staff expressed significant concerns about the structure of the transfer due to the inflation of the tax credit amount. Subsequently, the Applicant and seller negotiated a revised purchase price that excludes any seller financing and that reflects a $1,425,000 decrease in the acquisition price. The revised purchase price is documented in the Second Amendment to the Purchase Agreement.

According to the purchase agreement and amendments, the majority of the purchase price will consist of the transfer of the existing first lien on the property. The Applicant has indicated that covenants in the existing note prevent prepayment of the existing first lien until September 2009. At that time, the mortgage can be extinguished but such action will result in a prepayment penalty at that time. Based on the application information, the estimated outstanding balance on the note is $3,916,169. The remainder of the $5,400,000 contract price will consist of cash at closing and already escrowed funds.

According to the Applicant, the loan will be assumed at closing at which time a Guaranteed Investment Contract will be funded with the tax-exempt bonds. The interest income from the GIC will go to pay principal and interest while the assumed loan is outstanding (until September 2009). Additionally, the Applicant has included approximately $345K in "defeasance costs" that will go to pay any principal and interest on the assumed first lien that is not covered by the GIC income. In late 2009 the assumed loan will be extinguished using the bonds and a portion of the $345K will go to pay prepayment penalties.

Due to the structure of the transaction, it is unclear if the IRS would consider the housing of the bonds for future payment of the assumed permanent loan to go directly to the acquisition of the buildings. Specifically, the structure suggests that a majority of the bond proceeds will be used to extinguish an existing first lien at a future date rather than to directly fund the acquisition. It is also slightly different from the typical structure of financing the acquisition with a conventional interim loan and then extinguishing the interim loan with bond proceeds. The structure as presented is untested in Texas as far as the Underwriter can determine. If the bonds are not going to fund the acquisition then the 50% test for the bonds may present a real risk.

In order for the development to be eligible for 4% HTCs, the tax exempt bonds must amount to more than 50% of the aggregate basis of the transaction. In some cases, IRS private letter rulings have suggested the 50% test should be applied to the acquisition and rehabilitation separately. For the subject transaction, if the bonds are not considered to fund the acquisition and the 50% test is applied to the acquisition separate from the rehabilitation, then the application may not qualify for a 4% tax credit allocation.

When the transaction was underwritten originally in 2007, the Underwriter presented these concerns to the Applicant and requested a legal opinion addressing this matter. The legal opinion suggests that the structure of the transaction would satisfy the 50% test because the test should be applied to the entire aggregate basis (not separately to acquisition and rehabilitation) and that the bond closing documents will specifically and explicitly reserve a portion of the bond proceeds for acquisition. The letter states, "It will be clear from the bond documents that a portion of the bond proceeds must be used to finance the acquisition of the Development through reimbursement or repayment of the advances made under the Existing Mortgage" (letter dated 12/4/2007).

Despite the concerns expressed above, the Underwriter has accepted the legal opinion but also maintains that the structure is a risk associated with this transaction.

The Applicant has indicated that the existing reserve balance will transfer with the property. This amount has been estimated at $475,335, which is consistent with the latest audited financial statements provided. This balance will be maintained by the partnership and has therefore also been reflected as a comparable source and use of funds. The reserve balance is not included in the contract price.

For determination of eligible basis, the Applicant has calculated the eligible building value as the contract price plus defeasance costs less the appraised land value ($5,400,000 + 344,794 - 610,000). The Underwriter has used the prorata land to total appraised value (not including reserves) applied to the contract price plus defeasance costs to determine eligible building value of $5,115,199.

Sitework Cost:

The Applicant has estimated sitework costs of $1,356 per unit which is slightly less than the property condition assessment (PCA) value of $1,500 per unit. Per the Department's guidelines, the Underwriter has used the PCA estimate.

Direct Construction Cost:

The Applicant's direct construction cost estimate is 5.7% lower than the Underwriter's cost estimate derived from the revised PCA provided by the Applicant. The revised PCA estimate appears to be based on the scope of work provided by the developer. The reason for the discrepancy is unclear, but the Applicant has indicated that their costs are more refined than previous submissions were.

Imputed Interest Expense:

The Applicant's cost schedule reflects that imputed interest expense on the LP equity contributions and a small amount of operating expenses incurred during construction will be included as an eligible cost to the development. As such, the Applicant has included $443,834 in eligible basis for these costs. The Underwriter has treated this cost as eligible interim interest expense, which is within the Department's maximum eligible interest expense of one-year of fully drawn interest on the construction financing.

Contingency & Fees:

The Applicant has allocated developer fees between the acquisition and the rehabilitation disproportionately. This results in a 30% boost on a portion of the developer fee that should be attributed to the acquisition. The Underwriter has adjusted the allocation of developer fees according to the Department's guidelines.

Conclusion:

The Underwriter’s cost schedule was derived from the revised third-party Property Condition Assessment (PCA) provided by the Applicant and the information presented in the application. The revised PCA was well documented and appeared to cover the scope of work provided by the Applicant. Thus, the Underwriter’s development cost schedule, as derived from the revised PCA, will be used to determine the development’s need for permanent funds and to calculate eligible basis. An eligible basis of $11,371,862 supports annual tax credits of $462,194. This figure will be compared to the Applicant’s request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: 2/22/2008

Issuer: Jefferson County HFC

Source: Dougherty & Company, LLC Type: **Interim to Permanent Bond Financing**

Series A:	$6,950,000	Interest Rate:	6.0%	x	Fixed	Amort:	420	months
Series B:	$1,150,000	Interest Rate:	6.0%	x	Fixed	Term:	60	months

Comments:

The Series A bonds will provide typical interim to permanent financing with a fixed rate structure and 35 year amortization. The Series B bonds will provide construction bridge financing with a 5 year term. However, per the term sheet provided, the Series B bonds will be repaid from the LIHTC equity.

The interest rate is estimated; the actual rate is subject to market conditions at the time of the sale. Current market conditions have limited the number of fixed rate tax exempt transactions that the Department has evaluated in the past several months. However, the Applicant indicated that the bonds will be privately placed with an investor that has purchased bonds for several Dominium transactions in the past. The same fixed rate structure would likely not be achievable with a publicly offered structure. As a result, if the bond purchaser ultimately backs out, it is unclear that the transaction would remain viable.

It should be noted, that the Applicant has received two reservations and HTC awards previously for this development, and the Applicant was not able to close on both occasions.

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Source: Dominium Management Services | Type: **Permanent Financing**

Principal: $60,000 | Interest Rate: 0.0% | [x] Fixed | Amort: 240 months

Comments:

As a result of the significant gap in financing the Applicant has provided an additional source of funds in the form of a 0% interest loan from Dominium Management Services, which is the proposed management company and a related party in this transaction. The Applicant has indicated that Dominium Management routinely provides this type of gap financing for developments in other states, although generally to satisfy selection criteria. Without this source of favorable financing the transaction would fail to meet the Department's underwriting guidelines.

Source: Alliant | Type: **Syndication**

Proceeds: $3,897,155 | Syndication Rate: 88.5% | Anticipated HTC: $440,401

Comments:

As indicated previously, the subject transaction has been evaluated on two previous occasions but was unable to close. The Applicant originally anticipated a syndication rate of 97% and provided a commitment from Richman Ohio Affordable Housing with their first application in 2007. Subsequently, the Applicant has indicated that pricing has declined significantly. Their second application reflected a price of $0.90, but the Applicant was again unable to close.

The subject application reflects a credit price of $0.885 which is at the high end of current credit prices. However, the Applicant has accepted a structure in which more equity is back loaded and additional tax exempt bonds will be utilized as bridge funding. While this structure utilizes additional private activity cap, the Applicant is able to achieve a higher syndication rate which is needed to enhance the viability of the transaction.

Also of note, any decrease in rate may further increase the need to defer developer and contractor fee. Additionally, a decrease below $0.80 per dollar of credit may jeopardize the financial viability of the transaction. Alternatively, should the final credit price increase to more than $1.31, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: $207,834 | Type: **Capitalized Operations**

Comments:

The Applicant has included imputed interest expense and a small amount of capitalized expenses incurred during rehabilitation in the development costs as an eligible substitute for eligible interest expense. The Applicant has included capitalized expenses as both a source and use of funds. The inclusion of the capitalized expenses as a source of funds implies that an actual cost will not be incurred or that sufficient income will be available and therefore a phantom source should offset the phantom expense. The Underwriter has not included this as a source of funds and has treated the amount claimed as a development cost as eligible interest expense actually incurred.

Amount: $47,700 | Type: **GIC/Interest Income**

Comments:

The Applicant has included GIC interest income from the bonds during the construction period. The estimated income from this source is relatively small due to the large portion of the bonds that will be utilized to purchase the property prior to construction. The Underwriter has blended this source with developer fee to be deferred due to the risk associated with projected future interest earnings.

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Amount: $475,335 Type: **Existing Reserves**

Comments:

The existing reserve account will be transferred to the partnership at closing. The Applicant has included the estimated existing reserve balance as both a source and use of funds. Therefore, the reserve account has no net effect on the transaction. The balance indicated is consistent with the audited financial statements provided.

Amount: $1,648,025 Type: **Deferred Fees**

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the estimated permanent loan of $6,950,000, related party loan of $60,000, and $475,335 in cash reserves indicates the need for $6,015,190 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $679,751 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request ($458,728), the gap-driven amount ($679,751), and eligible basis-derived estimate ($462,194), the Applicant's request of $458,728 is recommended. The resulting syndication proceeds would be $4,059,333 based on a syndication rate of 88.5%.

The Underwriter's recommended financing structure indicates the need for $1,895,857 in additional permanent funds. This amount is in excess of the available developer fee; however, the general contractor provided a letter indicating they are willing to defer a portion of the contractor fee. Deferred developer and contractor fees in this amount are projected to be repayable within 15 years of stabilized operation. This amounts to 98% of the available contractor and developer fees, which is a concern of the Underwriter's. In addition, if the syndicator requires repayment of deferred fees over a period less than the Department's 15 year requirement, the viability of the transaction may be jeopardized.

Underwriter:	*Cameron Dorsey*	Date:	8/26/2008
Reviewing Underwriter:	*Diamond Thompson*	Date:	8/26/2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	8/26/2008

MULTIFAMILY COMPARATIVE ANALYSIS

Park Shadows Apartments, Beaumont, 4% HTC #08408

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WST& Gas
TC 60%/HAP	40	1	1	618	$578	$574	$22,963	$0.93	$79.00	$47.00
TC 60%/HAP	62	2	1	767	694	654	40,558	0.85	101.00	56.00
TC 60%/HAP	44	3	1.5	993	801	776	34,137	0.78	127.00	65.00
TC 60%/HAP	4	4	2	1,108	894	828	3,311	0.75	155.00	75.00
TOTAL:	150		**AVERAGE:**	803		$673	$100,969	$0.84	$104.20	$56.75

INCOME	Total Net Rentable Sq Ft:	120,398	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT			$1,211,633	$1,072,056	Jefferson		5
Secondary Income	Per Unit Per Month:	$8.50	15,300	15,300	$8.50	Per Unit Per Month	
GIC/Interest Income			0	0	$0.00	Per Unit Per Month	
HAP Subsidy			0	139,572	$77.54	Per Unit Per Month	
POTENTIAL GROSS INCOME			$1,226,933	$1,226,928			
Vacancy & Collection Loss	% of Potential Gross Income:	-5.00%	(61,347)	(60,576)	-4.94%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME			$1,165,587	$1,166,352			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		3.76%	$292	0.36	$43,846	$31,500	$0.26	$210	2.70%
Management		5.00%	389	0.48	58,279	46,654	0.39	311	4.00%
Payroll & Payroll Tax		13.29%	1,033	1.29	154,937	172,500	1.43	1,150	14.79%
Repairs & Maintenance		7.18%	558	0.69	83,665	65,000	0.54	433	5.57%
Utilities		4.14%	322	0.40	48,296	36,802	0.31	245	3.16%
Water, Sewer, & Trash		7.71%	599	0.75	89,834	89,833	0.75	599	7.70%
Property Insurance		3.70%	287	0.36	43,094	43,050	0.36	287	3.69%
Property Tax	2.433281	2.35%	182	0.23	27,374	36,402	0.30	243	3.12%
Reserve for Replacements		3.86%	300	0.37	45,000	45,000	0.37	300	3.86%
TDHCA Compliance Fees		0.51%	40	0.05	6,000	6,000	0.05	40	0.51%
Other: Security		0.86%	67	0.08	10,000	10,000	0.08	67	0.86%
TOTAL EXPENSES		52.36%	$4,069	$5.07	$610,325	$582,742	$4.84	$3,885	49.96%
NET OPERATING INC		47.64%	$3,702	$4.61	$555,262	$583,610	$4.85	$3,891	50.04%
DEBT SERVICE									
Mortgage Revenue Bonds		40.80%	$3,170	$3.95	$475,538	$475,538	$3.95	$3,170	40.77%
Related Party Loan		0.26%	$20	$0.02	3,000	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		6.58%	$511	$0.64	$76,723	$108,072	$0.90	$720	9.27%
AGGREGATE DEBT COVERAGE RATIO					1.16	1.23			
RECOMMENDED DEBT COVERAGE RATIO					1.16				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		46.77%	$41,909	$52.21	$6,286,353	$6,286,353	$52.21	$41,909	47.32%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		1.67%	1,500	1.87	225,000	203,329	1.69	1,356	1.53%
Direct Construction		25.00%	22,400	27.91	3,360,000	3,168,171	26.31	21,121	23.85%
Contingency	4.70%	1.25%	1,124	1.40	168,575	168,575	1.40	1,124	1.27%
Contractor's Fees	13.17%	3.51%	3,147	3.92	472,010	472,010	3.92	3,147	3.55%
Indirect Construction		1.70%	1,523	1.90	228,500	228,500	1.90	1,523	1.72%
Ineligible Costs		3.07%	2,751	3.43	412,717	412,717	3.43	2,751	3.11%
Developer's Fees	14.71%	10.85%	9,720	12.11	1,457,994	1,457,994	12.11	9,720	10.97%
Interim Financing		2.56%	2,297	2.86	344,584	344,584	2.86	2,297	2.59%
Reserves		3.61%	3,232	4.03	484,792	543,816	4.52	3,625	4.09%
TOTAL COST		100.00%	$89,603	$111.63	$13,440,525	$13,286,049	$110.35	$88,574	100.00%
Construction Cost Recap		*31.44%*	***$28,171***	***$35.10***	***$4,225,585***	***$4,012,085***	***$33.32***	***$26,747***	*30.20%*

SOURCES OF FUNDS						RECOMMENDED	
Mortgage Revenue Bonds	51.71%	$46,333	$57.73	$6,950,000	$6,950,000	$6,950,000	Developer Fee Available
Related Party Loan	0.45%	$400	$0.50	60,000	60,000	60,000	$1,457,994
Existing Reserves	3.54%	$3,169	$3.95	475,335	475,335	475,335	Contractor Fee Available
HTC Syndication Proceeds	29.00%	$25,981	$32.37	3,897,155	3,897,155	4,059,333	$472,010
GIC/Interest Income	0.00%	$0	$0.00	0	47,700	0	
Capitalized Operations	0.00%	$0	$0.00	0	207,834	0	% of Dev. Fee Deferred
Deferred Developer Fees	12.26%	$10,987	$13.69	1,648,025	1,648,025	1,895,857	130%
Additional (Excess) Funds Req'd	3.05%	$2,733	$3.41	410,010	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$13,440,525	$13,286,049	$13,440,525	$2,304,489

Park Shadows Apartments, Beaumont, 4% HTC #08408

PAYMENT COMPUTATION

Primary	$6,950,000	Amort	420
Int Rate	6.000%	DCR	1.17

Secondary	$60,000	Amort	
Int Rate		Subtotal DCR	1.16

Additional	$3,897,155	Amort	
Int Rate		Aggregate DCR	1.16

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$475,538
Secondary Debt Service	3,000
Additional Debt Service	0
NET CASH FLOW	$76,723

Primary	$6,950,000	Amort	420
Int Rate	6.000%	DCR	1.17

Secondary	$60,000	Amort	240
Int Rate	0.00%	Subtotal DCR	1.16

Additional	$3,897,155	Amort	0
Int Rate	0.00%	Aggregate DCR	1.16

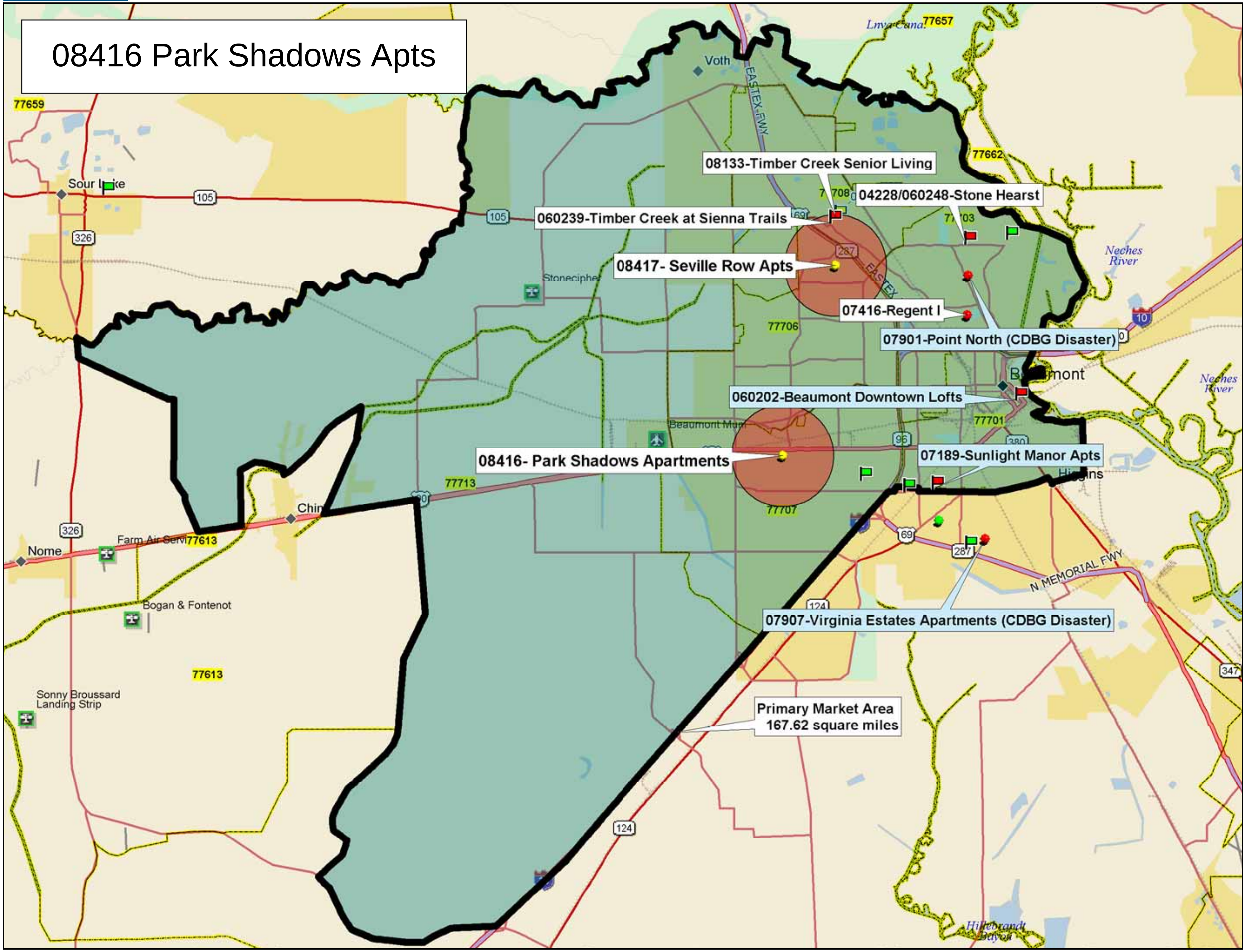
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,211,633	$1,247,982	$1,285,422	$1,323,984	$1,363,704	$1,580,907	$1,832,704	$2,124,606	$2,855,293
Secondary Income	15,300	15,759	16,232	16,719	17,220	19,963	23,143	26,829	36,055
HAP Subsidy	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,226,933	1,263,741	1,301,654	1,340,703	1,380,924	1,600,870	1,855,847	2,151,435	2,891,349
Vacancy & Collection Loss	(61,347)	(63,187)	(65,083)	(67,035)	(69,046)	(80,043)	(92,792)	(107,572)	(144,567)
Employee or Other Non-Rental Units	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,165,587	$1,200,554	$1,236,571	$1,273,668	$1,311,878	$1,520,826	$1,763,054	$2,043,863	$2,746,781
EXPENSES at 4.00%									
General & Administrative	$43,846	$45,600	$47,424	$49,321	$51,294	$62,407	$75,928	$92,377	$136,741
Management	58,279	60,028	61,829	63,683	65,594	76,041	88,153	102,193	137,339
Payroll & Payroll Tax	154,937	161,134	167,579	174,282	181,254	220,523	268,300	326,428	483,193
Repairs & Maintenance	83,665	87,012	90,493	94,112	97,877	119,082	144,882	176,271	260,923
Utilities	48,296	50,227	52,236	54,326	56,499	68,740	83,632	101,751	150,617
Water, Sewer & Trash	89,834	93,427	97,164	101,050	105,092	127,861	155,563	189,266	280,159
Insurance	43,094	44,818	46,610	48,475	50,414	61,336	74,625	90,793	134,395
Property Tax	27,374	28,469	29,608	30,792	32,024	38,962	47,404	57,674	85,371
Reserve for Replacements	45,000	46,800	48,672	50,619	52,644	64,049	77,925	94,808	140,339
Other	16,000	16,640	17,306	17,998	18,718	22,773	27,707	33,710	49,898
TOTAL EXPENSES	$610,325	$634,155	$658,921	$684,660	$711,409	$861,774	$1,044,117	$1,265,270	$1,858,977
NET OPERATING INCOME	$555,262	$566,399	$577,650	$589,008	$600,469	$659,052	$718,937	$778,593	$887,804
DEBT SERVICE									
First Lien Financing	$475,538	$475,538	$475,538	$475,538	$475,538	$475,538	$475,538	$475,538	$475,538
Second Lien	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$76,723	$87,861	$99,112	$110,470	$121,931	$180,514	$240,399	$300,055	$409,266
DEBT COVERAGE RATIO	1.16	1.18	1.21	1.23	1.25	1.38	1.50	1.63	1.86

HTC ALLOCATION ANALYSIS -Park Shadows Apartments, Beaumont, 4% HTC #08408

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	$1,151,559	$1,171,154				
Purchase of buildings	$5,134,794	$5,115,199	$5,134,794	$5,115,199		
Off-Site Improvements						
Sitework	$203,329	$225,000			$203,329	$225,000
Construction Hard Costs	$3,168,171	$3,360,000			$3,168,171	$3,360,000
Contractor Fees	$472,010	$472,010			$472,010	$472,010
Contingencies	$168,575	$168,575			$168,575	$168,575
Eligible Indirect Fees	$228,500	$228,500	$11,250	$11,250	$217,250	$217,250
Eligible Financing Fees	$344,584	$344,584			$344,584	$344,584
All Ineligible Costs	$412,717	$412,717				
Developer Fees						
Developer Fees	$1,457,994	$1,457,994	$771,906	$753,127	$686,088	$704,867
Development Reserves	$543,816	$484,792				
TOTAL DEVELOPMENT COSTS	$13,286,049	$13,440,525	$5,917,950	$5,879,576	$5,260,007	$5,492,286

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			$5,917,950	$5,879,576	$5,260,007	$5,492,286
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			$5,917,950	$5,879,576	$6,838,009	$7,139,972
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			$5,917,950	$5,879,576	$6,838,009	$7,139,972
Applicable Percentage			3.55%	3.55%	3.55%	3.55%
TOTAL AMOUNT OF TAX CREDITS			$210,087	$208,725	$242,749	$253,469
Syndication Proceeds		**0.8849**	**$1,859,084**	**$1,847,029**	**$2,148,114**	**$2,242,974**
				Total Tax Credits (Eligible Basis Method)	**$452,837**	**$462,194**
				Syndication Proceeds	**$4,007,198**	**$4,090,003**
				Requested Tax Credits	**$458,728**	
				Syndication Proceeds	**$4,059,333**	
				Gap of Syndication Proceeds Needed	**$5,860,714**	**$6,015,190**
				Total Tax Credits (Gap Method)	**$662,294**	**$679,751**


08416 Park Shadows Apts
08133-Timber Creek Senior Living
04228/060248-Stone Hearst
060239-Timber Creek at Sienna Trails
08417- Seville Row Apts
07416-Regent I
07901-Point North (CDBG Disaster)
060202-Beaumont Downtown Lofts
08416- Park Shadows Apartments
07189-Sunlight Manor Apts
07907-Virginia Estates Apartments (CDBG Disaster)
Primary Market Area
167.62 square miles
Voth
Stonecipher
Nome
Bogan & Fontenot
Sonny Broussard Landing Strip
Neches River
N MEMORIAL FWY
EASTEX FWY
77659
77657
77662
77706
77707
77713
77613
77701
Scale 1 : 162,500
1" = 2.56 mi
Data Zoom 10-3
TN
MN (2.9°E)

Applicant Evaluation

Project ID **08416** Name **Park Shadow Apartments** City: **Beaumont**

HTC 9% ☐ HTC 4% ☑ HOME ☐ BOND ☐ HTF ☐ SECO ☐ ESGP ☐ Other ☐

☐ No Previous Participation in Texas ☐ Members of the development team have been disbarred by HUD

Portfolio Management and Compliance

Total # of MF awards monitored: 12

Total # of MF awards not yet monitored or pending review: 0

SF Contract Experience ☐ Yes ☑ No

Total # of SF Contracts: 0

Projects in Material Noncompliance

Yes ☐ **No** ☑

Total # of MF Projects in Material Noncompliance: 0

Projects grouped by score

0-9: 5

10-19: 4

20-29: 3

Total monitored with a score 0-29: 12

Completed by: J. Taylor Date 8/26/2008

Reviewer: Lucy Trevino Date 8/26/2008

Single Audit

☑ Single audit review not applicable

☐ Single audit review found no unresolved issues

☐ Late single audit certification form (see comments

☐ Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos Date 8/26/2008

Comments (if applicable):

Financial Administration
Loan Servicing

☑ No delinquencies found ☐ Delinquencies found (see comments)

Reviewer Candace Christiansen Date 8 /26/2008

Comments (if applicable):

Financial Administration
Financial Services

☑ No delinquencies found ☐ Delinquencies found (See Comments)

Reviewer Monica Guerra Date 8 /26/2008

Comments (if applicable):

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
September 3, 2008

Action Item

Presentation, Discussion and Possible Issuance of Determination Notices for Housing Tax Credits associated with Mortgage Revenue Bond Transactions with other Issuers.

Requested Action

Approve, Amend or Deny the staff recommendation for Seville Row Apartments, #08417, in Beaumont, Texas.

Summary of the Transaction

Background and General Information: The application was received on July 3, 2008. The Issuer for this transaction is Jefferson County HFC with a reservation of allocation that expires on November 15, 2008. The development consists of the acquisition and rehabilitation of 90 total units targeting the elderly population and 100% of the units are proposed to be restricted at 60% AMFI. The proposed development will be located in Beaumont, Jefferson County. The site is currently zoned for this type of development.

Staff notes this Development was presented before the Board in December 2007 and March 2008 and was approved; however, the Applicant was unable to close the bond transaction due to timing issues with the financing parties and the uncertainties in the tax credit market.

Pursuant to §50.12(a)(2) of the 2008 Qualified Allocation Plan and Rules, "any outstanding documentation must be submitted to the Department at least 60 days prior to the Board meeting at which the decision to issue a Determination Notice would be made unless a waiver is requested by the Applicant". As a result of the changes that were proposed since the Board approved the application in March 2008, the Department required the Applicant to re-submit the entire application which would need to be re-evaluated and underwritten. The Volume 3 and third party reports were not submitted by the required 60 day deadline and therefore the Applicant is requesting the Board waive the 60 day requirement for the receipt of the Volume 3 and third party reports. The expiration of the current bond reservation does not allow sufficient time for the application to be presented at the next scheduled Board meeting in November and still close before the expiration date.

Organizational Structure and Compliance: The Borrower is Beaumont Leased Housing Associates I, L.P. and the General Partner is Beaumont Leased Housing Associates I, LLC, of which Housing Services, Inc. have 100% ownership and Polaris Holdings I, LLC is a Class B Limited Partner of which David L. Brierton has 20% ownership interest, Jack W. Safar has 20% ownership interest, Armand E. Brachman has 20% ownership interest, Paul R. Sween has 20% ownership interest and Mark S. Moorhouse has 20% ownership interest. The Compliance Status Summary completed on August 26, 2008 reveals that the principals of the general partner have twelve (12) properties that have been monitored by the Department with no material non-compliance.

Census Demographics: The development is to be located at 4325 Crow Road Beaumont. Demographics for the census tract (3.01) include AMFI of $70,068; the total population is 7,027; the percent of population that is minority is 30.35%; the percent of population that is below the poverty line is 8.01%; the number of owner occupied units is 1,553; the number of renter units is 1,810 and the number of vacant units is 253. (Census information from FFIEC Geocoding for 2008).

Public Comment: The Department has received no letters of support and no letters of opposition.

Recommendation

Staff recommends the Board approve the issuance of a Determination Notice of $288,807 in Housing Tax Credits for Seville Row Apartments. By approving this determination, the Board is waiving the 60 day application deadline pursuant to §50.12(a)(2) of the 2008 Qualified Allocation Plan and Rules.

MULTIFAMILY FINANCE PRODUCTION DIVISION

September 3-4, 2008

Development Information, Public Input and Board Summary

Seville Row Apartments, TDHCA Number 08417

BASIC DEVELOPMENT INFORMATION

Site Address:	4325 Crow Road			Development #:	08417
City:	Beaumont	Region:	5	Population Served:	Elderly
County:	Jefferson	Zip Code:	77706	Allocation:	Urban
HOME Set Asides:	☐ CHDO	☐ Preservation	☐ General	Purpose/Activity:	ACQ/R
Bond Issuer:	Jefferson County HFC				

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner:	Beaumont Leased Housing Associates II,LP
Owner Contact and Phone	Mark Moorhouse, (763) 354-5613
Developer:	Beaumont Leased Housing Development II, LLC
Housing General Contractor:	Benson-Orth Associates, Inc.
Architect:	BKV Group
Market Analyst:	Integra Realty Resources
Syndicator:	Alliant
Supportive Services:	Dominium Management Services, Inc.
Consultant:	Not Utilized

UNIT/BUILDING INFORMATION

30%	40%	50%	60%	80%	Eff	1 BR	2 BR	3 BR	4 BR	5 BR
0	0	0	90	0	16	68	6	0	0	0

Type of Building:

- ☐ Duplex
- ☐ Triplex
- ☐ Fourplex
- ☑ 4 units or more per building
- ☐ Detached Residence
- ☐ Single Room Occupancy
- ☐ Transitional
- ☐ Townhome

Total Restricted Units:	90
Market Rate Units:	0
Owner/Employee Units:	0
Total Development Units:	90
Total Development Cost:	$8,262,707
Number of Residential Buildings:	1
HOME High Total Units:	0
HOME Low Total Units:	0

Note: If Development Cost =$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis	Amort	Term	Rate
4% Housing Tax Credits with Bonds:	$288,807	$288,807	0	0	0%
TDHCA Bond Allocation Amount:	$0	$0	0	0	0%
HOME Activity Fund Amount:	$0	$0	0	0	0%
HOME CHDO Operating Grant Amount:	$0	$0			

MULTIFAMILY FINANCE PRODUCTION DIVISION
September 3-4, 2008
Development Information, Public Input and Board Summary

Seville Row Apartments, TDHCA Number 08417

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Williams, District 4 NC — US Representative: Poe, District 2, NC

TX Representative: Ritter, District 21 NC — US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Becky Ames, Mayor, City of Beaumont - NC — Resolution of Support from Local Government ☐

Individuals/Businesses: In Support: **0** In Opposition **0**

Neighborhood Input:

General Summary of Comment:

The Department has received no letters of support and no letters of opposition from the community.

CONDITIONS OF COMMITMENT

Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."

Waiver of the 2008 QAP rule regarding the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made (10 TAC 50.12(b)), due to the Applicant's failure to provide a current Market Study by the 60 day deadline.

Approval of a tax credit allocation for Park Shadow Apartments (TDHCA #08416) at the September 4, 2008 TDHCA Board meeting.

Receipt, review, and acceptance, by cost certification, of documentation that asbestos containing material was removed in accordance with federal, state, and local requirements or that the material is being managed in place through an O&M Program.

Receipt, review, and acceptance, by cost certification, of a renewal of the existing HAP contract as proposed.

Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

MULTIFAMILY FINANCE PRODUCTION DIVISION

September 3-4, 2008

Development Information, Public Input and Board Summary

Seville Row Apartments, TDHCA Number 08417

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

4% Housing Tax Credits: Credit Amount: $288,807

Recommendation: Recommend approval of a Housing Tax Credit Allocation not to exceed $288,807 annually for ten years, subject to conditions.

TDHCA Bond Issuance: Bond Amount: $0

Recommendation:

HOME Activity Funds: Loan Amount: $0

HOME CHDO Operating Expense Grant: Grant Amount: $0

Recommendation:

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 08/26/08 PROGRAM: 4% HTC FILE NUMBER: **08417**

DEVELOPMENT

Seville Row Apartments

Location: 4325 Crow Road Region: 5

City: Beaumont County: Jefferson Zip: 77706 ☐ QCT ☒ DDA

Key Attributes: Elderly, Urban/exurban, Acquisition/rehabilitation

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$288,807			**$288,807**		

CONDITIONS

1. Waiver of the 2008 QAP rule regarding the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made (10 TAC 50.12(b)), due to the Applicant's failure to provide a current Market Study by the 60 day deadline.
2. Approval of a tax credit allocation for Park Shadows Apartments (TDHCA #08416) at the September 4, 2008 TDHCA Board meeting.
3. Receipt, review, and acceptance, by cost certification, of documentation that asbestos containing material was removed in accordance with federal, state, and local requirements or that the material is being managed in place through an O&M Program.
4. Receipt, review, and acceptance, by cost certification, of a renewal of the existing HAP contract as proposed.
5. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	90

PROS

- The application proposes the rehabilitation of a 27 year old HUD property and renewal of the existing HAP contract for 100% of the units.
- The property is currently operating at stabilized occupancy of 97%.

CONS

- The recommended financing structure indicates that up to 100% of the developer fee plus some of the contractor fees may be deferred.
- The Applicant has submitted application on two previous occasions and was unable to close each time.

- The Applicant's expense to income ratio is 43%, which reflects a healthy operating margin.
- The proposed rehabilitation will limit the displacement of existing tenants.
- The Applicant's credit pricing has steadily decreased each time the application has been submitted and failure to maintain the current pricing could adversely impact the viability.

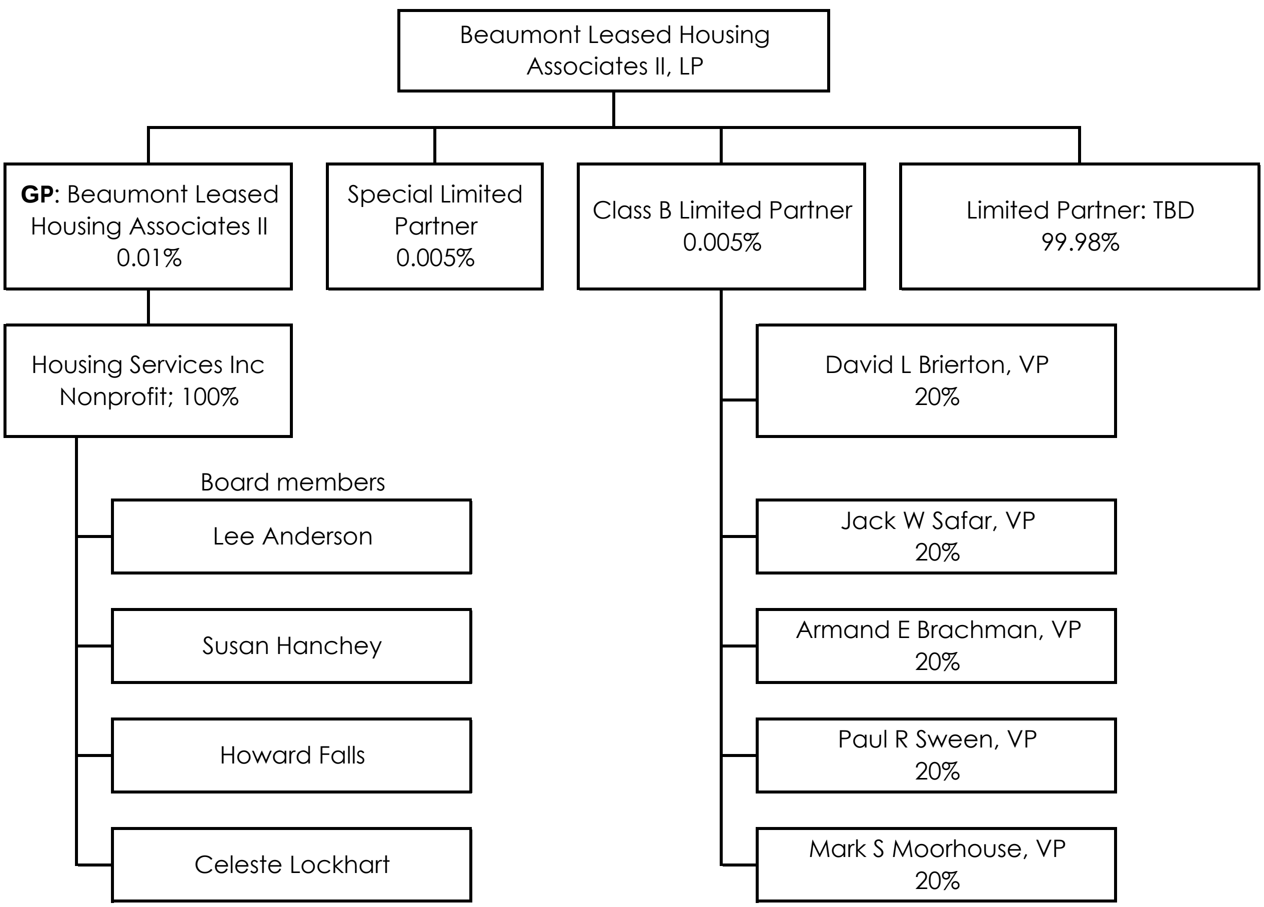
PREVIOUS UNDERWRITING REPORTS

The subject was originally underwritten in December 2007 with a slightly different financing structure and a tax-exempt bond reservation from the 2007 private activity cap. Although not recommended due to violation of the 60-day rule, the TDHCA board approved the previous application for a 4% HTC allocation of $308,379 annually. The Applicant indicated that they were unable to close prior to the 150 day deadline for the bond reservation as a result of issues with syndication of the tax credits.

The subject received 2008 reservation and was approved for a 4% HTC allocation for a second time in early 2008. However, the Applicant was again unable to close by the 150 day deadline. The current application proposes a similar financing structure but includes a nonprofit in the ownership structure in order to achieve a 50% property tax exemption and enhance the viability of the transaction. The credit pricing has steadily dropped from $0.98 originally to $0.90 to $0.86 in the current application. The latest credit pricing is more in line with current credit prices.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact:	Mark Moorhouse	Phone:	763.354.5613	Fax:	763.354.5633
Email:	mmoorhouse@dominiuminc.com				

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Housing Services, Inc	N/A	One 9% LIHTC Allocation
Beaumont Leased Housing Associates II, LP	No material assets	Not Yet Formed
David L Brierton	N/A	One 9% LIHTC Allocation
Jack W Safar	N/A	One 9% LIHTC Allocation
Armand E Brachman	N/A	One 9% LIHTC Allocation
Paul R Sween	N/A	One 9% LIHTC Allocation
Mark S Moorhouse	N/A	One 9% LIHTC Allocation

[1] Liquidity = Current Assets - Current Liabilities

Comments:

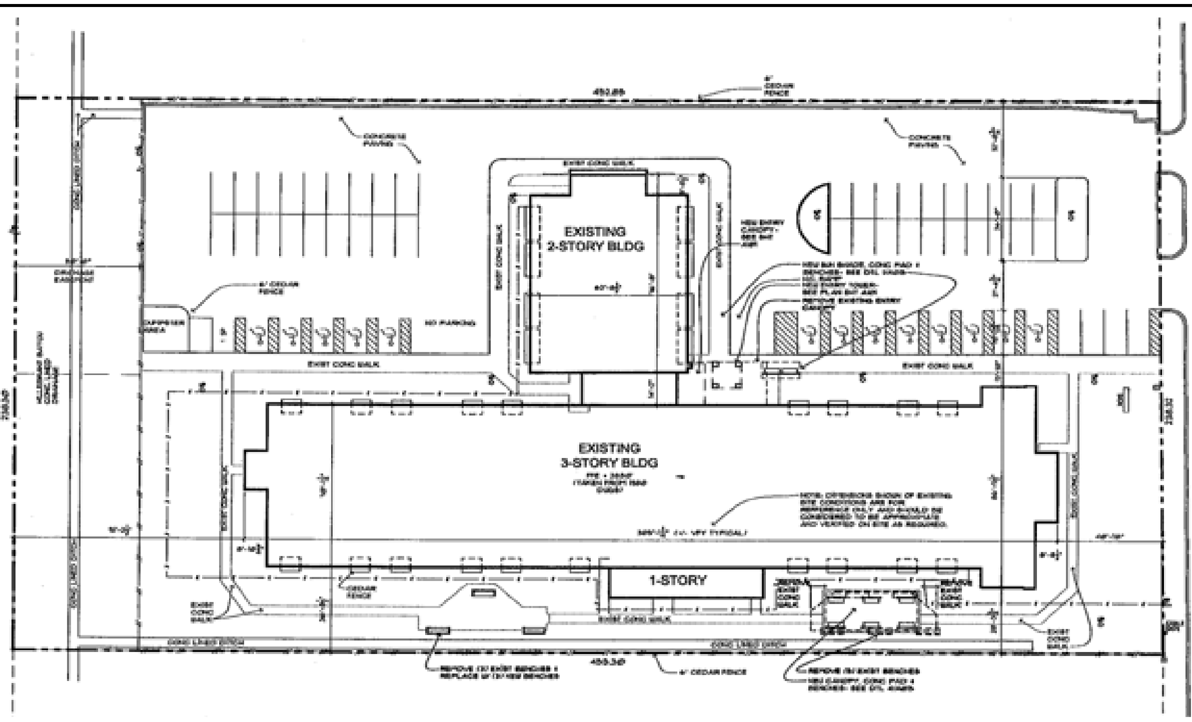
While the development team participants have little experience with the LIHTC program in Texas, the participants appear to have significant experience with the acquisition and rehabilitation of properties in several other states.

IDENTITIES of INTEREST

- The Applicant, Developer, supportive service provider, and property manager are related entities. These are common relationships for HTC-funded developments.
- When submitted in 2007, the transaction was structured with a below market seller note that resulted in an inflated purchase price and use of additional 4% tax credits. Staff expressed concerns about this structure and the Applicant restructured the purchase to exclude the seller note. The restructured acquisition reduced the purchase price by the amount of the seller note ($630,000).

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A									Total Buildings
Floors/Stories	3									
Number	1									**1**

BR/BA	SF	Units										Total Units	Total SF
0/1	461	16										16	7,376
1/1	503	68										68	34,204
2/1	700	6										6	4,200
Units per Building		90										**90**	**45,780**

Rehabilitation Plan:

The Applicant provided a Property Condition Assessment with one revision that included the following scope of work: significant landscaping; upgrade site lighting; rebuild trash enclosures; replacement of signage; renovation of first floor common space; upgrade common area kitchen; replace roofs; replace hardiplank siding; repair stucco; replace entry doors; new mechanical systems; new flooring in common hallways; new secure entry system; replace hallway ceilings; upgrade corridor lighting; replace kitchen appliances, floors, cabinets, and sinks; replace PTAC (air conditioning) units as needed (Approx 50%); new flooring throughout units; replace bathroom fixtures; new interior doors; replace closet shelving. The PCA specifically indicates that dishwashers will be installed in the units, which is currently a threshold requirement.

Relocation Plan:

The Applicant has indicated that a "rolling rehabilitation" will be performed to minimize the temporary relocation of existing tenants. According to the relocation plan submitted, between 6 and 16 units will be vacated to allow for rehabilitation.

SITE ISSUES

Total Size:	2.4707 acres	Scattered site?	[ ] Yes	[x] No	
Flood Zone:	A	Within 100-yr floodplain?	[x] Yes	[ ] No	
Zoning:	Residential MF	Needs to be re-zoned?	[ ] Yes	[x] No	[ ] N/A

Comments:

The entire site appears to be located within Zone A, which is identified as "areas inundated by 100-year flood with no base elevations determined." Generally, such a property would be required to meet the Department's new construction standards for developments within the floodplain (cited below); however, the property currently receives rental assistance through a HAP contract with HUD and the Applicant anticipates continuation of the existing HAP contract with a 20 year renewal. If the property continues to receive HUD funds, the property is considered exempt from the floodplain requirements of the QAP as defined below. Should the HAP contract not be renewed, the Applicant may not be eligible for 4% tax credits. Therefore, receipt, review, and acceptance, by cost certification, of a renewal of the existing HAP contract as proposed in order to meet the Department's floodplain requirements in §450.6 (a) of the 2008 QAP is a condition of this report.

2008 QAP §50.6 (a) Floodplain. Any Development proposing New Construction located within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the 100 year floodplain. No buildings or roads that are part of a Development proposing Rehabilitation, with the exception of Developments with federal funding assistance from HUD or TX USDA-RHS, will be permitted in the 100 year floodplain unless they already meet the requirements established in this subsection for New Construction.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff | Date: 10/5/2007

Overall Assessment:

- [ ] Excellent
- [x] Acceptable
- [ ] Questionable
- [ ] Poor
- [ ] Unacceptable

Surrounding Uses:

North: Multifamily property followed by commercial and retail
South: Crow Rd followed by churches, single family, and retail
East: Multifamily property followed by single family
West: Retail shopping center followed by additional retail

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Peer Engineering | Date: 8/8/2007
Update: 9/25/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- A limited sampling of suspect asbestos containing material was performed by Peer Engineering. Two of three samples of sink undercoating were determined to contain 10% asbestos. The report states, "If the sinks must be replaced as part of renovation, they should be removed and disposed by a licensed asbestos abatement contractor in accordance with applicable federal, state, or local requirements. If the sinks will be left in place, then the asbestos-containing undercoating should be managed through an Operations and Maintenance (O&M) Program" (p. 12).

Comments:

Receipt, review, and acceptance, by cost certification, of documentation that asbestos containing material was removed in accordance with federal, state, and local requirements or that the material is being managed in place through an O&M Program is a condition of this report.

MARKET HIGHLIGHTS

Provider: Integra Realty Resources | Date: 10/10/2007
Contact: Mark R Lamb | Phone: (972) 960-1222 | Fax: (972) 960-2922
Number of Revisions: 1 | Date of Last Applicant Revision: 7/18/2008

Comments:

The original market study was performed in October of 2007. In order to comply with the 2008 QAP and Real Estate Analysis Rules and Guidelines the Market Analyst has provided an update indicating that the market has generally improved since the original study and that the occupancy for comparable product has increased. It should be noted, however, that the Department recently approved a 2008 9% HTC, new construction transaction in the PMA that was not considered in this update. The impact is discussed below.

The updated information was not provided with the application and was submitted on July 23, 2008, which is less than 60 days before the September 4, 2008 TDHCA Board meeting. As such, a waiver of the 2008 QAP rule regarding the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made (10 TAC 50.12(b)) is required as a condition of this report.

Primary Market Area (PMA): 167.6 square feet (7.3 mile radius)

"We consider the market area for the subject to consist of the following zip codes located within the City of Beaumont: 77701, 77702, 77703, 77706, 77707, 77708, 77710, 77713" (p. 17).

Secondary Market Area (SMA):

The Market Analyst did not delineate a secondary market area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS								
PMA				SMA				
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25%	Comp Units
Timber Creek Senior	08133	120	115	N/A				

Comments:

The updated addendum to the market study does not contemplate Timber Creek Senior Living (08133), a recently approved new construction, 9% HTC transaction located within the PMA. This property will include 120 total units, 115 of which will be LIHTC units. The Underwriter has included the 115 comparable units in the inclusive capture rate calculation.

INCOME LIMITS						
Jefferson						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60	$21,240	$24,300	$27,300	$30,360	$32,760	$35,220

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
0 BR/ 60% Rent Limit	986	20	0	1,006	16	0	2%
1 BR/ 60% Rent Limit	1,131	23	0	1,154	68	0	6%
2 BR/ 60% Rent Limit	1,018	20	0	1,038	6	0	1%

Comments:

The methodology used by the Market Analyst results in overlapping demand for each unit type which lowers the calculated capture rates. However, the capture rate for each unit type is substantially below the Department maximum and the property is currently 97% occupied. Therefore, the capture rate is not an effective tool for estimating demand as indicated below.

