BOARD MEETING OF OCTOBER 15, 2009

C. Kent Conine, Chair

TEXAS DEPARTMENT OF
HOUSING & COMMUNITY AFFAIRS
Building Homes. Strengthening Communities.

Gloria Ray, Vice-Chair
Leslie Bingham Escareño, Member
Tom Gann, Member
Lowell Keig, Member
Juan Muñoz, Member

AUDIT COMMITTEE
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

October 14, 2009
5:00 pm

TDHCA Headquarters
221 E. 11th Street, Room 116
Austin, TX

AGENDA

CALL TO ORDER, ROLL CALL — Gloria Ray, Chair

CERTIFICATION OF QUORUM — Gloria Ray, Chair

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.

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:

REPORT ITEMS — Sandy Donoho, Dir Internal Audit

Item 1 Presentation, Discussion, and Possible Approval of Audit Committee Minutes for July 15, 2009

Item 2 Presentation, Discussion and Possible Approval of the FY2010 Audit Work Plan

Item 3 Presentation and Discussion of Status of Prior Audit Issues

Item 4 Presentation and Discussion of Recent Internal Audit Reports

Item 5 Presentation and Discussion of Status of External Audit Reports

Item 6 Presentation and Discussion of Recent External Audit Reports

Item 7 Peer Review Process

EXECUTIVE SESSION
The Committee 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 and under Texas Government Code §2306.039

ADJOURN — Gloria Ray, Chair

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact Nidia Hiroms, TDHCA, 221 East 11th Street Austin, Texas 78701-2410, 512-475-3934 and request the information.

Individuals who require the 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.

Internal Audit Division

BOARD ACTION REQUEST

October 14, 2009

Action Items

Presentation, discussion and possible approval of the July 15, 2009 audit committee meeting minutes.

Required Action

Review and approve the minutes of the July 15, 2009 audit committee meeting.

Background

None.

Recommendation

Staff recommends approval.

MINUTES OF THE AUDIT COMMITTEE
of the
GOVERNING BOARD
of the
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

On Wednesday, July 15, 2009, at 5:00 p.m., the duly called and posted meeting of the Audit Committee (the "Committee") of the Governing Board of the Texas Department of Housing and Community Affairs (the "Department") was held in Room 116 of the Department's headquarters at 221 East 11th Street, Austin, Texas. Gloria Ray, Chair, presided, and Sandy Donoho recorded the minutes. The appointment of Tom Gann to the Audit Committee was read into the record, and the Chair called the roll and ascertained the presence of a quorum. The following members of the Committee were present and voting:

Gloria Ray, Chair
Tom Gann

The following members of Internal Audit were present:

Sandy Donoho, Director of Internal Audit
Jill Borgman
Harriet Fortson
Derrick Miller
Betsy Schwing

The following members of Department management and staff were present:

Mike Gerber, Executive Director
Joe Anguiano
Jeannie Arellano
Brooke Boston
David Cervantes
Kelly Crawford
Bill Dally
Tom Gouris
Will Gudeman
Nidia Hiroms
Tim Irvine
Michael Lyttle
Robbye Meyer
Patricia Murphy
Lora Myrick
Sara Newsom

There being no members of the public present, there was no public comment.

New Internal Audit staff were introduced, and all present identified themselves and their roles.

Upon proper motion by Mr. Gann, duly second by Ms. Ray, the Committee adopted the minutes of the February 5, 2009, meeting, as presented, and adopted the revised audit plan, as presented.

Sandy Donoho delivered an update on status of external audits and the status of resolution of prior audit issues.

Sandy Donoho reported on internal audits, including the Audit of Loan Servicing and Recycling of Program Income in the HOME Division and the Internal Audit Division's Quality Assurance and Improvement Program. There was an extended discussion of issues relating to program income and management responded to Committee members' questions.

Sandy Donoho reported on external audits, including the HUD Affordable Housing and Financial Monitoring and Technical Assistance Visit and the Statewide Single Audit. There was an extended discussion of the HUD monitoring visit, and management responded to Committee members' questions.

There being no further business to come before the Committee, the meeting adjourned at 6:02 p.m.

Sandy Donoho
Director of Internal Audit

Approved:

Gloria Ray, Chair

Internal Audit Division

BOARD ACTION REQUEST

October 14, 2009

Action Items

Presentation, discussion and possible approval of the fiscal year 2010 internal audit work plan.

Required Action

Review and approve the fiscal year 2010 internal audit work plan.

Background

The audit work plan is required by the Texas Internal Auditing Act. The plan outlines the program areas that the internal audit division will audit during the fiscal year as well as outlining the other planned activities of the internal audit division.

Recommendation

Staff recommends approval.

Department of Housing and Community Affairs Internal Audit Division – Fiscal Year 2010 Internal Audit Plan		
Program Area/Division	**Audit**	**Comments**
Manufactured Housing	Occupational Licensing	The Manufactured Housing Division provides funding for one-half of one FTE
Community Affairs - Weatherization	Weatherization Program Monitoring	ARRA Funds
Neighborhood Stabilization Program	Neighborhood Stabilization Program	HERA and ARRA Funds
Financial Administration	Accounting Operations	Will Determine Scope During Audit Planning
Disaster Recovery Program	Construction Quality	Hurricane Rita Round II
All Divisions	Ethics Program	Required by Audit Standards
Information Systems	Information Technology Governance	Required by Audit Standards
Program Area/Division	**Management Assistance/ Special Projects**	**Comments**
Internal Audit	Conduct Annual Risk Assessment and Prepare Fiscal Year 2010 Audit Plan	Required by the Texas Internal Auditing Act and by Audit Standards
Internal Audit	Receive Peer Review	Required by the Texas Internal Auditing Act and by Audit Standards
Internal Audit	Perform Peer Review at Another State Agency	Reciprocal Points are Required to Cover the Costs of a Peer Review
Internal Audit	Preparation and Submission of the Fiscal Year 2009 Annual Internal Audit Report	Required by the Texas Internal Auditing Act
Internal Audit	Coordinate with External Auditors	Ongoing Requirement
Internal Audit	Monitor ARRA Issues	Ongoing
All Divisions	Follow-up on the Status of Prior Audit Issues	Required by Audit Standards
All Divisions	Tracking the Status of Prior Audit Issues	Required by Audit Standards
All Divisions	Tracking, Follow-up and Disposal of Fraud Hotline Calls	Internal Audit is Responsible for the Fraud Hotline

Internal Audit Division

BOARD ACTION REQUEST

October 14, 2009

Action Items

Presentation and discussion of the status of prior audit issues.

Required Action

None, information item only.

Background

Audit standards require auditors to follow-up on the implementation status of their audit recommendations. Internal maintains a data base of prior audit issues to track the findings and recommendations from both internal audits and external audits.

Of the 107 current prior audit issues:

- 1 issue was reported as “not implemented”.
- 13 issues were not responded to by management.
- 17 issues were reported as “pending” or “action delayed”. We will verify and close these issues when they are reported as “implemented.”
- 34 issues have recently been reported by management as “implemented” and are reflected on the attached list. We will verify and close these issues as time allows.
- 42 issues were verified as implemented and were closed by internal audit.

Recommendation

No action is required.

Issue #	Report Date / Auditors	Report Name / Audit Scope
9	12/6/2000	Letter on Internal Control and Accounting Procedures - 8/31/00
	KPMG	Annual independent audit of department's general purpose financial statements for FY 1999.

Status	Target Date
Px	12/06/00
Ix	09/10/01
Px	01/05/09
Ix	06/12/09

Division: Financial Administration

Section: Budget/Travel/Payroll

Issue: OMB Circular A-87, Cost Principles for State and Local Governments

Background:

The Office of Management and Budget (OMB) Circular A-87 establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. Attachment B of the circular states that where employees work on multiple activities (programs) or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. The personnel activity reports must (1) reflect an after-the-fact distribution of the actual activity of each employee and (2) be prepared at least monthly and signed by each employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support.

An audit done by the Housing and Urban Development Department (HUD) and our procedures disclosed that the Department did not always maintain the required documentation to support payroll costs allocated to the HOME Investment Partnership (HOME) Program. Instead, the Department charged payroll costs for employees working on multiple activities in divisions other than the HOME program office based on budget estimates. Ultimately, HUD accepted the Department's payroll charges based on alternative documentation methods.

In addition, according to OMB Circular A-87, a cost is allocable if the goods and services involved are chargeable or assignable to the activity in accordance with relative benefits received. All governments claiming overhead costs must develop a cost allocation plan in accordance with the requirements described in OMB Circular A-87 and maintain the plan and related supporting documentation in their files for support.

An audit done by HUD and our procedures disclosed that the Department did not strictly follow OMB Circular A-87 in the allocation of overhead costs such as rent, utilities, travel, office equipment and supplies to the HOME program for activities or costs that supported the multiple programs. The Department based its budget for these non-payroll costs on available funding from the programs the activity supported. The Department then allocated the cost of these programs based on the established budgets.

Recommendation:

We recommend that the Department implement procedures to insure compliance with OMB Circular A-87 by (1) insuring that staff working on multiple programs maintain time sheets based on their actual time worked for each program and (2) developing an overhead cost allocation plan to insure that expenditures charged or allocated to the HOME program are allowable and adequately supported.

Status:

06/12/09 - Procedures have been implemented that include a reconciliation and adjustment of federal payroll costs from estimated to actual based on employee timesheets signed and approved by supervisors. The annual federally approved indirect cost rate Is applied to direct federal salaries, as supported by timesheets. The collections from all federal grant sources are pooled and used to fund indirect central administration general revenue appropriations. For 2008, $624,750 was collected for indirect overhead from the HOME grant.

01/05/09 - From review of the supporting documents provided to Internal Audit it was determined that the audit issue is still in process because there is no indication of developing an overhead cost allocation plan to insure that expenditures charged or allocated to the HOME program are allowable and adequately supported.

09/10/01 - Reported to Board as implemented, per management, at 8/21/01 Audit Committee meeting.

*Status Codes: I - Implemented; T - Partially Implemented (no further action intended); P - In process of implementation; D - Action delayed; N - No action intended; NR - No response to status update request or Not Indicated
x - Management's representation; xx - Independent assessment by audit

12/06/00 - Since the issuance of the HUD IG audit report, the Department has established a policy for staff who work on multiple programs, which requires that they keep timesheets that reflect actual time worked by individual federal program. Those timesheets are then summarized and adjustments to payroll entries are made on a quarterly basis to reflect a proper charge to the proper program. The Department will develop as part of its budget process an overhead cost allocation plan. This plan will ensure that all non-payroll costs allocated to the HOME program are allowable and adequately supported. The Department has worked diligently with HUD staff to resolve the audit findings and the process is near a conclusion.

Issue #	Report Date / Auditors	Report Name / Audit Scope
10	1/7/2002	Controls Over Single Family Loans; Report No.1.05
	Internal Audit	Review of controls over single family loans serviced by the Department.

Status		Target Date
Px	01/07/02	
Px	04/22/02	7/1/2002
Px	07/22/02	11/1/2002
Px	11/05/02	2/1/2003
Px	01/28/03	6/1/2003
Px	03/28/03	6/1/2003
Px	05/06/03	6/1/2003
Px	09/22/03	10/3/2003
Ix	11/21/03	
Ix	02/17/04	
Px	12/19/08	
Ix	06/12/09	

Division: Financial Administration

Section: Loan Servicing

Issue: Improve Collection of Loan Documentation Procedures

Documentation supporting loans being serviced by the Department's Loan Administration Division was generally adequate to protect the Department's financial interests. However, an audit sample of 59 loans recorded on LSAM noted the following loan documentation exceptions (e.g., missing and/or unrecorded loan documents):

* Five occurrences of the original or certified documents (e.g., Transfer of Lien, Warranty Deeds) being on file, but no evidence of formal recording in the applicable county official property records.
* Three instances of required original or certified copies of documents (e.g., Transfer of Lien and Mechanic Lien Contracts) not on file, although photocopies were on file.
* One instance of a "Transfer of Lien," documented in the file by staff in 1996 as being needed, not on file.
* One instance of a warranty deed relating to the Office of Colonia initiative contract for deed conversion program was not on file.

Reasons for the documentation exceptions include the lack of formal policies and procedures, including supervisory review procedures, designed to ensure that the necessary loan documentation is obtained for all loans being serviced by the Department. Additionally, the use of the document control checklists by program staff to ensure complete loan documentation was lacking in several respects. Of the 59 sample files reviewed, twelve instances of the document control checklists not being completed or used were noted. In two other instances, the document control checklist was not completed but it was signed off as being reviewed by a supervisor; however, in these instances, the necessary loan documents were on file.

Recommendation - To improve quality control processes over the collection of loan documentation and to ensure that documentation is in place to protect the Department's financial interests, we recommend management develop and implement written formal standard operating procedures regarding required loan documentation. Procedures should include the use of the checklist, as intended by management, and the supervisory review process to ensure compliance with prescribed procedures.

Status:

06/12/09 - All involved divisions are now following the approved Standard Operating Procedure for the Single Family Special Loan Portfolio.

12/19/08 - After review of the Standard operating procedures provided to internal audit, it was determine the audit issue was not cleared. Write-off procedures have not been developed..

02/17/04 - Issue reported to the Board as implemented at the Dec. 2003 meeting.

11/21/03 - All involved divisions are now following the approved Standard Operating Procedure for the Single Family Special Loan Portfolio.

09/22/03 - Loan Servicing has trained Asset Management staff on utilization of the MITAS servicing system to generate delinquency reports and loan level detail of delinquent loans. Loan Servicing continues to coordinate efforts with OCI staff to work with delinquent Single Family Special Loan Portfolio Borrowers. Draft policies have been completed and will be finalized with OCI and Single Family Production by October 3, 2003.

05/06/03 - Management continues to expect issue resolution by 06/01/03.

03/28/03 - The Asset Management staff is being trained on the loan servicing system to generate delinquency reports and loan level detail of delinquent loans. The process of developing procedures outlining methods of delinquency management and foreclosure proceedings is being coordinated with Legal and OCI staff.

*Status Codes: I - Implemented; T - Partially Implemented (no further action intended); P - In process of implementation; D - Action delayed; N - No action intended; NR - No response to status update request or Not Indicated
x - Management's representation; xx - Independent assessment by audit

01/28/03 - Loan Servicing staff is working with staff in newly formed areas (Operations Divisions/Asset Management-Early Intervention and Real Estate Analysis/Workout), a product of the Agency-wide restructure, to identify all delinquent single family loans and formulate standard plans of action.

11/05/02 - Loan Administration has started to draft Standard Operating Procedures for the delinquent Single Family Loans. Due to the uniqueness of the programs funded under Single Family, we will continue to meet with the originating program area for guidance.

07/22/02 - Loan Administration has begun to prepare draft SOPs with regard to loan collections and resolutions that will fit all types of loans being serviced by the Department. This draft will be based on historical processes and industry standards. Program areas will then need to review the draft SOP to see how it might impact their applicants, borrowers, etc.

04/22/02 - In order to develop an SOP on loan collections and resolutions for all loans serviced by the Department, a group of Directors and Managers will meet to discuss how loan delinquencies and collections should be administered. Loan Administration will provide a basic template to start from based on historical processes and industry standards.

01/07/02 - Management will work on developing formal procedures for collection efforts, workouts, foreclosures and deed-in-lieu, real estate owned after foreclosure and write-offs. Some of these procedures will require policy directives from Executive Management as well as the opinions of other Directors affected so that the Department will be in agreement on the collection of Department debt.

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11 | 10/5/2007 | Internal Audit Report on the 9% Competitive Housing Tax Credit Program - Compliance Revi

Internal Audit | The scope included consideration of the pre-application and notification processes of the ho

Status		Target Date
Px	10/07/07	1/31/2008
Nr	06/12/09	

Division: Multifamily

Section: 9% Housing Tax Credit Progra

Issue: The date and time the pre-application documentation is received is not consistently documented. The pre-application form and the payment receipt are date and time stamped by the Department when the application is received. However, we found that:

- 1 of the 79 pre-application files tested did not have the date and time stamp on either the pre-application or the pre-application fee receipt.
- 4 of the 79 pre-application files tested did not have the date and time stamp on the pre-applications forms, but a date was located on the fee receipt.

In addition, there were several instances where the date and time was hand-written onto the pre-application and/or fee receipt. These instances were not counted as errors in the numbers above.

Of the 19 pre-applications reviewed where an administrative deficiency was discovered by the Department during the completeness review, there were two instances in which the date the deficiency response was received from the applicant was not documented on the response itself.

All pre-applications, fee receipts, applications, and responses to administrative deficiencies should be date and time stamped with an electronic clock to document when these items were received by the Department. This will provide evidence that applicants submitted their documents within the allotted timeframe, and reduce the opportunity for employees to fraudulently back-date applications.

Status:

06/12/09 -

10/07/07 - The Multifamily Division will reinforce the importance of using the electronic date and time stamps during the pre-application intake training of all Multifamily staff.

Issue #	Report Date / Auditors	Report Name / Audit Scope
12	10/5/2007	Internal Audit Report on the 9% Competitive Housing Tax Credit Program - Compliance Revi
	Internal Audit	The scope included consideration of the pre-application and notification processes of the ho

	Status	Target Date
Px	10/07/07	2/29/2008
Nr	06/12/09	

Division: Multifamily

Section: 9% Housing Tax Credit Progra

Issue: Proper site control documentation was not collected from the applicant in 3 of the 79 files tested, but the pre-application passed the completeness review completed by the Department.

We found that:
- 2 of the 79 files tested had a copy of the warranty deed submitted as documentation of site control. However, the warranty deed was not in the name of the applicant, nor expressed the ability to transfer the rights to the development owner.
- 1 of the 79 files tested had a copy of the property contract submitted as documentation of site control. However, the property information documented on the contract was unreadable, making in difficult to prove the contract was for the same property listed on the pre-application.

The 2007 QAP states evidence of property control should be in the name of the development owner or reflect an expressed ability to transfer the rights to the development owner.

The Department should ensure all requirements of the pre-application process included in the QAP are reviewed and documented. Site control should be verified prior to an applicant moving forward in the application process.

Status:

06/12/09 -

10/07/07 - The audit recommendation will be addressed with staff and will be emphasized in the application review trainings for the 2008 HTC cycle. Two of the site controls in question were in the name of the general partner instead of the applicant. However, this was not known until the threshold review at full application. The applicant with the non-readable site did not file a full application. However, this issue will still be addressed. The review sheets will clarify improved procedures to address these findings and the issues will be addressed with staff in the training meetings for the 2008 HTC cycle.

Issue #	Report Date / Auditors	Report Name / Audit Scope
13	10/5/2007	Internal Audit Report on the 9% Competitive Housing Tax Credit Program - Compliance Revi
	Internal Audit	The scope included consideration of the pre-application and notification processes of the ho

Status		Target Date
Px	10/07/07	2/29/2008
Nr	06/12/09	

Division: Multifamily

Section: 9% Housing Tax Credit Progra

Issue: We found errors in the following pre-applications; however, no deficiency was noted by the pre-application reviewers. One pre-application was missing the second contact fax number, but the review item on the review sheet was checked indicating all of the required information was located in that section of the pre-application.

In addition, we found instances where the pre-application completeness review sheets were not completed correctly:

- 2 of the 79 pre-application completeness review sheets tested did not document review of the pre-application data form. This form is a printout of the information contained in the Department's database, and is reviewed for accuracy. These forms are marked when errors are discovered, and are then submitted for database correction. However, the forms are not consistently retained to document the changes made to the database.
- 2 of the 79 pre-application completeness review sheets tested did not have the certification of notification section completed by the first reviewer, however no deficiency was documented.

The Department should complete the pre-application review sheets correctly and ensure any deficiencies or blanks are explained and documented. In addition, the Multifamily Finance Production Division should develop a procedure to include all pre-application data forms in the application files. This will ensure documentation exists for any changes made to the Department's database from the time of initial data entry to the time the tax credits are awarded.

Status:

06/12/09 -

10/07/07 - The audit recommendation will be accepted and implemented. The Multifamily Division currently conducts training on the review sheets prior to the beginning of the cycle. This training, for the 2008 Cycle, will instruct and clarify with staff how to complete the form correctly and reinforce the importance of filling out the pre-application review sheet correctly. Additionally, the Multifamily Director will reinforce to supervisors that a thorough review of these review sheets be performed. A space for the notification date will be added to the review sheet and date form so staff will have to write out the date. The Multifamily Division will also keep all the data forms from each application file, even after changes have been made to the database.

Issue #	Report Date / Auditors	Report Name / Audit Scope
14	10/5/2007	Internal Audit Report on the 9% Competitive Housing Tax Credit Program - Compliance Revi
	Internal Audit	The scope included consideration of the pre-application and notification processes of the ho

Status		Target Date
Px	10/07/07	1/31/2008
Nr	06/12/09	

Division: Multifamily

Section: 9% Housing Tax Credit Progra

Issue: The written notifications the Department is required to send to elected officials are not kept in the application file nor documented on the communication log. In an effort to streamline the process and reduce the use of paper in the application files, a decision was made to not retain paper copies of the notification letters. However, no compensating process was added to ensure electronic documentation was retained.

Without documentation showing letters were sent to the elected officials as required, the Department can not prove all required parties were notified and provided with a chance to express their support of, or opposition to, the proposed development.

The Multifamily Finance Production Division should develop a process to document compliance with the written notification requirements. This will ensure the Department can refute any challenges by other developers, public officials, or members of the general public that a development did not meet all of the requirements of the program prior to being awarded tax credits.

Status:

06/12/09 -

10/07/07 - The audit recommendation will be implemented. Multifamily staff will begin keeping a hardcopy of the letters and emails sent to elected officials until another system of notification is created.

Issue #	Report Date / Auditors	Report Name / Audit Scope
15	10/5/2007	Internal Audit Report on the 9% Competitive Housing Tax Credit Program - Compliance Revi
	Internal Audit	The scope included consideration of the pre-application and notification processes of the ho

Status		Target Date
Px	10/07/08	1/31/2008
Nr	06/12/09	

Division: Multifamily

Section: 9% Housing Tax Credit Progra

Issue: There were 22 applications for which the Department received opposition to the development and all 22 applicants were notified by the Department of the opposition to their development; however, the documentation supporting these notifications was not consistently retained. In 6 of the 22 files, the Department could not find a copy of the e-mail notification sent to the applicant. In order to provide this documentation, the Department contacted the applicants and asked them to send the Department a copy of the email notification originally sent to them. Two of the 6 missing e-mails received from these applicants included sufficient information to support the Department's notifying the applicant as required.

The Multifamily Finance Production Division should develop a process that documents compliance with notification of opposition rules of the LIHTC program. This will ensure the Department can refute any challenges by developers, public officials, or members of the general public that a development did not meet all of the requirements of the program prior to being awarded tax credits.

Status:

06/12/09 -

10/07/08 - The audit recommendation will be implemented. Multifamily staff will begin keeping hardcopies of the letters and emails sent until another system of notification is created.

Issue #	Report Date / Auditors	Report Name / Audit Scope
16	10/5/2007	Internal Audit Report on the 9% Competitive Housing Tax Credit Program - Compliance Revi
	Internal Audit	The scope included consideration of the pre-application and notification processes of the ho

Status		Target Date
Px	10/07/07	1/31/2008
Nr	06/12/09	

Division: Multifamily

Section: 9% Housing Tax Credit Progra

Issue: The Multifamily Finance Production Division has not followed up on their RP-36 Risk Assessment by developing a risk mitigation action plan to document the controls in place to address unmitigated high and medium risks, nor a monitoring plan to document how they will test the operating effectiveness of the identified controls.The division has not documented how 28 unmitigated risks (23 high risks, 5 medium risks) identified as 'mission critical' will be mitigated with compensating controls.

The Multifamily Finance Production Division should follow Department requirements by developing a risk mitigation action plan to address the 28 unmitigated 'mission critical' risks identified during the Division's risk assessment. In addition, a monitoring plan should also be developed documenting how the Division plans to assess the operating effectiveness of the documented controls on an on-going basis.

Status:

06/12/09 -

10/07/07 - Multifamily was one of the first divisions to complete the RP-36 Risk Assessments. The Action Plan needs to be put into the Enterprise format, which will be done.

Issue #	Report Date / Auditors	Report Name / Audit Scope
27	12/19/2007	Report to Management- year ending August 31, 2007
	Deloitte and Tou	Annual independent audit of the Department's general purpose financial statements

Status	Target Date
Px	12/19/07
Ix	04/22/08
Ixx	06/26/08
Ix	09/17/09

Division: Information Systems

Section: Not Selected

Issue: Mitas Vendor Access / Change Management

The Mitas application is supported by a third party vendor, and a formal policy has been created for granting the vendor temporary access to the system. However, there is no formal documentation that can evidence management approval and successful testing within a test environment before a change is made by the vendor in the production environment.

Recommendation
Emails or other formal documentation should be retained to evidence testing and approvals for all production changes to the Mitas application.

Status:

09/17/09 - Auditors read issue to be partially verified as implemented by Deloitte and still need verification for the following:

"there is no formal documentation that can evidence management approval and successful testing within a test environment before a change is made by the vendor in the production environment."

06/26/08 - Reported to Board as Implemented per Management.

04/22/08 - On February 29 2008, Information Systems Division (ISD) updated the applicable written procedures to include the exact process for using the shared email folder to document management approval and successful testing of vendor changes. Financial Administration received and approved the changes on March 19. 2008. These procedures are implemented.

12/19/07 - On December 18, 2007, the Information Systems Division (ISD) created a shared email folder to house correspondence related to Mitas system access, testing, and software changes. Mitas system users and ISD staff are able to copy email correspondence to this folder. By January 31, 2008, the Financial Administration Division and ISD will update the applicable written procedures to include the exact process for using the folder to document management approval and successful testing of vendor changes.

Issue #	Report Date / Auditors	Report Name / Audit Scope
30	12/11/2007	Multifamily 9% Housing Tax Credit Program - Application and Award Processes
	Internal Audit	Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle applicatio

Status		Target Date
Px	12/11/07	3/31/2008
Nr	06/12/09	

Division: Multifamily

Section: 9% Housing Tax Credit Progra

Issue: Chapter1-A:
Errors Were Identified in Applications that Should Have Resulted in Deficiency Notices

At least one error was identified in five of the seven applications tested that should have resulted in an administrative deficiency notice and may have resulted in the application being disqualified, depending on the response to the deficiency. This indicates a lack of adequate review of the application files. However, auditors did not identify any applications that should not have been awarded tax credits because the deficiencies we found could have been corrected.

The most serious deficiency overlooked by Division staff involved a certification made by an architect who is listed on the development's organizational chart. The QAP §49.9(h)(6)(G) requires that the certifying architect or engineer must be a third-party. This should have been documented as a deficiency, and if not corrected within seven business days, the application should have been terminated.

Other examples of deficiencies overlooked include incomplete forms, financing amounts on the application not matching source documents, and other missing information such as no second contact, inaccurate square footage, and incomplete financing narratives. Some review sheets show both reviewers signing-off on a section as completed, but a deficiency was found; others show both reviewers listing the item as 'not applicable' when it was determined during the course of our audit that the section applied to the application, however, we did not note any deficiencies for these items.

Recommendation
Two independent reviews should be completed on each application. To help facilitate this process, reviewers should have separate checklists, so the second reviewer is not influenced by the first reviewer's assessment. After two independent reviews have taken place, discrepancies between their reviews should be resolved.

Status:

06/12/09 -

12/11/07 - Staff will implement the audit recommendation and conduct independent reviews.

Issue #	Report Date / Auditors	Report Name / Audit Scope
31	12/11/2007	Multifamily 9% Housing Tax Credit Program - Application and Award Processes
	Internal Audit	Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle applicatio

Status		Target Date
Px	12/11/07	2/29/2008
Nr	06/12/09	

Division: Multifamily

Section: 9% Housing Tax Credit Progra

Issue: Chapter 1-B:
Individuals Under Indictment Were Recommended for Tax Credit Awards

As required by program rules, individuals involved with an application must certify that they are not subject to any pending criminal charges. However, two individuals were indicted after submitting an application and the required certification, but the development they were involved with was still recommended to receive an award.

The Department does not require the applicant to disclose any indictments the related parties of the application may be under from the time of their certification to the time awards are made by the Board.

In one instance, the charges brought against the individual were dropped, and the development was awarded a forward commitment from the 2008 credit ceiling. In the second case, the person under indictment was removed from the development and the development was awarded a forward commitment from the 2008 credit ceiling; however, the name of the individual under indictment still appeared on the forward commitment letter. This individual did not sign the forward commitment.

Recommendation
The Department should revise its certification requirement to include a requirement that the applicant should notify the Department if the applicant, development owner, developer, guarantor, or any of their related parties is subject to any criminal proceedings during the course of the tax credit cycle. The notification may not disqualify the development for an award; however, the information should be presented to the Board for their consideration prior to the issuing of awards. The Department should retain documentation of this information in the application file.

Status:

06/12/09 -

12/11/07 - Staff will implement the audit recommendation and include this requirement in the Uniform Application and the application review forms, and/or the QAP for the 2009 Tax Cycle.

Issue #	Report Date / Auditors	Report Name / Audit Scope
32	12/11/2007	Multifamily 9% Housing Tax Credit Program - Application and Award Processes
	Internal Audit	Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle applicatio

Status		Target Date
Px	12/11/07	3/31/2008
Nr	06/12/09	

Division: Multifamily

Section: 9% Housing Tax Credit Progra

Issue: Chapter 2-A:
A Lack of File Organization Results in Inconsistent Applicant Information

Department staff is not organizing or referencing documents in the application files which makes it difficult to find the most recent documentation, or to determine if documents have been removed.

The applicant's responses to deficiencies are not linked or referenced to the original documents within the application file. This results in incomplete documents being accepted simply because they address the deficiency, while other required information on the original document may be omitted from the revised version. All updated documents are required to stand on their own. This issue is further complicated when subsequent deficiencies are found on the new document and yet another document must be submitted to provide the required information.

Department staff removes documents from the application files without noting when they removed the documents or where they are now located. For example, support and opposition letters are removed from the application file as they are received, and filed together awaiting a separate review. The lack of staff documentation regarding when and where the documents have been removed results in the appearance that documents are missing or were never provided.

There were also instances noted where Real Estate Analysis staff removed copies of the financial statements from the application files, but failed to note they had removed them. This resulted in the appearance that the documents were never provided by the applicant. In addition, one current forward commitment file could not be located.

Recommendation
The Department should:
- highlight and flag information used as support for items within the various checklists. Cross-referencing checklist items to where the information is located in the application file may help in this process,
- develop a system, by which deficiency responses can be easily linked or referenced to the original document,
- develop a chronology sheet to document changes to the file, requests made of the applicant, or other information not readily apparent in the file,
- include time and date stamps on all documents received, and
- consider the use of software, like the TeamMate Audit Management System, that can be used to automate and link documents for ease of review.

Status:

06/12/09 -

12/11/07 - Staff will implement the audit recommendations and create a system to track deficiencies and changes to the application.

Issue #	Report Date / Auditors	Report Name / Audit Scope
33	12/11/2007	Multifamily 9% Housing Tax Credit Program - Application and Award Processes
	Internal Audit	Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle applicatio

Status		Target Date
Px	12/11/07	3/31/2008
Nr	06/12/09	

Division: Multifamily

Section: 9% Housing Tax Credit Progra

Issue: Chapter 2-B:
Deficiency Responses Do Not Always Contain All of the Required Information

When a response to an administrative deficiency notice is received, the reviewer who issued the notice reviews the documents and determines if the response is adequate. If the reviewer determines the response is adequate they write an “R” on the checklist to indicate the deficiency was resolved.

In three instances, the checklist indicated the deficiency was resolved, but the updated information or documentation could not be found in the file. In four other instances, the response was insufficient to address the original deficiency, yet the review sheet was marked as “resolved ”.

Recommendation
The Department should ensure the information submitted to resolve deficiencies is complete and correct, and is linked to the part of the application file where the deficiency was noted, so subsequent reviewers can easily locate the new information.

Status:

06/12/09 -

12/11/07 - Staff will implement the audit recommendation and create a system to document deficiencies and changes.

Issue #	Report Date / Auditors	Report Name / Audit Scope
34	12/11/2007	Multifamily 9% Housing Tax Credit Program - Application and Award Processes
	Internal Audit	Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle applicatio

Status		Target Date
Px	12/11/07	3/31/2008
Nr	06/12/09	

Division: Multifamily

Section: 9% Housing Tax Credit Progra

Issue: Chapter 3-A:
Review Sheets Do Not Capture All QAP Requirements

There were twenty-six QAP requirements not included in the selection, threshold, and QCP review sheets used during the application review process. Information missing from the review sheets could result in an application that does not meet all the requirements of the QAP being recommended for an award.

Examples of QAP requirements missing from the review sheets include:
• The QAP requires that, “The commitment of funds (an application alone will not suffice) must already have been received from the third-party funding source”, but this is not reviewed on the selection review sheet to determine if the funds have already been received.
• The QAP requires the applicant to provide a unit floor plan for each type of unit showing special accessibility and energy features; however, the review sheet only requires the reviewer to ensure unit floor plans are submitted for each unit type and that the net rentable area matches Vol. 1 Tab 2.
• The QAP states that all community amenities must exist, or if under construction must be at least 50% complete, by the date the application is submitted, but there is no indication on the review sheet that this is considered.
• The QAP requires entities that have not been formed and entities that have been formed recently but have no assets, liabilities, or net worth to submit a statement with their application to this effect, but this requirement is not listed on the review sheet.

Recommendation
The Department should ensure that the application review sheets include all of the QAP requirements.

Status:

06/12/09 -

12/11/07 - Staff will implement the audit recommendation and ensure all requirements of the QAP are included in the application materials as well as the review materials.

Status		Target Date
Px	12/11/07	7/31/2008
Nr	06/12/09	

Division: Multifamily

Section: 9% Housing Tax Credit Progra

Issue: Chapter 3-B:
Application Log Does Not Meet All Statutory Requirements

While the Department posts most of the required application and award information on its website within various reports, there is no application log, as defined in statute, posted to the website. In addition, some of the information required by statute is not posted to the Department's website. Items required as part of the application log that are not posted to the website include: names of the related parties to the applicant, the score of the application in each scoring category adopted by the Department under the QAP, any decision made by the Department or Board regarding the application, the names of persons making these decisions, including the person scoring and underwriting the application, and a dated record and summary of any contact between the Department staff, the Board, and the applicant or related parties.

In addition, scoring sheets providing details of the application score are not posted as required by the Texas Government Code §2306.6717 (2). A log of all application scores is posted (application scoring log); however, this log only contains summary information, and does not contain details as required by statute. Texas Government Code §2306.6717 (a) (2) states, "Subject to §2306.67041, the department shall make the following items available on the department's website: before the 30th day preceding the date of the relevant board allocation decision, except as provided by Subdivision (3), the entire application, including all supporting documents and exhibits, the application log, a scoring sheet providing details of the application score, and any other document relating to the processing of the application." Subdivision (3) states, "not later than the third working day after the date of the relevant determination, the results of each stage of the application process, including the results of the application scoring and underwriting phases and the allocation phase."

In addition, the Texas Government Code §2306.6709 states, "APPLICATION LOG. (a)
In a form prescribed by the department, the department shall maintain for each application an application log that tracks the application from the date of its submission.
(b) The application log must contain at least the following information:
(1) the names of the applicant and related parties;
(2) the physical location of the development, including the relevant region of the state;
(3) 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 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 persons making the decisions described by Subdivision (6), 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."

Recommendation
The Department should post the application log information, or a map or spreadsheet that references the location of the information required by the Texas Government Code. If some of the information is not available by the statutory deadline, the Department should post the information available on the deadline, and amend the application log as needed when additional required information comes available. In addition, the Department should post the scoring sheets as required.

Status:

06/12/09 -

12/11/07 - Staff will implement the audit recommendations.

36 | 12/11/2007 | Multifamily 9% Housing Tax Credit Program - Application and Award Processes

Internal Audit | Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle applicatio

Status		Target Date
Px	12/11/07	9/30/2008
Nr	06/12/09	

Division: Multifamily

Section: 9% Housing Tax Credit Progra

Issue: Chapter 4-A:
Requirements Listed In the QAP are Not Included in the Commitment Review Sheet

In comparing the commitment review sheet to §49.13 of the QAP, several items were missing from the review sheet. This could result in reviewers not verifying the submission of required items. The most important missing QAP requirement is that if a certificate of account status is not available because the entity is newly formed, a statement to that effect and a certification of organization from the Secretary of State's Office is required. This requirement is not included on the commitment notice checklist. In most instances, the certificate of organization and a statement that the applicant is newly formed is not included in the commitment file.

In addition, several other requirements are not included on the review sheet.

- The QAP requires copies of the entity's governing documents, including, but not limited to, articles of incorporation, articles of organization, certificate of limited partnership, bylaws, regulations and/or partnership agreements submitted when the commitment notice is executed; however the only documents included on the checklist are the partnership agreement or the certificate of limited partnership.
- The QAP requires "evidence that the entity has the authority to do business in Texas," but this requirement is not on the checklist.
- The checklist includes a statement 'evidence of zoning', but only one of the options for zoning requires evidence to be submitted with the commitment notice. This is not clear on the checklist.

Recommendation
The Department should ensure all documentation required by the QAP is included in the commitment notice checklist, and that reviewers are verifying that all of the required documentation is received.

Status:

06/12/09 -

12/11/07 - Staff will implement the audit recommendations.

Issue #	Report Date / Auditors	Report Name / Audit Scope
39	6/11/2008	Audit of the Community Services Block Grant and Emergency Shelter Block Grants
	Internal Audit	Review of the draw processing and monitoring functions of the Community Affairs Division's

Status		Target Date
Px	06/11/08	10/1/2008
Px	12/01/08	2/20/2009
Ix	06/15/09	

Division: Community Affairs

Section: Community Services - CSBG

Issue: Chapter 2-A
The Contract System Should Track Budget Information for Subrecipients

The budgets that subrecipients submit at the beginning of the program year are not included in the automated contract system used to track the subrecipients' expenditure reports. In addition, the percentage of actual funds expended is not calculated and compared to the budget. This causes a problem because once a budget is approved, subrecipients can spend money from any budgeted line item as long as they do not exceed the total amount they were awarded. As a result, there is less accountability for the accuracy of budget projections and for actual expenditures compared to budgeted amounts. In addition, the "other" category of expenses includes direct services and many other types of expenses that should be further separated into line items. The purpose of comparing budgeted amounts to actual expenditures is to help program staff assess the ongoing status of the subrecipient contracts, not to identify unallowable expenditures.

The Community Affairs Division's Comprehensive Energy Assistance Program utilizes an expenditure report that includes budget information.

Recommendations
o Budgets should be entered into the contract system at the budget line item level in order to ensure that subrecipients are not exceeding their approved budget amounts for any of the budgeted line items.
o The percentage of actual funds expended should be calculated in the contract system and compared to the budgeted amount for each line item.
o Line items should be created to address the most common expenditures now included in the "other" category.

Status:

06/15/09 - CS staff currently enters the CSBG budget category information in the note section of the CSBG contract system. Documentation related to expenditures reviews, which may have excess cash issues, are filed in T:\ca\all ca scanned\cacs scanned\Monitoring & Working Files\CSBG\2009\Expenditure Reviews. CSBG statute allows flexibility in the use of funds to support operations and has no restrictions or caps on specific budget categories.

12/01/08 - Community Services staff will enter the CSBG budget category information in the Community Affairs Contract System in the "Notes" section beginning in FY 2009. Documentation related to expenditures reviews, will be filed: T:\ca\all ca scanned\cacs scanned\Monitoring & Working Files\CSBG\2008\Expenditure Reviews. The CSBG statute allows great flexibility in the use of funds to support operations and has no restrictions or caps on specific budget categories.

06/11/08 - Management agrees that the existing system and processes used to monitor CSBG expenditures needs to be altered to address these recommendations. It is important to note that the Department has limited ability to disapprove CSBG expenditures or deny requests to modify the CSBG budget if the activities are defined as allowable in the CSBG Act. Staff will expand the existing monitoring instrument to address this concern and provide training and technical assistance to subrecipients regarding budget preparation for those subrecipients that repeatedly change the CSBG budget.

Issue #	Report Date / Auditors	Report Name / Audit Scope
40	6/11/2008 Internal Audit	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's

Division: Community Affairs

Section: Community Services - CSBG

	Status	Target Date
Px	06/11/08	10/31/2008
Px	12/01/08	2/20/2009
Ix	06/15/09	

Issue: Chapter 2-B
Community Services Staff Should Ensure Subrecipients Do Not Receive More Than a 30-day Supply of Funds

The expenditure reports in the contract system track projected expenditures for the next month, the prior month's expenditures and the cumulative expenditures of each subrecipient. The contract system uses this information to calculate the subrecipients' cash on hand. However, from our review of a sample of seven expenditure reports and five monitoring files which contain information on subrecipients' bank accounts, it appears that some subrecipients are receiving or retaining more than a 30-day supply of funds. The State of Texas Plan and Consolidated Application and the CSBG contract limit subrecipients to a 30-day supply of cash on hand. The contract specialist is responsible for reviewing the monthly expenditure reports and alerting the program officers if a subrecipient appears to have requested more than a 30-day supply of cash.

However, as long as the funds requested do not exceed 1/12 of the total annual allocation, funding requests are approved. As a result, subrecipients may be able to maintain higher balances of cash on hand. This increases the risk that the excess cash could be converted to non-CSBG uses.

Recommendations
During the monthly review of expenditure reports, Community Services staff should review the prior month's advances for specific line items and compare them against the actual expenditures reported by line item to ensure that the most recent funding request is reasonable.

The funding requests should be compared to the budget to determine a percentage of the total budget and to determine the reasonableness of the request.

Status:

06/15/09 - CS staff reviews monthly expenditure reports to determine the reasonableness of the request. Documentation related to expenditures reviews, which may have excess cash issues, will be filed in T:\ca\all ca scanned\cacs scanned\Monitoring & Working Files\CSBG\200 \Expenditure Reviews. Subrecipients with issues related to advanced payments will receive training and technical assistance.

12/01/08 - Community Services staff will continue to review monthly expenditure reports to determine the reasonableness of the request for advance payments. Documentation related to expenditures reviews will be filed in T:/ca/all ca scanned/cacs_scanned/Monitoring & Working\ Files/ CSBG/2008/Expenditure Reviews. Subrecipients with issues related to projections and excessive advanced payments will receive training and technical assistance from Department staff.

06/11/08 - Procedures will be instituted to thoroughly ensure that funding requests are reasonable as noted in the recommendation, and controls put in place to be sure that the procedures are followed. Staff will provide training and technical assistance to subrecipient staff, as needed, to improve the process to project expenditures and request advance payment.

Issue #	Report Date / Auditors	Report Name / Audit Scope
41	6/11/2008 Internal Audit	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's

Status		Target Date
Px	06/11/08	8/15/2008
Px	12/01/08	3/31/2009
Ix	06/15/09	

Division: Community Affairs

Section: Community Services - CSBG

Issue: Chapter 3-A:
Inconsistencies in the Disposition of Monitoring Issues Should Be Addressed

We reviewed the monitoring files for fiscal years 2006 and 2007 for a sample of five subrecipients and found that there were inconsistencies in how errors were identified and categorized by the program officers who monitor the subrecipients. The program officers document the issues they identify during on-site monitoring visits in one of three ways: findings, recommendations or notes. Findings identify actions that do not comply with grant requirements and must be addressed by the subrecipient and resolved to the satisfaction of Community Services. Recommendations are preferences suggested by Community Services, but do not necessarily require a change in the subrecipient's procedures. Notes are used to document a condition, but do not include a recommendation for resolution.

There are inconsistencies in the assignment of the status of findings, recommendations or notes. For example, the CSBG does not allow the payment of late fees using grant funds. For one subrecipient we reviewed, the payment of late fees was reported as a finding.
For another subrecipient, it was not reported at all. Prior findings identified during a previous on-site monitoring visit that were still outstanding during the next on-site monitoring visit were reported as a finding for one subrecipient, and as a note for another.

Recommendation
Community Services management should provide program officers with a guide for the designation and disposition of common issues to generate more consistent reporting.

Status:

06/15/09 - Staff has developed a Monitoring Guide which includes standard language for common monitoring issues. The Monitoring Guide was reviewed by Energy Assistance Section, Community Services Section, and Portfolio Management and Compliance Division. Program officers received training May 14, 2009 on the Monitoring Guide. The Texas Administrative Code was revised to include the definition of a finding, recommendation and note. The Monitoring Guide is currently being reviewed by Executive Management.

12/01/08 - Monitoring staff have developed a draft Monitoring Guide which includes standard language for common monitoring issues. Staff will finalize by 3/31/09. Additionally, the draft Monitoring Guide will be reviewed by Energy Assistance Section and Portfolio Management and Compliance Division. Annually, program officers will receive training on the Monitoring Guide.

06/11/08 - Management will develop a uniform definition for what constitutes a Finding, a Recommended Improvement and a Note that will be included in a Monitoring Guide Book for monitoring that outlines standard language for most commonly identified issues. The Project Manager for Monitoring will provide training to the Program Officers prior to each monitoring cycle to ensure a clear understanding of the Monitoring Guide Book. During the review of draft monitoring reports, the Project Manager will ensure adherence to the Monitoring Guide Book

Issue #	Report Date / Auditors	Report Name / Audit Scope
42	6/11/2008	Audit of the Community Services Block Grant and Emergency Shelter Block Grants
	Internal Audit	Review of the draw processing and monitoring functions of the Community Affairs Division's

Division: Community Affairs

Section: Community Services - CSBG

Status		Target Date
Px	06/11/08	1/1/2009
Px	12/01/08	3/31/2009
Ix	06/15/09	
Px	06/17/09	7/30/2009

Issue: Chapter 3-B
The Review of Subrecipient Financial Information Should Be Improved

The program officers who monitor the subrecipients for compliance review some financial information, but the information they gather, review and retain is not sufficient to formulate a complete picture of the subrecipient's financial condition. Subrecipients who receive in excess of $500,000 in annual grant funding are required to submit an audited annual financial report (AFR) to the Department no later than nine months after the end of their fiscal year. The AFR also includes opinions rendered on the major programs and the internal controls, as well as a schedule of expenditures of federal awards to comply with the Office of Management and Budget's (OMB) Circular A-133 Compliance Supplement. The AFRs are reviewed by the Department's Portfolio Management and Compliance Division (PMC), but the program officers do not compare the financial information in the AFRs to the other financial documents gathered during monitoring.

In at least one case, we noted that a subrecipient's annual audit resulted in a separate management letter addressing potential problems with the subrecipient's financial operations. This management letter provided important information that should have been used in the monitoring process, but the management letter was not obtained on a timely basis and may not have been reviewed by the program officer. Not obtaining and reviewing all of the results of the AFR increases the likelihood that fraud, waste or abuse could go undetected.

Program officers review financial documentation, but generally have not retained all of the documentation needed to verify assertions about bank account and general ledger fund balances. For example, the program officer may collect data on the income statement accounts (revenue and expenditures.) They may also review bank account data (bank statement, bank reconciliation, and accounting records such as the general ledger detail of the bank account activity.) However, the documents copied and retained are often missing one or more of these. If bank reconciliations are not completed timely or are not available during the on-site monitoring visit, the request for "the most recent" bank reconciliation will not tie to the data already collected, and is not of any significant value.

Recommendations
Subrecipients should be required to submit to the Department any management letters resulting from their AFR audit when submitting the AFR.

Program officers should obtain and review a copy of the most recent audited AFR and any associated management letters prior to conducting an on-site monitoring visit. This information should then be compared to the financial documents reviewed during monitoring.

A complete general ledger printout for the month(s) reviewed (including the asset, liabilities and equity accounts in addition to revenue and expenditures) should be obtained along with the banking account data. This document would allow the program officer to verify that the accounting records are complete and in balance, verify the timely posting of account activity and provide the opportunity to determine whether any inter-fund activity occurred. Any general journal adjustments to the accounts would be easily identified.

Status:

06/17/09 - Community Affairs "Monitoring" Standard Operating Procedure will be revised to require that Program Officers review the latest copy of the Audited Financial Report (AFR) and any related management letters on file. The general provisions of the TAC were revised to require subrecipients to submit a copy of the AFR to the Community Affairs Division and to Portfolio Management and Compliance Division (PMC) 10 TAC §5.16 (b). Program Officers review documents and determine if follow-up is needed. FY 2009 contracts include the requirement that a copy of the AFR be sent to the Community Affairs Division.

Monitoring instruments have been revised to address review of general ledger and bank account data to verify complete accounting records and review account activity.

06/15/09 - The Community Affairs "Monitoring" Standard Operating Procedure Has been revised to require that Program Officers review the latest copy of the Audited Financial Report (AFR) and any related management letters on file. The general provisions of the TAC were revised to require subrecipients to submit a copy of the AFR to the Community Affairs Division and to Portfolio Management and Compliance Division (fMC) 10 TAC §5.16 (b). Program Officers review documents and determine if follow-up is needed. FY 2009 contracts include the requirement that a copy of the AFR be sent to the Community Affairs Division.

Monitoring instruments have been revised to address review of general ledger and bank account data to verify complete accounting records and review account activity.

12/01/08 - The Community Affairs "Monitoring" Standard Operating Procedure will be revised to require that Program Officers review the most recent copy of the Audited Financial Report (AFR) and any related management letters on file. The proposed general provisions of the TAC will require subrecipients to submit a copy of the AFR to the Community Affairs Division and to Portfolio Management and Compliance Division (PMC) 10 TAC §516 (b). Program Officers will review documents and determine if follow-up is needed. FY 2009 contracts will include the requirement that a copy of the AFR be sent to the Community Affairs Division. Monitoring instruments will be revised to address review of general ledger and bank account data to verify complete accounting records and review account activity.

06/11/08 - The Community Services Block Grant (CSBG) and Emergency Shelter Grants Program (ESGP) Monitoring Standard Operating Procedures will be revised to require that Program Officers obtain a copy of the latest Audited Financial Report (AFR) and any related management letter on file within the Portfolio Management and Compliance Division (PMC). The CA Director will recommend updates to the CSBG and ESGP rules and contracts during the next rules and contract cycle to specify the requirement of submission of the AFR and management letters to CA in addition to PMC. The Program Officer will review the AFR and management letter to determine if follow up is needed. Processes will also be changed regarding review of general ledgers and banking account data to verify that the accounting records are complete and in balance, verify the timely posting of account activity and provide the opportunity to determine whether any interfund activity occurred. Staff will be trained in this area.

Issue #	Report Date / Auditors	Report Name / Audit Scope
43	6/11/2008 / Internal Audit	Audit of the Community Services Block Grant and Emergency Shelter Block Grants / Review of the draw processing and monitoring functions of the Community Affairs Division's

Status		Target Date
Px	06/11/08	11/1/2008
Px	12/01/08	1/31/2008
Nr	06/12/09	
Px	06/17/09	7/30/2009

Division: Community Affairs

Section: Community Services - CSBG

Issue: Chapter 3-C
Criteria for Cost Reimbursement Should Be Identified

Community Services has not defined the criteria used to decide what sanctions to apply to subrecipients who have significant or repeated monitoring findings, or who do not comply with the CSBG grant requirements. An example of non-compliance is the failure to submit an audited AFR as required. The most significant sanction available to CSBG program staff is to place a subrecipient on cost reimbursement. This means that instead of receiving their grant funds in advance, the subrecipients placed on cost reimbursement must submit their receipts, invoices and check stubs for actual expenses in order to be reimbursed by the Department with CSBG funds. Without clear criteria for cost reimbursement or other sanctions, the Department could be left open to allegations of favoritism, inequities, or discrimination.

Recommendations
Community Services should define the range of sanctions that can be used for the various types of monitoring findings or issues of non-compliance. The following issues should be included:
o Fiscal mismanagement, fraud, waste and abuse,
o Repeated findings from previous monitoring reports that show a pattern of noncompliance (special attention should be paid to repeat financial findings),
o Issues with the composition of the subrecipient's governing board, including issues concerning board member attendance and representation, and general management failures, and
o Unresolved findings outstanding for a given period of time. For example, findings that are not resolved within a designated period of time should immediately prompt a decision regarding sanctions.

Status:

06/17/09 - The TAC rules have been revised to address "sanctions" in §5.17 "Sanctions and Contract Ciose Out". The Sanctions SOP will be revised to incorporate the TAC revisions.

06/12/09 -

12/01/08 - The Texas Administrative Code Rules have been revised to address "Sanctions" in §5.17 "Sanctions and Contract Close Out". The TAC Rules will be codified in January 2009. The Sanctions SOP will be revised to incorporate the TAC revisions.

06/11/08 - The existing Sanctions Standard Operating Procedure will be revised to define the range of sanctions that can be used for the various types of monitoring findings or issues of non-compliance and how and when the sanctions will be applied.

Issue #	Report Date / Auditors	Report Name / Audit Scope
44	6/11/2008	Audit of the Community Services Block Grant and Emergency Shelter Block Grants
	Internal Audit	Review of the draw processing and monitoring functions of the Community Affairs Division's

Division: Community Affairs

Section: Community Services - CSBG

	Status	Target Date
Px	06/11/08	9/30/2008
Px	12/01/08	5/31/2008
Ix	06/15/09	

Issue: Chapter 3-D
Monitoring Reports Need to Be Completed on a Timely Basis

Community Services' monitoring policies and procedures require that subrecipients receive a written monitoring report within 30 days for CSBG on-site monitoring visits or within 45 days for joint CSBG and Comprehensive Energy Assistance Program (CEAP) on-site monitoring visits. For the 31 on-site monitoring visits performed in fiscal year 2007, 18 reports (58%) were not sent out within the required timelines. The subrecipients are required to respond to the monitoring findings within 30 days, or 45 days for joint monitoring visits. If additional responses are needed, the subrecipient has 15 days to submit their follow-up responses. However, these responses are often not received for months.

For the 31 on-site monitoring visits performed in fiscal year 2007:
- One notification letter was not sent to the subrecipient, and 11 of the 31 required notification letters were sent late (35%) and did not provide the suggested 30 days notice prior to a monitoring visit;
- Review of the report was not documented on a review coordination sheet for five of the 31 visits (16%); and
- Twelve of the 31 reports (39%) were not sent to the subrecipients' governing boards as required.

Recommendation
Community Services' policies and procedures should be reviewed, revised and followed to ensure that monitoring reports are timely, are reviewed internally and are communicated to the subrecipients' governing boards as required.

Status:

06/15/09 - Staff developed a Monitoring Guide which includes standard language for common monitoring issues. Staff finalized the Monitoring Guide May 2009. The Guide thoroughly addresses documentation standards. The Monitoring Guide was reviewed by Energy Assistance Section. The Community Services Section, and Portfolio Management and Compliance Division. Community Services monitoring tracking system was updated to allow staff to enter the contract numbers. Additional modifications to that system are still needed. Program officers received training on the Monitoring Guide in May 2009. Monitoring procedures have been revised to allow 45 days. Instead of 30 days for the Department to issue the monitoring report and 45 days for the subrecipient to respond. Energy Assistance and Community Services will continue to work with Information Systems to modify the monitoring tracking systems so that more useful reports such as tracking deadlines are developed.

12/01/08 - Monitoring staff have developed a draft Monitoring Guide which includes standard language for common monitoring issues. The Guide will more thoroughly address documentation standards. Staff will finalize by 3/31/09. Additionally, the draft Monitoring Guide will be reviewed by Energy Assistance Section and Portfolio Management' and Compliance Division. The Monitoring Tracking System will be updated to generate more useful reports to alert staff about approaching deadlines. Information Systems anticipates modifications to be completed 5/31/09. Annually, Program officers will receive training on the Monitoring Guide. Monitoring procedures have been revised to allow 45 days, instead of 30 days for the Department to issue the monitoring report and 45 days for the subrecipient to respond.

06/11/08 - Management will review and revise the Monitoring Standard Operating Procedure to more thoroughly address the recommendations in regards to timeliness of reports and correspondence, documentation of internal reviews, and communication with subrecipients' governing boards. Consistency between policies will be improved and controls will be put in place to ensure these processes are followed. Additionally, the existing monitoring tracking system will be updated to generate more useful reports to alert staff about approaching deadlines.

45	6/11/2008	Audit of the Community Services Block Grant and Emergency Shelter Block Grants			
	Internal Audit	Review of the draw processing and monitoring functions of the Community Affairs Division's	**Status**		**Target Date**
			Px	06/11/08	9/1/2008
			Px	12/01/08	3/31/2009
			Ix	06/15/09	

Division: Community Affairs

Section: Community Services - CSBG

Issue: Chapter 3-E
All Program and Expenditure Requirements Need to Be Reviewed During Monitoring Visits

Generally, all program and expenditure requirements are considered during on-site monitoring visits. However, we compared the contract, rules, grant requirements and monitoring instruments used by the program officers during on-site monitoring visits and noted the following issues:

• One of the questions on the monitoring instrument, "Does the subrecipient maintain procedures which conform to the uniform administrative requirements?" has "not applicable" for the CSBG program. However, the CSBG contract states, "Except as expressly modified by law or the terms of this contract, subrecipient shall comply with the cost principles and uniform administrative requirements set forth in the Uniform Grant Management Standards, 1 T.A.C. Sec. 5.141 et seq."
• The monitoring instrument does not prompt program officers to ensure that the expenditures submitted by subrecipients as support for costs are expenditures that were incurred during the contract period. Section 4 of the contract states that the "Department is not liable to Subrecipient for any cost incurred by Subrecipient which is not incurred during the Contract period."
• A review is not performed to determine if the subrecipient's board-approved travel policies were provided to Community Services prior to the subrecipient incurring travel costs.
• Program officers do not review to ensure that the programs and services listed in the subrecipients' CAP plan are actually provided.
• There is no standard form for the program officers to use in documenting the results of their expenditure review.

Recommendations
Program officers should review programs and expenditures during on-site monitoring visits to ensure that subrecipients are complying with the Uniform Grant Management Standards, costs are incurred during the contract period, and subrecipients are providing the programs detailed in their CAP plan.

The program officers should ensure that subrecipient's board-approved travel policies are provided to Community Services prior to incurring any travel costs.

A standard form should be developed to document the results of the expenditure review

Status:

06/15/09 - Section 6A of the 2008 ESGP contract has been revised to include reference to the Uniform Grant Management Standards (UGMS) and to address inconsistencies in references. The monitoring instruments were revised to address time period of expenditure reviews. Management will institute controls to ensure that the monitoring instrument is properly completed. 10 TAC §5.2 was codified in March 2009, and states that subrecipients must comply with UGMS and the OMS circulars Subrecipients were requested to submit a current board approved travel policy and are on file.

12/01/08 - Section 6A of the 2008 ESGP contract has been revised to include reference to the Uniform Grant Management Standards (UGMS) and to address inconsistencies in references. The monitoring instruments will be revised to address time period of expenditure reviews. Management will institute controls to ensure that the monitoring instrument is properly completed. The Texas Administrative Code Rules 10 TAC §5.2 which will be codified in January 2009 state that subrecipients must comply with UGMS and the OMS Circulars. Subrecipients will be requested to submit a current board approved travel policy by 3/31/09.

06/11/08 - Management acknowledges inconsistencies in the CSBG and ESGP contracts and the corresponding monitoring instruments. The current contracts reference the Uniform Grant Management Standards (UGMS) and the Office of Management and Budget (OMB) Circulars and the monitoring instruments only reference the OMB Circulars.
Management will update the contracts and monitoring instruments to include references to UGMS and the OMB Circulars.

The Department will continue to review the monitoring instrument and consider strengthening the review process. The monitoring instrument will be revised to indicate that expenditures reviewed are within the contract period and other changes to the instrument made so that wording of questions better addresses risks and that appropriate follow up occurs for questions. Staff will be trained on the instrument and its changes. Further, controls will be put in place to ensure the monitoring tool is being properly completed (i.e. peer reviews or similar solution.)

Management will request a board-approved travel policy from each CSBG subrecipient to maintain in an electronic file at the Department. If a subrecipient changes their travel policy, the subrecipient will be required to submit a new policy to the Department.
A standard form, or similar effective tool, will be developed to document the results of the expenditure review.

Issue #	Report Date / Auditors	Report Name / Audit Scope
46	6/11/2008 / Internal Audit	Audit of the Community Services Block Grant and Emergency Shelter Block Grants / Review of the draw processing and monitoring functions of the Community Affairs Division’s

Division: Community Affairs

Section: Community Services - CSBG

Status		Target Date
Px	06/11/08	10/31/2008
Px	12/01/08	5/31/2009
Dx	06/15/09	

Issue: Chapter 3-F
The Monitoring Tracking System and the Risk Assessment Process Should be Updated and Improved

All subrecipients are required to have an on-site monitoring visit at least once every three years, and Community Services does a good job of ensuring that these reviews take place. Community Services uses a risk assessment process to determine which subrecipients to monitor each year. They use the Department’s standard risk assessment module and rely on an automated monitoring tracking system to track the number, type, and status of findings reported as a result of on-site monitoring visits. The information from the monitoring tracking system is used to complete the risk assessment module. However, the monitoring tracking system is not being kept up to date. As a result, the system can not be relied upon in completing the risk assessment process, and staff must manually go through monitoring reports to determine the information they need for the risk assessment. In addition, the risk assessment does not capture all of the information needed to accurately determine risk.

In comparing the information contained in the monitoring tracking system to the information gathered from manually reviewing monitoring reports and responses, of the 65 on-site monitoring visits performed over the past two years:
• The information contained in the system matches the information in monitoring reports and responses for 16 visits (24.6%),
• The information contained in the system is incomplete when compared to the monitoring reports and responses for 34 visits (52.3%)and inaccurate for one visit, and
• There is no record of 14 monitoring visits (21.5%) in the monitoring tracking system.

Of the 453 questions answered in the 2006 risk assessment, 83 questions (19.6%) were answered incorrectly or not at all. In addition, the possible answers to the risk assessment questions do not provide an accurate assessment of which subrecipients pose the highest risk. For example:
• A subrecipient with one previous monitoring finding currently receives the same ranking as a subrecipient with multiple findings on a previous monitoring report.
• A subrecipient that has never been monitored is currently ranked higher for the question 'time since last on-site visit', but is rewarded by receiving no points for the questions 'results of last on-site visit' and 'status of most recent monitoring report.
• A subrecipient can be delinquent in providing their audited annual financial report to the Department for multiple months, but if they are in compliance on the day the risk assessment is completed, they are ranked the same as an entity who was in full compliance with the audit requirement throughout the year.

Recommendations
Community Services should:
• Revisit the use of the monitoring tracking system for tracking the findings resulting from on-site monitoring visits. This should be done before additional resources are spent in improving or maintaining the current system. If the monitoring tracking system is used, Community Services should develop processes to ensure that data entered into the system is complete and is periodically compared to the data in the monitoring files
• Develop a process or a database that will track the data used in the Department’s risk assessment module, and
• Further develop answers to the questions in the risk assessment in order to produce a more accurate risk ranking of the subrecipients.

Status:

06/15/09 - Information Systems has made modifications to the monitoring tracking system but additional modifications are needed. The IS division is currently working on projects assessed as higher priority to the Department. The IS division has set the incorporation of the American Recovery and Reinvestment Act contracts and reporting mechanism into the current Community Affairs contract system as a high priority.

12/01/08 - The Information Systems Division has made modifications to the Monitoring Tracking System but additional modifications are needed and will be completed by 5/31/09.

06/11/08 - The CA Division in conjunction with the IS Division will revisit and update the monitoring tracking system that tracks monitoring findings. A CS staff member, who is not required to travel, will be designated to maintain the monitoring tracking system. The existing monitoring tracking system tracks data used in the Department's Risk Assessment Module. Management will ensure that data is entered in a timely manner.

Prior to the 2008 Risk Assessment, questions and weights were revised to reflect a more accurate risk ranking of the subrecipients. The Risk Assessment will continue to be evaluated and improved.

Issue #	Report Date / Auditors	Report Name / Audit Scope
47	6/11/2008	Audit of the Community Services Block Grant and Emergency Shelter Block Grants
	Internal Audit	Review of the draw processing and monitoring functions of the Community Affairs Division's

Status		Target Date
Px	06/11/08	10/1/2008
Px	12/01/08	3/31/2009
Ix	06/15/09	

Division: Community Affairs

Section: Community Services - CSBG

Issue: Chapter 4-A
Community Services Should Review Underlying Data to Ensure That Performance Measures are Correct

Program officers are not required to review the supporting documentation (or even the supporting documentation for a sample of clients) to ensure that the subrecipients are correctly reporting the number of individuals transitioning out of poverty. This number is defined as the number of individuals achieving incomes above 125% of the poverty level.
Four out of the nine LBB performance measures for Community Services use this data in their calculations and of these four, three are key measures for the Department.

The number of individuals transitioning out of poverty is important because it is used as part of both the ROMA and the LBB performance measures, and is used to determine the amount of discretionary funds paid to subrecipients in the form of performance awards. (see Chapter 4-B) The definitions and methods of calculation for this measure do not require the Department to verify the data submitted by the subrecipients; however, the LBB's performance measures guidance requires the Department to have sufficient controls in place to ensure the accuracy of the data. Without the control of testing or verifying at least a sample of the underlying data, it is not possible for the Department to ensure that the data is accurate.

Recommendations
• When reviewing a sample of client files during monitoring visits, program officers should re-calculate the reported incomes using the supporting documentation in the client file to confirm that clients who were reported as transitioning out of poverty really did so, and that only allowable income is considered.
• Community Services should develop and enforce a standard methodology for calculating income to ensure consistent and comparable results.

Status:

06/15/09 - The CSBG monitoring instrument was revised in May 2009 to clarify the verification of the allowable income of clients that transitioned out of poverty and other CSBG clients. A new attachment was created for the review of CSBG case management files and to review income documentation for households transitioned out of poverty.

12/01/08 - The CSBG monitoring instrument will be revised to clarify the verification of the allowable income of clients that transitioned out of poverty and other CSBG clients.

06/11/08 - The current process will be reviewed by Management and the Community Services Block Grant monitoring instrument will be revised to clarify the verification of the allowable income of clients that transitioned out of poverty and other CSBG clients.

Issue #	Report Date / Auditors	Report Name / Audit Scope
48	6/11/2008 Internal Audit	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's

Division: Community Affairs

Section: Community Services - CSBG

	Status	Target Date
Px	06/11/08	11/13/2008
Px	12/01/08	5/31/2009
Px	06/15/09	5/31/2010

Issue: Chapter 4-B
Information Submitted by Subrecipients in Support of Performance Awards Should be Tested for Accuracy

In August of 2007, twenty-eight subrecipients received a total of $164,000 in performance awards for individuals transitioned out of poverty during the 2006 program year. Analysis of a judgmental sample of 30 families transitioned out of poverty showed that 18 (60%) of the 30 families' files tested did not contain sufficient correct documentation to support the assertion that these families were transitioned out of poverty. Subrecipients are required to submit a list of the families that they transition out of poverty as support for their performance award; however these lists do not contain details such as full names and social security numbers. Community Service's staff verify that the listed incomes are within the poverty level guidelines and that the dates listed support the assertion that the families' income was above 125% of the poverty level for at least 90 days. The analysis of the 30 families' documentation showed errors including:

• Math errors
• Considering partial paychecks at intake and full paychecks in determining that the family was out of poverty,
• Overtime not included when determining the family was in poverty but including overtime in order to determine that the family was out of poverty, and
• Not including a spouse's income to determine the family was in poverty, then including the spouse's income to determine that the family was out of poverty.

In addition, there were three families who were transitioned out of poverty, but the wage earners in these families were the subrecipient's own employees. Although not against the rules, this practice is questionable when used as support for a performance award.

Recommendations
If the Department provides monetary awards to subrecipients for transitioning clients out of poverty, Community Services staff should:

• Select a random sample from the list of clients submitted to support the number of clients transitioning out of poverty,
• Request the supporting documentation (income verification) for the selected clients at all points: intake, transitioned out of poverty and 90 days post transition,
• Require subrecipients to provide full names and social security numbers (if available) for each family member transitioned out of poverty and verify that these social security numbers are valid,
• Develop standardized rules that will eliminate any "easy fixes" such as considering a partial paycheck for intake and a full paycheck for out of poverty, or considering overtime for out of poverty calculations, and
• Revise the eligibility criteria in order to prevent subrecipients from receiving an award for their own employees.

Status:

06/15/09 - Community Affairs has formed an advisory committee of subrecipients to recommend changes to the CSBG performance awards process. The first meeting of the committee was held December 15, 2008. It is anticipated that the committee will continue to meet throughout 2009 and 2010 and provide recommendations regarding the performance awards process.

12/01/08 - The Community Affairs Division has formed an advisory committee of subrecipients to recommend changes to the CSBG performance awards process. The first meeting of the committee will be 12/15/08. It is anticipated that the committee will complete the project by 3/31/09. Staff will make recommendations to the Executive Team and/or Governing Board to revise internal procedures and amend TAC rules related to the performance awards process.

06/11/08 - To the degree that Performance Awards are utilized, and that transitioning people out of poverty is the measurement used to grant performance awards, staff will recommend that the Texas Administrative Code be revised to include a standard methodology for calculating income to ensure consistent and comparable results. Prior to conferring CSBG performance awards, the Department will select a random sample of client files to verify the accuracy of the data used for granting performance awards. Staff will provide clarification to subrecipients on the criteria that need to be met to report a client as transitioned out of poverty. The Department will require that the subrecipient's executive director and/or program director certify in writing that the clients were transitioned out of poverty as reported. Staff will revise the eligibility criteria for CSBG performance awards to exclude clients who were hired by the subrecipient and consequently transitioned out of poverty.

Staff will research a reasonable procedure by which subrecipients can verify the validity of social security numbers to the extent they are provided.

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Internal Audit | Review of the draw processing and monitoring functions of the Community Affairs Division's

Division: Community Affairs

Section: Community Services - CSBG

Status		Target Date
Px	06/11/08	1/1/2009
Px	12/01/08	5/31/2009
Px	06/15/09	5/31/2010

Issue: Chapter 4-C
Performance Awards Should Only Be Given to Subrecipients Who Meet the Eligibility Criteria

In the program year 2006 awards cycle given out in August 2007, there were seven awards totaling $25,000 given to subrecipients that had unresolved audit findings from their most recent on-site monitoring visits. In addition, performance awards totaling $20,000 were given to five subrecipients that were delinquent in submitting their audited annual financial report at the time of the award. These subrecipients were ineligible to receive a performance award under the criteria established by the Department. The $45,000 given out in error represents 27% of the $164,000 in awards given out during the program year 2006 award cycle.

Recommendation
Community Services staff should ensure that all subrecipients who receive a performance award meet the criteria for receiving an award. In addition, the criteria should be amended to prohibit any subrecipient from receiving an award if they were delinquent in meeting their single audit requirements at any time during the year, not just at the time of the performance awards.

Status:

06/15/09 - Community Affairs has formed an advisory committee of subrecipients to recommend changes to the CSBG performance awards process. The first meeting of the committee was held December 15, 2008. It is anticipated that the committee will continue to meet throughout 2009 and 2010 and provide recommendations regarding the performance awards process. Community Affairs will coordinate with Portfolio Management and Compliance Division to ensure organizations are not delinquent in their singie audit requirements.

12/01/08 - The Community Affairs Division has formed an advisory committee of subrecipients to recommend changes to the CSBG performance awards process. The first meeting of the committee will be 12/15/08. It is anticipated that the committee will complete the project by 3/31/09. Staff will make recommendations to the Executive Team and/or Governing Board Staff to revise internal procedures and amend TAC rules related to the performance awards process. Community Affairs will coordinate with Portfolio Management and Compliance Division to ensure organizations are not delinquent in the single audit requirements.

06/11/08 - To the extent that CSBG Performance Awards are utilized and that transitioning people out of poverty is the measurement used to grant performance awards, the Department will provide clarification to subrecipients on the criteria which need to be met in order to qualify to receive a CSBG performance award. Further, the CA Director will require submission of the AFR and management letters to CA in addition to PMC and will collaborate with PMC in their review to ensure no awards are made to organizations delinquent in their single audit requirements.

Issue #	Report Date / Auditors	Report Name / Audit Scope
50	6/11/2008	Audit of the Community Services Block Grant and Emergency Shelter Block Grants
	Internal Audit	Review of the draw processing and monitoring functions of the Community Affairs Division's

Status		Target Date
Px	06/11/08	1/1/2010
Ix	12/01/08	

Division: Community Affairs

Section: Community Services - CSBG

Issue: Chapter 5-A
Only Eligible Administrative Costs Should Be Charged to the Emergency Shelter Grant Program

Currently, all work performed by the ESGP staff is charged to the grant. This means that staff is charging the time they work on developing the Consolidated Plan to the ESGP's administrative funds. However, the U.S. Department of Housing and Urban Development (HUD), which administers the ESGP, states that ineligible administration costs include the preparation of the Consolidated Plan and other application submissions.

The Consolidated Plan serves as the state's application to the federal Government for ESGP funds. The plan states how the Department will pursue the goals of decent housing, a suitable living environment and expanded economic opportunities for all community development and housing programs.

Recommendation
The Department should find an alternate fund to which staff can charge the work performed on the Consolidated Plan.

Status:

12/01/08 - Staff has changed the process for allocating staff time associated with the HUD Consolidated Plan whereby ESGP funds are not charged for preparation of the Plan.

06/11/08 - The Department will utilize an eligible source of funds to develop the Emergency Shelter Grants Program portion of the 5 Year Housing and Urban Development Consolidated Plan, which includes work on the Annual Action Plan and Consolidated Annual Performance Evaluation Report (CAPER). CS staff will allocate time related to the development of the 5 Year HUD Consolidated Plan to an eligible source of funds.

Issue #	Report Date / Auditors	Report Name / Audit Scope
51	6/11/2008	Audit of the Community Services Block Grant and Emergency Shelter Block Grants
	Internal Audit	Review of the draw processing and monitoring functions of the Community Affairs Division's

Status		Target Date
Px	06/11/08	9/1/2008
Ix	12/01/08	

Division: Community Affairs

Section: Community Services - CSBG

Issue: Chapter 5-B
The Methodology Used for Subrecipient Payments Should Ensure
Consistency and Compliance with the Contract

The ESGP contract states that the subrecipient may request advance payment by submitting a properly completed monthly report to the Department. According to the HUD ESGP Program Guide, either cost reimbursement or advance payments can be used, depending on how the funds are handled. The CFR (24 CFR 85.20) states that, "Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and sub grantees must be followed whenever advance payment procedures are used." Program staff state that the program is set up on a cost reimbursement basis and advance payments are not made. However, a review of one subrecipient indicates that they are making cost projections and receiving advance payments.

Recommendation
The Department should review the requirements and benefits of both the advance payment and cost reimbursement methodologies and determine which one to use. The contract and other written guidelines should be revised to ensure consistency with the chosen method.

Status:

12/01/08 - The 2008 ESGP contract was revised to only allow a one time advance payment.

06/11/08 - Management will review and ensure that the language in the Emergency Shelter Grants Program (ESGP) contract is consistent with the Housing and Urban Development ESGP Program Guide that allows for either cost reimbursement or an advance method of payment. A set of risk criteria will be established, and the payment method allowed for each subrecipient will be based on the level of risk. Staff will be trained to use the risk criteria to determine the appropriate method of payment for an ESGP subrecipient.

Issue #	Report Date / Auditors	Report Name / Audit Scope
52	6/11/2008	Audit of the Community Services Block Grant and Emergency Shelter Block Grants
	Internal Audit	Review of the draw processing and monitoring functions of the Community Affairs Division's

Division: Community Affairs

Section: Community Services - CSBG

Status		Target Date
Px	06/11/08	12/31/2008
Px	12/01/08	3/31/2009
Ix	06/15/09	

Issue: Chapter 6-A
The Processes Used to Document and Communicate Monitoring Results Should Be Revised

There are inconsistencies in the manner in which program officers determine which issues are identified as findings and reflected in the final monitoring report and which issues are resolved on-site by the program officers via technical assistance and are not reflected in the report. During a review of the monitoring reports and monitoring instruments of multiple subrecipients, the same issue was reported as a finding in one report, while in another report it was documented as a recommended improvement. Recommended improvements do not require the subrecipient to respond to Community Services on how the issue will be corrected. Also, instances were noted where an issue was documented as a finding on the original monitoring instrument and then changed to a recommended improvement without documenting the reasons for the change.

The program officers who monitor the ESGP subrecipients complete a standard monitoring instrument during on-site monitoring visits. However, the monitoring instrument is not always entirely completed, nor is the monitoring information correctly posted to the monitoring tracking system.

We tested the monitoring files for 26 of the 76 subrecipients in program year 2006 and found that:
• three of 26 the subrecipient files did not contain any monitoring documents for the program year 2006 monitoring visit,
• 12 of the 23 subrecipient files for which documentation of a program year 2006 monitoring visit was available, did not have the monitoring instrument fully completed by the program officer during the monitoring visit,
• 13 of the 26 ESGP monitoring files were not posted to the monitoring tracking system and an additional 6 were not posted correctly, and
• 19 of the 26 monitoring files did not contain a cumulative inventory report, which is required by the ESGP contract and should be submitted to Community Services by October 31st.

The ESGP policies and procedures require that the monitoring reports be sent to the subrecipients within 30 days of the monitoring visit, and that the subrecipients provide written responses to the findings within 30 days from the date of the report. If additional responses are needed, the subrecipients have 15 days to submit their follow-up responses. Follow-up letters requesting additional responses must be sent within 30 days from the date of the original monitoring response, or, if no additional responses are needed, the letter sent to close out the monitoring report must be sent within 30 days of the date of the responses.
• 16 of the 23 subrecipient monitoring files did not contain evidence that the monitoring reports were sent to the subrecipient on a timely basis,
• six of the 23 subrecipients did not submit their monitoring responses within the required 30 days,
• three of the 6 subrecipients who were required to submit additional responses did not submit the additional responses within the required 15 days, and
• 11 of the 23 subrecipient monitoring files tested indicated that the follow-up or closeout letters were not sent within 30 days as required. Four of the 23 subrecipient files did not have close out letters in the file, so it is unclear whether these monitoring reports were closed.

Recommendation
Community Services should develop processes to ensure that:
• Program officers are consistent in determining what issues are identified as findings and what issues are identified as recommended improvements,
• Monitoring files contain support for monitoring visits,
• Monitoring instruments are properly completed,
• Information entered into the monitoring tracking system is verified against the information in the monitoring files, and
• Correspondence and reports are sent to subrecipients on a timely basis.

Status:

06/15/09 - Staff has developed a Monitoring Guide which includes standard language for common monitoring issues. Monitoring Guide was reviewed by Energy Assistance Section. Community Services Section, and Portfolio Management and Compliance Division. Program officers received training May 14, 2009 on the Monitoring Guide. The Texas Administrative Code 10 TAC §5.16 was revised to include the definition of a finding, recommendation and note. Monitoring Guide is being reviewed by Executive Management. Procedures for support documentation have been revised to ensure that monitoring files are complete and that monitoring instruments are properly completed. Monitors are required to verify information entered into the monitoring tracking system coincides with information in the monitoring files. Monitors will be required to send correspondence and reports to subrecipients on a timely basis.

12/01/08 - Monitoring staff have developed a draft Monitoring Guide which includes standard language for common monitoring issues. The Program officers received training on the Monitoring Guide and for what is considered a finding, recommended improvement, a note, and standard language for common findings. Staff will finalize by 3/31/09. Additionally, the draft Monitoring Guide will be reviewed by Energy Assistance Section and Portfolio Management and Compliance Division.

06/11/08 - 06/11/08 - Management will develop a uniform definition for what constitutes a Finding, a Recommended Improvement and a Note that will be included in a Monitoring Guide Book that outlines standard language for most the commonly identified issues. The Project Manager for Monitoring will provide training to the Program Officers prior to each monitoring cycle to ensure a clear understanding of the Monitoring Guide Book. During the review of draft monitoring reports, the Project Manager will ensure adherence to the Monitoring Guide Book. The CS Project Manager for Monitoring, responsible for ESGP, will provide training to Program Officers to ensure that monitoring files contain adequate support documentation and monitoring instruments are properly completed.

The CA Division in conjunction with the IS Division will revisit and update the monitoring tracking system that tracks monitoring findings. A CS staff member, who is not required to travel, will be designated to maintain the monitoring tracking system.

Management will provide training and oversight to ensure that staff adheres to the existing Monitoring Standard Operating Procedure in regards to timeliness of reports and correspondence, documentation of internal reviews, and communication with subrecipients' governing boards. The existing monitoring tracking system will be updated to generate more useful reports to alert staff about approaching deadlines.

Issue #	Report Date / Auditors	Report Name / Audit Scope
53	6/11/2008 / Internal Audit	Audit of the Community Services Block Grant and Emergency Shelter Block Grants / Review of the draw processing and monitoring functions of the Community Affairs Division's

Division: Community Affairs

Section: Community Services - CSBG

Status		Target Date
Px	06/11/08	9/1/2008
Px	12/01/08	2/28/2009
Ix	06/15/09	
Px	06/19/09	

Issue: Chapter 6-B

Community Services Should Ensure That Subrecipients Comply with Federal Salary Requirements

The program officers who monitor the ESGP subrecipients do not review the supporting documentation for salaries in order to ensure that subrecipients comply with the Office of Management and Budget's (OMB) Circular A-122, which covers cost principles for nonprofit organizations, and Circular A-87, which covers cost principles for state, local and Indian tribal governments.

Circulars A-122 and A-87 require subrecipients' timesheets to reflect actual time worked. However, the monitoring instrument for ESGP asks, "Do the time sheets reflect actual time worked or a budgeted percentage?" Also, the program officers do not review to ensure that the timesheets are for the total activity of the employee, are maintained at least monthly, are signed by the employee or the authorized supervisor (for the non-profit subrecipients), and that the time sheet is signed by the employee (for state, local and Indian tribal government subrecipients.) Circular A-87 also requires that when an employee is working solely on a single program, the wages are supported by a periodic certification that is prepared at least semi-annually and is signed by the employee or a supervisory official having first hand knowledge of the work performed by the employee.

Recommendation

The monitoring instrument should be modified in order to require the program officers to review time sheets to ensure that the time reported is the actual time worked. The program officers should also ensure that the timesheets are for the total activity of each employee, that they are maintained at least monthly, and that they are signed by the correct individuals as required by Circulars A-122 (non-profits) and A-87 (state, local and Indian tribal governments.)

Status:

06/19/09 - After reviewing the ESGP Monitoring Instrument, the following items were noted:

1. The revised ESGP Monitoring Instrument DID include provisions for a program officer to review timesheets
2. The Monitoring Instrument did NOT include a requirement for time reported to be compared and verified for actual time worked.
3. The Monitoring Instrument did NOT include a requirement for compliance with Circulars A-122 and A-87.

06/15/09 - Emergency Shelter Grant Program Monitoring instrument was revised March 9, 2009 to address requirements related to timesheets.

12/01/08 - The ESGP Monitoring instrument will be revised to address requirements related to timesheets.

06/11/08 - The Emergency Shelter Grants Program (ESGP) monitoring instrument will be revised to expand the questions, and oversight, related to the review of subrecipient timesheets as required by OMB Circulars A-122 and A-87 and as further clarified by the Department's Legal Division.

Issue #	Report Date / Auditors	Report Name / Audit Scope
55	6/11/2008 / Internal Audit	Audit of the Community Services Block Grant and Emergency Shelter Block Grants / Review of the draw processing and monitoring functions of the Community Affairs Division's

Division: Community Affairs

Section: Community Services - CSBG

Status		Target Date
Px	06/11/08	9/1/2008
Px	12/01/08	2/28/2009
Nr	06/12/09	
Ix	06/17/09	

Issue: Chapter 6-D

Subrecipients Should Document the Review of Client Eligibility Prior to Providing Funding for Essential Services

Two of the four categories of ESGP funds, homeless prevention funds and essential services funds are used to assist clients. Most ESGP clients receive homeless prevention services which consist of rent or utilities payments, or other services paid for with ESGP funds to prevent homelessness. Most of the essential services funds are used for subrecipient administration, but some clients receive funds from essential services, which are payments made directly to the client for things like bus tokens, job training or medical and psychological counseling. The subrecipients are not required to retain completed intake forms for clients that receive essential services, and program officers do not review client files to determine if the clients who received these funds were eligible.

Recommendation

Eligibility should be reviewed, documented and retained for all clients who receive essential services.

Status:

06/17/09 - ESGP Monitoring instrument was revised to indicate client eligibility requirements.

06/12/09 -

12/01/08 - The ESGP Monitoring instrument will be revised to affirm the eligibility of clients for essential services.

06/11/08 - Intake forms are currently required for homelessness prevention services provided directly to the clients such as rental subsidies and utility payments. When subrecipients provide essential services that include food, bus tokens and personal hygiene items (such as soap and shampoo), subrecipients maintain a log detailing client names. However, staff will improve on this tool so that it has the ability to affirm eligibility of clients for essential services.

Issue #	Report Date / Auditors	Report Name / Audit Scope	Status	Target Date
61	5/6/2009 Internal Audit	Internal Audit Report on Loan Servicing and Recycling of Program Income in the HOME Divi The scope of this audit included the loan document processing and loan servicing functions	Ix	06/01/09

Division: Financial Administration

Section: Accounting Operations

Issue: Chapter 1-A
Condition: The method used to collect and record program income does not distinguish between the source program years.
Cause: As payments are deposited to the treasury and posted to the State's Uniform Statewide Accounting System (USAS), the deposit can only be posted to one of three open years - the current appropriation year or on of the two previous appropriation years.
Effect: Because of the design of USAS, the Department made a decision to allocate all program income deposits to the oldest open appropriation year. As a result, it is not possible to determine from which program year the loans that generate this program income originated.

Status:

06/01/09 - A recommendation was not included in the report and at this time audit has determined it would not be cost effective to pursue separation of program year income - HF

Issue #	Report Date / Auditors	Report Name / Audit Scope
62	5/6/2009	Internal Audit Report on Loan Servicing and Recycling of Program Income in the HOME Divi
	Internal Audit	The scope of this audit included the loan document processing and loan servicing functions

Status		Target Date
Px	05/06/09	7/31/2009
Ix	06/11/09	
Px	06/12/09	7/30/2009

Division: Financial Administration

Section: Loan Servicing

Issue: Chapter 1-B

Condition: A. In five of twenty-three paid in full (zero balance) homebuyer assistance loans tested (21.7%), the Department did not collect the correct amount from the borrower. For example, we found one loan that was paid off in May 2007. This loan provided for 1/10 of the principal balance to be forgiven in each year of the ten-year term of the loan. The payoff was for the full amount, even though one year of principal should have been forgiven. This resulted in $1,000 overpayment by the homeowner that has not yet been refunded almost two years later.
B.Contract for deed HUD-I settlement statements are not reviewed in a timely manner Six of twenty-nine (20.7%) homebuyer assistance files tested did not reflect the accurate principal balance. In six of six files tested (100%), the final closing costs were less than estimated. In four of the six files (66.7%), the reduction to the principal balance of the deferred loan was not posted to the homeowner's account.
Cause: The balances for these loans were not accurately recorded in MITAS, which is the Department's internal accounting system used to track loans. The inaccurate balance information in MITAS resulted in the inaccurate recapture of funds from borrowers who sold their property. The Department is not in compliance with the terms of the note for the down payment assistance program, resulting in an overstatement of the loan balances.
Criteria: The Department of Housing and Urban Development (HUD) requires that program income be used to fulfill draw requests prior to requesting program year funding.
Effect: A. We noted instances where borrowers were due money which had not yet been paid. Payments were not posted on the anniversary date as required by the note. B. Although unused funds are returned to the appropriate HOME program year, the homeowners' loan balances are not reduced by the loan servicing department until instructed by HOME staff, which may take as long as a year.
Recommendation: The Department should:
A. ensure that the information in the MITAS system reflects the actual account balance when processing loan payoffs, ensure that annual payment forgiveness is recorded on the anniversary date of the loan, and refund overpayments promptly
B review the contract for deed HUD-I settlement statements and reduce the loan balance in a timely manner.

Status:

06/12/09 - Loan Servicing staff will implement procedures to insure that Mitas system reflects the actual account balance when processing loan payoffs, ensure that annual payment forgiveness is recorded on the anniversary date of the loan. And refunds of overpayments are done timely. (David Cervantes - Financial Administration)

06/11/09 - In order to ensure review and accurate reconcilliation of borrower loan balances in the Department's systems, the HOME Division has amended its Loan Closing Standard Operating Procedure (SOP) to delineate a subprocess for review of the HUD-1 Settlement Statement and updating loan balances, as necessary, in the loan servicing system. In addition to the SOP, the Loan Closing Fule Table of Contents, the Table Funding Checklist for Loan Activities, and Contract for Deed Draw Request Checklist--Form 16.11, indicated different levels of review regarding the Borrower's HUD-1 Settlement Statement. (Jeannie Arellano - HOME)

05/06/09 - Management agrees with the recommendations and will in the next 90 days be revising the mechanism for forgiveness in new loans (Lora Myrick) and develop a mechanism for recording forgiveness based on confirmation from the owner of continued homeownership for existing loans (Stephanie D'Couto). Within the next 90 days, management will also ensure that refunds are addressed timely (Stephanie D'Couto) and will put a process in place to review the HUD-I and communicate adjustments timely (Lora Myrick).

Issue #	Report Date / Auditors	Report Name / Audit Scope
62	5/6/2009	Internal Audit Report on Loan Servicing and Recycling of Program Income in the HOME Divi
	Internal Audit	The scope of this audit included the loan document processing and loan servicing functions

Division: HOME

Section: Contract for Deed

Status		Target Date
Px	05/06/09	7/31/2009
Ix	06/11/09	
Px	06/12/09	7/30/2009

Issue: Chapter 1-B
Condition: A. In five of twenty-three paid in full (zero balance) homebuyer assistance loans tested (21.7%), the Department did not collect the correct amount from the borrower. For example, we found one loan that was paid off in May 2007. This loan provided for 1/10 of the principal balance to be forgiven in each year of the ten-year term of the loan. The payoff was for the full amount, even though one year of principal should have been forgiven. This resulted in $1,000 overpayment by the homeowner that has not yet been refunded almost two years later.
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Effect: A. We noted instances where borrowers were due money which had not yet been paid. Payments were not posted on the anniversary date as required by the note. B. Although unused funds are returned to the appropriate HOME program year, the homeowners' loan balances are not reduced by the loan servicing department until instructed by HOME staff, which may take as long as a year.
Recommendation: The Department should:
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B review the contract for deed HUD-I settlement statements and reduce the loan balance in a timely manner.

Status:

06/12/09 - Loan Servicing staff will implement procedures to insure that Mitas system reflects the actual account balance when processing loan payoffs, ensure that annual payment forgiveness is recorded on the anniversary date of the loan. And refunds of overpayments are done timely. (David Cervantes - Financial Administration)

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05/06/09 - Management agrees with the recommendations and will in the next 90 days be revising the mechanism for forgiveness in new loans (Lora Myrick) and develop a mechanism for recording forgiveness based on confirmation from the owner of continued homeownership for existing loans (Stephanie D'Couto). Within the next 90 days, management will also ensure that refunds are addressed timely (Stephanie D'Couto) and will put a process in place to review the HUD-I and communicate adjustments timely (Lora Myrick).

Issue #	Report Date / Auditors	Report Name / Audit Scope
63	5/6/2009	Internal Audit Report on Loan Servicing and Recycling of Program Income in the HOME Divi
	Internal Audit	The scope of this audit included the loan document processing and loan servicing functions

Status		Target Date
Px	05/06/09	7/31/2009

Division: Financial Administration

Section: Loan Servicing

Issue: Chapter 2
Condition: Once eligibility is determined and construction is complete, no further monitoring of the homeowner or the property is conducted to ensure the property continues to the primary residence of the borrower.
Cause: The Department has not taken reasonable measures to verify that the property continues to be the homeowner's principal residence throughout the period of affordability.
Criteria: HUD home loans require the homeowner to use the property as his/her principal residence for the term of the period of affordability.
Effect: The Department risks being cited by HUD for non-compliance.
Recommendation: The Department should develop a method to help ensure that the principal residence requirement is met for those properties that require it and for which the Department is the first lien holder. Some options for this include:
• consistently collecting property tax and insurance receipts,
• verifying the homeowner's homestead exemption via the property tax receipt or the tax rolls,
• verifying mail service or utility bills,
• community outreach or periodic inspections, or
• asking the homeowner to sign and submit an annual document certifying that the property is their principal residence.

Status:

05/06/09 - Management agrees with the recommendations and will in the next 90 days be revising the mechanism for forgiveness in new loans (Lora Myrick) and develop a mechanism for recording forgiveness based on confirmation from the owner of continued homeownership for existing loans (Stephanie D'Couto).

Issue #	Report Date / Auditors	Report Name / Audit Scope
65	5/6/2009	Internal Audit Report on Loan Servicing and Recycling of Program Income in the HOME Divi
	Internal Audit	The scope of this audit included the loan document processing and loan servicing functions

Status		Target Date
Px	05/06/09	7/31/2009
Ix	06/11/09	

Division: HOME

Section: HOME Production

Issue: Chapter 3-B
Condition: A certificate of completion or other evidence that verified the completion of construction was not included in eight of the 15 files (53.3%) reviewed.
Cause: Construction loans are forgiven based on a pre-determined date, rather than evidence that the construction is complete.
Criteria: To ensure loan provisions are satisfied, completion of construction should be documented prior to loan forgiveness.
Effect: Without some proof of the completion of construction, the Department could forgive a loan on a property before it is finished.
Recommendation: The Department should:
• ensure that the term of the unsecured equity loan is sufficient to guarantee completion of construction prior to the loan maturity date, and
• obtain and include in the loan servicing file the documentation verifying the completion of construction.

Status:

06/11/09 - To ensure loan provisions are satisfied and completion of construction is documented prior to loan forgiveness, the Division has a series of documents required for each loan file. The Department requires Contract Administrators undertaking construction activities execute a Construction Loan Agreement (CLA), which indicates a construction completion date and requires the Owner to acknowledge that before a final disbursement is made under the agreement, the Owner must provide a signed Affidavit of Completion, Form 11.27 the Department. In addition to the CLA, Division staff verifies construction completion of the housing unit by requiring Department Form 11.03-Final Inspection, which inspects housing conditions for compliance with applicable construction standards, specifications, and codes. This information is reviewed and provided as support documentation prior to the Final Draw Request Checklist--Form 16.26 and release of funds from the Department. Finally, in order to evidence both the construction completion date and loan maturity date, the Department executes a Deed of Trust and Promissory Note with households receiving construction assistance.

05/06/09 - Management agrees with the recommendations and will, in the next 90 days be revising the mechanism for forgiveness including documented assurances that the construction has been completed (Lora Myrick)

Issue #	Report Date	Report Name
69	12/20/2006	Energy Assistance Weatherization Assistance Program Subrecipient Monitoring
	Internal Audit	Consideration of EA Weatherization Assistance program's subrecipient monitoring functions

Division: Community Affairs

Section: Energy Assistance

Status		Target Date
Px	12/20/06	5/30/2007
Px	03/02/07	5/30/2007
Px	04/23/07	5/30/2007
Px	06/26/07	7/30/2007
Dx	08/02/07	11/1/2007
Dx	04/22/08	
Dx	12/01/08	
Dx	06/12/09	

Issue: Section 6
Assess and Satisfy Information Needs

The management information system is adequate to track most of the significant milestones such as the planned monitoring visit date, actual monitoring visit date, monitoring report date, monitoring report response due date and actual receipt date, follow-up letter date, and close-out date (close-out letter). However, data fields have not been created to capture significant milestones relating to the delivery of the monitoring letter to the subrecipient's governing board chair and the subrecipient's response to the monitoring follow-up letter.

A text/memo field called Notes in the Monitoring Tracking System is used to capture the results of monitoring activities such as findings or conditions noted, required corrective actions, concerns and comments; however, the information recorded in the Notes field is unclear, not consistently posted, and, in instances, incomplete.

Findings were not posted to the monitoring tracking system for six of the eight monitoring files tested, monitoring results are not tracked to conclusion (actions taken and final resolution), and multiple areas of concern were noted throughout the monitoring checklists and files that were not posted to the monitoring tracking system.

Adequate information is necessary to ensure timely, efficient delivery of services. Tracking results of subrecipient monitoring activities is important to ensure findings noted are satisfactory resolved. The results of monitoring activities also provides meaningful information management can use to identify and prioritize risks for resources allocation purposes and to identify, plan and provide technical assistance. Significant milestone dates are important to help ensure satisfactory progress is being made toward achieving the goals and objectives of the subrecipient monitoring function.

The Department of Energy (DOE) requires that major findings from subgrantee monitoring visits and financial audits be tracked by the State to final resolution and recommends that the tracking record include, but not necessarily be limited to, findings, recommended corrective actions, deliverables, due dates, responsible parties, actions taken, and final resolution. DOE also requires the State annually summarize and review each subgrantee's audit, program monitoring reports and findings for internal monitoring of State and subgrantee needs, strengths, and weaknesses and that the results of this annual monitoring be considered during annual planning and be available for the DOE Regional Offices to review during their State program monitoring visits.

Recommendation
Management should assess its information needs to ensure they are being adequately satisfied. In assessing its information needs, management should minimally:

• determine what information is needed to function and operate on a daily basis,
• evaluate major problems regularly encountered and assess how information can help solve the problems,
• categorize the major decisions program management must make and determine how additional information could help,
• identify various reporting requirements and related information needs,
• evaluate how information can improve the effectiveness of services provided,
• determine what kinds of information could enhance the program's efficiency, and
• assess information needs of others such as executive management and oversight and funding agencies.

Strategies, including computer and non-computer solutions, should be developed for capturing necessary data to operate effectively. Minimally, we recommend the information system be enhanced to capture the results of monitoring activities and track the status of monitoring findings to final resolution.

Regardless of strategies selected, we recommend the processes be formalized with the goal of:

- recording complete, accurate and timely information, which will require the incorporation of quality control procedures and edits,
- facilitating the monitors performing their day-to-day operating activities and responsibilities,
- facilitating management's review and consideration of current performance against operating goals and objectives, and
- satisfying the reporting requirements of oversight and funding agencies.

Status:

06/12/09 - The Division of Information Systems is currently working on projects assessed as higher priorities to the Department. The IS Division has set the incorporation of the American Recovery and Reconstruction Act contracts and reporting mechanism into the current Community Affairs Contract System as a high priority.

12/01/08 - The Energy Assistance Section and the Information Systems staff have implemented a Monitoring Tracking System on the TDHCA intranet. As currently designed, the system captures the pertinent dates, milestone dates, funding amounts, and provides a notes field for narrative text. EA staff will analyze this system for possible improvements.

04/22/08 - The Energy Assistance Section and the Information Systems Division staff have implemented a tracking system on the TDHCA intranet. As currently designed, the system captures the pertinent dates, milestone dates, funding amounts, and provides a notes field for narrative text. EA and ISD staff will analyze this system for possible improvements.

Information Systems Division resources are currently allocated to projects assessed as higher priorities to the Department. Because of the focus on the Community Affairs Contract System project, deployment of the CDBG components of the Housing Contract System, and other high priority projects, an upgrade of the EA Monitoring Tracking System has not been presented to the Information System Steering Committee to be established as a new project. EA and ISD will submit an IS Project Request to the Steering in Committee for approval at its next meeting. The IS Project Request form will include estimates in technical and business team hours for development, testing, and deployment

08/02/07 - The Energy Assistance Section and the Information Systems staff have a tracking system on the TDHCA intranet. As currently designed, the system captures the pertinent dates, milestone dates, funding amounts, and provides a notes field for narrative text. EA staff will analyze this system for possible improvements that includes reports and increased narrative field size.

06/26/07 - The Energy Assistance Section and the Information Systems staff have implemented a tracking system on the TDHCA intranet. As currently designed, the system captures the pertinent dates, milestone dates, funding amounts, and provides a notes field for narrative text. EA staff will analyze this system for possible improvements.

04/23/07 - 04/23/07 - The Energy Assistance Section and the Information Systems staff have implemented a tracking system on the TDHCA intranet. As currently designed, the system captures the pertinent dates, milestone dates, funding amounts, and provides a notes field for narrative text. EA staff will analyze this system for possible improvements.

03/02/07 - The Energy Assistance Section and the Information Systems staff have implemented a tracking system on the TDHCA intranet. As currently designed, the system captures the pertinent dates, milestone dates, funding amounts, and provides a notes field for narrative text. EA staff will analyze this system for possible improvements.

12/20/06 - During the planning of the Contract System being developed by the IS Division, the EA Section identified the daily operational needs of the Section. The Contract System, once complete, will help the Section gather information needed to comprehensively monitor the subrecipients and make effective management decisions. However, Management acknowledges that the Contract System will only provide information for review. The EA Section must provide timely updates, conduct quality control checks, and supplement additional information needs by updating the Intranet monitoring tracking system. The updated monitoring tracking system will assist management by providing information, documenting results, and summarizing desk and field monitoring reviews.

The EA Section will coordinate with IS to update the Intranet monitoring tracking system to incorporate text fields to capture findings and the events that occur up to, and including resolution of, the findings. The updated system will be made available to all EA Program Officers, Project Managers, Section Manager, and to the Division Director. Upon coordination with IS staff, the updated system will be implemented after completion of the 2006 monitoring visits. In the interim, EA is using an Excel monitoring tracking system to track this information.

Issue #	Report Date / Auditors	Report Name / Audit Scope
71	6/11/2008 Internal Audit	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's

Division: Community Affairs

Section: Community Services - CSBG

Status		Target Date
Px	06/11/08	
Px	12/01/08	2/28/2009
Ix	06/15/09	

Issue: Chapter 6-E

Standard Forms and Processes Should be Developed to Document the Sample of Expenditures and Client Files Reviewed During Monitoring

There are no written procedures for documenting the shelters visited and expenditures reviewed by the program officers during on-site monitoring visits. In addition, the contract specialist performs reviews of monthly expenditures, but does not document the results of these reviews. Finally, there is no written procedure regarding how many client files should be reviewed during an on-site monitoring visit. For example, one program officer may review 12 client files while at another subrecipient, they may only review three client files.

Recommendation

Community Services should:

- Develop written procedures and standard forms to document the shelters and expenditures reviewed during monitoring visits,
- Maintain documentation to support the review of monthly performance and expenditure data, and
- Develop written procedures regarding the minimum number of client files that should be reviewed in order to ensure consistency between subrecipient monitoring visits.

Status:

06/15/09 - ESGP Monitoring Instrument was revised to address identified areas. Additional questions and forms were added to document the review of performance and expenditure data. A minimum of 5% of the client files will be reviewed.

12/01/08 - The ESGP Monitoring Instrument and Monitoring SOP will be revised to address identified areas.

06/11/08 - Management will expand the Emergency Shelter Grants Program (ESGP) monitoring instrument to document the name and number of shelters visited and to integrate a standard form, including maintaining documentation, for use in reviewing expenditures.

The CS Section will strengthen procedures to document a process for ensuring review of monthly performance and expenditure data.

ESGP Program Officers currently review all client files for the sample months selected.
The Monitoring SOP will be expanded to include a minimum percentage of client files that will be reviewed in order to ensure consistency between subrecipient monitoring visits.

Issue #	Report Date / Auditors	Report Name / Audit Scope
72	6/11/2008 / Internal Audit	Audit of the Community Services Block Grant and Emergency Shelter Block Grants / Review of the draw processing and monitoring functions of the Community Affairs Division's

Division: Community Affairs

Section: Community Services - CSBG

Status		Target Date
Px	06/11/08	
Px	12/01/08	5/31/2008
Ix	06/15/09	

Issue: Chapter 8
There are Advantages and Disadvantages in Changing the Organizational Structure to Separate the Monitoring and Program Support Functions

The program officers who monitor the subrecipients in both CSBG program and ESGP also provide technical assistance to the subrecipients. Technical assistance is provided when the program officer offers advice or suggestions to help improve the subrecipient's operations. Frequently this technical assistance takes place during on-site monitoring visits. Program officers are assigned a group of subrecipients to monitor and these assignments are rotated every three years. The program officers report to a manager who is directly accountable to the director of the Community Affairs Division. The director of Community Affairs is responsible for not only the monitoring of these programs, but for the performance of the programs, too. This model has several advantages and disadvantages.
The advantages are:
• An ongoing working relationship is developed between the subrecipient and the program officer that allows the program officer to become familiar with the operations and the needs of the subrecipients assigned to them,
• Program officers can identify the subrecipients' training needs and work with the trainer assigned to their program to ensure that the subrecipients get the training they need,
• Program officers can develop subject matter expertise in the CSBG program or ESGP, and
• The director of the Community Affairs Division is responsible for all aspects of the programs in the division and can more easily be held accountable for them.

The disadvantages are:
• There is a risk that managers or program officers could be inclined to identify issues as technical assistance or training needs rather than monitoring findings
• Program officers may develop relationships with subrecipients that could contribute to the risk of favoritism, and increase the potential for fraud, waste or abuse,
• The line between training needs and compliance with the laws and rules governing the administration of the grant funds is not clear,
• In the case of CSBG, technical assistance is not currently an allowable cost for the administration funds that pay the program officers' salaries (see Chapter 1-A),
• The director of the Community Affairs Division may not be willing to bring issues with subrecipients forward to executive management or the Department's governing board because they are responsible for the success of the grant programs, and
• The program officers may not have easy access to information gathered by other divisions within the Department, for example, the Portfolio Management and Compliance (PMC) Division (see Chapter 3-B.)

The Department's PMC Division is responsible for monitoring most of the Department's other programs. Combining the Community Affairs Division's program officers' monitoring function with the PMC Division's would have the following advantages:
• Separating the goals of program support and technical assistance from monitoring,
• Decrease the opportunity for collusion, or other types of fraud, waste and abuse, and
• Decrease the number of monitoring visits by coordinating monitoring visits for multiple programs with each subrecipient.

Recommendation
The Department should evaluate the functions and activities of the program officers and other staff of the Community Affairs Division and decide whether to move the monitoring function to another division, or to put into place safeguards to ensure the consistency of monitoring and decrease the potential for collusion or other types of fraud, waste and abuse.

Status:

06/15/09 - Safeguards have been implemented through the revision of TAC rules, the development of a monitoring guide, revisions to the monitoring instruments, and changes to the monitoring processes to ensure the consistency of monitoring and to decrease the potential for collusion, fraud, waste or abuse.

12/01/08 - Safeguards have been implemented through the revision of the TAC rules. the development of a draft monitoring guide, revisions to the monitoring instruments, and changes to the monitoring processes to ensure the consistency of monitoring and to decrease the potential for collusion, fraud, waste or abuse. The CA Division Director will continue to work with the Executive Team to evaluate the effectiveness of the monitoring function in the Community Affairs Division.

06/11/08 - Management will evaluate the functions and activities of the program officers and other staff of the Community Affairs Division and decide whether to move the monitoring function to another division, or to put into place additional safeguards to ensure the consistency of monitoring and decrease the potential for collusion or other types of fraud, waste and abuse.

Issue #	Report Date / Auditors	Report Name / Audit Scope
81	8/18/2008	Audit of the Single Family Mortgage Revenue Bond Program at TDHCA
	State Auditor's O	Review of the Department's processes of managing Program bond payments, interest rate s

Status		Target Date
Px	08/18/08	3/31/2009
Px	11/07/08	3/31/2009
Ix	01/21/09	

Division: Bond Finance

Section: Not Selected

Issue: 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.

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.

Status:

01/21/09 - Bond Finance has developed and implemented Standard Operating Procedures for issuing single family bonds.

11/07/08 - TDHCA plans to conduct a compliance-related audit of loans funded in FY2008 before March 31, 2009. 1,990 Program loans were closed and funded in FY2008 and TDHCA plans to audit a sample of these loans. These sample loans will also be audited to ensure that they, coupled with other related loans, accurately match the purchase price of the underlying mortgage-backed security.

08/18/08 - 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 ensur pool purchase prices are accurate. To accomplish this, the Department anticipates contracting with an independent third party provider to perform program monitoring responsibilities.

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 reportec 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.

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.

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.

Person Responsible: Bond Financial Analyst

Issue #	Report Date / Auditors	Report Name / Audit Scope
82	8/18/2008	Audit of the Single Family Mortgage Revenue Bond Program at TDHCA
	State Auditor's O	Review of the Department's processes of managing Program bond payments, interest rate s

Status		Target Date
Px	08/18/08	9/30/2009
Px	11/07/08	
Ix	01/21/09	

Division: Bond Finance

Section: Not Selected

Issue: Chapter 1-B
The Department Should Strengthen Its Policies and Procedures to
Minimize Risks Associated with Interest Rate Swaps

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 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 swapsby 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.

Status:

01/21/09 - Bond Finance will present amendments to TDHCA's Interest Rate Swap Policy at the February 2009 Board Meeting

11/07/08 - Bond Finance will present amendments to TDHCA's Interest Rate Swap Policy at the January 2009 Board Meeting.

Swap Financial Group, as TDHCA's Interest Rate Swap Advisor and Consultant, provides quarterly market analysis using highly sophisticated financial modeling software. TDHCA maintains calculations and supporting documentation for each analysis.

TDHCA will diversify swap counterparties when negotiating new swap contracts. No additional swap contracts have been negotiated since the audit.

08/18/08 - 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 ensur pool purchase prices are accurate. To accomplish this, the Department anticipates contracting with an independent third party provider to perform program monitoring responsibilities.

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 reporte 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.

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 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.

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.

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.

Person Responsible: Director of Bond Finance

Issue #	Report Date / Auditors	Report Name / Audit Scope
83	8/18/2008	Audit of the Single Family Mortgage Revenue Bond Program at TDHCA
	State Auditor's O	Review of the Department's processes of managing Program bond payments, interest rate s

Status		Target Date
Px	08/18/08	11/30/2008
Px	11/06/08	11/30/2008
Ix	06/12/09	

Division: Financial Administration

Section: Financial Services

Issue: 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 nonfederal 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.

Status:

06/12/09 - Management has developed and implemented an SOP for allocating operating costs to programs and has began period reviews to determine if any adjustments are necessary

11/06/08 - Financial Services is in the process of developing a cost allocation methodology for allocating program funds and procedures for evaluating administrative costs charged to programs.

The Department's cost allocation methodology has been defined and has been incorporated into the agency budget and accounting system. The Financial Services section is in the process of developing standard operating procedures to document the methodology for allocating costs to ensure that the reimbursement of administrative costs does not exceed actual costs.

08/18/08 - 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.

84 | 8/18/2008 | Audit of the Single Family Mortgage Revenue Bond Program at TDHCA

State Auditor's O | Review of the Department's processes of managing Program bond payments, interest rate s

Status		Target Date
Px	08/18/08	11/30/2008
Px	11/08/08	11/30/2008
Ix	01/21/09	

Division: Information Systems

Section: Not Selected

Issue: 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.

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.

Status:

01/21/09 - The department completed the MITAS risk assessment on November 24, 2008, and implemented the resulting audit trail decisions.

11/08/08 - The Department is currently performing the Mitas risk assessment and expects to be complete with it and associated audit trail decisions by November 30, 2008. The Department has reconfigured the current server environment to allocate disk space for any required system logging, based on the risk assessment

08/18/08 - 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.

Issue #	Report Date / Auditors	Report Name / Audit Scope
85	8/18/2008 / State Auditor's O	Audit of the Single Family Mortgage Revenue Bond Program at TDHCA / Review of the Department's processes of managing Program bond payments, interest rate s

Status		Target Date
Px	08/18/08	11/30/2008
Px	11/08/08	11/30/2008
Ix	01/23/09	

Division: Information Systems

Section: Not Selected

Issue: 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.

Status:

01/23/09 - On January 23, 2009, the Department completed an updated security risk assessment which addresses controls listed in Title 1, Texas Administrative code, Section 202.25. The risk assessment documents existing and recommended information security policies and other controls and established a target date for implementing each recommendation.

11/08/08 - The Department is in the process of performing an updated security risk assessment, which addresses controls listed in Title 1, Texas Administrative Code, Section 202.25.

08/18/08 - 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.

Issue #	Report Date / Auditors	Report Name / Audit Scope
86	8/18/2008	Audit of the Single Family Mortgage Revenue Bond Program at TDHCA
	State Auditor's O	Review of the Department's processes of managing Program bond payments, interest rate s

Status		Target Date
Px	08/18/08	10/31/2008
Px	11/07/08	8/31/2009
Ix	01/21/09	

Division: Bond Finance

Section: Not Selected

Issue: 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.

Status:

01/21/09 - Amend existing contracts as they are renewed.

11/07/08 - Existing contracts will be amended when they are renewed and all future contracts will contain the language to allow the State auditors office authority and access to records.

08/18/08 - 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.

Issue #	Report Date / Auditors	Report Name / Audit Scope
87	11/25/2008 Internal Audit	Internal Audit Report on the OCI's Bootstrap program Review of the processing and monitoring functions of the Office of Colonia Initiatives' Bootstr

Division: Office of Colonia Initiatives

Section: Bootstrap

Status		Target Date
Px	11/25/08	
Px	01/21/09	1/30/2009
Ix	05/12/09	
Px	08/17/09	
Px	08/17/09	

Issue: Chapter 1-A
The Department Should Ensure Two-Thirds of Bootstrap Funds are Set Aside for Properties Located in Counties Eligible for Financial Assistance

Since November 2007, $3,970,755 in Bootstrap loans has been committed and partially spent. Of this amount, $858,590 has been for properties located in the 41 counties eligible for financial assistance. This does not completely comply with Section 2306.752(d) of the Government Code which states, "(a)t least two-thirds of the dollar amount of loans made under this subchapter in each fiscal year must be made to borrowers whose property is located in a county that is eligible to receive financial assistance under Subchapter K, Chapter 17, Water Code." Of the $6.5 million in Bootstrap funding for program year 2008, two-thirds, or $4.3 million, is designated for the counties eligible for financial assistance under the Water Code. Of this two-thirds amount, $2.4 million has been obligated to and/or spent in counties which are not eligible under the Water Code.

Recommendations
The Department should:
- ensure that two-thirds of the available Bootstrap loan funding is set aside for counties eligible for financial assistance under the Water Code, and
- establish a method by which the list of counties eligible for assistance is regularly updated to ensure compliance with the statute.

Status:

08/17/09 - Management will reconcile all balances at the end ofthe current fiscal year to offset shortages from previous funding cycles and reallocate funds in FY 2010 and 2011.

OCI will update the Texas Bootstrap Loan Program Reservation System Standard Operating Procedures to ensure loan amounts reflected in the MITAS system are adjusted on the reservation report (Excel spreadsheet) to more accurately reflect outstanding balances. In November 2009, the MITAS Reservation System will be utilized to reconcile all loans in the Reservation System and loans closed. By utilizing the MITAS system it will eliminate the manual update ofthe Reservation System Excel spreadsheet.

08/17/09 - In fiscal year 2009 to date, $2.2 million was obligated to and/or spent in counties which are not eligible under the Water Code. This is because incorrect balances were carried forward from fiscal year 2008. In addition, OCI does not update the reservation system with status changes or actual loan amounts. A method was established to update the list of eligible counties.

05/12/09 - On 5/12/2009, the OCI division provided SOP for the Texas Bootstrap Loan Program Reservation System with an effective date of 1/30/2009 which describes the Program requirements as recommended.

01/21/09 - On October 27.2008 the Department mailed the attached letter to all NOHPs notifying them of the updated EDAP Determination. OCI staff has spoken with TWDS Attorney Joe Reynolds. Last week Mr. Reynolds stated that he will forward by email updates as they occur. OCI staff will also follow-up on a quarterly basis to ensure it obtains all updates. SOPs will be updated to reflect this process.

11/25/08 - The Department will improve its procedures and tracking methods to ensure 1) that two thirds of awards are located in counties eligible to receive financial assistance under Subchapter K, Chapter 17, of the Water Code and 2) that the counties eligible for the two-thirds set-aside are regularly updated.

Management initially relied on faulty information, but has corrected this information and agrees that the current process is appropriate.

Issue #	Report Date / Auditors	Report Name / Audit Scope
95	11/25/2008 Internal Audit	Internal Audit Report on the OCI's Bootstrap program Review of the processing and monitoring functions of the Office of Colonia Initiatives' Bootstr

Status		Target Date
Px	11/25/08	11/30/2008
Px	01/21/09	2/28/2009
Px	05/13/09	9/30/2009
Px	08/17/09	
Px	08/17/09	

Division: Office of Colonia Initiatives

Section: Bootstrap

Issue: Chapter 4-B: Improvements Are Needed to Better Align the Bootstrap Manual with the Texas Administrative Code Rules and the Loan Origination Agreement

There are three items in the Texas Administrative Code and 13 additional items in the loan origination agreement between the Department and the non-profit owner-builder housing providers that are not covered in the manual.

The following rules in the Texas Administrative Code are not found in the manual:
• Non-profit owner-builder housing providers are prohibited by rule from using Bootstrap loan funds to pay delinquent property taxes or related fees or charges on properties.
• A first year consultation agreement is defined in the rules, but not addressed in the manual.
• A conflict of interest provision is defined in the rules, but is not found in the manual.

In addition, there are 13 additional items included in the loan origination agreement that are not covered in the manual. Five items involve standard contract language including: a prohibition against using program funds for political activities, sectarian activities, and to purchase alcohol, a reminder that the Department is subject to open records requests, and a statement informing the non-profit owner-builder housing providers that they must notify the Department if they become the subject of any legal action involving activities associated with the loan origination agreement.

Other missing items involve the direct administration of the Bootstrap Loan Program. These items include:
• The nine instances by which the Department can involuntarily terminate the agreement with the non-profit owner-builder housing providers,
• Language requiring the non-profit owner-builder housing providers to refund any funds that the Department subsequently determines resulted from an overpayment,
• Performance benchmarks and milestones required of the non-profit owner-builder housing providers,
• Requirements of the non-profit owner-builder housing providers in accounting for the program funds,
• Reporting requirements of the non-profit owner-builder housing providers as it relates to the program,
• Requirements for retention and accessibility of records,
• Certification that the non-profit owner-builder housing providers will not employ undocumented workers, and
• Requirements for the non-profit owner-builder housing providers to modify any reservation of funds submitted for a Bootstrap loan.

The Department should ensure that all requirements of the Bootstrap Loan Program are included in the program manual, and continue to periodically update the manual to include any changes in program requirements.

Status:

08/17/09 - Program Rules have been published in the Texas Register, public comment period began on August 7th and will conclude on September 7th. The final Program Rules will be presented to the Department's Governing Board on October 15th for final adoption. Upon final adoption the Program Manual will be finalized and released to all NOHPs.

08/17/09 - The revised Bootstrap Program Manual is in draft form. The manual will not be finalized until public comment is obtained and the final rules are approved by the Department's governing board.

05/13/09 - OCI will update Program Manual accordingly. Currently Program Rules and Statutes are included in Program Manual. OCI will be presenting draft Program Rules to the
Department's Governing Board in June 2009, the rules will also include statutory changes from the 2009 Texas Legislative Session, if any.

After Program Rules have been adopted by the Department's Governing Board and
published in the Texas Registerthe Program Manual will be updated.

01/21/09 - OCI will update Program Manual and add Loan Origination Agreement as an exhibit to the Program Manual. Currently Program Rules and Statutes are included in Program Manual.

11/25/08 - Management agrees. Both Program Statutes (Exhibit 1) and Rules (Exhibit 2) are currently part of the Program Manual that is distributed to the nonprofit organizations participating in the Bootstrap Program.

Issue #	Report Date / Auditors	Report Name / Audit Scope
95	11/25/2008	Internal Audit Report on the OCI's Bootstrap program
	Internal Audit	Review of the processing and monitoring functions of the Office of Colonia Initiatives' Bootstr

Division: Office of Colonia Initiatives

Section: Bootstrap

Status		Target Date
Px	11/25/08	11/30/2008
Px	01/21/09	2/28/2009
Px	05/13/09	9/30/2009
Px	08/17/09	
Px	08/17/09	

Issue: Chapter 4-B: Improvements Are Needed to Better Align the Bootstrap Manual with the Texas Administrative Code Rules and the Loan Origination Agreement

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• A first year consultation agreement is defined in the rules, but not addressed in the manual.
• A conflict of interest provision is defined in the rules, but is not found in the manual.

In addition, there are 13 additional items included in the loan origination agreement that are not covered in the manual. Five items involve standard contract language including: a prohibition against using program funds for political activities, sectarian activities, and to purchase alcohol, a reminder that the Department is subject to open records requests, and a statement informing the non-profit owner-builder housing providers that they must notify the Department if they become the subject of any legal action involving activities associated with the loan origination agreement.

Other missing items involve the direct administration of the Bootstrap Loan Program. These items include:
• The nine instances by which the Department can involuntarily terminate the agreement with the non-profit owner-builder housing providers,
• Language requiring the non-profit owner-builder housing providers to refund any funds that the Department subsequently determines resulted from an overpayment,
• Performance benchmarks and milestones required of the non-profit owner-builder housing providers,
• Requirements of the non-profit owner-builder housing providers in accounting for the program funds,
• Reporting requirements of the non-profit owner-builder housing providers as it relates to the program,
• Requirements for retention and accessibility of records,
• Certification that the non-profit owner-builder housing providers will not employ undocumented workers, and
• Requirements for the non-profit owner-builder housing providers to modify any reservation of funds submitted for a Bootstrap loan.

The Department should ensure that all requirements of the Bootstrap Loan Program are included in the program manual, and continue to periodically update the manual to include any changes in program requirements.

Status:

08/17/09 - Program Rules have been published in the Texas Register, public comment period began on August 7th and will conclude on September 7th. The final Program Rules will be presented to the Department's Governing Board on October 15th for final adoption. Upon final adoption the Program Manual will be finalized and released to all NOHPs.

08/17/09 - The revised Bootstrap Program Manual is in draft form. The manual will not be finalized until public comment is obtained and the final rules are approved by the Department's governing board.

05/13/09 - OCI will update Program Manual accordingly. Currently Program Rules and Statutes are included in Program Manual. OCI will be presenting draft Program Rules to the
Department's Governing Board in June 2009, the rules will also include statutory changes from the 2009 Texas Legislative Session, if any.

After Program Rules have been adopted by the Department's Governing Board and published in the Texas Registerthe Program Manual will be updated.

01/21/09 - OCI will update Program Manual and add Loan Origination Agreement as an exhibit to the Program Manual. Currently Program Rules and Statutes are included in Program Manual.

11/25/08 - Management agrees. Both Program Statutes (Exhibit 1) and Rules (Exhibit 2) are currently part of the Program Manual that is distributed to the nonprofit organizations participating in the Bootstrap Program.

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108 | 6/11/2008 | Audit of the Community Services Block Grant and Emergency Shelter Block Grants

Internal Audit | Review of the draw processing and monitoring functions of the Community Affairs Division's

Status		Target Date
Px	06/11/08	11/30/2008
Ix	12/01/08	

Division: Community Affairs

Section: Community Services - CSBG

Issue: Chapter 7-C
Requirements in the ESGP Application Should be Revised

In comparing the ESGP application to the Texas Administrative Code, there are areas where the application and the Texas Administrative Code do not match:
• The application states that the non-profit collaborative applicants are required to submit a ruling documenting their status as a 501(c) taxexempt entity. The ruling should be on IRS letterhead, legible and signed by the IRS District Director. However, the Texas Administrative Code
Section 5.204 (a)(2) states only that the Department prefers the eligibility documentation to be submitted in this way but also provides other options for documenting eligibility.
• The instruction section of the application, (Attachment G – Match) is missing requirements from the Texas Administrative Code Section 5.204(d)(2), which requires the applicant to submit a letter from the realtor or appraiser for the value of a donated building if documenting a donated building as part of their match. Or the applicant can submit the title, annual salary, percentage of time dedicated to ESGP activities, source of funds and the dollar amount for employee positions used as a match.
• In the application packet, applicants who are applying for the special initiative for homelessness prevention funds are required to answer the questions detailed under that section instead of developing a project narrative. However, the Texas Administrative Code does not exclude applicants who are submitting a special initiative application from the requirement to provide a narrative along with the application.
• In the collaborative application section, it states that, "a lead organization that provides only administrative support and not direct client services is excluded from the requirement of submitting attachments B, C and D", however this exception is not in the Texas Administrative Code.

Recommendation
Revise the application to comply with the Texas Administrative Code.

Status:

12/01/08 - 2009 ESGP NOFA was revised and approved by the Board 11/13/08. In response to the first bullet in 7-C, the revised TAC rule for ESGP was streamlined per Legal's instructions and the proposed rule 5.307(a)(2) states applicants must submit documentation as a 501(c) tax-exempt entity. The understanding with Legal was that the NOFA would provide any additional detail on what documentation may be submitted. Page 13 of the 2009 ESGP NOFA specifies what may be submitted. Regarding the second bullet, again the proposed ESGP TAC rule, 5.307(c)(2) was streamlined an now only identifies match sources which can be utilized. Page 14 of the 2009 ESGP NOFA specifies what documentation should be submitted. Regarding the third bullet, the 2009 ESGP NOFA no longer includes applying for a special initiative project. Regarding bullet four, the exception which was in the 2008 ESGP Application is not in the 2009 ESGP NOFA. Proposed rules were approved by Board November 2008 and will be codified January 2009.

06/11/08 - Management will revise the Emergency Shelter Grants Program application to comply with the Texas Administrative Code.

Issue #	Report Date / Auditors	Report Name / Audit Scope	Status		Target Date
110	8/18/2008	Audit of the Single Family Mortgage Revenue Bond Program at TDHCA			
	State Auditor's O	Review of the Department's processes of managing Program bond payments, interest rate s	Px	08/18/08	11/30/2008
			Tx	11/08/08	11/30/2008
			Ix	01/21/09	

Division: Information Systems

Section: Not Selected

Issue: 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.

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.

Status:

01/21/09 - On November 24, 2008, the Department updated TDHCA Standard operating Procedure 2264.31, "Mitas Security" with a policy requiring that the limited number of system users with access to password-protected functions and fields within screens performed associated password changes only at their workstations for tracking purposes.

11/08/08 - Regarding password parameters, the Department has updated TDHCA Standard Operating Procedure (SOP) 1264.01, “User Accounts and Network Access,” with written policies to document password parameters and procedures.
The Department has consulted with the MITAS vendor regarding password-protected functions and fields within screens, and the vendor has confirmed that these password-protected features cannot be removed. Because of this, the Department will establish a policy requiring that the limited number of system users with access to these passwords perform changes only at their workstations for tracking purposes.

08/18/08 - 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.
• Eliminating the use of shared passwords in MITAS and establishing rolebased 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.

Issue #	Report Date / Auditors	Report Name / Audit Scope
111	8/18/2008 / State Auditor's O	Audit of the Single Family Mortgage Revenue Bond Program at TDHCA / Review of the Department's processes of managing Program bond payments, interest rate s

Status	Target Date
Px 08/18/08	
Ix 11/08/08	

Division: Information Systems

Section: Not Selected

Issue: 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.

Status:

11/08/08 - The Department will conduct complete tests of its disaster recovery plan on an annual basis and when major changes are made to the plan

08/18/08 - 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.

Issue #	Report Date / Auditors	Report Name / Audit Scope	Status	Target Date
112	6/23/2009 Department of H	Texas Community Services Block Grant Program (CSBG) State Assessment Review Review of the fiscal and programmatic procedures of the CSBG State agency	Nx	07/27/09

Division: Community Affairs

Section: Community Services - CSBG

Issue: Finding 1
•The State needs to comply with the policies and procedures for examining the accuracy of the financial functions and processes to reflect direct and indirect costs charged to CSSG funding stream and expenditures in accordance with Federal regulations.
•We recommend the State:
o1.1 Comply with fiscal controls in accordance with State and Federal regulations and submit the 269's in accordance with 45 CFR §92.40, §92.41, 96.14 and §96.30(b)(4).
o1.2 Revise arid/or implement the State's Fiscal policy and procedures to improve fiscal controls for CSBG funding.
o1.3 Provide a copy of the State policy regarding indirect and administrative cost(s) posted to the General Ledger.
o1.4 Follow the State's policies for the disbursement of CSBG funds.

Status:

07/27/09 - Recommendation 1.1: The State submitted all FSRs for program year 2006 in compliance with 45 CFR, Sections 92.40, 92.41 and 96.30 (b)(4). The first and second reports were submitted December 20, 2006, and December 12, 2007. The final report was submitted December 16, 2008. Copies of the SF-269's are attached.