	OVERALL DEMAND				
	Target Households	Household Size	Income Eligible	Tenure	Demand
	PMA DEMAND from TURNOVER				
Market Analyst p.					65% 3,136
Underwriter	39% 15,354	94% 14,463	41% 5,956	39% 2,317	24% 556
	PMA DEMAND from HOUSEHOLD GROWTH				
Market Analyst p.					63
Underwriter		94% -120	41% -47	39% -18	100% -18

	INCLUSIVE CAPTURE RATE					
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p.	0	0	0	0	3,198	0.00%
Underwriter	90	115	0	205	538	38.11%

* The Analyst calculated a 0% inclusive capture rate because the subject property is stabilized, which is not the Department's standard practice.

Comments:

The Analyst's demand estimate is substantially overstated due to the use of the cumulative of the by unit type demand. The Analyst's methodology for calculating demand by unit type includes some households in the demand for more than one unit type. The Market Analyst erred in accumulating these in the total demand for the development because this would effectively double count some households.

The Market Analyst did not include any of the subject units in the capture rate calculation because the property is currently at stabilized occupancy. While this is inconsistent with the methodology used by the Department which includes all of the subject units in order to develop the capture rate calculation, current occupancy levels do play a role in the interpretation of the inclusive capture rate calculation.

The Underwriter has calculated an inclusive capture rate of 38.11%, which is above the Department guideline. In this case, because the property is well over 90% occupied and the tenant population is not expected to change, the inclusive capture rate calculation is not a meaningful tool to determine financial feasibility.

Primary Market Occupancy Rates:

"The average occupancy rates for LIHTC properties within the PMA is 98%" (p. 39). "As of the effective date of this report, the occupancy of the subject is 97%, which is considered stabilized occupancy" (p. 41).

Absorption Projections:

"No new projects have recently been completed within the PMA. Thus, we are unable to analyze absorption trends specific to the PMA. As of the effective date of this report, the occupancy of the subject is 97%, which is considered stabilized occupancy" (p. 41).

RENT ANALYSIS (Tenant-Paid Net Rents)								
Unit Type (% AMI)			Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
0 BR	461 SF	60%	$571	$594	$575	$594	$23
1 BR	503 SF	60%	647	673	625	673	26
2 BR	700 SF	60%	823	856	775	856	33

Market Impact:

The Market Analyst did not explicitly discuss the market impact. However, the Analyst indicates that the property is currently stabilized, and therefore the Underwriter believes the rehabilitation will have no impact on existing properties.

Comments:

As indicated above, the Market Analyst's methodology for determining demand is inconsistent with the Department's guideline. However, the Analyst provided sufficient data for the Underwriter to derive a capture rate that is within the Department's guideline. Moreover, the property is currently operating at a stabilized occupancy of 97%; therefore, use of the inclusive capture rate is not an effective tool for estimating demand. The market study provides sufficient information on which to base a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 252 unit(s) per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 24 unit(s) per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department’s standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's net rents are equal to the program gross rent limits less utility allowances as reflected in the property's current HAP contract. The Applicant included the difference between the projected HAP rents and the program net rents as a source of secondary income. However, the Underwriter has used the full projected HAP rents to determine potential gross rent. Despite this minor accounting difference, the Applicant's HAP subsidy plus rent collected is comparable to the Underwriter's potential gross rent estimate.

The Applicant expects to receive a 4% increase from the current HAP contract rents, and the Underwriter has based the proforma analysis on the higher projected rents. As indicated above, the market rents determined by the Market Analyst are lower than the projected HAP rents. Rent increases must generally be supported by comparable market rents; however, there are some exceptions allowed by HUD. The Applicant has indicated that the subject property will be exempt from the comparable market rent cap on the contract rents due to the non-HUD/FHA insured mortgage proposed. This was not confirmed with supporting documentation.

Assuming that above market contract rents are acceptable in this case, the HAP contract itself indicates two mechanisms for increases in the contract rents: (1) increases based on the Operating Cost Adjustment Factor (OCAF); or (2) budget-based rent increases. The OCAF is applied to the current contract rent less the debt service attributed to each unit. Therefore, if the 5.1% 2008 OCAF were repeated in 2009 the property would likely be allowed for a 2.38% increase over the current rents after debt service is considered. The Underwriter ran a sensitivity analysis on the minimum rent increase needed in order to maintain financial feasibility and determined that the property would be marginally viable with no increase over the current HAP contract rents.

The Applicant has included typical secondary income of $11 per unit per month, which is in line with Department standards. The Underwriter has used vacancy and collection loss of 5% due to the maintenance of the existing HAP contract and the current 97% occupancy.

The Applicant's effective gross income estimate is within 5% of the Underwriter's.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant has indicated total expenses of $3,367 per unit which is not within 5% of the Underwriter's estimate of $3,534 per unit derived from actual historical operations of the development, the TDHCA database, and third-party data sources.

Additionally, several of the Applicant's line item estimates differ significantly from the Underwriter's, including: general and administrative ($14K lower); payroll and payroll tax ($17K higher); utilities ($14K lower); and water, sewer, and trash ($5K higher).

The Applicant's property insurance estimate is at the extreme low end of current estimates within this Gulf Coast region, particularly considering the inclusion of flood insurance premiums for being located within the floodplain. However, the Applicant provided an actual quote for insurance (including flood insurance) for the subject property. The Underwriter has used this quote.

Additionally, the Applicant has claimed a 50% property tax exemption due to the 100% general partner ownership by a nonprofit. This is a typical ownership structure employed to achieve a partial exemption and has been incorporated in the subject transaction as the previously underwritten structures are no longer viable without the additional ongoing operating expense savings.

Conclusion:

The Applicant's estimates effective gross income, total operating expenses and net operating income are each within 5% of the Underwriter's estimates. Therefore, the Applicant's Year One proforma will be used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma results in a DCR within the Department's guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized and the 30-year proforma reflects a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Integra Realty Resources   Date: 11/15/2007

Number of Revisions: none   Date of Last Applicant Revision: N/A

Land Only: 2.48 acres	$216,000	As of:	7/25/2007
Existing Buildings: (as-is)	$3,234,000	As of:	7/25/2007
HAP Contract:	$370,000	As of:	7/25/2007
Cash Reserves: (rounded)	$95,000	As of:	7/25/2007
Total Development: (as-is)	$3,915,000	As of:	7/25/2007

ASSESSED VALUE

Land Only: 2.48 acres	$162,040	Tax Year:	2007
Existing Buildings:	$1,596,680	Valuation by:	Jefferson CAD
Total Assessed Value:	$1,758,720	Tax Rate:	2.433281

EVIDENCE of PROPERTY CONTROL

Type: Purchase Agreement with 10 Amendments   Acreage: N/A

Contract Expiration: 9/15/2008   Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $3,447,720   Other:

Seller: Seville Apartments, Ltd   Related to Development Team? [ ] Yes [x] No

Comments:

The First Amendment to the Purchase Agreement indicates that closing is contingent upon a simultaneous closing of the subject and Park Shadows Apartments, which has also been underwritten for 4% HTCs. As such, this report is conditioned upon the approval of a tax credit allocation for Park Shadows Apartments (TDHCA #08416).

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none   Date of Last Applicant Revision: N/A

Acquisition Value:

As indicated above, the transaction was originally submitted in 2007 and the purchase was structured to include a $630,000 below market seller note. The inclusion of the seller note resulted in an inflated purchase price which increased eligible acquisition basis and the requested 4% tax credit amount. However, staff expressed significant concerns about the structure of the transfer due to the inflation of the tax credit amount. Subsequently, the Applicant and seller negotiated a revised purchase price that excludes any seller financing and that reflects a $630,000 decrease in the acquisition price. The revised purchase price is documented in the Second Amendment to the Purchase Agreement.

Also of note, the contract price includes a penalty associated with the prepayment of the existing first lien. This amount has been estimated to be $147,720 but may change slightly based on the outstanding balance at closing.

For determination of eligible basis, the Underwriter and Applicant have used the purchase price of $3,447,720 less the appraised land value of $216,000 to derive an eligible building value of $3,231,720. The Applicant's estimated land value is greater than the appraised land value.

Sitework Cost:

The Applicant has estimated sitework costs of $956 per unit which is slightly less than the property condition assessment (PCA) value of $1,000 per unit. Per the Department's guidelines, the Underwriter has used the PCA estimate.

Direct Construction Cost:

The Applicant's direct construction cost estimate is 5.7% lower than the Underwriter's cost estimate derived from the revised PCA provided by the Applicant. The PCA estimate appears to be based on the scope of work provided by the developer. The reason for the discrepancy is unclear, but the Applicant has indicated that their costs are more refined than previous submissions were.

Imputed Interest Expense:

The Applicant's cost schedule reflects that 263(a) interest on the equity contributions. Additionally, a small amount of operating expenses incurred during construction will be included as an eligible cost to the development. As such, the Applicant has included $130,599 in eligible basis for these costs. The Underwriter has treated this cost as eligible interim interest expense.

Contingency & Fees:

The Applicant's allocation of developer fees between the acquisition and the rehabilitation is not proportionate. This results in a 30% boost on a portion of the developer fee that should be attributed to the acquisition. The Underwriter has adjusted the allocation of developer fees according to the Department's guidelines.

Conclusion:

The Underwriter’s cost schedule was derived from the revised third-party Property Condition Assessment (PCA) provided by the Applicant and the information presented in the application. The revised PCA was well documented and appeared to cover the scope of work provided by the Applicant. Thus, the Underwriter’s development cost schedule, as derived from the revised PCA, will be used to determine the development’s need for permanent funds and to calculate eligible basis. An eligible basis of $7,161,171 supports annual tax credits of $290,880. This figure will be compared to the Applicant’s request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: N/A

Issuer: Jefferson County HFC

Source: Dougherty & Company, LLC Type: **Interim to Permanent Bond Financing**

Series A:	$4,810,000	Interest Rate:	6.000%	x	Fixed	Amort:	420	months
Series B:	$1,300,000	Interest Rate:	6.000%	x	Fixed	Term	60	months

Comments:

The interest rates are estimated; the actual rate is subject to market conditions at the time of the sale.

The Series A bonds will provide typical interim to permanent financing with a fixed rate structure and 35 year amortization. The Series B bonds will provide construction bridge financing with a 5 year term. However, per the term sheet provided, the Series B bonds will be repaid from the LIHTC equity.

Current market conditions have limited the number of fixed rate tax exempt transactions that the Department has evaluated in the past several months. However, the Applicant indicated that the bonds will be privately placed with an investor that has purchased bonds for several Dominium transactions in the past. The same fixed rate structure would likely not be achievable with a publicly offered structure. As a result, if the bond purchaser ultimately backs out, it is unclear that the transaction would remain viable.

It should be noted, that the Applicant has received two reservations and HTC awards previously for this development, and the Applicant was not able to close on both occasions.

Source: Alliant | Type: **Syndication**

Proceeds: $2,364,286 | Syndication Rate: 86% | Anticipated HTC: $274,945

Comments:

As indicated previously, the subject transaction has been evaluated on two previous occasions but was unable to close. The Applicant originally anticipated a syndication rate of 98% and provided a commitment from Richman Ohio Affordable Housing with their first application in 2007. Subsequently, the Applicant has indicated that pricing has declined significantly. Their second application reflected a price of $0.90, but the Applicant was again unable to close.

The subject application reflects a credit price of $0.86 which is consistent with current rates given market conditions. Additionally, the Applicant has accepted a structure in which more equity is back loaded and additional tax exempt bonds will be utilized as bridge funding. While this structure utilizes additional private activity cap, the Applicant is able to achieve a higher syndication rate which is needed to enhance the viability of the transaction.

Also of note, any decrease in rate may further increase the need to defer developer and contractor fee. Additionally, a decrease below $0.76 per dollar of credit may jeopardize the financial viability of the transaction. Alternatively, should the final credit price increase to more than $1.19, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: $115,599 | Type: **Capitalized Operations**

Comments:

The Applicant has included imputed interest expense and a small amount of capitalized expenses incurred during rehabilitation in the development costs as an eligible substitute for eligible interest expense. The Applicant has included $115,599 as a source of funds and $130,599 as an eligible use of funds. The inclusion of the imputed expenses as a source of funds implies that an actual cost will not be incurred and therefore a phantom source should offset the phantom imputed expense. The Underwriter has not included this as a source of funds and has treated the amount claimed as a development cost as eligible interest expense actually incurred.

Amount: $66,684 | Type: **GIC/Interest Income**

Comments:

The Applicant has included GIC interest income from the bonds during the construction period. The estimated income from this source is relatively small due to the large portion of the bonds that will be utilized to purchase the property prior to construction. The Underwriter has blended this source with developer fee to be deferred due to the risk associated with projecting future interest earnings.

Amount: $821,034 | Type: **Deferred Developer Fee**

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan of $4,810,000 indicates the need for $3,452,707 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $401,518 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's revised request ($288,807), the gap-driven amount ($401,518), and eligible basis-derived estimate ($290,880), the Applicant's request of $288,807 is recommended. The resulting syndication proceeds would be $2,483,487 based on a syndication rate of 86%.

The Underwriter's recommended financing structure indicates the need for $969,220 in additional permanent funds. Deferred developer fees and contractor fees in this amount appear to be repayable from development cashflow within eleven years of stabilized operation. The Applicant has submitted a letter from the contractor indicating that a portion of the contractor fee can be deferred if necessary.

Underwriter:	*Cameron Dorsey*	Date:	8/26/2008
Reviewing Underwriter:	*Diamond Thompson*	Date:	8/26/2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	8/26/2008

MULTIFAMILY COMPARATIVE ANALYSIS

Seville Row Apartments, Beaumont, 4% HTC #08417

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WST& Gas
TC 60%/HAP	16	0	1	461	$540	$594	$9,501	$1.29	$54.00	$37.00
TC 60%/HAP	68	1	1	503	$578	673	45,756	1.34	66.00	47.00
TC 60%/HAP	6	2	1	700	$694	856	5,136	1.22	69.00	56.00
TOTAL:	90		**AVERAGE:**	509		$671	$60,393	$1.32	$64.07	$45.82

INCOME	Total Net Rentable Sq Ft:	45,780		**TDHCA**	**APPLICANT**	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$724,714	$556,104	Jefferson		5
Secondary Income		Per Unit Per Month:	$11.00	11,880	11,880	$11.00	Per Unit Per Month	
GIC/Interest Income				0	0	$0.00	Per Unit Per Month	
HAP Subsidy				0	168,612	$156.12	Per Unit Per Month	
POTENTIAL GROSS INCOME				$736,594	$736,596			
Vacancy & Collection Loss		% of Potential Gross Income:	-5.00%	(36,830)	(36,240)	-4.92%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$699,764	$700,356			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.66%	$362	0.71	$32,590	$18,900	$0.41	$210	2.70%
Management		5.00%	389	0.76	34,988	28,014	0.61	311	4.00%
Payroll & Payroll Tax		11.01%	856	1.68	77,044	94,500	2.06	1,050	13.49%
Repairs & Maintenance		5.90%	458	0.90	41,261	35,000	0.76	389	5.00%
Utilities		4.81%	374	0.74	33,687	21,581	0.47	240	3.08%
Water, Sewer, & Trash		1.54%	120	0.24	10,794	16,057	0.35	178	2.29%
Property Insurance		4.02%	313	0.61	28,127	27,970	0.61	311	3.99%
Property Tax	2.433281	2.71%	210	0.41	18,943	20,438	0.45	227	2.92%
Reserve for Replacements		3.86%	300	0.59	27,000	27,000	0.59	300	3.86%
TDHCA Compliance Fees		0.51%	40	0.08	3,600	3,600	0.08	40	0.51%
Other: Security		1.43%	111	0.22	10,000	10,000	0.22	111	1.43%
TOTAL EXPENSES		45.45%	$3,534	$6.95	$318,034	$303,061	$6.62	$3,367	43.27%
NET OPERATING INC		54.55%	$4,241	$8.34	$381,730	$397,295	$8.68	$4,414	56.73%
DEBT SERVICE									
Mortgage Revenue Bonds		47.03%	$3,657	$7.19	$329,113	$329,114	$7.19	$3,657	46.99%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		7.52%	$585	$1.15	$52,616	$68,182	$1.49	$758	9.74%
AGGREGATE DEBT COVERAGE RATIO					1.16	1.21			
RECOMMENDED DEBT COVERAGE RATIO						1.21			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		42.33%	$38,862	$76.40	$3,497,609	$3,497,609	$76.40	$38,862	42.77%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		1.09%	1,000	1.97	90,000	86,084	1.88	956	1.05%
Direct Construction		25.35%	23,278	45.76	2,095,000	1,975,916	43.16	21,955	24.16%
Contingency	4.72%	1.25%	1,146	2.25	103,100	103,100	2.25	1,146	1.26%
Contractor's Fees	13.21%	3.49%	3,208	6.31	288,680	288,680	6.31	3,208	3.53%
Indirect Construction		2.37%	2,172	4.27	195,500	195,500	4.27	2,172	2.39%
Ineligible Costs		3.86%	3,544	6.97	318,942	318,942	6.97	3,544	3.90%
Developer's Fees	14.70%	11.11%	10,200	20.05	918,022	918,022	20.05	10,200	11.23%
Interim Financing		2.89%	2,657	5.22	239,149	239,149	5.22	2,657	2.92%
Reserves		6.25%	5,741	11.29	516,705	554,601	12.11	6,162	6.78%
TOTAL COST		100.00%	$91,808	$180.49	$8,262,707	$8,177,603	$178.63	$90,862	100.00%
Construction Cost Recap		*31.19%*	***$28,631***	***$56.29***	***$2,576,780***	***$2,453,780***	***$53.60***	***$27,264***	*30.01%*

SOURCES OF FUNDS						RECOMMENDED	
Mortgage Revenue Bonds	58.21%	$53,444	$105.07	$4,810,000	$4,810,000	$4,810,000	Developer Fee Available
Existing Reserves	0.00%	$0	$0.00	0	0	0	$918,022
HTC Syndication Proceeds	28.61%	$26,270	$51.64	2,364,286	2,364,286	2,483,487	Contractor Fee Available
GIC/Interest Income	0.00%	$0	$0.00	0	66,684	0	$288,680
Imputed Expenses	0.00%	$0	$0.00	0	115,599	0	% of Dev. Fee Deferred
Deferred Fees	9.94%	$9,123	$17.93	821,034	821,034	969,220	106%
Additional (Excess) Funds Req'd	3.24%	$2,971	$5.84	267,387	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$8,262,707	$8,177,603	$8,262,707	$2,001,242

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Seville Row Apartments, Beaumont, 4% HTC #08417

PAYMENT COMPUTATION

Primary	$4,810,000	Amort	420
Int Rate	6.000%	DCR	1.16

Secondary	$0	Amort	
Int Rate		Subtotal DCR	1.16

Additional	$2,364,286	Amort	
Int Rate		Aggregate DCR	1.16

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$329,113
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$68,182

Primary	$4,810,000	Amort	420
Int Rate	6.000%	DCR	1.21

Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.21

Additional	$2,364,286	Amort	0
Int Rate	0.00%	Aggregate DCR	1.21

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$556,104	$572,787	$589,971	$607,670	$625,900	$725,590	$841,157	$975,132	$1,310,496
Secondary Income	11,880	12,236	12,603	12,982	13,371	15,501	17,970	20,832	27,996
GIC Interest Income	0	0	0	0	0	0	0	0	0
HAP Subsidy	168,612	173,670	178,880	184,247	189,774	220,000	255,041	295,662	397,345
POTENTIAL GROSS INCOME	736,596	758,694	781,455	804,898	829,045	961,091	1,114,168	1,291,626	1,735,837
Vacancy & Collection Loss	(36,240)	(37,935)	(39,073)	(40,245)	(41,452)	(48,055)	(55,708)	(64,581)	(86,792)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$700,356	$720,759	$742,382	$764,653	$787,593	$913,036	$1,058,459	$1,227,044	$1,649,045
EXPENSES at 4.00%									
General & Administrative	$18,900	$19,656	$20,442	$21,260	$22,110	$26,901	$32,729	$39,819	$58,943
Management	28,014	28,830	29,695	30,586	31,504	36,522	42,338	49,082	65,962
Payroll & Payroll Tax	94,500	98,280	102,211	106,300	110,552	134,503	163,643	199,097	294,713
Repairs & Maintenance	35,000	36,400	37,856	39,370	40,945	49,816	60,609	73,740	109,153
Utilities	21,581	22,444	23,342	24,276	25,247	30,716	37,371	45,468	67,304
Water, Sewer & Trash	16,057	16,699	17,367	18,062	18,784	22,854	27,806	33,830	50,076
Insurance	27,970	29,089	30,252	31,462	32,721	39,810	48,435	58,929	87,229
Property Tax	20,438	21,256	22,106	22,990	23,910	29,090	35,393	43,061	63,740
Reserve for Replacements	27,000	28,080	29,203	30,371	31,586	38,429	46,755	56,885	84,204
Other	13,600	14,144	14,710	15,298	15,910	19,357	23,551	28,653	42,414
TOTAL EXPENSES	$303,061	$314,879	$327,186	$339,976	$353,269	$427,998	$518,630	$628,563	$923,736
NET OPERATING INCOME	$397,295	$405,880	$415,196	$424,677	$434,324	$485,038	$539,829	$598,481	$725,309
DEBT SERVICE									
First Lien Financing	$329,113	$329,113	$329,113	$329,113	$329,113	$329,113	$329,113	$329,113	$329,113
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$68,182	$76,767	$86,083	$95,564	$105,210	$155,924	$210,716	$269,367	$396,195
DEBT COVERAGE RATIO	1.21	1.23	1.26	1.29	1.32	1.47	1.64	1.82	2.20

HTC ALLOCATION ANALYSIS -Seville Row Apartments, Beaumont, 4% HTC #08417

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	$265,889	$265,889				
Purchase of buildings	$3,231,720	$3,231,720	$3,231,720	$3,231,720		
Off-Site Improvements						
Sitework	$86,084	$90,000			$86,084	$90,000
Construction Hard Costs	$1,975,916	$2,095,000			$1,975,916	$2,095,000
Contractor Fees	$288,680	$288,680			$288,680	$288,680
Contingencies	$103,100	$103,100			$103,100	$103,100
Eligible Indirect Fees	$195,500	$195,500	$11,250	$11,250	$184,250	$184,250
Eligible Financing Fees	$239,149	$239,149			$239,149	$239,149
All Ineligible Costs	$318,942	$318,942				
Developer Fees						
Developer Fees	$918,022	$918,022	$486,445	$476,065	$431,577	$441,957
Development Reserves	$554,601	$516,705				
TOTAL DEVELOPMENT COSTS	$8,177,603	$8,262,707	$3,729,415	$3,719,035	$3,308,756	$3,442,136

Deduct from Basis:					
All grant proceeds used to finance costs in eligible basis					
B.M.R. loans used to finance cost in eligible basis					
Non-qualified non-recourse financing					
Non-qualified portion of higher quality units [42(d)(3)]					
Historic Credits (on residential portion only)					
TOTAL ELIGIBLE BASIS		$3,729,415	$3,719,035	$3,308,756	$3,442,136
High Cost Area Adjustment				130%	130%
TOTAL ADJUSTED BASIS		$3,729,415	$3,719,035	$4,301,382	$4,474,777
Applicable Fraction		100%	100%	100%	100%
TOTAL QUALIFIED BASIS		$3,729,415	$3,719,035	$4,301,382	$4,474,777
Applicable Percentage		3.55%	3.55%	3.55%	3.55%
TOTAL AMOUNT OF TAX CREDITS		$132,394	$132,026	$152,699	$158,855
Syndication Proceeds	**0.8599**	**$1,138,474**	**$1,135,306**	**$1,313,078**	**$1,366,010**

Total Tax Credits (Eligible Basis Method)	**$285,093**	**$290,880**
Syndication Proceeds	**$2,451,553**	**$2,501,316**
Requested Tax Credits	**$288,807**	
Syndication Proceeds	**$2,483,487**	
Gap of Syndication Proceeds Needed	**$3,367,603**	**$3,452,707**
Total Tax Credits (Gap Method)	**$391,622**	**$401,518**

Applicant Evaluation

Project ID **08417** Name **Seville Row Apartments** City: **Beaumont**

HTC 9% ☐ HTC 4% ☑ HOME ☐ BOND ☐ HTF ☐ SECO ☐ ESGP ☐ Other ☐

☐ No Previous Participation in Texas ☐ Members of the development team have been disbarred by HUD

Portfolio Management and Compliance

Total # of MF awards monitored: 12

Total # of MF awards not yet monitored or pending review: 0

SF Contract Experience ☐ Yes ☑ No

Total # of SF Contracts: 0

Projects in Material Noncompliance

Yes ☐ **No** ☑

Total # of MF Projects in Material Noncompliance: 0

Projects grouped by score

0-9: 5

10-19: 4

20-29: 3

Total monitored with a score 0-29: 12

Completed by: J. Taylor Reviewer: Lucy Trevino

Date 8/26/2008 Date 8/26/2008

Single Audit

☑ Single audit review not applicable

☐ Single audit review found no unresolved issues

☐ Late single audit certification form (see comments

☐ Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos Date 8/26/2008

Comments (if applicable):

Financial Administration
Loan Servicing

☑ No delinquencies found ☐ Delinquencies found (see comments)

Reviewer Candace Christiansen Date 8 /26/2008

Comments (if applicable):

Financial Administration
Financial Services

☑ No delinquencies found ☐ Delinquencies found (See Comments)

Reviewer Monica Guerra Date 8 /26/2008

Comments (if applicable):

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
September 3, 2008

Action Item

Presentation, Discussion and Possible Issuance of Determination Notices for Housing Tax Credits associated with Mortgage Revenue Bond Transactions with other Issuers.

Requested Action

Approve, Amend or Deny the staff recommendation for City View Apartments, #08413, in San Antonio, Texas.

Summary of the Transaction

Background and General Information: The application was received on April 16, 2008. The Issuer for this transaction is San Antonio HFC with a reservation of allocation that expires on January 12, 2009. The development is new construction and will consist of 245 total units targeting the general population. This application is a priority 3 transaction in which twenty percent (20%) of the units are proposed to be restricted at 50% Area Median Family Income (AMFI) and the remaining units will be market rate. The proposed development will be located in San Antonio, Bexar County. The site is currently zoned for this type of development.

Below is a breakdown of the proposed total unit mix. This unit mix violates the maximum percentages allowed pursuant to §50.3(56)(G) of the 2008 Qualified Allocation Plan and Rules (QAP); these maximum percentages are also indicated below.

	Unit Mix	**Unit Percentages**	**QAP Maximums**
One Bedroom	111	45%	30%
Two Bedroom	125	51%	55%
Three Bedroom	9	4%	40%
Total	**245**		

It should be noted that when the plan for City View Apartments was conceived in 2000 and HUD granted the HOPE VI funds in the amount of approximately $6.3 million, the unit mix was compliant with the QAP. This development, which is part of a larger re-development of the Durango Street area, must be structured with the unit mix as proposed because of a covenant initiated in 2000, between the partnership (of the Development) and the U.S. Department of Housing and Urban Development (HUD) in order to secure the HOPE VI funds. In addition, the HOPE VI funds must be expended by September 25, 2008 or they will be recaptured by HUD. The applicant is requesting a wavier of §50.3(56)(G) to allow the Development to maintain the percentages proposed.

Organizational Structure and Compliance: The Borrower is Durango Midrise, L.P. and the General Partner is Durango Midrise GP, LLC, of which the Las Varas Public Facility Corporation has 100% ownership interest. The Compliance Status Summary completed on August 22, 2008 reveals that the principals of the general partner have received twenty-two (22) multifamily awards that have been monitored with no material non-compliance.

Census Demographics: The development is to be located at the southwest corner of Durango and IH37 and Highway 281 in San Antonio. Demographics for the census tract (1103.00) include AMFI of $35,965; the total population is 2,588; the percent of population that is minority is 89.34%; the percent of population that is below the poverty line is 32.92%; the number of owner occupied units is 357; the number of renter units is 600 and the number of vacant units is 119. (Census information from FFIEC Geocoding for 2008).

Public Comment: The Department has received no letters of support and no letters of opposition.

Recommendation

Due to the unique nature of this development combining a long term plan that received HOPE VI funds based on the current configuration, staff believes it is in the best interest of the state for the Board to consider approval of the issuance of a Determination Notice of $318,785 in Housing Tax Credits for City View Apartments and recommends that the Board waive §50.3(56)(G) of the 2008 Qualified Allocation Plan as this plan was consistent with the QAP at the original conception of this plan.

MULTIFAMILY FINANCE PRODUCTION DIVISION
September 3-4, 2008
Development Information, Public Input and Board Summary
City View Apartment Homes, TDHCA Number 08413

BASIC DEVELOPMENT INFORMATION

Site Address:	SW Corner of Durango and Interstate 37/Highway 281			Development #:	08413
City:	San Antonio	Region:	9	Population Served:	General
County:	Bexar	Zip Code:	78210	Allocation:	Urban/Exurban
HOME Set Asides:	☐ CHDO	☐ Preservation	☐ General	Purpose/Activity:	NC
Bond Issuer:	San Antonio HFC				

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner:	Durango Midrise LP
Owner Contact and Phone	Henry A. Alvarez III, 2104776455
Developer:	Carleton Development, Ltd./ Las Varas Public Facillity Corporation
Housing General Contractor:	Carleton Construction, Ltd.
Architect:	Beeler, Guest, Owens
Market Analyst:	Integra Realty Resources
Syndicator:	JER Hudson
Supportive Services:	San Antonio Housing Authority
Consultant:	Not Utilized

UNIT/BUILDING INFORMATION

30%	40%	50%	60%	80%	Eff	1 BR	2 BR	3 BR	4 BR	5 BR
0	0	61	0	184	0	111	125	9	0	0

Type of Building:

- ☐ Duplex
- ☐ Triplex
- ☐ Fourplex
- ☑ 4 units or more per building
- ☐ Detached Residence
- ☐ Single Room Occupancy
- ☐ Transitional
- ☐ Townhome

Total Restricted Units:	61
Market Rate Units:	196
Owner/Employee Units:	0
Total Development Units:	245
Total Development Cost:	$34,862,893
Number of Residential Buildings:	2
HOME High Total Units:	0
HOME Low Total Units:	0

Note: If Development Cost =$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis	Amort	Term	Rate
4% Housing Tax Credits with Bonds:	$318,785	$318,785	0	0	0%
TDHCA Bond Allocation Amount:	$0	$0	0	0	0%
HOME Activity Fund Amount:	$0	$0	0	0	0%
HOME CHDO Operating Grant Amount:	$0	$0			

MULTIFAMILY FINANCE PRODUCTION DIVISION

September 3-4, 2008

Development Information, Public Input and Board Summary

City View Apartment Homes, TDHCA Number 08413

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Van De Putte, District 26

US Representative: González, District 20,

TX Representative: Villarreal, District 123

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Phil Hardberger, Mayor, City of San Antonio - NC

Resolution of Support from Local Government ☐

Individuals/Businesses: In Support: **0** In Opposition **0**

Neighborhood Input:

General Summary of Comment:

The Department has received no letters of support and no letters of opposition from the community.

CONDITIONS OF COMMITMENT

Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."

TDHCA Board waiver of the eligibility criteria at Section 50.3 (56) (G) (i) of the 2008 Qualified Allocation Plan due to the number of one-bedroom units exceeding the limit of 30% of total units.

Receipt, review, and acceptance, prior to determination notice, of documentation that the original basis in the site plus holding costs supports the ground lease payment of $5,040,000.

Receipt, review, and acceptance, prior to determination notice, of documentation of a final cashflow debt structure that mitigates concerns regarding the ability to repay; or if the debt structure is ultimately pursued, documentation from a CPA or legal counsel that the balance of the debt if projected to neved exceed the value of the propety.

Should the rates and terms of the proposed financing change the transaction should be reevaluated, and adjustments to allocations may be warranted.

MULTIFAMILY FINANCE PRODUCTION DIVISION

September 3-4, 2008

Development Information, Public Input and Board Summary

City View Apartment Homes, TDHCA Number 08413

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

4% Housing Tax Credits: Credit Amount: $318,785

Recommendation: Recommend approval of a Housing Tax Credit Allocation not to exceed $318,785 annually for ten years, subject to conditions.

TDHCA Bond Issuance: Bond Amount: $0

Recommendation:

HOME Activity Funds: Loan Amount: $0

HOME CHDO Operating Expense Grant: Grant Amount: $0

Recommendation:

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 08/26/08 PROGRAM: 4% HTC / MRB FILE NUMBER: **08413**

DEVELOPMENT

CityView Apartments

Location: SW Corner of Durango and Interstate 37/Hwy 281 Region: 9

City: San Antonio County: Bexar Zip: 78210 [X] QCT [ ] DDA

Key Attributes: Multifamily, Urban, New Construction, Family

ALLOCATION

	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$318,785			**$318,785**		

CONDITIONS

1 TDHCA Board waiver of the eligibility criteria at § 50.3 (56)(G)(i) of the 2008 Qualified Allocation Plan due to the number of one-bedroom units exceeding the limit of 30% of total units.

2 Receipt, review, and acceptance, prior to determination notice, of documentation that the original basis in the site plus holding costs supports the ground lease payment of $5,040,000.

3 Receipt, review, and acceptance, prior to determination notice, of documentation of a final cashflow debt structure that mitigates concerns regarding the ability to repay; or if the debt structure is ultimately pursued, documentation from a CPA or legal counsel that the balance of the debt is projected to never exceed the value of the property.

4 Should the rates and terms of the proposed financing change the transaction should be re-evaluated, and adjustments to allocations may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
50% of AMI	Public Housing Units	49
50% of AMI	50% of AMI	12

PROS

- The subject development would provide 49 public housing units and an additional 12 tax credit units as part of a multi-phase project to replace more than 600 50-year-old public housing units demolished by SAHA.

CONS

- The development's proposed ownership structure has undergone several changes during the course of the Department's evaluation and the most current proposed structure has not been tested in Texas.

This section intentionally left blank.

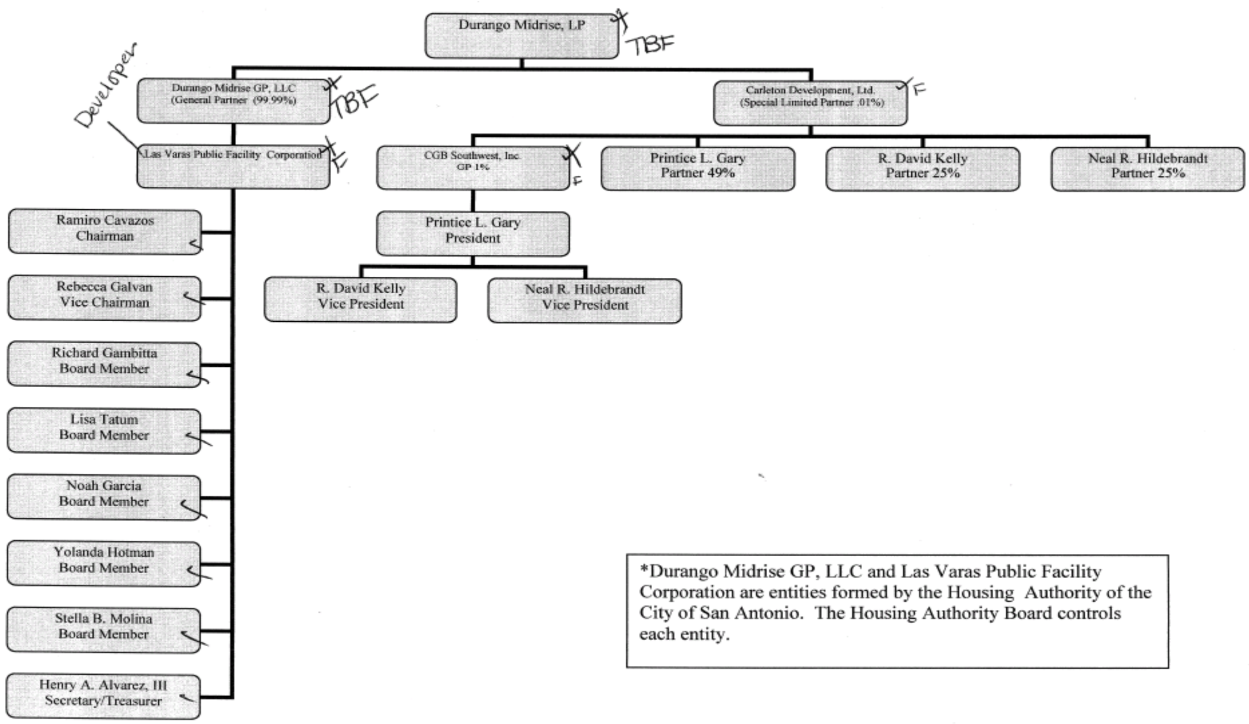
- The projected expense to income ratio of 35% is well below the Department's 65% maximum and reflects a healthy operating margin.
- The Underwriter's analysis reflects that the development would still be viable without any tax credits due to the significant amount of additional other subsidy and the large number of market rate units that result in more income than a conventional HTC transaction.
- The need to expend the HOPE VI funds by September 25th may result in an additional debt burden of $5M that the property must bear.
- The significant amount of federally sourced cashflow debt may jeopardize the eligible basis and thus the tax credit allocation.

PREVIOUS UNDERWRITING REPORTS

none

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



Comments:

The above chart reflects the ownership structure that was submitted at application. However, the final ownership structure has yet to be determined due to the complexity and uniqueness of the development and financing plan. Based on recent correspondence with the Applicant's legal counsel, the ownership will be structured as follows:

A condominium regime will be created so that the property will consist of 245 condos. A single limited partnership (Durango Midrise, LP) will be the sole owner of the entire development and the property will be operated as a single project. The ownership interest in Durango Midrise LP will resemble the structure of a typical tax credit transaction. Preliminarily, the tax credit investor will be a 99.00% limited partner, an affiliate of the investor limited partner will be a 0.01% special limited partner, Carleton Development, Ltd will be a 0.01% special limited partner, and Durango Midrise GP LLC (wholly owned by an affiliate of the PHA) will have the remaining 0.08% interest as the sole general partner.

As a result, 99% of the annual tax credit award will be allocated to the tax credit investor, who will contribute equity to the transaction in return.

However, the allocation of 99% income and losses from the market rate units will be allocated to the general partner and 99% of the income and losses from the low income units will be allocated to the tax credit investor. This allocation of income and losses will allow the investor to ensure that the depreciation from the market rate units does not deplete the LP capital accounts and result in a large exit liability.

For the purposes of meeting the minimum set-aside, the Applicant will elect to restrict at least 20% of the units at 50% of AMI or less. As reflected in the analysis, 24.9% of the total units will be designated low income units and a 24.9% applicable fraction has been applied to determine the maximum tax credit allocation based on eligible basis.

Other changes to the original application information have also been made; these changes are discussed in detail in each appropriate section of the report.

CONTACT

Contact: Lorraine Robles Phone: (210) 477-6455 Fax: (210) 477-6002
Email: lorraine_robles@saha.org

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
San Antonio Housing Authority	N/A	--
Las Varas Public Facilities Corp	N/A	5 LIHTC Developments
Carleton Development Ltd	N/A	--
CBG Southwest Inc	N/A	--
Prentice L Gary	N/A	15 LIHTC Developments
R David Kelly	N/A	13 LIHTC Developments
Neal R Hildebrandt	N/A	13 LIHTC Developments

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, and supportive services provider are related entities. These are common relationships for HTC-funded developments.
- The San Antonio Housing Authority (SAHA), the current owner of the property, has proposed to sell the property to an affiliate (Las Varas Public Facilities Corporation) for $5,040,000; Las Varas will then ground lease the property to the partnership for $5,040,000. The partnership will pay for the lease with the proceeds of a $6.3M HOPE VI loan from the Housing Authority and Las Varas will pay the Housing Authority back with these same funds. At this point, the same $5,040,000 will be loaned again from the Housing Authority to the partnership to collateralize a portion of the tax-exempt bonds during construction and then extinguish a portion of the bonds after construction.

  The Applicant has indicated that this transaction is necessary in order to satisfy the September 25, 2008 deadline established by HUD for expending the HOPE VI funds. The Underwriter has some concerns about the impact of creating $5M in otherwise unneeded debt that must be borne by the property as discussed in detail below.

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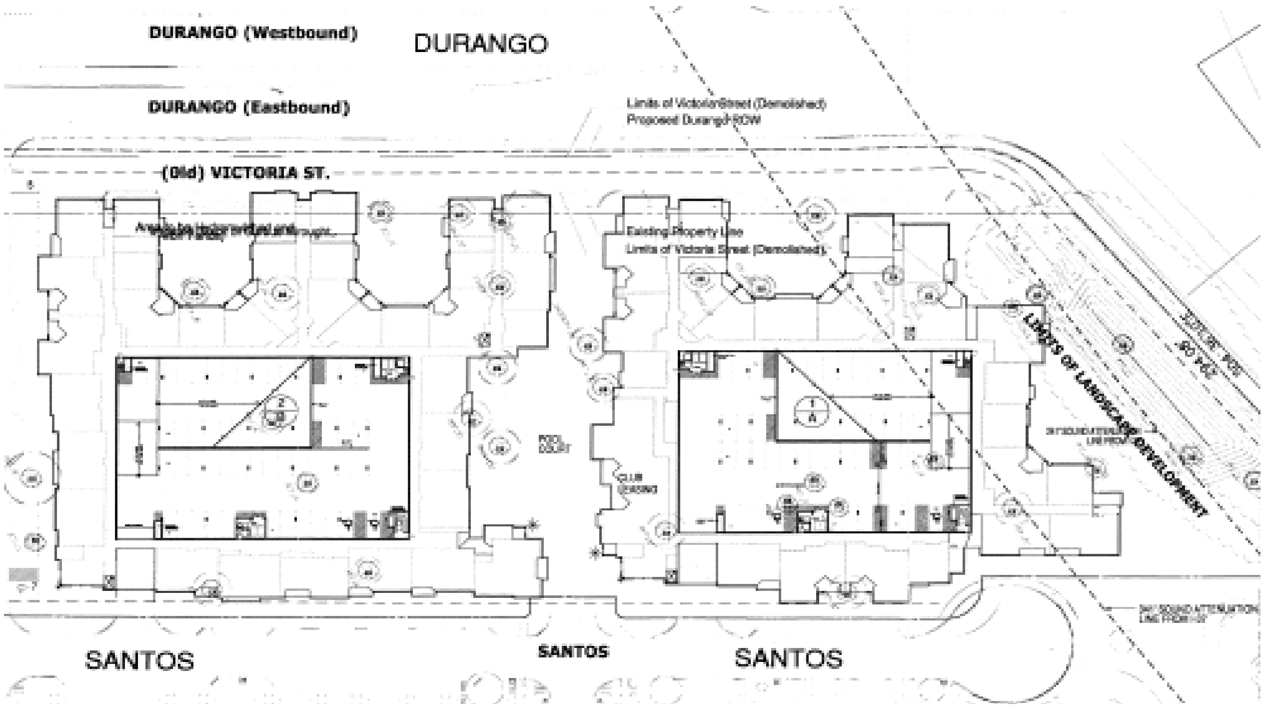
PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B									Total Buildings
Floors/Stories	4	4									
Number	1	1									2

BR/BA	SF	Units										Total Units	Total SF
1/1	646	17	34									51	32,946
1/1	732	16	12									28	20,496
1/1	807	16	16									32	25,824
2/2	1,044	16	48									64	66,816
2/2	1,048	7	8									15	15,720
2/2	1,181	30	16									46	54,326
3/2	1,352	4	4									8	10,816
3/2	1,083	1	0									1	1,083
Units per Building		107	138									**245**	**228,027**

Comments:

The subject development is part of a multi-phase project to replace 660 50-year-old public housing units that were demolished by the San Antonio Housing Authority (SAHA) in 2001. Detailed plans for the various phases were therefore created several years ago. The building plans for the subject include 111 one-bedroom units, comprising 45% of the total units. At the time these plans were created, the QAP had no restrictions on unit mix; however, under the current QAP, any building in which "More than 30% of the total Units are one bedroom Units" is included under the definition of Ineligible Building Types which are ineligible for funding under the Housing Tax Credit Program. Staff recommends a Board waiver of the rule due to mitigating circumstances. Specifically, the development plan and unit mix was submitted to and approved by HUD as part of a comprehensive HOPE VI grant award application prior to the inclusion of the unit mix limit in the QAP.

SITE ISSUES

Total Size:	5.787 acres	Scattered site?	☐ Yes	☒ No
Flood Zone:	X	Within 100-yr floodplain?	☐ Yes	☒ No
Zoning:	IDZ	Needs to be re-zoned?	☐ Yes	☒ No ☐ N/A

TDHCA SITE INSPECTION

Inspector: Manufacture Housing Staff   Date: 7/3/2008

Overall Assessment:

☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: HemisFair Park   East: Interstate 37

South: Multifamily   West: Small Business

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Arkwood Engineering, Inc.   Date: 3/25/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- "From 1904 to 1950 the Property occupied a portion of a neighborhood of small single-family residences. In 1950 the City of San Antonio razed the residences and developed the Property with the Victoria Courts Apartments, a development of 117 two-story buildings containing about 660 apartments. Victoria Courts was in continuous operation from 1950 until about 2001, when the Housing Authority began to remove, in phases, the two-story apartment buildings and redevelop the area with upscale multi-family facilities." (p. v)

- "There are no environmental concerns with regard to the Property." (p. 1)

Comments:

"Arkwood recommends no further environmental action is required at this time regarding the subject property." (p. 16)

MARKET HIGHLIGHTS

Provider: Integra Realty Resources - DFW   Date: 3/17/2008

Contact: Charles A. Bissell   Phone: (972) 960-1222   Fax: (972) 960-2922

Number of Revisions: none   Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 25.5 sq. miles   3 mile radius

"For this analysis, we consider the primary market area (PMA) for the subject to be defined by the following zip codes:

78202	78205	78210	78215	78234
78203	78208	78212		

"The subject site is located within census tract 48029110300. The PMA encompasses all or portions of:

480291101	48029120501	480291312	480291413	48029190602
480291102	480291301	480291401	480291502	480291907
480291103	480291302	480291402	480291503	480291908
480291107	480291303	480291403	480291508	48029190901
480291108	480291304	480291404	480291901	48029190902
480291109	480291305	480291405	480291902	48029191002
480291110	480291306	480291406	480291903	48029191004
480291201	480291307	480291407	480291904	
480291202	480291311	480291412	48029190502	

The PMA had an estimated 2007 population of 99,007, with 34,326 households.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Rosemont at Highland Park (fka Clark Pointe)	05414	252	252				

INCOME LIMITS						
Bexar						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
50	$19,150	$21,900	$24,600	$27,350	$29,550	$31,750

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1/1 PHU 50%	362	0		362			not calculated
2/2 PHU 50%	13	0		13			
3/2 PHU 50%	9	0		9			
Overall	384	0	0	384	49	0	13%

UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1/1 PHU 50%	1,971	-41		1,930	14	60	4%
2/2 PHU 50%	439	-36		403	26	108	33%
3/2 PHU 50%	868	-59		810	9	84	11%
Overall	3,278	-135	0	3,143	49	252	10%

PMA DEMAND from TURNOVER											
		Apartment Households	Household Size		Income Eligible		Turnover Demand		"Turnover Capture Rate"		
Market Analyst	1BR/50%	2,583	95%	2,462	37%	906	40%	362	4%		
Market Analyst	2BR/50%	2,583	3%	77	41%	32	40%	13	203%		
Market Analyst	3BR/50%	2,583	2%	46	49%	23	40%	9	100%		
Market Analyst	Overall							384			
		Total PMA Households	Household Size		Income Eligible		Tenure		Turnover Demand		
Underwriter (OVERALL)		34,326	92%	31,734	49%	15,425	50%	7,774	40%	3,110	

PMA DEMAND from HOUSEHOLD GROWTH										
		Household Growth		Household Size		Income Eligible		Tenure		Growth Demand
Market Analyst	1BR/50%	-0.2%	-62	95%	-59	37%	-22	50%	-11	-11
Market Analyst	2BR/50%	-0.2%	-62	3%	-2	41%	-1	50%	0	0
Market Analyst	3BR/50%	-0.2%	-62	2%	-1	49%	-1	50%	0	0
Market Analyst	Overall									0
Underwriter (OVERALL)				92%	-52	49%	-25	50%	-13	-13

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	49	0	0	49	384	**13%**
Underwriter	61	252	0	313	3,097	**10%**

Supply and Demand Analysis

The Market Analyst identified 2,583 multifamily units in the PMA, and calculated turnover demand based only from this population. The underwriting analysis, in contrast, considers all renters, including those in single-family residences, as the potential source of turnover. As a result, the demand concluded by the Market Analyst is much lower than that calculated by the Underwriter. On the supply side, the Market Analyst reported that "the subject is the only known LIHTC project forecast to come online within the PMA." (p. 77) The Market Analyst also reports that "only one LIHTC project has been recently constructed within the PMA. The property, Rosemont at Highland Park, opened in October 2006 and is reporting occupancy of 94%." (p. 42) The Market Analyst did not consider Rosemont at Highland Park as unstabilized supply when calculating an inclusive capture rate.

Rosemont at Highland Park (formerly known as Clark Point) is a 2005 family HTC project with 252 units located within the PMA, approximately 5 miles southeast of the subject. Department records indicate Clark Point is approximately 85% occupied, suggesting it should not be considered stabilized. So while the underwriting analysis identified far more demand than the Market Analyst, this is offset by the unstabilized supply at Clark Pointe. The Market Analyst determined an inclusive capture rate of 13%; the underwriting analysis concluded an inclusive capture rate of 10%. Both results are well below the 25% maximum.

Primary Market Occupancy Rates:

"The average occupancy level for all rental properties within the PMA is 96% ... The occupancy rate for the existing LIHTC properties within the PMA is 92% .. The average occupancy for Section 8 and low-income (public housing) properties within the PMA is 95%." (pp. 36-40)

Absorption Projections:

"Only one LIHTC project has been recently constructed within the PMA. The property, Rosemont at Highland Park, opened in October 2006 and is reporting occupancy of 94%. The property consists of 252 income and rent-restricted units (LIHTC units). The property manager (stated) that they forecasted a lease-up period of 12 to 16 months, however, the property was 100% leased within 10 months of opening at a rate of 25 units per month. Based on our Demand Analysis ... a new project, the size of the subject as proposed with 245 units, is likely to be absorbed within 12 months of opening, equating to an absorption pace of approximately 20 units per month." (p. 42)

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 646 SF MR	$691	N / A	$775	$775	$0
1 BR 646 SF TC50 / PH	$274	$446	$775	$100	$675
1 BR 646 SF 50%	$437	$446	$775	$446	$329
1 BR 732 SF MR	$783	N / A	$835	$835	$0
1 BR 732 SF TC50 / PH	$274	$446	$835	$100	$735
1 BR 807 SF MR	$863	N / A	$875	$875	$0
1 BR 807 SF TC50 / PH	$274	$446	$875	$100	$775
2 BR 1,044 SF MR	$1,117	N / A	$1,090	$1,090	$0
2 BR 1,044 SF TC50 / PH	$274	$534	$1,090	$100	$990
2 BR 1,044 SF 50%	$527	$534	$1,090	$534	$556
2 BR 1,048 SF MR	$1,121	N / A	$1,090	$1,090	$0
2 BR 1,048 SF TC50 / PH	$274	$534	$1,090	$100	$990
2 BR 1,181 SF MR	$1,264	N / A	$1,210	$1,210	$0
2 BR 1,181 SF TC50 / PH	$274	$534	$1,210	$100	$1,110
3 BR 1,352 SF TC50 / PH	$274	$609	$1,375	$100	$1,275
3 BR 1,083 SF TC50 / PH	$274	$609	N / A	$100	N / A

Market Impact:

"We conclude there to be sufficient unmet demand to support the development of the subject." (p. 77)

Comments:

The market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 7/31/2008

The project consists of 184 market rate units and 61 units with income restrictions at 50% of AMI. Of the restricted units, 49 will be Public Housing Units, and the remaining 12 will have rents limited to the HTC 50% of AMI limits. The Applicant's projected rental income for the three different one-bedroom market rate units ranges from 1% to 11% less than the achievable market rent determined by the Market Analyst. The Applicant's projected rental income for three different two-bedroom market rate units ranges from 2.5% to 4.5% greater than the market rent. The underwriting analysis has assumed the achievable rent determined by the Market Analyst for all market rate units. For the 50% tax credit units the Applicant's projected rental income is the maximum tax credit rent adjusted for the utility allowance for tenant-paid utilities; however, the utility allowance applied does not match the utility allowance provided by the San Antonio Housing Authority (a related party to the Applicant). The underwriting analysis has assumed the utility allowances indicated by SAHA.

Public housing units are not permitted to support any debt. Tenants are required to pay up to 30% of their income toward rent; HUD then provides a subsidy sufficient to cover the operating expenses of the unit. The Applicant has projected rental income for the PH units equal to the Applicant's projected operating expenses per unit. The underwriting analysis for PH units is different, but arrives at a similar result. Rental income is considered to be what the tenant will pay; since PH tenants can range anywhere from zero income up to the 50% of AMI maximum, this cannot be precisely estimated. The underwriting analysis assumes an average tenant-paid rent of $100 per unit per month; the operating subsidy, equal to the difference between the tenant-paid rent and the estimated operating expenses of the units, is then added as a secondary source of income.

The Applicant also included $15 per unit per month in non-rental income from vending, telephone, cable, and laundry, and an allowance for losses due to vacancy and collection equal to 7.5% of potential income; these assumptions are consistent with underwriting guidelines. Overall, the Applicant's projected effective gross income is within 1% of the underwriting estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 7/31/2008

The Applicant's projected total annual operating expenses are $3,287 per unit; this is within 2% of the underwriting estimate of $3,346. However, there are a number of specific line items in which the Applicant's projected expense differs significantly from the underwriting estimate. These include general and administrative (the Applicant's figure is lower by $44K); payroll and payroll tax (the Applicant's figure is lower by $75K); repairs and maintenance (the Applicant's figure is greater by $42K); utilities (the Applicant's figure is greater by $27K); water, sewer, and trash (the Applicant's figure is lower by $14K); and property insurance (the Applicant's figure is greater by $46K).

The Applicant has projected no property tax expense. This is based on the fact that the property will be owned by Las Varas Public Facility Corporation, the Sole Member of the General Partner of the Applicant; the Applicant will lease the property from Las Varas. As a public facility corporation, Las Varas is eligible for a 100% property tax exemption.

Conclusion:

The Applicant's projected income, expenses, and net operating income (NOI) are each within 5% of the underwriting estimates; therefore, the Applicant's projections will be used to determine debt capacity and financial feasibility. The Applicant's first year NOI and proposed financing structure provide a debt coverage ratio (DCR) of 1.20, which falls within the underwriting range of 1.15 to 1.35.

Feasibility:

The Applicant's projections are used to create a 30-year operating proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates continued positive cash flow and a DCR that remains above the 1.15 minimum throughout the proforma period. The development can therefore be considered financially feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Integra Realty Resources DFW   Date: 3/6/2008

Number of Revisions: none   Date of Last Applicant Revision: N / A

Land Only:	5.79 acres	$5,040,000	As of:	3/6/2008
Existing Buildings: (as-is)		N / A	As of:	N/A
Total Development: (as-is)		$5,040,000	As of:	3/6/2008

ASSESSED VALUE

Land Only:	7.18 acres	$12,501,720	Tax Year:	2007
prorata one acre		$1,742,400	Valuation by:	Bexar County CAD
Subject 5.79 acres		$10,088,496	Tax Rate:	0

EVIDENCE of PROPERTY CONTROL

Type: Option Agreement / Ground Lease   Acreage: 5.787

Contract Expiration: 3/15/2009   Valid Through Board Date? [X] Yes [ ] No

Acquisition Cost: $5,040,000   Other:

Seller: Housing Authority of the City of San Antonio   Related to Development Team? [X] Yes [ ] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2   Date of Last Applicant Revision: 8/13/2008

Acquisition Value:

The Applicant has provided an Option Agreement between Las Varas Public Facilities Corp (Buyer) and San Antonio Housing Authority (Seller). Las Varas is an affiliate of the Housing Authority as well as the sole owner of the general partner interest in the Applicant. As a result, the transfer is an identity of interest acquisition. The agreement reflects a statement that the purchase price shall equal the appraised value of the property. The appraisal reflects a valuation of $5,040,000. However, the Applicant has not provided documentation to support this purchase price in the form of the original basis plus holding costs. Therefore, receipt, review, and acceptance, by determination notice, of documentation that the original basis in the site plus holding costs supports the ground lease payment of $5,040,000, is a condition of this report.

Once the property is acquired by Las Varas Public Facilities Corp, the Applicant has indicated that the property will be ground leased to the partnership for a lump sum lease payment of $5,040,000, which is also reflected in the development cost schedule.

Based upon the documentation provided, it appears that these transactions will occur simultaneously and largely on paper to satisfy the very tight timeframe to expend a large portion of the HOPE VI funds. These transactions to transfer the site are primarily occurring to meet this deadline and the site would otherwise be donated. The Applicant has indicated that the HOPE VI funds must be expended by September 25, 2008.

Therefore, the partnership will receive a HOPE VI loan amounting to $6,358,458 from the Housing Authority. Subsequently, $5,040,000 of this loan will be drawn down to pay Las Varas for the ground lease of the site. Las Varas will then pay these funds to the Housing Authority for the purchase of the site. The result is that the $5,040,000 in debt that the development must bear is created primarily to satisfy the HUD HOPE VI deadline and the property would otherwise be donated to the partnership. Moreover, the Housing Authority will loan the funds again to the partnership to collateralize a portion of the bonds during construction and to extinguish a portion of the bonds after construction.

Finally, the acquisition cost, at more than $20,000 per unit, is extraordinarily high; the land cost for the vast majority of tax credit developments is more typically in the range of $6,000 to $10,000 per unit.

Sitework Cost:

The Applicant has claimed site work costs totaling $8,127 per unit; this is below the underwriting guideline of $9,000 per unit, so no further substantiation is required.

Direct Construction Cost:

The Applicant's projected direct construction cost is $17.3 million. This is 9% higher than the underwriting estimate of $15.9 million. Both figures are quite high relative to net rentable square footage ($76 and $70 per nrsf, respectively). However, it should be noted that the buildings include roughly 180,000 square feet of four-level structured parking that is included in the underwriting estimate, derived from the Marshall Valuation Service.

Conclusion:

The Applicant's projected total development cost is $34.8 million. This is within 5% of the underwriting estimate of $33.3 million, therefore, the Applicant's total will be used to calculate eligible basis and determine the need for permanent financing. The calculated eligible basis is $28,849,315; this is increased by 30% to $37,504,110 due to the subject location in a Qualified Census Tract. This amount is then reduced by the applicable fraction of 24.9% because only 61 units of the total 245 will be subject to rent and income restrictions. The adjusted basis of $9,337,758 supports an annual allocation of $327,755 in tax credits. This amount will be compared to the amount requested by the Applicant and the amount indicated by the gap in financing to determine any recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 7/31/2008

Issuer: San Antonio HFC

Source: Capital One Type: **Interim to Permanent Bond Financing**

Interim:	$24,527,696	Interest Rate:	3.26%		Fixed	Amort:	24	months
Permanent:	$19,487,696	Interest Rate:	5.14%	X	Fixed	Amort:	360	months

Comments:

The Applicant anticipates that the entire face amount of tax exempt bonds ($24,527,696) will be utilized. Based on the Applicant's application materials, it appears that a portion of the bonds will be secured during construction by escrowing $5M in HOPE VI / SAHA funds as cash collateral. These funds will be released after construction and will be used in combination with tax credit equity to extinguish a portion of the bonds. The Applicant contemplates the permanent debt to be $19,487,696 as reflected in the most recent sources and uses of funds.

The bonds will be privately-placed and carry a variable interest rate during construction equal to the one-month LIBOR plus 80 basis points (estimated to be 3.26%) and a fixed permanent rate based on the 17-year interpolated U.S. Treasury yield plus 100 basis points (estimated to be 5.14%).

The lender indicates that an interest rate hedge or a large interest rate reserve will be provided during construction.

This section intentionally left blank.

Source:	HOPE VI / San Antonio Housing Authority	Type:	**Cashflow Loan**

Tax-Exempt: $6,358,458 Interest Rate: AFR [X] Fixed Amort: 480 months

Comments:

The Applicant has indicated that the HOPE VI funds must be expended prior to September 25, 2008 or HUD will de-obligate the funding. As a result, the Applicant has indicated that the HOPE VI loan will be closed prior to the September 25th deadline and will be used to fund the $5,040,000 ground lease of the property. The funds will then effectively be recycled and re-loaned from the Housing Authority to the partnership.

The Applicant has indicated that this will result in an expenditure that is necessary to satisfy the HUD deadline. However, as indicated previously, this recycling of the funds will create $5,040,000 in additional cashflow debt on the property as reflected below because the site would otherwise be donated to the transaction by the Housing Authority. This additional debt is identified below and effectively offsets the $5,040,000 acquisition cost reflected in the development cost schedule.

Correspondence with the Applicant's legal counsel made clear that other alternative structures will be explored that may allow such an expenditure without the creation of additional debt. The newly enacted housing legislation (H.R. 3221) may provide some alternatives to a debt structure, but at this point, the Applicant indicated that a cashflow debt structure at AFR is a common and accepted structure.

The Underwriter has significant concerns regarding the viability of the proposed structure. The $11,398,458 in debt created with the HOPE VI funds is structured as a cashflow loan in part because the projected Year One net cashflow would be negative $353K if the debt was structured as hard debt. Moreover, the accrued interest alone amounts to more than $12.5M over the 40 year term. Debt that cannot be projected to be repaid may not be considered real debt and could jeopardize the Applicant's eligible basis.

As indicated previously, the new housing legislation may provide alternatives to this structure that would mitigate the Underwriter's concerns. Therefore, any recommendation of this report will be conditioned on receipt, review, and acceptance, prior to determination notice, of documentation of a final cashflow debt structure that mitigates concerns regarding the ability to repay; or, if the debt structure is ultimately pursued, documentation from a CPA or legal counsel that the balance of the debt is projected to never exceed the value of the property.

Source:	San Antonio Housing Authority	Type:	**Cashflow Loan**

Tax-Exempt: $5,040,000 Interest Rate: AFR [X] Fixed Amort: 480 months

Comments:

See discussion regarding HOPE VI funds above.

Source:	Hudson Housing Capital	Type:	**Syndication**

Proceeds: $2,709,673 Syndication Rate: 85% Anticipated HTC: $ 318,785

Comments:

The transaction would remain variable without any tax credits, although the entire developer fee and a portion of the contractor fee would require deferral. This level of deferred fees would still be repayable in 15 years; however, this 15 year requirement would likely be less imperative without any tax credits. Alternatively, the credit price can increase to well above par before the gap in financing decreases to a level that could warrant an adjustment to the recommended credit amount. As a result, uncertainty in debt and equity markets is a less significant issue for the subject transaction than for conventional HTC/bond transactions.

Amount:	$1,267,067	Type:	**Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

The Applicant’s total development cost estimate less the permanent loan of $19,487,696 and cashflow debt of $11,398,458 indicates the need for $3,976,739 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $467,852 annually would be required to fill this gap in financing. The three possible tax credit allocations are:

Allocation Determined by Eligible Basis:	$327,755
Allocation Requested by Applicant:	$318,785
Allocation Determined by Gap in Financing:	$467,852

If the Board ultimately accepts the Applicant's unit mix, the allocation amount requested by the Applicant is recommended. An annual allocation of $318,785 results in total syndication proceeds of $2,709,673 at a syndication rate of $0.85 per tax credit dollar. The underwriting analysis indicates the need for an additional $1,267,066 in permanent funds. Deferred developer fees in this amount appear to be repayable within five years of stabilized operation.

Underwriter:	*Thomas Cavanagh*	Date:	August 26, 2008
Reviewing Underwriter:	*Cameron Dorsey*	Date:	August 26, 2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	August 26, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

CityView Apartments, San Antonio, 4% HTC / MRB #08413

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
MR	43	1	1	646		$775	$33,325	$1.20	66.66	35.82
TC 50%/PHU	2	1	1	646	$513	$100	$200	$0.15	66.66	35.82
TC 50%	6	1	1	646	$513	$446	$2,678		66.66	35.82
MR	22	1	1	732		$835	$18,370	$1.14	66.66	35.82
TC 50%/PHU	6	1	1	732	$513	$100	$600	$0.14	66.66	35.82
MR	26	1	1	807		$875	$22,750	$1.08	66.66	35.82
TC 50%/PHU	6	1	1	807	$513	$100	$600	$0.12	66.66	35.82
MR	45	2	2	1,044		$1,090	$49,050	$1.04	80.69	42.62
TC 50%/PHU	13	2	2	1,044	$615	$100	$1,300	$0.10	80.69	42.62
TC 50%	6	2	2	1,044	$615	$534	$3,206		80.69	42.62
MR	6	2	2	1,048		$1,090	$6,540	$1.04	80.69	42.62
TC 50%/PHU	9	2	2	1,048	$615	$100	$900	$0.10	80.69	42.62
MR	42	2	2	1,181		$1,210	$50,820	$1.02	80.69	42.62
TC 50%/PHU	4	2	2	1,181	$615	$100	$400	$0.08	80.69	42.62
TC 50%/PHU	8	3	2	1,352	$711	$100	$800	$0.07	102.10	54.11
TC 50%/PHU	1	3	2	1,083	$711	$100	$100	$0.09	102.10	54.11
TOTAL:	245		**AVERAGE:**	931		$782	$191,639	$0.84	$75.12	$39.96

INCOME	Total Net Rentable Sq Ft:	228,027		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$2,299,667	$2,448,204	Bexar	San Antonio	9
Secondary Income		Per Unit Per Month:	$15.00	44,100	44,100	$15.00	Per Unit Per Month	
Public Housing Subsidy:				102,272	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$2,446,039	$2,492,304			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(183,453)	(186,924)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$2,262,586	$2,305,380			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.74%	$437	0.47	$107,183	$62,557	$0.27	$255	2.71%
Management	4.07%	376	0.40	92,165	96,345	0.42	393	4.18%
Payroll & Payroll Tax	10.64%	983	1.06	$240,723	165,622	0.73	676	7.18%
Repairs & Maintenance	5.61%	518	0.56	$127,010	168,626	0.74	688	7.31%
Utilities	1.64%	152	0.16	37,182	64,435	0.28	263	2.79%
Water, Sewer, & Trash	3.56%	329	0.35	80,603	67,065	0.29	274	2.91%
Property Insurance	2.83%	262	0.28	64,084	110,000	0.48	449	4.77%
Property Tax	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements	2.71%	250	0.27	61,250	61,250	0.27	250	2.66%
TDHCA Compliance Fees	0.09%	8	0.01	1,960	1,960	0.01	8	0.09%
Other:Annual Issuer Fee	0.33%	31	0.03	7,500	7,500	0.03	31	0.33%
TOTAL EXPENSES	36.23%	$3,346	$3.59	$819,660	$805,360	$3.53	$3,287	34.93%
NET OPERATING INC	63.77%	$5,889	$6.33	$1,442,926	$1,500,020	$6.58	$6,123	65.07%
DEBT SERVICE								
Capital One MRB	56.37%	$5,206	$5.59	$1,275,455	1,255,008	$5.50	$5,122	54.44%
HOPE VI Loan	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW	7.40%	$684	$0.73	$167,471	$245,012	$1.07	$1,000	10.63%
AGGREGATE DEBT COVERAGE RATIO				1.13	1.20			
RECOMMENDED DEBT COVERAGE RATIO					1.18			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		15.14%	$20,571	$22.10	$5,040,000	$5,040,000	$22.10	$20,571	14.46%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		5.98%	8,127	8.73	1,991,074	1,991,074	8.73	8,127	5.71%
Direct Construction		47.72%	64,851	69.68	15,888,488	17,271,548	75.74	70,496	49.54%
Contingency	4.84%	2.60%	3,529	3.79	864,649	864,649	3.79	3,529	2.48%
Contractor's Fees	13.43%	7.21%	9,803	10.53	2,401,829	2,401,829	10.53	9,803	6.89%
Indirect Construction		2.53%	3,437	3.69	842,000	842,000	3.69	3,437	2.42%
Ineligible Costs		1.43%	1,945	2.09	476,601	476,601	2.09	1,945	1.37%
Developer's Fees	15.00%	10.69%	14,526	15.61	3,558,837	3,740,675	16.40	15,268	10.73%
Interim Financing		5.22%	7,092	7.62	1,737,540	1,737,540	7.62	7,092	4.98%
Reserves		1.49%	2,028	2.18	496,977	496,977	2.18	2,028	1.43%
TOTAL COST		100.00%	$135,910	$146.03	$33,297,995	$34,862,893	$152.89	$142,298	100.00%
Construction Cost Recap		*63.51%*	***$86,310***	***$92.73***	***$21,146,040***	***$22,529,100***	***$98.80***	***$91,956***	*64.62%*

SOURCES OF FUNDS						RECOMMENDED	
Capital One MRB	58.53%	$79,542	$85.46	$19,487,696	$19,487,696	$19,487,696	Developer Fee Available
HOPE VI Loan	19.10%	$25,953	$27.88	6,358,458	6,358,458	6,358,458	$3,740,675
SAHA Loan	15.14%	$20,571	$22.10	5,040,000	5,040,000	5,040,000	
Hudson Housing HTC Equity	8.14%	$11,060	$11.88	2,709,673	2,709,673	2,709,673	% of Dev. Fee Deferred
Deferred Developer Fees	3.81%	$5,172	$5.56	1,267,067	1,267,067	1,267,066	34%
Additional (Excess) Funds Req'd	-4.70%	($6,387)	($6.86)	(1,564,899)	(1)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$33,297,995	$34,862,893	$34,862,893	$7,547,763

CityView Apartments, San Antonio, 4% HTC / MRB #08413

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$54.39	$12,401,911
Adjustments				
Exterior Wall Finish	5.60%		$3.05	$694,507
Elderly	0.00%		0.00	0
9-Ft. Ceilings	3.70%		2.01	458,871
Roofing			0.00	0
Subfloor			(0.62)	(140,807)
Floor Cover			2.43	554,106
Breezeways/Balconies	$22.58	47,901	4.74	1,081,485
Plumbing Fixtures	$805	536	1.89	431,480
Rough-ins	$400	245	0.43	98,000
Built-In Appliances	$1,850	245	1.99	453,250
Exterior Stairs	$1,800	36	0.28	64,800
Elevators	$45,100	4	0.79	180,400
Heating/Cooling			1.90	433,251
Garages/Carports	$29.23	181,536	23.27	5,306,794
Comm &/or Aux Bldgs	$54.39	3,610	0.86	196,340
Other: fire sprinkler	$1.95	409,563	3.50	798,648
SUBTOTAL			100.92	23,013,036
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.85		(15.14)	(3,451,955)
TOTAL DIRECT CONSTRUCTION COSTS			$85.78	$19,561,081
Plans, specs, survy, bld prmts	3.90%		($3.35)	($762,882)
Interim Construction Interest	3.38%		(2.90)	(660,186)
Contractor's OH & Profit	11.50%		(9.87)	(2,249,524)
NET DIRECT CONSTRUCTION COSTS			$69.68	$15,888,488

PAYMENT COMPUTATION

Primary	$19,487,696	Amort	360
Int Rate	5.14%	DCR	1.13
Secondary	$6,358,458	Amort	
Int Rate	4.31%	Subtotal DCR	1.13
Additional	$5,040,000	Amort	
Int Rate	4.31%	Aggregate DCR	1.13

RECOMMENDED FINANCING STRUCTURE APPLICAN

Primary Debt Service	$1,275,455
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$224,565

Primary	$19,487,696	Amort	360
Int Rate	5.14%	DCR	1.18
Secondary	$6,358,458	Amort	
Int Rate	4.31%	Subtotal DCR	1.18
Additional	$5,040,000	Amort	
Int Rate	4.31%	Aggregate DCR	1.18

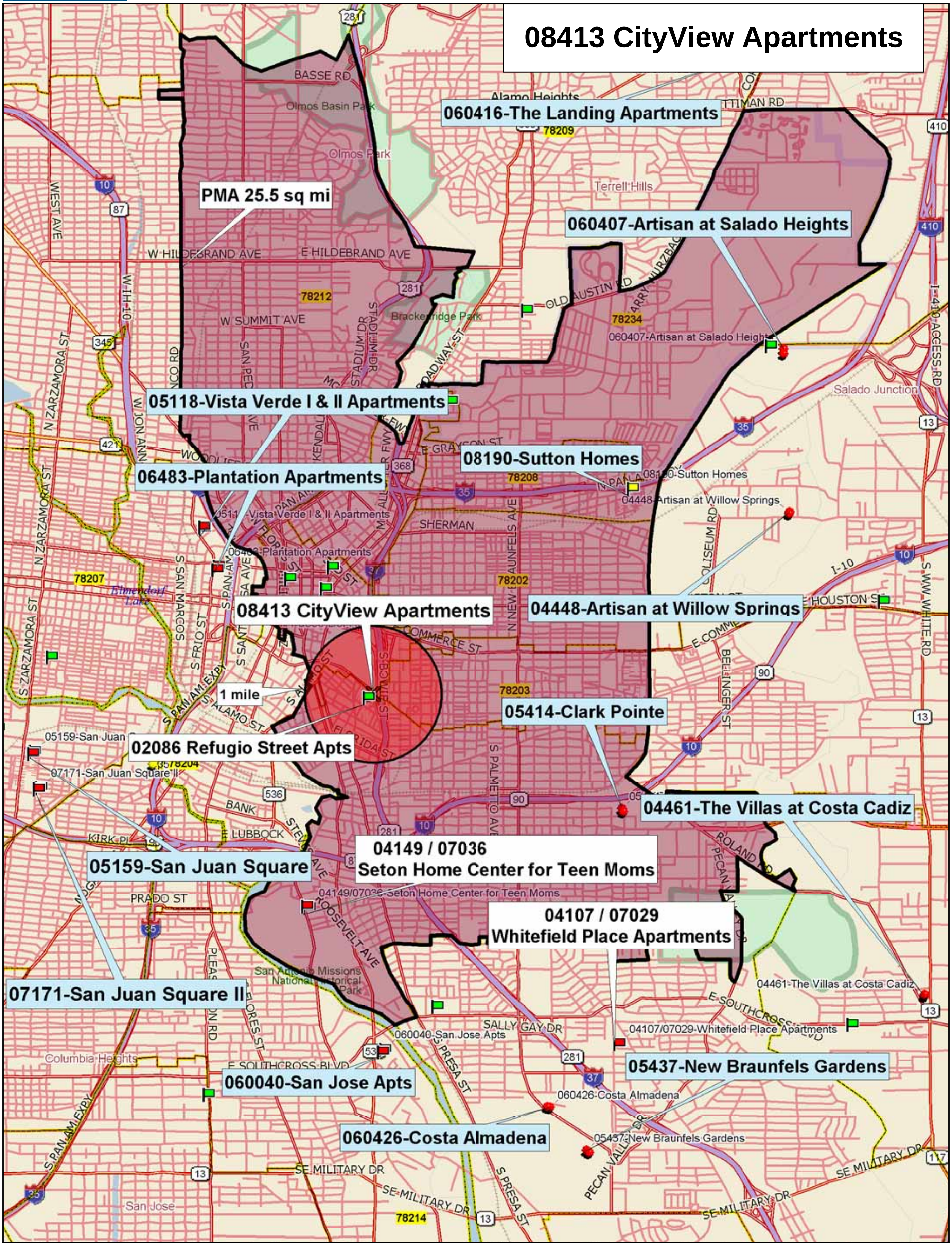
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$2,448,204	$2,521,650	$2,597,300	$2,675,219	$2,755,475	$3,194,351	$3,703,128	$4,292,941	$5,769,353
Secondary Income	44,100	45,423	46,786	48,189	49,635	57,540	66,705	77,330	103,925
Public Housing Subsidy:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,492,304	2,567,073	2,644,085	2,723,408	2,805,110	3,251,891	3,769,833	4,370,270	5,873,278
Vacancy & Collection Loss	(186,924)	(192,530)	(198,306)	(204,256)	(210,383)	(243,892)	(282,738)	(327,770)	(440,496)
Employee or Other Non-Rental U	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$2,305,380	$2,374,543	$2,445,779	$2,519,152	$2,594,727	$3,008,000	$3,487,096	$4,042,500	$5,432,782
EXPENSES at 4.00%									
General & Administrative	$62,557	$65,059	$67,662	$70,368	$73,183	$89,038	$108,328	$131,798	$195,093
Management	96,345	99,235	102,212	105,279	108,437	125,708	145,731	168,942	227,043
Payroll & Payroll Tax	165,622	172,247	179,137	186,302	193,754	235,732	286,804	348,941	516,517
Repairs & Maintenance	168,626	175,371	182,386	189,681	197,269	240,007	292,006	355,270	525,886
Utilities	64,435	67,012	69,693	72,481	75,380	91,711	111,581	135,755	200,950
Water, Sewer & Trash	67,065	69,748	72,538	75,439	78,457	95,454	116,135	141,296	209,152
Insurance	110,000	114,400	118,976	123,735	128,684	156,564	190,484	231,753	343,052
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	61,250	63,700	66,248	68,898	71,654	87,178	106,065	129,045	191,017
Other	9,460	9,838	10,232	10,641	11,067	13,465	16,382	19,931	29,502
TOTAL EXPENSES	$805,360	$836,611	$869,083	$902,824	$937,884	$1,134,858	$1,373,515	$1,662,729	$2,438,214
NET OPERATING INCOME	$1,500,020	$1,537,932	$1,576,696	$1,616,328	$1,656,842	$1,873,142	$2,113,581	$2,379,771	$2,994,568
DEBT SERVICE									
First Lien Financing	$1,275,455	$1,275,455	$1,275,455	$1,275,455	$1,275,455	$1,275,455	$1,275,455	$1,275,455	$1,275,455
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$224,565	$262,477	$301,241	$340,873	$381,388	$597,687	$838,126	$1,104,316	$1,719,113
DEBT COVERAGE RATIO	1.18	1.21	1.24	1.27	1.30	1.47	1.66	1.87	2.35

HTC ALLOCATION ANALYSIS -CityView Apartments, San Antonio, 4% HTC / MRB #08413

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$5,040,000	$5,040,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	$1,991,074	$1,991,074	$1,991,074	$1,991,074
Construction Hard Costs	$17,271,548	$15,888,488	$17,271,548	$15,888,488
Contractor Fees	$2,401,829	$2,401,829	$2,401,829	$2,401,829
Contingencies	$864,649	$864,649	$864,649	$864,649
Eligible Indirect Fees	$842,000	$842,000	$842,000	$842,000
Eligible Financing Fees	$1,737,540	$1,737,540	$1,737,540	$1,737,540
All Ineligible Costs	$476,601	$476,601		
Developer Fees				
Developer Fees	$3,740,675	$3,558,837	$3,740,675	$3,558,837
Development Reserves	$496,977	$496,977		
TOTAL DEVELOPMENT COSTS	$34,862,893	$33,297,995	$28,849,315	$27,284,417

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$28,849,315	$27,284,417
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$37,504,110	$35,469,742
Applicable Fraction		25%	25%
TOTAL QUALIFIED BASIS		$9,337,758	$8,831,242
Applicable Percentage		3.51%	3.51%
TOTAL AMOUNT OF TAX CREDITS		$327,755	$309,977
Syndication Proceeds	**0.8500**	**$2,785,921**	**$2,634,801**
Total Tax Credits (Eligible Basis Method)		**$327,755**	**$309,977**
Syndication Proceeds		**$2,785,921**	**$2,634,801**
Requested Tax Credits		**$318,785**	
Syndication Proceeds		**$2,709,673**	
Gap of Syndication Proceeds Needed		**$3,976,739**	
Total Tax Credits (Gap Method)		**$467,852**	


08413 CityView Apartments
060416-The Landing Apartments
PMA 25.5 sq mi
060407-Artisan at Salado Heights
05118-Vista Verde I & II Apartments
08190-Sutton Homes
06483-Plantation Apartments
08413 CityView Apartments
04448-Artisan at Willow Springs
1 mile
05414-Clark Pointe
02086 Refugio Street Apts
04461-The Villas at Costa Cadiz
04149 / 07036
Seton Home Center for Teen Moms
05159-San Juan Square
04107 / 07029
Whitefield Place Apartments
07171-San Juan Square II
05437-New Braunfels Gardens
060040-San Jose Apts
060426-Costa Almadena
Scale 1 : 68,750
1" = 1.09 mi
Data Zoom 11-5

Applicant Evaluation

Project ID **08413U** Name **City View Apartments Homes** City:

HTC 9% ☐ HTC 4% ☑ HOME ☐ BOND ☐ HTF ☐ SECO ☐ ESGP ☐ Other ☐

☐ No Previous Participation in Texas ☐ Members of the development team have been disbarred by HUD

Portfolio Management and Compliance

Total # of MF awards monitored: 22

Total # of MF awards not yet monitored or pending review: 10

SF Contract Experience ☐ Yes ☑ No

Total # of SF Contracts: 0

Projects in Material Noncompliance

Yes ☐ **No** ☑

Total # of MF Projects in Material Noncompliance: 0

Projects grouped by score

0-9: 18

10-19: 4

20-29: 0

Total monitored with a score 0-29: 22

Completed by: J. Taylor Reviewer: Wendy Quackenbush

Date 8/8/2008 Date 8/20/2008

Single Audit

☐ Single audit review not applicable

☑ Single audit review found no unresolved issues

☐ Late single audit certification form (see comments

☐ Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos Date 8/19/2008

Comments (if applicable):

Financial Administration
Loan Servicing

☑ No delinquencies found ☐ Delinquencies found (see comments)

Reviewer Candace Christiansen Date 8 /18/2008

Comments (if applicable):

Financial Administration
Financial Services

☑ No delinquencies found ☐ Delinquencies found (See Comments)

Reviewer Monica Guerra Date 8 /22/2008

Comments (if applicable):

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
September 4, 2008

Action Item

Presentation, Discussion and Possible Issuance of Determination Notices for Housing Tax Credits associated with Mortgage Revenue Bond Transactions with other Issuers.

Requested Action

Approve, Amend or Deny the staff recommendation for Artisan at San Pedro Creek Apartments, #08401 in San Antonio, Texas.

Summary of the Transaction

Background and General Information: The application was received on June 28, 2008. The Issuer for this transaction is San Antonio HFC with a reservation of allocation that expires on October 31, 2008. The development is new construction and will consist of 252 total units targeting the general population and 100% of the units are proposed to be restricted at 60% AMFI. The proposed development will be located in San Antonio, Bexar County. The site is currently zoned for this type of development.

This application was originally approved by the Board on January 31, 2008. However, as a result of changes in the equity market they were unable to close on the original bond reservation and subsequently had the reservation of allocation re-issued. They submitted to the Department a new Volume 1 which reflected changes in total development cost, expenses and a lower tax credit request than what was originally approved. This presentation includes an Addendum to the original underwriting report.

Organizational Structure and Compliance: The Borrower is ARDC San Marcos, Ltd. and the General Partner is ARDC San Marcos, Ltd., which is comprised of Las Varas Public Facility Corporation with 100% ownership interest. The Compliance Status Summary completed on August 22, 2008 reveals that the principals of the general partner have a total of eight (8) properties that have been monitored with no material non-compliance.

Census Demographics: The development is to be located at approximately the 1901 S San Marcos Street in San Antonio. Demographics for the census tract (1601.00) include AMFI of $28,906; the total population is 5,731; the percent of population that is minority is 97.91%; the percent of population that is below the poverty line is 35.59%; the number of owner occupied units is 967; the number of renter units is 657 and the number of vacant units is 96. (Census information from FFIEC Geocoding for 2007).

Public Comment: The Department has received two letters of support from the community and no letters of opposition.

Recommendation

Staff recommends the Board approve the issuance of a Determination Notice of $1,105,744 in Housing Tax Credits for Artisan at San Pedro Creek Apartments.

In the original presentation staff noted several concerns related to the site for the proposed development. The vehicular noise from Interstate 35 which is located directly east of the property was ruled “normally unacceptable” by HUD in their noise assessment; there are flooding concerns as a result of the San Pedro Creek which flows along the eastern portion of the property thereby causing this portion of the property to be designated in a AE flood zone; and cleanup of the site as approved by TCEQ (Texas Commission on Environmental Quality) is a condition of the Real Estate Analysis report. These concerns are explained in greater detail in the Real Estate Analysis report and Addendum included in this presentation.

MULTIFAMILY FINANCE PRODUCTION DIVISION
September 3-4, 2008
Development Information, Public Input and Board Summary
Artisan At San Pedro Creek, TDHCA Number 08401

BASIC DEVELOPMENT INFORMATION

Site Address:	1901 S. San Marcos			Development #:	08401
City:	San Antonio	Region:	9	Population Served:	General
County:	Bexar	Zip Code:	78207	Allocation:	Urban
HOME Set Asides:	☐ CHDO ☐ Preservation ☐ General			Purpose/Activity:	NC
Bond Issuer:	San Antonio HFC				

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner:	ARDC San Marcos, Ltd.
Owner Contact and Phone	Ryan Wilson, (210) 694-2223
Developer:	Franklin Development Properties, Ltd.
Housing General Contractor:	Franklin Construction Company
Architect:	RPGA Design Group, Inc.
Market Analyst:	Butler- Burgher, Inc.
Syndicator:	MMA Financial LLC
Supportive Services:	United Apartment Group
Consultant:	Not Utilized

UNIT/BUILDING INFORMATION

30%	40%	50%	60%	80%	Eff	1 BR	2 BR	3 BR	4 BR	5 BR
0	0	0	252	0	0	52	112	88	0	0

Type of Building:

- ☐ Duplex
- ☐ Triplex
- ☐ Fourplex
- ☑ 4 units or more per building
- ☐ Detached Residence
- ☐ Single Room Occupancy
- ☐ Transitional
- ☐ Townhome

Total Restricted Units:	252
Market Rate Units:	0
Owner/Employee Units:	0
Total Development Units:	252
Total Development Cost:	$27,961,120
Number of Residential Buildings:	6
HOME High Total Units:	0
HOME Low Total Units:	0

Note: If Development Cost =$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis	Amort	Term	Rate
4% Housing Tax Credits with Bonds:	$1,105,744	$1,105,744	0	0	0%
TDHCA Bond Allocation Amount:	$0	$0	0	0	0%
HOME Activity Fund Amount:	$0	$0	0	0	0%
HOME CHDO Operating Grant Amount:	$0	$0			

MULTIFAMILY FINANCE PRODUCTION DIVISION

September 3-4, 2008

Development Information, Public Input and Board Summary

Artisan At San Pedro Creek, TDHCA Number 08401

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Van De Putte, District 26 NC

US Representative: González, District 20, NC

TX Representative: Puente, District 119 NC

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Phil Hardberger, Mayor, City of San Antonio - NC

Resolution of Support from Local Government ☐

Individuals/Businesses: In Support: **2** In Opposition: **0**

Neighborhood Input:

General Summary of Comment:

The Department has received two letters of support and no letters of opposition from the community.

CONDITIONS OF COMMITMENT

Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”

Receipt, review, and acceptance of documentation identifying a plan to mitigate the noise related issues identified in the HUD noise study conducted on September 17, 2007.

Receipt, review, and acceptance of documentation identifying a plan to mitigate the potential flood zone issues as a result of the easternmost portion of the site being located within Zone AE.

Receipt, review, and acceptance by cost certification of documentation that the applicant has completed the cleanup guidelines as approved by TCEQ (Texas Commission on Environmental Quality) and proposed by Geo-Marine Incorporated for the site remediation and closure plans, providing remediation oversight, and revising and preparing the closure documents for the Swift Site Voluntary Cleanup Program Project.

Receipt, review, and acceptance by cost certification of an executed ground lease with clear lease terms including, but not limited to the annual rent amount is a condition of this report.

Should the terms and rates of the proposed debt or syndication change, the transaction should be evaluated and an adjustment to the credit and or allocation amount may be warranted.

MULTIFAMILY FINANCE PRODUCTION DIVISION
September 3-4, 2008
Development Information, Public Input and Board Summary

Artisan At San Pedro Creek, TDHCA Number 08401

<u>RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:</u>

4% Housing Tax Credits:		Credit Amount:	$1,105,744
Recommendation:	Recommend approval of a Housing Tax Credit Allocation not to exceed $1,105,744 annually for ten years, subject to conditions.		
TDHCA Bond Issuance:		Bond Amount:	$0
Recommendation:			
HOME Activity Funds:		Loan Amount:	$0
HOME CHDO Operating Expense Grant:		Grant Amount:	$0
Recommendation:			

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 08/26/08 PROGRAM: 4% HTC FILE NUMBER: **08401**

DEVELOPMENT

Artisan at San Pedro Creek

Location: 1901 S. San Marcos Region: 9

City: San Antonio County: Bexar Zip: 78207 [x] QCT [ ] DDA

Key Attributes: Family, New Construction, Urban/Exurban and Multifamily

ALLOCATION

	REQUEST			**RECOMMENDATION**		
Housing Tax Credit (Annual)	$1,105,744			**$1,105,744**		

CONDITIONS

1 Receipt, review and acceptance of documentation identifying a plan to mitigate the noise related issues identified in the HUD noise study conducted on September 17, 2007.

2 Receipt, review and acceptance of documentation identifying a plan to mitigate the potential flood zone issues as a result of the easternmost portion of the site being located within zone AE.

3 Receipt, review and acceptance by cost certification that the applicant has completed the cleanup guidelines as approved by TCEQ (Texas Commission on Environmental Quality) and proposed by Geo-Marine Incorporated for the site remediation and closure plans, providing remediation oversight, and revising and preparing the closure documents for the Swift Site Voluntary Cleanup Program Project.

4 Receipt, review and acceptance by cost certification of an executed ground lease with clear lease terms including, but not limited to the annual rent amount is a condition of this report.

5 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit and or allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	252

PROS

- The property has good proximity to downtown and will provide the opportunity to ignite revitalization of the area.

CONS

- The seller is related to the Applicant and is providing seller financing in the whole amount of the sales or lease price; however, this does not, in this instance overstate the tax credit recommendation.

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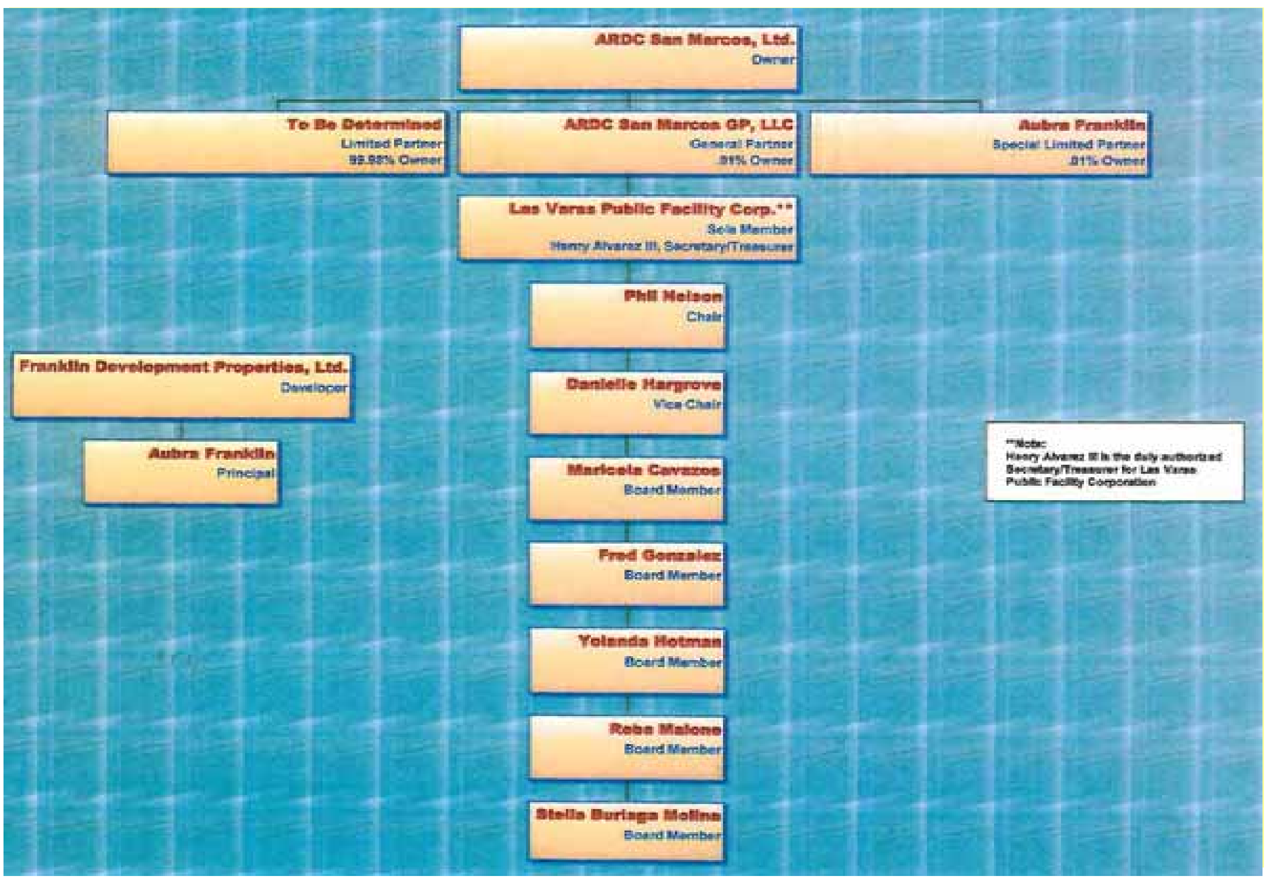
- The site has significant environmental issues that have been identified and are being mitigated to the extent possible, including noise created by IH-35, floodplain at the entrance and front portion of the site, and need to complete the site clean-up remediation program with TCEQ.
- The Underwriter's inclusive capture rate of 23% is just slightly below the Department's maximum of 25% but still within an acceptable range.

PREVIOUS UNDERWRITING REPORTS

The development was originally presented and approved by the TDHCA Board at its January 31, 2008 meeting for $1,149,825 in annual tax credits. Subsequent to this approval, the Applicant was not able to meet the 150-day deadline required to close on the bonds and, therefore, has submitted a revised Volume I of the application for consideration. Based on the revised information provided it appears that the Applicant's rental income, operating expenses and construction cost estimates have changed since those contemplated at application; therefore, the Applicant is now requesting $1,105,744 in annual tax credits.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact:	Ryan Wilson	Phone:	(210) 694-2223	Fax:	(210) 694-4225
Email:	ryan@franklindevelopment				

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# Completed Developments
Las Varas Corporation	$4,034,546	$3,106,201	4
Franklin Development	$7,636,656	$7,587,017	8
Aubra Franklin	Confidential	Confidential	Certificate of Experience

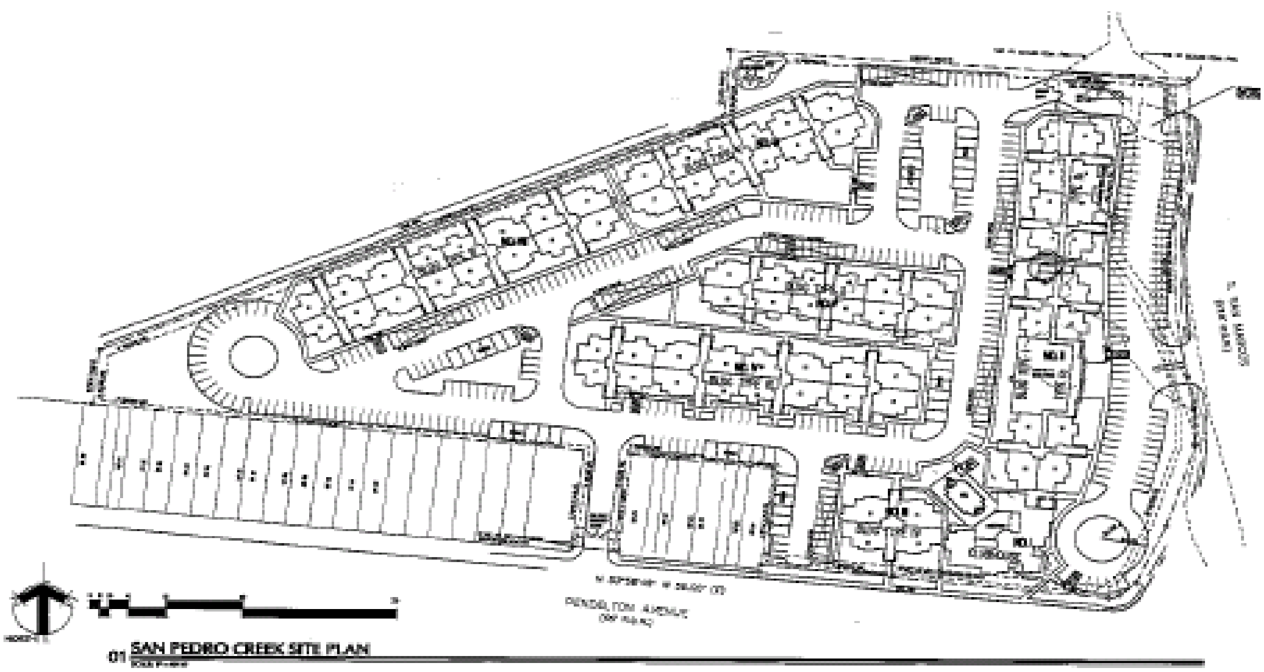
[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant, Developer, and General Contractor are related entities. These are common relationships for HTC-funded developments.
- The seller is regarded as a related party due to the proposed loan issued against the land proceeds by the seller. This issue is discussed further and has been reconciled in the development cost section of the report.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I(a&b)	II	III	IV	V						Total Buildings
Floors/Stories	4	3	3	3	3						
Number	1	1	2	1	1						**6**

BR/BA	SF	Units										Total Units	Total SF
1/1	750	16	12	6		12						52	39,000
2/2	985	40	12	24		12						112	110,320
3/2	1,160	20	8	18	12	12						88	102,080
Units per Building		76	32	48	12	36						**252**	**251,400**

SITE ISSUES

Total Size:	10.7 acres	Scattered site?	[ ] Yes	[x] No
Flood Zone:	X and AE	Within 100-yr floodplain?	[ ] Yes	[x] No
Zoning:	* IDZ	Needs to be re-zoned?	[ ] Yes	[x] No [ ] N/A

Comments:

TDHCA staff is concerned with several issues related to the subject site. These issues will be discussed in further detail in the "TDHCA Site Inspection" section of this report.