Recommendation 1.2-1.4: The State respectfully disagrees with the assertion that it does not comply with the policies and procedures for examining the accuracy of the financial functions and processes to reflect direct and indirect costs charged to CSBG funding stream and expenditures in accordance with Federal regulations. The basis for this response is as set forth in on opinions rendered by independent audit firms such as the Texas State Auditor's Office in conjunction with KPMG and Deloitte and Touche and also by the TDHCA Internal Auditor.

In addition to these opinions, the State is confident in its compliance with all Fiscal and Governance operations. A comprehensive review would reveal that the State goes through a rigorous oversight process. This process begins with a Federal application process resulting in the issuance of the grant award. The process continues through a State Legislative Budget Process that further provides appropriation authority of these funds to TDHCA. The Legislature requires extensive reporting of performance measures and financial data regarding all federal funds made available to the State. The Governor subsequently signs the biennial appropriations bill into law, and TDHCA supplements this process by implementing extensive fiscal and programmatic controls to ensure that it meets State and Federal requirements. TDHCA maintains PeopleSoft as its system of record to track Federal Program Activity. The system is structured to identify each grant separately and to comply fully with GASB and GAAP. The TDHCA utilizes General Ledger, Accounts Payable, Grant Module, and Purchase Request workflow. It fully interfaces with the State Comptroller and integrates with the Uniform Statewide Payroll System. These modules track grant activity and ensure that a clear trail exists to track each transaction down to the transaction level. Documentation is maintained in permanently scanned repository. Payroll records are supported by timesheets that are reconciled on a monthly basis. There are also further controls established such as drawdown logs to ensure compliance with specific grant requirements. The State also operates under an approved indirect cost rate agreement for recovery of its indirect administrative costs. This agreement is reviewed, reconciled and approved by the U.S. TDHCA of Housing and Urban Development (HUD) on a yearly basis. Please refer to the attached Indirect Cost Rate Agreement dated June 8, 2007. A series of documents to further document our contention of sound fiscal controls and practices are available for review. These documents include a Legislative Appropriations Request (LAR); the Bill that was adopted by the Governor; Internal Operating Budget approved by the TDHCA Board; Indirect Cost Rate Agreement approved by the U.S. TDHCA of Housing and Urban Development; General, Payroll, Travel, Accounts Payable, and Grant policies and procedures.

The State would welcome an opportunity to clarify any misconception regarding the State's ability and commitment to meet any and all Fiscal and Governance standards.

Issue #	Report Date / Auditors	Report Name / Audit Scope	Status	Target Date
113	6/23/2009 Department of H	Texas Community Services Block Grant Program (CSBG) State Assessment Review Review of the fiscal and programmatic procedures of the CSBG State agency	Px	07/27/09

Division: Community Affairs

Section: Community Services - CSBG

Issue: Finding 2
•The State's criterion were not adequate for the issuance of performance awards to eligible entities and CAA's using CSBG funds during Fiscal year 2006
•We recommend the State:
o2.1 Provide OCS with the revised policies and procedures to specify the usage of CSBG funds for performance awards

Status:

07/27/09 - Recommendation 2.1: TDHCA has a process that includes criterion for awarding CSBG Performance Awards for several years. The process for the 2006 awards was communicated to CSBG eligible entities on June 18, 2004, in CSBG Memorandum #04-12.4, which is included in this response.

The State's authority to utilize CSBG discretionary funds for the performance awards is based on 42 USC 9907(b)(F), granting the State authority to utilize the remainder of the funds to support Statewide activities supporting innovative programs and activities conducted by community action agencies to eliminate poverty and to promote self-sufficiency. TDHCA utilized the 5% State discretionary funds to grant the performance awards in order to promote and advance efforts to assist CSBG eligible clients to attain self-sufficiency. The Department's FFY 2006 and 2007 Intended Use Report, submitted with the FFY 2006 and 2007 State Plan, established a goal of assisting 2,000 persons to achieve incomes above the poverty level and committed to conferring performance awards to CSBG eligible entities that met certain criteria and submitted performance documentation of such.

The attached CSBG Memorandum describes the criteria for an organization to be eligible to apply for a performance award. Additionally, organizations that reported persons transitioned out of poverty were required to submit information which included the name of the head of household, the income of the household during the initial visit, the first month when the household income was above 125% of the federal poverty guidelines, and 90 days after maintaining an income above 125% of the federal poverty guidelines. The Department compared the number of persons transitioned to the numbers which had been reported in the CSBG monthly performance reports. Program officers, monitors, were also required to review documentation related to such during on site monitoring reviews.

While the Department did not issue specific policy and procedures to CSBG eligible entities on the use of CSBG Performance Awards, CSBG subrecipients who were granted a performance award were informed that the expenditure of the funds had to meet requirements of the OMB Circulars and of the CSBG Act. During on-site monitoring reviews, program officers reviewed expenditures and related documentation verifying the use of CSBG funds.

Beginning in 2008, the Department did not make any CSBG Performance Awards in order to review the process and receive input from CSBG eligible entities on how to strengthen the process and award exemplary services and projects operated by the CSBG network. A CSBG Advisory Committee was appointed by the Department's Executive Director to provide the feedback. The committee met in December 2008 and will continue to meet during the next year to discuss a performance award process. If the Department reinstates the CSBG Performance Award process, the Department will once again develop policies and procedures for this process and ensure that this includes criteria for issuing performance awards as well as guidance to CSBG eligible entities on the use of the CSBG funds issued as performance awards.

114 | 6/23/2009 | Texas Community Services Block Grant Program (CSBG) State Assessment Review

Department of H | Review of the fiscal and programmatic procedures of the CSBG State agency

Status | **Target Date**

Px 07/27/09

Division: Community Affairs

Section: Community Services - CSBG

Issue: Finding 3

•The State did not have processes to ensure that eligible entities and CAAs inform and/or refer custodial parents to Child Support services as required by CSBG statute.

•We recommend the State:

o3.1 Develop and implement procedures according to the statute for referrals to the local child support office.

o3.2 Develop and implement procedures that require CSBG grantees and subgrantees conducting case management to document referrals to local child support offices.

Status:

07/27/09 - Recommendation 3.1: CSBG eligible entities inform persons seeking CSBG assistance about the services available through the Texas Attorney General's Office for the collection of child support. The Department has revised the 2009 CSBG Monitoring Instrument to add specific questions regarding the requirements related to informing custodial parents in single-parent families about the availability of child support services and refer eligible parents to the child support offices.

The Department is in the process of drafting State rules, to be filed under the Texas Administrative Code, related to the requirement for eligible entities and CAAs to inform and/or refer custodial parents to Child Support services.

Recommendation 3.2: TDHCA is in the process of drafting State rules, to be reflected under the Texas Administrative Code when adopted, relating to the requirement that require CSBG grantees and subrecipients conducting case management to document referrals to local child support offices. The 2009 CSBG Monitoring Instrument was revised to monitor compliance with the CSBG Act in regards to this issue.

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115 | 6/23/2009 | Texas Community Services Block Grant Program (CSBG) State Assessment Review

Department of H | Review of the fiscal and programmatic procedures of the CSBG State agency

Status | **Target Date**

Ix 07/27/09

Division: Community Affairs

Section: Community Services - CSBG

Issue: Finding 4

•The State needs to ensure that all eligible entities and CAA's are in compliance with the income eligibility requirements for emergency services.

•We recommend the State:

o 4.1 Ensures eligible entities and CAA's verify income eligibility requirements for CSBG funded emergency service programs.

Status:

07/27/09 - Recommendation 4.1: TDHCA does require that CSBG eligible entities document and verify that persons receiving CSBG funded emergency services are income eligible. TDHCA requires that in cases where proof of income is unavailable, a Declaration of Income Statement form be completed and maintained in the applicable client level file. The form requires that the client certify the income of all household members without documentation of income. The program officers review client eligibility documentation in the client files during on site monitoring reviews.

Issue #	Report Date / Auditors	Report Name / Audit Scope	Status	Target Date
116	4/17/2009 / HUD	Affordable Housing and Financial Monitoring and Technical / On-site monitoring of the state's affordable housing programs	Px	06/30/09

Division: Asset Management

Section: Compliance

Issue: Finding #2 Review of the multifamily portfolio report indicated there are numerous projects that are out of compliance with the HOME Program requirements under §92.503(b). Some of the deficiencies/violations could have serious consequences resulting in the state being requested to repay the full amount of the HOME funds invested if the projects cannot be brought into compliance within a reasonable period of time.

Required Corrective Action: The state must provide a detailed report for all of the properties listed on the enclosed report. Report must be provided on or before June 20, 2009. The state must then provide a quarterly report beginning on October 10th and thereafter, on or before the 10th of the month for each subsequent quarter beginning January 10th, 2010, until the projects have been brought into compliance.

Status:

06/30/09 - The Department is working to bring about restored compliance and achieve required affordability through a combination of thorough and regular monitoring, enhanced technical assistance, the initiation of the administrative penalty process, and informal conferences.

Issue #	Report Date / Auditors	Report Name / Audit Scope
117	4/17/2009	Affordable Housing and Financial Monitoring and Technical
	HUD	On-site monitoring of the state's affordable housing programs

Status	Target Date
Px	06/30/09
Ix	09/17/09
Ix	09/17/09

Division: Financial Administration

Section: Not Selected

Issue: Finding #3 The HOME regulations found at 24 CFR 92.207(a) are very specific that HOME administration funds may only be used for administration of HOME activities. The information provided by TDHCA on March 30, 2009, pertaining to HOME index 00880 notes that $209,380.61 of HOME administration funds were used to offset FEMA Program shortages. The state was advised that this action was neither appropriate nor acceptable.

Required Corrective Action: TDHCA must immediately cease using HOME funds to pay the shortages of another program to provide HUD with assurances that is has done so. It must review its accounting records for the period January 1, 2005 to current and provide HUD with information listed on report (pg. 27). In addition, TDHCA must calculate the interest that the U.S. Treasury would have earned on the funds from the date the funds were drawn until the date the funds were disbursed for eligible HOME program expenses. The methodology used to calculate the interest, along with a copy of the wire transfer providing evidence of the transfer of interest to HUD must accompany the state's response.

Status:

09/17/09 - In reference to the interest calculation on the HOME funds used to offset FEMA expenses that did not include $209,380.61 of HOME funds that were drawn on September 19 and October 2, 2008, the initial calculation included $7,018.87 with interest but did not include $202,361.74.

Attachment A-I (FEMA) includes $175,974.79 for FEMA October 2008. The $7,018.87 on
Attachment A-I (a) identifies the details of FEMA October 2008 activities totaling $175,974.79.

Attachment A-2 (APS II Benefits) identifies a revised calculation relative to the $202,361.74 which results in interest of $1,354.14.

In addition, TDHCA recalculated the interest for FEMA (Attachment A-I) and CDBG 1/11
(Attachment A-3) for periods up to September 7, 2008 which resulted in additional interest of $73.17.

Attachments A-4 through A-6 includes tables for FEMA, CDBG 1, and CDBG 2 that provides exact dollar amount of HOME funds used to offset shortfalls, the dates funds were disbursed from the local HOME account (shortfalls), the dates the funds were returned to the HOME Program and the dates funds were disbursed for eligible HOME activities. A warrant for the net amount of interest owed of $1,423.75 is included in this response.

09/17/09 - This prior audit issue is the result of HUD Monitoring Findings-Affordable Housing
HOME Program Audit Finding No.3. The Financial Administration Division responded to this finding in the Department's response to HUD dated September 17, 2009

06/30/09 - In the aftermath of Hurricane's Katrina and Rita, the Governor designated the Department as the lead agency for housing. One of the primary responsibilities of the Department was to provide immediate aid to those affected.

Weeks later, the Governor declared the situation a Federal Disaster. This declaration granted the Department eligibility to receive emergency funding from the U.S. Department of Housing and Urban Development (HUD) and the Federal Emergency Management Administration (FEMA). To receive these funds, the Department was instructed to begin pre-award activities such as planning, public hearings, development of action plans and coordination with other state/federal/local agencies and organizations. During this time, the Department accumulated expenses associated with the pre-award activities. With no dedicated state funding, the Department began experiencing cash flow shortfalls. As the Department awaited the release of federal disaster funds, it was necessary to pay for staff time with traditional federal program funds.

A review of the records indicates that HOME funds were used to offset shortfalls in various periods. A cash balance worksheet that summarizes the shortages and time periods in which funds were drawn and disbursed is enclosed (Attachment C). The worksheet also includes a methodology used to calculate interest due to the U.S. Treasury. (A warrant for $6,027.84 is attached.) The Department also provides assurances that it will comply with the provisions set forth in 24 CFR §92.207(a).

Issue #	Report Date / Auditors	Report Name / Audit Scope
117	4/17/2009	Affordable Housing and Financial Monitoring and Technical
	HUD	On-site monitoring of the state's affordable housing programs

Status	Target Date
Px	06/30/09
Ix	09/17/09
Ix	09/17/09

Division: Financial Administration

Section: Not Selected

Issue: Finding #3 The HOME regulations found at 24 CFR 92.207(a) are very specific that HOME administration funds may only be used for administration of HOME activities. The information provided by TDHCA on March 30, 2009, pertaining to HOME index 00880 notes that $209,380.61 of HOME administration funds were used to offset FEMA Program shortages. The state was advised that this action was neither appropriate nor acceptable.

Required Corrective Action: TDHCA must immediately cease using HOME funds to pay the shortages of another program to provide HUD with assurances that is has done so. It must review its accounting records for the period January 1, 2005 to current and provide HUD with information listed on report (pg. 27). In addition, TDHCA must calculate the interest that the U.S. Treasury would have earned on the funds from the date the funds were drawn until the date the funds were disbursed for eligible HOME program expenses. The methodology used to calculate the interest, along with a copy of the wire transfer providing evidence of the transfer of interest to HUD must accompany the state's response.

Status:

09/17/09 - In reference to the interest calculation on the HOME funds used to offset FEMA expenses that did not include $209,380.61 of HOME funds that were drawn on September 19 and October 2, 2008, the initial calculation included $7,018.87 with interest but did not include $202,361.74.

Attachment A-I (FEMA) includes $175,974.79 for FEMA October 2008. The $7,018.87 on
Attachment A-I (a) identifies the details of FEMA October 2008 activities totaling $175,974.79.

Attachment A-2 (APS II Benefits) identifies a revised calculation relative to the $202,361.74 which results in interest of $1,354.14.

In addition, TDHCA recalculated the interest for FEMA (Attachment A-I) and CDBG 1/11
(Attachment A-3) for periods up to September 7, 2008 which resulted in additional interest of $73.17.

Attachments A-4 through A-6 includes tables for FEMA, CDBG 1, and CDBG 2 that provides exact dollar amount of HOME funds used to offset shortfalls, the dates funds were disbursed from the local HOME account (shortfalls), the dates the funds were returned to the HOME Program and the dates funds were disbursed for eligible HOME activities. A warrant for the net amount of interest owed of $1,423.75 is included in this response.

09/17/09 - This prior audit issue is the result of HUD Monitoring Findings-Affordable Housing
HOME Program Audit Finding No.3. The Financial Administration Division responded to this finding in the Department's response to HUD dated September 17, 2009

06/30/09 - In the aftermath of Hurricane's Katrina and Rita, the Governor designated the Department as the lead agency for housing. One of the primary responsibilities of the Department was to provide immediate aid to those affected.

Weeks later, the Governor declared the situation a Federal Disaster. This declaration granted the Department eligibility to receive emergency funding from the U.S. Department of Housing and Urban Development (HUD) and the Federal Emergency Management Administration (FEMA). To receive these funds, the Department was instructed to begin pre-award activities such as planning, public hearings, development of action plans and coordination with other state/federal/local agencies and organizations. During this time, the Department accumulated expenses associated with the pre-award activities. With no dedicated state funding, the Department began experiencing cash flow shortfalls. As the Department awaited the release of federal disaster funds, it was necessary to pay for staff time with traditional federal program funds.

A review of the records indicates that HOME funds were used to offset shortfalls in various periods. A cash balance worksheet that summarizes the shortages and time periods in which funds were drawn and disbursed is enclosed (Attachment C). The worksheet also includes a methodology used to calculate interest due to the U.S. Treasury. (A warrant for $6,027.84 is attached.) The Department also provides assurances that it will comply with the provisions set forth in 24 CFR §92.207(a).

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118 | 4/17/2009 | Affordable Housing and Financial Monitoring and Technical
HUD | On-site monitoring of the state's affordable housing programs

Status		Target Date
Px	06/30/09	8/31/2009
Ix	08/18/09	
Ix	09/30/09	

Division: Financial Administration

Section: Not Selected

Issue: Finding #4 The state is not accounting for recaptured funds separately from its program income, as required by 24 CFR 92.503(c), which requires recaptured funds to be deposited in the participating jurisdiction's HOME Investment Trust Fund local account. Instead, recaptured funds are being accounted for as program income.

Required Corrective Action: The State must provide detailed spreadsheets for the period January 1, 2005 to current that clearly distinguish the amount the state received as recaptured funds from the amount the state received as program income.

Status:

09/30/09 - This prior audit issue is the result of HUD Monitoring Findings-Affordable Housing HOME Program Audit Finding No.4. The Financial Administration Division responded to this finding in the Department's response to HUD dated August 18, 2009.

08/18/09 - (Per HUD response) In our last correspondence dated June 30, 2009 in which we responded to our Audit Report Findings, specifically Finding No.4, we noted that the Department established accounting procedures to adequately separate program income from recaptured funds. At that time, the Department began reconciling activity from January 1, 2005 to current to determine the amount the Department received as recaptured funds from the amount the state received as program income. The results of our reconciliation identified $2,128,602.77 as our recaptured program income.

06/30/09 - The Department recognizes that in accordance with 24 CFR §92.503 (c) recaptured funds must be deposited in the participating jurisdiction's HOME Investment Trust Fund local account. Since the monitoring visit, the Department has established accounting procedures to adequately separate the program income from the recaptured funds in its accounting records. The Department is in the process of reconciling activity from January 1, 2005, to current to determine the amount the Department received as recaptured funds from the amount the state received as program income. The State will submit its reconciliation and documentation no later than August 31, 2009.

Issue #	Report Date / Auditors	Report Name / Audit Scope	Status	Target Date
119	4/17/2009 HUD	Affordable Housing and Financial Monitoring and Technical On-site monitoring of the state's affordable housing programs	Ix	06/30/09

Division: Financial Administration

Section: Not Selected

Issue: Finding #5 The information in the state's contract system did not match the information in the general ledger for the time period reviewed. One item in the amount of $455 was found on the Loan Processing System and not on the general ledger; fifteen items totaling $71,878.05 were found on the General Ledger System and not on the Loan Processing System.

Required Corrective Action: The state must reconcile the two systems for the period January 1, 2005 to current. Also, the state must establish a process to reconcile the contract system to the general ledger on a periodic basis. The process must include the frequency of the reconciliation and the responsible party and provided to HUD. Also, the state must implement a procedure to provide the Fort Worth Field Office a copy of the wire transfer information regarding funds being returned to its line of credit.

Status:

06/30/09 - In accordance with 24 CFR §85.20 (a)(2) the Department has completed a repayment reconciliation from January 1, 2005, to current (Attachment D). A procedure has been established to reconcile the contract system quarterly to the general ledger. This process compares the contract system query to the general ledger query. The reconciliation is managed by the fiscal and program areas. The Department is also implementing a procedure to provide HUD with a copy of the warrant pertaining to the funds being returned to its line of credit.

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Issue #	Report Date / Auditors	Report Name / Audit Scope
120	4/17/2009	Affordable Housing and Financial Monitoring and Technical
	HUD	On-site monitoring of the state's affordable housing programs

Status	Target Date
Px	06/30/09
Px	09/17/09
Ix	09/25/09

Division: Program Services

Section: Not Selected

Issue: Finding #6 Questioned and unsupported costs in the amount of $152,494.67, as well as other discrepancies, were noted. HOME regulations found at 24 CFR 92.508 require the establishment and maintenance of sufficient records.

Required Corrective Action: Within 30 days from the date of this letter, the state must either reimburse the ineligible and unsupported costs, or provide support documentation for the costs that can be supported and reimburse the unsupported costs. Additionally, the state must report on the results of its comparison of the preliminary settlement statements to the final settlement statements for the Luling and Highland Lakes activities and include any unsupported costs in the reimbursement.

Status:

09/25/09 - A supplemental letter to the second HUD Response letter was sent to HUD on 09/25/2009. The supplemental letter included support documentation for program costs identified in the HUD Monitoring Letter. The documentation is currently under review and staff is awaiting further comments or questions from HUD staff.

09/17/09 - This activity has now been closed in IDIS. The HOME contract file #535247 was recently located with the draw documentation for activity #13530, 6th Street Avenue G in Olton, Texas. Unfortunately, documentation for only 6 of the 8 draws can be confirmed. These draws total $113,080.79 of the total $149,031.067 drawn. The Department is continuing its efforts to locate the missing documentation for the remaining two draws in archives, which represent an amount of$35,950.88.

06/30/09 - The Department would like to make note of the fact that HOME staff has changed its process to address this issue. Currently, when table funding, the amounts reflected on the preliminary settlement statement is what is used to disburse funds and the final settlement statement is reviewed to determine whether excess funds have been disbursed and if there have been, adjustments are made accordingly on the next draw request.

Issue #	Report Date / Auditors	Report Name / Audit Scope
122	12/18/2008	Report to Management - year ending August 31, 2008
	Deloitte and Tou	Annual independent audit of the Department's general purpose financial statements

Status		Target Date
Px	09/30/09	10/31/2009
Px	12/18/09	1/31/2009

Division: Information Systems

Section: Not Selected

Issue: Observation: The PeopleSoft support team makes changes to financial data stored in the Oracle database after receiving approvals through email by business users. Such requests are entered in Track-It to ensure they are completed timely. Changes made to the production database include SQL queries which update and delete data. Such changes are made through individual user identification to establish accountability on the system. However, such database changes are not logged systematically through individual user accounts to ensure only changes intended by management are made to the production database.

Recommendation: All requests by the business to allow IT support to make data changes should be written, maintained and monitored for appropriateness.

Status:

12/18/09 - In addition to the current process of documenting Financial Administration (FA) Division management or team leader approval in advance of performing direct database updates in PeopleSoft as requested by FA management and staff, the Information Systems Division will implement a process to log direct database changes made through the individual system accounts of the PeopleSoft support team. The Director of Information Systems will monitor these logs for ppropriateness.

09/30/09 - The Information Systems Division implemented the direct database change log for PeopleSoft in August 2009. The reporting mechanism that the Director of Information Systems will use to monitor the log will be put into place by October 31, 2009.

Issue #	Report Date / Auditors	Report Name / Audit Scope
123	12/18/2008	Report to Management - year ending August 31, 2008
	Deloitte and Tou	Annual independent audit of the Department's general purpose financial statements

Status		Target Date
Px	12/18/08	12/31/2008
Ix	09/30/09	

Division: Information Systems

Section: Not Selected

Issue: Observation: Policies have been created to govern network and systems software change management. Individuals have been granted authority to approve, test and deploy their own changes. Access to implement such changes has been limited to very few personnel. However, such changes are not formally reviewed by management to ensure they are consistent with management's intentions.

Recommendation: Changes made to network and operating systems software should be documented. Documentation should evidence testing and approvals of changes made.

Status:

09/30/09 - The Information Systems Division added the IS System Changes control to SOP 2264.14 in January 2009.

12/18/08 - In December 2007, management updated SOP 2264.14, "Network Change Procedures," to clarify the levels of authorization that the Director of Information Systems has granted to TDHCA's Network Administrator, Unix Administrator, and Database Administrator and to establish the Unix, Windows, and Cisco Change Log. The Information Systems Division has been in compliance with the updated version of SOP 2264.14 since that time. By December 31, 2008, management will add an additional control to SOP 2264.14 requiring that employees in these positions email a description of the planned change to a new distribution list named "IS System Changes" prior to initiating certain types of network and operating systems software changes identified in the SOP. The Director of Information Systems will be a member of this distribution list. Email sent to this distribution list will also be posted to a public folder to which all division employees will have read access.

Issue #	Report Date / Auditors	Report Name / Audit Scope
124	12/18/2008	Report to Management - year ending August 31, 2008
	Deloitte and Tou	Annual independent audit of the Department's general purpose financial statements

Status	Target Date
Px	12/18/08

Division: Financial Administration

Section: Not Selected

Issue: Observation: GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments was also issued and is effective for the Department beginning in fiscal year 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. A key provision in this Statement is that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully enefitresponsive, are reported at fair value.

Recommendation: Begin reviewing GASB Statement Nos. 49, 50, 51, 52 and 53 and their implications to determine the potential impact on the TDHCA's financial statements.

Status:

12/18/08 - Management will proactively review GASB Statement Nos. 49, 50, 51, 52 and 53 for their potential implications for TDHCA's financial statements.

Issue #	Report Date / Auditors	Report Name / Audit Scope
125	3/3/2009	State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ende
	State Auditor's O	Federal Portion Audit of the State's basic financial statements and a review of significant

Status		Target Date
Px	03/03/09	3/31/2009
Ix	09/30/09	

Division: Information Systems

Section: Not Selected

Issue: Condition:
•Genesis – Six users have administrative privileges that allow them the ability to have access to application and database administrator roles and to migrate application code changes into production. In addition, two of these six users are developers. The other four users are user account administrators for Genesis.
•CACS – Two developers have application administrative access rights.
•PeopleSoft – One developer/analyst has database administrator privileges, application administrator rights, and access to migrate code changes into production. TDHCA's Director of Information Systems performs a quarterly review of a PeopleSoft report that includes all changes made to the application. However, the developer/analyst has the ability to alter the report with his high-privilege access rights which are assigned so he can migrate changes into production.
•At the network level, one developer has domain administrative privileges.
Cause: In each system, duties are not appropriately segregated between the application administrators, database administrators, and developers. Also specific developers have access to move changes into the production environment of the individual systems.
Criteria: Community Affairs contract systems for monitoring contracts should allow only the appropriately authorized individuals access to update records.
Effect: Users with inappropriate rights to modify applications create a risk of unauthorized changes to the production environment and/or risks of unintentional errors or omissions in processing.
Recommendation: Duties should be segregated between application administrators, system administrators, database administrators, and developers. In addition, developers who have programming responsibilities should not have access to migrate changes to production. In cases where such condition is necessary, management should implement a monitoring control to help ensure that changes implemented to production are appropriate. Privileged access should only be granted to developers in the test environment. If monitoring controls such as report reviews are put in place, developers should not have access to modify the report.

Status:

09/30/09 - In April and May 2009, the Information Systems Division completed each change to access described in the Corrective Action Plan section of the March 2009 status update.

03/03/09 - Summary of Existing Processes and Monitoring Controls – Because of the size of the Department's Information Systems Division (ISD) and the number of systems supported, management has assigned some ISD employees responsibilities that cross between developer, application administrator, and database administrator roles to provide for efficient delivery of services in the support of production systems and to ensure adequate backup for critical ISD functions. Additionally, in the legacy Genesis system, technology limitations prevent the Department from systematically separating responsibilities between these roles.

Over the past five years, the Department has implemented both manual and systematic processes and monitoring controls for tracking software changes to compensate for the risks posed by advanced levels of systems access. These controls include a series of standard operating procedures governing software, database, and network changes, including a requirement to document approval of direct database updates requested by management within the Department's help desk system; the Software Change Acceptance form; the Object Change Report for PeopleSoft; and the Concurrent Versioning System (CVS), which systematically tracks all software changes promoted to the production environment for the new Community Affairs Contract System (CACS). In addition to these controls, the Department completely segregates developer access between front-end programmatic systems, such as Genesis and CACS, and the Department's general ledger system, PeopleSoft.

Corrective Action Plan – In order to strengthen segregation of duties and further reduce the risk of unauthorized changes to production environments, the Department will remove application administrator access from the two CACS developers and application and database administrator access from the PeopleSoft developer/analyst noted in the finding. While reducing the risks of unauthorized changes, removing these levels of access will pose some production support risks for PeopleSoft, because of limited backup.

Regarding Genesis, the Department will reduce the number of user account administrators from four to two. However, because of the technical limitations mentioned above and because the Department will retire the Genesis version of the Community Affairs Contract System from all but historical inquiry in April 2009, the Department will continue to grant administrative privileges to the two employees who both develop and support remaining Genesis applications, which are administrative in nature. Management will continue to apply manual monitoring controls to the Genesis environment.

Finally, the ISD employee identified as a developer with Windows domain administrative privileges performs no development duties in the Windows environment. The privileges are assigned for backup ISD Network and Technical Support section purposes. Because these privileges provide support benefits to the Department and there is no crossover between developer and administrative responsibilities in this environment, management does not plan to remove these privileges.

Issue #	Report Date / Auditors	Report Name / Audit Scope	Status	Target Date
126	HUD-OIG	Texas Disaster Supplemenatal II - FW 09 0013 January 10, 2007, through April 3, 2009 - The universe consisted of the electronic data recei	Nx	09/21/09

Division: Disaster Recovery

Section: Not Selected

Issue: Condition: Disaster Recovery's action plan did not require homeowner's insurance on properties reconstructed or rehabilitated with Supplemental I funds, and its grants required only 3 years of homeowner's insurance for homes reconstructed or rehabilitated with Supplemental II funds. Of a sample of 59 Supplemental I homes tested, 38 were later damaged by another hurricane or storm. Of the 38 homes, 23 did not have insurance.
Cause: TDHCA designed its action plan to reconstruct or rehabilitate the maximum number of homes for disaster victims rather than require insurance for the homes for a period equitable to the amount of funds invested and the asset life of the home.
Criteria: TDHCA's method of allocation used data from the Federal Emergency Management Agency (FEMA), the Texas Department of Insurance, census poverty data, and public input.
Effect: HUD's CDBG Disaster Recovery funds invested in the homes provided to the disaster victims are at risk of loss.
Recommendation: We recommend that HUD's Director of Disaster Recovery Assistance & Special Issues Division request TDHCA to modify its action plan to either provide homeowner's insurance for a reasonable period to all newly reconstructed or repaired homes for a period equitable to the amount of funds invested and the life of the asset, or request the homeowner to obtain homeowner's insurance as a prerequisite to obtaining assistance for a period equitable to the amount of funds invested and the life of the asset, or prohibit the homeowner from being able to receive future Disaster Recovery assistance if an insurance policy is not maintained on a newly reconstructed or repaired home, which will result in $60.2 million in funds to be put to better use.

Status:

09/21/09 - TDHCA is not convinced that the State of Texas providing 30 years of insurance to all homeowners whose homes were reconstructed with CDBG disaster recovery funds would be more beneficial than providing homes to as many affected homeowners as possible and requiring them to maintain insurance on their home for the period of the loan or grant. The risk of a major hurricane striking anywhere on the Texas Gulf Coast is approximately 30%. The cost of providing insurance would mean that as many as 50% fewer homeowners could be served. Without sufficient actuarial data and appropriate testing and statistical sampling, TDHCA is unable to make this decision. As a result, TDHCA will follow HUD's program guidance regarding this issue. In the meantime, TDHCA will continue its practice of requiring homeowners to execute an agreement that requires them to maintain insurance, and if the property is damaged, the homeowner may not be eligible for future benefits if they failed to maintain insurance.

Internal Audit Division

BOARD ACTION REQUEST

October 14, 2009

Action Items

Presentation and discussion of recent internal audit reports.

Required Action

None, information item only.

Background

The Office of Colonia Initiatives (OCI) has fully or substantially implemented 17 of 19 (89.5%) audit recommendations from the Internal Audit Report on the Office of Colonia Initiatives' Bootstrap Loan Program (released November 25, 2008), and the Internal Audit Report on the Office of Colonia Initiatives' Self-Help Center Program (released December 19, 2008). All 10 of the prior audit recommendations for the Self-Help Center Program were fully or substantially implemented.

Although these two audit reports were released more than seven months ago, many of these recommendations were implemented within the past two or three months. As a result, there were not sufficient files or transactions available for testing to allow us to determine if some of the substantially implemented recommendations could have been fully implemented.

Recommendation

No action is required.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

August 17, 2009

To: The Governing Board and Audit Committee Members of the Texas Department of Housing and Community Affairs

Re: Internal Audit Follow-up Report on the Office of Colonia Initiatives' Programs

The Office of Colonia Initiatives (OCI) has fully or substantially implemented 17 of 19 (89.5%) audit recommendations from the *Internal Audit Report on the Office of Colonia Initiatives' Bootstrap Loan Program* (released November 25, 2008), and the *Internal Audit Report on the Office of Colonia Initiatives' Self-Help Center Program* (released December 19, 2008).

Although 7 of 9 (77.7%) of the prior audit recommendations for the Bootstrap Loan Program were fully or substantially implemented, the most significant recommendation was not correctly implemented. Since September 2008, $2,820,089 in Bootstrap loans was committed and partially spent. Of this amount, only $646,489 (22.9%) was for properties located in the 45 counties eligible for financial assistance under the Water Code. This is because management made a decision to honor all previous commitments prior to correcting the two-thirds and one-third allocations, but the OCI did not reconcile the fiscal year 2008 amounts in the reservation system to the correct counties and consequently carried forward erroneous balances. Even though the OCI is now correctly categorizing the homes in the reservation system by county, the result of carrying forward incorrect balances is that the amounts spent in fiscal year 2009 to date are still not in compliance with the Government Code.

In addition, the reservation system used to commit and track funds for the Bootstrap Loan Program is not reconciled with the MITAS system used to track loans, nor is the reservation system consistently updated to eliminate duplicate reservations, cancellations or changes in the loan amounts. As a result, the reservation system does not accurately reflect the available balances for the Bootstrap Loan Program. This makes it more difficult to determine the remaining funds available for the allocation required by the Government Code.

All 10 of the prior audit recommendations for the Self-Help Center Program were fully or substantially implemented.

Although these two audit reports were released more than seven months ago, many of these recommendations were implemented within the past two or three months. As a result, there were not sufficient files or transactions available for testing to allow us to determine if some of the substantially implemented recommendations could have been fully implemented.

Sincerely,

Sandra Q. Donoho, MPA, CIA, CISA, CFE, CICA
Director of Internal Audit

Encl. (1)

cc: Michael Gerber, Executive Director
Tim Irvine, Chief of Staff
Tom Gouris, Deputy Executive Director for Housing Programs
Homero Cabello, Director of the Office of Colonia Initiatives

Executive Summary

The Office of Colonia Initiatives (OCI) has fully or substantially implemented almost all of the audit recommendations from the *Internal Audit Report on the Office of Colonia Initiatives' Bootstrap Loan Program* (released November 25, 2008), and the *Internal Audit Report on the Office of Colonia Initiatives' Self-Help Center Program* (released December 19, 2008). Of the 19 audit recommendations from these two reports:

- 4 (21.1%) were fully implemented,
- 13 (68.4%) were substantially implemented, and
- 2 (10.5%) were incomplete/ongoing.

Although these two audit reports were released more than seven months ago, many of these recommendations were implemented within the past two or three months. As a result, there were not sufficient files or transactions available for testing to allow us to determine if some of the substantially implemented recommendations could have been fully implemented. Auditor comments in the table in each chapter reflect the implementation dates and the results of the testing performed.

Status of Prior Audit Recommendations

Fully Implemented – Proven development and consistent use of a policy or process to implement the prior audit recommendation.

Substantially implemented – Policies or processes to implement the prior audit recommendation were successfully developed but have not been consistently implemented.

Incomplete/Ongoing – Policies or processes are still being developed to address the prior audit recommendation.

Not Implemented – Policies or processes have not yet been developed to address the prior audit recommendation.

Although 7 of 9 (77.7%) of the prior audit recommendations for the Bootstrap Program were fully or substantially implemented, the most significant recommendation was not. Since September 2008, $2,820,089 in Bootstrap loans were committed and have been partially spent. Of this amount, $646,489 (22.9%) was for properties located in the 45 counties eligible for financial assistance under the Water Code. The Government Code requires that the Bootstrap program allocate two-thirds of all available funding to counties that are eligible to receive assistance under the Water Development Board's Economically Distressed Areas Program. Because of changes in the Water Code in 2005, and confusion over how these changes affected the Bootstrap Loan Program, the Department was not completely in compliance with this statute during the prior audit and is still not fully in compliance for fiscal year 2009.

In fiscal year 2009 to date, $2.2 million was obligated to and/or spent in counties which are not eligible under the Water Code. This is because management made a decision to honor all previous 2008 commitments, but the OCI did not reconcile the fiscal year 2008 reservations in the reservation system to the correct counties. This resulted in OCI carrying incorrect balances forward and over-committing the actual fiscal year 2009 funds. Unless these balances are corrected, these funds will never be correctly allocated.

Other Key Points

- The reservation system used to commit and track funds for the Bootstrap Program does not accurately reflect the available balances due to inconsistent updating to correct for duplications, cancellations and changes in loan amounts.

- We were unable to fully test the implementation of 9 of the 13 (69.2%) of the substantially implemented recommendations for both programs because they were recently implemented or there are not yet a sufficient number of transactions to test.

- The revised Bootstrap Program Manual is in draft form. The manual will not be finalized until public comment is obtained and the final rules are approved by the Department's governing board.

- All of the prior audit recommendations for the Self-Help Center Program were fully or substantially implemented. The revised rules for the Self-Help Center Program were approved by the Department's governing board on July 30, 2009.

Summary of Management Responses

Management agrees with the results of the audit and is making changes to correct the issues identified.

Table of Contents

Detailed Results

Chapter 1

7 of 9 (77.7%) Recommendations for the Bootstrap Loan Program Were Fully or Substantially Implemented

Although the majority of the prior audit recommendations for the Bootstrap Loan Program were fully or substantially implemented, the most significant recommendation was not correctly implemented. Since September 2008, $2,820,089 in Bootstrap loans was committed and partially spent. Of this amount, only $646,489 (22.9%) was for properties located in the 45 counties eligible for financial assistance. This still does not strictly comply with Section 2306.752(d) of the Government Code which states, "(a)t least two-thirds of the dollar amount of loans made under this subchapter in each fiscal year must be made to borrowers whose property is located in a county that is eligible to receive financial assistance under Subchapter K, Chapter 17, Water Code." Of the $3 million in Bootstrap funding for program year 2009, two-thirds, or $2 million, is designated for the counties eligible for financial assistance under the Water Code.

In fiscal year 2009 to date, $2.2 million was obligated to and/or spent in counties which are not eligible under the Water Code. This is because management made a decision to honor all previous commitments prior to correctly implementing the two-thirds and one-third allocations, but the OCI did not reconcile the fiscal year 2008 amounts in the reservation system to the correct counties and consequently carried forward erroneous balances. Even though the OCI is correctly categorizing the homes in the reservation system by county, the result of carrying forward incorrect balances is that the amounts spent in fiscal year 2009 to date are still not in compliance with the Government Code. (See table 1 for the impact of this issue.)

Bootstrap Loan Program Funding

	2/3 for Distressed Counties		1/3 for Other Counties		Total
Actual 2008 Funds Remaining	$3,503,366		($950,502)		$2,552,864
2009 Fund Allocation	$2,000,000	66.66%	$1,000,000	33.33%	$3,000,000
Total Funds Available as of 9/2/08	$5,503,366	99.10%	$49,498	.89%	$5,552,864
Funds Committed (9/4/08-6/9/09)	$646,489	22.92%	$2,173,600	77.08%	$2,820,089
Available Balance (6/9/09)	$4,856,877		($2,124,102)		$2,732,775
Source: An analysis of the data in the reservation system using the list of eligible counties provided by the Water Development Board.					

Table 1

In addition, the reservation system used to commit and track funds for the Bootstrap Program is not reconciled with the MITAS system used to track loans, nor is the reservation system consistently updated to eliminate duplicate reservations, cancellations or changes in the loan amounts. As a result, the reservation system does not accurately reflect the available balances for the Bootstrap Program. This makes it more difficult to determine the remaining funds available for the allocation required by the Government Code.

The following table reflects the status of the nine prior audit recommendations from the previous Bootstrap Program report.

Bootstrap Loan Program

	Recommendation	Status	Auditor Comments
1	The Department should ensure that two-thirds of the available Bootstrap loan funding is set aside for counties eligible for financial assistance under the Water Code, and establish a method by which the list of counties eligible for assistance is regularly updated to ensure compliance with the statute.	Incomplete/ Ongoing	In fiscal year 2009 to date, $2.2 million was obligated to and/or spent in counties which are not eligible under the Water Code. This is because incorrect balances were carried forward from fiscal year 2008. In addition, OCI does not update the reservation system with status changes or actual loan amounts. A method was established to update the list of eligible counties.
2	The Department should: • fully comply with the $60,000 limit for all loans made under the program unless the legislature makes a change in statute to either raise the $60,000 limit, or specify that forgivable loans are grants, even if they result in a lien on the property, • ensure all additional loans are documented in the loan file, and • in those instances where lenders provide a forgivable loan, ensure the provision is also documented.	Substantially Implemented	Auditors tested a random statistical sample of 30 files for loans closed since December 1, 2008 and determined that: • no loans exceeded the $60,000 limit (not including deferred forgivable loans) and the revised policy specifies that forgivable loans are considered as grants even if they result in a lien on the property, • 5 of 30 (16.7%) of the files tested included additional loans that were not documented in the loan file, and • all deferred forgivable loans were documented.
3	The Department should develop a methodology to track Bootstrap Loan Program funds, loan payments and de-obligated funds, and ensure that all re-payments made on Bootstrap loans are used to fund the program.	Fully Implemented	Funds from the Bootstrap Loan Program effective September 1, 2008, are now kept in a separate bank account and tracked accordingly. Auditors were able to reconcile these funds with the Housing Trust Fund reports. It

Bootstrap Loan Program			
	Recommendation	Status	Auditor Comments
			appears that all Bootstrap loan payments and de-obligated funds were recycled back into the Bootstrap Program as of September 1, 2008.
4	The Department should: • ensure that all future Bootstrap loans comply with the Texas Administrative Code regarding lien position relative to other loans, • consider whether the Department is willing to give up first lien position for an amount as low as forty-seven cents, and • determine whether amendments should be made to the Texas Administrative Code to further specify the Department's intent regarding lien position.	Substantially Implemented	Auditors tested a random statistical sample of 30 files for loans closed since December 1, 2008 and determined that: • In 22 of 30 (73.3%) of these loans, the Department holds a subordinate lien position and has less money invested than the first lien holder. Of these, 10 are within 3 dollars of the amount of the first lien. • In 5 of 30 (16.7%) of these loans, the Department is in first lien position, and in 3 of 30 (10.0%) of these loans, the Department has a parity loan with another lender and has an equal amount invested. • Proposed changes to the Texas Administrative Code have been posted and are currently out for public comment. Final rules are pending approval by the Department's governing board. These proposed rules include a statement that the Department may accept a subordinate lien position if the original principal amount of the leveraged loan is at least $1,000 or greater than the Department's loan.
5	Each Bootstrap home funded by the Department should be viewed at least once prior to closing by an employee of the Department and the process should be documented in the loan file. Each Bootstrap loan file should contain an activity sheet or chronological log that the staff can use to document significant changes to the file.	Substantially Implemented	The implementation of a new policy on May 13, 2009 requires an individual appraisal for each home rather than a generic pre-construction appraisal for multiple homes and a signed affidavit by the homeowner declaring the address their principal residence. However, only 5 of the 30 loans tested closed since the policy was implemented. All 5 of these loans complied with the new rules.

Bootstrap Loan Program			
	Recommendation	Status	Auditor Comments
6	Each Bootstrap file should contain the required information such as appraisals, calculations of loan-to-value ratios, and debt-to-income ratios. Program rules should be followed relative to the loan-to-value ratios and debt-to-income ratios.	Substantially Implemented	• 30 of 30 files tested (100%) complied with the required loan-to-value ratio. • 13 of 30 files tested (43.3%) did not contain sufficient evidence to verify the debt-to-income ratio. However, the documents that include the debt-to-income ratios were not required until May 13, 2009, and the files in error all closed prior to that date.
7	The remaining unused Bootstrap funds should be de-obligated as soon as the old contracts expire.	Substantially Implemented	Four of the six remaining contracts have expired. These contracts were de-obligated an average of 137 days after expiration of the contracts. One was 262 days after the contract expired. The method of allocating funds has changed with the implementation of the reservation system, but there is no method to review the reservation system for timely completion of loan commitments.
8	The Department should: • Ensure that organizations applying to be certified as a non-profit owner-builder housing provider submit an unqualified opinion by a CPA or a signed, notarized affidavit from the executive director certifying that the organization's accounting records conform to the standards of financial management systems as required, and • Request changes to the Texas Administrative Code to eliminate the organizational structure requirement, and amend the certification checklist to eliminate the organizational structure and public comment sections.	Substantially Implemented	• We reviewed the files of the ten non-profit owner-builder housing providers certified since the prior audit and found that all ten files contained the required financial documentation, or were exempt from the requirement. • Changes to the Texas Administrative Code are in draft form and have been published in the Texas Register. The changes will not be finalized until public comment is obtained and the final rules are approved by the Department's governing board.
9	The Department should ensure that all requirements of the Bootstrap Loan Program are included in the program manual, and continue to periodically update the manual to include any changes in program requirements.	Incomplete/ Ongoing	The revised Bootstrap Program Manual is in draft form. The manual will not be finalized until public comment is obtained and the final rules are approved by the Department's governing board.

Management's Response

Issue #1

Management will reconcile all balances at the end of the current fiscal year to offset shortages from previous funding cycles and reallocate funds in FY 2010 and 2011.

OCI will update the Texas Bootstrap Loan Program Reservation System Standard Operating Procedures to ensure loan amounts reflected in the MITAS system are adjusted on the reservation report (Excel spreadsheet) to more accurately reflect outstanding balances. In November 2009, the MITAS Reservation System will be utilized to reconcile all loans in the Reservation System and loans closed. By utilizing the MITAS system it will eliminate the manual update of the Reservation System Excel spreadsheet.

Issue #9

Program Rules have been published in the Texas Register, public comment period began on August 7th and will conclude on September 7th. The final Program Rules will be presented to the Department's Governing Board on October 15th for final adoption. Upon final adoption the Program Manual will be finalized and released to all NOHPs.

Chapter 2

10 of 10 (100%) Recommendations for the Self-Help Center Program Were Fully or Substantially Implemented

The following table reflects the status of the ten prior audit recommendations from the previous Self-Help Center Program report.

Self-Help Center Program			
	Recommendation	Status	Auditor Comments
1	The Department should: • develop minimum documentation requirements for counties to use when submitting draw requests, • develop a draw checklist to ensure that all draws are supported by the required documentation, • include a date stamp on all documents received, and • verify that all information is correctly posted to ORACLE.	Substantially Implemented	We tested the five draws available since the policies and procedures were put into effect on May 15, 2009 and found that: • Minimum documentation requirements were developed for counties to use when submitting draw requests. • Draw checklists were developed which identify specific types of appropriate back-up documentation. • One document was not date stamped. • All information was correctly posted to ORACLE. Sufficient transactions have not occurred to test consistent use of the new procedures.
2	The Department should ensure that all pre-draw requirements are met prior to reimbursing the first draw, and ensure that the contract tracking sheet is completed for each contract.	Substantially Implemented	The border field officers are now required to verify that all required documentation is received and complete before paying the first draw. Checklists for draws have been developed and the applicable checklists are required for each draw request received after June 1, 2009. Testing of 1 draw showed that the contract tracking sheet was completed and the required documentation was received (with the exception of the required draw checklist). Because the implementation date was June 1, 2009, sufficient transactions have not occurred to test consistent use of the new procedures.
3	The Department should develop its own administration thresholds that reflect a reasonable expenditure of funds for the Self-Help Center	Fully Implemented	The newly revised administrative thresholds appear to be appropriate for the Self-Help Center Program. These rules were

Self-Help Center Program			
	Recommendation	**Status**	**Auditor Comments**
	Program.		approved on July 30, 2009.
4	The Department should: • ensure that the requirement for compliance with the Davis-Bacon Act is included in all future contracts, • maintain documentation in the contract files to support compliance with the Davis-Bacon Act, and • require counties to submit the required close out forms prior to contract close out.	Substantially Implemented	• All self-help center contracts include a provision for compliance with Davis-Bacon where applicable, • Davis-Bacon currently applies to only one contract, and this contract file includes documentation supporting Davis-Bacon compliance, and • New policies and procedures for close out documentation were effective May 15, 2009. No contracts in which Davis-Bacon applied were closed since that date, so we were unable to determine if the required procedures were implemented.
5	The Department should designate a certifying officer for the Self-Help Center Program's environmental clearances to ensure that only approved staff signs off on environmental clearances, and retain copies of all environmental clearances after approval.	Fully Implemented	The program services division is now responsible for all environmental clearances. A certifying officer was designated to sign off on all self-help center environmental clearances. Copies are retained after approval.
6	The Department should: • ensure that all environmental clearances are received and documented prior to the start of construction or before expenses are incurred, • verify that all required corrective actions were taken prior to the payment of draws, • revise the contract tracking sheet to include information on site-specific clearances, and • ensure that the environmental clearance information is posted to ORACLE and the contract tracking sheet correctly and on a timely basis.	Substantially Implemented	Only one contract and five draws were available for testing since the policies were revised and implemented on May 15, 2009. • The Certification for Exemption from environmental clearance was obtained and documented prior to incurring the first expenses, • All environmental clearances were obtained prior to the payment of draws, • A spreadsheet was developed to track site-specific environmental clearances as part of the quarterly report. The first quarterly reports were not due until July 20, 2009, and • All environmental clearance information was correctly posted to ORACLE and the contract tracking sheet.

Self-Help Center Program			
	Recommendation	Status	Auditor Comments
			Sufficient transactions have not occurred to test consistent use of the new procedures.
7	The Department should ensure that all required special conditions are included in the contracts and enforced prior to reimbursing counties for their expenses, and update the ORACLE system to include the special conditions and the total project budget for each home constructed or rehabilitated.	Substantially Implemented	Only one contract was executed since the prior audit and the special conditions are included in this contract and the special conditions were cleared before the first draw was approved. The special conditions are included in ORACLE.
8	The Department should comply with the requirements for contract amendments and modifications, and ensure that all requests for amendments or modifications contain the required documentation.	Fully Implemented	Four of four amendments and modifications (100%) available since the prior audit were in compliance with the requirements for contract amendments, modifications and documentation.
9	The Department should: • date stamp all close-out reports and ensure that the required reports are received within the 60 day limit, • develop a standard review sheet to ensure consistency in the review of close-out documentation, • ensure that all required close-out documents are received, and • verify that all close-out, contractor and provider information is posted to ORACLE.	Substantially Implemented	Only one close-out occurred since the prior audit: • one document in the close-out was not date stamped, • a review sheet was developed and utilized, • all required close-out documents were received within the 60 day time-frame, and • the required information from the close-out documents was posted to ORACLE. Sufficient close-outs have not occurred to test consistent use of the new procedures.
10	The Department should: • develop a standard review sheet to ensure quarterly report requirements and expenditure thresholds are met, • track the progress of each of the contracts to determine if the expenditure thresholds are met, • enforce the special condition requiring monthly progress reports, and • ensure that pre-milestone and milestone letters are sent to the counties and documented on the contract tracking sheet as required.	Substantially Implemented	The standard operating procedures and the revised tracking sheet were implemented May 15, 2009. However the first quarterly reports were not due until July 20, 2009. As a result, we were unable to determine if the enhanced quarterly reports are used consistently.

Management's Response

Because all issues related to the Self-Help Centers were either fully or substantially implemented, no management responses were provided.

Appendix A

Objectives, Scope and Methodology

Objectives

To review the current status of implementation for the recommendations made in the following audit reports:

- Internal Audit Report on the Office of Colonia Initiatives' Bootstrap Loan Program (released November 25, 2008), and
- Internal Audit Report on the Office of Colonia Initiatives' Self-Help Center Program (released December 19, 2008).

Scope

The scope of this audit included the period since the release of the two audit reports. This audit focused on the policies, processes and plans to implement the recommendations in the audit reports. Where applicable, we tested the processes to ensure compliance.

Methodology

The methodology consisted of gaining an understanding of the new policies and processes put in place to address the prior audit recommendations. We compared state laws, rules and guidance to the revised processes and policies. We tested processes, policies and procedures, draws, desk review procedures and quarterly reports to ensure compliance with state laws and the Department's rules and regulations. We gained an understanding of the processes by conducting staff interviews and reviewing laws, regulations and policies and procedures, as well as reviewing monitoring practices, financial reports, loan files, contract files and supporting documentation for draws.

Specifically, we reviewed the following documents:

- Revised *Bootstrap Loan Program Manual* – including forms and exhibits
- Revised Bootstrap Loan Program standard operating procedures
- Housing Trust Fund reports
- General ledger detail for accounts 2920 and 2921
- Bootstrap Loan Program client files
- Revised Self-Help Center Program standard operating procedures
- Self-help center county contracts
- Self-help center contract modifications and amendments
- Self-help center contract files
- Self-help center contract tracking sheets
- Supporting draw documentation including draw checklists
- Quarterly reports submitted by counties
- Close-out reports
- Contract close-out letters
- Environmental clearance documentation
- Prior audit issues - E-3 forms
- NOHP Application Certification Checklist
- Correspondence (letters and e-mail) provided by OCI staff

- OCI Web pages
- Proposed self-help center rule changes published in the *Texas Register*
- Supporting draw documentation including draw checklists
- Opinion from the Legal Division regarding the Davis-Bacon Act
- OCI Self-Help Center webpage and forms
- Board approved delegation of authority identifying the designated environmental certifying officer

We used the following documents as criteria:

- Texas Government Code, Chapter 2306, Subchapters FF and Z
- Texas Administrative Code, Title 10, Part 1, Chapter 2, Rule §2.5
- Non-profit owner-builder housing provider (NOHP) contracts
- Texas Administrative Code, Title 10, §3.1 - §3.8
- The list of counties provided by the Texas Water Development Board that adopted the model subdivision rules
- Texas CDBG Implementation Manual - chapters 4 and 11
- 40 U.S.C 276a (Davis Bacon Act)

Type of Audit
This audit was a follow-up audit of previous audits of the Office of Colonia Initiatives' Bootstrap Loan Program and Self-Help Center Program.

Report Distribution
As required by the Texas Internal Auditing Act (Texas Government Code, Chapter 2102), this report is being distributed to the:

- Department's Governing Board
- Governor's Office of Budget and Planning
- Legislative Budget Board
- State Auditor's Office
- Sunset Advisory Commission

Project Information
Audit fieldwork was conducted from July 2009 through August 2009. The audit was conducted in accordance with Generally Accepted Government Auditing Standards and the *International Standards for the Professional Practice of Internal Auditing*.

The following staff performed this audit:
Harriet Fortson, MAcy, CGAP, Audit Project Manager
Mary Beth (Betsy) Schwing, CPA, CFE
Jill Borgman
Derrick Miller

Appreciation to Staff
We would like to extend our appreciation to executive management, the Office of Colonia Initiatives, and the financial administration division for their cooperation and assistance during the course of this audit.

Internal Audit Division

BOARD ACTION REQUEST

October 14, 2009

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 FY 2009 EXTERNAL AUDITS
September 25, 2009

Internal Audits/Activities	Scope/Description	Stage	Comments
State Auditor's Office	Follow-up on 2007 audit, and consideration of all matters related to the administration of the two awards of Community Development Block Grant Funds for Hurricane Recovery.	Completed	Report released in August 2009.
State Auditor's Office	A review of the Department's Program Specialist job classification.	Completed	Report released in July 2009.
U.S. Department of Housing and Urban Development	Monitoring the fundability documentation, subrecipient management and policy controls for fraud, waste, and mismanagement for the department's CDBG Supplemental II Disaster Funds.	Completed	Report released in August 2009.
U.S. Department of Housing and Urban Development – Office of the Inspector General	Review of the Department's CDBG Supplemental II Disaster Funds.	Completed	Draft report was received and management responses were Provided. Final report has not yet been received.
U.S Department of Health and Human Services	Review of the Department's CSBG funds.	Completed	Management responses were submitted in July 2009.
Texas Workforce Commission – Subrecipient Monitoring of UI Data Sharing	Review of access controls over Unemployment Insurance Data to ensure compliance with rules and regulations.	Completed	A formal written report was not received as there were not any significant findings.
Government Accountability Office (GAO)	To monitor the Department's plans and controls over the American Reinvestment and Recovery Act (ARRA) funds.	Fieldwork	The GAO is conducting an ongoing monitoring process that includes periodic reporting. Three reports have been released. The first report did not address Texas.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT DIVISION – STATUS OF FY 2009 EXTERNAL AUDITS
September 25, 2009

Internal Audits/Activities	Scope/Description	Stage	Comments
U.S. Department of Housing and Urban Development	Technical Assistance and Financial Review of the HOME Multifamily Program	Completed	Final management responses were submitted in September 2009. (Draft report was discussed at the July audit committee meeting.)
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.	Completed	Report released in March 2009.
U.S. Department of Housing and Urban Development – Office of the Inspector General	Testing of the Department's CDBG Supplemental I Disaster Funds.	Completed	Report released in January 2009.
Deloitte and Touche	Annual opinion audits: • Consolidated Financial Statements for the FYE August 31, 2008. • Revenue Bond Enterprise Fund for the FYE August 31, 2008.	Completed	Report released December 18, 2008.
Comptroller of Public Accounts	A post-payment audit of certain payroll, purchase and travel transactions.	Completed	Report released December 22, 2008.
U.S. Department of Housing and Urban Development	Disaster Voucher Program validation review to identify reporting errors, and to provide guidance and technical assistance to improve the Voucher Management System and the Disaster Information System.	Completed	Report released October 15, 2008.
U.S. Department of Housing and Urban Development	Review of the Community Affairs Division's Emergency Shelter Grants Program.	Completed	Report released October 3, 2008.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT DIVISION – STATUS OF FY 2010 EXTERNAL AUDITS
September 25, 2009

Internal Audits/Activities	Scope/Description	Stage	Comments
Government Accountability Office (GAO)	To monitor the Department's plans and controls over the American Reinvestment and Recovery Act (ARRA) funds.	Fieldwork	The GAO is conducting an ongoing monitoring process that includes periodic reporting. Three reports have been released. The first report did not address Texas.
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 2009 and a review of significant controls over financial reporting and compliance with applicable requirements.	Fieldwork	
Deloitte and Touche	Annual opinion audits: • Consolidated Financial Statements for the FYE August 31, 2009. • Revenue Bond Enterprise Fund for the FYE August 31, 2009.	Fieldwork	

Internal Audit Division

BOARD ACTION REQUEST

October 14, 2009

Action Items

Presentation and discussion of recent external audit reports.

Required Action

None, information item only.

Background

The following reports will be presented for discussion:

- State Auditor's Office (SAO) – *A Follow-up Audit Report on Hurricane Recovery Funds Administered by the Department of Housing and Community Affairs and the Office of Rural Community Affairs*

  The Department fully or substantially implemented 12 of 12 applicable recommendations from the SAO's October 2007 audit report. However, as of June 5, 2009, the Department had spent only $135 million (31 percent) of the $440 million in hurricane recovery funds for Hurricanes Katrina and Rita.

  The SAO reviewed the reliability and completeness of data, tested 90 application files at the COGs and 43 at ACS, reviewed HOME disaster contracts, tested 30 HOME disaster draws and contract files and found no errors.

- Government Accountability Office (GAO) - The GAO has produced three reports regarding the States' use of ARRA funds. The first two reports were general in nature and did not specifically address the Department. The latest report includes an appendix of selected ARRA funded programs in Texas. This report discusses the Weatherization Program.

  The GAO indicated that the Department and some subrecipients of the Weatherization Program believe that compliance with the Davis-Bacon Act may create delays and increase costs for the program. These include additional payroll and administrative costs for subrecipients, because Davis-Bacon requires workers to be paid weekly based on an hourly rate and many subrecipients pay their contractors by the job. Also, the hourly rates are different between counties and many subrecipients cover multiple counties.

  The GAO outlined several steps that the Department is taking to mitigate risks associated with ARRA funds, including increased staffing, internal risk assessment processes, prior participation reviews to ensure that subrecipients are not in material non-compliance for other Department programs, and increased training for subrecipients and contractors.

- Department of Health and Human Services' (HHS) Community Services Block Grant (CSBG) – HHS performed a state assessment to determine if the implementation, performance, compliance and outcomes of the Department's program comply with the federal guidelines. HHS was unable to determine if the Department has a system in place to accurately validate the information certifying that individuals were served at 125% of poverty based on annual income.

  HHS determined that the Department has an effective process to monitor subrecipients to determine whether they are meeting performance goals, administrative standards and financial management standards. They also did not identify any instances of non-compliance in data collection, or recapture and redistribution of funds. However, the Department did not submit its Financial Status Report within 90 days of the end of calendar year 2007 as required. In addition, HHS reviewers were unable to adequately validate the requested financial information. They also identified $480, 802 in administrative allocation funds that were held beyond the grant period that ended September 30, 2007.

- HUD-OIG – Reviewed the Department's supplemental I and II disaster recovery program funds to determine whether the floodplain management program was administered as required. HUD-OIG found that the Department generally administered the program funds in accordance with applicable federal, state, and local floodplain regulations and policies. However, the Department's action plan did not require homeowner's insurance on properties reconstructed or rehabilitated with supplemental I funds, and its grants required only 3 years of homeowner's insurance for homes reconstructed or rehabilitated with supplemental II funds.

  Of a sample of 59 supplemental I homes tested, 38 were later damaged by another hurricane or storm. Of the 38 homes, 23 did not have insurance. (Some of these homes had not yet been repaired or replaced.) HUD-OIG projected the results from their testing of Supplemental I funds to the population of both Supplemental I and II funds and determined that 133 of 453 reconstructed or rehabilitated homes were at risk of being damaged by another storm. HUD-OIG suggested an estimated $60.2 million in program funds could be saved, but did not include consideration of the costs associated with providing homeowner's insurance, which the Department estimates at $105 million over the life of these homes.

- HUD Disaster Recovery – HUD reviewed the Department's disaster recovery program to determine if the Department is implementing its action plan for the disaster grant funds in accordance with all applicable regulations and OMB circulars, notices and waivers. HUD did not identify any new findings and determined that all of the ten findings and two concerns from the April 2008 review of the disaster recovery program were cleared.

- Texas Workforce Commission's (TWC) UI Data - A formal written report was not provided because there were no significant findings. TWC identified one Department employee who terminated their employment but who still had access

- SAO HR – Program Specialist Position Review – Eight of the 78 program specialist positions at the Department were misclassified. These have all been corrected and Internal Audit has verified that the recommendations for these positions were implemented.

Recommendation

No action is required.

State Auditor's Office

John Keel, CPA
State Auditor

A Follow-up Audit Report on

Hurricane Recovery Funds Administered by the Department of Housing and Community Affairs and the Office of Rural Community Affairs

August 2009

Report No. 09-048

State Auditor's Office

John Keel, CPA
State Auditor

A Follow-up Audit Report on

Hurricane Recovery Funds Administered by the Department of Housing and Community Affairs and the Office of Rural Community Affairs

SAO Report No. 09-048
August 2009

Overall Conclusion

The Department of Housing and Community Affairs and the Office of Rural Community Affairs are responsible for administering a total of $517,439,236 in funds dedicated to the recovery from Hurricane Katrina and Hurricane Rita. In October 2007, the State Auditor's Office made recommendations regarding each agency's administration of hurricane recovery funds. [1] A summary of each agency's implementation of those recommendations is presented below.

Background Information

While Hurricane Katrina did not make landfall in Texas, the State incurred costs when individuals affected by Hurricane Katrina were evacuated to Texas. Hurricane Katrina made landfall in Louisiana on August 29, 2005. Hurricane Rita made landfall in Texas on September 24, 2005.

Department of Housing and Community Affairs

The Department of Housing and Community Affairs (Department) has fully or substantially implemented 12 recommendations[2] the State Auditor's Office made in October 2007; however, as of June 5, 2009, the Department had spent $135,012,143 (31 percent) of the $440,364,797 in hurricane recovery funds made available to it. Specifically, the councils of governments with which the Department has contracted, as well as the Department's primary contractor, report that:

- As of June 5, 2009, a total of 558 applicants for Round 1 of federal Community Development Block Grant Program funds had been approved to receive assistance. Of those 558 approved applicants, 479 (86 percent) had completed homes and 10 (2 percent) had homes with construction in progress. The councils of governments had received 4,701 applications for Round 1. In addition to the 558 applications approved, 93 applicants withdrew their applications, 257 applicants were not eligible for the program, 13 were in processing, and 3,780 were transferred to the Department's primary contractor for processing under Round 2. Round 1 funds totaling $42,378,185 became available in May 2006.
- As of June 5, 2009, 1,449 applicants for Round 2 of federal Community Development Block Grant Program funds had been approved to receive

[1] See *An Audit Report on Hurricane Recovery Funds Administered by the Department of Housing and Community Affairs and the Office of Rural Community Affairs*, State Auditor's Office Report No. 08-005, October 2007.

[2] The prior audit report included a total of 14 recommendations for the Department; however, during this follow-up audit, auditors determined that 2 of those recommendations were no longer applicable (see Chapter 1-D for additional information).

This audit was conducted in accordance with Texas Government Code, Section 321.0132.

For more information regarding this report, please contact Michael C. Apperley, Assistant State Auditor, or John Keel, State Auditor, at (512) 936-9500.

assistance. Of those 1,449 approved applicants, 48 (3 percent) had completed homes and 412 (28 percent) had homes with construction in progress. The Department's primary contractor received 6,383 applications for Round 2, which included 3,780 applications transferred from the councils of governments. In addition to the 1,449 applications approved, 1,479 applicants withdrew their applications, 278 applicants were not eligible for the program, 2,853 were pending processing, 255 were on hold with the contractor, and 21 applicants were on a waiting list. Round 2 funds totaling $384,571,849 became available in April 2007 and August 2007.

Auditors reviewed housing application data provided by the Department's primary contractor for administration of the Round 2 Community Development Block Grant Program funds. The applications were dated between April 2005 and April 2009. Based on analysis of this data, it takes the Department's primary contractor an average of 4 months to determine applicant eligibility, 3 months to process an application for an eligible homeowner, and 2.5 months to complete a home.

The Department asserts that delays in obtaining proof of property ownership from applicants, obtaining environmental clearances, and checking for duplication of benefits have affected the rate at which hurricane recovery funds have been spent. The Department has begun to monitor funds, but it should continue to work toward addressing delays that have affected the rate at which Community Development Block Grant Program hurricane recovery funds have been spent. It will be important for the Department to address these delays because the Department will be responsible for a portion of the $1,314,990,193 in federal funds the State has received for recovery costs arising from Hurricane Ike.

Auditors also identified other less significant issues that were communicated separately in writing to the Department.

Table 1 summarizes the award and expenditure of the Department's hurricane recovery funds.

Table 1

Status of the Award and Expenditure of Department of Housing and Community Affairs Hurricane Recovery Funds (as of June 5, 2009)

Program Used to Administer Funds	Total Funds Available [a]	Date Funds Became Available	Total Funds Awarded	Amount Spent [b]	Percent Spent (of Total Funds Available)
Community Development Block Grant Program (Round 1)	$42,378,185	May 22, 2006	$40,109,276	$30,402,762	72%
Community Development Block Grant Program (Round 2)	321,571,849 63,000,000	April 13, 2007 August 29, 2007	378,733,433	$94,868,557	25%
HOME Investment Partnership Program	8,986,690 4,145,673	April 17, 2006 December 1, 2006	13,132,363	9,458,423	72%
Bootstrap Program	270,400 12,000	March 1, 2006 June 1, 2006	282,400	282,400	100%
Totals	**$440,364,797**		**$432,257,472**	**$135,012,143**	**31%**

[a] Total funds available includes administrative funds.

[b] Amount spent includes administrative expenditures.

Office of Rural Community Affairs

The Office of Rural Community Affairs (Office) has fully implemented 4 (80 percent) of 5 recommendations the State Auditor's Office made in October 2007. The Office received a total of $77,074,439 in hurricane recovery funds. Of that amount, the Office awarded $73,367,198 (95 percent) to local organizations and allocated the remaining $3,707,241 (5 percent) to administration. As of June 5, 2009, $44,691,557 (58 percent) of the hurricane recovery funds had been spent. These funds are for projects such as infrastructure repair, debris removal, drainage systems, and repairs to water facilities.

The Office asserts that external factors, such as environmental permit requirements and cost certification requirements, affect the ability of several contracted organizations to spend the funds for Community Development Block Grant Program Round 2. It will be important for the Office to address these delays because the Office will be responsible for a portion of the $1,314,990,193 in federal funds the State has received for recovery costs arising from Hurricane Ike.

Table 2 summarizes the award and expenditure of the Office's hurricane recovery funds.

Table 2

Status of the Award and Expenditure of Office of Rural and Community Affairs Hurricane Recovery Funds (as of June 5, 2009)

Program Used to Administer Funds	Total Funds Available [a]	Date Funds Became Available	Total Funds Awarded	Amount Spent [b]	Percent Spent (of Total Funds Available)
Community Development Block Grant Program (Round 1)	$ 32,144,815	May 22, 2006	$30,537,574	$ 30,287,461	94%
Community Development Block Grant Program (Round 2)	44,100,000	April 13, 2007	42,000,000	13,574,472	31%
Shelter Improvement Program	419,524	September 2005 to January 2006	419,524	419,524	100%
Rural Health Program	410,100	October 28, 2005	410,100	410,100	100%
Totals	**$77,074,439**		**$73,367,198**	**$44,691,557**	**58%**

[a] Total funds available includes administrative funds.

[b] Amount spent includes administrative expenditures.

Summary of Management's Response

The Department agreed with the recommendations in this report. Its responses to specific recommendations are presented following the recommendations in the Detailed Results section of this report, and its full responses are presented in Appendix 4.

The Office agreed with the recommendations in this report. Its responses to specific recommendations are presented following the recommendations in the Detailed Results section of this report, and its full responses are presented in Appendix 5.

Summary of Information Technology Review

Auditors reviewed selected Department and Office automated systems that were related to the audit objectives and identified no issues in the reliability and completeness of data used during this audit. Auditors also reviewed information technology controls over three information systems at the Department's primary contractor for Community Development Block Grant Program Round 2 funds.

Although the contractor had information technology controls in place, auditors identified certain weaknesses within those controls that should be addressed (see Chapter 1-E for additional details).

Summary of Objectives, Scope, and Methodology

The audit objectives were to determine (1) the extent to which the Department and the Office have implemented recommendations in *An Audit Report on Hurricane Recovery Funds Administered by the Department of Housing and Community Affairs and the Office of Rural Community Affairs* (State Auditor's Office Report No. 08-005, October 2007) and (2) the amount of hurricane recovery funds the Department and the Office have spent.

The audit scope included following up on prior audit recommendations and covered all matters related to the administration of the two awards of Community Development Block Grant Program funds for hurricane recovery, as well as funds from other sources administered after September 1, 2005. The audit scope also included the automated systems and processes that support the functions being audited for the Round 2 of Community Development Block Grant Program funds. Audit work related to automated systems unchanged from the prior audit was limited to determining the reliability of the information in the automated systems.

The audit methodology included collecting information; conducting interviews with staff at the Department, the Office, councils of governments, selected contract administrators, and selected contract recipients; performing selected tests and procedures; and analyzing and evaluating the results of the tests.

Contents

Detailed Results

Appendices

Detailed Results

Chapter 1

The Department Should Continue to Work Toward Addressing Delays That Have Affected the Rate at Which Funds Are Spent and Strengthen Information Technology Controls

The Department of Housing and Community Affairs (Department) has fully or substantially implemented 12 recommendations[3] the State Auditor's Office made in October 2007; however, as of June 5, 2009, the Department had spent $135,012,143 (31 percent) of the $440,364,797 in hurricane recovery funds made available to it for its three programs.

Chapter 1-A of this report provides information on the Department's expenditures of the primary source of hurricane recovery funds—federal Community Development Block Grant Program funds—and the assistance provided with those funds. Chapters 1-B through 1-D of this report provide information on the status of the Department's implementation of prior audit recommendations for the Community Development Block Grant Program, the HOME Program, and the Bootstrap Program, respectively. Appendix 2 of this report provides information on the time line and availability of funds for the Department's hurricane recovery funds.

The Department also should ensure that its contractor strengthens information technology controls related to the administration of hurricane recovery funds. See Chapter 1-E of this report for additional details.

Chapter 1-A

The Department Should Continue to Work Toward Addressing Delays That Have Affected the Rate at Which Community Development Block Grant Program Funds Are Spent

The Department's subrecipients and contractors had spent 29 percent of the Community Development Block Grant Program Funds as of June 5, 2009.

As of June 5, 2009, the councils of governments and the Department's contractors had spent $122,404,072 (29 percent) of the $418,842,709 in Community Development Block Grant Program funds available to them. The Department contracted with three councils of government to administer the housing funds for the Community Development Block Grant Program Round 1. It contracted with several rental housing contractors, the City of Houston,

[3] In *An Audit Report on Hurricane Recovery Funds Administered by the Department of Housing and Community Affairs and the Office of Rural Community Affairs* (State Auditor's Office Report No. 08-005, October 2007), the State Auditor's Office made a total of 14 recommendations. However, during this follow-up audit, auditors determined that 2 of those recommendations were no longer applicable (see Chapter 1-D for additional information).

and Harris County for the administration of the housing funds for the Community Development Block Grant Program Round 2.

Community Development Block Grant Program, Round 1. The U.S. Department of Housing and Urban Development (HUD) awarded Texas $74,523,000 on May 22, 2006; of that amount, $42,378,185 was designated for housing activities and administrative expenditures. As of June 5, 2009 (approximately 3 years after HUD awarded the funds), the councils of governments with which the Department contracted had spent $29,250,470 (73 percent) of the $40,109,276 made available to them.

As of June 5, 2009, the councils of governments reported that a total of 558 applicants for Community Development Block Grant Program Round 1 funds had been approved to receive assistance. Of those 558 approved applicants, 479 (86 percent) had completed homes and 10 (2 percent) had homes with construction in progress.

The councils of governments received 4,701 applications for Round 1 funds. In addition to the 558 applications approved, 93 applicants withdrew their applications, 257 applicants were not eligible for the program, 13 were in processing, and 3,780 were transferred to the Department's primary contractor for processing under Round 2.

Community Development Block Grant Program, Round 2. HUD awarded Texas $365,571,849 on April 13, 2007, and $63,000,000 on August 29, 2009; of those amounts, the Department designated $384,571,849 for housing, evacuee services, and administrative expenditures. As of June 5, 2009 (approximately 2 years after HUD awarded the funds), the Department's contractors had spent $30,111,877 (13 percent) for the Homeowner Assistance Program and Sabine Pass Restoration Program, and $32,140,685 (39 percent) for the Rental Housing Stock Restoration Program. As of June 5, 2009 (approximately 1.5 years after HUD awarded the funds), the City of Houston had spent $27,476,623 (65 percent), and Harris County had spent $3,424,417 (16 percent) for evacuee services, housing activities, and public safety programs.

As of June 5, 2009, the Department's primary contractor reported that 1,449 applicants for Community Development Block Grant Program Round 2 funds had been approved to receive assistance. Of those 1,449 approved applicants, 48 (3 percent) had completed homes and 412 (28 percent) had homes with construction in progress.

The Department's primary contractor received 6,383 applications for Round 2 funds, which included 3,780 applications transferred from the councils of governments. In addition to the 1,449 applications approved, 1,479 applicants withdrew their applications, 278 applicants were not eligible for the program, 2,853 were pending processing, 255 were on hold with the contractor, and 21 applicants were on a waiting list.

The Department's primary contractor for Round 2 funds takes an average of 4 months to determine applicant eligibility, 3 months to process an application for an eligible homeowner, and 2.5 months to complete a home.

Auditors reviewed housing application data provided by the Department's primary contractor for administration of the Community Development Block Grant Program Round 2 funds. The applications were dated between April 2005 and April 2009. Based on analysis of this data:

- It takes the primary contractor an average of 4 months to determine applicant eligibility. This process begins when the contractor receives the application packet and is awaiting additional documentation from the applicant to complete the application. This process ends when the contractor deems the applicant to be eligible. It should be noted that it takes the contractor an average of 2.4 months to determine applicant eligibility after the applicant has provided all required documentation.

- It takes the primary contractor an average of 3 months to process an application for an eligible homeowner through the grant determination stage. This process begins with the initial inspection of the home and ends with the contractor reviewing the application to determine the amount and type of assistance. This stage includes the contractor performing duplication of benefits determination, the contractor obtaining bids from building contractors, the applicant selecting the home plan, and the contractor conducting the site-specific environmental review.

- It takes the primary contractor an average of 2.5 months to complete construction of a home. This process begins with the contractor preparing the closing documents for the applicant to approve and ends when the home construction is completed. It should be noted that auditors calculated this average using the construction complete date in the application data, and this date does not correspond to a document date (such as a final inspection). Instead, the construction complete date can automatically be changed by the contractor's system when other changes are made to the applicant's file (see Chapter 1-E for additional information).

The Department asserts that delays in obtaining proof of property ownership from applicants, obtaining environmental clearances, and checking for duplication of benefits have affected the rate at which Community Development Block Grant Program hurricane recovery funds have been spent. Specifically:

- **Proof of property ownership.** Although the Department asserts that there are delays in obtaining proof of ownership, it does not retain documentation showing how long it takes to obtain this information from applicants. However, it is important to note that both an April 2009 Department governing board decision and House Bill 2450 (81st Legislature, Regular Session) now enable the Department to obtain an affidavit from the applicant asserting that the applicant is the property owner for certain types of assistance programs.

- **Obtaining environmental clearances.** HUD regulations require two types of environmental clearances before it will release funds. The first, broad-level review clearances, took between 2 and 3 months to obtain for Round 1 funds and between 12 and 17 months to obtain for Round 2 funds. The second, site-specific environmental clearances, take an average of 14 to 45 calendar days to obtain, according to Department information. The broad-level review clearances for Round 1 involved less complicated requirements due to the lower dollar amount of the Round 1 funds and the number of homes receiving assistance. The broad-level review clearance for Round 2 involved an environmental assessment that considers such factors as land development, noise, air quality, historical values, urban impact, socioeconomic factors, and community facilities and services. That environmental assessment was required due to the large amount of Round 2 funds and the number and proximity of homes receiving assistance.

- **Checking for duplication of benefits with Hurricane Ike funds.** The councils of governments and the Department's primary contractor must verify that each applicant is not receiving assistance from multiple sources for the same damage. The Department worked with HUD to obtain clarification of its procedures regarding applicants affected by both Hurricane Rita and Hurricane Ike. In November 2008 the Department submitted questions to HUD regarding how to avoid duplication of benefits for applicants whose homes received damages from both Hurricane Rita and Hurricane Ike. The Department received the answers to its questions in March 2009.

The Department has begun to implement monitoring efforts.

The Department has begun to monitor the Community Development Block Grant Program funds, but it should continue to work toward addressing delays that have affected the rate at which those funds have been spent. To initiate monitoring efforts, the Department:

- Conducted contract monitoring reviews of the councils of governments between fiscal years 2005 and 2009 for Round 1 funds. The Department performed contract monitoring risk assessments of the contracts for Round 2 funds in January 2009, and conducted its initial on-site contract monitoring review visits between October 2008 and May 2009.

- Conducted on-site fiscal monitoring visits at its primary contractor for Round 2 funds in June 2008 and February 2009. During these monitoring visits, the Department reviewed expenditures to ensure they were allowable. During its June 2008 monitoring visit, the Department noted instances in which the contractor did not have supporting documentation for certain expenditures. The contract between the Department and the primary contractor was effective on December 31, 2007.

- Conducted an on-site program monitoring visit at its primary contractor for Round 2 funds in May 2009. In that visit, the Department reviewed the application process to ensure that applicants were eligible and benefits were calculated correctly, and it performed testing of the contractor's environmental reviews to ensure they were completed in accordance with regulations. The Department estimated that it would release its report from that review in July 2009.

- Conducted on-site fiscal monitoring visits from May 2008 through December 2008 at the City of Houston and Harris County, both of which received funds directly from the Department to assist individuals affected by Hurricane Katrina who were evacuated to Texas. During these visits, the Department reviewed expenditures to ensure they were allowable. From these reviews, the Department concluded that it observed sufficient evidence to support a conclusion that the City of Houston and Harris County were in compliance with federal and state requirements. The contracts between the Department and the City of Houston and Harris County were effective on August 29, 2007.

- Is in the process of developing procedures to monitor $42 million in funds that were set aside for special needs applicants. These funds are part of the Round 2 Homeowner Assistance Program and are targeted specifically for persons with special needs, including persons with disabilities, the elderly, persons with alcohol or drug additions, persons with HIV/AIDS, and public housing residents.

- Has begun to review whether its primary contractor for Round 2 funds has met the "service levels" in its contract with the Department. If the contractor does not provide services in accordance with the service levels set forth in the contract, the contractor is required to apply credits against the fees it charges the Department. The Department has performed a preliminary analysis of the contractor's service levels and calculated $59,760 in credits, but it has not required the contractor to deduct those credits from the fees the contractor charges. The Department is performing an additional analysis to determine whether the service levels in the contract should be amended or whether new service levels should be added. The contract between the Department and the primary contractor was effective on December 31, 2007.

It will be important for the Department to ensure that it continues to work toward addressing delays that have affected the rate at which Community Development Block Grant Program hurricane recovery funds have been spent because the Department will be responsible for a portion of the $1,314,990,193 in federal Community Development Block Grant Program funds the State has received for recovery costs arising from Hurricane Ike (see Appendix 3 for additional details).

Recommendation

The Department should continue to work toward addressing delays that have affected the rate at which Community Development Block Grant hurricane recovery funds have been spent.

Management's Response

Management agrees with the recommendation. However, the streamlining suggested by the SAO must be a coordinated effort among a number of federal, state, and local governmental entities, and significant streamlining may not be possible without changes to federal and state laws governing the Community Development Block Grant program.

Disaster response is an urgent need, and where processes can be streamlined or accelerated to bring needed relief more quickly, such improvements will be made. However, they must always be made in a manner that minimizes the risk of fraud, waste, and abuse and provides assurance that these public funds are, in fact, used only to build safe, decent homes for qualified individuals.

During the 81st legislative session, the Legislature provided additional guidance to the Department in order to expedite disaster relief even where recipients could not document legal title to their homes. The Department's Governing Board consequently adopted a policy to move forward with providing relief to these individuals. The Department has worked proactively with ACS, the COGs, and other parties to streamline these processes wherever possible and will continue to seek opportunities to address any delays.

Person Responsible: Kelly Crawford

Target Date for Implementation: September 1, 2009

Chapter 1-B

The Department Fully or Substantially Implemented All Six Prior Audit Recommendations Related to the Community Development Block Grant Program

Implementation Status Definitions

Fully Implemented - Successful development and use of a process, system, or policy to implement a prior recommendation.

Substantially Implemented - Successful development but inconsistent use of a process, system, or policy to implement a prior recommendation.

Incomplete/Ongoing - Ongoing development of a process, system, or policy to address a prior recommendation.

Not Implemented - Lack of a formal process, system, or policy to address a prior recommendation.

The Department fully or substantially implemented all six prior audit recommendations related to the Community Development Block Grant Program in *An Audit Report on Hurricane Recovery Funds Administered by the Department of Housing and Community Affairs and the Office of Rural Community Affairs* (State Auditor's Office Report No. 08-005, October 2007).

Table 3 provides information on the implementation status of the prior audit recommendations.

Table 3

Status of Implementation of Prior Audit Recommendations Related to the Community Development Block Grant Program		
	Recommendation	Auditor Comments
	Fully Implemented Recommendations	
1	The Department should ensure that councils of governments have adequate staffing resources dedicated to administering the Community Development Block Grant hurricane recovery funds.	The Department addressed this recommendation by evaluating productivity and providing assistance in the form of stewardship activity to address deficiencies in productivity. The Department supplemented staffing deficiencies at one of the councils of governments by dispatching its own staff to assist with application eligibility processing.
2	The Department should provide councils of governments with consistent written guidance related to maintaining adequate documentation used to make income eligibility determinations for Community Development Block Grant hurricane recovery funds (examples of documentation include pay stub information, tax returns, and documents related to property eligibility and environmental clearances). The Department also should ensure that councils of governments adhere to the prescribed state and federal guidance in awarding Community Development Block Grant funds.	The Department provided its *Housing Implementation Manual* to the councils of governments at the beginning of Round 1 of the Community Development Block Grant Program, but the original manual did not contain guidelines on specific documents required. However, the current manual includes detailed instructions and forms to use. The Department met with the councils of governments regularly at the beginning of the program and currently provides technical assistance on an as-needed basis.
3	The Department should ensure that councils of governments apply consistent and approved methods to calculate the annualized income of applicants for Community Development Block Grant hurricane recovery funds.	The Department provides guidance on calculating annualized income to the councils of governments through the *Housing Implementation Manual*. Auditors tested 90 application files at the councils of governments and determined that income calculations were performed in accordance with the manual for all 90 applications.
4	The Department should develop and implement monitoring policies to ensure that councils of governments comply with Community Development Block Grant requirements and contractual obligations. These polices also should detail a process to determine whether applicants have received assistance from multiple agencies for the same damage claims.	The Department has developed and implemented monitoring procedures to ensure that councils of governments comply with Community Development Block Grant Program requirements and contractual obligations. The Department also has implemented benchmarks for the councils of governments to follow to certify applicants. In addition, the Department certifies the councils of governments' draw requests.

Status of Implementation of Prior Audit Recommendations Related to the Community Development Block Grant Program		
	Recommendation	Auditor Comments
	Substantially Implemented Recommendations	
5	The Department should continue to coordinate with councils of governments to identify and eliminate bottlenecks in the eligibility determination process for Community Development Block Grant hurricane recovery funds.	Eliminating the bottlenecks is an on-going process that should continue until the grants and contracts are completed. To address this recommendation, the Department: ▪ Obtained guidance from the Texas Historical Commission on what types of projects require historical clearances. ▪ Provided assistance to one of the councils of governments to expedite the eligibility process. ▪ Provided funding from the Housing Trust Fund to homeowners to supplement gaps in assistance and cover the costs of repairing or reconstructing the homes. The Department asserts that obtaining proof of ownership from applicants has affected the rate at which hurricane recovery funds have been spent. The councils of governments are able to accept forms of home ownership other than title documents. The Department did not implement a policy change to accept affidavits regarding ownership until April 2009. See Chapter 1-A for additional information.
6	The Department should implement all recommendations related to councils of governments' oversight listed above when it monitors the program management firm with which it intends to contract to administer the $222,371,273 from the second round of Community Development Block Grant funding.	To address this recommendation, the Department: ▪ Included personnel requirements in its contract with its primary contractor for the Homeowner Assistance Program and the Sabine Pass Restoration Program. ▪ Ensured that the primary contractor's policy and procedures manual includes instructions, required documents, and verification procedures regarding income eligibility determinations for Community Development Block Grant Program hurricane recovery funds. The Department approved the contractor's manual. ▪ Ensured that the primary contractor's policy and procedures manual includes instructions to calculate annualized income to ensure the applicants meet income requirements. Auditors tested 43 application files and determined that income calculations were performed in accordance with the manual for all 43 applications. ▪ Developed and is in the process of implementing monitoring procedures to ensure that the primary contractor complies with Community Development Block Grant Program requirements and contractual obligations. The Department also is evaluating the primary contractor's service levels against contract requirements to determine whether contract amendments need to be made to the existing service levels. In addition, the Department performed a program review at the primary contractor in May 2009 and will begin tracking the $42,000,000 set-aside for special needs applicants. The Department and its primary contractor assert that obtaining proof of ownership from applicants has affected the rate at which hurricane recovery funds have been spent. However, the Department did not implement a policy change to allow the primary contractor to accept affidavits regarding ownership until April 2009. The contract between the Department and the primary contractor was effective on December 31, 2007. See Chapter 1-A for additional information.

Chapter 1-C

The Department Fully or Substantially Implemented All Five Prior Audit Recommendations Related to the HOME Program

Implementation Status Definitions

Fully Implemented - Successful development and use of a process, system, or policy to implement a prior recommendation.

Substantially Implemented - Successful development but inconsistent use of a process, system, or policy to implement a prior recommendation.

Incomplete/Ongoing - Ongoing development of a process, system, or policy to address a prior recommendation.

Not Implemented - Lack of a formal process, system, or policy to address a prior recommendation.

The Department fully or substantially implemented all five prior audit recommendations related to the HOME Program in *An Audit Report on Hurricane Recovery Funds Administered by the Department of Housing and Community Affairs and the Office of Rural Community Affair* (State Auditor's Office Report No. 08-005, October 2007).

Table 4 provides information on the implementation status of the prior audit recommendations.

Table 4

Status of Implementation of Prior Audit Recommendations Related to the HOME Program		
	Recommendation	Auditor Comments
	Fully Implemented Recommendations	
1	The Department should implement its plans to align all significant responsibilities pertaining to the HOME Program within the chain of command of the HOME Program director.	The Department's HOME Division formed and staffed its performance group in October 2007. As of March 1, 2009, the Department shifted responsibilities within the HOME Division to designate a single point of contact for the HOME contract administrators.
2	The Department should ensure that it secures environmental clearances before incurring reconstruction or replacement costs for projects funded with HOME Program funds.	The Department's HOME Division's procedures specify that environmental clearances are to be obtained prior to a project being set up. Auditors performed data analysis for all HOME disaster contracts and confirmed that the contract set-up dates were after the environmental clearance dates. Auditors also tested 30 HOME disaster contract draws and determined that all 30 were paid after the environmental clearances had been obtained.
3	The Department should ensure that its staff validates all costs on invoices that contractors submit for projects funded with HOME Program funds, and compare those costs with amounts allowed under the contract.	The Department's contract management system includes edit checks to prevent draw requests from being processed for amounts that exceed contract budget amounts. Auditors tested 30 HOME disaster contract draws and determined that all 30 were allowable draws for which the Department had validated costs.
4	The Department should ensure that all property owners are listed on applications for HOME Program funds (and particularly on the demolition approval form within the application).	Auditors tested 30 HOME disaster contract files and determined that all 30 included the applicants' signatures on all required contract documentation.

Status of Implementation of Prior Audit Recommendations Related to the HOME Program		
	Recommendation	Auditor Comments
Substantially Implemented Recommendation		
5	The Department should continue efforts to accelerate the expenditure of HOME Program funds for hurricane recovery.	The Department's HOME Division provides contract administrators with the *HOME Owner Occupied Assistance Manual*, which provides guidance on home ownership documents; it also provides guidance on home ownership requirements to administrators on an individual basis. However, the HOME Division does not track how long it takes to obtain proof of home ownership. The Department's Legal Services Division prepares legal documents from draft documents prepared by HOME Division staff, and it asserts that missing or incorrect information slows the process (see additional details below this table).

The Department and counties' contract administrators asserted that obtaining title documents from applicants and conducting environmental reviews contributed to delays in spending HOME Program disaster recovery funds.

Proof of Ownership. The Department entered into 19 contracts with counties to administer HOME Program disaster recovery funds through grants or loans. The contract administrators for the counties are responsible for obtaining proof of ownership documentation from the applicants, but the Department does not track how long it takes for contract administrators to obtain the documentation.

The Department's HOME Program staff provides guidance related to obtaining ownership documents to the contract administrators through the *HOME Division Owner Occupied Assistance Manual* and on an individual basis. The manual lists the eligible forms of proof of home ownership and the process for verifying ownership and eligibility.

There are more strict documentation requirements for loans provided with HOME disaster recovery funds because, in the case of loans, the Department must put a lien on the property to protect the State's interest. For HOME Program loans, the contract administrator also must obtain a title commitment and ownership documentation to establish clear ownership of the property. For HOME Program grants, an applicant must prove only home ownership and program eligibility.

To prepare the final loan documents, the Department's Legal Services Division reviews the documentation gathered and prepared by the contract administrators and the Department's HOME Program staff. External factors, such as divorce or a death in the applicant's family, can complicate the process of establishing clear ownership of a property. The Department also asserts that missing documentation contributes to delays in establishing clear ownership.

Levels of Environmental Reviews

HUD requires two levels of environmental reviews in order to release funds:

- **Broad-level reviews** involve publishing a notice of intent to request release of funding from HUD and public comment periods. "Tiering" is a term used for a broad review of environmental issues that can be readily addressed and is performed to eliminate repetitive, site-specific review
- **Site-specific reviews** can reference or summarize information obtained through a broad-level review.

Environmental Reviews. The counties' contract administrators submit "Proof of Publishing" and a "Request for Release of Funds" to the Department as part of the broad-level environmental review process (see text box for additional information). The Department forwards this information to the U.S. Department of Housing and Urban Development (HUD). If no significant complaints are filed within a specified comment time period, HUD then releases the funds. Comment periods have two parts: (1) the local public comment period, which ranges from 7 to 15 days (based on the level of environmental review) and is open to any type of comment or concern and (2) the HUD comment period, which is always 15 days and is open to only comments regarding procedural errors related to the requested release of funds. The counties may be exempt from the "Request for Release of Funds" process and the public comment periods if the activities qualify as exempt under HUD environmental regulations.

Of the 19 contracts between the Department and counties that administer HOME Program disaster recovery funds:

- Seventeen counties performed a broad-level review and obtained approval from HUD to release funds within time frames ranging from 5 and 112 calendar days, and
- Two counties' contracts were canceled and the funds were deobligated because the counties were unable to identify eligible applicants.

Auditors reviewed 30 HOME disaster recovery project files and determined that it took an average of 15 calendar days for the counties to obtain a site-specific environmental review.

Contract administrators for the counties have spent 72 percent of HOME Program disaster recovery funds and have identified 195 homeowners to assist.

The Department awarded $13,506,763 in HOME Program disaster recovery funds to 19 counties. Two of the counties were unable to identify eligible applicants and the Department subsequently deobligated both contracts, which totaled $374,400 (3 percent of the total amount awarded to the counties). The total amount awarded for the remaining 17 contracts was $13,132,363.

As of June 5, 2009 (approximately 3 years after the funding became available), the contract administrators for the counties had spent $9,458,423 (72 percent) of the $13,132,363, and the contract administrators had identified 195 homeowners to assist.

Chapter 1-D

The Department Fully Implemented the Applicable Prior Audit Recommendation Related to the Bootstrap Program

Implementation Status Definitions

Fully Implemented - Successful development and use of a process, system, or policy to implement a prior recommendation.

Substantially Implemented - Successful development but inconsistent use of a process, system, or policy to implement a prior recommendation.

Incomplete/Ongoing - Ongoing development of a process, system, or policy to address a prior recommendation.

Not Implemented - Lack of a formal process, system, or policy to address a prior recommendation.

The Department fully implemented one of three prior audit recommendations related to the Bootstrap Program in *An Audit Report on Hurricane Recovery Funds Administered by the Department of Housing and Community Affairs and the Office of Rural Community Affairs* (State Auditor's Office Report No. 08-005, October 2007). The two remaining audit recommendations were no longer applicable after the Department deobligated the remaining Bootstrap Program funds.

Table 5 provides information on the implementation status of the prior audit recommendations.

Table 5

Status of Implementation of Prior Audit Recommendations Related to the Bootstrap Program

	Recommendation	Auditor Comments
	Fully Implemented Recommendation	
1	The Department should deobligate Bootstrap Program funds awarded to organizations that cannot fulfill their responsibilities and reallocate those funds to other organizations that can fulfill program requirements. Alternatively, it should reallocate Bootstrap Program funds to another program capable of delivering hurricane recovery funds to eligible individuals.	The Department deobligated $1,610,400 in Bootstrap Program disaster recovery funds from the three non-profit organizations with which it had contracted. The Department returned the funds to the Housing Trust Fund (which is not specifically designated for disaster recovery).
	Recommendations That Are No Longer Applicable	
2	The Department should identify and eliminate bottlenecks delaying the delivery of hurricane recovery funds through the Bootstrap Program.	The Department initially provided more hands on-training and technical assistance in the form of training sessions to Bootstrap Program disaster recovery recipients. However, this effort was not successful, and the Department ultimately deobligated the Bootstrap Program funds. After the Department deobligated the funds, this audit recommendation was no longer applicable.
3	The Department should ensure that Bootstrap Program participants obtain the required owner-builder education certificates and that the Department maintains this documentation.	After the Department de-obligated the Bootstrap Program disaster recovery funds, this audit recommendation was no longer applicable.

The Department Deobligated Remaining Bootstrap Program Funds

In December 2005, the Department made $1,892,800 of its Bootstrap Program funds available to organizations assisting individuals or families who were affected by Hurricane Rita. These funds were intended for the purchase or refinance of (1) real property on which to build new residential construction or (2) improvements to existing residential housing through self-help construction for very low- and extremely low-income individuals and/or families (owner-builders), including persons with special needs. Eligible applicants were nonprofit organizations certified by the Department as "Nonprofit Owner-Builder Housing Programs" as defined in Texas Government Code, Section 2306.755.

The Department contracted with three organizations to administer these Bootstrap Program funds. Only one of the organizations assisted any households: It provided loans to 16 households totaling $260,000. Two of the organizations spent $22,400 for administrative expenses and the third organization spent no funds. The total amount spent from the Bootstrap Program on disaster recovery was $282,400. The Department deobligated the remaining $1,610,400 in January 2008, May 2008, and December 2008 and returned the funds to the Housing Trust Fund (which is not specifically designated for disaster recovery).

Chapter 1-E

The Department Should Ensure That Its Contractor Strengthens Information Technology Controls Related to the Administration of Hurricane Recovery Funds

The Department contracted with a contractor to administer the Homeowner Assistance Program and the Sabine Pass Restoration Program, which will distribute $232,954,100 (61 percent) of the Round 2 Community Development Block Grant Program funds. Auditors reviewed information technology controls over the three information systems the contractor uses to administer these programs (see the text box for additional details). The controls reviewed included user access and security; data input, output, and processing controls; software interfaces; application code changes; computer room physical security; and disaster recovery.

Contractor Information Systems Tested

The Department's primary contractor and its two sub-contractors use three information systems to administer the Homeowner Assistance Program and the Sabine Pass Restoration Program:

- One system is used to manage the entire process from application intake to construction.
- A second system processes housing request applications to determine applicant eligibility and benefits.
- A third system processes payments to contractors throughout the construction process.

Although the contractor had information technology controls in place for the three information systems tested, auditors identified weaknesses within those controls that should be addressed to ensure compliance with the Texas Administrative Code and the contract between the contractor and the Department. Specifically, auditors identified weaknesses in the following areas:

- **Access controls.** Individuals whose employment with the contractor had been terminated still had active user accounts for the three information systems tested. Contractor employees who were not assigned to the Homeowner Assistance Program or the Sabine Pass Restoration Program also had access to the three information systems tested. In addition, users access these three systems using generic user IDs (rather than unique, user-specific user IDs) that allow changes to information or the viewing of personal information.

  Title 1, Texas Administrative Code, Section 202.25, requires that access to information resources be managed to ensure authorized use; that confidential information be accessible only to authorized users; that each user of information resources be assigned a unique identifier; and that a user's access authorization be appropriately modified or removed when the user's employment status or job responsibilities within the state agency change.

  Weaknesses in access controls could result in unauthorized access to confidential information and changes to data that could not be traced to a specific user.

- **Passwords.** User passwords lack complexity and do not expire for (1) the system the contractor uses to manage the application and construction process and (2) the system the contractor uses to process payments to building contractors.

The contractor's contract with the Department specifies that the contractor's password policy must require the following elements: minimum length, combination of alpha and numeric or special characters, and password duration and rotation. The contractor has not enabled the password duration and complexity features in the system it uses to manage the application and construction process. The system the contractor uses to process payments to building contractors was developed by a third party and lacks application-level security.

Passwords that do not expire or lack complexity may increase the risk of unauthorized access to information systems.

- **Change control.** The contractor has not documented the application change control and testing process for the system it uses to manage the application and construction process. Instead, the contractor uses an informal and undocumented change control process.

  Title 1, Texas Administrative Code, Section 202.25 (7), states that a state agency head or designated representative and information security officer shall create, distribute, and implement information security policies to include establishing the process for controlling modifications to hardware, software, firmware, and documentation to ensure the information resources are protected against improper modification before, during, and after system implementation.

  Without a documented change control process, key components of coding, testing, and quality assurance may not be performed or documented properly. This could result in errors in code that may not be readily detectable and traceable.

- **Off-site storage and back-up.** The contractor's San Antonio location has no off-site storage for backup files. The on-site location in San Antonio houses the servers for the three information systems that auditors tested, and this is the same location at which the contractor stores backup files.

  Title 1, Texas Administrative Code, Section 202.25 (7), states that a state agency head or designated representative and information security officer shall create, distribute, and implement information security policies to include establishes the rules for the backup, storage, and recovery of electronic information.

  Not storing backup files off site increases the risk of complete loss of data due to fire, wind, water, or other destruction of the facility.

- **Data Input.** Within the system that the contractor uses to manage the application and construction process, the field that tracks the completion date for construction can change automatically when there are other activities for that home. The contractor defines this field as "The [date on which] final inspection has been completed and we are waiting for final approval from the contractor to conclude the process." However, the construction complete date is not a user-entered field that is tied to a final inspection document date. Instead, the construction complete date is based on a change made by the contractor to the applicant status within the system, and an applicant can move in and out of that status under limited circumstances. When this happens, the construction completion date is automatically updated in the system with the date of the most recent event. Therefore, because the construction completion date can change multiple times in the system for a single home, it can be difficult to determine the actual construction completion date.

Recommendations

The Department should monitor the information systems of the contractor to ensure compliance with the contractual provisions related to information system controls. Specifically, the Department should:

- Ensure that the contractor assigns unique user IDs to each individual who uses its information systems.
- Ensure that the contractor removes or disables user IDs for its information systems for terminated employees or employees who are not assigned to the Homeowner Assistance Program or the Sabine Pass Restoration Program.
- Ensure that the contractor enables user password expiration and password complexity within the system the contractor uses to manage the application and construction process.
- Ensure that the contractor implements controls that compensate for the password weaknesses in the system the contractor uses to process payments to building contractors.
- Ensure that the contractor documents, tests, and communicates the key components of its information system change control process.
- Ensure that the contractor stores backup data off site.

- Work with the contractor to tie the construction completion date in its information system to a static date that corresponds to a document, such as a final inspection report or a certificate of occupancy.

Management's Response

Management agrees with the recommendation and will work with ACS to ensure that their information technology controls are strengthened. TDHCA's Information Technology staff and Disaster Recovery & Emergency Housing staff will meet with ACS and ensure that the necessary measures are taken and that the recommended controls are implemented.

Person Responsible: Curtis Howe

Target Date for Implementation: September 1, 2009

The Office Has Fully Implemented Four of Five Prior Audit Recommendations

Implementation Status Definitions

Fully Implemented - Successful development and use of a process, system, or policy to implement a prior recommendation.

Substantially Implemented - Successful development but inconsistent use of a process, system, or policy to implement a prior recommendation.

Incomplete/Ongoing - Ongoing development of a process, system, or policy to address a prior recommendation.

Not Implemented - Lack of a formal process, system, or policy to address a prior recommendation.

The Office of Rural Community Affairs (Office) has fully implemented four (80 percent) of five recommendations in *An Audit Report on Hurricane Recovery Funds Administered by the Department of Housing and Community Affairs and the Office of Rural Community Affairs* (State Auditor's Office Report No. 08-005, October 2007).

The Office is working with its grants management system provider to implement the prior audit recommendation to reconcile the information in its accounting system to its grants management system.

Table 6 provides information on the implementation status of the prior audit recommendations.

Table 6

Status of Implementation of Prior Audit Recommendations		
	Recommendation	Auditor Comments
	Fully Implemented Recommendations	
1	The Office should document its verification that Community Development Block Grant sub-recipients are not suspended or debarred before it awards contracts.	The Office has included language in its new Community Development Block Grant Program disaster contracts to certify that subrecipients are not suspended or debarred. (This language was not present in the contracts for Round 1 of Community Development Block Grant Program funds.) When the applicants apply for the funding, they are now required to sign the contract and self-certify that they are not suspended or debarred from contracting and receiving funds. Auditors tested the eight contracts for Round 2 of Community Development Block Grant Program funds and determined that all eight contained the certification language and were signed by the subrecipient.
2	The Office should develop and implement a process to consistently verify that Community Development Block Grant sub-recipients provide evidence of sufficient oversight of their financial processes.	In response to this recommendation, the Office incorporated Policy CDBG 08-01 into its *Implementation Manual* to provide its Community Development Block Grant Program contractor localities with guidance on documentation they must submit to demonstrate the financial capacity required to receive and manage grant funds. Auditors tested the eight contracts for Round 2 of Community Development Block Grant Program funds and determined that all eight contract files contained current audit reports.

	Status of Implementation of Prior Audit Recommendations	
	Recommendation	Auditor Comments
3	The Office should retain documentation it uses to verify recipients' eligibility for Rural Health Disaster Relief and Recovery Grant funds.	The Office's Rural Health Division's operating procedures now specify that certain criteria must be met in order to be eligible for Rural Health Disaster Relief and Recovery Grant Funds. These new procedures were implemented for a new disaster program to address Hurricane Ike starting in October 2008. There have been no new Rural Health Division expenditures for Hurricane Rita since the prior State Auditor's Office audit. The first opportunity to implement the new procedures was solely for Hurricane Ike. Audit testing of the two new Rural Health Disaster Relief and Recovery contracts determined that the Rural Health Division staff retained documentation used to verify recipients' eligibility for Rural Health Disaster Relief and Recovery funds.
4	The Office should reconcile its accounting system with the Uniform Statewide Accounting System (USAS) in a timely manner and ensure that all variances between the two systems are researched, documented, and corrected.	The Office reconciles its accounting system to USAS on a monthly basis in accordance with its Finance Division's policy and adequately documents, researches, and corrects variances identified during this reconciliation.
	Ongoing/Incomplete Recommendations	
5	The Office should reconcile information in its accounting system to information in its grants management system on a regular basis.	The Office currently has no procedures to reconcile its accounting system to its current grants management system. However, the Office has signed a contract with a provider to develop a new grants management system. A requirement for a reconciliation feature between the grants management system, the federal reporting system for the Community Development Block Grant Program, the Office's accounting system, and USAS is included in that contract's scope of work.

The Office awarded all of its hurricane recovery funds.

The Office received a total of $77,074,439 in hurricane recovery funds. Of that amount, the Office awarded $73,367,198 (95 percent) to local organizations and allocated the remaining $3,707,241 (5 percent) to administration. As of June 5, 2009, $44,691,557 (58 percent) of the hurricane recovery funds had been spent for all three programs.

Community Development Block Grant Program. These funds are spent for projects such as infrastructure repair, debris removal, drainage systems, and repair of water facilities. The U.S. Department of Housing and Urban Development (HUD) made available to the Office $30,537,574 for Round 1 and $42,000,000 for Round 2 for non-housing disaster recovery activities.

The Office awarded all of its available non-housing funds to 98 local organizations for Round 1 and to 8 local organizations for Round 2. The organizations with which the Office contracted for Round 1 funds had spent $28,883,402 (95 percent) of these funds as of June 5, 2009 (approximately 3 years after the funds became available). The 8 organizations with which the Office contracted with for Round 2 funds had spent $13,076,032 (31 percent) of these funds as of June 5, 2009 (approximately 2 years after the funds became available). The Office asserts that external factors affect the ability of several contracted organizations to spend Round 2 funds. Specifically:

- One organization has completed its public facilities rehabilitation and demolition project work, but it was not able to draw its remaining funds until it obtained a cost certification to clarify reimbursement requests to prevent duplication of benefits payments from multiple HUD funding sources. The Office will be able to request this organization's remaining $4,115,570 in funds after the Office and HUD receive and approve the cost certification report.

- One organization that contracted with the Office for flood and drainage facility projects experienced delays while undergoing review by the U.S. Corps of Engineers for potential Clean Water Act permitting requirements. The Corps of Engineers approved the debris removal portion of the projects on January 13, 2009, and it approved the drainage facilities portion of the projects on April 14, 2009. This organization has $4,538,431 in funding remaining for these projects.

- One organization that contracted with the Office for flood and drainage facility projects experienced delays while undergoing review by the U.S. Corps of Engineers and by an engineering contractor for potential Clean Water Act permitting requirements. The Corps of Engineers approved two of this organization's proposed three drainage ditch improvement projects on November 18, 2008. In addition, this organization requested that projects be added to its contract. The Office is reviewing the additional activities to determine whether they qualify under the Community Development Block Grant Program. This organization has $4,410,505 in funding remaining for these projects.

It will be important for the Office to ensure that it continues to work toward addressing delays that have affected the rate at which Community Development Block Grant Program hurricane recovery funds have been spent because the Office will be responsible for a portion of the $1,314,990,193 in federal Community Development Block Grant Program funds the State has received for recovery costs arising from Hurricane Ike.

Rural Health Disaster Relief and Recovery Program. These funds are spent for projects such as (1) emergency acquisition, construction, repair, or improvement of facilities or equipment, (2) pharmaceuticals and medical supplies, (3) first aid and life-saving equipment and supplies for first-response situations, and (4) infection control supplies. Applicants for this funding must be in an area with a population of fewer than 150,000 and must be in a medically underserved area or a health professional shortage area.

The Office contracted with 20 organizations and awarded $420,000 of its capital improvement program funds for this program. Nineteen of the organizations had spent $410,100 of the funds awarded as of June 5, 2009. One of the organizations did not spend any of its $9,900 contracted amount; the Office deobligated those funds and reallocated them to its capital improvement program.

Public Shelter Improvement Program. These funds are spent for emergency shelter renovation and improvement projects such as water and wastewater improvements; plumbing; restroom facilities; and electrical, communication, and heating and air conditioning systems.

The Office contracted with 9 communities and awarded $430,000 of its community development program funds for this program. The communities had spent $419,524 of these funds as of June 5, 2009; the Office deobligated unused funding of $10,476 and reallocated the funds for other community development program uses.

Recommendations

The Office should:

- As it implements its new grants management system, develop a process to reconcile its grants management system to its accounting system.
- Continue to work with its contractors to address delays that have affected the rate at which Community Development Block Grant Program Round 2 hurricane recovery funds have been spent.

Management's Response

Recommendation:

As it implements its new grants management system, develop a process to reconcile its grants management system to its accounting system.

Management Response:

We agree with the recommendation.

As indicated in the initial SAO Audit Report 08-005 dated October 2007, the Office of Rural Community Affairs (ORCA) interfaces USAS payment data from its MIP Financial System to its Grant Contracts Management System. Financial staff verifies contract balances, expended amounts and remaining balances as part of the grant draw process. While these business processes provide reasonable assurance that grant contract balances are in agreement and "no" errors were discovered during the audit, we continue to agree that an ongoing reconciliation process is a prudent business process to implement *and as a result ORCA awarded a contract to Dulles Technologies implement a new Rural Grants Management System and assigned the agency's IRM to lead that effort.*

Person responsible for implementation: Sharon Page, Chief Financial Officer.

Timeline: The planning and requirements definition phases of the implementation are under way and the deployment is scheduled to be completed before the end of fiscal year 2010.

Recommendation:

Continue to work with its contractors to address delays that have affected the rate at which Community Development Block Grant Round 2 hurricane recovery funds have been spent

Management Response:

We agree with the recommendation.

ORCA staff has worked extensively with the eight grantees awarded Round 2 hurricane recovery funds. While there have been delays on a few projects as a result of the 404 Army Corps of Engineers permitting process and the necessary acquisition of property to complete the projects, the Round 2 grants were awarded in Oct-Nov 2007 and are all within the initial two-year term of the contract period. Of the $42 million awarded to grantees, over 34% has been expended and significant progress is expected in the next six months. It should be noted that efficiencies in the administration of these grant projects resulted in $1.3 million (62%) of the general administration being freed up and made available for projects and construction. Two other projects will be completed under budget, which will also free up additional funds to be used for other hurricane recovery needs.

Person responsible for implementation: Oralia Cardenas, Director of Disaster Recovery Programs.

Timeline: Understanding that 404 Permits and acquisition of property is out of the control of the agency and in the hands of the grantee, the estimated completion date for Hurricane Rita Round 2 funds is December 2010.

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to:

- Determine the extent to which the Department of Housing and Community Affairs (Department) and the Office of Rural Community Affairs (Office) have implemented recommendations in *An Audit Report on Hurricane Recovery Funds Administered by the Department of Housing and Community Affairs and the Office of Rural Community Affairs* (State Auditor's Office Report No. 08-005, October 2007).
- Determine the amount of hurricane recovery funds the Department and the Office have spent.

Scope

The scope of this audit included following up on prior audit recommendations and covered all matters related to the administration of the two awards of Community Development Block Grant Program funds for hurricane recovery, as well as funds from other sources administered after September 1, 2005. The audit scope also included the automated systems and processes that support the functions being audited for Round 2 of Community Development Block Grant Program funds. Audit work related to automated systems unchanged from the prior audit was limited to determining the reliability of the information in the automated systems.

Methodology

The audit methodology included collecting information; conducting interviews with staff at the Department, the Office, councils of governments, selected contract administrators, and selected contract recipients; performing selected tests and procedures; and analyzing and evaluating the results of the tests.

Information collected and reviewed included the following:

- *State of Texas Action Plan for Community Development Block Grant Disaster Recovery Grantees under the Department of Defense Appropriations Act, 2006,* April 13, 2006 (prepared jointly by the Department and the Office).

- *Partial Action Plan for Disaster Recovery to Use Community Development Block Grant Funding 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*, April 13, 2007 (prepared by the Department).

- *Amendment to the Texas Action Plan for Disaster Recovery to Use Community Development Block Grant Funding 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*, approved by the Department's governing board on February 1, 2007 (prepared jointly by the City of Houston and Harris County).

- Department, Office, councils of governments, and contractor policies and procedures.

- Interviews with staff from the Department, the Office, councils of governments, contractors, and contract administrators.

- Data from automated systems at the Department, the Office, councils of governments, and contractors.

- Department, Office, councils of governments, and contractor's documents, including organizational charts, program implementation manuals, application files, expenditure files, contracts, environmental reviews and records, and correspondence via e-mail.

- *State of Texas Plan for Disaster Recovery U.S. Department of Housing and Urban Development (HUD), Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009,* March 4, 2009 (prepared by the Office).

- *Texas Rebounds, Helping our Communities Recover from the 2008 Hurricane Season,* November 2008 (prepared by the Office of the Governor).

<u>Procedures and tests conducted</u> included the following:

- Analyzed data from the accounting systems of the Department, the Office, councils of governments, and contractors.

- Analyzed information from the councils of governments and contractors' application management systems.

- Tested selected Department, Office, councils of governments, and contractor housing and non-housing application files to follow up on the implementation of prior audit recommendations and to ensure consistency and compliance with federal and state rules, program requirements, and policies and procedures.

- Tested selected Department, Office, councils of governments, and contractor housing and non-housing expenditure files to ensure accuracy and allowability of expenditures.
- Analyzed data from the Department's contract management system.
- Analyzed contracts between the Department and the Office; the Department and the councils of governments; the Department and the contractor for the Homeowner Assistance Program and the Sabine Pass Restoration Program; the Department and the HOME Program contract administrators; the Office and the councils of governments; and the Office and contractors.
- Reviewed Department and Office monitoring procedures and monitoring reports.
- Confirmed the physical existence of 34 housing projects for the Community Development Block Grant Program and 27 housing projects for the HOME disaster recovery program.

Criteria used included the following:

- Code of Federal Regulations.
- Texas Statutes and the Texas Administrative Code.
- U.S. Office of Budget and Management circulars.
- Department, Office, councils of governments, and contractor policies and procedures.
- Contract provisions.
- Public Laws 109-148, 109-234, and 110-329.
- U.S. Code.

Project Information

Audit fieldwork was conducted from March 2009 through June 2009. 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:

- Jennifer Lehman, MBA, CGAP (Project Manager)
- David E. Dowden (Assistant Project Manager)
- Carl Ela
- Robert Pagenkopf
- Mary Ann Wise, CPA, CFE
- Brian York
- Marlen Randy Kraemer, MBA, CGAP, CISA (Information Systems Audit Team)
- Rachelle Wood, MBA, CISA (Information Systems Audit Team)
- Charles P. Dunlap, CPA (Quality Control Reviewer)
- J. Scott Killingsworth, CIA, CGAP, CGFM (Quality Control Reviewer)
- Michael Apperley, CPA (Assistant State Auditor)

Time Line for and Availability of the Department of Housing and Community Affairs' Hurricane Recovery Funds

Table 7 provides information on the time line for and availability of the Department of Housing and Community Affairs' (Department) hurricane recovery funds for Hurricane Katrina and Hurricane Rita.

Table 7

Time Line for and Availability of the Department's Hurricane Recovery Funds for Hurricane Katrina And Hurricane Rita	
Date	**Event**
August 2005	Hurricane Katrina makes landfall in Louisiana.
September 2005	Hurricane Rita makes landfall in Texas.
December 2005	The Department releases a notice of funding availability for approximately $1.8 million in Housing Trust Funds for disaster recovery through Bootstrap Program contracts.
January 2006	The Department releases a notice of funding availability for $8,300,000 in HOME Program funds for disaster recovery efforts.
March 2006	The Department awards contracts to HOME Program contract administrators for the $8,300,000 allocation. The Department awards two contracts for Bootstrap Program disaster recovery funds.
May 2006	The U.S. Department of Housing and Urban Development (HUD) approves the Texas Action Plan for Round 1 of Community Development Block Grant Program funds and makes $74,523,000 available to Texas. Of that amount, $42,378,185 is made available to the Department for housing activities.
June 2006	The Department awards one contract for Bootstrap Program funds.
July 2006	The Department releases a notice of funding availability for $4,200,000 in HOME Program funds for disaster recovery efforts. The Department's Board approves the council of governments' method of distribution for Round 1 of Community Development Block Grant Program funds. The Department executes contracts with three councils of governments to administer Round 1 of Community Development Block Grant Program funds.
September 2006	The South East Texas Regional Planning Commission begins working with the Department and HUD on the environmental review process.
October 2006	The Department awards contracts to HOME Program contract administrators for the $4,200,000 allocation. The South East Texas Regional Planning Commission publishes a "Notice of Intent to Request Release of Funds" for Round 1 of Community Development Block Grant Program funds.
November 2006	HUD authorizes the South East Texas Regional Planning Commission to use Round 1 Community Development Block Grant Program funds.
February 2007	The Deep East Texas Council of Governments publishes a "Notice of Intent to Request Release of Funds" for Round 1 of Community Development Block Grant Program funds.
March 2007	The Houston-Galveston Area Council publishes a "Notice of Intent to Request Release of Funds" for Round 1 of Community Development Block Grant Program funds.

Time Line for and Availability of the Department's Hurricane Recovery Funds for Hurricane Katrina And Hurricane Rita	
Date	Event
April 2007	HUD makes $365,671,843 in Round 2 Community Development Block Grant Program funds available for activities described in the Texas Action Plan. Of that amount, $321,571,849, is made available to the Department for housing activities. The Department releases a notice of funding availability for $82,867,166 in Round 2 Community Development Block Grant Program funds for the Rental Housing Stock Restoration Program. HUD authorizes the Deep East Texas Council of Governments and the Houston-Galveston Area Council to use Round 1 of Community Development Block Grant Program funds.
August 2007	The Department's Board approves the selection of ACS, Inc. (ACS) to administer the Homeowner Assistance Program and Sabine Pass Restoration Program for Round 2 of Community Development Block Grant Program funds. HUD approves an amendment to the partial action plan for Round 2 of Community Development Block Grant Program funds and makes $63,000,000 available to the City of Houston and Harris County. The Department executes contracts with the City of Houston and Harris County to administer Round 2 of Community Development Block Grant Program funds.
September 2007	The Department's Board approves seven contractors for Round 2 of Community Development Block Grant Program funds for the Rental Housing Stock Restoration Program. The Department deobligates funds from one of the HOME Program disaster recovery contracts due to inability to identify qualified applicants.
December 2007	The Department executes a contract with ACS to administer Round 2 Community Development Block Grant Program funds for the Homeowner Assistance Program and the Sabine Pass Restoration Program. ACS sub-contracts with Reznick Group and Shaw Environmental and Infrastructure, Inc. The Department deobligates funds from one of the HOME Program disaster recovery contracts due to inability to identify qualified applicants.
January 2008	The Department deobligates funds from one of the disaster recovery contracts of the Bootstrap Program due to poor performance.
March 2008	ACS and it sub-contractor Shaw Environmental and Infrastructure, Inc. begin working with the Department and HUD on the environmental assessment review process for Round 2 Community Development Block Grant Program funds for the Sabine Pass Restoration Program.
April 2008	ACS and it sub-contractor Shaw Environmental and Infrastructure, Inc. begin working with the Department and HUD on the environmental assessment review process for Round 2 Community Development Block Grant Program funds for the Homeowner Assistance Program.
May 2008	The Department and the South East Texas Regional Planning Commission begin work to complete the environmental assessment for Round 1 of Community Development Block Grant Program funds. The Department deobligates funds from another of the disaster recovery contracts of the Bootstrap Program due to poor performance.
July 2008	ACS and its sub-contractor Shaw Environmental and Infrastructure, Inc. publish a combined "Finding of No Significant Impact/Notice of Intent to Request Release of Funds" for Round 2 of Community Development Block Grant Program funds for the Sabine Pass Restoration Program. The South East Texas Regional Planning Commission publishes a combined "Finding of No Significant Impact/Notice of Intent to Request Release of Funds" for Round 1 of Community Development Block Grant Program funds.

Time Line for and Availability of the Department's Hurricane Recovery Funds for Hurricane Katrina And Hurricane Rita	
Date	**Event**
August 2008	HUD authorizes the South East Texas Regional Planning Commission to use Round 1 of Community Development Block Grant Program funds.
September 2008	HUD authorizes ACS to use Round 2 of Community Development Block Grant Program funds for the Sabine Pass Restoration Program. Hurricane Ike makes landfall in Texas.
November 2008	The Department sends questions to HUD to clarify courses of action for determining duplication of benefits for damages caused by both Hurricane Rita and Hurricane Ike.
December 2008	ACS and its sub-contractor Shaw Environmental and Infrastructure, Inc. publish a combined "Finding of No Significant Impact/Notice of Intent to Request Release of Funds" for the South East Texas Regional Planning Commission and the Houston-Galveston Area Council areas for Round 2 of Community Development Block Grant Program funds for the Homeowner Assistance Program. The Department deobligates funds from the final disaster recovery contract of the Bootstrap Program due to poor performance.
January 2009	ACS and its sub-contractor Shaw Environmental and Infrastructure, Inc. publish a combined "Finding of No Significant Impact/Notice of Intent to Request Release of Funds" for Round 2 of Community Development Block Grant Program funds for the Deep East Texas Council of Governments area for the Homeowner Assistance Program. HUD authorizes ACS to use Round 2 of Community Development Block Grant Program funds for the South East Texas Regional Planning Commission area for the Homeowner Assistance Program.
February 2009	HUD authorizes ACS to use Round 2 of Community Development Block Grant Program funds for the Houston-Galveston Area Council and the Deep East Texas Council of Governments areas for the Homeowner Assistance Program.
March 2009	HUD provides responses to the Department on courses of action for determining duplication of benefits for damages caused by both Hurricane Rita and Hurricane Ike.

Sources: Department information; the *Texas Action Plan for Hurricane Rita* (April 2006); the *Texas Rebounds Report* (November 2008), and environmental assessment documentation for Round 2 of Community Development Block Grant Program funds for the Sabine Pass Restoration Program and the Homeowner Assistance Program prepared by Shaw Environmental and Infrastructure, Inc.

Information Regarding Recovery Funds for Hurricane Ike

The following information was summarized from:

- *Texas Rebounds, Helping Our Communities Recover from the 2008 Hurricane Season*, November 2008, Office of the Governor.
- Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009; Public Law 110-329.
- *State of Texas Plan for Disaster Recovery*; March 4, 2009; Office of Rural Community Affairs.

Background Information

Hurricane Ike made landfall in Texas on September 13, 2008. Thirty-eight Texas counties were subsequently designated as presidentially declared disaster areas. Preliminary, unreimbursed damages from the 2008 hurricane season were estimated at $29.4 billion.

Source: *Texas Rebounds, Helping Our Communities Recover from the 2008 Hurricane Season*, November 2008, Office of the Governor.

To assist in recovery from Hurricane Ike, the U.S. Department of Housing and Urban Development (HUD) will provide Texas with $1,314,990,193 in disaster recovery supplemental funds from the Community Development Block Grant Program for necessary expenses related to disaster relief; long-term recovery; and restoration of infrastructure, housing, and economic revitalization. HUD allocated these funds to the State in November 2008 through the $6,053,584,933 in Community Development Block Grant Program funds made available through the U.S. Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, which was enacted on September 30, 2008. On June 10, 2009, HUD announced that the State will receive an additional $1,743,001,247 in assistance. This appendix discusses plans for the initial $1,314,990,193 amount as included in the action plan developed by the Office of Rural Community Affairs (Office).

Governor Rick Perry designated the Office as the entity responsible to HUD for the administration of these funds. The Department of Housing and Community Affairs (Department) will administer the portion of the funds designated for housing. The primary method of allocating funds to affected regions in the State was based on damage assessment data provided by the Federal Emergency Management Agency (FEMA). Allocation amounts were provided to 11 council of governments regions in which damage occurred. Of the initial $1,314,990,193 allocated to Texas, the State has set aside:

- $65,749,510 (5.00 percent) for state administrative expenses.
- $36,559,240 (2.78 percent) for planning activities.
- $58,834,914 (4.47 percent) for the Department's Affordable Rental Housing Stock Restoration Program.

The remaining $1,153,846,529 (87.75 percent) will be distributed to the 11 council of governments regions. Table 8 specifies the amounts and percentages allocated to each council of governments region.

Table 8

Allocation of Funds for Recovery from Hurricane Ike		
Council of Governments Region	Amount Allocated to Region	Percent Allocated to Region [a]
Houston-Galveston Area Council	$ 814,133,493	70.56%
South East Texas Regional Planning Commission	190,000,000	16.47%
Deep East Texas Council of Governments	70,000,000	6.07%
Lower Rio Grande Valley Development Council	55,000,000	4.77%
East Texas Council of Governments	9,224,823	0.80%
Brazos Valley Council of Governments	8,952,164	0.78%
Coastal Bend Council of Governments	3,121,376	0.27%
Ark-Tex Council of Governments	1,164,673	0.10%
Golden Crescent Regional Planning Commission	1,000,000	0.09%
South Texas Development Council	1,000,000	0.09%
Central Texas Council of Governments	250,000	0.02%
Total	**$1,153,846,529**	**100.00%**

[a] Percentages do not sum precisely due to rounding.

Source: *State of Texas Plan for Disaster Recovery, U.S. Department of Housing and Urban Development (HUD), Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009*, March 4, 2009, prepared by the Office. Note: percentages were calculated by auditors.

The Office will require each of the 11 regions to define its method of funds distribution in a uniform format provided by the Office. Each council of governments must determine the method of distribution for the region, including specifying what portions of the funds will be used for housing and non-housing activities. The Office will provide the councils of governments with method of distribution forms, form guidelines, detail worksheets, and worksheet samples. The method of distribution guidelines require that each council of governments hold at least two public hearings prior to completion of the method of distribution form.

The councils of governments will establish their methods of distribution and the Office will approve them. The regional funding parameters in the methods of distribution will guide the use of the funds. Applications will then be developed based on the eligible activities in each region.

An action plan developed by the Office with input from FEMA, the Office of the Governor, local government officials, and other parties requires the State to spend $139,743,911 (10.6 percent of the initial $1,314,990,193 allocation) for affordable rental housing programs. The State will meet part of this requirement with the $58,834,914 set-aside for the Department's Rental Housing Stock Restoration Program. The remaining $80,908,997 that must be spent on affordable rental housing programs will be allocated by the councils of governments.

Funds will be awarded to eligible subrecipients for their use in carrying out agreed-upon housing program activities in their prospective regions. Subrecipients may include cities, counties, councils of governments, and private non-profit organizations. Funds will be granted only to eligible subrecipients that have the capacity to carry out the housing activities in their applications and in accordance with their contracts with the Department.

To expedite the expenditure, use, and recovery of program funds (where provided for), contract terms with entities receiving grant funds will generally not exceed two years. The Office and the Department will have the ability to grant contract extensions.

Management Response from the Department

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

July 24, 2009

State Auditor's Office
P. O. Box 12067
Austin, Texas 78711-2067

Attention: Jennifer Lehman

Re: TDHCA Management Response to Draft Audit on Disaster Recovery

Dear Ms. Lehman:

Management and staff of the Texas Department of Housing and Community Affairs (TDHCA) appreciate the work performed by the State Auditor's Office (SAO) in your audit of our disaster recovery programs. The entire audit team was very professional, capable, and diligent. Their assessment will help us to continue to manage these programs efficiently and effectively.