* "IDZ" refers to Infill Development Zone, with uses permitted in MF-33 Multi-Family District and C-2 Commercial District.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff   Date: 8/29/2007

Overall Assessment:

[ ] Excellent [ ] Acceptable [x] Questionable [ ] Poor [ ] Unacceptable

Surrounding Uses:

North: Industrial Warehouse and Commercial beyond

South: Residential Homes and Retail beyond.

East: Commercial/Retail and Interstate 35 beyond

West: Residential homes and Retail beyond.

Comments:

The site inspector noted the following comments: San Antonio stockyards are adjacent to the property even though the stockyards are now closed with several meat packing operations close by. A large drainage ditch is near the site. Interstate traffic is adjacent to the site also.

Due to the "Questionable" assessment made by the TDHCA site inspector and the environmental concerns noted in the environmental report, the Underwriter felt that a visual inspection of the subject property was necessary. A summary of which follows:

The subject property is located to the east of and beneath an elevated portion of Interstate 35 with no easy access to the site from north or south of the interstate. Additionally, the property's close proximity to the interstate creates the potential for noise related issues due to the roadway noise created by I-35. This concern has already been identified in a HUD noise study conducted on September 12, 2007. Receipt, review and acceptance of documentation identifying a plan to mitigate the noise related issues identified in the HUD noise study is a condition of this report.

Another concern relates to the proposed entrance into the development which is planned through S. San Marcos Street located in the easternmost portion of the site and adjacent to San Pedro Creek. This portion of the site is located within shaded X and AE flood zones due to the presence of the creek and causes concern that should the creek ever experience a flood, entrance into the development may be prohibited. As a result, receipt, review and acceptance of documentation identifying a plan to mitigate the potential flood zone issues is a condition of this report.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Integrated Testing and Engineering Company   Date: 8/31/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- "The target property was the former location of the Swift Meat Company from 1904 until approximately 1995. Remediation of underground fuel storage tanks and removal of coal ash (the result of burning carcasses on-site) began in the early 1990's using Texas Commission on Environmental Quality (TCEQ) guidelines for cleanup. The buildings located on the target property were removed in the early 1990's.......The target property is part of a TCEQ Voluntary Cleanup Program (VCP)." (p. 16)

This section intentionally left blank.

- "Geo-Marine Incorporated, an environmental consulting company, is currently working with the San Antonio Housing Authority on clean up of the target property. (p. 1) In a letter dated June 18, 2007 from Geo-Marine Incorporated (GMI) to San Antonio Housing Authority, GMI proposes to provide environmental consulting services to develop and prepare a work plan, specifications, and site diagrams for remediation and closure of the contaminated areas at the Swift voluntary Cleanup Program Site No. 190." (p. 13) (Appendix D)

- A noise assessment study was preformed by HUD on September 12, 2007 and the final site evaluation was determined "Normally Unacceptable" due to the roadway noise created by interstate 35 to the east of the subject property. Aircraft noise and railway noise was also tested and was found to be acceptable. The Underwriter recommends that the Applicant develop a plan and provide documentation that the plan will mitigate the noise concerns consistent with HUD guidelines and the conclusions of the report.

Comments:

TEC (Integrated Testing and Engineering Company) recommends that the client follow the cleanup guidelines as approved by TCEQ (Texas Commission on Environmental Quality) (p. 16) and proposed by Geo-Marine Incorporated for remediation and closure plans, providing remediation oversight, and revising and preparing the closure documents for the Swift Site Voluntary Cleanup Program Project. This will be a condition of this report.

MARKET HIGHLIGHTS

Provider: Butler Burgher, Inc. Date: 9/13/2007

Contact: Mary Ann Barnett Phone: (214) 739-0700 Fax: (214) 361-8168

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 12.73 square feet (2.0 mile radius)

"The Primary Market Area is the area bounded by Culebra road on the north, U.S. Highway 90 on the

Secondary Market Area (SMA):

A secondary market was not identified in the Market Study.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS								
PMA				SMA				
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25%	Comp Units
San Juan Square	05159	143	1,628	N/A				

INCOME LIMITS						
Bexar						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60	$22,980	$26,280	$29,520	$32,820	$35,460	$38,100

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 60% Rent Limit	1,226	98	0	1,324	52	28	6.04%
2 BR/ 60% Rent Limit	753	98	0	851	112	59	20.09%
3 BR/ 60% Rent Limit	1,127	98	0	1,225	88	50	11.27%

This section intentionally left blank.

OVERALL DEMAND					
	Target Households	Household Size	Income Eligible	Tenure	Demand
PMA DEMAND from TURNOVER					
Market Analyst p. 65	100% 24,629	100% 24,629	26% 6,465	42% 2,719	76% 2,072
Underwriter	100% 24,615	100% 24,615	23% 5,659	42% 2,380	69% 1,630
PMA DEMAND from HOUSEHOLD GROWTH					
Market Analyst p. 64/67	Annual Growth Demand based on 4.56% of SA MSA Job Growth *				98
Underwriter		100% -25	23% -6	42% -2	100% -2

* The subject PMA's population is 4.56% of the San Antonio MSA; therefore, it is reasonable to conclude that job growth within the PMA will be at least consistent with the San Antonio MSA Job estimated job growth.

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 65	252	137	0	389	2,170	17.93%
Underwriter	0	1,628	0	1,628	1,628	100.00%

The Market Analyst used a turnover rate of 76% based on 2006 IREM data, which is on the high end of turnover rates generally used for HTC properties and is higher than the average turnover for Region 9 reflected in the Department's database of family properties (39.1%). However, the Department's database does not currently filter rural properties and properties with rental assistance, which often experience significantly lower turnover than unassisted urban properties.

Based on the Underwriter's demand analysis, a turnover rate greater than 64% must be used in order to support an inclusive capture rate less than 25% and within the Department's threshold for urban properties targeting families. The Underwriter updated the turnover rate to the IREM 2007 Edition data indicating a rate of 68.5%. The resulting capture rate of 23.15% is just slightly below the Department's threshold but is still acceptable.

Primary Market Occupancy Rates:

"Occupancy levels in the PMA have fluctuated over the last several years from a low of 92.1% occurring in 2003 to a high of 97.3%, which occurred in 2000. The current occupancy rate, as of June 2007, is at 96.5%." (p. 42)

Absorption Projections:

"During pre-leasing, an absorption rate of 5 to 15 units per month is anticipated, with absorption of 25 units per month after completion. The subject community should achieve stabilization by September 2009." (p. 71)

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 750 SF 60%	$532	539	$675	539	$136
2 BR 985 SF 60%	$638	646	$801	646	$155
3 BR 1,160 SF 60%	$729	739	$1,009	739	$270

Market Impact:

"The subject market area is centrally located west of the San Antonio CBD. The PMA's central location relative to supportive development ensures future growth as economic conditions improve. Overall, the long-term prospects for the primary market area are good." (p. 50)

Comments:

The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: Two Date of Last Applicant Revision: 6/25/2008

The Applicant's rent projections are slightly lower than the maximum rents allowed under HTC guidelines. The Underwriter's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of November 2007, maintained by the City of San Antonio Housing Assistance Office, from the 2008 program gross rent limits. The maximum program rents are supported by the market rents determined by the Market Analyst. Tenants will be required to pay for electricity.

In addition to secondary income from normal operation, the Applicant projects income from covered parking at $2,670 per month for 10 garages and 60 carports. While the Applicant did deduct the cost for construction of these optional amenities from eligible basis, documentation to support the estimated additional rent was not provided. Traditionally, the Department has not accepted carport income and has heavily discounted garage rental income. Given that the Applicant maximized other secondary income and provided no support for garage rental income, the underwriting analysis assumes only the maximum of $15 per unit per month in secondary income from normal operation.

The Applicant's vacancy and collection loss assumptions are in line with current underwriting guidelines and the effective gross income assumption is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: Two Date of Last Applicant Revision: 6/25/2008

The Applicant's total annual operating expense projection at $3,219 per unit is within 5% of the Underwriter's estimate of $3,335, derived from the TDHCA database. The Applicant's budget reflects one line item estimate that deviates significantly when compared to the Underwriter's estimate. Specifically, the Applicant's failed to include TDHCA's Compliance Fees of $10,080.

The Applicant is also projecting a 100% property tax exemption as a result of the Public Facility's control of the general partner. It is anticipated that the Applicant will enter into a ground lease with the Public Facility in order to secure such an exemption. Receipt, review and acceptance by cost certification of an executed ground lease with clear lease terms including, but not limited to, the annual rent amount is a condition of this report.

Conclusion:

The Applicant's estimated income is consistent with the Underwriter's expectations, and the total operating expenses are within 5% of the database-derived estimate, and the Applicant's net operating income (NOI) estimate is within 5% of the Underwriter's estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. The Year One proforma results in a DCR within the Department's current guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Butler Burgher, Inc Date: 9/13/2007

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Land Only: 10.7 acres	$1,160,000	As of:	8/11/2007
Existing Buildings: (as-is)	$0	As of:	8/11/2007
Total Development: (as-is)	$1,160,000	As of:	8/11/2007

Comments:

The subject site contains 10.7 acres of land and is owned by San Antonio Housing Authority. The site is currently vacant.

The analysis to determine the appraised value for the subject property was based upon the sales data of five (5) similar properties. The Appraiser researched to locate land sales that were comparable to the subject in size, location and zoning. They were described by the Appraiser as transactions within or near the subject's market area that were purchased for multifamily developments. The land is being valued on an adjusted per unit mean value basis of $4,600 times 252 units rounded to a total value of $1,160,000.

The comparability of the properties used in the analysis is questionable due to the distance of each from the subject site. The subject property is located in southwest central San Antonio and one of the comps was located in far northwest San Antonio and one was located in far southwest San Antonio. The other three (3) comps were located east of Interstate 35 in a different market area all together. None of the five (5) comps used were in the subject's defined market area as determined in the market study. However, as discussed below, the Underwriter used the original purchase price plus a reasonable rate of return to determine the Underwriter's acquisition cost.

ASSESSED VALUE

Land Only: 10.7 acres	$869,370	Tax Year:	2007
Existing Buildings:	$0	Valuation by:	Bexar CAD
Total Assessed Value:	$869,370	Tax Rate:	2.666775

EVIDENCE of PROPERTY CONTROL

Type: Option Agreement   Acreage: 10.7

Contract Expiration: 8/15/2008   Valid Through Board Date? [X] Yes [ ] No

Acquisition Cost: $1,160,000   Other: appraised value of the property.

Seller: San Antonio Housing Authority   Related to Development Team? [X] Yes [ ] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: One   Date of Last Applicant Revision: 6/25/2008

The Applicant has an identity of interest with the seller but has provided documentation of the property's original acquisition value (in the form of a closing statement dated January 21, 1994) and an appraised value as required by the QAP. The contracted sales price is the same as the appraised value, but the Underwriter calculated a value of $1,125,590 using an annual rate of return of 4% times the original purchase price of $650,000 for the fourteen year holding period. As discussed above, it is anticipated that Las Varas Public Facility's Corporation or an affiliate thereof will take title to the land and the Applicant will enter into a ground lease with that entity in order to secure a 100% property tax exemption. The Applicant did not provide a ground lease; however, this report has been conditioned upon receipt of a ground lease with terms from the Applicant.

Generally, an adjustment to the acquisition price would result in an equivalent adjustment to the gap in funds, which could decrease in gap based credit determination; however, the Underwriter's reduction in the acquisition price will cause an equivalent adjustment to the amount of the seller note and no net affect to the development's gap in funding.

Sitework Cost:

The Applicant’s claimed sitework costs of $6,949 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is $860,861 or 6.7% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by $185,063 to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Contingency & Fees:

The Applicant's developer fee and contractor fee (general requirements, overhead, and profit) are all within the maximums allowed by TDHCA guidelines; however, the Applicant's contingency exceeds the maximum allowed by HTC guidelines by a total of $140,986 based on their own construction costs. Consequently, the Applicant's eligible basis has been reduced by the same amount with the overage effectively moved to ineligible costs.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $24,838,813 supports annual tax credits of $1,139,853. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: One Date of Last Applicant Revision: 6/25/2008

Issuer: San Antonio HFC

Source: MMA Financial Type: **Interim to Permanent Bond Financing**

Principal: $15,000,000 Interest Rate: 5.492% ☐ Fixed Term: 420 months

Comments:

The commitment provided reflects that the permanent loan will be in variable rate mode and then fixed pursuant to an interest rate Swap agreement. The current swap rate (as of July 2008) is 3.85% plus 1.65% servicing and trustee fees.

Source: San Antonio Housing Authority Type: **Seller Financing**

Principal: $1,160,000 Terms: Repayable out of available cash flow after deferred developer fees

Comments:

The seller note will carry an interest rate equal to the applicable federal rate which is currently 4.5% and amortized over 40 years. As indicated above, payments will be made from available cashflow after deferred developer fee. Based on the long-term proforma, the property will generate sufficient cashflow to repay both the deferred developer fee and seller note.

Source: Bank of America Type: **Syndication**

Proceeds: $9,251,014 Syndication Rate: 83.68% Anticipated HTC: $ 1,105,744

Comments:

The syndication rate has dropped from 93% at application to the current 83.68% as quoted in the submitted commitment letter from Bank of America.

Amount: $2,584,513 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

The proforma analysis results in a debt coverage ratio that falls below the Department's minimum guideline of 1.15. Therefore, an adjustment to the bond-financing permanent loan amount to $14,752,566 has been reflected in order to bring the DCR to an acceptable level.

The Applicant’s total development cost estimate less the adjusted permanent loan of $14,752,566 and the SAHA seller note of $1,125,590 indicates the need for $12,117,374 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,448,351 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant’s request ($1,105,744), the gap-driven amount ($1,448,351), and eligible basis-derived estimate ($1,139,853), the Applicant’s request of $1,105,744 is recommended resulting in proceeds of $9,536,382 based on a syndication rate of 83.66%.

The Underwriter’s recommended financing structure indicates the need for $2,831,950 in additional permanent funds. This amounts to 90% of the total deferred fee available and appears to be repayable from development cashflow in just over ten but within fifteen years of stabilized operation.

Underwriter:	*Carl Hoover*	Date:	August 26, 2008
Reviewing Underwriter:	*Raquel Morales*	Date:	August 26, 2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	August 26, 2008

MULTIFAMILY COMPARATIVE ANALYSIS - ADDENDUM

Artisan at San Pedro Creek, San Antonio, 4% HTC #08401

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 60%	52	1	1	750	$615	$548	$28,514	$0.73	$66.66	$35.82
TC 60%	112	2	2	985	$738	657	73,619	0.67	80.69	42.62
TC 60%	88	3	2	1,160	$853	751	66,079	0.65	102.10	54.11
TOTAL:	252		**AVERAGE:**	998		$668	$168,212	$0.67	$85.27	$45.23

INCOME	Total Net Rentable Sq Ft:	251,400		**TDHCA Current**	**APPLICANT Current**	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$2,018,539	$1,984,944	Bexar	San Antonio	9
Secondary Income		Per Unit Per Month:	$15.00	45,360	72,864	$24.10	Per Unit Per Month	
Other Support Income:				0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$2,063,899	$2,057,808			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(154,792)	(154,332)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$1,909,107	$1,903,476			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.00%	$454	0.46	$114,502	$115,000	$0.46	$456	6.04%
Management	4.07%	309	0.31	77,766	76,139	0.30	302	4.00%
Payroll & Payroll Tax	13.46%	1,020	1.02	257,041	240,000	0.95	952	12.61%
Repairs & Maintenance	6.39%	484	0.49	121,952	115,000	0.46	456	6.04%
Utilities	2.08%	158	0.16	39,762	47,825	0.19	190	2.51%
Water, Sewer, & Trash	4.51%	342	0.34	86,193	80,385	0.32	319	4.22%
Property Insurance	3.58%	272	0.27	68,428	70,000	0.28	278	3.68%
Property Tax 2.88207	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements	3.30%	250	0.25	63,000	65,000	0.26	258	3.41%
TDHCA Compliance Fees	0.53%	40	0.04	10,080		0.00	0	0.00%
Other: Cable TV	0.09%	7	0.01	1,789	1,789	0.01	7	0.09%
TOTAL EXPENSES	44.03%	$3,335	$3.34	$840,513	$811,138	$3.23	$3,219	42.61%
NET OPERATING INC	55.97%	$4,240	$4.25	$1,068,594	$1,092,338	$4.35	$4,335	57.39%
DEBT SERVICE								
MMA Financial	50.58%	$3,832	$3.84	$965,686	$940,172	$3.74	$3,731	49.39%
SAHA	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW	5.39%	$408	$0.41	$102,908	$152,166	$0.61	$604	7.99%
AGGREGATE DEBT COVERAGE RATIO				1.11	1.16			
RECOMMENDED DEBT COVERAGE RATIO					1.15			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	**TDHCA Current**	**APPLICANT Current**	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		4.18%	$4,467	$4.48	$1,125,590	$1,160,000	$4.61	$4,603	4.14%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.51%	6,949	6.97	1,751,065	1,751,065	6.97	6,949	6.25%
Direct Construction		47.74%	50,972	51.09	12,845,061	13,705,922	54.52	54,389	48.96%
Contingency	5.00%	2.71%	2,896	2.90	729,806	913,835	3.63	3,626	3.26%
Contractor's Fees	13.69%	7.43%	7,932	7.95	1,998,780	1,998,780	7.95	7,932	7.14%
Indirect Construction		6.32%	6,750	6.77	1,700,960	1,700,960	6.77	6,750	6.08%
Ineligible Costs		4.88%	5,207	5.22	1,312,240	1,312,240	5.22	5,207	4.69%
Developer's Fees	15.00%	11.60%	12,383	12.41	3,120,446	3,131,939	12.46	12,428	11.19%
Interim Financing		6.61%	7,053	7.07	1,777,298	1,777,298	7.07	7,053	6.35%
Reserves		2.02%	2,157	2.16	543,491	543,491	2.16	2,157	1.94%
TOTAL COST		100.00%	$106,765	$107.02	$26,904,737	$27,995,530	$111.36	$111,093	100.00%
Construction Cost Recap		*64.39%*	***$68,749***	***$68.91***	***$17,324,712***	***$18,369,602***	***$73.07***	***$72,895***	*65.62%*

SOURCES OF FUNDS						RECOMMENDED	
MMA Financial	55.75%	$59,524	$59.67	$15,000,000	$15,000,000	$14,752,566	Developer Fee Available
SAHA	4.18%	$4,467	$4.48	1,125,590	1,160,000	1,125,590	$3,131,939
HTC Syndication Proceeds	34.38%	$36,710	$36.80	9,251,014	9,251,014	9,251,014	% of Dev. Fee Deferred
Deferred Developer Fees	9.61%	$10,256	$10.28	2,584,513	2,584,513	2,831,950	90%
Additional (Excess) Funds Req'd	-3.93%	($4,192)	($4.20)	(1,056,380)	3	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$26,904,737	$27,995,530	$27,961,120	$4,884,996

Artisan at San Pedro Creek, San Antonio, 4% HTC #08401

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$53.19	$13,372,589
Adjustments				
Exterior Wall Finish	4.40%		$2.34	$588,394
Elderly			0.00	0
9-Ft. Ceilings	3.55%		1.89	474,727
Roofing			0.00	0
Subfloor			(2.47)	(620,958)
Floor Cover			2.43	610,902
Breezeways/Balconies	$22.27	62,528	5.54	1,392,499
Plumbing Fixtures	$805	600	1.92	483,000
Rough-ins	$400	504	0.80	201,600
Built-In Appliances	$1,850	252	1.85	466,200
Exterior Stairs	$2,100	84	0.70	176,400
Elevator	$63,600	1	0.25	63,600
Heating/Cooling			1.90	477,660
Garages/Carports	$11.40	14,000	0.63	159,600
Comm &/or Aux Bldgs	$67.92	5,562	1.50	377,785
Other: fire sprinkler	$2.15	251,400	2.15	540,510
SUBTOTAL			74.64	18,764,508
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.85		(11.20)	(2,814,676)
TOTAL DIRECT CONSTRUCTION COSTS			$63.44	$15,949,832
Plans, specs, survy, bld prm	3.90%		($2.47)	($622,043)
Interim Construction Interest	3.38%		(2.14)	(538,307)
Contractor's OH & Profit	11.50%		(7.30)	(1,834,231)
NET DIRECT CONSTRUCTION COSTS			$51.53	$12,955,251

PAYMENT COMPUTATION

Primary	$15,000,000	Amort	420
Int Rate	5.49%	DCR	1.11
Secondary	$1,160,000	Amort	0
Int Rate	4.50%	Subtotal DCR	1.11
Additional	$9,251,014	Amort	
Int Rate		Aggregate DCR	1.11

RECOMMENDED FINANCING STRUCTURE APPLICANT

Primary Debt Service	$949,756
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$142,582

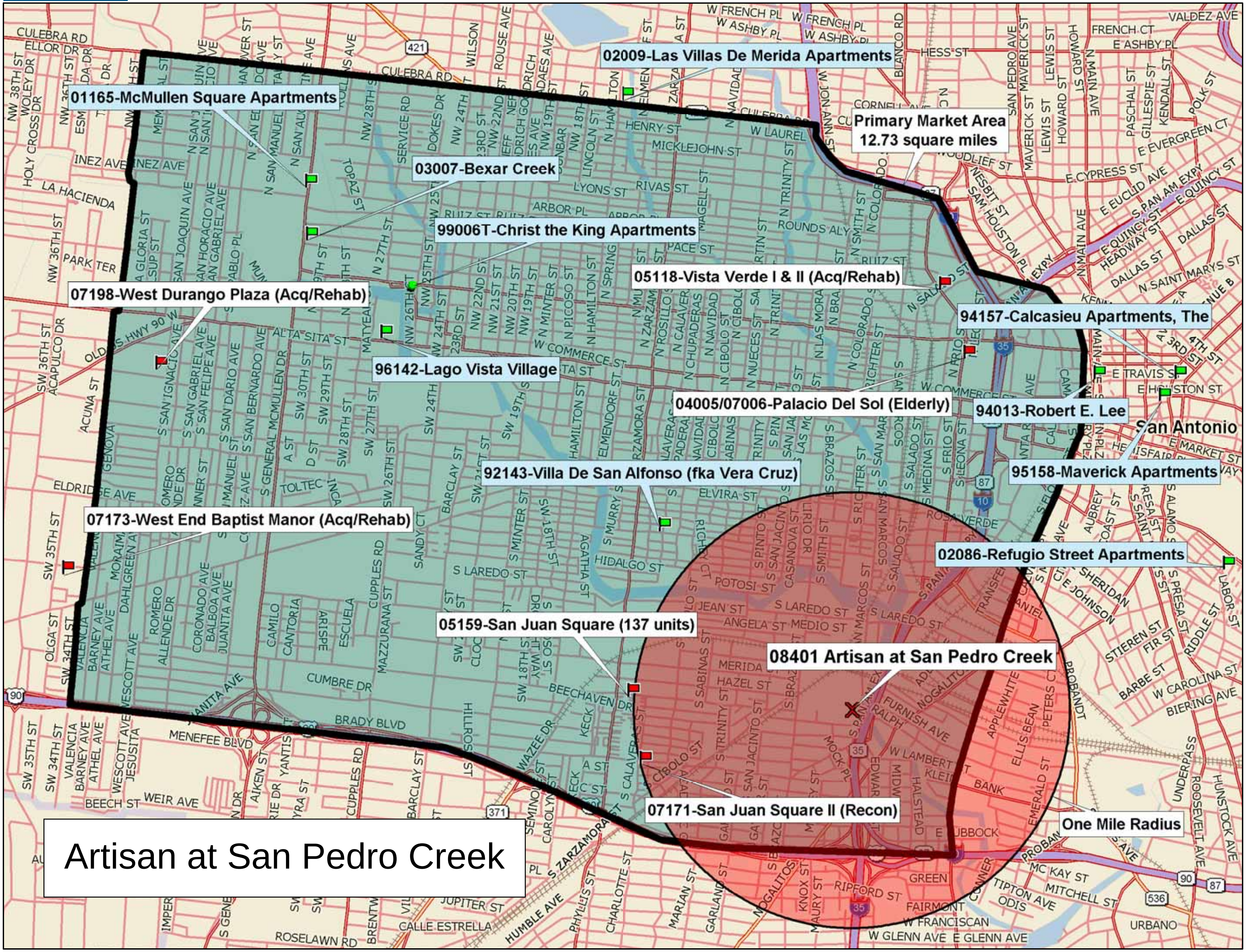
Primary	$14,752,566	Amort	420
Int Rate	5.49%	DCR	1.15
Secondary	$1,125,590	Amort	0
Int Rate	4.50%	Subtotal DCR	1.15
Additional	$9,251,014	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,984,944	$2,044,492	$2,105,827	$2,169,002	$2,234,072	$2,589,902	$3,002,406	$3,480,611	$4,677,651
Secondary Income	72,864	75,050	77,301	79,620	82,009	95,071	110,213	127,767	171,709
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,057,808	2,119,542	2,183,129	2,248,622	2,316,081	2,684,973	3,112,619	3,608,379	4,849,359
Vacancy & Collection Loss	(154,332)	(158,966)	(163,735)	(168,647)	(173,706)	(201,373)	(233,446)	(270,628)	(363,702)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,903,476	$1,960,577	$2,019,394	$2,079,976	$2,142,375	$2,483,600	$2,879,173	$3,337,750	$4,485,657
EXPENSES at 4.00%									
General & Administrative	$115,000	$119,600	$124,384	$129,359	$134,534	$163,681	$199,143	$242,288	$358,645
Management	76,139	78,423	80,776	83,199	85,695	99,344	115,167	133,510	179,426
Payroll & Payroll Tax	240,000	249,600	259,584	269,967	280,766	341,595	415,602	505,644	748,476
Repairs & Maintenance	115,000	119,600	124,384	129,359	134,534	163,681	199,143	242,288	358,645
Utilities	47,825	49,738	51,728	53,797	55,948	68,070	82,817	100,760	149,150
Water, Sewer & Trash	80,385	83,600	86,944	90,422	94,039	114,413	139,201	169,359	250,693
Insurance	70,000	72,800	75,712	78,740	81,890	99,632	121,217	147,479	218,306
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	65,000	67,600	70,304	73,116	76,041	92,515	112,559	136,945	202,712
Other	1,789	1,861	1,935	2,012	2,093	2,546	3,098	3,769	5,579
TOTAL EXPENSES	$811,138	$842,822	$875,751	$909,973	$945,540	$1,145,477	$1,387,947	$1,682,042	$2,471,632
NET OPERATING INCOME	$1,092,338	$1,117,755	$1,143,643	$1,170,003	$1,196,835	$1,338,123	$1,491,226	$1,655,709	$2,014,026
DEBT SERVICE									
First Lien Financing	$949,756	$949,756	$949,756	$949,756	$949,756	$949,756	$949,756	$949,756	$949,756
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$142,582	$167,998	$193,887	$220,246	$247,079	$388,367	$541,469	$705,952	$1,064,269
DEBT COVERAGE RATIO	1.15	1.18	1.20	1.23	1.26	1.41	1.57	1.74	2.12

HTC ALLOCATION ANALYSIS -Artisan at San Pedro Creek, San Antonio, 4% HTC #08401				
CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$1,160,000	$1,125,590		
Purchase of buildings				
Off-Site Improvements				
Sitework	$1,751,065	$1,751,065	$1,751,065	$1,751,065
Construction Hard Costs	$13,705,922	$12,845,061	$13,705,922	$12,845,061
Contractor Fees	$1,998,780	$1,998,780	$1,998,780	$1,998,780
Contingencies	$913,835	$729,806	$772,849	$729,806
Eligible Indirect Fees	$1,700,960	$1,700,960	$1,700,960	$1,700,960
Eligible Financing Fees	$1,777,298	$1,777,298	$1,777,298	$1,777,298
All Ineligible Costs	$1,312,240	$1,312,240		
Developer Fees				
Developer Fees	$3,131,939	$3,120,446	$3,131,939	$3,120,446
Development Reserves	$543,491	$543,491		
TOTAL DEVELOPMENT COSTS	$27,995,530	$26,904,737	$24,838,813	$23,923,416

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$24,838,813	$23,923,416
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$32,290,457	$31,100,440
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$32,290,457	$31,100,440
Applicable Percentage		3.53%	3.53%
TOTAL AMOUNT OF TAX CREDITS		$1,139,853	$1,097,846
Syndication Proceeds	**0.8366**	**$9,536,382**	**$9,184,933**
Total Tax Credits (Eligible Basis Method)		**$1,139,853**	**$1,097,846**
Syndication Proceeds		**$9,536,382**	**$9,184,933**
Requested Tax Credits		**$1,105,744**	
Syndication Proceeds		**$9,251,014**	
Gap of Syndication Proceeds Needed		**$12,117,374**	
Total Tax Credits (Gap Method)		**$1,448,351**	



TN
MN (5.4°E)

Scale 1 : 37,500
1" = 3,125.0 ft
Data Zoom 12-4

Applicant Evaluation

Project ID **08401** Name **Artisan at San Pedro Creek** City: **San Antonio**

HTC 9% ☐ HTC 4% ☑ HOME ☐ BOND ☐ HTF ☐ SECO ☐ ESGP ☐ Other ☐

☐ No Previous Participation in Texas ☐ Members of the development team have been disbarred by HUD

Portfolio Management and Compliance

Total # of MF awards monitored: 8

Total # of MF awards not yet monitored or pending review: 7

SF Contract Experience ☐ Yes ☑ No

Total # of SF Contracts: 0

Projects in Material Noncompliance

Yes ☐ **No** ☑

Total # of MF Projects in Material Noncompliance: 0

Projects grouped by score

0-9: 5

10-19: 3

20-29: 0

Total monitored with a score 0-29: 8

Completed by: J. Taylor

Date 7/25/2008

Reviewer: Patricia Murphy

Date 7/25/2008

Single Audit

☑ Single audit review not applicable

☐ Single audit review found no unresolved issues

☐ Late single audit certification form (see comments

☐ Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos Date 7/28/2008

Comments (if applicable):

Financial Administration
Loan Servicing

☑ No delinquencies found ☐ Delinquencies found (see comments)

Reviewer Candace Christiansen Date 7 /25/2008

Comments (if applicable):

Financial Administration
Financial Services

☑ No delinquencies found ☐ Delinquencies found (See Comments)

Reviewer Monica Guerra Date 8 /22/2008

Comments (if applicable):

Housing Tax Credit Program
Board Action Request
September 3, 2008

Action Item

Request, review, and board determination of one (1) tax exempt bond transaction with TDHCA as the Issuer.

Recommendation

Staff is recommending that the board review and approve the issuance of one (1) tax exempt bond transaction with **TDHCA** as the Issuer for the Development known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Bond Amount	Requested Credit Allocation	Recommended Credit Allocation
08609	Providence Town Square	Deer Park	TDHCA	252	252	$24,191,594	$14,750,000	$743,913	$743,913

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

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MULTIFAMILY FINANCE PRODUCTION DIVISION

2008 Private Activity Multifamily Housing Revenue Bonds

Providence Town Square Apartments
Approximately 3801 Center Street
Harris County, Texas

Providence Town Square Housing, Ltd.
252 Units
Priority 3
$14,750,000 Tax Exempt – Series 2008

TABLE OF EXHIBITS

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
September 4, 2008

Action Item

Presentation, Discussion and Possible Issuance of Multifamily Housing Revenue Bonds, Series 2008 and a Determination Notice of Housing Tax Credits with TDHCA as the Issuer for Providence Town Square Apartments in Deer Park, Texas.

Requested Action

Approve, Amend or Deny the Issuance of Multifamily Housing Revenue Bonds and the Determination of Housing Tax Credits.

Summary of the Providence Town Square Apartments Transaction

Background and General Information: The Bonds will be issued under Chapter 1371, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, as amended, the Department's Enabling Statute (the "Statute"), which authorizes the Department to issue revenue bonds for its public purposes, as defined therein. (*The Statute provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas.)* The pre-application for the 2008 Waiting List was received on April 3, 2008. The application was scored and ranked by staff and was induced at the May 8, 2008 Board Meeting. Following the May 8, 2008 Board meeting, the application was submitted to the Texas Bond Review Board and received a Reservation of Allocation on June 10, 2008. The deadline for bond delivery is on or before November 7, 2008, but the anticipated closing date is September 19, 2008. Located in Deer Park, Harris County, the development consists of the new construction of 252 units targeted to an elderly population and is currently zoned for such development. This application was submitted under the Priority 2 category, with the applicant proposing 100% of the units serving individuals and families earning 60% of Area Median Family Income (AMFI).

Organizational Structure and Compliance: The Borrower is Providence Town Square Housing, Ltd., the General Partner of which is Blazer Land, LLC of which Chris Richardson has 100% ownership interest. The Compliance Status Summary completed on August 22, 2008 reveals that the principals of the general partner have received seventeen (17) multifamily awards that have no material noncompliance.

Public Hearing: A public hearing was conducted by the Department for the proposed development on July 9, 2008. There were approximately 22 people in attendance, with 1 individual speaking on the record. The majority of those in attendance were in support of the development. The comments made in opposition were as follows: concerns regarding traffic on Center Street, an over concentration of apartment complexes in Deer Park, and the belief that state resources should be utilized to rehabilitate older complexes in the area. Written public comment has also been received that has mostly centered around the high volume of traffic on Center Street that makes it not conducive to apartments. Specifically, the comments state that the development is proposed to be built on and near the most dangerous, accident prone street and intersection in Deer Park. As such, emergency calls to the proposed development could be delayed due to heavy traffic or accidents along Center Street, the proposed entrance to the Development. The letters stated the citizens are not against the apartments and while they feel there is a need for senior housing in Deer Park they believe the development should be at a different location and not on the main street and at the busiest intersection in the City. Flooding on Center Street and the belief that the land should be used for restaurants or shops which would generate business for Deer Park were also cited as reasons for opposition.

The Department has received a letter of support from State Representative Wayne Smith and an email in support from Councilmember Beckie Stockstill-Cobb. The Department has received fifteen (15) letters of opposition from the community. The public hearing transcript and written public comment is included in this presentation.

Census Demographics: The proposed site is located at 3801 Center Street Deer Park, Harris County. Demographics for the census tract (3429.00) include AMFI of $78,546; the total population is 5,855; the percent of the population that is minority is 16.69%; the number of owner occupied units is 1,786; number of renter occupied units is 178; and the number of vacant units is 21. (Census Information from FFIEC Geocoding for 2007).

Summary of the Financial Structure

The applicant is requesting the Department's approval and issuance of fixed rate tax-exempt bonds in the amount of $14,750,000. The bonds will be unrated and privately placed with Capitol One. The term of the Bonds will be for 15 years with a 35-year amortization. The construction and lease up period will be for 24 months with the option of one 6-month extension. The underwriting interest rate is estimated at 5.20% based on a 17 year interpolated U.S. Treasury rate.

Recommendation

Staff recommends the Board approve the issuance of $14,750,000 in tax-exempt Multifamily Housing Revenue Bonds, Series 2008 and $743,913 in Housing Tax Credits for the Providence Town Square Apartments.

RESOLUTION NO. 08-032

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (PROVIDENCE TOWN SQUARE APARTMENTS) SERIES 2008; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low, very low and extremely low income (all as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low, very low and extremely low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multifamily residential rental development loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; (d) to make, commit to make, and participate in the making of mortgage loans, including federally insured loans, and to enter into agreements and contracts to make or participate in mortgage loans for residential housing for individuals and families of low, very low and extremely low income and families of moderate income; and

WHEREAS, the governing board of the Department (the "Board") has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Providence Town Square Apartments) Series 2008 (the "Bonds"), pursuant to and in accordance with the terms of an Indenture of Trust (the "Indenture") by and between the Department and Wells Fargo Bank, National Association, a national banking association, as trustee (the "Trustee"), for the purpose of obtaining funds to finance the Development (defined below), all under and in accordance with the Constitution and laws of the State; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Providence Town Square Housing, Ltd., a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental development described on Exhibit A attached hereto (the "Development") located within the State and required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on May 8, 2008, declared its intent to issue its revenue bonds to provide financing for the Development; and

WHEREAS, it is anticipated that the Department, Capital One, National Association, as Bondowner Representative (the "Bank") and the Borrower will execute and deliver a Loan Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Mortgage Loan") to the Borrower to enable the Borrower to finance a portion of the cost of acquisition, construction and equipping of the Development and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Note") in an original aggregate principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Loan Agreement; and

WHEREAS, it is anticipated that the Bank or an affiliate of the Bank will purchase the Bonds from the Issuer; and

WHEREAS, it is anticipated that the Note will be secured by a Construction Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing (the "Security Instrument") by the Borrower for the benefit of the Department; and

WHEREAS, the Department's interest in the Mortgage Loan (except for certain reserved rights), including the Note and the Security Instrument, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust and Loan Documents and an Assignment of Note (collectively, the "Assignment") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Development which will be filed of record in the real property records of Harris County, Texas; and

WHEREAS, the Board has determined that the Department and the Borrower will execute an Asset Oversight Agreement (the "Asset Oversight Agreement"), with respect to the Development for the purpose of monitoring the operation and maintenance of the Development; and

WHEREAS, the Board has examined proposed forms of (a) the Indenture, the Loan Agreement, the Assignment, the Regulatory Agreement and the Asset Oversight Agreement (collectively, the "Issuer Documents"), all of which are attached to and comprise a part of this Resolution, and (b) the Security Instrument and the Note; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Article I, to authorize the issuance of the Bonds, the execution and delivery of the Issuer Documents, the acceptance of the

Security Instrument and the Note, and the taking of such other actions as may be necessary or convenient in connection therewith;

NOW THEREFORE,

BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE I
ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1 Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State for approval, the Comptroller of Public Accounts of the State for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to or on the order of the initial purchaser or purchasers thereof.

Section 1.2 Interest Rate, Principal Amount, Maturity and Price. (i) The Bonds shall bear interest at the rate described in Section 2.2 of the Indenture, subject to adjustment in accordance with the Indenture; provided that, in no event shall the interest rate (including any default rate) on the Bonds exceed the maximum interest rate permitted by applicable law; (ii) the aggregate principal amount of the Bonds shall be $14,750,000; (iii) the final maturity of the Bonds shall occur on March 19, 2026; and (iv) the price at which the Bonds are sold to the Purchaser (as defined herein) shall be the principal amount thereof.

Section 1.3 Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Indenture and to deliver the Indenture to the Trustee.

Section 1.4 Approval, Execution and Delivery of the Loan Agreement. That the form and substance of the Loan Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Loan Agreement and deliver the Loan Agreement to the Borrower and the Trustee.

Section 1.5 Approval, Execution and Delivery of the Regulatory Agreement. That the form and substance of the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Regulatory Agreement and deliver the Regulatory Agreement to the Borrower and the Trustee and to cause the Regulatory Agreement to be filed of record in the real property records of Harris County, Texas.

Section 1.6 Acceptance of the Security Instrument and Note. That the form and substance of the Security Instrument and the Note are hereby accepted by the Department and that the authorized representatives of the Department named in this Resolution each are hereby authorized to endorse and deliver the Note to the order of the Trustee, without recourse.

Section 1.7 Approval, Execution and Delivery of the Assignment. That the form and substance of the Assignment are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Assignment and to deliver the Assignment to the Trustee.

Section 1.8 Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.9 Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.10 Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B	-	Indenture
Exhibit C	-	Loan Agreement
Exhibit D	-	Regulatory Agreement
Exhibit E	-	Security Instrument
Exhibit F	-	Assignment
Exhibit G	-	Asset Oversight Agreement

Section 1.11 Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.12 Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman and Vice Chair of the Board, Executive Director or Acting Executive Director of the Department, Deputy Executive Director of

Programs of the Department, Deputy Executive Director of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Secretary to the Board.

Section 1.13 Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Development's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director of the Department; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Development.

ARTICLE II
APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1 Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of State bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 2.2 Approval of Submission to the Attorney General. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.3 Certification of the Minutes and Records. That the Secretary to the Board hereby is authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.4 Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Development in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.5 Engagement of Other Professionals. That the Executive Director of the Department or any successor is authorized to engage auditors, analysts and consultants to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State.

Section 2.6 Ratifying Other Actions. That all other actions taken by the Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Development are hereby ratified and confirmed.

ARTICLE III
CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1 Findings of the Board. That in accordance with Section 2306.223 of the Act, and after the Department's consideration of the information with respect to the Development and the information with respect to the proposed financing of the Development by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Development is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) that the financing of the Development is a public purpose and will provide a public benefit, and

(iii) that the Development will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Development in accordance with the requirements of the Loan Agreement and the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the Mortgage Loan in accordance with its terms, and

(iii) that the Borrower is not, and will not enter into a contract for the Development with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Development in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Development be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Development is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State to obtain decent, safe, and sanitary housing by financing the costs of the Development, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 3.2 Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as it deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Development shall be (1) individuals and families of low, very low and extremely low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Regulatory Agreement.

Section 3.3 Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the Mortgage Loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of administration, monitoring and oversight with respect to the Bonds and the Development and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 3.4 No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 3.5 Waiver of Rules. That the Board hereby waives the rules contained in Chapters 33 and 35, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV
GENERAL PROVISIONS

Section 4.1 Limited Obligations. That the Bonds and the interest thereon shall be special limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2 Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State. Each Bond shall contain on its face a statement to the effect that the State is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State is pledged, given or loaned to such payment.

Section 4.3 Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 4.4 Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

[EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED this __ day of September, 2008.

____
C. Kent Conine, Chairman

ATTEST:

____
Kevin Hamby, Secretary

[SEAL]

EXHIBIT A

DESCRIPTION OF DEVELOPMENT

Owner: PROVIDENCE TOWN SQUARE HOUSING, LTD., a Texas limited partnership

Development: The Development is a 252-unit multifamily senior facility to be known as PROVIDENCE TOWN SQUARE APARTMENTS and located at 3801 Center Street, Deer Park, Harris County, Texas. It will consist of five (5) two and twelve (12) three-story residential apartment buildings with approximately 204,865 net rentable square feet and an average unit size of approximately 813 square feet. The unit mix will consist of:

179	one-bedroom/one-bath units
73	two-bedroom/two-bath units
252	Total Units

Unit sizes will range from approximately 729 square feet to approximately 1,075 square feet.

Common areas are expected to include a clubhouse, a barbecue area, and a swimming pool. All units are expected to have central heating and air conditioning, carpeting and ceramic tile, ceiling fans, mini-blinds, a dishwasher, a range and oven, a refrigerator and a balcony/patio.

MULTIFAMILY FINANCE PRODUCTION DIVISION

September 3-4, 2008

Development Information, Public Input and Board Summary

Providence Town Square, TDHCA Number 08609

BASIC DEVELOPMENT INFORMATION

Site Address:	3801 Center Street			Development #:	08609
City:	Deer Park	Region:	6	Population Served:	Elderly
County:	Harris	Zip Code:	77536	Allocation:	Urban/Exurban
HOME Set Asides:	☐ CHDO ☐ Preservation ☐ General			Purpose/Activity:	NC
Bond Issuer:	TDHCA				

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner:	Providence Town Square Housing, Ltd.
Owner Contact and Phone	Chris Richardson, 7132654328
Developer:	Beinhorn Partners Limited Partnership
Housing General Contractor:	Blazer Building, Inc.
Architect:	Mucasey & Associates
Market Analyst:	O'Connor & Associates
Syndicator:	Apollo Equity Partners
Supportive Services:	Education Based Housing, Inc.
Consultant:	Not Utilized

UNIT/BUILDING INFORMATION

30%	40%	50%	60%	80%	Eff	1 BR	2 BR	3 BR	4 BR	5 BR
0	0	0	206	46	0	179	73	0	0	0

Type of Building:

- ☐ Duplex
- ☐ Triplex
- ☐ Fourplex
- ☑ 4 units or more per building
- ☐ Detached Residence
- ☐ Single Room Occupancy
- ☐ Transitional
- ☐ Townhome

Total Restricted Units:	206
Market Rate Units:	46
Owner/Employee Units:	0
Total Development Units:	252
Total Development Cost:	$24,191,594
Number of Residential Buildings:	17
HOME High Total Units:	0
HOME Low Total Units:	0

Note: If Development Cost =$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis	Amort	Term	Rate
4% Housing Tax Credits with Bonds:	$743,913	$743,913	0	0	0%
TDHCA Bond Allocation Amount:	$14,500,000	$14,750,000	35	15	5.2%
HOME Activity Fund Amount:	$0	$0	0	0	0%
HOME CHDO Operating Grant Amount:	$0	$0			

MULTIFAMILY FINANCE PRODUCTION DIVISION
September 3-4, 2008
Development Information, Public Input and Board Summary

Providence Town Square, TDHCA Number 08609

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Jackson, District 11	NC	US Representative:	Lampson, District 22, NC
TX Representative: Smith, District 128	S	US Senator:	NC

Local Officials and Other Public Officials:

Mayor/Judge: Wayne Riddle, Mayor, City of Deer Park - NC

Resolution of Support from Local Government ☐

Individuals/Businesses: In Support: **0** In Opposition **15**

Neighborhood Input:

General Summary of Comment:

Public Hearing: The following concerns were expressed by the community: traffic will increase posing dangers to the current and future residents of the area, over concentration of apartments in the City of Deer Park and the belief that state resources should be utilized to rehabilitate older complexes in the City .
Number that attended: 22
Number that spoke: 1
Number in support: 14
Number in opposition: 4
Number Neutral: 3

CONDITIONS OF COMMITMENT

Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."

Receipt, review, and acceptance by cost certification of evidence that all Phase I ESA recommendations have been carried out including, but not limited to removal of the miscellaneous debris and used tires.

Receipt, review, and acceptance by closing of evidence from comparables in the market to support monthly garage and storage rental income at $75 per garage and at least $25 per storage unit.

Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit allocation amount may be warranted.

MULTIFAMILY FINANCE PRODUCTION DIVISION

September 3-4, 2008

Development Information, Public Input and Board Summary

Providence Town Square, TDHCA Number 08609

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

4% Housing Tax Credits: Credit Amount: $743,913

Recommendation: Recommond approval of a Housing Tax Credit Allocation not to exceed $743,913 annually for ten years, subject to conditions.

TDHCA Bond Issuance: Bond Amount: $14,750,000

Recommendation: Recommend approval of issuance of $14,750,000 in Tax Exempt Mortgage Revenue Bonds with an interest rate of 5.20% and a repayment term of 15 years with a 35 year amortization period, subject to conditions.

HOME Activity Funds: Loan Amount: $0

HOME CHDO Operating Expense Grant: Grant Amount: $0

Recommendation:

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 08/26/08 PROGRAM: 4% HTC/MRB FILE NUMBER: **08609**

DEVELOPMENT

Providence Town Square

Location: 3801 Center Street Region: 6

City: Deer Park County: Harris Zip: 77536 ☐ QCT ☒ DDA

Key Attributes: Elderly, New Construction, Urban

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Private Activity Mortgage Revenue Bonds	$14,750,000	5.20%	35/15	**$14,750,000**	**5.20%**	**35/15**
Housing Tax Credit (Annual)	$743,913			**$743,913**		

CONDITIONS

1 Receipt, review, and acceptance by cost certification of evidence that all Phase I ESA recommendations have been carried out including, but not limited to removal of the miscellaneous debris and used tire.

2 Receipt, review, and acceptance by closing of evidence from comparables in the market to support monthly garage and storage rental income at $75 per garage and at least $25 per storage unit.

3 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	206

PROS

- The development team has significant previous experience developing affordable tax exempt bond/tax credit financed housing in the State of Texas.
- There are no other unstabilized comparable properties targeting elderly households in the subject market.

CONS

- The recommended financing structure indicates that 100% of the developer fee plus additional contractor fees may be deferred to satisfy the gap in financing.
- Both the Underwriter's and Market Analyst's analyses suggest that the development must capture over 50% of the demand in this market which is calculated primarily from turnover from existing housing.

This section intentionally left blank.

- The capture rate based on the alternate method to calculate inclusive capture rate using the HISTA data source indicates the development would need to capture 96.93% which exceeds the current Department maximum of 75% for this type of development.

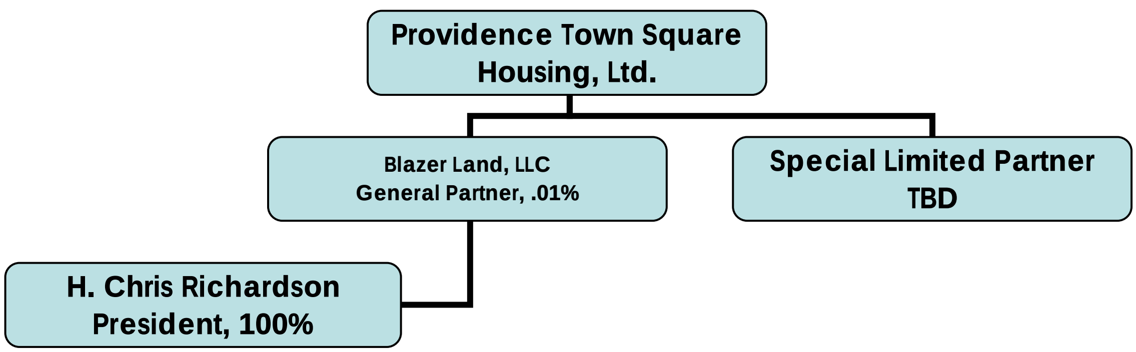
The construction financing will consist of an un-hedged variable rate during the interim period, but will be fixed during permanent phase at a known rate today.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Chris Richardson Phone: (713) 265-4328 Fax: (979) 826-9323
Email: blazer1@blazerbuilding.com

KEY PARTICIPANTS

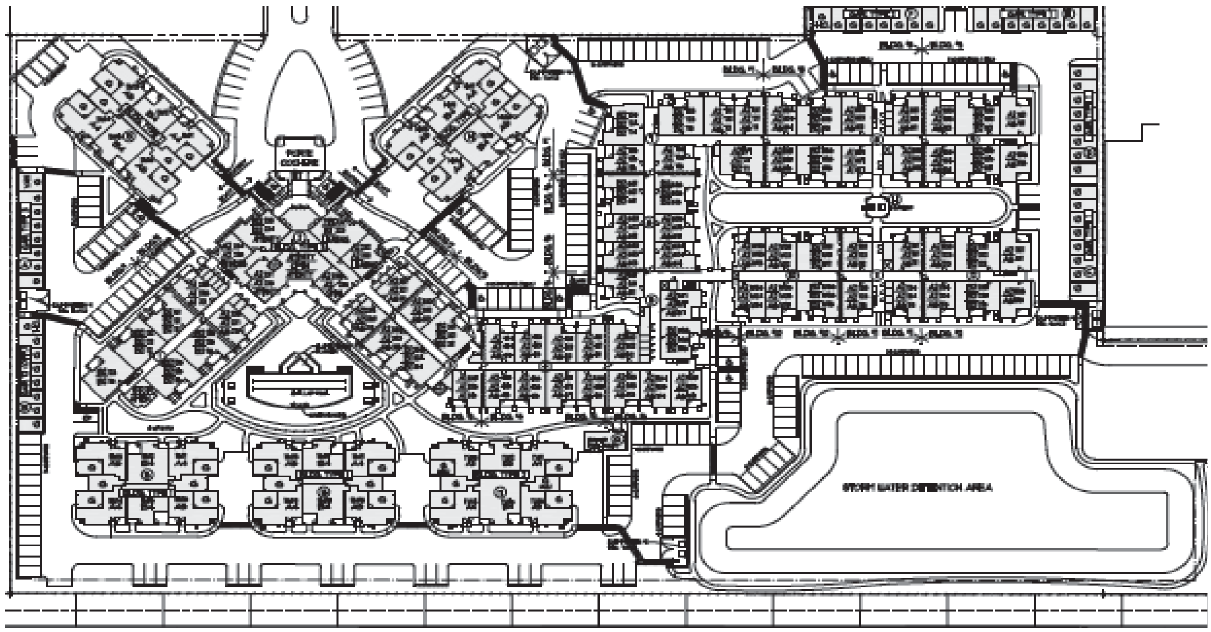
Name	Financial Notes	# Completed Developments
Blazer Development Investments, LLC	N/A	N/A
Chris Richardson	N/A	15

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1	2	3	4	5	6	7	8	9&12	10	Total Buildings
Floors/Stories	1	1	3	3	3	3	3	3	3	3	
Number	1	1	1	1	1	1	1	1	2	1	**11**

BR/BA	SF	Units										Total Units	Total SF
1/1	729		20	9	24	18	12	14	18	10	12	147	107,163
2/2	990	14	3	6		3	6	7	6	6	6	63	62,370
Total Units		14	23	15	24	21	18	21	24	16	18	**210**	**169,533**

Building Type	11	13-16	17								Total Buildings
Floors/Stories	3	1	1								
Number	1	4	1								**6**

BR/BA	SF	Units										Total Units	Total SF
1/1	729	12										12	8,748
1/1	791		4	3								19	15,029
1/1	805			1								1	805
2/2	1,075		2	2								10	10,750
Total Units		0	6	6								**42**	**35,332**

SITE ISSUES

Total Size:	10.4768 acres	Scattered site?	☐ Yes	☒ No
Flood Zone:	Zone X	Within 100-yr floodplain?	☐ Yes	☒ No
Zoning:	PUD	Needs to be re-zoned?	☐ Yes	☒ No ☐ N/A

Comments:

On March 6, 2008, the Deer Park City Council passed an ordinance approving the Providence at Town Square Conceptual Plan and creation of a Planned Unit Development to allow for the development of the subject. The Applicant provided a letter from the City and a copy of the passed ordinance that document appropriate zoning.

It appears, however, that the Applicant and City are continuing to work together to reach an acceptable development plan. Should the building configuration or other details of the proposed plan change an amendment may need to be approved by the Department or TDHCA Board.

TDHCA SITE INSPECTION

Inspector: TDHCA Staff — Date: 7/9/2008

Overall Assessment:

☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: East Pasadena Blvd, retail and commercial uses.

South: commercial uses.

East: residential and commercial uses.

West: Center St, vacant land, residential, retail and commercial uses.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc — Date: 4/25/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- "A search of federal, state and local records indicates that one Resource Conservation and Recovery Act (RCRA) generator of hazardous wastes, three leaking underground storage tank sites (LUST), five registered underground storage tank facilities (UST), one dry cleaners and three Industrial and Hazardous Wastes (IHW) registration and reporting facilities are located within the standard ASTM search radius...There is no indication that the other sites identified in the ASTM Standard Record Sources search have had or will have an environmental impact to the subject property." (p.20)

- "Miscellaneous debris was observed on the subject site. The areas of debris consisted of common household and landscaping debris and a used tire. No hazardous substances or petroleum products were observed in the areas of dumping. No recognized environmental conditions appear to exist provided the debris and used tire are disposed of off site in accordance with all applicable federal, state and local regulations." (p.20)

Comments:

Receipt, review, and acceptance by cost certification of evidence that all Phase I ESA recommendations have been carried out including, but not limited to removal of the miscellaneous debris and used tire is a condition of this report.

MARKET HIGHLIGHTS

Provider: O'Connor and Associates — Date: 3/31/2008

Contact: Robert Coe, II — Phone: (713) 686-9955 — Fax: (713) 686-8336

Number of Revisions: None — Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 142.18 square feet (6.75 miles radius)

"For the purposes of this analysis, the subject's neighborhood is generally defined as being bound by Buffalo Bayou to the north; the San Jacinto River and Houston Ship Channel to the east; North Witter Street, Pasadena Blvd, North Houston Road and I-45, to the west; I-45, Clear Lake City Blvd, FM 2351 and Bay Area Blvd to the south; and Galveston Bay and the Houston Ship Channel to the east." (p.26)

Secondary Market Area (SMA):

None defined.

This section intentionally left blank.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Villas at Shaver	07406	240	240; Family	N/A			
Uvalde Ranch	04439	244	244; Family				
Windshire Apartments	07620	252	252; Family				
Primrose at Pasadena	04428	248	248; Stabilized				
Glenwood Trails	07309	114	114; Family				
Seville Place	04452	180	180; Family				
Regency Park	07443	252	252; Family				
Kensington Place	04426	216	216; Family				

Primrose at Pasadena is an existing 4% HTC & MRB 248-unit development also targeting seniors, located within the defined PMA boundaries. However, these units were not considered by the Market Analyst or the Underwriter as the development has reached stabilized occupancy. Also, of note, TDHCA #04478, Villas at Winkler Senior Homes is a 234 unit development targeting seniors; however, this development appears to be less than 1 mile outside the defined PMA boundaries. Therefore, these units were also excluded from the inclusive capture rate calculation.

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60	$25,680	$29,340	$33,000	$36,660	$39,600	$42,540

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/60% Rent Limit	120	21		141	152	197	140%
2 BR/60% Rent Limit	104	17		121	54	133	110%

OVERALL DEMAND					
	Target Households	Household Size	Income Eligible	Tenure	Demand
PMA DEMAND from TURNOVER					
Market Analyst p. 70	25% 20,834	100% 20,834	5% 958	Included in Eligible	45% 430
Underwriter	17% 14,626	100% 14,626	5% 672	Included in Eligible	45% 303
PMA DEMAND from HOUSEHOLD GROWTH					
Market Analyst p. 70		180	5% 8	Included in Eligible	100% 8
Underwriter		100% 511	5% 23	Included in Eligible	100% 23
DEMAND from OTHER SOURCES					
Market Analyst p. 70					19
Underwriter					0

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 71	252	0	0	252	457	55.11%
Underwriter	206	0	0	206	326	63.19%
HISTA Data Model	206	0	0	206	213	96.93%

The Underwriter independently evaluated demand for the subject using both the traditional method of calculating demand and the HISTA data based alternative. The traditional method yields a capture rate of 63.19%, which is acceptable as it is below the Department's 25% guideline for family targeted developments. The HISTA data based alternative yields a capture rate of 96.93% which exceeds the Department's guidelines. Of note, the Market Analyst also calculated the capture rate using HISTA data and calculated a rate of 137.34%. However, since the traditional method is acceptable under current Department rules and the Underwriter was able to reach an acceptable capture rate using this method, the subject development can be considered feasible under this criteria.

Primary Market Occupancy Rates:

"The selected comparable apartments surveyed in the primary market area of the subject complex exhibited high occupancy rates, with an average occupancy level of 93.8%" (p. 63)

Absorption Projections:

"Considering the strong absorption history of similar properties and the lack of available quality affordable units in this market, we project that the subject property will lease an average of 15-25 units per months until achieving stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within 12 months following completion." (p.82)

RENT ANALYSIS (Tenant-Paid Net Rents)								
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	729 SF	60%	$602	$602	$855	$602	$253
1 BR	729 SF	60%	$602	$602	$855	$602	$253
1 BR	729 SF	MR	$825	N/A	$855	$825	$30
1 BR	791 SF	60%	$602	$602	$925	$602	$323
1 BR	791 SF	MR	$875	N/A	$925	$875	$50
1 BR	805 SF	60%	$602	$602	$935	$602	$333
2 BR	990 SF	60%	$709	$709	$1,065	$709	$356
2 BR	990 SF	60%	$709	$709	$1,065	$709	$356
2 BR	990 SF	MR	$1,075	N/A	$1,065	$1,065	$0
2 BR	1,075 SF	MR	$1,275	N/A	$1,150	$1,150	$0

Market Impact:

"Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration." (p.77)

Comments:

The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 2 Date of Last Applicant Revision: 6/18/2008

The Applicant's projected LIHTC rents collected per unit were calculated by subtracting tenant-paid utility allowances as of December 1, 2007, maintained by the Houston Housing Authority, from the 2008 program gross rent limits.

The Applicant did not use the Market Rents reflected in the market study for the market rate units. The Applicant's rent schedule reflects rents that are $30 and $50 less than the Market Rents for the one bedroom market units and $10 and $125 more than the Market Rents for the two bedroom market units. The Applicant indicates these are the rents they are currently receiving at two other comparable properties in the county. The Underwriter has used the lesser of the Market Rents or the Applicant's rents for the market rate units in accordance with the Department's current guidelines. Tenants will be required to pay electric utility costs only.

The Applicant's vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines; however, secondary income assumptions are not, as the Applicant included an $17 per unit per year for garage/storage income. At the Underwriter's request, the Applicant provided rent rolls and operating statements for several of the developer's other properties; however, as of the date of this report, sufficient support for the claimed level of garage and storage income has not been provided.

Despite the limited market support for this rental income, the Underwriter has included income in the amount of $75 per garage as indicated by the Applicant and evidenced in the submitted rent roll for Windsor Gardens, which reflected garage rents of $50 and a proposal to increase such rents to $75 per garage. Although no documentation to support this rate was received, the Underwriter included a 60% vacancy for garages and 50% vacancy for the storage units. This amounts to approximately $13 per unit per year for garage/storage income. Receipt, review, and acceptance by closing of evidence from comparables in the market to support monthly garage and storage rental income at $75 per garage and at least $25 per storage unit is a condition of this report. Despite the differences described above, the Applicant's effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 3 Date of Last Applicant Revision: 8/25/2008

The Applicant's total revised annual operating expense projection at $3,922 per unit is within 5% of the Underwriter's estimate of $4,001, derived from the TDHCA database, and third-party data sources. The Applicant's revised budget shows general & administrative to be $31K lower than the Underwriter's estimate. Additionally, TDHCA compliance fees appear to be slightly understated.

Conclusion:

The Applicant's effective gross income, expenses and net operating income are within 5% of the Underwriter's estimates; therefore, the Applicant's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.16, which is within the Department's DCR guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow, after adjustments to the financing structure are made. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Gary Brown & Associates Date: 4/8/2008

Number of Revisions: None Date of Last Applicant Revision: N/A

Land Only: 11.3 acres $1,520,000 As of: 4/7/2008

ASSESSED VALUE

Land Only:	10.6 acres	$1,178,628	Tax Year:	2007
Existing Buildings:		N/A	Valuation by:	Harris CAD
Total Assessed Value:		$1,178,628	Tax Rate:	2.81885

EVIDENCE of PROPERTY CONTROL

Type: Special Warranty Deed & settlement statement   Acreage: N/A

Contract Expiration: N/A   Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $1,353,302   Other:

Original Seller: Deer Park Center St. Joint Venture   Related to Development Team? [ ] Yes [x] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2   Date of Last Applicant Revision: 8/25/2008

Acquisition Value:

The site cost of $129,171 per acre or $5,370 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant provided the Special Warranty Deed to the site and a settlement statement that is consistent with the acquisition cost reflected in the development cost schedule. The settlement statement indicates that the property was acquired by the partnership on April 23, 2008. The Applicant has also included the Unimproved Property Contract which also corresponds with the submitted Special Warranty Deed and Settlement Statement.

Sitework Cost:

The Applicant's claimed sitework costs of $8,996 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is $483K or 4% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate. The Applicant has removed the cost of garages from eligible basis. However, the Applicant has indicated that the carports will be available to tenants at no charge and has included this cost in eligible basis.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by $24,270 to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Contingency & Fees:

The Applicant's eligible contingency costs were adjusted down by $74,717 to meet the Department guideline of 5% of eligible sitework and direct construction costs for new construction developments. The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines; however, the Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by $9,547 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule as adjusted by the Underwriter will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $20,698,136 supports annual tax credits of $753,616. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 3 Date of Last Applicant Revision: 8/25/2008

Issuer: TDHCA

Source: Capital One Type: **Interim to Permanent Bond Financing**

Tax-Exempt: $14,750,000 Interest Rate: 5.05% [x] Fixed Amort: 420 months

Comments:

The commitment indicates that the bonds will be privately placed and structured as variable rate, tax exempt bonds during construction and fixed rate, tax exempt bonds during permanent. The bonds will amortize over 35 years and carry a 15 year term from the date of conversion. The construction phase variable-interest rate is estimated to be 3.26% as of July 1, 2008 based upon one-month LIBOR plus 80 basis points. The lender will require an interest rate reserve during construction. However, the lender may allow for less reserves if an interest rate hedge is used during construction (for example: interest rate cap).

The permanent phase fixed interest rate is estimated to be 5.05% as of August 21, 2008 based upon the 17-year interpolated US Treasury yield plus 100 basis points. The permanent rate can be locked 5 to 10 business days prior to closing on the construction loan, which should reduce the risk of potential fluctuations in the base rate during construction.

The revised commitment allows for a bond amount up to $14,900,000 or an amount supported by a minimum DCR of 1.15. It should be noted that the debt sizing and terms may fluctuate due to changes in market conditions or additional due diligence from the lender. However, the last confirmed number at the time of this underwriting was $14,750,000.

Of note, the construction financing will consist of an un-hedged variable rate during the interim period; however, the Applicant indicates the use of a "costless collar" where the construction will have a floor and a ceiling...[that] would float between 3 and 5% with a current rate today if we closed of 3.26%" Documentation confirming such a collar from the lender is still pending as of the publication of this report.

Source: Apollo Equity Partners Type: **Syndication**

Proceeds: $6,478,421 Syndication Rate: 87% Anticipated HTC: $ 740,465

Comments:

Due to the recent volatility in credit pricing, it should be noted, a decrease below $0.68 per dollar of credit may jeopardize the financial viability of the transaction. Alternatively, the final credit price must increase to more than par for all deferred fees to be eliminated and an adjustment to the credit amount may be warranted.

Amount: $162,000 Type: **GIC Income**

The Applicant has included GIC interest income from the bonds during the construction period. The estimated income from this source is relatively small due to the large portion of the bonds that will be utilized to purchase the property prior to construction. The Underwriter has blended this source with developer fee to be deferred due to the risk associated with projected future interest earnings.

Amount: $140,000 Type: **Lease Up Income**

The Applicant has included income from lease up operations as a source of income for the development. However, due to the uncertainty of this income the Underwriter has not included this as a separate source of funds, but has included it in the deferred developer fee.

Amount: $2,823,173 Type: **Deferred Developer & Contractor Fees**

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

CONCLUSIONS

Recommended Financing Structure:

The Applicant’s total development cost estimate less the revised permanent loan of $14,750,000 indicates the need for $9,441,594 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,079,147 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, the Applicant’s request ($743,913), the gap-driven amount ($1,079,147), and eligible basis-derived estimate ($753,616), the Applicant’s request of $743,913 is recommended resulting in proceeds of $6,508,588 based on a syndication rate of 87%.

The Underwriter’s recommended financing structure indicates the need for $2,933,006 in additional permanent funds. Deferred developer and contractor fees in this amount appear to be repayable from development cashflow within under 15 years of stabilized operation.

Underwriter:	*Diamond Unique Thompson*	Date:	August 26, 2008
Reviewing Underwriter:	*Cameron Dorsey*	Date:	August 26, 2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	August 26, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Providence Town Square, Deer Park, 4% HTC/MRB #08609

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 60%	9	1	1	729	$687	$602	$5,418	$0.83	$85.00	$51.00
TC 60%	141	1	1	729	$687	$602	$84,882	$0.83	$85.00	$51.00
MR	9	1	1	729		$825	$7,425	$1.13	$85.00	$51.00
TC 60%	1	1	1	791	$687	$602	$602	$0.76	$85.00	$51.00
MR	18	1	1	791		$875	$15,750	$1.11	$85.00	$51.00
TC 60%	1	1	1	805	$687	$602	$602	$0.75	$85.00	$51.00
TC 60%	3	2	2	990	$825	$709	$2,127	$0.72	$116.00	$62.00
TC 60%	51	2	2	990	$825	$709	$36,159	$0.72	$116.00	$62.00
MR	9	2	2	990		$1,065	$9,585	$1.08	$116.00	$62.00
MR	10	2	2	1,075		$1,150	$11,500	$1.07	$116.00	$62.00
TOTAL:	252		**AVERAGE:**	813		$691	$174,050	$0.85	$93.98	$54.19

INCOME	Total Net Rentable Sq Ft:	204,865		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$2,088,600	$2,104,680	Harris		6
Secondary Income		Per Unit Per Month:	$12.00	36,288	36,288	$12.00	Per Unit Per Month	
Other Support Income: Garages		Per Unit Per Month:	$12.69	38,370	51,408	$17.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$2,163,258	$2,192,376			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(162,244)	(164,424)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$2,001,014	$2,027,952			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.15%	$330	0.41	$83,108	$52,100	$0.25	$207	2.57%
Management		3.88%	308	0.38	77,674	81,118	0.40	322	4.00%
Payroll & Payroll Tax		11.59%	920	1.13	$231,935	231,250	1.13	918	11.40%
Repairs & Maintenance		4.77%	379	0.47	$95,539	106,500	0.52	423	5.25%
Utilities		3.26%	259	0.32	65,160	68,000	0.33	270	3.35%
Water, Sewer, & Trash		4.31%	342	0.42	86,222	90,000	0.44	357	4.44%
Property Insurance		3.58%	285	0.35	71,703	63,000	0.31	250	3.11%
Property Tax	2.81885	8.87%	705	0.87	177,588	177,588	0.87	705	8.76%
Reserve for Replacements		3.15%	250	0.31	63,000	63,000	0.31	250	3.11%
TDHCA Compliance Fees		0.57%	45	0.06	11,330	10,800	0.05	43	0.53%
Other: supp. servs, security		2.25%	179	0.22	45,000	45,000	0.22	179	2.22%
TOTAL EXPENSES		50.39%	$4,001	$4.92	$1,008,260	$988,356	$4.82	$3,922	48.74%
NET OPERATING INC		49.61%	$3,940	$4.85	$992,754	$1,039,596	$5.07	$4,125	51.26%
DEBT SERVICE									
Capital One		44.92%	$3,567	$4.39	$898,949	$897,372	$4.38	$3,561	44.25%
GIC Income		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		4.69%	$372	$0.46	$93,805	$142,224	$0.69	$564	7.01%
AGGREGATE DEBT COVERAGE RATIO					1.10	1.16			
RECOMMENDED DEBT COVERAGE RATIO						1.16			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		5.77%	$5,370	$6.61	$1,353,302	$1,353,302	$6.61	$5,370	5.59%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.67%	8,996	11.07	2,267,000	2,267,000	11.07	8,996	9.37%
Direct Construction		48.28%	44,925	55.26	11,321,054	11,804,000	57.62	46,841	48.79%
Contingency	5.00%	2.90%	2,696	3.32	679,403	778,267	3.80	3,088	3.22%
Contractor's Fees	14.00%	8.11%	7,549	9.29	1,902,328	1,969,940	9.62	7,817	8.14%
Indirect Construction		2.60%	2,417	2.97	608,996	608,996	2.97	2,417	2.52%
Ineligible Costs		6.73%	6,261	7.70	1,577,892	1,577,892	7.70	6,261	6.52%
Developer's Fees	15.00%	11.15%	10,371	12.76	2,613,551	2,709,304	13.22	10,751	11.20%
Interim Financing		2.75%	2,559	3.15	644,893	644,893	3.15	2,559	2.67%
Reserves		2.04%	1,897	2.33	478,000	478,000	2.33	1,897	1.98%
TOTAL COST		100.00%	$93,041	$114.45	$23,446,418	$24,191,594	$118.09	$95,998	100.00%
Construction Cost Recap		*68.96%*	***$64,166***	***$78.93***	***$16,169,784***	***$16,819,207***	***$82.10***	***$66,743***	*69.53%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
Capital One	62.91%	$58,532	$72.00	$14,750,000	$14,750,000	$14,750,000	Developer & Contractor Fee
GIC Income	0.00%	$0	$0.00		162,000		$4,669,697
Lease Up Income	0.00%	$0	$0.00		140,000		
Apollo Equity Partners	27.63%	$25,708	$31.62	6,478,421	6,478,421	6,508,588	% of Fee Deferred
Deferred Developer Fees	11.35%	$10,560	$12.99	2,661,173	2,661,173	2,933,006	63%
Additional (Excess) Funds Req'd	-1.89%	($1,759)	($2.16)	(443,176)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$23,446,418	$24,191,594	$24,191,594	$4,441,174

Providence Town Square, Deer Park, 4% HTC/MRB #08609

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$54.95	$11,258,350
Adjustments				
Exterior Wall Finish	0.00%		$0.00	$0
Elderly	3.00%		1.65	337,750
9-Ft. Ceilings	3.00%		1.65	337,750
Roofing			0.00	0
Subfloor			(1.41)	(289,152)
Floor Cover			2.43	497,822
Breezeways/Balconies	$35.18	19,759	3.39	695,079
Plumbing Fixtures	$805	219	0.86	176,295
Rough-ins	$400	504	0.98	201,600
Built-In Appliances	$1,850	252	2.28	466,200
Exterior Stairs	$1,800	22	0.19	39,600
Enclosed Corridors	$45.03		0.00	0
Heating/Cooling			1.90	389,244
Elevators	$53,600	5	1.31	268,000
Comm &/or Aux Bldgs	$63.22	10,560	3.26	667,550
Other: fire sprinkler	$2.15	204,865	2.15	440,460
SUBTOTAL			75.59	15,486,548
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.90		(7.56)	(1,548,655)
TOTAL DIRECT CONSTRUCTION COSTS			$68.03	$13,937,893
Plans, specs, survy, bld prm	3.90%		($2.65)	($543,578)
Interim Construction Interest	3.38%		(2.30)	(470,404)
Contractor's OH & Profit	11.50%		(7.82)	(1,602,858)
NET DIRECT CONSTRUCTION COSTS			$55.26	$11,321,054

PAYMENT COMPUTATION

Primary	$14,750,000	Amort	420
Int Rate	5.05%	DCR	1.10

Secondary		Amort	
Int Rate		Subtotal DCR	1.10

Additional		Amort	
Int Rate		Aggregate DCR	1.10

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$898,949
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$140,647

Primary	$14,750,000	Amort	420
Int Rate	5.05%	DCR	1.16

Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.16

Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.16

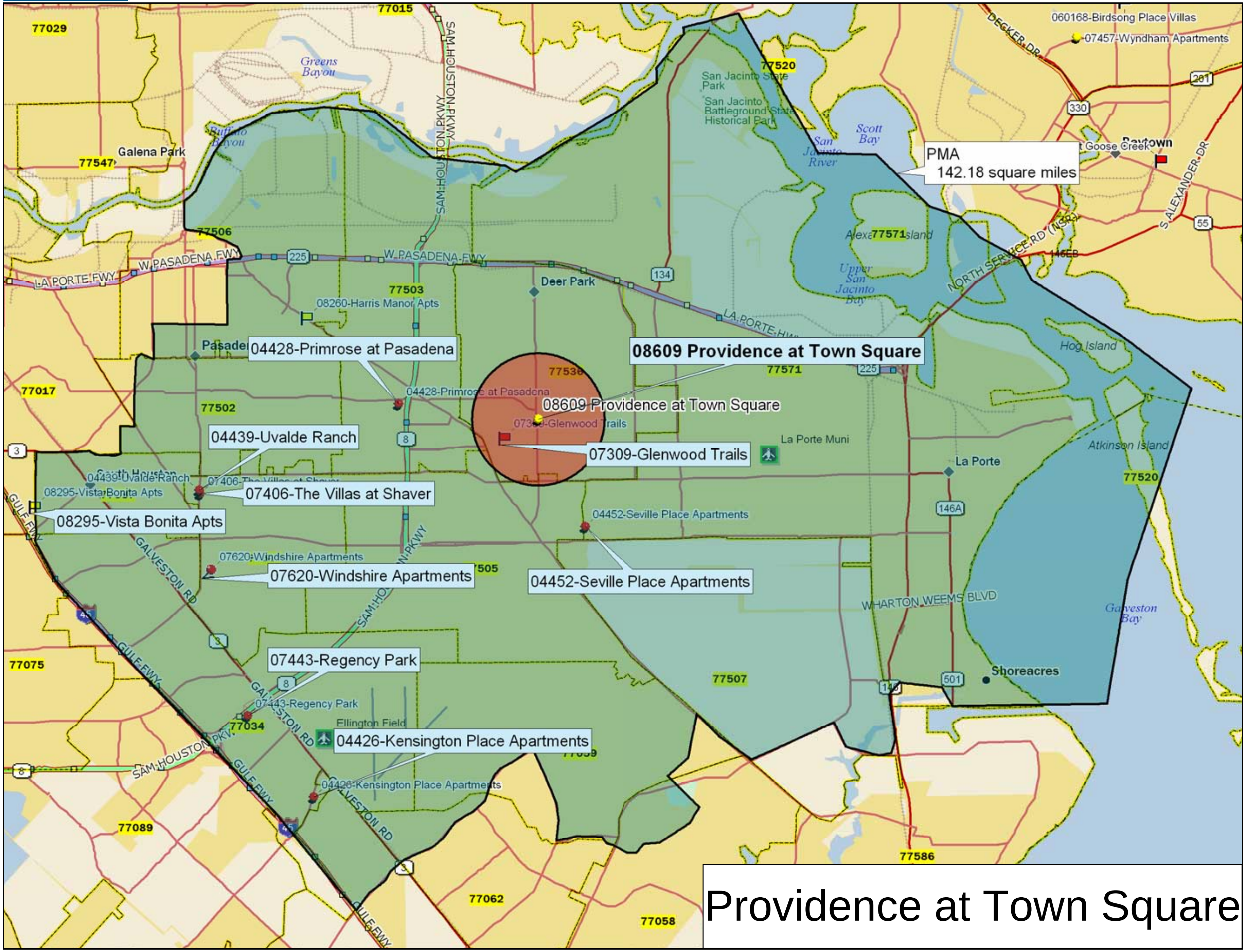
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$2,104,680	$2,167,820	$2,232,855	$2,299,841	$2,368,836	$2,746,130	$3,183,517	$3,690,569	$4,959,816
Secondary Income	36,288	37,377	38,498	39,653	40,842	47,348	54,889	63,631	85,515
Other Support Income: Garage:	51,408	52,950	54,539	56,175	57,860	67,076	77,759	90,144	121,146
POTENTIAL GROSS INCOME	2,192,376	2,258,147	2,325,892	2,395,668	2,467,539	2,860,553	3,316,165	3,844,345	5,166,478
Vacancy & Collection Loss	(164,424)	(169,361)	(174,442)	(179,675)	(185,065)	(214,542)	(248,712)	(288,326)	(387,486)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$2,027,952	$2,088,786	$2,151,450	$2,215,993	$2,282,473	$2,646,012	$3,067,453	$3,556,019	$4,778,992
EXPENSES at 4.00%									
General & Administrative	$52,100	$54,184	$56,351	$58,605	$60,950	$74,155	$90,220	$109,767	$162,482
Management	81,118	83,551	86,058	88,640	91,299	105,840	122,698	142,241	191,159
Payroll & Payroll Tax	231,250	240,500	250,120	260,125	270,530	329,141	400,450	487,209	721,188
Repairs & Maintenance	106,500	110,760	115,190	119,798	124,590	151,583	184,424	224,379	332,136
Utilities	68,000	70,720	73,549	76,491	79,550	96,785	117,754	143,266	212,068
Water, Sewer & Trash	90,000	93,600	97,344	101,238	105,287	128,098	155,851	189,616	280,679
Insurance	63,000	65,520	68,141	70,866	73,701	89,669	109,096	132,731	196,475
Property Tax	177,588	184,691	192,079	199,762	207,752	252,762	307,524	374,150	553,834
Reserve for Replacements	63,000	65,520	68,141	70,866	73,701	89,669	109,096	132,731	196,475
Other	55,800	58,032	60,353	62,767	65,278	79,421	96,628	117,562	174,021
TOTAL EXPENSES	$988,356	$1,027,078	$1,067,326	$1,109,159	$1,152,638	$1,397,122	$1,693,740	$2,053,653	$3,020,517
NET OPERATING INCOME	$1,039,596	$1,061,708	$1,084,124	$1,106,835	$1,129,835	$1,248,890	$1,373,713	$1,502,365	$1,758,475
DEBT SERVICE									
First Lien Financing	$898,949	$898,949	$898,949	$898,949	$898,949	$898,949	$898,949	$898,949	$898,949
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$140,647	$162,758	$185,174	$207,885	$230,885	$349,940	$474,764	$603,416	$859,525
DEBT COVERAGE RATIO	1.16	1.18	1.21	1.23	1.26	1.39	1.53	1.67	1.96

HTC ALLOCATION ANALYSIS -Providence Town Square, Deer Park, 4% HTC/MRB #08609				
CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$1,353,302	$1,353,302		
Purchase of buildings				
Off-Site Improvements				
Sitework	$2,267,000	$2,267,000	$2,267,000	$2,267,000
Construction Hard Costs	$11,804,000	$11,321,054	$11,804,000	$11,321,054
Contractor Fees	$1,969,940	$1,902,328	$1,969,940	$1,902,328
Contingencies	$778,267	$679,403	$703,550	$679,403
Eligible Indirect Fees	$608,996	$608,996	$608,996	$608,996
Eligible Financing Fees	$644,893	$644,893	$644,893	$644,893
All Ineligible Costs	$1,577,892	$1,577,892		
Developer Fees			$2,699,757	
Developer Fees	$2,709,304	$2,613,551		$2,613,551
Development Reserves	$478,000	$478,000		
TOTAL DEVELOPMENT COSTS	$24,191,594	$23,446,418	$20,698,136	$20,037,224

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$20,698,136	$20,037,224
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$26,907,577	$26,048,391
Applicable Fraction		80%	80%
TOTAL QUALIFIED BASIS		$21,593,572	$20,904,067
Applicable Percentage		3.49%	3.49%
TOTAL AMOUNT OF TAX CREDITS		$753,616	$729,552
Syndication Proceeds	**0.8749**	**$6,593,478**	**$6,382,941**

Total Tax Credits (Eligible Basis Method)	**$753,616**	**$729,552**
Syndication Proceeds	**$6,593,478**	**$6,382,941**
Requested Tax Credits	**$743,913**	
Syndication Proceeds	**$6,508,588**	
Gap of Syndication Proceeds Needed	**$9,441,594**	
Total Tax Credits (Gap Method)	**$1,079,147**	



Scale 1 : 125,000
1" = 1.97 mi Data Zoom 10-6

Providence Town Square Apartments

Estimated Sources & Uses of Funds

Sources of Funds	
Series 2007 Tax-Exempt Bond Proceeds	$ 14,750,000
Tax Credit Proceeds	6,478,421
Deferred Developer's Fee	2,660,947
GIC Income	162,172
NOI during lease-up	140,054
Total Sources	$ 24,191,594

Uses of Funds	
Acquisition and Site Work Costs	$ 3,620,302
Direct Hard Construction Costs	12,618,000
Other Construction Costs (General Require, Overhead, Profit)	1,969,940
Indirect Construction Costs	329,640
Developer Fees and Overhead	2,704,304
Direct Bond Related	267,080
Bond Purchase Costs	480,890
Other Transaction Costs	1,972,789
Real Estate Closing Costs	228,649
Total Uses	$ 24,191,594

Estimated Costs of Issuance of the Bonds

Direct Bond Related	
TDHCA Issuance Fee (.50% of Issuance)	$ 73,750
TDHCA Application Fee	11,000
TDHCA Bond Administration Fee (2 years)	29,500
TDHCA Bond Compliance Fee ($40 per unit)	10,080
TDHCA Bond Counsel and Direct Expenses (Note 1)	75,000
TDHCA Financial Advisor and Direct Expenses	25,000
Disclosure Counsel ($5k Pub. Offered, $2.5k Priv. Placed. See Note 1)	2,500
Trustee Fee	13,000
Trustee's Counsel (Note 1)	9,000
Attorney General Transcript Fee	9,500
Texas Bond Review Board Application Fee	5,000
Texas Bond Review Board Issuance Fee (.025% of Reservation)	3,750
Total Direct Bond Related	$ 267,080

Providence Town Square Apartments

Bond Purchase Costs	
Private Placement Fees (origination, rate lock, construction period fees)	315,890
Borrower Legal Fees	15,000
Syndicator Due Diligence	30,000
Closing & Legal Fees	120,000
Total Bond Purchase Costs	$ 480,890

Other Transaction Costs	
Tax Credit Related Costs	47,960
Construction Contingency	71,576
Soft Construction Costs	190,000
Lease-Up Reserves	229,161
Operating Deficit Reserves	248,839
Bond Interest	1,145,297
Taxable Loan (loan fee and interest on reserve)	39,956
Total Other Transaction Costs	$ 1,972,789

Real Estate Closing Costs	
Title Insurance	105,573
Fees and Permits	35,000
Builder's Risk Insurance	48,076
Impact and Utility Fees	40,000
Total Real Estate Costs	$ 228,649

Estimated Total Costs of Issuance	$ 2,949,408

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

Applicant Evaluation

Project ID **08609U** Name **Providence Town Square** City:

HTC 9% ☐ HTC 4% ☑ HOME ☐ BOND ☑ HTF ☐ SECO ☐ ESGP ☐ Other ☐

☐ No Previous Participation in Texas ☐ Members of the development team have been disbarred by HUD

Portfolio Management and Compliance

Total # of MF awards monitored: 17

Total # of MF awards not yet monitored or pending review: 1

SF Contract Experience ☐ Yes ☑ No

Total # of SF Contracts: 0

Projects in Material Noncompliance

Yes ☐ **No** ☑

Total # of MF Projects in Material Noncompliance: 0

Projects grouped by score

0-9: 10

10-19: 4

20-29: 3

Total monitored with a score 0-29: 17

Completed by: J. Taylor Reviewer: Wendy Quackenbush

Date 8/8/2008 Date 8/18/2008

Single Audit

☐ Single audit review not applicable

☑ Single audit review found no unresolved issues

☐ Late single audit certification form (see comments

☐ Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos Date 8/19/2008

Comments (if applicable):

Financial Administration
Loan Servicing

☑ No delinquencies found ☐ Delinquencies found (see comments)

Reviewer Candace Christiansen Date 8 /18/2008

Comments (if applicable):

Financial Administration
Financial Services

☑ No delinquencies found ☐ Delinquencies found (See Comments)

Reviewer Monica Guerra Date 8 /22/2008

Comments (if applicable):

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

TEFRA HEARING

PROVIDENCE TOWN SQUARE APARTMENTS

PUBLIC HEARING

Cafeteria
J.P. Dabbs Elementary School
302 E. Lambuth Lane
Deer Park, Texas

July 9, 2008
6:11 p.m.

BEFORE:

KENT BEDELL, Multifamily Housing Specialist

SHA
NNO
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ROT
H

I N D E X

P R O C E E D I N G S

MR. BEDELL: Good evening. My name is Kent Bedell, hearing officer and a multifamily housing specialist for the Texas Department of Housing and Community Affairs. Our role in this process is to allow all interested persons in the surrounding community the opportunity to provide comments on the development we'll be discussing this evening.

The format of this evening's hearing will be as follows: first, I will present the programs the developer has applied for, and the developer or a member of the development team will give a presentation on specifics of the development, and lastly, I will read a speech required by the Internal Revenue Service, and at the conclusion of the speech, the floor will be open for public comment.

There are handouts for you here. We have the Q&A that answers many of the more common questions. We have a handout regarding the development specifics which includes income levels and also a handout containing deadlines for input and how to submit input. We have a handout regarding a zip code email notification list which allows you the opportunity to sign up to receive emails on applications we receive for funding. And we have business cards with our contact information in the back.

Grounds and rules of the hearing. If you would like to speak, there are witness affirmation forms available on the back table. Please fill out the form and hand it to a TDHCA staff person prior to speaking. There are sign-in sheets also on the back table. Please be sure that you sign in; that is the only way of knowing exactly how many people were in attendance. Also, there are columns for you to check on the far right-hand side of the sign-in sheet to indicate whether you support or oppose this development. If neither box is checked, then we will consider your opinion as being neutral, so please make sure a box is checked.

The entire hearing and all of the comments made here this evening will be transcribed by a court reporter. It is important that you make the comments at the microphone so she can record your comments. Any comments or questions made from the audience may not be picked up on the record.

To allow everyone the opportunity to speak, we will answer any questions or concerns that were raised at the end after all public comment has been made. I ask that the developer keep a list of any questions that come up as it relates to the development and I will keep a list of questions that come up as it relates to the Department and our role.

According to IRS Code, the Department is only required to take public comment on the bond issuance; however, TDHCA has extended this to take comment on the development itself. We are not required to do that but we want community input and to ensure that your voice is heard. TDHCA schedules a public hearing where the development is to be located at a time and location that is convenient for the community.

The mission of the Department is to help Texans achieve an improved quality of life through development of better communities. There are two programs that the developer has applied for which include Private Activity Bond Program, Housing Tax Credit Program. Both programs are created by the federal government to encourage private industry to build quality housing that is affordable to individuals and families with lower and average incomes.

The Private Activity Bond Program refers to the issuance of tax-exempt bonds. The tax exemption is not an exemption of property tax but rather an exemption to the purchaser of the bonds. The bond purchaser does not have to pay taxes on their investment and the income they make on the investment. The bond purchaser accepts a lower rate of return; therefore, the lender that is involved will charge a lower interest rate for the mortgage that will be placed on the property to the developer. Therefore, the developer can build a market rate property at a lower cost to the development.

The Housing Tax Credit is another program that goes along with the bond program. The Housing Tax Credit was created as a result of the Tax Reform Act of 1986. The Housing Tax Credit is a credit or reduction in tax liability each year for ten years for investors in affordable rental housing. By providing a credit against the tax liability, the Housing Tax Credit is an incentive for individuals and corporations to invest in the construction or rehabilitation of housing for low income families. The Housing Tax Credit provides additional financing to the development and lowers the building cost which allows the developer to provide lower rents to affordable tenants.

In conclusion, with both of these programs the tax benefit goes to the investors that help finance the development. These two programs result in the developer being able to bring something of high quality to your area and all of these properties are privately owned and privately managed.

And just a note, this information I'm giving you is in the Frequently Asked Questions packet that we have back on the back table.

Compliance requirements. There are ongoing oversight responsibilities between the affordable housing developments and the Department. This includes regular monitoring to ensure the development is complying with the rules of the Housing Tax Credit and Private Activity Bond programs. The term that the developments will be monitored for is the greater of 30 years or as long as bonds are outstanding. Oversight responsibilities include: the units that are occupied by eligible households; physical appearance of the property; the rents are capped at appropriate levels; repair reserve accounts are established and funded.

Other important facts. Tenant background checks which include credit, criminal checks, et cetera, are established by the developer and will apply to all tenants equally. The developer can establish procedures up to and including eviction for various reasons consistent with state eviction laws that would be applicable to any other apartment complex. It should be noted that TDHCA does not set these requirements. It's the owner's responsibility to do the background checks and determine who they will allow as tenants in the property.

Additionally, while Fair Housing stipulates that 80 percent of the total housing units are occupied by at least one individual who is 55 years of age or older, for this particular development, however, the developer has agreed that no one under the age of 55 will be able to live in this development.

Other state compliance monitoring. Private Activity Bond developments are monitored every year by the Department's third-party asset oversight agent. In addition, the Department's compliance division monitors the development every two years. Desk reviews are done quarterly by the Department and a modified version of an on-site visit. The Department verifies that set-asides were met -- for example, low income eligible tenants, special needs -- and that units are income and rent restricted.

After lease-up, a survey is usually done to determine the tenant profile and the types of services that would be of interest to tenants. These services can include: tutoring and honor roll programs, computer access and educational classes, after school activities, summer camps, healthcare screenings, immunizations for schoolchildren, ESL classes, GED certification, financial planning, credit counseling, and down payment assistance.

It is important to note that for all or most individuals that begin in multifamily housing, it is the first step to home ownership; therefore, some developers could choose to provide down payment assistance classes to help educate the tenants on steps they can take towards home ownership.

Now, at this point we're going to invite Chris Richardson, the developer for the Providence Town Square Apartments to come and give a presentation about the property.

MR. CHRIS RICHARDSON: Thank you very much. My name is Chris Richardson. I'm with the GP of the owner of the property. First of all, I'd like to introduce some of our folks that are here. We've got our management people, Kim Canal and Whitney [phonetic], Matt Fuqua with our company who has worked hard with it, and Hank Richardson.

We also appreciate Mayor Riddle and several of the city council people being here tonight. We've worked with them and given several presentations.

Most of you are pretty familiar with what we've said before. I would just like to emphasize that along with services that were stated here pertain to the family program. Ours are for the seniors. We have arts and crafts and various programs that they do; they do field trips and things that they have a great time.

I want to re-emphasize that we have agreed with the city and we have a copy of the deed. There's an ordinance that's signed and the property is deed-restricted to 100 percent of the property will be 55 and older. The state requires, I believe, it's 80 percent -- that's under the federal, but we have agreed that we will be more restricted than that.

We will have incomes and rents that will create rents from $600 to about $1,275. The reason to use these bonds is it helps us get down to that kind of rent where it's more affordable and it fits the market study that we have on folks here in Deer Park and other seniors that would be moving into the area, say that have children that live here or whatever and want to move back or that type thing. Without that we would probably have to charge about $875 to about $1,375 to make the deal work. There's others in the area that have a lot higher rents than us but this structure will have that kind of rent because of the way we're financing it. It gets us down to a little below 5-1/2 percent in our permanent rate.

And we do pay property taxes. Although we do not have children going to the school, we do help with property taxes. Our units are small and they're not highly valued, but we are taxpayers -- I just wanted to clear that up for you.

Frankly, I can't imagine any reason anybody would object to a nice, high-quality, senior development that provides 55 and older this type of nice place to live at this kind of rent. There are a number of units that you can make any amount of money and live there, but there are some minimum income requirements to be able to live there.

And I guess I'll just open it up for any questions or the next step. I can let Hank go through the slides with you and see if that gets any questions for you or answers any questions for you.

MR. HANK RICHARDSON: Good evening. We actually have another facility in Katy, Texas, that's very similar to this, it's a 55-and-older-project as well, and I'm just going to go through a couple of pictures to show you what a high quality product this is, as well as go over some of the different services that we do offer, like Chris was saying, the arts and crafts -- we have field trips; we have exercise classes; we have computer classes, anything that's going to enhance and enrich the lives of seniors.

So let me show you a couple of these slides. Right here this is a picture of basically the main view when you're standing in the facility at what's called Province Place in Katy. It's a beautiful walk-in pool, wheelchair accessible and you can see the pond-side view for all the different units there as well.

I'm going to sit down, if you guys don't mind, so I can easily change this.

This is a closeup of what we call our bungalows, and we have one-bedrooms and two-bedrooms right here, and again, you can see they all come with very lush landscaping and beautiful views of the ponds and they all have attached garages as well.

We have a movie theater that we're going to be building in the center, the one here in Deer Park as well as the one that we already have in Katy, and we actually show movies every Tuesdays and Thursdays. I'm assuming that it will probably be the same for Deer Park.

Every week we have arts and crafts classes. We have people that come and it's free to the residents -- that's another big draw. And then here's just a list of some of the various facilities: we have a hair salon that's located within there; we have a fitness center where we have people come in and teach pilates and yoga classes. We even have little chairs and treadmills and a recumbent bike that people have access to as well.

You can see in the top right-hand corner there's a little library area and we also have a card table and some people come and they play mahjong and various other games as well. And then finally in the lower left-hand corner on the other side is a little game room and it's kind of an all-service room right now. We use it for bingo; they have all sorts of different bible studies, different activities that they have going on there.

Just to give you an idea of kind of the quality in our products and the interior design, I think this just kind of goes to show that even though there are some stigmas with what might be considered Tax Credit, this is the type of quality that we do develop. And again, here's another picture of the pool, just a little different angle -- a little dining area where we have meals; we have potlucks; we have people come in and cater. We also have coffee every single morning at this particular location.

Just a few more pictures, and I think that wraps it up, so maybe that gets your mind going, just gets a few more questions in your head.

MR. BEDELL: Thank you very much.

Now we are actually going to start the public comment.

Good evening. My name is Kent Bedell. I would like to proceed with the public hearing. Let the record show that it is 6:25 p.m., Wednesday, July 9, 2008, and we are at the J.P. Dabbs Elementary School located at 302 East Lambuth Lane, Deer Park, Texas 77536. I'm here to conduct the public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issue of tax-exempt multifamily revenue bonds for a residential rental community. This hearing is required by the Internal Revenue Code. The sole purpose of this hearing is to provide a reasonable opportunity for interested individuals to express their views regarding the development and the proposed bond issue.

No decisions regarding the development will be made at this hearing. The Department's board is scheduled to meet to consider the transaction on July 31, 2008. In addition to providing your comments at this hearing, the public is also invited to provide comment directly to the board at any of their meetings. The Department staff will also accept written comments from the public up till 5:00 p.m. on July 22, 2008.

The bonds will be issued as tax-exempt multifamily revenue bonds in the aggregate principal amount not to exceed $15 million and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs, the "Issuer". The proceeds of the bonds will be loaned to Providence Town Square Housing, Ltd., or a related person or affiliate entity thereof, to finance a portion of the costs of acquiring, constructing and equipping a multifamily rental housing community described as follows: a 252-unit multifamily residential rental development to be constructed on approximately 10.5 acres of land located at approximately 3801 Center Street, Harris County, Texas. The proposed multifamily rental housing community will be initially owned and operated by the borrower or a related person or affiliate thereof.