Specifically, there are a number of items reflected in the report that illustrate that we are succeeding in our commitment to administering these funds with the least possible risk. Specifically, the audit:

- Identified no issues in the reliability and completeness of data;
- Tested 90 application files at the Councils of Government and determined that income calculations were performed correctly for all 90;
- Tested 43 application files at ACS (TDHCA's prime contractor for the administration of Hurricane Rita Round II funding) and determined that income calculations were performed correctly for all 43;
- Determined that all HOME disaster contracts were set up after the environmental clearances were complete, as required by HUD rules;
- Tested 30 HOME disaster contract draws and determined that all 30 were allowable draws for which TDHCA had validated costs; and
- Tested 30 HOME disaster contract files and determined that all 30 included the applicants' signatures on all contract documentation as required.

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We are also proud of the fact that we have made great strides, especially in recent months, in expanding the construction activity and expediting the delivery of needed replacement housing. Under Hurricane Rita, round II funding, as of today there were 650 homes actively under construction and 145 homes completed.

Below are the requested management responses to specific items identified in the report.

Chapter 1-A

SAO Recommendation

The Department should continue to work toward addressing delays that have affected the rate at which Community Development Block Grant hurricane recovery funds have been spent.

Management Response

Management agrees with the recommendation. However, the streamlining suggested by the SAO must be a coordinated effort among a number of federal, state, and local governmental entities, and significant streamlining may not be possible without changes to federal and state laws governing the Community Development Block Grant program.

Disaster response is an urgent need, and where processes can be streamlined or accelerated to bring needed relief more quickly, such improvements will be made. However, they must always be made in a manner that minimizes the risk of fraud, waste, and abuse and provides assurance that these public funds are, in fact, used only to build safe, decent homes for qualified individuals.

During the 81^{st} legislative session, the Legislature provided additional guidance to the Department in order to expedite disaster relief even where recipients could not document legal title to their homes. The Department's Governing Board consequently adopted a policy to move forward with providing relief to these individuals. The Department has worked proactively with ACS, the COGs, and other parties to streamline these processes wherever possible and will continue to seek opportunities to address any delays.

Person Responsible: *Kelly Crawford*
Target Date for Implementation: *September 1, 2009*

Chapter 1-E

SAO Recommendation

The Department should ensure that its contractor strengthens information technology controls related to the administration of hurricane recovery funds.

Management Response

Management agrees with the recommendation and will work with ACS to ensure that their information technology controls are strengthened. TDHCA's Information Technology staff and Disaster Recovery & Emergency Housing staff will meet with ACS and ensure that the necessary measures are taken and that the recommended controls are implemented.

Person Responsible: *Curtis Howe*
Target Date for Implementation: *September 1, 2009*

The Department's management and staff again extend our thanks to the SAO for its efforts. We would like to emphasize our commitment to managing our disaster recovery resources as efficiently as possible while maintaining the necessary level of control to ensure that all expenditures are allowable and are properly documented. Please contact me or Sara Newsom, Deputy Executive Director Disaster Recovery and Emergency Housing, if there are any questions or if we can be of further assistance.

Sincerely,

Michael Gerber
Executive Director

cc:

Sandy Donoho, Director of Internal Audit
Sara Newsom, Deputy Executive Director for Disaster Recovery and Emergency Housing
Kelly Crawford, Director for Disaster Recovery and Emergency Housing
Tim Irvine, Chief of Staff

Management Response from the Office

OFFICE · OF · RURAL COMMUNITY · AFFAIRS

July 27, 2009

Jennifer Lehman, Senior Auditor
Texas State Auditor's Office
1501 N. Congress Ave.
Austin, TX 78701

Dear Ms. Lehman:

In response to the issues raised in the follow up audit Report No. 08-005, please find the responses from the Office of Rural Community Affairs below:

Recommendation:
As it implements its new grants management system, develop a process to reconcile its grants management system to its accounting system.

Management Response:

We agree with the recommendation.

As indicated in the initial SAO Audit Report 08-005 dated October 2007, the Office of Rural Community Affairs (ORCA) interfaces USAS payment data from its MIP Financial System to its Grant Contracts Management System. Financial staff verifies contract balances, expended amounts and remaining balances as part of the grant draw process. While these business processes provide reasonable assurance that grant contract balances are in agreement and "no" errors were discovered during the audit, we continue to agree that an ongoing reconciliation process is a prudent business process to implement and as a result ORCA awarded a contract to Dulles Technologies implement a new Rural Grants Management System and assigned the agency's IRM to lead that effort.

Person responsible for implementation: Sharon Page, Chief Financial Officer.

Timeline: The planning and requirements definition phases of the implementation are under way and the deployment is scheduled to be completed before the end of fiscal year 2010.

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Charles S. (Charlie) Stone
ORCA Executive Director

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Vernon: 940-553-3596

Recommendation:

Continue to work with its contractors to address delays that have affected the rate at which Community Development Block Grant Round 2 hurricane recovery funds have been spent

Management Response:

We agree with the recommendation.

ORCA staff has worked extensively with the eight grantees awarded Round 2 hurricane recovery funds. While there have been delays on a few projects as a result of the 404 Army Corps of Engineers permitting process and the necessary acquisition of property to complete the projects, the Round 2 grants were awarded in Oct-Nov 2007 and are all within the initial two-year term of the contract period. Of the $42 million awarded to grantees, over 34% has been expended and significant progress is expected in the next six months. It should be noted that efficiencies in the administration of these grant projects resulted in $1.3 million (62%) of the general administration being freed up and made available for projects and construction. Two other projects will be completed under budget, which will also free up additional funds to be used for other hurricane recovery needs.

Person responsible for implementation: Oralia Cardenas, Director of Disaster Recovery Programs.

Timeline: Understanding that 404 Permits and acquisition of property is out of the control of the agency and in the hands of the grantee, the estimated completion date for Hurricane Rita Round 2 funds is December 2010.

Let me say that you and your staff have been very cordial and accommodating during this audit. Please let me know if you have any questions or concerns about the responses outlined in this letter.

Sincerely,

Charles S. Stone

Charles S. (Charlie) Stone
Executive Director

Appendix 6

Related State Auditor's Office Work

Related 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

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable David Dewhurst, Lieutenant Governor, Joint Chair
The Honorable Joe Straus III, Speaker of the House, Joint Chair
The Honorable Steve Ogden, Senate Finance Committee
The Honorable Thomas "Tommy" Williams, Member, Texas Senate
The Honorable Jim Pitts, House Appropriations Committee
The Honorable Rene Oliveira, 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 Board
- Mr. C. Kent Conine, Chair
- Mrs. Gloria L. Ray, Vice Chair
- Mr. Tomas Cardenas, P.E.
- Ms. Leslie Bingham Escareño
- Mr. Tom H. Gann
- Dr. Juan Sanchez Muñoz

Mr. Michael Gerber, Executive Director

Office of Rural Community Affairs

Members of the Office of Rural Community Affairs Board
- Dr. Wallace Klussmann, Chair
- Mr. David Alders, Vice Chair
- Dr. Mackie Bobo, Secretary
- Ms. Dora G. Alcala
- Mr. Woodrow Anderson
- Mr. Charles N. Butts, Sr.
- Ms. Remelle Farrar
- Dr. Charles W. Graham
- The Honorable Todd Staples, Commissioner of Agriculture
- Mr. Patrick Wallace

Mr. Charles S. Stone, Executive Director

Appendix XVII: Texas

Overview

The following summarizes GAO's work on the third of its bimonthly reviews of American Recovery and Reinvestment Act (Recovery Act) [1] spending in Texas. The full report covering all of our work at 16 states and the District of Columbia is available at www.gao.gov/recovery.

Use of Funds: We reviewed three programs in Texas funded under the Recovery Act Highway Infrastructure Investment funds, Workforce Investment Act (WIA) Youth Program, and Weatherization Assistance Program. We selected these programs for different reasons. The Highway Infrastructure Investment fund was selected because highway projects have been underway in Texas for several months, and provided an opportunity to review contracts. The WIA Youth Program was selected because Texas received a large increase in funding, the program was in full operation, and it provided an opportunity to review contracts. We selected the Weatherization Assistance Program because the Recovery Act provided a 25-fold increase in Texas's funding. With these programs we focused on how funds were being used; how safeguards were being implemented, including those related to procurement of goods and services; and how results were being assessed. We reviewed contracting procedures and examined two specific contracts under both the Recovery Act Highway Infrastructure Investment fund and the WIA Youth Program. In addition to these three programs, we also updated funding information on the use of Recovery Act funding in Texas's budget, including the use of the U.S. Department of Education (Education) State Fiscal Stabilization Fund (SFSF). Consistent with the purposes of the Recovery Act, funds from the programs we reviewed are being directed to help Texas and local governments stabilize their budgets and to stimulate infrastructure development and expand existing programs—thereby providing needed services and potential jobs. The following provides highlights of our review of these funds:

- **U.S. Department of Education State Fiscal Stabilization Fund.** Education approved Texas's application making more than $2 billion available for education programs, including public schools and higher education. As of September 8, 2009, the state has received 287 applications from school districts for these funds.

[1] Pub. L. No. 111-5, 123 Stat. 115 (Feb. 17, 2009).

- **Highway Infrastructure Investment Program.** The U.S. Department of Transportation's Federal Highway Administration (FHWA) apportioned $2.25 billion in Recovery Act funds to Texas. As of September 1, 2009, the federal government has obligated $1.19 billion for 287 projects to Texas and $47 million has been reimbursed by the federal government. Seventy-eight percent of highway obligations have been for pavement improvements and roadway widening.

- **Workforce Investment Act (WIA) Youth Program.** The Texas Workforce Commission has allocated approximately $70 million of the WIA Youth Recovery Act funds, received from the Department of Labor, to 28 workforce development boards within the state. The goal is to expend at least 70 percent of these funds by September 30, 2009. As of August 15, 2009, local workforce development boards had expended approximately $31.5 million and enrolled over 19,500 youth in summer employment activities throughout Texas. Texas is exceeding its target goal of summer employment for 14,420 youth.

- **Weatherization Assistance Program.** On July 10, 2009, the U.S. Department of Energy provided the Texas Department of Housing and Community Affairs (TDHCA) access to $163.5 million of the state's $327 million Recovery Act funding allocation. On September 11, 2009, TDHCA entered into contracts totaling $145.5 million with subrecipients. The remaining $17.8 million will be used for TDHCA administration and technical assistance and training for subrecipients and grantees.

Use of Recovery Act Funding in the Texas State Budget

On September 1, 2009, Texas began a new 2-year budget cycle, formally called the 2010-2011 biennium, making available about $12 billion in Recovery Act funding for several programs, including Medicaid, public schools, higher education, and transportation.[2] However, Texas officials would like the federal government to clarify the process for recouping administrative costs and provide specific guidance on which Recovery Act programs are subject to the 0.5 percent administrative cap. In the longer term, the effect of the Recovery Act on the state's fiscal position remains uncertain.

[2]Texas budgets on a biennial basis. The 2010-2011 biennium will run through August 31, 2011.

21, and the highest 13 scores with a range of 93 to 81 were awarded fixed-price contracts.

The Gulf Coast Workforce Development Board contract we selected had a score of 89 and was ranked seventh. We reviewed contract documentation and spoke with agency officials, who explained the following; that the contract was awarded to a nonprofit organization on April 21, 2009, at a total value of $2.7 million with a project start date of May 1, 2009, and a projected completion date of September 30, 2009; and that this contract was awarded competitively. The contract requires the organization to recruit young people from low-income families for subsidized summer jobs, develop work sites or activities or both, prepare participants for work, match participants to work sites, counsel young people, and oversee work sites.

According to officials, the North Central Workforce Development Board awarded only one new contract for its 2009 summer youth activities, and the remainder of the work was performed by extending an existing contract. We selected the board's new contract for our review and reviewed contract documents. On March 17, 2009, the board issued a request for proposals from entities interested in providing the requested services. Officials told us the following: that the board received five proposals from this request and had a panel of evaluators review each one; that the contract was awarded to a nonprofit organization on May 4, 2009, at a total value of $740,000, and a completion date of November 30, 2009; and that this contract was awarded competitively. The contract requires the organization to recruit young people from low-income families for subsidized summer jobs, prepare participants for work, match participants to work sites, counsel young people, and oversee work sites.

Texas Expands the Weatherization Assistance Program

The Recovery Act appropriated $5 billion over a 3-year period for the Weatherization Assistance Program, which the Department of Energy (DOE) administers through each of the states, and the District of Columbia and seven territories and Indian tribes. The Weatherization Assistance Program enables low-income families to reduce their utility bills by making long-term energy efficiency improvements to their homes by, for example, installing insulation; sealing leaks; and modernizing heating equipment, air circulations fans, or air conditioning equipment. Over the past 32 years, DOE's Weatherization Assistance Program has assisted more than 6.2 million low-income families. By reducing the energy bills of low-income families, the program allows these households to spend their money on other needs, according to DOE. The $5 billion provided to the

Weatherization Assistance Program in the Recovery Act represents a significant increase for a program that has received about $225 million per year in recent years.

As of September 14, 2009, DOE had approved all but two of the weatherization plans of the states, the District of Columbia, and the territories, and Indian tribes—including all 16 states and the District of Columbia in our review. DOE has provided to the states almost $2.3 billion of the $5 billion in weatherization funding under the Recovery Act. Use of the Recovery Act weatherization funds is subject to Section 1606 of the act, which requires all laborers and mechanics employed by contractors and subcontractors on Recovery Act projects to be paid at least the prevailing wage, including fringe benefits, as determined under the Davis-Bacon Act.[32] Because the Davis-Bacon Act had not previously applied to weatherization, the Department of Labor (Labor) had not established a prevailing wage rate for weatherization work. In July 2009, DOE and Labor issued a joint memorandum to Weatherization Assistance Program grantees authorizing them to begin weatherizing homes using Recovery Act funds, provided they pay construction workers at least Labor's wage rates for residential construction, or an appropriate alternative category, and compensate workers for any differences if Labor establishes a higher local prevailing wage rate for weatherization activities. Labor then surveyed five types of "interested parties" about labor rates for weatherization work.[33] The department completed establishing prevailing wage rates in all of the 50 states and the District of Columbia by September 3, 2009.

State Fund Allocations to Texas Subrecipients Are Underway

On June 26, 2009, DOE approved the weatherization plan developed by the Texas Department of Housing and Community Affairs (TDHCA) and allocated Recovery Act funding amounting to about $327 million for the weatherization program. Funds are available over a 3-year period from April 2009 through March 2012. On July 10, 2009, DOE provided 50 percent or $163.5 million of the funding allocation. As shown in figure 9, on July 30, 2009, the TDHCA Governing Board[34] authorized allocation of $145.7

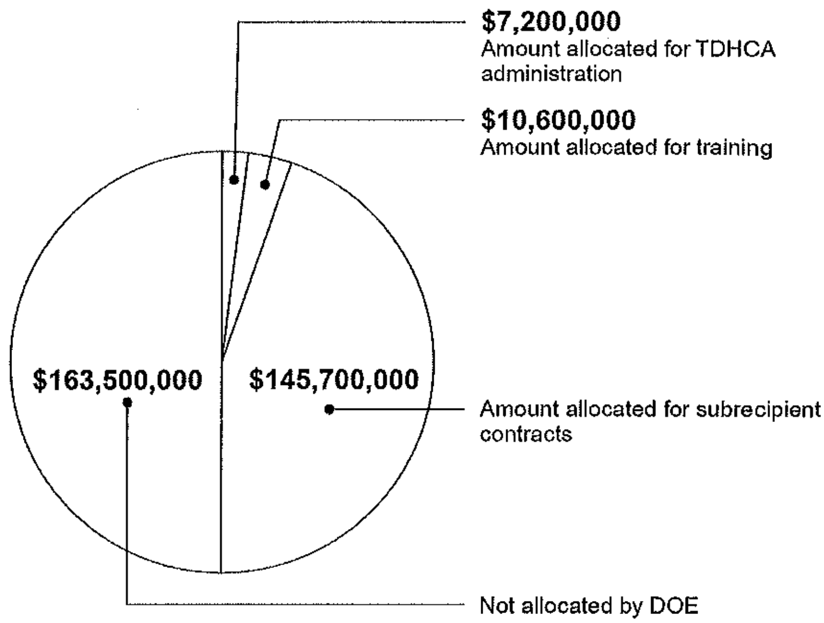
[32]Weatherization Assistance Program funded through annual appropriations are not subject to the Davis-Bacon Act.

[33]The five types of "interested parties" are state weatherization agencies, local community-action agencies, unions, contractors, and congressional offices.

[34]The TDHCA Governing Board is the policy-making body of TDHCA.

million to subrecipients. TDHCA executed contracts to subrecipients[35] on September 11, 2009. The remaining $17.8 million will be used for TDHCA administration and technical assistance and training for the grantee and subrecipients. As of August 31 2009, TDHCA spent approximately $36,000 of the $17.8 million allocated for TDHCA administration and training.

Figure 9: Allocation of Recovery Act Weatherization Program Funds



Source: GAO analysis of Texas Department of Housing and Community Affairs data.

[35]TDHCA subrecipients in three categories will receive Recovery Act funds to provide weatherization services: (1) the existing subrecipient network (Community Action Agencies, Regional Councils of Government, and other nonprofit entities), who receive funds allocated by county based proportionately on low-income, elderly poverty population, median household income and climate data; (2) cities with populations over 75,000, where allocations were based on low-income households; and (3) competitively awarded grants to small cities and nonprofits for populations in rural areas that may not otherwise be served under the other two subrecipient categories.

TDHCA Officials and Some Subrecipients Believe Davis-Bacon Requirements May Delay Spending and Increase Administrative Costs

TDHCA officials and some existing subrecipients believe that Davis-Bacon requirements that contractors must meet may create delays and increase costs. For example, a potential effect of the Davis-Bacon Act is increased payroll and administrative costs to subcontractors, according to TDHCA officials. Under Davis-Bacon, workers are paid weekly based on an hourly rate. TDHCA officials told us that subcontractors often pay employees a set amount for a construction job rather than an hourly wage. Additionally, wage rates frequently differ by county. One subcontractor may conduct weatherization work in several counties and be required to pay different hourly wage rates depending on the county in which the work is conducted. As a result, TDHCA officials told us that the subcontractor may need to pay for changes in the payroll structure due to these Davis-Bacon requirements. Texas officials added that they believe Davis-Bacon requirements work against finding the most economical and efficient way to attain the program goals.

Risk-Assessment and Mitigation Approaches Exist or Are Under Development to Monitor the Use of Funds

As of August 2009, TDHCA officials told us that their internal audit division is developing its annual risk assessment and is likely to include audits of Recovery Act programs in the fiscal year 2010 audit plan. To handle the increase of Recovery Act funds, TDHCA has hired one new auditor and will be hiring two additional auditors with Recovery Act funds this fall, increasing TDHCA's internal audit staff from three to six. Internal audit staff will attend TDHCA Recovery Act meetings and training, and serve in an advisory capacity to review and comment on internal controls as Recovery Act funds are spent.

TDHCA also performs an annual risk assessment which includes existing providers and takes into account funding levels, time elapsed since last monitoring visit, number of monitoring findings, and the status of any Single Audit issues.[36] The risk-assessment process is being modified to consider the expanded network of providers and potential new risk factors. Additionally, TDHCA is taking the following actions to mitigate risks:

- As part of the application process a review is conducted to ensure the entity requesting funds does not have unaddressed compliance issues under any TDHCA program. The previous participation review is

[36]The Single Audit Act of 1984, as amended (31 U.S.C. ch.75).

required by the Texas Government Code,[37] and helps ensure the ability of the applicant to administer TDHCA programs and to comply with program rules. As a result of these Recovery Act reviews for weatherization fund awards, five subrecipients were found to have noncompliance issues associated with their administration of other TDHCA housing programs. These five subrecipients were originally allocated $27.3 million in weatherization funds before noncompliance issues surfaced. TDHCA is in the process of reviewing alternatives to disburse these funds to the affected communities.

- To mitigate risks associated with noncompliance and lack of weatherization construction expertise, TDHCA is developing a new training approach. A Request for Proposal was released asking potential vendors to bid on establishing a training and technical assistance academy. Submissions were due by August 7, 2009 and as of September 8, 2009, TDHCA was in process of selecting a vendor. The academy will offer a range of weatherization, energy efficiency, and administrative instruction through a combination of classroom teaching, online instruction, and field work. The administrative portion will include TDHCA regulations and reporting as well as financial accountability. The courses are intended for weatherization subrecipients, subcontractors, subcontractor employees, and TDHCA staff.

The financial status of Recovery Act funds at the local program level will be monitored by TDHCA staff. According to TDHCA's DOE-approved weatherization plan, the monitoring approach will be twofold, consisting of a fiscal review, as well as a review of the quality and scope of the work performed on dwellings. Monitoring will include procurement, financial procedures, compliance, personnel policies, site inspections, assessments, and staff procedures.

TDHCA is in the process of hiring 14 additional staff in its Energy Assistance Section, including 7 staff to monitor subrecipient weatherization of dwellings. The other new positions consist of four weatherization trainers, one contract specialist, one administrative assistant, and one Davis-Bacon specialist. Other monitoring steps include the following:

[37]Texas Government Code, § 2306.057.

- An Office of Accountability and Oversight Project Manager position was created by TDHCA. This project manager helps develop and manage performance, compliance, and expenditures systems, with a goal of producing timely and accurate Recovery Act data.
- Work is underway on two major database systems to track and report on Recovery Act weatherization funds: (1) modification of the Central Database—the main information system for all TDHCA programs and activities—to conform to the Recovery Act data-collection and reporting requirements for subrecipients; and (2) development of the Consolidated Recovery Act Reporting System—a database to track information received from the Central Database and local programs such as contracts awarded, funds awarded and expended, and households and individuals served.

Plans Are Underway to Measure the Effect of Funds

As the prime recipient of Recovery Act weatherization funds, TDHCA told us it is in the process of modifying existing monitoring protocols to address job reporting and other monitoring needs. They expect that guidance from DOE will further define subrecipient reporting protocols and facilitate monitoring. When this guidance is issued, TDHCA will distribute it to the subrecipient network and incorporate reporting requirements into its training curriculum. TDHCA officials told us that training on the new and unfamiliar reporting requirements will be necessary for all subrecipients and subcontractors. Officials added that the new DOE reporting requirements are expected to include jobs created or retained at the TDHCA, subrecipient, local agency, and local contractor levels and on-site monitoring visits of dwellings where weatherization has been completed.

TDHCA plans to calculate projected savings from the installation of materials designed to reduce home energy consumption by using the DOE methodology developed at the Oak Ridge National Laboratory. Measures to be tracked and reported include the number of units weatherized, the average cost per home served, and the percentage of eligible low-income households that receive weatherization assistance.

Texas Efforts to Meet Recovery Act Section 1512 Reporting Requirements

The Recovery Act established several reporting requirements, and OMB issued guidance for meeting those requirements. Each recipient of Recovery Act funds is required to periodically report on a number of things including: (1) the total amount of Recovery Act funds received, (2) the amount of Recovery Act funds that were expended or obligated to projects or activities, and (3) an estimated number of jobs created and retained by projects or activities.[38] The first reporting deadline is October 10, 2009, with quarterly reports due 10 days after the end of each calendar quarter thereafter. OMB issued guidance on meeting those reporting requirements in February 2009 and updated the guidance in April and June 2009.[39] The guidance established that the reporting requirements apply to the prime nonfederal recipients of the federal funding. The prime recipient is responsible for reporting on how it used the funds as well as any subawards it made. To train federal agencies and recipients of Recovery Act funding on complying with their reporting responsibilities, OMB conducted a series of "webinars" in July 2009 on topics such as developing job creation estimates, prime and subrecipient reporting, and data quality requirements. Texas officials commented that OMB guidance related to Section 1512 reporting requirements continues to change. As an example, they said that as recently as August 2009, programs covered and data elements had changed. Texas officials believe these ongoing revisions create additional administrative burdens for the state in designing and maintaining Recovery Act reporting processes and systems.

Texas's Plans for Reporting Have Been Finalized

Texas officials in the Office of the Governor told us in August 2009 that each state agency and institution would report directly to the designated federal Web site,[40] and the State Comptroller's Office was establishing a process to receive copies of the report submissions to perform a quality assurance role for accuracy, completeness, and timeliness. Consistent with this quality assurance role, the State Comptroller's Office also plans to perform field audits beginning in August 2009 to help ensure

[38]Pub. L. No. 111-5, Sec. 1512(c), 123 Stat. 115, 287 (Feb. 17, 2009).

[39]OMB Memorandums M-09-10, *Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009* (Feb. 18, 2009); M-09-15, *Updating Implementing Guidance for the American Recovery and Reinvestment Act of 2009* (Apr. 3, 2009); and M-09-21 *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009* (June 22, 2009).

[40]www.FederalReporting.gov.

appropriate policies and processes are established for Section 1512 reporting.

Texas Has Issued Guidance and Conducted a Pilot Project to Prepare for the Reporting Deadline

In April 2009, the State Comptroller's Office issued guidance to state agencies and institutions of higher learning related to the use and subsequent reporting on Recovery Act funds.[41] In May 2009, the State Comptroller's Office, in conjunction with the Office of the Governor and LBB, began requiring state agencies and 4-year institutions of higher education to report weekly on all Recovery Act funds allocated or requested. Additional guidance for the weekly reporting was issued by the State Comptroller's Office in July 2009.[42] As of August 7, 2009, 42 state agencies reported about $11.5 billion in Recovery Act awards and over $2.1 billion in expenditures in the state's weekly activity reporting. The State Comptroller's Office makes information, such as the amount of federal awards received, available to the public on a Web site it maintains.[43]

To allow Texas agencies and institutions the opportunity to better understand and fine-tune the recipient reporting requirements before the October 2009 deadline, the State Comptroller's Office required all state agencies and 4-year institutions of higher education that received a Notification of Award for Recovery Act funds and had a federal program subject to Section 1512 recipient reporting to participate in a pilot project of reporting information to the State Comptroller's Office by July 10, 2009. Guidance for this pilot process was issued by the State Comptroller's Office in June 2009.[44] Using this pilot process, the State Comptroller's Office compiled all questions and concerns related to the federal reporting for resolution with the appropriate state or federal oversight entity, and convened a Recovery Act working group on July 31, 2009. The State Comptroller's Office reported that 27 of the 33 state agencies filed Section 1512 recipient reports for the pilot project.

[41]Texas Comptroller of Public Accounts, "Fiscal Policies and Procedures, J.004" (Apr. 20, 2009). This guidance was superseded by the State Comptroller's Office in August 2009.

[42]Texas Comptroller of Public Accounts, "Fiscal Policies and Procedures, B.008" (July 15, 2009).

[43]www.window.state.tx.us/recovery/follow/received.php.

[44]Texas Comptroller of Public Accounts, "Fiscal Policies and Procedures, B.009" (June 30, 2009).

Texas's Comments on This Summary

We provided the Governor of Texas with a draft of this appendix on September 8, 2009. A Senior Advisor, designated as the state's point of contact for the Recovery Act, responded for the Governor on September 10, 2009. In general, the Senior Advisor agreed with the information in this appendix, but expressed concern that our discussion on the future of Texas's budget was outside the scope of our work and that we did not acknowledge what the Office of the Governor has relayed to us in numerous discussions, that Texas has a track record of living within its means by cutting spending when necessary. We explained that the purpose of the discussion in this section was to provide a perspective on Texas's budget, beyond the current biennium, with the expiration of Recovery Act funding. This particular section of the appendix reflects the views and data provided by staff from the Governor's Office, Comptroller's Office, the Legislative Budget Board, and the legislature's House Select Committee on Federal Economic Stabilization Funding. In discussing this section of the appendix with the Senior Advisor, we made revisions to reflect the varied views of the State's budget beyond the current biennium. In addition, more contextual perspective was added to the appendix on how the state views the guidance and directives received from the federal government on what is expected on reporting and monitoring of Recovery Act funds. The Senior Advisor also provided technical suggestions that we incorporated, where appropriate.

GAO Contacts

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Lorelei St. James, (214) 777-5719 or stjamesl@gao.gov

Staff Acknowledgments

In addition to the contacts named above, Ron Berteotti, K. Eric Essig, Fred Berry, Victoria De Leon, Wendy Dye, Ken Howard, Michael O'Neill, and Daniel Silva made major contributions to this report.

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DEPARTMENT OF HEALTH & HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMILIES
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

JUN 23 2009

RECEIVED
JUN 29 2009
EXECUTIVE DIRECTOR

Mr. Michael G. Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 East Eleventh Street
Austin, Texas 78711-3941

Dear Mr. Gerber:

Enclosed is a copy of the draft report on the findings from the Texas Community Services Block Grant Program (CSBG) State Assessment review conducted by the Administration for Children and Families (ACF) Office of Community Services (OCS) from February 23 – 27, 2009. This draft report is submitted to you for a 30-day review and comment period before the report is issued in final form.

I want to extend my appreciation to you and your staff for your cooperation throughout this program review. The State of Texas should provide comments on this report and submit a plan of action addressing OCS recommendations. Submit direct comments, suggestions edits or corrections on the draft report to Frances Harley, Financial Operations, Frances.Harley@acf.hhs.gov or telephone (202) 401-6888 within 30 days of receipt the letter. If we do not receive a response from the State within 30 days, we will consider this report to be final. I hope this report is useful to you and your staff in the administration of your CSBG program.

Sincerely,

Yolanda J. Butler, Ph.D.
Acting Director
Office of Community Services

Take to rea

Enclosure

DEPARTMENT OF HEALTH & HUMAN SERVICES
Administration for Children and Families
Office of Community Services

Community Services Block Grant Program

Texas State Assessment

On-Site Review

February 23-27, 2009

Texas State Assessment

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Texas Community Services Block Grant

I. Executive Summary

The Community Services Block Grant (CSBG) program provides assistance to States and local communities, working through a network of Community Action Agencies (CAAs) 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 to become fully self-sufficient. CSBG-funded programs create, coordinate, and deliver a broad array of programs and services to low-income Americans. The grant's purpose is to fund initiatives to change conditions that perpetuate poverty, especially unemployment, inadequate housing, poor nutrition, and lack of educational opportunity.

The Governor of Texas designated the Texas Department of Housing and Community Affairs (TDHCA) as the appropriate State agency to act as the lead agency for the administration of the CSBG program. The Texas CSBG program provides funding, technical assistance, and support to 53 eligible entities serving 254 counties. The CAAs provided an array of services according to the Community Action Plans (CAP) formulated to address local needs. Services may include: housing, energy assistance, nutrition, employment and training as well as transportation, family development, child care, health care, emergency food and shelter, domestic violence prevention services, money management, and micro-business development. The information contained in this report was compiled for a State Assessment (SA) of the Texas Community Services Block Grant program and its eligible entities as evaluated by Federal staff of the Division of State Assistance (DSA), Office of Community Services (OCS), an office within the Administration for Children and Families (ACF), U.S. Department of Health and Human Services (HHS).

State Assessment Authority

State Assessments (SAs) are conducted to examine the implementation, performance, compliance, and outcomes of a State's CSBG program to certify that the State is adhering to the provisions set forth in Sections 678B and 676(b) of the Coats Human Services Reauthorization Act, Public Law 105-285. On December 21, 2007, OCS issued Information Memorandum 105, explaining that DSA would conduct both on-site and desk monitoring visits during Federal Fiscal Years 2008-2010. Federal staff conducted a desk review of the Texas CSBG program and its eligible entities from February 23-27, 2009. The evaluation included interviews and analyses of the data collected. As per the statute, the SA examines the State, and its CAA's assurances of program operations including:

1. Activities designed to assist and coordinate services to low-income families and individuals, including those receiving assistance under the Temporary Assistance to Needy Families (TANF) program, the elderly, homeless, migrant and seasonal workers, and youth;
2. Coordination of service delivery to ensure linkages among services, including as it relates to employment and training activities, the Low Income Home Energy Assistance Program (LIHEAP), with faith-based and other community-based charitable organizations, and other social services programs;
3. Innovative approaches for community and neighborhood-based service provision;
4. Ability to provide emergency food and nutrition to populations served;
5. Adherence to statutory procedures governing the termination and reduction of funding for the local entity administering the program;

6. Adequate and appropriate composition of Tripartite Board and CAA rules;
7. Appropriate fiscal and programmatic procedures to include a Community Action Plan from the CAAs that identifies how the needs of communities will be met with CSBG funds; and
8. Participation in the performance measurement system, the Results Oriented Management and Accountability (ROMA) initiative.[1]

The SA also examines the fiscal and governance issues of the eligible entity that provide CSBG funded services in local communities, the CAAs, as well as the State's oversight procedures for the eligible entities. Fiscal and governance issues examined include:

1. Distribution methodology for disbursement of CSBG funds to the eligible entities;
2. Fiscal controls and accounting procedures;
3. State administrative expenses;
4. Mandatory public hearings conducted by the State Legislature; and
5. General procedures for governing the administration of the CSBG Program, including board governance, non-discrimination provisions, and political activities prohibitions.

Methodology

The State Assessment consists of two levels of evaluation by Federal staff:

1. Federal staff examined the State-level assurances, fiscal and administrative governance issues regarding the CSBG program in interviews and data collection with State officials.
2. Federal staff conducted desk assessments of the State's monitoring of the CAAs to determine compliance with assurances and governance requirements by gathering information from local agencies, engaging in additional interviews and data collection.

State-level interviews included the following Texas Department of Housing and Community Affairs officials: Ms. Amy Oehler, Director of Community Affairs Division; J. Al Almaguer, Senior Planner; Laura S. White, Program Development and Training Officer; David Cervantes, Director of Financial Administration; and Sandra Q. Donoho, Director of Internal Audit; Esther Ku, Manager of Accounting Operations; David Aldrich, Manager of Budget, Payroll and Travel; Kristinia Vavra Payroll Specialist.

OCS reviewers assessed the following entities: the Dallas Urban League, Dallas-Fort Worth, TX; Parks and Community Services Department, Fort Worth, TX; City of Austin, Austin, TX; Community Action Agency, Inc. of Hayes, Caldwell, and Blanco Counties; City of San Antonio, San Antonio, TX.

Office of Community Services reviewers included: Frances Harley, Financial Operations Team Leader; Isaac Davis, Program Specialist; Michael Pope, Auditor; and Emmanuel Djokou, Auditor.

[1] Some assurances have been combined where appropriate.

II. Assessment and Findings

The OCS reviewers collected information pertaining to the fiscal and programmatic procedures of the State agency, as well as other general information about the State's programs, including:

- Administrative, program and financial operations for the State and the CAAs assessed;
- Brochures and literature on services provided;
- The most recent CSBG Financial Summary Report;
- SF 269 report for Fiscal Year (FY) 2006 showing total funds authorized;[2]
- Audited Financial Statements; and
- The Texas State CSBG Plan.

Fiscal and Governance Operations

The CSBG statute requires that each State designate a lead agency to administer the CSBG program, and that the lead agency should provide oversight of the local entities that administer programs in the communities. The Governor designated The Texas Department of Housing and Community Affairs (TDHCA) as the lead agency to administer the CSBG program. In FY 2006, the State allocated 90 percent of CSBG funds to the eligible entities and CAAs. The State used five percent for discretionary, five percent for training and technical assistance and funding to eligible entities to address non-traditional community needs. OCS reviewers were unable to follow the Federal funds in the general ledger.

Based on the support documents provided by the State, the OCS reviewers were unable to determine whether the State had a system in place to accurately validate the information certifying that individuals were served at 125 percent of poverty, which is based on annual income.

Table 1 illustrates the distribution of Federal funds allocated in Texas.

Table 1

Use of FY 2006 Funds: Texas		
Uses of Funds	**Amount Expended**	**Percentage of Expenditures**
Grants to Local Eligible Entities	$27,187,769	90%
Administrative Costs	$ 1,188,752	5%
Discretionary Projects	$ 1,305,387	5%
Total Used in FY 2006	$29,681,908	100%

According to TDHCA, administrative expenditures were used for the management and monitoring oversight of the program. Discretionary funds were disbursed to the CAAs for their use based on their community needs assessment. However, OCS reviewers were unable to adequately verify the expenditures using CSBG funds. The State should ensure that financial records are complete for review in accordance with the statute.

[2] The SF 269—Short Form is used to report the amount of program income earned and the amount expended.

Administrative Monitoring and Accountability

The CSBG statute requires States to monitor local agencies to determine whether they meet performance goals, administrative standards, and financial management standards, as well as other State-defined criteria. The State has procedures in place to ensure the CAAs has a system of governance, financial and human resource management, program and service delivery, and community relations. The State requires the CAAs to submit applications to receive their CSBG allotments annually. The process of approval is based on: 1) standard forms; 2) governing board approval; and 3) information about how the entity will provide services in their communities.

Financial Monitoring and Accountability

States are required by Federal statute to perform monitoring duties in a full on-site review at least once every three years for each eligible entity. The State recently changed its monitoring schedule from once every three years to annually. A draft monitoring report is developed and issued within 30 days of the on-site visit. The report identifies deficiencies, issues, and concerns requiring corrective action(s), as approved by the board. Follow-up visits were coordinated with the CAA if deficiencies were noted during the on-site visit. A final report is sent to the Board Chairperson and the Executive Director of the agency. Not all site visits require a focus on the entire CSBG program but they may focus on specific areas during the State's assessment the review of the other Federal grant programs such as Low Income Home Energy Assistance Program (LIHEAP); Results Oriented Management and Accountability (ROMA); board issues; or training and technical assistance.

> Section 678B (a)(1) requires that "the State shall conduct the following reviews of eligible entities:
>
> (1) A full on-site review of each such entity at least once during each three-year period.
>
> (2) An on-site review of each newly designated entity immediately after the completion of the first year in which such entity receives funds through the CSBG program.

TDHCA Division Standard Operations and Procedures Manual outline the State's monitoring procedures, and objectives. The Community Services Section under the Community Affairs Division is responsible for conducting on-site program monitoring visits at least once every three years. On-site monitoring reviews are conducted to meet the following objectives: Review of sub-recipient performance; Review compliance to applicable State and Federal regulations, policies and statutes; To prevent fraud and abuse; and to identify technical assistance needs. The CAAs and eligible entities are identified in Table 2 (on the following page).

Table 2

Texas Visits		
Agency Name	On-site Visits	Counties Served
Asociacion Pro Servicios Sociales	N/A	Jim Hogg, Starr, Webb, Zapata
Aspermont Small Business Development Center, Inc.	September 5-8, 2006	Haskell, Jones, Kent Knox, Stonewall, Throckmorton
City of Austin Health and Human Service Dept.	N/A	Travis
Bee Community Action Agency	October 16-19, 2006	Aransas, Bee, Kenedy, Live Oak, Refugio
Big Bend Community Action Committee, Inc.	September 11-14, 2006	Brewster, Culberson, Hudspeth, Jeff Davis, Presidio
Brazos Valley Community Action Agency	September 11-14, 2006	Brazos, Burleson, Chambers, Grimes, Leon, Liberty, Madison, Montgomery, Robertson, Walker, Waller, Washington
Cameron and Willacy Counties Community Projects, Inc.	April 25-28, 2006	Cameron, Willacy
Caprock Community Action, Inc.	August 8-11, 2006	Crosby, Dickens, Floyd, Hale, King, Motley
Central Texas Opportunities, Inc.	August 7-9, 2006	Brown, Callahan, Coleman, Comanche, Eastland, McCulloch, Runnels
Combined Community Action, Inc.	June 19-22, 2006	Austin, Bastrop, Colorado, Fayette, Lee
Community Action Committee of Victoria Texas	N/A	Calhoun, De Witt, Goliad, Gonzales, Jackson, Lavaca, Victoria
Community Action Corporation of South Texas	September 25-28, 2006	Brooks, Jim Wells, San Patricio
Community Action Inc., of Hays, Caldwell and Blanco Counties	N/A	Blanco, Caldwell, Hays
Community Action Program, Inc.	N/A	Mitchell, Shackelford, Stephens, Taylor
Community Action Social Services & Education	December 18-21, 2006	Maverick
Community Council of Reeves County	August 21-24, 2006	Loving, Reeves, Ward, Winkler
Community Council of South Central Texas, Inc.	October 23-26, 2006	Atascosa, Bandera, Comal, Frio, Gillespie, Guadalupe, Karnes, Kendall, Kerr, Medina, Wilson
Community Council of Southwest Texas, Inc.	May 30-June 2, 2006	Edwards, Kinney, Real, Uvalde, Val Verde, Zavala
Community Services Agency of South Texas	October 10-13, 2006	Dimmit, La Salle
Community Services of Northeast Texas, Inc.	N/A	Bowie, Cass, Marion, Morris, Camp
Community Services, Inc.	May 1-3, 2006	Anderson, Collin, Denton, Ellis, Henderson, Hunt, Kaufman, Navarro, Rockwell, Van Zandt
Concho Valley Community Action Agency	November 6-9, 2006	Coke, Concho, Crockett, Irion, Kimble, Menard, Reagan, Schleicher, Sterling, Sutton, Tom Green
Dallas Urban League	N/A	Dallas
Economic Action Committee of The Gulf Coast	September 26-28, 2006	Matagorda
Economic Opportunities Advancement Corporation of Planning Region XI	July 25-28, 2006	Bosque, Falls, Freestone, Hill, Limestone, McLennan
El Paso Community Action Program, Project BRAVO, Inc.	N/A	El Paso
City of Fort Worth Parks & Community Services Department	N/A	Tarrant
Galveston County Community Action Council, Inc.	September 11-14, 2006	Brazoria, Fort Bend, Galveston, Wharton
Greater East Texas Community Action Program	May 15-18, 2006	Angelina, Cherokee, Gregg, Houston, Nacogdoches, Polk, Rusk, San Jacinto, Smith, Trinity, Wood

Texas Visit		
Agency Name	On-site Visits	Counties Served
Guadalupe Economic Services Corporation	N/A	Bailey, Briscoe, Castro, Cochran, Crosby, Deaf Smith, Dickens, Floyd, Garza, Hale, Hall, Hockley, Lamb, Lubbock, Lynn, Motley, Parmer, Swisher, Terry, Yoakum
Gulf Coast Community Services Association	N/A	Harris
Hidalgo County Community Services Agency	April 10-13, 2006	Hidalgo
Hill Country Community Action Association, Inc.	August 21-24, 2006	Bell, Coryell, Hamilton, Lampasas, Llano, Mason, Milam, Mills, San Saba
City of Lubbock Community Development Department	November 13-16, 2006	Lubbock
Northeast Texas Opportunities, Inc.	October 9-12, 2006	Delta, Franklin, Hopkins, Lamar, Rains, Red River, Titus
Nueces County Community Action Agency	N/A	Nueces
Panhandle Community Services	August 14-17, 2006	Armstrong, Briscoe, Carson, Castro, Childress, Collingsworth, Dallum, Deaf Smith, Donley, Gray, Hall, Hansford, Hartley, Hemphill, Hutchinson, Lipscomb, Moore, Ochiltree, Oldham, Palmer, Potter, Randall, Roberts, Sherman, Swisher, Wheeler
Pecos County Community Action Agency	December 4-7, 2006	Crane, Pecos, Terrell
Rolling Plains Management Corporation	N/A	Archer, Baylor, Clay, Cottle, Foard, Hardeman, Jack, Montague, Wichita, Wilbarger, Young
City of San Antonio Department of Community Initiatives	November 1-3, 2006	Bexar
Sin Fronteras Organizing Project	N/A	El Paso
South Plains Community Action Association, Inc.	N/A	Bailey, Cochran, Garza, Hockley, Lamb, Lynn, Terry, Yoakum
South Texas Development Council	N/A	Jim Hogg, Starr, Zapata
Southeast Texas Regional Planning Commission	N/A	Hardin, Jefferson, Orange
Texas Homeless Network	N/A	Statewide
Texas Neighborhood Services	October 23-26, 2006	Erath, Hood, Johnson, Palo Pinto, Parker, Somervell, Wise
Texoma Council of Governments	July 25-28, 2006	Cooke, Fannin, Grayson
Tri-County Community Action, Inc.	N/A	Harrison, Jasper, Newton, Panola, Sabine, San Augustine, Shelby, Tyler, Upshur
Webb Count Community Action Agency	June 5-8, 2006	Webb
West Texas Opportunities, Inc.	November 27-30, 2006	Andrews, Borden, Dawson, Ector, Fisher, Gaines, Glasscock, Howard, Martin, Midland, Nolan, Scurry, Upton
Williamson-Burnet County Opportunities, Inc.	June 12-15, 2006	Burnet, Williamson

OCS reviewers examined the State's monitoring procedures and a representative sample of completed monitoring tools, reports, backup documentation and corrective action letters. Through documentation reviews and interviews with State staff responsible for monitoring, OCS reviewers determined that State has reasonable and responsible internal controls for conducting monitoring reviews for its eligible entities.

The State's CSBG program year is from October 1 through September 30. In the last quarter of the State's calendar year, any costs incurred by the entities prior to that first quarter are reimbursable subject to the State's receipt of Federal fiscal year funds.

The Fiscal Office operates on behalf of the State, preparing monthly reports that are the primary tools for evaluating allowable expenditures and tracking budget line items. According to the State, monthly reports are prepared by the State's Financial Administrator. Eligible entities and CAAs are encouraged to use an electronic transfer system for fund reimbursements. OCS reviewers examined the available monthly reports and a sampling of the subsequent CSBG disbursement from randomly selected eligible entities and CAAs. Administrative costs include salaries and benefits for employees paid with CSBG funds. Hours charged to the CSBG program vary weekly based upon the amount of time spent working on CSBG-related program.

OCS reviewers examined a sampling of the hours charged for CSBG-related projects and how the recorded time is processed through payroll. TDHCA issues credit cards for employee expenditures.

In accordance with Section 678D, States that receive funds shall make appropriate books, documents, papers, and records available to the Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, for examination, copying, or mechanical reproduction on or off the premises of the appropriate entity upon a reasonable request for the item(s).

According to 45 CFR §92.20 (b)(6), accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subcontract award documents.

According to 45 CFR §92.42 (4)(e), The awarding agency and the Comptroller General of the United States, or any of their authorized representatives, shall have the right of access to any pertinent books, documents, papers, or other records of grantees and sub-grantees which are pertinent to the grant, in order to make audits, examinations, excerpts, and transcripts.

OCS reviewers examined the State's internal audit process. State auditors are required to examine all State funding made to the eligible entities dating back to the previous State audit. Any audit finding(s) are reported to the CAA Executive Director and Boards of Directors. The CAA Boards of Directors are required to respond to the notification letter within 30 days with a written Corrective Action Plan (CAP) that addresses the findings. Audit Office staff must review and approve the CAP. The CAA's failure to respond within the allotted timeframe may result in disciplinary actions being taken by the State, up to and including funds de-obligation. The lead auditor is the State official responsible for audit follow-up activities, including resolution and corrective action monitoring. Technical assistance is available through the State on a case-by-case basis for eligible entities with audit findings. The OCS reviewers had no findings for technical assistance.

OMB Circular A-133, Single Audit Act of 1997

According to 45 CFR §96.31, grantees and subgrantees are responsible for obtaining audits in accordance with OMB Circular A-133, "*Audits of State, Local Governments, and Non-Profit Organizations.*" Agencies expending $500,000 or more in any year, must contract with an independent auditor to review their financial statements and Federal expenditures. The auditing firm for the State conducts the fieldwork, issues the audit report, and submits the required reporting forms to the Federal Audit Clearinghouse (FAC) with reportable findings. The State CSBG Plan submitted to OCS requires that an audit report is prepared annually.

State audits are performed to determine whether: 1) costs and program income activities were properly summarized and reported; 2) internal controls meet the State's standards; 3) costs charged to the grant were allowable; and 4) the State is in full financial compliance.

The State audits are conducted under the standards of the Institute of Internal Auditors. The State's auditing firm also considers the government auditing standards promulgated by the Comptroller General, U.S. Government Accountability Office, in the performance of their duties.

The Office of the State Auditor has completed their most current audit of selected accounts included on the financial statements of the State ending August 31, 2005. The State Auditor concluded that no matters involving State internal control over financial reporting and its operations were considered to be material. The results of their tests disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*. A copy of the audit report was provided to OCS reviewers.

OCS reviewers examined the FAC Data Collection Form for reporting on Audits of States, Local Governments, and Non-Profit Organizations found on the FAC website. The OCS reviewers found the State forms were written and submitted in accordance with the Federal requirements. The State Auditor found no areas of noncompliance, reportable conditions, including material weaknesses, questioned costs, fraud, or other reportable items for CSBG. OCS reviewers also recognize that the State adheres to the accounting principles and financial reporting standards established by the Governmental Accounting Standards Board[3]

Recapture and Redistribution

The State has certified in the State's CSBG plan that it adheres to Section 678C of the CSBG statute. The State implemented a policy to recapture and redistribute funds to CAAs that were unobligated at the end of a fiscal year if such funds exceed 20 percent of the amount for that fiscal year. OCS reviewers found no instances of noncompliance.

Carryover Balance

States may recapture and redistribute funds to an eligible entity that are unobligated at the end of a fiscal year if such unobligated funds exceed 20 percent of the amount distributed to the eligible entity. States must redistribute such funds to an eligible entity, or require the original recipient of the funds to redistribute the funds to a private, nonprofit organization, located within the community served by the original recipient of the funds, for activities consistent with the purposes of the CSBG Act.

In accordance with 45 CFR §92.40, §92.41, and §96.30(b)(4), respectively, the grantee shall submit annual program progress and financial status reports using Short Form, SF-269A. The first report is due 90 days after the end of first year (i.e. December 30, 2006). Financial Status Reports (FSRs) were due December 30, 2007. Failure to submit reports on time may be the basis for withholding financial assistance payments, suspension, or termination of funding. During our assessment, OCS

[3] The authoritative bodies of establishing accounting principles and financial reporting standards are the Governmental Accounting Standards Board (state and local governments), and the Financial Accounting Standards Board (nongovernmental entities).

reviewers noted the State did not submit its Financial Status Report (FSR) in accordance with 45 CFR §92.40, §92.41, and §96.30(b)(4).

Grantees are required to adhere to a provision of the law under the Consolidated Appropriations Act of 2005 which requires that to the extent FY 2006 CSBG funds are distributed by a State to an eligible entity, and have not been expended by such eligible entity, they shall remain with such eligible entity for carryover and expenditure into the next fiscal year.

Public Hearings

According to Section 676(a)(2)(B), at the beginning of each fiscal year, a State must prepare and submit an application and State Plan covering a period of one year and no more than two fiscal years. Each year, the State's CSBG State Plan is sent to the CSBG Advisory Committee, the State General Assembly, and all eligible entities. In conjunction with the development of the State Plan, the State holds at least one public hearing. For FY 2005-2006, the plan was available from September 20 through October 30, 2004 for public review and comment. Legislative Public Hearings were held on September 27, 28, 29 and 30, 2004 with the State Legislature's Joint Labor, Health, and Social Services Interim Committee. The Intended Use Report was made available on the TDHCA website or by written request to the Texas Department of Housing and Community Affairs.

Tripartite Boards

The State requires CAAs to submit a listing of their Tripartite Board membership prior to being approved to administer the CSBG program. CAAs must comply with Section 676B of the CSBG Statute which requires that members are chosen in accordance with democratic selection procedures to assure that not less than one-third of its members are representatives of low-income individuals and families who reside in the neighborhoods served. The remaining members are public officials or members of business, industry, labor, religious, law enforcement, education, or other major groups interested in the community serviced. Members must actively participate in the planning, implementation, and evaluation of the program that services their low-income communities.

The CAAs must have their Tripartite Board certified annually to ensure the board has received orientation and/or training, which outlines and describes their responsibilities and liabilities. The certification of the Tripartite Board training must be documented in the Board minutes. The approved minutes must include the type of training, date(s) of the training, and meeting attendees. Additionally, certification must include an annual audit of services, expenditures, and reporting requirements for State, Federal, and other funding sources. These requirements are included in the contract signed between the CAAs and the State, the CSBG manual, the State Plan, and the CSBG statute. The State-outlined responsibilities of the Tripartite Board include:

- Ensuring that all administrative requirements are met;
- Establishing policies, rules, regulations and bylaws consistent with the agency's mission;
- Establishing accounting systems and fiscal controls consistent with general accounting principles;
- Establishing policies prohibiting nepotism;
- Avoiding conflict of interest;
- Involvement in directing the agency's operation through regular board meetings; and
- Acceptance of liability for and resolving any questioned cost identified by audits.

In accordance with Federal and State law, each CSBG grantee, in order to be in full compliance, is required to adhere to the composition, documentation, bylaws, board manual, and board meeting minutes as detailed in the CSBG Act of 1998, Section 676B. The State CSBG office is required to monitor board composition and follow-up with the CAAs when representation needs to be adjusted. The State assured OCS that the CAAs adhere to the statute regarding Tripartite Boards by providing information regarding the requirements of a Tripartite Board to each eligible entity in three documents: CSBG Operations Manual, the CSBG Grant Agreement, and the CSBG assurances submitted with the State Plan each year.

OCS reviewers determined that the State demonstrated reasonable internal controls for monitoring and approving the Tripartite Board certifications.

Additional Administrative or Fiscal Operations Findings

The State is required to maintain a current financial procedures manual in order to meet fiscal standards set forth by Federal regulations. Financial reports are required monthly. Quarterly financial reports are due within 30 days of the end of each quarter and annual fiscal reports are required at the end of the State's fiscal year. The annual on-site compliance review conducted by the State should determine compliance to specific areas including financial compliance. Failure to comply with State and Federal reporting requirements may result in corrective action including suspension of grant awards.

According to 45 C.F.R. § 96.30 Fiscal and administrative requires: (a) Fiscal control and accounting procedures. Except where otherwise required by Federal law or regulation, a State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.

According to the CSBG statute, the State is required to have processes in place to provide oversight of CSBG funds. OCS reviewers were unable to adequately validate the following: 1) all requested documents; 2) statistical sampling of the State's General Ledger to determine if CSBG expenditures were allowable, allocable, and supported by documentation; and 3) the State's accounting reports, when requested.

The OCS reviewers' analyses of the State's records and procedures that included administrative, financial, and programmatic operations, determined that $508,121.41 of Program Allocation funds and $480,802.33 of Administrative Allocation funds were held beyond the grant period ending on September 30, 2007. According to 45 C.F.R.§ 96.14(a)(2), no funds may be obligated after the end of the fiscal year following the fiscal year for which they were allotted.

The State needs to comply with policies and procedures for examining the accuracy of the financial functions and processes to reflect direct and indirect cost charged to CSBG funding stream and expenditures in accordance with Federal regulations.

Program Operations

The State reported demographic information on individuals who received services using CSBG funds in FY 2006. CAAs operate numerous programs designed to meet the needs identified in their respective service areas. Due to different local needs, not all CAAs provide services in all priority areas. During this State Assessment, agency records were reviewed to assess actual services provided. The assessment instrument addresses the following areas: client services received, expenditures, staff responsibility, board governance, by-laws, board meeting minutes, board manual, personnel, planning and operations, CSBG assurances, fiscal, T&TA grants, T&TA grant review, and agency postings (i.e., worker's compensation, client appeals).

The eligible entities operate numerous programs designed to meet the needs identified in their respective service areas. Because the demographic data show different local needs, not all eligible entities can provide extensive services in all priority areas. Supportive services and community outreach projects provided by the entities respond to low-income worker's health care. The State and CAAs categorize their expenditures of CSBG funds according to the statutory list of program purposes. The categories are as follows:

- Securing and maintaining employment;
- Securing adequate education;
- Improving income management;
- Securing adequate housing;
- Providing emergency services;
- Improving nutrition;
- Creating linkages among anti-poverty initiatives;
- Achieving self-sufficiency; and
- Obtaining health care.

The State requires agencies receiving CSBG funds to prepare and submit an application referred to as a "Community Action Plan" to the State. The process requires CAAs to submit an application to the State for approval based on: 1) standard forms; 2) governing board approval; 3) information based on priority needs; and 4) information about how the entities will provide services in their communities. Table 3 shows the reported characteristics of individuals and families served throughout the State.

Based on the Results Oriented Management and Accountability process, the grant agreement outlines the following requirements for the State's CAAs:

- A community needs assessment;
- A description of the service delivery system for low-income individuals and families in the service area;
- A description of linkages that will be developed to fill gaps in service through information, referral, case management, and follow-up consultations;
- A description of how funding will be coordinated with other public and private resources; and
- A description of outcome measures for providing services and promoting self-sufficiency and Texas community revitalization.

Table 3

[illegible]	
[illegible]	
Hispanic or Latino	174,361
African American	73,331
White	232,268
Other	769
Multi-racial	1,387
[illegible]	
0-8 years	47,407
9-12 non graduates	36,749
High school graduate/GED	49,820
12+ some postsecondary	13,849
2 or 4 year college graduates	6,798
[illegible]	
No Health Insurance	201,723
Disabled	47,376
Surveyed About Insurance	316,867
Surveyed About Disability	316,867
[illegible]	
Female	36,902
Male	4,840
Two Parent Household	21,978
Single Person	37,489
Two Adults, No Children	13,395
[illegible]	
Own	50,639
Rent	60,803
Homeless	1,905
[illegible]	
Up to 50%	52,764
51% to 75%	26,811
76% to 100%	19,483
101% to 125%	11,633
126% to 150%	3,355
151% or more	2,861

Detailed below are the program activities associated with CSBG funds as used by the CAAs in Texas for FY 2006.

Employment Programs

The State reported spending $1,251,500 in CSBG funds to support a range of services designed to assist low-income individuals in obtaining and maintaining employment. These services include:

- Support for TANF recipients who are preparing to transition to self-sufficiency or for former TANF recipients who need additional support to find or maintain employment;
- Support for job retention, including counseling, training, and supportive services, such as transportation, child care, and the purchase of uniforms or work clothing;

- Skills training, job application assistance, resume writing, and job placement;
- On-the-job training and opportunities for work;
- Job development, including finding employers willing to recruit through the agency, facilitating interviews, creating job banks, providing counseling to employees, and developing new employment opportunities in the community;
- Vocational training for high school students and the creation of internships and summer jobs; and
- Other specialized adult employment training.

Education Programs

The State reported spending $1,722,405 in CSBG funds to provide education services. These services may include:

- Adult education, including courses in English Second Language (ESL) and General Equivalency Diploma (GED) preparation with flexible scheduling for working students;
- Supplemental support to improve the educational quality of Head Start programs;
- Child care classes, providing both child development instruction and support for working parents or for home child care providers;
- Alternative opportunities for school dropouts and those at risk of dropping out;
- Scholarships for college or technical school;
- Guidance about adult education opportunities in the community;
- Programs to enhance academic achievement of students in grades K–12, while combating drug or alcohol use and preventing violence; and
- Computer-based courses to help train participants for the modern-day workforce.

Housing Programs

The State reported spending $122,767 for CSBG-coordinated housing programs to improve the living environment of low-income individuals and families. CSBG-funded activities may include:

- Homeownership counseling and loan assistance;
- Affordable housing development and construction;
- Counseling and advocacy about landlord/tenant relations and fair housing concerns;
- Assistance in locating affordable housing and applying for rent subsidies and other housing assistance;
- Transitional shelters and services for the homeless;
- Home repair and rehabilitation services;
- Support for management of group homes; and
- Rural housing and infrastructure development.

Emergency Services Programs

The State reported spending $13,252,598 for emergency services and crisis intervention. Crisis management services may include:

- Emergency temporary housing;
- Rental or mortgage assistance, intervention with landlords;
- Cash assistance/short term loans;
- Energy crisis assistance and utility shut-off prevention;

- Emergency food, clothing, and furniture;
- Crisis intervention in response to child or spousal abuse;
- Emergency heating system repair;
- Crisis intervention telephone hotlines;
- Linkages with other services and organizations to assemble a combination of short-term resources and long-term support; and
- Natural disaster response and assistance.

Nutrition Programs

The State reported spending $3,602,239 in CSBG funds to support nutrition programs. Specific nutritional services provided by the State's CAAs may include:

- Organizing and operating food banks;
- Supporting food banks of faith-based and civic organization partners with food supplies and/or management support;
- Counseling family and children's nutrition and food preparation;
- Distributing surplus USDA commodities and other food supplies;
- Administering the Women, Infants, and Children (WIC) nutrition program;
- Preparing and delivering meals, especially to the homebound elderly;
- Providing meals in group settings;
- Initiating self-help projects, such as community gardens, community canneries, and food buying groups;
- Information/referral/counseling;
- Hot meals, such as breakfasts, lunches, or dinners for congregate or home delivery meals;
- Neighborhood and community gardens, community canneries and projects to help families and individuals preserve fruit and vegetables; and
- Nutritional training in home economics, child and baby nutrition, diets, and available federal or State programs.
-

Self-Sufficiency Programs

The State reported spending $485,732 on self-sufficiency programs. Self-sufficiency programs offer a continuum of services to assist families in becoming more financially independent. Such programs generally include:

- An assessment of the issues facing the family or family members, and the resources the family brings to address these issues;
- A written plan for becoming more financially independent and self-supporting; and
- Services that are selected to help the participant implement the plan (i.e. clothing, bus passes, emergency food assistance, career counseling, family guidance counseling, referrals to the Social Security Administration for disability benefits, assistance with locating possible jobs, assistance in finding long-term housing, etc.)

Health Programs

The State reported spending $1,464,893 on CSBG-funded health initiatives. CSBG funds may be used to address gaps in the care and coverage available in the community. The eligible entity may use CSBG funds for health initiatives that include:

- Recruitment of uninsured children to a State insurance group or State Children's Health Insurance Program (SCHIP);
- Recruitment of volunteer medical personnel to assist uninsured low-income families;
- Prenatal care, maternal health, and infant health screening;
- Assistance with pharmaceutical donation programs;
- Health-related information for all ages, including Medicare/Medicaid enrollment and claims filing;
- Immunization;
- Periodic screening for serious health problems, such as tuberculosis, breast cancer, HIV infection, and mental health disorders;
- Health screening of all children;
- Treatment for substance abuse;
- Other health services including dental care, health insurance advocacy, CPR training, education about wellness, obesity, and first-aid; and
- Transportation to health care facilities and medical appointments.

Income Management Programs

The State reported spending $1,595,704 on income management programs using CSBG grant funds. Services supported include:

- Development of household assets, including savings;
- Assistance with budgeting techniques;
- Consumer credit counseling;
- Business development support;
- Homeownership assistance;
- Energy conservation and energy consumer education programs, including weatherization;
- Tax counseling and tax preparation assistance; and
- Assistance for the elderly with claims for medical and other benefits.

Linkages

The State reported spending $4,577,186 on linkage initiatives. Linkage programs can involve any or all of a variety of local activities which CSBG supports because of the block grant's statutory mandate to mobilize and coordinate community responses to poverty. These include:

- Coordination among programs, facilities, and shared resources through information systems, communications systems, and shared procedures;
- Community needs assessments, followed by community planning, organization, and advocacy to meet these needs;

- Creation of coalitions for community changes, such as, reducing crime or partnering businesses with low-income neighborhoods in order to plan long-term development;
- Efforts to establish links between resources, such as transportation and medical care or other needed services, programs that bring services to the participants, such as mobile clinics or recreational programs, and management of continuum-of-care initiatives;
- The removal of the barriers such as transportation problems, that keep the poor from jobs or from vital everyday activities; and
- Support for other groups of low-income community residents who are working for the same goals as the CAAs.

At the local level, the CSBG program coordinates with labor programs, transportation programs, educational programs, elderly programs, energy programs, community organizations, private businesses, churches, the United Way, and various youth organizations and programs. The State's eligible entity will coordinate with other service providers and act as a focal point for information on services in their local area. They identify gaps in services and work with other providers to fill those gaps. The entity has organized meetings and participated in task forces with local service provider groups.

Programs for Youth and Seniors

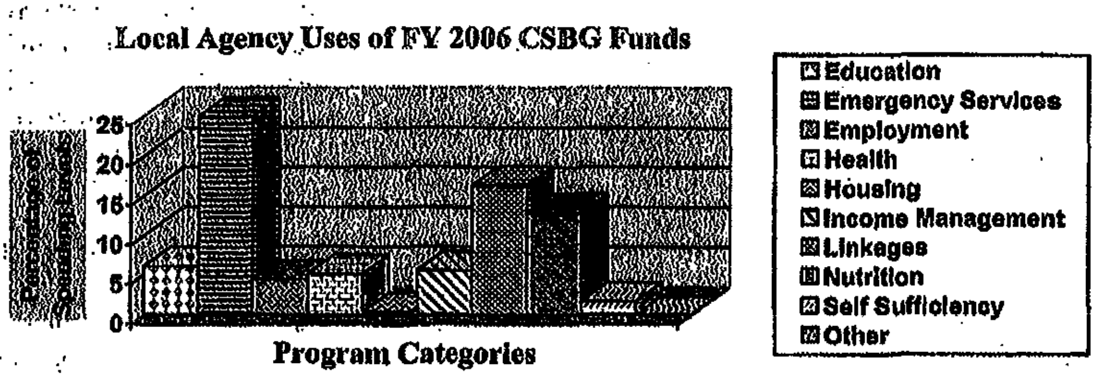
The State's statistical report on the CSBG programs did not indicate a specific dollar amount spent for programs serving youth or seniors. Services noted under these categories were targeted exclusively to children and youth from ages 6–17 or persons over 55 years of age. Seniors' programs help seniors to avoid or address illness, incapacity, absence of a caretaker or relative, prevent abuse and neglect, and promote wellness. They include:

- Home-based services, including household or personal care activities that improve or maintain well-being;
- Assistance in locating or obtaining alternative living arrangements;
- In-home emergency services or day care;
- Group meals and recreational activities;
- Special arrangements for transportation and coordination with other resources;
- Case management and family support coordination; and
- Home delivery of meals to insure adequate nutrition.

Youth programs, in many cases, include such services as:

- Recreational facilities and programs;
- Educational services;
- Health services and prevention of risky behavior;
- Delinquency prevention; and
- Employment and mentoring projects.

The chart below identifies the proportion of CSBG local expenditures devoted to the operational purposes noted above.



Many areas in Texas were affected by hurricanes Katrina and Rita. In addition, many evacuees from the Gulf States were relocated to areas in Texas. As a result, the State increased concentration on emergency services and stabilization activities.

Results Oriented Management and Accountability (ROMA) System

Beginning in FY 2001, States were required to participate in a system to measure the extent to which programs are implemented in a manner that achieves positive results for the communities served. States may participate in the model evaluation system designed by the Office of Community Services in consultation with the CSBG network called the Results Oriented Management and Accountability System, or ROMA. Alternatively, States may design their own similar system. States are to report to OCS their progress on the implementation of performance measurement practices.

III. CAA Onsite Review Summaries

Dallas Urban League

The Urban League of Greater Dallas (ULGD) is a private nonprofit organization located in Dallas, Texas that began operating in 2001. As the designated CAA, the ULGD has four locations, strategically implemented throughout Dallas County and covers 900 square miles. The FY 2006 total annualized budget for the ULGD was $3,937,603 including a CSBG budget of $2,155,365. Program services are implemented through their Urban League Community Service Centers. These Centers provide a foundation to enable low-income families and adults to move from poverty to self-sufficiency; improve their lives through community revitalization; own a stake in the community by identifying needs; establish and meet goals; learn, expand and navigate social service and other service networks through community needs assessment; and achieve family stability.

Dallas Fort-Worth

The City of Fort Worth (CFW) is located in Fort Worth, Texas. CFW is a non-profit CAA that began operation in 1983. As a designated CAA, the CFW has ten sites throughout the city. The CFW services area includes Tarrant County. The FY 2006 total annualized budget for the CFW was $500,000,000 including a CSBG budget of $1,127,467 with a total of 6,000 agency employees including 20 Full Time CSBG employees. The CFW is one of the 48 CAAs providing services to low income families and individuals in Texas. Services may include self-sufficiency and emergency services that offers assistance to individuals and families with critical housing and employment needs.

City of Austin

The City of Austin (CA) is located in Austin, Texas, is a non-profit CAA incorporated under Article XI, Section 5 of the Constitution of the State of Texas. The CSBG grant provides administrative support to a network of local Community Action Agencies that provide services to very low-income persons. The City of Austin is considered the CAA for Travis County. The program provides funding for the delivery of basic needs, self-sufficiency, case management; and preventive health services for low-income residents through the city's six neighborhood centers and Travis County's five rural community centers. CA has a total annual budget of $639,843,000 that includes a CSBG budget of $803,132.

Community Action, Inc. Hayes, Caldwell, Blanco Counties (CAHCB)

Community Action, Inc. of Hayes, Caldwell, and Blanco Counties was established as a non-profit community action agency in 1965. The main office is located in San Marcos while three satellite offices serve the predominately rural population of Hays, Caldwell, and Blanco Counties. CAHCB's mission is to mobilize its resources and engage the community in order to move families out of poverty and to ensure their children success in school. CAHCB's two largest programs are Head Start and Adult Education. Client services are provided through referral to appropriate community service providers who are partnering agencies. State monitoring has been conducted bi-annually. CAHCB has a total annual budget of $10,000,000 that includes a CSBG budget of $300,000.

City of San Antonio

The City of San Antonio, Department of Community Initiatives (DCI) was established as the community action arm of local government in 1979. The headquarters is located in San Antonio with eight satellite offices located strategically throughout the metropolitan area. CSBG funded staff includes; management, administrative and casework staff. They are responsible for providing and coordinating services for clients in their field offices. The mission of the Department of Community Initiatives is to inspire self-sufficiency in individuals and families by respecting and recognizing their desire to make a difference for themselves and their families. DCI provides a wide range of direct services including; utility/rental assistance, case management, counseling, homeless services, education, employment counseling, transportation, and other supportive programming. DCI governance includes a CSBG Advisory Board, which is a Tripartite Board. DCI attends the State Annual Training Conferences, and is an active member of the State Association. The annual budget for the DCI for FY 2006 was $138,218,541 which included the CSBG award of $1,865,744.

IV. Assessment Findings and Recommendations

According to CFR §92.43(a) If a grantee or subgrantee materially fails to comply with any term of an award, whether stated in a Federal statute or regulation, an assurance, in a State plan or application, a notice of award, or elsewhere, the awarding agency may temporarily withhold cash payments pending correction of the deficiency by the grantee or subgrantee or more severe enforcement action by the awarding agency.

According to Section 678D, a State that receives funds shall make appropriate books, documents, papers, and records available to the Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, for examination, copying, or mechanical reproduction on or off the premises of the appropriate entity upon a reasonable request for the items.

Fiscal

FINDING 1 – The State needs to comply with the policies and procedures for examining the accuracy of the financial functions and processes to reflect direct and indirect costs charged to CSBG funding stream and expenditures in accordance with Federal regulations.

Recommendation(s)

We recommend the State:

Fiscal

1.1 Comply with fiscal controls in accordance with State and Federal regulations and submit the 269's in accordance with 45 CFR §92.40, §92.41, 96.14 and §96.30(b)(4).

1.2 Revise and/or implement the State's Fiscal policy and procedures to improve fiscal controls for CSBG funding.

1.3 Provide a copy of the State policy regarding indirect and administrative cost(s) posted to the General Ledger.

1.4 Follow the State's policies for the disbursement of CSBG funds.

FINDING 2 - The State's criterion were not adequate for the issuance of performance awards to eligible entities and CAA's using CSBG funds during Fiscal year 2006.

Recommendation(s)

Rita

We recommend the State:

2.1 Provide OCS with the revised policies and procedures to specify the usage of CSBG funds for performance awards.

FINDING 3 - The State did not have processes to ensure that eligible entities and CAAs inform and/or refer custodial parents to Child Support services as required by CSBG statute.

Recommendation(s)

Michelle

We recommend the State:

Added in instrument. Reference CA Act

3.1 Develop and implement procedures according to the statute for referrals to the local child support office.

3.2 Develop and implement procedures that require CSBG grantees and subgrantees conducting case management to document referrals to local child support offices.

FINDING 4 - The State needs to ensure that all eligible entities and CAA's are in compliance with the income eligibility requirements for emergency services.

Recommendation(s)

We recommend the State:

4.1 Ensures eligible entities and CAA's verify income eligibility requirements for CSBG funded emergency service programs.

The State should comment on this report and submit a plan of action addressing OCS recommendations within 30 days. If no comments are provided on the text and substance of the report within 30 days, the report will be considered final. However, to sustain compliance with CSBG program requirements, the State must provide responses to the recommended actions within the required timeframe. If you have any questions or comments, contact:

Frances Harley
Financial Operations Team Leader
Telephone: (202) 401-6888
Fax: (202) 401-5718
E-mail: frances.harley@acf.hhs.gov

Correspondence may be sent to:
Frances Harley
Financial Operations Team Leader
Administration for Children and Families
Office of Community Services
Division of State Assistance
370 L'Enfant Promenade, S.W., 5th Floor West
Washington D.C. 20447

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

July 27, 2009

Ms. Yolanda J. Butler, Ph.D.
Acting Director
Office of Community Services
U.S. Department of Health and Human Services
Administration for Children and Families
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

Attention: Ms. Frances Harley

Dear Dr. Butler:

On June 29, 2009, the Texas Department of Housing and Community Affairs (the "Department") received the June 23, 2009, report of the State Assessment of Texas Community Services Block Grant Program conducted February 23-27, 2009. The Department has reviewed the report, and the Department's comments and responses to the findings are attached.

We appreciate the work of the U.S. Department of Health and Human Services, Office of Community Services in performing this audit and working with the Department staff in a manner that furthers our shared objective of the constant improvement of the administration of the Community Services Block Grant and providing of these important services to low-income persons in need of assistance.

It is the Department's intent that this process be as thorough and productive as possible, and this opportunity to respond is greatly appreciated. If any questions, concerns, or need for greater detail arise, please do not hesitate to contact me; Bill Dally, our Chief of Agency Administration at 512-475-3801; or Stuart Campbell, Manager, Community Services at 512-475-3850.

Respectfully,

Michael G. Gerber
Executive Director

Responses from the Texas Department of Housing and Community Affairs ("TDHCA" or the "State")

to the CSBG Program Texas State Assessment On-Site Review Draft
by the Office of Community Services
U.S. TDHCA of Health and Human Services
("OCS")
Conducted on February 23-27, 2009
Received by TDHCA on June 29, 2009

Section II. Assessment and Findings

Fiscal and Governance Operations

Page 3, Paragraph 2: OCS states: "The State used five percent for discretionary, five percent for training and technical assistance and funding eligible entities to address nontraditional community needs. OCS reviewers were unable to follow the Federal funds in the general ledger."

TDHCA Comment: The State agrees with the allocation as noted in the first sentence of this paragraph. However, the State is not clear as to on the expressed inability to follow the federal funds in the general ledger. During the visit, TDHCA provided OCS with a chart of accounts, a trial balance produced from the general ledger, a list of subrecipients, drawdown logs, payroll records, and general policies and procedures. The trial balance was organized by grant to identify the CSBG program clearly. The State operates a PeopleSoft Accounting system to maintain the records for the Governmental Fund. The State utilizes General Ledger, Accounts Payable and Grant Modules. It also uses PeopleSoft workflow for the electronic routing of purchase requests. The system is interfaced with the State Comptroller's Integrated Statewide Accounting System (ISAS) and with the State's Uniform Statewide Payroll System (USPS). The State's system is organized by Fund Structure to distinguish Proprietary and Governmental activity clearly. The General Ledger is designed to comply with GASB standards and to be in accordance with Generally Accepted Accounting Principles (GAAP). The inner workings of this system are organized by index to segregate grants such as CSBG. The State also exercises a grant contract management module to track and control subgrantee activities. The activity is tracked by contractor name, amount, and budget category. This system is used to track incoming financial expenditure data, as well, as for the processing of subgrantee draws. In addition to its general policies and procedures the State maintains grant, payroll, accounts payable, travel, and procurement policies. These policies are in place to ensure that there is an ongoing evaluation to ensure accuracy of the financial functions. The existence of these controls is evidenced by Single Audits and Basic Financial Statement Audits performed by the Texas State Auditor's Office (SAO) in conjunction with KPMG and by Deloitte and Touche. In all instances the TDHCA has received an unqualified opinion and/or no instances of internal control deficiencies. In addition, TDHCA's internal auditor recently performed its own audit of CSBG with no mention of internal control issues.

We respectfully request that further specificity be provided regarding this issue and welcome the opportunity to provide additional information/documentation to support any and all costs.

While as an agency of the State of Texas, TDHCA is obliged to use these statewide systems, if any permissible modifications will improve the ability of OCS to review and, thereby, TDHCA's ability to communicate with OCS more effectively, this would be a worthwhile improvement.

Page 3, Paragraph 3: OCS States: "Based on the support documents provided by the State, the OCS reviewers were unable to determine whether the State had a system in place to accurately validate the information certifying that individuals were served at 125 percent of poverty, which is based on annual income."

TDHCA Comment: Please see the State's response to Finding 4 later in this document.

Page 3, Paragraph 4: OCS states: "According to TDHCA, administrative expenditures were used for the management and monitoring oversight of the program. Discretionary funds were disbursed to the CAAs for their use based on their community needs assessment. However, OCS reviewers were unable to adequately verify the expenditures using CSBG funds. The State should ensure that financial records are complete for review in accordance with the statute."

TDHCA Comment: Please see comments above regarding Page 3, Paragraph 2. We respectfully request copies of specific items in question. We would appreciate an opportunity to provide further explanation or documentation to verify and substantiate CSBG expenditures.

Page 7, Paragraphs 1 and 2: The State offers the following edits to text to ensure accuracy: "The State requires that CAA's and other neighborhood-based organizations prepare monthly expenditure reports for CSBG. The monthly CSBG expenditure report is the primary tool for the State to evaluate allowable sugrantee expenditures and for tracking of budget line items. Eligible entities and CAA's are required to use the GENESIS / Community Affairs Contract Management reporting systems to report financial/programmatic information and to submit drawdowns. OCS reviewers examined the available monthly reports and a sampling of the subsequent CSBG disbursement from randomly selected eligible entities and CAA's."

Following paragraphs go on to read, "Administrative costs include salaries and benefits for employees paid with CSBG funds. Hours charged to the CSBG program varies weekly based upon the amount of time spent working on CSBG-related program."

"OCS reviewers examined a sampling of the hours charged for CSBG-related projects and how the recorded time is processed through payroll. TDHCA issues credit cards for employee expenditures."

TDHCA Comments: It is unclear to the State whether the reference to payroll hours and credit cards is to TDHCA or a continuation from the beginning of the first paragraph referring to subrecipients. It would be beneficial for TDHCA to understand the reference thoroughly. In either case, the statement regarding hours is factual. However, should the credit card statement refer to TDHCA, we concur that there is an issuance of credit cards for employee expenditures. To clarify, we would suggest that a statement be added to explain that cards are issued strictly for business related expenses pertaining to travel. Please refer to the attached SOP (Standard Operating Procedure #1210.01), TDHCA Travel Management Program.

Carryover Balance

Page 8 and 9, Paragraph 2: OCS states: "During our assessment, OCS reviewers noted the State did not submit its Financial Status Report (FSR) in accordance with 45 CFR §92.40, §92.41, and §96.30(b)(4)."

TDHCA Comment: The State submitted all FSRs for program year 2006 in compliance with 45 CFR, Sections 92.40, 92.41 and 96.30 (b)(4). The first and second reports were submitted December 20, 2006, and December 12, 2007. The final report was submitted December 16, 2008. Copies of the SF-269s are attached.

Additional Administrative or Fiscal Operations Findings

Page 10, Paragraph 1: The State is required to maintain a current financial procedures manual in order to meet fiscal standards set forth by Federal regulations. Financial reports are required monthly. Quarterly financial reports are due within 30 days of the end of each quarter and annual fiscal reports are required at the end of the State's fiscal year. The annual on-site compliance review conducted by the State should determine compliance to specific areas including financial compliance. Failure to comply with State and Federal reporting requirements may result in corrective action including suspension of grant awards.

TDHCA Comments: The State addresses this requirement through the inclusion and monitoring of contractual requirements that are placed on its subrecipients. The State requires that subrecipients submit monthly reports on a timely basis. TDHCA monitors for this on a daily basis through its fiscal and programmatic operations. In addition, State CSBG monitors perform fiscal on-site reviews to ensure that contractual requirements are met. The State has set procedures for the consolidation of fiscal data in order to issue annual reports to the Federal Government, as well as the completion of the Annual Financial Report (AFR) at the end of the state fiscal year.

Page 10, Paragraphs 2 and 3: OCS states: "OCS reviewers were unable to adequately validate the following: 1) all requested documents; 2) statistical sampling of the State's General Ledger to determine if CSG expenditures were allowable, allocable, and supported by documentation; and 3) the State's accounting reports, when requested.

TDHCA Comments: The State requests further clarification of outstanding or missing requested items to enable it to understand the reasons for any inability to validate adequately: 1) all requested documents; 2) statistical sampling of the State's General Ledger to determine if CSBG expenditures were allowable, allocable, and supported by documentation; and 3) the State's accounting reports, when requested. The State is confident in its policies, procedures, and internal controls to ensure oversight of CSBG funds. This has been consistently validated by independent audits. During the USHHS monitoring review, TDHCA also provided a comprehensive set of policies and procedures to substantiate the contention that the State adheres to the provisions of 45 C.F.R., Section 96.30. We would welcome a reengagement to demonstrate compliance with these provisions.

Page 10, Paragraph 4: OCS: Specified amounts of Program Allocation funds and Administrative Allocation funds were held beyond the grant period ending on September 30, 2007.

TDHCA Comments: This matter was also brought to Management's attention in a report issued by the Internal Auditor on June 11, 2008. Management took action at the time of the finding. This matter was independently verified and cleared by TDHCA's Internal Auditor.

Page 10, Paragraph 5: OCS states: "The State needs to comply with policies and procedures for examining the accuracy of the financial functions and processes to reflect direct and indirect cost charged to CSBG funding stream and expenditures in accordance with Federal regulations."

TDHCA Comments: Please see comments for Page 3, Paragraph 2 and Page 10, Paragraphs 2 and 3.

Section IV. Assessment Findings and Recommendations

FINDING 1 – "The State needs to comply with the policies and procedures for examining the accuracy of the financial functions and processes to reflect direct and indirect costs charged to CSBG funding stream and expenditures in accordance with Federal regulations." OCS specified four specific recommendations for the State.

TDHCA Comments:

Recommendation 1.1: The State submitted all FSRs for program year 2006 in compliance with 45 CFR, Sections 92.40, 92.41 and 96.30 (b)(4). The first and second reports were submitted December 20, 2006, and December 12, 2007. The final report was submitted December 16, 2008. Copies of the SF-269's are attached.

Recommendation 1.2-1.4: The State respectfully disagrees with the assertion that it does not comply with the policies and procedures for examining the accuracy of the financial functions and processes to reflect direct and indirect costs charged to CSBG funding stream and expenditures in accordance with Federal regulations. The basis for this response is as set forth in on opinions rendered by independent audit firms such as the Texas State Auditor's Office in conjunction with KPMG and Deloitte and Touche and also by the TDHCA Internal Auditor.

In addition to these opinions, the State is confident in its compliance with all Fiscal and Governance operations. A comprehensive review would reveal that the State goes through a rigorous oversight process. This process begins with a Federal application process resulting in the issuance of the grant award. The process continues through a State Legislative Budget Process that further provides appropriation authority of these funds to TDHCA. The Legislature requires extensive reporting of performance measures and financial data regarding all federal funds made available to the State. The Governor subsequently signs the biennial appropriations bill into law, and TDHCA supplements this process by implementing extensive fiscal and programmatic controls to ensure that it meets State and Federal requirements. TDHCA maintains PeopleSoft as its system of record to track Federal Program Activity. The system is structured to identify each grant separately and to comply fully with GASB and GAAP. The TDHCA utilizes General Ledger, Accounts Payable, Grant Module, and Purchase Request workflow. It fully interfaces with the State Comptroller and integrates with the Uniform Statewide Payroll System. These modules track grant activity and ensure that a clear trail exists to track each transaction down to the transaction level. Documentation is maintained in permanently scanned repository. Payroll records are supported by timesheets that are reconciled on a monthly basis. There are also further controls established such as drawdown logs to ensure compliance with specific grant requirements. The State also operates under an approved indirect cost rate agreement for recovery of its indirect administrative costs. This agreement is reviewed, reconciled and approved by the U.S. TDHCA of Housing and Urban Development (HUD) on a yearly basis. Please refer to the attached Indirect Cost Rate Agreement dated June 8, 2007. A series of documents to further document our contention of sound fiscal controls and practices are available for review. These documents include a Legislative Appropriations Request (LAR); the Bill that was adopted by the Governor; Internal Operating Budget approved by the TDHCA Board; Indirect Cost Rate Agreement approved by the U.S. TDHCA of Housing and Urban Development; General, Payroll, Travel, Accounts Payable, and Grant policies and procedures.

The State would welcome an opportunity to clarify any misconception regarding the State's ability and commitment to meet any and all Fiscal and Governance standards.

FINDING 2 – The State's criterion were not adequate for the issuance of performance awards to eligible entities and CAA's using CSBG funds during fiscal year 2006. OCS recommended that the State provide them with the revised policies and procedures.

TDHCA Comments:

Recommendation 2.1: TDHCA has a process that includes criterion for awarding CSBG Performance Awards for several years. The process for the 2006 awards was communicated to CSBG eligible entities on June 18, 2004, in CSBG Memorandum #04-12.4, which is included in this response.

The State's authority to utilize CSBG discretionary funds for the performance awards is based on 42 USC 9907(b)(F), granting the State authority to utilize the remainder of the funds to support Statewide activities supporting innovative programs and activities conducted by community action agencies to eliminate poverty and to promote self-sufficiency. TDHCA utilized the 5% State discretionary funds to grant the performance awards in order to promote and advance efforts to assist CSBG eligible clients to attain self-sufficiency. The Department's FFY 2006 and 2007 Intended Use Report, submitted with the FFY 2006 and 2007 State Plan, established a goal of assisting 2,000 persons to achieve incomes above the poverty level and committed to conferring performance awards to CSBG eligible entities that met certain criteria and submitted performance documentation of such.

The attached CSBG Memorandum describes the criteria for an organization to be eligible to apply for a performance award. Additionally, organizations that reported persons transitioned out of poverty were required to submit information which included the name of the head of household, the income of the household during the initial visit, the first month when the household income was above 125% of the federal poverty guidelines, and 90 days after maintaining an income above 125% of the federal poverty guidelines. The Department compared the number of persons transitioned to the numbers which had been reported in the CSBG monthly performance reports. Program officers, monitors, were also required to review documentation related to such during on site monitoring reviews.

While the Department did not issue specific policy and procedures to CSBG eligible entities on the use of CSBG Performance Awards, CSBG subrecipients who were granted a performance award were informed that the expenditure of the funds had to meet requirements of the OMB Circulars and of the CSBG Act. During on-site monitoring reviews, program officers reviewed expenditures and related documentation verifying the use of CSBG funds.

Beginning in 2008, the Department did not make any CSBG Performance Awards in order to review the process and receive input from CSBG eligible entities on how to strengthen the process and award exemplary services and projects operated by the CSBG network. A CSBG Advisory Committee was appointed by the Department's Executive Director to provide the feedback. The committee met in December 2008 and will continue to meet during the next year to discuss a performance award process. If the Department reinstates the CSBG Performance Award process, the Department will once again develop policies and procedures for this process and ensure that this includes criteria for issuing performance awards as well as guidance to CSBG eligible entities on the use of the CSBG funds issued as performance awards.

FINDING 3 – The State did not have processes to ensure that eligible entities and CAAs inform and/or refer custodial parents to Child Support services as required by CSBG statute. Two specific recommendations were made.

TDHCA Comments:

Recommendation 3.1: CSBG eligible entities inform persons seeking CSBG assistance about the services available through the Texas Attorney General's Office for the collection of child support. The Department has revised the 2009 CSBG Monitoring Instrument to add specific questions regarding the requirements related to informing custodial parents in single-parent families about the availability of child support services and refer eligible parents to the child support offices.

The Department is in the process of drafting State rules, to be filed under the Texas Administrative Code, related to the requirement for eligible entities and CAAs to inform and/or refer custodial parents to Child Support services.

Recommendation 3.2: TDHCA is in the process of drafting State rules, to be reflected under the Texas Administrative Code when adopted, relating to the requirement that require CSBG grantees and subrecipients conducting case management to document referrals to local child support offices. The 2009 CSBG Monitoring Instrument was revised to monitor compliance with the CSBG Act in regards to this issue.

FINDING 4 – The State needs to ensure that all eligible entities and CAA's are in compliance with the income eligibility requirements for emergency services.

TDHCA Comments:

Recommendation 4.1: TDHCA does require that CSBG eligible entities document and verify that persons receiving CSBG funded emergency services are income eligible. TDHCA requires that in cases where proof of income is unavailable, a Declaration of Income Statement form be completed and maintained in the applicable client level file. The form requires that the client certify the income of all household members without documentation of income. The program officers review client eligibility documentation in the client files during on site monitoring reviews.

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

WWW.TDHCA.STATE.TX.US

CSBG Memorandum # 04-12.4

TO: CSBG Eligible Entities

FROM: E. E. Fariss, Director
Community Affairs Division

DATE: June 18, 2004

SUBJ/TITLE: Program-Performance/CSBG Performance Awards Process

****

BACKGOUND

The U. S. Department of Health and Human Services – Office of Community Services (USHHS-OCS) requires the State to report the number of persons transitioned out of poverty into self-sufficiency. The Texas Department of Housing and Community Affairs (Department) requires Community Services Block Grant (CSBG) eligible entities who receive CSBG funds to establish a case management system and transition low income persons out of poverty into self-sufficiency. The results achieved by local eligible entities in transitioning individuals out of poverty into self-sufficiency is reported to USHHS-OCS and to the Texas Legislative Budget Board.

The Department places great importance on transitioning persons out of poverty and consequently sets aside a portion of CSBG Demonstration Funds to provide CSBG Performance Awards to eligible entities that transition low-income individuals from poverty to self-sufficiency. The Department confers the performance awards at the Community Affairs Division's Annual Executive Directors Conference.

CRITERIA

To be eligible to receive a CSBG Monetary Performance Award, CSBG eligible entities must meet the following criteria:

- Report at least one person transitioned out of poverty within the preceding CSBG program year of January through December;

- Provide a written description of the services provided to facilitate the removal of clients from poverty. The subrecipient's Case Management System included in the most recent Community Action Plan will be used to evaluate this information;

- Maintain compliance with the submission requirements of monthly financial and programmatic reports and quarterly surveys. Monthly reports and quarterly surveys must document satisfactory performance of an effective service delivery system to the target population;

- Maintain compliance with the submission requirements of annual information systems surveys and annual reports;

- Demonstrate satisfactory progress with the implementation of the Community Revitalization Project (s) contained in the CSBG Community Action Plan;

- Maintain no unresolved monitoring and audit findings for all Texas Department of Housing and Community Affairs (TDHCA) funded programs;

- Maintain no unresolved monitoring and audit findings for non-TDHCA programs such as Head Start, Transportation, or other similar programs; and,

- Maintain Compliance with the conditions for submission of the most recent audit report.

OTHER FACTORS/CONDITIONS

The Department will not disqualify a subrecipient for monitoring or audit findings if the agency administering the funds, other than the Texas Department of Housing and Community Affairs, has not provided the subrecipient with an opportunity to respond to such deficiencies.

The Department will not disqualify subrecipients that are public entities, such as units of government, from receiving a monetary performance award for unresolved monitoring or audit issues identified for programs which are not directly administered by the Division of that organization that directly administers funds awarded by TDHCA.

INQUIRIES

If you have any related questions, please contact your assigned CSBG Program Officer.

PERFORMANCE REVIEW CSBG only (SECTION XI.)

CSBG Reference	CSBG Questions	Yes	No	NA	CSBG Note
Contract Sect. 3	115. Are all of the counties in the service area served equitably? *Methodology: See the Service Per County Form and review Part VI of the most recent MER.*				
42U.S.C. §9901 et seq. Sect 678G,(b).	116. Does the Subrecipient perform the following information and referral activities: a) inform single-parent families about the availability of child support services; and b) refer eligible parents to the local child support offices. *Methodology: Interview the Program Coordinator and/or Executive Director* and review any documentation to support the Subrecipient's coordination or referrals.				
10 TAC § 5.211	117. Do the reported unduplicated persons served on Part V. of the MER reconcile to the numbers from the monthly summaries and the tally sheets? *Methodology: Review most recent month. If summary sheets are not available, describe the data collection process that will verify the figures reported on Part V Category 1 of the MER.*				

PERFORMANCE REVIEW CEAP only (SECTION XI.)

CEAP Reference	CEAP Questions	Yes	No	NA	CEAP Note
Contract Sect.3	118. Are all of the counties in the service area served equitably? *Methodology: Review monthly programmatic report.*				
Same reference as above	119. Has the Subrecipient prioritized all clients? *Methodology: Review client files*				

From: Mayela Medina
Sent: Monday, September 12, 2005 9:27 AM
To: TACAA ; Williamson-Burnet County Opportunities ; Aspermont Small Business Dev. Ctr. ; Austin City of ; Bee CAA ; Big Bend CAC ; Brazos Valley CAA ; CA Corporation of South Texas; CA Council of South Texas ; CAC of Victoria; Cameron & Willacy Counties Comm. Proj. ; Caprock CAA ; CASSE ; CC of South Central Texas ; CC of Southwest Texas ; Central Texas Opportunities ; Combined Community Action ; Community Services Inc. ; Concho Valley CAA ; CS of Northeast Texas ; CSA of South Texas; Dallas Urban League ; Economic Action Committee of the Gulf Coast; El Paso CAP ; EOAC of Planning Region XI ; Fort Worth City of ; Galveston County CAC ; GETCAP ; Gulf Coast Community Services Assoc. ; Hays CAI ; Hidalgo County CSA ; Hill Country CAA; Lubbock City of; Northeast Texas Opportunities ; Nueces County CAA; Panhandle Community Services ; Pecos County CAA ; Reeves Community Council; Rolling Plains Management Corp. ; San Antonio City of ; South Plains CAA ; Southeast TX Regional Planning Comm. ; Texas Neighborhood Services ; Texoma Council of Govts. ; Tri-County CA ; Webb County CAA ; West Texas Opportunities ; Community Action Program (Taylor)
Cc: Eddie Fariss; Jesse Mitchell; Rita Gonzales-Garza; Laura S. White; Al Almaguer; Michelle Fric; 'Robert Lucio'; Paul Fleischer; Gloria Mitchell; Nan Norris
Subject: Documentation of Assistance to Hurricane Katrina Evacuees

On Monday, the Department participated in a conference call with Ms. Josephine Robinson, Director of the Office of Community Services (OCS), U.S. Department of Health and Human Services (USHHS). Ms. Robinson notified the states that at this time there has been no supplemental funding proposed for CSBG and it is not known if there will be such in the near future. However, Ms. Robinson urged the States to notify CSBG eligible entities who are providing shelter and/or services to Hurricane Katrina evacuees to keep track of the number of evacuees that are assisted and the amount of assistance provided. She also urged CSBG eligible entities who are assisting evacuees to register these individuals with the American Red Cross or FEMA. Their registration with the American Red Cross or FEMA will expedite their eligibility for emergency assistance.

CSBG subrecipients that assist Hurricane Katrina evacuees must do the following:

- Track the number of evacuees that are assisted.
- Separately track expenditures related to assistance provided to the evacuees in the event that USHHS OCS receives funds to reimburse CSBG subrecipients that have assisted evacuees.
- Complete a Declaration of Income Statement form for each evacuee household. Evacuees are not required to meet income eligibility requirements, since all are unemployed and without income.
- Include on the Declaration of Income Statement form the household's last known address in their home state.
- It is equally important that CSBG subrecipients assist evacuees to register with the American Red Cross or FEMA.

If you have any questions, contact your assigned CSBG Program Officer.

The Department will provide this directive in an issuance in the near future.

Sincerely,

Eddie Fariss
Community Affairs Division Director
Texas Dept. of Housing and Community Affairs
512-475-3897
eddie.fariss@tdhca.state.tx.us

5.0 TDHCA TRAVEL MANAGEMENT PROGRAM

STATE OF TEXAS JP MORGAN CHASE CARD: JP Morgan Chase is the contracted charge card vendor. Charge cards issued by the contracted charge card vendor are for **official state business only.** No personal charges should be made on an individual corporate charge card. All state business expenses, where practical, should be charged on the contracted charge card.

TDHCA views the State of Texas Corporate Credit Card Program as a convenience and often an absolute necessity for agency employees who regularly travel on state business. Therefore, employees who travel three or more times a year are required to apply for the corporate card.

PERSONAL USE OF CARD: A credit card issued to a public servant under a program where the card is issued at the direction and under the control of the State of Texas for state purposes may not be used for personal expenditures or any other type of expenditures not reimbursable as a state business expense under state law [See Texas Ethics Commission Advisory Opinion Nos. 95 (1992) and 147 (1993).] Employees are cautioned to avoid using the state charge card for expenses which are not reimbursable through a State of Texas travel voucher. Misuse of the card may result in its cancellation. Questions regarding proper use of the State charge card should be directed to the TDHCA Travel Auditor.

The Texas Ethics Commission has ruled that intentional use of a state issued credit card for any purpose other than state business is a violation of state law. It is also a violation of TDHCA's Personnel Policy and Procedures Manual to use a state-issued credit card for non-business charges [Sec.1.10 (4) (G)] and may subject the violators to disciplinary action.

CORPORATE CREDIT CARD APPLICATION: Applications are available from the Travel Section in Financial Administration. Completed applications must be returned to the Travel Audit Section for processing and will be forwarded to JP Morgan Chase. JP Morgan Chase will conduct a credit check on each applicant. Employees who meet JP Morgan Chase's credit criteria will be issued a corporate charge card. Employees not meeting the criteria will receive a denial letter. The reason for denial is not available to Financial Administration, Travel Section. Therefore, the employee should contact JP Morgan Chase for additional information. The JP Morgan Chase corporate card is issued 14 to 21 days after JP Morgan Chase approves the application.

EMPLOYEE'S RESPONSIBILITIES FOR CORPORATE CHARGE CARD:

- Individual billing statements are sent directly to the card holder's home address.
- The employee is responsible for all charges regardless of the type of charge. TDHCA is not liable for any non-payment by a cardholder.
- The program or Division Director, Deputy Director, agency head, or direct supervisor will be notified in writing of any apparent misuse or delinquency on the individual corporate card account. Any proven misuse of the card could be subject to disciplinary action.

BILLING PERIOD: The billing period ends on the 23rd of each month. Each cardholder's bill will be mailed on the 26th and received on approximately the 30th of each month. Full payment will be due by the 23rd of each month. If an employee's account is (60) days past due, your state issued JP Morgan Chase card will be suspended until it is paid to a current status. If an account reaches 90 days past due, it will be canceled. Canceled accounts are seldom reopened. The decision to cancel or reopen an account is at the discretion of JP Morgan Chase.

TPASS rules authorize state agencies to cancel individual corporate cards in the following cases:

- An employee does not comply with rules.
- Termination of a cardholder.

If an employee leaves the agency, the JP Morgan Chase card must be turned in to Human Resources during the exit interview, or may be returned to Financial Administration, Travel Audit Section before the termination date.

<u>NOTICE</u>:
IF JP MORGAN CHASE CANCELS A CARD DUE TO NON-PAYMENT, THE EMPLOYEE WILL NOT BE ELIGIBLE FOR TRAVEL ADVANCE PRIVILEGES.

<u>CONTRACTED RENTAL CAR COMPANIES</u>: The rental car company(s) under a contract with the State of Texas must be used unless:

- there is no contracted vendor in the required city,
- the contracted vendor is sold out, or
- a lower total cost than the contract can be obtained.

Total cost includes: base rate, loss/damage waiver protection, mileage charges, applicable taxes, surcharges, and cost of comparable liability insurance protection.

Contracted rental car companies and their rates are listed in the *Texas State Travel Directory* or can be found on the TDHCA Agency Wide Intranet Travel Information Site.

FINANCIAL STATUS REPORT
(Short Form)
(Follow instructions on the back)

1. Federal Agency and Organizational Element to Which Report is Submitted	2. Federal Grant or Other Identifying Number Assigned By Federal Agency	OMB Approval No.	Page of
U.S. Dept. of Health & Human Svcs	G06B1TXCOSR	0348-0038	1 of 1 pages

3. Recipient Organization (Name and complete address, including ZIP code)
Tx Dept. of Housing & Community Affairs
P.O. Box 13941, Austin, Tx 78711

4. Employer Identification Number	5. Recipient Account Number or Identifying Number	6. Final Report	7. Basis
74-2610542	COSR06	☐ Yes ☑ No	☐ Cash ☑ Accrual

8. Funding/Grant Period *(See instructions)* From: (Month, Day, Year)	To: (Month, Day, Year)	9. Period Covered by this Report From: (Month, Day, Year)	To: (Month, Day, Year)
10/01/2005	09/30/2007	10/01/2006	09/30/2006

10. Transactions:	I Previously Reported	II This Period	III Cumulative
a. Total outlays	$0.00	$15,195,419.00	$15,195,419.00
b. Recipient share of outlays	$0.00		$0.00
c. Federal share of outlays	$0.00	$15,195,419.00	$15,195,419.00
d. Total unliquidated obligations			$15,013,213.00
e. Recipient share of unliquidated obligations			$0.00
f. Federal share of unliquidated obligations			$15,013,213.00
g. Total Federal share*(Sum of lines c and f)*	$0.00	$15,195,419.00	$30,208,632.00
h. Total Federal funds authorized for this funding period			$30,208,632.00
i. Unobligated balance of Federal funds*(Line h minus line g)*	$0.00	-$15,195,419.00	$0.00

11. Indirect Expense
a. Type of Rate*(Place "X" in appropriate box)* ☐ Provisional ☐ Predetermined ☐ Final ☐ Fixed

b. Rate	c. Base	d. Total Amount	e. Federal Share
%		$0.00	

12. *Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation.*

13. Certification: I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.

Typed or Printed Name and Title	Telephone (Area code, number and extension)
Esther Ku, Manager Accounting Operations	(512) 475-3871
Signature of Authorized Certifying Official	**Date Report Submitted**
[signature]	12/20/2006

FINANCIAL STATUS REPORT

(Short Form)

(Follow instructions on the back)

1. Federal Agency and Organizational Element to Which Report Is Submitted	2. Federal Grant or Other Identifying Number Assigned By Federal Agency	OMB Approval No.	Page of
U.S. Dept. of Health & Human Svcs	G06B1TXCOSR	0348-0038	1 of 1 pages

3. Recipient Organization (Name and complete address, including ZIP code)

Tx Dept. of Housing & Community Affairs
P.O. Box 13941, Austin, Tx 78711

4. Employer Identification Number	5. Recipient Account Number or Identifying Number	6. Final Report	7. Basis
74-2610542	COSR06	☐ Yes ☒ No	☐ Cash ☒ Accrual

8. Funding/Grant Period (See instructions) From: (Month, Day, Year)	To: (Month, Day, Year)	9. Period Covered by this Report From: (Month, Day, Year)	To: (Month, Day, Year)
10/01/2006	09/30/2007	10/01/2006	09/30/2007

10. Transactions:	I Previously Reported	II This Period	III Cumulative
a. Total outlays	$15,195,419.00	$13,937,340.00	$29,132,759.00
b. Recipient share of outlays	$0.00	$0.00	$0.00
c. Federal share of outlays	$15,195,419.00	$13,937,340.00	$29,132,759.00
d. Total unliquidated obligations			$1,075,873.00
e. Recipient share of unliquidated obligations			$0.00
f. Federal share of unliquidated obligations			$1,075,873.00
g. Total Federal share (Sum of lines c and f)			$30,208,632.00
h. Total Federal funds authorized for this funding period			$30,208,632.00
i. Unobligated balance of Federal funds (Line h minus line g)			$0.00

11. Indirect Expense

a. Type of Rate (Place "X" in appropriate box) ☐ Provisional ☐ Predetermined ☐ Final ☐ Fixed

b. Rate	c. Base	d. Total Amount	e. Federal Share
%		$0.00	

12. *Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation.*

13. Certification: I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.

Typed or Printed Name and Title	Telephone (Area code, number and extension)
Eshter Ku, Manager, Accounting Operations	(512) 475-3871
Signature of Authorized Certifying Official	**Date Report Submitted**
[signature]	12/12/2007

NSN 7540-01-218-4387 269-202 Standard Form 269A (Rev. 7-97)
Prescribed by OMB Circulars A-102 and A-110

FINANCIAL STATUS REPORT
(Short Form)
(Follow instructions on the back)

1. Federal Agency and Organizational Element to Which Report is Submitted	2. Federal Grant or Other Identifying Number Assigned By Federal Agency	OMB Approval No.	Page of
U.S. Dept. of Health & Human Svcs	G06B1TXCOSR	0348-0038	1 1 pages

3. Recipient Organization (Name and complete address, including ZIP code)
Tx Dept. of Housing & Community Affairs
P.O. Box 13941, Austin, Tx 78711

4. Employer Identification Number	5. Recipient Account Number or Identifying Number	6. Final Report	7. Basis
74-2610542	COSR06	☑ Yes ☐ No	☐ Cash ☑ Accrual

8. Funding/Grant Period (See instructions) From: (Month, Day, Year)	To: (Month, Day, Year)	9. Period Covered by this Report From: (Month, Day, Year)	To: (Month, Day, Year)
10/01/2005	09/30/2007	10/01/2007	09/30/2008

10. Transactions:	I Previously Reported	II This Period	III Cumulative
a. Total outlays	$29,132,759.00	$1,075,873.00	$30,208,632.00
b. Recipient share of outlays	$0.00	$0.00	$0.00
c. Federal share of outlays	$29,132,759.00	$1,075,873.00	$30,208,632.00
d. Total unliquidated obligations			$0.00
e. Recipient share of unliquidated obligations			$0.00
f. Federal share of unliquidated obligations			$0.00
g. Total Federal share*(Sum of lines c and f)*			$30,208,632.00
h. Total Federal funds authorized for this funding period			$30,208,632.00
i. Unobligated balance of Federal funds*(Line h minus line g)*			$0.00

11. Indirect Expense	a. Type of Rate*(Place "X" in appropriate box)* ☐ Provisional ☐ Predetermined ☐ Final ☐ Fixed			
	b. Rate %	c. Base	d. Total Amount $0.00	e. Federal Share

12. *Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation.*

13. Certification: **I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.**

Typed or Printed Name and Title	Telephone (Area code, number and extension)
Esther Ku, Manager, Accounting Operations	(512) 475-3871
Signature of Authorized Certifying Official	Date Report Submitted
Esther Ku	12/16/2008

NSN 7540-01-218-4387 269-202 Standard Form 269A (Rev. 7-97)
Prescribed by OMB Circulars A-102 and A-110

Issue Date September 30, 2009
Audit Report Number 2009-FW-1016

TO: Scott G. Davis, Director, Disaster Recovery & Special Issues Division, DGBD

//signed//
FROM: Gerald R. Kirkland
Regional Inspector General for Audit, Fort Worth Region, 6AGA

SUBJECT: The Texas Department of Housing and Community Affair's Disaster Recovery Action Plan Needs Improvement

HIGHLIGHTS

What We Audited and Why

We audited the U. S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG), Supplemental I and II Disaster Recovery program funds, administered by the Texas Department of Housing and Community Affairs (TDHCA). Specifically, we wanted to determine whether TDHCA administered the floodplain management program as required by federal, state, and local policies and whether it protected HUD's CDBG investments in properties reconstructed or rehabilitated with Disaster Recovery program funds against future potential losses. The audit was initiated as part of the Office of Inspector General's (OIG) commitment to HUD to implement oversight of the Disaster Recovery funds to prevent fraud, waste, and abuse.

What We Found

TDHCA generally administered the program funds in accordance with applicable federal, state, and local floodplain regulations and policies. However, its action plan did not require homeowner's insurance on properties reconstructed or rehabilitated with Supplemental I funds, and its grants required only 3 years of homeowner's insurance for homes reconstructed or rehabilitated with

Supplemental II funds. Due to the lack of or limited insurance, HUD's CDBG Disaster Recovery funds invested in the homes provided to the disaster victims are at risk of loss. Of a sample of 59 Supplemental I funded homes tested, 38 were later damaged by another hurricane or storm. Of the 38 homes, 23 did not have insurance. Based on a projection of the sample results, at least 133 of 453 reconstructed or rehabilitated homes, or homes awaiting reconstruction, lacked insurance and were damaged or are at risk of being damaged by another storm. If TDHCA changes and improves its action plan and policies, an estimated $ 60.2 million of program funds could be saved.

What We Recommend

We recommend that HUD's Director of Disaster Recovery Assistance & Special Issues Division request TDHCA to (1) modify its action plan to provide homeowner's insurance for a period equitable to the amount of funds invested, request the homeowner to obtain homeowner's insurance as a prerequisite to obtaining assistance for a period equitable to the amount of funds invested, or prohibit the homeowner from receiving future Disaster Recovery assistance if an insurance policy is not maintained on a newly reconstructed or rehabilitated home.

Auditee's Response

We provided a copy of the draft report to TDHCA on August 21, 2009. We held an exit conference with TDHCA and HUD on September 8, 2009. Based on TDHCA's comments, we made tone changes and provided a revised draft on September 14, 2009. We requested and received TDHCA's written comments to the revised draft report on September 21, 2009. TDHCA did not agree with the finding. The complete text of TDHCA's response, along with our evaluation of that response can be found in appendix B of this report.

TABLE OF CONTENTS

BACKGROUND AND OBJECTIVES

The 2005 hurricane season was one of the most extreme in recorded history to hit the Gulf Coast region. Hurricanes Katrina and Rita caused extensive damage to homes from excessive wind and rain damage. Since the 2005 hurricane season, the region has suffered eight additional hurricanes or tropical storms, including Hurricane Ike that caused extensive damage costing $30 billion to the eastern Texas coastline.

To aid in the recovery from the 2005 storms, Congress authorized two supplemental funding appropriations. Supplemental I, Public Law 109-148, authorized $11.5 billion, and Supplemental II, Public Law 109-234, authorized $5.2 billion in funding. Of the $16.7 billion authorized, the State of Texas (State) received $503 million through the U. S. Department of Department of Housing and Urban Development's (HUD) Community Development Block Grant program (CDBG) to address areas most impacted by Hurricanes Rita and Katrina.

The Texas governor selected the Texas Department of Housing and Community Affairs (TDHCA) as the lead agency to administer the CDBG Disaster Recovery funds. TDHCA, established in 1991, is the State's primary agency for providing essential public services to and meeting the housing needs of extremely low- to moderate-income individuals and families.

TDHCA's method of allocation used data from the Federal Emergency Management Agency (FEMA), the Texas Department of Insurance, census poverty data, and public input. The method of allocation distributed $261.3 million to the individual assistance program under Supplementals I and II, which was designed to rehabilitate or reconstruct the homes of the disaster victims affected by Hurricane Rita. Funds for all homeowners projected to be assisted with Supplemental I funds have been budgeted and approved. The reconstruction or rehabilitation of homes using the Supplemental II funds, in earnest, began in 2009. As of March 2009, the contractor had completed a few homes and is required to complete all homes by the end of the contract in January 2011. The following table provides information regarding projects and funds used and anticipated to be used for homeowners to recover from Hurricane Rita.

Funding source	Type of assistance	Number Assisted	Amount of assistance
Supplemental I			
	Loan	31	$ 2,345,421
	Grant	453	27,286,630
Supplemental II			
	Loan	329	19,834,415
	Grant	2,964[1]	$178,509,737[2]

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[1] Our estimate of 2,964 grants is derived by dividing Supplemental II funds available of $198,344,152 for housing assistance by the average grant amount of $60,235 from Supplemental I and removing the estimated 10 percent of the projects that will be loans. ($198,344,152/$60,235=3,293projects); (3,293*.10 = 329 loans); (3,293 - 329 = 2,964 grants)

[2] Ten percent of the funding is estimated to be loans; thus, it was removed from the total available for grants. ($198,344,152 - $19,834,415 = $178,509,737)

TDHCA provides assistance to homeowners with loans or grants to reconstruct or rehabilitate their homes. A forgivable loan is used to fund the work for a home in a floodplain. The loans are forgiven if the homeowners maintain residency for 3 years. Additionally, the homeowners must maintain flood insurance at all times to be assisted in a flood plain. TDHCA will assess penalties and will be unable to provide federally assisted funding if the homeowners do not meet the requirements. TDHCA provides grants for homes that are not in a floodplain. Supplemental I grants do not have additional requirements, such as requiring insurance or residency. Supplemental II grants contain insurance and are effective up to 3 years based on the completion date of the improvements.

Our objectives were to determine whether TDHCA administered the floodplain program as required by federal, state, and local policy and whether it protected HUD's CDBG investments in properties reconstructed or rehabilitated with Disaster Recovery program funds against future potential losses.

RESULTS OF AUDIT

Finding: TDHCA's Disaster Recovery Action Plan Needs Improvement

TDHCA generally administered the program in accordance with applicable federal, state, and local floodplain management policies. However, its action plans did not require homeowner's insurance for Supplemental I and only 3 years insurance was required for Supplemental II for homes reconstructed or rehabilitated with program funds. Thus, HUD's CDBG Disaster Recovery funds invested in the homes provided to the disaster victims are at risk of loss. Of a sample of 59 Supplemental I homes tested, 38 were later damaged by another hurricane or storm.[3] Of the 38 homes, 23 did not have insurance.[4] Projecting the results of the statistical samples shows that at least 133 of the 453 Supplemental I homes lacked insurance and were damaged or are at risk of being damaged. This condition occurred because TDHCA designed its action plan to reconstruct or rehabilitate the maximum number of homes for disaster victims rather than require insurance for the homes for a period equitable to the amount of funds invested and the asset life of the home. As a result, an estimated $60.2 million[5] in HUD CDBG Disaster Recovery funds are at risk of loss. TDHCA needs to ensure CDBG funds are protected from future loss by protecting the homes with homeowner's insurance.

Uninsured Homes Were Damaged Again by Another Hurricane or Storm

Site visits at 59 statistically selected reconstructed or rehabilitated Supplemental I funded homes found that 38 of them were damaged again by Hurricane Ike or another storm. Of the 38 homes, 23 were not insured. Projecting this statistical sample shows that of the 453 homes that had been or will be repaired or replaced with Supplemental I funding, at least 249 homes had been damaged again, of which at least 133 were not insured. The estimates are based only on the homes that were damaged by Hurricane Ike or another storm. However, damages could also occur from other causes, such as fire.

The average grant awarded to repair or replace the homes was $60,235. Using the average grant amount, we estimate that at a minimum, $8 million is at risk of loss on at least 133 homes that were damaged but uninsured for Supplemental I.

For Supplemental I, TDHCA decided to forego providing insurance to homeowners that received a grant to minimize the cost per household. TDHCA based its decision

[3] The 38 homes consist of 26 newly constructed homes and 12 existing homes awaiting reconstruction or rehabilitation.

[4] The 23 uninsured homes consist of 15 newly constructed homes, 1 rehabilitation, and 7 existing homes waiting for assistance.

[5] Supplemental I ($8,011,255) + Supplemental II ($52,223,745) = $ 60,235,000, rounded to $60.2 million.

on the premise that the cost saving would allow it to assist more families on its waiting list. TDHCA had calculated that its waiting list had already surpassed the amount of Disaster Recovery funds available. Further, TDHCA indicated that homeowner's insurance for grants was not a statutory requirement like mandatory flood insurance.

One Uninsured Property Sustained Severe Damage

TDHCA stated it took measures to minimize damage to homes by requiring the contractors to construct homes including the latest design and building techniques to alleviate damage caused by flooding or high winds; however, one homeowner's manufactured home, which cost more than $47,000 to purchase and install, sustained severe damage caused by a tree blown down by Hurricane Ike in September 2008 (See Figures 1 and 2.) As of April 2009, the home was not repaired because the homeowner did not have private homeowner's insurance or personal funds to repair the damage.

Figure 1 Uninsured manufactured home damaged by Hurricane Ike[6]

[6] Photograph provided by homeowner, Hankamer, Texas.

Figure 2 Interior view, current condition, shattered joists and rafters

The homeowner received financial assistance from FEMA for the damaged roof; however, according to the homeowner, the funds were not sufficient to repair all of the damage. The homeowner requested information on how to apply for federal aid to repair the roof damage caused by Hurricane Ike. Aside from the damage to this home, the majority of the damage to the other 37 inspected and affected homes was not as severe.

TDHCA Required Insurance for Supplemental II Homes

TDHCA also administered the CDBG Disaster Recovery program benefits under Supplemental II, which included the State's Homeowner Assistance program. That program will fund at least an additional 2,900 home reconstruction or rehabilitation projects at a cost of more than $178.5 million. According to TDHCA officials, they took action to mitigate the risk for Supplemental II funded homes. In February 2009, when TDHCA began executing Supplemental II grant agreements, it required hazard or property insurance for reconstructed or rehabilitated homes. The grant agreements required homeowners to keep the improvements now existing or hereafter erected on the property insured against loss. However, the grant agreements did not specify a period for which the homeowners had to maintain the insurance. According to Affiliated Computer Services, Inc., (ACS) TDHCA's contractor, the insurance must remain in place for "perpetuity."

Supplemental II Funds Will be at Risk After 3 Years

Although TDHCA took actions to protect the Supplemental II funds, concerns exist as the grant agreements with the homeowners terminate 3 years from the home reconstruction or rehabilitation completion date. Thus, after 3 years, TDHCA will lack a means to ensure the homeowner maintains insurance to protect the CDBG investment for the remaining useful asset life of the home or for a period equitable to the amount of CDBG funds invested. The potential for future damages appears high as information provided by ACS showed that 266 homes of Supplemental II applicants that requested assistance to rebuild after Hurricane Rita, were also damaged by Hurricane Ike. In addition, FEMA has paid more than $1.4 million in benefits to these homeowners for damages caused by Hurricane Ike. Although all of the $178.5 million of Supplemental II funding will be at risk 3 years after the homes' completion dates, it is more conservative to calculate a lower estimate of risk based on the assumption that a percentage of Supplemental II homes will continue to be insured, as shown by Supplemental I testing, it is more conservative to calculate a lower estimate of risk. Adopting that conservative approach and using the error rate from Supplemental I to make the estimation means that an estimated $52.2 million in Supplemental II funds will be at risk if changes are not made.[7]

Disaster Victims Will Continue to Seek Aid to Repair Their Homes

Unless TDHCA corrects its Disaster Recovery action plan, disaster victims will continue to seek federal aid to repair or replace their homes that were already assisted. Uninsured homeowners with Hurricane Ike damage who meet FEMA assistance requirements are eligible for FEMA assistance and are allowed to apply for additional HUD CDBG Ike assistance. Some of the 23 homeowners that were affected by Hurricane Ike have already received FEMA assistance and are requesting and/or anticipating further federal aid for Hurricane Ike damage.

Moreover, as of November 2008, Texas estimated that it needs more than $3 billion for uninsured housing cost as a result of Hurricane Ike. Based on our sample, almost 29 percent of the disaster victims affected by Hurricane Rita were hurricane victims again. Local government officials stated that the disaster victims that were assisted for Hurricane Rita are requesting information on how to apply for funding when it becomes available to repair the damages to their new homes caused by Hurricane Ike. TDHCA's decision not to require homeowner's insurance for Supplemental I or not insuring homes under Supplemental II for a period equitable to its cost has put at risk a substantial portion of the funds provided under Supplementals I and II and created a condition whereby federal tax dollars may again be used to assist the same homeowners. Since the Supplemental I funds have been budgeted and expended, any additional assistance from HUD will need to be provided from another source of funds.

[7] See Appendix C Sampling Methodology and Results.

Conclusion

TDHCA generally administered the program funds in accordance with applicable federal, state, and local floodplain regulations and policies; however, based on the sample tested, several of the Supplemental I homeowners did not have homeowner's insurance to protect their homes from loss. Additionally, homes will be at risk after the initial insurance period terminates for homes reconstructed and/or rehabilitated with Supplemental II funds. TDHCA needs to ensure that the investments in the homes are protected with insurance. Otherwise, a portion of the funding is at risk of loss. If TDHCA requires the homes to be insured against damages caused by hazards, wind storms, or rain storms, an estimated $60.2 million could be put to better use and protected from loss.

Recommendation

We recommend that HUD's Director of Disaster Recovery Assistance & Special Issues Division request TDHCA to

1A. Modify its action plan to either provide homeowner's insurance for a reasonable period to all newly reconstructed or repaired homes for a period equitable to the amount of funds invested and the life of the asset, or request the homeowner to obtain homeowner's insurance as a prerequisite to obtaining assistance for a period equitable to the amount of funds invested and the life of the asset, or prohibit the homeowner from being able to receive future Disaster Recovery assistance if an insurance policy is not maintained on a newly reconstructed or repaired home, which will result in $60.2 million in funds to be put to better use.

SCOPE AND METHODOLOGY

We performed our audit fieldwork from January through May 2009 at the TDHCA's office located in Austin, Texas; the Affiliated Computer Services, Inc. (ACS), office in San Antonio, Texas; and the Council of Government's (Councils)[8] offices located in Beaumont, Houston, and Jasper, Texas. The audit generally covered the period January 10, 2007, through April 3, 2009. To accomplish our objectives, we

- Gained an understanding of the CDBG program requirements by reviewing applicable HUD regulations, waivers, notices, and legislation for the Disaster Recovery Supplementals I and II provided to Texas.
- Reviewed TDHCA's annual action plans.
- Reviewed TDHCA's, Council's, and ACS's policies and procedures to gain an understanding of the organizations' floodplain management and environmental assessment requirements and homeowner's insurance coverage.
- Reviewed the Council's and ACS's files for homes in flood zones and conducted site visits to the homes that were completed.
- Interviewed personnel from TDHCA, the Councils, and ACS.
- Reviewed TDHCA's Supplemental I data from its Housing Contracting System to obtain a statistical sample of applications for homes not in a flood zone.
- Reviewed flood zone maps and other data obtained from FEMA related to Hurricane Ike damage to the homes in the sample.
- Conducted file reviews, site visits, and interviews of applicants for the 59 randomly selected housing applications and summarized the results.
- Reviewed ACS's Supplemental II data from its Worltrac System to obtain information on the number of applications and the number of homes that were damaged by Hurricane Ike.

The universe consisted of the electronic data received from TDHCA's housing contracting system that contained 453 approved applications for a total funding of $27,286,630. A file review conducted on the applications verified that the data obtained from TDHCA was generally reliable. A representative statistical sampling method was used because each sampling unit is selected without bias from the universe and the conclusions reached about the universe can be based on mathematically defensible projections from the sample. Using this method, a random sample of 59 applications funded by TDHCA's Supplemental I funds was selected for review

A detailed file review was performed on all 59 applications in the statistical sample to determine whether the properties were properly identified as not being in a flood zone. The file documentation supported the Councils' results that the homes were not located in flood zones. A site visit was conducted to verify and determine whether any of the 59 applicants' homes was damaged by Hurricane Ike or a recent storm and whether the homes were insured. We projected

[8] The Council of Government is a voluntary association of local governments whose purpose is to solve area wide problems for their region. Texas is divided into 24 regional councils of which 4 were affected by Hurricane Rita.

the results of our sample to the population of 453 homes. We then estimated the risk of loss to Supplemental I and Supplemental II funds (see Appendix C for the complete sampling methodology and results).

An electronic database of applications was obtained from ACS. A reliability assessment of the computer data provided by ACS was limited to the number of homes completed in the flood plain and was determined to be generally reliable. All additional electronic data was used for background information, and no assessment of the data's reliability was conducted. Although no detailed review of Supplemental II grants was performed,[9] it is expected that 2,964 households will be assisted with $178.5 million in Supplemental II funds. Although all of the $178.5 million of Supplemental II funding will be at risk 3 years after the homes' completion dates, to be more conservative, we calculated a lower estimate of risk based on the assumption that a percentage of Supplemental II homes will continue be insured, as shown by Supplemental I testing, even though insurance will not be an enforceable requirement. Adopting that conservative approach and using the error rate from Supplemental I, we calculated the estimation of risk of loss for Supplemental II (see Appendix C for the complete sampling methodology and results).

The audit was conducted 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.

9 At the time of our review, only 4 homes were complete and 28 under construction for Supplemental II.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are achieved:

- Program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objectives:

- Floodplain management policies and procedures,
- Flood insurance purchase policies,
- Homeowner's insurance purchase policies

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

Based on our review, we believe that the following items are significant weaknesses:

- TDHCA lacked policies and procedures to ensure that homeowners had insurance to protect federal funding from loss due to future hurricanes, storms, or other hazards (see finding).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Funds to be put to better use 1/
1A	$60,235,000

1/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, the amount represents the estimated costs that HUD can avoid if it requires homeowner's insurance to be maintained on homes that are repaired or replaced with Supplemental I and II funds. The estimate does not reflect any offsetting costs that may be incurred in providing homeowner's insurance.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation **Auditee Comments**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

September 21, 2009

Mr. Gerald Kirkland
Regional Inspector General for Audit
HUD Office of Inspector General, Region VI
819 Taylor Street, Suite 13A09
Fort Worth, TX 76102

Dear Mr. Kirkland:

Comment 1

Please find attached the Texas Department of Housing and Community Affairs' response to the recently revised draft audit numbered 2009-FW-101X. The Department continues to disagree with the underlying assumptions of the audit and the conclusions drawn. It is also clear to us that there is significant disagreement between HUD's Office of Inspector General and the HUD division implementing this program.

We encourage you to resolve these differences at HUD and provide clear guidance to the Department as to what is expected so that we may continue to administer our Disaster Recovery programs in full compliance with HUD rules and guidelines.

Sincerely,

Michael Gerber
Executive Director

221 EAST 11TH • P. O. BOX 13941 • AUSTIN, TEXAS 78711-3941 • (800) 525-0657 • (512) 475-3800

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Auditee's Response

Comment 1

TDHCA currently requires recipients of benefits to execute an agreement in which they commit to maintain insurance to cover damage to the premises, including flood insurance if in a flood plain. TDHCA does not believe that it is appropriate to use CDBG disaster recovery funds to pay for insurance coverage without a thorough cost-benefit analysis. Such an analysis, performed at the Federal level, should measure the impact of providing insurance for all recipients when the need for housing far exceeds the funding available. In addition, consideration should be given to the difference in future vulnerability to storm damage between older housing and replacement housing designed to withstand such storms. Finally, consideration should be given to the possibility of using other methodologies to ensure that future CDBG disaster funds are not used to pay for losses that could have been avoided or financially minimized.

If an average insurance policy is $1,200 per year, the annual cost of insuring the estimated 2900 beneficiaries under Rita Round II would be nearly $3.5 million. Currently, the program only allows for payment of the initial period of insurance, i.e., the first year. Regardless of that requirement, over the reasonable life of these homes, assumed at 30 years, the cost would be in the range of $105,000,000. The probability of $105,000,000 in losses to these new homes and/or repaired homes is not easy to estimate; however, the condition of the new stock as compared with that which was replaced is a material factor in the potential longevity of the structures and the ability to withstand future storms. As a general rule, the greatest risk of destruction was in areas immediately adjacent to the coast and, therefore, at risk of surge, flooding, high winds, fallen trees, as well as damage from airborne objects and water-born debris. A survey of the most severely damaged areas indicates widespread damage to homes as a result of structural collapse and as a longer term result of mold and decay. Although still standing, many of these homes were in largely deserted neighborhoods and are owned by persons without the ability to procure immediate water and mold remediation assistance or structural repair to prevent further exposure to the elements.

More often than not, these homes were older homes in less than optimal condition to begin with. They were generally not elevated to be secure from flood damage.

Comment 2

As these homes are replaced with assistance from the CDBG disaster recovery program, they are replaced with new, sound homes, constructed according to building standards that require compliance with the International Residential Code, which prescribes higher quality construction and mitigation against environmental forces and standards which employ effective wind resistant construction methods as well as elevation when a home is located in a flood plain. It is anticipated that the new homes will be far more resistant to reasonably foreseeable damage than prior homes. This is supported by the level of damage noted in this report for replaced housing impacted by Hurricane Ike. Only one home in the sample sustained severe damage while the rest of the inspected and affected homes sustained less severe damage. Due to these higher construction standards and mitigation activities, TDHCA contends the projection of the amount of damage likely to occur and the amount of program funds at risk or that could be saved if recipients were required to carry insurance are over-estimated.

Comment 1

While not a regulatory requirement, TDHCA intends to continue requiring homeowners to execute an agreement that requires maintenance of insurance, including notification that if the property is damaged, the homeowner may not be eligible for future benefits if they failed to maintain insurance. However, there is no requirement regarding the length of time that a program recipient must insure their property, other than for flooding, in order to receive assistance in the event of another disaster. The Department has imposed more requirements to safeguard these funds than are stipulated by regulation.

1

Comment 1

Comment 3

Comment 2

Auditee's Response

TDHCA has carried out the program in compliance with HUD's program guidance and is well within the bounds of the "maximum feasible deference" provisions of CDBG disaster recovery funding in making the decision to maximize expenditures on actual recovery rather than diverting these funds to insurance. To the extent that HUD provides additional program guidance in this area, TDHCA will follow HUD's program guidance.

The OIG audit recommendations, suggesting that TDHCA consider amending its program to provide, as one of three alternatives, homeowner's insurance for a reasonable period to all newly constructed or repaired homes for a period equitable to the amount of funds invested and the life of the asset raises issues which TDHCA believes are far better addressed at a HUD program guidance policy level. If CDBG disaster funds are used to provide insurance, the costs could potentially be quite large. The average annual multiplier of $1,200 becomes $36,000 in a model using a 30 year asset life. Dedicating such a large amount of funding to insurance would materially affect the ability of CDBG disaster recovery funding to serve those most in need. A state agency is simply not going to have access to the actuarial and other data necessary to make an informed decision about such a policy. Due to the enormity and complexity of this undertaking, not to mention the lack of definition of such concepts as "a period equitable to the amount of funds invested" and "asset life of the home," TDHCA is not in a position to do anything other than to continue to require homeowners to provide insurance and to address the issue of insurance when developing criteria for receipt of benefits under any future CDBG disaster recovery funding.

The Department has several concerns with the methodology utilized to determine the estimated amount of funds at risk of loss. While the report states that the calculation used to estimate the savings of $60,235,000 to the program is not meant to be a statistical projection but rather an attempt to provide a conservative and reasonable dollar estimate for the risk of loss, TDHCA believes that a more in-depth analysis, one which TDHCA is not equipped to perform, should be conducted at the Federal level. The report notes that a representative statistical sample was used, and indicates that the sample was randomly selected from the population of homes in Supplemental I, and summarizes that the conclusions reached about the universe for Supplemental I are based on mathematically defensible projections from the sample. However, the only thing that can be concluded statistically from the sample of Supplemental I is the number of uninsured homes. The amount of damage was not determined for the selected sample, and the report clearly indicates that only one of the damaged homes from the sample sustained severe damage. In spite of this, the projection of this sample across both Supplemental I and Supplemental II utilizes an amount that indicates near to total loss for each structure. Since the calculation uses the average grant award amount to estimate the minimum amount at risk across both populations, the assumption is that an average of $60,000 in damages will occur to each newly constructed home. These homes were all reconstructed to building standards which utilize construction methods to mitigate against future storm damage. TDHCA believes that these factors are indicative of the actuarial risk being significantly lower.

The statistics determined by sampling Supplemental I were extrapolated to Supplemental II. These two populations do not have identical demographic attributes, and consequently, the sample from Supplemental I can not mathematically be appropriately extrapolated to Supplemental II.

Also, the sample used to determine the rate of uninsured homes includes seven existing homes that had yet to be assisted. It is unlikely that those seven homes would be able to qualify for or obtain insurance based on the existing damage; therefore, using these numbers in the calculation

2

Comment 2

Comment 3

Auditee's Response

as evidence to support the level of uninsured homeowners in the population adversely impacts and inflates the overall calculation of homes at risk by as much as 30%.

Although the report claims that the estimate of the risk of loss is conservative and reasonable, all of the calculations and assumptions listed above cause TDHCA to question this assertion. To pursue a calculation of funds at risk, a more accurate depiction would be to determine the likelihood that uninsured homes would be impacted by a future storm or hazard event and the probable level of damage sustained to a newly constructed home by that event. Incorporating probability factors would more fairly determine the amount of funds at risk or funds to be put to better use. Regardless of how TDHCA reacts to the analysis and recommendations based on this particular sample, TDHCA strongly believes that thorough analysis and development of policy guidance in this arena by HUD is timely and appropriate.

In conclusion, TDHCA is not convinced that the State of Texas providing 30 years of insurance to all homeowners whose homes were reconstructed with CDBG disaster recovery funds would be more beneficial than providing homes to as many affected homeowners as possible and requiring them to maintain insurance on their home for the period of the loan or grant. The risk of a major hurricane striking anywhere on the Texas Gulf Coast is approximately 30%. The cost of providing insurance would mean that as many as 50% fewer homeowners could be served. Without sufficient actuarial data and appropriate testing and statistical sampling, TDHCA is unable to make this decision. As a result, TDHCA will follow HUD's program guidance regarding this issue. In the meantime, TDHCA will continue its practice of requiring homeowners to execute an agreement that requires them to maintain insurance, and if the property is damaged, the homeowner may not be eligible for future benefits if they failed to maintain insurance.

OIG Evaluation of Auditee Comments

Comment 1 TDHCA disagreed with the underlying assumptions of the audit and the conclusions drawn. It stated that it currently required recipients of benefits to execute an agreement in which they commit to maintain insurance to cover damage to the premises, including flood insurance if in a flood plain. TDHCA indicated it would not change its program until HUD issued additional program guidance as it stated that there is no requirement regarding the length of time a program recipient must insure their property and that its program was within the bounds of CDBG "maximum feasible deference" provisions. We affirm our conclusion that without insurance for a period equitable to the amount of funds invested or the asset life of the home, the funds will be at risk of loss. TDHCA's response did not clearly address that it did not require insurance for the 453 homes assisted by Supplemental I nor does it address how it will ensure that homes under Supplemental II will be protected when the grant agreements expire after 3 years. TDHCA is correct that there is no requirement for insurance to be provided and that it has maximum feasible deference to create its program. However, according to the Office of Management and Budget's Circular A-87, Cost Principles for State and Local Governments, TDHCA was required to establish principles and standards to promote effective program delivery and efficiency. The application of the principles in the Circular is based on the fundamental premises that governmental units are responsible for the efficient and effective administration of Federal awards through the application of sound management practices. Thus, we disagree that it does not need to change its program.

Comment 2 TDHCA had several concerns with the methodology used to determine the estimated amount of funds at risk of loss. TDHCA made several arguments including the replacement housing is better built, only one home sustained severe damage, the risk of damage was projected from Supplemental I to Supplemental II, and the likelihood of damage by a future storm was low. We affirm our projection of damaged homes and our conservative estimation of risk. We were limited to testing Supplemental I homes and estimating Supplemental II risk as only four Supplemental II funded homes located in a flood zone had been completed when we started our audit. The basic premise, though, will exist for Supplemental II funding after 3 years; homes that do not have insurance are at risk of loss from future storms. Further, as the homes we inspected had been damaged by Hurricane Rita and then damaged by Hurricane Ike or another storm, we disagree with TDHCA's contention that we did not properly calculate risk or that the better built homes will not suffer damage.

Comment 3 TDHCA indicated that providing insurance would be too costly, limit the amount of CDBG assistance being provided, and could only be provided for the first year with CDBG funds. Our recommendation provided options other than using CDBG funds that addressed these concerns, including having the homeowner provide the insurance or limiting future assistance if insurance is not obtained.

Appendix C

SAMPLING METHODOLOGY AND RESULTS

Purpose of the sampling

The sampling objective was to determine whether the homes were; located in flood zones, damaged by Hurricane Ike or a recent storm, and insured. The sample was based on the number of approved applications not in flood zones and in TDHCA's housing contract system as of January 21, 2009. In support of the objectives, an attribute sampling plan was implemented that allows statistical projections on affected homes and properties.

Definition of the audit population and tests performed

The universe contained 453 applications approved for total funding of $27,286,630, with an average grant amount of $60,235. The average grant amount was determined by dividing total funding by the number of applications. ($27,286,630 ÷ 453 = $60,235). Grant amounts ranged from a high $99,388 to a low of $9,219.

The approved funding was used to finance the reconstruction or rehabilitation of 453 homes that were not located in a flood zone. Accordingly, we made random selections of these 453 homes to perform a detailed file review to compare and verify the electronic data and to verify the home's non-flood zone status. In addition, a site visit to each of the homes was conducted to verify if any of the applicant's homes were damaged by Hurricane Ike or a recent storm and to determine if the homes were insured. A sampling error was documented for each home that did not have documentation to support its flood plain designation; and/or showed evidence of hurricane damage verified by a homeowners' interview and/or FEMA financial assistance documentation; and/or did not have homeowner's insurance verified by homeowner's interview and/or FEMA financial assistance documentation.

Sample design

Using attribute sampling methodology, we determined that a sample size of 59 applications was sufficient using a 90 percent confidence level, expected error rate of 50 percent, and a desired sampling precision level of 10 percent. Accordingly we randomly sampled 59 applications funded by the TDHCA's Supplemental I funds.

Statistical projections of the sampled data

The file documentation supported the Councils' results that the homes were not located in flood zones. However, the site visits to each of the 59 homes showed that 38 of 59 (64 percent) homes were damaged by Hurricane Ike or a recent storm. In addition, 23 of the 38 (61 percent) applicants did not have homeowner's insurance to repair the damage.

Applying an attribute sampling evaluation methodology to the number of damaged and uninsured homes, we estimate that at least 133 homes were damaged by a hurricane or storm and did not have insurance to repair the damage.

<u>Estimated cost savings/loss of Supplemental I and II funds</u>

While our statistical sampling methodology was not designed to estimate the dollar value associated with items failing our attribute tests, to quantify a conservative and reasonable estimate for the risk of loss for Supplemental I funds, we used the conservative lower confidence level projection of 133 and the average grant amount of $60,235 as a basis for calculating a reasonable dollar estimate. Accordingly, we estimated that at least $8,011,255 (133 X $60,235) of the Supplemental I funds are at risk of loss.

To similarly quantify a conservative and reasonable estimate for the risk of loss for Supplemental II funding, we expected that a corresponding number of households to be assisted with $178.5 million in Supplemental II funds will be damaged again and uninsured. The fact that 266 applicants' homes were damaged again by Hurricane Ike while waiting to be assisted with Hurricane Rita Supplemental II funds supports our argument. In addition, although all of the $178.5 million of Supplemental II funding will be at risk 3 years after the homes' completion dates, to be more conservative, we calculated a lower estimate of risk based on the assumption that a percentage of Supplemental II homes will continue be insured, as shown by Supplemental I testing, even though insurance will not be an enforceable requirement. Therefore, using the lower confidence level as a conservative estimate for the potential number of errors in Supplemental II, we estimated that an additional $52,223,745 in extended Disaster Recovery grant funds is at risk of loss as follows.

- $178,509,737 ÷ $60,235 average grant amount from Supplemental I = 2,964 grants.
- 29.27 percent lower confidence level X 2,964 grants = 867 grants at risk.
- 867 grants X $60,235 average grant amount from Supplemental I = $52,223,745.

This calculation is not meant to be a statistical projection but is an attempt to provide a conservative and reasonable dollar estimate for the risk of loss.

In total, we estimated that HUD can save an estimated $ 60,235,000 ($8,011,255 + $52,223,745) by requiring homeowner's insurance to be maintained on homes repaired or replaced with Supplemental funds. The estimate is presented solely to demonstrate the amount of funds that could be put to better use if HUD implements our recommendations.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

OFFICE OF COMMUNITY PLANNING
AND DEVELOPMENT

AUG - 4 2009

RECEIVED
AUG 10 2009
EXECUTIVE DIRECTOR

Mr. Michael Gerber
Executive Director
Texas Department of Housing
and Community Affairs
P.O. Box 13941
Austin, TX 78711-3941

Dear Mr. Gerber:

Thank you for the time your staff spent with HUD during the January 12-16, 2009, management review of the state of Texas's disaster recovery Community Development Block Grant (CDBG) funds for the impact of the 2005 hurricanes.

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 action plan for the disaster grant in accordance with all applicable regulations and OMB circulars as well as the pertinent notices and waivers specific to Texas.

Please note that the one open finding from the August 2008 monitoring report was cleared on July 16, 2009. The January 2009 monitoring review resulted in no findings.

TDHCA has made progress in the recovery efforts for the state of Texas. The enclosed report identifies the program areas reviewed. HUD is appreciative of the difficult work you and your staff are engaged in and commends you for your efforts.

Sincerely,

Stanley Gimont
Director
Office of Block Grant Assistance

Enclosure

Sara / Kelly /
Sandy D.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
MANAGEMENT REVIEW REPORT
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Community Development Block Grant
KRW Supplemental Disaster Funds
State of Texas

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 January 12-16, 2009, HUD 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) 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
- Rental Housing Stock Restoration
- City of Houston and Harris County Public Service and Community Development
- Sabine Pass Restoration
- Subrecipient and Contractor Management Systems
- Homeowners Assistance Program

HUD staff participating in the monitoring visit included Mark Mitchell, Acting Director, Disaster Recovery and Special Issues Division; Grace Saenz, Team Leader and Community Planning and Development Specialist ;Nancy Lesakowski, Community Planning and Development Specialist; Steven Higginbotham, Community Planning and Development Specialist and Amanda Beck, Presidential Management Fellow with the Office of Community Planning and Development.

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 result in noncompliance with a statutory, regulatory, or program requirement, if not properly corrected.

The January 2009 review resulted in no findings or concerns. Summaries of the background and status of HUD's reviews and conclusions are provided below under the appropriate area. The April 2008 review resulted in ten findings and two concerns. All but one finding has been cleared. During the January 2009 review, HUD re-examined the outstanding finding pertaining to the contract documents between the state, the city of Houston and Harris County.

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 Scott G. Davis, 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 7272, Washington, DC 20410. Electronic submissions should be sent to the following mailbox: Disaster_Recovery@hud.gov.

AREAS REVIEWED

OVERALL MANAGEMENT AND INFORMATION SYSTEMS

This review was intended for the purpose of looking at the contract agreements with both the city of Houston and Harris County. The scope of the review included reviewing the actual contracts with both agencies and the subrecipient agreements with those entities designated by the agencies to carry out the specific activities/projects. Review of the two contracts was a continuation of the monitoring review conducted in April 2008. Finding One from the April 2008 review is now closed. The city of Houston recently provided an updated document that was acceptable to close this finding.

During the past months, intensive technical assistance and onsite environmental training enabled HUD to clear open findings from the April 2008 review. HUD's review found that the State has made improvements in the management of grant funds.

This monitoring focused on the review of TDHCA activities as they relate to the second supplemental grant to the state of Texas. The program areas and respective allocations are listed below:

SECOND SUPPLEMENTAL GRANT B-06-DG-48-0002

Sabine Pass Restoration Program (SPRP)	$12,000,000
Rental Housing Stock Restoration	$82,866,984
City of Houston/Harris County Subrecipient Agreement	$60,000,000
Homeowners Assistance Program (HAP)	$210,371,273

SABINE PASS RESTORATION PROGRAM

The Sabine Pass Restoration Program was funded with CDBG funds for an allocation of $12,000,000. There have been delays in this project related to Hurricane Ike coming through at the same time that production was initially scheduled to begin. There were concerns on how the Ike damage was going to impact the damage caused by Rita. HUD provided clarification on how some of those concerns could be addressed in order to allow the project to move forward. In addition, the structures in the area have to be elevated with a complex structure to safe-guard against future storms. These factors have delayed production.

The State's Action Plan indicates that funding from SPRP will serve three purposes:

1. Up to $40,000 in home rehabilitation and reconstruction assistance will be made available for homeowners whose family income is up to 150 percent of the area median family income.

2. Homeowners may apply for assistance in an amount up to $30,000 to help defray the costs of elevating rehabilitated or reconstructed homes. These funds may also be used for other special construction improvements required to increase a home's ability to survive another significant storm event. A homeowner whose household includes a person with a disability or an elderly person may apply for an additional $15,000 in assistance for accessibility related costs associated with elevating the dwelling.

3. After 180 days, if uncommitted funds remain available they may be used to assist:
    a. Family with income up to 150 percent of area median family income
    b. Damage is equal to or greater than 50 percent of market value at time of storm
    c. Damage is based on certified appraisal
    d. Family wants to move out of flood plain
    e. Eligible for grant up to $40,000 to purchase home within the Rita Go Zone

A site visit to Sabine Pass clearly proved beneficial in getting a first-hand look at the disaster area. With the exception of the high school, every building in the community was either damaged or destroyed. There were several houses (five or six) that have been rebuilt or are in the process of being rebuilt. The local government buildings are still none existent and the community remains without fire or police protection. The structures that are complete are all highly-elevated and several are handicap accessible. Individual project files for SPRP were not reviewed during this visit. This site visit served to assess the damage as detailed in the Action Plan.

RENTAL HOUSING STOCK RESTORATION PROGRAM

Funding in the amount of $82,866,984 was made available in the form of a grant or loan to the owners of affordable rental properties that were damaged by Hurricane Rita. This funding amount complies with statutory provisions as interpreted by HUD in the *Federal Register* which requires that

"...not less than $1.0 billion of the $5.2 billion appropriation less $27.0 million in administrative set-asides (which computes to 19.3311 percent of any State's allocation) shall be used for repair, rehabilitation, and reconstruction (including demolition, site clearance and remediation) of the affordable rental housing stock (including public and other HUD- assisted housing) in the impacted areas. Therefore, HUD is requiring that not less than 19.3311 percent of each State's grant be used for these activities."

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- and moderate-income persons. Award information is outlined in the table below:

Loan Number	Development Name	City	Total Units	Type of Activity	CDBG Loan Amount
7060006	Pointe North	Beaumont	158	Recon.	$13,778,332
7060011	Gulfbreeze Plaza I	Port Arthur	86	Recon.	$9,067,577
7060012	Gulfbreeze Plaza II	Port Arthur	148	Recon.	$13,280,250
7060007	Orange Navy Homes	Orange	115	Recon.	$14,189,439
7060010	Brittany Place II Single Family	Port Arthur	100	Recon.	$13,077,366
7060009	Brittany Place I Multifamily	Port Arthur	96	Recon.	$11,046,835
7060008	Virginia Estates	Beaumont	110	Rehab	$6,707,534
Totals:			**813**		**$81,147,333**

During this monitoring review, HUD conducted on-site visits of Virginia Estates and Gulfbreeze Plaza II.

Virginia Estates is a rehabilitation project of 110 units of which $6.7 million are CDBG funds. The complex is located in a residential neighborhood of Beaumont, Texas. The project was under construction and the construction materials appeared to be of good quality. The individual project file for this complex was not available on site for review. However the file was reviewed for procurement procedures during the monitoring review held in April 2008. This project is scheduled to be completed by September 13, 2010.

Gulfbreeze Plaza II is a new construction complex that will provide 148 units to house low-and moderate-income persons in Port Arthur, Texas. The project is funding $13.2 million with CDBG funds. The inclement weather had prevented some of the construction activity and the project was running a little behind schedule. HUD met with the project superintendent, who provided a presentation of what the completed project will look like and explained some of the added features for the units. Project construction was on phase I, laying forms and pouring sections of foundation slabs. This complex is located in a mixed-use neighborhood, with both homes and businesses adjacent to the project. The project file was reviewed during the monitoring review held in April 2008.

CITY of HOUSTON AND HARRIS COUNTY PUBLIC SERVICE AND COMMUNITY DEVELOPMENT

The August 2008 monitoring report included findings regarding lack of adequate agreements with the city of Houston and Harris County as well as lack of monitoring reviews by TDHCA. Consequently, this monitoring visit included a two-level review. The first level included a review of TDHCA monitoring of the city of Houston and Harris County. The second level review focused on the subrecipient agreements and monitoring conducted by the city of Houston and Harris County.

PREVIOUS OPEN FINDINGS

Previous Finding One: Contracts with the city of Houston and Harris County do not meet Minimum Requirements for Subrecipient Agreements (from HUD's monitoring report dated August 1, 2008

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 the city of Houston and Harris County under Supplemental Round 2. Instead, contracts for the city of Houston and 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 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, written agreement with the subrecipient that 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 the city of Houston and Harris County to cover the minimum requirements outlined in 24 CFR 570.503.

Subsequent Actions: TDHCA provided HUD with two separate contracts for the city of Houston and Harris County. HUD's Office of General Council reviewed the contracts and comments were provided to TDHCA for concurrence. Harris County has made the recommended changes to the Harris County contract. This contract has been reviewed and found acceptable. The city of Houston recently provided an acceptable reply to TDHCA's comments. As a result of these actions, this finding is closed.

TDHCA Monitoring of city of Houston and Harris County

Since HUD's monitoring of TDHCA in April of 2008, TDHCA has applied its existing procedures for processing disaster recovery payment requests and for monitoring the use of funds relative to applicable federal requirements. Reviews were conducted by two TDHCA members, one located in Austin and the other in the Houston area. Monitoring documents and support materials are tracked and managed in Price Waterhouse Cooper Team Mate audit management system software. TDHCA monitoring systems include support materials for reviews of invoices for allowability and testing of support materials for beneficiary eligibility. TDHCA had issued a monitoring letter to the city of Houston regarding its reviews by the time of the HUD monitoring and issued one to Harris County shortly after the HUD monitoring. Based on these reviews and other material submitted by TDHCA, findings related to TDHCA financial reviews and monitoring of the city of Houston and Harris County have been cleared under a separate letter.

Harris County - Subrecipient Agreements

TDCHA granted $20,000,000 to the Harris County Community and Economic Development Department for public services to be provided to persons affected by Hurricanes Katrina/Rita. The funds were obligated as follows:

Harris County Sheriff's Office	$6,707,000
Katrina/Rita Crises Counseling	$3,550,000
Youth Offender Services	$225,686
Harris County Hospital District	$6,285,000
Harris County Transit	$3,232,314

HUD reviewed the subrecipient agreements to ascertain that the required elements were included. All agreements included a statement of work with a corresponding budget. Schedules of performance as well as all required records and reports were included. Where program income and reversion of assets were applicable, they were included in the agreements. All agreements contained suspension and termination stipulations. HUD's review of the five subrecipients found them to be acceptable.

SUBRECIPIENT AND CONTRACTOR MONITORING SYSTEMS

Harris County - Monitoring of Subrecipients

HUD reviewed the Harris County subrecipient monitoring plan. The plan was comprehensive and met all but one criterion. In addition, Harris County provided technical assistance to subrecipients in the use and preparation of forms and monthly reports.

The subrecipient monitoring plan review sheet did not include disaster eligibility in accordance with the February 13, 2006, *Federal Register Notice*. However, HUD's review of the monitoring working papers found that all recipients of the public services provided documented Katrina/Rita eligibility. Harris County is making the change to the worksheet.

HUD reviewed all five subrecipient monitoring files. All working papers were included in the files. Each subrecipient was monitored in accordance with the agreement and individual eligibility criteria. In addition, Harris County paid particular attention to program guidelines, procedures, and record-keeping systems. Spreadsheets documenting expenditures, evacuee status, income, sex, ethnicity, and race were included in working papers.

Harris County – National Objectives; Duplication of Benefit; and Public Services

HUD reviewed all five public service activities being administered by subrecipients to determine that they were eligible disaster activities and met a national objective.

Harris County Community Services Department - Transportation: The services provided are restricted to low-income persons currently participating in the DHAP program. Evacuees who receive DHAP case management services will be referred by their case managers who will initiate contact with Harris County Community Services Transportation Division. HUD's review of the working papers from the county's monitoring contained the name of the person who received services, FEMA/DHAP number, sex, age, address, service date, annual household income, pay rate, ethnicity, race, and if disabled. Attached to each spreadsheet is an Individual Eligibility Form for each person listed. Each form is signed and dated by the county certifying that the person is an eligible Katrina/Rita client and that they meet the income requirements.

Harris County Sherriff's Department – Project H.E.L.P: These services are designed to assist inmates who were evacuees. The working paper monitoring files contained the Individual Eligibility Form certifying eligibility and income.

Mental Health and Mental Retardation Authority: This program provides crisis counseling, mental health services and case management to Katrina/Rita evacuees. Recipients were given an initial assessment for eligibility (connection to Katrina/Rita and income). An Individual Eligibility Form was completed by all recipients and signed by Harris County.

Harris County Hospital District: HCHD provided medical services to more than 35,000 evacuee patients at the Houston Astrodome Health Clinic. Evacuees who received expanded medical services must provide proof of household income; evacuee status must be documented via FEMA eligibility, or other documents proving displacement as a result of Hurricane Katrina/Rita. The cost of providing medical services to evacuees was a significant expense for HCHD. HCHD received $3 million in payments, less than 32 percent of its estimated costs. Therefore, there was no duplication of benefits.

Harris County Juvenile Probation Department (HCJPD): This organization provides services including treatment, training, rehabilitation, and incarceration while emphasizing responsibility and accountability of both parent and child for the child's conduct and offering opportunities for those youth who demonstrate the greatest potential for positive change. HCJPD has admitted 472 youths who were evacuees to its facilities and provided services. Evacuee status was documented via FEMA eligibility, or other documents proving displacement as a result of Hurricanes Katrina/Rita. Individual Eligibility Forms for income were included in the county's working papers.

HUD's review of the five subrecipients and Harris County monitoring and working papers found these programs to be eligible and meet a National Objective. No duplication of benefits was found regarding these subrecipients.

City of Houston – Subrecipient Agreements

City of Houston: The city of Houston's grant funds will be allocated to affordable rental housing programs in areas where it can be demonstrated that the population has seen a dramatic population increase due to an influx of Katrina/Rita evacuees.

Housing Safety Component: Funding in the amount of $20 million was allocated to the Houston Police Department for establishment of the Housing Safety Component, composed of civilian and officer personnel. Civilian personnel consist of administrative staff that supports officer personnel and the entry of the overtime incurred by officers on behalf of the hurricane evacuee population.

HUD staff met with Ms. Sheryal Armstrong from the Houston Police Department (HPD) for review of the documentation used in the project. HPD provided an overview of the program and the selection criteria for determination of the districts that were identified for funding. HUD reviewed the HPD time records to determine that overtime expenditures complied with the terms and intent of the grant. The time sheets reviewed were all dated and indicated the number of hours worked by the police officer working in the designated districts. Mapping of the districts identified for this project were also reviewed to ensure the funding was being applied as intended. All documentation was substantiated as required by HPD internal controls.

Housing Component: Funding of $20 million was also allocated to carry out rehabilitation of existing multi-family housing stock through the existing Apartment to Standards Program. These funds will provide rehabilitation of multi-family housing to the evacuee population and has been allocated between two projects; Fondren Court/Regency and Sandpiper Apartments.

HUD conducted an onsite visit of Fondren Court Apartments, 177 affordable housing units with an allocation of $9,850,000 of CDBG funds and $10,750,000 from other funding sources for a total of $21,600,000. The project was about 80 percent complete during the site visit. HUD visited several units to verify the quality of the materials being used. There were some minor deficiencies noted, such as the roof shingles being cut too short, no overhang on one of the buildings, and repair work needed on the sidewalk adjacent to a handicap unit. The City Inspector assured HUD that they will review all the buildings prior to issuing a certificate of occupancy. One of the partners with the development firm also assured HUD that each building and each unit will be re-inspected and all defects will be corrected prior to closing out the project.

The Regency/Sandpiper Apartments were not visited since the project had not yet started due to complication in closing out the loan agreements for the project.

HOMEOWNERS ASSISTANCE PROGRAM (HAP)

The Homeowners Assistance Program (HAP) was funded with $210,371,272 of CDBG funds. HUD began the review for this program during this monitoring visit, however, HAP records were not available for review during the on-site visits in Houston since records are maintained in contractor offices in San Antonio, Texas. The HAP program is operated by ACS and Reznick. HUD conducted initial sampling of system files for HAP and SPRP records in the Reznick office in Bethesda, MD on February 3-4, 2009. Reviews were conducted of some data for benefit determinations and eligibility of beneficiaries under program guidelines. Reznick reported that formal tracking of benefit determinations and damage assessments were in ACS' Worltrac system. Initial attempts were made to review these files remotely on April 9, 2009, however, there was no access available to damage assessments and benefit calculations in the system at that time.

Due to time constraints and lack of systems access, this review has not been completed. A separate on-site review of ACS systems and records in San Antonio and/or Austin, Texas will be completed separately before our next regularly scheduled monitoring visit.

State Auditor's Office

John Keel, CPA
State Auditor

A Classification Compliance Review Report on the State's
Program Specialist Positions

July 13, 2009

Members of the Legislative Audit Committee:

The State Auditor's Office's State Classification Team reviewed 1,129 program specialist positions and other positions performing similar work at 51 agencies and determined that 926 (82.0 percent) of these positions should remain in their current job classification. Agencies took appropriate action in resolving misclassified positions and reported that they will spend approximately $80,234 annually to properly classify these positions.

Agencies took action to appropriately classify positions identified as misclassified.

To address the 203 positions that agencies identified as being misclassified, agencies chose to:

- Reclassify 185 positions (91.1 percent) into different job classification series (for example, one position was misclassified as a program specialist position and was reclassified into a contract specialist position).
- Reclassify 13 positions (6.4 percent) within the same job classification series but at a higher salary group.
- Reclassify 2 positions (1.0 percent) within the same job classification series but at a lower salary group. These reclassifications, however, did not result in a salary decrease.
- Change the job duties of 3 positions (1.5 percent) so they could remain in their current job classification titles and be properly classified.

See Part 2 of the attachment to this letter for additional details on how agencies addressed position misclassifications.

In addition, there may be a more appropriate job classification series for 40 employees. However, these employees had salaries that were higher than the salary ranges for the job classifications that may be more appropriate for the duties they perform. Therefore, agencies were not asked to make a determination on

The Program Specialist Job Classification Series

The program specialist job classification series addresses limited situations in which an occupational-specific job classification does not exist. To be appropriately classified within this series, employees should provide consultative services and technical assistance work involving planning, developing, and implementing an agency program.

Examples of jobs within this series include combative sports event specialist and disaster recovery program analyst. Because of the nature of the positions within the program specialist job classification series, agencies should use this series on a limited basis and use more appropriate occupational titles when available.

Summary of Positions Reviewed

Job Classification Series	Number of Positions Reviewed	Number of Positions Misclassified
Program Specialist	1,125	203
Other Positions Performing Similar Work	4	0
Totals	1,129	203

Definitions

Job Classification - An individual job within a job classification series. Each job classification has a corresponding salary group assignment appropriate for the type and level of work being performed.

Job Classification Series - A hierarchical structure of jobs arranged into job classification titles involving work of the same nature but requiring different levels of responsibility.

Salary Group - A specified level within a salary schedule made up of a salary range with a minimum and maximum salary rate. Assignment of salary groups is based on the type and level of work being performed.

Reclassification - The act of changing a position from one job classification to another job classification that better reflects the level or type of work being performed.

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these positions at the time of this review. Changes to the State's Position Classification Plan for the 2010-2011 biennium will become effective September 1, 2009. Agencies should review these program specialist positions to determine whether any of the new job classifications, which will have higher salary ranges, are a better fit for the duties being performed. Table 7 on page 14 of the attachment to this letter provides additional details on these 40 positions.

Collectively, agencies will spend approximately $80,234 annually to properly classify positions.

In most cases, agencies reclassified positions without changing employee salaries; however, agencies reported that, as a result of reclassifications, 19 positions will be receiving salary increases ranging from $47.60 to $36,667.00 annually. No salaries were decreased as a result of this review.

Importance of Proper Classification of Employee Positions

Appropriate job classifications are important in determining salary rates that are competitive for the nature of the work performed. Misclassified positions may result in an agency underpaying or overpaying employees for the nature of work being performed.

The average salary for program specialists within the scope of this review was above the statewide average salary for the second quarter of fiscal year 2009 for Salary Schedule B (which primarily covers professional and managerial positions).

After the reclassifications that resulted from this review were completed, the $54,655 average salary of the individuals who remained in the program specialist classification was above the $47,664 statewide average salary for individuals paid according to Salary Schedule B (which primarily covers professional and managerial positions) for the second quarter of fiscal year 2009. See Part 3 of the attachment to this letter for additional details on salaries by agency.

Program Specialists' Education and Experience

As of March 2009:

- Sixty-seven percent of employees classified in the program specialist job classification series had a bachelor's degree or a higher level degree.
- Employees classified in the program specialist job classification series had an average of 15 years of occupational experience.

Many program specialists perform program work in education.

Program specialist positions cross many career fields. For this review, the State Auditor's Office's State Classification Team asked employees to identify the career field that best describes the type of work they perform the majority of time. A total of 250 program specialists identified education as their primary focus. This includes employees whose primary purpose is to develop, implement, monitor, and/or oversee educational programs.

Career Field Groupings

Career field groupings for this review were based upon work performed, skills, education, training, and credentials for the position.

The State Classification Team will review these positions again during fiscal year 2010 to determine whether it would be appropriate to add a new job classification series, such as educational specialist, to the State's Position Classification Plan. When appropriate, adding new job classification series provides greater consistency in pay across state agencies and helps to ensure that the Position Classification Plan reflects the duties of the position, the labor market, and the needs of state agencies. These reviews are conducted in accordance with the Position Classification Act in Texas Government Code, Chapter 654.

Changes to the State's Position Classification Plan will become effective on September 1, 2009, and agencies should review all program specialist positions to determine whether any of the new job classification series would be more appropriate for the duties that employees within the program specialist classification series perform.

This review was conducted from March 2009 through June 2009. Changes to the State's Position Classification Plan will become effective on September 1, 2009 (see *A Biennial Report on the State's Position Classification Plan*, State Auditor's Office Report No. 09-701, October 2008). Agencies should review all new job classification series to determine whether any new job classifications would be more appropriate for positions currently classified as program specialists.

New job classification series that may be more appropriate for some of the program specialists within the scope of this review could include loan specialist, licensing and permit specialist, editor, and court coordinator.

If you have any questions, please contact Nicole Guerrero, Audit Manager, or me at (512) 936-9500.

Sincerely,

John Keel, CPA
State Auditor

Attachment

Attachment

Part 1

Positions Reviewed

Table 1 presents a summary of the 1,129 positions reviewed at 51 agencies. The table includes a summary of program specialist positions reviewed at each agency by job classification series, as well as the number of positions that were misclassified. The "Other Classification Titles" column includes positions that agencies identified as performing program specialist work but that were classified in other job classification series (for example, Staff Services Officer).

Table 1

Summary of Employee Positions Reviewed					
Agency No.	Agency	Program Specialists	Other Classification Titles	Number of Employee Positions Reviewed	Number of Employee Positions Misclassified
212	Texas Judicial Council Office of Court Administration	66	0	66	0
243	State Law Library	1	0	1	1
303	Texas Facilities Commission	20	0	20	5
306	Library and Archives Commission	13	0	13	1
312	State Securities Board	7	0	7	3
313	Department of Information Resources	22	0	22	6
323	Teacher Retirement System	77	0	77	25
327	Employees Retirement System	40	0	40	9
332	Department of Housing and Community Affairs	78	0	78	8
333	Office of State-Federal Relations	3	0	3	0
338	Pension Review Board	3	0	3	2
347	Public Finance Authority	1	0	1	0
356	Texas Ethics Commission	1	0	1	1
357	Office of Rural Community Affairs	39	0	39	0
362	Texas Lottery Commission	60	0	60	7
370	Residential Construction Commission	18	0	18	2
401	Adjutant General's Department	16	0	16	10
403	Veterans Commission	12	0	12	1

Summary of Employee Positions Reviewed					
Agency No.	Agency	Program Specialists	Other Classification Titles	Number of Employee Positions Reviewed	Number of Employee Positions Misclassified
407	Commission on Law Enforcement Officer Standards and Education	20	0	20	6
409	Commission on Jail Standards	4	0	4	2
411	Commission on Fire Protection	8	0	8	0
448	Office of Injured Employee Counsel	7	0	7	2
450	Department of Savings and Mortgage Lending	1	0	1	0
451	Department of Banking	5	0	5	1
452	Department of Licensing and Regulation	49	0	49	5
456	Board of Plumbing Examiners	2	0	2	0
458	Alcoholic Beverage Commission	9	0	9	4
466	Office of Consumer Credit Commissioner	1	0	1	1
473	Public Utility Commission of Texas	37	0	37	5
476	Racing Commission	16	0	16	0
477	Commission on State Emergency Communications	2	0	2	0
479	State Office of Risk Management	3	0	3	1
481	Board of Professional Geoscientists	1	0	1	0
503	Texas Medical Board	10	0	10	2
504	Texas State Board of Dental Examiners	1	0	1	1
507	Texas Board of Nursing	10	0	10	7
508	Board of Chiropractic Examiners	1	0	1	0
512	Board of Podiatric Medical Examiners	0	1	1	0
515	Board of Pharmacy	8	0	8	1
542	Cancer Prevention and Research Institute of Texas	2	0	2	0
554	Animal Health Commission	7	0	7	2
578	Board of Veterinary Medical Examiners	1	0	1	1
580	Water Development Board	54	0	54	5
592	Soil and Water Conservation Board	12	0	12	0
665	Juvenile Probation Commission	16	0	16	0

Summary of Employee Positions Reviewed					
Agency No.	Agency	Program Specialists	Other Classification Titles	Number of Employee Positions Reviewed	Number of Employee Positions Misclassified
701	Texas Education Agency[a]	261	0	261	34
771	School for the Blind and Visually Impaired	7	0	7	1
772	School for the Deaf	14	0	14	7
808	Historical Commission	67	0	67	28
809	Preservation Board	11	0	11	5
813	Commission on the Arts	1	3	4	1
	Totals	**1,125**	**4**	**1,129**	**203**

[a] The Texas Education Agency originally had more employees within the scope of this review. The State Auditor's Office's State Classification Team will review 72 additional potential misclassifications at the Texas Education Agency during a subsequent agency-specific classification review that will be conducted in the future.

Analysis of Misclassified Positions

Tables 2 through 5 identify by agency the employee positions that were misclassified and how the agency addressed the misclassifications. To address misclassifications, agencies chose to:

- Reclassify 185 positions into a different job classification series (see Table 2).
- Reclassify 13 positions within the same job classification series but at a higher salary group (see Table 3).
- Reclassify 2 positions within the same job classification series but at a lower salary group (see Table 4).
- Change the job duties of 3 positions so they could remain in their current job classification titles and be properly classified (see Table 5).

60 Employees Were Reclassified to Program Supervisor

Sixty employees were reclassified to a Program Supervisor job classification. These employees have supervisory responsibilities and should be counted toward the agencies' management-to-staff ratios.

To protect the confidentiality of the employees whose positions were misclassified, each employee was assigned an employee number.

Table 2 shows the 185 employee positions that agencies chose to reclassify into a different job classification series. Reclassification is a change in the classification of a position based on actual duties performed. It does not refer to a change in an employee's duty assignment.

Table 2

Positions Reclassified into Different Job Classification Series				
Agency No.	Agency	Employee Number	Former Job Classification Title	Job Classification Title After Reclassification
243	State Law Library	1	Program Specialist IV	Librarian IV
303	Texas Facilities Commission	5	Program Specialist II	Inventory and Store Specialist IV
		11	Program Specialist VII	Planner V
		23	Program Specialist V	Program Supervisor III
		25	Program Specialist I	Administrative Assistant IV
		26	Program Specialist I	Program Supervisor I
306	Library and Archives Commission	3	Program Specialist II	Information Specialist III
312	State Securities Board	1	Program Specialist VII	Programmer V
		2	Program Specialist III	Systems Support Specialist IV
		8	Program Specialist I	Human Resources Specialist III
313	Department of Information Resources	2	Program Specialist VII	Program Supervisor V
		7	Program Specialist VI	Management Analyst III

Positions Reclassified into Different Job Classification Series				
Agency No.	Agency	Employee Number	Former Job Classification Title	Job Classification Title After Reclassification
		9	Program Specialist V	Quality Assurance Specialist IV
		11	Program Specialist VI	Information Specialist V
		12	Program Specialist VII	Director II
		19	Program Specialist VII	Program Supervisor V
323	Teacher Retirement System	2	Program Specialist II	Retirement Systems Benefits Specialist V
		3	Program Specialist II	Retirement Systems Benefits Specialist V
		6	Program Specialist II	Retirement Systems Benefits Specialist V
		7	Program Specialist II	Retirement Systems Benefits Specialist V
		8	Program Specialist II	Retirement Systems Benefits Specialist V
		12	Program Specialist II	Retirement Systems Benefits Specialist V
		15	Program Specialist II	Retirement Systems Benefits Specialist V
		19	Program Specialist II	Retirement Systems Benefits Specialist V
		20	Program Specialist VII	Accountant VII
		27	Program Specialist II	Retirement Systems Benefits Specialist V
		31	Program Specialist II	Retirement Systems Benefits Specialist V
		33	Program Specialist II	Retirement Systems Benefits Specialist V
		37	Program Specialist VII	Contract Administration Manager I
		41	Program Specialist II	Retirement Systems Benefits Specialist V
		44	Program Specialist II	Retirement Systems Benefits Specialist V
		53	Program Specialist II	Retirement Systems Benefits Specialist V
		55	Program Specialist II	Retirement Systems Benefits Specialist V
		56	Program Specialist II	Retirement Systems Benefits Specialist V
		57	Program Specialist II	Retirement Systems Benefits Specialist V
		58	Program Specialist VII	Accountant VII
		60	Program Specialist II	Retirement Systems Benefits Specialist V
		61	Program Specialist II	Retirement Systems Benefits Specialist V
		63	Program Specialist II	Retirement Systems Benefits

Positions Reclassified into Different Job Classification Series				
Agency No.	Agency	Employee Number	Former Job Classification Title	Job Classification Title After Reclassification
				Specialist V
		64	Program Specialist II	Retirement Systems Benefits Specialist V
		67	Program Specialist II	Retirement Systems Benefits Specialist V
327	Employees Retirement System	2	Program Specialist V	Legal Assistant IV
		10	Program Specialist I	Retirement System Benefits Specialist IV
		22	Program Specialist I	Retirement System Benefits Specialist IV
		28	Program Specialist I	Retirement System Benefits Specialist IV
		32	Program Specialist III	Retirement System Benefits Specialist IV
		34	Program Specialist V	Legal Assistant IV
		36	Program Specialist I	Retirement System Benefits Specialist IV
332	Department of Housing and Community Affairs	48	Program Specialist I	Environmental Specialist IV
		49	Program Specialist VI	Information Specialist V
		56	Program Specialist V	Inspector VII
		57	Program Specialist III	Information Specialist II
		76	Program Specialist V	Inspector VII
		77	Program Specialist V	Environmental Specialist V
338	Pension Review Board	2	Program Specialist III	Financial Analyst I
		3	Program Specialist III	Financial Analyst I
356	Texas Ethics Commission	1	Program Specialist V	Legal Assistant IV
362	Texas Lottery Commission	4	Program Specialist IV	Financial Analyst II
		10	Program Specialist II	Investigator V
		19	Program Specialist II	Investigator V
		34	Program Specialist III	Contract Specialist III
		49	Program Specialist V	Technical Writer II
		51	Program Specialist V	Marketing Specialist IV
		60	Program Specialist II	Investigator V
370	Residential Construction Commission	4	Program Specialist I	Information Specialist III
		15	Program Specialist I	Information Specialist II
401	Adjutant General's Department	4	Program Specialist II	Program Supervisor II
		7	Program Specialist V	Program Supervisor III
		8	Program Specialist II	Engineering Specialist III
		9	Program Specialist II	Maintenance Supervisor V
		13	Program Specialist III	Program Supervisor II
		15	Program Specialist VI	Manager IV

Positions Reclassified into Different Job Classification Series				
Agency No.	Agency	Employee Number	Former Job Classification Title	Job Classification Title After Reclassification
		16	Program Specialist II	Maintenance Supervisor V
403	Veterans Commission	12	Program Specialist IV	Program Supervisor III
407	Commission on Law Enforcement Officer Standards and Education	1	Program Specialist III	Investigator IV
		4	Program Specialist VI	Investigator VI
		7	Program Specialist IV	Systems Support Specialist IV
		10	Program Specialist I	Program Supervisor I
		13	Program Specialist I	Systems Support Specialist II
409	Commission on Jail Standards	1	Program Specialist III	Manager I
		2	Program Specialist I	Inspector V
448	Office of Injured Employee Counsel	2	Program Specialist V	Staff Services Officer V
		6	Program Specialist III	Administrative Assistant IV
451	Department of Banking	4	Program Specialist VII	Human Resources Specialist VI
452	Department of Licensing and Regulation	4	Program Specialist II	Executive Assistant II
		28	Program Specialist IV	Program Supervisor III
		39	Program Specialist IV	Program Supervisor III
458	Alcoholic Beverage Commission	2	Program Specialist III	Program Supervisor III
		5	Program Specialist V	Quality Assurance Specialist IV
		6	Program Specialist VII	Management Analyst III
		8	Program Specialist VII	Government Relations Specialist II
466	Office of Consumer Credit Commissioner	1	Program Specialist I	Information Specialist II
473	Public Utility Commission of Texas	8	Program Specialist IV	Economist III
		16	Program Specialist V	Economist III
		19	Program Specialist VI	Information Specialist V
		22	Program Specialist V	Economist III
		31	Program Specialist I	Information Specialist III
479	State Office of Risk Management	3	Program Specialist III	Program Supervisor II
504	Texas State Board of Dental Examiners	1	Program Specialist VII	Dentist II
507	Texas Board of Nursing	1	Program Specialist III	Nurse III
		2	Program Specialist V	Nurse IV
		5	Program Specialist VI	Nurse IV
		6	Program Specialist VI	Nurse IV
		9	Program Specialist IV	Nurse IV
		10	Program Specialist VI	Nurse IV
		11	Program Specialist VI	Nurse Practitioner
515	Board of Pharmacy	9	Program Specialist V	Executive Assistant II
578	Board of Veterinary Medical Examiners	1	Program Specialist VI	Program Supervisor IV
580	Water Development Board	1	Program Specialist VII	Program Supervisor V
		2	Program Specialist IV	Natural Resources Specialist IV

Positions Reclassified into Different Job Classification Series				
Agency No.	Agency	Employee Number	Former Job Classification Title	Job Classification Title After Reclassification
		11	Program Specialist V	Program Supervisor III
		22	Program Specialist VI	Natural Resources Specialist VI
701	Texas Education Agency	14	Program Specialist II	Human Resources Specialist III
		27	Program Specialist II	Program Supervisor II
		32	Program Specialist IV	Management Analyst II
		39	Program Specialist II	Information Specialist III
		40	Program Specialist II	Contract Specialist III
		47	Program Specialist VI	Program Supervisor IV
		53	Program Specialist V	Management Analyst III
		103	Program Specialist VI	Program Supervisor IV
		106	Program Specialist VI	Program Supervisor IV
		107	Program Specialist VI	Program Supervisor IV
		121	Program Specialist VI	Program Supervisor IV
		133	Program Specialist VI	Program Supervisor IV
		134	Program Specialist II	Program Supervisor II
		141	Program Specialist IV	Program Supervisor III
		148	Program Specialist III	Program Supervisor II
		158	Program Specialist I	Staff Services Officer II
		160	Program Specialist VI	Program Supervisor IV
		174	Program Specialist V	Information Specialist IV
		176	Program Specialist VI	Program Supervisor IV
		183	Program Specialist VI	Program Supervisor IV
		184	Program Specialist VI	Program Supervisor IV
		192	Program Specialist VI	Program Supervisor IV
		193	Program Specialist VI	Contract Specialist V
		197	Program Specialist II	Information Specialist III
		203	Program Specialist II	Human Resources Specialist III
		206	Program Specialist VI	Program Supervisor IV
		215	Program Specialist VI	Program Supervisor IV
		272	Program Specialist I	Graphic Designer II
		281	Program Specialist IV	Management Analyst II
		302	Program Specialist I	Executive Assistant I
		314	Program Specialist VI	Program Supervisor IV
		315	Program Specialist VI	Program Supervisor IV
		316	Program Specialist IV	Information Specialist IV
772	School for the Deaf	6	Program Specialist IV	Program Supervisor III
		7	Program Specialist II	Program Supervisor III
		9	Program Specialist III	Program Supervisor III

Positions Reclassified into Different Job Classification Series				
Agency No.	Agency	Employee Number	Former Job Classification Title	Job Classification Title After Reclassification
		10	Program Specialist IV	Program Supervisor III
		12	Program Specialist IV	Program Supervisor III
		15	Program Specialist IV	Program Supervisor III
808	Historical Commission	2	Program Specialist III	Program Supervisor II
		3	Program Specialist III	Program Supervisor II
		5	Program Specialist I	Curator I
		9	Program Specialist VI	Program Supervisor IV
		11	Program Specialist III	Program Supervisor II
		12	Program Specialist IV	Curator II
		16	Program Specialist III	Program Supervisor II
		20	Program Specialist III	Program Supervisor II
		22	Program Specialist III	Program Supervisor II
		27	Program Specialist IV	Information Specialist IV
		29	Program Specialist III	Program Supervisor II
		31	Program Specialist III	Program Supervisor II
		32	Program Specialist IV	Archeologist III
		33	Program Specialist III	Program Supervisor II
		34	Program Specialist I	Curator I
		36	Program Specialist IV	Program Supervisor IV
		40	Program Specialist I	Curator I
		42	Program Specialist III	Program Supervisor II
		46	Program Specialist III	Program Supervisor II
		48	Program Specialist III	Program Supervisor II
		52	Program Specialist I	Curator I
		53	Program Specialist I	Network Specialist II
		54	Program Specialist III	Program Supervisor II
		55	Program Specialist IV	Information Specialist IV
		59	Program Specialist I	Volunteer Services Coordinator III
		63	Program Specialist III	Program Supervisor II
		65	Program Specialist II	Executive Assistant II
		68	Program Specialist III	Program Supervisor II
809	Preservation Board	1	Program Specialist IV	Program Supervisor III
		4	Program Specialist III	Graphic Designer III
		5	Program Specialist I	Historian II
		9	Program Specialist III	Program Supervisor III
		11	Program Specialist I	Audio/Visual Technician IV
813	Commission on the Arts	1	Program Specialist IV	Grant Coordinator II

Table 3 shows the 13 employee positions that agencies reclassified within the same job classification series but at a higher salary group.

Table 3

Positions Reclassified within Their Same Job Classification Series with a Higher Salary Group				
Agency No.	Agency	Employee Number	Former Job Classification Title	Job Classification Title After Reclassification
327	Employees Retirement System	17	Program Specialist I	Program Specialist III
		23	Program Specialist II	Program Specialist III
332	Department of Housing and Community Affairs	2	Program Specialist III	Program Specialist V
		11	Program Specialist III	Program Specialist IV
401	Adjutant General's Department	11	Program Specialist I	Program Specialist IV
452	Department of Licensing and Regulation	34	Program Specialist II	Program Specialist IV
		42	Program Specialist II	Program Specialist IV
503	Texas Medical Board	1	Program Specialist II	Program Specialist IV
		2	Program Specialist III	Program Specialist IV
554	Animal Health Commission	4	Program Specialist II	Program Specialist IV
		5	Program Specialist I	Program Specialist IV
701	Texas Education Agency	236	Program Specialist III	Program Specialist IV
771	School for the Blind and Visually Impaired	4	Program Specialist III	Program Specialist IV

Table 4 shows the two positions that were reclassified within the same job classification series but at a lower salary group. The reclassifications, however, did not result in a salary decrease.

Table 4

Positions Reclassified within Their Same Job Classification Series with a Lower Salary Group				
Agency No.	Agency	Employee Number	Former Job Classification Title	Job Classification Title After Reclassification
407	Commission on Law Enforcement Officer Standards and Education	3	Program Specialist IV	Program Specialist III
580	Water Development Board	33	Program Specialist VI	Program Specialist V

Table 5 shows the three positions for which job duties were restructured so they could remain in their current job classification titles and be properly classified.

Table 5

Positions That Had Their Job Duties Restructured			
Agency No.	Agency	Employee Number	Current Job Classification
401	Adjutant General's Department	5	Program Specialist V
		14	Program Specialist I
772	School for the Deaf	11	Program Specialist IV

Minimum, Maximum, and Average Salary by Agency and Job Classification Series

Table 6 shows the minimum, maximum, and average salary by agency and job classification series for employees within this review.

Table 6

Agency Number	Agency	Job Classification Series	Minimum Salary	Maximum Salary	Average Salary
212	Texas Judicial Council Office of Court Administration	Program Specialist	$36,764	$71,400	$43,569
243	State Law Library [a]	Program Specialist	Not Applicable	Not Applicable	Not Applicable
303	Texas Facilities Commission	Program Specialist	$46,625	$65,944	$55,139
306	Library and Archives Commission	Program Specialist	$36,768	$55,295	$44,422
312	State Securities Board	Program Specialist	$37,800	$70,212	$52,660
313	Department of Information Resources	Program Specialist	$51,200	$86,160	$69,588
323	Teacher Retirement System	Program Specialist	$41,606	$87,306	$60,657
327	Employees Retirement System	Program Specialist	$38,603	$79,376	$55,262
332	Department of Housing and Community Affairs	Program Specialist	$36,764	$81,641	$55,960
333	Office of State-Federal Relations	Program Specialist	$55,000	$72,000	$61,667
338	Pension Review Board	Program Specialist	$42,438	$42,438	$42,438
347	Public Finance Authority	Program Specialist	$48,691	$48,691	$48,691
356	Texas Ethics Commission [a]	Program Specialist	Not Applicable	Not Applicable	Not Applicable
357	Office of Rural Community Affairs	Program Specialist	$41,606	$95,157	$58,485
362	Texas Lottery Commission	Program Specialist	$36,764	$81,553	$52,361
370	Residential Construction Commission	Program Specialist	$36,769	$72,000	$44,348
401	Adjutant General's Department	Program Specialist	$44,254	$82,903	$63,142
403	Veterans Commission	Program Specialist	$43,024	$63,086	$53,063
407	Commission on Law Enforcement Officer Standards and Education	Program Specialist	$36,765	$53,329	$43,693
409	Commission on Jail Standards	Program Specialist	$40,392	$42,983	$41,687
411	Commission on Fire Protection	Program Specialist	$42,072	$62,886	$48,867
448	Office of Injured Employee Counsel	Program Specialist	$58,140	$62,967	$61,553
450	Department of Savings and Mortgage Lending	Program Specialist	$36,765	$36,765	$36,765
451	Department of Banking	Program Specialist	$41,004	$60,633	$49,660
452	Department of Licensing and Regulation	Program Specialist	$36,764	$76,818	$50,332
456	Board of Plumbing Examiners	Program Specialist	$57,443	$59,235	$58,339
458	Alcoholic Beverage Commission	Program Specialist	$36,765	$52,678	$44,066

Minimum, Maximum, and Average Salary by Agency and Job Classification Series					
Agency Number	Agency	Job Classification Series	Minimum Salary	Maximum Salary	Average Salary
466	Office of Consumer Credit Commissioner [a]	Program Specialist	Not Applicable	Not Applicable	Not Applicable
473	Public Utility Commission of Texas	Program Specialist	$38,235	$94,040	$71,452
476	Racing Commission	Program Specialist	$47,068	$66,148	$57,649
477	Commission on State Emergency Communications	Program Specialist	$53,294	$54,980	$54,137
479	State Office of Risk Management	Program Specialist	$60,563	$77,318	$68,940
481	Board of Professional Geoscientists	Program Specialist	$45,274	$45,274	$45,274
503	Texas Medical Board	Program Specialist	$36,764	$61,156	$46,337
504	Board of Dental Examiners [a]	Program Specialist	Not Applicable	Not Applicable	Not Applicable
507	Texas Board of Nursing	Program Specialist	$43,956	$51,955	$48,643
508	Board of Chiropractic Examiners	Program Specialist	$36,769	$36,769	$36,769
512	Board of Podiatric Medical Examiners [a]	Program Specialist	Not Applicable	Not Applicable	Not Applicable
515	Board of Pharmacy	Program Specialist	$36,765	$58,468	$44,609
542	Cancer Prevention and Research Institute of Texas	Program Specialist	$39,118	$44,309	$41,713
554	Animal Health Commission	Program Specialist	$39,474	$66,914	$53,619
578	Board of Veterinary Medical Examiners [a]	Program Specialist	Not Applicable	Not Applicable	Not Applicable
580	Water Development Board	Program Specialist	$37,867	$85,733	$59,882
592	Soil and Water Conservation Board	Program Specialist	$44,254	$69,899	$61,566
665	Juvenile Probation Commission	Program Specialist	$41,702	$57,725	$48,462
701	Texas Education Agency	Program Specialist	$36,765	$82,521	$56,622
771	School for the Blind and Visually Impaired	Program Specialist	$37,504	$59,064	$53,052
772	School for the Deaf	Program Specialist	$47,401	$59,084	$53,069
808	Historical Commission	Program Specialist	$36,764	$64,378	$48,101
809	Preservation Board	Program Specialist	$41,616	$55,100	$47,093
813	Commission on the Arts [a]	Program Specialist	Not Applicable	Not Applicable	Not Applicable

Lowest Minimum Salary at All Agencies	Highest Maximum Salary at All Agencies	Average Salary for All Agencies
$36,764	$95,157	$54,655

[a] This agency had employees within the scope of this review. After further review, however, it was determined that none of the agency's employees was classified as a program specialist.

Part 4

The Appropriate Classification for Certain Employees Will Be Determined After the Implementation of the State's Position Classification Plan for the 2010-2011 Biennium

Agencies were notified that the 40 positions listed in Table 7 were potentially misclassified. However, agencies were not asked to make a determination regarding the appropriate classification of these positions at the time of this review. The salaries for these positions were higher than the salary ranges for the job classifications in the State's Position Classification Plan for the 2008-2009 biennium that may have been more appropriate for the duties they perform. However, after the State's Position Classification Plan for the 2010-2011 biennium is implemented on September 1, 2009, new job classifications with higher salary ranges may be more appropriate.

Table 7

Positions That May Have More Appropriate Job Classifications After the Implementation of the State's Position Classification Plan for the 2010-2011 Biennium

Agency No.	Agency	Employee Number	Current Job Classification Title	Job Classification Series That May Be More Appropriate in the 2010-2011 Biennium
313	Department of Information Resources	1	Program Specialist VI	Marketing Specialist
		14	Program Specialist VII	Information Specialist
327	Employees Retirement System	30	Program Specialist I	Retirement Benefits Specialist
323	Teacher Retirement System	65	Program Specialist I	Retirement Benefits Specialist
		30	Program Specialist IV	Retirement Benefits Specialist
		1	Program Specialist IV	Retirement Benefits Specialist
		18	Program Specialist IV	Retirement Benefits Specialist
		42	Program Specialist V	Retirement Benefits Specialist
		28	Program Specialist V	Retirement Benefits Specialist
		54	Program Specialist V	Retirement Benefits Specialist
		51	Program Specialist V	Executive Assistant
		24	Program Specialist V	Retirement Benefits Specialist
		49	Program Specialist V	Retirement Benefits Specialist
		66	Program Specialist V	Retirement Benefits Specialist
		79	Program Specialist V	Retirement Benefits Specialist
		71	Program Specialist V	Retirement Benefits Specialist
		15	Program Specialist V	Retirement Benefits Specialist
		69	Program Specialist V	Retirement Benefits Specialist

Positions That May Have More Appropriate Job Classifications After the Implementation of the State's Position Classification Plan for the 2010-2011 Biennium				
Agency No.	Agency	Employee Number	Current Job Classification Title	Job Classification Series That May Be More Appropriate in the 2010-2011 Biennium
		47	Program Specialist V	Retirement Benefits Specialist
		23	Program Specialist V	Retirement Benefits Specialist
		21	Program Specialist V	Executive Assistant
		170	Program Specialist VI	Retirement Benefits Specialist
		29	Program Specialist VI	Retirement Benefits Specialist
		78	Program Specialist VI	Executive Assistant
		43	Program Specialist VII	Human Resources Specialist
		73	Program Specialist VII	Human Resources Specialist
362	Texas Lottery Commission	25	Program Specialist II	Legal Secretary
473	Public Utility Commission of Texas	17	Program Specialist VI	Economist
		32	Program Specialist VII	Executive Assistant
		37	Program Specialist VII	Economist
554	Animal Health Commission	3	Program Specialist V	Executive Assistant
580	Water Development Board	40	Program Specialist VI	Executive Assistant
		7	Program Specialist VII	Marketing Specialist
		21	Program Specialist IV	Technical Writer or Editor [a]
701	Texas Education Agency	6	Program Specialist VI	Management Analyst
		12	Program Specialist VI	Technical Writer
		173	Program Specialist VI	Grant Coordinator
		187	Program Specialist VI	Grant Coordinator
		230	Program Specialist VI	Grant Coordinator
		84	Program Specialist V	Grant Coordinator

[a] The editor job classification series will not be implemented until the 2010-2011 biennium, but this employee was included in this table because technical writer, which is in the State's Position Classification Plan for the 2008-2009 biennium, may be more appropriate.

As discussed above, when the changes are implemented to the State's Position Classification Plan for the 2010-2011 biennium, new job classification levels within the classification series may be more appropriate for the employees listed in Table 7. Salary ranges for these new levels will alleviate salary-related issues for 90 percent of the employees for whom the agencies may determine would be more appropriately classified within a more specific job classification series.

Objective, Scope, and Methodology

Objective

The objective of this classification compliance review was to determine whether agencies are conforming to the State's Position Classification Plan by ensuring proper classification of positions.

Scope

The scope of this review included employees classified within the program specialist job classification series, as well as other positions identified as performing similar work but classified in other job classification series at state agencies.

Methodology

In determining whether positions were appropriately classified, the State Auditor's Office's State Classification Team reviewed the following:

- State job descriptions.
- Surveys completed by employees and verified by their supervisors.
- Internal salary relationships.

The State Classification Team uses the classification method of job evaluation when reviewing positions and determining proper classifications. These classification determinations are primarily based on the comparison of duties and responsibilities being performed with the state job description for each position.

When determining proper classification, the State Classification Team does not focus on specific differences between one level and the next in a job classification series (for example, a Program Specialist I position compared with a Program Specialist II position). Instead, the team considers whether an employee is appropriately classified within broad responsibility levels, such as staff Program Specialists (Program Specialist I, Program Specialist II, and Program Specialists III positions) or senior Program Specialists (Program Specialist IV, Program Specialist V, Program Specialists VI, and Program Specialist VII positions).

The State Classification Team has an automated job evaluation process. A database was populated with information regarding the employees whose positions were being reviewed. Staff members in the agencies' human resources departments verified the information in the database to ensure that all positions were included. Employees were then asked to complete online surveys describing the work they perform and the percentage of time they spend performing their duties. Supervisors were asked to review and verify employees' survey responses.

Completed survey results were entered into the automated job evaluation system. After the State Classification Team's review and analysis, the automated job evaluation system made an initial determination about whether the positions were appropriately classified. Agencies were given the opportunity to review and address potential misclassifications.

To address each potential misclassification, agencies could reclassify an employee to a job classification title consistent with the work performed, change an employee's duties to conform to the assigned job classification title, or provide justification to explain why an employee was appropriately classified.

The State Classification Team made follow-up calls to determine and validate proper classification of positions and to gather additional information to resolve discrepancies.

Project Information

Fieldwork was conducted from March 2009 through June 2009. On September 1, 2009, changes will be implemented to the State's Position Classification Plan (see *A Biennial Report on the State's Position Classification Plan,* State Auditor's Office Report No. 09-701, October 2008). Agencies should review positions to determine whether any new job classification series would be more appropriate for selected positions.

This review was conducted under the requirements of Texas Government Code, Section 654.036 (3). This project was a review; therefore, the information in this report was not subjected to all the tests and confirmations that would be performed in an audit. However, the information in this report was subject to certain quality control procedures to ensure accuracy and compliance with generally accepted compensation practices.

The following employees of the State Auditor's staff prepared this report:

- Sharon Schneider, PHR (Project Manager)
- Stacey McClure, MBA, CCP, PHR
- Juliette Torres, CCP, PHR
- Leslie P. Ashton, CPA (Quality Control Reviewer)
- Nicole Guerrero, MBA, CIA, CGAP, CICA (Audit Manager)

Part 6

Recent State Auditor's Office Work

Recent SAO Work		
Number	Product Name	Release Date
09-705	A Classification Compliance Review Report on the State's Maintenance Assistant and Maintenance Technician Positions	February 2009
09-701	A Biennial Report on the State's Position Classification Plan	October 2008
08-706	A Classification Compliance Review Report on the State's Procedures and Information Positions	May 2008

Internal Audit Division

BOARD ACTION REQUEST

October 14, 2009

Action Items

Presentation and discussion of the peer review process.

Required Action

None, information item only.

Background

The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*, the *Government Auditing Standards*, and the Internal Auditing Act (Texas Government Code, Chapter 2102) require the internal audit division to undergo a peer review every three years. The peer review process is an outside review of the division's policies, procedures and functions designed to ensure that the internal audit division is complying with audit standards. The peer review for the Department's internal audit division is scheduled for the week of November 9, 2009.

Recommendation

No action is required.

TDHCA BOARD MEETING

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

A G E N D A

9:30 am
October 15, 2009

Capitol Extension, E1.036
1300 N. Congress
Austin, TX 78701

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.

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:

Executive: — Tim Irvine, Chief of Staff

a) Presentation, Discussion, and Possible Approval of Audit Committee Items

b) Presentation, Discussion, and Possible Approval of Minutes from July 16, 2009 and July 30, 2009

c) Presentation, Discussion, and Possible Approval of a policy regarding the voluntary early termination of certain land use restriction agreements

d) Resolution of the Board of Directors rescinding Resolution No. 09-038 and adopting Resolution No. 10-001, designating signature authority due to reorganization and the designation of new signature designees

Community Affairs: — Stuart Campbell, Program Mgr. CA

e) Presentation, Review and Possible Approval of 2010 Emergency Shelter Grants Program (ESGP) Notice of Funding Availability (NOFA)

Multifamily Division Items - Housing Tax Credit Program: — Robbye Meyer, Dir. Multifamily Finance

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

060118	Sunset Haven	Brownsville
060071	Retama Village Apartments	McAllen

Compliance and Asset Oversight: — Patricia Murphy, Chief Asset Oversight & Compliance

g) Presentation, Discussion, and Possible Adoption of Resolution Number 10-003 concerning the holding of real estate beyond three year limitation, authorize new disposition strategy, and direct application of net proceeds

h) Presentation, Discussion and Possible Approval for publication in the *Texas Register* notice of proposed amendments to 10 TAC, Chapter 60, Subchapter A, §60.102 and §60.105

Bond Finance: — Matt Pogor, Dir. Bond Finance

i) Presentation, Discussion and Approval of Resolution No. 10-002 authorizing application to the Texas Bond Review Board for reservation of H.R. 3221 single family private activity bond authority in the amount of $60 million and presentation, discussion and approval of a Mortgage Credit Certificate Program (MCC) for first-time homebuyers (Program 75) to be administered by the Texas Department of Housing and Community Affairs

j) Presentation, Discussion, and Possible Approval of granting staff the authority to prepare and publish a request for proposals to seek a financial advisor

Office of Colonia Initiatives: — Homero Cabello, Dir. OCI

k) Presentation, discussion and possible approval of the 2010 & 2011 Housing Trust Fund – Texas Department of Housing and Community Affairs (TDHCA) Texas Bootstrap Loan Program Notice of Funding Availability (NOFA)

Housing Trust Fund: — Sharon Gamble, Program Mgr. HTF

l) Presentation, Discussion and Possible Approval of Requests for Amendments to Housing Trust Fund Program Awards from the following list:

08335	Meadow Park Village	HTF Multifamily

Disaster Recovery: — Sara Newsom, DED – Disaster Recovery and Emrgy. Housing

m) Presentation and Report on homes considered and reviewed by the Executive Director for services for local code requirements that exceed the established cap of $10,000

Multifamily Division Items – Private Activity Bond Program — Robbye Meyer, Dir. Multifamily Finance

n) Presentation, Discussion and Possible Approval of Senior Managing, Co-Senior Managing, Co-Managing and/or Remarketing Agent Investment Banking Firms for Multifamily Mortgage Revenue Bond Transactions.

HOME — Jeannie Arellano, Dir. HOME Programs

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

Owner-Occupied Housing Assistance Program

2009-0019	City of Cooper	Cooper
2009-0022	City of Weimar	Weimar
2009-0023	City of Bloomburg	Bloomburg
2009-0024	City of Huntsville	Huntsville
2009-0025	Community Development Corp. of Brownsville	Brownsville
2009-0032	City of Gatesville	Gatesville

Community Housing Development Organization Rental Housing Development Program

09138	Belmont Senior Village	Leander

ACTION ITEMS

Item 2: Multifamily Division Items - Housing Tax Credit Program:

Robbye Meyer, Dir. Multifamily Finance

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

060053	Candletree Apartments	Fort Worth
060087	Sphinx at Alsbury	Burleson
060111	Evergreen at Rockwall	Rockwall
08300	Blackshear	San Angelo
05629	Village Park	Houston

b) Presentation, Discussion and Possible Approval of Policy Clarification Regarding the Exchange Program and the 10% Test and Placed in Service Deadlines

c) Presentation, Discussion, and Possible Approval of Forward Commitments from the 2010 State Housing Credit Ceiling for the Allocation of Competitive Housing Tax Credits

Item 3: HOME Program Division:

Jeannie Arellano, **Dir. HOME**

a) Presentation, Discussion and Possible Approval of Policy Clarifications Regarding the Regional Allocation of the Remainder of the Tax Credit Assistance Program Funds and the inclusion of an Additional Draw at 75% Completion

Item 4: Appeals:

a) Presentation, Discussion, and Possible Action on Multifamily Program Appeals: — Robbye Meyer, Dir. Multifamily Finance

Appeals Timely Filed

b) Presentation, Discussion, and Possible Action for Tax Credit Assistance Program Appeals: — Jeannie Arellano, Dir. HOME Programs

09727	The Mirabella

Appeals Filed Timely

c) Presentation, Discussion, and Possible Action for 2009 Competitive Housing Tax Credit and HOME Appeals of Underwriting: — Brent Stewart, Dir. REA

Appeals Timely Filed

d) Presentation, Discussion, and Possible Action for Underwriting Appeals

Appeals Timely Filed

Item 5: Rules:

Homero Cabello, Dir. OCI

a) Presentation, Discussion, and Possible Approval for publication in the *Texas Register* a final order adopting repeal of Title 10, Texas Administrative Code (TAC), Part 1, Chapter 2, Texas Bootstrap Loan Program Rules and final order adopting new Title 10, Texas Administrative Code (TAC), Part 1, Chapter 2, Texas Bootstrap Loan Program Rules

Item 6: Bond Finance:

Matt Pogor, Dir. Bond Finance

a) Presentation, Discussion and Approval of Resolution No. 10-004 authorizing application to the Texas Bond Review Board for reservation of the 2009 single family private activity bond authority

Item 7: Disaster Recovery:

Sara Newsom, DED – Disaster Recovery and Emrgy. Housing

a) Presentation, Discussion and Possible Approval of a policy to enable the Department to provide assistance to homeowners under Hurricane Rita Round 2 based on notification to and consent from lien holders

b) Presentation, Discussion and Possible Approval of Request for Change in the Maximum Benefit Limitation for Elevation Assistance to the Homeowner Assistance Program (HAP) and Sabine Pass Restoration Program (SPRP) for CDBG Disaster Recovery Rita Round 2

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

C06003	South East Texas Regional Planning Commission

d) Presentation, Discussion and Approval of Potential Policy Changes to the Current NOFA to Allow Current Applications to be funded

e) Presentation, Discussion, and Possible Approval of CDBG Disaster Recovery Program Award Recommendations for the $58 million affordable rental housing set-aside related to Hurricanes Ike and Dolly

09815	Tidwell Estates	Houston
09801	Beacon Bay	Port Isabel
09817	Bayou Bend	Houston
09800	Arthur Robinson Apartments	Orange

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.

c) Consultation with Attorney Pursuant to §551.071(1) and (2), Texas Government Code including:

1. 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

2. With Respect to pending litigation styled M.G. Valdez Ltd. v. Texas Department of Housing and Community Affairs filed in District Court, Hidalgo County

3. With Respect to EEOC Claim from Don Duru

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

5. Potential sale of agency owned real estate and/or sales of loans, pursuant to §551.072, Texas Government Code

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

REPORT ITEMS — Kent Conine, Chairman

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

2. HTC Quarterly Reports

3. TDHCA Outreach Activities, July 2009

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.

ORAL PRESENTATION

BOARD SECRETARY

BOARD ACTION REQUEST

OCTOBER 15, 2009

Action Items

Presentation, Discussion, and Possible Approval of Board Meeting Minutes for July 16, 2009 and July 30, 2009.

Required Action

Review minutes for July 16, 2009 and July 30, 2009 Board Meetings.

Background

The Board is required to keep minutes of each of their meetings.

Recommendation

Staff recommends approval of minutes, with any requested corrections.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

July 16, 2009; 8:00 am

Capitol Extension, E2.036, Austin, TX 78701

SUMMARY OF MINUTES

CALL TO ORDER, ROLL CALL, CERTIFICATION OF QUORUM

The Board Meeting of the Texas Department of Housing and Community Affairs of July 16, 2009 was called to order by Chair, Kent Conine, at 8:15 a.m. It was held at the Capitol Extension, E2.036, Austin, TX 78701. Roll call certified a quorum was present.

Members Present:
Kent Conine, Chair
Gloria Ray, Vice Chair
Tom H. Gann, Member
Juan Muñoz, Member
Members Absent:
Leslie Bingham-Escareño, Member
Tom Cardenas, Member

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
Granger MacDonald, provided testimony.
Walter Moreau, director of Foundation Communities, provided testimony in favor of M Station, project 09-130.
The Honorable Dora Olivo, provided testimony in opposition to 09-167, Fondren Ranch.
Deloris Eli, provided testimony in opposition to 09-167, Fondren Ranch.
Mary Ross, provided testimony in opposition to 09-167, Fondren Ranch.
Sterling Patrick, Director of Grants and Housing, city of Galveston, provided testimony regarding, 6(a), project number 20090010.
Robin Sisco , Langford Community Management Services, provided testimony regarding the NOFA for the 2009 OCC Program.
Heather Hancock, John H. Carry & Associates, provided testimony in favor of 09316 and 09317.
Belinda Carlton, policy specialist, Texas Council for Developmental Disabilities, provided testimony concerning the Housing Trust Fund.

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 the Texas Open Meetings Act, Chapter 551 of the Texas Government Code.

AGENDA ITEM 1: Approval of the following items presented in the Board materials:

Executive Division:
a) Presentation, Discussion, and Possible Approval of Board Meeting Minutes for May 21, 2009, June 25, 2009, and June 29, 2009
b) Designation of Tom Gann as a member of the Audit Committee

Housing Trust Fund:
c) Presentation, Discussion, and Possible Approval of Housing Trust Fund Program Award Recommendations:
2009-0014 Webb County VRA

Financial Administration:
d) Presentation and Discussion of the 3rd Quarter Investment Report

HOME Program

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

Tenant-Based Rental Assistance Program – Persons With Disabilities

2008-0168	Spindletop MHMR	Beaumont
2009-0180	Coastal Bend Center for Independent Living	Corpus Christi

Owner Occupied Housing Assistance Program – Disaster Relief

2009-0018	Bastrop County	Bastrop
2008-0164	City of Lyford	Lyford

Rental Housing Development Program

09500	Brookhollow Manor	Brookshire
09501	Chisum Trail Apartments	Sanger

f) Presentation, Discussion, and Possible Approval of the 2009 HOME Single Family Housing Programs for Persons with Disabilities and Contract for Deed Conversion Program Notices of Funding Availability (NOFAs)

g) Presentation, Discussion, and Possible Approval of Revisions to the 2009 HOME Rental Housing Development (RHD) Program, 2009 Single Family (Owner-Occupied Housing Assistance, Tenant-Based Rental Assistance, and Homebuyer Assistance Programs), and 2009 Colonia Model Subdivision and Single Family Development Notices of Funding Availability (NOFAs)

h) Presentation, Discussion, and Possible Approval of Housing Trust Fund Owner-Occupied Housing Assistance Gap Financing Contracts for HOME Program Contracts:

1000602	Orange County	OCC-DR
1000603	Hardin County	OCC-DR

i) Presentation, Discussion, and Possible Approval of Requests for Amendments to HOME Program Contracts/Commitments from the following list:

1000956	Special Health Resources of Texas, Inc.	TBRA

Multifamily Division Items - Housing Tax Credit Program:

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

05165	Lincoln Park Apartments	Houston
05447	Providence Place II Apartments	Denton
060405	Sea Breeze Seniors Apartments	Corpus Christi
060408	Amberwood	El Paso
060609	The Residences at Sunset Pointe	Ft. Worth
060014	Nacogdoches Senior Village	Nacogdoches
060071	Retama Village	McAllen
060072	Easterling Village	Alice
07090	Thomas Ninke Senior Village	Victoria
07149	Residences at Eastland	Ft. Worth
07198	West Durango Apartments	San Antonio
07203	The Melbourne Apartments	Alvin
03178	Jacinto Manor	Jacinto City
04296	Lake Jackson Manor	Lake Jackson

Multifamily Division Items–Private Activity Bond Program:

k) Presentation, Discussion, and Possible Approval of Trustees for the Multifamily Mortgage Revenue Bond Transactions

l) Presentation, Discussion, and Possible Approval of Senior Managing, Co-Senior Managing, Co-Managing and/or Remarketing Agent Investment Banking Firms for Multifamily Mortgage Revenue Bond Transactions

m) 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

Community Affairs:

k) Presentation, Discussion, and Possible Approval of Section 8 5-Year and 2010 Annual Public Housing Agency (PHA) Plan

Bond Finance:

l) 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 fiscal year 2010

m) Presentation, Discussion, and Possible Approval of Resolution 09-045 authorizing the issuance of Residential Mortgage Revenue Bonds, 2009 Series A, and Residential Mortgage Revenue Refunding Bonds, 2009 Series B (Program 74)

Items 1(f), 1(g) and 1(p) were pulled from Consent Agenda for further discussion.
Motion by Mr. Gann to approve Consent Agenda Items 1(a)-(e) and 1(h)-(o); seconded by Ms. Ray; passed unanimously.

1(f)-(g) Robin Sisco, Langford Community Management Services, provided testimony.
Motion by Ms. Ray to table items 1(f)-(g) until next meeting; seconded by Mr. Gann. Ms. Ray amended motion to table for a time later in the day for resolution; seconded by Mr. Gann; passed unanimously.

1(p) **Motion by Ms. Ray to approve staff recommendation to approve resolution 09-045; seconded by Mr. Gann; passed unanimously.**

ACTION ITEMS

AGENDA ITEM 2: Audit Committee:

a) Report of the Audit Committee.

Report item only. No action taken.

AGENDA ITEM 3: Rules:

a) Presentation, Discussion, and Possible Approval to publish a draft of proposed rules for Disaster Recovery programs, 10 TAC §§54.1-54.2, for comment in the *Texas Register*

Motion by Ms. Ray to approve staff recommendation; seconded by Dr. Muñoz; passed unanimously.

b) Presentation, Discussion and Possible Approval to publish the proposed repeal of Title 10, Texas Administrative Code, Part 1, Chapter 2, Texas Bootstrap Loan Program, and to publish proposed new Title 10, Texas Administrative Code, Part 1, Chapter 2, Texas Bootstrap Loan Program for public comment in the *Texas Register*

John Henneberger, Texas Low Income Housing Information Service, provided testimony.
Matt Hull, executive director, Habitat for Humanity of Texas, provided testimony.
Motion by Ms. Ray to approve staff recommendation, as amended; seconded by Mr. Gann; passed unanimously.

THE BOARD TOOK A BRIEF RECESS.

AGENDA ITEM 4: EXECUTIVE:

a) PRESENTATION AND DISCUSSION OF A MONTHLY STATUS REPORT ON THE IMPLEMENTATION OF THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

REPORT ITEM ONLY. NO ACTION TAKEN.

b) Presentation, Discussion, and Possible Action to adopt Governing Board Policy regarding the Low Income Housing Tax Credit Exchange pursuant to §1602 of the American Recovery and Reinvestment Act of 2009

David Koogler, Mark Dana Corporation, provided testimony.
John Henneberger, Texas Low Income Housing Information Service, provided testimony.
Granger MacDonald, provided testimony.
Mike Sugrue, provided testimony.
Jeff Crozier, executive director of Rural Rental Housing Association, provided testimony.
Tom Langdon, Oak Hills Housing Fund, provided testimony.
Barry Palmer, Coats Rose Law Firm, provided testimony.
Tamea Dula, Coats Rose Law Firm, provided testimony.
Patrick Barbola, Fountainhead Companies, provided testimony.
Michael Hartman, Roundstone Development, provided testimony.
Tony Sisk, Churchill Residential, provided testimony.
No action taken.

c) Presentation, Discussion and Possible Approval of one or more amendments to the Tax Credit Assistance Program Plan, including possible extension of the application deadline.

Motion by Mr. Gann to approve staff recommendation to extend the initial deadline one week; seconded by Ms. Ray; passed unanimously.

THE BOARD TOOK A BRIEF RECESS.

AGENDA ITEM 5: Disaster Recovery:

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

Richie Suarez, Heston Group, provided testimony.

No action taken.

b) Report and Discussion on the Hurricane Ike and Dolly Action Plan

No action taken.

c) Presentation, Discussion, and Possible Approval to report on homes considered and reviewed by the Executive Director for services for local code requirements that exceed the established cap of $10,000

No action taken.

d) Presentation, Discussion, and Possible Approval of CDBG Disaster Recovery Program Award Recommendations.

Hurricane Ike Housing Assistance Programs

09-0002	East Texas Council of Governments
09-0003	Harris County
09-0004	South East Texas Regional Planning Commission
09-0005	Montgomery County
09-0008	City of Galveston
09-0014	Galveston County

John Henneberger, Texas Low Income Housing Information Service, provided testimony.

Motion by Ms. Ray to approve conditionally the staff recommendation; seconded by Mr. Gann; passed unanimously.

e) Presentation, Discussion, and Possible Approval to program remaining funds dedicated to Sabine Pass in the State of Texas Action Plan

Motion by Dr. Muñoz to approve staff recommendations 1 and 3, eliminating recommendation 2, not to exceed $2 million without board approval; seconded by Ms. Ray; passed unanimously.

f) Presentation, Discussion, and Possible Approval of a board policy on specific homes that exceed the cap established to address accessibility requirements outside of structure costs for development of homes in Hurricane Rita Round 2

Motion by Ms. Ray to adopt a policy granting the executive director the authority to evaluate and grant an increase on a case-by-case basis based on an executive team review, and bring extraordinary cases back to the Board for approval; seconded by Mr. Gann; passed unanimously.

g) Presentation, Discussion, and Possible Approval to increase the insurance cap for wind storm coverage and flood insurance under Hurricane Rita Round 2 awards

Withdrawn from consideration until next meeting.

h) Presentation, Discussion, and Possible Approval of Request for Amendments to CDBG Disaster Recovery housing contracts administered by TDHCA for CDBG Hurricane Rita Round 1 Funding

7060003 South East Texas Regional Planning Commission

Motion by Ms. Ray to approve staff recommendation; seconded by Mr. Gann; passed unanimously.

EXECUTIVE SESSION

At 12:15 p.m. Mr. Conine convened the Executive Session.

a) 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.

b) Consultation with Attorney Pursuant to §551.071, Texas Government Code:

c) 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
   1. With Respect to pending litigation styled M.G. Valdez Ltd. v. Texas Department of Housing and Community Affairs filed
   2. With Respect to EEOC Claim from Don Duru
   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

At 1:30 p.m. Mr. Conine reconvened the Open Session and announced that no action had been taken during the Executive Session and certified that the posted agenda had been followed.

HOME Program

g) Presentation, Discussion, and Possible Approval of Revisions to the 2009 HOME Rental Housing Development (RHD) Program, 2009 Single Family (Owner-Occupied Housing Assistance, Tenant-Based Rental Assistance, and Homebuyer Assistance Programs), and 2009 Colonia Model Subdivision and Single Family Development Notices of Funding Availability (NOFAs)

Motion by Ms. Ray to take item 1 g) off the table for further discussion; seconded by Mr. Gann; passed unanimously.

Motion by Ms. Ray to accept and publish the wording for item 1 g) as amended by the staff; seconded by Dr. Muñoz; passed unanimously.

Motion by Dr. Muñoz to reconsider item 1 f) to amend wording, as in 1 g) for consistency; seconded by Mr. Gann; passed unanimously.

AGENDA ITEM 6: Neighborhood Stabilization Program Division:

a) Presentation, Discussion, and Possible Action for Appeals

20090078	City of Nacogdoches	Nacogdoches

Lila Fuller, city secretary for the City of Nacogdoches, provided testimony.

Motion by Dr. Muñoz to approve staff recommendation; seconded by Mr. Gann; passed unanimously.

20090010	City of Galveston	Galveston

Sterling Patrick, director of grants and housing for the City of Galveston, provided testimony.

Motion by Dr. Muñoz to grant appeal; seconded by Ms. Ray; passed unanimously.

b) Presentation, Discussion, and Possible Approval of Texas Neighborhood Stabilization Program Award Recommendations from the List of the Following Applications

20090001	Texas State Affordable Housing Corporation	Multiple
20090015	City of Elgin	Bastrop
20090079	Fort Hood Area Habitat for Humanity	Bell
20090025	San Antonio Alternative Housing Corporation	Bexar
20090052	Housing and Community Services, Inc.	Bexar
20090011	Cevallos Lofts, Ltd., NRP Holdings LLC	Bexar
20090013	Housing Authority of the City of San Benito	Cameron
20090005	Brownsville Housing Authority	Cameron
20090023	City of Harlingen	Cameron
20090050	Community Development Corporation of Brownsville	Cameron
20090020	City of Bryan	Brazos
20090056	Inclusive Communities Project	Collin
20090066	Plano Housing Corporation	Collin
20090080	Texoma Housing Finance Corporation	Cooke
20090002	Fort Hood Area Habitat for Humanity	Coryell
20090006	City of Irving	Dallas
20090019	Central Dallas Community Development Corporation	Dallas
20090053	Builders of Hope CDC	Dallas
20090055	City of Garland	Dallas
20090064	Frazier Revitalization Incorporated	Dallas
20090092	North Central Texas Housing Finance Corporation	Dallas
20090068	Friendship-West Promised Land Investment Corp.	Dallas
20090083	Inclusive Communities Project	Denton
20090027	Plano Community Home Sponsor, Inc.	Denton

20090058	City of Odessa	Ector
20090012	City of El Paso	El Paso
20090073	North Central Texas Housing Finance Corporation	Ellis
20090081	Texoma Housing Finance Corporation	Fannin
20090010	City of Galveston	Galveston
20090071	Nautical Affordable Housing, Inc.	Galveston
20090024	City of Waelder	Gonzales
20090022	Texoma Housing Finance Corporation	Grayson
20090021	City of Seguin	Guadalupe
20090017	City of Houston	Harris
20090062	Harris County	Harris
20090076	Fifth Ward Community Redevelopment Corporation	Harris
20090077	Baytown Properties Mgmt. & Development Corp.	Harris
20090041	City of San Marcos	Hays
20090008	Affordable Homes of South Texas, Inc.	Hidalgo
20090069	Housing Authority of the County of Hidalgo	Hidalgo
20090043	Northwest Central Texas Housing Finance Corp.	Hood
20090009	City of Big Spring	Howard
20090088	North Central Texas Housing Finance Corporation	Hunt
20090054	City of Port Arthur	Jefferson
20090063	City of Beaumont	Jefferson
20090084	Northwest Central Texas Housing Finance Corp.	Johnson
20090040	City of Terrell	Kaufman
20090089	North Central Texas Housing Finance Corporation	Kaufman
20090060	City of Lubbock	Lubbock
20090030	FUTURO Communities, Inc.	Maverick
20090029	Neighborhood Housing Services of Waco, Inc.	McLennan
20090074	Grand Central Texas Development Corporation	McLennan
20090070	Midland County Housing Authority	Midland
20090078	City of Nacogdoches	Nacogdoches
20090090	North Central Texas Housing Finance Corporation	Navarro
20090003	Nautical Affordable Housing, Inc.	Orange
20090085	Northwest Central Texas Housing Finance Corp.	Parker
20090059	City of Amarillo	Potter
20090091	North Central Texas Housing Finance Corporation	Rockwall
20090004	Tarrant County Housing Partnerships, Inc.	Tarrant
20090065	Housing Authority of the City of Fort Worth	Tarrant
20090082	Habitat for Humanity, Abilene, Inc.	Taylor
20090072	Abilene Neighborhoods In Progress	Taylor
20090028	City of San Angelo	Tom Green
20090046	City of Austin	Travis
20090057	Travis County Housing Finance Corporation	Travis
20090026	City of Huntsville	Walker
20090007	City of Laredo	Webb
20090014	City of Taylor	Williamson
20090086	Northwest Central Texas Housing Finance Corp.	Wise

Motion by Dr. Muñoz to approve staff recommendation, removing the city of Midland and adding the city of Galveston; seconded by Ms. Ray;

c) Presentation, Discussion, and Permission to submit an Amendment to the Action Plan for the Texas Neighborhood Stabilization Program to the US Department of Housing and Urban Development if an Amendment is necessary to make the Action Plan consistent with the action taken by the Board in the award of Texas NSP contracts today

Motion by Ms. Ray to approve staff recommendation; seconded by Mr. Gann; passed unanimously.

d) Presentation, Discussion, and Permission to submit an application to the US Department of Housing and Urban Development for the second round of Neighborhood Stabilization Program (NSP 2) funding, derived from the American Recovery and Reinvestment Act of 2009

Motion by Ms. Ray to approve staff recommendation; seconded by Dr. Muñoz; passed unanimously.

AGENDA ITEM 7: Multifamily Division Items - Housing Tax Credit Program:

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

95005 Brandywood Apartments Pasadena

Motion by Ms. Ray to approve staff recommendation; seconded by Mr. Gann; passed unanimously.

05629 Village Park Apartments Houston

Blake Brazeal, provided testimony.

Motion by Mr. Gann to approve staff recommendation; seconded by Dr. Muñoz; passed unanimously.

b) Presentation, Discussion, and Possible Action on Housing Tax Credit Appeals:

09316 Champion Homes at Bay Walk Galveston

09317 Champion Homes at Marina Landing Galveston

Bill Fisher, Odyssey Residential, provided testimony.

Sterling Patrick, director of grants and housing for the City of Galveston, provided testimony.

Motion by Ms. Ray to approve staff recommendation to deny appeal; seconded by Mr. Gann; passed unanimously.

09201 Ventana Pointe Houston

Michael Lyttle, director of Public Affairs with TDHCA, read for the record, a letter from the Honorable State Representative Patricia Harless.

Dan Markson, NRP Group, provided testimony.

Mary Davis, executive director of Renaissance 1960, provided testimony.

Motion by Ms. Ray to approve staff recommendation; seconded by Mr. Gann; passed unanimously.

09314 Taylor Farms Dallas

Motion by Ms. Ray to approve staff recommendation; seconded by Dr. Muñoz; passed unanimously.

09107 Mexia Gardens Mexia

Frank Pollacia, architect from Plano, Texas, provided testimony.

Cynthia Bast, Locke Lord Liddell, provided testimony.

Patrick Barbola, Fountainhead Companies, provided testimony.

Motion by Dr. Muñoz to approve staff recommendation; seconded by Mr. Gann; passed unanimously.

09128 Willow Meadow Place Houston

Barry Palmer, Coats Rose Law Firm, provided testimony.

Motion by Ms. Ray to approve staff recommendation; seconded by Mr. Gann; passed unanimously.

09308 Village of Kaufman Kaufman

Owen Metz, provided testimony.

Motion by Mr. Gann to approve staff recommendation; seconded by Ms. Ray; passed unanimously.

09319 Casa Messina Edcouch

Withdrawn from consideration.

09233 Casa Alton Alton

Withdrawn from consideration.

09274 Windfern Apartments Houston

Cynthia Bast, Locke Lord Liddell, provided testimony.

J. Rippeto, Juniper Investment Group, provided testimony.

Motion by Mr. Gann to approve staff recommendation; seconded by Ms. Ray; passed unanimously.

09288 Chaminade Apartments San Antonio

Rod Radle, executive director of San Antonio Alternative Housing Corporation, provided testimony.

EXECUTIVE SESSION

At 3:40 pm p.m. Mr. Conine convened the Executive Session.

OPEN SESSION

At 3:55 p.m. Mr. Conine reconvened the Open Session and announced that no action had been taken during the Executive Session and certified that the posted agenda had been followed.

c) Presentation, Discussion, and Possible Action on Housing Tax Credit Appeals *continued*:

09288	Chaminade Apartments	San Antonio

Motion by Ms. Ray to grant appeal. Motion failed due to lack of a second. Motion by Mr. Gann to approve staff recommendation; seconded by Mr. Conine; Ms. Ray voted no; motion passed.

d) Presentation, Discussion, and Possible Action on Housing Tax Credit Appeals:

09236	Woodland Park I	Greenville
09238	Woodland Park II	Greenville

Mark Feaster, Hurst Development, provided testimony.

Motion by Dr. Muñoz to approve staff recommendations for Woodland Park I & II; seconded by Mr. Gann; passed unanimously.

09112	Point Royale	Victoria

Granger McDonald, provided testimony.

Motion by Mr. Gann to approve staff recommendation; seconded by Ms. Ray; passed unanimously.

09159	Malibu Apartments	Austin

Royce Mulholland, president and CEO of the Mulholland Group, provided testimony.

Sarah Andre, provided testimony.

Colby Denison, provided testimony.

The Honorable Senator Gonzalo Barrientos, provided testimony.

Motion by Dr. Muñoz to grant appeal; seconded by Ms. Ray; passed unanimously.

AGENDA ITEM 8: Real Estate Analysis Division:

a) Presentation, Discussion, and Possible Action for 2009 Competitive Housing Tax Credit Appeals of Underwriting
None filed.

AGENDA ITEM 9: HOME PROGRAM

a) Presentation, Discussion, and Possible Action for Appeals:
None filed.

REPORT ITEMS

1. TDHCA Outreach Activities, June 2009
2. Presentation of the current HOME Fund Balance Report
3. Presentation and Discussion of Challenges Made in Accordance with §49(17)(c) of the 2009 Qualified Allocation Plan and Rules (QAP) Concerning 2009 Housing Tax Credit (HTC) Applications

ADJOURN:

Since there was no other business to come before the Board, the meeting was adjourned at 4:43 p.m. on July 16, 2009.

____

Timothy K. Irvine, Board Secretary

NOTE: To view the full Transcript for this meeting, please visit the TDHCA website at: www.TDHCA.state.tx.us.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

July 30, 2009; 8:00 am

Capitol Extension Auditorium
1100 Congress Avenue, Austin, TX 78701

SUMMARY OF MINUTES

CALL TO ORDER, ROLL CALL, CERTIFICATION OF QUORUM

The Board Meeting of the Texas Department of Housing and Community Affairs of July 30, 2009 was called to order by Chair, Kent Conine, at 8:35 a.m. It was held at the Capitol Extension Auditorium, 1100 Congress Avenue, Austin, TX 78701. Roll call certified a quorum was present.

Members Present:

Kent Conine, Chair
Gloria Ray, Vice Chair
Tom H. Gann, Member
Juan Muñoz, Member
Leslie Bingham-Escareño, Member

Members Absent:

Tom Cardenas, Member

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

Madison Sloan, staff attorney with Texas Appleseed, provided testimony regarding the CDBG disaster recovery fund housing guidelines.
R. J. Collins, Tejas Housing, provided testimony in support of 09121, North Red Oak Seniors.
The Honorable Lee Leffingwell, mayor of the city of Austin, provided testimony in support of Malibu Apts.
Sandy Wilder, Steering Committee of the Austin Heights Neighborhood Association, provided testimony in favor M Station, # 09130.
Valerie Williams, senior vice president with Bank of America, provided testimony in support of M Station, # 09130.
Walter Moreau, executive director of Foundation Communities, provide testimony in support of M Station, # 09130.
The Honorable John Cowman, mayor of the city of Leander, provided testimony in support of Belmont Senior Village.
Britt Benton, landowner and neighbor of the Belmont Senior Village in Leander, provided testimony in support of Belmont Senior Village.
Mark Beggert, CFO of Meridian Solar, provided testimony in support of Belmont Senior Village.
The Honorable Representative Jose Menendez, provided testimony concerning TCAP and the Exchange Program.
Larry Stevens, president of the Crossing and Fossil Creek Homeowners Association, provided testimony in opposition to Sedona Ranch Development, 09264.
Matt Whelan, Catellus Development Group, provided testimony in support of Wildflower Terrace, 09268.
Jim Walker, provided testimony in support of Wildflower Terrace, 09268.
Steve Ortega, city councilman from El Paso, provided testimony in support of Canyon Square Village.
Barry Palmer, Coats Rose law firm, provided testimony requesting the board delay the due date for the commitment fees until the day after the October board meeting.

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.

AGENDA ITEM 1: APPROVAL OF THE FOLLOWING ITEMS PRESENTED IN THE BOARD MATERIALS:

Legal:

a) Presentation, Discussion, and Possible Approval of an award of outside bond counsel contract, subject to the approval of the Office of the Attorney General, for FY 2010 and 2011

b) Presentation, Discussion, and Possible Approval of an award of outside tax credit counsel contract, subject to the approval of the Office of the Attorney General, for FY 2010 and 2011

c) Presentation, Discussion, and Possible Approval of an award of administrative law judge contract(s), subject to the approval of the Office of the Attorney General, for FY 2010 and 2011

Neighborhood Stabilization Program:

d) Presentation, Discussion, and Possible Approval of Texas Neighborhood Stabilization Program Award Recommendations:

2009-0070 Midland

Mark Wyatt, ORCA, provided testimony.

Motion by Ms. Ray to pull Item 1a) from consent for further discussion; seconded by Dr. Muñoz; passed unanimously.

Texas Homeownership Program:

e) Presentation, Discussion, and Possible Approval to Submit an Application to NeighborWorks America for the National Foreclosure Mitigation Counseling (NFMC) Program – Round 3

Bond Finance:

f) Presentation, Discussion, and Possible Approval of Resolution No. 09-046 authorizing application to the Texas Bond Review Board for reservation of single family private activity bond authority

Multifamily Division Items–Private Activity Bond Program:

g) Presentation, Discussion, and Possible Approval of Trustees for the Multifamily Mortgage Revenue Bond Transactions

Withdrawn from consideration.

Community Affairs:

h) Presentation, Discussion, and Possible Approval to submit an application to the U.S. Department of Housing and Urban Development for FY 2009 Rental Assistance for Non-Elderly Persons with Disabilities

Motion by Ms. Ray to approve the Consent Agenda, with the exception of Items d) and g); seconded by Mr. Gann; passed unanimously.

Motion by Ms. Ray to approve staff recommendation, as amended; seconded by Dr. Muñoz; passed unanimously.

ACTION ITEMS

AGENDA ITEM 2: APPEALS:

a) Presentation, Discussion, and Possible Action for Weatherization Assistance Program (WAP) Award Appeals:

No appeals filed.

b) Presentation, Discussion, and Possible Action for Recovery Act Homelessness Prevention and Rapid Re-Housing Program (HPRP) Application Appeals:

Region	**Applicant**
3	Promise House, Inc.

Motion by Ms. Ray to approve staff recommendation to deny appeal; seconded by Dr. Muñoz; passed unanimously.

c) Presentation, Discussion, and Possible Action on Housing Tax Credit Appeals:

09102 Magnolia Trail

09103 Trebah Village

David Koogler, Mark Dana Corporation, provided testimony.

Scott Marks, Coats Rose law firm, provided testimony.

Motion by Ms. Bingham-Escareño to approve staff recommendation to deny appeals for Magnolia Trail and Trebah Village; seconded by Ms. Ray; passed unanimously.

09135 Lincoln Terrace Fort Worth

Printice Gary, principal in the firm of Carlton Development Limited, provided testimony.

Barry Palmer, Coats Rose law firm, provided testimony.

Brian Dennison, provided testimony.

Motion by Dr. Muñoz to grant appeal in order to replace or restructure the developers that are involved and thus allow the application to move forward; seconded by Ms. Ray; Mr. Gann and Ms. Bingham-Escareño voted no; motion passed.

The Board took a brief recess.

d) Presentation, Discussion, and Possible Action for HOME Appeals:
None filed.

e) Presentation, Discussion, and Possible Action for 2008 Competitive Housing Tax Credit Appeals of Underwriting:
None filed.

AGENDA ITEM 3: FINANCIAL ADMINISTRATION:

a) Presentation, Discussion, and Possible Approval of the FY2010 Draft Operating Budget

Motion by Ms. Ray to approve staff recommendation; seconded by Mr. Gann; passed unanimously.

b) Presentation, Discussion, and Possible Approval of the FY2010 Draft Housing Finance Budget

Motion by Ms. Ray to approve staff recommendation; seconded by Mr. Gann; passed unanimously.

AGENDA ITEM 4: COMMUNITY AFFAIRS:

a) Presentation, Discussion, and Possible Approval of Recovery Act Weatherization Assistance Program Awards for the Existing Subrecipient Network, Temporary WAP providers, and the Competitive Pool award recommendations from a list of the following submissions:

Alamo Area Council of Governments
Bee Community Action Agency
Big Bend Community Action Agency
Brazos Valley Community Action
Community Action Committee of Victoria
Cameron-Willacy Counties Community Projects Inc.
Caprock Community Action
City of Fort Worth
Combined Community Action
Community Council of Reeves County
Community Action Program
Community Services, Inc.
Concho Valley Community Action Agency
Dallas County Department of Human Services
El Paso Community Action-Project BRAVO
Economic Opportunities Advancement Corp. of Planning Reg. XI
Hill Country Community Action Association
City of Lubbock
Nueces County Community Action Association
Panhandle Community Service
Program for Human Services
Rolling Plains Management Corporation
Sheltering Arms Senior Services, Inc.
South Texas Development Council
Texoma Council of Government
Travis County Human Services Department
Tri-County Community Action, Inc.
Webb County Community Action Agency
City of Houston
City of Dallas
City of San Antonio

City of El Paso
City of Austin
City of Fort Worth
City of Laredo
City of Brownsville
City of Corpus Christi
City of Lubbock
City of Arlington
Waco-Economic Opportunities Advancements Corp. of Planning Reg. XI
City of McAllen
Amarillo-Panhandle Community Service
City of Pasadena
City of Beaumont
City of Irving
City of Garland
Odessa
City of Abilene
City of Georgetown
City of Socorro
City of Huntsville
Community Council of South Central Texas
Community Development Corporation of Brownsville
El Paso Collaborative for Community and Economic Development
Fort Bend Community Revitalization Projects
Greenville Electric Utility Systems (GEUS)
Life Rebuilders Inc.
Neighborhoods in Progress
Rebuilding Together (Greater Dallas)
Rebuilding Together (San Angelo)
Williamson Burnet County Opportunities
Community Action Corporation of South Texas
Community Services Agency of South Texas
Greater East Texas Community Action Program
South Plains Community Action Agency
West Texas Opportunities, Inc.

Motion by Mr. Gann to approve staff recommendation, excluding Greater East Texas Community Action Agency, Community Action Corporation of South Texas, Community Services of South Texas, South Plains Community Action, and West Texas Opportunities; seconded by Dr. Muñoz; passed unanimously.

b) Presentation, Discussion, and Possible Approval of the Homelessness Prevention and Rapid Re-Housing Program (HPRP) award recommendations from a list of the following submissions:

Region	**Applicant**
1	Crisis Center of the Plains
2	Catholic Charities, Diocese of Fort Worth, Inc.
2	Salvation Army - Abilene
2	Abilene Regional MHMR Center
2	First Step, Inc.
3	City of Irving, Texas
3	NewLife Housing Foundation-Erath County
3	Grayson County Juvenile Alternatives, Inc.
3	Community Storehouse
3	Christian Community Action
3	City of Denton
3	Catholic Charities Diocese of Fort Worth, Inc.
3	Urban League of Greater Dallas & North Central TX
3	Salvation Army for the DFW Metroplex Command
3	The Family Place
3	Catholic Charities of Dallas, Inc.
3	City of Dallas
3	Johnson County Family Crisis Center
3	City of McKinney, Texas
3	Jewish Family Service of Dallas, Inc.

3	Wilkinson Center
3	Tarrant County Department of Human Services
3	Presbyterian Night Shelter
3	Promise House, Inc.
3	Metro Dallas Homeless Alliance
3	Salvation Army-Arlington
3	Salvation Army-Mabee Center Fort Worth
3	Salvation Army-Sherman
3	Mental Health Mental Retardation of Tarrant County
3	The Bethlehem Foundation
3	City Wide Community Development Corporation
3	Cedar Creek Non-Profit Housing, Inc.
3	First Assembly of God Church Adopt a Block Ministries
3	Central Dallas Food Pantry
3	Community Council of Greater Dallas
4	Salvation Army-Tyler
4	Randy Sams' Outreach Shelter, Inc.
4	Shelter Agencies for Families in East Texas, Inc.
4	East Texas Crisis Center, Inc.
4	House of Faith Ministries, Inc.
5	Love Inc. of Nacogdoches
5	South East Texas Regional Planning Commission
6	Salvation Army-Galveston
6	Memorial Assistance Ministries
6	Newlife Housing Foundation-Walker County
6	Northwest Assistance Ministries
6	SEARCH
6	Montgomery County Women's Center
6	The Women's Home
6	Salvation Army Social Services Dept.-Houston
6	Houston Area Women's Center
6	New Hope Counseling Center, Inc.
6	Rockwell Fund, Inc.
6	Wesley Community Center, Inc. of Houston, Texas
6	Houston Area Urban League, Inc.
6	Star of Hope Mission
6	Harvest Life Foundation
6	Fort Bend County Women's Center, Inc.
6	Gulf Coast Community Services Association
6	Sister's of Serenity Ministry Inc.
7	Youth and Family Alliance
7	Caritas of Austin
7	Catholic Charities of Central Texas
7	Salvation Army-Austin
8	Salvation Army-Waco
8	Families In Crisis, Inc.
9	Salvation Army-Kerrville
9	NewLife Housing Foundation-Medina County
9	City of San Antonio-Dept. of Community Initiatives
9	San Antonio Metropolitan Ministry, Inc.
9	Family Violence Prevention Services, Inc.
9	St. Peter-St. Joseph Children's Home
9	Salvation Army-San Antonio
9	Community Council of South Central Texas, Inc.
9	Society of St. Vincent de Paul
9	San Antonio Water System
9	Haven for Hope of Bexar County
10	Mid-Coast Family Services, Inc.
10	Corpus Christi Metro Ministries, Inc.
10	Salvation Army-Corpus Christi
11	City of Brownsville

11	Loaves and Fishes of the Rio Grande Valley, Inc.
11	Salvation Army-McAllen
12	Salvation Army-Midland
13	Texas RioGrande Legal Aid, Inc.
13	El Paso Center for Children, Inc.
13	El Paso County
	CMHP Pilot Project Applications
7	Caritas of Austin-Pilot
13	El Paso Coalition for the Homeless-Pilot
3	Dallas County MHMR Center
7	Any Baby Can
6	SEARCH-Pilot
3	City of Dallas-Pilot
13	El Paso Human Services, Inc.-Pilot
6	Harvest Life Foundation-Pilot

Motion by Mr. Gann to approve staff recommendation; seconded by Ms. Ray; passed unanimously.

AGENDA ITEM 5: OFFICE OF RECOVERY ACT ACCOUNTABILITY OVERSIGHT:

a) Presentation, Discussion, and Possible Action on a Status Report on the Implementation of the American Recovery and Reinvestment Act of 2009

No action taken.

b) Presentation, Discussion, and Possible Action to adopt a policy regarding the Exchange of Tax Credits and the process for allocation of funds received under any Exchange

John Henneberger, co-director of the Texas Low Income Housing Information Service, provided testimony.
Belinda Carlton, policy specialist with the Texas Council for Developmental Disabilities, provided testimony.
Jeff Crozier, Executive Director of the Rural Rental Housing Association.
Sarah Andre, Advocacy Incorporated, provided testimony.
Michael Hartman, Roundstone Development out of Dallas
Bobby Bowling, provided testimony.
Granger MacDonald, provided testimony.
Mike Sugrue, Solutions Plus, provided testimony.
R.J. Collins, provided testimony.
Patrick Barbolla, Fountainhead Companies, provided testimony.
Terri Anderson, Anderson Capital, provided testimony.
Tim Smith, provided testimony.
David Koogler, Mark Dana Corporation, provided testimony.
Jeff Spicer, State Street Housing, provided testimony.

Motion by Mr. Conine to approve staff recommendation except to move the 30 percent set-aside for rural up to 40 percent of the pool, and if there is not an urban project that can "make" within the urban allocation, that money collapses back into the rural side in that same region first before collapsing statewide; seconded by Mr. Gann; Ms. Ray not present; motion passed.

AGENDA ITEM 6: RULES:

a) Presentation, Discussion, and Possible Approval for publication in the *Texas Register* a final order adopting repeal of 10 TAC Chapter 3, Self Help Center Program Rule and final order adopting new 10 TAC Chapter 3, Self Help Center Program Rule

Motion by Ms. Ray to approve staff recommendation; seconded by Ms. Bingham-Escareño; passed unanimously.

b) Presentation, Discussion, and Possible Approval for publication in the *Texas Register* a final order adopting amendments to 10 TAC, Chapter 5, Subchapters A and D, concerning client income eligibility requirements for Community Affairs Programs and the withdrawal of the proposed amendment to Subchapter B, §5.203, Distribution of CSBG Funds

Motion by Ms. Bingham-Escareño to approve staff recommendation; seconded by Ms. Ray; passed unanimously.

AGENDA ITEM 7: DISASTER RECOVERY:

a) Presentation, Discussion, and Possible Approval of CDBG Disaster Recovery Program Award Recommendations:

09-0009	Fort Bend County
09-0011	Cameron County
09-0012	Deep East Texas Council of Governments
09-0013	City of Brownsville
09-0016	Houston-Galveston Area Council
09-0019	Hidalgo County

Donald Sampley, Housing Department of the City of Houston, provided testimony.

John Henneberger, co-director of the Texas Low Income Housing Information Service, provided testimony.

Motion by Ms. Bingham-Escareño to approve staff recommendation; seconded by Dr. Muñoz; passed unanimously.

b) Presentation, Discussion, and Possible Approval to increase the insurance cap for wind storm coverage and flood insurance under Hurricane Rita Round 2 awards

Motion by Dr. Muñoz to approve staff recommendation; seconded by Ms. Ray; passed unanimously.

EXECUTIVE SESSION

At 11:50 a.m. Mr. Conine convened the Executive Session.

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.

c) Consultation with Attorney Pursuant to §551.071(1) and (2), Texas Government Code including:
1. 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
2. With Respect to pending litigation styled M.G. Valdez Ltd. v. Texas Department of Housing and Community Affairs filed in District Court, Hidalgo County
3. With Respect to EEOC Claim from Don Duru
4. With Respect to Any Other Pending Litigation Filed Since the Last Board Meeting
5. Potential sale of agency owned real estate and/or sales of loans, pursuant to §551.072, Texas Government Code

OPEN SESSION

At 1:00 p.m. Mr. Conine reconvened the Open Session and announced that no action had been taken during the Executive Session and certified that the posted agenda had been followed.

AGENDA ITEM 8: HOUSING TRUST FUND PROGRAMS DIVISION:

a) Presentation, Discussion, and Possible Approval of the 2010-2011 Housing Trust Fund Biennial Plan

Belinda Carlton, policy specialist with the Texas Council for Developmental Disabilities, provided testimony.

Sarah Mills, Advocacy Incorporated, provided testimony.

Nancy Cates, Mary Lee Foundation, provided testimony.

John Henneberger, co-director of the Texas Low Income Housing Information Service, provided testimony.

Motion by Ms. Ray to approve staff recommendation as amended; seconded by Ms. Bingham-Escareño; passed unanimously.

The Board took a brief recess.

AGENDA ITEM 9: MULTIFAMILY DIVISION ITEMS - HOUSING TAX CREDIT PROGRAM:

a) Presentation, Discussion, and Possible Approval of the Final Commitments from the 2009 State Housing Credit Ceiling for the Allocation of Competitive Housing Tax Credits and the Waiting List for the 2009 Housing Tax Credit Application Round:

09000	Courtwood Apartments	Eagle Lake
09001	Hillwood Apartments	Weimar
09100	Crestmoor Park South Apartments	Burleson
09101	Hampton Villages	Pampa

09102	Magnolia Trails	Magnolia
09103	Trebah Village	Katy
09104	Stone Hearst Seniors	Beaumont
09105	Villages at Snyder	Snyder
09108	Peachtree Seniors	Balch Springs
09110	Mustang Heights Apartments	Sweetwater
09113	Estacado Place Apartment	Lubbock
09115	Magnolia Trace	Dallas
09116	Tuscany Villas	Plano
09118	Fairways at Sammons Park	Temple
09119	Legacy Villas	Eagle Pass
09120	Senior Villages of Huntsville	Huntsville
09121	Red Oak Seniors	Waco
09126	Holland House Apartments	Holland
09127	Sage Brush Village	Odessa
09129	Napa Villas	Plano
09130	M Station	Austin
09131	Presidio Palms	San Elizario
09132	Chelsea Senior Community	Houston
09135	Lincoln Terrace	Fort Worth
09136	Gateway to Eden	Eden
09138	Belmont Senior Village	Leander
09140	Village of Salado	Cedar Hill
09142	Floral Gardens	Houston
09146	Oakwood Apartments	Brownwood
09147	Village Place Apartments	Lorena
09148	Whispering Oaks Apartments	Goldthwaite
09149	Autumn Villas	Lorena
09150	Prairie Village Apartments	Rogers
09156	Park Lane Apartments	Houston
09158	Arrowsmith Apartments	Corpus Christi
09159	Malibu Apartments	Austin
09160	Stone Court Senior Residences	Houston
09161	Sterling Court Senior Residences	Houston
09162	Arbor Pines Apartment Homes	Orange
09163	Tremont Apartment Homes	Killeen
09164	Gholson Hotel	Ranger
09165	Cherrywood Apartments	West
09167	Fondren Ranch	Houston
09168	LifeNet Lofts	Dallas
09169	Orem Ranch	Houston
09170	South Acres Ranch II	Houston
09172	Evergreen at Vista Ridge	Lewisville
09175	Abilene Senior Village	Abilene
09177	Orchard at Oak Forest	Houston
09179	Emory Senior Living Apartments	Lubbock
09180	Weslaco Hills Apartments	Weslaco
09181	Bowie Garden Apartments	Brownsville
09183	Grace Lake Townhomes	Beaumont
09184	Oakmont Apartments	Orange
09185	Maplewood Village II	League City
09187	Pleasanton Farms	San Antonio
09188	Casa Brazoria	Clute
09189	Crestshire Village	Dallas
09190	San Juan Square III	San Antonio
09191	Sendero Pointe	Houston
09192	Tierra Pointe	Karnes City
09193	Sierra Meadows	Houston
09196	Golden Bamboo Village II	Houston

09198	Montabella Pointe	San Antonio
09200	Mariposa Pointe	Hutchins
09201	Ventana Pointe	Houston
09202	Tesoro Hills	San Antonio
09211	Corban Townhomes	Corpus Christi
09223	Kleberg Commons	Dallas
09225	Hacienda Del Sol	Dallas
09228	Lufkin Pioneer Crossing for Seniors	Lufkin
09230	Darson Marie Terrace	San Antonio
09232	Brazos Bend Villa	Richmond
09237	Woodland Park at Decatur	Decatur
09242	Beechnut Oaks	Houston
09245	Heights at Corral	Kingsville
09248	Pearland Senior Village	Pearland
09249	Dixie Gardens	Houston
09254	Irvington Court	Houston
09260	Millie Street Apartments	Longview
09261	Turner Street Apartments	Palestine
09264	Sedona Ranch	Fort Worth
09265	Greenhouse Place	Houston
09266	Skytop Apartments	Conroe
09267	Heritage Crossing	Santa Fe
09268	Wildflower Terrace	Austin
09269	Eldridge Oaks	Houston
09270	Northline Apartment Homes	Houston
09272	Mason Apartment Homes	Houston
09276	Cypress Creek at Calder Drive	Dickinson
09280	Mariposa at Ella Blvd.	Houston
09281	Mariposa at Keith Harrow	Houston
09287	Horizon Meadows Apartments	La Marque
09293	Villas of Shady Grove	Burnet
09294	Northgate/Rhomberg Apartments	Burnet
09299	Hillcrest Acres	Midland
09304	Gardens at Clearwater Apartments	Kerrville
09306	Canyon Square Village	El Paso
09307	Medio Springs Ranch Apartments	San Antonio
09310	San Gabriel Crossing	Liberty Hill
09311	Deerbrook Place Apartments	Houston
09312	Villas at El Dorado Apartments	Houston
09313	Hampshire Court Apartments	Pasadena
09314	Taylor Farms	Dallas
09315	Canyons Retirement Community	Amarillo
09316	Champion Homes at Bay Walk	Galveston
09317	Champion Homes at Marina Landing	Galveston
09318	Hyatt Manor I and II Apartments	Gonzales
09320	Oxford Street Apartments	Amarillo

Jeff Crozier, executive director of Rural Rental Housing Association, provided testimony.
Patrick Barbolla, Fountainhead Companies, provided testimony.
Granger MacDonald, provided testimony in support of 09-110 Sweetwater.
David Potter, City of Austin, provided testimony in support of 09-159 Malibu Place.
Charles Woods, Deputy Superintendent, Alief Independent School District, provided testimony in opposition to 09-156 Park Lane.
Karen Loper, chief of staff for the Honorable State Representative Hubert Vo, provided testimony in opposition to 09-156, Park Lane.
Cynthia Bast, Locke Lord Liddell, provided testimony in support of Peachtree Seniors.
Brian Cogburn, provided testimony in support of Park Lane Apartments, 09-156
Darrell Jack, Apartment Market Data, provided testimony in support of Park Lane Apts, 09-056.
Richard Washington, provided testimony in support of Darson Marie Terrace, 09-230.

Terri Anderson, Anderson Capital, LLC, provided testimony in support of Taylor Farms 09-314.
Casey Bump, Barner, Carrington, LLC, provided testimony in support of Mariposa at Keith Harrow 09-281.
Diana McIver, DMA Development, provided testimony in support of Wildflower Terrace 09-268.
Ike Monty, provided testimony in support of Canyon Square Apts 09-306.
Bill Fisher, Odyssey Residential, provided testimony.

THE BOARD TOOK A SHORT RECESS.

a) Presentation, Discussion, and Possible Approval of the Final Commitments from the 2009 State Housing Credit Ceiling for the Allocation of Competitive Housing Tax Credits and the Waiting List for the 2009 Housing Tax Credit Application Round, *continued.*

Motion by Ms. Bingham-Escareño to approve staff's recommendation, with the inclusion of Lincoln Terrace as awarded today, the extension mentioned by staff regarding HOME fund deadlines and to prioritize the wait list for Peachtree, Sweetwater, Belmont and M Station; seconded by Dr. Muñoz; passed unanimously.

AGENDA ITEM 10: HOME PROGRAM DIVISION:

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

Community Housing Development Organization Rental Housing Development Program

09172	Evergreen at Vista Ridge	Lewisville
09138	Belmont Senior Village	Leander

Rental Housing Development Program

09001	Hillwood Apartments	Weimar
09000	Courtwood Apartments	Eagle Lake
09100	Crestmoor Park South Apartments	Burleson
09248	Pearland Senior Village	Pearland
09245	Heights at Corral	Kingsville
09267	Heritage Crossing	Santa Fe
09287	Horizon Meadows Apartments	La Marque
09136	Gateway to Eden	Eden
09318	Hyatt Manor I and II Apartments	Gonzales
09293	Villas of Shady Grove	Burnet
09126	Holland House Apartments	Holland
09228	Lufkin Pioneer Crossing for Seniors	Lufkin
09150	Prairie Village Apartments	Rogers
09146	Oakwood Apartments	Brownwood
09148	Whispering Oaks Apartments	Goldthwaite
09147	Village Place Apartments	Lorena
09149	Autumn Villas	Lorena
09294	Northgate and Rhomberg Apartments	Burnet
09165	Cherrywood Apartments	West

Motion by Ms. Ray to approve staff recommendation; seconded by Ms. Bingham-Escareño; passed unanimously.

REPORT ITEMS

1. Presentation and Discussion of Challenges Made in Accordance with §49.(17)(c) of the 2009 Qualified Allocation Plan and Rules (QAP) Concerning 2009 Housing Tax Credit (HTC) Applications
2. Presentation and Discussion of the Disaster Recovery Division's Status Report and Discussion of CDBG Disaster Recovery Program Award Recommendations with Project Description:

09-0001	City of Houston
09-0002	East Texas Council of Governments
09-0003	Harris County
09-0004	South East Texas Regional Planning Commission
09-0005	Montgomery County
09-0008	City of Galveston
09-0014	Galveston County

Adjourn:
Since there was no other business to come before the Board, the meeting was adjourned at 4:45 p.m. on July 30, 2009.

____
Timothy K. Irvine, Board Secretary

NOTE: To view the full Transcript for this meeting, please visit the TDHCA website at: www.TDHCA.state.tx.us

Executive Office
BOARD ACTION REQUEST
October 15, 2009

Action Item

Presentation, Discussion, and Possible Approval of a policy regarding the voluntary early termination of certain land use restriction agreements

Required Action

Adopt, adopt with modifications, or reject the proposed policy

Summary

Under the Housing Trust Fund ("HTF") and HOME programs, the Department provides funding for the construction or rehabilitation of rental developments. In exchange for the funding, the owner agrees to encumber the property with a land use restriction agreement ("LURA"). From time to time facts and circumstances change and the owner of the land seeks the release of the LURA. As a general rule, a LURA should not be released if the property subject to the LURA can still be utilized for affordable housing. A LURA under either HOME program or the HTF program, but not the low income housing tax credit or tax exempt bond programs, may be released voluntarily by the Department only if

1) the owner has been unsuccessful in using the property for affordable housing;
2) it does not appear that the affordable housing purposes can be accomplished without significant additional funding; and
3) either:
    a. the Department will have no residual liability to HUD or anyone else or
    b. the owner will pay the Department an amount sufficient to cover any potential liability the Department might have

Any LURA released in accordance with this policy shall be reported to the Governing Board.

Upon release of the LURA, the property will be made "inactive" in the Department's Compliance Monitoring and Tracking System. The property will be scored in the Department's Compliance Status System as "No longer Participating in the Program and Never Expected to Comply." The owner of the property will be considered in Material Noncompliance for a three year period from the date of the LURA release. Any requests for assistance will be denied through the previous participation review. Assuming the proposed Compliance Monitoring Rules are adopted as published, the applicant could then request reinstatement of any request for Board consideration of an award of assistance.

Recommendation

Approve, reject or approve with modification the policy presented.

EXECUTIVE DIVISION

BOARD ACTION REQUEST
October 15, 2009

Action Item

Resolution of the Board of Directors rescinding Resolution No. 09-048 and adopting Resolution No 10-001, designating signature authority due to reorganization and the designation of new signature designees.

Required Action

Approval to rescind Resolution No. 09-048 and to adopt Resolution 10-001 designating signature authority for new signature designees.

Background

The provisions of Chapter 2306, Texas Government Code, as amended, authorize the Department: (a) to make and acquire and finance, and to enter into advance commitments to make and 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 of, among other things, 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 of participating interests, and to mortgage, pledge or grant security interests in such mortgages of 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.

This resolution recognizes the appointment of a Director of Program Services.

Recommendation

Approve, reject or approve with modification the Resolution presented.

RESOLUTION NUMBER 10-001
RESOLUTION OF THE BOARD OF DIRECTORS
RESCINDING RESOLUTION NUMBER 09-038
DESIGNATING SIGNATURE AUTHORITY

WHEREAS, the Texas Department of Housing and Community Affairs, a public and official governmental agency of the State of Texas, (the "Department") was created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended; and

WHEREAS, the Act authorizes the Department: (a) to make and acquire and finance, and to enter into advance commitments to make and acquire and finance, mortgage loans and finance, participating interests therein, secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose of, among other things, 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 of participating interests, and to mortgage, pledge or grant security interests in such mortgages of 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, on April 23, 2009, the Governing Board adopted Resolution No. 09-038, designating signature authority for bond and real estate transactions; and

WHEREAS, the Governing Board has now determined that Resolution No. 09-038, designating signature authority, should be rescinded because of the reorganization of the Department and new signature authority designated.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

<u>SECTION 1 – Rescission of Prior Signature Authority</u>. The Governing Board hereby rescinds Resolution No. 09-038.

<u>SECTION 2 – Designation of Signature Authority for Bond Transactions</u>. The Governing Board hereby authorizes and designates the Chairman or Vice Chairman of the Board, the Board Secretary, the Executive Director or the Acting Executive Director, the Chief of Staff, the Chief of Agency Administration, the Director of Financial Administration, the Director of Bond Finance, the Director of Texas Homeownership, and the Director of Multifamily Finance Production as signatories for single family and multifamily bond transactions including, but not limited to letters of instruction, officer's certificates, bond transactional documents and all other documents and certificates executed in connection with such bond transactions.

SECTION 3 – Designation of Signatory Authority for Real Estate Transactions. The Governing Board hereby authorizes and designates the following persons to execute and deliver, as specified earnest money contracts, deeds or conveyances of title, leases of real property, settlement statements on purchase or sale of real property, deposits and disbursements on agency bank accounts, real estate transactional documents and all other documents executed in connection with real estate or real estate-related transactions:

Executive Director or Acting Executive Director, Chief of Staff, Chief of Agency Administration, Director of Financial Administration and Board Secretary: All real estate or real estate related transactions.

Deputy Executive Director for Community Based Programs: All real estate or real estate-related transactions administered under any of the Community Based Programs areas.

Deputy Executive Director for Housing Programs: All real estate or real estate-related transactions administered under any of the Housing Programs areas programs.

Director of Multifamily Finance Production: All real estate or real estate-related transactions administered under the Multifamily Production Division.

Director of Bond Finance: All real estate or real estate-related transactions administered by the Bond Finance Division.

Director of Texas Home Ownership: All real estate or real estate-related transactions administered by the Texas Home Ownership Division.

Director of the HOME Program: All real estate or real estate-related transactions administered under the HOME Division.

Director of Program Services: All real estate or real estate-related transactions administered under Program Services.

Deputy Director for Emergency Housing and Disaster Recovery, Director Rita Recovery, Director Ike Recovery, and CDBG Field Officer all real estate or real estate-related transactions administered under any of the Emergency Housing and Disaster Recovery programs.

Signatory authority on deposits and disbursements on agency bank accounts is limited to those persons designated on the applicable signature cards, as specified by the Executive Director or Acting Executive Director; provided however, that no person may be so designated other than the Executive Director or Acting Executive Director, the Chief of Staff, the Chief of Agency Administration, a Deputy Executive Director, or a Director.

SECTION 4 – Execution of Documents. The Governing Board hereby authorizes the Executive Director or, in the absence of the Executive Director, the Chief of Staff to execute, on behalf of the Department, any and all documents, instruments reasonably deemed necessary to effectuate this Resolution.

SECTION 5 – Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

SECTION 6 – Notice of Meeting. That 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* and Administrative Code Acts, Chapters 2001 and 2002, Texas Government Code, as amended.

PASSED AND APPROVED this ____________ day of __________________, ____.

____
Chair of the Governing Board

[SEAL]

Attest:

____
Secretary of the Board

COMMUNITY AFFAIRS DIVISION
BOARD ACTION REQUEST
October 15, 2009

Action Item

Presentation, Review and Possible Approval of 2010 Emergency Shelter Grants Program (ESGP) Notice of Funding Availability (NOFA).

Required Action

Department staff recommends approval of the ESGP Fiscal Year 2010 Notice of Funding Availability (NOFA) to be used by the Department in its competitive funds distribution and obligation process. The Department expects to receive approximately $5.2 million from the U. S. Department of Housing and Urban Development (HUD) for Fiscal Year 2010.

Background

The Department has administered the ESGP since 1987. The Department receives its ESGP funding from HUD as part of the State of Texas Consolidated Annual Plan. The ESGP program year is from September 1 through August 31. The Department is authorized to make grants to units of general local government and to private nonprofit organizations if the unit of government in which services will be provided approves such application. ESGP funds may be used for the rehabilitation or conversion of buildings for use as emergency shelter for the homeless, for the payment of certain operating expenses and essential services in connection with emergency shelters for the homeless, and for homelessness prevention activities.