I would now like to open the floor for public comment. If you have signed up to speak, I will call out your name. You can either decide to speak or decline. At that time, please use the microphone and state your name for the record. You will then have three minutes to make your comments. If you have not already signed in and wish to speak, please come forward and sign in now before we begin.

We have four people who we've received forms for. Some of the individuals indicated they don't want to speak if they don't have to. We're just going to go ahead and call your name and just wave us off if you don't want to speak. So we'll start with Paula Smith.

MS. SMITH: Hello. My name is Paula Smith. I reside at 409 Wisdom Drive in Deer Park, Texas.

This proposed site sits on one of the most dangerous parts of Center Street. No traffic study has been conducted, either by the city or the developer, to see the impact of adding both pedestrian and vehicle traffic. Other than traffic, this will not be your normal NIMBY plea. The developers have applied for a planned-unit development zoning through the city channels to construct this apartment complex. Under Section 4A.5 of Deer Park's city zoning ordinance, sentence number two states: "City approval of a conceptual plan does not give the owner any development rights in the premises; it only gives the right to proceed with the submission of a final development plan." The following paragraph states: "If a district is created upon approval of a conceptual plan and the final development plan submitted does not substantially comply with the conceptual plan approved for the district, then notice and hearing procedures would apply."

On Monday, Deer Park's Planning and Zoning has requested another public hearing regarding this development on August 4, 2008 due to the differences from the conceptual plan to the final plan. If I am not mistaken, I was under the impression that all zoning issues must be resolved before application or even approval of bond money.

With the exception of one, all 100-plus unit apartment complexes or housing facilities are located on the southwest side of Deer Park. Close to a mile from this bond-proposed site sits slightly over 12 acres that the state granted last year tax credits to Kildays [phonetic] Developer, application number 07-309, to construct low income, multifamily apartments. Directly across the street from the twelve acres sits another 19 acres of undeveloped land, zoned for apartments. This could potentially add close to a thousand more apartment units to the already 1,000-plus units and four trailer parks in this area if this bond is granted. This would be social and economic segregation. An idea: move to Underwood behind Gerlands. The corner offers the same amenities as the proposed sites.

Twenty-eight years ago today, my husband passed away, leaving me a young widow with an infant child. Even though my circumstances were different than most in this situation, I do see a need for this kind of temporary government assistance. In the city of Deer Park it should not be used for new construction but instead for rehabilitation of the numerous aging complexes located in close proximity of the bond-proposed sites.

For the ones in the audience that are against this project, please stand and raise your hands. While you take the count, please include me against this bond project. Thank you.

MR. BEDELL: Kim Canal, would you like to come speak.

MS. CANAL: I'm here to answer any questions.

MR. BEDELL: Whitney?

MS. BERCZIK: And I'm here for any questions as well.

MR. BEDELL: Okay. Is there anyone else who would like to make a comment of opposition or support for the development? If so, we need an affirmation. You can come up and speak but we just need you to fill out the affirmation form once you're done. And please state your name.

MS. STOKES: Shelly Stokes, 321 Sylvia.

I only have one question and I understood you to say you could answer questions at the end. From what you said in the beginning --

MS. ROTH: We'll be doing questions and answers in a moment. Did you want to just make a comment?

MS. STOKES: No. I have a question.

MS. ROTH: Go ahead and conclude the hearing then and then we'll do questions.

Just stay right there. It will just be a second; it's just a matter of formality.

MR. BEDELL: So there's no one else who wants to offer support or opposition. Thank you for attending this hearing. Your comments have been recorded.

This hearing is now adjourned and the time is now 6:31.

(Whereupon, at 6:31 p.m., the hearing was concluded.)

QUESTION AND ANSWER SESSION

MR. BEDELL: We will now take questions.

MS. ROTH: Go ahead. We're keeping the record rolling.

MS. STOKES: My only question is I understand that the deed restriction says 55 and older, and so I would like to know within this 75-year deed restriction if there can ever been an amendment that would then make it to where younger people could stay there. That's my only question. Is this something set in stone for 75 years or could there ever be an amendment for this project?

Thank you.

MR. BEDELL: Would you like to answer that?

MR. CHRIS RICHARDSON: It's Chris Richardson again. It's my understanding from the ordinance and from the warranty deed that it is restricted for that 75 years. If there could be an amendment to that, it would have to be agreed to by the city and everyone, so that's the only way I would think it could be amended.

MR. BEDELL: Are there any other questions?

(No response.)

MR. BEDELL: Okay, then the meeting is adjourned. Thank you.

(Whereupon, at 6:36 p.m., the question and answer session was concluded.)

C E R T I F I C A T E

MEETING OF: TDHCA Public Hearing

Re: Providence Town Square Apartments

LOCATION: Deer Park, Texas

DATE: July 9, 2008

I do hereby certify that the foregoing pages, numbers 1 through 21, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording provided by the Texas Department of Housing and Community Affairs.

8/26/08
(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland Dr., Suite 315
Austin, Texas 78731

WAYNE SMITH
HOUSE OF REPRESENTATIVES
DISTRICT 128

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(832) 556-2002
FAX (832) 556-0319

July 18, 2008

07-21-08A11:16 RCVD

Multifamily Finance Production Division
PO Box 13941
Austin, TX 78711-3491

Re: Providence Town Square, Deer Park, Texas

Dear Teresa Morales,

Thank you for your recent letter regarding my opinion on Competitive Housing Tax Credit applications for Providence Town Square in Deer Park, Texas.

I support the Competitive Housing Tax Credits for the Providence Town Square, 3801 Center Street Deer Park, TX 77536, Project Number 08609 application.

Thank you for your time. Please do not hesitate to contact my office with any additional questions or concerns.

Sincerely,

Wayne Smith

Rep. Wayne Smith

cc: Wayne Riddle, Mayor
Ron Crabtree, City Manager

Teresa Morales

From: Beckie Stockstill-Cobb [beckie@stockstillandassociates.com]
Sent: Thursday, July 17, 2008 1:42 PM
To: teresa.morales@tdhca.state.tx.us; kent.bedell@tdhca.state.tx.us; shannon.roth@tdhca.state.tx.us
Cc: wayne.smith94@verizon.net; mike.jackson@senate.state.tx.us
Subject: Deer Park's Providence Town Square

Ms. Morales, Mr. Bedell and Mr. Roth

I am so grateful that Texas has the programs in place, such as the Multifamily Revenue Bond and Housing Tax Credit that benefit our senior population. I am also grateful and excited that a developer has chosen property in Deer Park on which to place a fine facility utilizing these programs.

With your approval, the Providence Town Square, to be located at 3801 Center St., Deer Park, Texas, will provide apartment living for adults aged 55 and above. As a member of the Deer Park City Council, I have personally researched this developer, had many conversations with them, as well as researched your programs. I feel this situation is a perfect fit for our city.

A select few of our citizens have voiced their opinions against this project. If I may address the concerns of which they spoke that have been brought to my attention.

- **Danger to the residents due to location:** This project will be located at the southeast corner of the intersection of Center St. and Pasadena Blvd., our small city of approximately 30,000 busiest intersections. Some say this location will cause extraordinary danger to the residents of the project. The architect's rendering that City Council approved indicated that the developer has created only two connections to either street. The main entrance on Center St. is placed to coincide with a street directly west that currently has a "cut" in the median. The developer will pay for the left hand turn lane to be constructed on the southbound lane and the City of Deer Park plans to install a traffic signal at that location. The second street connection will be onto Pasadena Blvd directly to the east of and behind HEB. This exit will be approximately 1/4 mile from the traffic signal at the intersection of Center and Pasadena Blvd. and has the exit from HEB and WaMu closer to the traffic signal than it will be. A traffic analysis has been done by the developer, not the City of Deer Park.

  Across Pasadena Blvd. from HEB, on the northeast corner, is a CVS Pharmacy. This pharmacy has been contacted by the developer and has heartily agreed to deliver prescriptions upon request.

On the Center St. frontage of the development will be a commercial strip center which is proposed to house one restaurant (possibly more) and retail establishments. Closer to the intersection and HEB on Center St. is a popular Starbucks.

Across Center on the northwest corner of the intersection is our largest commercial strip center in which currently resides a Food Town, Radio Shack, Shipley's, Burke's Outlet, and Walgreens, as well as several smaller establishments.

Concerning unusual danger to the residents, I disagree. People of all ages in Deer Park go to that intersection for their personal needs and wants. That intersection poses no more danger to a resident of Providence Town Square, aged 67, than it does me, aged 54. As you are more familiar to the Austin traffic than ours in Deer Park, this intersection would compare to Brody Lane and William Cannon at midnight.

- **Deed restricted to residents aged 55 and above for 75 years.** The concern has been raised that these restrictions can be lifted. As I understood at the Public Meeting held at Dabb's Elementary in Deer Park, it will take a consensus of the Mayor and City Council if the property owner requests. I take comfort in the fact that our children's grandchildren will not be saddled with a decaying senior apartment complex in the year 2050. We "Baby Boomers" will more than likely be gone and better use of that property may arise.

- **Access to EMS and the safety of our emergency personnel.** The City of Deer Park Volunteer Fire Department is renowned in the State of Texas. Our Fire Station #2 is located approximately 1 mile east on Pasadena Blvd. of the proposed development. Our EMS response time is phenomenal. In addition, the Mayor and City Council are in year two of a 5 year plan of implementing paid full time EMS providers on all shifts. Of all intersections in which to locate in Deer Park, this is the most convenient to fire and EMS services of all. One facet of this development that some are overlooking is that with over 55 residents, the calls to 911 will primarily be concerning health or fire. With residents of age 55 and less, or general population, 911 calls will include more incidences of theft, burglary, gang activity and domestic violence. Bottom line to my estimation is less impact on our city than general "low income housing" might otherwise entail.

- **The City has current Senior housing available.** The Waterford, as a Senior housing facility, is a different level of housing than the Providence Town Square will provide. The Waterford includes meals, has medical assistance on staff and is basically a step prior to assisted living/nursing home care. The Waterford's size begins at 384 sq. ft. up to 938 sq. feet with pricing from $1,695.00 to $2,950.00 monthly. Providence Town Square is simply apartments for people over 55 that would like to live in an apartment rather than deal with yard work, a larger than needed home and to have access to a pool that is not inundated with teenagers. Those of us that are "baby boomers" remember the "adults only" apartment complexes and this proposed complex will allow people over 55 to enjoy their apartment home with similar aged people.

- **They should locate on Underwood Road.** The City of Deer Park is a zoned community and Underwood Road is our easternmost boundary. It is zoned primarily commercial or light industrial. The closest fire/EMS is approximately 3 miles and no residential areas are on Underwood or near it in our city limits. This is not an appropriate location for apartments, especially for seniors.

I appreciate your time and diligence in overseeing this endeavor. Primarily all the citizens in Deer Park are of a like mind as I and look forward to this facility becoming available for new residents. In fact, there are 35 or more names already on the waiting list to become residents.

I realize your department will hear more from those in opposition to economic development than from those that approve new endeavors. I hope you have an ear for those of us that express the opinion of the silent majority.

Thank you.

Sincerely,

Beckie Stockstill Cobb
2202 E. Lawther
Deer Park, Texas 77536

Beckie Stockstill Cobb
STOCKSTILL & ASSOCIATES
125 E. San Augustine
Deer Park, Texas 77536
281-476-9063

RONALD V. CRABTREE
CITY MANAGER

CITY OF DEER PARK
Birthplace of Texas
EST. 1892

710 E. San Augustine • P. O. Box 700 • Deer Park, Texas 77536 • (281) 478-7245 • Fax (281) 478-7217
E-Mail: rcrabtree@deerparktx.org

July 14, 2008

07-17-08A10:09 RCVD

Ms. Teresa Morales
Texas Department of Housing and
Community Affairs
P.O. Box 13941
Austin, TX 78711-3941

Dear Ms. Morales:

I am sending this letter to apprise you of the status of the Providence Town Square Project in the City of Deer Park. The project was granted a change in zoning in March of this year. The zoning that has been created for this project is Planned Unit Development. The zone change granted in March was based on a conceptual plan submitted by the developer, Blazer Building, Inc. The approval of the conceptual plan was authorization for the developer to proceed with the preparation of final development plans. Those development plans were presented to the City of Deer Park Planning and Zoning Commission at their regular meeting on Monday, July 7. The Planning and Zoning Commission decided to conduct a public hearing on the revised plans for this project and that meeting has been scheduled for August 4. The city's process for consideration of a zone change requires an additional public hearing to be conducted jointly by the Planning and Zoning Commission and the City Council. Due to the requirements we have for publishing notice of the joint public hearing in a local newspaper, the earliest this joint public hearing can be conducted may be September 2. The city staff will discuss with the City Attorney the possibility of conducting this joint public hearing at an earlier date if it is possible to do so.

I would be happy to answer any questions you may have concerning the status of this project.

Sincerely,

Ronald V. Crabtree

Ronald V. Crabtree (csl)
City Manager

cc: Matt Fuqua, Blazer Building
Gary Jackson, Asst City Manager
Nader Naderi, Director of Public Works

Teresa Morales

From: Bill Zastrow [desktop21@sbcglobal.net]
Sent: Sunday, July 20, 2008 8:50 AM
To: Teresa Morales
Cc: Bill Zastrow
Subject: Re: RE: PROVIDENCE TOWN SQUARE APARTMENTS

Ms. Morales:

In my e-mail dated July 11, 2008 I asked if your department had any accident reports that you reviewed for the immediate area of this planned development. At that time I requested such reports from the Deer Park Police Department. I received an e-mail from the Deer Park Police Department late Friday advising me that the records I requested would be ready Monday consisting of forty (40) pages. The request was for accidents within three blocks of Pasadena Blvd. and Center St. which would cover the entrances to the development. Since I can't pick up the reports until Monday, July 21, it would be difficult to review them by the 22nd with any comments that would be appropriate. I would add that 40 pages of documents on accidents within a three block area of the property would indicate an extreme number, even more than I would have imagined. I believe those records will more than reinforce my concerns that this is a most dangerous location for such a project.
I'm pasteing a copy of the e-mail as to what I requested from our police department:
How many accidents have occurred at the intersection of Pasadena Blvd. and Center St. during the past two years?
How many accidents have occurred on Center St. within three blocks of Center and Pasadena Blvd. during the past two years?
How many persons were injured in the above requests? How many went or were taken to an emergency room for treatment?
Do you have any traffic studies on the Pasadena Blvd. and Center St. intersection?, if so, I would like those reports.
One question they are unable to respond to at this time and that is whether there were any traffic studies on Pasadena Blvd. and Center St. intersection. They are at the moment pending response to that question and if there are any, they will advise me as soon as possible.

I'm told by the Mayor that concerns have been raised about the traffic conditions, perhaps due to my comments, and they are considering adding an additional traffic signal on Center Street @ the entrance to the project. They are also making the smaller exit on Pasadena Blvd. a right hand only turn due to the excessive traffic approaching Center St. and going through the intersection in both directions. Adding an additional light on Center St. in front of the project will only, in my opinion, add to additional traffic dangers. You can reference the Survey Worksheet Deer Park Police Department 2008 S.T.E.P. Grant to realize 71.21% were non-compliance during the surveys, I repeat, did not stay at or below the posted speed. Also, in reviewing records in Houston for the addition of red light cameras 60,000 drivers were issued tickets in limited test areas during the initial instillation. So additional traffic signals in the suggested location will not, in my opinion, make the situation any safer, it will cause more harm than good with road rage and red light runners directly in front of the main entrance and exit. Additionally, if the conditions were not as I have mentioned in my previous comments, they would not now be in consideration of doing this. The right hand only turn for the Pasadena Blvd. exit, in my opinion, will not work. This method is expected to put vehicles away from Center St., travel down Pasadena Blvd. to Luella, then turn left going down Luella, turn left again at P Street going toward Center St., and then turn left onto Center St. and continue up to the shopping center on Center St. located just a short distance from the Pasadena Blvd. and Center St. intersection. It's a long trip just to go across the street and down less that one block and I don't believe that the majority of the seniors will take that route when they can just try to get across the on coming traffic on Pasadena Blvd. and go across Center St. I just don't see that working as a favorable solution to the traffic problem.

In 1998 a developer wanted to rezone an area behind the shopping center in the 3400 block of Center St. it would border on McDermott and Pasadena Blvd. with the entrance on Pasadena Blvd. One of the concerns for this project was traffic and what effects it would have on the already overloaded Center St. & Pasadena Blvd. intersection. Since they knew traffic was a major problem they hired Roger Armstrong with Traffic Engineers, Inc. for a study. His study showed most of the traffic projected to travel away from Center Street. Commissioner Balusek's statement during the June 15, 1998 preliminary public hearing for this project: "I was coming down Center Street today at 11:56 a.m. and I thought I was in Branson, Missouri. Here we are adding another 216 units. What is this going to do to Center Street?" If you have been to Branson, Missouri then you know that his comment was about horrific traffic on Center St. Keep in mind that this was 1998, today the traffic count would be almost double to his experience on July 15, 1998! The first vote on this request for rezoning in 1998 was two against and two for the zoning request. This project was not for senior citizens and it was/is not on Center St. I remind you that no one has requested a traffic study for the Providence at Town Square! It is my opinion that the reason for not doing one is because the development would never ever be considered by reasonable people if a survey had been done. I could say the same about not doing a survey on traffic accidents for the immediate area of this proposed project.

I'm attaching a crude map of the intersection of Center St. and Pasadena Blvd. as well as the shopping center located across Center St., down about a half block from the development that is proposed. There is a small HEB grocery store on the corner with the development, but it is a small Pantry HEB. The Food Town grocery store in the Park Town shopping center is most likely three to four times the square footage as the HEB Pantry store. The Park Town shopping center also has a large Walgreen's that I managed for 15 years before retiring and numerous other stores for shopping convenience. Yes, I managed the Walgreen's on Center Street for 15 years, I would say that I know that area as well as anyone and better than most. The apartments that requested rezoning in 1998 is behind the shopping center.

The proposed location is excellent for retail sales due to the high volume of traffic, but it is a nightmare for apartments for the same reason. Make it seniors over 55 complex and its accidents in the making!

This property has been vacant for all the years I've lived here. Many attempts have been made to develop it, but nothing has taken shape until now. This is my thought: The investors have held this property too long and they want to dump it. They found someone willing to develop it and some how they have convinced the Deer Park City Council to approve it with deed restrictions of 55 and older only. Traffic studies were not done or requested for fear of having another deal go south and coming back to haunt them. The developers only concerns, in my opinion, is to sell the property and get rid of this stiff and put some bucks in their pocket.

Matt Fuqua's comment; (July 18)
Both CVS and Walgreens have agreed to make deliveries free of charge to the residents at our property.
My response to Matt's comment: (July 18)
CVS & Walgreens deliveries, do they mean prescriptions and over the counter items or just prescriptions? I retired from Walgreen's and I know we deliver pharmacy items, but not toothpaste, deodorant, make up etc.

I gather that you have not done traffic studies, vehicle counts etc., for Center ST. and Pasadena Blvd. at that intersection, is that correct? Have you done a traffic survey for this project?

I'm sure the same free of charge deliveries for your residents are similar for those that live at the Waterford on McDermott. I see those living at the Waterford coming across McDermott daily in wheelchairs, with walkers, motorized chairs, cane, etc. Do you have any surveys as to how many that live at your Katy property drive their own vehicle and what percent drive?

Please include this with my other e-mail noteing that I am not in favor of this development at that location. I tried to use common sense and my knowledge from working in that immediate area for 15 years. I would also ask that any letter, e-mail, or other communications from interested persons be accepted only if they live in Deer Park. Many that signed in favor of this project during the July public hearing meeting at Dabb's elementary do not live in Deer Park and or have a direct or indirect interest in the development.

Sincerely,
Bill Zastrow

PS: I'm attaching several more documents to go with this letter. The 2008 speed doc. that I have is a limited one. The city has records that go into great detail and more complete, I would ask that your department request those records as quickly as possible before any final decision is made. I will do my best to review the traffic accident reports, 40 pages, for this immediate area on Monday and send you my findings to be included in my response.

----- Original Message -----
From: Teresa Morales
To: 'Bill Zastrow'
Sent: Friday, July 18, 2008 8:11 AM
Subject: RE: RE: PROVIDENCE TOWN SQUARE APARTMENTS

No.

Thanks,

Teresa Morales
Multifamily Bond Administrator
Texas Department of Housing & Community Affairs
Phone: (512) 475-3344
Fax: (512) 475-0764

-----Original Message-----
From: Bill Zastrow [mailto:desktop21@sbcglobal.net]
Sent: Friday, July 18, 2008 6:32 AM
To: Teresa Morales
Subject: Re: RE: PROVIDENCE TOWN SQUARE APARTMENTS

Teresa,
I have a question that I think you can help me with. The communications that I and or others send to you in reference to our opinion and or questions on the Providence Town Square Apartments, do you forward some or all of them to the Deer Park city government or any others not directly connected with your department, including, but not limited to Grisham and Associates, DEER PARK CENTER STREET JOINT VENTURE, a Texas joint venture, and any others involved in the building or development of this project?
Thank you,
Bill Zastrow

----- Original Message -----
From: Teresa Morales
To: 'Bill Zastrow'
Sent: Tuesday, July 15, 2008 3:10 PM
Subject: RE: RE: PROVIDENCE TOWN SQUARE APARTMENTS

Their application to P&Z reflects 264 units because they plan on doing a Phase II of the development at a later date. Apparently this phase is for 12 market rate units and it has nothing to do with their current tax credit application. It is my understanding that for them to do a PUD they had to include this at this time. It is also my understanding that they have a separate special warranty deed for this tract of land which does include the restriction of no one under age 55. Feel free to contact the developer/development team for additional questions about this since it is not part of our review.

Thanks,

Teresa Morales
Multifamily Bond Administrator
Texas Department of Housing & Community Affairs
Phone: (512) 475-3344
Fax: (512) 475-0764

-----Original Message-----
From: Bill Zastrow [mailto:desktop21@sbcglobal.net]
Sent: Tuesday, July 15, 2008 12:33 PM
To: Teresa Morales
Subject: Fw: RE: PROVIDENCE TOWN SQUARE APARTMENTS

Ms. Morales,
The application that you have is for 252 units, the plans that have been given to the Deer Park P&Z for approval is for 264 units. Since this is a change from the original application, does the developer need to submit a new application?
Thank you,
Bill Zastrow
----- Original Message -----
From: paula smith
To: BILL Z
Sent: Thursday, July 10, 2008 3:01 PM
Subject: FW: RE: PROVIDENCE TOWN SQUARE APARTMENTS

Hello Bill,

Just to keep you in the loop. I could not remember the exact number on the application so I requested it from the state. They show the number as 252 yet the Developers requested on Monday with P&Z to increase to 264units.

Paula Smith

----- Original Message -----
From: Teresa Morales
To: p.smith@earthlink.net
Sent: 7/10/2008 2:58:30 PM
Subject: RE: PROVIDENCE TOWN SQUARE APARTMENTS

Ms. Smith,

The number of units is 252.

Thanks,

Teresa Morales
Multifamily Bond Administrator
Texas Department of Housing & Community Affairs
Phone: (512) 475-3344
Fax: (512) 475-0764

-----Original Message-----
From: paula smith [mailto:p.smith@earthlink.net]
Sent: Thursday, July 10, 2008 2:54 PM
To: teresa.morales@tdhca.state.tx.us
Subject: PROVIDENCE TOWN SQUARE APARTMENTS

Dear Ms. Morales,

I attended the meeting last night in Deer Park regarding Providence Town Square. The gentlemen who conducted this meeting while addressing the audience made a statement on how many units they have submitted on their application. Could you please advise this number to me? I might have misunderstood him I thought he said 251 yet someone else in the audience commented it was 253.

I look forward to your reply.

Warm Regards,

Paula Smith

SURVEY WORKSHEET
DEER PARK POLICE DEPARTMENT
2008 SPEED S.T.E.P. GRANT

PRE SURVEYS						
Date	Site Number and Location		# In Compliance	# Observed	Compliance %	Non Compliance %
2/20/2007	Srte#1	Kingsdale	31	123	25.20%	74.80%
2/16/2007	Site #2	Georgia	70	217	32.26%	67.74%
2/16/2007	Site #3	East P Street	58	241	24.07%	75.93%
2/16/2007	Site #4	San Augustine	66	227	29.07%	70.93%
2/16/2007	Site #5	East X Street	49	226	21.68%	78.32%
2/16/2007	Site #6	13th Street	46	216	21.30%	78.70%
2/16/2007	Site #7	State Highway 225	86	229	37.55%	62.45%
2/16/2007	Site #8	East Boulevard	30	232	12.93%	87.07%
2/16/2007	Site #9	Luella	92	223	41.26%	58.74%
2/20/2007	Site #10	Park Meadows	30	117	25.64%	74.36%
2/20/2007	Site #11	College Park	53	142	37.32%	62.68%
2/20/2007	Site #12	East Lambuth	55	120	45.83%	54.17%
Total =			666	2313	28.79%	71.21%

MID - YEAR SURVEYS							Compliance % Point Change
Date	Site Number and Location		# In Compliance	# Observed	Compliance %	Non Compliance %	
	Site #1	Kingsdale	0	0	0	0	0
	Site #2	Georgia	0	0	0	0	0
	Site #3	East P Street	0	0	0	0	0
	Site #4	San Augustine	0	0	0	0	0

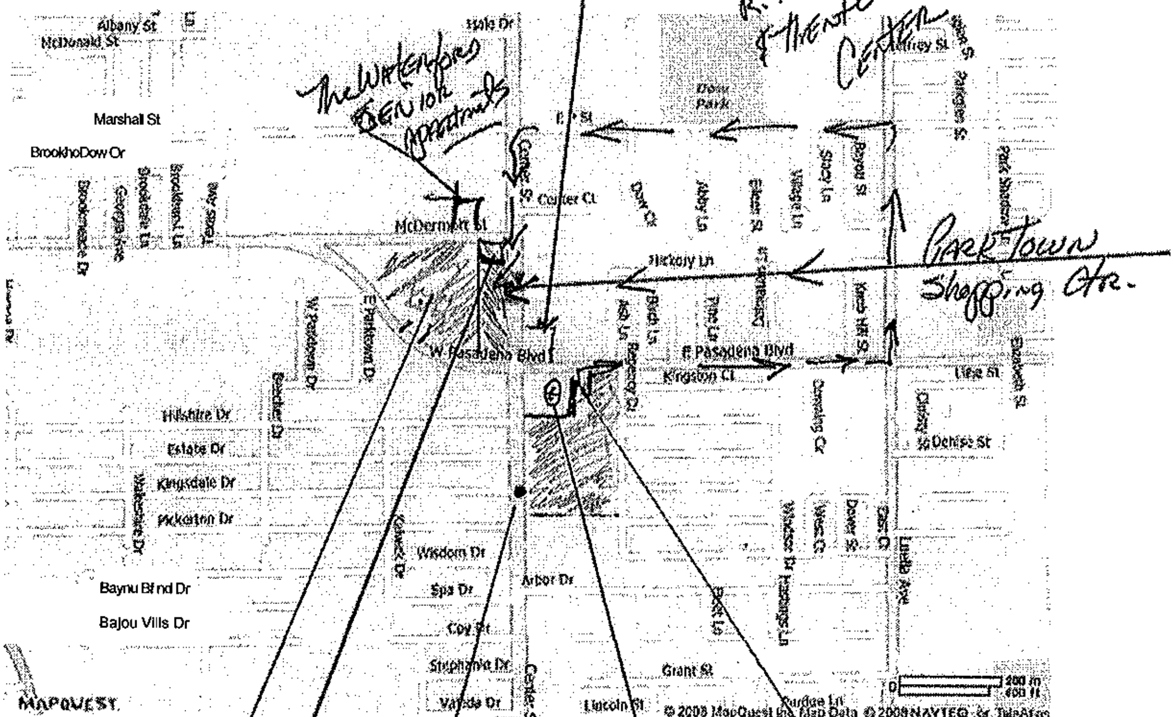
CVS

MAPQUEST.

Sorry! When printing directly from the browser your directions or map may not print correctly. For best results, try clicking the Printer-Friendly button.

Arrows Show R. turn Exit & then to Shopping Center

3406 Center St
Deer Park, TX 77536-5056



Exit R. turn Only

Proposed Additional traffic Light

Walgreens

HEB Pantry Store

1998 Apartment Development
main Enterance

Bill Zastrow

From: "Maria Sifuentes" <msifuentes@deerparktx.org>
To: "'Bill Zastrow'" <desktop21 @sbcglobal.net>
Sent: Friday, July 18, 2008 3:06 PM
Subject: RE: public records request

Mr. Zastrow,

In response to your request, there are forty pages now available to you. The total amount due is $ 4.00. You may come in to the Records Unit anytime Monday - Friday 8:00 a.m. - 5:00 p.m.

There is one question we are unable to respond to at this time and that is whether there were any traffic studies on Pasadena Blvd. and Center intersection. We are at the moment pending response to that question and if there are any, we will advise you as soon as possible.

Please feel free to contact me if you should have any questions. Have a great day.

Respectfully,

Maria Sifuentes
-Records Technician II Deer Park
Police Department 2911 Center
Street/ P.O. Box 700 Deer Park,
Texas 77536 (281) 930-2115 office
msifuentes@deerparktx.org

From: Bill Zastrow [mailto:desktop21@sbcglobal.net]
Sent: Thursday, July 10, 2008 9:16 AM **To:**
policerecords@deerparktx.org **Subject:** Fw: public
records request

I forgot my phone number, 281-479-1153
— Original Message —
From: Bill Zastrow
To: policerecords@deerparktx.org
Sent: Thursday, July 10, 2008 9:26 AM
Subject: public records request

How many accidents have occurred at the intersection of Pasadena Blvd. and Center St. during the past two years?
How many accidents have occurred on Center St. within three blocks of Center and Pasadena Blvd. during the past two years?
How many persons were injured in the above requests? How many went or were taken to an emergency room for treatment?
Do you have any traffic studies on the Pasadena Blvd. and Center St. intersection?, if so, I would like those reports.
Thank you,
Bill Zastrow

SANDRA WATK1NS.TRMC, CMC
CITY SECRETARY

CITY OF DEER PARK 710 E. San Augustine • P. O. Box 700 •
Birthplace of Texas
EST. 1892

July 15, 2008

Bill Zastrow 2314
Walnut Deer Park,
Texas 77536

RE: Public Information Request- Alexan Apartments & Providence at Town Square

Dear Mr. Zastrow:

We have completed your request for public information received June 12, 2008 and July 14, 2008. Enclosed is a copy of all the minutes pertaining to the Alexan Apartments and plans for the Providence at Town Square Apartments.

In accordance with the City's Public Information Policy, there is a charge of $10.40 for the attached information.

Should you have any questions pertaining to this information, please contact my office at 281.478.7248.

Sandra Watkins

'Sandra'Watkins, TRMC, CMC City
Secretary/Records Management Officer

Sincerely,

HOUSTON COMMUNITY NEWSPAPERS

deer park progress > opinion

The audacity of the Deer Park Center Street plan

Print Page

By BILL ZASTROW
Published: 07.31.08

And it came to pass that the Deer Park Center Street joint venture, a Texas joint venture, has finally convinced a developer to enter into an agreement to build an apartment project on the most dangerous, accident prone street in Deer Park.

To go with that distinction, the intersection of Center Street and Pasadena Boulevard, and that four block area is the most dangerous in the Center Street corridor.

No other street or intersection in Deer Park comes close to the number of recorded accidents over the past two years.

It also came to pass that this mysterious joint venture has some how convinced the city of Deer Park to place a deed restriction on the project forbidding anyone below the age of 55 to live at this project in hopes that this lame duck property can finally be sold and be removed from their inventory.

Don't be misled in the belief that the age restrictions to this development cannot be changed, in a note from a friend who is an attorney:

"It looks to me like there are two things involved here: the deed restrictions and the PUD. The deed restrictions are presumably placed in any deeds of houses or condos to individual buyers. Those deed restrictions are title reservations by the seller and could be enforced or reversed, but only by the seller."

On top of that, the city has or will approve a Planned Unit Development ("PUD") which will effectively place zoning restrictions on the property. Therefore, the property will be zoned so that only people over 55 can purchase or reside in the property.

However, the city could change the zoning restrictions just as easily as they enacted them in the first place.

The bottom line seems to be that in order for the restrictions to change, the seller would have to rescind the deed restrictions and the city would have to vote to change the zoning restrictions. I think it could happen if the parties all coordinated their efforts. As with everything, it will all be driven by money.

I have a similar e-mail from Mr. Fox, attorney for Deer Park: "On most rezoning once the property is rezoned, anything that is permissible under the new zoning regulations must be allowed.

In this case, because of the planned unit development, the developer must follow the planned development approved by the city or have the PUD amended with the cCity's approval."

I'm told that concerns have been raised about the traffic conditions, perhaps due to many complaints to the state and locally as to the location, and they are considering adding an additional traffic signal on Center Street at the entrance to the project. They are also making the smaller exit on Pasadena Boulevard a right-hand only turn due to the excessive traffic approaching Center Street and going through the intersection in both directions. Adding an additional light on Center Street in front of the project will only, in my opinion, add to additional traffic dangers. You can reference the Survey

Worksheet Deer Park Police Department 2008 S.T.E.P. Grant to realize 71.21 percent were non-compliance during the surveys, I repeat, 72 percent did not stay at or below the posted speed.

Also, in reviewing records in Houston for the addition of red light cameras to halt or slow down the number that drive through red lights, 60,000 drivers were issued tickets in limited test areas during the initial instillation. So additional traffic signals in the suggested location will not, in my opinion, make the situation any safer, it will cause more harm than good with road rage and red light runners directly in front of the main entrance and exit.

The right-hand only turn for the Pasadena Boulevard exit, in my opinion, will not work. This method is expected to put vehicles away from Center Street, travel down Pasadena Boulevard to Luella, then turn left going down Luella, turn left again at P Street going toward Center Street, and then turn left onto Center Street and continue up to the shopping center on Center Street located just a short distance from the Pasadena Boulevard and Center Street intersection. It's a long trip just to go across the street and down less that one block and I don't believe that the majority of the seniors will take that route when they can just try to get across the on coming traffic on Pasadena Boulevard and go across Center Street. I just don't see that working as a favorable solution to the traffic problem.

In 1998 a developer wanted to rezone an area behind the shopping center in the 3400 block of Center St., it would border on McDermott and Pasadena Boulevard with the entrance on Pasadena Boulevard. One of the concerns for this project was traffic and what effects it would have on the already overloaded Center Street and Pasadena Boulevard intersection.

Since they knew traffic was a major problem they hired Roger Armstrong with Traffic Engineers, Inc. for a study.

His study showed most of the traffic was projected to travel away from Center Street. Commissioner Balusek's statement during the June 15, 1998, preliminary public hearing for this project: "I was coming down Center Street today at 11:56 a.m. and I thought I was in Branson, Mo. Here we are adding another 216 units. What is this going to do to Center Street?" If you have been to Branson, Mo., then you know that his comment was about horrific traffic on Center Street.

Keep in mind that this was 1998; today the traffic count would be almost double his experience on July 15, 1998!

The first vote on this request for rezoning in 1998 was two against and two for the rezoning. This 1998 project was not for senior citizens and it is not located on Center Street. I remind you that no one has requested a traffic study for the Providence at Town Square! It is my opinion that the reason for not doing one is because the development would never ever be considered by reasonable people if a survey had been done. I could say the same about not doing a survey on traffic accidents for the immediate area of this proposed project.

The proposed location is excellent for retail sales due to the high volume of traffic, but it is a nightmare for apartments for the same reason. Making it a 55 and older complex just increases the possibility for additional safety risks and fatalities. Center Street is not suited for any apartment project!

It troubles me that those who are involved in the Deer Park Center Street joint venture, a Texas joint venture will not disclose their identity. Perhaps they have that right since it's a joint venture, but it is very troublesome not knowing who they are, who they are associated with, do they have indirect or direct connections to the city, to city council, to P&Z?

This property has been vacant for all the years I've lived here. Many attempts have been made to develop it, but nothing has taken shape until now. This is my thought: The investors have held this property too long and they want to dump it. They found someone willing to develop it and some how they have convinced the Deer Park City Council to approve it with deed restrictions of 55 and older only. The developers only concerns, in my opinion, is to sell the property and get rid of this stiff and put some money in their pocket.

I am not against the apartments, they look good and no doubt they will fill a need in Deer Park. I am against the location for reasons mentioned, backed by city records. I am concerned for the safety of those who may reside at the Providence, and I pray that the P&Z commission will also have their safety as a priority in making a decision.

The rezoning request for this proposed apartment development on Center St. should be denied! I also ask that the planning and zoning commission consider only the comments from persons living in Deer Park in reference to disapproval or approval to the rezoning request. Any comments from those who live in Pasadena, Houston, Katy, La Porte, and other areas outside of Deer Park should not have any bearing on voting to deny or approval the rezoning request. This is a decision for the Deer Park Planning and Zoning commission and the citizens of Deer Park, not outsiders and non resident speakers.

Bill Zastrow is a longtime Deer Park resident.

[x] Close Window

b. Chris Richardson, 9219 Katy Freeway, Houston, Texas, commented, "I am really here to answer any questions. I think we have fairly well presented the proposed project and have through everything. If there is anything you are unclear about on our proposal, we would welcome any input or if there are any ways that we can improve it further."

c. Bobby Grisham, 4650 Center Street, Deer Park, Texas, commented, "At the risk of repetition, and I will try not to repeat some of the things that you have already heard, I would like to cover a few salient points if I might. I want to reiterate that this project is a $15,000,000.00 to $17,000,000.00 project to the City of Deer Park. The senior citizens would have to be at least 55 years of age. It will be an age qualified, deed restricted development, which meets the special needs of our community, and the deed restriction for the senior development is for 75 years. That means it will remain a senior development for 75 years. The highest and best use for this 14 acre tract Is this senior citizens Planned Unit Development project. This development Is" similar to the Waterford, and will have within walking distance for its residents a grocery store, two banks, two pharmacies, future restaurants and strip centers. These amenities will certainly help with the traffic problems. Here is something new for you. I have contacted some of the surrounding property owners, Mr. and Mrs. Chris Yeager, they are the owners of the Self Defense of America, and Mr. Lynn King, the owner of the properties located at 401 and 405 Center Street. They have asked me to convey to this group that they want this project to go through. I would say that Mr. Chris Yeager is counting on teaching some type of self defense to the seniors. He is looking forward to that. I think I might join in on that. I think I might need a little of that. In conclusion, I would"Mke to say, that we are indeed fortunate, 1 think, to present to the City of Deer Park two developers who have developed many successful projects in Texas and other states. One such similar senior project is hi Katy, Texas where there is a nine month waiting list for future residents. Mr. Richardson, Mr. Fuqua, and Mr. Johnson have the credentials, and building history to make this Deer Park project a crown jewel of the City of Deer Park."

Councilwoman Stockstill-Cobb asked, "You said that there is a deed restriction that is for 75 years it must retain the status of senior housing. Who enforces that?"

Mr. Grisham answered, "It is in the deed. You can go to the local attorney and get it enforced."

d. Rick Tillery, 1406 Asbury Lane, Deer Park, Texas, commented, "I am a resident of Deer Park for 22 years. I am a member of the owners of the property that is looking to develop this project for Deer Park. Just on a personal note for me and my family, we were looking for a place such as this for my father-in-law for him to come and move to where he would be close to us. We didn't have anything available at the time where he could do that, so he is in Pasadena. Someday, I am hoping that we can get

Bill Zastrow

From: "Jim Fox" <Jim@doverfox.com>
To: <desktop21@sbcglobal.net>
Cc: '"Gary Jackson"' <gjackson@deerparktx.org>
Sent: Friday, July 18, 2008 2:22 PM
Subject: FW: zoning questions

On most rezoning once the property is rezoned, anything that is permissible under the new zoning regulations must be allowed. In this case, because of the planned unit development, the developer must follow the planned development approved by the City or have the PUD amended with the City's approval.

Jim G. Fox City
Attorney City of
Deer Park

Doc. 5 – Providence Fox. Deed Restriction

-----Original Message-----
From: Gary Jackson [mailto:gjackson@deerparktx.org]
Sent: Friday, July 18, 2008 1:26 PM To: Jim Fox;
'Nader Naderi* **Subject:** FW: zoning questions

Please assist me in answering Mr. Zastrow's question.

Gary M. Jackson
Assistant City Manager
City of Deer Park
281-478-7260(0)
281-831-2210(M)

From: Bill Zastrow [mailto:desktop21@sbcglobal.net] **Sent:**
Friday, July 18, 2008 1:19 PM To: Gary Jackson **Subject:**
zoning questions

Mr. Jackson,

if the property for the Providence gets approved for the rezoning to mutli family II or what ever will be needed for the project and the project somehow falls through with financing, construction problems etc., will another project be able to come in and build since it has been rezoned? In the past I've been told that once zoning is approved it is almost impossible to stop anything which would be covered by the zoning.

I appreciate you time, I'm not trying to be a trouble maker as some have referred to me lately. This project seems to be very complicated and one answer seems to open another question.

Bill Zastrow

From: "Gary Jackson" <gjackson@deerparktx.org>
To: '"Bill Zastrow[1]'" <desktop21 @sbcglobal.net>
Sent: Tuesday, July 15, 2008 9:13 AM
Subject: RE: Deed restrictions

Doc. Providence Gary Jackson Deed Rest

Mr. Zastrow,

City of Deer Park cannot change deed restrictions.

Gary M. Jackson Assistant
City Manager City of Deer
Park 281-478-7260(0) 281
-831 -2210(M)

From: Bill Zastrow [mailto:desktop21@sbcglobal.net]
Sent: Friday, July 11, 2008 8:22 PM To: Gary Jackson
Subject: Deed restrictions

Mr. Jackson:
I'm told that the deed restrictions for the Providence Town Square project can be amended if so desired. My question; since the City of Deer Park has inserted into the deed restrictions that no one under 55 can live at the project, is it correct that should the City of Deer Park wish to change this, it can be done. I'm told that they can. I'm not asking if they will or would, <u>I'm asking if they could.</u>
Thank you,
Bill Zastrow

Bill Zastrow

From: <wriddle@sbcglobal.net>
To: "Bill Zastrow" <desktop21@sbcglobal.net>
Sent: Friday, July 18, 2008 11:53 AM
Subject: Re: Deed restrictions

Bill, That answer is correct. The city cannot change deed restrictions. What is making this a complicated questions is what all is involved here. The property owner is the only one that has control on their deed restrictions. Not the city. My understanding is that they can put restrictions on it at the beginning and if the majority of the owners wanted to change it at some time they probably could do so. However, in this case the city is putting an age restriction in the PUD when this project is approved requiring the residents be over age 55. By doing this, the property owners could not change it if they wanted to because the creation of the PUD (Planned Unit Development) was approved by City Council with those restrictions.
Hope this clears up some of the confusion.
Thanks
Wayne

— Original Message —
From: BjlLZastrow
To: wriddle@sbcglobal.net
Sent: Thursday, July 17, 2008 9:11 PM
Subject: Fw: Deed restrictions

Wayne,
Just a follow up to one of my questions that we had talked about. In our meeting today, if I'm not mistaken, you said that the council could change the deed restrictions, not that they will, but they could if the majority chose to do so. You can see the reply that the city gave me. I have been sending my questions to the city, the state, and discussing with Bobby Grisham, so I'm trying my best to get answers to them and not just hear say and or rumors.
Gary has been helping answer the questions as best he can and I'm thankful for his efforts.
Bill
---- Original Message ------
From: Gary Jackson
To: 'Bill Zastrow'
Sent: Tuesday, July 15, 2008 9:13 AM «*
Subject: RE: Deed restrictions

Mr. Zastrow,

City of Deer Park cannot change deed restrictions.

Gary M. Jackson Assistant
City Manager City of Deer
Park 281-478-7260 (O)
281-831-2210 (M)

From: Bill Zastrow [mailto:desktop21@sbcglobal.net]
Sent: Friday, July 11, 2008 8:22 PM **To:** Gary Jackson
Subject: Deed restrictions

Mr. Jackson:
I'm told that the deed restrictions for the Providence Town Square project can be amended if so desired. My question; since the City of Deer Park has inserted into the deed restrictions that no one under 55 can live at the project, is it correct that should the City of Deer Park wish to change this, it can be done. I'm told that they can.
I'm not asking if they will or would, I'm asking if they could.
Thank you,
Bill Zastrow

Mr. Tillery will start by addressing some of the specific facts about the project. Mrs. Pam lain the adult living choices and age qualified alternatives. Mr. Ryan Taylor will present a bio offee qualifying experiences of the developers. Mr. Tillery you are on deck, and we will pass out sobie of these brochures."

b. Norton R. "Reese'VTillery, 2302 Kilkinney, Deer Park, commented, "I have lived were for seventeen years. Fam involved with this venture, and I would like to speak for it. I have a number of facjs'mat I would like to read into the record. The highest and best use for the 14-acre tractjequires a PUD rezoning for the purpose of commercial and residential mixing. The residential portion will be deed restricted for age 55 and over, which will last for 75 years. The intended independent adult senior laving facility for the 11-acre portion of the 14-acre tract will be within walking distance of <u>two</u> banks, two grocery stores, jwp_phannacies, Blockbuster, future restaurants, and strip centers. Area pharmacies have agreed to deliver to this facility if anyone would have a request to do so. Blazer Building, Incorporated has determined that the average age of the residents in their over fifty-five developments elsewhere is between seventy and seventy-two years old. A large detention pond at this facility will help control storm drainage and keep flooding in check. Similar to the Waterford, crime should not be a problem, because of the age of the people living there. Traffic should not be impacted, because most of the needs of the residents will be within^ walking distance. The completed project should add $15,000,000.00 to $17,000,000.00 to the tax rolls. The vehicle unit average is less than one car per unit. The entire community will have gates around it. The units closest to the residential area are single story. Thank you."

Lette

c. Pam Vick, 4650 Center Street, Deer Park, commented, "I would like to give you some information about the choices of adult living, particularly age-qualified adult living. There are actually four classifications of senior living. As the name implies, mis community will consists of active seniors. Adult active communities refers to leasing communities where you must be fifty-five years or older, and even sometimes sixty-two years or older to live. This design option is specifically for age-qualified adults who desire the maintenance free lifestyle. It offers an independent free lifestyle in addition to social and recreational activities with older adults. The tract in Deer Park, located on Center Street near Pasadena Boulevard, will be an active adult community. The residents will be within walking distance of grocery stores, banks, pharmacies, Blockbuster Video store, and future retail shopping. These businesses will meet most of the daily needs of the residents. Depending on the size of the community, over fifty-five communities offer a variety of amenities that appeal to active adults. This particular facility will be a three-story building with an amenity center that will have elevators totaling over 9,500 square foot There will be a concierge, a fitness center, hair salon, kitchen, dining room, community room, vending room, an outdoor cabana, an outdoor swimming pool, and there will be maintenance. Active adult communities are almost always welcomed, because of the maturity of the residents. The second option is when a senior desires a bit more care, and it is termed independent living for age sixty-two and older adults such as the Waterford. It is ideal for individuals who do not require personal or medical care, but choose not to live alone or at home. Most of these facilities are equipped with standard safety features to make it easier for residents to get around. They serve lunch and dinner daily, and have housekeeping, paid utilities, laundry facilities, transportation, and maintenance. Most of these facilities have a home health company on premise for those residents wishing to pay for the services. The third option is assisted living, which is utilized when the next level of care is needed.

Crabtree Reducing Required Acres

Mr. Crabtree answered, "The process, as you know, for a Planned Unit Development is a little more complicated than a regular rezoning, because we are dealing with total planning of this piece of property. The details of all of that needs to get worked out as we go through the approval process. The first step, after the public hearing which we are holding tonight, is if you were to be in support of this change in zoning to allow for the Planned Unit Development to be developed would be to approve an ordinance and approve a conceptual or preliminary site plan. That would then give the developers the authorization to go forward with the development of the final development plan, which is going to provide the details. It is going to get down to the distances on the site that the buildings are going to be located at, and where the setbacks are going to be, and where the parking should be, and where the landscaping is going to be around the end of the property. That final development plan, if it is generally consistent with the site plan that has been approved at the time you approved that plan, does not have to go back through a public hearing process. It has to go back through the Planning and Zoning Commission, and then to you for final approval. If it is substantially or significantly different from the site plan that was initially approved, In other words, if the developers in the final design process want to make some changes that would be significant, they would have to go back through the public hearing process which would again provide for the opportunity of the adjacent property owners to be informed of what is being changed, and how that might affect the development. The process could take another three months or so. To approve the site plan could be done at the next City Council meeting. The final development plan will depend upon how soon the developers choose to proceed with that development, and get it submitted for final review by the Planning and Zoning Commission and Council."

Mayor Riddle asked, "A question that Mrs. Smith brings up about the fourteen acres, and the twenty-five acres, how would that be handled?"