The Department annually prepares a Notice of Funding Availability for use by eligible applicant organizations interested in applying for ESGP funding. ESGP regulations require that the Department obligate the funds within sixty-five days of the date of its annual grant award letter, which the Department receives sometime between March and May of each year. Due to the critical timeline for obligation of ESGP funds, 65 days from date of award, the Department begins the application process in the fall. Once the Board approves the NOFA, the Department notifies interested parties that the NOFA application is available which will be done through the Department's list serve and an ESGP interested parties e-mail list as well as making an announcement on our website.

The proposed deadline for receipt of NOFA applications for ESGP funding is January 7, 2010. This deadline will afford Department staff sufficient time to review and score the applications and make funding recommendations in time to meet the sixty-five day obligation deadline. Department staff plans to present the 2010 ESGP award recommendations in May 2010.

As delineated in the Texas Administrative Code, the Department regionally allocates 95% of the annual ESGP allocation based on the poverty population of each Uniform Service Region. Applicants from a particular region compete only against other applicants from the same region. The Department maintains 5% of the ESGP funds for administration and monitoring of the grant and shares a portion of this reserve with units of local government that receive an ESGP award from the Department.

The Department utilizes review teams and a standardized scoring instrument to evaluate and score each eligible application. The Department's Portfolio Management and Compliance Division is consulted to determine if applicants have any outstanding issues which will prevent the Department from awarding funds.

Due to the limited amount of funds available, not all applications are funded and the ones which are funded may not be fully funded. The system for determining the applications to be funded will be based on the amount of funds available in the region, the ranking of the application within the region, and consideration will be given to providing funding to the primary population areas within each service region.

Recommendation

Staff recommends the Board approve the Department's FY 2010 ESGP Notice of Funding Availability.

Attachment – FFY 2010 ESGP Notice of Funding Availability

STATE OF TEXAS

EMERGENCY SHELTER GRANTS PROGRAM

NOTICE OF FUND AVAILABILITY (NOFA)

FEDERAL FISCAL YEAR 2010

OCTOBER 2009

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

To: ESGP Interested Parties
Texas Emergency Shelter Grants Program

From: Community Affairs Division

Date: October 19, 2009

RE: FFY 2010 Texas Emergency Shelter Grants Program Notice of Fund Availability

The Texas Department of Housing and Community Affairs (the Department) is pleased to provide you with the FFY 2010 Texas Emergency Shelter Grants Program (ESGP) Notice of Fund Availability (NOFA), funded through the U.S. Department of Housing and Urban Development (HUD).

The Department will sponsor an ESGP Application Workshop on Tuesday, November 17, 2009 in the small auditorium at the Commons Center, located at the University of Texas J.J. Pickle Research Campus (see attached map). Registration will begin at 8:00 a.m. Attendees do not need to pre-register for the workshop and no fee will be charged for attendance. Attendance is not mandatory, but all potential applicants are welcome. The Department encourages entities who are applying for ESGP funds for the first time or entities that have not attended an application workshop in prior years to attend the workshop.

During this workshop, Department staff will review the enclosed application packet and answer general questions regarding its completion. **Please review the enclosed application packet prior to the workshop and bring your copy to the workshop.**

Participation in this workshop does not imply that a represented applicant organization will receive FFY 2010 ESGP funding.

The Department looks forward to receiving your completed NOFA application. Questions pertaining to the content of this application packet or eligible activities may be directed to Rita Gonzales-Garza, Project Manager for Planning & Contract Implementation at (512)475-3905 (Rita.Garza@tdhca.state.tx.us). This application is posted on the Department's website: http://www.tdhca.state.tx.us/cs.htm#ESGP.

221 East 11th - P.O. Box 13941 - Austin, Texas 78711-3941 - (800) 525-0657 - (512) 475-3800

ESGP NOFA SUBMISSION INFORMATION

DEADLINE FOR RECEIPT: Thursday, January 7, 2010

by 5:00 p.m. CST

THREE COPIES DUE: One Original and Three Complete Paper Copies and One Electronic Copy on CD

Applicants must submit one original and three complete paper copies and one electronic on CD of the application on or before the deadline. Applications that arrive after the deadline will not be considered. Diskettes or other electronic documents will not be accepted. If you would like to confirm the Department's receipt of application, e-mail Cate Taylor at ctaylor@tdhca.state.tx.us two weeks after your submission.

Mailing Address: (All U.S. Postal Service including Express)	Community Services Section Attn: Cate Taylor Texas Department of Housing and Community Affairs Post Office Box 13941 Austin, Texas 78711-3941
Courier Delivery: (Fed Ex, UPS, Overnight, etc.),	1st Floor 221 East 11th Street Austin, Texas 78701
Hand Delivery:	If you are hand delivering the application, contact Cate Taylor at (512) 475-4576 or Al Almaguer (512) 475-3908 when you arrive at the lobby of our building so they may accept your application.

Please use the following format for the narrative portion of the application:

- Minimum 11 font
- Double spaced
- Standard 8½ " x 11" paper with 1" margins
- Narrative must not exceed 10 consecutively numbered pages, double spaced.
- Collaborative applications are allowed two additional pages for each additional organization with a maximum of 20 pages for the entire proposal.

Complete applications must be bound using binder clips. **DO NOT USE FOLDERS OR NOTEBOOKS OF ANY TYPE.** The original application must contain original signatures and original pictures.

Questions pertaining to the content of this application packet may be directed to Rita Gonzales-Garza, Project Manager for Planning & Contract Implementation at (512) 475-3905. This application is posted on the Department's website: http://www.tdhca.state.tx.us/cs.htm#ESGP .

TIMELINE FOR FY 2010 ESGP NOFA
APPLICATION CYCLE

2010 Program Year: September 1, 2010 - August 31, 2011

October 19, 2009	The application will be available through the TDHCA website: **www.tdhca.state.tx.us/cs.htm#ESGP**
November 17, 2009	ESGP Application Workshop will take place from 9:00 a.m. to 4:00 p.m. in Austin at the UT Austin J.J. Pickle Research campus at 10100 Burnet Road, Austin Texas, 78758, Phone: (512) 471-5898. Website: **www.utexas.edu/facilities/commons** The purpose of this workshop is to provide a forum where organizations intending to apply for ESGP funds may ask questions and get information on how to complete the ESGP application. Persons do not need to register to attend workshop. Attendance is not mandatory and will not be a factor in awarding ESGP funds.
January 7, 2009	Deadline for applicants to submit 2010 ESGP NOFA Application.
May 2010	Department's Board Approval of the ESGP awards
May 2010	Department's notification to award recipients and applicants. (Notification is dependent upon U.S. Department of Housing and Urban Development funding notification)

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BACKGROUND

The Emergency Shelter Grants Program (ESGP) is to be utilized for the rehabilitation or conversion of buildings for use as emergency shelter for the homeless, for the payment of certain operating expenses and essential services in connection with emergency shelters for the homeless, and for homeless prevention activities. The program is designed 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.

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. Sec. 11371- 11378), now known as the McKinney-Vento Homeless Assistance Act. 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 Sec. 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 this statewide competitive NOFA process. The Department has not yet been notified of the ESGP award amount for Texas in FY 2010.

PROGRAM PURPOSE

The Emergency Shelter Grants Program (ESGP) is designed to be part of a continuum of assistance to enable homeless individuals and families to move toward independent living as well as to prevent homelessness. 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.

Note: ESGP funds cannot be utilized for permanent housing projects.

Definition of Homeless

The term "homeless" or "homeless individual" includes:

1) An individual who lacks a fixed, regular, and adequate nighttime residence; or

2) An individual who has a primary nighttime residence that is:

   a) 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);

   b) an institution that provides a temporary residence for individuals intended to be institutionalized; or,

c) 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.)

Note: ESGP funds cannot be utilized to assist or care for children in State custody.

ELIGIBLE APPLICANT ORGANIZATIONS

Units of general local government
To be considered as a unit of general local government, an applicant organization must have, among other responsibilities, the authority to assess and collect local taxes and to provide general governmental services.

Private nonprofit organizations
To be considered as a private nonprofit organization, an applicant organization must document existing status as a 501(c) tax-exempt entity. Private nonprofit organizations applying for ESGP funds must be established for charitable purposes and whose activities 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 benefit any individual(s) affiliated with the organization or their governing board. Include a copy of the section in the Articles of Incorporation which includes the mission and goals for which the organization was established. All private nonprofit applicants must document that the project proposed for ESGP funding received local government approval.

Faith-based organizations receiving ESGP funds, like all organizations receiving HUD funds, must serve all eligible beneficiaries without regard to religion.

COLLABORATIVE APPLICATIONS

The Department will accept collaborative applications; however, bonus points will not be assigned. 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. If a unit of general local government applies for only one organization, this will not be considered a collaborative application. The Department intends for collaborative applications to be an effort among organizations who serve the homeless population to coordinate services and prevent duplication of services. If an ESGP applicant organization plans to utilize another organization to provide a service such as child care, the organization providing child care should not be considered a collaborative partner but should be considered a subcontractor.

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) Documentation of the participation of a **homeless or formerly homeless individual** on the board of directors or other equivalent policymaking entity of such recipient, to the extent that such entity considers and makes policies and decisions regarding any facility, services, or other assistance of the recipient. 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) Attachments B, C, and D must be completed to provide information regarding this requirement. A copy of the section in the bylaws which authorizes the governing board or equivalent policymaking

entity to make policies for the organization must also be included. This is also to be completed by the lead partner in a collaborative application, even if the lead partner is a city or county.

All private nonprofit organizations must document their status as a 501(c) tax-exempt entity. The Department prefers that the ruling be on IRS letterhead which is legible and signed by the IRS District Director. Expired advanced rulings from the IRS are not acceptable. Other documentation which may be utilized to document a 501(c) tax-exempt status may be a letter from the State of Texas Comptroller of Public Accounts or a certified legal document showing status. Local nonprofit affiliate of a State or national nonprofit can be submitted if your organization is a subsidiary of a parent organization. In case of the latter, provide a copy of the page listing your organization in the documents filed with the IRS.

3) Private nonprofit organizations must document that the activities proposed for ESGP funding have received local government approval from the city or county in which the project is located. Such approval is to be documented on Attachment E – Local Government Certification Form which must be signed by the county judge or mayor, or their official designee (such as city manager, assistant city manager, community development director or human services director) for the locality in which the project is located.

Note: Any partner in the collaborative who fails to provide eligibility documentation will be deemed ineligible for funding. If the application is selected for funding and one of the organization(s) in the collaborative was deemed ineligible, the Department will negotiate the final grant amount only with the organization(s) that met all three eligibility requirements.

Eligibility Documentation and Other Requirements for Collaborative Applications:

1) Each organization, including the lead organization in a collaborative application, must submit Attachments B, C, and D, along with a copy of the section in the bylaws which authorizes the board of directors or equivalent policymaking entity to make policies and decisions for the organization. A lead organization providing only administrative support, should complete Attachments B, C, and D and indicate and indicate non-applicable if such is the case.

2) Each organization in a collaborative application, including the lead organization, must document the current 501(c) tax-exempt status. The Department prefers that the ruling be on IRS letterhead which is legible and signed by the IRS District Director. Expired advanced rulings from the IRS are not acceptable. Other documentation which may be utilized to document a 501(c) tax-exempt status may be a letter from the State of Texas Comptroller of Public Accounts or a certified legal document showing status. Local nonprofit affiliate of a State or national nonprofit can be submitted if your organization is a subsidiary of a parent organization. In case of the latter, provide a copy of the page listing your organization in the documents filed with the IRS.

3) A private nonprofit organization, acting as the lead agency in a collaborative application, must document that the project(s) proposed for ESGP funding has received approval from the city or county in which the administrative office of the lead agency is located (Attachment E). Refer to Eligibility Documentation section for additional information.

4) Due to the limited amount of ESGP funding, collaborative applications are limited to a request of no more than $100,000 per each partner with a maximum of $300,000 for the application.

AWARD AMOUNTS

The Department has established a minimum of $30,000 and a maximum of $100,000 for ESG program awards. **An organization can submit only one application either as a single entity or as part of a collaborative effort**. A collaborative application is limited to a maximum request of $300,000, with a limit of $100,000 per partner. The Department will not set limitations on the number of organizations that can be part of a collaborative application, but the Department does recommend that collaborative applications consider limiting the collaboration to no more than five organizations. The 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. The limitations are not to be interpreted as a commitment by the Department to award these amounts. All projects should be planned for a maximum of 12 months.

The Department will provide administrative funds to a unit of general local government (city or county) selected for ESGP funding, whether the entity provides services directly or acts as the lead agency in a collaborative application. These funds will be provided during the final stage of contract negotiation and will not exceed 4% of the applicant's ESGP award.

The Department reserves the right to negotiate the final grant amounts and local match with successful applicants to ensure judicious use of ESGP funds. The Department may consider the amount of HUD funds awarded to entitlement entities (see Appendix V) when making funding decisions to applicants that are a unit of general local government. Consideration will also be given to providing funding to the primary population areas within each service region. These considerations do not apply to private nonprofit organizations located in ESGP entitlement cities or counties.

FINANCIAL DOCUMENTATION

All applications must include documentation of fiscal accountability, even if this information has been previously submitted to the Department. All collaborative applications from non-profits must submit financial documentation for each organization in a collaborative. For collaborative applications from units of general local government, the Department expects that fiscal accountability documentation will be reviewed by the city or county.

An applicant organization that spends more than $500,000 in *federal funds* during its fiscal year must have a single audit conducted for that year. The threshold for expenditure of *federal funds* was increased from $300,000 to $500,000 for organizations with fiscal years ending after December 31, 2003. If a single audit is required for your organization, a portion of the audit cost may be included in the proposed ESGP budget.

An applicant organization that *does not exceed* the $500,000 federal fund expenditure threshold is exempt from the single audit requirements. In this case, audit costs may **not** be included in the proposed ESGP budget.

An applicant organization must include its most recent complete audit report and if applicable, a management letter as part of the financial documentation for this application. If your agency is not required to have a single audit performed, the application must include the end-of-the-year financial statements (balance sheet, income statement, and statement of cash flow).

CONTRACTS AND REPORTING

ESGP contracts will be signed electronically. Applicant organizations must have a computer on-site with the capability of downloading software from the Internet.

ESGP monthly reporting will be electronic via the Internet. Applicant organizations must have a computer on-site with the capability to transmit monthly financial and programmatic reports and receive electronic transmissions. Specific information on the format and due dates of required reports will be provided to grant subrecipients.

ELIGIBLE ACTIVITIES

ESGP funds are designed to address the immediate needs of homeless persons to assist their movement to permanent housing. ESGP funds may also benefit persons at risk of becoming homeless. ESGP funds cannot be utilized to care for or assist children in State custody.

The Department encourages applications that 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 a specified time, usually 24 months.

ESGP grant amounts may be used for one or more of the following activities:

1) **OPERATION ADMINISTRATION**
   Not more than **10%** of an applicant's ESGP budget may be requested for administrative salaries (including fringe benefits). The 10% limitation applies to each partner in the collaborative application. Appropriate staff which may be charged as administrative staff are the executive director, program director, supervisors, administrative support staff, etc. Job descriptions for these positions are **not** required to be included in the ESGP application.

2) **REHABILITATION**
   Rehabilitation is defined as the labor, materials, tools, and other costs of improving buildings. Subrecipients must comply with Title 24, Subpart E, Section 576.59 Relocation and Acquisition requirements.

   Examples of allowable rehabilitation projects include, but are not limited to, accumulated deferred maintenance (replacing flooring), replacement of principle fixtures and components, improvements to increase energy efficiency (replacing a furnace or air conditioning unit), and structural changes necessary to make the facility accessible for persons with physical disabilities. 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.

   Types of rehabilitation projects include:

   a) **Conversion:** a change in the use of a building to an emergency shelter or transitional housing where rehabilitation costs exceed 75% of the value of the building **after** conversion. If selected for funding, the facility would be required to be used as a shelter for the homeless for at least **10 years**.

   b) **Major rehabilitation:** rehabilitation or conversion involving costs in excess of 75% of the value of the building **prior to** the proposed rehabilitation or conversion. If selected for funding, the facility would be required to be used as a shelter for the homeless for at least **10 years**.

   c) **Renovation:** rehabilitation that involves costs of 75% or less of the value of the building **prior to** the proposed rehabilitation. If selected for funding, the facility would be required to be used as a shelter for the homeless for at least **3 years**.

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 Section 504 of the Rehabilitation Act of 1973, as amended, as provided in 24 CFR 8.23 (a) or (b)).

Deferred repairs are items that are inoperable or broken and in need of replacement prior to the application period. These types of repairs are considered Rehabilitation activities.

3) **ESSENTIAL SERVICES**

ESGP legislation limits to 30% the amount of funds that may be used for Essential Services activities. Therefore, the Department will require ESGP applications to **limit requests** for Essential Services activities to **30%** of the proposed budget. **The 30% limitation applies to the total collaborative in a collaborative application.**

Essential Services activities address the immediate needs of homeless individuals and enable homeless persons to become more independent and/or to secure permanent housing. Essential services may include direct client services concerned with employment, health, drug abuse prevention, and education, including but not limited to:

a) Assistance in obtaining permanent housing;

b) Medical and psychological counseling and supervision;

c) Employment counseling, job placement, and job training (including tuition and books);

d) Nutritional counseling and the salary of food preparers (cooks);

e) Substance abuse treatment and counseling;

f) Assistance in obtaining other federal, state, and local assistance including mental health benefits, medical assistance, Veteran's benefits, and income support assistance such as SSI, TANF, and Food Stamps;

g) Other services such as childcare, food vouchers, client clothing, or medical assistance (doctor visits, prescriptions, eye glasses or other prostheses, etc.);

h) Transportation costs directly associated with ESGP service delivery, such as bus tokens, bus fare, cab fare, airfare, salary of van driver, etc; and,

i) Salary for staff whose **sole duty** is to work directly with clients to provide the above services. Staff salaries may include wages and fringe benefits as described in the applicant organization's personnel policies. **No administrative salaries may be paid with Essential Services funds.**

The application **must include a job description** for any position to be paid in full or in part with ESGP funds under this category.

If your agency received local funds (locally generated tax revenue) from a unit of local government in the past 12 months, and if your ESGP application includes a request for funds to provide essential services, your Project Narrative must describe how the service(s) will be a new service or will result in a quantifiable increase in the level of service that was provided with local funds during the previous 12 months.

Essential services includes direct client services concerned with employment, health, drug abuse prevention, education, transportation, clothing medical assistance, etc. Once a new or increased level of service meets the criteria, these services may be continued in subsequent years.

ESG funds can be used by grantees or their recipients for a new service or a quantifiable increase in the level of service above that provided during the immediately previous 12-month period. This provision in the legislation prohibits using ESG funds to replace existing government or non-profit funding of services.

However, once a new or increased level of service meets the above standards, then ESG funds may be used to continue funding that service in subsequent years.

4) **MAINTENANCE, OPERATION, AND FURNISHINGS**
ESGP funds may be used for maintenance, operation, furnishings, and equipment costs. The Department will accept applications that include Maintenance, Operation, and Furnishings as a part of the project or as the sole activity of a project.

Maintenance costs include contract services for copier or security system maintenance, pest control, lawn care, contracted janitorial service, etc.

Operation costs include 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; contracted security services; 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 a contract implementation workshop).

ESGP funds may not be used for recruitment or on-going training of staff, mortgage payments for the organization, or depreciation. If a building is owned by the ESGP subrecipient or a subsidiary, rent may not be charged to ESGP. Only the allocable share of maintenance, utilities, and insurance may be charged.

Non-deferred repairs are items that break during the contract period, such as:

a) repairing a window that is broken;
b) repairs due to water damage; or
c) repairing a broken furnace or air conditioning unit.

Deferred repairs are items that are inoperable or broken and in need of replacement prior to the application period. These types of repairs are considered Rehabilitation activities.

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.

Furnishings may include beds, mattresses, linens, desks, tables, chairs, etc.
An applicant that participates 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.

5) **HOMELESSNESS PREVENTION**

Homelessness Prevention funds may be used to assist individuals who are homeless or at risk of becoming homeless. The Department will accept applications that include Homelessness Prevention as a part of the project or as the sole activity of a project. There are no limitations in the amount of funds which may be requested for homelessness prevention. HUD requires that Homeless Prevention funding be obligated within 30 days of award notification and thereafter, those funds must be expended within 180 days.

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 **all** of the following conditions 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;

b) The assistance is necessary to avoid the foreclosure, eviction, or termination of utility services (excluding telephone service);

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.

Homelessness Prevention funds must be used to assist those individuals and families that would actually become or remain homeless without ESGP homelessness prevention funds. Homelessness Prevention assistance may include:

a) Community outreach to more effectively deliver services to individuals who are homeless or at risk of becoming homeless;

b) 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 transfer of service;

c) Security deposits or first month's rent to enable a homeless family (or individuals in emergency/ transitional housing) to acquire permanent housing;

d) Programs to provide mediation for landlord/tenant disputes;

e) Programs to provide legal services for the representation of indigent tenants in eviction proceedings;

f) Payments to prevent foreclosure on a home; and,

g) Other innovative programs and activities designed to prevent the incidence of homelessness.

Ineligible homelessness prevention activities include:

a) Housing/services to homeless persons

b) Long-term assistance beyond several months

c) Application for Federal funds or unprogrammed funds

d) Support of inherently religious activities such as worship, religious instruction, or proselytization; and,

e) Rehabilitation or repair of buildings such as sanctuaries, chapels, and other rooms that a congregation uses as its principal place of worship.

INELIGIBLE ACTIVITIES

Rehabilitation activities funded through ESGP cannot increase the square footage of the structure involved and must occur within the existing structure. (Refer to Section 504 of the Rehabilitation Act of 1973, as amended, as provided in 24 CFR 8.23 (1) or (b).)

ESGP funds shall not be utilized for 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.

ESGP funds shall not be used for application for Federal funds or unprogrammed funds.

ESGP funds shall not be used for recruitment or on-going training of staff, depreciation, advertisement, entertainment, conferences, or retreat, public relations, advertising, bad debts/late fees, or mortgage payments of the subrecipient organization.

MATCH REQUIREMENT

ESGP subrecipients must match their award amount with an equal or greater amount of resources other than ESGP funds. Therefore, ESGP applicant organizations must demonstrate access to resources that may be used as match **after** the date of the grant award. Matching funds used for this ESGP project may not be used to match any other project or grant. ESGP funds received from units of local government may not be used to match State the ESGP grant. Supportive Housing Program and Community Development Block Grants from the U.S. Housing and Urban Development Department may be used as match sources. Match resources may include:

1) **DONATED SUPPLIES:** Donated goods such as clothing, furniture, equipment, etc. Include the source and an estimated value for all donated goods.

2) **CASH DONATIONS OR GRANTS:** Private donations or grants from foundations, nonprofits, or local, state, and federal sources. A single grant may serve as the required match.

3) **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 must not currently be in use for these activities. The narrative should state when the building was donated and for what purpose, the current use of the building, and how long the building has been used for its current purpose. The application must include documentation from a realtor or appraiser as to the fair market value of the property.

4) **RENT OR LEASE:** Rent paid for space currently used to provide services to the homeless. *Include the source of funds used to pay rent.* The fair market rent or lease value of a building owned by or space that is donated (rent-free) to the applicant organization is also an acceptable match resource. To document fair market value, the application must include a letter from a realtor or appraiser that specifies the location of building, square footage, value per square foot, and total lease or rent value based on 12-month occupancy.

5) **SALARIES:** ANY staff salary paid with general operating funds or grant funds (CSBG, CDBG, United Way, VOCA, etc.). 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. For each position include the title, annual salary, percentage of time dedicated to ESGP activities, source of funds and the dollar amount proposed as match.

6) **VOLUNTEERS:** TIME and services contributed by volunteers, with a value not to exceed $5 per hour.

<u>ENVIRONMENTAL REVIEW PROCEDURES – **Rehabilitation Projects Only**</u>

The 1988 McKinney Amendment Act revised the environmental review procedures for assistance under Title IV of the Act, including ESGP, by making applicable the provisions of, and regulations and procedures under section 104(g) of the Housing and Community Development Act of 1974 (42 U.S.C. Sec. 5304 (f)). The regulations are codified at 24 CFR Part 58. Also, see 24 CFR 576.57e (Release of Funds), and 24 CFR 35 (Lead Based Paint Hazard Reduction).

1) An application from a *private nonprofit organization* that requests funding for Rehabilitation activities must include a letter documenting that the applicant has requested assistance with environmental requirements from the Chief Elected Official (CEO) of the city or county in which the assisted project will be located. If the applicant is considering using a prior environmental review, refer to environmental review requirements under the <u>Environmental Review Procedures</u> item 4. below. *Collaborative applications* must include this documentation for each applicant organization requesting rehabilitation funds.

2) Applications including a request for Rehabilitation funds must include a completed **Preliminary Environmental Review Checklist (Attachment N)** which has been executed by the authorized signatory for the applicant organization and by a local elected official (or designee) of the city or county that has agreed to assist with the environmental requirements.. An organization that is awarded funds for rehabilitation activities must submit a final Environmental Review Checklist.

3) No funds may be obligated or expended for rehabilitation activities until the project has been environmentally cleared. 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.

   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.

   In either case, funds may be obligated or expended only after the *Request for Release of Funds* and *Certification of Compliance with Environmental Regulations* at 24 CFR Part 58 have been approved in writing.

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;
b) the certifying entity provides documentation that no environmentally significant changes have occurred since the review was done; and
c) a copy of the environmental review is submitted as part of the ESGP application.

5) *Units of general local government* that request Rehabilitation funds must assume the required environmental review responsibilities.

6) If the structure proposed for Rehabilitation activities was built prior to 1978, the application must address the risk of the presence of lead-based paint according to the guidelines contained in 24 CFR 35 "*Requirements for Notification, Evaluation and Reduction of Lead-Based paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance.*" The HUD website includes helpful information, including a certification for lead-based paint risk assessment (www.hud.gov/lead/ click on "Training" in left hand column). *Collaborative applications* must include this documentation for each facility for which rehabilitation funds are requested.

SELECTION PROCESS & FUNDS DISTRIBUTION

The Department utilizes a statewide competitive NOFA to obligate ESGP funds.
In FFY 2010, ESGP funds will be reserved for each of the 13 Uniform State Service Regions (Appendix I). A portion of the total funds available will be reserved for each of the 13 Uniform State Service Regions based on the poverty population of each region (i.e. 3.95% of the State's available ESGP allocation will be reserved for Region 1 with 3.95% of the state's poverty population). Poverty population is based on the 2000 U.S. Census figures.

A team of reviewers will first pre-screen all applications to ensure they meet all eligibility requirements. Applications will be grouped, reviewed, and evaluated according to region. If an application does not meet all eligibility requirements, it will be deemed ineligible and will not be scored. Since this is a competitive process, the Department **will not** notify organizations of any deficiencies during the pre-screening and review process. It is the Department's expectation that before an application is submitted, each organization in a collaborative as well as single organizations, have thoroughly reviewed the application and its requirements.
Applications which meet all eligibility requirements will be reviewed and scored using a standard review instrument, *based on this instruction packet.* The scores for each application will be averaged to obtain a team score. Point adjustments will be made based on bonus point criteria and/or identified monitoring issues. Applications will then be ranked according to adjusted score within each region. **Applications that receive a score below 70% of the highest score in their region will not be considered for funding.** Applicants who have unresolved monitoring and audit findings from any TDHCA funded program will be ineligible for ESGP funding. The Department also considers the most recent monitoring results for organizations that have previously received ESGP funds and timely submission of reports. The Department's Board must approve all awards.

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, Title 10, Part 1, Chapter 1, Subchapter A, Section 1.7.

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 eligible applications which meet the funding threshold, funds will be redistributed to regions whose funding is below $250,000.

The Department will award **bonus points** in the FFY 2010 application process as follows:

1) Three points for applications received from an ESGP non-entitlement area (See Appendix V),

2) One point for application which requests ESGP funds to provide homelessness prevention assistance; and,
3) Three points for an application from a single applicant organization who has not previously received ESGP funds from the Department. If funded under a collaborative application, all applicants must meet criteria.

4) One point for documentation of attendance by homeless representative at 75% or more of Board meeting or Policy making entity meeting. For a collaborative, all partners would have to meet the requirement.

Factors to be considered in the review of each eligible application include, but are not limited to:

1) **APPLICATION CONTENT (15 POINTS TOTAL)**
One point will be awarded for the submission of each required item specified in the Application Instructions, pages 12-15 of Application. For applicants requesting to use ESGP funds for Rehabilitation, up to 6 points may be deducted for failure to provide information requested on Application Instructions, page 14-15, item 25. (a) thru (f).

2) **COMPLETION OF TABLES (30 POINTS TOTAL)**
Point deductions will be taken if tables are not completed according to instructions.
   a) Proposed Budget Table – Attachment F (12 points)
   b) Match Table - Attachment G (8 points)
   c) Resource Documentation Table - Attachment H (10 points)
   A Resource Documentation Table must be submitted for each county to be served; points will be deducted if not submitted.

3) **NARRATIVE (50 POINTS TOTAL)**
   a) Description of Applicant Organization
      i) Organization and Services Provided. Questions on page 17 of Application, I.A. 1. thru 6., maximum of 20 points.
      ii) Coordination Efforts. Questions on page 17-18, I. B. 1. thru 3., maximum of 10 points.
      iii) Previous ESGP Funding. Questions on page 18 of Application, I.C. 1.thur 2., maximum of 4 possible point deductions for failure to provide information.
   b) Unmet Need. Questions on page 18 of Application, II.A., maximum of 10 points.
   c) Proposed Use of ESGP funds. Questions on page 18-19 of Application, III.1. thru 5., maximum of 10 points and possible point deductions of 27 points for failure to provide information requested in questions 3.a. thru e. regarding use of funds by category.

4) **CONCLUSION (5 POINTS TOTAL)**
Questions on page 19 of Application, IV. 1. thru 3.

PAST PERFORMANCE REVIEW
The Department will also take into consideration performance related to any funding received from the Department and the results of the Single Audit. The results of this review may deem an applicant ineligible to receive funding. The Department will also review the history of submission of ESGP reports and the expenditure rate of ESGP funds and points will be deducted for late reports and for expenditure rates below 83%. Organizations with expenditure rates below 50% may not be eligible to receive ESGP funds.

APPLICATION CONTENT

All pages of the application, excluding the audit, must be numbered. The original and the two copies must have required signatures when the form requires a signature.

Each application must contain the items listed below **in the following order:**

1) **State of Texas ESGP NOFA Form** – Form must be placed on the top of the application.

2) **Table of Contents** – must include page numbers.

3) **Attachment A (Standard Form 424)** – Complete the blank spaces but do not complete the shaded boxes. On #12., only list the counties where the ESGP funded services will be provided. The counties identified in the Form 424 must match the counties identified in the ESGP NOFA Form and in the application. The person signing this form must be the authorized signatory for the ESGP contract, if awarded. For collaborative applications, only the lead agency must sign and submit a Standard Form 424.

4) **Attachment B** – *Eligibility Documentation Regarding Homeless Representation.* Complete this form to identify the homeless or formerly homeless person that serves on the Board of Directors or on a Policymaking Entity. This form is required for each organization in a collaborative application.

5) **Attachment C** –*Roster for Board of Directors or Policymaking Entity.* Complete the form and provide the requested information for member of the applicant's board of directors or equivalent policymaking entity. If the homeless person serves on the Policymaking Entity, then complete a form for both the Board and the Policymaking Entity. The homeless or formerly homeless individual must be identified by placing an X in the name column on the form. This form is required for each organization in a collaborative application.

6) **Attachment D-** *Attendance Roster for Board of Directors or Policymaking Entity.* Complete this form using the official attendance records for the board of directors or equivalent policymaking entity. If the homeless person serves on the Policymaking Entity, then complete a form for both the Board and the Policymaking Entity. The homeless or formerly homeless individual must be identified by placing an X in the name column on the form. This form is required for each organization in a collaborative application.

7) **Articles of Incorporation** - Include a copy of the section in the Articles of Incorporation which includes the mission and goals for which the organization was established.

8) **Copy of Bylaws** – For organizations where the homeless representative serves on the policy making entity and not the board, include a copy of the section in the bylaws which authorizes the policymaking entity to make policies and decisions for the organization. For collaborative applications, include this documentation for each organization. Ensure that the pertinent section in the bylaws is highlighted or clearly marked.

9) **Attachment E** - *Local Government Certification Form* – all private nonprofit applicants must document that the project proposed for ESGP funding received local government approval. Applications submitted by units of government do not need to submit Attachment E. For a collaborative application, only the lead agency needs to submit a completed Attachment E. The certification form may be signed by the county judge or mayor, or their official designee (such as city

manager, assistant city manager, community development director or human services director) for the locality in which the project is located.

10) **Existing Internal Revenue Service (IRS) ruling** – All private nonprofit organizations must document their status as a 501(c) tax-exempt entity. The Department prefers that the ruling be on IRS letterhead which is legible and signed by the IRS District Director. Expired advanced rulings from the IRS are not acceptable. Other documentation which may be utilized to document a 501(c) status may be a letter from the State of Texas Comptroller of Public Accounts or a certified legal document showing status. Local nonprofit affiliate of a State or national nonprofit can be submitted if your organization is a subsidiary of a parent organization. In case of the latter, provide a copy of the page listing your organization in the documents filed with the IRS.

11) **Project Narrative** – The narrative must not exceed 10 pages. Collaborative applications are allowed two additional pages for each additional organization (maximum of 20 pages). The narrative must be formatted using a minimum of 11 font size, double spaced, on standard 8 ½" x 11" paper with 1" margins. Refer to instructions on pages 11-13.

12) **Job Descriptions** – Job descriptions for all positions paid for with Essential Services must be included.

13) **Attachment F** – *Proposed Budget Table.* For each of the ESGP eligible activities categories, enter a description and of each item, the method of calculation, the basis for cost, the line item total and category total. Include staff titles where appropriate. In the Detail of Activities by Category and Method of Calculation Column, briefly describe the item for which ESGP funds are requested and the method of calculation. In the Basis for Cost Column, briefly describe how the cost estimate was established. In the Line Item Totals Column, list the total cost for each item requested. In the Category Totals column, provide the total dollar requested figure for each of the categories in A-E. Collaborative applications must include a comprehensive Budget Table that includes all activities proposed by the collaborative effort, as well as one Budget Table for each organization in the collaborative.

14) **Attachment G** – *Proposed Match Table.* The Match Table must include a brief description of the type of match, the dollar value of the match, the source of match funds (name of grant or donor) and the method of calculation for each match resource proposed. The Match Total must equal or exceed the amount of ESGP funds requested. Collaborative applications must include a comprehensive Match Table that includes all activities proposed by the collaborative effort, as well as one Match Table for each organization in the collaborative.

Note: If the building was donated in the past 12 months for use as a shelter and the fair market rent or lease value of any building is proposed for use as match, include a letter from a realtor or appraiser documenting the location of the building, square footage, value per square foot, and total lease or rent value based on 12-month occupancy. If salaries are used as match, submit the title, annual salary, percentage of time dedicated to ESGP activities, source of funds, and the dollar amount for employee positions to be used as match.

15) **Attachment H** -*Resource Documentation Table* – A separate table must be completed for each county in which the organization proposes to provide ESGP services. For collaborative applications, one table must be submitted for each county served by the application partners. Include verifiable sources for all data included and data relevant to the population to be served. See Appendix II for a listing of websites that may be useful in gathering this information. Fill in the name of the county and the organization. The Data Required column states the information that is being requested. In the

ESGP Data Provided column, provide the requested information. The data should be the most recently available data and should be presented briefly and concisely. The text should be a comprehensive summary of the needs of the homeless and poverty population in the county to be served. In the Data Source column, provide the data sources utilized in the Data Provided column and provide dates that census, assessments, or surveys were conducted.

16) **Photographs** – The original application must include original or digital photographs of at least two different views (one of the exterior and one of the interior) of the facility from which assistance is to be provided. The second copy of the application can have copies of photos. For collaborative applications, each organization must submit photographs of at least two different views (one of the exterior and one of the interior)of the facility from which services are provided.

17) **Attachment I** – *Homeless Management Information System Reporting form.* All applicants must include this form to fulfill the requirement under various statutory authorities and Congressional direction to collect information about the nature and extent of homelessness. This form must be completed by each organization in the collaborative project.

18) **Attachment J** – *Previous ESGP Funding form.* This form must be used to identify ESGP funds received from TDHCA (or TDCA) directly or through a subcontract agreement. This form must be completed, as applicable, by each organization in the collaborative project.

19) **Attachment K** – *ESGP Applicant Certification.* All applicants must include a signed certification form. For collaborative applications, only the lead agency must provide this certification.

20) **Attachment L** – *Certification Regarding Lobbying.* All applicants must include a signed certification form. For collaborative applications, only the lead agency must provide this certification.

21) **Attachment M** – Audit Certification Form. All applicants must submit a completed form. For collaborative applications, all partners, including the lead agency must submit a completed form for the most recently completed fiscal year.

22) **Attachment N** – HB 1196 Form. All applicants must submit a completed form. This form relates to requirements set forth in House Bill 1196, passed during the 80th Texas Legislative Session.

23) **Fiscal Accountability** - All applications must include documentation of fiscal accountability, even if this information has been previously submitted to the Department. All collaborative applications from non-profits and cities or counties must submit financial documentation for each organization in a collaborative (this includes the lead organization). For collaborative applications from units of general local government, the Department expects that fiscal accountability documentation will be reviewed by the city or county prior to submission. Submit one complete unbound copy of your organization's most recent Single Audit report. A duplicate copy of the Single Audit report does not need to be submitted. **If applicable, a management letter must be included with the audit.** If your organization does not have a Single Audit, the following end-of-the-year financial statements must be included: (1) balance sheet; (2) income statement; and (3) a statement of cash flow. Refer to page 4 for information on audit requirements.

24) **Documentation of a Current Fidelity Bond** – All applicants and each partner in the collaborative must include documentation of a current fidelity bond or a letter of commitment to obtain the same prior to execution of an ESGP contract. A fidelity bond covers policyholders for losses that they incur as a result of fraudulent acts by specified individuals. Fidelity bond coverage must include all

persons authorized to sign or counter-sign checks or to disburse sizable amounts of cash. Fidelity Bond or letter of commitment must be for a minimum of $10,000.

25) **Rehabilitation Documentation** - ***(only for applicants requesting Rehabilitation funds).***
All applications that include a request for Rehabilitation funds must include as applicable:

a) **Attachment O** – *Preliminary Environmental Review Statutory Checklist.*
An application that requests ESGP funding for Rehabilitation activities must include the completed Preliminary Environmental Review Checklist (Attachment N) signed by the authorized signatory for the applicant organization and by the Chief Elected Official of the city or county that has agreed to assist with the environmental requirements (See page 9 of this document for more details on Rehabilitation requirements). Collaborative applications must include an Attachment N for each organization requesting Rehabilitation funds. Copy this form as necessary. Units of general local government requesting Rehabilitation funds must assume the required environmental review responsibilities and must submit documentation as required.

b) **Property Appraisal.** Any reasonable method for determining property value is acceptable. Examples of no cost or low cost appraisals include a city or county tax appraisal or a broker's price opinion based on sales of comparable properties in the area. **Collaborative applications must include an appraisal of each property proposed for rehabilitation.**

c) **Flood Plain Map.** Maps must be certified by the Federal Emergency Management Agency (FEMA) or the City/County in which project is located and include the panel number and indicate the location of the project. **Collaborative applications must include a flood plain map for each project proposed for rehabilitation.**

d) **Letter from the Texas Historical Commission** (THC) regarding the historical significance of the facility. A copy of the letter requesting THC clearance is acceptable to meet the application deadline. If your organization is awarded ESGP funds, you will be required to forward THC response to the Department. When requesting clearance from the Texas Historical Commission, include any written information regarding the structure and pictures of at least two sides of the structure. Address your letter to: Stan Graves, Director of Architecture, Texas Historical Commission, Post Office Box 12276, Austin, Texas 78711, 512-463-6100. **Collaborative applications must include a THC letter for each site proposed for rehabilitation.**

e) **Photographs**. Photos must be submitted for the specific areas proposed for rehabilitation. Collaborative applications must include photographs of the areas proposed for rehabilitation by each organization requesting rehabilitation funds.

f) **Private nonprofit organizations requesting rehabilitation funds must:** 1) provide a letter documenting that the organization has requested assistance with environmental review requirements from the Chief Elected Official (CEO) of the city or county in which the assisted project will be located or a letter that documents this assistance. If using a prior environmental review, refer to Environmental Review Procedures.

Collaborative applications must include this documentation for each applicant organization requesting rehabilitation funds.

PROJECT NARRATIVE INSTRUCTIONS

The narrative portion of the application must provide all the information requested when applicable. The narrative must be formatted with one-inch margins and double-spaced on 81/2"X 11" paper. Minimum font size is 11 pitch. The narrative must not exceed 10 pages for applications involving one organization. Collaborative applications will be allowed two additional pages per organization up to a maximum of 20 pages. All projects should be planned for a maximum of 12 months.

Organize the project narrative with clear headings and subheadings and in the same order as the following. If any heading or subheading does not apply to your project, please indicate N/A next to it.

Part I. Description of Applicant Organization

This section should give a clear and concise description of the applicant's organization. Collaborative applications should include descriptions for each organization included in the collaborative.

1) Organization and Services Provided

a) Describe your organization's history and mission. Include information on the current staff size and the educational background and work experience of key management staff.

b) Provide information about the board of directors, such as a list of subcommittees, how often the board and subcommittees meet, how the board has utilized recommendations from the homeless representative to change the organization's policies, practices, or services.

c) Describe:
   i) The type(s) of services currently provided.
   ii) The total number of persons to be served annually in the program to be supported with ESGP funds.
   iii) The target group(s) served.
   iv) The location of office(s) or shelter providing assistance. Location includes the cities and/or counties to be served through the proposed ESGP project.
   v) Shelter capacity (bed space), if applicable.

d) Describe the services provided which have a long-term impact/outcome on the homeless individuals served. Such services could include, but not be limited to, education, employment, substance abuse, family functioning skills, transitional or permanent housing, etc.

e) Describe case management services provided to homeless individuals.

f) If applicable, describe any formal or informal restrictions on services provided and the basis for these restrictions.

2) Coordination Effort

a) Describe how services are coordinated. Describe what types of services your organization coordinates with other service providers to meet the various needs of the homeless clients or clients who may become homeless.

b) **For collaborative applications only**, provide information on how and which services will be coordinated among the organizations included in the collaborative application.

c) Describe your organization's participation in the local homeless coalition or coordinating council which coordinates social services in your service area and describe your organization's participation in the development of the Continuum of Care application to HUD for the community in which the proposed services will be provided.

3) Previous ESGP Funding (if applicable)

a) Describe how previous ESGP funds received from TDHCA improved or increased the services available from your organization. If ESGP funds have not been received previously, state such.

b) Describe new sources of funds acquired during the previous three years when an ESGP grant was received. Additionally, describe the recent efforts made to develop other funding sources during the past five years and provide information on new funding received from these efforts.

Part II. Unmet Need

This section of the proposal must address the unmet needs of the homeless population in your service area and describe the specific unmet needs and gaps in services that your organization will address if the ESGP proposal is funded.

1) Based on the data provided in the Resource Documentation Table, describe the unmet needs or gaps in services for the homeless population in your service area. The needs or gaps in services should represent the array of services that are necessary, but either do not exist or are not adequately being provided by the existing service delivery system.

2) Based on the data in the Resource Documentation Table, provide a description of the specific unmet need(s) and gaps in services that your organization will meet and address if the proposed ESGP project is funded. Specify the specific services which will be provided and state whether the service is currently not provided in the community or is not being adequately provided by the existing service delivery system.

Part III. Proposed Use of ESGP funds

A detailed description of the project for which you are requesting funding. Include the following information in the description:

1) Who are the proposed customers to be served with ESGP funds? Include demographic information (sex, race, age, gender, etc.) on the population that will benefit from ESGP funding.

2) How many customers do you plan to assist with ESGP services?

3) Based on the proposed ESGP budget, provide a description of:

   a) **Operation Administration:** describe the operation administration costs which are to be funded with ESGP.

   b) **Essential Services**

      i) Provide a description of the Essential Services to be funded with ESGP.

      ii) Provide the name and title of the Essential Services staff whose salary will be paid in whole or in part, with ESGP funds and provide relevant information on their education and experience.

iii) Applicants requesting Essential Services funds must provide information on whether the applicant organization previously received **local funds** (funds from a city or county) to provide Essential Services activities. If local funds to provide Essential Services were received by the applicant during the previous 12 calendar months before the receipt of ESGP funds, then the applicant must describe of how the proposed service(s) will be a new service or will be a quantifiable increase in the level or service previously funded with local government funds.

c) **Maintenance, Operation, and Furnishings** – Describe the Maintenance, Operation, and Furnishings to be funded with ESGP funds and describe how the items funded with ESGP funds will benefit your organization's ability to deliver services.

d) **Homeless Prevention** – Describe the type(s) of prevention activities to be provided with ESGP funds. Also, include a detailed implementation plan which includes:

i) Staff positions which will be responsible for providing the homelessness prevention activities;

ii) The criteria which will be used to determine eligibility to receive assistance; and,

iii) A description of the method which will be used to determine if the applicant meets the eligibility requirements for homelessness prevention assistance as per ESGP regulations and requirements.

e) **Rehabilitation** – Include a description of the Rehabilitation activities to be funded with ESGP funds. Also include documentation on the construction date and current appraised value of the facility. If the facility was constructed prior to 1978, include a discussion of abatement of lead-based paint and/or asbestos. Non-profit organizations must include documentation that the city or county has been contacted regarding (or has agreed) assistance with required environmental review.

f) Provide the names of any subcontractors (e.g. a child care provider) which will be utilized to deliver ESGP funded services and provide information on the services they will deliver.

4) Describe how your organization plans to measure the effectiveness of the services provided to your clients. In measuring effectiveness, your organization may set outcome measures for some of the services to be delivered on clients to be served. For example, 25 of the 200 persons provided with emergency shelter will be placed in a permanent job. Twelve (12) of the 25 persons placed in a job will earn an income above 100% of federal poverty income guidelines.

5) Describe how your organization will involve homeless families and individuals in rehabilitating, maintaining and operating the shelter or other facilities, and/or providing services.

Part IV. Conclusion

1) What significant and beneficial impact(s) will the proposed project have on the homeless population in your service area? What are the results or benefits to be achieved by carrying out the proposed activities?

2) Describe the current outcome related services provided which will have a long term impact on the individual and/or families served. Such services and assistance can include, but are not limited to, assistance at setting and attaining educational goals, obtaining job skills, obtaining employment, completing a substance abuse rehabilitation program, etc.

3) If your organization is not currently providing outcome related services which have a long term impact on the individual or families life, describe plans to provide outcome related services.

Standard Form 424

OMB Approval No. 0348-0043

1. Type of Submission: Application : Preapplication	2. DATE SUBMITTED	Applicant Identifier N/A
☐ Construction : ☐ Construction ☐ Non-Construction : ☐ Non-Construction	3. DATE RECEIVED BY STATE N/A	State Identifier N/A
	4. DATE RECEIVED BY FEDERAL AGENCY N/A	Federal Identifier N/A

5. APPLICANT INFORMATION

Legal Name:	Organizational Unit:
Address (give city, county, state and zip code)	Name, and telephone number of the person to be contacted on matters involving this application (give area code)

6. EMPLOYER IDENTIFICATION NUMBER (EIN): ☐☐ – ☐☐☐☐☐☐☐

7. TYPE OF APPLICANT: *(enter appropriate letter in box)* ☐

A. State	H. Independent School District
B. County	I. State Controlled Institution of Higher Learning
C. Municipal	J. Private University
D. Township	K. Indian Tribe
E. Interstate	L. Individual
F. Intermunicipal	M. Profit Organization
G. Special District	N. Other (Specify): ________________

8. Type of Application

☐ New ☐ Continuation ☐ Revision

If Revision, enter appropriate letter(s) in box(es) ☐ ☐

A. Increase Award B. Decrease Award C. Increase Award D. Decrease Duration Other *(specify)*

9. Name of Federal Agency: ***U.S. Department of Housing and Urban Development***

10. Catalog of Federal Domestic Assistance Number: **14•231**
Title: ***Emergency Shelter Grants Program***

11. Descriptive Title of Applicant's Project:
Emergency Shelter Grants Program

12. Areas Affected for ESGP Funded Project (counties,):

13. PROPOSED PROJECT:

Start Date	Ending Date

14. CONGRESSIONAL DISTRICTS OF:

a. Applicant	b. Project

15. ESTIMATED FUNDING:

a. Federal	$	.00
b. Applicant	$	xxxxxxxxxxxxxx
c. State	$	xxxxxxxxxxxxxx
d. Local	$	xxxxxxxxxxxxxx
e. Other	$	xxxxxxxxxxxxxxx
f. Program Income	$	xxxxxxxxxxxxxx
g. TOTAL	$	

16. Is Application Subject To Review By State Executive Order 12372 Process?

a. Yes. This Preapplication/Application was Made Available to the State Executive Order 12372 Process for Review on:
DATE ______________________

No. ☐ Program Is Not Covered by E.O. 12372

☐ Or Program Has not Been Selected by State for Review

17. a. Is the Applicant Delinquent on Any Federal Debt?

☐ Yes If "Yes" attach an explanation ☐ No

b. Did you receive technical assistance from:	Yes	No
A TDHCA Independent Contractor?	☐	☐
A TDHCA Field Office?____________________	☐	☐
Other________________________________	☐	☐

18. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION, PREAPPLICATION ARE TRUE AND CORRECT. THE DOCUMENT HAS BEEN DULY AUTHORIZED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH ALL ASSURANCES AND CERTIFICATIONS IF ASSISTANCE IS AWARDED.

a. Typed Name of Authorized Representative (same as below)	b. Title	c. Telephone Number
d. Signature of Authorized Representative (Person authorized to execute contract, if awarded)		e. Date Signed

Attachment B

FFY 2010 Texas Emergency Shelter Grants Program

Eligibility Documentation Regarding Homeless Representation

Documentation of the active participation of a homeless or formerly homeless individual on the governing board or other equivalent policymaking entity which makes policies and decisions regarding any facility, service, or other assistance is a requirement for organizations applying for ESGP funds as per 24 CFR Part V, 576.56 (b) (1).

Please complete the following form for your organization. If submitting a collaborative application, **each organization in the collaborative must submit this form.**

Name of Organization: ______________________________

1. Does the organization have representation of a Homeless or Formerly Homeless member on the Board of Directors or other equivalent Policymaking Entity?

   _______Yes, homeless representative serves on the Board of Directors.

   _______ Yes, homeless representative serves on a Policymaking Entity.

   _______ No

2. The name(s) of Homeless or Formerly Homeless Member(s) currently serving the Board of Directors or equivalent Policymaking Entity is:

   (1). ______________________ (2). ______________________

3. The name of the Policymaking Entity is:______________________
   Who appoints members to the Policymaking Entity? ☐ Executive Director ☐ Board ☐ Other

4. a. Does the Policymaking Entity consider and make policies and decisions regarding any facility, service, or other assistance provided by your organization? ________ Yes ________ No

   b. If yes, explain the types of policies and decisions regarding the facility, services, or other assistance which are made by the Policymaking Entity?

   c. Explain if and how the policies and decisions made by the Policymaking Entity are forwarded to the Board of Directors and explain what occurs once these policies and decisions are presented to the Board of Directors.

I certify that this organization has a currently active homeless or formerly homeless individual on its Board of Directors or equivalent policy making entity; that their attendance is documented in this application; and their name is clearly identified on the documentation included in this application.

Authorized Representative:______________________ Date:____________

FFY 2010
Attachment C

Name of Organization: ______________________________

Note: If the homeless representative serves on a Policymaking Entity, provide a roster of the Policymaking Entity and of the Board of Directors. Identify all members who served during the time period indicated.

Roster for ☐ Board of Directors or

Roster for ☐ Policymaking Entity

For October 2008 - October 2009

Name	Appointment Date	Date Term Expires	Address	Phone	Occupation
☐					
☐					
☐					
☐					
☐					
☐					
☐					
☐					
☐					
☐					
☐					
☐					
☐					
☐					
☐					

(place an ☒ in the first column of the form to indicate the homeless or formerly homeless individual)

I certify that this organization has a currently active homeless or formerly homeless individual on its Board of Directors or equivalent policy making entity and their attendance is documented in this application.

Authorized Representative: ______________________________ Date: ______

Attendance Roster for ___ Board of Directors or
___ Policy Making Entity
Period: October 2008 – October 2009

Complete this form to document the attendance record for the Board of Directors or equivalent Policy Making Entity. Identify all members who served during the time period indicated.

Note: If the homeless representative serves on a Policymaking Entity, provide an attendance roster for both the Policymaking Entity and the Board of Directors. Indicate whether the form is completed for the board or policy making entity, by marking an X in the applicable box in the header.

Mark each box with an **A=Absent** or **P=Present** or **NM for no meeting** for the months indicated. If a member was not yet serving on board or policymaking entity, indicate **NA** in months not applicable.

Name of Organization: ______________________________

Name of Member	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
☐													
☐													
☐													
☐													
☐													
☐													
☐													
☐													
☐													
☐													
☐													

(place an ☒ in the first column of the form to indicate the homeless or formerly homeless individual)

Attachment E

FFY 2010 Texas Emergency Shelter Grants Program

LOCAL GOVERNMENT CERTIFICATION FORM
FOR PRIVATE NONPROFIT ORGANIZATIONS*

I, ____,
(Type Name)

duly authorized to act on behalf of ______________________________,
(City or County)

hereby approve the Emergency Shelter Grants Program project application submitted

to the Texas Department of Housing and Community Affairs by:

____
(Name of Private Nonprofit Organization)

and certify that the application activities are to be located in the city or county named above.

______________________ ______________________
(Signature) (Title)

____
(Date)

* The State of Texas will distribute ESGP funds to private nonprofit organizations only if the unit of general local government (any city or county) in which the proposed activities are to be located certifies that it approves the project.

Attachment F

FFY 2010 ESGP Proposed Budget

Organization:_______________________________ **CONTRACT PERIOD: 9/1/10 – 8/31/11**

Detail of Activities by Category & Method of Calculation	Basis for Cost	Line Item Totals	Category Totals
Total Requested Funds: $ ___________			
A. OPERATION ADMINISTRATION (max 10% of funds requested)			$
		$	
B. REHABILITATION			$
		$	
C. ESSENTIAL SERVICES (max 30% of funds requested)			$
Salaries (list position and amount)		$	
Other:		$	
D. MAINTENANCE, OPERATION, and FURNISHINGS			$
Maintenance (contractual agreements only)		$	
Operation (excluding staff but including) Pre Award Travel Expenses:__________ Staff Travel:__________ Audit:__________ Rent:__________ Repairs (non-deferred):__________ Insurance (list type):__________ Utilities/Telephone:__________ Food:__________ Other:__________		$	

Attachment F

FFY 2010 ESGP Proposed Budget

Organization:______________________________ CONTRACT PERIOD: 9/1/10 – 8/31/11

Detail of Activities by Category & Method of Calculation	Basis for Cost	Line Item Totals	Category Totals
Operation:			
Equipment (list item(s) and amount)		$	
Furnishings (list items(s) & amount)		$	
E. HOMELESSNESS PREVENTION			$
Rent:______________________		$	
Utilities:______________________			
Other:______________________			
TOTAL ESGP FUND REQUEST		$	$

Attachment G

FFY 2010 ESGP Proposed Match

Organization:____

TYPE	DOLLAR VALUE	SOURCE OF MATCH	METHOD OF CALCULATION
Donated Supplies (clothing, furniture, equipment, etc.)	$________		
Cash Donations Or Grants	$________		
Value of Donated Building	$________		
Fair Rental or Lease Value	$________		
Salaries	$________		
Volunteers (@ $5/hour)	$________		
Other (such as fundraisers)	$________		
MATCH TOTAL	$________		

Attachment H

FFY 2010 Resource Documentation Table

Name of Organization: ___________________________________

County __________________

All applicants, regardless of service delivery area, must complete one table for each **county** to be served. If this is a collaborative application, indicate name of lead partner in the name of organization and complete a table for each county to be served. Needs should be documented through a verifiable resource. A summary of this information should be utilized in responding to Part II. of the Project Narrative.

Data Required	Data Provided	Data Source
1. Approximate number of homeless persons in the county		
2. Previous homeless studies (Cite source and method, i.e. day or longitudinal)		
3. Existing shelters in the county: (Include shelter name, population served, and bed capacity for each shelter listed)		
4. Housing Authority Information (Include number of housing authority units, Section 8 vouchers, persons currently on the waiting list)		
5. Other Housing Data a. Average monthly rent b. Other types of accessible, affordable housing such as boarding houses, long-term hotels and motels c. Any other factors that affect the availability of housing in the county		

FY 2010 Resource Documentation Table

Name of Organization: ________________________________

County ________________

Data Required	Data Provided	Data Source
6. Other agencies which assist persons who are homeless or at-risk of homelessness (List Agency name, population served, type of assistance offered and note if agency is a member of the local Homeless Coalition)		
7. Services needed, but not provided (unmet needs and gaps in service): (Include information on the types of service needed; the nearest location to obtain service; frequency that service is required or needed versus its availability; transportation issues; etc. Also, identify how the data was obtained on the unmet needs and gaps in services and identify the information source used to document the need for the service).		
8. Local poverty statistics a. Percentage of poverty (County) b. Approximate number of persons in poverty (County)		
9. County Unemployment Rate		
10. Other local events and issues which affect the county's ability to respond to the needs of the homeless population. (New employers, new resources available, plant layoffs, natural disasters, decrease in previous services, etc.)		

FFY 2010 Emergency Shelter Grants Program

Homeless Management Information System (HMIS) Reporting

Name of Organization: ____

All applicants, including each collaborative partner, must include this form to fulfill the requirement under various statutory authorities to collect information about the nature and extent of homelessness. Applicants awarded a contract must participate in the HMIS Reporting System. Failure to participate in the HMIS Reporting System, even if your organization is not in a Continuum of Care jurisdiction, could result in disallowed costs and may result in termination of ESGP funding.

Section A:

1. My organization **is:** ☐ _____ or **is not** ☐ in a Continuum of Care jurisdiction.
2. My organization **receives** ☐ or **does not receive** ☐ Continuum of Care funds.
3. My organization is ☐ or is not ☐ currently participating in the Homeless Management Information System (HMIS) Reporting System.

   Our organization will begin reporting to the HMIS System (indicate month/year): _____

If your organization is currently not participating in the HMIS reporting system, explain your plan of action to do so: ____

____

4. My organization will utilize a portion of the FY 2010 ESGP funds to cover costs of participating in the HMIS reporting.
   _____Yes _____No
5. The individual who serves as the HMIS Administrator for the Continuum of Care coalition in my area is:

   ____

   and his/her contact information (address, phone #, and e-mail) is as follows:

   ____

Section B.

I, ______________________________, Title ________________________, certify to the best of my knowledge and belief, that I have submitted truthful information on behalf of ______________________________ (Name of Organization).

______________________________ ________________________

Signature Date

Previous ESGP Funding Form

Please provide the following information to identify any ESGP grant awards previously received by your organization from TDHCA as a single applicant or as a partner in a collaborative application funded by TDHCA.

Name of Organization:____

Amount of ESGP Grant Award:____________________Dates of Contract:____________________

☐ Single Applicant funded by TDHCA <u>OR</u> ☐ As a partner in a Collaborative Application funded by TDHCA

Name of Organization:____

Amount of ESGP Grant Award:____________________Dates of Contract:____________________

☐ Single Applicant funded by TDHCA <u>OR</u> ☐ As a partner in a Collaborative Application funded by TDHCA

Name of Organization:____

Amount of ESGP Grant Award:____________________Dates of Contract:____________________

☐ Single Applicant funded by TDHCA <u>OR</u> ☐ As a partner in a Collaborative Application funded by TDHCA

Name of Organization:____

Amount of ESGP Grant Award:____________________Dates of Contract:____________________

☐ Single Applicant funded by TDHCA <u>OR</u> ☐ As a partner in a Collaborative Application funded by TDHCA

Name of Organization:____

Amount of ESGP Grant Award:____________________Dates of Contract:____________________

☐ Single Applicant funded by TDHCA <u>OR</u> ☐ As a partner in a Collaborative Application funded by TDHCA

Name of Organization:____

Amount of ESGP Grant Award:____________________Dates of Contract:____________________

☐ Single Applicant funded by TDHCA <u>OR</u> ☐ As a partner in a Collaborative Application funded by TDHCA

Name of Organization:____

Amount of ESGP Grant Award:____________________Dates of Contract:____________________

☐ Single Applicant funded by TDHCA <u>OR</u> ☐ As a partner in a Collaborative Application funded by TDHCA

FFY 2010
Attachment K

ESGP APPLICANT CERTIFICATION

I, ______________________________, ____________________, authorized to act on behalf
(Name) (Title)

of __________________________________, certify that:
(eligible entity applying for ESG funds)

1. the applicant organization possesses legal authority to apply for and receive funds and carry out activities authorized by the Emergency Shelter Grants Program;

2. the applicant certifies that this application does not include proposed financial participation by a person who, during the five-year period preceding the date of the application, has been convicted of violating a federal law or assessed a penalty in a federal civil or administrative enforcement action in connection with a contract awarded by the federal government as a result of Hurricane Rita, Hurricane Katrina, or any other disaster occurring after September 24, 2005. Applicant acknowledges that any award by the Texas Department of Housing and Community Affairs pursuant to this application may be terminated and payment withheld if this certification is inaccurate.

3. the applicant organization will provide the matching funds required by 24 CFR 576.51 and 42 U.S.C. 11375, including a description of the sources and amounts of such supplemental funds;

4. if this application is funded, ESGP funds will be obligated within 180 days of the contract start date;

5. if this application is funded, each project receiving ESGP funding 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;

6. if this application is funded, recipient will develop and implement procedures to ensure the confidentiality of records pertaining to any individual receiving assistance due to family violence;

7. if this application is funded, homeless individuals and families will be involved, to the maximum extent practicable, through employment, volunteer services, or otherwise, in constructing, renovating, maintaining, and operating facilities assisted under ESGP, in providing services assisted under ESGP, and in providing services for occupants of facilities assisted under ESGP;

8. the applicant organization has provided for the participation of homeless individuals on its governing board or other policymaking entity;

9. the applicant organization will ensure compliance with the Drug-Free Workplace Act of 1988;

10. the applicant organization will participate in the development and implementation, to the maximum extent practicable and where appropriate, policies and protocols for the discharge of persons from publicly funded institutions and systems of care (such as health care facilities, foster care or other youth facilities, or correction programs and institutions) in order to prevent such discharge from immediately resulting in homelessness for such persons. I further understand that State and local governments are primarily responsible for the care of these individuals and that ESGP funds are not to be used to assist such persons in place of State and local resources;

ESGP APPLICANT CERTIFICATION

11. the applicant organization will meet HUD's standards for participation in a local Homeless Management Information System (HMIS) and the collection and reporting of client-level information;

12. any renovation carried out with ESGP assistance shall be sufficient to ensure that the building involved is safe and sanitary;

13. 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; and,

14. all ESGP-funded activities will be carried out in accordance with all applicable laws and regulations of the U.S. Department of Housing and Urban Development and the Texas Department of Housing and Community Affairs.

______________________________________ Authorized Signature & Title

________________ Date

Certification Regarding Lobbying

I, ____, authorized to act on behalf of
(name and title)

____________________________________, certify to the best of my knowledge and belief,
(eligible entity applying for ESG funds)

that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the State, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the State shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The State shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose according to the Government-wide Guidance for New Restrictions on Lobbying (Fed. Reg. December 20, 1989; 52306).

____
(Type or print name and title of certifying person)

__________________________ ____________________
(Signature) (Date)

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than 100,000 for each such failure.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (TDHCA)

AUDIT CERTIFICATION FORM

Organization: ________________________ **Fiscal Year End:** ____/____/____ **ESGP Contract #** _________
Month Day Year

☐ We **have exceeded** the $500,000 in federal or $500,000 in state expenditure threshold. We will have our Single Audit or Program Specific Audit completed and will submit the audit report within nine (9) months after the end of the audited fiscal year.

☐ We **did not exceed** the $500,000 in state or $500,000 in federal expenditure threshold required for a Single Audit or a Program Specific Audit to be performed this fiscal year. ***(Fill out Federal and State schedule below)***

The Federal Funds and State Funds sections must be filled out if Single Audit or Program Audit is not required:

Federal Funds

Federal Grantor	Pass-through Grantor	Program Name & CFDA Number	Contract Number	Expenditures
	Total Federal Expenditures for this Fiscal Year			$

State Funds

State Grantor	Pass-through Grantor (if any)	Program Name	Contract Number	Expenditures
	Total State Expenditures for this Fiscal Year			$

Authorized Signature *(Executive Director, Mayor, County Judge)*	Printed Name	Title
Mailing Address:	City, State	Zip Code
Email Address:	Phone Number	Fax Number

Texas Department of Housing and Community Affairs
HB 1196 (80^{th} Legislature) Agreement

The Texas Department of Housing and Community Affairs, an agency of the State of Texas ("Department"), and ______________________________ an ESGP ("Applicant") are the parties to this agreement ("Parties").

Whereas Applicant desires to be awarded a contract with the Department to provide Emergency Shelter Grants Program (ESGP) program services for the 2010 Program Year (ESGP contract year September 1, 2010 thru August 31, 2011), and

Whereas HB 1196 (80^{th} Regular Session) requires the Parties to enter into agreement for the repayment of any public subsidy under certain conditions.

Now therefore, the Parties agree as follows:

1. Applicant agrees that if Applicant, or a branch, division, or department of Applicant is convicted of a violation under Title 8 U.S.C. Section 1324a(a), Applicant shall repay the amount of public subsidy with interest, at the rate of 5% per annum, not later than the 120^{th} day after the date the Department notifies Applicant of the violation.
2. Applicant is entering into this agreement prior to receiving any 2010 Program Year funding from the Department.
3. Applicant acknowledges that entering this agreement does not constitute an award by the Governing Body of the Department ("Board") of any funding, nor a guarantee that Applicant will be granted any funds by the Board with respect to the 2010 Program Year.
4. The person signing this agreement on behalf of Applicant hereby certifies that he/she has been duly authorized by Applicant to bind the Applicant to the terms herein.

Applicant: Date:______________________

By:______________________ Title:______________________
Signature of CEO

Texas Department of Housing and Community Affairs

By:______________________ Date:______________________
Michael DeYoung, Director
Community Affairs Division

PRELIMINARY ENVIRONMENTAL REVIEW STATUTORY CHECKLIST

24 CFR §58.5 STATUTES, EXECUTIVE ORDERS & REGULATIONS

Organization:______________________________ Project Name: ________________________

Project Description (Include all actions which are either geographically or functionally related):
____
____

Location:____

This project is determined to be categorically excluded according to: [Cite section(s)] ________________

Compliance Factors: Statutes, Executive Orders, and Regulations listed at 24 CFR §58.5	N/A	Consultation, Review, Permits Required	Consistency Determination	Condition, Mitigation	**Compliance Documentation**
Historic Preservation [36 CFR Part 800]					
Floodplain Management [24 CFR 55, Executive Order 11988]					
Wetland Protection [Executive Order 11990]					
Coastal Zone Management Act [Sections 307(c), (d)]					
Safe Drinking Water Act (42 USC 201, 300(f) & 21 U.S.C. 349)					
Sole Source Aquifers [40 CFR 149]					
Endangered Species Act [50 CFR 402]					
Wild and Scenic Rivers Act [Sections 7(b), and (c)]					
Clean Air Act [Sections 176(c), (d), and 40 CFR 6, 51, 93]					
Farmland Protection Policy Act [7 CFR 658]					

Environmental Justice [Executive Order 12898]					
HUD ENVIRONMENTAL STANDARDS					
Noise Abatement and Control [24 CFR 51B]					
Explosive and Flammable Operations [24 CFR 51C]					
Toxic Chemicals and Radioactive Materials [24 CFR 58.5(i)]					
Airport Clear Zones and Accident Potential Zones [24 CFR 51D]					

DETERMINATION:

( ) This project converts to Exempt, per Section 58.34(a)(12), because it does not require any mitigation for compliance with any listed statutes or authorities, nor requires any formal permit or license (Status "A" has been determined in the status column for all authorities); **Funds may be drawn down** for this (now) EXEMPT project; OR

( ) This project cannot convert to Exempt because one or more statutes/authorities require consultation or mitigation. Complete consultation/mitigation requirements, publish NOI/RROF and obtain Authority to Use Grant Funds (HUD 7015.16) per Section 58.70 and 58.71 before drawing down funds; OR

( ) The unusual circumstances of this project may result in a significant environmental impact. This project requires preparation of an Environmental Assessment (EA). Prepare the EA according to 24 CFR Part 58 Subpart E.

PREPARER SIGNATURE: ______________________ DATE:__________

PREPARER NAME: ______________________

RESPONSIBLE ENTITY AGENCY

OFFICIAL SIGNATURE: ______________________

NAME, TITLE: ______________________

CITY, COUNTY: ______________________

DATE: __________

U.S. Department of Housing and Urban Development
Fort Worth Office
801 Cherry Street
Fort Worth, Texas 76102

INSTRUCTIONS for completing the STATUTORY CHECKLIST

For HUD funded projects which are categorically excluded per 24 CFR §58.35(a), the Responsible Entity **(RE)** must make a determination of whether the proposal achieves compliance with each applicable statute, Executive Order or regulation with or without requiring formal consultation procedures, mitigation, permits or having adverse effects on the resources protected by the statute. (These instructions are a brief description of the essential findings needed to establish compliance. These instructions are not intended to replace the applicable regulations. Applicable regulations take precedence over these brief instructions). The Preparer of the Statutory Checklist must **DOCUMENT AND/OR ATTACH THE SOURCES OF THE DETERMINATION.**

Record the finding status on the STATUTORY CHECKLIST for each listed Federal statute, regulation, or authority as follows:
Status "A" applies when compliance with the authority is achieved without adverse effects on the protected resource, without necessary mitigation or attenuation AND when no formal consultation, permit or agreement is required to establish compliance. In these situations, enter **"A"** in the STATUTORY CHECKLIST status column.
Status "B" applies when project compliance with the authority requires formal consultation, a permit or agreement, OR when the proposal may have an adverse effect on the protected resources. Part B summarizes what additional steps or formal procedures must be completed prior to submitting a Request for Release of Funds (RROF) to HUD or to the State. Evidence of completion and implementation of the required procedures or mitigation must be retained in the project Environmental Review Record (ERR).

Historic Properties (including archeology):
A) The RE and SHPO agree that there are No Historic Properties Affected per 36 CFR 800.4, no adverse effects on historic properties per §800.5(b), or SHPO has not objected within 30 days to such fully documented determinations.
B) The proposal has an adverse effect on historic properties. Consult with SHPO et al., per §800.5 et seq., to resolve or mitigate adverse effects.

Floodplain Management:
A) The project does not involve property acquisition, management, construction or improvements within a 100 year floodplain (Zones A or V) identified by FEMA maps, and does not involve a "critical action" (e.g., emergency facilities, facility for mobility impaired persons, etc.) within a 500 year floodplain (Zone B). If FEMA has not published flood maps, the RE must make a finding based on best available data, e.g. from the City/County Engineer or local Flood Control Agency.
B) Complete the 8-step decision making process according to 24 CFR Part 55.20 to document that there are no practicable alternatives to the proposal and to mitigate effects of the project in a floodplain.

Wetlands Protection:
A) The project does not involve new construction within or adjacent to wetlands, marshes, wet meadows, mud flats or natural ponds per field observation and maps issued by the USDI Fish & Wildlife Service or U.S. Corps of Engineers.
B) Complete the 8-step decision making process in 24 CFR 55.20 to document there are no practicable alternatives and to mitigate effects of the project on wetlands. Such action also requires obtaining a permit from the U.S. Corps of Engineers under Section 404 of the Clean Water Act.

Coastal Zone Management:
A) The project does not involve the placement, erection or removal of materials, nor an increase in the intensity of use in the Coastal Zone (CZ) per certified local coastal plan, State Coastal Commission, etc.
B) Secure concurrence from the CZ Commission or delegated local planning commission with your determination of consistency with the applicable CZ Plan, or obtain coastal zone permit.

Sole Source Aquifers (Safe Drinking Water Act):
A) The project is not located within a U.S. EPA-designated sole source aquifer watershed area per EPA Ground Water Office.
B) Consult with the Water Management Division of EPA to design mitigation measures to avoid contaminating the aquifer and implement appropriate mitigation measures.

Endangered Species:
A) The RE determines that the proposal will have "no effect" **or** "is not likely to adversely affect" any federally protected (listed or proposed) Threatened or Endangered Species (i.e., plants or animals, fish, or invertebrates), nor adversely modify critical habitats. This finding is to be based on contact made with the U.S. Fish and Wildlife Service and/or with State Department of Fish and Game, or by special study completed by a professional biologist or botanist and approved by the above agency. Only a determination of "no effect" does not require being sent to U.S. FWS for concurrence.
B) Consult with the U.S. FWS or with the National Marine Fisheries Service, in accordance with procedural regulations contained in 50 CFR Part 402. Formal consultation with FWS or NMFS is always required for federally funded "major construction" activities and anytime a "likely to adversely affect" determination is made.

Wild and Scenic Rivers:
A) The project is not located within one mile of a listed Wild and Scenic River, **OR** the project will have no effects on the natural, free flowing or scenic qualities of a river in the National Wild and Scenic Rivers system.
B) Consult with the U.S. Department of Interior, National Park Service for impact resolution and mitigation.

Air Quality:
A) The project is located within an "attainment" area, **OR**, if within a "non-attainment" area, conforms with the EPA-approved State Implementation Plan (SIP), per contact with the State Air Quality Management District or Board, **AND** the project requires no individual NESHAP permit or notification;
B) Negotiate suitable mitigation measures with the Air Quality Management District or Board, obtain necessary permits, issue required notices. (For example, 40 CFR §61.145 requires 10-day prior notification to the Air Quality District Administrator whenever either 260 linear ft., 160 sq. ft., or 35 cubic ft., of asbestos containing material is to be disturbed).

Farmland Protection:
A) The project site does not include prime or unique farmland, or other farmland of statewide or local importance as identified by the U.S. Department of Agriculture, Natural Resources Conservation Service NRCS (formerly the Soil Conservation Service, **OR** the project site includes prime or unique farmland, but is located in an area committed to urban uses;
B) Request evaluation of land type from the NRCS using Form AD-1006, and consider the resulting rating in deciding whether to approve the proposal, as well as mitigation measures (including measures to prevent adverse effects on adjacent farmlands).

Noise Abatement and Control:
A) The project does not involve development of noise sensitive uses, **OR** the project is not within 1,000 feet of a major or arterial roadway, 3,000 feet of a railroad, or 15 miles from a major (listed) airport **OR** ambient noise level is documented to be 65 LDN (CNEL) or less, based upon the HUD Noise Assessment Guidelines (NAG) for calculating noise levels and Airport Noise Contour map;
B) Apply the noise standard, per 24 CFR §51.101, to the decision whether to approve the proposal (see §51.104), and implement noise attenuation measures (NAG page 39-40) as applicable.

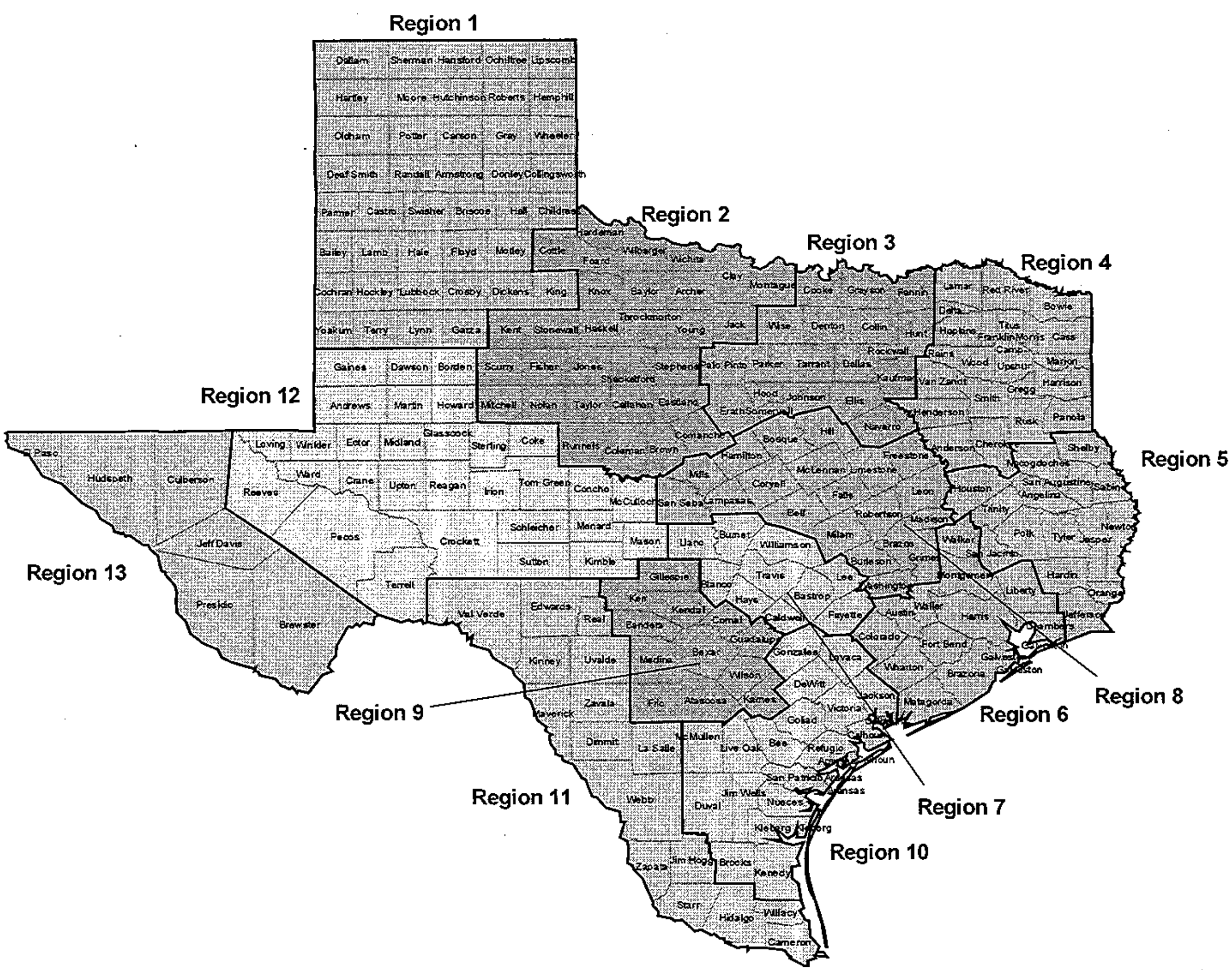
Explosive or Flammable Operations:
A) The project is located at an Acceptable Separation Distance (ASD) from any above-ground explosive or flammable fuels or chemicals containers according to "Siting of HUD-Assisted Projects Near Hazardous Facilities" (Appendices F & G, pp. 51-52), **OR** the project will expose neither people nor buildings to such hazards;
B) mitigate the blast overpressure or thermal radiation hazard with the construction of a barrier of adequate size and strength to protect the project (per 24 CFR 51.205).

Toxic Chemicals and Radioactive Materials:
A) The subject and adjacent properties are free of hazardous materials, contamination, toxic chemicals, gasses and radioactive substances which could affect the health or safety of occupants or conflict with the intended use of the subject property. Particular attention should be given to nearby dumps, landfills, industrial sites and other operations with hazardous wastes.
B) Mitigate the adverse environmental condition by removing, stabilizing or encapsulating the toxic substances in accordance with the requirements of the appropriate Federal, state or local oversight agency; **OR** reject the proposal.

Airport Clear Zones and Accident Potential Zones:
A) The project is not within an FAA-designated civilian airport Runway Clear Zone (RCZ) -or Runway Protection Zone, or within a military airfield Clear Zone (CZ) or Accident Potential Zone (APZ) -Approach Protection Zone, based upon information from the airport or military airfield administrator identifying the boundaries of such zones, **OR** the project involves only minor rehabilitation, **OR** the project involves only the sale or purchase of an existing property in the RCZ or CZ;
B) It is **HUD** policy not to provide any development assistance, subsidy or insurance in RCZs or CZs unless the project will not be frequently used or occupied by people and the airport operator provides written assurances that there are no plans to purchase the project site.

Environmental Justice:
A) The proposed site is suitable for its proposed use and will NOT be adversely impacted by adverse environmental conditions;
B) Site suitability is a concern; the proposal is adversely affected by environmental conditions impacting low income or minority populations. Avoid such impacts or mitigate them to the extent practicable. Address and mitigate the disproportional human health or environmental effects adversely affecting the low income or minority populations **OR** reject the proposal.

TDHCA Service Regions



State of Texas
2000 Census Data

Population 20,851,820

Poverty Population 3,117,609

Percent of Persons in Poverty 15.4%

Increase in Poverty Population 1990 to 2000: 117,094 (3.9%)

TDHCA Region	Percent of Poverty Population	Estimated ESGP Distribution
1	3.95%	198,465
2	2.49%	125,108
3	18.88%	948,611
4	4.88%	245,192
5	3.87%	194,445
6	21.04%	1,057,139
7	4.65%	233,636
8	4.79%	240,670
9	8.57%	430,593
10	4.24%	213,036
11	14.61%	734,068
12	2.73%	137,167
13	5.30%	266,294
Total:	**100%**	**5,024,424**

Data Sources for Resource Documentation Table

RESOURCE DOCUMENTATION TABLE

A separate Resource Documentation Table must be completed for **each county** in which your organization proposes to provide ESGP services. Include verifiable sources for all data included.

The following websites may be useful in gathering this information:

Texas State Data Center:	www.txsdc.tamu.edu/
Texas Education Agency:	www.tea.state.tx.us
Texas Housing Association	http://txtha.home.texas.net/
Low-Income Texas Housing Information	www.texashousing.org
Texas Information and Referral Network	www.hhsc.state.tx.us/tirn/tirnhome.htm
Texas Workforce Commission:	www.twc.state.tx.us/
TX Chambers of Commerce:	www.tded.state.tx.us/guide/search/s-chamber.cfm
Texas Homeless Network:	www.thn.org
National Coalition for the Homeless	www.nationalhomeless.org/
The U.S. Conference of Mayors	www.usmayors.org

Other sources of local information include public, community college, or university libraries, homeless coalitions and local rental associations.

Sample Budget

Detail of Activities by Category & Method of Calculation	Basis for Cost	Line Item Totals	Category Totals
Total Requested Funds: $ 92,000			
A. OPERATION ADMINISTRATION (10% of grant)			**$9,180**
Executive Director (10% of $4,500 x 12 months) Finance Director (9% of $3,500 x 12 months)	Prior year's expenditures (PYE)	$5,400 $3,780	
B. REHABILITATION			**$9,850**
Replace air conditioning unit (1 a/c unit @ $7,848) Retile kitchen (350 square feet x $5.72)	Bids Bids	$7,848 $2,002	
C. ESSENTIAL SERVICES (30% of funds requested)			**$27,367**
Salaries (list positions and amounts) Cook -Portion of Salary : $10,800 ($18,000 yr x 60%) Fringe Benefits (insurance, healthcare, FICA): $2,268 ($3,780 x 60%)	PYE PYE	$13,068	
Other: Childcare: $12,900 (43 children x $300 a month) Transportation (bus passes, taxi fares): $1399 (1,300 bus fares x .75 = $975; 53 taxi fares @ $8 = $424)	PYE	$14,299	
D. MAINTENANCE, OPERATION, AND FURNISHINGS			**$35,603**
Maintenance (contractual agreements only) Copier lease $1,980 ($250 month x 66% x 12) Pest Control $996 ($125 month x 66% x 12) Security System $554 ($70 month x 66% x 12)	PYE PYE PYE	$3,530	
Operation: (excluding staff but including) Pre-award Travel Expenses $250 (2 staff x 1 trip @ $125 each) Repairs (non-deferred) $11,172 (See attached bid estimates) Insurance (Liability) $1,845 ($233 month x 66% x 12) Utilities $3,564 ($450 month x 66% x 12) Telephone $1,584 ($200 month x 66% x 12) Other: van registration $ 120 (1 van @ $120) Equipment (list item(s) and amount) Refrigerator $ 2,988 (2 refrigerators @ $1,494 each) Food Slicer $ 350 (1 slicer @ $350) Computers $4,750 (5 computers @ $950 each)	PYE PYE PYE PYE PYE PYE PYE PYE PYE	$26,623	
Furnishings (list items(s) & amount) Beds $1,750 (5 beds at $350 each) Mattresses $600 (5 mattresses at $120 each) Couches $1,900 (2 couches at $950 each) Entertainment center $1,200 (1 entertainment Ctr. @ $1,200)	Actual Prices as per Catalog	$5,450	
E. HOMELESSNESS PREVENTION			**$10,000**
Rent deposits (Rent for 10 families at $400 each) Utilities (utilities for 30 families at an average of $200 each)	Prior Year's Records (PYR)	$4,000 $6,000	
TOTAL		**$92,000**	**$92,000**

Sample Match

TYPE	DOLLAR VALUE	SOURCE OF MATCH	METHOD OF CALCULATION
Donated Supplies (clothing, furniture, equipment, etc.)	**$ 1,500**	Clothing donation from Rutherford's Department store	Based on prior year's donation
Cash Donations Or Grants	**$ 30,000**	VOCA grant $30,000	Total Grant - $36,000 $36,000 / 12 months = $3,000 per month $3,000/mo. x 10 months = $30,000 (10 months only during ESGP contract period 9/1/04 to 6/30/05)
Value of Donated Building	**$ 27,000**	Vacant house donated by Savior Mission to be used in the current contract year as a shelter	1,800 sq. ft. x $ 15.00 per sq. ft. as fair market value (see appraiser's letter)
Fair Rental or Lease Value	**$ 16,500**	Lease on building @ 214 Main St.	1,100 sq. ft. x $1.25 per sq. ft. = $1,375/mo $1,375/mo. x 12 months = $16,500
Salaries	**$ 11,500**	Percentage of staff compensation paid with CSBG funds: Community Development Director $6,000 Chief Financial Officer $5,500	 $40,000 x 15% = $6,000 $55,000 x 10% = $5,500
Volunteers (@ $5/hour)	**$ 2,600**	520 volunteer hours	10 hours a week x 52 weeks = 520 hours 520 hours x $5.00 = $2,600
Other (such as fundraisers)	**$ 3,000**	5K Run fundraiser	Based on prior year's revenue from Race
MATCH TOTAL	**$ 92,100**		

Sample Collaborative Budget

Consolidated Budget

Detail of Activities by Category	Basis for Cost	Line Item Totals	Category Totals
Total Requested Funds: $ 158,500			
A. OPERATION ADMINISTRATION (10% of grant)			$15,780
Resource Outreach Ministries	Prior Year's Expense	$8,340	
Executive Director: $3,840 ($3,200 month x 10% x 12 months)	(PYE)		
Bookkeeper: $4,500 ($2,500 month x 15% x 12 months)	PYE		
Domestic Violence Shelter		$7,440	
Secretary: $2,880 ($2,000 month x 12% x 12 months)	PYE		
Shelter Director: $4,560 ($3,800 month x 10% x 12 months)	PYE		
B. REHABILITATION			$
		$	
C. ESSENTIAL SERVICES (30% of funds requested)			$47,490
Salaries (list positions and amounts)			
Resource Outreach Ministries		$16,750	
Caseworker: $14,600 ($29,200 year x 50%)	PYE		
Fringe Benefits: $2,150 (Insurance, healthcare, FICA) ($4,300 x 50%)	PYE		
Domestic Violence Shelter		$20,640	
Client Services Coordinator: $13,440 ($2,800 month x 40% x 12 months)	PYE		
Counselor: $7,200 ($3000 month x 20% x 12 months)	PYE		
Other:		$ 10,100	
Resource Outreach Ministries			
Medicines: $4,500 (30 clients x $150 each)	PYE		
Bus Tokens: $800 (160 clients x $5 each)	PYE		
Food Vouchers: $3,000 (60 clients x $50 each)	PYE		
Domestic Violence Shelter			
Client transportation vouchers: $1,800 (90 clients x $20)	PYE		

D. MAINTENANCE, OPERATION, AND FURNISHINGS			**$51,480**
Maintenance (contractual agreements only)			
Resource Outreach Ministries		$3,150	
Pest Control: $ 900 ($150 month x 50% x 12 months)	PYE		
Waste Management: $450 ($75 month x 50% x 12 months)	PYE		
Copier Lease: $1,800 ($300 month x 50% x 12 months)	PYE		
Domestic Violence Shelter			
Security services: $9,600 ($4,000 monthly x 20% x 12 months)	PYE	$9,600	
Operation (excluding staff but including)			
Resource Outreach Ministries		$9,232	
Cleaning Supplies: $1,200(avg. expense $200 x 50% x 12 months)	PYE		
Repairs: $1,942 (See attached itemized list, page 70)	PYE		
Insurance (liability): $1,050 ($175 month x 50% x 12 months)	PYE		
Utilities: $3,960 ($500 month x 66% x 12 months)	PYE		
Telephone: $1,080 ($300 month x 30% x 12 months)	PYE		
Domestic Violence Shelter			
Food: $5,040 (avg. cost=$2,100 x 20% x 12 months)	PYE	$8,520	
Cleaning & Bathroom Supplies: $780 (avg. cost $325 x 20% x 12 months)	PYE		
Utilities: $1,440 (avg. cost $600 month x 20% x 12 months)	PYE		
Auto &liability insurance: $1,260 (monthly $525 x 20% x 12 months)	PYE		
Equipment (list item(s) and amount)			
Resource Outreach Ministries		$8,378	
Computer system: $6,200 (2 @ $3,100)	Bids		
Printers: $ 800 (2 printers @ $400 each)			
HMIS Software: $1,378 (See Bids)			
Domestic Violence Shelter			
Telephone system: $1,000 (cost of phone system $5,000 x 20%)	Bids		
Commercial stoves: $600 (2 stoves @ $1,500 each x 20%)		$8,000	
Washers/Dryers: $6,400 (8 sets @ $800 x 100%)			
Furnishings (list item(s) & amount):			
Resource Outreach Ministries	Actual Prices per Catalogue	$4,600	
Sofas: $1,800 (6 sofas @ $300 each)			
Tables & Chairs: $2,800 (4 sets @ 700 each)			
E. HOMELESSNESS PREVENTION			**$43,750**
Resource Outreach Ministries	Prior Year's Records		
Rent Assistance: $15,000 (Rent for 25 families x $600 month)			
Utility Assistance & Utility Deposits: $9,750 (Utility assistance for 30 persons x $200; Utility Deposits for 15 persons x $250)	(PYR) PYR	$24,750	
Domestic Violence Shelter			
Rent: $11,500 (rent for 20 families @ $575 each)	PYR		
Utility Payments: $7,500 (utility assistance for 50 families at $150 each)	PYR	$19,000	
TOTAL			**$158,500**

Sample Collaborative Budget

Resource Outreach Ministries Budget

Detail of Activities by Category & Method of Calculation	Basis for Cost	Line Item Totals	Category Totals
Total Requested Funds: $ 83,500			
A. OPERATION ADMINISTRATION (10% of grant)			$8,340
Executive Director: $3,840 ($3,200 month x 10% x 12 months) Bookkeeper: $4,500 ($2,500 month x 15% x 12 months)	PYE PYE	$8,340	
B. REHABILITATION			$
		$	
C. ESSENTIAL SERVICES (30% of funds requested)			$25,050
Salaries (list positions and amounts) Caseworker: $14,600 ($29,200 year x 50%) Fringe Benefits: $2,150 (Insurance, healthcare, FICA) ($4,300 x 50%)	PYE	$16,750	
Other: Medicines: $4,500 (30 clients x $150 each) Bus Tokens: $800 (160 clients x $5 each) Food Vouchers: $3,000 (60 clients x $50 each)	PYE PYE PYE	$8,300	
D. MAINTENANCE, OPERATION, AND FURNISHINGS			$25,360
Maintenance (contractual agreements only) Pest Control: $ 900 ($150 month x 50% x 12 months) Waste Management: $450 ($75 month x 50% x 12 months) Copier Lease: $1,800 ($300 month x 50% x 12 months)	PYE PYE PYE	$3,150	
Operation (excluding staff but including) Cleaning Supplies: $1,200(avg. expense $200 x 50% x 12 months) Repairs: $1,942 (See attached itemized list, page 70) Insurance (liability): $1,050 ($175 month x 50% x 12 months) Utilities: $3,960 ($500 month x 66% x 12 months) Telephone: $1,080 ($300 month x 30% x 12 months)	PYE PYE PYE PYE PYE	$ 9,232	

Equipment (list item(s) and amount) Computer system: $6,200 (2 @ $3,100) Printers: $ 800 (2 printers @ $400 each) HMIS Software: $1,378 (See Bids) **Furnishings** (list item(s) & amount): Sofas: $1,800 (6 sofas @ $300 each) Tables & Chairs: $2,800 (4 sets @ 700 each)	PYE Actual prices as per Catalogue	$8,378 $4,600	
E. HOMELESSNESS PREVENTION			**$24,750**
Rent Assistance: $15,000 (Rent for 25 families x $600 month) Utility Assistance & Utility Deposits: $9,750 (Utility assistance for 30 persons x $200; Utility Deposits for 15 persons x $250)	PYR PYR	$24,750	
TOTAL		**$83,500**	**$83,500**

Sample Collaborative Budget

Domestic Violence Shelter Budget

Detail of Activities by Category & Method of Calculation	Basis for Cost	Line Item Totals	Category Totals
Total Requested Funds: $ 75,000			
A. OPERATION ADMINISTRATION (10% of grant)			**$7,440**
Secretary $2,880 ($2,000 month x 12% x 12 months) Shelter Director $4,560 ($3,800 month x 10% x 12 months)	PYE PYE	$7,440	
B. REHABILITATION			**$**
		$	
C. ESSENTIAL SERVICES (30% of funds requested)			**$22,440**
Salaries (list positions and amounts) Client Services Coordinator $13,440 ($2,800 month x 40% x 12 months) Counselor $7,200 ($3000 month x 20% x 12 months)	PYE	$20,640	
Other: Client transportation vouchers $1,800 (90 clients x $20)	PYE	$ 1,800	
D. MAINTENANCE, OPERATION, AND FURNISHINGS			**$26,120**
Maintenance (contractual agreements only) Security services: $9,600 ($4,000 monthly x 20% x 12 months)	PYE	$ 9,600	
Operation (excluding staff but including) Food: $5,040 (avg. cost=$2,100 x 20% x 12 months) Cleaning & Bathroom Supplies: $780 (avg. cost $325 x 20% x 12 months) Utilities: $1,440 (avg. cost $600 month x 20% x 12 months) Auto &liability insurance: $1,260 (monthly $525 x 20% x 12 months)	PYE PYE PYE PYE	$8,520	
Equipment (list item(s) and amount) Telephone system: $1,000 (cost of phone system $5,000 x 20%) Commercial stoves: $600 (2 stoves @ $1,500 each x 20%) Washers/Dryers: $6,400 (8 sets @ $800 x 100%)	PYE PYE PYE	$8,000	
Furnishings (list item(s) & amount):		$	
E. HOMELESSNESS PREVENTION			**$19,000**
Rent: $11,500 (rent for 20 families @ $575 each) Utility Payments: $7,500 (utility assistance for 50 families at $150 each)	PYR PYR	$19,000	
TOTAL		**$75,000**	**$75,000**

Sample Collaborative Match

TYPE	DOLLAR VALUE	SOURCE OF MATCH	METHOD OF CALCULATION
Donated Supplies (clothing, furniture, equipment, etc.)	**$ 13,000**	Resource Outreach Ministries Clothing donations from Rutherford's Department store $8,000 Domestic Violence Shelter Book sale $5,000	Prior year's donation. Prior year's revenue.
Cash Donations Or Grants	**$ 85,500**	Resource Outreach Ministries United Way grant $42,500 TEA grant $6,000 Domestic Violence Shelter VAWA grant $37,000	Letter of commitment. Grant Award Notice. Grant Award Notice.
Value of Donated Building	$		
Fair Rental or Lease Value	$		
Salaries	**$ 27,000**	Resource Outreach Ministries Case Manager ($9,000) and Admin. Assistant ($8,000) paid with CSBG grant Domestic Violence Shelter Shelter Director ($10,000) paid with VOCA grant	Case Mgr: $30,000 x 30% = $ 9,000 Admin Assist. $20,000 x 40% = $ 8,000 Shelter Director $25,000 x 40% = $10,000
Volunteers (@ $5/hour)	**$ 27,000**	Resource Outreach Ministries $7,500 Domestic Violence Shelter $19,500	$5/hr x 1,500 volunteer hours = $7,500 $5/hr x 3,900 volunteer hours = $19,500
Other (such as fundraisers)	**$ 6,000**	Domestic Violence Shelter 5K run fundraiser	Prior Year's Revenue.
MATCH TOTAL	**$ 158,500**		

ESGP Entitlement Cities and Counties

Arlington	Mr. Lee Hitchcock Department of Neighborhood Services City of Arlington Post Office Box 90231 Arlington, Texas 76004-3231 Phone: (817) 459-6254 Fax: (817) 459-6772
Austin	Mr. Paul Hilgers Office of Neighborhood Housing & Community Development P.O. Box 1088 Austin, TX 78767 Phone: (512) 974-3108 Fax: (512) 974-3112
Brownsville	Mr. Ben Medina Community Development Manager Post Office Box 911 Brownsville, Texas 78520 Phone: (956) 548-6150 Fax: (956) 548-6144
Corpus Christi	Mr. Daniel Gallegos, Jr. Community Development Post Office Box 9277 Corpus Christi, Texas 78469-9277 Phone: (361) 826-3017 Fax: (361) 544-1740
Dallas	Ms. Karen Rayzer Director City of Dallas 1500 Marilla St. 4FS Dallas, Texas 75201 Phone: (214) 670-3659 Fax: (214) 670-0160
El Paso	Mr. Robert A. Salinas Department of Community and Human Development #2 Civic Center Plaza, 8th Floor City Hall El Paso, Texas 79901-1196 Phone: (915) 541-4643 Fax: (915) 541-4370
Fort Worth	Ms. Deidra Emerson Intergovernmental Affairs & Grants Management City of Fort Worth 1000 Throckmorton Fort Worth, Texas 76102 Phone: (817) 392-7563 Fax: (817) 392-8383
Garland	Mr. Lemuel Green Division of Housing and Neighborhood Services City of Garland P.O. Box 469002 Garland, TX 75046-9002 Phone: (972) 205-3301 Fax: (972) 205-3303
Houston	Mr. Richard S. Celli Department of Housing and Community Development Post Office Box 1562 Houston, Texas 77251-1562 Phone: (713) 868-8305 Fax: (713) 865-4135
Irving	Mr. Vivian Ballou Department of Community Development/Grants Program 440 South Nursery Road, Suite 201 Irving, TX 75060 Phone: (972) 721-4800 Fax: (972) 721-4813
Laredo	Ms. Thelma V. Acosta Department of Community Development Post Office Box 1276 Laredo, Texas 78042-1276 Phone: (956) 795-2675 Fax: (956) 795-2689
Lubbock	Mr. Bill Howerton Department of Community Development Post Office Box 2000 Lubbock, Texas 79457 Phone: (806) 775-2300 Fax: (806) 775-3281
Pasadena	Mr. Miles G. Arena Department of Community Development P.O. Box 672 Pasadena, TX 77501-0672 Phone: (713) 475-7243 Fax: (713) 477-8935
San Antonio	Mr. Andrew W. Cameron Department of Housing and Community Development 1400 S. Flores St. Unit 3 San Antonio, Texas 78204 Phone: (210) 207-6620 Fax: (210) 886-0006

ESGP Entitlement Cities and Counties

Brazoria County	Ms. Nancy N. Friudenberg Department of Community Development 111 E. Locust St. Room 303 Angleton, TX 77515 Phone: (979) 864-1860 Fax: (979) 864-1089
Dallas County	Mr. Rick Loessberg Department of Planning and Development 411 Elm St. Third Floor Dallas, Texas 75202 Phone: (214) 653-7601 Fax: (214) 653-6517
Fort Bend County	Ms. Marilynn Kindell Department of Community Development 4520 Reading Road, Suite A Rosenberg, TX 77471 Phone: (281) 341-4410 Fax: (281) 341-3762
Harris County	Mr. David Turkel Department of Community and Economic Development 8410 Lantern Point Houston, Texas 77054 Phone: (713) 578-2002 Fax: (713) 578-2090
Hidalgo County	Mr. Antonio Barco Urban County Program 1916 Tesoro Blvd. Second Floor Pharr, Texas 78577 Phone: (956) 787-8127 Fax: (956) 787-5219
Tarrant County	Ms. Patricia Ward Department of Community Development 1509 B South University Dr., Ste. 276 Fort Worth, Texas 76107 Phone: (817) 850-7940 Fax: (817) 850-7944

Appendix VI

U.S. Health and Human Services 2009 Poverty Guidelines

FEDERAL RESERVE SYSTEM

Formations of, Acquisitions by, and Mergers of Bank Holding Companies

The companies listed in this notice have applied to the Board for approval, pursuant to the Bank Holding Company Act of 1956 (12 U.S.C. 1841 *et seq.*) (BHC Act), Regulation Y (12 CFR Part 225), and all other applicable statutes and regulations to become a bank holding company and/or to acquire the assets or the ownership of, control of, or the power to vote shares of a bank or bank holding company and all of the banks and nonbanking companies owned by the bank holding company, including the companies listed below.

The applications listed below, as well as other related filings required by the Board, are available for immediate inspection at the Federal Reserve Bank indicated. The applications also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the standards enumerated in the BHC Act (12 U.S.C. 1842(c)). If the proposal also involves the acquisition of a nonbanking company, the review also includes whether the acquisition of the nonbanking company complies with the standards in section 4 of the BHC Act (12 U.S.C. 1843). Unless otherwise noted, nonbanking activities will be conducted throughout the United States. Additional information on all bank holding companies may be obtained from the National Information Center website at *www.ffiec.gov/nic/*.

Unless otherwise noted, comments regarding each of these applications must be received at the Reserve Bank indicated or the offices of the Board of Governors not later than February 17, 2009.

A. Federal Reserve Bank of San Francisco (Kenneth Binning, Vice President, Applications and Enforcement) 101 Market Street, San Francisco, California 94105–1579:

1. *Franklin Resources, Inc.*, San Mateo, California, to acquire up to 5.9 percent of the voting shares of CIT Group, Inc., New York, New York, and thereby indirectly acquire voting shares of CIT Bank, Salt Lake City, Utah.

Board of Governors of the Federal Reserve System, January 16, 2009.

Jennifer J. Johnson,

Secretary of the Board.

[FR Doc. E9–1377 Filed 1–22–09; 8:45 am]

BILLING CODE 6210–01–S

FEDERAL RESERVE SYSTEM

Sunshine Act Meeting

AGENCY HOLDING THE MEETING: Board of Governors of the Federal Reserve System.

TIME AND DATE: 12:00 p.m., Monday, January 26, 2009.

PLACE: Marriner S. Eccles Federal Reserve Board Building, 20th and C Streets, N.W., Washington, D.C. 20551.

STATUS: Closed.

MATTERS TO BE CONSIDERED:

1. Personnel actions (appointments, promotions, assignments, reassignments, and salary actions) involving individual Federal Reserve System employees.
2. Any items carried forward from a previously announced meeting.

FOR FURTHER INFORMATION CONTACT: Michelle Smith, Director, or Dave Skidmore, Assistant to the Board, Office of Board Members at 202–452–2955.

SUPPLEMENTARY INFORMATION: You may call 202–452–3206 beginning at approximately 5 p.m. two business days before the meeting for a recorded announcement of bank and bank holding company applications scheduled for the meeting; or you may contact the Board's Web site at *http://www.federalreserve.gov* for an electronic announcement that not only lists applications, but also indicates procedural and other information about the meeting.

Board of Governors of the Federal Reserve System, January 16, 2009.

Robert deV. Frierson,

Deputy Secretary of the Board.

[FR Doc. E9–1513 Filed 1–21–09; 8:45 am]

BILLING CODE 6210–01–S

FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

Employee Thrift Advisory Council

TIME AND DATE: 10 a.m. (EST) February 4, 2009.

PLACE: 4th Floor, Conference Room, 1250 H Street, NW., Washington, DC.

STATUS: Open.

MATTERS TO BE CONSIDERED:

1. Approval of the minutes of the June 30, 2008 ETAC meeting.
2. Thrift Savings Plan activity report by the Executive Director.
3. Potential Legislative items:
   a. Automatic enrollment.
   b. L Fund default.
   c. Roth feature.
   d. Mutual fund window.
   e. Immediate employer contributions.
   f. Surviving spouse accounts.
   g. Administrative subpoena authority.
4. RMD suspension for 2009.
5. 2008 TSP Participant Survey results.
6. Agency review of the latest REIT industry proposal.
7. L Fund allocations.
8. New Business.

CONTACT PERSON FOR MORE INFORMATION: Thomas K. Emswiler, Committee Management Officer, (202) 942–1660.

Dated: January 16, 2009.

Thomas K. Emswiler,

General Counsel, Federal Retirement Thrift Investment Board.

[FR Doc. E9–1557 Filed 1–21–09; 4:15 pm]

BILLING CODE 6760–01–P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of the Secretary

Annual Update of the HHS Poverty Guidelines

AGENCY: Department of Health and Human Services.

ACTION: Notice.

SUMMARY: This notice provides an update of the HHS poverty guidelines to account for last calendar year's increase in prices as measured by the Consumer Price Index.

DATES: *Effective Date:* Date of publication, unless an office administering a program using the guidelines specifies a different effective date for that particular program.

ADDRESSES: Office of the Assistant Secretary for Planning and Evaluation, Room 404E, Humphrey Building, Department of Health and Human Services (HHS), Washington, DC 20201.

FOR FURTHER INFORMATION CONTACT: For information about how the guidelines are used or how income is defined in a particular program, contact the Federal, state, or local office that is responsible for that program. Contact information for two frequently requested programs is given below:

For information about the Hill-Burton Uncompensated Services Program (free or reduced-fee health care services at certain hospitals and other facilities for persons meeting eligibility criteria involving the poverty guidelines), contact the Office of the Director, Division of Facilities Compliance and Recovery, Health Resources and Services Administration, HHS, Room 10–105, Parklawn Building, 5600 Fishers Lane, Rockville, Maryland

20857. To speak to a staff member, please call (301) 443–5656. To receive a Hill-Burton information package, call 1–800–638–0742 (for callers outside Maryland) or 1–800–492–0359 (for callers in Maryland). You also may visit *http://www.hrsa.gov/hillburton/default.htm*. The Division of Facilities Compliance and Recovery notes that as set by 42 CFR 124.505(b), the effective date of this update of the poverty guidelines for facilities obligated under the Hill-Burton Uncompensated Services Program is sixty days from the date of this publication.

For information about the percentage multiple of the poverty guidelines to be used on immigration forms such as USCIS Form I–864, Affidavit of Support, contact U.S. Citizenship and Immigration Services at 1–800–375–5283.

For information about the number of people in poverty or about the Census Bureau poverty thresholds, visit the Poverty section of the Census Bureau's Web site at *http://www.census.gov/hhes/www/poverty/poverty.html* or contact the Census Bureau's Demographic Call Center Staff at (301) 763–2422 or 1–866–758–1060 (toll-free).

For general questions about the poverty guidelines themselves, contact Gordon Fisher, Office of the Assistant Secretary for Planning and Evaluation, Room 404E, Humphrey Building, Department of Health and Human Services, Washington, DC 20201—telephone: (202) 690–7507—or visit *http://aspe.hhs.gov/poverty/*.

SUPPLEMENTARY INFORMATION:

Background

Section 673(2) of the Omnibus Budget Reconciliation Act (OBRA) of 1981 (42 U.S.C. 9902(2)) requires the Secretary of the Department of Health and Human Services to update, at least annually, the poverty guidelines, which shall be used as an eligibility criterion for the Community Services Block Grant program. The poverty guidelines also are used as an eligibility criterion by a number of other Federal programs. The *poverty guidelines* issued here are a simplified version of the *poverty thresholds* that the Census Bureau uses to prepare its estimates of the number of individuals and families in poverty.

As required by law, this update is accomplished by increasing the latest published Census Bureau poverty thresholds by the relevant percentage change in the Consumer Price Index for All Urban Consumers (CPI–U). The guidelines in this 2009 notice reflect the 3.8 percent price increase between calendar years 2007 and 2008. After this inflation adjustment, the guidelines are rounded and adjusted to standardize the differences between family sizes. The same calculation procedure was used this year as in previous years. (Note that these 2009 guidelines are roughly equal to the poverty thresholds for calendar year 2008 which the Census Bureau expects to publish in final form in August 2009.) The guideline figures shown represent annual income.

2009 POVERTY GUIDELINES FOR THE 48 CONTIGUOUS STATES AND THE DISTRICT OF COLUMBIA

Persons in family	Poverty guideline
1	$10,830
2	14,570
3	18,310
4	22,050
5	25,790
6	29,530
7	33,270
8	37,010

For families with more than 8 persons, add $3,740 for each additional person.

2009 POVERTY GUIDELINES FOR ALASKA

Persons in family	Poverty guideline
1	$13,530
2	18,210
3	22,890
4	27,570
5	32,250
6	36,930
7	41,610
8	46,290

For families with more than 8 persons, add $4,680 for each additional person.

2009 POVERTY GUIDELINES FOR HAWAII

Persons in family	Poverty guideline
1	$12,460
2	16,760
3	21,060
4	25,360
5	29,660
6	33,960
7	38,260
8	42,560

For families with more than 8 persons, add $4,300 for each additional person.

Separate poverty guideline figures for Alaska and Hawaii reflect Office of Economic Opportunity administrative practice beginning in the 1966–1970 period. (Note that the Census Bureau poverty thresholds—the version of the poverty measure used for statistical purposes—have never had separate figures for Alaska and Hawaii.) The poverty guidelines are not defined for Puerto Rico or other outlying jurisdictions. In cases in which a Federal program using the poverty guidelines serves any of those jurisdictions, the Federal office that administers the program is generally responsible for deciding whether to use the contiguous-states-and-DC guidelines for those jurisdictions or to follow some other procedure.

Due to confusing legislative language dating back to 1972, the poverty guidelines have sometimes been mistakenly referred to as the "OMB" (Office of Management and Budget) poverty guidelines or poverty line. In fact, OMB has never issued the guidelines; the guidelines are issued each year by the Department of Health and Human Services. The poverty guidelines may be formally referenced as "the poverty guidelines updated periodically in the **Federal Register** by the U.S. Department of Health and Human Services under the authority of 42 U.S.C. 9902(2)."

Some programs use a percentage multiple of the guidelines (for example, 125 percent or 185 percent of the guidelines), as noted in relevant authorizing legislation or program regulations. Non-Federal organizations that use the poverty guidelines under their own authority in non-Federally-funded activities can choose to use a percentage multiple of the guidelines such as 125 percent or 185 percent.

The poverty guidelines do not make a distinction between farm and non-farm families, or between aged and non-aged units. (Only the Census Bureau poverty thresholds have separate figures for aged and non-aged one-person and two-person units.)

Note that this notice does not provide definitions of such terms as "income" or "family." This is because there is considerable variation in how different programs that use the guidelines define these terms, traceable to the different laws and regulations that govern the various programs. Therefore, questions about how a particular program applies the poverty guidelines (for example, Is income before or after taxes? Should a particular type of income be counted? Should a particular person be counted in the family or household unit?) should be directed to the organization that administers the program; that organization has the responsibility for making decisions about definitions of such terms as "income" or "family" (to the extent that the definition is not already contained in legislation or regulations).

Dated: January 16, 2009.

Michael O. Leavitt,

Secretary of Health and Human Services.

[FR Doc. E9–1510 Filed 1–22–09; 8:45 am]

BILLING CODE 4151–05–P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of the Secretary

Findings of Scientific Misconduct

AGENCY: Office of the Secretary, HHS.

ACTION: Notice.

SUMMARY: Notice is hereby given that the Office of Research Integrity (ORI) and the Assistant Secretary for Health have taken final action in the following case:

Luk Van Parijs, PhD, Harvard Medical School, Brigham and Women's Hospital, California Institute of Technology, and Massachusetts Institute of Technology: Based on the reports of separate investigations conducted by Harvard Medical School (HMS)/Brigham and Women's Hospital (BWH), California Institute of Technology (CalTech), and Massachusetts Institute of Technology (MIT) and additional analysis conducted by the Office of Research Integrity (ORI) in its oversight review, the U.S. Public Health Service (PHS) found that Dr. Luk Van Parijs, former Graduate Student, Department of Pathology, HMS, former Research Fellow and Instructor of Pathology, BWH, former Postdoctoral Fellow, Department of Biology, CalTech, and former Associate Professor, Department of Biology, Center for Cancer Research, MIT, engaged in scientific misconduct in research supported by National Institute of Allergy and Infectious Diseases (NIAID), National Institutes of Health (NIH), grants U19 AI56900, R21 AI49897, R01 AI42100, P01 AI35297, R37 AI25022, R01 AI32531, National Cancer Institute, NIH, grant R01 CA51462, and National Institute of Environmental Health Sciences (NIEHS), NIH, grant P30 ES02109, and National Institute of General Medical Sciences (NIGMS), NIH, grant R01 GM57931.

PHS found that Respondent engaged in scientific misconduct by including false data in NIAID, NIH, grant applications R01 AI54519–01A1, R01 AI54973–01, and R01 AI54973–01A1, NCI, NIH, grant application 2P30 CA14051–34, and National Institute of Diabetes and Digestive and Kidney Diseases (NIDDK), NIH, grant application R21 DK69277–01.

Specifically, PHS found that Respondent engaged in scientific misconduct by including false data in seven published papers, three submitted papers (with two earlier versions submitted for one of these), one submitted book chapter, and multiple presentations as follows:

1. While at HMS/BWH, Dr. Luk Van Parijs falsified the expression of IFN–γ and KJ–126 in flow cytometry dot plots for the immunized, naive, tolerized and tolerized + IL–12 experimental groups in Figure 4, *JEM* 186:1119–1128, 1997, by using the same non-stained cell population in the lower left quadrant to falsely represent CD4+ T cells negative for IFN–γ and KJ–126 in each experimental group.

2. That Dr. Luk Van Parijs falsified the expression of different proteins in flow cytometry dot plots in Figure 1, *Immunity,* 8:265–274, 1998, in Figure 1C, *Immunity,* 11:281–288, September 1999, and in Figure 5, *Immunity* 11:763–770, December 1999, by using portions of the same dot plot to represent different cell populations expressing different proteins. Specifically:

a. While at HMS/BWH, Dr. Van Parijs used portions of the same dot plot to represent T cell populations expressing the 3A9 T cell receptor and CD4+ (top panel) or CD8+ (bottom panel) in 3A9+ (wild type), in 3A9/lpr (Fas$^-$), or in 3A9/gld (FasL$^-$) transgenic mice in Figure 1, *Immunity* 1998, where:

i. The CD4/3A9 dot plots for the 3A9+ and 3A9/gld transgenic mice were the same, and the 3A9+ dot plot was a subset of the 3A9/lpr dot plot;

ii. The CD8/3A9 dot plots for the 3A9+ and 3A9/lpr transgenic mice were the same in the lower left and lower right quadrants, and the 3A9/gld dot plot was a subset of the wild type dot plot

b. While at CalTech, Dr. Van Parijs used portions of the same dot plot to represent the expression of hIL–2Rβ and GFP in T cells infected with WT or Δ355+8F IL–2R mutant in Figure 1C, *Immunity,* September 1999, where the Δ355+8F dot plot was a subset of the WT dot plot

c. While at CalTech, Dr. Van Parijs used portions of the same dot plot to represent the expression of B220 and IgM in infected (GFP+) and not infected (GFP$-$) spleen cells isolated from reconstituted mice in Figure 5, *Immunity,* December 1999, where the Infected (GFP+) dot plot for control mice was a subset of the Not Infected (GFP$^-$) dot plot for FLIP mice.

3. While at MIT, Dr. Luk Van Parijs falsely claimed in the text of *RNA Interference Technology* (Cambridge University Press, July 2004) and in Figure 2 of *Nature Genetics* 33:401–406 (2003) that experiments depicting the functional silencing of genes in hematopoietic stem cells (HSCs) and in non-cycling dendritic cells by lentiviral-mediated RNAi were performed, when they were not. Specifically, in *Nature Genetics:*

a. *Figure 2b* falsely showed the transduction of bone marrow-derived dendritic cells infected with pLL3.7 Bim by flow cytometry, and knockdown of Bim expression by Western blot

b. *Figure 2d* falsely showed the efficiency of pLL3.7 CD8 lentiviral infection in HSCs by flow cytometry for GFP expression (left panel), and falsely showed stable gene expression in progeny by flow cytometry for GFP expression in spleen cells from chimeras derived from infected HSCs (right panel)

c. *Figure 2e* falsely showed the reduction of CD8+ T cells in spleen cells from chimeras derived from pLL3.7 CD8 infected HSCs (right panel) and controls (left panel).

4. While at MIT, Dr. Luk Van Parijs falsified figures in grant applications submitted to the National Institutes of Health (NIH), a presentation in 2003, and Figure 6A, *Immunity* 19:243–255 (2003), by falsely claiming that the image in the figure represented an immunoprecipitation assay for Ras-GTP and a Western blot for total Ras protein, when it actually represented a Western blot for Bcl–2 and β-actin in T cells, previously published as Figure 5C, *J. Immunol.*, 168:597–603 (2002).

Dr. Van Parijs also admitted to falsification or fabrication of data in multiple submitted manuscripts, grant applications submitted to NIH, and presentations as follows.

5. While at MIT, Dr. Luk Van Parijs admitted that in multiple presentations and submitted manuscripts in 2004, he falsely claimed that the bifunctional lentiviral vectors, U6–shRNA–rat insulin promoter (RIP)-Myc had been made, when they had not, and that transgenic mice carrying these lentiviral vectors with shRNA silencing Bim or Pten proteins in pancreatic cells showed accelerated tumorigenesis and death.

6. While at MIT, Dr. Luk Van Parijs admitted that in multiple presentations in 2003 and 2004 and in grant application R21 DK69277–01 submitted to NIH in 2003, he falsely claimed that the number of CD8+ T cells and the incidence of diabetes was reduced by silencing CD8 expression with the pLL3.7 CD8 lentivirus in non-obese diabetic (NOD) transgenic mice, when the NOD transgenic mice data did not exist.

7. While at MIT, Dr. Luk Van Parijs admitted that in multiple presentations,

Electronic Code of Federal Regulations (e-CFR)

e-CFR Data is current as of July 25, 2006

Title 24: Housing and Urban Development

PART 576—EMERGENCY SHELTER GRANTS PROGRAM: STEWART B. McKINNEY HOMELESS ASSISTANCE ACT

Section Contents

Authority: 42 U.S.C. 3535(d) and 11376.

Source: 54 FR 46799, Nov. 7, 1989, unless otherwise noted.

Subpart A—General

§ 576.1 Applicability and purpose.

This part implements the Emergency Shelter Grants program contained in subtitle B of title IV of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11371–11378). The program authorizes the Secretary to make grants to States, units of general local government, territories, and Indian tribes (and to private nonprofit organizations providing assistance to homeless individuals in the case of grants made with reallocated amounts) for the rehabilitation or conversion of buildings for use as emergency shelter for the homeless, for the payment of certain operating expenses and essential services in connection with emergency shelters for the homeless, and for homeless prevention activities. The program is designed 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.

[61 FR 51548, Oct. 2, 1996]

§ 576.3 Definitions.

The terms *Grantee* and *HUD* are defined in 24 CFR part 5.

Administrative costs means as the term is defined in §583.135(b) of this part, except that the exclusion relates to the costs of carrying out eligible activities under §576.21(a).

Consolidated plan means the plan prepared in accordance with part 91 of this title. An approved consolidated plan means a consolidated plan that has been approved by HUD in accordance with part 91 of this title.

Conversion means a change in the use of a building to an emergency shelter for the homeless under this part, where the cost of conversion and any rehabilitation costs exceed 75 percent of the value of the building after conversion.

Emergency shelter means any facility, the primary purpose of which is to provide temporary or transitional shelter for the homeless in general or for specific populations of the homeless.

Essential services includes services concerned with employment, health, drug abuse, and education and may include (but are not limited to):

(1) Assistance in obtaining permanent housing.

(2) Medical and psychological counseling and supervision.

(3) Employment counseling.

(4) Nutritional counseling.

(5) Substance abuse treatment and counseling.

(6) Assistance in obtaining other Federal, State, and local assistance including mental health benefits; employment counseling; medical assistance; Veteran's benefits; and income support assistance such as Supplemental Security Income benefits, Aid to Families with Dependent Children, General Assistance, and Food Stamps;

(7) Other services such as child care, transportation, job placement and job training; and

(8) Staff salaries necessary to provide the above services.

Formula city or county means a metropolitan city or urban county that is eligible to receive an allocation of grant amounts under §576.5.

Homeless means as the term is defined in 42 U.S.C. 11302.

Homeless prevention means activities or programs designed to prevent the incidence of homelessness, including (but not limited to):

(1) Short-term subsidies to defray rent and utility arrearages for families that have received eviction or utility termination notices;

(2) Security deposits or first month's rent to permit a homeless family to move into its own apartment;

(3) Mediation programs for landlord-tenant disputes;

(4) Legal services programs for the representation of indigent tenants in eviction proceedings;

(5) Payments to prevent foreclosure on a home; and

(6) Other innovative programs and activities designed to prevent the incidence of homelessness.

Indian tribe means as the term is defined in 42 U.S.C. 5302(a).

Major rehabilitation means rehabilitation that involves costs in excess of 75 percent of the value of the building before rehabilitation.

Metropolitan city means a city that was classified as a metropolitan city under 42 U.S.C. 5302(a) for the fiscal year immediately preceding the fiscal year for which emergency shelter grant amounts are made available.

Nonprofit recipient means any private nonprofit organization providing assistance to the homeless, to which a State or unit of general local government distributes emergency shelter grant amounts.

Obligated means that the grantee or State recipient, as appropriate, has placed orders, awarded contracts, received services, or entered similar transactions that require payment from the grant amount. Grant amounts that a unit of general local government or State awards to a private nonprofit organization by a written agreement or letter of award requiring payment from the grant amount are obligated.

Private nonprofit organization means as the term is defined in 42 U.S.C. 11371.

Rehabilitation means the labor, materials, tools, and other costs of improving buildings, other than minor or routine repairs. The term includes where the use of a building is changed to an emergency shelter and the cost of this change and any rehabilitation costs does not exceed 75 percent of the value of the building before the change in use.

Renovation means rehabilitation that involves costs of 75 percent or less of the value of the building before rehabilitation.

Responsible entity means as the term is defined in §58.2 of this title, as applied though §58.1(b)(3) of this title and §576.57(e).

State means each of the several States and the Commonwealth of Puerto Rico.

Territory means each of the following: the Virgin Islands, Guam, American Samoa, the Northern Mariana Islands, Palau (Trust Territory of the Pacific), and any other territory or possession of the United States.

State recipient means any unit of general local government or nonprofit organization to which a State makes available emergency shelter grant amounts.

Unit of general local government means any city, county, town, township, parish, village, or other general purpose political subdivision of a State.

Urban county means a county that was classified as an urban county under 42 U.S.C. 5302(a) for the fiscal year immediately preceding the fiscal year for which emergency shelter grant amounts are made available.

Value of the building means the monetary value assigned to a building by an independent real estate appraiser, or as otherwise reasonably established by the grantee or the State recipient.

[54 FR 46799, Nov. 7, 1989, as amended at 56 FR 56128, Oct. 31, 1991; 60 FR 1918, Jan. 5, 1995; 61 FR 5210, Feb. 9, 1996; 61 FR 51548, Oct. 2, 1996]

§ 576.5 Allocation of grant amounts.

(a) *Territories.* HUD will set aside for allocation to the territories an amount equal to 0.2 percent of the total amount of each appropriation under this part in any fiscal year. HUD will allocate this set-aside amount to each territory based upon its proportionate share of the total population of all territories.

(b) *States, metropolitan cities, urban counties, and Indian tribes.* HUD will allocate the amounts that remain after the set-aside to territories under paragraph (a) of this section, to States, metropolitan cities, urban counties, and Indian tribes, as provided in 42 U.S.C. 11373. HUD will subsequently distribute the amount set aside for Indian tribes under this paragraph as provided in §576.31.

(c) *Notification of allocation amount.* HUD will notify in writing each State, metropolitan city, urban county, and territory that is eligible to receive an allocation under this section of the amount of its allocation.

[61 FR 51549, Oct. 2, 1996]

Subpart B—Eligible Activities

§ 576.21 Eligible activities.

(a) *Eligible activities.* Emergency shelter grant amounts may be used for one or more of the following activities relating to emergency shelter for the homeless:

(1) Renovation, major rehabilitation, or conversion of buildings for use as emergency shelters for the homeless;

(2) Provision of essential services to the homeless, subject to the limitations in paragraph (b) of this section;

(3) Payment for shelter maintenance, operation, rent, repairs, security, fuel, equipment, insurance, utilities, food, and furnishings. Not more than 10 percent of the grant amount may be used for costs of staff;

(4) Developing and implementing homeless prevention activities, subject to the limitations in 42 U.S.C. 11374(a)(4) and paragraph (c) of this section. Grant funds may be used under this paragraph to assist families that have received eviction notices or notices of termination of utility services only if the conditions stated in 42 U.S.C. 11374(a)(4) are met; and

(5) Administrative costs, in accordance with 42 U.S.C. 11378.

(b) *Limitations on provision of essential services.* (1) Grant amounts provided by HUD to units of general local government, territories, or Indian tribes, and grant amounts provided by a State to State recipients, may be used to provide an essential service under paragraph (a)(2) of this section only if the service is a new service, or is a quantifiable increase in the level of a service above that which the unit of general local government (or, in the case of a nonprofit organization, the unit of general local government in which the proposed activities are to be located), territory, or Indian tribe, as applicable, provided with local funds during the 12 calendar months immediately before the grantee or State recipient received initial grant amounts.

(2) Limits on the use of assistance for essential services established in 42 U.S.C. 11374(a)(2) are applicable even when the unit of local government, territory, or Indian tribe provides some or all of its grant funds to a nonprofit recipient. This limitation may be waived in accordance with 42 U.S.C. 11374.

(c) *Limitation on homeless prevention activities.* Limits on the use of assistance for homeless prevention activities established in 42 U.S.C. 11374(a)(4) are applicable even when the unit of local government, territory, or Indian tribe provides some or all of its grant funds to a nonprofit recipient.

[61 FR 51549, Oct. 2, 1996]

§ 576.23 Faith-based activities.

(a) Organizations that are religious or faith-based are eligible, on the same basis as any other organization, to participate in the Emergency Shelter Grants program. Neither the Federal government nor a State or local government receiving funds under Emergency Shelter Grants programs shall discriminate against an organization on the basis of the organization's religious character or affiliation.

(b) Organizations that are directly funded under the Emergency Shelter Grants program may not engage in inherently religious activities, such as worship, religious instruction, or proselytization as part of the programs or services funded under this part. If an organization conducts such activities, the activities must be offered separately, in time or location, from the programs or services funded under this part, and participation must be voluntary for the beneficiaries of the HUD-funded programs or services.

(c) A religious organization that participates in the Emergency Shelter Grants program will retain its independence from Federal, State, and local governments, and may continue to carry out its mission, including the definition, practice, and expression of its religious beliefs, provided that it does not use direct Emergency Shelter Grants funds to support any inherently religious activities, such as worship, religious instruction, or proselytization. Among other things, faith-based organizations may use space in their facilities to provide Emergency Shelter Grants-funded services, without removing religious art, icons, scriptures, or other religious symbols. In addition, an Emergency Shelter Grants-funded religious organization retains its authority over its internal governance, and it may retain religious terms in its organization's name, select its board members on a religious basis, and include religious references in its organization's mission statements and other governing documents.

(d) An organization that participates in the Emergency Shelter Grants program shall not, in providing program assistance, discriminate against a program beneficiary or prospective program beneficiary on the basis of religion or religious belief.

(e) Emergency shelter grants may not be used for the rehabilitation of structures to the extent that those structures are used for inherently religious activities. Emergency shelter grants may be used for the rehabilitation of structures only to the extent that those structures are used for conducting eligible activities under this part. Where a structure is used for both eligible and inherently religious activities, emergency shelter grants may not exceed the cost of those portions of the rehabilitation that are attributable to eligible activities in accordance with the cost accounting requirements applicable to emergency shelter grants in this part. Sanctuaries, chapels, or other rooms that an Emergency Shelter Grants-funded religious congregation uses as its principal place of worship, however, are ineligible for Emergency Shelter Grants-funded improvements. Disposition of real property after the term of the grant, or any change in use of the property during the term of the grant, is subject to government-wide regulations governing real property disposition (*see* 24 CFR parts 84 and 85).

(f) If a State or local government voluntarily contributes its own funds to supplement federally funded activities, the State or local government has the option to segregate the Federal funds or commingle them. However, if the funds are commingled, this section applies to all of the commingled funds.

[68 FR 56406, Sept. 30, 2003]

§ 576.25 Who may carry out eligible activities.

(a) *Generally.* As provided in 42 U.S.C. 11373 eligible activities may be carried out by all State recipients and grantees, except States.

(b) *States.* All of a State's formula allocation, except for administrative costs, must be made available to the following entities:

(1) Units of general local government in the State, which may include formula cities and counties even if such cities and counties receive grant amounts directly from HUD; or

(2) Private nonprofit organizations, in accordance with 42 U.S.C. 11373(c).

(c) *Nonprofit recipients.* Units of general local government, territories, and Indian tribes may distribute all or part of their grant amounts to nonprofit recipients to be used for emergency shelter grant activities.

[61 FR 51549, 51550, Oct. 2, 1996]

Subpart C—Award and Use of Grant Amounts

Source: 54 FR 46799, Nov. 7, 1989, unless otherwise noted. Redesignated at 61 FR 51550, Oct. 2, 1996.

§ 576.31 Application requirements.

(a) *Indian tribes.* After funds are set aside for allocation to Indian tribes under §576.5, HUD will publish a Notice of Funding Availability (NOFA) in the Federal Register. The NOFA will specify the requirements and procedures applicable to the allocation and competitive awarding of these set-aside funds to eligible Indian tribe applicants.

(b) *States, territories, and formula cities and counties.* To receive emergency shelter grant amounts, a State, territory, or formula city or county must:

(1) Submit documentation required under this part, part 5 of this title, or any other applicable provisions of Federal law; and

(2) Submit and obtain HUD approval of a consolidated plan that includes activities to be funded under this part. This consolidated plan serves as the jurisdiction's application for funding under this part.

[61 FR 51550, Oct. 2, 1996]

§ 576.33 Review and approval of applications.

(a) *Conditional grant.* HUD may make a conditional grant restricting the obligation and use of emergency shelter grant amounts. Conditional grants may be made where there is substantial evidence that there has been, or there will be, a failure to meet the requirements of this part. In such a case, the reason for the conditional grant, the action necessary to remove the condition, and the deadline for taking those actions will be specified. Failure to satisfy the condition may result in imposition of a sanction under §576.69, or in any other action authorized under applicable Federal law.

(b) *Grant agreement.* The grant will be made by means of a grant agreement executed by HUD and the grantee. HUD will not disburse funds before the grant agreement is fully executed.

[54 FR 46799, Nov. 7, 1989, as amended at 60 FR 1918, Jan. 5, 1995. Redesignated and amended at 61 FR 51550, Oct. 2, 1996]

§ 576.35 Deadlines for using grant amounts.

(a)(1) *States.* Each State must make available to its State recipients all emergency shelter grant amounts that it was allocated under §576.5 within 65 days of the date of the grant award by HUD. Funds set aside by a State for homeless prevention activities under §576.21(a)(4) must be made available to State recipients within 180 days of the grant award by HUD.

(2) *State recipients*—(i) *Obligation of grant funds.* Each State recipient must have its grant amounts obligated (as that term is defined at §576.3) within 180 days of the date on which the State made the grant amounts available to the State recipient. In the case of grants for homeless prevention activities under §576.21(a)(4), State recipients are required to obligate grant amounts within 30 days of the date on which the State made the grant amounts available to the State recipient.

(ii) *Expenditure of grant funds.* Each State recipient must spend all of its grant amounts within 24 months of the date on which the State made the grant amounts available to the State recipient. In the case of grants for homeless prevention activities, State recipients must spend such sums within 180 days of the date on which the State made the grant amounts available to the recipient.

(b) *Formula cities and counties, territories and Indian tribes—Expenditure of grant funds.* Each formula city or county, territory, and Indian tribe must spend all of the grant amounts it was allocated or awarded under §576.5 or 576.31 within 24 months of the date of the grant award by HUD.

(c) *Failure to meet deadlines.* (1) Any emergency shelter grant amounts that are not made available or obligated within the applicable time periods specified in paragraph (a)(1) or (b) of this section will be reallocated under §576.45.

(2) The State must recapture any grant amounts that a State recipient does not obligate and spend within the time periods specified in paragraph (a)(2) of this section. The State, at its option, must make these amounts and other amounts returned to the State (except amounts referred to in §576.22(b)(6) available as soon as practicable to other units of general local government for use within the time period specified in paragraph (a)(2) of this section or to HUD for reallocation under §576.45.

[54 FR 46799, Nov. 7, 1989. Redesignated and amended at 61 FR 51550, Oct. 2, 1996]

Subpart D—Reallocations

Source: 54 FR 46799, Nov. 7, 1989, unless otherwise noted. Redesignated at 61 FR 51550, Oct. 2, 1996.

§ 576.41 Reallocation; lack of approved consolidated plan—formula cities and counties.

(a) *Applicability.* This section applies where a formula city or county fails to submit or obtain HUD approval of its consolidated plan within 90 days of the date upon which amounts under this part first become available for allocation in any fiscal year.

(b) *Grantee.* HUD will make available to the State in which the city or county is located the amounts that a city or county referred to in paragraph (a) of this section would have received.

(c) *Notification of availability.* The responsible HUD field office will promptly notify the State of the availability of any reallocation amounts under this section.

(d) *Eligibility for reallocation amounts.* In order to receive reallocation amounts under this section, the State must:

(1) Execute a grant agreement with HUD for the fiscal year for which the amounts to be reallocated were initially made available.

(2) If necessary, submit an amendment to its application for that fiscal year for the reallocation amounts it wishes to receive. The amendment must be submitted to the responsible HUD field office no later than 30 days after notification is given to the State under paragraph (c) of this section.

(e) *Amendment review and approval.* (1) Section 576.33 governs the review and approval of application amendments under this section. HUD will endeavor to make grant awards within 30 days of the application amendment deadline, or as soon thereafter as practicable.

(2) Program activities represented by proposed amendments are subject to environmental review under §576.57 in the same manner as original proposals.

(f) *Deadlines for using reallocated grant amounts.* Section 576.35 governs the use of amounts reallocated under this section.

(g) *Amounts that cannot be reallocated.* Any grant amounts that cannot be reallocated to a State under this section will be reallocated as provided by §576.43. Amounts that are reallocated under this section, but that are returned or unused, will be reallocated under §576.45.

[54 FR 46799, Nov. 7, 1989, as amended at 56 FR 56128, Oct. 31, 1991; 60 FR 1918, Jan. 5, 1995. Redesignated and amended at 61 FR 51551, Oct. 2, 1996]

§ 576.43 Reallocation of grant amounts; lack of approved consolidated plan—States, territories, and Indian tribes.

(a) *Applicability.* This section applies when:

(1) A State, territory, or Indian tribe fails to obtain approval of its consolidated plan within 90 days of the date upon which amounts under this part first become available for allocation in any fiscal year; or

(2) Grant amounts cannot be reallocated to a State under §576.41.

(b) *Grantees.* (1) HUD will reallocate the amounts that a State or Indian tribe referred to in paragraph (a)(1) of this section would have received:

(i) In accordance with 42 U.S.C. 11373(d)(3); and

(ii) If grant amounts remain, then to territories that demonstrate extraordinary need or large numbers of homeless individuals.

(2) HUD will make available the amounts that a territory under paragraph (a)(1) of this section would have received to other territories that demonstrate extraordinary need or large numbers of homeless individuals.

(c) *Notification of funding availability.* HUD will make reallocations to States and Indian tribes under this section by direct notification or Federal Register notice that will set forth the terms and conditions under which amounts under this section are to be reallocated and grant awards made. In the case of reallocations to Territories, the responsible HUD field office will promptly notify each Territory of any reallocation amounts under this section, and indicate the terms and conditions under which reallocation amounts are to be made available and grant awards made.

(d) *Eligibility for reallocation amounts.* In order to receive reallocation amounts under this section, the formula city or county, State, territory, or Indian tribe must:

(1) Submit an amendment, in accordance with 24 CFR part 91, to its consolidated plan for that program year to cover activities for the reallocation amount it wishes to receive; and

(2) Execute a grant agreement with HUD for the fiscal year for which the amounts to be reallocated were initially made available.

(e) *Review and approval.* (1) Section 576.53, and such additional requirements as HUD may specify in the notification under paragraph (c) of this section, govern the review and approval of application amendments under this section. HUD will rank the amendments and make grant awards under this section on the basis of the following factors:

(i) The nature and extent of the unmet homeless need within the jurisdiction in which the grant amounts will be used;

(ii) The extent to which the proposed activities address this need; and

(iii) The ability of the grantee to carry out the proposed activities promptly.

(2) HUD will endeavor to make grant awards within 30 days of the application amendment deadline, or as soon thereafter as practicable.

(f) *Grant amounts.* HUD may make a grant award for less than the amount applied for or for fewer than all of the activities identified in the application amendment.

(g) *Deadlines for using reallocated amounts.* Section 576.35 governs the use of amounts reallocated under this section.

(h) *Amounts not reallocated.* Any grant amounts that are not reallocated under this section, or that are reallocated, but are unused, will be reallocated under §576.45(d). Any amounts that are reallocated, but are returned, will be reallocated under §576.45(c).

[54 FR 46799, Nov. 7, 1989, as amended at 56 FR 56129, Oct. 31, 1991; 60 FR 1918, Jan. 5, 1995. Redesignated and amended at 61 FR 51551, Oct. 2, 1996]

§ 576.45 Reallocation of grant amounts; returned or unused amounts.

(a) *General.* From time to time, HUD will reallocate emergency shelter grant amounts that are returned or unused, as those terms are defined in paragraph (f) of this section. HUD will make reallocations under this section by direct notification or Federal Register Notice that will set forth the terms and conditions under which the grant amounts are to be reallocated and grant awards are to be made.

(b) *FEMA boards.* HUD may use State and local boards established under the Emergency Food and Shelter Program administered by the Federal Emergency Management Agency, as a resource to identify potential applicants for reallocated grant amounts.

(c) *Reallocation—returned grant amounts*—(1) *States and formula cities and counties.* HUD will endeavor to reallocate returned emergency shelter grant amounts that were initially allocated under §576.5 to a State or a formula city or county, for use within the same jurisdiction. Reallocation of these grant amounts is subject to the following requirements:

(i) Returned grant amounts that were allocated to a State will be made available (A) first, to units of general local government within the State and (B) if grant amounts remain, then to other States.

(ii) Returned grant amounts that were allocated to a formula city or county will be made available:

(A) First, for use in the city or county, to units of general local government that are authorized under applicable law to carry out activities serving the homeless in the jurisdiction;

(B) If grant amounts remain, then to the State in which the city or county is located;

(C) If grant amounts remain, to units of general local government in the State; and

(D) If grant amounts remain, to other States.

(2) *Indian tribes.* Returned grant amounts that were allocated to an Indian tribe will be made available to other Indian tribes.

(3) *Territories.* Returned grant amounts that were allocated to a territory will be made available, first, to other territories and, if grant amounts remain, then to States.

(4) *Further reallocation: States, formula cities and counties, territories, and Indian tribes.* HUD will reallocate under paragraph (e) of this section any grant amounts that remain after applying the preceding provisions of paragraph (c) of this section or that are returned to HUD after reallocation under those provisions.

(5) The responsible HUD field office will announce the availability of returned grant amounts. The announcement will establish deadlines for submitting applications, and will set out other terms and conditions relating to grant awards, consistent with this part. The announcement will specify the application documents to be submitted.

(6) The responsible HUD field office may establish maximum grant amounts, considering the grant amounts available, and will rank the applications using the criteria in paragraph (e) of this section.

(7) HUD may make a grant award for less than the amount applied for or for fewer than all of the activities identified in the application, based on competing demands for grant amounts and the extent to which the respective activities address the needs of the homeless.

(8) HUD will endeavor to make grant awards within 30 days of the application deadline or as soon thereafter as practicable.

(9) Grants awarded under this section are subject to environmental review under §576.57.

(d) *Reallocation—unused grant amounts.* Unused grant amounts will be added to the appropriation for the fiscal year immediately following the fiscal year in which the amounts become available to HUD for reallocation, and will be allocated in accordance with the provisions of §576.5 of this part.

(e) *Selection criteria.* HUD will award grants under paragraph (c) of this section based on consideration of the following criteria:

(1) The nature and extent of the unmet homeless need within the jurisdiction in which the grant amounts will be used;

(2) The extent to which the proposed activities address this need; and

(3) The ability of the grantee to carry out the proposed activities promptly.

(f) *Definitions—returned or unused grant amounts.* (1) For purposes of this section, emergency shelter grant amounts are considered "returned" when they become available for reallocation because a jurisdiction does not execute a grant agreement with HUD for them.

(2) For purposes of this section, emergency shelter grant amounts are considered "unused" (i.e., Federal deobligation):

(i) When they become available for reallocation by HUD after a grantee has executed a grant agreement with HUD for those amounts; or

(ii) The amounts remain after reallocation under §576.43 or paragraph (c) of this section.

[54 FR 46799, Nov. 7, 1989, as amended at 57 FR 54507, Nov. 19, 1992; 60 FR 1918, Jan. 5, 1995. Redesignated and amended at 61 FR 51551, Oct. 2, 1996]

Subpart E—Program Requirements

Source: 54 FR 46799, Nov. 7, 1989, unless otherwise noted. Redesignated at 61 FR 51550, Oct. 2, 1996.

§ 576.51 Matching funds.

(a) *General.* Each grantee, other than a territory, must match the funding provided by HUD under this part as set forth in 42 U.S.C. 11375. The first $100,000 of any assistance provided to a recipient that is a State is not required to be matched, but the benefit of the unmatched amount must be shared as provided in 42 U.S.C. 11375(c)(4). Matching funds must be provided after the date of the grant award to the grantee. Funds used to match a previous ESG grant may not be used to match a subsequent grant award under this part. A grantee may comply with this requirement by providing the matching funds itself, or through matching funds or voluntary efforts provided by any State recipient or nonprofit recipient (as appropriate).

(b) *Calculating the matching amount.* In calculating the amount of matching funds, in accordance with 42 U.S.C. 11375(a)(3), the time contributed by volunteers shall be determined at the rate of $5 per hour. For purposes of this paragraph, the grantee will determine the value of any donated material or building, or of any lease, using a method reasonably calculated to establish a fair market value.

[61 FR 51552, Oct. 2, 1996]

§ 576.53 Use as an emergency shelter.

(a)(1) *Restrictions and definition.* Period of use restrictions applicable to assistance provided under this part are governed by 42 U.S.C. 11375(a). Use of grant amounts for developing and implementing homeless prevention activities does not trigger period of use requirements.

(2) For purposes of the requirements under this section, the term *same general population* means either the same types of homeless persons originally served with ESG assistance (i.e., battered spouses, runaway children, families, or mentally ill individuals), or persons in the same geographic area.

(b) *Calculating the applicable period.* The 3- and 10-year periods applicable under paragraph (a) of this section begin to run:

(1) In the case of a building that was not operated as an emergency shelter for the homeless before receipt of grant amounts under this part, on the date of initial occupancy as an emergency shelter for the homeless.

(2) In the case of a building that was operated as an emergency shelter before receipt of grant amounts under this part, on the date that grant amounts are first obligated for the shelter.

[54 FR 46799, Nov. 7, 1989. Redesignated and amended at 61 FR 51552, Oct. 2, 1996]

§ 576.55 Building standards.

(a) Any building for which emergency shelter grant amounts are used for conversion, major rehabilitation, rehabilitation, or renovation must meet local government safety and sanitation standards.

(b) For projects of 15 or more units, when rehabilitation costs are:

(1) 75 percent or more of the replacement cost of the building, that project must meet the requirements of §8.23(a) of this title; or

(2) Less than 75 percent of the replacement cost of the building, that project must meet the requirements of §8.23(b) of this title.

[61 FR 51552, Oct. 2, 1996]

§ 576.56 Homeless assistance and participation.

(a) *Assistance.* (1) Grantees and recipients must assure that homeless individuals and families are given assistance in obtaining:

(i) Appropriate supportive services, including permanent housing, medical health treatment, mental health treatment, counseling, supervision, and other services essential for achieving independent living; and

(ii) Other Federal, State, local, and private assistance available for such individuals.

(2) Requirements to ensure confidentiality of records pertaining to the provision of family violence prevention or treatment services with assistance under this part are set forth in 42 U.S.C. 11375(c)(5).

(3) Grantees and recipients may, in accordance with 42 U.S.C. 11375(e), terminate assistance provided under this part to an individual or family who violates program requirements.

(b) *Participation.* (1) Each unit of local government, Indian tribe, and nonprofit recipient that receives funds under this part must provide for the participation of homeless individuals on its policymaking entity in accordance with 42 U.S.C. 11375(d).

(2) Each State, territory, Indian tribe, unit of local government, and nonprofit recipient that receives funds under this part must involve homeless individuals and families in providing work or services pertaining to facilities or activities assisted under this part, in accordance with 42 U.S.C. 11375(c)(7).

[61 FR 51552, Oct. 2, 1996]

§ 576.57 Other Federal requirements.

In addition to the Federal requirements set forth in 24 CFR part 5, use of emergency shelter grant amounts must comply with the following requirements:

(a) *Nondiscrimination and equal opportunity.* The nondiscrimination and equal opportunity requirements at 24 CFR part 5 are modified as follows:

(1) *Rehabilitation Act requirements.* HUD's regulations at 24 CFR part 8 implement section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794). For purposes of the emergency shelter grants program, the term "dwelling units" in 24 CFR part 8 shall include sleeping accommodations.

(2) Use of emergency shelter grant amounts must also comply with the requirement that the grantee or the State recipient make known that use of the facilities and services is available to all on a nondiscriminatory basis. If the procedures that the grantee or recipient intends to use to make known the availability of the facilities and services are unlikely to reach persons of any particular race, color, religion, sex, age, national origin, familial status, or disability who may qualify for such facilities and services, the grantee or recipient must establish additional procedures that will ensure that such persons are made aware of the facilities and services. Grantees and recipients must also adopt procedures which will make available to interested persons information concerning the location of services and facilities that are accessible to persons with disabilities.

(b) *Applicability of OMB Circulars.* [1] The policies, guidelines, and requirements of 24 CFR part 85 (codified pursuant to OMB Circular No. A–102) and OMB Circular No. A–87, as they relate to the acceptance and use of emergency shelter grant amounts by States and units of general local government, and Nos. A–110 and A–122 as they relate to the acceptance and use of emergency shelter grant amounts by private nonprofit organizations.

[1] OMB Circulars referenced in this section are available at the Entitlement Cities Division, Room 7282, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC 20410.

(c) The Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821–4846), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851–

4856), and implementing regulations at part 35, subparts A, B, J, K, and R of this title apply to activities under this program.

(d) *Conflicts of interest.* In addition to the conflict of interest requirements in OMB Circulars A–102 and A–110, no person—

(1)(i) Who is an employee, agent, consultant, officer, or elected or appointed official of the grantee, State recipient, or nonprofit recipient (or of any designated public agency) that receives emergency shelter grant amounts and

(ii) Who exercises or has exercised any functions or responsibilities with respect to assisted activities, or

(2) Who is in a position to participate in a decisionmaking process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity, or have an interest in any contract, subcontract, or agreement with respect thereto, or the proceeds thereunder, either for him or herself or for those with whom he or she has family or business ties, during his or her tenure, or for one year thereafter. HUD may grant an exception to this exclusion as provided in §570.611 (d) and (e) of this chapter.

(e) *Environmental review responsibilities*—(1) *Generally.* Responsible entities must assess the environmental effects of each application under part 58 of this title. An applicant must include in its application an assurance that the applicant will assume all the environmental review responsibility that would otherwise be performed by HUD as the responsible Federal official under the National Environmental Policy Act of 1969 (NEPA) and related authorities listed in part 58 of this title. The grant award is subject to completion of the environmental responsibilities set out in part 58 of this title within a reasonable time period after notification of the award. This provision does not preclude the applicant from enclosing its environmental certification and Request for Release of Funds with its application.

(2) *Awards to States.* In the case of emergency shelter grants to States that are distributed to:

(i) Units of general local government, the unit of general local government shall be the responsible entity, and the State will assume HUD's functions with regard to the release of funds; or

(ii) Nonprofit organizations, the State shall be the responsible entity, and HUD will perform functions regarding release of funds under part 58 of this title.

(3) *Release of funds.* HUD will not release funds for an eligible activity if the grantee, recipient, or any other party commits emergency shelter grant funds before the grantee submits, and HUD approves, any required Request for Release of Funds.

(f) *Audit.* The financial management systems used by a State, formula city or county, governmental entity, or an Indian tribe that is a grantee under this program must provide for audits in accordance with part 44 of this title. A private nonprofit organization is subject to the audit requirements of OMB Circular A–133, as set forth in part 45 of this title. (OMB Circulars are available from the Executive Office of the President, Publication Service, 725 17th Street, NW., Suite G–2200, Washington, DC 20503, Telephone, 202–395–7332.)

(g) *Audit.* The financial management system used by a State or unit of general local government that is a grantee or State recipient must provide for audits in accordance with 24 CFR part 44. A private nonprofit organization is subject to the audit requirements of OMB Circular A–133, as set forth in 24 CFR part 45.

(h) *Lobbying and disclosure requirements.* The disclosure requirements and prohibitions of 42 U.S.C. 3537a and 3545 and 31 U.S.C. 1352 (the Byrd Amendment), and the implementing regulations at parts 4 and 87 of this title.

(i) *Davis-Bacon Act.* The provisions of the Davis-Bacon Act (40 U.S.C. 276a–276a–5) do not apply to this program.

(j) *Intergovernmental review.* The requirements of Executive Order 12372 and the regulations issued under the order at 24 CFR part 52, to the extent provided by Federal Register notice in accordance with 24 CFR 52.3.

[54 FR 46799, Nov. 7, 1989, as amended at 57 FR 33256, July 27, 1992; 61 FR 5210, Feb. 9, 1996. Redesignated and amended at 61 FR 51552, Oct. 2, 1996; 64 FR 50226, Sept. 15, 1999]

§ 576.59 Relocation and acquisition.

(a) *Minimizing displacement.* Consistent with the other goals and objectives of this part, grantees and recipients must assure that they have taken all reasonable steps to minimize the displacement of persons (families, individuals, businesses, nonprofit organizations, and farms) as a result of a project assisted under this part.

(b) *Relocation assistance for displaced persons.* A displaced person (defined in paragraph (f)(1) of this section) must be provided relocation assistance at the levels described in, and in accordance with, 49 CFR part 24, which contains the government-wide regulations implementing the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (42 U.S.C. 4601–4655).

(c) *Real property acquisition requirements.* The acquisition of real property for a project is subject to the URA and the requirements described in 49 CFR part 24, subpart B.

(d) Responsibility of grantees and recipients. Each grantee and recipient must assure that it will comply with the URA, the regulations at 49 CFR part 24, and the requirements of this section. The cost of assistance required by this section may be paid from local public funds, funds provided in accordance with this part, or funds available from other sources.

(e) *Appeals.* A person who disagrees with the grantee's or recipient's determination concerning a payment or other assistance required by this section may file a written appeal of that determination with the grantee or recipient. The appeal procedures to be followed are described in 49 CFR 24.10.

(f) *Definition*—(1) *Displaced person.* (i) The term "displaced person" means a person (family, individual, business, nonprofit organization, or farm) that moves from real property, or moves personal property from real property, permanently and involuntarily, as a direct result of acquisition, rehabilitation, or demolition for a project assisted under this part. Permanent, involuntary moves for an assisted project include:

(A) A permanent move from the real property (building or complex) following notice by the grantee, recipient or property owner to move permanently from the property, if the move occurs on or after the date that the grantee or recipient submits to HUD an application for assistance that is later approved and funded;

(B) A permanent move from the real property that occurs before the submission of the application to HUD, if the grantee, recipient or HUD determines that the displacement resulted directly from acquisition, rehabilitation, or demolition for the project, or

(C) A permanent move from the real property by a tenant-occupant of a dwelling unit that occurs after the execution of the agreement between the recipient and HUD if:

(*1*) The tenant has not been provided a reasonable opportunity to lease and occupy a suitable, decent, safe and sanitary dwelling in the same building/complex following the completion of the project at a rent, including estimated average utility costs, that does not exceed the greater of the tenant's rent and estimated average utility costs before the initiation of negotiations, or 30 percent of gross household income; or

(*2*) The tenant has been required to relocate temporarily but the tenant is not offered payment for all reasonable out-of-pocket expenses incurred in connection with the temporary relocation or other conditions of the temporary relocation are not reasonable, and the tenant does not return to the building/complex; or

(*3*) The tenant is required to move to another unit in the same building/complex but is not offered reimbursement for all reasonable out-of-pocket expenses incurred in connection with the move.

(ii) A person does not qualify as a "displaced person" if:

(A) The person has been evicted for cause based upon a serious or repeated violation of material terms of the lease or occupancy agreement and HUD determines that the eviction was not undertaken for the purpose of evading the obligation to provide relocation assistance;

(B) The person moved into the property after the submission of the application and, before commencing occupancy, received written notice of the expected displacement;

(C) The person is ineligible under 49 CFR 24.2(g)(2); or

(D) HUD determines that the person was not displaced as a direct result of acquisition, rehabilitation, or demolition for the project.

(iii) The grantee or recipient may, at any time, request a HUD determination of whether a displacement is or would be covered under this section.

(2) Initiation of negotiations. For purposes of determining the type of replacement housing payment to be made to a residential tenant displaced as a direct result of privately undertaken rehabilitation, demolition, or acquisition of the real property, the term "initiation of negotiations" means the execution of the agreement between the grantee and HUD.

(Approved by the Office of Management and Budget under OMB control number 2506–0089)

[54 FR 46799, Nov. 7, 1989, as amended at 54 FR 52397, Dec. 21, 1989. Redesignated at 61 FR 51553, Oct. 2, 1996]

Subpart F—Grant Administration

Source: 54 FR 46799, Nov. 7, 1989, unless otherwise noted. Redesignated at 61 FR 51550, Oct. 2, 1996.

§ 576.61 Responsibility for grant administration.

Grantees are responsible for ensuring that emergency shelter grant amounts are administered in accordance with the requirements of this part and other applicable laws. The State, territory, Indian tribe, or unit of local government is responsible for ensuring that its recipients carry out the recipients' emergency shelter grant programs in compliance with all applicable requirements in the case of:

(a) A State making grant amounts available to State recipients; or

(b) A territory, Indian tribe, or unit of general local government distributing grant amounts to nonprofit recipients.

[54 FR 46799, Nov. 7, 1989. Redesignated and amended at 61 FR 51553, Oct. 2, 1996]

§ 576.63 Method of payment.

Payments are made to a grantee upon its request after the grant agreement has been fully executed, and may include a working capital advance for 30 days' cash needs or an advance of $5,000, whichever is greater. Thereafter, the grantee will be reimbursed for the amount of its actual cash disbursements. If a grantee requests a working capital advance, it must base the request on a realistic, firm estimate of the amounts required to be disbursed over the 30-day period in payment of eligible activity costs.

[54 FR 46799, Nov. 7, 1989. Redesignated and amended at 61 FR 51553, Oct. 2, 1996]

§ 576.65 Recordkeeping.

(a) Each grantee must ensure that records are maintained for a 4-year period to document compliance with the provisions of this part.

(b) Requirements to ensure confidentiality of records pertaining to the provision of family violence prevention or treatment services with assistance under this part are set forth in 42 U.S.C. 11375(c)(5).

[61 FR 51553, Oct. 2, 1996]

§ 576.67 Sanctions.

(a) *HUD sanctions.* If HUD determines that a grantee is not complying with the requirements of this part or of other applicable Federal law, HUD may (in addition to any remedies that may otherwise be available) take any of the following sanctions, as appropriate:

(1) Issue a warning letter that further failure to comply with such requirements will result in a more serious sanction;

(2) Condition a future grant;

(3) Direct the grantee to stop the incurring of costs with grant amounts;

(4) Require that some or all of the grant amounts be remitted to HUD;

(5) Reduce the level of funds the grantee would otherwise be entitled to receive; or

(6) Elect not to provide future grant funds to the grantee until appropriate actions are taken to ensure compliance.

(b) *State sanctions.* If a State determines that a State recipient is not complying with the requirements of this part or other applicable Federal laws, the State must take appropriate actions, which may include the actions described in paragraph (a) of this section. Any grant amounts that become available to a State as a result of a sanction under this section must, at the option of the State, be made available (as soon as practicable) to other nonprofit organizations or units of general local government located in the State for use within the time periods specified in §576.35(a)(2), or to HUD for reallocation under §576.45(d).

(c) *Reallocations.* Any grant amounts that become available to HUD as a result of the imposition of a sanction under this section will be reallocated under §576.45(d).

[54 FR 46799, Nov. 7, 1989. Redesignated and amended at 61 FR 51553, Oct. 2, 1996]

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
October 15, 2009

Action Items

Presentation, Discussion and Possible Approval for Housing Tax Credit Extensions.

Required Action

Approve, amend or deny the requests for extensions related to two (2) 2006 Housing Tax Credit allocations.

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. 060118, Sunset Haven
(Cost Certification Extension)

Summary of Request: Pursuant to §50.15(b)(2) of the 2006 Qualified Allocation Plan, "…Required Cost Certification documentation must be received by the Department no later than January 15 following the year the Credit Period begins…". The owner elected to initiate the credit period in 2008 and missed the January l5, 2009 deadline to submit cost certification documentation for the above referenced development. The owner submitted the full cost certification documentation on July 2, 2009 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:	Sunset Haven, Ltd.
General Partner:	Brownsville Housing Authority
Developer:	Brownsville Housing Authority & Tekoa Partners, Ltd.
Principals/Interested Parties:	James D. Walker, Gene S. Walker, Jr., J. Patrick Walker, Kathleen Walker Leyendecker, William J. Lee, William C. Skeen, Donna Schubkegel, and Howard Tellepsen
City/County:	Brownsville/Cameron
Set-Aside:	N/A
Type of Area:	Urban
Type of Development:	New Construction
Population Served:	Elderly
Units:	100 HTC units
2006 Allocation:	$565,048
Allocation per HTC Unit:	$5,650
Extension Request Fee Paid:	$2,500
Current Deadline:	January 15, 2009
New Deadline Requested:	July 2, 2009
New Deadline Recommended:	**July 2, 2009**
Previous Extensions:	N/A
Staff Recommendation:	**Approve the extension as requested.**

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crichardson@lockelord.com

September 18, 2009

Kent Bedell, *Multifamily Housing Specialist*
Texas Department of Housing & Community Affairs
221 East 11th Street
Austin, Texas 78701

Re: Sunset Haven (the "**Project**")
TDHCA No. 060118
Request for Extension of Deadline for Submission of Cost Certification

Dear Mr. Bedell:

On behalf of Sunset Haven, Ltd. (the "**Partnership**"), the Development Owner with respect to the above-referenced Project, we are submitting this letter to request an extension of the deadline for submission of the cost certification documentation for the Project. A check in the amount of $2,500 for payment of the extension fee is enclosed.

The original deadline for the Partnership to file its cost certification documentation with the Department was in January of this year. However, at that time, the Partnership had an amendment request pending with the Department concerning the network wiring installed at the Project. The pending amendment request prevented the Partnership from being able to finalize and submit the cost certification package for two primary reasons. First, the amendment had to be approved before the Department could provide the final inspection clearance for the Project, which is a requirement for cost certification. Second, the costs for the network wiring were included in eligible basis, and thus the Partnership needed to await the Board's decision on the amendment to determine whether additional costs were going to have to be expended to address the wiring issue.

The amendment request has since been approved. However, due to the foregoing delays, the Partnership was not able to submit its cost certification package to the Department until July of this year. Consequently, the Partnership respectfully requests an extension of the deadline for submission of its cost certification to **<u>July 2, 2009</u>**.

Please confirm in writing the requested extension. If you need anything further in conjunction with this extension request, please let me know. We appreciate your assistance.

Sincerely,

Christine R. Richardson

cc: Robbye Meyer
TDHCA, Director of Multifamily Finance

Rosalio Banuelos
TDHCA, Cost Certification Specialist

Bill Lee
Madison Interests, Inc.

Cynthia Bast, Esq. (Firm)

HTC No. 060071, Retama Village Apartments
(Cost Certification Extension)

Summary of Request: Pursuant to §50.15(b)(2) of the 2006 Qualified Allocation Plan, "…Required Cost Certification documentation must be received by the Department no later than January 15 following the year the Credit Period begins…". The owner elected to initiate the credit period in 2008 and had an original cost certification documentation deadline of January l5, 2009 for the above referenced development. However, the applicant requested to extend the cost certification deadline from January 15, 2009 to July 15, 2009. The request was approved by the Department on July 16, 2009.

The owner is now requesting an additional extension of the July 15, 2009 deadline to September 15, 2009. The reason given for the additional request is that the revised as-built survey was not received until after the July 15th deadline; therefore, the owner needed additional time to prepare a complete and accurate cost certification package. The full cost certification documentation was received on September 2, 2009 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:	Retama Village, Ltd.
General Partner:	Retama Village GP, LLC
Developer:	Brownstone Affordable Housing, Ltd and Three B Ventures, Inc.
Principals/Interested Parties:	William L. Brown, Doak D. Brown, Jed A. Brown and Wil C. Brown
City/County:	McAllen/Hidalgo
Set-Aside:	N/A
Type of Area:	Urban
Type of Development:	New Construction
Population Served:	Family
Units:	128 HTC units
2006 Allocation:	$1,075,000
Allocation per HTC Unit:	$8,398
Extension Request Fee Paid:	$2,500
Original Deadline:	January 15, 2009
Current Deadline:	July 15, 2009
New Deadline Requested:	September 15, 2009
New Deadline Recommended:	**September 15, 2009**
Previous Extensions:	N/A
Staff Recommendation:	**Approve the extension as requested.**

Leslie Holleman & Associates, Inc.
Residential Real Estate Development & Consulting

September 1, 2009

Mr. Kent Bedell
Housing Specialist
Multifamily Housing Finance Division
221 East 11th Street
Austin, Texas 78701-2410

via Federal Express

Re: HTC #060071 Retama Village in McAllen, TX
Cost Certification Extension Request

Dear Mr. Bedell:

Retama Village, Ltd. respectfully requests an additional extension of the January 15, 2009 deadline (originally extended to July 15, 2009) for the submission of the Cost Certification package to **September 15, 2009**. The revisions / corrections to the as-built survey were not received by July 15th as originally anticipated. Additional time was needed to prepare a complete and accurate package. The complete cost certification package has been submitted to Real Estate Analysis in the same package as this extension request.

Enclosed is a check in the amount of $2,500 for the extension fee. Please contact me at (325) 784-9797 if you have any questions or need additional information.

Best Regards,

LHolleman

Leslie Holleman
Consultant to the Partnership

Cc: Rosalio Banuelos, Real Estate Analysis
Joe Saenz, Manager of the General Partner

6459 Safe Haven Lane
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Executive Office
BOARD ACTION REQUEST
October 15, 2009

Action Item

Presentation, Discussion, and Possible Adoption of Resolution Number 10-003 concerning the holding of real estate beyond three year limitation, authorize new disposition strategy, and direct application of net proceeds.

Required Action

Adopt, adopt with changes, resolution number 10-003.

Summary

As described in the recitals, the Department has held Alpha I for nearly 3 years. This 6.5 acre tract of vacant land in Tyler needs to be sold, and staff recommends that it be listed and actively marketed. It was acquired in a foreclosure on a transaction initially financed with BMIR funds, and the net proceeds would go back into the BMIR asset resolution fund.

Recommendation

Approve, reject or approve with modification the Resolution presented.

RESOLUTION NUMBER 10-003
RESOLUTION OF THE BOARD OF DIRECTORS

WHEREAS, M & R Concepts aka Alpha I defaulted on a loan secured by a deed of trust lien on a 6.5 acre tract of vacant land in Tyler, Texas (the "tract"), and

WHEREAS, TDHCA foreclosed upon the tract on November 7, 2006, and

WHEREAS, TDHCA has been working with numerous potential buyers to negotiate a disposition of the tract, and

WHEREAS, to date, despite diligent efforts, TDHCA has been unsuccessful in disposing of the tract, and

WHEREAS, TEX. GOV'T. CODE, §2306.174 requires that this Board adopt a resolution if despite such efforts, TDHCA will be holding the tract for more than three years,

Now, therefore, be it RESOLVED, that this Board finds that TDHCA has made diligent efforts to dispose of the tract as provided for in TEX. GOV'T. CODE, §2306.174 and, therefore, the tract must be held beyond the third anniversary of the date on which it was acquired by foreclosure and

FURTHER RESOLVED, that staff is directed to make diligent efforts to sell the tract including, but not limited to, entering into an exclusive listing agreement with a qualified real estate broker in the Tyler area to establish a reasonable sale price and marketing strategy and to pursue the prompt disposition of the tract, and

FURTHER RESOLVED, that the net proceeds from any disposition of the tract shall be placed in the BMIR asset resolution fund for use in addressing problems related to the disposition of other real estate and/or the resolution of non-performing real estate-related loans and assets.

PASSED AND APPROVED this ____________ day of __________________, ____.

____
Chair of the Governing Board

[SEAL]

Attest:

____
Secretary of the Board

Compliance and Asset Oversight

BOARD ACTION REQUEST

October 15, 2009

Action Items

Presentation, Discussion and Possible Approval for publication in the *Texas Register* notice of proposed amendments to the Compliance Monitoring Rule, 10 TAC, Chapter 60, Subchapter A §60.102 and §60.105.

Required Action

Approve, or approve with amendments for publication in the Texas Register notice of proposed amendments to the Compliance Monitoring Rule, 10 TAC, Chapter 60, Subchapter A §60.102 and §60.105.

Background

At the September meeting, the Board approved for publication in the Texas Register amendments to certain sections of the Compliance Monitoring Rules. One additional amendment should have been proposed. Senate Bill 1717, adopted during the last legislative section, requires the Department to adopt rules concerning quarterly reporting about vacant units. New language is proposed for §60.105 to comply with this requirement.

Staff is also bringing back for consideration the definition of substantial construction for new construction developments. The deadline for meeting commencing substantial construction is established in the QAP. The 2009 QAP provided eleven months from carryover to commence substantial construction. The draft 2010 QAP moves that deadline up to six months from the time of carryover. The QAP is out for public comment and this is an area that Department expects to receive comment.

Staff believes that the existing definition is appropriate if eleven months from carryover is provided to commence substantial construction. However, should the deadline be moved up, staff concurs with input received and is agreeable to change the definition. The Board will not have the flexibility to change the definition of substantial construction if it is not published in the Texas Register with possible amendments. For this reason, staff recommends publishing possible amendments to the definition in the Texas Register as follows:

Substantial Construction--

(A) The minimum activity necessary to meet the requirements of substantial construction for new construction Developments will be defined as:

(i) Delivery of an executed partnership agreement with the investor;

(ii) Delivery of the executed construction loan and construction loan agreement;

(iii) completion of the foundation of the clubhouse (if applicable);

(iv) having all infrastructure permits;

(v) all grading completed (not including landscaping);

(vi) all necessary utilities available at the property; ~~and~~

(vii) all Right of Way access; and ~~one of the following:~~

(viii~~I~~) 10 ~~20~~ percent of the construction contract amount for the development expended, adjusted for any change orders and certified by the inspecting architect.~~; or~~

~~—— (II) 100 percent of the foundations in place and 50 percent of the framing completed; or~~

~~—— (III) 25 percent of all residential buildings roofed.~~

Recommendation

Approve, or approve with amendments for publication in the Texas Register notice of proposed amendments to the Compliance Monitoring Rule, 10 TAC, Chapter 60, Subchapter A §60.102 and §60.105 .

TITLE 10. COMMUNITY DEVELOPMENT.
PART 1. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS.
CHAPTER 60. COMPLIANCE ADMINISTRATION.
SUBCHAPTER A. COMPLIANCE MONITORING.

§60.102. Definitions.

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Affordability Period--The Affordability Period commences as specified in the Land Use Restriction Agreement (LURA) or federal regulation, or commences on the first day of the Compliance Period as defined by §42(i)(1) of the Internal Revenue Code (IRC) and continues through the appropriate program's affordability requirements or termination of the LURA, whichever is earlier. The term of the Affordability Period shall be imposed by the LURA or other deed restriction and may be terminated upon foreclosure. The Department reserves the right to extend the Affordability Period for HOME properties that fail to meet program requirements. During the Affordability Period the Department shall monitor to ensure compliance with programmatic rules, regulations, and Application representations.
(2) 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)
(3) Architect of Record--The architect licensed in the jurisdiction that the project is located in, who prepares, stamps and signs the construction documents, and is legally recorded as the architect for the project.
(4) Board--The governing Board of the Texas Department of Housing and Community Affairs.
(5) 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.
(6) Compliance Period--With respect to a Housing Tax Credit building, the period of fifteen (15) taxable years, beginning with the first year of the Credit Period, pursuant to the Code §42(i)(1).
(7) Continuously Occupied--The same household has resided in the Unit for at least twelve (12) months.
(8) Credit Period--With respect to a Housing Tax Credit building, the period of ten (10) 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).

(9) Department--The Texas Department of Housing and Community Affairs, an official and public agency of the State of Texas pursuant to Chapter 2306, Texas Government Code.

(10) Development--A property or work or a project, building, structure, facility, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation, that meets or is designed to meet minimum property standards required by the Department and that is financed under the provisions of Chapter 2306, Texas Government Code.

(11) Extended Use Period--With respect to a Housing Tax Credit building, the period beginning on the first day of the Compliance Period and ending the later of:

(A) the date specified in the Land Use Restriction Agreement, or

(B) the date which is fifteen (15) years after the close of the Compliance Period.

(12) Historically Underutilized Business (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.

(13) Housing Quality Standards--The property condition standards described in 24 CFR §982.401.

(14) HTC Development--Sometimes referred to as "HTC Property." A Development using Housing Tax Credits allocated by the Department.

(15) HUD--The United States Department of Housing and Urban Development.

(16) HUD-regulated Building--The rents and utility allowances of the building are reviewed by HUD on an annual basis.

(17) Low Income Unit--A Unit that is intended for occupancy by an income eligible household, as defined by the Department or the Code.

(18) Land Use Restriction Agreement or LURA--An agreement between the Department and the Development Owner which is a binding covenant upon the Development Owner's successors in interest that encumbers the Development with respect to the requirements of Chapter 2306 of the Texas Government Code, the Code, and the requirements of the various programs administered or funded by the Department.

(19) Material Noncompliance--

(A) A Housing Tax Credit Development located within the state of Texas will be classified by the Department as being in Material Noncompliance status if the noncompliance score for such Development is equal to or exceeds a threshold of 30 points in accordance with the Material Noncompliance provisions, methodology, and point system of this title.

(B) Non HTC Developments monitored by the Department with 1 to 50 Low Income Units will be classified as being in Material Noncompliance status if the noncompliance score is equal to or exceeds a threshold of 30 points. Non HTC Developments monitored by the Department with 51 to 200 Low Income Units will be classified as being in Material Noncompliance status if the noncompliance score is equal to or exceeds a threshold of 50 points. Non HTC Developments monitored by the Department with 201 or more Low Income Units will be classified as being in Material Noncompliance status if the noncompliance score is equal to or exceeds a threshold of 80 points.

(C) For all programs, a Development will be in Material Noncompliance if the noncompliance is stated in §60.121 of this chapter to be Material Noncompliance.

(20) Non HTC Development--Sometimes referred to as Non HTC Property. Any Development not utilizing Housing Tax Credits.

(21) Owner--An individual, joint venture, partnership, limited partnership, trust, firm, corporation, limited liability company, other form of business organization or cooperative that is approved by the Department as qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a housing Development, subject to the regulatory powers of the Department and other terms and conditions.

(22) Substantial Construction--

(A) The minimum activity necessary to meet the requirements of substantial construction for new construction Developments will be defined as:

(i) Delivery of an executed partnership agreement with the investor;

(ii) Delivery of the executed construction loan and construction loan agreement;

(iii) completion of the foundation of the clubhouse (if applicable);

(iv) having all infrastructure permits;

(v) all grading completed (not including landscaping);

(vi) all necessary utilities available at the property; ~~and~~

(vii) all Right of Way access; and ~~one of the following:~~

(viii~~I~~) 10 ~~20~~ percent of the construction contract amount for the development expended, adjusted for any change orders and certified by the inspecting architect.~~; or~~

~~(II) 100 percent of the foundations in place and 50 percent of the framing completed; or~~

~~(III) 25 percent of all residential buildings roofed.~~

(B) The minimum activity necessary to meet the requirement of Commencement of Substantial Construction for rehabilitation Developments will be defined as having:

(i) building permits issued or a clearance from the City stating that building permits are not required;

(ii) a certification that there are no reasonably foreseeable issues or circumstances which may prevent or delay the start and progress of construction or the timely successful completion of rehabilitation; and

(iii) at least 20 percent of the construction budget expended as documented by the inspecting architect.

(23) Unit--Any residential rental Unit in a Development 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, and sanitation.

(24) Unit Type--Units will be considered different Unit Types if there is any variation in the number of bedroom, bathrooms or a square footage difference equal to or more than 120 square feet. *Example 102(1):* A two bedroom one bath Unit is considered a different Unit Type than a two bedroom two bath Unit. A three bedroom two bath Unit with 1,000 square feet is considered a different Unit Type than a three bedroom two bath Unit with 1,200 square feet. A one bedroom one bath Unit with 700 square feet will be considered equivalent to a one bedroom, one bath Unit with 800 square feet.

(25) UPCS--Uniform Physical Condition Standards as developed by the Real Estate Assessment Center of the Department of Housing and Urban Development.

§60.105. Reporting Requirements.

(a) The Department requires reports to be submitted electronically through the Department's web-based Compliance Monitoring and Tracking System (CMTS) and in the format prescribed by the Department. The Electronic Compliance Reporting Filing Agreement and the Owner's Designation of Administrator of Accounts forms must be filed no later than September 1st of the year following the award. The Department will provide general instruction regarding the electronic transfer of data. Under special circumstances, the Department may, at its discretion, waive the online reporting requirements where a hardship can be demonstrated. In the absence of a written waiver, all Developments are required to submit reports online.

(b) Each Development is required to submit an Annual Owner's Compliance Report (AOCR). Depending on the property, some or all of the Report must be submitted. The first AOCR is due the second year following the award. For example, if a Development is awarded funds in calendar year 2007, the first report is due in 2009. The AOCR is comprised of 4 sections:

(1) Part A "Owner's Certification of Program Compliance." All Development Owners must annually certify to compliance with applicable program requirements. The AOCR Part A shall include answers to all questions required by Treasury Regulation 1.42-5(b)(1) or the applicable program rules. In addition, Owners are required to report on the race and ethnicity, family composition, age, income, use of rental assistance, disability status, and monthly rental payments of individuals and families applying for and receiving assistance. Housing Tax Credit (HTC) developments during the Compliance Period will also be required to provide the name and mailing address of the syndicator in the Annual Owner's Compliance Report.

(2) Part B "Unit Status Report." All Developments must annually report the information related to individual household income, rent, certification dates and other necessary data to ensure compliance with applicable program regulations.

(3) Part C "Housing for Persons with Disabilities." The Department must establish a system that requires Owners of state or federally assisted housing Developments with 20 or more housing Units to report information regarding housing Units designed for persons with disabilities. The questions on Part C satisfy this requirement.

(4) Part D "Owner's Financial Certification." Developments funded by the Department must annually provide the data requested in the Owner's Financial Certification.

(c) Parts A, B and C of the Annual Owner's Compliance Report must be provided to the Department no later than March 1st of each year, reporting data current as of December 31 of the previous year (the reporting year). Part D, "Owner's Financial Certification", which includes the current audited financial statements and income and expenses of the Development for the prior year, must be submitted to the Department no later than the last day of April each year.

(d) Any Development for which the AOCR, Part A, "Owner's Certification of Program Compliance," is not received or is received past the due date will be considered not in compliance with this section. If Part A is incomplete, improperly completed, or is not submitted by the Development Owner, it will be considered not received and not in compliance with this section. The Department will report to the IRS on Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition, any HTC Development that fails to comply with this requirement.

(e) Department staff will review Part A of the AOCR for compliance with the requirements of the appropriate program. If it appears that the Development is not in compliance based upon the report, the Owner will be given written notice and provided a corrective action period to clarify or correct the report. If the Owner does not respond to the notice, the report will be subject to the sanctions listed in subsections (f) and (g) of this section.

(f) If any required section, or sections (Parts A, B, C or D), of the report are not received on or before the deadline for submission specified in subsection (c) of this section, a notice of noncompliance will be sent to the Owner, specifying a corrective action deadline. If the report is not received on or before the corrective action deadline, the Department shall:

(1) For all HTC properties, issue Form 8823 notifying the Internal Revenue Service of the violation.

(2) For all properties, score the noncompliance in accordance with §60.121 of this chapter.

(g) The Department may assess and enforce the following sanctions against an Owner who fails to submit the AOCR on or before March 1 of each year. These sanctions will be assessed for multiple, consistent, and/or repeated violations of failure to submit the AOCR by March 1 of each year:

(1) A late processing fee in an amount equal to $1,000;

(2) An HTC Development that fails to submit the required AOCR for three (3) consecutive years may be reported to the Internal Revenue Service as no longer in compliance and never expected to comply.

(h) Periodic Unit Status Reports. All Developments must submit a quarterly Unit Status report to the Department through the Compliance Monitoring and Tracking System. Quarterly reports are due in January, March, June and October on the 10th day of the month. The report must show occupancy as of the last day of the previous month for the reporting period. For example, the report due October 10th should report occupancy as of September 30th. The first quarterly report is due January 10, 2010.~~HOME, Housing Trust Fund, and properties funded under the Department's CDBG Disaster Recovery Program shall provide tenant information provided on Part B, "Unit Status Report," at least quarterly during lease-up and until occupancy requirements are achieved. Once the Department determines that all occupancy requirements are met, the Development shall submit the Unit Status Report at least annually and as required by this section.~~

~~(i) Developments financed by Tax Exempt Bonds issued by the Department shall report quarterly throughout the Qualified Project Period unless notified by the Department of a change in the reporting frequency.~~

(i~~j~~) Owners are encouraged to continuously maintain current resident data in the Department's Compliance Monitoring and Tracking System. Under certain circumstances, such as in the event of a natural disaster, the Department may require all Developments to provide current occupancy data through CMTS.

(j~~k~~) All rental Developments funded or administered by the Department will be required to submit a current Unit Status Report prior to an onsite monitoring visit.

BOND FINANCE DIVISION

BOARD ACTION REQUEST
October 15, 2009

Action Item

Presentation, Discussion and Approval of Resolution No. 10-002 authorizing application to the Texas Bond Review Board for reservation of H.R. 3221 single family private activity bond authority in the amount of $60 million and presentation, discussion and approval of a Mortgage Credit Certificate Program (MCC) for first-time homebuyers (Program 75) to be administered by the Texas Department of Housing and Community Affairs.

Required Action

Approval of Resolution No. 10-002 authorizing application to the Texas Bond Review Board for reservation of H.R. 3221 single family private activity bond authority in the amount of $60 million and presentation, discussion and approval of a Mortgage Credit Certificate Program (MCC) for first-time homebuyers (Program 75) to be administered by the Texas Department of Housing and Community Affairs.

Background

Since February 28, 2009, TDHCA has been administering its latest and most successful MCC program ever by issuing all $30 million in MCC authority in just seven months. With TDHCA out of MCC authority Staff is requesting approval of this resolution which will allow us to continue issuing new MCCs under Program 75 on January 29, 2010. Because of the success of our current MCC program which utilized $120 million in volume cap or $30 million of MCC authority we are coming back to the Board for approval of another $30 million in MCC authority.

The $120 million of volume cap for this MCC program, Program 75, will come from three sources. With TDHCA Board approval we will submit an application to the Texas Bond Review Board for $60 million of H. R. 3221 single family private activity bond authority. The remaining $60 million will come from existing 2008 general volume cap totaling $18.4 along with an existing reservation of 2009 general volume cap of $41.6 million

A mortgage credit certificate is an instrument designed to assist persons of low to moderate income to better afford individual ownership. The procedures for issuing MCCs were established by the United States Congress as an alternative to the issuance of single family mortgage revenue bonds. As distinguished from a bond program, in an MCC program no bonds are issued, no mortgage money is actually used, many of the costs associated with a bond program are not incurred, and lenders are required to pay only nominal up-front fees.

Mortgage Credit Certificates help make ownership of a new or existing home more affordable by entitling the homeowner to a personal tax credit of up to $2,000 against their federal tax liability for a portion of the interest paid on their home mortgage. For example, a homeowner that purchased a home for $121,000 at 6% for 30 years would have a monthly principal and interest payment of $725. With an MCC, homeowners can submit a revised W-4 Withholding Form to his or her employer to reduce the federal withholding tax by $167 per month, which increases the borrower's disposable income by reducing their federal income tax obligation. This same homeowner can also deduct the yearly mortgage interest paid of approximately $5,220 ($7,220 less $2,000) as an itemized deduction on their annual federal income tax return. Simply put, an MCC is a dollar for dollar reduction of income taxes owed.

In order to be eligible for an MCC, borrowers must comply with the same first-time homebuyer requirements stipulated by the Internal Revenue Code for mortgage revenue bonds. For example, MCC recipients must occupy the residence as their primary residence, comply with income limits and comply with home purchase price limits. MCCs cannot be used when mortgages are funded with tax-exempt bond proceeds.

Under Federal guidelines, the Department, as an issuer of mortgage revenue bonds can trade $1 of bond authority for $0.25 of MCC authority. Today, staff is recommending using another $120 million of bond authority for $30 million in MCC authority. Bond Finance anticipates using $60 million of H.R. 3221 single family private activity bond authority along with $60 million of already requested and approved 2008 single family private activity bond authority to issue $30 million in MCC authority. The remaining $60 million of H.R. 3221 single family private activity bond authority will be carried forward and utilized for future single family issuances which staff will come back to the Board for specific program approval.

MCC Program 75 Example

$60M of H.R. 3221 Volume Cap, $18.4M of 2008 Volume Cap and $41.6M of 2009 Volume Cap Allocated for MCCs	$120 million
IRS MCC Conversion Factor	$0.25
MCC Issuance Authority	$30 million
Average 2007 Mortgage Credit Certificate Program Mortgage Amount	$121,000
Market Mortgage Interest Rate	6.00%
First Year Mortgage Interest	$7,220
MCC Certificate Credit Rate	30%
Tax Credit Amount	$2,166
Maximum Tax Credit Allowed	$2,000
Schedule A Mortgage Interest Deduction	$5,220

Lenders participating in TDHCA's previous Mortgage Credit Certificate Programs have expressed continued interest in mortgage credit certificates.

Recommendation

Approval of Resolution No. 10-002 authorizing application to the Texas Bond Review Board for reservation of H.R. 3221 single family private activity bond authority in the amount of $60 million and presentation, discussion and approval of a Mortgage Credit Certificate Program (MCC) for first-time homebuyers (Program 75) to be administered by the Texas Department of Housing and Community Affairs.

Resolution No. 10-002

RESOLUTION AUTHORIZING THE FILING OF AN APPLICATION FOR RESERVATION WITH TEXAS BOND REVIEW BOARD WITH RESPECT TO QUALIFIED MORTGAGE BONDS; 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, the private activity bond "State ceiling" (as defined in Section 146(d) of the Code) applicable to the State is subject to allocation, in the manner authorized by Section 146(e) of the Code, pursuant to Chapter 1372, Texas Government Code, as amended (the "Allocation Act"); and

WHEREAS, pursuant to Section 3021 of the Housing and Economic Recovery Act of 2008, additional private activity bond volume cap for qualified mortgage bonds and qualified residential rental projects became available to the State (the "Emergency Housing Volume Cap"); and

WHEREAS, in order to reserve a portion of the Emergency Housing Volume Cap for bonds, and to satisfy the requirements of Section 146(a) of the Code, the Department filed an application for reservation of Emergency Housing Volume Cap for qualified mortgage bonds with the Texas Bond

Review Board (the "Bond Review Board"), in the manner authorized by Section 146(e) of the Code, and on November 25, 2008 the Department received a reservation of Emergency Housing Volume Cap for qualified mortgage bonds in the amount of $120,000,000 (the "Emergency Reservation"); and

WHEREAS, in order to reserve a portion of its Emergency Reservation for qualified mortgage bonds (the "Reservation") and to satisfy the requirements of Section 146(a) of the Code, the Department is required to file an application for reservation (the "Application for Reservation") with the Bond Review Board, stating the maximum amount of the bonds requiring an allocation, the purpose of the bonds and the section of the Code applicable to the bonds; and

WHEREAS, the Allocation Act and the rules promulgated thereunder by the Bond Review Board (the "Allocation Rules") require that the Application for Reservation be accompanied by a copy of the certified resolution of the issuer authorizing the filing of the Application for Reservation; and

WHEREAS, the Department previously utilized $30,000,000 of its Emergency Reservation in connection with Bond Program No. 74; and

WHEREAS, the Board has determined to authorize the filing of the Application for Reservation with respect to qualified mortgage bonds; and

WHEREAS, the Department reserves the right to authorize subsequent filings of one or more Applications for Reservation to utilize the remaining balance of its Emergency Reservation at a later date;

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 for qualified mortgage bonds to be issued and delivered within 180 days after receipt of a "reservation date," as defined in the Allocation Rules, in the maximum amount of $60,000,000 with respect to the Department's Emergency Reservation, 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.

Section 3 - Purposes of Resolution. The Board has expressly determined and hereby confirms that the issuance of the qualified mortgage 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 made available to the Board relevant to the subject of this Resolution were posted on the Department's website not later than the third day before the date of the meeting of the Board at which this Resolution was considered, and any documents made available to the Board by the Department on the day of the meeting were also made available in hard-copy format to the members of the public in attendance at the meeting, as required by Section 2306.032, Texas Government Code, as amended.

[Execution page follows]

PASSED AND APPROVED this 15th day of October, 2009.

____

Chairman, Governing Board

ATTEST:

____

Secretary to the Governing Board

(SEAL)

BOND FINANCE DIVISION

BOARD ACTION REQUEST
October 15, 2009

Action Items

Presentation, discussion and possible approval of granting staff the authority to prepare and publish a request for proposals to seek a financial advisor.

Required Action

Approve granting staff the authority to prepare and publish a request for proposals to seek a financial advisor.

Background

Staff proposes to issue a request for proposal (RFP) for financial advisor for firms interested in providing financial advisory services for one or more of its single family mortgage revenue bond issues and/or multifamily mortgage revenue bond issues. TDHCA selected its current financial advisor, RBC Dain Rauscher, currently RBC Capital Markets, in 1990.

The principal services provided by the financial advisor for the Department's Multifamily and Single Family bond transaction include:

1. advising as to the optimal timing for bond issuances,
2. assisting with rating agency presentations and Board training,
3. assisting in selection of underwriting team, credit enhancement providers, and other professionals,
4. analyzing and making recommendations with respect to proposed structures for bonds and related instruments, such as hedging instruments; pricing; expenses; and underwriter compensation,
5. assisting on bond closings,
6. assisting with multifamily workouts and restructuring if needed,
7. providing cash flow preparation and analysis,
8. reviewing ratings and assisting in developing and maintaining on a current basis sound long-term strategies for maintaining acceptable ratings maintenance and/or upgrade,
9. providing explanations and clarifications to enable the Board to oversee bond activity and related matters, and
10. keeping the Board and staff aware of changes in market conditions and emerging instruments and tools to support an overall effective strategy for bond issuance that will carry out the Department's statutory objectives.

Staff is seeking approval by the Board to grant staff the authority to prepare and publish a request for proposal to seek a financial advisor.

Recommendation

Approve granting staff the authority to prepare and publish a request for proposals to seek a financial advisor.

OFFICE OF COLONIA INITIATIVES

BOARD ACTION REQUEST
October 15, 2009

Action Items

Presentation, discussion and possible approval of the Texas Department of Housing and Community Affairs (TDHCA) Texas Bootstrap Loan Program Notice of Funding Availability (NOFA).

Required Action

Approve, deny or approve with amendments the TDHCA Texas Bootstrap Loan Program NOFA.

Background

The Texas Department of Housing and Community Affairs (TDHCA), through its Office of Colonia Initiatives (OCI), has been allocated $11,625,883 for the 2010-2011 biennium from the State of Texas Housing Trust Fund to purchase or refinance real property on which to build new residential or improve existing residential housing through self-help construction for very low and extremely low income individuals and/or families (owner-builders), including persons with special needs.

TDHCA is required under Section 2306.7581 (a-1) of the Texas Government Code, to make available at least $3,000,000 each state fiscal year for mortgage loans to very low-income families (60% Area Median Family Income) not to exceed $45,000 per unit. In addition to the 2010 & 2011 Fiscal Year allocation of $3,000,000 per year, TDHCA's Governing Board set-aside an additional $3,500,000 for this program under the 2010/2011 Housing Trust Fund Plan. In order to offset shortages and reconcile previous funding cycles the remaining balance of $2,125,883 currently available from fiscal year 2009 will be reallocated in Fiscal Years 2010 & 2011 in order to correct the carry forward erroneous balances as noted in the Internal Audit Report dated August 14, 2009. A total of $11,625,883 will be made available under this NOFA. TDHCA will begin accepting reservations immediately, and will continue to accept reservations on an ongoing basis until August 31, 2011 or until such time as all funding has been committed.

This program is a self-help construction program, which is designed to provide very low-income families an opportunity to help themselves attain homeownership or repair their existing home through sweat equity. All participants under this program are required to provide at least 65% of the labor that is necessary to construct or rehabilitate the home. All applicable building codes and housing standards must be adhered to under this program. Nonprofit organizations may also combine these funds with other sources such as private lending institutions, local governments, or any other sources; however, according to statute, all combined repayable loans cannot exceed $90,000 per unit.

TDHCA is also required under Section 2306.753 (d) of the Texas Government Code, to set aside at least two-thirds ($7,754,431) of the available funds for owner-builders whose property is located in a county that is eligible to receive financial assistance under Subchapter K, Chapter 17, of the Water Code. The majority of the set-aside counties are located along the Texas-Mexico border region and East Texas. The remainder of the funding, one-third ($3,871,402), will be available statewide through the Regional Allocation Formula (RAF) for 60 days with a collapse of regional funds after that time to be utilized on a first-come, first-serve basis. These funds will utilize the most current and presently approved RAF.

Recommendation

Approve or approve with modifications the TDHCA Texas Bootstrap Loan Program 2010/2011 NOFA.

Texas Department of Housing and Community Affairs
FY 2010/2011 Texas Bootstrap Loan Program
Notice of Funding Availability (NOFA)

The Texas Department of Housing and Community Affairs (TDHCA), through its Office of Colonia Initiatives (OCI), is pleased to announce the availability of approximately $11,625,833 of State of Texas Housing Trust Funds for the Texas Bootstrap Loan Program. The purpose of the funding is to purchase land and/or build new residential or improve existing residential housing through self-help construction methodologies for very low and extremely low income individuals and/or families (Owner-Builders) including persons with special needs.

In an effort to attract a diverse group of nonprofit organizations that will serve various populations throughout the state and improve upon the efficiency of the traditional funding method, a reservation system will be utilized with this Notice of Funding Availability (NOFA). Nonprofit organizations must be certified by TDHCA as a Nonprofit Owner-Builder Housing Provider (NOHP) and must have executed a Loan Origination Agreement (LOA); in order to utilize the reservation system to secure these funds for an Owner-Builder Applicant.

In order for a nonprofit organization to be certified by TDHCA as a NOHP, the nonprofit organization must also qualify as a tax-exempt organization listed under Section 501(c)(3) of the Internal Revenue Code of 1986.

Nonprofit Owner-Builder Housing Provider Requirements:

Designation as a NOHP and subsequent execution of an LOA will entitle nonprofits to:
(1)Qualify potential Owner-Builders for loans under this program.
(2)Assist Owner-Builders in constructing or rehabilitating their home.
(3)Originate and/or service loans in compliance with Texas Bootstrap Loan Program Rules and Guidelines.
(4)Provide Owner-Builder education classes such as:
(a)financial responsibilities of an Owner-Builder, including the consequences of an Owner-Builder's failure to meet those responsibilities;
(b)building of housing by Owner-Builders;
(c)resources for low-cost building materials available to Owner-Builders; and
(d)resources for building assistance available to Owner-Builders.

The NOHP state certification application may be downloaded from TDHCA's web-site located at http://www.tdhca.state.tx.us/ocidocs/NOHPApp.doc.

Owner-Builder Eligibility Requirements:

To be eligible for up to a $45,000 loan from TDHCA, an Owner-Builder:
(1)Must not have an annual income that exceeds 60 percent, as determined by TDHCA, of the greater of the state or local Area Median Family Income (AMFI), when combined with the income of any person who resides with the Owner-Builder.
(2)Must have resided in this state for the preceding six months.
(3)Must have successfully completed an Owner-Builder education class.
(4)Must execute a Self-Help Agreement committing to provide through personal labor at least 65% of the labor necessary to build or rehabilitate the proposed housing working through a state-certified Nonprofit Owner-Builder Housing Program (NOHP); or provide an amount of labor equivalent to 65% in connection with building or rehabilitating housing for others through a state certified NOHP; provide through the noncontract labor of friends, family, or volunteers and through personal labor at least 65% of

the labor necessary to build or rehabilitate the proposed housing by working through a state certified NOHP or if due to a documented disability or other limiting circumstances the Owner-Builder cannot provide the amount of personal labor otherwise required, provide through the noncontract labor of friends, family or volunteers at least 65% of the labor necessary to build or rehabilitate the proposed housing by working through a state certified NOHP.

Program Guidelines

TDHCA is required under Section 2306.753(d) of the Texas Government Code, to set aside at least two-thirds ($7,754,431) of the available funds for Owner-Builders whose property is located in a county that is eligible to receive financial assistance under Subchapter K, Chapter 17, of the Water Code. The Texas Water Development Board considers a county eligible to receive financial assistance under Subchapter K, Chapter 17, Water Code, if: 1) the county contains an area that meets the criteria for an economically distressed area under Section 17.921(1), Water Code; and 2) the county has adopted and enforces the model subdivision rules under Section 16.343, Water Code. The remainder of the funding, one-third ($3,874,402), will be available statewide through the Regional Allocation Formula (RAF) for 60 days with a collapse of regional funds after that time to be utilized on a first-come, first-serve basis.

The amounts available for distribution are as follows:

$7,754,431 Economically Distressed Areas (EDA)/Two-Third (2/3) Set-Aside
$3,871,402 Balance of State/One-Third (1/3) Set-Aside

Currently the following counties meet the criteria to qualify under the definition for an economically distressed area/two-third (2/3) set-aside:

Bee, Brewster, Cameron, Coryell, Dimmit, Duval, El Paso, Falls, Frio, Grimes, Harris, Hays, Henderson, Hidalgo, Hudspeth, Jeff Davis, Jim Hogg, Jim Wells, Kerr, Kinney, La Salle, Liberty, Marion, Maverick, McCulloch, Newton, Nueces, Palo Pinto, Polk, Presidio, Real, Reeves, Sabine, San Patricio, Schleicher, Somervell, Starr, Terrell, Trinity, Uvalde, Val Verde, Webb, Willacy, Zapata and Zavala

The balance of the state one-third (1/3) set-aside funding made available under this NOFA is subject to the Regional Allocation Formula (RAF) until January 1, 2010. Formula being utilized is the most current and presently approved RAF as follows:

Region	Place for Geographical Reference	Regional Funding Amount	Regional Funding %	Rural Funding Amount	Rural Funding %	Urban Funding Amount	Urban Funding %
1	Lubbock	$129,427	3.3%	$79,490	61.4%	$49,937	38.6%
2	Abilene	$79,406	2.1%	$50,544	63.7%	$28,862	36.3%
3	Dallas/Fort Worth	$886,364	22.9%	$66,701	7.5%	$819,664	92.5%
4	Tyler	$205,468	5.3%	$124,300	60.5%	$81,168	39.5%
5	Beaumont	$81,588	2.1%	$51,449	63.1%	$30,139	36.9%
6	Houston	$825,327	21.3%	$44,720	5.4%	$780,607	94.6%
7	Austin/Round Rock	$163,786	4.2%	$12,631	7.7%	$151,155	92.3%
8	Waco	$167,144	4.3%	$45,259	27.1%	$121,885	72.9%
9	San Antonio	$263,818	6.8%	$37,645	14.3%	$226,174	85.7%
10	Corpus Christi	$174,308	4.5%	$72,701	41.7%	$101,607	58.3%
11	Brownsville/Harlingen	$641,079	16.6%	$199,824	31.2%	$441,254	68.8%
12	San Angelo	$91,700	2.4%	$33,721	36.8%	$57,979	63.2%
13	El Paso	$161,986	4.2%	$26,239	16.2%	$135,747	83.8%
	Total	$3,871,402	100.0%	$845,224	21.8%	$3,026,178	78.2%

Per household assistance from TDHCA for any Texas Bootstrap Loan Program loans cannot exceed $45,000 per household pursuant to Section 2306.754(b) of the Texas Government Code. The Owner-Builder must obtain the amount necessary that exceeds $45,000 from other sources of funds. The total amount of amortized repayable loans made by TDHCA and other entities to an Owner-Builder under the program may not exceed $90,000 pursuant to Section 2306.754(b) of the Texas Government Code. For purposes of this program, a grant includes a forgivable loan. Projects utilizing additional non-TDHCA resources will be required to provide additional documentation identifying the sources of these additional funds and information about their rates and terms.

A loan made by TDHCA shall be secured by a first (1st) lien on the real property if the TDHCA's loan is the largest amortized, repayable loan secured by the real property; or

TDHCA may accept a parity lien position if the original principal amount of the leveraged loan is equal to or greater than TDHCA's loan; or

TDHCA may accept a subordinate lien position if the original principal amount of the leveraged loan is at least $1,000 or greater than TDHCA's loan. However liens related to other subsidized funds provided in the form of grants and nonamortizing loans, such as deferred payment or forgivable loans, must be subordinate to TDHCA's loan.

In order to submit an Owner-Builder loan application for reservation, an NOHP that has received a program award in the past must be meeting all performance benchmarks as outlined in their current contract or agreement and must have an active LOA with TDHCA.

Reservation System Guidelines:

After executing an LOA the NOHP may begin to submit loan applications on behalf of the Owner-Builder applicant. Reservations of funds are available on first-come, first-serve basis. If more than one Owner-Builder application is submitted they will be processed in the order entered into the reservation system.

There will be no expedited applications except for an Owner-Builder applicant with an annual income of less than $17,500.

After registering the Owner-Builder applicant, TDHCA must receive the completed Application/Compliance Package (Exhibit 9 of the Texas Bootstrap Loan Program Manual) within ten business days of the date the registration was entered into the Reservation system. Registration of an Owner-Builder applicant does not guarantee funding. TDHCA Office of Colonia Initiatives (OCI) staff will review within ten business days of receipt the Application/Compliance Package to ensure that the Owner-Builder applicant meets all program rules and guidelines. The NOHP will be notified in writing of TDHCA's determination.

If the Owner-Builder applicant is deemed eligible; funds will be reserved for one year from the date of issuance of the Applicant Eligibility Letter (Exhibit 11 of the Texas Bootstrap Loan Program Manual). Owner-Builder applicant will not be required to re-qualify for the program if the Owner-Builder applicant closes on the loan on or before the expiration date stated on the applicant eligibility letter issued by TDHCA.

If the Owner-Builder fails to close on the loan on or before the expiration date stated on the Applicant Eligibility Letter, the Owner-Builder applicant will be required to re-qualify for the program; regardless if an extension has been granted.

The NOHP, in accordance with the Texas Bootstrap Loan Program Rules, will be given a six percent (6%) administration fee only upon completion of the house and closing of each mortgage loan.

If TDHCA staff is unable to deem the Owner-Builder applicant eligible the NOHP will be notified in writing of the reason(s) by Applicant Deemed Ineligible Letter (Exhibit 13 of the Texas Bootstrap Loan Program Manual).

Incomplete Application/Compliance Packages will not be accepted. All incomplete packages will be returned to the NOHP and the reservation will be cancelled. The NOHP must resubmit a new reservation and the Application/Compliance Package to TDHCA in order to be reconsidered for funding.

Maximum Reservations allowed for an NOHP:

Under the Economically Distressed Areas (EDA)/Two-Third (2/3) Set-Aside as noted in Section 2306.753(d) the NOHP will be allowed up to $900,000 worth of reservations at any give time.

Under the Balance of the State set-aside the NOHP will be allowed up to $450,000 worth of reservations at any given time.

The NOHP may enter additional Reservations after a loan has closed and all required closing documents have been submitted to TDHCA for funding.

Modification of loan Reservation:

After a Reservation has been secured and the Owner-Builder applicant has been deemed eligible to participate in the Program, the NOHP must notify TDHCA of any changes to the Owner-Builder application, such as a cancellation, change in the sales price or change in the loan amount (subject to availability of funds). The NOHP will not be permitted to change, exchange, replace or switch Owner-Builder applicants once the loan has been registered; unless construction has commenced and one of the following events has occurred: death, illness, divorce, loss of income or nonperformance by Owner-Builder applicant.

Performance Benchmarks

In an effort to expedite expenditure of funds, the NOHP will be required to meet specific performance benchmarks on the home within twelve (12) months of the Applicant Eligibility Letter. If the NOHP fails to meet the required benchmarks, the Reservation may be subject to cancellation in accordance with the LOA. TDHCA may provide one forty-five (45) day extension to benchmark deadlines due to extenuating circumstances that were beyond the Owner-Builder's and/or the NOHPs control. If the NOHP cannot meet the required benchmarks after the forty-five (45) day extension, the Reservation will be cancelled. In order to receive another Reservation on the same Owner-Builder applicant the NOHP will be instructed to submit an updated application if funds are available to ensure the Owner-Builder applicant meets all Texas Bootstrap Loan Program Rules and guidelines. Once an Owner-Builder has been deemed eligible and funds have been reserved, depending on the type of loan being requested the NOHP must meet the following performance benchmarks.

Purchase Money Loan:

(1)Within 90 days of the Applicant Eligibility Letter date the NOHP must have initiated the preconstruction process which includes the homeownership education and counseling programs of the organization.
(2)Within 180 days of the Applicant Eligibility Letter date construction must have started on the unit; and
(3)Within one year of the Applicant Eligibility Letter date the unit must be 100% complete and the purchase money loan must have closed with the Owner-Builder Applicant.

Interim and Residential Construction Loans:

(1)Within 90 days of the Applicant Eligibility Letter date, the loan must close and construction must have started on the unit;
(2)Within 180 days of the Applicant Eligibility Letter date, the unit must be at 40% completion;
(3)Within 270 days of the Applicant Eligibility Letter date, the unit must be at 80% completion; and
(4)Within one year of the Applicant Eligibility Letter date, the unit must be 100% percent complete and the purchase money loan must have closed with the Owner-Builder Applicant.

Implementation Workshops

Implementation Workshops on how to access and utilize the reservation system and originate Texas Bootstrap Loan Program Loans will be held at the following locations:

Joe C. Thompson Conference Center Room: 2.110 2405 Robert Dedman Drive Austin, TX 78712 Date: October 20, 2009 Time: 9:00 a.m. to 4:30 p.m.	TDHCA-State Office Building 5th Floor Conference Room 401 East Franklin El Paso, Texas 79901 Date: October 22, 2009 Time: 9:00 a.m. to 4:30 p.m.
Dallas Area Habitat for Humanity 2800 N. Hampton Road Dallas, TX 75212 Date: October 26, 2009 Time: 9:00 a.m. to 4:30 p.m. Co-Sponsored by Dallas Area HFH	McAllen Convention Center Room 101 700 Convention Center Blvd. McAllen, Texas 78501 Date: October 29, 2009 Time: 9:00 a.m. to 4:30 p.m. Co-Sponsored by the City of McAllen

All NOHPs are encouraged to participate in this program. If you plan on attending a workshop or need more information regarding this NOFA please call Raul Gonzales with the Office of Colonia Initiatives at (800) 462-4251 or you may visit our website at http://www.tdhca.state.tx.us/oci/index.jsp or e-mail your request to raul.gonzales@tdhca.state.tx.us.

TDHCA will begin accepting reservations immediately, and will continue to accept reservations on an ongoing basis until August 31, 2011 or until such time as all funding has been committed.

HOUSING TRUST FUND DIVISION

BOARD ACTION REQUEST

October 15, 2009

Action Item

Presentation, Discussion and Possible Approval of a Request for an Amendment to the Housing Trust Fund Program Award for Meadow Park Village Apartments.

Requested Action

Approve, Deny or Approve with Amendments a Request for an Amendment to the Housing Trust Fund Program Award for Meadow Park Village Apartments.

Background

Meadow Park Village Apartments (Application #08335/ Pending Contract #1001115) is a 36-unit multifamily development to be rehabilitated in Lockhart, Caldwell County. The property is a Section 8 Mark-to-Market transaction with rents and operating expenses approved by the US Department of Housing and Urban Development (HUD). The award for Meadow Park Village Apartments was originally presented at the April 23, 2009 Board meeting, and was tabled due to the Applicant's concerns that the interest rate of 5% could not be supported by the property's operations and that only a 0% interest rate and some loan forgiveness would be necessary. Additional evaluation performed by the Real Estate Analysis Division indicated that the Applicant's expenses of $6,051 per unit are substantially higher than what would be expected of a comparable tax-exempt property in this market.

At the May 21, 2009 Board meeting, the applicant was awarded $500,000 from the Housing Trust Fund Multifamily Rental Product Program NOFA based on the original underwriting recommendation of a 16.08 year amortization and term and 5% interest rate. Additionally, staff presented an alternative underwriting recommendation for a loan structured with a 26 year amortization and term and 0% interest rate. The alternative structure allowed for full principal repayment over the same remaining term on the first lien debt. Based on the Applicant's proforma, this structure would result in a debt coverage ratio (DCR) of 1.12. The underwriter's proforma yielded a DCR of 1.59, which was higher than the Department's maximum of 1.35. The Board awarded the funds at the 5% rate with 16.08 year amortization and term, and asked that the agenda item be brought back for modification if HUD had an issue with the conditions of the loan.

On June 30, 2009, the Department received a letter from HUD stating that they were unable to approve the level of debt service as approved by the Department due to insufficient cash flow to support the Department's terms. HUD indicated that they will only approve the Mark-to-Market restructuring plan based on the lesser loan terms including the 0% rate recommended by staff as an underwriting alternative. The contract associated with the award was not executed by the Contract Administrator.

Staff suggested alternate terms for this loan, including a 2% interest rate and 30 year amortization with a 26 year term, which HUD indicated would be acceptable terms for the loan. These terms were entered into the underwriting spreadsheet and produced a debt coverage ratio of 1.77, well above the Department's maximum of 1.35.

The 5% interest rate is the only rate that will allow the deal to remain within the 1.35 DCR. HUD has informed the Department that the 5% rate is not acceptable to them. As such, there appears to be no way to move forward with this deal.

- May 2009 Real Estate Analysis Report
- Letter received from the US Department of Housing and Urban Development (HUD) on June 30, 2009.
- Letter received from the US Department of Housing and Urban Development (HUD) on August 25, 2009.

Recommendation

Staff recommends that the Board maintains the award as approved at the May 21, 2009 Board meeting.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 05/15/09 PROGRAM: HTF FILE NUMBER: **08335**

ADDENDUM TO APRIL 9, 2009 REPORT

DEVELOPMENT

Meadow Park Village Apartments

Location: 1200 Meadow Park Region: 7

City: Lockhart County: Caldwell Zip: 78644 [x] QCT [ ] DDA

Key Attributes: Family, Rehab, Rural, and duplexes

ALLOCATION

	REQUEST			ORIGINAL RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Trust Fund	$304,000	forgivable	0/0			
Housing Trust Fund	$196,000	0.00%	360/360	**$500,000**	**5.00%**	**193/193**

				ALTERNATIVE RECOMMENDATION		
Housing Trust Fund				**$500,000**	**0.00%**	**312/312**

CONDITIONS

1. Receipt, review and acceptance of evidence that the asbestos affected materials in the laundry room have been removed or receipt of an Operation & Maintenance plan prepared by a qualified firm is a condition of this report. It is required that any removal
2. Should the terms and rates of the proposed debt change, the transaction should be re-evaluated and an adjustment to the allocation amount or terms may be warranted.

CONCLUSIONS

At the April 21, 2009 Board meeting, the Board tabled consideration of this allocation request until the applicant could work with the Real Estate Analysis Division ("REA") regarding the underwriter's original recommendation.

In the original underwriting report, REA concluded that the property has operated with expenses significantly over similarly sized developments contained in the TDHCA database. Therefore, REA underwrote the development consistent with the database information ($4,800 per unit annually). Subsequently, the Applicant submitted additional information supporting the historical operating expenses of just over $6,000 per unit.

After review of this additional information, the underwriter concurs that the property has operated as reported by the Applicant, but based on comparable information the underwriter can not determine a justification as to why the property operates at these expense levels.

The property is a Section 8 mark-to-market transaction with rents and operating expenses approved by HUD. Additionally, the underwriter acknowledges that small developments with 32 units operate with higher per unit expenses. However, two specific properties in Lockhart were identified in the TDHCA database that operate at approximately $3,800 per unit net of property taxes (see attached comparison).

REA has no disagreement with the applicant that the property has operated as reported. REA maintains, however, that the original REA underwritten operating expense estimate is the correct estimate to use for determining the structure of the Housing Trust Fund allocation considering a structure that provides for recovery of TDHCA's investment in the property. REA's operating expense estimate is generous at $1,000 per unit higher than the two comparable properties mentioned above.

The REA's original analysis and recommendation provides for repayment of the HTF allocation determined by an amortization period required to achieve an acceptable DCR between 1.15 and 1.35.

Should the Board accept the Applicant's historical expenses for structuring the HTF loan, REA's recommendation provides for full repayment at 0% interest as hard, amortizing debt over a term that matches the senior debt.

This report assumes the HTF loan(s) be superior to the existing Housing & Community Service Loans.

Manager of Real Estate Analysis:	*Raquel Morales*	Date:	May 15, 2009
Director of Real Estate Analysis:	*Brent Stewart*	Date:	May 15, 2009

Meadow Park Village - HTF Application
Operating Expense Analysis

Expense Comparables	Annual Expenses per Unit	Property Type	# Units	Taxes
TDHCA Database Average	$4,128	Various	>76	(Includes Property Taxes)
Lockhart Comp #1	$3,861	Senior	20	(Property Taxes Deducted)
Lockhart Comp #2	$3,800	Family	32	(Property Taxes Deducted)
TDHCA Underwritten	$4,846	Family	36	(No Property Taxes)
Applicant	$6,051	Family	36	(No Property Taxes)

MULTIFAMILY COMPARATIVE ANALYSIS

Meadow Park Village Apartments, Lockhart, HTF #08335

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Applicant	Market	Rent per SF	Tnt-Pd Util	WS&T
HTF50%	2	1	1	568	$666	$645	$1,290	$645	$615	$1.14	$68.00	$69.00
HTF 30%	3	1	1	570	$400	$645	$1,935	$645	$615	$1.13	$68.00	$69.00
HTF 50%	3	1	1	570	$666	$645	$1,935	$645	$615	$1.13	$68.00	$69.00
HTF 30%	8	2	1	693	$480	$734	$5,872	$734	$710	$1.06	$86.00	$74.00
HTF 50%	12	2	1	693	$800	$734	$8,808	$734	$710	$1.06	$86.00	$74.00
HTF30%	3	3	1.5	924	$555	$909	$2,727	$909	$1,075	$0.98	$106.00	$85.00
HTF50%	3	3	1.5	924	$924	$909	$2,727	$909	$1,075	$0.98	$106.00	$85.00
HTF50%	2	4	2	1,129	$1,031	$1,040	$2,080	$1,040.00	$1,255	$0.92	$121.00	$96.00
TOTAL:	36		AVERAGE:	728		$760	$27,374			$1.04	$87.28	$75.94

INCOME	Total Net Rentable Sq Ft:	26,218	TDHCA	APPLICANT	Actual 2007	Actual 2006	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT			$328,488	$328,488	$296,100	$286,224	Caldwell		7
Secondary Income	Per Unit Per Month:	$5.00	2,160	2,160	6,300	6,794	$5.00	Per Unit Per Month	
Other Support Income:			0	0			$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME			$330,648	$330,648	$302,400	$293,018			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(24,799)	(16,536)	(13,917)	(5,584)	-5.00%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions			0						
EFFECTIVE GROSS INCOME			$305,849	$314,112	$288,483	$287,434			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	Actual 2007	Actual 2006	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.22%	$359	0.49	$12,910	$15,141	$40,831	$37,233	$0.58	$421	4.82%
Management		5.50%	467	0.64	16,823	18,085	16,823	16,724	0.69	502	5.76%
Payroll & Payroll Tax		10.87%	924	1.27	33,254	47,459	33,254	28,882	1.81	1,318	15.11%
Repairs & Maintenance		7.43%	631	0.87	22,727	36,903	50,897	30,858	1.41	1,025	11.75%
Utilities		2.68%	228	0.31	8,210	10,300	8,210	6,309	0.39	286	3.28%
Water, Sewer, & Trash		11.37%	966	1.33	34,763	38,110	34,763	36,282	1.45	1,059	12.13%
Property Insurance		3.28%	279	0.38	10,041	12,000	10,268	9,813	0.46	333	3.82%
Property Tax	2.6585	0.00%	0	0.00	0	0	0	0	0.00	0	0.00%
Reserve for Replacements		5.09%	432	0.59	15,553	19,644	0	0	0.75	546	6.25%
TDHCA Compliance Fees		0.00%	0	0.00	0	0	0	0	0.00	0	0.00%
Other: Supp. Serv.		6.60%	561	0.77	20,188	20,188			0.77	561	6.43%
TOTAL EXPENSES		57.04%	$4,846	$6.65	$174,468	$217,830	$195,046	$166,101	$8.31	$6,051	69.35%
NET OPERATING INC		42.96%	$3,649	$5.01	$131,381	$96,282	$93,437	$121,333	$3.67	$2,675	30.65%
DEBT SERVICE											
GMAC/Capmark		16.99%	$1,443	$1.98	$51,956	$55,250			$2.11	$1,535	17.59%
HTF		2.14%	$181	$0.25	6,533	6,533			$0.25	$181	2.08%
Housing & Comm Svcs		3.74%	$318	$0.44	11,454	11,454			$0.44	$318	3.65%
NET CASH FLOW		20.09%	$1,707	$2.34	$61,438	$23,045			$0.88	$640	7.34%
AGGREGATE DEBT COVERAGE RATIO					1.88	1.31					
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)		58.23%	$29,597	$40.64	$1,065,482	$1,065,482	$40.64	$29,597	58.37%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.07%	4,611	6.33	166,000	166,000	6.33	4,611	9.09%
Direct Construction		21.08%	10,716	14.71	385,768	385,768	14.71	10,716	21.13%
Contingency	5.00%	1.51%	766	1.05	27,588	55,177	2.10	1,533	3.02%
Contractor's Fees	14.00%	4.22%	2,146	2.95	77,247	77,247	2.95	2,146	4.23%
Indirect Construction		3.32%	1,689	2.32	60,808	60,808	2.32	1,689	3.33%
Ineligible Costs		0.00%	0	0.00	0		0.00	0	0.00%
Developer's Fees	2.09%	0.82%	417	0.57	15,000	15,000	0.57	417	0.82%
Interim Financing		0.00%	0	0.00	0		0.00	0	0.00%
Reserves		1.75%	888	1.22	31,974		0.00	0	0.00%
TOTAL COST		100.00%	$50,830	$69.79	$1,829,868	$1,825,482	$69.63	$50,708	100.00%
Construction Cost Recap		*35.88%*	***$18,239***	***$25.04***	***$656,603***	***$684,192***	***$26.10***	***$19,005***	*37.48%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
GMAC/Capmark	35.37%	$17,980	$24.69	$647,291	$647,291	$647,291	Developer Fee Available
TDHCA- HTF				196,000	196,000	500,000	$15,000
Housing & Comm Svcs	2.89%	$1,467	$2.01	52,808	52,808	52,808	
Housing & Comm Svcs- cashflow				365,383	365,383	365,383	% of Dev. Fee Deferred
Housing & Comm Svcs- cashflow	2.73%	$1,389	$1.91	50,000	50,000	50,000	0%
TDHCA - HTF (Forgivable)				304,000	304,000		
Reserve for Replacement Funds	11.48%	$5,833	$8.01	210,000	210,000	210,000	
Deferred Developer Fees	0.24%	$122	$0.17	4,386	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$1,829,868	$1,825,482	$1,825,482	$748,026

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Meadow Park Village Apartments, Lockhart, HTF #08335

PAYMENT COMPUTATION

Primary	$685,000	Amort	360
Int Rate	6.50%	DCR	2.53

Secondary	$82,209	Amort	120
Int Rate	6.999%	Subtotal DCR	2.25

Additional	$82,209	Amort	120
Int Rate	7.00%	Aggregate DCR	1.88

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$51,956
Secondary Debt Service	45,307
Additional Debt Service	11,454
NET CASH FLOW	$22,665

Primary	$685,000	Amort	360
Int Rate	6.50%	DCR	2.53

Secondary	$500,000	Amort	193
Int Rate	5.00%	Subtotal DCR	1.35

Additional	$82,209	Amort	120
Int Rate	7.00%	Aggregate DCR	1.21

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	$328,488	$338,343	$348,493	$358,948	$369,716	$428,602	$496,868	$576,006	$774,103
Secondary Income	2,160	2,225	2,292	2,360	2,431	2,818	3,267	3,788	5,090
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	330,648	340,567	350,784	361,308	372,147	431,421	500,135	579,793	779,194
Vacancy & Collection Loss	(24,799)	(25,543)	(26,309)	(27,098)	(27,911)	(32,357)	(37,510)	(43,484)	(58,440)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$305,849	$315,025	$324,476	$334,210	$344,236	$399,064	$462,625	$536,309	$720,754
EXPENSES at 4.00%									
General & Administrative	$12,910	$13,426	$13,963	$14,522	$15,103	$18,375	$22,355	$27,199	$40,261
Management	16,823	17,328	17,848	18,383	18,934	21,950	25,446	29,499	39,645
Payroll & Payroll Tax	33,254	34,584	35,968	37,406	38,902	47,331	57,585	70,061	103,708
Repairs & Maintenance	22,727	23,636	24,581	25,564	26,587	32,347	39,355	47,881	70,876
Utilities	8,210	8,538	8,880	9,235	9,605	11,685	14,217	17,297	25,604
Water, Sewer & Trash	34,763	36,154	37,600	39,104	40,668	49,479	60,198	73,240	108,414
Insurance	10,041	10,442	10,860	11,294	11,746	14,291	17,387	21,154	31,313
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	15,553	16,175	16,823	17,495	18,195	22,137	26,933	32,769	48,506
Other	20,188	20,996	21,835	22,709	23,617	28,734	34,959	42,533	62,959
TOTAL EXPENSES	$174,468	$181,279	$188,356	$195,712	$203,357	$246,328	$298,437	$361,634	$531,285
NET OPERATING INCOME	$131,381	$133,746	$136,119	$138,498	$140,879	$152,736	$164,188	$174,675	$189,470
DEBT SERVICE									
First Lien Financing	$51,956	$51,956	$51,956	$51,956	$51,956	$51,956	$51,956	$51,956	$51,956
Second Lien	45,307	45,307	45,307	45,307	45,307	45,307	45,307	45,307	45,307
Other Financing									
NET CASH FLOW	$34,118	$36,483	$38,856	$41,235	$43,616	$55,473	$66,925	$77,412	$92,207
DEBT COVERAGE RATIO	1.35	1.38	1.40	1.42	1.45	1.57	1.69	1.80	1.95

MULTIFAMILY COMPARATIVE ANALYSIS

Meadow Park Village Apartments, Lockhart, HTF #08335 - ALTERNATIVE SCENARIO

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Applicant	Market	Rent per SF	Tnt-Pd Util	WS&T
HTF50%	2	1	1	568	$666	$645	$1,290	$645	$615	$1.14	$68.00	$69.00
HTF 30%	3	1	1	570	$400	$645	$1,935	$645	$615	$1.13	$68.00	$69.00
HTF 50%	3	1	1	570	$666	$645	$1,935	$645	$615	$1.13	$68.00	$69.00
HTF 30%	8	2	1	693	$480	$734	$5,872	$734	$710	$1.06	$86.00	$74.00
HTF 50%	12	2	1	693	$800	$734	$8,808	$734	$710	$1.06	$86.00	$74.00
HTF30%	3	3	1.5	924	$555	$909	$2,727	$909	$1,075	$0.98	$106.00	$85.00
HTF50%	3	3	1.5	924	$924	$909	$2,727	$909	$1,075	$0.98	$106.00	$85.00
HTF50%	2	4	2	1,129	$1,031	$1,040	$2,080	$1,040.00	$1,255	$0.92	$121.00	$96.00
TOTAL:	36		AVERAGE:	728		$760	$27,374			$1.04	$87.28	$75.94

INCOME	Total Net Rentable Sq Ft:	26,218		TDHCA	APPLICANT	Actual 2008	Actual 2007	Actual 2006	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$328,488	$328,488	$307,992	$296,100	$286,224	Caldwell		7
Secondary Income	Per Unit Per Month:	$5.00		2,160	2,160	5,360	6,300	6,794	$5.00	Per Unit Per Month	
Other Support Income:				0	0				$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$330,648	$330,648	$313,352	$302,400	$293,018			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(24,799)	(16,536)	(16,216)	(13,917)	(5,584)	-5.00%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0							
EFFECTIVE GROSS INCOME				$305,849	$314,112	$297,136	$288,483	$287,434			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT						PER SQ FT	PER UNIT	% OF EGI
General & Administrative	11.83%	$1,005	1.38	$36,185	$15,141	$39,229	$37,805	$34,225	$0.58	$421	4.82%
Management	5.55%	471	0.65	$16,965	18,085	17,349	16,823	16,724	0.69	502	5.76%
Payroll & Payroll Tax	11.24%	955	1.31	$34,369	47,459	37,308	34,967	30,833	1.81	1,318	15.11%
Repairs & Maintenance	12.74%	1,083	1.49	$38,979	36,903	35,181	50,897	30,858	1.41	1,025	11.75%
Utilities	1.58%	134	0.18	$4,840	10,300	0	8,210	6,309	0.39	286	3.28%
Water, Sewer, & Trash	12.40%	1,053	1.45	$37,913	38,110	42,694	34,763	36,282	1.45	1,059	12.13%
Property Insurance	3.33%	283	0.39	$10,182	12,000	10,346	10,343	9,857	0.46	333	3.82%
Property Tax 2.6585	0.00%	0	0.00	$0	0	0	0	0	0.00	0	0.00%
Reserve for Replacements	5.96%	507	0.70	$18,240	19,644	18,732	18,228	17,760	0.75	546	6.25%
TDHCA Compliance Fees	0.00%	0	0.00	$0	0	0	0	0	0.00	0	0.00%
Other: Supp. Serv.	6.59%	560	0.77	$20,156	20,188	21,876	19,849	18,744	0.77	561	6.43%
TOTAL EXPENSES	71.22%	$6,051	$8.31	$217,830	$217,830	$222,715	$231,885	$201,592	$8.31	$6,051	69.35%
NET OPERATING INC	28.78%	$2,445	$3.36	$88,020	$96,282	$74,421	$56,598	$85,842	$3.67	$2,675	30.65%
DEBT SERVICE											
GMAC/Capmark	16.99%	$1,443	$1.98	$51,956	$55,250				$2.11	$1,535	17.59%
HTF	2.14%	$181	$0.25	6,533	6,533				$0.25	$181	2.08%
Housing & Comm Svcs	3.74%	$318	$0.44	11,454	11,454				$0.44	$318	3.65%
NET CASH FLOW	5.91%	$502	$0.69	$18,077	$23,045				$0.88	$640	7.34%
AGGREGATE DEBT COVERAGE RATIO				1.26	1.31						
RECOMMENDED DEBT COVERAGE RATIO				1.24							

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)		58.01%	$29,597	$40.64	$1,065,482	$1,065,482	$40.64	$29,597	58.37%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.04%	4,611	6.33	166,000	166,000	6.33	4,611	9.09%
Direct Construction		21.00%	10,716	14.71	385,768	385,768	14.71	10,716	21.13%
Contingency	5.00%	1.50%	766	1.05	27,588	55,177	2.10	1,533	3.02%
Contractor's Fees	14.00%	4.21%	2,146	2.95	77,247	77,247	2.95	2,146	4.23%
Indirect Construction		3.31%	1,689	2.32	60,808	60,808	2.32	1,689	3.33%
Ineligible Costs		0.00%	0	0.00	0		0.00	0	0.00%
Developer's Fees	2.09%	0.82%	417	0.57	15,000	15,000	0.57	417	0.82%
Interim Financing		0.00%	0	0.00	0		0.00	0	0.00%
Reserves		2.11%	1,076	1.48	38,735		0.00	0	0.00%
TOTAL COST		100.00%	$51,017	$70.05	$1,836,629	$1,825,482	$69.63	$50,708	100.00%
Construction Cost Recap		*35.75%*	***$18,239***	***$25.04***	***$656,603***	***$684,192***	***$26.10***	***$19,005***	*37.48%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
GMAC/Capmark	35.24%	$17,980	$24.69	$647,291	$647,291	$647,291	Developer Fee Available
TDHCA- HTF				196,000	196,000	500,000	$15,000
Housing & Comm Svcs	2.88%	$1,467	$2.01	52,808	52,808	52,808	
Housing & Comm Svcs- cashflow				365,383	365,383	365,383	% of Dev. Fee Deferred
Housing & Comm Svcs- cashflow	2.72%	$1,389	$1.91	50,000	50,000	50,000	4%
TDHCA - HTF (Forgivable)				304,000	304,000	0	
Reserve for Replacement Funds	11.43%	$5,833	$8.01	210,000	210,000	220,614	
Deferred Developer Fees	0.61%	$310	$0.43	11,147	0	533	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$1,836,629	$1,825,482	$1,836,629	$281,380

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Meadow Park Village Apartments, Lockhart, HTF #08335 - ALTERNATIVE SCENARIO

PAYMENT COMPUTATION

Primary	$685,000	Amort	360
Int Rate	6.50%	DCR	1.69
Secondary	$196,000	Amort	360
Int Rate	0.000%	Subtotal DCR	1.50
Additional	$82,209	Amort	120
Int Rate	7.00%	Aggregate DCR	1.26

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$51,956
Secondary Debt Service	19,231
Additional Debt Service	11,454
NET CASH FLOW	$5,379

Primary	$685,000	Amort	360
Int Rate	6.50%	DCR	1.69
Secondary	$500,000	Amort	312
Int Rate	0.00%	Subtotal DCR	1.24
Additional	$82,209	Amort	120
Int Rate	7.00%	Aggregate DCR	1.07

$0

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	$328,488	$338,343	$348,493	$358,948	$369,716	$428,602	$496,868	$576,006	$774,103
Secondary Income	2,160	2,225	2,292	2,360	2,431	2,818	3,267	3,788	5,090
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	330,648	340,567	350,784	361,308	372,147	431,421	500,135	579,793	779,194
Vacancy & Collection Loss	(24,799)	(25,543)	(26,309)	(27,098)	(27,911)	(32,357)	(37,510)	(43,484)	(58,440)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$305,849	$315,025	$324,476	$334,210	$344,236	$399,064	$462,625	$536,309	$720,754
EXPENSES at 4.00%									
General & Administrative	$36,185	$37,633	$39,138	$40,704	$42,332	$51,503	$62,661	$76,237	$112,849
Management	16,965	17,474	17,999	18,538	19,095	22,136	25,662	29,749	39,980
Payroll & Payroll Tax	34,369	35,744	37,174	38,661	40,207	48,918	59,517	72,411	107,186
Repairs & Maintenance	38,979	40,538	42,159	43,846	45,600	55,479	67,498	82,122	121,561
Utilities	4,840	5,033	5,235	5,444	5,662	6,888	8,381	10,196	15,093
Water, Sewer & Trash	37,913	39,430	41,007	42,647	44,353	53,962	65,653	79,877	118,237
Insurance	10,182	10,589	11,013	11,453	11,911	14,492	17,632	21,452	31,754
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	18,240	18,970	19,728	20,518	21,338	25,961	31,586	38,429	56,884
Other	20,156	20,963	21,801	22,673	23,580	28,689	34,904	42,466	62,861
TOTAL EXPENSES	$217,830	$226,373	$235,253	$244,484	$254,077	$308,028	$373,494	$452,940	$666,406
NET OPERATING INCOME	$88,020	$88,652	$89,222	$89,726	$90,159	$91,036	$89,131	$83,369	$54,348
DEBT SERVICE									
First Lien Financing	$51,956	$51,956	$51,956	$51,956	$51,956	$51,956	$51,956	$51,956	$51,956
Second Lien	19,231	19,231	19,231	19,231	19,231	19,231	19,231	19,231	19,231
Other Financing									
NET CASH FLOW	$16,833	$17,465	$18,035	$18,540	$18,972	$19,849	$17,944	$12,182	($16,838)
DEBT COVERAGE RATIO	1.24	1.25	1.25	1.26	1.27	1.28	1.25	1.17	0.76

U.S. Department of Housing and Urban Development
Office of Housing, Multifamily Program Center
San Antonio Field Office
One Alamo Center
106 South St. Mary's Street, Suite 405
San Antonio, Texas 78205-3601
(http://www.hud.gov/local/san/index.html)

JUN 3 0 2009

Michael Gerber
Executive Director
Multifamily Program Administrator
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

Re: Meadow Park Village, FHA Project # 115-35464
TDHCA Housing Trust # 100115

Dear Mr. Gerber:

We are in receipt of the Texas Department of Housing and Community Affairs (TDHCA) terms and conditions for the proposed $500,000 Housing Trust loan for the benefit of Meadow Park Village Apartments in Lockhart, Texas.

The Meadow Park Village Apartments are 36 units which have a project based Section 8 contract covering all 36 units. The project completed HUD restructuring of the first lien through the HUD Mark-to-Market (M2M) restructuring program in December 2003. As part of the Mark-to-Market program the first lien was restructured and a new FHA first lien was originated. In addition, the existing Section 8 contract was sized to support the property in accordance with the HUD approved restructuring plan of operations.

We have reviewed the recommended terms approved by the TDHCA May Board Meeting for annual debt service of $45,307 representing principal and interest of (5%) and payments over the term of the loan for (16 years). We find we are not able to approve that level of debt service. Under the Mark-to-Market restructuring program there is insufficient cash flow to support your terms. In completing the restructuring, HUD considered all expenses and obligations that we were willing to include in the properties operations funded by the Section 8 rent subsidy. Therefore, HUD can not agree to the Board's terms above.

However, we see that the TDHCA staff recommended lesser terms that are in line with the projects restructuring with an annual debt service of $19,231. We find that the restructured cash flow is sufficient to support this level of debt service and would consider approval of this level of debt service.

Therefore, HUD is proposing approval based on the proposed TDHCA staff recommendation terms in line with the M2M restructuring plan. If approved, the proposal would be subject to written approval by our office as well as the Office of Affordable Housing Preservation (OAHP) who oversaw the restructuring.

If you have any questions, or if we can be of any assistance, please contact Priscilla Rocha, Supervisor on 210-475-6800 x2255 or Sharon Young, Project Manager on x2363.

Sincerely,

Gretchen A. Marchand

Gretchen A. Marchand
Director, Multifamily Program Center

cc
Gilbert M. Piette
Housing and Community Services, Inc.

Harry West, OAHP

U.S. Department of Housing and Urban Development
Office of Housing, Multifamily Program Center
San Antonio Field Office
One Alamo Center
106 South St. Mary's Street, Suite 405
San Antonio, Texas 78205-3601
(http://www.hud.gov/local/san/index.html)

AUG 25 2009

Michael Gerber
Executive Director
Multifamily Program Administrator
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

Re: Meadow Park Village, FHA Project # 115-35464
TDHCA Housing Trust # 100115; Revised Staff Recommendations

Dear Mr. Gerber:

We are in receipt of the revised staff recommendation for the Texas Department of Housing and Community Affairs (TDHCA) terms and conditions for the proposed $500,000 Housing Trust loan for the benefit of Meadow Park Village Apartments in Lockhart, Texas. As we understand it, the revised terms call for annual debt service of $22,177.17 representing principal and interest (2%) payments amortizing the principal over thirty (30) years with the remaining principal and interest due and payable at the end of 26 years.

The Meadow Park Village Apartments are 36 units which have a project based Section 8 contract covering all 36 units. The project completed HUD restructuring of the first lien through the HUD Mark-to-Market (M2M) restructuring program in December 2003. As part of the Mark-to-Market program the first lien was restructured and a new FHA first lien was originated. In addition, the existing Section 8 contract was sized to support the property in accordance with the HUD approved restructuring plan of operations.

We have reviewed the TDHCA revised staff recommendation regarding the $22,177.17 in debt service. We find that the restructured cash flow is sufficient to support this level of debt service. We would consider approval of this level of debt service.

The proposed transaction as revised, which is in line with the M2M restructuring plan would be subject to written approval by our office as well as the Office of Affordable Housing Preservation (OAHP) who oversaw the restructuring.

If you have any questions or if we can be of any assistance please contact us.

Sincerely,

Gretchen A. Marchand
Director, Multifamily Program Center

cc
Gilbert M. Piette
Housing and Community Services, Inc.

Harry West, OAHP

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST
October 15, 2009

Action Item

Presentation and report on homes considered and reviewed by the Executive Director for services for local code requirements that exceed the established cap of $10,000

Requested Action

None. Informational report.

Background

On November 13, 2008, the TDHCA Board approved Amendment 6 to the Action Plan, which altered the reconstruction maximum benefit restrictions in the Action Plan under HAP and SPRP components of CDBG Round 2. The alteration included separating construction costs for the new structure itself and related costs such as demolition, closing costs and remediation for subsequent board approval after public comment. This action, approved by HUD, allowed the Board to direct staff to modify limits, as needed.

On December 18, 2008, as part of this request to increase limits within this program, the TDHCA Board approved up to $10,000 per home in excess of the structure cost of a home to address local code requirements, such as septic systems, off street parking, water wells, underground electrical services, and those types of items that are necessary to meet the requirements of the local municipality.

On May 21, 2009, the Board approved a policy that granted the Executive Director and the executive review team to evaluate and grant increases on a case by case basis. For this group of applications, the executive review team consisted of the Deputy Executive Director for Emergency Housing and Disaster Recovery, the Chief of Staff, and the Executive Director.

The following increases were granted:

Application Number	City	Requirement	Total
5554	Spruger	Septic ($7,350), Water Well ($7,350)	$14,700.00
5985	Bon Wier	Septic ($6,500), Water Well ($6,500)	$13,000.00
1913	Bon Wier	Septic ($7,350), Water Well ($7,350)	$14,700.00
1310	Bon Wier	Septic ($6,500), Water Well ($6,500)	$13,000.00
1658	Bon Wier	Septic ($7,350), Water Well ($3,250)	$10,600.00
5403	Beach City	Septic ($7,000), Water Well ($6,000)	$13,000.00
4344	Orange	Parking ($3,600), Septic ($10,000)	$13,600.00

Recommendation

Report on increases granted in excess of the $10,000 cap to comply with items required by local municipalities.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

October 15, 2009

Action Item

Presentation, Discussion and Possible Approval of a Senior Managing, Co-Senior Managing, Co-Managing and/or Remarketing Agent Investment Banking Firm for Multifamily Mortgage Revenue Bond Transactions.

Requested Action

Approve, Amend or Deny the Recommended Investment Banking Firm Below.

Background

The Department has an open Request for Qualifications (RFQ) published on the website for senior managing underwriters and co-managing underwriters for multifamily bond transactions. The underwriters are approved on a two year basis. Currently, there are twelve (12) senior managing underwriters and one (1) co-managing underwriter on the Department's approved list. For multifamily bond transactions, the Applicant selects an underwriter from the approved list whose role includes developing the financial structure (i.e. fixed rate or variable, bond maturities, etc), preparing cash flows, and selling the bonds. If the transaction is privately placed, the placement agent will negotiate the sale to private investors.

The Department received a Request for Qualifications on August 4, 2009 from Dougherty & Company, LLC, a Minneapolis-based investment banking firm incorporated in 1977. The firm is an operating entity under Dougherty Financial Group LLC which contains other entities including Dougherty Mortgage LLC, an approved Fannie Mae DUS Lender, FHA/HUD Lender and GNMA issuer and Dougherty Funding LLC, a bank loan syndicator.

After reviewing the qualifications of Dougherty & Company LLC, the Department staff recommends that they be added to the Multifamily Bond Approved Underwriters List. The firms Multifamily Housing Revenue Bond program experience in the state includes transactions closed through the following local housing issuers: Jefferson County HFC (2008), Strategic HFC of Travis County (2006) and Bexar County HFC (2006) with a combined issuance total of $47.8M. Dougherty & Company LLC, through its RFQ, has demonstrated extensive knowledge and the requisite level of experience required in structuring a variety of bond transactions that would be of value to the clients they serve.

Recommendation

Staff recommends that the Board approve Dougherty & Company LLC as an approved underwriter and that it be added to the Department's approved list.

Senior Managing Underwriters for Multifamily Transactions

Banc of America Securities (6/26/08)
Contact: Robin L. Ginsburg
Contact: Ila Afsharipour
1633 Broadway, 29th Floor
New York, NY 10019
Phone: (212) 497-3854
Fax: (212) 497-3835

Merchant Capital, L.L.C. (6/26/08)
Contact: John Rucker III
Lakeview Center, Suite 400
2660 EastChase Lane
Montgomery, Alabama 36117
Phone: (334) 834-5100
Fax: (334) 269-0902

National Alliance Securities Corporation (6/26/08)
Contact: Brad Phillips
1755 Wittington Place, Suite 320
Dallas, Texas 75234
Phone: (469) 522-4440 ext 103
Fax: (469) 522-4441

Red Capital Markets, Inc. (6/26/08)
Contact: Tracy W. Peters
Two Miranova Place
Columbus, OH 43215
Phone: (614) 857-1656
Fax: (614) 857-9758

Citigroup Global Markets (6/26/08)
Contact: Brent Hanlin
1801 California St., Ste 3700
Denver, CO 80202
Phone: (303) 308-7409
Fax: (303) 945-7858

Merrill Lynch (New York) (6/26/08)
Contact: Barbara Feldman
Four World Financial Center, 9th Floor
New York, NY 10080
Phone: (212) 449-0620
Fax: (212) 449-7174

PNC Multifamily Capital (6/28/08)
Contact: Thomas Paramore
500 West Jefferson Street
Louisville, KY 40202
Phone: (502) 581-3262
Fax: (502) 581-2602

Wachovia Securities (6/26/08)
Contact: Nora Chavez
Renaissance Plaza
70 Northeast Loop 410
San Antonio, TX 78216
Phone: (210) 384-8873
Fax: (210) 378-1799

George K. Baum & Co. (6/26/08)
Contact: C. Scott Riffle
717 Seventeenth Street, Suite 2500
Denver, CO 80202
Phone: (303) 292-1600
Fax: (303) 293-9054

Morgan Keegan (06/26/08)
Contact: Mark C. O'Brien
5956 Sherry Lane, Suite 1900
Dallas, TX 75225
Phone: (214) 365-5524
Fax: (214) 365-5563

Stern Brothers & Co. (7/16/09)
Contact: Terrence Finn
8000 Maryland Avenue, Suite 800
St. Louis, MO 63105
Phone: (314) 743-4010
Fax: (314) 727-7313

Sterne Agee (2/5/09)
Contact: Carlos Sharpless
12 Greenway Plaza, Suite 1100
Houston, Texas 77046
Phone: (713) 425-4933
Fax: (713) 425-4999

Co-managing Underwriters For Multifamily Transactions

Estrada Hinojosa (6/26/08)
Contact: Robert Estrada
1717 Main Street, Suite 4740
Dallas, TX 75201
Phone: (214) 658-1670
Fax: (214) 658-1671

HOME PROGRAM DIVISION

BOARD ACTION REQUEST

October 15, 2009

Action Item

Presentation, Discussion and Possible Approval of HOME Program Award Recommendations.

Requested Action

Approve, Deny, or Approve with Amendments the HOME Program Award Recommendations.

Background

Awards for contracts from all active Notices of Funding Availability (NOFAs), reflecting multiple activity types and disaster relief, are combined in this one action item.

OWNER-OCCUPIED HOUSING ASSISTANCE, HOMEBUYER ASSISTANCE, AND TENANT-BASED RENTAL ASSISTANCE

At the May 21, 2009 Board meeting the Board approved the HOME Program Single Family Owner-Occupied Housing Assistance, Tenant-Based Rental Assistance, and Homebuyer Assistance Program Notice of Funding Availability (NOFA) contingent on receipt of the Funding Approval and Grant Agreement from the U.S. Department of Housing and Urban Development (HUD). On June 24, 2009 the Department received its Funding Approval and Grant Agreement from HUD. The approval and grant agreement included $44,933,530 for the Department's 2009 allocation of the HOME Investment Partnerships Program. On July 16, 2009, the Board approved the amended NOFA for release and publication in the Texas Register. The NOFA published in the *Texas Register* on July 31, 2009.

The Department's approved 2009 Consolidated Annual Action Plan included approximately $25,923,970 allocated for single family programs including $18,146,779 for the Owner-Occupied Housing Assistance Program (OCC), $3,888,595 for the Homebuyer Assistance Program (HBA), and $3,888,595 for the Tenant-Based Rental Assistance Program (TBRA). Funds were made available on a first-come, first-served basis under an open application cycle and subject to the Regional Allocation Formula (RAF) until August 31, 2009. On September 1, 2009 any funds not requested under the RAF were made available statewide (excluding PJs) in any Uniform State Service Region and will remain set-aside for each HOME Program Activity specified in the NOFA until November 30, 2009. On December 1, 2009 any funds not awarded or requested will be made available statewide in any Uniform State Service Region for any eligible HOME Program Activity specified in the NOFA until the earlier of the award of all funds or April 30, 2010. The availability and use of these funds is subject to the Department's HOME Program Rule (10 TAC Chapter 53) in effect at the time the application is submitted, the Federal HOME Rule at 24 CFR Part 92, and Chapter 2306, Texas Government Code.

The OCC Program provides eligible households with loans for the rehabilitation or reconstruction of their existing owner-occupied home and earning 80% or less of the Area Median family Income (AMFI) as defined by HUD. The assisted unit must be the principal residence of the homeowner and, meet all program eligibility requirements.

The HBA Program provides loans for downpayment and closing costs assistance, to eligible first-time homebuyers for the acquisition of affordable single family housing. The assisted homebuyer must earn 80% or less of the AMFI, occupy the unit as their principal residence, and meet all program eligibility requirements.

The TBRA Program provides eligible households with rental subsidies, including security and utility deposits for a period not to exceed 24 months. Assistance is in the form of a grant. Tenants must earning 80% or less of the AMFI, participate in a self-sufficiency program, and meet all program eligibility requirements. Ninety percent (90%) of the households assisted with respect to rental or TBRA units must have incomes at or below 60% of the AMFI, in accordance with 24 CFR 92.216.

To date, fourteen applications totaling $4,681,066 in project funds have been received. Applications were ranked according to date and time received. Applications were reviewed and scored in accordance with the requirements in the NOFA and RAF. Eligible applications were categorized by Activity, Uniform State Service Region and Area Type (rural or urban). Eligible applications were funded in each HOME Activity based on availability of funds in each Region and Area Type. Eligible applications that were not funded utilizing the RAF process due to an over subscription in an Area Type or the funds available were not sufficient to reasonably fund an application, were ranked in order by date and times received, and are being recommended for funding under the funds available after the collapse of the RAF. Four applications that did not meet threshold and application requirements as stated in the NOFA have been terminated. Attached are the Application Logs and Award Recommendation Logs for each HOME Activity.

Eight applications, totaling $3,000,693 in project funds and $144,027 in administrative funds, were received by 5:00 p.m. August 31, 2009, and processed subject to the RAF. These applications represent five of the thirteen regions.

Application Summary subject to RAF:

HOME Activity	# of Apps Received	Total Proj. Funds Requested	Total Admin. Funds Requested
OCC	6	$ 2,400,693	$ 96,027
HBA	1	$ 300,000	$ 12,000
TBRA	1	$ 300,000	$ 36,000
Totals	**8**	**$3,000,693**	**$144,027**

Six applications, totaling $1,680,373 in project funds and $119,707 in administrative funds, were received after the date of the collapse of the RAF, August 31, 2009.

Application Summary post-RAF collapse:

HOME Activity	# of Apps Received	Total Proj. Funds Requested	Total Admin. Funds Requested
OCC	2	$ 864,693	$ 34,587
HBA	1	$ 220,000	$ 8,800
TBRA	3	$ 595,680	$ 76,320
Totals	**6**	**$1,680,373**	**$ 119,707**

Staff is recommending for award 6 applications, totaling $2,400,693 in project funds and $96,027 in administrative funds, which will result in 35 affordable housing units.

Award Recommendations Summary:

HOME Activity	# of Awards Recommended	Total Project Funds Recommended	Total Admin. Funds Recommended	# of Units Recommended
OCC	6	$2,400,693	$96,027	35
HBA	0	$ 0	$ 0	0
TBRA	0	$ 0	$ 0	0
Totals	**6**	**$2,400,693**	**$96,027**	**35**

All applications being recommended for funding 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.

If the attached award recommendations are approved, a total of $23,523,277 will remain in the NOFA, $15,746,086 for the OCC Activity, $3,888,595 for the HBA Activity, and $3,888,595 for the TBRA Activity.

Attached:

- 2009 HOME Single Family NOFA (OCC) – Award Recommendations Log;
- 2009 HOME Single Family (OCC) – Application Log (subject to RAF);
- 2009 HOME Single Family (OCC) – Application Log (post RAF collapse);
- 2009 HOME Single Family (HBA) – Application Log (subject to RAF);
- 2009 HOME Single Family (HBA) – Application Log (post RAF collapse);
- 2009 HOME Single Family (TBRA) – Application Log (subject to RAF); and
- 2009 HOME Single Family (TBRA) – Application Log (post RAF collapse);

COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO) RENTAL HOUSING DEVELOPMENT PROGRAM

The 2009 Rental Housing Development (RHD) Notice of Funding Availability (NOFA) was approved at the May 21, 2009 Board meeting which made available $5,000,000 in General set-aside funds, $5,590,030 in CHDO funds, and $1,000,000 in funds for the Persons with Disabilities set-aside. These funds were approved subject to the regional allocation formula (RAF) as required by §2306.111(d) of Texas Government Code until July 20, 2009. However, at the July 16, 2009 Board meeting, the Board approved an extension of the RAF end date from July 20, 2009 to August 31, 2009 due to delays in receiving the 2009 Grant Agreement from HUD. Additionally, since the initial NOFA approval, the Board has utilized $12,542,360 in funds from the Department's deobligated and available balance of funds to fund the significant oversubscription in General set-aside applications.

The Board previously approved one (1) award of $2,400,000 for a CHDO application at the July 30, 2009 Board meeting. The majority of this award was funded with the remaining funds from the 2008 NOFA; however, $62,894 of this award was funded from the CHDO set-aside of the 2009 NOFA in order to fully fund the application. Therefore, the CHDO set-aside has a current balance of $5,527,136. Today, staff is recommending one CHDO award of $3,000,000.

Belmont Senior Village is a 2009 9% Housing Tax Credit transaction that was given priority on the waiting list at the July 30, 2009 Board meeting. Due to returns of tax credit awards, Belmont received a commitment for a tax credit allocation on September 29, 2009. This application has completed the initial phases of the application review process. The Real Estate Analysis (REA) Division has completed their evaluation and determined that the transaction meets the feasibility criteria in the Real Estate Analysis Rules and Guidelines.

If the award for Belmont Senior Village is approved, $2,527,136 in funds will remain available in the 2009 CHDO set-aside for future awards.

Attached:

- 2009 Rental Housing Development Award Recommendations Log;
- 2009 Rental Housing Development Application Log, and
- REA Underwriting Report.

Recommendation

Staff recommends that the Board approve all of the awards as detailed in the Award Recommendations logs attached. The recommendation for Belmont Senior Village is subject to the terms and conditions reflected in the underwriting report.