Mr. Crabtree answered, "There is a provision in the Planned Unit Development ordinance that sets the minimum area for a Planned Unit Development at twenty-five acres, but it jalso provides thatjfae^provisionof the minimum requirement can be waived upon review by the Planning and Zoning Commission and the City Council, it is my understanding upon reviewing the recornmendation from the Planning and Zoning Commission jnaT ^tfaeir consideration of that mlnlmunrrequirement was that, in tms case, that be waive and that thisPlanned Unit Development be permitted on this fourteen plus acre tract." Travis 77

Councilwoman Stockstill-Cobb asked, "A few moments ago someone spoke about the zoning being General Commercial at this time. One of the gentleman spoke on how many square foot of a general commercial retail establishment could be put on that tract. I am not good with sizes, but what are we talking about would be one hundred and fifty thousand?"

Mr. Crabtree answered, "I think his comment was that, generally, for the development of a General Commercial Retail Commercial Development they figure ten thousand square feet of built area for every acre. There is fourteen acres here, so about one-hundred and

WAYNE SMITH
HOUSE OF REPRESENTATIVES
DISTRICT 128

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AUSTIN, TEXAS 78768-2910
(512)463-0733
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BAYTOWN, TEXAS 77520
(832) 556-2002
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July 18, 2008

Multifamily Finance Production Division
PO Box 13941 Austin, TX 78711-3491

o
V

Re: Providence Town Square, Deer Park, Texas

Dear Teresa Morales,

Thank you for your recent letter regarding my opinion on Competitive Housing Tax Credit applications for Providence Town Square in Deer Park, Texas.

I support the Competitive Housing Tax Credits for the Providence Town Square, 3801 Center Street Deer Park, TX 77536, Project Number 08609 application.

Thank you for your time. Please do not hesitate to contact my office with any additional questions or concerns.

Sincerely,

W. Smith

Rep. Wayn/Smith

cc: Wayne Riddle, Mayor Ron
Crabtree, City Manager

August 10, 2008

Honorable Wayne Smith
House of Representatives, Dist. 128
909 Decker Drive
Baytown, TX 77520

Re: Providence at Town Square

Dear Mr. Smith:

In reference to your letter dated July 18, 2008, to the Multifamily Finance Production Division and your support for Competitive Housing Tax Credits for the Providence Town Square, 3801 Center Street, Deer Park, TX 77536, Project Number 08609 application, I have a few questions to ask you.

How did you arrive at the decision to support the request?
Have you reviewed the plans for the Providence at Town Square?
Have you reviewed traffic studies for the Providence at Town Square at the 3801 address?
Have you reviewed a copy of the Deer Park vehicle accident report for the city of Deer Park?
Have you reviewed the Survey Worksheet, Deer Park Police Department, S.T.E.P. Grant?
Do you realize that Center Street is the most dangerous, accident prone street in Deer Park?
Do you realize that the intersection of Center Street and Pasadena Boulevard and that four block area is the most dangerous in the Center Street corridor?
Do you know that no other street or intersection in Deer Park comes close to the number of recorded accidents over the past two years?

I would appreciate a reply to each of these questions ASAP. Assuming that you did not know all or most of the above questions, I wonder how you arrived in support of the tax credit application. Don't worry, you are not alone, it appears that the Planning and Zoning Commission and the Deer Park City Council are just as much in the dark on the facts as you probably are. None the less, I respectfully request your complete answers. Please no spin, just simple answers.

Sincerely,

Bill Zastrow
2314 Walnut Ct.
Deer Park, TX 77536
desktop21@sbcglobal.net

An open letter to the Deer Park City Council

RE: Providence at Town Square's rezoning request

I find it necessary to communicate now, in this form, since we only have five minutes to speak directly to you at council meetings. I would appreciate it if you would take the time to read all of my concerns and ask for a traffic study before allowing the rezoning to be voted on. I would also request that the council review the Aegis Public Safety System report that I refer to in reference to Center Street and Pasadena Blvd. as being the most dangerous intersection in Deer Park including the general four block area of the intersection. Please review a complete Survey Worksheet, Deer Park Police Department, Speed S.T.E.P. Grant showing the serious problem with non-compliance of the posted speed limits in Deer Park. Also, in regards to vehicles running red lights, you need to review the lack of controlling this issue, even with the addition of red light cameras, and how it might affect the safety of those that might live at the Providence if this project is given the green light.

Please include this, along with my other comments, in considering your vote in reference to the Deer Park's Providence Town Square, 3801 Center Street, Deer Park, TX. Needless to say my comments are in opposition to this project. I pray that all members of the City Council, including the Mayor, will evaluate all comments and the serious concerns that I and many citizens in Deer Park have for safety concerns at the proposed location. So many times citizens are highly criticized for not having the facts, but when we have the facts; it seems that they are insignificant to many.

Political favors should be a thing of the past, a part of history, not part of the future for Deer Park. The Deer Park City Council should vote for the good of all citizens, not developers, not joint ventures, not realtors, not in favor of those who may serve on re-election committees, not special interest groups, and should vote in accordance of the facts, and your moral obligations.

I would like to respond to Mrs. Beckie Stockstilll-Cobb's three (3) page e-mail that that she has sent to Ms. Morales with the State of Texas in support for the Providence apartments dated Thursday, July 17, 2008. I will try to copy and paste her comments and then respond to each of them with the real facts. I'm not singling out Councilwoman Cobb, but since she made her comments on record during a regular City Council meeting May 15, 2007 for NO MORE APARTMENTS IN DEER PARK, I must respond directly to her comments. In doing so, I might be responding to other council member's positions as well. Mrs. Cobb is not the only City Council member that has made the "no more apartments in Deer Park" statement either on or off record.

Minutes from the regular City Council meeting May 18, 2007, councilwoman Stockstill-Cobb commented, "congratulations to Chris and good job for the other two. Just to kind of reiterate what some of them were saying tonight. I jotted down some thoughts of my own about the various apartment endeavors that have come up recently. Even though they sound like a noble endeavor, we have always said, **no more apartments in Deer Park.** Most of us have distaste for apartments, and how they end up in a thirty year span of time. All of us really have that same feel for what can go on and, typically, does go on in apartments. That is our job to represent you guys."

Mrs. Stockskill-Cobb:

- **<u>Danger to the residents due to location:</u>** This project will be located at the southeast corner of the intersection of Center St. and Pasadena Blvd., our small city of approximately 30,000 busiest intersections. Some say this location will cause extraordinary danger to the residents of the project. The architect's rendering that City Council approved indicated that the developer has created only two connections to either street. The main entrance on Center St. is placed to coincide with a street directly west that currently has a "cut" in the median. The developer will pay for the left hand turn lane to be constructed on the southbound land and the City of Deer Park plans to install a traffic signal at that location. The second street connection will be onto Pasadena Blvd. directly to the east of and behind HEB. This exit will be approximately ¼ mile from the traffic signal at the intersection of Center and Pasadena Blvd. and has the exit from HEB and WaMu closer to the traffic signal than it will be. A traffic analysis <u>has been done</u> by the developer, not the City of Deer Park.

  Across Pasadena Blvd. from HEB, on the northeast corner, is a CVS Pharmacy. This pharmacy has been contacted by the developer and has heartily agreed to deliver prescriptions upon request.

<u>Bill Zastrow's reply/rebuttal:</u>

- Traffic analysis by the developer? I have requested and received minutes of <u>all</u> of the City Council meeting notes as well as all of the Planning and Zoning minutes and I see <u>no mention</u> of the traffic analysis being done, by the developer, in Deer Park, for Center Street during any of their presentation. The only analysis I see is in reference to a parking lot in Katy, TX. Where is this so called analysis for Deer Park? Why is it not in the Cities recorded minutes? I'll attach an e-mail from Mr. Gary Jackson, assistant City manger, in regard to any traffic studies that may have been done (doc 1)
  His comments in this e-mail:
  Mr. Zastrow,

  I'm not aware of any applicable traffic studies. Also, we are checking on the date for the extension of Center Street to Fairmont Parkway. I'll let you know when I have it.
  Gary M. Jackson
  Assistant City Manager
  City of Deer Park
  281-478-7260 (O)
  281-831-2210 (M)

- Mrs. Beckie Stockstill-Cobb talks about the safe location for this project. I have requested and received a copy of the Deer Park Police departments Aegis Public Safety System accident injury report by street location for the past two years. This report documents all vehicle accidents in Deer Park by street. After reviewing the cities document on vehicle accidents in Deer Park you will find that the following is **<u>factua</u>**l: Center Street is the most dangerous, accident prone street in Deer Park. To go with that distinction, the intersections of Center Street and Pasadena Boulevard, <u>and that four block area</u>, is the most dangerous in the Center Street corridor. The four block area would be the 2900 block of Center to the 4000 block of Center Street and would include up to the 400 blocks of East and West Pasadena Blvd.. Page 5 from the City Council meeting dated March 18, 2008. Mrs. Paula Smith is speaking about her daughters accident on Center Street, and Mr.

Richardson's comment at a public hearing that no traffic study has been done for this particular project, the city will need to conduct their own study, and implement the recommendations prior to any rezoning.

As Mr. Jackson has indicated, there have been no applicable traffic studies, this would include by the city and or the developer. If the developer did a traffic study it would be included in the minutes of the P@Z meetings and City Council minutes and he would certainly know since he attends all meetings or has checked city records prior to responding to my question.

- Mrs. Beckie Stockstill-Cobb's comment that CVS has been contacted by the developer and has heartily agreed to deliver prescriptions upon request. I talked to the management of CVS and they know nothing about this. They would of course try to accommodate but with a very limited number of employees, even this would be difficult most of the time.
- The representatives for the Providence and the builder have both continued to claim that CVS and Walgreen's have been contacted and they will deliver prescriptions to the Providence. Mr. Jim Ward, Walgreen's V.P. Houston Market has no knowledge of any agreement for deliveries. It's clear that Mr. Ward has not been contacted or been informed about Walgreen's agreeing to any deliveries; his comments also reflect that the store has not been contacted as well. I retired from Walgreen's, so I know to make such a commitment to do so would need a higher position such as his for approval. Like CVS, I'm sure they will try to do what they can, when they can, but this is not what those involved with the Providence are saying; at best they are saying half truths if not out right fabrication of the real facts.

CVS: However, no CVS/pharmacy store delivers merchandise

Walgreen's: Hello Z
We might can co-ordinate some of this..probably not OTC..Generally however we do this to assisted living centers, retirement centers etc..but I will forward this to Allera Porter the Pharmacy Supervisor who has Deer Park and will get with the RxM at this location and see what services we can offer.

Mrs. Beckie Stockstill-Cobb:

- **Deed restricted to residents aged 55 and above for 75 years**. The concern has been raised that these restrictions can be lifted. As I understood at the Public Meeting held at Dabb's Elementary in Deer Park, it will take a consensus of the Mayor and City Council if the property owner requests. I take comfort in the fact that our children's grandchildren will not be saddled with a decaying senior apartment complex in the year 2050. we "Baby Boomers" will more than likely be gone and better use of that property may arise.

Bill Zastrow's rebuttal: this project has been pitched to the citizen's since day one as deed restricted for 75 years. I'm attaching Mr. Bobby Grisham's comment (doc. 4) from the March 18, 2008 regular City Council meeting minutes where he is making that statement. Mr. Grisham is one of the trustees in the Deer Park Center Street Joint Venture and, in my opinion, has a major stake in getting this project completed. Many citizen's that appear to be in favor of the rezoning request also believe what they are being told by the Mayor, Mr. Grisham and many others, that it will be deed restricted for 75 years and nothing can change that. One of my arguments is that it can be changed at any time. I'm attaching an email (doc. 5) from Mr. Fox, Deer Park City Attorney in reference to the ability to change the deed restrictions. I wish that Mrs. Stockstill-Cobb would make this announcement publicly as well as the Mayor, Mr. Grisham, the secret Deer Park Center Street Joint Venture, and the builder because they are saying the opposite. I'm also attaching an e-mail from Gary Jackson, (doc. 6) Deer Park assistant city Manager, saying it cannot be changed. Another attachment is from the Mayor, Mr. Riddle, saying the deed restrictions cannot be changed, (doc. 7). Mr. Norton Reese Tillery, (doc. 8) speaking before the planning and zoning commission on Jan. 21, 2008 for rezoning; he talks about the project being deed restricted for 75 years. He also mentions the area pharmacies having agreed to deliver to the facility which is not true facts presented to the P@Z commission. The planning and zoning commission has been miss lead from day one and they refused to listen to me in my verbal comments on August 4th or take any of my letters to the editor seriously. I'm not sure if they have been miss lead or perhaps they are trying to fast tracking this before anyone wakes up and realize we have been deceived. One of the commissioners has voted on some motions and has also abstained due to conflicts at other time(s). This entire project smells and as you read and investigate you will arrive at the same conclusion. This project needs to be tabled, at the very least, until the entire truth comes out and the citizens are given that truth.

Mrs. Beckie Stockstill-Cobb: **access to EMS and the safety of our emergency personnel**. The City of Deer Park Volunteer Fire Department is renowned in the State of Texas. Our Fire Station #2 is located approximately 1 mile east on Pasadena Blvd. on the proposed development. Our EMS response time is phenomenal. In additions, the Mayor and City Council are in year two of a 5 year plan of implementing paid full time EMS providers on all shifts. Of all intersections in which to locate in Deer Park, this is the most convenient to fire and EMS services of all. One facet of this development that some are overlooking is that with over 55 residents, the calls to 911 will primarily be concerning health or fire. With residents of age 55 and less, or general populations, 911 calls will include more incidences of theft, burglary, gang activity and domestic violence. Bottom line to my estimation is less impact on our city than general "low income housing "might otherwise entail.

Bill Zastrow's rebuttal: The City of Deer Park has an outstanding EMS department. I should know, I have had two heart attacks over the past few years and my wife suffered a stroke in May. We have our 14 year old granddaughter that we are raising and she too has experienced the professionalism of our outstanding EMS men and women as well as our outstanding police department. Our neighboring communities, Pasadena and La Porte, also have an outstanding EMS service and police department.

Having said that let me say that Mrs. Beckie Stockstill-Cobb has an excellent point, only it's not in favor of the proposed Providence location! We have three fire stations in Deer Park. Fire; station # 1 locate at 1302 Center Street, Fire Station #2 located at 711 East Pasadena Blvd., and fire station #3, our newest fire station, located at 2211 East X street and East Blvd.. Talking with Jennifer at the fire station, calls are not handled out of any particular station. The calls could come from station #1, #2, or #3; it all depends on what station is on call. Although the Pasadena Blvd. station is the most convenient to the Providence location that does not mean all calls will be dispatched from that location. If the call for EMS goes to station #1, they would take the shortest route to 3801 Center Street and travel up Center Street. As you know after reading the accident reports from the Deer Park Police Department, Center Street has the highest number of traffic accidents, especially when you get near the Pasadena Blvd. and Center Street intersection. EMS will be more prone to being delayed when accidents occur on Center Street than they would say Underwood Road. Also, fire equipment would have the possibility of encountering the same. Remember, the Providence has one entrance, that being on the famous accident prone Center Street. All fire station calls, EMS or fire, could be delayed due to accidents or the heavy traffic in the Center Street and Pasadena Blvd. area. Fire trucks would encounter even more problems at the 3801 Center Street for the Providence due to their size. When you add our ladder truck to that equation, then you really have the possibility of a serious problem.

Mrs. Beckie Stockstill-Cobb mentions an Underwood address for the Providence as some have mentioned. So let's look at that location for a minute. With the Underwood consideration, Mrs. Cobb has talked about how far it would be from any fire station. I guess she forgot that the City of La Porte has a fire station located at the intersection of Spencer Hwy. and Underwood, which is only a block or two outside of the Deer Park city limits. With the Underwood location all stations would be able to respond to any EMS or fire situation, they would not be hampered by accidents on Center Street or traffic, even during peak hours. Also, with an Underwood location such a project <u>would not</u> need to be squeezed down from the <u>recommended 25 acre</u> minimum to only 14 acres for this PUD. The city made special accommodations to down size the needed space for the Center Street location. Having the normal property size, the streets in the project would have more space for fire trucks, including our ladder truck. I understand that this is a serious problem with the fire department at the Center Street location due to the reduction of acres. In my opinion, the City took a serious risk in allowing this to be built on 40% less acres than normally would be required. I'll attach page 10 of the joint public hearting on the rezoning request dated March 4, 2008, (doc. 9). Those in favor of this being built on Center Street say there isn't a traffic problem, no accident problems, anyone can safely drive Center St. and now you know about another serious issue of not allowing the recommended acres for this development. This entire project is at risk of being a total disaster. Someone needs to get everything investigated. If the City Council approves the rezoning request on August 21, 2008 the only other way to stop the train wreck would be to deny the funding. If that becomes necessary, I pray that will happen. I just now found out about the special arrangement to waive the recommended acres and I cannot believe what I'm reading. I'm even more convinced now that this project is all about money and not the safely of those who may live there. God help those who might live there if this is financed and rezoned!

<u>**The document didn't copy real well, so I'll retype it for clarity. (doc. 9)**</u>
<u>Mr. Riddle asked, "A question that Mrs. Smith brings up about the fourteen acres, and the twenty-five acres, how would that be handled?"</u>

<u>Mr. Crabtree answered, "there is a provision in the Planned Unit Development ordinance that sets the minimum area for a Planned Unit Development at twenty-five acres, but it also provides that the provision of the minimum requirement can be waived upon review by the Planning and Zoning Commission and the City Council. It is my understanding upon reviewing the recommendation from the Planning and Zoning Commission that their consideration of that minimum requirement was that, in this case, that be waived., and that this Planned Unit Development be permitted on this fourteen plus acre tract."</u>

Mr. Crabtree has responded to my question on allowing the 14 acres. It appears that a vote was not taken since it wasn't legally needed, no discussion was allowed to take place, and citizens were not properly informed that the normal recommended acres is 25. This issue was silenced, in my opinion, for fear of an out cry from concerned citizens. I believe Mrs. Paula Smith mentioned this during one meeting and it was not discussed in any detail. Is it good to keep such issues in the background, my how we quietly move on. Mr. Crabtree's reply is below.

Good Morning Bill – When the development proposal for the Providence Town Square project was first discussed with the city staff, the developers were informed that the minimum size for a mixed use planned unit development was 25 acres. They also were told that the zoning ordinance allows the Planning and Zoning Commission to recommend approval of a planned unit development that is less than 25 acres and they could submit their proposed development for consideration by the Commission. The application for the change in zoning was submitted and the Planning and Zoning Commission conducted a public hearing on the request. In the background information provided to the Commission for the public hearing on this request, they were informed of the minimum acre requirements and that they could recommend approval of a planned unit development of a smaller size. There is no requirement in the zoning ordinance that the Planning and Zoning Commission vote on the size of the proposed planned unit development. It is discretionary with the Commission whether they recommend approval of a site less than 25 acres for a mixed use planned unit development. In this case, that is what the Commission has done. I hope this explanation is helpful.

I still have questions on this: it appears to me that the City has used this to skirt around the issue, and it was used to avoid the primary purpose.
E. A district containing only residential uses will not be created unless it contains at least ten acres. A district containing both residential and nonresidential uses will not be created unless it contains at least 25 acres of land. The commission may recommend approval of and the council may approve a district with less land than specified in this section, if the developer clearly demonstrates that a smaller district would achieve the intent of the district.

Intent:

A planned unit development district may not be used for the primary purpose of avoiding the zoning regulations applicable to the primary zoning districts. Procedures are established herein to insure against misuse of increased flexibility.

Mrs. Beckie Stockstill-Cobb: **the City has current Senior housing available.** The Waterford, as a senior housing facility, is a different level of housing than the Providence Town Square will provide. The Waterford includes meals, has medical assistance on staff and is basically a step prior to assisted living nursing home care. The Waterford's size begins at 384 sq. ft. up to 938 sq. ft. with pricing from $1,695.00 to $2,950.00 monthly. Providence Town Square is simply apartments for people over 55 that would like to live in an apartment rather than deal with yard work, a larger than needed home and to have access to a pool that is not inundated with teenagers. Those of us that are "baby boomers" remember the "adults only" apartment complexes and this proposed complex will allow people over 55 to enjoy their apartment home with similar aged people.

Bill Zastrow's rebuttal: the Primrose of Pasadena is located just 2 miles from the Providence's location on Center Street and has 248 units that were built in 2005. The Primrose is less than 1 mile from Deer Park's city limits. When I dropped by and talked to the manager at the Primrose one of the problems they had was finding people whose income qualified them. It took the Primrose about 14 months to be fully leased since many couldn't qualify! Those that are on the waiting list should go to the Primrose, they have units available now. Construction has not begun on the Providence and funding has not been approved by the State, so it will be more than a year before any move could happen. The Primrose had a long waiting list as well, but qualifying prevented most from moving in. The few market rate units at the Providence should not have a problem being leased out quickly, but I understand they only have twelve of those units.

If there is such a big need for this type of housing in Deer Park that would be another reason to consider moving the Providence to Underwood or East Blvd.. There they could have the full 25 acres that the PUD normally calls for and with 40% more room they could add close to another 200 units. Plus it wouldn't have the traffic problems and safety issues that our famous Center Street and Pasadena Blvd. have. Shopping would not be a problem since Matt Lucas told me that they would have transportation available for the seniors, just like the Primrose. The Underwood area would be within two (2) miles of the current plans so any stores that could delivery to the Center Street location would still be able to deliver to the Underwood location, two miles is just not that far. I'm sure there are other locations as well that would work just fine. So there is no real reason to trade off safety and size for this location, move it to Underwood or even East Blvd. and you will have more room, more units, safer, with all the similar amenities and room for national restaurants. Do I foresee such a move taking place, NO! Why, because the entire project, in my opinion, has been planned so this lame duck property can be sold and the investors can turn a quick profit and remove it from their inventory. As in retail, dead inventory is a killer; a business simply cannot continue to carry unproductive inventory or property. If the real concern is safety and the number of units available for the so called huge demand, then move it to Underwood Road or East Blvd. and increase the safety and number of units. \

Mrs. Beckie Stockstill-Cobb: they should locate on Underwood Road. The City of Deer Park is a zoned community and Underwood Road is our easternmost boundary. It is zoned primarily commercial or light industrial. The closest fire/EMS is approximately 3 miles and no residential areas are on Underwood or near it in our city limits. This is not an appropriate location for appropriate location for apartments, especially seniors.

I realize your department will hear more from those in opposition to **economic development** than from those that approve new endeavors. I hope you have an ear for those of us that express the opinion of the silent majority.

Bill Zastrow's rebuttal: I underline economic development in Mrs. Cobb's closing remark because it is very important. She is correct in saying you should hear more from those in opposition to economic development because the majority of citizens in Deer Park do not think people like Mrs. Cobb, Mr. Grisham, Ms. Vick, Mr. Reese, Mr. Taylor, Mr. Donnell, the Planning and Zoning Commission, and some the Deer Park City Council members are leading us in the right direction. Let me point to our past city elections, the election results for 4B May 10, 2008, those against 4B 1240 compared to those for 981. Voters rejected the economic development in the May 10, 2008 elections. City printed document explains that the 4B proposition is for economic development, the voters said NO! So when Mrs. Beckie Stockstill-Cobb said we are against their so called economic development, she is right, this includes the Providence at Town Square. Make it the 25 acres on Underwood Road or East Blvd. and maybe it would get the overall all support of the citizens that it should have, before being approved. Leave it where it is and I'm positive it would go down in flames if put to a public vote, just like the voters did with the May 10, 2008 economic development proposal.

The Providence location on Center Street is currently zoned as commercial, the same as the Underwood location that she seems to be against. Like the Providence, the zoning could be changed just as they want to do for the Center Street location. The Underwood Road and East Blvd. area is some of the last areas that Deer Park has before being built out, so both areas would be almost totally new construction. If not done soon, there will not be 25 acres lots available for this or any other PUD.

How time changes opinions, or should I say how political favors are called upon. Councilwoman Mrs. Beckie Stockstill-Cobbs comments on NO MORE apartments in Deer Park. Minutes from the regular City Council meeting May 18, 2007, councilwoman Stockstill-Cobb commented, "congratulations to Chris and good job for the other two. Just to kind of reiterate what some of them were saying tonight. I jotted down some thoughts of my own about the various apartment endeavors that have come up recently. Even though they sound like a noble endeavor, we have always said, **no more apartments in Deer Park.** Most of us have distaste for apartments, and how they end up in a thirty year span of time. All of us really have that same feel for what can go on and, typically, does go on in apartments. That is our job to represent you guys." So May 18, 2007 no more apartments, that is our job to represent you guys? Perhaps I'm missing something here, because that is not her thoughts today! What changed? Does she have some direct or indirect connection to this project? Remember, we don't know who all is involved with the Deer Park Center Street Joint Venture and why wouldn't Mr. Grisham tell me when I asked? Something smells and you don't need to get up close and personal to smell it. Her distaste for apartments seems to have changed considerably, is this political favors or possible motivated by indirect or direct involvement? Is this what is really happening now? That is hard to define until the hidden members of this Deer Park Center Street Joint Venture are exposed for all to see.

I have mailed a letter to the Honorable Wayne Smith, House of Representatives, District 128 in reference to his support for the Competitive Housing Tax Credit for the Providence Town Square, project Number 08609 application. Mrs. Beckie Stockstill-Cobb's email was copied to Mr. Smith on July 17 and his letter is dated July 18, 2008. I wonder if we have seen all of Mrs. Cobb's communications to Mr. Smith.

In my letter to the Honorable Mr. Smith, House of Representatives, District 128, I asked him how he arrived at his support. It is my opinion that his support for the tax credits is a political favor to support this project, nothing more, and the Honorable Mr. Smith has not done his homework in arriving at his conclusion. This is similar to the actions of the Deer Park's Planning and Zoning Commission and most likely the final vote for rezoning by the Deer Park City Council.

Some have called me a troublemaker since I'm asking questions they do not want to hear. I'm not a troublemaker, but my questions are truly trouble some for many. Why do they refuse to answer who is involved in the joint venture? What are the links? You don't need an MIT degree to figure this one out. Even a high school grad can arrive at the only reasonable conclusion on the Providence after reviewing the facts, VOTE NO for this re-zoning request!

Political favors should be a thing of the past, a part of history, not part of the future for Deer Park. I consider myself friends with most of the Deer Park City Council as well as one or more of the Planning and Zoning Commission. I'm not a rich person monetarily, but I am rich in integrity! **I will not trade my integrity and my position on this unsafe project for any friend. I value my integrity too much to do so.**

Thank you,
Bill Zastrow

Teresa Morales Map of fire Stations

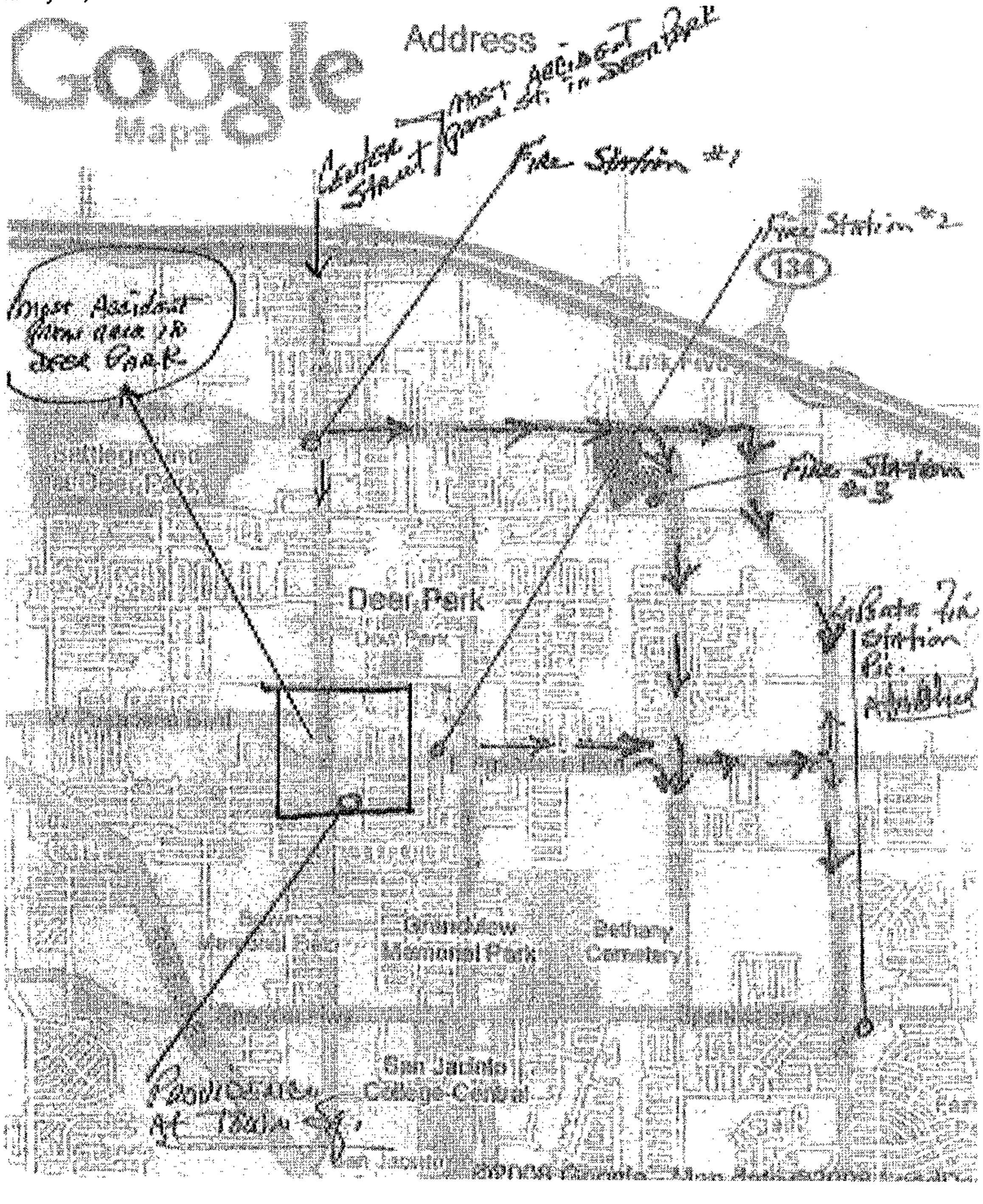
From: Bill Zastrow [desktop21@sbcglobal.net]

Sent: Saturday, August 23, 2008 8:49 PM

To: Teresa Morales

Subject: Re: Joint meeting Aug. 21, Providence re-zoning request

I'll try to attach it again. Do you have a fax number that I can call Monday morning before the cut off to fax you the accident report? I tried the number on the e-mails but it tells me that it is for local calls only and I'm in Deer Park.
Thank you,



Bill

Sunday, August 10, 2008

Letter to the Editor

The Providence at Town Square and the Pinto

In the late 60's the Pinto was born. During design and production, however, crash tests revealed a serious defect in the gas tank. But a common statement to those that worried about the defect was "Safety doesn't sell, the priority is styling, not safety." You know the rest of the story.

Today we have the Providence at Town Square. The promoters boast about convenience, affordability, amenities, and a senior's only project protected by deed restrictions. Remember the Pinto, safety doesn't sell, the priority is styling, not safety. History seems to repeat itself, perhaps in different ways, different products, different surroundings, but it does in fact repeat itself, that you can be sure of.

But what about safety issues and the Providence at Town Square that include documented accident reports from the Deer Park Police department showing that area as having the most accidents in the city of Deer Park over the last two years, the lack of traffic studies when, in 1998, it was a serious issue for the apartment complex just a few blocks away on Pasadena Blvd., and the documented problem in Deer Park with ignorance to posted speed limits? Do we have another Pinto problem in the making? How life is valued..or Not valued over the making of money! Safety for anything requires time to educate users, participants, and citizens; why the rush and the refusal to take the needed time to review the safety issues that have been exposed?

Monday night, August 4th, many citizens spoke out about their concerns on the location for the Providence at Town Square at the planning and zoning public hearing for this project. For the most part, they were not against the apartments; they were concerned as to the location not being safe for such a project. My comments to the commission;

All around town we see signs about the youth explosion. What we need tonight is a TRUTH EXPLOSION! Part of your responsibility is covered under local government code. Some of the powers granted under this subchapter are for the purpose of promoting the public health, safety, and general welfare of our citizens!!

Let's go back in time

It's now 1998 and re-zoning has been requested for the area behind Park Town shopping center for an apartment complex. One of the concerns for this project was traffic and what effects it would have on the already overloaded Center St. & Pasadena Blvd. intersection. Since traffic was a major problem they hired Traffic Engineers, Inc. for a study. NOTE: that 1998 study was completed and the apartments were built with safety in mind.

Now leap forward

I asked Mr. Gary Jackson if a traffic study had been done for the Providence at Town Square. His reply dated July 17: I'm not aware of any applicable traffic studies. The Deer Park Police department also has no record of a recent traffic study. Since traffic was considered a problem in 1998, as it is today, where is the traffic study for the Providence? NOTE: why are those behind the Providence not demanding a traffic study?

Plans call for the Providence to be built on and near the most dangerous, accident prone street and intersection in Deer Park. No other street or intersection area in Deer Park comes close to the number of documented accidents over the past two years. Hard to believe; yet it's backed by city records.

Another safety issue: Survey Worksheet, Deer Park Police Department, S.T.E.P. Grant. It shows 71% of all vehicles, during the tests, were traveling above the posted speed limits, some by as much as 20 miles per hour. That would put some vehicles traveling 60 MPH in front of the entrance to the Providence. Remember, this is a senior only complex, as we get older many suffer from impaired vision, heart attacks, strokes, limited movement, and slower reactions. Even good drivers could be in danger with excessive speed by others. I'm sure we all remember the fatality recently on Georgia due to excessive speed.

I am not against the apartments, they look good and no doubt they will fill a need in Deer Park. I'm concerned for the safety of those who may reside at the Providence, and I pray that this commission will also have their safety as a priority in making this decision.
In reference to the changes on the final development plan; my opinion would be not to accept them. Too many changes have been made to the conceptual plan. To name a few:

- The height on some of the buildings are 42% above the maximum allowed under our ordinance.
- Sidewalks are only three-feet in width, 25% less than the city standard. Wheelchairs can be up to 32" in overall width, my wife's walker is 27"; another

person with a walker, crutches, wheelchair or even a cane could not pass each other on such narrow sidewalks.

I ask you to review my letter to the Deer Park Progress, I had copies available. I also ask that you review current traffic studies, current accident reports, and detailed Survey Worksheet, Deer Park Police Department, S.T.E.P. Grants, ***before*** moving forward. Then, and only after a thorough review of these studies, reports, and surveys, should this commission consider;

- The location is not safe for the requested apartment complex - <u>or</u>
- Accept only the conceptual plan – <u>or</u>
- Allow anything that the Deer Park Center Street joint venture or the builder requests because, quoting my attorney friend, it will all be driven by money.

This is a decision for the Deer Park Planning and Zoning commission and the citizens of Deer Park, not outsiders and non resident speakers. Will your decision be on safety and the general welfare of our citizens <u>or</u> will it be driven by political favors?
The truth is **<u>not</u>** what you expect; it's what you **inspect**, thank you for your time.

Did the commissioners elect to review these studies, reports, and surveys before moving forward? NO! Just the truth; just words, falling on deaf ears, closed minds, and a total lack of interest in the documented facts. What we needed Monday night was a truth explosion, what we got was a big fizzle! It all looked and felt choreographed; I wonder who the choreographer was. It reminded me of my military days when our training instructor told us what to do, when to do it, and how to do it.

Another amenity being promoted is the 55 and older restriction that is protected by the deed restriction. Buy into that and I have some snake oil to sell you. One city council member that I've talked to believes, like I do, that this too will be short lived. In fact, they foresee the units turning into individual purchases similar to town homes in the very near future.

The project is not covered by one deed restriction, there are two deed restrictions covering two phases. It's been rumored that some of the units will be sold to individuals. The common language when I ask some officials about this, at this point they are all for lease. So at what point will some of the units not be for lease? At what point will some or all of the units be for sale? At what point will the deed restrictions be changed? Is this why the Providence has two phases? Phase two has twelve one story units with garages. Will phase two be the test for individual sales? Why are these twelve units financed differently than the rest of the project? Remember phase two has a separate deed restriction and yes it can be changed according to the interpretation from two attorneys, one being the city attorney, On most rezoning once the property is rezoned, anything that is permissible under the new zoning regulations must be allowed. In this case, because of the planned unit development, the developer must follow the planned development approved by the City or have the PUD amended with the City's approval. Yes, you read it correctly, or have the PUD amended with the City's approval. Remember, it depends on what the meaning of the word 'is' is? Murphy has moved into the Providence, anything that can go wrong, or in this case, what ever can be changed, will be changed!

Another attorney's opinion; The bottom line seems to be that in order for the restrictions to change, the seller would have to rescind the deed restrictions and the city would have to vote to change the zoning restrictions. I think it could happen if the parties all coordinated their efforts.

Is this the rest of the story? No, only the members of the Deer Park Center Street Joint Venture, the developer, and history can give us the rest of the story. But sadly, that won't come until the project has been approved and built, just like the Pinto.

"There's a sucker born every minute" is a famous saying, sad, but true. I call on Mr. Bobby Grisham with Grisham and Associates on Center Street to come forward and tell the city of Deer Park who the members of this group are! Concerned citizens, call the city council members, the City Manager, and the Mayor and demand to know. Together we can get to the truth. Demand that the Mayor and city council puts a hold on this project until the true facts are known, until a traffic study is done, until all surveys and accident records are reviewed and exposed. Don't let them rubber stamp this development.

It will now go before the city council in a joint public hearing on August 21st, 2008. Will the city council demand a review of these studies, reports, and surveys before considering advancing; in my opinion, not unless the citizens demand it. We'll soon see if P.T. Barnum was correct. It's time to blow the whistle on those who are rushing this project to completion. It's time to ask for traffic studies, review the reports and surveys, they contain the facts. Time is running out, I ask the Mayor and city council members, do your job, look into the safety issues and protect the citizens who might soon live at the Providence, look into the concerns of the many citizens that spoke to the P@Z Monday night, don't rubber stamp this.

Instead of remember the Alamo, REMEMBER THE PINTO, IT TOO WAS RUSHED TO PRODUCTION AND SALES! WE ALL KNOW THE REST OF THAT STORY!

Bill Zastrow
2314 Walnut Ct.
Deer Park
281-479-1153

Teresa Morales

From: Bill Zastrow [desktop21@sbcglobal.net]
Sent: Saturday, August 23, 2008 10:23 PM
To: Teresa Morales
Subject: Re: Providence

Thank you Teresa. During the Thursday night joint meeting with the P@Z and the City Council, several issues were mentioned that might be sent to you in rebuttal to what some of us have said. I haven't been able to verify what I think I heard since the minutes have not been posted and won't for several more days, so I might not have heard the comments exactly as told, but let me continue in case I'm accurate.
The Mayor asked the City Manger if any of the S.T.E.P. surveys on the issue of excessive speeding were conducted on Center Street. The recap that I sent to you, Center Street was not one of the streets, so I assume they will use this saying no survey has been done on Center Street so you should ignore any reference to the S.T.E.P surveys. Twelve streets in Deer Park were a part of the survey, all had excessive non compliance. It would be un-thinkable to say the problem is not city wide. I drive Center Street every day, I managed the Walgreen's store for 15 years in the 3400 block of Center Street. I've lived here for over 30 years and Center Street is no better than those that were a part of the survey. To say it is not a problem would be to assume that all stores have a theft problem except the ones on Center Street.

Another issue that came up, this is the one I'm not quit sure as to how it was asked, but I believe the Mayor asked the city manager if most of the accidents in the area were on Pasadena Blvd. and not Center Street, which I believe the city manager replied that yes, most accidents were on Pasadena Blvd. not Center Street. If I get your fax number that I can use from Deer Park, I will fax the accident report so you can see that the record shows that the four block area of Center Street had 106 accidents and the Pasadena Blvd. four block area had 25. So If I heard the questions and response correctly, then the city managers reply was not correct.

Please include this with the board review documents. If any more public comment has come in since your last mailing to me on Aug. 21, please send me copies of the newest comments by e-mail.

Thank you,
Bill Zastrow

> ----- Original Message -----
> **From:** Teresa Morales
> **To:** 'Bill Zastrow'
> **Sent:** Thursday, August 21, 2008 2:42 PM
> **Subject:** RE: Providence
>
> Bill,
>
> I've attached the public comment that I have received to date regarding the Providence Town Square. This is the specific information regarding this development that will be given to the Board. Is this the communication that you were referring to?
>
> Thanks,
>
> Teresa Morales
> Multifamily Bond Administrator
> Texas Department of Housing & Community Affairs
> Phone: (512) 475-3344
> Fax: (512) 475-0764
>
> > -----Original Message-----
> > **From:** Bill Zastrow [mailto:desktop21@sbcglobal.net]
> > **Sent:** Tuesday, August 19, 2008 9:54 PM
> > **To:** Teresa Morales

Subject: Providence

Dear Ms. Morales,
I heard that you might attend the Deer Park combined City Council and Planning and Zoning meeting this Thursday, August 21, in reference to the rezoning request for the Providence at Town Square, Did I hear correctly? I hope so, it would be a pleasure to meet you.

Did you get my request to send me all the letters, emails, and other public information communications that you have in the folder to present to the Board for their review on the Providence.

Sincerely,
Bill Zastrow

Teresa Morales

From: paula smith [p.smith@earthlink.net]
Sent: Friday, August 08, 2008 1:26 PM
To: teresa.morales@tdhca.state.tx.us
Subject: PROVIDENCE TOWN SQUARE DEER PARK TX

Dear Ms. Morales,

I was not sure if the copy of my speech has been placed in the file. I have sent one for your records.

Good Evening,

My name is Paula Smith. I reside at 409 Wisdom Dr.

This proposed site sits on one of the most dangerous part of Center St. No traffic study has been conducted either by the city or the developer to see the impact of adding both pedestrian and vehicle traffic. Other than traffic this will not be your normal NIMBY plea.

The developers have applied for Planned Unit Development zoning through the city channels to construct this apartment complex. Under section 4a.5 of Deer Park's city zoning ordinance sentence number 2 states City approval of a conceptual plan does not give the owner any development rights in the premises; it only gives the right to proceed with the submission of a final development plan. The following paragraph states if a district is created upon approval of a conceptual plan, and the final development plan submitted does not substantially comply with the conceptual plan approved for the district than notice and hearing procedures would apply. Monday Deer Park's Planning and Zoning has requested another public hearing regarding this development on Aug 4th 2008 due to differences from the conceptual plan to the final plan. If I am not mistaken I was under the impression that all zoning issues must be resolved before application or even approval of bond money.

With the exception of one, all 100plus unit apartment complexes or housing facilities are located in the southwest side of Deer Park. Close to a mile from this bond proposed site, sits slightly over 12 acres that the state granted last year tax credits to Kilday developers, application number 07309 to construct low income multifamily apartments. Directly across the street from the 12 acres sits another 19acres of undeveloped land zoned for apartments. This could potentially add close to 1,000 more apartment units to the already 1,000 plus units and four trailers parks in this area if the bond is granted. This would be social and economic segregation. Another Idea move this to Underwood behind Gerlands this corner offers the same amenities as the proposed site.

28 years ago today my husband passed away leaving me a young widow with an infant child. Even though my circumstances were different than most in this situation, I do see a need for this kind of temporary government assistance. In the city of Deer Park it should not be used for new construction but instead for rehabilitation of the numerous aging complexes located in close proximity of this bond proposed site.

Please count me against the use of tax credits and bond money for development.

Teresa Morales

From: paula smith [p.smith@earthlink.net]
Sent: Sunday, July 20, 2008 10:18 PM
To: teresa.morales
Subject: DEER PARK TOWN SQUARE

Ms. Morales,

I have copied below from your website vacancies. I would like to point out Deer Park Village even though a Pasadena address sit mostly in the City of Deer Park. It is serviced by both our Police Dept. and Fire Department. Brandywood sits right at the western side border of Deer Park and Pasadena.

The Primrose located on Pasadena Blvd. is not too far from the proposed site.

We do not need to add anymore so close together especially when all show vacancies.

VACANCY SEARCH RESULTS

Property	Bedrooms						Total	Phone
	Eff.	1	2	3	4	5	Vacancies	
Brandywood Housing Apartments 6411 Spencer Highway PASADENA , TX 77505 Map It!	0	330	338	30	0	0	**152**	(281) 487-0849
Deer Park Village (SK Properties) 7201 Spencer Hwy Pasadena , TX 77505 Map It!	0	104	214	124	0	0	**44**	(281) 479-5284

Primrose at Pasadena Apartments SWC of Pasadena Blvd. & Beltway 8 Pasadena , TX 77503 Map It!	0 90 158 0 0 0	**7**	(713) 472-4526

Regards,
Paula Smith

Teresa Morales

From: annetteosburn@grocerybiz.com
Sent: Wednesday, July 16, 2008 10:23 AM
To: Teresa Morales
Subject: RE: Oppose Bonds & Tax Credits in Deer Park, Tx

If this is going to be a 3 story unit then I do oppose the development.

Annette Osburn
Grocers Supply
Traffic Department
713-746-5751 Fax 713-749-9346
Teresa Morales <teresa.morales@tdhca.state.tx.us>

Teresa Morales <teresa.morales@tdhca.state.tx.us>

07/16/2008 10:20 AM

To"'annetteosburn@grocerybiz.com'" <annetteosburn@grocerybiz.com>
cc
SubjectRE: Oppose Bonds & Tax Credits in Deer Park, Tx

Ms. Osborn,

The proposed development is scheduled to be a 3 story development serving the senior population. The term "multifamily" is a general term we use to describe an apartment development. Multifamily is then further designated as serving the general population (i.e. families) or the elderly.

If this information changes your opposition please let me know prior to July 22.

Thanks,

Teresa Morales
Multifamily Bond Administrator
Texas Department of Housing & Community Affairs
Phone: (512) 475-3344
Fax: (512) 475-0764

-----Original Message-----
From: annetteosburn@grocerybiz.com [mailto:annetteosburn@grocerybiz.com]
Sent: Wednesday, July 16, 2008 9:50 AM
To: teresa.morales@tdhca.state.tx.us
Subject: Oppose Bonds & Tax Credits in Deer Park, Tx

I Annette Osburn a citizen and Tax payor of Deer Park, Texas, oppose the purposed Bond Money and Tax Credits for Providence Town Square Complex.

I do not want a 3 story multiple family complex going in front of my neighborhood. (Regency) What this complex has become is not what was purposed at the city meeting a few months back. It was only going to be Senior citizens, two story only facility. It has been turned into Multi Family and several 3 story buildings. We were totally miss informed.

Thanks,

Annette Osburn
602 Bradshire
Deer Park, Tx 77536
281-542-7443

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Teresa Morales

From: Shelley Stokes [sdjstokes@att.net]
Sent: Monday, July 14, 2008 10:52 AM
To: Ms Morales
Subject: Providence Senior Living Facility PUD in Deer Park, Texas

Ms. Morales:

I am writing you today with some concerns over the Providence Town Square PUD in Deer Park, Texas.

The intersection that the developers have chosen to build their PUD is a poor choice for Deer Park. It is extremely busy at that location. They are saying it will be a Senior Facility. They have said in previous public hearings that they will not have a lot of parking for this facility since it is for seniors. They have spoken in excitement about the grocery stores, coffee shops, banks, pharmacy, eating establishments, etc... that are all within walking distance. What a disaster waiting to happen. This intersection is so busy and it will be a nightmare with seniors walking about. I don't think this has been thought through. I think this has been a project that was pushed through without doing any research on that area. To the best of my knowledge, there have been no traffic studies done.

The ones that are questioning this project are made to feel guilty because we are going against something for seniors. This is simply not so. I am questioning the location of the project and also questioning the type of facility this will be. The developer has said it will be a deed restricted 55 and older facility. I am glad to know it will be deed restricted but am leery about how easy it could be to have that deed restriction amended. Deer Park has a senior facility within walking distance of this proposed facility. In my opinion, Deer Park has plenty of apartments. If the city is interested in accommodating more seniors, that is fine. There is another location in Deer Park that is off of Underwood that was proposed last year. It also is within walking distance of many of the amenities the developers are excited about. It is interesting to point out though, that at last year's hearing for that project the City Council turned it down saying "no" to more apartments in Deer Park.

Thank you for your time.

Shelley Stokes

PS. I found it interesting that there were people who signed in at public hearing on July 9th at Dabbs Elementary who are not actually Deer Park residents. I don't think their opinion should be considered. This is usually the case at public hearings here in Deer Park. Business owners who don't live here anymore usually show up to speak about projects and talk about how great it will be for our City. Strange they have such affection for a town they don't want to reside in.

Teresa Morales

From: Shelley Stokes [sdjstokes@att.net]

Sent: Monday, August 11, 2008 4:02 PM

To: Ms Morales

Subject: Providence PUD in Deer Park, Texas

Ms. Morales,

Please include this letter in your file that will go before the board on the above referenced project.