2009 OCC - Award Recommendations Log

Sorted by date/time received

Total Set-Aside Amount - $18,146,779

Total Amount Available Prior to Action: $18,146,779

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
2009-0019	8/17/2009	1:45 PM	City of Cooper	4	$432,693	$17,307	5	$432,693	$17,307	5	Pending Award
2009-0022	8/28/2009	2:06 PM	City of Weimar	6	$432,000	$17,280	6	$432,000	$17,280	6	Pending Award
2009-0025	8/31/2009	4:00 PM	Community Development Corporation of Brownsville	11	$432,000	$17,280	10	$432,000	$17,280	10	Pending Award
2009-0024	8/31/2009	4:00 PM	City of Huntsville	6	$432,000	$17,280	6	$432,000	$17,280	6	Pending Award Under Post - RAF
2009-0023	8/31/2009	4:00 PM	City of Bloomburg	4	$240,000	$9,600	3	$240,000	$9,600	3	Pending Award
2009-0032	9/3/2009	4:31 PM	City of Gatesville	8	$432,000	$17,280	5	$432,000	$17,280	5	Pending Award
				Totals:	**$2,400,693**	**$96,027**	**35**	**$2,400,693**	**$96,027**	**35**	

2009 HOME SF NOFA (OCC) - Application Log

Subject to the Regional Allocation Formula (RAF)

Total Amount Available Prior to Action: $18,146,779

September 28, 2009

Sorted by Date and Time Received

Statewide Summary	Totals
SF NOFA Amount:	$25,923,970
OCC Set-Aside Amount:	$18,146,779
Funds Recommended:	$1,536,693
OCC Funds Remaining:	$16,610,086
Nbr Apps Received:	6

(+ or - $1.00 due to rounding)

***Based on the OCC portion of the 2009 HOME SF NOFA**

Allocation Information for Region 1
Total Applications in Region: 0
Total Funds Available: $974,149
Rural Allocation: $973,931
Urban Allocation: $218

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
					Totals :	**$0**	**$0**	**0**	**$0**		
					Remaining Rural Funds:	**$973,931**					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
					Totals :	**$0**	**$0**	**0**	**$0**		
					Remaining Urban Funds:	**$218**					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	**$0**	**$0**	**0**	**$0**	
Remaining Region Funds	**$974,149**				

(+ or - $1.00 due to rounding)

**Based on the OCC portion of the 2009 HOME SF NOFA*

Allocation Information for Region 2
Total Applications in Region: 0
Total Funds Available: $664,150
Rural Allocation: $645,587
Urban Allocation: $18,563

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		$0	$0	0	$0		
				Remaining Rural Funds:		$645,587					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		$0	$0	0	$0		
				Remaining Urban Funds:		$18,563					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$664,150				

(+ or - $1.00 due to rounding)

**Based on the OCC portion of the 2009 HOME SF NOFA*

Allocation Information for Region 3
Total Applications in Region: 0
Total Funds Available: $3,555,944
Rural Allocation: $1,032,213
Urban Allocation: $2,523,731

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Rural Funds:		**$1,032,213**					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Urban Funds:		**$2,523,731**					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	**$0**	**$0**	**0**	**$0**	
Remaining Region Funds	**$3,555,944**				

(+ or - $1.00 due to rounding)

Based on the OCC portion of the 2009 HOME SF NOFA

Allocation Information for Region 4
Total Applications in Region: 2
Total Funds Available: $2,027,491
Rural Allocation: $1,723,173
Urban Allocation: $304,318

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural	2009-0019	8/17/2009	1:45 PM	City of Cooper	Counties - Delta	$432,693	$17,307	5	$432,693	5	Pending Award
Rural	2009-0023	8/31/2009	4:00 PM	City of Bloomburg	Counties - Cass	$240,000	$9,600	3	$240,000	3	Pending Award
				Totals :		$672,693	$26,907	8	$672,693	8	
				Remaining Rural Funds:		$1,050,480					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		$0	$0	0	$0		
				Remaining Urban Funds:		$304,318					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$672,693	$26,907	8	$672,693	8
Remaining Region Funds	$1,354,798				

(+ or - $1.00 due to rounding)

Based on the OCC portion of the 2009 HOME SF NOFA

Allocation Information for Region 5
Total Applications in Region: 0
Total Funds Available: $916,230
Rural Allocation: $838,750
Urban Allocation: $77,480

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		$0	$0	0	$0		
				Remaining Rural Funds:		$838,750					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		$0	$0	0	$0		
				Remaining Urban Funds:		$77,480					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$916,230				

(+ or - $1.00 due to rounding)

**Based on the OCC portion of the 2009 HOME SF NOFA*

Allocation Information for Region 6
Total Applications in Region: 2
Total Funds Available: $1,339,097
Rural Allocation: $473,920
Urban Allocation: $865,177

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural	2009-0022	8/28/2009	2:06 PM	City of Weimar	Counties - Colorado	$432,000	$17,280	6	$432,000	6	Pending Award
Rural	2009-0024	8/31/2009	4:00 PM	City of Huntsville	Counties - Walker	$432,000	$17,280	6	$0	0	Pending Award Under Post - RAF
				Totals :		**$864,000**	**$34,560**	**12**	**$432,000**	**6**	
				Remaining Rural Funds:		**$41,920**					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Urban Funds:		**$865,177**					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	**$864,000**	**$34,560**	**12**	**$432,000**	**6**
Remaining Region Funds	**$907,097**				

(+ or - $1.00 due to rounding)

Based on the OCC portion of the 2009 HOME SF NOFA

Allocation Information for Region 7
Total Applications in Region: 1
Total Funds Available: $948,113
Rural Allocation: $390,371
Urban Allocation: $557,742

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural	2009-0030	8/31/2009	2:55 PM	City of Martindale	Counties - Caldwell	$432,000	$17,280	6			Under Review
				Totals :		**$432,000**	**$17,280**	**6**	**$0**		
				Remaining Rural Funds:		**$390,371**					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Urban Funds:		**$557,742**					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	**$432,000**	**$17,280**	**6**	**$0**	
Remaining Region Funds	**$948,113**				

(+ or - $1.00 due to rounding)

Based on the OCC portion of the 2009 HOME SF NOFA

Allocation Information for Region 8
Total Applications in Region: 0
Total Funds Available: $577,970
Rural Allocation: $410,006
Urban Allocation: $167,964

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		$0	$0	0	$0		
				Remaining Rural Funds:		$410,006					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		$0	$0	0	$0		
				Remaining Urban Funds:		$167,964					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$577,970				

(+ or - $1.00 due to rounding)

****Based on the OCC portion of the 2009 HOME SF NOFA***

Allocation Information for Region 9
Total Applications in Region: 0
Total Funds Available: $916,623
Rural Allocation: $599,901
Urban Allocation: $316,722

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Rural Funds:		**$599,901**					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Urban Funds:		**$316,722**					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	**$0**	**$0**	**0**	**$0**	
Remaining Region Funds	**$916,623**				

(+ or - $1.00 due to rounding)

**Based on the OCC portion of the 2009 HOME SF NOFA*

Allocation Information for Region 10
Total Applications in Region: 0
Total Funds Available: $1,227,434
Rural Allocation: $865,622
Urban Allocation: $361,812

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		$0	$0	0	$0		
				Remaining Rural Funds:		$865,622					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		$0	$0	0	$0		
				Remaining Urban Funds:		$361,812					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$1,227,434				

(+ or - $1.00 due to rounding)

**Based on the OCC portion of the 2009 HOME SF NOFA*

Allocation Information for Region 11
Total Applications in Region: 1
Total Funds Available: $3,603,251
Rural Allocation: $2,025,597
Urban Allocation: $1,577,654

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural	2009-0025	8/31/2009	4:00 PM	Community Development Corporation of Brownsville	Counties - Cameron, Willacy	$432,000	$17,280	10	$432,000	10	Pending Award
				Totals :		**$432,000**	**$17,280**	**10**	**$432,000**	**10**	
				Remaining Rural Funds:		**$1,593,597**					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Urban Funds:		**$1,577,654**					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	**$432,000**	**$17,280**	**10**	**$432,000**	**10**
Remaining Region Funds	**$3,171,251**				

(+ or - $1.00 due to rounding)

Based on the OCC portion of the 2009 HOME SF NOFA

Allocation Information for Region 12
Total Applications in Region: 0
Total Funds Available: $798,567
Rural Allocation: $343,894
Urban Allocation: $454,673

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Rural Funds:		**$343,894**					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Urban Funds:		**$454,673**					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	**$0**	**$0**	**0**	**$0**	
Remaining Region Funds	**$798,567**				

(+ or - $1.00 due to rounding)

**Based on the OCC portion of the 2009 HOME SF NOFA*

Allocation Information for Region 13
Total Applications in Region: 0
Total Funds Available: $597,760
Rural Allocation: $436,391
Urban Allocation: $161,369

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		$0	$0	0	$0		
				Remaining Rural Funds:		$436,391					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		$0	$0	0	$0		
				Remaining Urban Funds:		$161,369					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$597,760				

(+ or - $1.00 due to rounding)

**Based on the OCC portion of the 2009 HOME SF NOFA*

2009 HOME SF NOFA (OCC) - Application Log

Post Regional Allocation Formula Collapse

September 28, 2009

Sorted by Date and Time Received

Statewide Summary	Totals
SF NOFA Amount:	$25,923,970
OCC Set-Aside Amount:	$18,146,779
OCC Funds Remaining After Collapse:	$16,610,086
Recommended After Collapse:	$864,000
Nbr Apps Received:	3

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
2009-0024	8/31/2009	4:00 PM	City of Huntsville	6	$432,000	$17,280	6	$432,000	$17,280	6	Pending Award Under Post - RAF
2009-0028	9/2/2009	4:38 PM	City of Commerce	3	$432,693	$17,307	5				Under Review
2009-0032	9/3/2009	4:31 PM	City of Gatesville	8	$432,000	$17,280	5	$432,000	$17,280	5	Pending Award
				Totals:	**$1,296,693**	**$51,867**	**16**	**$864,000**	**$34,560**	**11**	

2009 HOME SF NOFA (HBA) - Application Log

Subject to the Regional Allocation Formula (RAF)

Total Amount Available Prior to Action: $3,888,595

September 28, 2009

Sorted by Date and Time Received

Statewide Summary	Totals
SF NOFA Amount:	$25,923,970
HBA Set-Aside Amount:	$3,888,595
Funds Recommended:	$0
HBA Funds Remaining:	$3,888,595
Nbr. Apps Received:	1

(+ or - $1.00 due to rounding)

***Based on the HBA portion of the 2009 HOME SF NOFA**

Allocation Information for Region 1
Total Applications in Region: 0
Total Funds Available: $208,746
Rural Allocation: $208,699
Urban Allocation: $47

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Rural Funds:		**$208,699**					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Urban Funds:		**$47**					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	**$0**	**$0**	**0**	**$0**	
Remaining Region Funds	**$208,746**				

(+ or - $1.00 due to rounding)

Based on the HBA portion of the 2009 HOME SF NOFA

Allocation Information for Region 2
Total Applications in Region: 0
Total Funds Available: $142,318
Rural Allocation: $138,340
Urban Allocation: $3,978

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		$0	$0	0	$0		
				Remaining Rural Funds:		$138,340					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		$0	$0	0	$0		
				Remaining Urban Funds:		$3,978					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$142,318				

(+ or - $1.00 due to rounding)

Based on the HBA portion of the 2009 HOME SF NOFA

Allocation Information for Region 3
Total Applications in Region: 0
Total Funds Available: $761,987
Rural Allocation: $221,188
Urban Allocation: $540,799

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Rural Funds:		**$221,188**					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Urban Funds:		**$540,799**					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	**$0**	**$0**	**0**	**$0**	
Remaining Region Funds	**$761,987**				

(+ or - $1.00 due to rounding)

****Based on the HBA portion of the 2009 HOME SF NOFA***

Allocation Information for Region 4
Total Applications in Region: 0
Total Funds Available: $434,462
Rural Allocation: $369,251
Urban Allocation: $65,211

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Rural Funds:		**$369,251**					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Urban Funds:		**$65,211**					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	**$0**	**$0**	**0**	**$0**	
Remaining Region Funds	**$434,462**				

(+ or - $1.00 due to rounding)

Based on the HBA portion of the 2009 HOME SF NOFA

Allocation Information for Region 5
Total Applications in Region: 0
Total Funds Available: $196,335
Rural Allocation: $179,732
Urban Allocation: $16,603

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		$0	$0	0	$0		
				Remaining Rural Funds:		$179,732					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		$0	$0	0	$0		
				Remaining Urban Funds:		$16,603					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$196,335				

(+ or - $1.00 due to rounding)

***Based on the HBA portion of the 2009 HOME SF NOFA**

Allocation Information for Region 6
Total Applications in Region: 0
Total Funds Available: $286,949
Rural Allocation: $101,554
Urban Allocation: $185,395

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Rural Funds:		**$101,554**					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Urban Funds:		**$185,395**					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	**$0**	**$0**	**0**	**$0**	
Remaining Region Funds	**$286,949**				

(+ or - $1.00 due to rounding)

Based on the HBA portion of the 2009 HOME SF NOFA

Allocation Information for Region 7
Total Applications in Region: 0
Total Funds Available: $203,167
Rural Allocation: $83,651
Urban Allocation: $119,516

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		$0	$0	0	$0		
				Remaining Rural Funds:		$83,651					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		$0	$0	0	$0		
				Remaining Urban Funds:		$119,516					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$203,167				

(+ or - $1.00 due to rounding)

Based on the HBA portion of the 2009 HOME SF NOFA

Allocation Information for Region 8
Total Applications in Region: 0
Total Funds Available: $123,850
Rural Allocation: $87,858
Urban Allocation: $35,992

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Rural Funds:		**$87,858**					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Urban Funds:		**$35,992**					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	**$0**	**$0**	**0**	**$0**	
Remaining Region Funds	**$123,850**				

(+ or - $1.00 due to rounding)

Based on the HBA portion of the 2009 HOME SF NOFA

Allocation Information for Region 9
Total Applications in Region: 0
Total Funds Available: $196,419
Rural Allocation: $128,550
Urban Allocation: $67,869

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Rural Funds:		**$128,550**					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Urban Funds:		**$67,869**					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	**$0**	**$0**	**0**	**$0**	
Remaining Region Funds	**$196,419**				

(+ or - $1.00 due to rounding)

**Based on the HBA portion of the 2009 HOME SF NOFA*

Allocation Information for Region 10
Total Applications in Region: 0
Total Funds Available: $263,021
Rural Allocation: $185,490
Urban Allocation: $77,531

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		$0	$0	0	$0		
				Remaining Rural Funds:		$185,490					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		$0	$0	0	$0		
				Remaining Urban Funds:		$77,531					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$263,021				

(+ or - $1.00 due to rounding)

Based on the HBA portion of the 2009 HOME SF NOFA

Allocation Information for Region 11
Total Applications in Region: 1
Total Funds Available: $772,125
Rural Allocation: $434,056
Urban Allocation: $338,069

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural	2009-0026	8/31/2009		Community Development Corporation of Brownsville	Counties - Cameron	$300,000	$12,000	30			Terminated
				Totals :		**$300,000**	**$12,000**	**30**	**$0**		
				Remaining Rural Funds:		**$434,056**					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Urban Funds:		**$338,069**					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	**$300,000**	**$12,000**	**30**	**$0**	
Remaining Region Funds	**$772,125**				

(+ or - $1.00 due to rounding)

Based on the HBA portion of the 2009 HOME SF NOFA

Allocation Information for Region 12
Total Applications in Region: 0
Total Funds Available: $171,122
Rural Allocation: $73,692
Urban Allocation: $97,430

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		$0	$0	0	$0		
				Remaining Rural Funds:		$73,692					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		$0	$0	0	$0		
				Remaining Urban Funds:		$97,430					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$171,122				

(+ or - $1.00 due to rounding)

Based on the HBA portion of the 2009 HOME SF NOFA

Allocation Information for Region 13
Total Applications in Region: 0
Total Funds Available: $128,091
Rural Allocation: $93,512
Urban Allocation: $34,579

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
					Totals :	$0	$0	0	$0		
					Remaining Rural Funds:	$93,512					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
					Totals :	$0	$0	0	$0		
					Remaining Urban Funds:	$34,579					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$128,091				

(+ or - $1.00 due to rounding)

Based on the HBA portion of the 2009 HOME SF NOFA

2009 HOME SF NOFA (HBA) - Application Log

Post Regional Allocation Formula Collapse

September 28, 2009

Sorted by Date and Time Received

Statewide Summary	Totals
SF NOFA Amount:	**$25,923,970**
HBA Set-Aside Amount:	**$3,888,595**
HBA Funds Remaining After Collapse:	**$3,888,595**
Recommended After Collapse:	**$0**
Nbr Apps. Received:	**1**

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
2009-0034	9/18/2009	4:13 PM	City of Waxahachie	3	$220,000	$8,800	11				Under Review
				Totals:	**$220,000**	**$8,800**	**11**				

2009 HOME SF NOFA (TBRA) - Application Log

Subject to the Regional Allocation Formula (RAF)

Total Amount Available Prior to Action: $3,888,595

October 01, 2009

Sorted by Date and Time Received

Statewide Summary	Totals
SF NOFA Amount:	$25,923,970
TBRA Set-Aside:	$3,888,595
Funds Recommended:	$0
TBRA Funds Remaining:	$3,888,595
Nbr Apps. Received:	1

(+ or - $1.00 due to rounding)

***Based on the TBRA portion of the 2009 HOME SF NOFA**

Allocation Information for Region 1
Total Applications in Region: 0
Total Funds Available: $208,746
Rural Allocation: $208,699
Urban Allocation: $47

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
					Totals :	$0	$0	0	$0		
					Remaining Rural Funds:	$208,699					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
					Totals :	$0	$0	0	$0		
					Remaining Urban Funds:	$47					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$208,746				

(+ or - $1.00 due to rounding)

***Based on the TBRA portion of the 2009 HOME SF NOFA**

Allocation Information for Region 2
Total Applications in Region: 0
Total Funds Available: $142,318
Rural Allocation: $138,340
Urban Allocation: $3,978

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Rural Funds:		**$138,340**					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Urban Funds:		**$3,978**					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	**$0**	**$0**	**0**	**$0**	
Remaining Region Funds	**$142,318**				

(+ or - $1.00 due to rounding)

Based on the TBRA portion of the 2009 HOME SF NOFA

Allocation Information for Region 3
Total Applications in Region: 0
Total Funds Available: $761,987
Rural Allocation: $221,188
Urban Allocation: $540,799

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
					Totals :	$0	$0	0	$0		
					Remaining Rural Funds:	$221,188					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
					Totals :	$0	$0	0	$0		
					Remaining Urban Funds:	$540,799					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$761,987				

(+ or - $1.00 due to rounding)

Based on the TBRA portion of the 2009 HOME SF NOFA

Allocation Information for Region 4
Total Applications in Region: 0
Total Funds Available: $434,462
Rural Allocation: $369,251
Urban Allocation: $65,211

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		$0	$0	0	$0		
				Remaining Rural Funds:		$369,251					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		$0	$0	0	$0		
				Remaining Urban Funds:		$65,211					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$434,462				

(+ or - $1.00 due to rounding)

Based on the TBRA portion of the 2009 HOME SF NOFA

Allocation Information for Region 5
Total Applications in Region: 0
Total Funds Available: $196,335
Rural Allocation: $179,732
Urban Allocation: $16,603

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		$0	$0	0	$0		
				Remaining Rural Funds:		$179,732					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		$0	$0	0	$0		
				Remaining Urban Funds:		$16,603					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$196,335				

(+ or - $1.00 due to rounding)

**Based on the TBRA portion of the 2009 HOME SF NOFA*

Allocation Information for Region 6
Total Applications in Region: 0
Total Funds Available: $286,949
Rural Allocation: $101,554
Urban Allocation: $185,395

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		$0	$0	0	$0		
				Remaining Rural Funds:		$101,554					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		$0	$0	0	$0		
				Remaining Urban Funds:		$185,395					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$286,949				

(+ or - $1.00 due to rounding)

****Based on the TBRA portion of the 2009 HOME SF NOFA***

Allocation Information for Region 7
Total Applications in Region: 0
Total Funds Available: $203,167
Rural Allocation: $83,651
Urban Allocation: $119,516

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		$0	$0	0	$0		
				Remaining Rural Funds:		$83,651					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		$0	$0	0	$0		
				Remaining Urban Funds:		$119,516					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$203,167				

(+ or - $1.00 due to rounding)

***Based on the TBRA portion of the 2009 HOME SF NOFA**

Allocation Information for Region 8
Total Applications in Region: 0
Total Funds Available: $123,850
Rural Allocation: $87,858
Urban Allocation: $35,992

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
					Totals :	$0	$0	0	$0		
					Remaining Rural Funds:	$87,858					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
					Totals :	$0	$0	0	$0		
					Remaining Urban Funds:	$35,992					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$123,850				

(+ or - $1.00 due to rounding)

**Based on the TBRA portion of the 2009 HOME SF NOFA*

Allocation Information for Region 9
Total Applications in Region: 1
Total Funds Available: $196,419
Rural Allocation: $128,550
Urban Allocation: $67,869

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		$0	$0	0	$0		
				Remaining Rural Funds:		$128,550					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban	2009-0021	8/19/2009	3:27 PM	Ellis Community Resources Inc.	Counties - Comal	$300,000	$36,000	27			Withdrawn
				Totals :		$300,000	$36,000	27	$0		
				Remaining Urban Funds:		$67,869					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$300,000	$36,000	27	$0	
Remaining Region Funds	$196,419				

(+ or - $1.00 due to rounding)

Based on the TBRA portion of the 2009 HOME SF NOFA

Allocation Information for Region 10
Total Applications in Region: 0
Total Funds Available: $263,021
Rural Allocation: $185,490
Urban Allocation: $77,531

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
					Totals :	$0	$0	0	$0		
					Remaining Rural Funds:	$185,490					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
					Totals :	$0	$0	0	$0		
					Remaining Urban Funds:	$77,531					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$263,021				

(+ or - $1.00 due to rounding)

Based on the TBRA portion of the 2009 HOME SF NOFA

Allocation Information for Region 11
Total Applications in Region: 0
Total Funds Available: $772,125
Rural Allocation: $434,056
Urban Allocation: $338,069

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		$0	$0	0	$0		
				Remaining Rural Funds:		$434,056					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		$0	$0	0	$0		
				Remaining Urban Funds:		$338,069					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$772,125				

(+ or - $1.00 due to rounding)

Based on the TBRA portion of the 2009 HOME SF NOFA

Allocation Information for Region 12
Total Applications in Region: 0
Total Funds Available: $171,122
Rural Allocation: $73,692
Urban Allocation: $97,430

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Rural Funds:		**$73,692**					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
				Totals :		**$0**	**$0**	**0**	**$0**		
				Remaining Urban Funds:		**$97,430**					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	**$0**	**$0**	**0**	**$0**	
Remaining Region Funds	**$171,122**				

(+ or - $1.00 due to rounding)

Based on the TBRA portion of the 2009 HOME SF NOFA

Allocation Information for Region 13
Total Applications in Region: 0
Total Funds Available: $128,091
Rural Allocation: $93,512
Urban Allocation: $34,579

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Rural											
					Totals :	$0	$0	0	$0		
					Remaining Rural Funds:	$93,512					

Area Type	App number	Received Date	Time Received	Applicant	Areas Targeted	Project funds requested	Admin funds requested	Total Units	Project funds Rec.	Total Units Rec.	Comments
Urban											
					Totals :	$0	$0	0	$0		
					Remaining Urban Funds:	$34,579					

	Project funds	Admin funds	Total Units	Project funds Rec.	Total Units Rec.
Total Requested in Region:	$0	$0	0	$0	
Remaining Region Funds	$128,091				

(+ or - $1.00 due to rounding)

***Based on the TBRA portion of the 2009 HOME SF NOFA**

2009 HOME SF NOFA (TBRA) - Application Log

Post Regional Allocation Formula Collapse

October 05, 2009

Sorted by Date and Time Received

Statewide Summary	Totals
SF NOFA Amount:	$25,923,970
TBRA Set-Aside Amount:	$3,888,595
TBRA Funds Remaining After Collapse:	$3,888,595
Recommended After Collapse:	$0
Nbr Apps. Received:	3

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
2009-0031	9/2/2009	1:17 PM	Buckner Children & Family Services, Inc. dba Buckner Family Place	6	$162,624	$22,176	11				Terminated
2009-0033	9/2/2009	2:22 PM	Buckner Children & Family Services, Inc. dba Buckner Family Place	5	$133,056	$18,144	11				Terminated
2009-0035	9/24/2009	2:43 PM	Housing Authority of New Braunfels	9	$300,000	$36,000	27				Under Review
				Totals:	**$595,680**	**$76,320**	**49**				

2009 HOME Rental Housing Development Program - Award Recommendations

Application Acceptance Period: 7/16/2009 to 4/30/2010
Total NOFA Amount: $24,132,390

Total Set-Aside Funding Level: $5,590,030
Available Balance: $5,527,136

CHDO Set-Aside

File #	Region	Received By: Date	Time	Development Name	City	Housing Actvty(1)	ReqstdHOME Units	Total Units	Target(2) Population	Layering (3) 9%	4%	HTF	Requested Project Funds	Awarded / Recommended Project Funds	CHDO	Requested CHDO Funds	Awarded / Recommended CHDO Funds	Status
09138	7	2/19/2009	1:58 PM	Belmont Senior Village	Leander	NC	39	192	Elderly	Yes	No	No	$4,000,000	$3,000,000	Y	$0	$0	Pending Award 10/15/2009
Total HOME Applications			**1**		**Unit Totals:**		**39**	**192**	**Fund Totals:**				**$4,000,000**	**$3,000,000**		**$0**	**$0**	

Sorted by Date and Time Received

1 = Housing Activity: New Construction=NC, Rehabilitation = R
2 = Target Population Abbreviation: Intergenerational=Intg
3 = Layering of Other Department Active Applications: 9%=9% Competitive Tax Credits, 4%=4% Tax Credit Program, HTF = Housing Trust Fund

2009 HOME Rental Housing Development Program - Application Log

Application Acceptance Period: 7/16/2009 to 4/30/2010
Total NOFA Amount: $24,132,390

Total Set-Aside Funding Level*: $17,542,360
Available Balance: $0

General Set-Aside

File #	Region	Received By: Date	Received By: Time	Development Name	City	Housing Actvty(1)	Reqstd HOME Units	Total Units	Target(2) Population	Layering (3) 9%	4%	HTF	Requested Project Funds	Awarded / Recommended Project Funds	CHDO	Requested CHDO Funds	Awarded / Recommended CHDO Funds	Status
09000	6	12/3/2008	4:01 PM	Courtwood Apts	Eagle Lake	R	16	50	Elderly	Yes	No	No	$1,274,555	$1,160,034	N	$0	$0	Awarded 7/30/2009
09100	3	2/26/2009	8:00 AM	Crestmoor Park South Apts	Burleson	R	68	68	General	Yes	No	No	$1,215,089	$1,215,089	N	$0	$0	Awarded 7/30/2009
09248	6	2/27/2009	8:01 AM	Pearland Senior Village	Pearland	NC	28	126	Elderly	Yes	No	No	$3,000,000	$3,000,000	N	$0	$0	Awarded 7/30/2009
09245	10	2/27/2009	8:56 AM	Heights at Corral	Kingsville	R	29	80	General	Yes	No	No	$3,000,000	$3,000,000	N	$0	$0	Awarded 7/30/2009
09267	6	2/27/2009	10:44 AM	Heritage Crossing	Santa Fe	R	25	72	Elderly	Yes	No	No	$2,200,000	$2,200,000	N	$0	$0	Awarded 7/30/2009
09287	6	2/27/2009	3:14 PM	Horizon Meadows Apts	La Marque	NC	20	96	General	Yes	No	No	$1,700,000	$1,700,000	N	$0	$0	Awarded 7/30/2009
09136	12	2/27/2009	4:57 PM	Gateway to Eden	Eden	NC	20	20	General	Yes	No	No	$1,050,000		N	$0		Not Recommended
09502	3	3/27/2009	9:27 AM	Washington Hotel Lofts	Greenville	R	36	36	General	No	No	No	$2,650,000		N	$0		Under Review
09318	10	3/27/2009	2:40 PM	Hyatt Manor I and II Apts	Gonzales	R	15	65	General	Yes	No	No	$946,081	$946,081	N	$0	$0	Awarded 9/3/2009
09293	7	3/27/2009	2:58 PM	Villas of Shady Grove	Burnet	NC	28	80	General	Yes	No	No	$2,971,483		N	$0		Under Review
09126	8	3/27/2009	4:34 PM	Holland House Apts	Holland	R	68	68	General	Yes	No	No	$550,000	$550,000	N	$0	$0	Awarded 9/3/2009
09503	11	3/30/2009	3:34 PM	Parkview Terrace	Pharr	R	30	100	General	No	No	No	$3,000,000		N	$0		Under Review
09185	6	3/30/2009	5:09 PM	Maplewood Village II	League City	NC	0	80	Elderly	Yes	No	No	$1,450,000		N	$0		Under Review
09228	5	3/31/2009	11:13 AM	Lufkin Pioneer Crossing for Seniors	Lufkin	NC	25	80	Elderly	Yes	No	No	$2,796,156	$2,796,156	N	$0	$0	Awarded 9/3/2009
09150	8	3/31/2009	2:11 PM	Prairie Village Apts	Rogers	R	24	24	General	Yes	No	No	$375,000	$375,000	N	$0	$0	Awarded 9/3/2009

Sorted by Date and Time Received

* Consists of $5,000,000 in 2009 HOME funds and deobligated funds as follows: $6,500,000 approved on July 16, 2009; $5,775,128 approved on July 30, 2009; and $267,232 approved on Sept. 3, 2009.
1 = Housing Activity: New Construction=NC, Rehabilitation = R
2 = Target Population Abbreviation: Intergenerational=Intg
3 = Layering of Other Department Active Applications: 9%=9% Competitive Tax Credits, 4%=4% Tax Credit Program, HTF = Housing Trust Fund

File #	Region	Received By: Date	Time	Development Name	City	Housing Actvty(1)	Reqstd HOME Units	Total Units	Target(2) Population	Layering (3) 9%	4%	HTF	Requested Project Funds	Awarded / Recommended Project Funds	CHDO	Requested CHDO Funds	Awarded / Recommended CHDO Funds	Status
09146	2	3/31/2009	3:26 PM	Oakwood Apts	Brownwood	R	47	48	General	Yes	No	No	$600,000	$600,000	N	$0	$0	Awarded 9/3/2009
09148	8	3/31/2009	4:34 PM	Whispering Oaks Apts	Goldthwaite	R	24	24	Elderly	Yes	No	No	$400,000		N	$0		Under Review
09147	8	3/31/2009	4:52 PM	Village Place Apts	Lorena	R	32	32	General	Yes	No	No	$450,000		N	$0		Under Review
09149	8	4/1/2009	9:59 AM	Autumn Villas	Lorena	R	16	16	Elderly	Yes	No	No	$310,000		N	$0		Under Review
09294	7	4/1/2009	12:54 PM	Northgate Apts and Rhomberg Apts	Burnet	R	12	60	General	Yes	No	No	$638,140		N	$0		Under Review
09508	3	4/29/2009	11:48 AM	Estates at Northside	Pilot Point	NC	32	32	Elderly	No	No	No	$2,283,744		N	$0		Under Review
09506	4	4/29/2009	12:04 PM	Cherokee Hills	Rusk	NC	27	60	General	No	No	No	$2,325,000		N	$0		Under Review
09507	3	4/30/2009	2:04 PM	Silver Spring at Forney	Forney	NC	40	198	Elderly	No	No	No	$3,000,000		N	$0		Under Review
09019	4	4/30/2009	3:11 PM	Timber Village Apts II	Marshall	NC	15	72	General	Yes	No	No	$800,000		N	$0		Under Review
09511	3	4/30/2009	4:42 PM	Villas on Raiford	Carrollton	NC	18	180	Elderly	No	No	No	$3,000,000		N			Under Review
09165	8	4/30/2009	5:00 PM	Cherrywood Apts	West	R	12	44	Elderly	Yes	No	No	$1,156,092		N	$0		Under Review
Total HOME Applications			**26**		**Unit Totals:**		**707**	**1,811**		**Fund Totals:**			**$43,141,340**	**$17,542,360**		**$0**	**$0**	

Total Set-Aside Funding Level: $5,590,030

Available Balance: $5,527,136

CHDO Set-Aside

File #	Region	Received By: Date	Time	Development Name	City	Housing Actvty(1)	ReqstdHOME Units	Total Units	Target(2) Population	Layering (3) 9%	4%	HTF	Requested Project Funds	Awarded / Recommended Project Funds	CHDO	Requested CHDO Funds	Awarded / Recommended CHDO Funds	Status
09138	7	2/19/2009	1:58 PM	Belmont Senior Village	Leander	NC	39	192	Elderly	Yes	No	No	$4,000,000	$3,000,000	Y	$0	$0	Pending Award 10/15/2009
09172	3	2/23/2009	11:25 AM	Evergreen at Vista Ridge	Lewisville	NC	24	120	Elderly	Yes	No	No	$2,400,000	$62,894	Y	$50,000	$50,000	Awarded 7/30/2009

Sorted by Date and Time Received

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2 = Target Population Abbreviation: Intergenerational=Intg

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File #	Region	Received By: Date	Received By: Time	Development Name	City	Housing Actvty(1)	Reqstd HOME Units	Total Units	Target(2) Population	Layering (3) 9%	Layering (3) 4%	Layering (3) HTF	Requested Project Funds	Awarded / Recommended Project Funds	CHDO	Requested CHDO Funds	Awarded / Recommended CHDO Funds	Status
09171	3	2/24/2009	11:48 AM	Evergreen at Wylie	Wylie	NC	32	156	Elderly	Yes	No	No	$3,050,000		Y	$50,000		Under Review
09505	7	4/27/2009	11:36 AM	Luling Senior Housing Phase II	Luling	NC	29	29	Elderly	No	No	No	$2,580,845		Y	$50,000		Terminated
09504	5	4/27/2009	3:26 PM	Magnolia Place	Newton	NC	12	12	Family	No	No	No	$750,000		Y	$30,000		Under Review
09509	3	4/29/2009	1:09 PM	West Park Senior Housing	Corsicana	NC	40	40	Elderly	No	No	No	$4,000,000		Y	$50,000		Under Review
Total HOME Applications			**6**		**Unit Totals:**		**176**	**549**		**Fund Totals:**			**$16,780,845**	**$3,062,894**		**$230,000**	**$50,000**	

Total Set-Aside Funding Level: $1,000,000

Available Balance: $1,000,000

PWD Set-Aside

File #	Region	Received By: Date	Received By: Time	Development Name	City	Housing Actvty(1)	Reqstd HOME Units	Total Units	Target(2) Population	Layering (3) 9%	Layering (3) 4%	Layering (3) HTF	Requested Project Funds	Awarded / Recommended Project Funds	CHDO	Requested CHDO Funds	Awarded / Recommended CHDO Funds	Status
09512	2	8/4/2009	1:31 PM	Abilene Senior Village	Abilene	R		92	Elderly	Yes	No	No	$500,000		N	$0		Under Review
09513	5	8/12/2009	9:48 AM	Lufkin Pioneer Crossing for Seniors	Lufkin	NC		80	Elderly	Yes	No	No	$500,000		N	$0		Withdrawn
Total HOME Applications			**2**		**Unit Totals:**			**172**		**Fund Totals:**			**$1,000,000**			**$0**		

Sorted by Date and Time Received

* Consists of $5,000,000 in 2009 HOME funds and deobligated funds as follows: $6,500,000 approved on July 16, 2009; $5,775,128 approved on July 30, 2009; and $267,232 approved on Sept. 3, 2009.
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Texas Department of Housing & Community Affairs
Building Homes. Strengthening Communities.

Real Estate Analysis Division
Underwriting Report

REPORT DATE: 09/25/09 PROGRAM: 9% HTC / HOME FILE NUMBER: **09138**

DEVELOPMENT

Belmont Senior Village

Location: 12.3 acres out of Lots 1-3, Replat of lots 1-9, Block A of Leander 2243 subdivision on FM 2243 Region: 7

City: Leander County: Williamson Zip: 78641 ☐ QCT ☐ DDA

Key Attributes: Elderly, Urban, General, New Construction, CHDO

ALLOCATION

	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount****	**Interest**	**Amort/Term**
HOME/CHDO Funds	$4,000,000	0.00%	35/18	**$3,000,000**	**0.00%**	**35/18**
Housing Tax Credit (Annual)	$2,000,000			**$2,000,000**		

Recommendation subject to availability of funds and TDHCA Board approval.
The 2009 HOME/CHDO NOFA limits the maximum funding amount to $3M.

CONDITIONS

1 Receipt, review, and acceptance, by carryover, of documentation that a noise study of the subject site to determine compliance with current HUD guidelines has been completed, and evidence that any subsequent recommendations have been implemented.

2 Receipt, review, and acceptance, by carryover, of a legal opinion or letter from the county appraisal district including back-up documentation indicating that the development will qualify for a property tax exemption of at least 50%.

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 amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	17
50% of AMI	50% of AMI	151

TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	Low HOME	17
60% of AMI	High HOME	22

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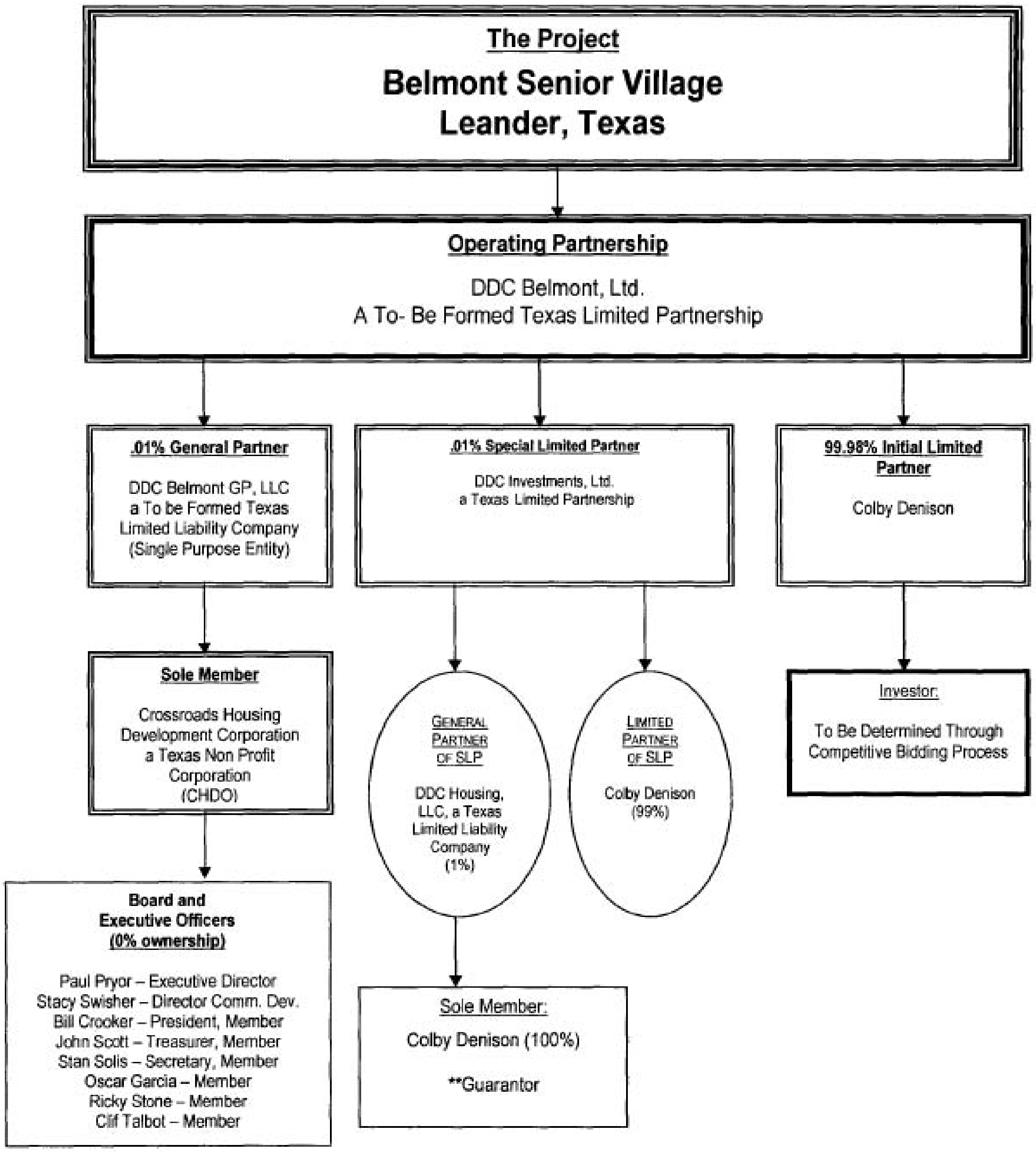
STRENGTHS/MITIGATING FACTORS	WEAKNESSES/RISKS
▫ Occupancy in the PMA is reported at 92% with other nearby comparables as high as 96%.	▫ 50% AMI units (78% of total units) show unit capture rates exceeding 200% and the overall inclusive capture rate is 74.8% (75% maximum per underwriting rules). ▫ Market rate units (13% of total) expose the development to minor market rental rate risk.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Colby Denison Phone: 512-732-1226 Fax: 512-732-1276
Email: colby@denisondevelopment.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Colby & Susanne Denison	N/A	4
Crossroads Housing Development Corp.	N/A	5
DDC Investments, Ltd.	N/A	3

IDENTITIES of INTEREST

- The General Contractor is "To Be Determined" at the time of underwriting. At this point there appears to be no identity of interest issues within the Development Team.
- The seller, Leander 2243 Investments, LLC, could be regarded as a related party as they also plan to provide interim financing used for QAP 9% competitive points purposes. However, the Underwriter does not believe this a true identity of interest given that they do not maintain a financial stake in the applicant, the development team, or in the operations of the property once completed as stated in a letter dated 9/17/09. In order to confirm that this is the case the Underwriter requested documentation pursuant to the 2009 QAP § 49.9(i)(27)(A). Leander 2243 Investments, LLC has satisfied the QAP requirement.

PROPOSED SITE

SITE PLAN

BUILDING CONFIGURATION

Building Type	1	2	3	4	5	Club					Total Buildings
Floors/Stories	4	4	4	4	1	1					
Number	1	1	1	2	6	1					12

BR/BA	SF	Units										Total Units	Total SF
1/1	727	16	16		12							56	40,712
1/1	733					2						12	8,796
1/1	860						8					8	6,880
2/1	917			16	16							48	44,016
2/2	968	20	20	16								56	54,208
2/2	1,001					2						12	12,012
Units per Building		36	36	32	28	4	8					**192**	**166,624**

SITE ISSUES

Total Size:	12.3 acres	Scattered site?	☐ Yes	☒ No
Flood Zone:	X	Within 100-yr floodplain?	☐ Yes	☒ No
Zoning:	MF-3-A	Needs to be re-zoned?	☐ Yes	☒ No ☐ N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/24/2009

Overall Assessment:

☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: Field; Housing East: Field; Retail center HEB etc.

South: Field; Field West: Business; Grave Yard

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: ECS Texas, LLP Date: 8/22/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- "As documented and qualified by this report, this assessment has revealed no evidence of RECs in connection with the property." (p. 2)
- "A noise study is recommended for the target property based on its proximity to civil airfields and other potential sources of excessive noise in accordance with current HUD guidelines. The potential noise sources identified and examined show that the target property is less than 1,000 feet from a road (fronts FM 2243) and is less than 3,000 feet from an active railroad." (addendum letter 04/14/09)

Comments:

Any funding recommendation will be subject to receipt, review, and acceptance, by carryover, of documentation that a noise study of the subject site to determine compliance with current HUD guidelines has been completed, and evidence that any subsequent recommendations have been implemented.

MARKET HIGHLIGHTS

Provider: O'Connor & Associates Date: 11/26/2008

Contact: Robert Coe Phone: (713) 375-4279 Fax: (713) 686-8336

Number of Revisions: None Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 63 sq. miles 4 mile equivalent radius

The Primary Market Area is defined by the geographic boundaries: CR 268 & 317, Brushy Creek Road and Brushy Creek to the east; FM 620 to the south; South Fork of the San Gabriel River and CR 280 to the north; and Line Creek Road, FM 2243 and Mesa Oaks Road to the west.

Secondary Market Area (SMA):

The market study does not define 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
none				none			

INCOME LIMITS						
Williamson						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$15,400	$17,600	$19,800	$22,000	$23,750	$25,500
40	$20,520	$23,440	$26,400	$29,320	$31,680	$34,000
50	$25,650	$29,300	$33,000	$36,650	$39,600	$42,500
60	$30,780	$35,160	$39,600	$43,980	$47,520	$51,000

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%	77	4	0	81	5	0	6%
1 BR/50%	103	9	0	112	61	0	54%
2 BR/30%	333	-17	0	316	12	0	4%
2 BR/50%	174	-1	0	173	90	0	52%

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 BR/30%	17	4	0	21	7	0	33%
1 BR/50%	18	6	0	24	59	0	247%
2 BR/30%	14	3	0	18	10	0	57%
2 BR/50%	21	7	0	28	92	0	328%

OVERALL DEMAND						
	Target Households	Household Size	Income Eligible	Tenure	Demand	
PMA DEMAND from TURNOVER					turnover	
Market Analyst p. 70	19% 6,006	100% 6,006	8%	509	23% 116	
Underwriter	22% 6,981	100% 6,981	11% 781	48% 373	22% 82	
PMA DEMAND from GROWTH					growth	
Market Analyst p. 70	19% 356	100% 356	8%	30	100% 30	
Underwriter	22% 624	100% 624	11% 70	48% 33	100% 33	
DEMAND from OTHER SOURCES					senior homeowners	
Market Analyst p. 70					374	
Underwriter					109	

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INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand	**Inclusive Capture Rate**
Market Analyst p. 71	168	0	0	168	520	**32%**
Underwriter	168	0	0	168	225	**74.8%**

Proposed, Under Construction, or Unstabilized Comparable Supply:

There are no proposed, under construction, or unstabilized comparable units located within the PMA.

Demand Analysis:

The market study clearly states that the subject property will offer restricted units at 30% and 50% of AMI; however, the demand analysis incorrectly includes the 60% income range, thereby overstating the eligible income range. At the same time, the Market Analyst understates the number of senior households in the PMA. Despite the fact that the market study includes a HISTA Data report clearly specifying the senior household population, the Market Analyst indirectly calculates senior households based on the senior population relative to the overall adult population.

The Market Analyst identified demand for 374 units from existing senior homeowners. This amount includes 119 units based on 10% turnover of existing owner households and 225 units resulting from projected growth in existing owner households. The REA rules allow for up to 10% turnover of existing homeowners if supported by applicable data. The 2000 census data for the PMA indicates a senior homeowner turnover rate of 11.9%, so the limit of 10% has been applied. The REA rules do not allow for consideration of demand based on growth of homeowner households.

Overall the Market Analyst considered demand for 116 units from turnover of existing senior renter households; demand for 30 units from growth of existing senior renter households; and demand for 374 units from senior homeowner households. This demand represents an inclusive capture rate of 32% for the 168 restricted units at the subject property.

The underwriting analysis identified demand for 82 units from turnover of existing senior renter households, demand for 33 units from growth of existing senior renter households; and demand for 109 units from senior homeowner households. The total demand for 225 units represents an inclusive capture rate of 74.8% for the 168 restricted units at the subject property. This is marginally below the maximum capture rate of 75% for developments targeting seniors.

Primary Market Occupancy Rates:

"The occupancy of the comparable rentals included in this study range from 93% to 96%, with a median occupancy of 94.60%. The average occupancy for comparable apartments in the subject's primary market area was reported at 92.35% in the most recent O'Connor Data survey (September 2008). According to the survey, occupancy in the primary market area in November 2008 has increased slightly from the prior quarter. Average occupancy in the primary market area has remained in the high 80% to mid 90's since June 2002. The fluctuations were due to new product coming on-line. Based on our analysis of the market, moderate increases in occupancy are projected for this market." (p. 40)

Absorption Projections:

"Typically, HTC projects in the Greater Austin area have achieved stabilized occupancy at a rapid pace, most likely due to the projects being new and superior compared to older multifamily projects. The subject should be able to reach a stabilized occupancy level within 12 months of completion." (p. 40)

This section intentionally left blank.

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 727 SF 50%	$612	$632	$670	$632	$38
1 BR 727 SF 50%	$612	$632	$670	$632	$38
1 BR 727 SF MR	$670	$670	$670	$670	$0
1 BR 733 SF 30%	$346	$358	$670	$358	$312
1 BR 733 SF 50%	$612	$632	$670	$632	$38
1 BR 860 SF 50%	$612	$632	$670	$632	$38
2 BR 917 SF 30%	$411	$426	$750	$426	$324
2 BR 917 SF 50%	$731	$756	$750	$750	$0
2 BR 917 SF 50%	$731	$756	$750	$750	$0
2 BR 917 SF MR	$750	$750	$750	$750	$0
2 BR 968 SF 30%	$411	$426	$825	$426	$399
2 BR 968 SF 50%	$731	$756	$825	$756	$69
2 BR 968 SF MR	$825	$825	$825	$825	$0
2 BR 1,001 SF 50%	$731	$756	$825	$756	$69
2 BR 1,001 SF MR	$825	$825	$825	$825	$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." (p. 12)

Comments:

The market study provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant has applied for HOME financing as well as tax credits; some units are therefore subject to multi-layered restrictions. When more than one program applies, the most restrictive rent restriction is used for purposes of determining the projected rents collected. The Applicant's projected rents per unit were calculated by subtracting tenant-paid utility allowances as of June 2007 maintained by the Georgetown Housing Authority from the 2008 HTC and HOME program rent limits. At the time the application was submitted the 2009 program rents were not yet published. The Underwriter's projected rents were calculated by subtracting tenant paid utilities from the 2009 program rent limits. It should be noted that the Underwriter's projected rent collected for the TC50%/High HOME two-bedroom units have been capped to the achievable market rent. The calculated program net rents for these units are $756, however, the market study has indicated that the achievable market rent for two-bedroom units is $750.

The Applicant's secondary income projections exceed the Department's $15 per unit maximum guideline. In addition to the income generated from standard fees such as late and laundry fees, the Applicant's estimate also includes income generated from carport/garage rentals and cable service. The Applicant's vacancy and collection loss assumptions are consistent with current TDHCA underwriting guidelines. Despite the differences described above, the Applicant's effective gross income estimate is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection of $4,021 per unit is within 5% of the Underwriter's estimate of $4,127 per unit, as derived from the TDHCA and IREM databases as well as other third-party data sources. Several of the Applicant's line-item estimates differ significantly from the Underwriter's estimates, including: payroll ($20K lower); repairs and maintenance ($15K lower); and property taxes ($24K higher).

Of note, the Applicant's projections include a 50% property tax exemption based on the fact that the sole member of the General Partner, Crossroads Housing Development Corporation (CHDO), is a 501(c)(3) non-profit entity. The Underwriter's analysis also includes the 50% property tax exemption since the same type of exemption for a similar type of development in the same area and with the same ownership structure was secured by the Applicant for a property awarded in 2005.

It should also be noted that if the Underwriter applies the Applicant's property tax estimate of $110,200 the development will still remain feasible with a DCR of 1.15. However, if the property does not qualify for a 50% reduction in property taxes the development will become infeasible with a DCR of 1.04 and cashflow projections will not be able to repay the deferred developer fee within 15 years of stabilized operations.

Conclusion:

The Applicant's income and operating expenses are within 5% of the Underwriter's projections. However, net operating income (NOI) is not within 5% of the Underwriter's estimate because of differences in secondary income; therefore the Underwriter's year one proforma will be used to determine the development's debt capacity. The Applicant's permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.14, which is below the Department's minimum DCR guideline of 1.15. However, the Underwriter's recommended financing structure reflects a lower amount of HOME funds ($3M) as this is the maximum funding amount per deal under the current 2009 NOFA. This will be discussed in more detail in the "Financing Structure" section of the report.

Feasibility:

The underwriting 30-year proforma utilizes a 2% annual growth factor for income and a 3% annual growth factor for expenses in accordance with 2009 TDHCA guidelines. The Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a DCR that remains above 1.15 with continued positive cashflow throughout a 30 year projection once the Underwriter's recommend financing structure is included in all calculations.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	17.1 acres	$1,118,752	Tax Year:	2007
Per Acre:		$65,340	Valuation by:	Williamson CAD
Total Assessed Value (12.3 acres):		$803,682	Tax Rate:	2.57

EVIDENCE of PROPERTY CONTROL

Type: Commercial Contract for Purchase — Acreage: 12.3

Contract Expiration: 9/1/2009 — Valid Through Board Date? [X] Yes [ ] No

Acquisition Cost: $1,854,000 — Other:

Seller: Leander 2243 Investments, LLC — Related to Development Team? [ ] Yes [X] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: None — Date of Last Applicant Revision: N/A

Acquisition Value:

The Applicant's acquisition cost consists of the purchase price of $1,854,000 plus closing costs and acquisition legal fees of $7,500 for a total acquisition cost of $1,861,500 or $9,695 per unit. The acquisition costs appears to be reasonable since the transfer will be an arm's length transaction.

Sitework Cost:

The Applicant's sitework cost estimate equates to $14,198 per unit which exceeds the Department's guideline of $9,000 per unit. This cost has been documented and certified by a third-party professional engineer; and a CPA letter indicating which costs are attributable to eligible basis. Therefore further substantiation of these costs is not required.

Direct Construction Cost:

The Underwriter's *Marshall & Swift Residential Cost Handbook* -derived estimate of direct construction cost is 6% or $579K higher than the Applicant's estimate.

Interim Interest Expense:

The interim interest expense was found to be within Departmental guidelines, therefore no adjustment to the eligible basis is warranted for this line-item expense.

Contingency & 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.

Conclusion:

The Applicant's total development costs, as adjusted for the items identified above, are within 5% of the Underwriter's estimate; therefore the Applicant's development cost schedule will be utilized to determine the development's need for permanent funds and to calculate the eligible basis. An eligible basis of $19,899,280 supports annual tax credits of $2,037,189 based on a syndication rate of $0.65. While the development is not located in a QCT or DDA, the application does qualify for a 30% boost due to the proposal to include more than 10% of its units at or below 30% AMI, pursuant to §49.6(h)(4)(C) of the 2009 Qualified Allocation Plan.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: None Date of Last Applicant Revision: N/A

Source: Leander 2243 Investments, LLC Type: **Interim Private Loan**

Principal: $550,000 Conditions: To be used during pre-development.

Comments:

Leander 2243 Investments, LLC is the current owner / seller of the development site. It should be noted that these funds are to be used for pre-development fees and repaid within 6 months from the date of execution of the promissory note. The Applicant has assured the Underwriter that these funds are a loan and not a grant. Full repayment plus interest is necessary. The interest rate is set at 1% + "the highest prime rate as published on the date of execution of the Note in the Wall Street Journal." Please see the Identity of Interest section of the report for further explanation.

Source: PNC Multifamily Capital Type: **Interim Financing**

Principal: $13,700,000 Interest Rate: PNC Prime + 100bps ☐ Fixed Term: 24 months

Source: PNC Multifamily Capital Type: **Permanent Financing**

Principal: $5,700,000 Interest Rate: 8.25% ☐ Fixed Amort: 420 months

Comments:

Interest rate may be locked by providing deposit equal to 3% of the loan amount. Deposit will be funded upon conversion of the permanent loan. Borrower must also provide a promissory note to the lender at the time of rate lock in the amount of 5% of the permanent loan amount secured by a 2nd lien of trust against the property. The promissory note will be returned to the borrower upon the funding of the permanent loan and the deed of trust will then be released.

Source: TDHCA HOME Funds Type: **TDHCA HOME Funds**

Principal: $3,000,000 Interest Rate: 0% X Fixed Amort: 420 months

Comments:

The application reflects a request of $4M in TDHCA HOMECHDO funds. However, the Underwriter has limited the Applicant's request to $3M as this is the maximum funding amount per development under to the 2009 NOFA. The Applicant is requesting that the HOME funds be structured as a fully repayable loan set at 0% interest and 35- year amortization. Any recommendation of a HOME award made in this report is contingent upon the availability of HOME funds and TDHCA Board approval. Should the HOME funds ultimately not be awarded, the financial feasibility of this transaction would be in jeopardy unless alternative sources of financing are found.

Source:	PNC Multifamily Capital		Type:	**Syndication**	
Proceeds:	$12,997,400	Syndication Rate: 65%		Anticipated HTC:	$ 2,000,000

Comments:

Sensitivity test shows that if the syndication rate falls below $0.58 per tax credit dollar the deferred developer fee becomes un-repayable within 15 years and pricing above $0.68 results in an excess of funds which would cause a reduction in the awarded allocation.

Amount:	$464,150	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. However, the recommended financing structure reflects a change in the requested HOME/CHDO award from $4M to $3M. The lower amount is the maximum funding amount per development allowed under the current 2009 NOFA. Based on a $3M HOME award the proforma analysis results in a DCR of 1.19 which is acceptable.

The Applicant's total development cost estimate less the permanent loan amount of $5.7M and the recommended TDHCA HOME amount of $3M indicates the need for $14,461,551 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $2,225,299 annually would be required to fill this gap in financing. The three possible tax credit allocations are:

Allocation determined by eligible basis:	$2,037,189
Allocation determined by gap in financing:	$2,225,299
Allocation requested by Applicant:	**$2,000,000**

The allocation amount as requested by the Applicant is recommended. A tax credit allocation of $2,000,000 per year for 10 years results in total equity proceeds of $12,997,400 at a syndication rate of $0.65 per tax credit dollar.

The Underwriter's recommended financing structure indicates the need for $1,464,151 in additional permanent funds. Deferred developer and contractor fees in this amount appear to be repayable from development cashflow within 15 years of stabilized operation.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units. If the TDHCA HOME funds become unavailable to this development, then a classification of financial infeasibility is certain because the development will not be able to fill the gap in financing unless additional funds are provided.

Underwriter:	*Colton Sanders*	Date:	September 25, 2009
Manager of Real Estate Analysis:	*Raquel Morales*	Date:	September 25, 2009
Director of Real Estate Analysis:	*R. Brent Stewart*	Date:	September 25, 2009

MULTIFAMILY COMPARATIVE ANALYSIS

Belmont Senior Village, Leander, 9% HTC / HOME #09138

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 50%	HH	8	1	1	727	$686	$632	$5,056	$0.87	$54.00	$47.00
TC 50%		38	1	1	727	$686	$632	$24,016	$0.87	$54.00	$47.00
MR		10	1	1	727		$670	$6,700	$0.92	$54.00	$47.00
TC 30%	LH	7	1	1	733	$412	$358	$2,506	$0.49	$54.00	$47.00
TC 50%		5	1	1	733	$686	$632	$3,160	$0.86	$54.00	$47.00
TC 50%		8	1	1	860	$686	$632	$5,056	$0.73	$54.00	$47.00
TC 30%	LH	4	2	1	917	$495	$426	$1,704	$0.46	$69.00	$54.00
TC 50%	HH	6	2	1	917	$825	$750	$4,500	$0.82	$69.00	$54.00
TC 50%		32	2	1	917	$825	$750	$24,000	$0.82	$69.00	$54.00
MR		6	2	1	917		$750	$4,500	$0.82	$69.00	$54.00
TC 30%	LH	6	2	2	968	$495	$426	$2,556	$0.44	$69.00	$54.00
TC 50%		46	2	2	968	$825	$756	$34,776	$0.78	$69.00	$54.00
MR		4	2	2	968		$825	$3,300	$0.85	$69.00	$54.00
TC 50%	HH	8	2	2	1,001	$825	$756	$6,048	$0.76	$69.00	$54.00
MR		4	2	2	1,001		$825	$3,300	$0.82	$69.00	$54.00
TOTAL:		192		AVERAGE:	868		$683	$131,178	$0.79	$63.06	$51.23

INCOME	Total Net Rentable Sq Ft: 166,624		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT			$1,574,136	$1,532,304	Williamson		7
Secondary Income	Per Unit Per Month:	$15.00	34,560	92,160	$40.00	Per Unit Per Month	
Other Support Income: Garages & Carports			0	26,400	$11.46	Per Unit Per Month	
POTENTIAL GROSS INCOME			$1,608,696	$1,650,864			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(120,652)	(123,816)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME			$1,488,044	$1,527,048			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.00%	$310	0.36	$59,473	$56,500	$0.34	$294	3.70%
Management		5.00%	388	0.45	74,402	76,352	0.46	398	5.00%
Payroll & Payroll Tax		13.33%	1,033	1.19	198,346	178,000	1.07	927	11.66%
Repairs & Maintenance		6.49%	503	0.58	96,643	81,360	0.49	424	5.33%
Utilities		2.44%	189	0.22	36,324	39,000	0.23	203	2.55%
Water, Sewer, & Trash		7.13%	552	0.64	106,069	100,000	0.60	521	6.55%
Property Insurance		2.71%	210	0.24	40,284	35,000	0.21	182	2.29%
Property Tax	2.565554	5.79%	449	0.52	86,203	110,200	0.66	574	7.22%
Reserve for Replacements		3.23%	250	0.29	48,000	48,000	0.29	250	3.14%
TDHCA Compliance Fees		0.45%	35	0.04	6,720	7,680	0.05	40	0.50%
Other: Cable & Supp Services		2.68%	208	0.24	39,936	39,936	0.24	208	2.62%
TOTAL EXPENSES		53.25%	$4,127	$4.76	$792,399	$772,028	$4.63	$4,021	50.56%
NET OPERATING INC		46.75%	$3,623	$4.17	$695,645	$755,020	$4.53	$3,932	49.44%
DEBT SERVICE									
PNC		33.49%	$2,595	$2.99	$498,288	$498,288	$2.99	$2,595	32.63%
TDHCA - HOME Funds		7.68%	$595	$0.69	114,286	114,286	$0.69	$595	7.48%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		5.58%	$433	$0.50	$83,071	$142,446	$0.85	$742	9.33%
AGGREGATE DEBT COVERAGE RATIO					1.14	1.23			
RECOMMENDED DEBT COVERAGE RATIO					1.19				

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)		7.73%	$9,695	$11.17	$1,861,500	$1,861,500	$11.17	$9,695	8.04%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		11.32%	14,198	16.36	2,726,035	2,726,035	16.36	14,198	11.77%
Direct Construction		42.01%	52,706	60.73	10,119,571	9,539,775	57.25	49,686	41.19%
Contingency	4.77%	2.55%	3,194	3.68	613,290	613,290	3.68	3,194	2.65%
Contractor's Fees	13.37%	7.13%	8,944	10.31	1,717,214	1,717,214	10.31	8,944	7.41%
Indirect Construction		5.17%	6,489	7.48	1,245,909	1,245,909	7.48	6,489	5.38%
Ineligible Costs		5.60%	7,021	8.09	1,347,970	1,000,770	6.01	5,212	4.32%
Developer's Fees	14.51%	10.78%	13,519	15.58	2,595,558	2,595,558	15.58	13,519	11.21%
Interim Financing		6.07%	7,612	8.77	1,461,500	1,461,500	8.77	7,612	6.31%
Reserves		1.66%	2,083	2.40	400,000	400,000	2.40	2,083	1.73%
TOTAL COST		100.00%	$125,461	$144.57	$24,088,547	$23,161,551	$139.00	$120,633	100.00%
Construction Cost Recap		63.00%	**$79,042**	**$91.08**	**$15,176,110**	**$14,596,314**	**$87.60**	**$76,022**	63.02%

SOURCES OF FUNDS	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
PNC	23.66%	$29,688	$34.21	$5,700,000	$5,700,000	$5,700,000	Developer Fee Available
TDHCA - HOME Funds	16.61%	$20,833	$24.01	4,000,000	4,000,000	3,000,000	$2,595,558
PNC - HTC Syndication Proceeds	53.96%	$67,695	$78.00	12,997,400	12,997,400	12,997,400	% of Dev. Fee Deferred
Deferred Developer Fees	1.93%	$2,417	$2.79	464,150	464,150	1,464,151	56%
Additional (Excess) Funds Req'd	3.85%	$4,828	$5.56	926,997	1	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$24,088,547	$23,161,551	$23,161,551	$2,300,954

Belmont Senior Village, Leander, 9% HTC / HOME #09138

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$57.82	$9,634,747
Adjustments				
Exterior Wall Finish	0.00%		$0.00	$0
Elderly	3.00%		1.73	289,042
9-Ft. Ceilings	3.00%		1.73	289,042
Elevators	$63,600	3	1.15	190,800
Subfloor			(0.96)	(159,174)
Floor Cover			2.29	381,324
Breezeways/Balconies	$22.95	6,668	0.92	153,031
Plumbing Fixtures	$856	156	0.80	133,474
Rough-ins	$413	360	0.89	148,724
Built-In Appliances	$1,887	192	2.17	362,384
Exterior Stairs	$1,875	18	0.20	33,750
Enclosed Corridors	$47.90	23,676	6.81	1,134,158
Heating/Cooling			1.83	304,922
Garages/Carports	$24.35	32,000	4.68	779,200
Comm &/or Aux Bldgs	$71.50	8,527	3.66	609,681
Other: fire sprinkler	$2.15	166,624	2.15	358,242
SUBTOTAL			87.88	14,643,347
Current Cost Multiplier	1.01		0.88	146,433
Local Multiplier	0.87		(11.42)	(1,903,635)
TOTAL DIRECT CONSTRUCTION COSTS			$77.34	$12,886,145
Plans, specs, survy, bld prmts	3.90%		($3.02)	($502,560)
Interim Construction Interest	3.38%		(2.61)	(434,907)
Contractor's OH & Profit	11.50%		(8.89)	(1,481,907)
NET DIRECT CONSTRUCTION COSTS			$62.82	$10,466,771

PAYMENT COMPUTATION

Primary	$5,700,000	Amort	420
Int Rate	8.25%	DCR	1.40

Secondary	$4,000,000	Amort	420
Int Rate	0.00%	Subtotal DCR	1.14

Additional	$12,997,400	Amort	
Int Rate		Aggregate DCR	1.14

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$498,288
Secondary Debt Service	85,714
Additional Debt Service	0
NET CASH FLOW	$111,642

Primary	$5,700,000	Amort	420
Int Rate	8.25%	DCR	1.40

Secondary	$3,000,000	Amort	420
Int Rate	0.00%	Subtotal DCR	1.19

Additional	$12,997,400	Amort	0
Int Rate	0.00%	Aggregate DCR	1.19

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

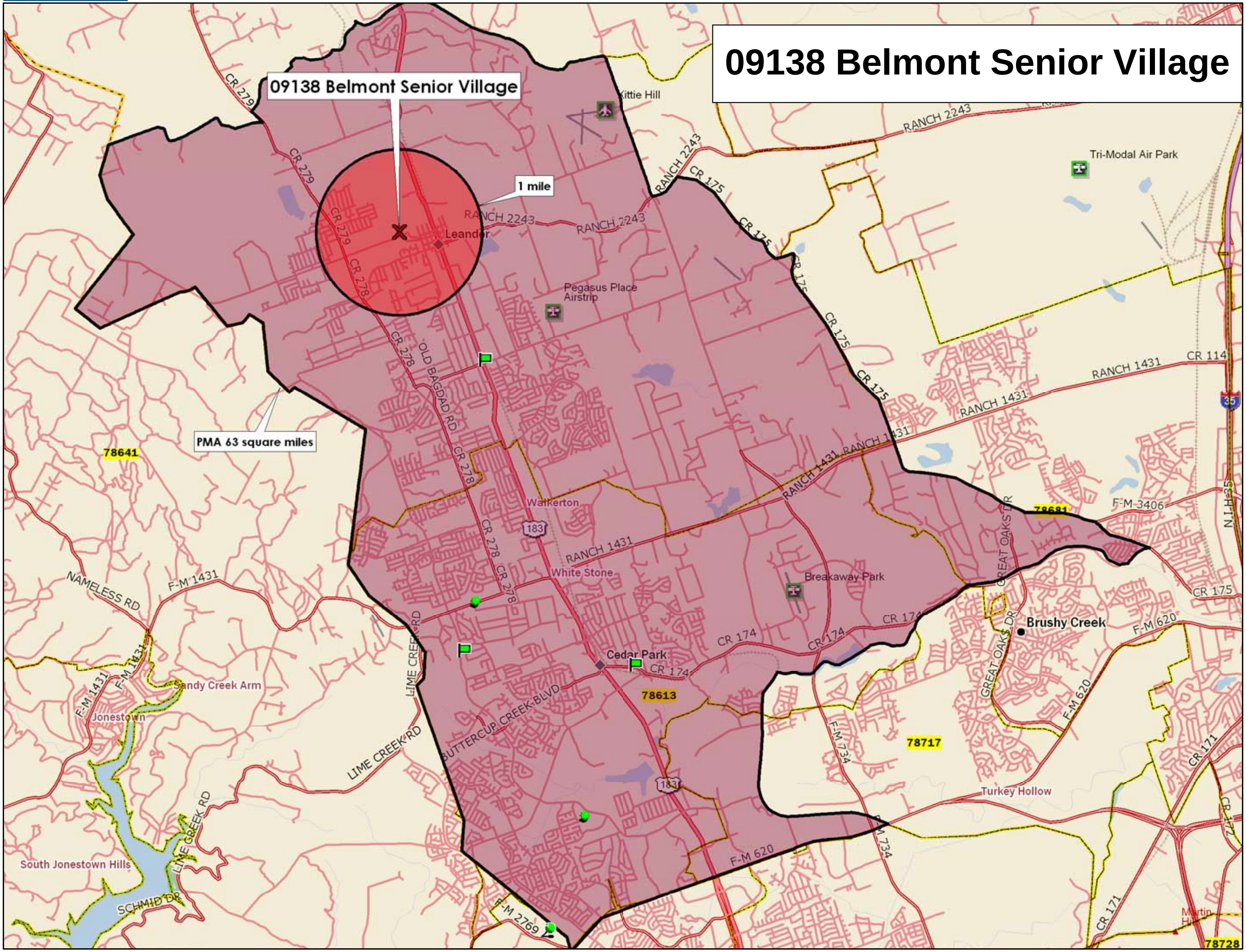
INCOME at 2.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,574,136	$1,605,619	$1,637,731	$1,670,486	$1,703,895	$1,881,238	$2,077,039	$2,293,219	$2,795,421
Secondary Income	34,560	35,251	35,956	36,675	37,409	41,302	45,601	50,347	61,373
Other Support Income: Garages & Carpor	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,608,696	1,640,870	1,673,687	1,707,161	1,741,304	1,922,541	2,122,640	2,343,566	2,856,794
Vacancy & Collection Loss	(120,652)	(123,065)	(125,527)	(128,037)	(130,598)	(144,191)	(159,198)	(175,767)	(214,260)
Employee or Other Non-Rental Units or C	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,488,044	$1,517,805	$1,548,161	$1,579,124	$1,610,706	$1,778,350	$1,963,442	$2,167,799	$2,642,535
EXPENSES at 3.00%									
General & Administrative	$59,473	$61,258	$63,095	$64,988	$66,938	$77,599	$89,959	$104,287	$140,153
Management	74,402	75,890	77,408	78,956	80,535	88,918	98,172	108,390	132,127
Payroll & Payroll Tax	198,346	204,296	210,425	216,738	223,240	258,796	300,016	347,800	467,414
Repairs & Maintenance	96,643	99,542	102,528	105,604	108,772	126,097	146,181	169,464	227,745
Utilities	36,324	37,414	38,536	39,692	40,883	47,395	54,943	63,694	85,600
Water, Sewer & Trash	106,069	109,251	112,529	115,904	119,382	138,396	160,439	185,993	249,959
Insurance	40,284	41,492	42,737	44,019	45,339	52,561	60,932	70,637	94,931
Property Tax	86,203	88,789	91,452	94,196	97,022	112,475	130,389	151,157	203,142
Reserve for Replacements	48,000	49,440	50,923	52,451	54,024	62,629	72,604	84,168	113,115
Other	46,656	48,056	49,497	50,982	52,512	60,875	70,571	81,812	109,948
TOTAL EXPENSES	$792,399	$815,427	$839,131	$863,531	$888,647	$1,025,741	$1,184,207	$1,367,402	$1,824,134
NET OPERATING INCOME	$695,645	$702,378	$709,030	$715,593	$722,059	$752,609	$779,235	$800,397	$818,401
DEBT SERVICE									
First Lien Financing	$498,288	$498,288	$498,288	$498,288	$498,288	$498,288	$498,288	$498,288	$498,288
Second Lien	85,714	85,714	85,714	85,714	85,714	85,714	85,714	85,714	85,714
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$111,642	$118,375	$125,028	$131,591	$138,057	$168,607	$195,233	$216,395	$234,399
DEBT COVERAGE RATIO	1.19	1.20	1.21	1.23	1.24	1.29	1.33	1.37	1.40

HTC ALLOCATION ANALYSIS -Belmont Senior Village, Leander, 9% HTC / HOME #09138

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$1,861,500	$1,861,500		
Purchase of buildings				
Off-Site Improvements				
Sitework	$2,726,035	$2,726,035	$2,726,035	$2,726,035
Construction Hard Costs	$9,539,775	$10,119,571	$9,539,775	$10,119,571
Contractor Fees	$1,717,214	$1,717,214	$1,717,213	$1,717,214
Contingencies	$613,290	$613,290	$613,290	$613,290
Eligible Indirect Fees	$1,245,909	$1,245,909	$1,245,909	$1,245,909
Eligible Financing Fees	$1,461,500	$1,461,500	$1,461,500	$1,461,500
All Ineligible Costs	$1,000,770	$1,347,970		
Developer Fees				
Developer Fees	$2,595,558	$2,595,558	$2,595,558	$2,595,558
Development Reserves	$400,000	$400,000		
TOTAL DEVELOPMENT COSTS	$23,161,551	$24,088,547	$19,899,280	$20,479,077

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		$19,899,280	$20,479,077
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$25,869,065	$26,622,801
Applicable Fraction		87.50%	87.50%
TOTAL QUALIFIED BASIS		$22,635,431	$23,294,950
Applicable Percentage		9.00%	9.00%
TOTAL AMOUNT OF TAX CREDITS		$2,037,189	$2,096,546
Syndication Proceeds	**0.6499**	**$13,239,079**	**$13,624,821**

Total Tax Credits (Eligible Basis Method)	**$2,037,189**	**$2,096,546**
Syndication Proceeds	**$13,239,079**	**$13,624,821**
Requested Tax Credits	**$2,000,000**	
Syndication Proceeds	**$12,997,400**	
Gap of Syndication Proceeds Needed	**$14,461,551**	
Total Tax Credits (Gap Method)	**$2,225,299**	



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Scale 1 : 100,000

1" = 1.58 mi

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MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
October 15, 2009

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

§49.9(c), 2009 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. 060053, Candletree Apartments

Summary of Request: The owner requested approval to deliver the development with one bathroom in all of the one-bedroom units and with 326 open parking spaces instead of 351. The bathroom count was found to be deficient in the Department's inspection in that 88 650 square foot one-bedroom units were not found to have one and a half bathrooms. The inspection finding was based on the record presented to the Board at the time of the award.

Staff's review of the bathrooms found that the record originating in the application Rent Schedule indicated that 88 one-bedroom units would have one and a half bathrooms. The Building/Unit Type Configuration Form disagreed with the Rent Schedule by stating that the same 88 units would have two bathrooms. The architectural plans in the application indicated that all 136 one-bedroom units would have only one bedroom and the cost certification confirms the development as originally proposed in the plans.

Regarding the parking spaces, the development was built to serve elderly tenants. The final parking ratio was 1.5 spaces per unit. The final parking facilities were in compliance with the city's requirements.

Owner:	South Hulen, LP
General Partner:	Candletree Homes, LLC
Developers:	Carleton Development
Principals/Interested Parties:	Sycamore Housing, Inc. (nonprofit owner of GP, subsidiary of Housing Authority of the City of Fort Worth); Carleton Development
Syndicator:	Apollo Equity Partners
Construction Lender:	Wells Fargo
Permanent Lender:	Wells Fargo; Trinity River Public Facility Corporation
Other Funding:	Housing Authority of the City of Fort Worth
City/County:	Fort Worth/Tarrant
Set-Aside:	Nonprofit
Type of Area:	Urban
Region:	3
Type of Development:	Rehabilitation
Population Served:	General Population
Units:	216 HTC units
2006 Allocation:	$1,046,736
Allocation per HTC Unit:	$4,846
Prior Board Actions:	8/06 – Approved award of tax credits
Underwriting Reevaluation:	The underwriter found that the changes did not negatively affect the underwriting of this transaction and recommended no changes in the amount of the tax credit award pending the completion of the cost certification review.
Staff Recommendation:	**Staff recommends approving the request.**

<u>HTC No. 060087, Sphinx at Alsbury</u>

<u>Summary of Request</u>: The owner is requesting approval to deliver the development in the bathroom count and for building one more one-bedroom unit than proposed in the application and one less two-bedroom unit. Staff's current review found that the application contained discrepancies associated with the amendment request that were never fully resolved. Staff found that the last responses submitted by the applicant to cure deficiencies found in the Rent Schedule, Building/Unit Type Configuration Form and architectural plans for the units, did not agree with each other.

The architectural plans show the bathroom count in the last submission to have 22 1/1s (i.e. one-bedroom units with one bathrooms), 59 2/1.5s, 13 2/2s, 22 3/2s and 34 3/2.5s. However, the Building/Unit Type Configuration Form shows 34 of the units to be 3/3's. The last Rent Schedule simply represented that all of the two-bedroom and three-bedroom units would have two bathrooms and this representation was conveyed to the Board. The development was actually built with the bathroom counts depicted in the plans but with one additional 1/1 and 58 2/1.5s instead of 59. Both the one bedroom unit and the two bedroom unit were targeted for families at 60% of AMGI. The chart below shows the differences in the exhibits in the application.

Architectural Plans			**Building/Unit Configuration**			**REA Report**			**Final "As Built"**		
Units	Bed	Bath	Units	Bed	Bath	Units	Bed	Bath	Units	Bed	Bath
22	1	1	22	1	1	22	1	1	**23**	1	1
59	2	1.5	59	2	1.5				**58**	2	1.5
13	2	2	13	2	2	72	2	2	13	2	2
22	3	2	22	3	2	56	3	2	22	3	2
34	3	2.5	34	3	3				34	3	**2.5**
150			150			150			150		

In some other features of the development, the owner exceeded the representations of the application. While the application's plans indicated a development having 156,681 square feet, the Rent Schedule and Building/Unit Configuration Form indicated 158,133 square feet. The development was built with 161,604 square feet. The development also included nine-foot ceilings instead of eight-foot ceilings,

Staff found that the differences between the development as proposed and as built would not have affected the Threshold evaluation or the recommendation of the application for an award.

Owner:	DCTC-SPHINX DEVELOPMENT, LP
General Partner:	DCTC Alsbury Villas, LLC
Developers:	Sphinx Development Corporation
Principals/Interested Parties:	Tarrant County Development Corporation; Jay Oji; Joseph Agumadu
Syndicator:	SunAmerica
Permanent Lender:	NorthMarq Capital, Inc.
Other Funding:	Tarrant County Development Corporation
City/County:	Burleson/Tarrant
Set-Aside:	General Population
Type of Area:	Urban
Region:	3

Type of Development:	New Construction
Population Served:	General Population
Units:	143 HTC units and 7 market rate units
2006 Allocation:	$1,078,596
Allocation per HTC Unit:	$7,543
Prior Board Actions:	7/06 – Approved award of tax credits
Underwriting Reevaluation:	The underwriter found that the changes did not negatively affect the underwriting of this transaction and recommended no changes in the amount of the tax credit award pending the completion of the cost certification review.
Staff Recommendation:	**Staff recommends approving the request.**

<u>HTC No. 060111, Evergreen at Rockwall</u>

<u>Summary of Request</u>: The owner requested approval to deliver the development with a site of 6.5749 acres. If approved, the final site would be 0.2749 (11,975 square feet) larger than the 6.3 acres represented in the Pre-Application and Application. The differences in size and configuration between Pre-Application and Application breach the requirement that the Application contain the "identical site" (§50.9(i)(12)(A), 2006 QAP) to the Pre-Application to score the six points associated with the submission of a Pre-Application.

Prior to the current request, the development owner requested and received approval for changes in the subject development that included relocating the buildings from one side of the site to the other. The owner's previous request was in October 2007. However, the previous request did not specify a change in the size of the development.

The application received an award from the nonprofit set-aside with a score of 186, including six points for submitting a Pre-Application. To receive points for a Pre-Application, the site identified in an Application must be the "same" site described in the Pre-Application. Without the six Pre-Application points, the development would have scored 180 points. There were two other developments in the region that scored above 179 but did not receive awards. One of the two received a bond award in the same year (2006) and the other received a 9% award in 2007. The subject development was in the nonprofit set-aside. The two other developments were not in the nonprofit set-aside.

The Owner is requesting no penalties be assessed because the "rule" was not in affect when the award was made. However, the "rule" was in affect when the decision was made to change the site and the owner had the opportunity to request approval prior to the change and failed to do so.

Owner:	Rockwall Senior Community, L.P.
General Partner:	LifeNet-Rockwall GP, L.L.C.
Developers:	LifeNet Community Behavioral Healthcare; Churchill Residential
Principals/Interested Parties:	LifeNet Community Behavioral Healthcare; Churchill Residential, Inc., Brad Forslund
Syndicator:	SunAmerica
Construction Lender:	SunAmerica
Permanent Lender:	SunAmerica
Other Funding:	TDHCA HOME Funds
City/County:	Rockwall/Rockwall
Set-Aside:	Nonprofit Set-Aside
Type of Area:	Urban/Exurban
Region:	3
Type of Development:	New Construction
Population Served:	Elderly Population
Units:	141 HTC units
2007 Allocation:	$1,042,433
Allocation per HTC Unit:	$7,393
Prior Board Actions:	7/06 – Approved award of tax credits
Underwriting Reevaluation:	The underwriter found that the changes did not negatively affect the underwriting of this transaction and recommended no changes in the amount of the tax credit award pending the completion of the cost certification review.
Staff Recommendation:	**Staff recommends approving the request.**

HTC No. 08300, Blackshear

Summary of Request: This request was originally heard by the Board in September and the Board accepted staff's recommendation to deny the request because the amendment did not meet the threshold requirements at the time of Application. The owner was not available at the meeting to answer questions for the Board.

The owner is requesting approval to add eight additional sites to the development plan. The development is comprised of single family residences (units) and the number of residences, unit mix and net rentable area would remain the same under the amended development proposal as in the original plan.

The owner states it was originally contemplated to complete the development in two phases. However, when the credit market collapsed and investors were limited, the owner decided to amend this application to complete the development in one phase. The owner states the additional lots will limit the platting process, enhance the revitalization and appeal of the neighborhood and improve the ability to sell the homes after the credit period has expired.

The change would not have affected the score of the application. However, the change is related to the Threshold requirements of the application because the requirements call for the development's land to have been under the control of the applicant throughout the application review period. Both the original land and the land to be added under the amendment request is being sold to the owner by the City of San Angelo but the new land was not under the control of the "development owner" throughout the application review period as required by the 2009 QAP. They may have been under the control of the city but not the "development owner." In addition, the environmental assessments were not submitted to the Department by the required deadline in order to meet threshold.

Owner:	Blackshear Properties of San Angelo, LLC
General Partner:	Community Development Properties, San Angelo, Inc. (Nonprofit)
Developers:	NDC Housing Development Corporation, Galilee Community Development Corporation
Principals/Interested Parties:	NDC Housing Development Corporation, Galilee Community Development Corporation
Syndicator:	NDC Corporate Equity Fund VIII, LP
Construction Lender:	First Financial Bankshares
Permanent Lender:	City of San Angelo
Other Funding:	NA
City/County:	San Angelo/Tom Green
Set-Aside:	General Population
Type of Area:	Urban
Region:	12
Type of Development:	New Construction
Population Served:	General Population
Units:	20 HTC units (single-family residences)
2008 Allocation:	$316,123
Allocation per HTC Unit:	$15,806
Prior Board Actions:	7/08 – Approved award of tax credits
Underwriting Reevaluation:	No change in the credit amount prior to review of the TCAP application was recommended. Approval of this amendment request should be conditioned on receipt by cost certification of a certification from the provider of the ESA indicating whether or not additional action was required in relation to the recognized environmental concerns discussed in the report dated July 1,

2009. If such action were required, receipt, review and acceptance of evidence that all recommendations for action with regard to the environmental findings are required.

Staff Recommendation: **Staff's recommendation remains a denial because the change would violate the application's Threshold requirements.**

<u>HTC No. 05629, Village Park Apartments</u>

<u>Summary of Request:</u> This request was originally brought before the Board in May. The owner requested relief from the board to omit the installation of a threshold requirement of ceiling fans in all bedrooms because it was a financial burden the owner had not anticipated and the wiring in the development was not adequate. The Board asked to work with the owner to find a suitable alternative and come back to the board for approval. This request along with several other amendments in the same development were brought to the Board at the July Board Meeting with a recommendation to approve all amendments with the exception of the ceiling fans because it was a threshold requirement and staff does not have recommend that the Board waive threshold requirement. Therefore, this request was not directly addressed individually.

The owner reported to the Board that the fans were not included in the original rehabilitation scope of work by error. However, the owner also reported that when the error was discovered, an estimate of the cost of the mistake was $839,000. The owner told the Board that the high cost reflected the need to install approximately 1,200 fans which also required the installation of 230 new circuit breakers and wiring for each unit. The owner indicated that these installations would, to some degree, intrude upon approximately 900 tenants. The Owner asked the Board if he could find another amenity to substitute that would be less financially taxing on the development. As a more financially feasible and less intrusive alternative, the owner has now installed built-in microwave ovens which will replace the vent hoods in all 418 units at a cost of $320 each or a total cost of $133,760.

Owner:	Village Park Apartments Partners, Ltd.
General Partner:	Summit America Properties, Inc.
Developers:	Summit Asset Management, LLC
Principals/Interested Parties:	W. Daniel Hughes, Jr.
Syndicator:	Guilford Capital Corporation
Construction Lender:	Regions Bank
Permanent Lender:	FNMA through Greystone Servicing Corporation, Inc.
Other Funding:	NA
City/County:	Houston/Harris
Set-Aside:	Tax-Exempt Bond Development-TDHCA Issuer
Type of Area:	Urban
Region:	6
Type of Development:	Acquisition/Rehabilitation
Population Served:	General Population
Units:	355 HTC units and 63 market rate units
2005 Allocation:	$574,490
Allocation per HTC Unit:	$1,618
Prior Board Actions:	7/05 – Approved award of tax credits
Underwriting Reevaluation:	The current changes in the request do not negatively impact the feasibility of the development. The owner has submitted the cost certification package and requested credits of $629,380, which is $54,890 more than originally awarded. Although the credit allocation has not been finalized, the underwriter has substantiated $38,319 of the increase. Without the amendment request, the increase could be approved by the executive director because it was less than a 10% increase.
Staff Recommendation:	**Staff is requesting clarification of the Board's acceptance of the substitution of the built-in microwave ovens in every unit for the ceiling fans in all bedrooms.**

TEXAS DEPARTMENT OF
HOUSING & COMMUNITY AFFAIRS
Building Homes. Strengthening Communities.

Memorandum

To: File

From: Audrey Martin, Real Estate Analysis

cc: Ben Sheppard, Multifamily Finance Production

Date: September 16, 2009

Re: Amendment Request for Candletree Apartments, TDHCA #060053

Background
Development received an award of $1,046,736 in 9% tax credits during the 2007 Housing Tax Credit application cycle. Construction is complete and the cost certification for the development has been submitted to the Department.

Amendment Request
Owner requested the following in a letter dated August 11, 2009:

1. Bathrooms – The development is a rehabilitation development, and none of the unit configurations or sizes have changed since application. However, the owner asserts that the number of bathrooms identified in the application for 88 of the 136 one bedroom units was incorrect, and requests the following correction:
   a. 650 Square Foot 1BR Units – 1.5 bathrooms were proposed at application. 1 bathroom was provided. Although the rent schedule and underwriting report from application indicated the presence of 1.5 bathrooms, the floor plans and Property Condition Assessment ("PCA") from the application confirmed that the units contained 1 bathroom.
2. Parking Spaces – 351 were proposed at application, but only 326 were provided. The final survey confirms that 326 spaces were provided.

Conclusion
The cost certification has been submitted to the Department. The development is a rehabilitation. The underwriting analysis for rehabilitation developments uses the owner's final costs, as certified by the CPA, to determine the recommended credit allocation. The Underwriter's analysis indicates that requested changes do not negatively impact the underwriting of the transaction. However, the final credit recommendation has not been finalized, and no change to the credit recommendation is recommended prior to the completion of the cost certification review process.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: August 21, 2006 **PROGRAM:** 9% HTC **FILE NUMBER:** 060053

DEVELOPMENT NAME

Candletree Apartments

APPLICANT

Name:	South Hulen, LP	**Contact:**	Barbara Holston
Address:	1201 East 13th Street		
City	Fort Worth	**State:**	TX **Zip:** 76102
Phone:	(817) 332-8614 **Fax:** (817) 332-4830	**Email:**	Barbara@ftwha.org

KEY PARTICIPANTS

Name:	Candletree Homes, LLC	**Title:**	1% Managing General Partner of Applicant
Name:	Sycamore Housing, Inc	**Title:**	100% nonprofit owner of MGP
Name:	Housing Authority of the City of Fort Worth	**Title:**	Parent of Sycamore Housing
Name:	CGB Southwest, Inc.	**Title:**	1% Special Limited Partner of Applicant
Name:	Carleton Development	**Title:**	Developer

PROPERTY LOCATION

Location:	7425 South Hulen		
City:	Fort Worth	**Zip:**	76133
County:	Tarrant	**Region:**	3 ☐ **QCT** ☐ **DDA**

REQUEST

Program	Amount	Interest Rate	Amortization	Term
HTC	$1,019,035	N/A	N/A	N/A

Proposed Use of Funds:	Rehabilitation	**Type:**	Multifamily
Target Population:	Family	**Other:**	Urban/Exurban

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $1,046,736[1] ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance of a revised lease to reflect the ability to capitalize the anticipated
2. Receipt, review, and acceptance of evidence that all Phase I Environmental Site Assessment and subsequent environmental investigation report recommendations have been carried out, particularly with respect to noise, asbestos, and soil and ground water tests.

[1] The recommended tax credit allocation incorporates the July 28, 2006 TDHCA Board approval to raise the underwriting applicable percentage rates for the 2006 Application Round to 3.69% and 8.46% for the 30% and the 70% credit, respectively.

3. Receipt, review and acceptance of documentation from ALPHA Testing, Inc addressing the issue of lead in drinking water.
4. Receipt, review and acceptance of a firm commitment from the Housing Authority of the City of Fort Worth for the $50,000 Capital Grant Funds clearly stating all conditions have been met and a firm commitment for the $756,216 loan clearly stating the type of loan, interest rate, amortization period and repayment term.
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/allocation amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 216 **# Res Bldgs** 19 **# Non-Res Bldgs** 1 **Age:** 23 yrs **Vacant:** 24 at 2/17/2006

Net Rentable SF: 156,720 **Av Un SF:** 726 **Common Area SF:** 2,250 **Gross Bldg SF:** 158,970

ARCHITECTURAL REVIEW

The building and unit plans are comparable to other apartment developments of a similar age. They appear to provide acceptable access and storage. The elevations reflect modest buildings.

STRUCTURAL MATERIALS

The structures are constructed on a wood subfloor. According to the plans provided in the application the exterior will be 20% siding/shingle, 40% masonry veneer, and 40% stucco. The interior wall surfaces will be drywall and the roofs will be finished with composite shingles.

UNIT FEATURES

The interior flooring are 90% carpet and 20% resilient. Threshold criteria for the 2006 QAP requires all development units to include: mini blinds or window coverings for all windows, a dishwasher, a disposal, a refrigerator, an oven/range, an exhaust/vent fax in bathrooms, and a ceiling fan in each living area and bedroom. New construction units must also include three networks: one for phone service, one for data service, and one for TV service. In addition, each unit will include: a microwave, an ice maker in the refrigerator, a self-cleaning oven, a ceiling fixture in each room, a forced air unit and eight-foot ceilings.

ONSITE AMENITIES

In order to meet threshold criteria for total units of 200 or more, the Applicant has elected to provide a community laundry room, controlled access gates, an equipped business center or computer learning center, full perimeter fencing, a furnished community room, a furnished fitness center, a service coordinators office in addition to the leasing offices, and a swimming pool.

Uncovered Parking: 351 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The subject is a 27-unit per acre rehabilitation development located in Fort Worth. The development was built in 1983 and is comprised of 19 evenly distributed garden style residential buildings as follows:

No. of Buildings	No. of Floors	1BR	2BR
3	2	16	0
5	2	16	0
1	2	8	0
3	2	0	8
7	2	0	8

The Applicant proposes the construction of a 2,250 square foot combined community, office and laundry building.

Development Plan: The buildings are currently 89% occupied and in a modest state. The property condition assessment prepared by EMG and dated February 24, 2006 indicates:

- Site Electric main: Replace
- Roadways & parking, asphalt overlay: Overlay
- Roadways & parking, concrete curb: Cut out and patch
- Pedestrian paving, concrete: Replace
- Site sanitary lines: Jet and repair as needed
- Sanitary lines between 9 & 18: Replace
- Water supply cut off to buildings: Replace
- Landscaping: Replace
- Irrigation system: Replace
- Trees, pruned: Replace
- Dumpster enclosures: Replace
- Building mounted HID lighting: Replace
- Fencing, metal picket fence: Install where required
- Children's playground: Replace
- Entrance gates with openers: Install where required
- Boiler rooms removed: Remove
- Foundations: Replace or reinforce
- Gyp-crete replacement: Replace
- Wood stud replacement: Replace
- Roof structure-Shed over stairs: Install where required
- Soffits and fascias, wood/stucco/concrete: Replace and paint
- Roof drainage, exterior (gutter & fascia) : New gutters
- Roof drainage, gutter guards: Install
- Insulation within wall: Replace
- Exterior walls, stucco/EIFS: Prep and paint/stain
- Exterior walls, brick: Remove & Replace
- Paint stucco: Paint
- Exterior steel stair/concrete treads: Replace
- Exterior metal railings: Replace
- Storm/Screen Doors: Install
- Exterior Unit Doors: Replace 1x during term
- Windows (Frames & glazing) : Replace 1x during term
- Residential Glass Doors, Sliding: Replace
- Wood storage room door: Replace
- Concrete patio slabs: Replace
- Wood framed balconies: Replace
- Entrance balcony: Replace
- Heat and smoke detectors: Replace
- Fire extinguishers: Install
- Living area floors, carpet: Replace
- Living area floors, VCT: Replace
- Living area walls, drywall/plaster: Paint
- Interior doors: Replace
- Door hardware-exterior: Replace
- Door hardware-interior: Replace
- Drywall replacement or repair: Replace
- Interior wood trim replacement: Replace
- Refrigerator: Replace
- Microwave-Hood: Replace
- Disposal: Replace
- Dishwasher: Replace
- Range: Replace
- Countertop and sink: Replace 2x during term
- Kitchen cabinets: Replace1x during term
- HVAC, fan coil units: Replace 1x during term
- Bath Fixtures (Sink, toilet) : Replace
- DHW heaters, <50 gal. : Replace
- Bath accessories: Replace
- Electrical devices: switches & outlets: Replace
- Unit Buzzer-Intercom: Replace
- Electric fixtures: Replace
- Install GFCI receptacles: Replace
- New rental office/clubhouse: Built

Relocation Plan: According to the Applicant, the proposed renovations will be extensive and affect all 216 units; therefore the residents will be required to vacate their apartments. Renovations will be completed in 4 phases, affecting approximately 25% of the units at once during each phase. Consequently, 25% of the apartments must remain vacant from the time construction begins until renovations have been completed. Moreover, residents have been given prior knowledge of the proposed improvements and that their relocation will be required. Residents will be given at least 90 days prior notice of their required move date. The buildings that will make up the 25% in the first phase of renovations will require those residents to relocate to comparable apartments on-site or in other apartment communities. Once renovations of first phase units have been completed, residents in buildings that will make up the second phase will be relocated to the newly renovated units in the first phase. Relocation of residents will continue in this way until all four phases of the renovation process have been completed. Furthermore, those residents that are relocated off-site will be offered assistance in locating comparable apartments, and once completed, will be relocated to the renovated fourth phase apartments.

SITE ISSUES

SITE DESCRIPTION

Total Size:	8.037 acres	**Scattered sites?**	☐ Yes ☒ No
Flood Zone:	Zone X	**Within 100-year floodplain?**	☐ Yes ☒ No
Current Zoning:	C- Medium Density Multifamily	**Needs to be re-zoned?**	☐ Yes ☒ No ☐ N/A

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is located at 7425 South Hulen Street, Fort Worth in Tarrant County. Fort Worth is approximately 33 miles west of downtown Dallas and approximately 188 miles north of Austin in Tarrant

County.

Adjacent Land Uses:

- **North:** Vacant land immediately adjacent and residential uses beyond;
- **South:** Vacant land immediately adjacent and residential uses beyond;
- **East:** Candletree Park immediately adjacent and residential uses beyond; and
- **West:** residential uses immediately adjacent and beyond.

Site Access: According to the Market Analyst, the site has an overall average accessibility rating with primary access via South Hulen Street, and secondary access via Sycamore School Road and Altamesa Boulevard.

Public Transportation: Fort Worth has an extensive public transportation system provided by the Fort Worth Transportation Authority's "The T" bus system. The nearest linkage is adjacent to the subject site on Hulen.

Shopping & Services: Several major grocery/pharmacies, shopping centers, and a variety of other retail establishments and restaurants are located within one mile of the site. Schools, churches, and hospitals and health care facilities are also located within a short driving distance from the site.

Special Adverse Site Characteristics:

- **Floodplain:** According to the ESA, "…the north adjacent creek is located within Zone A, a special flood hazard area inundated by a 100-year flood (no base elevations determined), which appears to abut the northern boundary of the Site." However, it does not appear that the subject site and improvements are in the 100-year floodplain.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff **Date:** 04/24/2006

Overall Assessment: ☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Comments:

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 23, 2006 was prepared by Alpha Testing, Inc. and contained the following findings and recommendations:

Findings:

- **Noise:** Per a letter dated June 22, 2006 from ALPHA Testing, Inc., "Based on the U.S. Department of Housing and Urban Development (HUD) Noise Assessment Guidelines, major sources of noise to evaluate for assessment purposes include airports (located within a 15-mile radius), major roadways (located within a 1,000 feet radius) and railroads (located within a 3,000 feet radius). Applicable major sources of noise to consider for the subject site per HUD Assessment Guidelines include South Hulen Street and Sycamore School Road. Airports located within 15-miles of the subject site include the Naval Air Station (NAS) Joint Reserve Base and Fort Worth Spinks Airport. Based on these findings, a noise assessment would be required to evaluate acceptable or unacceptable noise levels at the subject site."
- **Floodplain:** "Based on a review of the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM) Number 48439C0395J, Panel 395, revised 2000, the Site appears located within Zone X, which are areas outside the 500-year floodplain zone. It should be noted that the north adjacent creek is located within Zone A, a special flood hazard area inundated by a 100-year flood (no base elevations determined), which appears to abut the northern boundary of the Site" (p.26).
- **Asbestos-Containing Materials (ACM):** "In conjunction with the Site reconnaissance, a limited non-destructive visual asbestos survey was conducted of the structure(s) on the subject Site. The limited survey was conducted of accessible areas of the Site. The purpose of the survey was to observe for suspect ACM such as pipe insulation, acoustic ceiling materials, non-ceramic flooring, and wall systems. Suspect ACMs observed within the on-site buildings (but may not be limited to) included textured and

painted drywall, drywall joint compound, spray-on acoustical ceiling texture, vinyl floor tiles and mastic and roofing materials. The observed suspect ACMs appeared to be in good condition. The observed suspect ACMs should be assumed to contain asbestos until sampling and testing is performed to confirm the presence or absence of asbestos" (p.23).

- **Lead-Based Paint (LBP):** "Based on the age of construction of the structures on Site (1983), suspect lead-based paints are considered unlikely to be present at the Site. However, testing would be required to confirm the presence or absence lead-based paints at the Site" (p.24).
- **Lead in Drinking Water:** In response to a deficiency from the Underwriter, the Applicant submitted a letter dated June 22, 2006 from ALPHA Testing, Inc., addressing lead-based paint instead of lead in drinking water as requested. Receipt, review and acceptance of documentation from ALPHA Testing, Inc addressing the issue of lead in drinking water is a condition or this report.
- **Radon:** "Based on a review of *Map of Radon Zones* developed by the EPA and U.S. Geological Survey, the Site is located in EPA Zone 3, which indicates radon concentrations below 2 pCi/l. Based on a review of the Final Report of The Texas Indoor Radon Survey, dated June 1994, prepared by the Texas Department of Health (TDH), Bureau of Radiation Control, the mean residential radon measurement for Tarrant County is 1.1 pCi/l. The EPA recommends a guideline "action level" of 4.0 pCi/l for annual average indoor radon concentrations. Based on this information, Site is considered to have a low potential for elevated levels of radon gas. However, testing would be required to evaluate site-specific concentrations of radon gas" (p.26).

Recommendations and Conclusions: "ALPHA has performed a Phase I Environmental Assessment in conformance with the scope and limitations of ASTM Practice E 1527-00 for an approximately 9.3-acre, irregular shaped, residentially developed tract of land located at 7425 Hulen Street in the City of Fort Worth, Tarrant County, Texas, the Site…This assessment has revealed evidence of recognized environmental conditions in connection with the Site. The presence of a dry cleaner facility and a gasoline station facility located within close proximity (200-400 feet) and topographically up-gradient to the since at least 1988 (18 years) and 1985 (21 years), respectively, constitute RECs. ALPHA recommends an Environmental Site Investigation (ESI) be performed to evaluate the presence of total petroleum hydrocarbons (TPHs) and volatile organic compounds (VOCs) in the on-site soil and groundwater as a result of a potential release from the dry cleaner facility and/or gasoline station facility located within close vicinity to the Site. IF the on-site structures are scheduled for renovation or demolition, a comprehensive asbestos survey must be performed by a State of Texas licensed and EPA accredited asbestos inspector in accordance with Texas Asbestos Health Protection Rues and the EPA's NESHAP regulation (40 CFR Part 61) prior to the initiation of renovation or demolition in activities" (p.26 & 27).

Receipt, review, and acceptance of evidence that all Phase I Environmental Site Assessment and subsequent environmental investigation report recommendations have been carried out is a condition of this report.

INCOME SET-ASIDE

The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Two hundred and sixteen of the units (100% of the total) will be reserved for low-income tenants. Forty-one of the units (19%) will be reserved for households earning 30% or less of AMI, and 175 units (81%) will be reserved for households earning 60% or less of AMI. In addition, the units set-aside to be affordable at 30% of AMGI will also be characterized as public housing units.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$26,640	$30,420	$34,260	$38,040	$41,100	$44,100

MARKET HIGHLIGHTS

A market feasibility study dated February 23, 2006 was prepared by Integra Realty Resources DFW ("Market Analyst") and included the following findings:

Secondary Market: The Market Analyst did not define a secondary market area for the subject development.

Definition of Primary Market Area (PMA): "For this analysis, we consider the primary market area (PMA) for the subject to be constrained by the following: IH-20 to the north; Crowley Road to the east; Fort Worth City limits/Cleburne Road to the south; and Granbury Road/Hulen Street to the west" (p. 17). This area encompasses approximately 18.41 square miles and is equivalent to a circle with a radius of 2 miles.

Population: The estimated 2005 population of the PMA was 65,287 and is expected to increase by 12% to approximately 73,143 by 2010. Within the primary market area there were estimated to be 24,537 households in 2005.

Total Market Demand: The Market Analyst elected not to utilize a target household adjustment rate or a household size-appropriate adjustment rate. The Analyst's income band of $6,137 to $33,840 (p. 46) results in an income eligible adjustment rate of 23.5% (p. 47). The Underwriter utilized the most current proposed rents provided by the Applicant, resulting in the utilization of a more narrow income band down as compared to the Market Analyst's income band. The tenure appropriate adjustment rate of 33.2% is specific to the target population (p. 46). The Market Analyst indicates a turnover rate of 50% applies based on The National Multi-Housing Council (p. 48).

MARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	40	2.7%	28	4%
Resident Turnover	1,416	97.3%	641	96%
TOTAL DEMAND	**1,456**	**100%**	**669**	**100%**

p. 49

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 14.8% based upon 1,456 units of demand and 216 unstabilized affordable housing in the PMA (including the subject) (p. 50). The Underwriter calculated an inclusive capture rate of 74% based upon a revised supply of 496 unstabilized comparable affordable units divided by a revised demand estimate for 669 affordable units. Current Department rules require an overall inclusive capture rate less than 25% for Developments targeting families. However, the subject development is currently 89% occupied and it is likely the existing tenants will choose to remain at the property. Therefore, an inclusive capture rate calculation is not a meaningful tool for determining the feasibility of the subject development.

Unit Mix Conclusion: The Market Analyst does not comment on the reasonableness of the subject development's unit mix.

Market Rent Comparables: The Market Analyst surveyed 5 comparable apartment projects totaling 728 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Est. Market**	**Differential**
1-Bedroom/1BA (30%)	$179	$287	-$108	$420	-$241
1-Bedroom/1BA (60%)	$440	$644	-$204	$420	$20
1-Bedroom/1.5BA (30%)	$179	$287	-$108	$470	-$291
1-Bedroom/1.5BA (60%)	$470	$644	-$174	$470	-$0
2-Bedroom/1BA (30%)	$179	$343	-$164	$560	-$381
2-Bedroom/1BA (60%)	$560	$772	-$164	$560	-$0
2-Bedroom/2BA (30%)	$179	$343	-$164	$610	-$431
2-Bedroom/2BA (60%)	$660	$772	-$112	$610	$50

(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 simple average occupancy for properties within the PMA is 92%, and the simple average occupancy rate for LIHTC properties within the PMA is 98%" (p.66).

Absorption Projections: "Per Carleton Residential Properties, the renovation/rehabilitation plan is to work on individual buildings by relocating tenants within those buildings to vacant units throughout the facility. Due to the current occupancy of the subject, coupled with the renovation plans, we have estimated an absorption time of 3 months after the date of completion" (p.43).

Unstabilized, Under Construction, and Planned Development: The Park at Sycamore School Apartments (TDHCA #02459), and Sycamore Center Villas Apartments (TDHCA #02484) are located within the defined PMA boundaries. The Park at Sycamore School Apartments is comprised of 280 units, targeting families and according to the Market Analyst, is 92% occupied. Sycamore Center Villas Apartments is comprised of 216 units, and is currently 89% occupied.

Market Impact: The Market Analyst did not comment on the affect the rehabilitation of the subject development will have on the market area.

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 projected rents collected per unit do not appear to be based on current HTC rent limits, or the market rent conclusions indicated in the Market Study. The development's public housing units are lower than the maximum rents allowed under HTC guidelines, based on the average income for public housing tenants. These units will be further subsidized by an annual contributions contract that will provide sufficient funds to cover the operating expenses for these units at 100% occupancy. It should be noted that no debt can be serviced by the public housing units. For the non-PHU 60% tax credit units, the Underwriter utilized the lesser of the Market Analyst's market rent conclusion or the rents calculated by subtracting tenant-paid utility allowances as of January 20, 2006, maintained by the Housing Authority of the City of Fort Worth, from the 2006 program gross rent limits. The Underwriter's assumptions included a flat $179 per unit per month rental income from the PHA units and an additional monthly operating subsidy which allows these units to cover only operating expenses. This calculation is in accordance with methodology used by other Texas Housing Authorities proposing mixed public housing and tax credit units.

The Applicant's secondary income from normal operation and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines. The difference in potential tenant-paid rent for each unit type does not appear to have an effect on the development's income because the Applicant's effective gross rent is within 5% of the Underwriter's estimate.

Expenses: The Applicant's total annual operating expense projection at $3,400 per unit is not within 5% of the Underwriter's estimate of $3,674, derived from actual operating history of the development, the TDHCA database and third party data sources. It should be noted, the underwriting analysis of the expected repairs over time presented in the submitted PCA were revised as of July 6, 2006 to evaluate the capital needs over the course of the next 30 years, and indicates a need for the initial reserve for replacement requirement to be set at $565 per unit.

Conclusion: The Applicant's total expenses and net operating income are not within 5% of Underwriter's estimates, therefore the Underwriter's proforma is used to determine the development's debt capacity. The Underwriter's proforma and estimated debt service result in a debt coverage ratio (DCR) below the current underwriting minimum guideline of 1.10. Therefore, the recommended financing structure reflects a decrease in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Long-Term Feasibility: The Underwriter adjusted the 30-year operating proforma to allow an increase in the operating subsidy to match the increase in operating expenses. All other income factors continue to be increased by 3% per year. A 4% annual growth factor for expenses is used 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 after reducing the debt service to a feasible amount, the debt coverage ratio that remains above 1.10 and continued positive cashflow can be determined. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Total Development: "as is"	$5,700,000	**Date of Valuation:**	2/14/2006

Appraiser: Adrienne Barrow **Firm:** Integra Realty Resources **City:** Dallas

APPRAISAL ANALYSIS/CONCLUSIONS

An appraisal, provided by the purchaser, was performed by Integra Realty Resources and dated February 14, 2006. The current "as-is" value is most important in the valuation and underwriting of this property because it should support the purchase price of the subject. For the "as-is" valuation, the primary approach used was the income approach. In this case the value is less than the purchase price, but higher than the acquisition value used in the underwriting analysis.

ASSESSED VALUE

Land: 8.038 acres	N/A	**Assessment for the Year of:**	2006
Building:	N/A	**Valuation by:**	Tarrant County Appraisal District
Total Assessed Value:	EXEMPT	**Tax Rate:**	3.186277

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Option agreement for purchase of improvements and personal property		
Contract Expiration:	8/01/2006	**Valid through Board Date?**	☒ Yes ☐ No
Acquisition Cost:	$7,006,471	**Other:**	
Seller:	Housing Authority of the City of Fort Worth	**Related to Development Team?**	☒ Yes ☐ No

Type of Site Control:	Option agreement for ground lease (8.038 acres)		
Lease Cost:	$100 per year	**Term:**	99 years
Owner:	Housing Authority of the City of Fort Worth	**Related to Development Team?**	☒ Yes ☐ No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The controlling Housing Authority is the current owner of the property, therefore the transaction represents an identity of interest. The Applicant submitted a settlement statement dated April 11, 1994 between Fort Worth Housing Authority, and Resolution Trust Corporation for the subject development. According to the contract, the purchase price was $1,034,744.55 and the total financed note was $1,024,677.55.

The Applicant has proposed a two-part lease structure. The first part involves an Option Agreement for Ground Lease executed January 23, 2006 indicates the owner (Housing Authority of the City of Fort Worth) grants an option to lease the subject site to South Hulen, LP (the Applicant) at a price of $100 per year for 99 years. The option to ground lease expires on August 1, 2006. The second part is an Option Agreement for Purchase of Improvements and Personal Property executed January 23, 2006 and indicates the owner (Housing Authority of the City of Fort Worth) grants an option to purchase the improvements and personal property of the subject site to South Hulen, LP (the Applicant) at a price of $7,006,471. The option to purchase improvements and personal property expires on August 1, 2006. It should be noted that this proposed lease structure may jeopardize the property's tax exemption. On August 18, 2006 the Applicant provided an opinion from tax counsel confirming that the proposed lease structure to lease the land and purchase the buildings will not affect the property's tax exemption status. Also, it would appear that the lease may have to be revised to allow the acquisition value claimed to be considered capitalized lease cost.

The Applicant did not include the total cost for the improvements and personal property listed in the option agreement. However, the acquisition cost claimed by the Applicant still exceeds the original acquisition cost plus capital improvements since 1994. The Applicant also provided a return on equity for the acquisition and improvements at a rate of 5% of the original purchase price plus the total cost of capital improvements and a return on equity was included in the acquisition value of $3,151,454 included in the Underwriter's development cost schedule.

Sitework Cost: The Applicant's sitework cost estimate is $100K or 18% lower than the estimate provided in the Property Condition Assessment (PCA). The underwriting analysis will reflect the PCA value.

Direct Construction Cost: The Applicant's direct construction cost estimate is $495K or 7% lower than the estimate provided in the Property Condition Assessment (PCA). The underwriting analysis will reflect the PCA value.

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. However, the Applicant claimed developer fee on the acquisition cost and this is not allowed due to the identity of interest in the sale/lease of the property.

Conclusion: The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $14,149,646 and the higher applicable percentage rate approved by the TDHCA Board on July 28, 2006 support annual tax credits of $1,046,736. 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 Applicant's request will not limit the tax credits recommended as the requested allocation was most likely based on an understated applicable percentage rate.

FINANCING STRUCTURE

INTERIM FINANCING

Source: City of Fort Worth **Contact:** Jeremy Walker

Principal: $756,216 **Interest Rate:** 5.19%, fixed, Underwriter's estimate **Term:** 24 months

Documentation: ☐ Signed ☐ Term Sheet ☐ LOI ☐ Firm Commitment ☐ Conditional Commitment ☐ Application

Comments: Rate index: AFR; $3,501 per low income unit; Provided signed intent to apply

PERMANENT FINANCING

Source: The Housing Authority of the City of Fort Worth **Contact:** Barbara Holston

Principal: $2,296,183 **Interest Rate:** 1%, fixed, lender's estimate **Term:** 480 months

Documentation: ☒ Signed ☐ Term Sheet ☐ LOI ☒ Firm Commitment ☐ Conditional Commitment ☐ Application

Comments:

INTERIM TO PERMANENT FINANCING

Source: Red Capital Group **Contact:** David Martin

Interim: $6,739,547 **Interest Rate:** 7.07%, variable, lender's estimate **Term:** 24 months

Permanent: $3,827,237 **Interest Rate:** 6.9%, fixed, lender's estimate **Amort:** 360 months

Documentation: ☒ Signed ☐ Term Sheet ☒ LOI ☐ Firm Commitment ☐ Conditional Commitment ☐ Application

Comments: Interim rate: 30 day LIBOR + 250bps

GRANT

Source: The Housing Authority of the City of Fort Worth **Contact:** Barbara Holston

Principal: $50,000 **Conditions:** Pending approved application of HUD

Documentation: ☐ Signed ☐ Term Sheet ☐ LOI ☐ Firm Commitment ☒ Conditional Commitment ☐ Application

Comments: In the form of Capital Grant Funds

TAX CREDIT SYNDICATION

Source: Red Capital Group **Contact:** David Martin

Proceeds: $9,171,315 **Net Syndication Rate:** 90% **Anticipated HTC:** $1,019,035/year

Documentation: ☒ Signed ☐ Term Sheet ☐ LOI ☐ Firm Commitment ☒ Conditional Commitment ☐ Application

Comments:

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Financing: The letter of interest signed by a representative of Red Capital Group is consistent with terms indicated in the Applicant's sources and uses.

Funding by Local Political Subdivision: Per a letter dated February 23, 2006 and signed by a representative of the Housing Authority of the City of Fort Worth, the Applicant has assumed the development will receive Capital Grant Funds of $50,000. However, receipt, review and acceptance of a firm commitment for the Capital Grant Funds clearly stating all conditions have been met is a condition of this report.

In addition, a letter dated February 23, 2006 indicates the Applicant has made application for interim funding from the City of Fort Worth Housing Department for a loan in the amount of $756,216 or $3,501 per low income unit at interest only AFR and a term of 2 years. Receipt, review and acceptance of a firm commitment for the loan clearly stating the type of loan, interest rate, amortization period and repayment term is a condition of this report.

Furthermore, originally structured as cash equity, the Applicant submitted a letter dated July 20, 2006 from the Fort Worth Housing Authority committing to restructure $2,296,183 "as owner financing of a portion of the purchase price for existing improvements on the land that will be ground leased to…the Applicant." The letter indicates the purchase money note will be fully amortized over 40 years at an interest rate of 1% per annum.

HTC Syndication: The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

Financing Conclusions: As stated above, the proforma analysis results in a debt coverage ratio below the Department's minimum guideline of 1.10. The underwriting analysis assumes a decrease in the permanent loan amount to $3,075,698 based on the terms reflected in the application materials. As a result the development's gap in financing will increase.

The Underwriter's total development cost estimate less the adjusted permanent loan of $3,075,698, the $2,296,183 purchase money note and $50,000 in capital grant funds from the Fort Worth Housing Authority, indicates the need for $9,697,489 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,077,607 annually would be required to fill this gap in financing. Of the two possible tax credit allocations, the gap-driven amount ($1,077,607), and eligible basis-derived estimate ($1,046,736), at the higher applicable percentage rate approved by the TDHCA Board on July 28, 2006, the eligible basis-derived estimate request of $1,046,736 is recommended.

The syndication rate proposed in the commitment is in the low end of of current credit prices. If the final syndication rate were to increase by three cents per dollar of tax credit, 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.

The Underwriter's recommended financing structure indicates the need for $227,810 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within seven years of stabilized operation.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

- The Special Limited Partner of the Applicant, the Developer, and the General Contractor are related entities. These are common relationships for HTC-funded developments. The Housing Authority will control ownership of the property and provide supportive services.
- The seller is regarded as a related party; this issue is addressed in the "Construction Cost Estimate Evaluation" section of this report

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 Developer, Carleton Development, submitted an unaudited financial statement as of December 31, 2005 reporting total assets of $3.1M and consisting of $168K in cash, $2.6M in receivables, $256K in other current assets, $29K in machinery, equipment, and fixtures, and $25K in other assets. Liabilities totaled $291K, resulting in a net worth of $2.8M.
- The current non-profit Owner of the MGP, The Housing Authority of Fort Worth, submitted an unaudited financial statement as of December 31, 2005 reporting total assets of $93.6M and consisting of $8.1M in cash, $1.1M in investments, $3.6M in receivables, $1.9M in other current assets, and $78.8M in other assets. Liabilities totaled $41M, resulting in a net worth of $52.6M.
- The principals of the Developer, R. David Kelly, Neal Hildebrandt, and Printice L. Gary submitted unaudited financial statements as of December 31, 2005 and are anticipated to be guarantors of the development.

Background & Experience: 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 operating proforma is more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's total development costs differ from the Underwriter's verifiable estimate by more than 5%.
- Significant inconsistencies in the application could affect the financial feasibility of the development.
- Significant environmental/locational risks exist regarding noise, asbestos and soil.
- The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).
- The seller of the property has an identity of interest with the Applicant.
- The property's project-based rent subsidy is subject to Federal funding and may not be renewed as anticipated.
- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Diamond Thompson*	**Date:**	August 21, 2006
Reviewing Underwriter:	*Lisa Vecchietti*	**Date:**	August 21, 2006
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	August 21, 2006

MULTIFAMILY COMPARATIVE ANALYSIS

Candletree Apartments, Fort Worth, 9% HTC #060053 -- **App Perc Inc**

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	Wtr, Swr, Trsh
TC 30%/PH	5	1	1	555	$356	$179	$895	$0.32	$69.00	$22.00
TC 60%	43	1	1	555	713	$420	18,060	0.76	69.00	22.00
TC 30%/PH	16	1	1.5	650	356	$179	2,864	0.28	69.00	22.00
TC 60%	72	1	1.5	650	713	$470	33,840	0.72	69.00	22.00
TC 30%/PH	8	2	1	820	427	$179	1,432	0.22	84.00	24.00
TC 60%	16	2	1	820	856	$560	8,960	0.68	84.00	24.00
TC 30%/PH	12	2	2	950	427	$179	2,148	0.19	84.00	24.00
TC 60%	44	2	2	950	856	$610	26,840	0.64	84.00	24.00
TOTAL:	216		**AVERAGE:**	726	$692	$440	$95,039	$0.61	$74.56	$22.74

INCOME	Total Net Rentable Sq Ft:	156,720	TDHCA	APPLICANT		Comptroller's Region	3
POTENTIAL GROSS RENT			$1,140,468	$1,177,188		IREM Region	Fort Worth
Secondary Income	Per Unit Per Month:	$10.00	25,920	25,920	$10.00	Per Unit Per Month	
Other Support Income: PHU Subsidy	Per Unit Per Month:	$24.18	62,686		$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME			$1,229,074	$1,203,108			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(92,181)	(90,228)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions			0				
EFFECTIVE GROSS INCOME			$1,136,893	$1,112,880			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	8.67%	$456	0.63	$98,532	$95,318	$0.61	$441	8.56%
Management	5.03%	265	0.36	57,162	55,166	0.35	255	4.96%
Payroll & Payroll Tax	15.96%	840	1.16	181,460	186,233	1.19	862	16.73%
Repairs & Maintenance	8.14%	428	0.59	92,537	105,767	0.67	490	9.50%
Utilities	8.12%	427	0.59	92,324	92,324	0.59	427	8.30%
Water, Sewer, & Trash	9.24%	487	0.67	105,089	93,749	0.60	434	8.42%
Property Insurance	3.16%	166	0.23	35,951	32,460	0.21	150	2.92%
Property Tax	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements	10.73%	565	0.78	121,936	64,800	0.41	300	5.82%
Other: compl fees	0.76%	40	0.06	8,640	8,640	0.06	40	0.78%
TOTAL EXPENSES	69.81%	$3,674	$5.06	$793,630	$734,457	$4.69	$3,400	66.00%
NET OPERATING INC	30.19%	$1,589	$2.19	$343,263	$378,423	$2.41	$1,752	34.00%
DEBT SERVICE								
First Lien Mortgage	26.61%	$1,400	$1.93	$302,474	$302,351	$1.93	$1,400	27.17%
FWHA Loan	6.13%	$323	$0.44	69,672	0	$0.00	$0	0.00%
Additional Financing	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW	-2.54%	($134)	($0.18)	($28,883)	$76,072	$0.49	$352	6.84%
AGGREGATE DEBT COVERAGE RATIO				0.92	1.25			
RECOMMENDED DEBT COVERAGE RATIO				1.10				

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)		20.91%	$14,590	$20.11	$3,151,454	$4,028,343	$25.70	$18,650	26.25%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		3.78%	2,640	3.64	570,296	470,300	3.00	2,177	3.06%
Direct Construction		46.06%	32,134	44.29	6,941,007	6,446,271	41.13	29,844	42.01%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
General Req'ts	5.46%	2.72%	1,898	2.62	410,000	410,000	2.62	1,898	2.67%
Contractor's G & A	1.68%	0.84%	585	0.81	126,313	126,313	0.81	585	0.82%
Contractor's Profit	4.47%	2.23%	1,554	2.14	335,644	335,644	2.14	1,554	2.19%
Indirect Construction		3.84%	2,681	3.69	579,000	579,000	3.69	2,681	3.77%
Ineligible Costs		1.55%	1,083	1.49	234,000	234,000	1.49	1,083	1.52%
Developer's G & A	15.00%	12.70%	8,860	12.21	1,913,787	1,920,000	12.25	8,889	12.51%
Developer's Profit	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Interim Financing		4.28%	2,985	4.11	644,863	644,863	4.11	2,985	4.20%
Reserves		1.08%	755	1.04	163,007	150,000	0.96	694	0.98%
TOTAL COST		100.00%	$69,766	$96.15	$15,069,370	$15,344,734	$97.91	$71,040	100.00%
Construction Cost Recap		*55.63%*	***$38,811***	***$53.49***	***$8,383,260***	***$7,788,528***	***$49.70***	***$36,058***	*50.76%*

2006 QAP §50.9(i)(8) points awarded for costs less than ***$70.00*** ***per square foot***

SOURCES OF FUNDS						RECOMMENDED	
First Lien Mortgage	25.40%	$17,719	$24.42	$3,827,237	$3,827,237	$3,075,698	Developer Fee Available
FWHA Loan	15.24%	$10,630	$14.65	2,296,183	2,296,183	2,296,183	$1,441,068
FWHA Capital Grant	0.33%	$231	$0.32	50,000	50,000	50,000	$0
HTC Syndication Proceeds	60.86%	$42,460	$58.52	9,171,315	9,171,315	9,419,679	% of Dev. Fee Deferred
Deferred Developer Fee	0.00%	$0	$0.00	0	0	227,810	16%
Additional (Excess) Funds Req'd	-1.83%	($1,275)	($1.76)	(275,365)	(1)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$15,069,370	$15,344,734	$15,069,370	$867,884

MULTIFAMILY COMPARATIVE ANALYSIS(continued)

Candletree Apartments, Fort Worth, 9% HTC #060053 -- App Perc Inc

PAYMENT COMPUTATION

Primary	$3,827,237	Amort	360
Int Rate	6.90%	DCR	1.13

Secondary	$2,296,183	Amort	480
Int Rate	1.00%	Subtotal DCR	0.92

Additional		Amort	
Int Rate		Aggregate DCR	0.92

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$243,079
Secondary Debt Service	69,672
Additional Debt Service	0
NET CASH FLOW	$30,512

Primary	$3,075,698	Amort	360
Int Rate	6.90%	DCR	1.41

Secondary	$2,296,183	Amort	480
Int Rate	1.00%	Subtotal DCR	1.10

Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.10

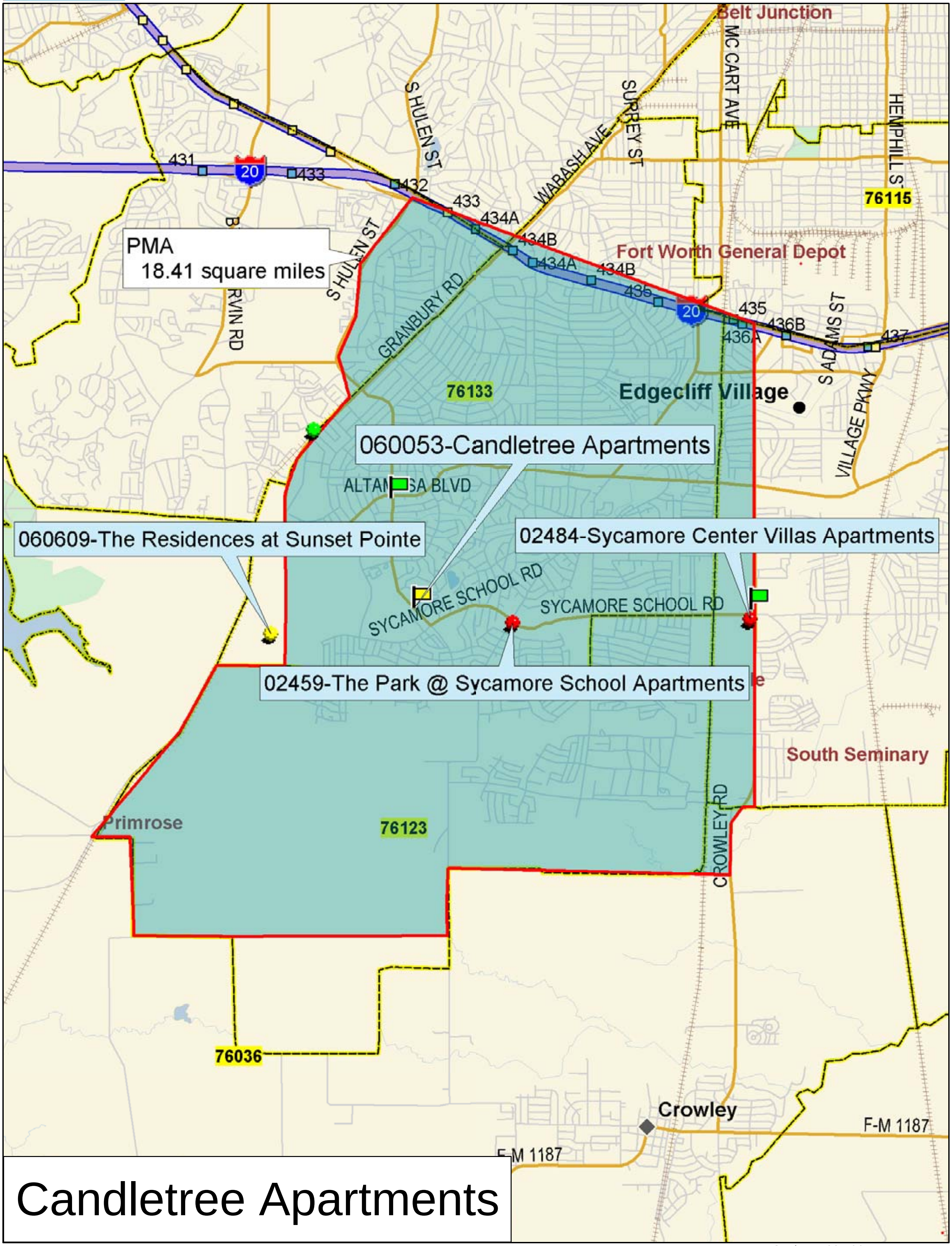
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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	$1,140,468	$1,174,682	$1,209,923	$1,246,220	$1,283,607	$1,488,052	$1,725,060	$1,999,818	$2,687,588
Secondary Income	25,920	26,698	27,499	28,323	29,173	33,820	39,206	45,451	61,082
Other Support Income: PHU Su	62,686	65,076	67,573	70,165	72,859	106,336	147,693	198,651	343,046
POTENTIAL GROSS INCOME	1,229,074	1,266,456	1,304,994	1,344,709	1,385,639	1,628,208	1,911,960	2,243,919	3,091,716
Vacancy & Collection Loss	(92,181)	(94,984)	(97,875)	(100,853)	(103,923)	(122,116)	(143,397)	(168,294)	(231,879)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,136,893	$1,171,471	$1,207,119	$1,243,856	$1,281,716	$1,506,092	$1,768,563	$2,075,625	$2,859,837
EXPENSES at 4.00%									
General & Administrative	$98,532	$102,473	$106,572	$110,835	$115,268	$140,242	$170,626	$207,592	$307,287
Management	57,162	58,900	60,693	62,540	64,443	75,725	88,921	104,360	143,789
Payroll & Payroll Tax	181,460	188,719	196,267	204,118	212,283	258,274	314,230	382,309	565,911
Repairs & Maintenance	92,537	96,238	100,088	104,092	108,255	131,709	160,244	194,962	288,591
Utilities	92,324	96,017	99,857	103,852	108,006	131,406	159,875	194,512	287,926
Water, Sewer & Trash	105,089	109,292	113,664	118,211	122,939	149,574	181,980	221,406	327,736
Insurance	35,951	37,389	38,884	40,440	42,057	51,169	62,255	75,743	112,118
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	121,936	126,813	131,886	137,161	142,647	173,552	211,153	256,900	380,275
Other	8,640	8,986	9,345	9,719	10,108	12,297	14,962	18,203	26,945
TOTAL EXPENSES	$793,630	$824,827	$857,257	$890,966	$926,007	$1,123,949	$1,364,246	$1,655,988	$2,440,577
NET OPERATING INCOME	$343,263	$346,644	$349,863	$352,889	$355,709	$382,144	$404,316	$419,638	$419,260
DEBT SERVICE									
First Lien Financing	$243,079	$243,079	$243,079	$243,079	$243,079	$243,079	$243,079	$243,079	$243,079
Second Lien	69,672	69,672	69,672	69,672	69,672	69,672	69,672	69,672	69,672
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$30,512	$33,893	$37,112	$40,138	$42,958	$69,392	$91,565	$106,887	$106,509
DEBT COVERAGE RATIO	1.10	1.11	1.12	1.13	1.14	1.22	1.29	1.34	1.34

HTC ALLOCATION ANALYSIS - Candletree Apartments, Fort Worth, 9% HTC #060053 -- App Perc Inc

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						
Purchase of buildings	$4,028,343	$3,151,454	$4,028,343	$3,151,454		
(2) Rehabilitation/New Construction Cost						
On-site work	$470,300	$570,296			$470,300	$570,296
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	$6,446,271	$6,941,007			$6,446,271	$6,941,007
(4) Contractor Fees & General Requirements						
Contractor overhead	$126,313	$126,313			$126,313	$126,313
Contractor profit	$335,644	$335,644			$335,644	$335,644
General requirements	$410,000	$410,000			$410,000	$410,000
(5) Contingencies						
(6) Eligible Indirect Fees	$579,000	$579,000			$579,000	$579,000
(7) Eligible Financing Fees	$644,863	$644,863			$644,863	$644,863
(8) All Ineligible Costs	$234,000	$234,000				
(9) Developer Fees						$1,441,068
Developer overhead	$1,920,000	$1,913,787	$593,097		$1,326,903	
Developer fee						
(10) Development Reserves	$150,000	$163,007				
TOTAL DEVELOPMENT COSTS	$15,344,734	$15,069,370	$4,621,440	$3,151,454	$10,339,294	$11,048,191

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis					$50,000	$50,000
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			$4,621,440	$3,151,454	$10,289,294	$10,998,191
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			$4,621,440	$3,151,454	$10,289,294	$10,998,191
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			$4,621,440	$3,151,454	$10,289,294	$10,998,191
Applicable Percentage			3.69%	3.69%	8.46%	8.46%
TOTAL AMOUNT OF TAX CREDITS			$170,531	$116,289	$870,474	$930,447
Syndication Proceeds		**0.8999**	**$1,534,627**	**$1,046,493**	**$7,833,485**	**$8,373,186**
				Total Tax Credits (Eligible Basis Method)	**$1,041,005**	**$1,046,736**
				Syndication Proceeds	**$9,368,112**	**$9,419,679**
				Requested Tax Credits	**$1,019,035**	
				Syndication Proceeds	**$9,170,398**	
				Gap of Syndication Proceeds Needed	**$9,972,853**	**$9,697,489**
				Total Tax Credits (Gap Method)	**$1,108,206**	**$1,077,607**



Candletree Apartments

Memorandum

To: File

From: Audrey Martin, Real Estate Analysis

cc: Ben Sheppard, Multifamily Finance Production

Date: September 16, 2009

Re: Amendment Request for Sphinx at Alsbury Villas, TDHCA #060087

Background

Development received an award of $1,116,881 in 9% tax credits during the 2006 9% Housing Tax Credit application cycle. Construction is complete and the cost certification has been submitted to the Department.