I felt compelled to construct another letter after reading the letter that Councilwoman Stockstill-Cobbs wrote. As you recall, I obtained a copy of all letters from you through the open records act. There are many discrepancies in her letter to you and I want to elaborate on a few of them if I may.

First, in her letter she states that she has had many conversations with the developer and that they had conducted a traffic analysis on this location. Either they were not truthful with her or she misunderstood them. Below is a copy of an email dated today, 8-11-08, that the Assistant City Manager sent me in reference to this.

Ms. Stokes,

First, you are not bothering me. Now for your questions. You asked if I have a copy of a traffic analysis conducted by the Providence at Town Square developer. I do not. You also asked if I don't have a copy if I would request it from the developer. I talked to Mr. Matt Fuqua, a representative of the developer today and he stated that the developer has not conducted a traffic study.

Thank you.

Gary M. Jackson
Assistant City Manager
City of Deer Park
281-478-7260 (O)
281-831-2210 (M)

As you can see, the developer has not done a traffic analysis. Second, she speaks of the project in the year 2050, a little over 40 years from now, as being "a decaying senior apartment complex". What a shame that someone my age will not be able to enjoy this. That proves the point that a decaying complex, which will be an eyesore, should not go smack dab in the middle of our small community. Also, I obtained minutes from a public hearing on a proposed apartment complex in May of 2007 in which she stated, "I jotted down some thoughts of my own about the various apartment endeavors that have come up recently. Even though they sound like a noble endeavor, we have always said 'no more apartments in Deer Park'. Most of us have a distaste for apartments, and how they end up in a thirty year time span....". Clearly a year ago she was for no more apartments being constructed in Deer Park and foresees their condition in the future.

Also in her letter to you, in reference to the location being relocated to Underwood, she again reiterates that it is not an appropriate location for apartments, which is the same spot of land in which she was for "no more apartments" back in May 2007. She is wrong on the distance of that location to our fire stations. One is 2.3 miles and one is 2.4 miles, not the approximately 3 miles which would lead one to believe it is closer to 3 miles than to 2 miles. Petty information, but I wanted to clarify the distance.

Lastly, she mentions that primarily all the citizens in Deer Park are of a like mind such as hers and that she "hopes that you have an ear for those of us that express the opinion of the silent majority." She also states that "your department will hear more from those in opposition to economic development than from those that approve new endeavors." First, the silent majority obviously do not exercise their right to vote, because the citizens of

Deer Park voted against the 4B sales tax in our last election, which has to do with economic development. Second, I personally am not against economic development; I am opposed to any more apartments in Deer Park and am opposed to this particular location for this project. It has nothing to do with being against seniors, being against economic development, or being against new endeavors. My opinion is just against an apartment complex being right in the middle of town on our "main drag", if you will.

Thank you for your time and for including this letter in your file that will be presented to the board for the bond money.

Shelley D. Stokes
Citizen of Deer Park

Teresa Morales

From: Warren Stokes [jwstokes70@yahoo.com]
Sent: Wednesday, August 20, 2008 4:48 PM
To: teresa.morales@tdhca.state.tx.us
Subject: Providence Town Square in Deer Park, Texas

Ms. Morales,

As a taxpayer, registered voter, and longtime Deer Park resident, I felt I should contact you on the above referenced project with my opinion.

Deer Park has plenty of apartment complexes, so this is one reason why I am opposed to it. If I am not mistaken, the city has said in the past they were not for any more apartments being built.

The location for this apartment complex is a bad choice. I understand it will be for seniors and have also read quotes off of some city minutes where it has been indicated that residents will be walking to local businesses. Not all of them are on the same side of the street as this proposed property. The two main streets that would have to be crossed are the busiest in town. That intersection is the busiest in town.

Another reason is flooding. Center Street currently floods in many places. There is a neighborhood right behind where this project is wanting to build. The city is currently working on fixing the problem, but until then, I don't think a project of that size should be constructed.

Lastly, I was told that a housing project was already approved for bond money on Glenwood Street in Deer Park, which is .8 miles from this project. Why do we need 2 bond projects less than a mile from one another?

There are other properties, one behind Walmart off of East Blvd and one behind Gerlands on Underwood that should have been considered. Less traffic in my opinion. Deer Park already has a senior living facility, The Waterford. But, if Deer Park feels the need to provide it's seniors with additional choices for housing possibilities (although I would think most own their own homes and they are paid off so why get into paying rent on an apartment??), and developers are dead set on building another apartment complex, other locations should be considered. It should not go at the busiest intersection in town.

Thank you.

Warren Stokes

Teresa Morales

From: Rick & Andrea Pressley [apressley@sbcglobal.net]
Sent: Saturday, August 09, 2008 11:41 AM
To: teresa.morales@tdhca.state.tx.us
Subject: Providence Town Square, Deer Park Texas

Dear Ms. Morales,

As you know many of the citizens here in Deer Park are against the location of this project. I have a few comments I would like to make the first is, Center St. is a major thoroughfare that runs from Highway 225 all the way to Fairmont which is located in Pasadena, Texas. While there may only be 30,000 people or so that live here in Deer Park many people use our main thoroughfare to travel from Pasadena to Hwy 225 which is where Shell Refinery and many other refineries are located. Theses refineries employee thousands of people, many of which travel Center Street to get to and from work from the Pasadena area.

If they put in a traffic light at the entrance to the project it will be right on top of the traffic light at Center and Pasadena Blvd. I have never seen traffic lights placed so closely together. I figure that would be an intersection that all would want to avoid. We try to avoid it now and sometimes can not because of the destination at hand. What a nightmare waiting to happen. What this will create in my opinion will be a major traffic problem.

Underwood is a perfect location for this facility. It has far less traffic therefore would not affect traffic flow. It also would be much safer considering all the wrecks that occur on Pasadena Blvd. and Center. Pas. Blvd and Center is ranked highest in traffic accidents in Deer Park.

Most of the citizens here in Deer Park do think a facility of this nature would be good for Deer Park however this is not the ideal location.

Thank you,
Andrea Pressley

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Teresa Morales

From: Jones, Misty (Warehouse) [Misty.Jones@invescoaim.com]
Sent: Friday, August 08, 2008 1:44 PM
To: teresa.morales@tdhca.state.tx.us
Subject: Providence Town Square, Deer Park, Texas

Dear Ms. Morales,

I am writing to express my disagreement with the current plan to build "Providence Town Square" on Center Street in Deer Park, Texas.

I am a citizen of Deer Park and have been for many years. I am proud to call the city my home and am glad to have the opportunity to raise my child there and try to stay as involved as possible in the happenings around town.

I live just across Center Street from the project's location and, although I have no issue whatsoever with a senior citizen living center in Deer Park, I feel that the location is highly inappropriate for such a project. Center Street has become an extremely crowded, busy street, with traffic issues that the city cannot seem to solve and flooding problems during heavy rains (which we receive often enough for this to be an issue), to name a few things. I feel that the location of this project is going to be ahinderance to both the citizens of the complex as well as the citizens who live near it, as it will cause more traffic near the location, which is near the intersection of Pasadena Blvd. and Center Street - currently one of the busiest, if not the busiest, intersection in the city. The seniors will have issues with leaving and entering the complex, especially during peak driving hours in the mornings and evenings, and at midday, when the surrounding businesses and chemical plants let their employees go to lunch and Center Street gets more crowded than usual. There are no places near the location for the seniors to visit and enjoy, unless you consider visiting HEB Grocery, Valero gas station, or Sonic Drive-Through to be fun activities.

While I do not want to see any more apartment complexes built in Deer Park, I do understand the need for senior housing. I do not, however, see how building this project in the proposed location will benefit anyone whatsoever. I am worried about how this will affect my own home and neighborhood, which are less than a quarter mile from the location. Will it make our flooding issues worse? Probably. Will it cause more traffic in the area and make it much more difficult for myself and my husband to enter and exit our neighborhood? Most assuredly. This is an unsafe area for seniors and people of advanced age and I worry about the citizens of the project most of all.

There are many other areas in Deer Park and nearby LaPorte where the senior living center could be erected without causing the problems we are currently facing with the proposed Center Street location. I'm not sure how set in stone this location is, but would just like it on record that as a citizen of Deer Park who will be impacted by this project due to my proximity to it, I am in complete disagreement with the current plan.

Thank you for your time.

Sincerely,

Misty Jones
Deer Park, Texas

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Confidentiality Note: The information contained in this message, and any attachment
reliance upon this information by persons or entities other than the intended recip
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Teresa Morales

From: Stephanie Westerman [swesterman@univ-wea.com]
Sent: Friday, August 08, 2008 2:32 PM
To: teresa.morales@tdhca.state.tx.us
Subject: Providence Town Square in Deer Park Texas

Good Afternoon Ms. Morales,

I wanted to email you to advise you my disapproval for this project to be built in Deer Park.

Thank you,
Stephanie A. Westerman

Stephanie A. Westerman
Client/Vendor Relations Coordinator
Client/Vendor Relations & DataBase Management Division
Universal Weather and Aviation, Inc.
800-231-5600 ext. 8118
713-943-4653/fax

Teresa Morales

From: Patricia Gardner [pzgardner@comcast.net]
Sent: Friday, August 08, 2008 6:07 PM
To: teresa.morales@tdhca.state.tx.us
Subject: Providence Town Square in Deer Park"

Ms. Morales,

It has been brought to my attention that you are now accepting correspondence on Providence Town square in Deer Park until August 25th concerning the bond money scheduled for September 4th..

I have no objections to the facility. My major concern is the poor location chosen for the project. There would be no advantage to over 55 year old people living in this area of the city. The traffic on Center Street has been a major problem for many years and only one of two through streets connecting highway #225 to Spencer Highway in this part of Deer Park being used by many shift workers from all the refineries and people exiting Highway 225 from Pasadena and Houston.Other traffic using Center Street are people coming from Fairmont and Spencer that work in many of the plants in the Bayport and LaPorte areas.
There are newer area of Deer Park that would much better suit a project of this kind.

Respectfully,
Patricia Gardner
Deer Park resident for 35 years.

Since it has been postponed, they are now accepting letters until August 25. They will make their decision as to the bond money on Sept. 4. Email Teresa Morales at teresa.morales@tdhca.state.tx.us

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You can put in the subject to her "Providence Town Square in Deer Park"

Teresa Morales

From: eddie brashier [ebrashier1951@hotmail.com]

Sent: Friday, August 08, 2008 4:24 PM

To: teresa.morales@tdhca.state.tx.us

Subject: Providence Town Square in Deer Park Tx.

From:
Edward E. Brashier
2602 Dunn Cr.
Deer Park,Tx 77536
Tel.281-476-1929

Ms. Morales,
I understand your agency has an application for Bond Funds to finance the Providence Town square (PUD) located on Center and Pasadena Blvd. in Deer Park.

I respectfully request that your agency does not grant this request, for the following reasons.
1. Center at Pasadena Blvd. is the most congested location in our city and has the most MVAs.
2. Deer Park has many areas throughout our city that have severe longtime flooding problems that our Mayor and Council are attemting to diminish and would severly impact the current flooding issues and could most likely create new areas for flooding.
3. All persons speaking against the PUD at the most recent Planning and Zoning commission were longtime residents of Deer Park and home owners. This group was the majority along with their supporters. The lone person who wished to move into this project was from Pasadena, all others speaking for the PUD were connected to the project.
4. I am fearful that this Apartment complex will not adhere to the promises that the developers are telling the citizens as there seems to be a cloud of secrecy hovering over this project.

Respectfully,
Edward E. (Eddie) Brashier

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Teresa Morales

From: Schultz, Vickie [vschultz@iwilson.com]

Sent: Friday, August 08, 2008 3:35 PM

To: teresa.morales@tdhca.state.tx.us

Subject: Providence Town Square in Deer Park

Good after noon my name is Vickie Schultz and I am against this development.

I live at 410 Wisdom Dr. in Deer Park. I have lived here for almost 19 years. My home is about in the middle of all the apartment complexes and trailer parks in the area. So far this year we have had our mail box hit and two weeks ago myself and the neighbor next door had to completely replace our mail boxes and stands. My son had his car broken into and the stereo system ripped out. Each time the police have been called and a report has been made. Same story each time sorry chances are the kids live in the apartment complex and we will let you know if we get any leads. Our home has been broken into and guns have been stolen along with other things. Nothing has been recovered. In the past few years the crime has gotten steadily worse.

Wisdom drive is used as a cut through from Red Bluff to Center. Though we have speed bumps it only slows down the honest and considerate people. The traffic is becoming increasing worse by the day. This was one of the issues that was brought before the City Council about the project that's being allow on Glenwood. At the meeting it was estimated that 100 more vehicles will be in the area. There is absolutely no way anyone can convince me that the people who live in this development are going to exit on Glenwood onto Spencer to get to Center Street. They will be coming down Glenwood onto Wisdom to get to Center. Which will increase the existing traffic problem.

Now to the traffic on Center Street. I have read many of the other letters that have been written to you regarding this subject. The one thing that stands clear about the whole subject is not one City Council member lives on the side of town that's effected.

Why hasn't a traffic study be done for the area?

Since Starbucks been built on Center Street (Opposite side of the HEB Pantry Store) how many wrecks and near misses have been caused because of the lack of traffic control at that location.

Because the traffic backs up on Center Street (Starbucks side) and the Pasadena Blvd (WAMU side) many people cut through the HEB Pantry parking lot to get to the other side. Even though this is illegal it happens every day. This has become increasing dangerous especially since HEB put the gas station in.

What business would openly admit they didn't want new business in today's economy.

We do have one of the finest volunteer EMS and Fire Departments in the State. But if the traffic isn't moving and is bottle necked how can they provide their phenomenal service if they can't get there?

Though my words may not be fancy or politically correct. They are honest and true. Please take the time to investigate the traffic issues before you allow this project.

Don't let the decision that benefits a few be a determinate to others.

Thank you for your time, Vickie

Vickie Schultz

Wilson Supply
Material Sourcing MT/S
1302 Conti St
Houston, TX 77002

713-237-3935 - Office
713-237-5975 - Fax

Teresa Morales

From: Jeff Jones [jeffj@houstonplating.com]
Sent: Friday, August 08, 2008 11:51 AM
To: teresa.morales@tdhca.state.tx.us
Cc: 'Shelley Stokes'
Subject: Providence Town Square in Deer Park

Teresa, I am and have been a citizen of Deer Park for 34 years and it has been brought to my attention that there is a proposed senior living center or apartments however you want to look at it on Center Street next to the HEB grocery store. My wife and I are totally against it. There are many issues with this proposed project: FLOODING, TRAFFIC, ETC,ETC......... not to mention its really just going to be an apartment complex!! We need no more apartments' period!!! This land needs to have restaurants, shops, etc,etc..... something we the citizens can or visitors can go and spend money to generate business and revenue for Deer Park. It is simply a terrible idea and location!! Deer Park has plenty of room elsewhere!! Once again we are AGAINST this proposed project!!

Thanks,
Jeff Jones

Houston Plating & Coatings, LLC.
Electroless Nickel / Spray Coatings / Kolene QPQ
Ph. 713-946-8920 Fax 713-946-8487
www.houstonplating.com

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Teresa Morales

From: Glenn Windsor [glennzer@swbell.net]

Sent: Wednesday, August 20, 2008 2:36 PM

To: teresa.morales@tdhca.state.tx.us

Subject: Providence Town Square in Deer Park, Texas

Good Afternoon Ms. Morales,

I am writing to let you know that, as a citizen of Deer Park I am against the proposed senior housing project named "Providence Town Square in Deer Park, Texas.

One of my main reasons is because of the effect that such an improvement would have on the adjacent subdivision, Regency Park. The homes in Regency Park have had sanitary sewer back up into their homes because of problems with the design of the sewer system in this area. The homes in Regency Park were not built high enough above street level to allow for enough "drop" in grade for the sewer to flow correctly into the city's sewer mains. Because of infiltration problems, especially during periods of heavy rainfall, the sewer mains become full and actually have backed into the homes in Regency Park.

Sufficient impact studies on the effect that a large project like Providence would have Regency Park have not been performed. Therefore, it would only be prudent, in my opinion, to at least delay this project until adequate engineering (preferably by an independent party) studies on the impact of the storm sewer runoff and the impact of the additional sanitary sewer load can be performed.

Thank you for your consideration of my concerns.

Glenn Windsor, CPA
1514 Roosevelt Dr.
Deer Park, TX 77536

(H) 281-476-4551
(C) 832-723-3077

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Teresa Morales

From: Carolyn Tucker [catuck@msn.com]
Sent: Wednesday, August 20, 2008 2:07 PM
To: teresa.morales@tdhca.state.tx.us
Subject: Providence Senior Living in Deer Park, TX.

Mrs. Morales,

I understand that a senior living facility, Providence Senior Living Facility PUD in Deer Park, Tx. is being planned to build on the corner of Center Street and Pasadena Blvd.

Mrs. Morales, please come to Deer Park before this goes to a vote and watch the traffic on Center Street at all times of the day, especially at noon and 5 p.m.

Are all the citizens of this complex going to be able to drive a car? I would not walk up, down, or across Center Street at any time of day. It is a four lane divided highway type street and is too dangerous for a pedestrian.

Since bus transportation will be a must for this and any other senior living facility, the Providence facility would be better placed in a nicer more scenic area.

Who am I? I am a 71 yr. old lady business owner who drives down Center Street daily to my business. Perhaps, I am one of those whom Mrs. Stockstill-Cobb calls "the silent majority."

Thank you

Carolyn Tucker Myers

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REQUEST FOR BOARD ACTION
Multifamily Finance Production

Private Activity Bond Program – Waiting List

1 Priority 2 Application for 2008 Waiting List

TABLE OF EXHIBITS

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

September 4, 2008

Action Item

Presentation, Discussion and Possible Approval of an Inducement Resolution for Multifamily Housing Revenue Bonds and Authorization for Filing Applications for Private Activity Bond Authority – 2008 Waiting List.

Requested Action

Approve the Inducement Resolution to proceed with application submission to the Texas Bond Review Board for possible receipt of State Volume Cap issuance authority from the 2008 Private Activity Bond Program for one (1) application.

Background

Inducement Resolution 08-034 includes one (1) application that was received on or before July 31, 2008. The application will reserve approximately $18 million in 2008 state volume cap. Upon Board approval to proceed, the applications will be submitted to the Texas Bond Review Board for placement on the 2008 Waiting List. Board approval of the inducement resolution allows the Department to submit the application to the Bond Review Board to await a reservation of allocation. The Board has previously approved thirteen (13) applications for the 2008 program year.

Staff notes that this application, Woodmont Apartments, was previously induced at the July 31, 2008 Board meeting and initially requested $15,000,000 in volume cap. While their financing structure originally included a taxable portion, with the volume cap limits per application now lifted as a result of the August 15th collapse, they are requesting $18,000,000 in tax-exempt bond proceeds and are therefore being placed back on the agenda for approval. After initial Board approval in July the application was submitted to the Bond Review Board in August; however the application has since been withdrawn.

Woodmont Apartments, App. #08615– The proposed new construction will consist of 252 units and will target the general population. It will be located at approximately the Northeast corner of Oak Grove and Loop 820, Fort Worth, Tarrant County. Demographics for the census tract (1059.00) include AMFI of $29,022; the total population is 7,524; the percent of the population that is minority is 90.91%; the number of owner occupied units is 783; number of renter occupied units is 1,357; and the number of vacant units is 198. (Census Information from FFIEC Geocoding for 2007).

Public Comment: The Department has received one letter of support from State Representative Lon Burnam and no letters of opposition.

Each year, the State of Texas is notified of the cap on the amount of private activity tax-exempt revenue bonds that may be issued within the state. Approximately $440 million is set aside for multifamily until August 7th for the 2008 bond program year. TDHCA has a set aside of approximately $89 million available for new 2008 applications. If the Board approves the Waiting List application listed below it will be submitted to the Texas Bond Review Board.

The Texas Bond Review Board (BRB) administers the state's annual bond authority for the State of Texas. The Department is an issuer of Private Activity Bonds through the bond program. Each issuer's Board is required to induce an application for bonds prior to the submission to the BRB. The Board approval of the inducement resolution is the first step for the Board in the application process. The inducement allows staff to submit the application to the BRB to await a reservation of allocation. Once the application receives a reservation of allocation, the Applicant has 150 days to close on the private activity bond transaction. During the 150 day process, the Department will review the Applicant's complete application for threshold and compliance with the Department's Rules and is underwritten to determine financial feasibility. The Department will schedule and conduct a public hearing in the community of the proposed location of the development. The complete application including a transcript from the hearing will then be presented before the Board again for a decision on the actual issuance of the bonds as well as the allocation of housing tax credits.

Recommendation

Approve the Inducement Resolution as presented by staff. Staff will present all appropriate information to the Board for a final determination for the issuance of the bonds and housing tax credits during the full application process for the bond issuance.

Texas Department of Housing and Community Affairs

2008 Multifamily Private Activity Bond Program - Waiting List

Application #	Development Information	Units	Bond Amount		Developer Information	Comments
08615	Woodmont Apartments	252	$	18,000,000	Woodmont Apartments, Ltd.	Recommend
	NEC of Oak Grove and Loop 820				Dan Markson	
Priority 2	City: Fort Worth	General		Score = 72	111 Soledad, Suite 1220	
	County: Tarrant				San Antonio, Texas 78205	
	New Construction				(210) 487-7878	
Totals for Recommended Applications		**252**	**$**	**18,000,000**		

RESOLUTION NO. 08-034

RESOLUTION DECLARING INTENT TO ISSUE MULTIFAMILY REVENUE BONDS WITH RESPECT TO RESIDENTIAL RENTAL DEVELOPMENTS; AUTHORIZING THE FILING OF APPLICATIONS FOR ALLOCATIONS OF PRIVATE ACTIVITY BONDS WITH THE TEXAS BOND REVIEW BOARD; AND AUTHORIZING OTHER ACTION RELATED THERETO

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended, (the "Act") for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for persons and families of low, very low and extremely low income and families of moderate income (all as defined in the Act); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by persons and families of low, very low and extremely low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multifamily residential rental development loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, it is proposed that the Department issue its revenue bonds for the purpose of providing financing for multifamily residential rental developments (each a "Development" and collectively, the "Developments") as more fully described in Exhibit A attached hereto. The ownership of each Development as more fully described in Exhibit A will consist of the ownership entity and its principals or a related person (each an "Owner" and collectively, the "Owners") within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, each Owner has made not more than 60 days prior to the date hereof, payments with respect to its respective Development and expects to make additional payments in the future and desires that it be reimbursed for such payments and other costs associated with each respective Development from the proceeds of tax-exempt and taxable obligations to be issued by the Department subsequent to the date hereof; and

WHEREAS, each Owner has indicated its willingness to enter into contractual arrangements with the Department providing assurance satisfactory to the Department that 100 percent of the units of its Development will be occupied at all times by eligible tenants, as determined by the Board pursuant to the Act ("Eligible Tenants"), that the other requirements of the Act and the Department will be satisfied and that its Development will satisfy State law, Section 142(d) and other applicable Sections of the Code and Treasury Regulations; and

WHEREAS, the Department desires to reimburse each Owner for the costs associated with its Development listed on Exhibit A attached hereto, but solely from and to the extent, if any, of the proceeds of tax-exempt and taxable obligations to be issued in one or more series to be issued subsequent to the date hereof; and

WHEREAS, at the request of each Owner, the Department reasonably expects to incur debt in the form of tax-exempt and taxable obligations for purposes of paying the costs of each respective Development described on Exhibit A attached hereto; and

WHEREAS, in connection with the proposed issuance of the Bonds (defined below), the Department, as issuer of the Bonds, is required to submit for each Development an Application for Allocation of Private Activity Bonds (the "Application") with the Texas Bond Review Board (the "Bond Review Board") with respect to the tax-exempt Bonds to qualify for the Bond Review Board's Allocation Program in connection with the Bond Review Board's authority to administer the allocation of the authority of the state to issue private activity bonds; and

WHEREAS, the Board intends that the issuance of Bonds for any particular Development is not dependent or related to the issuance of Bonds (as defined below) for any other Development and that a separate Application shall be filed with respect to each Development; and

WHEREAS, the Board has determined to declare its intent to issue its multifamily revenue bonds for the purpose of providing funds to each Owner to finance its Development on the terms and conditions hereinafter set forth; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD THAT:

Section 1--Certain Findings. The Board finds that:

(a) each Development is necessary to provide decent, safe and sanitary housing at rentals that individuals or families of low and very low income and families of moderate income can afford;

(b) each Owner will supply, in its Development, well-planned and well-designed housing for individuals or families of low and very low income and families of moderate income;

(c) the financing of each Development is a public purpose and will provide a public benefit;

(d) each Owner is financially responsible; and

(e) each Development will be undertaken within the authority granted by the Act to the Department and each Owner.

Section 2--Authorization of Issue. The Department declares its intent to issue its Multifamily Housing Revenue Bonds (the "Bonds") in amounts estimated to be sufficient to (a) fund a loan or loans to each Owner to provide financing for its Development in an aggregate principal amount not to exceed those amounts, corresponding to each respective Development, set forth in Exhibit A; (b) fund a reserve fund with respect to the Bonds if needed; and (c) pay certain costs incurred in connection with the issuance of the Bonds. Such Bonds will be issued as qualified residential rental development bonds. Final approval of the Department to issue the Bonds shall be subject to: (i) the review by the Department's credit underwriters for financial feasibility; (ii) review by the Department's staff and legal counsel of compliance with federal income tax regulations and state law requirements regarding tenancy in each Development; (iii) approval by the Bond Review Board, if required; (iv) approval by the Attorney General of the State of Texas (the "Attorney General"); (v) satisfaction of the Board that each Development meets the Department's public policy criteria; and (vi) the ability of the Department to issue such Bonds in compliance with all federal and state laws applicable to the issuance of such Bonds.

Section 3--Terms of Bonds. The proposed Bonds shall be issuable only as fully registered bonds in authorized denominations to be determined by the Department; shall bear interest at a rate or rates to be determined by the Department; shall mature at a time to be determined by the Department but in no event later than 40 years after the date of issuance; and shall be subject to prior redemption upon such terms and conditions as may be determined by the Department.

Section 4--Reimbursement. The Department reasonably expects to reimburse each Owner for all costs that have been or will be paid subsequent to the date that is 60 days prior to the date hereof in connection with the acquisition of real property and construction of its Development and listed on Exhibit A attached hereto ("Costs of each respective Development") from the proceeds of the Bonds, in an amount which is reasonably estimated to be sufficient: (a) to fund a loan to provide financing for the acquisition and construction or rehabilitation of its Development, including reimbursing each Owner for all costs that have been or will be paid subsequent to the date that is 60 days prior to the date hereof in connection with the acquisition and construction or rehabilitation of its Development; (b) to fund any reserves that may be required for the benefit of the holders of the Bonds; and (c) to pay certain costs incurred in connection with the issuance of the Bonds.

Section 5--Principal Amount. Based on representations of each Owner, the Department reasonably expects that the maximum principal amount of debt issued to reimburse each Owner for the costs of its respective Development will not exceed the amount set forth in Exhibit A which corresponds to its Development.

Section 6--Limited Obligations. The Owner may commence with the acquisition and construction or rehabilitation of its Development, which Development will be in furtherance of the public purposes of the Department as aforesaid. On or prior to the issuance of the Bonds, each Owner will enter into a loan agreement on an installment payment basis with the Department under which the Department will make a loan to the Owner for the purpose of reimbursing each Owner for the costs of its Development and each Owner will make installment payments sufficient to pay the principal of and any premium and interest on the applicable Bonds. The proposed Bonds shall be special, limited obligations of the Department payable solely by the Department from or in connection with its loan or loans to each Owner to provide financing for the Owner's Development, and from such other revenues, receipts and resources of the Department as may be expressly pledged by the Department to secure the payment of the Bonds.

Section 7--The Development. Substantially all of the proceeds of the Bonds shall be used to finance the Developments, each of which is to be occupied entirely by Eligible Tenants, as determined by the Department, and each of which is to be occupied partially by persons and families of low income such that the requirements of Section 142(d) of the Code are met for the period required by the Code.

Section 8--Payment of Bonds. The payment of the principal of and any premium and interest on the Bonds shall be made solely from moneys realized from the loan of the proceeds of the Bonds to reimburse each Owner for costs of its Development.

Section 9--Costs of Development. The Costs of each respective Development may include any cost of acquiring, constructing, reconstructing, improving, installing and expanding the Development. Without limiting the generality of the foregoing, the Costs of each respective Development shall specifically include the cost of the acquisition of all land, rights-of-way, property rights, easements and interests, the cost of all machinery and equipment, financing charges, inventory, raw materials and other supplies, research and development costs, interest prior to and during construction and for one year after completion of construction whether or not capitalized, necessary reserve funds, the cost of estimates and of engineering and legal services, plans, specifications, surveys, estimates of cost and of revenue, other expenses necessary or incident to determining the feasibility and practicability of acquiring, constructing, reconstructing, improving and expanding the Development, administrative expenses and such other expenses as may be necessary or incident to the acquisition, construction, reconstruction, improvement and expansion of the Development, the placing of the Development in operation and that satisfy the Code and the Act. Each Owner shall be responsible for and pay any costs of its Development incurred by it prior to issuance of the Bonds and will pay all costs of its Development which are not or cannot be paid or reimbursed from the proceeds of the Bonds.

Section 10--No Commitment to Issue Bonds. Neither the Owners nor any other party is entitled to rely on this Resolution as a commitment to issue the Bonds and to loan funds, and the Department reserves the right not to issue the Bonds either with or without cause and with or without notice, and in such event the Department shall not be subject to any liability or damages of any nature. Neither the Owners nor any one claiming by, through or under each Owner shall have any claim against the Department whatsoever as a result of any decision by the Department not to issue the Bonds.

Section 11--No Indebtedness of Certain Entities. The Board hereby finds, determines, recites and declares that the Bonds shall not constitute an indebtedness, liability, general, special or moral obligation or pledge or loan of the faith or credit or taxing power of the State, the Department or any other political subdivision or municipal or political corporation or governmental unit, nor shall the Bonds ever be deemed to be an obligation or agreement of any officer, director, agent or employee of the Department in his or her individual capacity, and none of such persons shall be subject to any personal liability by reason of the issuance of the Bonds.

Section 12--Conditions Precedent. The issuance of the Bonds following final approval by the Board shall be further subject to, among other things: (a) the execution by each Owner and the Department of contractual arrangements providing assurance satisfactory to the Department that 100 percent of the units for each Development will be occupied at all times by Eligible Tenants, that all other requirements of the Act will be satisfied and that each Development will satisfy the requirements of Section 142(d) of the Code (except for portions to be financed with taxable bonds); (b) the receipt of an opinion from Vinson & Elkins L.L.P. or other nationally recognized bond counsel acceptable to the Department, substantially to the effect that the interest on the tax-exempt Bonds is excludable from gross income for federal income tax purposes under existing law; and (c) receipt of the approval of the Bond Review Board, if required, and the Attorney General.

Section 13--Certain Findings. The Board hereby finds, determines, recites and declares that the issuance of the Bonds to provide financing for each Development will promote the public purposes set forth in the Act, including, without limitation, assisting persons and families of low and very low income and families of moderate income to obtain decent, safe and sanitary housing at rentals they can afford.

Section 14--Authorization to Proceed. The Board hereby authorizes staff, Bond Counsel and other consultants to proceed with preparation of each Development's necessary review and legal documentation for the filing of an Application for the 2008 program year and the issuance of the Bonds, subject to satisfaction of the conditions specified in Section 2(i) and (ii) hereof. Staff may apply for private activity bond volume cap made available by the Housing and Economic Recovery Act of 2008. The Board further authorizes staff, Bond Counsel and other consultants to re-submit an Application that was withdrawn by an Owner so long as the Application is re-submitted within the current or following program year.

Section 15--Related Persons. The Department acknowledges that financing of all or any part of each Development may be undertaken by any company or partnership that is a "related person" to the respective Owner within the meaning of the Code and applicable regulations promulgated pursuant thereto, including any entity controlled by or affiliated with the respective Owner.

Section 16--Declaration of Official Intent. This Resolution constitutes the Department's official intent for expenditures on Costs of each respective Development which will be reimbursed out of the issuance of the Bonds within the meaning of Sections 1.142-4(b) and 1.150-2, Title 26, Code of Federal Regulations, as amended, and applicable rulings of the Internal Revenue Service thereunder, to the end that the Bonds issued to reimburse Costs of each respective Development may qualify for the exemption provisions of Section 142 of the Code, and that the interest on the Bonds (except for any taxable Bonds) will therefore be excludable from the gross incomes of the holders thereof under the provisions of Section 103(a)(1) of the Code.

Section 17--Authorization of Certain Actions. The Department hereby authorizes the filing of and directs the filing of each Application in such form presented to the Board with the Bond Review Board and each director of the Board are hereby severally authorized and directed to execute each Application on behalf of the Department and to cause the same to be filed with the Bond Review Board.

Section 18--Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 19--Books and Records. The Board hereby directs this Resolution to be made a part of the Department's books and records that are available for inspection by the general public.

Section 20--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State of the State of Texas (the "Secretary of State") and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this __ day of September, 2008.

[SEAL]

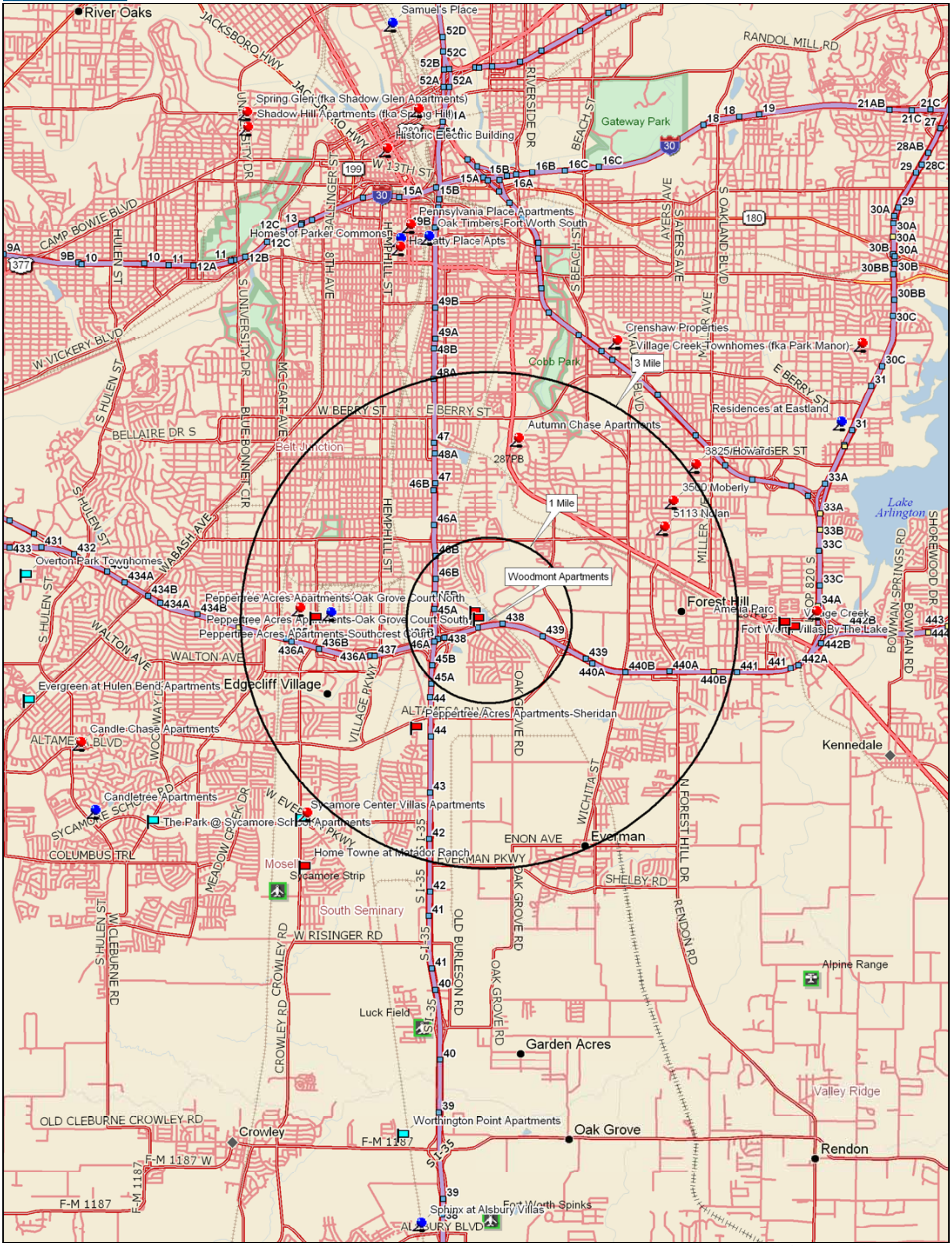
By: ______________________________________
Chairman, Governing Board

Attest: ______________________________
Secretary to the Governing Board

EXHIBIT “A”

Description of each Owner and its Development

<table>
<tr><th>Project Name</th><th>Owner</th><th>Principals</th><th>Amount Not to Exceed</th></tr>
<tr><td>Woodmont Apartments</td><td>Woodmont Apartments, Ltd., or other entity</td><td>the General Partner of which is NRP Woodmont Apartments, LLC, or other entity</td><td>$18,000,000</td></tr>
<tr><td colspan="4">Costs: (i) acquisition of real property located at approximately the Northeast corner of Oak Grove and Loop 820, Forth Worth, Tarrant County, Texas 76115; and (ii) the construction thereon of an approximately 252-unit multifamily residential rental housing development, in the amount not to exceed $18,000,000.</td></tr>
</table>



Data use subject to license.

Scale 1 : 100,000

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1" = 1.58 mi

Data Zoom 11-0

REPORT ITEMS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Michael Gerber

From: Gordon Anderson

cc: Brooke Boston, Michael Lyttle

Date: August 26, 2008

Re: TDHCA Outreach Activities

The attached document highlights outreach activities on the part of TDHCA staff for July and August 2008. The information provided focuses primarily on activities Executive and staff has taken on voluntarily, as opposed to those mandated by the Legislature (i.e., tax credit hearings, TEFRA hearings, etc.). This list may not account for every activity undertaken by staff, as there may be a limited number of events not brought to my attention.

For brevity sake, the chart provides the name of the event, its location, the date of the event, division(s) participating in the event, and an explanation of what role staff played in the event. Should you wish to obtain additional details regarding these events, I will be happy to provide you with this information.

221 EAST 11TH ▪ P.O. BOX 13941 ▪ AUSTIN, TEXAS 78711-3941 ▪ (800) 525-0657 ▪ (512) 475-3800

TDHCA Outreach Activities, July/August 2008

A compilation of activities designed to increase the awareness of TDHCA programs and services or increase the visibility of the Department among key stakeholder groups and the general public

Event	Location	Date	Division	Purpose
Texas Interagency Council for the Homeless Meeting	Austin	July 2	Housing Resource Center	Participant
Southeast Texas Regional Planning Commission	Beaumont	July 2-3	HOME	Training/Technical Assistance
First Thursday Income Eligibility Workshop	Austin	July 3	Portfolio Management & Compliance	Training
Mental Health Transformation Work Group	Austin	July 3	Housing Resource Center	Participant
Ellis Community Resources	New Braunfels	July 8	HOME	Training/Technical Assistance
"Money Follows the Person" Workgroup	Austin	July 11	Housing Resource Center	Participant
Asian American Real Estate Professionals Event	Houston	July 16	Homeownership	Presentation
Promoting Independence Advisory Committee	Austin	July 17	Housing Resource Center	Participant
DR-CDBG Round II Community Day	Newton	July 17	Disaster Recovery	Participant
DR-CDBG Round II Community Day	Jasper	July 22	Disaster Recovery	Participant
Interagency Coordinating Committee for Healthy Families	Austin	July 23	Housing Resource Center	Participant
Disaster Owner-Occupied Rehab Assistance Program Implementation Workshop	Austin	July 23	HOME	Training
Regent I Ribbon Cutting Ceremony	Beaumont	July 25	Disaster Recovery	Presentation, Participant
2009 Draft Rules Round Table	Austin	July 28	Multifamily, Real Estate Analysis	Round Table Discussion
2008 TAAHP Conference	Austin	July 28-30	Executive, Multifamily, Real Estate Analysis, Compliance, Housing Resource Center, Policy & Public Affairs	Presentation, Participant, Exhibitor
Beaumont City Council Meeting w/ACS	Beaumont	July 29	Disaster Recovery	Monitoring
2008 Economic Development Summit	Eagle Pass	July 31	HOME	Presentation
Carrizo Springs Housing Authority	Carrizo Springs	July 31	HOME	Training/Technical Assistance
TSHEP: Foreclosure Prevention Workshop	Grand Prairie	August 4-5	Homeownership	Training
TSHEP: Train the Trainer Workshop	Arlington	August 4-8	Homeownership	Training
Mental Health Transformation Work Group	Austin	August 5	Housing Resource Center	Participant
Disability Advisory Work Group	Austin	August 5	Housing Resource Center	Participant
TSHEP: Understanding Credit Scores Workshop	Grand Prairie	August 6	Homeownership	Training

REA/Market Analyst Round Table	Austin	August 6	Real Estate Analysis	Round Table Hearing
TSHEP: Train the Trainer Workshop/Accelerated	Grand Prairie	August 6-8	Homeownership	Training
HOME, Housing Trust Fund Programs	Austin	August 7	HOME	Round Table Hearing
First Thursday Income Eligibility Training Workshop	Austin	August 7	Portfolio Management & Compliance	Training
City of Taft	Taft	August 7-8	HOME	Training/Technical Assistance
MCC Program/Countrywide Lender Training	San Antonio	August 13	Homeownership	Training
HR 3221 Work Group	Austin	August 14	Executive, Multifamily, Compliance, Real Estate Analysis	Presentation, Participant
Contract for Deed Program Application Workshop	El Paso	August 18	HOME	Workshop
Homebuyer Assistance Program Implementation Workshop	El Paso	August 18-19	HOME	Training
National Association of Hispanic Real Estate Professionals	Austin	August 20	Homeownership	Presentation
Coastal Bend Center for Independent Living	Corpus Christi	August 21-22	HOME	Training/Technical Assistance
Haven for Hope Groundbreaking Event	San Antonio	August 22	Policy & Public Affairs	Participant
Contract for Deed Program Application Workshop	Laredo	August 25	HOME	Training
Contract for Deed Program Application Workshop	Harlingen	August 26	HOME	Training
Aging Texas Well Workgroup	Austin	August 27	Housing Resource Center	Participant
City of Valentine	Valentine	August 27-28	HOME	Training/Technical Assistance

HOME DIVISION

EXECUTIVE DIRECTOR'S REPORT ITEM

September 4, 2008

Report Item

In order to provide effective oversight of the HOME contracts that previously received a Board-approved amendment, this report item is prepared by staff to provide a status update on the progress of each contract amendment.

Background

All of the amendments included in the attached report were awarded in 2006 or earlier and were subject to the amendment requirements in the 2006 HOME Program Rules, Texas Administrative Code, Title 10, Part 1, Chapter 53. Section 53.62(b)(3) states that modifications and/or amendments that increase the dollar amount by more than 25% of the original award or $50,000, whichever, is greater; or significantly decrease the benefits to be received by the Department, in the estimation of the Executive Director, will be presented to the Board for approval. The Board previously approved these amendments and requested status updates on the progress of each contract.

The HOME Division's Performance Team provides oversight and technical assistance to all Contract Administrators (CA) with active HOME contracts to ensure progress resulting in successfully meeting contractual requirements. Once a contract is complete, terminated or expired, the Department proceeds with contract close-out by generating a Certificate of Contract Completion (COC). The COC details the financial and contractual requirements of the contract and any remaining balances and is sent to the Contract Administrator (CA) for execution. If this is not completed and returned within 30 days, the Department continues with contract close-out administratively and ensures deobligation of any remaining balances.

Board-Approved Contract Amendments Status Report

The attached report has been updated for activity that has occurred since the last report in May 2008. Since the last report to the Board, seven (7) contracts have been removed from this list since the term of the contract was either complete or the administrative process of termination and deobligation has been performed. Of the remaining contracts detailed on the attached report, five (5) contracts have completed the contractually required number of activities and are in the process of drawing final program funds and/or processing COCs and the remaining seven (7) contracts are making substantial progress.

Board-Approved Contract Amendments Status Report

Board Approval Date	Contract Number	Contract Administrator	Begin Date	End Date	Amended Date	Amendment Type	Activity Type	Total Funded	Total Committed	Total Drawn	# of Units Req'd by Contract	# of Set-Ups	# of Units Completed	% Time Expired	Notes
3/20/2007	1000596	Jefferson County	4/17/2006	4/17/2007	4/30/2009	Time Extension	OCC-Rita	2,246,400	2,160,00	1,996,800	36	36	32	75%	Currently, 32 activities have been completed and four activities are in the process of closing loans and reconstruction on the homes will commence thereafter. Staff has been in communication with the Administrator and their consultant to ensure progress and meeting milestone requirements.
12/20/2007	1000192	Midland CDC	10/1/2003	9/30/2007	8/31/2008	Time Extension	HBA	566,750	555,000	555,550	37	37	34	98%	**Administrator has assisted all required households. Administrator is submitting documentation on the last four activities to close-out activities in the Contract System and process Project Completion Reports for contract close-out.**
11/09/206	1000308	Frio County	10/1/2004	9/30/2006	10/31/2008	Time Extension	OCC	343,200	290,688	164,979	6	6	2	94%	Staff assigned to this contract has been in contact with CA and ensures that contract is progressing and meeting milestone requirements. It should be noted that at the June 26, 2008 Brd mtg, the Brd approved the CA's req't to reduce the number of households to serve from 10 to 6 and extend the contract through 10/31/08.
11/9/2006	1000298	Town of Anthony	10/1/2004	9/30/2006	10/31/2008	Time Extension	OCC	72,747	0	0	2	0	0	94%	The two homeowners to be assisted under this contract had appraisals greater than the amount of HOME asst to be provided. At the June Board Mtg, the board approved loan amounts equal to the amount of assistance. Loan closing process is in progress. Staff assigned to this contract has been in contact with CA to ensure contract is progressing and meeting milestone requirements.
4/12/2007	1000529	City of Bay City	10/3/2005	9/28/2007	6/30/2008	Time Extension and add'l HH with add'l funds	HBA/ADDI	322,400	320,000	320,000	31	31	31	100%	**All activities are 100% complete and contract is in process of close-out.**
12/14/2006	1000360	Accessible Community Inc.	2/1/2005	7/31/2007	10/31/2008	Time Extension	TBRA	752,264	694,223	696,171	65	127	106	93%	Staff assigned to this contract has been in contact with CA and ensures that contract is progressing and meeting milestone requirements.

Board-Approved Contract Amendments Status Report

Board Approval Date	Contract Number	Contract Administrator	Begin Date	End Date	Amended Date	Amendment Type	Activity Type	Total Funded	Total Committed	Total Drawn	# of Units Req'd by Contract	# of Set-Ups	# of Units Completed	% Time Expired	Notes
3/20/2007	1000223	ARCIL, Inc	8/1/2004	1/31/2007	10/31/2008	Time Extension	TBRA	213,194	205,888	207,960	20	27	21	94%	Staff assigned to this contract has been in contact with CA and ensures that contract is progressing and meeting milestone requirements.
6/25/2008	1000487	City of Bonham	10/3/2005	10/28/2007	10/31/2008	Time Extension, Unit reduction, match reduction	HBA	40,000	40,000	20,000	4	4	2	92%	Staff assigned to this contract has been in contact with CA and ensures that contract is progressing and meeting milestone requirements. It should be noted that at the June 26, 2008 Brd mtg, the Brd approved the CA's req't to reduce the number of households to serve from 10 to 4 and extend the contract through 10/31/08.
12/20/2008	1000253	City of Lewisville	10/1/2004	9/30/2006	4/30/2008	Time Extension	OCC	321,884	331,333	331,333	6	6	6	100%	**All activities are 100% complete and contract is in process of close-out.**
8/23/2007	1000539	City of San Benito	10/3/2005	9/28/2007	3/31/2008	Time Extension and AMFI change	HBA	300,000	300,000	300,000	30	34	34	100%	**All activities are 100% complete and contract is in process of close-out.**
8/23/2007	1000490	Edinburg Housing Authority	10/3/2005	9/28/2007	9/28/2008	Time Extension, Unit reduction, match reduction	HBA	300,000	160,000	110,000	30	16	11	95%	Staff assigned to this contract has been in contact with CA and ensures that contract is progressing. However, it should be noted that at the July 31, 2008 Board Meeting, the CA's request to decrease the number of households to assist, increase AMFI levels and waive match was denied and the CA may not meet all contractual obligations.
8/23/2007	1000364	Lifetime Independence for Everyone, Inc.	3/1/2005	8/31/2007	6/30/2008	Time Extension	TBRA	295,286	253,389	262,002	30	57	57	93%	**Administrator has assisted all required households. Administrator is submitting documentation to close-out activities in the Contract System and process Project Completion Reports for contract close-out.**