Amendment Request

Owner requested the following in a letter dated August 10, 2009:

1. Correction to Unit Sizes, Unit Configuration, and NRA
    a. Unit Mix:
        i. 1BR Units - 22 were committed to at application. 23 were provided.
        ii. 2BR Units - 72 were committed to at application. 71 were provided.
    b. Bathrooms
        i. 2BR Units - At application, according to the rent schedule, all of the 72 2BR units had 2 bathrooms. As built, only 13 2BR units have 2 bathrooms. The remaining 58 2BR units have only 1.5 bathrooms.
        ii. 3BR Units - At application, according to the rent schedule, all of the 56 3BR units had 2 bathrooms. As built, 22 3BR units have 2 bathrooms and the remaining 34 3BR units have an additional half bath for a total of 2.5 bathrooms.
    c. Net Rentable Area (NRA) - Increased from 158,133 at application to 161,604 as built.
    d. Summary
        i. Proposed at application (according to rent schedule)
            1. 1BR/1 Bath – 22 units
                a. 1BR/1 Bath – 742 square feet – 1 unit
                b. 1BR/1 Bath – 760 square feet – 17 units
                c. 1BR/1 Bath – 874 square feet – 4 units
            2. 2BR/2 Bath – 72 units
                a. 2BR/2 Bath – 974 square feet – 21 units
                b. 2BR/2 Bath – 1,005 square feet – 4 units

            c. 2BR/2 Bath – 1,018 square feet – 13 units
            d. 2BR/2 Bath – 1,044 square feet – 21 units
            e. 2BR/2 Bath – 1,057 square feet – 13 units
        3. 3BR/2 Bath – 56 units
            a. 3BR/2 Bath – 1,195 square feet – 34 units
            b. 3BR/2 Bath – 1,226 square feet – 22 units
        4. Net Rentable Area – 158,133
    ii. As built, per the amendment request and cost certification:
        1. 1BR/1 Bath – 23 units
            a. 1BR/1 Bath – 760 square feet – 18 units
            b. 1BR/1 Bath – 874 square feet – 5 units
        2. 2BR – 71 units
            a. 2BR/1.5 Bath – 58 units
                i. 2BR/1.5 Bath – 974 square feet – 20 units
                ii. 2BR/1.5 Bath – 1,005 square feet – 5 units
                iii. 2BR/1.5 Bath – 1,044 square feet – 20 units
                iv. 2BR/1.5 Bath – 1,057 square feet – 13 units
            b. 2BR/2 Bath – 13 units
                i. 2BR/2 Bath – 1,018 square feet – 13 units
        3. 3BR – 56 units
            a. 3BR/2 Bath – 22 units
                i. 3BR/2 Bath – 1,295 square feet – 22 units
            b. 3BR/2.5 Bath – 34 units
                i. 3BR/2.5 Bath – 1,256 square feet – 34 units
        4. Net Rentable Area – 161,604
2. Flooring Material - At application 80% carpet and 20% ceramic tile was proposed. As built, units contain 50% carpet, 10% vinyl tile, and 40% ceramic tile. Per owner, the additional cost associated with this change was $123,103.
3. Additional Amenities Not Committed to at Application
    a. 9 foot ceilings
    b. Storage room for some units

Conclusion

The cost certification has been submitted to the Department. The owner’s final costs, as certified by the CPA, are within 5% of the underwriter’s estimate. The underwriter’s analysis indicates that requested changes do not negatively impact the underwriting of the transaction. No change to the credit recommendation is recommended prior to the completion of the cost certification review process.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ADDENDUM

DATE: August 4, 2006 **PROGRAM:** 9% HTC **FILE NUMBER:** 060087

DEVELOPMENT NAME

Sphinx at Alsbury Villas

APPLICANT

Name:	DCTC-SPHINX DEVELOPMENT, LP	**Contact:**	Joseph Agumadu
Address:	3030 LBJ Frwy., Suite 880		
City	Dallas	**State:**	TX 75234
Phone:	(214) 342-1400 **Fax:** (214) 342-1409	**Email:**	JOSEPH@SDCUS.COM

KEY PARTICIPANTS

Name:	DCTC Alsbury Villas, LLC	**Title:**	1% Managing General Partner of Applicant
Name:	MMA Financial	**Title:**	99% Owner of Applicant
Name:	Sphinx Development Corporation	**Title:**	Developer
Name:	Jay O. Oji	**Title:**	51% owner of GP/40% owner of Developer
Name:	Joseph Agumadu	**Title:**	34% owner of GP
Name:	Development Corp. of Tarrant County	**Title:**	15% owner of GP/60% owner of Developer
Name:	State Street Housing Advisor, LP (Jeff Spicer)	**Title:**	Consultant

PROPERTY LOCATION

Location:	755 NE Alsbury Blvd.		
City:	Burleson	**Zip:**	76028
County:	Tarrant	**Region:**	3

☐ **QCT** ☐ **DDA**

REQUEST

Program	Amount	Interest Rate	Amortization	Term
HTC	$1,080,307	N/A	N/A	N/A

Proposed Use of Funds:	New construction	**Type:**	Multifamily
Target Population:	Family	**Other:**	Urban/Exurban

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $1,116,881[1] ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a noise study by carryover and implementation of its findings by cost certification.
2. Receipt, review and acceptance of a firm commitment for the HOME loan clearly stating the interest

[1] The recommended tax credit allocation incorporates the July 28, 2006 TDHCA Board approval to raise the underwriting applicable percentage rates for the 2006 Application Round to 3.69% and 8.46% for the 30% and the 70% credit, respectively.

rate, amortization period and repayment term.

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.

ADDENDUM

The underwriting analysis has been revised to reflect the July 28, 2006 TDHCA Board approval to raise the underwriting applicable percentage rates for the 2006 Application Round to 3.69% and 8.46% for the 30% and the 70% credit, respectively.

As stated in the Underwriting Report dated July 10, 2006, 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 $13,896,742, adjusted for overstated eligible contingency and developer fee and the revised underwriting applicable percentage supports annual tax credits of $1,116,881. 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 Applicant's request will not limit the tax credits recommended as the requested allocation was most likely based on an understated applicable percentage rate.

The Applicant's total development cost estimate less the adjusted permanent loan of $5,244,702 and the $565,000 HOME loan from the DCTC indicates the need for $10,449,766 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,201,208 annually would be required to fill this gap in financing. Of the two possible tax credit allocations, the gap-driven amount ($1,201,208), and eligible basis-derived estimate ($1,116,881), the eligible basis-derived estimate of $1,116,881 is recommended resulting in proceeds of $9,716,172 based on a syndication rate of 87%. The Underwriter's recommended financing structure indicates the need for $733,594 in additional permanent funds. Deferred developer in this amount appear to be repayable from development cashflow within ten years of stabilized operation

The syndication rate proposed in the commitment is in the low end of current credit prices. If the final syndication rate were to increase by ten cents per dollar of tax credit, 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.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated income and operating proforma are more than 5% outside of the Underwriter's verifiable range.
- Significant inconsistencies in the application could affect the financial feasibility of the development.
- Environmental/locational risk exists regarding the uncertainty of the to-be-completed noise study.
- An ad valorem property tax exemption may or may not be requested, received or may be reduced, which could affect the financial feasibility of the development.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist

Underwriter:	*Diamond Thompson*	**Date:**	August 4, 2006
Reviewing Underwriter:	*Lisa Vecchietti*	**Date:**	August 4, 2006
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	August 4, 2006

MULTIFAMILY COMPARATIVE ANALYSIS

Sphinx at Alsbury Villas, Burleson, 9% HTC #060087 -- App Perc Inc

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	Wtr, Swr, Trsh
TC 60%	1	1	1	742	713	$621	621	0.84	$92.00	$51.00
TC 60%	10	1	1	760	713	621	6,210	0.82	92.00	51.00
MR	7	1	1	760	0	652	4,564	0.86	92.00	51.00
TC 30%	4	1	1	874	356	264	1,056	0.30	92.00	51.00
TC 60%	21	2	2	974	856	738	15,498	0.76	118.00	63.00
TC 60%	4	2	2	1,005	856	738	2,952	0.73	118.00	63.00
TC 30%	6	2	2	1,018	427	309	1,854	0.30	118.00	63.00
TC 60%	7	2	2	1,018	856	738	5,166	0.72	118.00	63.00
TC 60%	21	2	2	1,044	856	738	15,498	0.71	118.00	63.00
TC 60%	13	2	2	1,057	856	738	9,594	0.70	118.00	63.00
TC 60%	34	3	2	1,195	989	845	28,730	0.71	144.00	75.00
TC 30%	6	3	2	1,226	493	349	2,094	0.28	144.00	75.00
TC 60%	16	3	2	1,226	989	845	13,520	0.69	144.00	75.00
TOTAL:	150		**AVERAGE:**	1,054	$805	$716	$107,357	$0.68	$123.89	$65.72

INCOME	Total Net Rentable Sq Ft:	158,133		**TDHCA**	**APPLICANT**		Comptroller's Region	3
POTENTIAL GROSS RENT				$1,288,284	$1,352,664		IREM Region	Fort Worth
Secondary Income	Per Unit Per Month:		$15.00	27,000	25,572	$14.21	Per Unit Per Month	
Other Support Income:garages/carports/storage					18,564	$10.31	Per Unit Per Month	
POTENTIAL GROSS INCOME				$1,315,284	$1,396,800			
Vacancy & Collection Loss	% of Potential Gross Income:		-7.50%	(98,646)	(104,760)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$1,216,638	$1,292,040			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.49%	$365	0.35	$54,684	$54,400	$0.34	$363	4.21%
Management	5.00%	406	0.38	60,832	64,602	0.41	431	5.00%
Payroll & Payroll Tax	11.38%	923	0.88	138,506	163,724	1.04	1,091	12.67%
Repairs & Maintenance	5.28%	428	0.41	64,262	61,600	0.39	411	4.77%
Utilities	4.37%	355	0.34	53,189	34,500	0.22	230	2.67%
Water, Sewer, & Trash	5.72%	464	0.44	69,628	64,500	0.41	430	4.99%
Property Insurance	3.84%	311	0.30	46,678	33,750	0.21	225	2.61%
Property Tax 2.978897	11.02%	894	0.85	134,050	127,500	0.81	850	9.87%
Reserve for Replacements	2.47%	200	0.19	30,000	30,000	0.19	200	2.32%
Other: compl fees	2.34%	190	0.18	28,500	26,250	0.17	175	2.03%
TOTAL EXPENSES	55.92%	$4,536	$4.30	$680,329	$660,826	$4.18	$4,406	51.15%
NET OPERATING INC	44.08%	$3,575	$3.39	$536,309	$631,214	$3.99	$4,208	48.85%
DEBT SERVICE								
MMA First Lien Mortgage	41.38%	$3,356	$3.18	$503,434	$503,434	$3.18	$3,356	38.96%
DCTC HOME funds	3.90%	$316	$0.30	47,407	40,650	$0.26	$271	3.15%
Additional Financing	0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW	-1.19%	($97)	($0.09)	($14,532)	$87,130	$0.55	$581	6.74%
AGGREGATE DEBT COVERAGE RATIO				0.97	1.16			
RECOMMENDED DEBT COVERAGE RATIO				1.10				

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)		5.80%	$6,320	$5.99	$948,000	$900,000	$5.69	$6,000	5.54%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.88%	7,495	7.11	1,124,250	1,124,250	7.11	7,495	6.91%
Direct Construction		48.06%	52,385	49.69	7,857,758	7,785,917	49.24	51,906	47.89%
Contingency	5.00%	2.75%	2,994	2.84	449,100	450,708	2.85	3,005	2.77%
General Req'ts	5.95%	3.27%	3,564	3.38	534,610	534,610	3.38	3,564	3.29%
Contractor's G & A	1.98%	1.09%	1,188	1.13	178,203	178,203	1.13	1,188	1.10%
Contractor's Profit	5.95%	3.27%	3,564	3.38	534,610	534,610	3.38	3,564	3.29%
Indirect Construction		5.51%	6,003	5.69	900,400	900,400	5.69	6,003	5.54%
Ineligible Costs		5.34%	5,822	5.52	873,237	873,237	5.52	5,822	5.37%
Developer's G & A	4.48%	3.33%	3,630	3.44	544,450	544,450	3.44	3,630	3.35%
Developer's Profit	10.45%	7.77%	8,469	8.03	1,270,383	1,270,383	8.03	8,469	7.81%
Interim Financing		3.55%	3,871	3.67	580,625	580,625	3.67	3,871	3.57%
Reserves		3.40%	3,706	3.52	555,919	582,075	3.68	3,881	3.58%
TOTAL COST		100.00%	$109,010	$103.40	$16,351,545	$16,259,468	$102.82	$108,396	100.00%
Construction Cost Recap		*65.31%*	***$71,190***	***$67.53***	***$10,678,531***	***$10,608,298***	***$67.08***	***$70,722***	*65.24%*
					2006 QAP §50.9(i)(8) points awarded for costs less than		***$70.00***	***per square foot***	

SOURCES OF FUNDS						RECOMMENDED	
MMA First Lien Mortgage	36.69%	$40,000	$37.94	$6,000,000	$6,000,000	$5,244,702	Developer Fee Available
DCTC HOME funds	3.46%	$3,767	$3.57	565,000	565,000	565,000	$1,812,619
HTC Syndication Proceeds	57.47%	$62,653	$59.43	9,398,000	9,398,000	9,716,172	% of Dev. Fee Deferred
Deferred Developer Fees	1.81%	$1,976	$1.87	296,470	296,470	733,594	40%
Additional (Excess) Funds Req'd	0.56%	$614	$0.58	92,075	(2)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$16,351,545	$16,259,468	$16,259,468	$1,729,657

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Sphinx at Alsbury Villas, Burleson, 9% HTC #060087 -- App Perc Inc

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$48.91	$7,734,873
Adjustments				
Exterior Wall Finish	5.20%		$2.54	$402,213
8-Ft Ceilings			0.00	0
Roofing			0.00	0
Subfloor (Wood)			0.00	0
Floor Cover			3.55	561,372
Porches/Balconies	$20.33	7,779	1.00	158,147
Plumbing (Fixtures)	$2,040	151	1.94	307,360
Plumbing (Rough-Ins)	$340	150	0.32	51,000
Built-In Appliances	$1,675	150	1.59	251,250
Interior Stairs	$2,700	79	1.35	213,300
Enclosed Corridors	$0.00		0.00	0
Heating/Cooling			1.73	273,570
Garages	$14.73	10,800	1.01	159,084
Comm &/or Aux Bldgs	$64.09	4,526	1.83	290,049
Other:			0.00	0
SUBTOTAL			65.78	10,402,219
Current Cost Multiplier	1.03		1.97	312,067
Local Multiplier	0.90		(6.58)	(1,040,222)
TOTAL DIRECT CONSTRUCTION COSTS			$61.18	$9,674,063
Plans, specs, survy, bld prm	3.90%		($2.39)	($377,288)
Interim Construction Interest	3.38%		(2.06)	(326,500)
Contractor's OH & Profit	11.50%		(7.04)	(1,112,517)
NET DIRECT CONSTRUCTION COSTS			$49.69	$7,857,758

PAYMENT COMPUTATION

Primary	$6,000,000	Amort	360
Int Rate	7.50%	DCR	1.07

Secondary	$565,000	Amort	360
Int Rate	7.50%	Subtotal DCR	0.97

Additional		Amort	
Int Rate		Aggregate DCR	0.97

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$440,061
Secondary Debt Service	47,407
Additional Debt Service	0
NET CASH FLOW	$48,842

Primary	$5,244,702	Amort	360
Int Rate	7.50%	DCR	1.22

Secondary	$565,000	Amort	360
Int Rate	7.50%	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	$1,288,284	$1,326,933	$1,366,740	$1,407,743	$1,449,975	$1,680,918	$1,948,645	$2,259,014	$3,035,926
Secondary Income	27,000	27,810	28,644	29,504	30,389	35,229	40,840	47,345	63,627
Other Support Income:garages/	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,315,284	1,354,743	1,395,385	1,437,246	1,480,364	1,716,147	1,989,485	2,306,358	3,099,553
Vacancy & Collection Loss	(98,646)	(101,606)	(104,654)	(107,793)	(111,027)	(128,711)	(149,211)	(172,977)	(232,466)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,216,638	$1,253,137	$1,290,731	$1,329,453	$1,369,336	$1,587,436	$1,840,274	$2,133,382	$2,867,086
EXPENSES at 4.00%									
General & Administrative	$54,684	$56,872	$59,147	$61,512	$63,973	$77,833	$94,695	$115,212	$170,541
Management	60,832	62,657	64,537	66,473	68,467	79,372	92,014	106,669	143,354
Payroll & Payroll Tax	138,506	144,046	149,808	155,800	162,032	197,137	239,847	291,811	431,951
Repairs & Maintenance	64,262	66,832	69,506	72,286	75,177	91,465	111,281	135,390	200,410
Utilities	53,189	55,316	57,529	59,830	62,223	75,704	92,106	112,061	165,878
Water, Sewer & Trash	69,628	72,413	75,310	78,322	81,455	99,103	120,573	146,696	217,146
Insurance	46,678	48,545	50,486	52,506	54,606	66,437	80,830	98,342	145,571
Property Tax	134,050	139,412	144,989	150,788	156,820	190,795	232,132	282,424	418,056
Reserve for Replacements	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Other	28,500	29,640	30,826	32,059	33,341	40,564	49,353	60,045	88,882
TOTAL EXPENSES	$680,329	$706,934	$734,584	$763,322	$793,190	$961,109	$1,164,782	$1,411,855	$2,075,349
NET OPERATING INCOME	$536,309	$546,203	$556,147	$566,131	$576,146	$626,327	$675,492	$721,526	$791,738
DEBT SERVICE									
First Lien Financing	$440,061	$440,061	$440,061	$440,061	$440,061	$440,061	$440,061	$440,061	$440,061
Second Lien	47,407	47,407	47,407	47,407	47,407	47,407	47,407	47,407	47,407
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$48,842	$58,736	$68,679	$78,663	$88,679	$138,860	$188,025	$234,059	$304,270
DEBT COVERAGE RATIO	1.10	1.12	1.14	1.16	1.18	1.28	1.39	1.48	1.62

HTC ALLOCATION ANALYSIS - Sphinx at Alsbury Villas, Burleson, 9% HTC #060087 -- App Perc Inc

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	$900,000	$948,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,124,250	$1,124,250	$1,124,250	$1,124,250
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$7,785,917	$7,857,758	$7,785,917	$7,857,758
(4) Contractor Fees & General Requirements				
Contractor overhead	$178,203	$178,203	$178,203	$178,203
Contractor profit	$534,610	$534,610	$534,610	$534,610
General requirements	$534,610	$534,610	$534,610	$534,610
(5) Contingencies	$450,708	$449,100	$445,508	$449,100
(6) Eligible Indirect Fees	$900,400	$900,400	$900,400	$900,400
(7) Eligible Financing Fees	$580,625	$580,625	$580,625	$580,625
(8) All Ineligible Costs	$873,237	$873,237		
(9) Developer Fees			$1,812,619	
Developer overhead	$544,450	$544,450		$544,450
Developer fee	$1,270,383	$1,270,383		$1,270,383
(10) Development Reserves	$582,075	$555,919		
TOTAL DEVELOPMENT COSTS	$16,259,468	$16,351,545	$13,896,742	$13,974,389

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		$13,896,742	$13,974,389
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$13,896,742	$13,974,389
Applicable Fraction		95%	95%
TOTAL QUALIFIED BASIS		$13,201,905	$13,275,670
Applicable Percentage		8.46%	8.46%
TOTAL AMOUNT OF TAX CREDITS		$1,116,881	$1,123,122
Syndication Proceeds	**0.8699**	**$9,716,172**	**$9,770,461**
Total Tax Credits (Eligible Basis Method)		**$1,116,881**	**$1,123,122**
Syndication Proceeds		**$9,716,172**	**$9,770,461**
Requested Tax Credits		**$1,080,307**	
Syndication Proceeds		**$9,398,000**	
Gap of Syndication Proceeds Needed		**$10,449,766**	
Total Tax Credits (Gap Method)		**$1,201,208**	

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: July 10, 2006 **PROGRAM:** 9% HTC **FILE NUMBER:** 060087

DEVELOPMENT NAME

Sphinx at Alsbury Villas

APPLICANT

Name:	DCTC-SPHINX DEVELOPMENT, LP	**Contact:**	Joseph Agumadu
Address:	3030 LBJ Frwy., Suite 880		
City	Dallas	**State:**	TX 75234
Phone:	(214) 342-1400 **Fax:** (214) 342-1409	**Email:**	JOSEPH@SDCUS.COM

KEY PARTICIPANTS

Name:	DCTC Alsbury Villas, LLC	**Title:**	1% Managing General Partner of Applicant
Name:	MMA Financial	**Title:**	99% Owner of Applicant
Name:	Sphinx Development Corporation	**Title:**	Developer
Name:	Jay O. Oji	**Title:**	51% owner of GP/40% owner of Developer
Name:	Joseph Agumadu	**Title:**	34% owner of GP
Name:	Development Corp. of Tarrant County	**Title:**	15% owner of GP/60% owner of Developer
Name:	State Street Housing Advisor, LP (Jeff Spicer)	**Title:**	Consultant

PROPERTY LOCATION

Location:	755 NE Alsbury Blvd.		
City:	Burleson	**Zip:**	76028
County:	Tarrant	**Region:**	3

☐ **QCT** ☐ **DDA**

REQUEST

Program	Amount	Interest Rate	Amortization	Term
HTC	$1,080,307	N/A	N/A	N/A

Proposed Use of Funds: New construction **Type:** Multifamily

Target Population: Family **Other:** Urban/Exurban

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $1,078,596 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a noise study by carryover and implementation of its findings by cost certification.
2. Receipt, review and acceptance of a firm commitment for the HOME loan clearly stating the interest rate, amortization period and repayment term.
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.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 150 **# Res Bldgs** 13 **# Non-Res Bldgs** 1 **Age:** N/A yrs **Vacant:** N/A at / /

Net Rentable SF: 158,133 **Av Un SF:** 1,054 **Common Area SF:** 4,526 **Gross Bldg SF:** 162,659

ARCHITECTURAL REVIEW

The building and unit plans are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings.

STRUCTURAL MATERIALS

The structures will be constructed on a wood subfloor. According to the plans provided in the application the exterior will be 35% masonry veneer and 65% stucco. The interior wall surfaces will be drywall and the roofs will be finished with composite shingles.

UNIT FEATURES

The interior flooring will be 80% carpet, and 20% ceramic tile. Threshold criteria for the 2006 QAP requires all development units to include: mini blinds or window coverings for all windows, a dishwasher, a disposal, a refrigerator, an oven/range, an exhaust/vent fax in bathrooms, and a ceiling fan in each living area and bedroom. New construction units must also include three networks: one for phone service, one for data service, and one for TV service. In addition, each unit will include: microwave, an ice maker in the refrigerator, a self-cleaning oven, a phone jack in each room, laundry connections, a ceiling fixture in each room, warm and cooled air, an individual water heater, and eight-foot ceilings.

ONSITE AMENITIES

In order to meet threshold criteria for total units of 150 or more, the Applicant has elected to provide an accessible walking path, community laundry room, controlled access gates, an equipped business center or computer learning center, full perimeter fencing, a furnished community room, a gazebo with sitting area, a service coordinators office in addition to the leasing offices, a swimming pool, two children's playgrounds equipped for 5 to 12 year olds/two tot lots/one of each, and a sport court.

Uncovered Parking: 225 spaces **Carports:** 0 spaces **Garages:** 45 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The subject is a 15-unit per acre new construction development of 150 units located in Burleson. The development is comprised of 13 evenly distributed garden style residential buildings as follows:

No. of Buildings	No. of Floors	1BR	2BR	3BR
4	3	2	8	4
4	3	2	5	4
4	3	1	4	5
1	3	2	4	4

The development will include a 4,526 square foot combined community, leasing, laundry and maintenance facility.

SITE ISSUES

SITE DESCRIPTION

Total Size:	10.285 acres	**Scattered sites?**	☐ Yes ☒ No
Flood Zone:	Zone X	**Within 100-year floodplain?**	☐ Yes ☒ No
Current Zoning:	MF-2 Multifamily	**Needs to be re-zoned?**	☐ Yes ☒ No ☐ N/A

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is located at 755 NE Alsbury Blvd (100 feet W of South Frwy 35-W), Burleson, in Tarrant County. Burleson is approximately 15 miles south of downtown Fort Worth and 35 miles southwest of downtown Dallas in Johnson County.

Adjacent Land Uses:

- **North:** Residential development;
- **East:** Railroad tracks immediately adjacent and retail uses beyond;
- **South:** Commercial Blvd and a gas station immediately adjacent;
- **Southwest:** car wash immediately adjacent and retail uses beyond; and
- **West:** Stonebrook Dr and residential development.

Site Access: Access to the property is very good. The site is located on the north side of Alsbury Boulevard NE, just west of Interstate Highway 35W.

Public Transportation: Public transportation to the area is provided by Fort Worth Transit Authority T Bus Service and Bus & Rail Amtrak and the nearest linkage (Park and Ride) is .5 miles from the subject site.

Shopping & Services: The site is within one mile of major grocery/pharmacies, shopping centers, and a variety of other retail establishments and restaurants. Schools, hospitals and health care facilities are also located within a short driving distance from the site.

TDHCA SITE INSPECTION

Inspector: TDHCA Staff **Date:** 5/11/2006

Overall Assessment: ☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Comments:

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 28, 2005 and updated on June 7, 2006 was prepared by Reed Engineering Group and contained the following findings and recommendations:

Findings:

- **Noise:** "Based on H.U.D. guidelines, a Noise Assessment is recommended given the close proximity of an active railroad line, a major highway, and an airport" (Per Addendum letter to Phase I ESA and Update dated June 15, 2006 and signed by a representative of Reed Engineering Group). Therefore, receipt, review and acceptance of a noise study by carryover and implementation of its findings by cost certification is a condition of this report.
- **Floodplain:** "According to the FEMA Flood Insurance Rate Map, Panel 530 of 595, Map No. 48439C0530 H, dated August 2, 1995, the property is situated in Zone X, which is defined as areas outside the 500-year floodplain" (Per Addendum letter to Phase I ESA and Update dated June 15, 2006 and signed by a representative of Reed Engineering Group).
- **Asbestos-Containing Materials (ACM):** "No structures or suspect asbestos-containing materials are present on the property; therefore the presence of asbestos is not anticipated" (Per Addendum letter to Phase I ESA and Update dated June 15, 2006 and signed by a representative of Reed Engineering Group).
- **Lead-Based Paint (LBP):** "No structures or painted surfaces are present on the property; therefore the presence of lead-based paint is not anticipated" (Per Addendum letter to Phase I ESA and Update dated June 15, 2006 and signed by a representative of Reed Engineering Group).
- **Lead in Drinking Water:** "Currently there are no drinking water facilities on the subject property. According to the City of Burleson's 2006 Water Quality Report, the city's water supply is obtained from surface water sources. Ninety percent of the households tested had lead concentrations of 4.7 parts per billion (ppb) or less total lead. The Action Level for lead is 15 ppb. Lead in drinking water is not anticipated to present a concern to the subject property" (Per Addendum letter to Phase I ESA and Update dated June 15, 2006 and signed by a representative of Reed Engineering Group).
- **Radon:** "The potential for development of radon at the subject property is considered low. Radon is a radioactive decay product of uranium and can be found in high concentrations in soils and rock

containing uranium, granite, phosphate and pitchblende. These materials are not indigenous to the Burleson area; therefore, the potential for radon exposure is low. Review of the "Final Report of The Texas Indoor Radon Survey" indicates Tarrant, Johnson, Dallas, and Ellis Counties have average indoor radon concentrations of .9 pico Curies per liter of air (pCi/l). The Federal action level is 4.0 pCi/l" (p.10).

Recommendations: "Based on information received to date, this assessment has revealed no evidence of recognized environmental conditions in connection with the property" p.19

Per a letter dated June 7, 2006 and signed by an Environmental Scientist from Reed Engineering Group, Inc, the Phase I ESA Update provided the same recommendation as above.

INCOME SET-ASIDE

The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside.

One hundred Forty-three of the units (95% of the total) will be reserved for low-income tenants. Sixteen of the units (11%) will be reserved for households earning 30% or less of AMI, and 127 units (85%) will be reserved for households earning 60% or less of AMI, and the remaining 7 units will be offered at market rents.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$26,640	$30,420	$34,260	$38,040	$41,100	$44,100

MARKET HIGHLIGHTS

A market feasibility study dated March 15, 2006 was prepared by Apartment Market Data ("Market Analyst") and included the following findings:

Definition of Primary Market Area (PMA): "For this analysis, we utilized a "**primary market area**" encompassing 184.13 square miles. The boundaries of the [PMA] are as follows" **North**: Columbus Trial, Everman Parkway, Enon Avenue Extended east and west; **East**; Mansfield Highway, SH 917; **South**: SH 917; and **West** Benbrook Lake, Winscott Plover Road, SH 1187, Fm 1902" (p. 3). The PMA is relatively large for a suburban market and is equivalent to a circle with a radius of 7.7 miles.

Population: The estimated 2005 population of the PMA was 97,679 and is expected to increase by 13% to approximately 110,411 by 2010. Within the primary market area there were estimated to be 31,742 households in 2005.

Total Market Demand: The Market Analyst utilized a household size-appropriate adjustment rate of 96.55%. The Analyst's income band of $12,069 to $20,550 and $24,171 to $41,100 (p. 46) results in an income eligible adjustment rate of 22.66% (p. 46). The income-appropriate qualified renters was calculated to be 12.04% but this includes the income-eligible population as well (p. 50). Thus, the tenure appropriate percentage is 53.13% for the targeted income group. The Market Analyst indicates a turnover rate of 68.5% based on IREM data (p. 51). The Underwriter used a slightly lower income-eligible percentage of 22.31% and a tenure appropriate adjustment rate of 36.94% based on census information for Burleson rather than all of Tarrant County (as used by the Market Analyst).

MARKET DEMAND SUMMARY

	Market Analyst		Underwriter	
Type of Demand	**Units of Demand**	**% of Total Demand**	**Units of Demand**	**% of Total Demand**
Household Growth	48	1.9%	49	3%
Resident Turnover	2,527	98.1%	1,775	97%
TOTAL DEMAND	**2,575**	**100%**	**1,824**	**100%**

p. 53

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 5.6% based upon 2,575 units of demand and 143 unstabilized affordable housing in the PMA (including the subject) (p. 54). The Underwriter calculated an inclusive capture rate of 21.43% based upon a revised supply of 391 unstabilized comparable affordable units divided by a revised demand estimate for 1,824 affordable units. The Market Analyst failed to account for 248 units at Worthington Point Apartments (a 2004 bond development located less than a mile from the subject. Four additional unstabilized tax credit transactions exist or are proposed approximately five miles north of the subject. One of these targets elderly households but the other three (TDHCA #02484 Sycamore Center Villas: 280 units, TDHCA #02459 Sycamore School Apartments: 216 units, and TDHCA 060609 The Residences at Sunset Pointe: 224 units) contain 790 units. All three of these developments are outside of the PMA but within a half-mile of the Market Analyst's PMA boundaries and including any one of them would result in an inclusive capture rate over 25%.

Unit Mix Conclusion: "…The subject's unit mix is well suited for individuals and for families, as the subject is comprised of 14.7% one bedrooms, which would accommodate households having one or two persons. One and two person household make up 49.7% of the sub-market. The subject also has 48% two bedroom units, which would accommodate households having, two, three, or four persons. The sum of two, three, and four person households represent 73.98% of the sub-market area. The subject is also made up of 37.3% three bedroom units, which would accommodate households which have three, four, five, six or seven persons. This grouping of households represents 50.3% of the sub-market area" (p. 59).

Market Rent Comparables: The Market Analyst surveyed 3 comparable apartment projects totaling 350 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Est. Market**	**Differential**
1-Bedroom (30%)	$287	$264	$23	$685	-$398
1-Bedroom (60%)	$644	$621	$23	$690	-$46
1-Bedroom (MR)	$644	N/A	N/A	$710	-$66
2-Bedroom (30%)	$343	$309	$34	$805	-$462
2-Bedroom (60%)	$771	$738	$33	$830	-$59
2-Bedroom (60%)	$771	$738	$33	$845	-$74
2-Bedroom (60%)	$771	$738	$33	$850	-$79
3-Bedroom (30%)	$398	$349	$49	$920	-$522
3-Bedroom (60%)	$893	$845	$48	$920	-$27

(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 primary market area is projected to have a household growth of 6.6% over the next five years; while the trade area occupancy of multi-family communities is 96.5%. This is due to strong employment, population, and household growth, combined with minimal new multi – family construction" (p. 59).

Absorption Projections: "We estimate that the project would achieve a lease at a rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction. An 8% monthly lease-up rate would be as follows: (p. 87).

Month	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**Total: 93%**
Units	**12**	**12**	**12**	**12**	**12**	**12**	**12**	**12**	**12**	**12**	**12**	**8**	**140**

Unstabilized, Under Construction, and Planned Development: Crestmoor Park West (TDHCA #060022), Worthington Point Apartments (TDHCA #04486), and Villas of Forest Hill (TDHCA #04089) are located within the defined PMA boundaries. Crestmoor Park West is a planned 9% HTC/HOME acquisition/rehab development targeting the general population. While the Crestmoor development appears to have priority over the Applicant it was not considered in the inclusive capture rate analysis. Crestmoor Park West is a USDA-RD development that is currently 94% occupied with a rental subsidy, and it is likely the existing tenants will choose to remain at the property. Therefore, in all probability, the development will not have any impact on the subject's capture rate. Worthington Point Apartments is a 248 unit development that targets families. Villas of Forest Hill is a 100 unit development that targets seniors. Unstabilized units at a development that exclusively rents to seniors are not considered in the inclusive capture rate analysis for developments targeting families.

Market Impact: "The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market. Existing "affordable" housing projects have an overall occupancy of

97.6%. This typifies the demand for affordable rental housing, as there is a shortage of affordable housing in this market" (p. 87).

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 projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of February 9, 2006 maintained by the Tarrant County Housing Assistance Office, from the 2006 program gross rent limits. The Applicant's proposed utility allowances do not appear to be based on current allowances as of February 9, 2006 and therefore reflect allowances that are much lower than the underwritten allowances. 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 additional $9 per unit over the $15 guideline. The Applicant indicated that this revenue would be from garage and carport income but provided limited support that these additional amounts are achievable in this market. Despite the differences in potential tenant-paid utility allowances for each unit type and the differences in secondary income, the Applicant's effective gross rent is within 5% of the Underwriter's estimate.

Expenses: The Applicant's total annual operating expense projection at $4,406 per unit is within 5% of the Underwriter's estimate of $4,536, derived from the TDHCA database and third-party data sources. However, The Applicant's budget shows several line item estimates that deviate moderately when compared to the database averages, particularly: payroll and payroll tax ($25K higher), utilities ($19K lower) and property tax ($13K higher). Though not discussed in the Application, the County's participation in the Application could be used to garner property tax relief either at 50% exemption as a result of the nonprofit status of DCTC Alsbury Villas, LLC or 100% through a long-term land lease. In addition, the Applicant understated compliance fee expense.

Conclusion: The Applicant's net operating income is not within 5% of Underwriter's estimates, therefore the Underwriter's proforma is used to determine the development's debt capacity.

The proforma and estimated debt service result in a debt coverage ratio (DCR) below the current underwriting minimum guideline of 1.10. Therefore, the recommended financing structure reflects a decrease in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below). It should be noted that any property tax relief resulting from the County's participation in this development would likely result in a DCR above 1.10.

Long-Term 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 and the debt was resized resulting in a debt coverage ratio that remains above 1.10 and continued positive cashflow for 30 years. Therefore, the development can be characterized as feasible for the long-term.

ASSESSED VALUE

Land: 10.2874 acres	$156,840	**Assessment for the Year of:**	2006
Building:	N/A	**Valuation by:**	Tarrant County Appraisal District
Total Assessed Value:	$156,840	**Tax Rate:**	2.897677

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Option agreement (10.285 acres)		
Contract Expiration:	9/30/2006	**Valid through Board Date?**	☒ Yes ☐ No
Acquisition Cost:	$948,000	**Other:**	Closed on acquisition from Alsbury Venture, LP, an unrelated party.
Seller:	DCTC Alsbury Villas, LCC	**Related to Development Team?**	☐ Yes ☒ No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: Submitted documentation indicates the subject 10.285 acres were under contract in 2004 for a price of $875,000. The original seller (Alsbury Venture Limited Partnership) lists a contact address out of Arlington, Texas. Although the Tarrant County Appraisal District website lists the address for Alsbury Venture, LP as 3113 S University Dr, Fort Worth, Texas 76109, there does not appear to be an identity of interest between the original seller and current owner or development team.

A First Amendment to Contract executed on August 23, 2005 increased the purchase price to $900,000 and extended the closing date to May 1, 2006 through up to six 30-day extensions at a cost of $8,000 per extension (or a total of $48,000 in extension fees). A Second Amendment to Contract executed on April 29, 2006 between the original seller (Alsbury Venture Limited Partnership) and the current owner (DCTC Alsbury Villas, LLC) indicates the contract was assigned to DCTC-Sphinx Development, LP (the Applicant) which assigned it to the current owner and the closing date is extended to May 5, 2006. A signed settlement statement confirms that DCTC Alsbury Villas, LLC closed on the property on the 5th of May, 2006. A Real Estate Option Contract effective May 5, 2006 indicates the owner (DCTC Alsbury Villas, LLC) grants an option to purchase the subject site to DCTC-Sphinx Development, LP (the Applicant) at a price of $948,000. The option to purchase expires on September 30, 2006. While DCTC Alsbury Villas, LLC is an entity of the Development Corporation of Tarrant County, a principal in the Applicant, the sales price is no more than the original acquisition cost from Alsbury Venture LP.

Sitework Cost: The Applicant's claimed sitework costs of $7,495 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 $72K or 1% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate.

Contingency: The Applicant's eligible contingency costs were adjusted down by $5,200 to meet the Department guideline of 5% of eligible sitework and direct construction costs for new construction developments.

Fees: The Applicant's developer fee also exceeds 15% of the Applicant's adjusted eligible basis by $2,214 and, therefore, the eligible portion of the Applicant's developer fee must be reduced by the same amount. It should be noted, although a housing consultant is listed as a development team member, no separate fee was included in the submitted development cost schedule.

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 $13,896,742, adjusted for overstated eligible contingency and developer fee, supports annual tax credits of $1,078,596. 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

PERMANENT FINANCING

Source: MMA Financial **Contact:** Marie Keutmann

Interim: $6,000,000 **Interest Rate:** 7.07%, fixed, lender's estimate **Term:** 24 months

Permanent: $6,000,000 **Interest Rate:** 7.5%, fixed, lender's estimate **Amort:** 360 months

Documentation: ☒ Signed ☐ Term Sheet ☐ LOI ☒ Firm Commitment ☐ Conditional Commitment ☐ Application

Comments: Interim Index Rate: interest only 30-day LIBOR + 2.50%

PERMANENT FINANCING

Source: Development Corporation of Tarrant County (HOME) **Contact:** Patricia Ward

Principal: $565,000 **Interest Rate:** 7.5% fixed, Applicant's Estimate **Amort:** 360 months

Documentation: ☒ Signed ☐ Term Sheet ☐ LOI ☒ Firm Commitment ☐ Conditional Commitment ☐ Application

Comments: Terms of the loan were not indicated on commitment.

TAX CREDIT SYNDICATION

Source: MMA Financial **Contact:** Marie Keutmann

Proceeds: $9,398,000 **Net Syndication Rate:** 87% **Anticipated HTC:** $1,080,307/year

Documentation: ☒ Signed ☐ Term Sheet ☒ LOI ☐ Firm Commitment ☐ Conditional Commitment ☐ Application

Comments:

OTHER

Amount: $296,470 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Financing: The letter of interest signed by a representative of MMA Financial is consistent with terms indicated in the Applicant's sources and uses.

Funding by Local Political Subdivision: The Applicant has also indicated the development will receive a HOME loan of $565,000 from the Development Corporation of Tarrant County (DCTC) at an interest rate of 7.5% amortized over 30 years. Since the Federal loan is not below market, there will be no effect on the development's eligible basis for purposes of calculating tax credits. The County has also provided a letter of commitment reflecting that the funds will be a HOME grant to DCTC. Receipt, review and acceptance of a firm commitment for the HOME loan clearly stating the interest rate, amortization period and repayment term is a condition of this report.

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 of current credit prices. If the final syndication rate were to increase by ten cents per dollar of tax credit, 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 $296,470 amount to 16% of the total fees.

Financing Conclusions: As stated above, the proforma analysis results in a debt coverage ratio below the Department's minimum guideline of 1.10. The current underwriting analysis assumes a decrease in the permanent loan amount to $5,244,702 based on the terms reflected in the application materials. As a result the development's gap in financing will increase.

The Applicant's total development cost estimate less the adjusted permanent loan of $5,244,702 and the $565,000 HOME loan from the DCTC indicates the need for $10,449,766 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,201,208 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request ($1,080,307), the gap-driven amount ($1,201,208), and eligible basis-derived estimate ($1,078,596), the eligible basis-derived estimate of $1,078,596 is recommended resulting in proceeds of $9,383,112 based on a syndication rate of 87%.

The Underwriter's recommended financing structure indicates the need for $1,066,654 in additional permanent funds. Deferred developer in this amount appear to be repayable from development cashflow just over ten years of stabilized operation

DEVELOPMENT TEAM

IDENTITIES of INTEREST

- The Applicant and Developer are related entities. These are common relationships for HTC-funded developments. The nonprofit lender and current seller are also related parties to the Applicant. The loan funds are originating from HUD however, and the identity of interest seller issues have been addressed in the site acquisition section of this report.

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.
- Development Corporation of Tarrant County, 15% owner of the General Partner, submitted an unaudited financial statement as of December 31, 2005 reporting total assets of $555K consisting of $396K in cash, and $159K in other current assets. Liabilities totaled $20K, resulting in net worth assets of $535K.
- The principals of the General Partner, Joseph Agumadu and Jay O. Oji, submitted unaudited financial statements as of December 31, 2005.

Background & Experience: 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 and operating proforma are more than 5% outside of the Underwriter's verifiable range.
- Significant inconsistencies in the application could affect the financial feasibility of the development.
- Environmental/locational risk exists regarding the uncertainty of the to-be-completed noise study.
- An ad valorem property tax exemption may or may not be requested, received or may be reduced, which could affect the financial feasibility of the development.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist

Underwriter:	*Diamond Thompson*	**Date:**	July 10, 2006
Reviewing Underwriter:	*Lisa Vecchietti*	**Date:**	July 10, 2006
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	July 10, 2006

MULTIFAMILY COMPARATIVE ANALYSIS

Sphinx at Alsbury Villas, Burleson, 9% HTC #060087

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	Wtr, Swr, Trsh
TC 60%	1	1	1	742	713	$621	621	0.84	$92.00	$51.00
TC 60%	10	1	1	760	713	621	6,210	0.82	92.00	51.00
MR	7	1	1	760	0	652	4,564	0.86	92.00	51.00
TC 30%	4	1	1	874	356	264	1,056	0.30	92.00	51.00
TC 60%	21	2	2	974	856	738	15,498	0.76	118.00	63.00
TC 60%	4	2	2	1,005	856	738	2,952	0.73	118.00	63.00
TC 30%	6	2	2	1,018	427	309	1,854	0.30	118.00	63.00
TC 60%	7	2	2	1,018	856	738	5,166	0.72	118.00	63.00
TC 60%	21	2	2	1,044	856	738	15,498	0.71	118.00	63.00
TC 60%	13	2	2	1,057	856	738	9,594	0.70	118.00	63.00
TC 60%	34	3	2	1,195	989	845	28,730	0.71	144.00	75.00
TC 30%	6	3	2	1,226	493	349	2,094	0.28	144.00	75.00
TC 60%	16	3	2	1,226	989	845	13,520	0.69	144.00	75.00
TOTAL:	150		**AVERAGE:**	1,054	$805	$716	$107,357	$0.68	$123.89	$65.72

INCOME	Total Net Rentable Sq Ft:	158,133		**TDHCA**	**APPLICANT**		Comptroller's Region	3
POTENTIAL GROSS RENT				$1,288,284	$1,352,664		IREM Region	Fort Worth
Secondary Income		Per Unit Per Month:	$15.00	27,000	25,572	$14.21	Per Unit Per Month	
Other Support Income:garages/carports/storage					18,564	$10.31	Per Unit Per Month	
POTENTIAL GROSS INCOME				$1,315,284	$1,396,800			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(98,646)	(104,760)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$1,216,638	$1,292,040			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.49%	$365	0.35	$54,684	$54,400	$0.34	$363	4.21%
Management		5.00%	406	0.38	60,832	64,602	0.41	431	5.00%
Payroll & Payroll Tax		11.38%	923	0.88	138,506	163,724	1.04	1,091	12.67%
Repairs & Maintenance		5.28%	428	0.41	64,262	61,600	0.39	411	4.77%
Utilities		4.37%	355	0.34	53,189	34,500	0.22	230	2.67%
Water, Sewer, & Trash		5.72%	464	0.44	69,628	64,500	0.41	430	4.99%
Property Insurance		3.84%	311	0.30	46,678	33,750	0.21	225	2.61%
Property Tax	2.978897	11.02%	894	0.85	134,050	127,500	0.81	850	9.87%
Reserve for Replacements		2.47%	200	0.19	30,000	30,000	0.19	200	2.32%
Other: compl fees		2.34%	190	0.18	28,500	26,250	0.17	175	2.03%
TOTAL EXPENSES		55.92%	$4,536	$4.30	$680,329	$660,826	$4.18	$4,406	51.15%
NET OPERATING INC		44.08%	$3,575	$3.39	$536,309	$631,214	$3.99	$4,208	48.85%
DEBT SERVICE									
MMA First Lien Mortgage		41.38%	$3,356	$3.18	$503,434	$503,434	$3.18	$3,356	38.96%
DCTC HOME funds		3.90%	$316	$0.30	47,407	40,650	$0.26	$271	3.15%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		-1.19%	($97)	($0.09)	($14,532)	$87,130	$0.55	$581	6.74%
AGGREGATE DEBT COVERAGE RATIO					0.97	1.16			
RECOMMENDED DEBT COVERAGE RATIO					1.10				

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)		5.80%	$6,320	$5.99	$948,000	$900,000	$5.69	$6,000	5.54%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.88%	7,495	7.11	1,124,250	1,124,250	7.11	7,495	6.91%
Direct Construction		48.06%	52,385	49.69	7,857,758	7,785,917	49.24	51,906	47.89%
Contingency	5.00%	2.75%	2,994	2.84	449,100	450,708	2.85	3,005	2.77%
General Req'ts	5.95%	3.27%	3,564	3.38	534,610	534,610	3.38	3,564	3.29%
Contractor's G & A	1.98%	1.09%	1,188	1.13	178,203	178,203	1.13	1,188	1.10%
Contractor's Profit	5.95%	3.27%	3,564	3.38	534,610	534,610	3.38	3,564	3.29%
Indirect Construction		5.51%	6,003	5.69	900,400	900,400	5.69	6,003	5.54%
Ineligible Costs		5.34%	5,822	5.52	873,237	873,237	5.52	5,822	5.37%
Developer's G & A	4.48%	3.33%	3,630	3.44	544,450	544,450	3.44	3,630	3.35%
Developer's Profit	10.45%	7.77%	8,469	8.03	1,270,383	1,270,383	8.03	8,469	7.81%
Interim Financing		3.55%	3,871	3.67	580,625	580,625	3.67	3,871	3.57%
Reserves		3.40%	3,706	3.52	555,919	582,075	3.68	3,881	3.58%
TOTAL COST		100.00%	$109,010	$103.40	$16,351,545	$16,259,468	$102.82	$108,396	100.00%
Construction Cost Recap		*65.31%*	***$71,190***	***$67.53***	***$10,678,531***	***$10,608,298***	***$67.08***	***$70,722***	*65.24%*
					2006 QAP §50.9(i)(8) points awarded for costs less than		***$0.00***	***per square foot***	

SOURCES OF FUNDS						RECOMMENDED	
MMA First Lien Mortgage	36.69%	$40,000	$37.94	$6,000,000	$6,000,000	$5,244,702	Developer Fee Available
DCTC HOME funds	3.46%	$3,767	$3.57	565,000	565,000	565,000	$1,812,619
HTC Syndication Proceeds	57.47%	$62,653	$59.43	9,398,000	9,398,000	9,383,112	% of Dev. Fee Deferred
Deferred Developer Fees	1.81%	$1,976	$1.87	296,470	296,470	1,066,654	59%
Additional (Excess) Funds Req'd	0.56%	$614	$0.58	92,075	(2)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$16,351,545	$16,259,468	$16,259,468	$1,729,657

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Sphinx at Alsbury Villas, Burleson, 9% HTC #060087

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$48.91	$7,734,873
Adjustments				
Exterior Wall Finish	5.20%		$2.54	$402,213
8-Ft Ceilings			0.00	0
Roofing			0.00	0
Subfloor (Wood)			0.00	0
Floor Cover			3.55	561,372
Porches/Balconies	$20.33	7,779	1.00	158,147
Plumbing (Fixtures)	$2,040	151	1.94	307,360
Plumbing (Rough-Ins)	$340	150	0.32	51,000
Built-In Appliances	$1,675	150	1.59	251,250
Interior Stairs	$2,700	79	1.35	213,300
Enclosed Corridors	$0.00		0.00	0
Heating/Cooling			1.73	273,570
Garages	$14.73	10,800	1.01	159,084
Comm &/or Aux Bldgs	$64.09	4,526	1.83	290,049
Other:			0.00	0
SUBTOTAL			65.78	10,402,219
Current Cost Multiplier	1.03		1.97	312,067
Local Multiplier	0.90		(6.58)	(1,040,222)
TOTAL DIRECT CONSTRUCTION COSTS			$61.18	$9,674,063
Plans, specs, survy, bld prm	3.90%		($2.39)	($377,288)
Interim Construction Interest	3.38%		(2.06)	(326,500)
Contractor's OH & Profit	11.50%		(7.04)	(1,112,517)
NET DIRECT CONSTRUCTION COSTS			$49.69	$7,857,758

PAYMENT COMPUTATION

Primary	$6,000,000	Amort	360
Int Rate	7.50%	DCR	1.07

Secondary	$565,000	Amort	360
Int Rate	7.50%	Subtotal DCR	0.97

Additional		Amort	
Int Rate		Aggregate DCR	0.97

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$440,061
Secondary Debt Service	47,407
Additional Debt Service	0
NET CASH FLOW	$48,842

Primary	$5,244,702	Amort	360
Int Rate	7.50%	DCR	1.22

Secondary	$565,000	Amort	360
Int Rate	7.50%	Subtotal DCR	1.10

Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.10

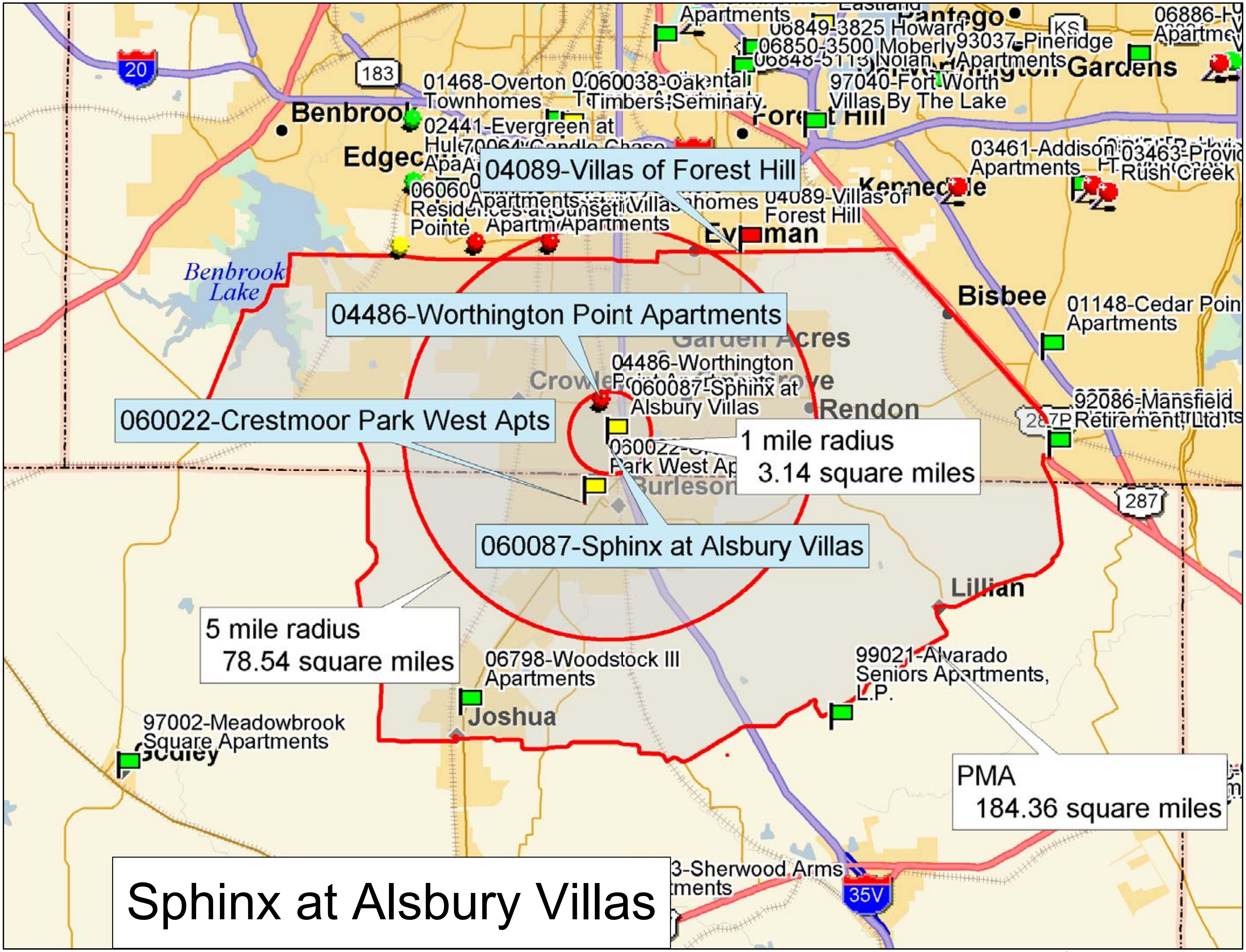
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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	$1,288,284	$1,326,933	$1,366,740	$1,407,743	$1,449,975	$1,680,918	$1,948,645	$2,259,014	$3,035,926
Secondary Income	27,000	27,810	28,644	29,504	30,389	35,229	40,840	47,345	63,627
Other Support Income:garages,	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,315,284	1,354,743	1,395,385	1,437,246	1,480,364	1,716,147	1,989,485	2,306,358	3,099,553
Vacancy & Collection Loss	(98,646)	(101,606)	(104,654)	(107,793)	(111,027)	(128,711)	(149,211)	(172,977)	(232,466)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,216,638	$1,253,137	$1,290,731	$1,329,453	$1,369,336	$1,587,436	$1,840,274	$2,133,382	$2,867,086
EXPENSES at 4.00%									
General & Administrative	$54,684	$56,872	$59,147	$61,512	$63,973	$77,833	$94,695	$115,212	$170,541
Management	60,832	62,657	64,537	66,473	68,467	79,372	92,014	106,669	143,354
Payroll & Payroll Tax	138,506	144,046	149,808	155,800	162,032	197,137	239,847	291,811	431,951
Repairs & Maintenance	64,262	66,832	69,506	72,286	75,177	91,465	111,281	135,390	200,410
Utilities	53,189	55,316	57,529	59,830	62,223	75,704	92,106	112,061	165,878
Water, Sewer & Trash	69,628	72,413	75,310	78,322	81,455	99,103	120,573	146,696	217,146
Insurance	46,678	48,545	50,486	52,506	54,606	66,437	80,830	98,342	145,571
Property Tax	134,050	139,412	144,989	150,788	156,820	190,795	232,132	282,424	418,056
Reserve for Replacements	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Other	28,500	29,640	30,826	32,059	33,341	40,564	49,353	60,045	88,882
TOTAL EXPENSES	$680,329	$706,934	$734,584	$763,322	$793,190	$961,109	$1,164,782	$1,411,855	$2,075,349
NET OPERATING INCOME	$536,309	$546,203	$556,147	$566,131	$576,146	$626,327	$675,492	$721,526	$791,738
DEBT SERVICE									
First Lien Financing	$440,061	$440,061	$440,061	$440,061	$440,061	$440,061	$440,061	$440,061	$440,061
Second Lien	47,407	47,407	47,407	47,407	47,407	47,407	47,407	47,407	47,407
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$48,842	$58,736	$68,679	$78,663	$88,679	$138,860	$188,025	$234,059	$304,270
DEBT COVERAGE RATIO	1.10	1.12	1.14	1.16	1.18	1.28	1.39	1.48	1.62

HTC ALLOCATION ANALYSIS - Sphinx at Alsbury Villas, Burleson, 9% HTC #060087

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	$900,000	$948,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,124,250	$1,124,250	$1,124,250	$1,124,250
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$7,785,917	$7,857,758	$7,785,917	$7,857,758
(4) Contractor Fees & General Requirements				
Contractor overhead	$178,203	$178,203	$178,203	$178,203
Contractor profit	$534,610	$534,610	$534,610	$534,610
General requirements	$534,610	$534,610	$534,610	$534,610
(5) Contingencies	$450,708	$449,100	$445,508	$449,100
(6) Eligible Indirect Fees	$900,400	$900,400	$900,400	$900,400
(7) Eligible Financing Fees	$580,625	$580,625	$580,625	$580,625
(8) All Ineligible Costs	$873,237	$873,237		
(9) Developer Fees			$1,812,619	
Developer overhead	$544,450	$544,450		$544,450
Developer fee	$1,270,383	$1,270,383		$1,270,383
(10) Development Reserves	$582,075	$555,919		
TOTAL DEVELOPMENT COSTS	$16,259,468	$16,351,545	$13,896,742	$13,974,389

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		$13,896,742	$13,974,389
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$13,896,742	$13,974,389
Applicable Fraction		95%	95%
TOTAL QUALIFIED BASIS		$13,201,905	$13,275,670
Applicable Percentage		8.17%	8.17%
TOTAL AMOUNT OF TAX CREDITS		$1,078,596	$1,084,622
Syndication Proceeds	**0.8699**	**$9,383,112**	**$9,435,540**
Total Tax Credits (Eligible Basis Method)		**$1,078,596**	**$1,084,622**
Syndication Proceeds		**$9,383,112**	**$9,435,540**
Requested Tax Credits		**$1,080,307**	
Syndication Proceeds		**$9,398,000**	
Gap of Syndication Proceeds Needed		**$10,449,766**	
Total Tax Credits (Gap Method)		**$1,201,208**	



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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: File

From: Audrey Martin, Real Estate Analysis

cc: Ben Sheppard, Multifamily Finance Production

Date: September 11, 2009

Re: Amendment Request for Evergreen at Rockwall, TDHCA #060111

Background

Development received an award of $1,042,433 in 9% tax credits during the 2006 9% Housing Tax Credit application cycle. The owner received approval for an amendment in November 2007 to change the site plan, increase the size of the community space, and add covered parking. Construction is complete and the cost certification has been submitted to the Department.

Amendment Request

Owner requested the following in a letter dated September 1, 2009:

- Site acreage – At application, the site was presented as being approximately 6.3 acres. However, at cost certification, the development site was presented as being 6.5749 acres. The owner stated that the additional land was acquired to meet access requirements imposed by the City of Rockwall and the Texas Department of Transportation.
    - Acquisition cost – The additional land was acquired for $1; therefore, the acquisition cost, as certified by the CPA at cost certification, is materially the same as at application.
    - Environmental concerns – The Environmental Site Assessment (ESA) provider confirmed that the entire 6.5749 acre site was evaluated at the time the original ESA was prepared, and that there were no recognized environmental concerns.

Conclusion

The cost certification has been submitted to the Department. The owner's final costs, as certified by the CPA, are within 5% of the underwriter's estimate. The underwriter's analysis indicates that requested changes do not negatively impact the underwriting of the transaction. No change to the credit recommendation is recommended prior to the completion of the cost certification review process.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ADDENDUM

DATE: August 4, 2006 **PROGRAM:** 9% HTC **FILE NUMBER:** 060111

DEVELOPMENT NAME

Evergreen at Rockwall

APPLICANT

Name:	Rockwall Senior Community, L.P.		**Contact:**	Betts Hoover	
Address:	5605 N. MacArthur Blvd., Suite 580				
City	Irving		**State:**	Texas	**Zip:** 75038
Phone:	(972) 550-7800 x.222	**Fax:** (972) 550-7900	**Email:**	bradforslund@churchillresidential.com	

KEY PARTICIPANTS

Name:	LifeNet-Rockwall GP, L.L.C.	**Title:**	0.05% General Partner and Co-Developer
Name:	LifeNet Community Behavioral Healthcare	**Title:**	100% nonprofit owner of GP
Name:	Churchill Residential, Inc	**Title:**	0.05% Special Limited Partner and Co-Developer
Name:	Brad Forslund	**Title:**	100% owner of SLP

PROPERTY LOCATION

Location:	Approximately 1200 Block of S. Goliad Street		
City:	Rockwall	**Zip:**	75087
County:	Rockwall	**Region:**	3

☐ **QCT** ☐ **DDA**

REQUEST

Program	**Amount**	**Interest Rate**	**Amortization**	**Term**
HTC	$1,001,170	N/A	N/A	N/A
HOME (RHD)	$1,300,000	1.00%	30 yrs	30 yrs

Proposed Use of Funds: New construction **Type:** Multifamily

Target Population: Elderly **Other:** Urban/Exurban, Nonprofit, CHDO

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $1,042,433[1] ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED $1,300,000, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 1% INTEREST, SUBJECT TO CONDITIONS.

---

[1] The recommended tax credit allocation incorporates the July 28, 2006 TDHCA Board approval to raise the underwriting applicable percentage rates for the 2006 Application Round to 3.69% and 8.46% for the 30% and the 70% credit, respectively.

MULTIFAMILY UNDERWRITING ADDENDUM

CONDITIONS

1. Receipt, review, and acceptance of documentation verifying the appropriate re-zoning of the site for the use as planned.
2. Receipt, review and acceptance of a signed letter from the ESA provider stating if a noise study is recommended for the subject property and identifying the site's proximity to industrial zones, major highways, active rail lines, civil and military airfields, or other potential sources of excessive noise.
3. Should the HOME loan not be approved, receipt, review and acceptance of developer and contractor acknowledgement that 100% of developer fee and up to $162K of contractor fee would need to be deferred in order to maintain financial feasibility.
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.

REVIEW of PREVIOUS UNDERWRITING REPORTS

The underwriting analysis has been revised to reflect the July 28, 2006 TDHCA Board approval to raise the underwriting applicable percentage rates for the 2006 Application Round to 3.69% and 8.46% for the 30% and the 70% credit, respectively.

As stated in the Underwriting Report dated July 17, 2006, the Applicant's cost schedule is within 5% of the Underwriter's estimated costs. Therefore, the Applicant's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $12,321,900 and the revised underwriting applicable percentage rate support annual tax credits of $1,042,433. This figure will be compared to the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation. The Applicant's request will not limit the tax credits recommended as the requested allocation was most likely based on an understated applicable percentage rate.

The Applicant's total development cost estimate less the permanent loan of $3,445,000 and $1,300,000 HOME loan indicates the need for $9,678,921 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,052,135 annually would be required to fill this gap in financing. Of the two possible tax credit allocations, the gap-driven amount ($1,052,135), and adjusted eligible basis-derived estimate ($1,042,433), the eligible basis-derived amount of $1,042,433 is recommended. The Underwriter's recommended financing structure indicates the need for $89,253 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within one year of stabilized operation.

The syndication rate proposed in the commitment is at the low end of current credit prices. If the final syndication rate were to increase by more than $0.047 per dollar of tax credit, 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.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.

Underwriter:	*William Lane*	**Date:**	August 4, 2006
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	August 4, 2006

MULTIFAMILY COMPARATIVE ANALYSIS

Evergreen at Rockwall, Rockwall, 9% HTC/HOME #060111 -- **App Perc Inc**

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	Wtr, Swr, Trsh
TC 30% LH	2	1	1	700	$373	$283	$565	$0.40	$90.34	$56.00
TC 30% HH	5	1	1	700	373	$283	1,413	0.40	$90.34	56.00
TC 50%	21	1	1	700	623	$533	11,186	0.76	$90.34	56.00
TC 60%	41	1	1	700	748	$658	26,964	0.94	$90.34	56.00
TC 30% LH	1	2	2	925	448	$334	334	0.36	114.34	61.00
TC 30% HH	7	2	2	925	448	$334	2,336	0.36	114.34	61.00
TC 50%	22	2	2	925	748	$634	13,941	0.69	114.34	61.00
TC 60%	42	2	2	925	898	$784	32,914	0.85	114.34	61.00
TOTAL:	141		AVERAGE:	815	$738	$636	$89,652	$0.78	$102.60	$58.55

INCOME	Total Net Rentable Sq Ft:	114,900	TDHCA	APPLICANT	Comptroller's Region	3
POTENTIAL GROSS RENT			$1,075,825	$1,099,296		IREM Region
Secondary Income	Per Unit Per Month:	$7.50	12,696	12,696	$7.50	Per Unit Per Month
Other Support Income:			0	0	$0.00	Per Unit Per Month
POTENTIAL GROSS INCOME			$1,088,521	$1,111,992		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(81,639)	(83,400)	-7.50%	of Potential Gross Income
Employee or Other Non-Rental Units or Concessions			0			
EFFECTIVE GROSS INCOME			$1,006,882	$1,028,592		

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.11%	$365	0.45	$51,403	$55,272	$0.48	$392	5.37%
Management		5.00%	357	0.44	50,344	51,429	0.45	365	5.00%
Payroll & Payroll Tax		12.93%	923	1.13	130,195	218,550	1.90	1,550	21.25%
Repairs & Maintenance		5.76%	412	0.51	58,028	59,502	0.52	422	5.78%
Utilities		3.63%	259	0.32	36,503	28,764	0.25	204	2.80%
Water, Sewer, & Trash		5.11%	365	0.45	51,455	47,376	0.41	336	4.61%
Property Insurance		3.82%	273	0.33	38,459	34,545	0.30	245	3.36%
Property Tax	2.5996	6.37%	455	0.56	64,145	71,137	0.62	505	6.92%
Reserve for Replacements		2.94%	210	0.26	29,610	29,610	0.26	210	2.88%
Supp serv, compl fees		2.24%	160	0.20	22,560	22,560	0.20	160	2.19%
TOTAL EXPENSES		52.91%	$3,778	$4.64	$532,702	$618,745	$5.39	$4,388	60.15%
NET OPERATING INC		47.09%	$3,363	$4.13	$474,180	$409,847	$3.57	$2,907	39.85%
DEBT SERVICE									
MMA Financial loan		31.57%	$2,254	$2.77	$317,869	$317,869	$2.77	$2,254	30.90%
TDHCA HOME		4.98%	$356	$0.44	50,176	50,176	$0.44	$356	4.88%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		10.54%	$753	$0.92	$106,135	$41,802	$0.36	$296	4.06%
AGGREGATE DEBT COVERAGE RATIO					1.29	1.11			
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)		7.88%	$7,785	$9.55	$1,097,712	$1,097,712	$9.55	$7,785	7.61%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.56%	7,462	9.16	1,052,202	1,052,202	9.16	7,462	7.29%
Direct Construction		45.88%	45,309	55.60	6,388,538	6,668,560	58.04	47,295	46.23%
Contingency	5.00%	2.67%	2,639	3.24	372,037	486,038	4.23	3,447	3.37%
General Req'ts	6.00%	3.21%	3,166	3.89	446,444	463,246	4.03	3,285	3.21%
Contractor's G & A	2.00%	1.07%	1,055	1.30	148,815	154,415	1.34	1,095	1.07%
Contractor's Profit	6.00%	3.21%	3,166	3.89	446,444	463,246	4.03	3,285	3.21%
Indirect Construction		8.01%	7,911	9.71	1,115,390	1,115,390	9.71	7,911	7.73%
Ineligible Costs		3.62%	3,573	4.38	503,825	503,825	4.38	3,573	3.49%
Developer's G & A	2.00%	1.49%	1,473	1.81	207,629	243,331	2.12	1,726	1.69%
Developer's Profit	13.00%	9.69%	9,572	11.75	1,349,591	1,378,874	12.00	9,779	9.56%
Interim Financing		2.96%	2,919	3.58	411,599	411,599	3.58	2,919	2.85%
Reserves		2.77%	2,734	3.35	385,483	385,483	3.35	2,734	2.67%
TOTAL COST		100.00%	$98,764	$121.20	$13,925,711	$14,423,921	$125.53	$102,297	100.00%
Construction Cost Recap		*63.58%*	***$62,798***	***$77.06***	***$8,854,481***	***$9,287,707***	***$80.83***	***$65,870***	*64.39%*

2006 QAP §50.9(i)(8) points awarded for costs less than ***$80.00*** ***per square foot***

SOURCES OF FUNDS

						RECOMMENDED	
MMA Financial loan	24.74%	$24,433	$29.98	$3,445,000	$3,445,000	$3,445,000	Developer Fee Available
TDHCA HOME	9.34%	$9,220	$11.31	1,300,000	1,300,000	1,300,000	$1,607,204
HTC Syndication Proceeds	66.14%	$65,326	$80.17	9,211,000	9,211,000	9,589,668	% of Dev. Fee Deferred
Deferred Developer Fees	3.36%	$3,319	$4.07	467,919	467,919	89,253	6%
Additional (Excess) Funds Req'd	-3.58%	($3,533)	($4.34)	(498,208)	2	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$13,925,711	$14,423,921	$14,423,921	$2,562,362

MULTIFAMILY COMPARATIVE ANALYSIS(continued)

Evergreen at Rockwall, Rockwall, 9% HTC/HOME #060111 -- App Perc Inc

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$50.65	$5,819,440
Adjustments				
Exterior Wall Finish	4.00%		$2.03	$232,778
Elderly	3.00%		1.52	174,583
9 ft ceilings	3.50%		1.77	203,680
Subfloor			(0.75)	(85,792)
Floor Cover			2.22	255,078
Breezeways	$20.33	31,485	5.57	640,090
Plumbing	$680	216	1.28	146,880
Built-In Appliances	$1,675	141	2.06	236,175
Stairs	$1,650	27	0.39	44,550
Elevators	52,750	2	0.92	105,500
Heating/Cooling			1.73	198,777
Firesprinklers			1.95	224,055
Comm Bldgs	$65.36	4,000	2.28	261,450
Other:			0.00	0
SUBTOTAL			73.61	8,457,244
Current Cost Multiplier	1.04		2.94	338,290
Local Multiplier	0.89		(8.10)	(930,297)
TOTAL DIRECT CONSTRUCTION COSTS			$68.45	$7,865,237
Plans, specs, survy, bld prm	3.90%		($2.67)	($306,744)
Interim Construction Interest	3.38%		(2.31)	(265,452)
Contractor's OH & Profit	11.50%		(7.87)	(904,502)
NET DIRECT CONSTRUCTION COSTS			$55.60	$6,388,538

PAYMENT COMPUTATION

Primary	$3,445,000	Amort	360
Int Rate	8.50%	DCR	1.49
Secondary	$1,300,000	Amort	360
Int Rate	1.00%	Subtotal DCR	1.29
Additional	$9,211,000	Amort	
Int Rate		Aggregate DCR	1.29

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$317,869
Secondary Debt Service	50,176
Additional Debt Service	0
NET CASH FLOW	$106,135

Primary	$3,445,000	Amort	360
Int Rate	8.50%	DCR	1.49
Secondary	$1,300,000	Amort	360
Int Rate	1.00%	Subtotal DCR	1.29
Additional	$9,211,000	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	$1,075,825	$1,108,099	$1,141,342	$1,175,583	$1,210,850	$1,403,707	$1,627,281	$1,886,465	$2,535,251
Secondary Income	12,696	13,077	13,469	13,873	14,289	16,565	19,204	22,263	29,919
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,088,521	1,121,176	1,154,812	1,189,456	1,225,140	1,420,273	1,646,485	1,908,728	2,565,170
Vacancy & Collection Loss	(81,639)	(84,088)	(86,611)	(89,209)	(91,885)	(106,520)	(123,486)	(143,155)	(192,388)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,006,882	$1,037,088	$1,068,201	$1,100,247	$1,133,254	$1,313,752	$1,522,999	$1,765,573	$2,372,783
EXPENSES at 4.00%									
General & Administrative	$51,403	$53,459	$55,598	$57,822	$60,135	$73,163	$89,014	$108,299	$160,309
Management	50,344	51,854	53,410	55,012	56,663	65,688	76,150	88,279	118,639
Payroll & Payroll Tax	130,195	135,403	140,819	146,452	152,310	185,309	225,456	274,302	406,034
Repairs & Maintenance	58,028	60,349	62,763	65,273	67,884	82,592	100,486	122,256	180,969
Utilities	36,503	37,963	39,481	41,060	42,703	51,954	63,211	76,905	113,839
Water, Sewer & Trash	51,455	53,513	55,653	57,879	60,194	73,236	89,103	108,407	160,469
Insurance	38,459	39,998	41,597	43,261	44,992	54,739	66,599	81,028	119,941
Property Tax	64,145	66,711	69,379	72,155	75,041	91,299	111,079	135,144	200,046
Reserve for Replacements	29,610	30,794	32,026	33,307	34,640	42,144	51,275	62,384	92,343
Other	22,560	23,462	24,401	25,377	26,392	32,110	39,067	47,531	70,357
TOTAL EXPENSES	$532,702	$553,507	$575,128	$597,599	$620,953	$752,233	$911,438	$1,104,534	$1,622,945
NET OPERATING INCOME	$474,180	$483,581	$493,072	$502,647	$512,301	$561,519	$611,561	$661,039	$749,837
DEBT SERVICE									
First Lien Financing	$317,869	$317,869	$317,869	$317,869	$317,869	$317,869	$317,869	$317,869	$317,869
Second Lien	50,176	50,176	50,176	50,176	50,176	50,176	50,176	50,176	50,176
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$106,135	$115,537	$125,028	$134,603	$144,256	$193,474	$243,516	$292,994	$381,793
DEBT COVERAGE RATIO	1.29	1.31	1.34	1.37	1.39	1.53	1.66	1.80	2.04

HTC ALLOCATION ANALYSIS - Evergreen at Rockwall, Rockwall, 9% HTC/HOME #060111 -- App Perc Inc

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	$1,097,712	$1,097,712		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,052,202	$1,052,202	$1,052,202	$1,052,202
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$6,668,560	$6,388,538	$6,668,560	$6,388,538
(4) Contractor Fees & General Requirements				
Contractor overhead	$154,415	$148,815	$154,415	$148,815
Contractor profit	$463,246	$446,444	$463,246	$446,444
General requirements	$463,246	$446,444	$463,246	$446,444
(5) Contingencies	$486,038	$372,037	$386,038	$372,037
(6) Eligible Indirect Fees	$1,115,390	$1,115,390	$1,115,390	$1,115,390
(7) Eligible Financing Fees	$411,599	$411,599	$411,599	$411,599
(8) All Ineligible Costs	$503,825	$503,825		
(9) Developer Fees			$1,607,204	
Developer overhead	$243,331	$207,629		$207,629
Developer fee	$1,378,874	$1,349,591		$1,349,591
(10) Development Reserves	$385,483	$385,483		
TOTAL DEVELOPMENT COSTS	$14,423,921	$13,925,711	$12,321,900	$11,938,691

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		$12,321,900	$11,938,691
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$12,321,900	$11,938,691
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$12,321,900	$11,938,691
Applicable Percentage		8.46%	8.46%
TOTAL AMOUNT OF TAX CREDITS		$1,042,433	$1,010,013
Syndication Proceeds	**0.9199**	**$9,589,668**	**$9,291,431**
Total Tax Credits (Eligible Basis Method)		**$1,042,433**	**$1,010,013**
Syndication Proceeds		**$9,589,668**	**$9,291,431**
Requested Tax Credits		**$1,001,170**	
Syndication Proceeds		**$9,210,079**	
Gap of Syndication Proceeds Needed		**$9,678,921**	
Total Tax Credits (Gap Method)		**$1,052,135**	

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: July 17, 2006 **PROGRAM:** 9% HTC **FILE NUMBER:** 060111

DEVELOPMENT NAME

Evergreen at Rockwall

APPLICANT

Name:	Rockwall Senior Community, L.P.	**Contact:**	Betts Hoover
Address:	5605 N. MacArthur Blvd., Suite 580		
City	Irving	**State:**	Texas **Zip:** 75038
Phone:	(972) 550-7800 x.222 **Fax:** (972) 550-7900	**Email:**	bradforslund@churchillresidential.com

KEY PARTICIPANTS

Name:	LifeNet-Rockwall GP, L.L.C.	**Title:**	0.05% General Partner and Co-Developer
Name:	LifeNet Community Behavioral Healthcare	**Title:**	100% nonprofit owner of GP
Name:	Churchill Residential, Inc	**Title:**	0.05% Special Limited Partner and Co-Developer
Name:	Brad Forslund	**Title:**	100% owner of SLP

PROPERTY LOCATION

Location:	Approximately 1200 Block of S. Goliad Street		
City:	Rockwall	**Zip:**	75087
County:	Rockwall	**Region:**	3 ☐ **QCT** ☐ **DDA**

REQUEST

Program	Amount	Interest Rate	Amortization	Term
HTC	$1,001,170	N/A	N/A	N/A
HOME (RHD)	$1,300,000	1.00%	30 yrs	30 yrs

Proposed Use of Funds: New construction **Type:** Multifamily

Target Population: Elderly **Other:** Urban/Exurban, Nonprofit, CHDO

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $1,001,170 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED $1,300,000, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 1% INTEREST, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of documentation verifying the appropriate re-zoning of the site for the use as planned.
2. Receipt, review and acceptance of a signed letter from the ESA provider stating if a noise study is recommended for the subject property and identifying the site's proximity to industrial zones, major

highways, active rail lines, civil and military airfields, or other potential sources of excessive noise.

3. Should the HOME loan not be approved, receipt, review and acceptance of developer and contractor acknowledgement that 100% of developer fee and up to $162K of contractor fee would need to be deferred in order to maintain financial feasibility.
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.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 141 **# Res Bldgs** 1 **# Non-Res Bldgs** 0 **Age:** N/A yrs **Vacant:** N/A at / /

Net Rentable SF: 114,900 **Av Un SF:** 815 **Common Area SF:** 4,000 **Gross Bldg SF:** 118,900

ARCHITECTURAL REVIEW

Building and unit plans are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings.

STRUCTURAL MATERIALS

The structures will be constructed on a concrete slab subfloor. According to the plans provided in the application the exterior will be 50% masonry veneer, and 50% stucco. The interior wall surfaces will be drywall and the roofs will be finished with composite shingles.

UNIT FEATURES

The interior flooring will be 65% carpet and 35% resilient covering. Threshold criteria for the 2006 QAP requires all development units to include: mini blinds or window coverings for all windows, a dishwasher, a disposal, a refrigerator, an oven/range, an exhaust/vent fax in bathrooms, and a ceiling fan in each living area and bedroom. New construction units must also include three networks: one for phone service, one for data service, and one for TV service. In addition, each unit will include: microwave, an ice maker in the refrigerator, a self-cleaning oven, laundry connections, individual water heater, and nine-foot ceilings.

ONSITE AMENITIES

In order to meet threshold criteria for total units of 12 or more, the Applicant has elected to provide a community laundry room, controlled access gates, an enclosed sun porch or covered community porch, an equipped business center or computer learning center, a furnished fitness center, secured entry to the residential buildings, and a swimming pool.

Uncovered Parking: 170 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

<u>Description</u>: Evergreen at Rockwall is a 22 unit per acre new construction development located in central Rockwall. The development is comprised of one very large, elevator-served residential building divided into 6 parts by two inch fire walls. The development includes a 4,000 square foot community building. The two-story community area is located at the southern end of the building. Only two elevators will be available for resident use to service 100 upper floor households. This level of elevator to tenant is at the upper end (poor) of common practice for a senior's development..

SITE ISSUES

SITE DESCRIPTION

Total Size: 6.3 acres **Scattered sites?** ☐ Yes ☒ No

Flood Zone: Zone X **Within 100-year floodplain?** ☐ Yes ☒ No

Current Zoning: Commercial **Needs to be re-zoned?** ☒ Yes ☐ No ☐ N/A

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject site is located at 1200 S. Goliad Street in the City of Rockwall, Rockwall County. Rockwall County shares its west county line with Dallas County.

Adjacent Land Uses:

- **North:** Rockwell County justice and detention center immediately adjacent and beyond;
- **South:** Vacant land immediately adjacent and S. Goliad Street beyond;
- **East:** Advantage storage, JT Turner, Inc. immediately adjacent and vacant land beyond; and
- **West:** Vacant land immediately adjacent and beyond.

Site Access: Primary access by South Goliad Street, no other access points.

Public Transportation: The availability of public transportation was not identified in the application materials.

Shopping & Services: Brookshire's Grocery store, Rockwall County Library, American National Bank of Texas, Dairy Queen, Rockwall County EMS, and other services provided throughout the Rockwall area.

Adverse Site Characteristics:

Zoning: The current zoning is for commercial use, but is in the process of being rezoned. The Applicant has requested the City create a PD (Planned Development District) to allow an age restricted senior housing and care facility as a permitted use under the current zoning.

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.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff **Date:** 05/04/2006

Overall Assessment: ☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Comments:

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated March, 2006 was prepared by Rone Engineering Services, Ltd. and contained the following findings and recommendations:

Findings:

- **Noise:** Based on the available information, a noise study it not recommended.
- **Floodplain:** The Federal Emergency Management Agency Flood Insurance Rate Map indicated that the subject property is located in Zone X, an area outside the 500-year flood plain.
- **Asbestos-Containing Materials (ACM):** Asbestos containing materials were not observed on the subject property at the time of the investigation.
- **Lead-Based Paint (LBP):** No structures were present on the subject property and therefore, lead-based paint should not be a concern.
- **Lead in Drinking Water:** The source of drinking water for the subject site is the City of Rockwell and exceeds all state and federal water quality standards.
- **Radon:** Radon levels in the area of the subject property are considered low and do not appear to pose an environmental concern to the property.
- **Recognized Environmental Concerns (RECs):** This assessment has not revealed evidence of recognized environmental concerns in connection with this property.

Recommendations: "Based on the results of the ESA, Rone recommends no further environmental investigation at this time," (pg 13). Receipt, review and acceptance of a signed letter from the ESA provider stating if a noise study is recommended for a property and identifying the site's proximity to industrial zones, major highways, active rail lines, civil and military airfields, or other potential sources of excessive noise is a condition of this report.

INCOME SET-ASIDE

The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants. Fifteen of the units (11%) will be reserved for households earning 30% or less of AMI, 43 units (30%) will be reserved for households earning 50% or less of AMI, and the remaining 83 units (59%) will be reserved for households earning 60% or less of AMI.

HOME assisted rental developments at a minimum must set-aside at least 40% of HOME assisted units with rent and income restrictions at 50% or less of area median family income and all remaining units with rent and income restrictions at 60% or less of area median family income. These minimum requirements affect only those units which are HOME assisted and do not supercede the minimum affordability requirements for applicants jointly applying for HOME and Housing Tax Credits or any other federal, state or local affordable housing programs. The Applicant has designated the 15 tax credit units affordable at 30% of AMGI as HOME units. Three will be Low HOME units and the remaining 12 will be High HOME units.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$27,960	$31,920	$35,940	$39,900	$43,080	$46,260

MARKET HIGHLIGHTS

A market feasibility study dated March 30, 2006 was prepared by Integra Realty Resources and included the following findings:

Definition of Primary Market Area (PMA): "For this analysis, we consider the primary market area (PMA) for the subject to be constrained by the following boundaries: Rockwall County line to the north and east; Rockwall County line and Town East Boulevard to the south; and Interstate Highway 635, Centerville Road, S. 1st Street, and State Road 78 (Lavon Drive) to the west" (p. 17).

This area encompasses approximately 222.40 square miles and is equivalent to a circle with a radius of 8.41 miles.

Population: The estimated 2005 population of the primary market area was 230,702 and is expected to increase by 2.77% to approximately 264,492 by 2010. Within the primary market area there were estimated to be 20,748 elderly households in 2005.

Total Market Demand: The Market Analyst used the number of existing rental units in the PMA instead of population estimates for the turnover demand calculations. The Analyst used a 50% turnover rate, a 26.8% senior's adjustment rate, and a 19.81% income eligible rate (p.48), which gave an annual turnover demand of 263 units. For the annual household growth the Market Analysis used the average growth rate for 2003-2008 times the base population of 20,748 senior households (p.47). Then the Market Analyst used a renter percentage of 23.6% and an income eligible rate of 19.81% to give an annual household growth of 61 units (p.47).

MARKET DEMAND SUMMARY

Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	61	18.8%	87	12%
Resident Turnover	263	81.2%	657	88%
TOTAL DEMAND	**324**	**100%**	**744**	**100%**

p. 48

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 43.5% based upon 324 units of demand and 141 unstabilized affordable housing in the PMA (including the subject) (p.3). The Market Analyst did not include Evergreen at Mesquite as explained here, "We did not include Evergreen at Mesquite in the calculation of the Inclusive Capture Rate as we believed it to have been stabilized for 12 months. However, according to data provided by Churchill Residential, the property reached and has maintained stabilized occupancy of 90% since May of 2005. This means that the subject had been stabilized for only 11-months at the date of our report (May of 2005 thru March 30, 2006). Although only stabilized for 11 months at the time of our report (March 30, 2006), the property as of now has been stabilized for well over the required 12-month period. Further, the property has had a waiting list since September of 2004, and currently has a waiting list of 100. Thus, a capture rate excluding Evergreen at Mesquite is more applicable."

The Underwriter calculated an inclusive capture rate of 46% based upon a revised supply of 341 unstabilized comparable affordable units divided by a revised demand estimate for 744 affordable units. The Underwriter utilized household data rather than supply date to calculate turnover demand.

Unit Mix Conclusion: "The subject is very similar to seniors only apartment complexes constructed throughout the Dallas-Fort Worth area and represents current design standards" (p. 27). The Market Analyst did not comment specifically on the appropriateness of the proposed unit mix for the PMA.

Market Rent Comparables: The Market Analyst surveyed 5 comparable apartment projects totaling 1,091 units in the market area (p. 51). It should be noted the market rent conclusions exceed the actual rents collected at the comparable properties.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Est. Market**	**Differential**
1-Bedroom (30%)	$295	$283	+$12	$850	-$555
1-Bedroom (50%)	$545	$533	+$12	$850	-$305
1-Bedroom (60%)	$670	$658	+$12	$850	-$180
2-Bedroom (30%)	$349	$334	+$15	$1,100	-$751
2-Bedroom (50%)	$649	$634	+$15	$1,100	-$451
2-Bedroom (60%)	$799	$784	+$15	$1,100	-$301

(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 simple average occupancy rate for LIHTC properties within the PMA is 97%. Note that Evergreen at Mesquite, a senior's only complex, is reporting occupancy of 100%" (p.41).

Absorption Projections: "…a new "seniors only" property, the size of the subject as proposed with 141 units, is likely to be absorbed within 13 months of opening, equating to an absorption pace of approximately 10 units per month" (p.43).

Unstabilized, Under Construction, and Planned Development: "After reviewing data from M/PF Research, Inc. and Apartment Listing Network (ALN) Systems, Inc., as well as speaking with city officials, we found there to be no known projects, other than the subject, forecast to come online within the PMA during the next 24 months" (p. 41). Evergreen at Mesquite Apartments (TDHCA #03412) received a tax credit allocation in 2003. The development offers 200 units for seniors at rents affordable to households earning 60% or less of AMGI.

Market Impact: Market Impact is not mentioned in the Market Analysis.

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 projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of 06/01/2003, maintained by the City of Garland Housing Agency (the closest PHA to the subject), from the 2006 program gross rent limits. Tenants will be required to pay electric costs. These utility allowances are outdated and resulted in a potential gross income higher than the Underwriter's estimate since the Underwriter was able to use more current allowances.

The Applicant's estimated secondary income and vacancy and collection loss are each within current TDHCA guidelines. Despite the use of outdated utility allowances, the Applicant's effective gross income is within

5% of the Underwriter's estimate.

Expenses: The Applicant's total annual operating expense projection at $4,388 per unit is not within 5% of the Underwriter's estimate of $3,778, derived from the TDHCA database and third party information.

The Applicant's estimate for the line-item payroll and payroll tax is $1,550 per unit, or 68% higher than the Underwriter's estimate of $923 per unit. In response to a request to justify this expense, the Applicant provided a breakdown of payroll costs for Evergreen at Mesquite Apartments. Unfortunately, the Applicant did not provide a full operating statement; therefore, this data could not be used.

The Applicant has met all the applicable requirements for CHDO certification under Texas Administrative Code Section 56.63. Therefore, the underwriting analysis assumes a 50% property tax exemption will be sought and awarded.

Conclusion: The Applicant's annual operating expense and net operating income are not within 5% of the Underwriter's estimates; therefore the Underwriter's base year proforma was utilized resulting in a debt coverage ratio that meets current Department guidelines.

Long-Term 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 1.10 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Total Land: 24.840 acres	$2,164,060	**Assessment for the Year of:**	2005
1 acre:	$87,119	**Valuation by:**	Rockwall County Appraisal District
Total: prorated 6.3 acres	$548,855	**Tax Rate:**	2.5996

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Contract of Sale (6.3 acres)		
Contract Expiration:	08/31/2006and 2 one month extensions	**Valid through Board Date?**	☒ Yes ☐ No
Acquisition Cost:	$1,097,712	**Other:**	$4/gross sf
Seller:	EastShore Joint Venture	**Related to Development Team?**	☐ Yes ☒ No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of $174,238 per acre or $7,785 per unit is assumed to be reasonable since the acquisition is an arm's length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $7,462 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 $280K or 4% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate.

Contingency: The Applicant included $100,000 in contingency as an eligible indirect cost. This figure was added to general contingency with the total eligible portion limited to 5% of sitework and direct construction costs. As a result, the Applicant's eligible basis was adjusted down by $100K.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. Due to the reduction in eligible contingency cost, the Applicant's eligible developer fee is overstated by $15K.

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. A recalculated eligible basis of $12,321,900 supports annual tax credits of $1,006,699. 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

INTERIM TO PERMANENT LOAN FINANCING

Source: MMA Financial **Contact:** Christopher Tawa

Principal: $3,445,000 **Interest Rate:** 8.5%, fixed, **Amort:** 360 months

Documentation: ☒ Signed ☐ Term Sheet ☐ LOI ☐ Firm Commitment ☒ Conditional Commitment ☐ Application

Comments: 24-month interim period

TAX CREDIT SYNDICATION

Source: MMA Financial **Contact:** Anthony M. DiCiero

Proceeds: $9,211,000 **Net Syndication Rate:** 92% **Anticipated HTC:** $1,001,170/year

Documentation: ☒ Signed ☐ Term Sheet ☒ LOI ☐ Firm Commitment ☐ Conditional Commitment ☐ Application

Comments:

OTHER

Amount: $467,919 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Loan Financing: Debt will include interim and permanent financing from MMA Financial in the amount of $3,455,000. The construction loan will have a fixed rate of 8.5% for a two year period; payments are interest only. The permanent loan will have a fixed rate of 8.5% and be amortized over a thirty year period.

The requested terms for the HOME funds results in a below-market federal source of funds. However, the development's eligible basis is unaffected because the Applicant has set-aside at least 40% of the units to be affordable to households with incomes at or below 50% of AMI.

HTC Syndication: The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $467,919 amount to 28.8% of the total fees.

Financing Conclusions: The recommended HOME loan of $1,300,000 is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units. The Applicant's total development cost estimate less the permanent loan of $3,445,000 and $1,300,000 HOME loan indicates the need for $9,678,921 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,052,135 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request ($1,001,170), the gap-driven amount ($1,052,135), and eligible basis-derived estimate ($1,006,699), the Applicant's request of $1,001,170 is recommended resulting in proceeds of $9,210,079 based on a syndication rate of 92%. The syndication rate proposed in the commitment is in the middle of current credit prices. If the final syndication rate were to increase by five cents per dollar of tax credit, 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.

The Underwriter's recommended financing structure indicates the need for $468,842 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 4 years of stabilized operation. Should the HOME funds not be awarded, significant deferred developer and contractor fee capacity exists to maintain the development's financial feasibility if $162K of contractor fees were accepted by the contractor to be deferred. The Underwriter's analysis suggest deferred fees increased to

$1,768,842 could be repaid in less than 15 years, thus preserving financial feasibility.

Return on Equity: According to HUD, the "Cash on Cash Return (on equity), which calculates the percent of return on equity given the amount invested by the developer (developer equity) and the cash flow at the end of the each year considers the developer fee a development cost and not a form of financing or equity for the project." No cash equity by the Developer will be invested; therefore a return on equity is impossible to calculate. Considering the syndication equity from the tax credits, the additional return generated from net cash flow would be less than 1%.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

- The Applicant, Developer, and property manager are related entities. These are common relationships for HTC-funded developments.

APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

Financial Highlights:

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The General Partner, LifeNet-Rockwall GP, L.L.C., submitted an unaudited financial statement as of December 31, 2005, reporting total assets of $2,444,172 and consisting of $346,449 in cash, $447,192 in receivables, $41,199 in other current assets, $137,766 in long-term investments, and $1,471,565 in land, buildings, and equipment. Liabilities totaled $213,417, resulting in a net worth of $2,230,775.

Background & Experience: 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 operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.

Underwriter:	*William Lane*	**Date:**	July 17, 2006
Reviewing Underwriter:	*Lisa Vecchietti*	**Date:**	July 17, 2006
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	July 17, 2006

MULTIFAMILY COMPARATIVE ANALYSIS

Evergreen at Rockwall, Rockwall, 9% HTC/HOME #060111

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	Wtr, Swr, Trsh
TC 30% LH	2	1	1	700	$373	$283	$565	$0.40	$90.34	$56.00
TC 30% HH	5	1	1	700	373	$283	1,413	0.40	$90.34	56.00
TC 50%	21	1	1	700	623	$533	11,186	0.76	$90.34	56.00
TC 60%	41	1	1	700	748	$658	26,964	0.94	$90.34	56.00
TC 30% LH	1	2	2	925	448	$334	334	0.36	114.34	61.00
TC 30% HH	7	2	2	925	448	$334	2,336	0.36	114.34	61.00
TC 50%	22	2	2	925	748	$634	13,941	0.69	114.34	61.00
TC 60%	42	2	2	925	898	$784	32,914	0.85	114.34	61.00
TOTAL:	141		**AVERAGE:**	815	$738	$636	$89,652	$0.78	$102.60	$58.55

						TDHCA	APPLICANT			
INCOME	Total Net Rentable Sq Ft:	114,900						Comptroller's Region		3
POTENTIAL GROSS RENT						$1,075,825	$1,099,296		IREM Region	
Secondary Income			Per Unit Per Month:		$7.50	12,696	12,696	$7.50	Per Unit Per Month	
Other Support Income:						0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME						$1,088,521	$1,111,992			
Vacancy & Collection Loss			% of Potential Gross Income:		-7.50%	(81,639)	(83,400)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions						0				
EFFECTIVE GROSS INCOME						$1,006,882	$1,028,592			
EXPENSES			% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative			5.11%	$365	0.45	$51,403	$55,272	$0.48	$392	5.37%
Management			5.00%	357	0.44	50,344	51,429	0.45	365	5.00%
Payroll & Payroll Tax			12.93%	923	1.13	130,195	218,550	1.90	1,550	21.25%
Repairs & Maintenance			5.76%	412	0.51	58,028	59,502	0.52	422	5.78%
Utilities			3.63%	259	0.32	36,503	28,764	0.25	204	2.80%
Water, Sewer, & Trash			5.11%	365	0.45	51,455	47,376	0.41	336	4.61%
Property Insurance			3.82%	273	0.33	38,459	34,545	0.30	245	3.36%
Property Tax	2.5996		6.37%	455	0.56	64,145	71,137	0.62	505	6.92%
Reserve for Replacements			2.94%	210	0.26	29,610	29,610	0.26	210	2.88%
Supp serv, compl fees			2.24%	160	0.20	22,560	22,560	0.20	160	2.19%
TOTAL EXPENSES			52.91%	$3,778	$4.64	$532,702	$618,745	$5.39	$4,388	60.15%
NET OPERATING INC			47.09%	$3,363	$4.13	$474,180	$409,847	$3.57	$2,907	39.85%
DEBT SERVICE										
MMA Financial loan			31.57%	$2,254	$2.77	$317,869	$317,869	$2.77	$2,254	30.90%
TDHCA HOME			4.98%	$356	$0.44	50,176	50,176	$0.44	$356	4.88%
Additional Financing			0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW			10.54%	$753	$0.92	$106,135	$41,802	$0.36	$296	4.06%
AGGREGATE DEBT COVERAGE RATIO						1.29	1.11			
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)		7.88%	$7,785	$9.55	$1,097,712	$1,097,712	$9.55	$7,785	7.61%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.56%	7,462	9.16	1,052,202	1,052,202	9.16	7,462	7.29%
Direct Construction		45.88%	45,309	55.60	6,388,538	6,668,560	58.04	47,295	46.23%
Contingency	5.00%	2.67%	2,639	3.24	372,037	486,038	4.23	3,447	3.37%
General Req'ts	6.00%	3.21%	3,166	3.89	446,444	463,246	4.03	3,285	3.21%
Contractor's G & A	2.00%	1.07%	1,055	1.30	148,815	154,415	1.34	1,095	1.07%
Contractor's Profit	6.00%	3.21%	3,166	3.89	446,444	463,246	4.03	3,285	3.21%
Indirect Construction		8.01%	7,911	9.71	1,115,390	1,115,390	9.71	7,911	7.73%
Ineligible Costs		3.62%	3,573	4.38	503,825	503,825	4.38	3,573	3.49%
Developer's G & A	2.00%	1.49%	1,473	1.81	207,629	243,331	2.12	1,726	1.69%
Developer's Profit	13.00%	9.69%	9,572	11.75	1,349,591	1,378,874	12.00	9,779	9.56%
Interim Financing		2.96%	2,919	3.58	411,599	411,599	3.58	2,919	2.85%
Reserves		2.77%	2,734	3.35	385,483	385,483	3.35	2,734	2.67%
TOTAL COST		100.00%	$98,764	$121.20	$13,925,711	$14,423,921	$125.53	$102,297	100.00%
Construction Cost Recap		*63.58%*	***$62,798***	***$77.06***	***$8,854,481***	***$9,287,707***	***$80.83***	***$65,870***	*64.39%*

2006 QAP §50.9(i)(8) points awarded for costs less than ***$80.00*** ***per square foot***

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
MMA Financial loan	24.74%	$24,433	$29.98	$3,445,000	$3,445,000	$3,445,000	Developer Fee Available
TDHCA HOME	9.34%	$9,220	$11.31	1,300,000	1,300,000	1,300,000	$1,607,204
HTC Syndication Proceeds	66.14%	$65,326	$80.17	9,211,000	9,211,000	9,210,079	% of Dev. Fee Deferred
Deferred Developer Fees	3.36%	$3,319	$4.07	467,919	467,919	468,842	29%
Additional (Excess) Funds Req'd	-3.58%	($3,533)	($4.34)	(498,208)	2	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$13,925,711	$14,423,921	$14,423,921	$2,562,362

MULTIFAMILY COMPARATIVE ANALYSIS(continued)

Evergreen at Rockwall, Rockwall, 9% HTC/HOME #060111

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$50.65	$5,819,440
Adjustments				
Exterior Wall Finish	4.00%		$2.03	$232,778
Elderly	3.00%		1.52	174,583
9 ft ceilings	3.50%		1.77	203,680
Subfloor			(0.75)	(85,792)
Floor Cover			2.22	255,078
Breezeways	$20.33	31,485	5.57	640,090
Plumbing	$680	216	1.28	146,880
Built-In Appliances	$1,675	141	2.06	236,175
Stairs	$1,650	27	0.39	44,550
Elevators	52,750	2	0.92	105,500
Heating/Cooling			1.73	198,777
Firesprinklers			1.95	224,055
Comm Bldgs	$65.36	4,000	2.28	261,450
Other:			0.00	0
SUBTOTAL			73.61	8,457,244
Current Cost Multiplier	1.04		2.94	338,290
Local Multiplier	0.89		(8.10)	(930,297)
TOTAL DIRECT CONSTRUCTION COSTS			$68.45	$7,865,237
Plans, specs, survy, bld prm	3.90%		($2.67)	($306,744)
Interim Construction Interest	3.38%		(2.31)	(265,452)
Contractor's OH & Profit	11.50%		(7.87)	(904,502)
NET DIRECT CONSTRUCTION COSTS			$55.60	$6,388,538

PAYMENT COMPUTATION

Primary	$3,445,000	Amort	360
Int Rate	8.50%	DCR	1.49

Secondary	$1,300,000	Amort	360
Int Rate	1.00%	Subtotal DCR	1.29

Additional	$9,211,000	Amort	
Int Rate		Aggregate DCR	1.29

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$317,869
Secondary Debt Service	50,176
Additional Debt Service	0
NET CASH FLOW	$106,135

Primary	$3,445,000	Amort	360
Int Rate	8.50%	DCR	1.49

Secondary	$1,300,000	Amort	360
Int Rate	1.00%	Subtotal DCR	1.29

Additional	$9,211,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.29

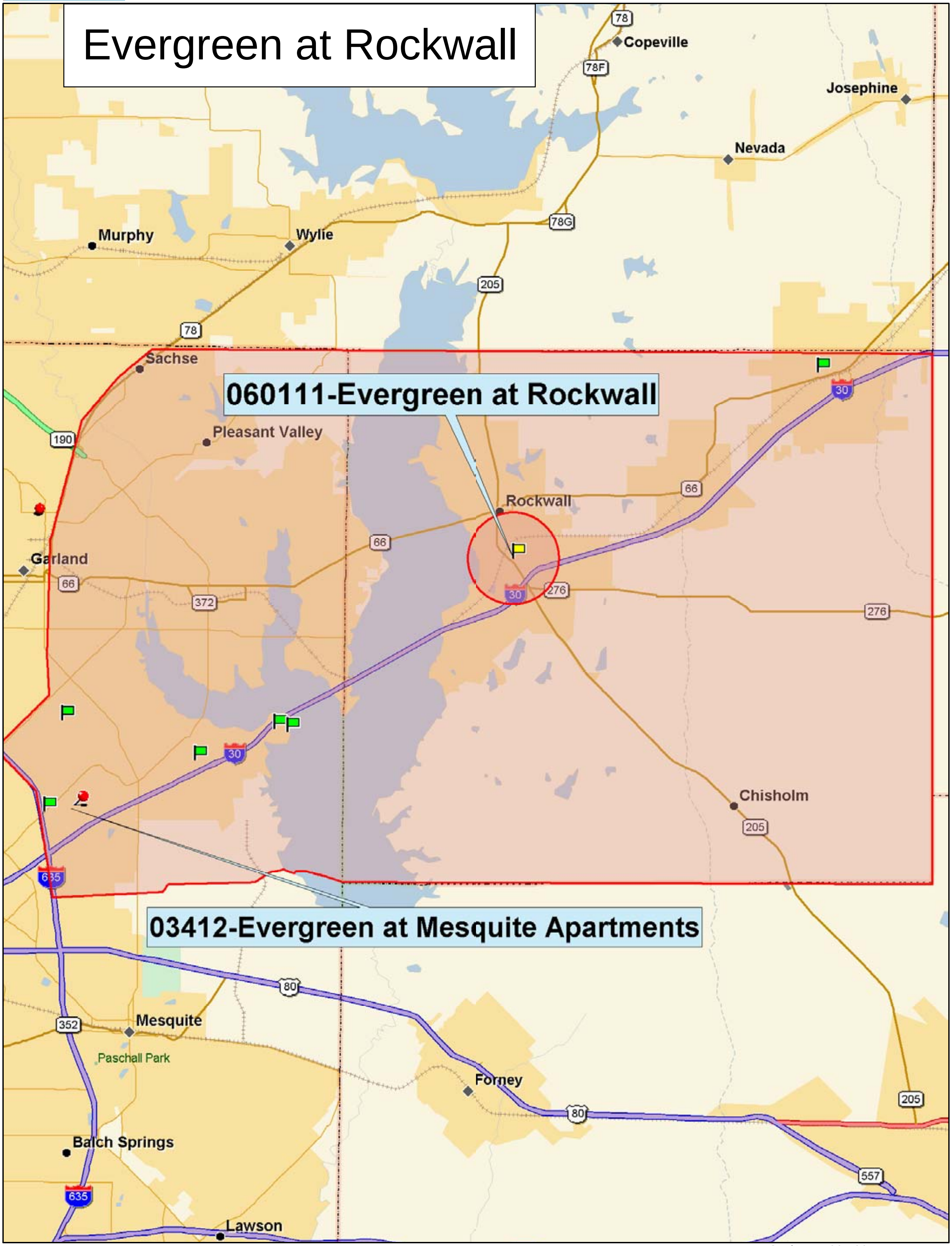
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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	$1,075,825	$1,108,099	$1,141,342	$1,175,583	$1,210,850	$1,403,707	$1,627,281	$1,886,465	$2,535,251
Secondary Income	12,696	13,077	13,469	13,873	14,289	16,565	19,204	22,263	29,919
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,088,521	1,121,176	1,154,812	1,189,456	1,225,140	1,420,273	1,646,485	1,908,728	2,565,170
Vacancy & Collection Loss	(81,639)	(84,088)	(86,611)	(89,209)	(91,885)	(106,520)	(123,486)	(143,155)	(192,388)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,006,882	$1,037,088	$1,068,201	$1,100,247	$1,133,254	$1,313,752	$1,522,999	$1,765,573	$2,372,783
EXPENSES at 4.00%									
General & Administrative	$51,403	$53,459	$55,598	$57,822	$60,135	$73,163	$89,014	$108,299	$160,309
Management	50,344	51,854	53,410	55,012	56,663	65,688	76,150	88,279	118,639
Payroll & Payroll Tax	130,195	135,403	140,819	146,452	152,310	185,309	225,456	274,302	406,034
Repairs & Maintenance	58,028	60,349	62,763	65,273	67,884	82,592	100,486	122,256	180,969
Utilities	36,503	37,963	39,481	41,060	42,703	51,954	63,211	76,905	113,839
Water, Sewer & Trash	51,455	53,513	55,653	57,879	60,194	73,236	89,103	108,407	160,469
Insurance	38,459	39,998	41,597	43,261	44,992	54,739	66,599	81,028	119,941
Property Tax	64,145	66,711	69,379	72,155	75,041	91,299	111,079	135,144	200,046
Reserve for Replacements	29,610	30,794	32,026	33,307	34,640	42,144	51,275	62,384	92,343
Other	22,560	23,462	24,401	25,377	26,392	32,110	39,067	47,531	70,357
TOTAL EXPENSES	$532,702	$553,507	$575,128	$597,599	$620,953	$752,233	$911,438	$1,104,534	$1,622,945
NET OPERATING INCOME	$474,180	$483,581	$493,072	$502,647	$512,301	$561,519	$611,561	$661,039	$749,837
DEBT SERVICE									
First Lien Financing	$317,869	$317,869	$317,869	$317,869	$317,869	$317,869	$317,869	$317,869	$317,869
Second Lien	50,176	50,176	50,176	50,176	50,176	50,176	50,176	50,176	50,176
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$106,135	$115,537	$125,028	$134,603	$144,256	$193,474	$243,516	$292,994	$381,793
DEBT COVERAGE RATIO	1.29	1.31	1.34	1.37	1.39	1.53	1.66	1.80	2.04

HTC ALLOCATION ANALYSIS - Evergreen at Rockwall, Rockwall, 9% HTC/HOME #060111

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	$1,097,712	$1,097,712		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,052,202	$1,052,202	$1,052,202	$1,052,202
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$6,668,560	$6,388,538	$6,668,560	$6,388,538
(4) Contractor Fees & General Requirements				
Contractor overhead	$154,415	$148,815	$154,415	$148,815
Contractor profit	$463,246	$446,444	$463,246	$446,444
General requirements	$463,246	$446,444	$463,246	$446,444
(5) Contingencies	$486,038	$372,037	$386,038	$372,037
(6) Eligible Indirect Fees	$1,115,390	$1,115,390	$1,115,390	$1,115,390
(7) Eligible Financing Fees	$411,599	$411,599	$411,599	$411,599
(8) All Ineligible Costs	$503,825	$503,825		
(9) Developer Fees			$1,607,204	
Developer overhead	$243,331	$207,629		$207,629
Developer fee	$1,378,874	$1,349,591		$1,349,591
(10) Development Reserves	$385,483	$385,483		
TOTAL DEVELOPMENT COSTS	$14,423,921	$13,925,711	$12,321,900	$11,938,691

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		$12,321,900	$11,938,691
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$12,321,900	$11,938,691
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$12,321,900	$11,938,691
Applicable Percentage		8.17%	8.17%
TOTAL AMOUNT OF TAX CREDITS		$1,006,699	$975,391
Syndication Proceeds	**0.9199**	**$9,260,944**	**$8,972,930**
Total Tax Credits (Eligible Basis Method)		**$1,006,699**	**$975,391**
Syndication Proceeds		**$9,260,944**	**$8,972,930**
Requested Tax Credits		**$1,001,170**	
Syndication Proceeds		**$9,210,079**	
Gap of Syndication Proceeds Needed		**$9,678,921**	
Total Tax Credits (Gap Method)		**$1,052,135**	



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MN (4.4°E)

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1" = 2.85 mi
Data Zoom 10-0

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: File

From: Audrey Martin, Real Estate Analysis

cc: Ben Sheppard, Multifamily Finance Production

Date: August 11, 2009

Re: Amendment Request for Blackshear Homes, TDHCA #08300

Background

Original Award:

- Awarded $316,123 in Housing Tax Credits ("HTC") during the 2008 9% HTC cycle.
- Awarded as part of the Board's decision to award tax credits to all developments on the 2008 waiting list
- Award based on a 10% increase to direct construction and site work costs.

Tax Credit Assistance Program ("TCAP") Application:

- The Applicant has applied for TCAP funding.
- TCAP application will be evaluated separate from this amendment request.

Amendment Request

In a letter dated July 13, 2009, the Owner requested approval to increase the number of tracts to be acquired from 8 to 16. The number of units, unit mix, and unit floor plans have not changed.

The acquisition of additional lots will allow for larger lot sizes for the planned single family residences. The City of San Angelo committed to sell the additional eight lots to the development for $750 per lot. This represents a $6,000 increase in acquisition cost.

Although the Applicant submitted revised operating, development cost, and financing information, the Underwriter's analysis evaluated only the effect of the increase in site acreage on the original tax credit application. The Underwriter assumed a $6,000 increase in the original acquisition cost. The Owner's revised development cost schedule included a $68,000 increase in site work costs. Because this increase was likely due to the acquisition of additional tracts of land, the Underwriter also included this cost increase in the analysis. With the exception of these two items, the new information submitted by the Applicant in conjunction with the amendment request / TCAP application was not evaluated, but will be evaluated in conjunction with the review of the TCAP application.

Conclusion
Total Development Cost – The total cost increase of $74,000 ($6,000 in acquisition cost and $68,000 in additional site work cost) does not negatively impact the underwriting of the transaction. At application, there would have been sufficient deferred developer fee to fund the additional costs.

Environmental Site Assessment ("ESA") – An ESA was provided for the new tracts, and included the following recognized environmental conditions:

> "1. A historical REC effecting all eight subject properties exists due to a past LPST site at 2013 North Bryant Boulevard.
> 2. An Existing REC effecting the seven subject properties south of West 19th Street exist due to an active LPST site at 1821 North Bryant Boulevard.
> 3. An existing REC effecting the seven subject properties south of West 19th Street exist due to use of steel tanks for petroleum storage at 1821 North Bryant Boulevard."

The cited concerns are related to environmental concerns at two sites northeast of the subject properties. The ESA provider stated that because the subject properties are served by City of San Angelo Water Utility, and because a seasonally high groundwater table is not an issue in the area, no recommendation for a Phase 2 environmental study was made.

No change to the credit recommendation is recommended prior to the completion of the review of the application for TCAP funding.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 12/29/08 PROGRAM: 9& HTC FILE NUMBER: **08300**

DEVELOPMENT

Blackshear Homes

Location: 8 scattered sites on Shelton Street, W. 19th, Brown & Lillie Streets Region: 12

City: San Angelo County: Tom Green Zip: 76902 [x] QCT [ ] DDA

Key Attributes: Single Family, New Construction, Urban

ALLOCATION

	REQUEST			*** RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$278,624			**$316,123**		

* The recommended tax credit allocation incorporates the November 13, 2008 TDHCA Board approval to use the 9% credit rate and a 10% increase in direct and sitework construction costs for all competitive 2007 and 2008 transactions as well as all applications on the 2008 waiting list to be considered for a forward commitment.

CONDITIONS

1 Receipt, review, and acceptance of documentation prior to cost certification that adequate financing has been sourced as well as a resolution to the identity of interest Seller long-term financing.

2 Receipt, review, and acceptance, by cost certification, of clear title including evidence of the release of the liens between the City and James Freeman.

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
50% of AMI	50% of AMI	12
60% of AMI	60% of AMI	8

PROS

- The proposed development has a great deal of community support.

CONS

- Both the Underwriter's and Applicant's expense to income ratio is very high, and the Applicant's is only slightly less than the maximum guideline (64.95%), reflecting extensive deep rent targeting.

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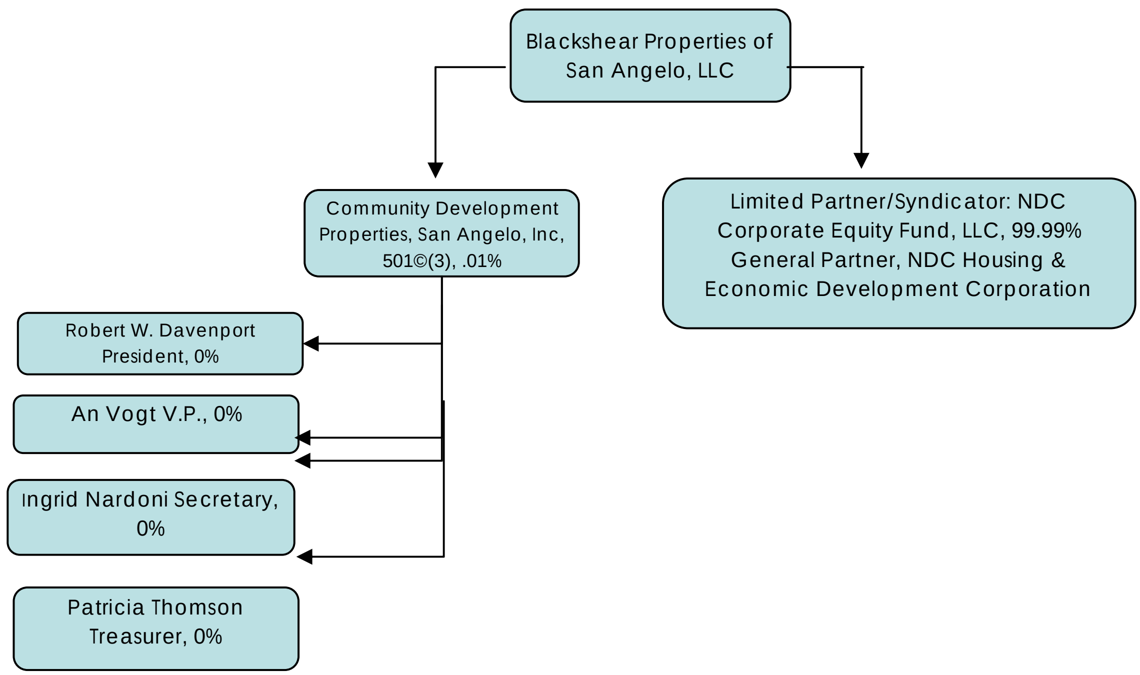
-
- The anticipated syndication proceeds as a percentage of total cost (83%) is higher than the typical percentage (less than 70%) for a 9% transaction due to the level of low income targeting.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM



CONTACT

Contact: Stephanie Dugan Phone: (214) 491-1500 Fax: (214) 291-5206
Email: sdugan@nationaldevelopmentcouncil.org

KEY PARTICIPANTS

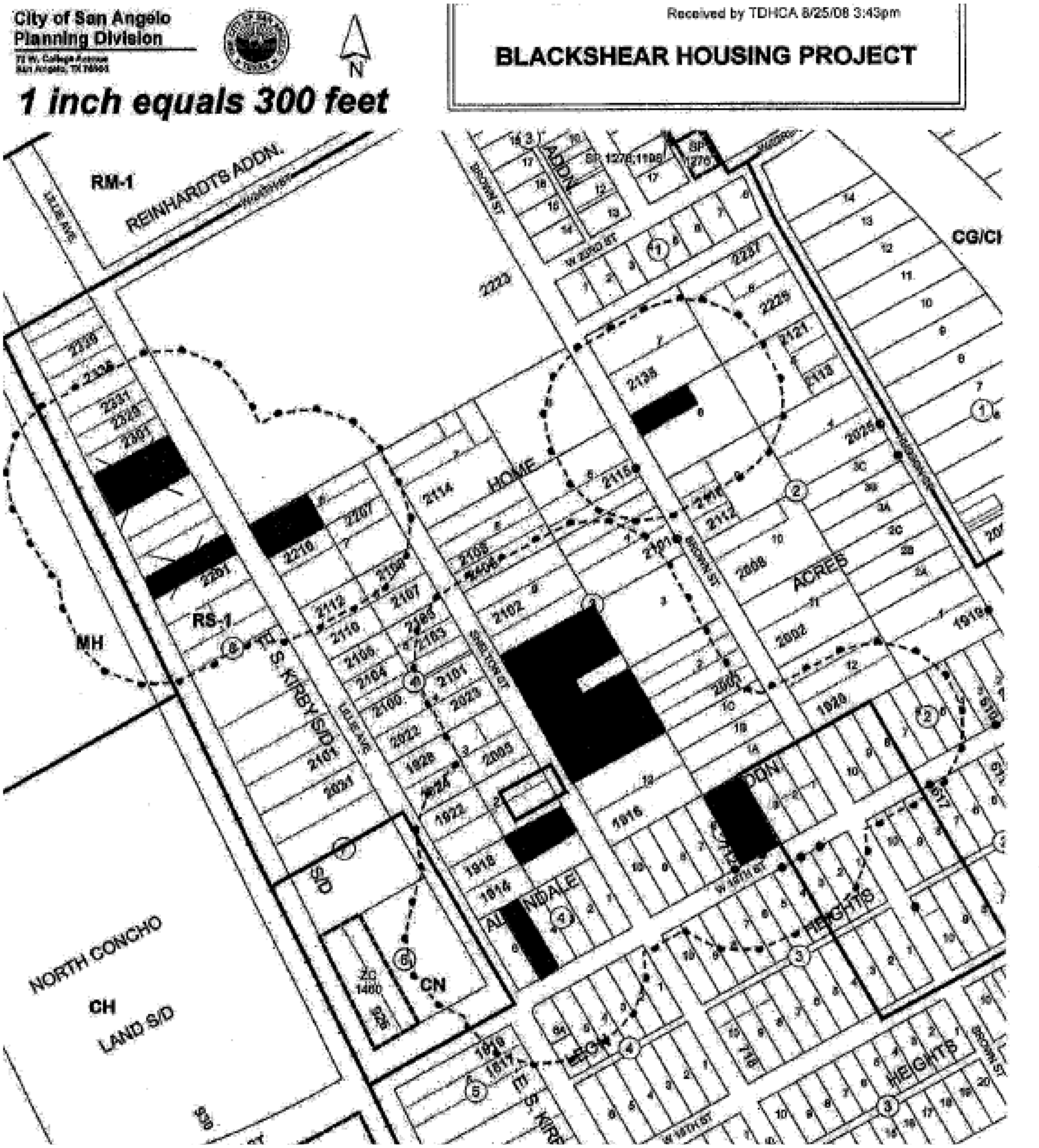
Name	Financial Notes	# Completed Developments
Community Development Properties of San Angelo	N/A	N/A
NDC Housing & Economic Development Corp.	N/A	2
Galilee Community Development Corporation	N/A	None Identified

IDENTITIES of INTEREST

- The Applicant and Developer are related entities. This is a common relationship for HTC-funded developments.
- The seller (the City of San Angelo) is regarded as a related party due to the proposed 30-year seller

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B									Total Buildings*
Floors/Stories	1	1									
Number	10	10									**20**

BR/BA	SF	Units										Total Units	Total SF
3/2	1,212	1										10	12,120
3/2	1,214		1									10	12,140
Units per Building		1	1									**20**	**24,260**

*8 tracks of land will be subdivided into 20 separate home sites.

SITE ISSUES

Total Size:	3.9285 acres	Scattered site?	[x] Yes	[ ] No
Flood Zone:	Zone X	Within 100-yr floodplain?	[ ] Yes	[x] No
Zoning:	RS-1	Needs to be re-zoned?	[ ] Yes	[x] No [ ] N/A

Comments:

The property is presently zoned RS-1, Single Family Residential.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff   Date: 4/10/2008

Overall Assessment:

[ ] Excellent [x] Acceptable [ ] Questionable [ ] Poor [ ] Unacceptable

Surrounding Uses:

North: Commercial uses and vacant land.

South: West 19th Street, residential and commercial uses.

East: North Brown Street and residential uses.

West: Little Street, residential and commercial uses.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: SKG Engineering   Date: 3/20/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- None identified.

MARKET HIGHLIGHTS

Provider: Vogt Williams Bowen Research   Date: 1/7/2008

Contact: Robert Vogt   Phone: (512) 351-4781   Fax: (512) 258-8244

Number of Revisions: None   Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 45.63 square feet (3.82 miles radius)

"The boundaries of the Site PMA include Farm to Market Route 2105 to the north; U.S. Highway 277, Loop 306, Loop 378, Christoval Road, and Farm to Market Road 388 to the east; Loop 306 to the south; and U.S. Highway 67 and the O.C. Fisher Dam to the west." (p.IV-9)

Secondary Market Area (SMA):

None defined.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Country Village Apartments	05109	160	Rehab	N/A			
Concho Village Apartments	060189	240	Rehab				
River Place Apartments	08138	120	Elderly				

INCOME LIMITS						
Tom Green						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
50	$17,200	$19,650	$22,100	$24,550	$26,500	$28,500
60	$20,640	$23,580	$26,520	$29,460	$31,800	$34,200

UNDERWRITER'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
3 BR/50% Rent Limit	169	-1		168	12	52	38%
3 BR/60% Rent Limit	204	-2		202	8	98	52%

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
3 BR/50% Rent Limit	169	-1		168	10	0	6%
3 BR/60% Rent Limit	204	-2		202	10	49	29%

OVERALL DEMAND										
	Target Households		Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER										
Market Analyst p. VII-4	100%	27,088	96%	26,086	5%	1,356	41%	562	63%	365
Underwriter	100%	27,088	96%	25,930	10%	2,518	39%	970	40%	388
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. VII-4				-151	5%	-8	41%	-3	100%	-3
Underwriter			96%	-131	10%	-12	39%	-5	100%	-5

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. VII-4	20	49	0	69	362	19.06%
Underwriter	20	0	0	20	384	5.22%
HISTA Data Alternate	20	0	0	20	98	20.49%

The Underwriter independently evaluated demand for the subject using both the traditional method of calculating demand and the HISTA data alternative. Both calculations result in an acceptable capture rate below the Department's 25% guideline for family developments.

Primary Market Occupancy Rates:

"Based on our survey of conventional rentals, a total of 2,987 non-subsidized (market-rate and Tax Credit) units were surveyed in the Floresville Site PMA. Of these 2,987 non-subsidized units that were surveyed, 94.7% are occupied. More specifically, the market-rate units were 94.7% occupied and the Tax Credit units are 93.7% occupied. Although the non-subsidized occupancy rate is moderate, we feel that the market can support additional housing, particularly considering the low number of units proposed for the subject (20 units)." (p.II-3)

Absorption Projections:

"It is our opinion that the 20 units at the subject site would reach a stabilized occupancy of 95.0% within four to six months of opening." (p. II-4)

RENT ANALYSIS (Tenant-Paid Net Rents)									
Unit Type (% AMI)					Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
3	BR	1,212	SF	50%	$424	$424	$900	$424	$476
3	BR	1,212	SF	60%	$552	$551	$900	$551	$349
3	BR	1,214	SF	50%	$424	$424	$900	$424	$476
3	BR	1,214	SF	60%	$552	$551	$900	$551	$349

Market Impact:

The Market Analyst does not explicitly comment on the impact the Subject will have on the market.

Comments:

The Underwriter found the market study provided 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 92 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 100 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.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of October 1, 2007, maintained by the City of San Angelo, from the 2008 program gross rent limits. Tenants will be required to pay all electric utilities plus water, sewer and trash costs. The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines and effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 8/11/2008

The Applicant's total revised annual operating expense projection at $3,487 per unit is within 5% of the Underwriter's estimate of $3,407, derived from the TDHCA database, and third-party data sources. The Applicant's revised budget shows several line item estimates that deviate significantly when compared to the database averages, specifically: Payroll and Payroll Tax ($4K lower), Repairs & Maintenance ($5K lower), Utilities ($2K lower), and Property Tax ($13K higher).

Conclusion:

The Applicant's effective gross income, operating 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. Based on the Applicant's proforma and estimated debt service, the DCR is projected to be 1.17 which falls within the Department's guidelines. However, the calculated DCR is only based upon debt service from the City of San Angelo funds and the original $111,678 of deferred developer fee structured as a loan.

Given that the Department did not receive documentation to support the deferred developer fee as a note and typically does not structure this source of funding as a loan, the resulting DCR reflected in the Applicant's proforma does not entirely reflect the development's true debt service potential. The Underwriter's analysis does not reflect the deferred developer fee as a loan. Therefore, the true debt service considering only the City of San Angelo funds is significantly above the current underwriting maximum guideline of 1.35. This would suggest that the development could support additional true debt in the form of a permanent mortgage based a 30 year amortization period indicated in the permanent financing documentation submitted at application.

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However, the Applicant indicates that in order to stay within Department guidelines regarding expense to income limits, the estimated expenses were significantly understated. The originally submitted expenses were based on the Developer's 18-unit comparable property 90 miles away from the Subject and reflected an extraordinary expense to income ratio of 76.54%; which is significantly above the Department maximum of 65%. Further, the Applicant indicates that rather than project operating expenses that were significantly higher than TDHCA guidelines, structuring the development with effectively no hard debt, would allow the property to be successful even if actual operating expenses were determined to be higher.

The Underwriter believes it should be possible to operate this scattered site property even more cost effectively given its ability to achieve a 50% property tax exemption (not included in this analysis) and savings due to the absence of a full time leasing office and club house. In addition, single family units tend to turnover less frequently and require less management and maintenance. Therefore, the Underwriter's recommended financing structure reflects a second permanent mortgage. This is discussed in more detail in the conclusion to the “Financing Structure Analysis” section (below).

Feasibility:

Both the Applicant's and the Underwriter's expense to income ratio are very high reflecting the significant deep rent targeting proposed in the application. The Applicant's revised estimate at 64.95%, is marginally below the 65% Department guideline. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However, because the Applicant's NOI is generally accepted, the Applicant's marginal expense to income ratio is also used and is acceptable.

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

ASSESSED VALUE

Land Only:	3.93 acres	N/A	
		Tax Year:	2007
		Valuation by:	Tom Green CAD
		Tax Rate:	2.47582

EVIDENCE of PROPERTY CONTROL

Type:	Letter of Intent	Acreage:	3.9285
Contract Expiration:	2/21/2009	Valid Through Board Date?	[x] Yes [ ] No
Acquisition Cost:	$750 per lot	Other:	
Seller:	City of San Angelo	Related to Development Team?	[ ] Yes [x] No

TITLE

Comments:

There are several liens between the City and James Freeman dating from 1989 to 1998 with varying amounts from $18 to $97 (Items 6-14). Receipt, review and acceptance by closing of documentation that these liens have been released is a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 8/11/2008

Acquisition Value:

As proposed, the seller will be providing a 30-year note to the development. The amount of the loan however, is significantly higher than the acquisition cost. The seller's financing represents an ongoing interest in the property and therefore could be considered to be a related sale though the seller is not otherwise a part of the development team.

The Department's current rules include development team members as related parties. The Definition for Development Team Member does not specifically include lender though it does include anyone that has a continuing role in the operation of the development. The purpose of the identity of interest rules are to ensure that a fair price is being used to transfer the property when an identity of interest exists. The Underwriter included all of the nominal sales price in the acquisition.

Sitework Cost:

The Applicant's claimed sitework costs of $5,575 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 $63K or 4% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & 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.

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 $2,576,035 supports annual tax credits of $301,396. The TDHCA Board acted on November 13, 2008 to allow all transactions the benefit of the 9% applicable percentage which is accounted for in this calculation.

In addition, the Board approved increase in the credit amount for all 2008 transactions provides an additional 10% of direct construction and site work cost as contingency. In this case, the increase results in an additional eligible basis amount of $163,636 and $14,727 in additional credit. The total eligible credit of $316,123 will be compared to the 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: 8/11/2008

Source: First Financial Bankshares Type: **Interim Financing**

Principal: $1,000,000 Interest Rate: 6.0% [x] Fixed Term: 18 months

Comments:

The Applicant indicates that the construction loan will be paid off from the equity provided by the tax credits.

Source: City of San Angelo Type: **Interim to Permanent Financing**

Interim: $200,000 Interest Rate: 0.00%

Permanent: $200,000 Interest Rate: 6.00% [x] Fixed Amort: 360 months

Comments:

The interim funds will be loaned at 0%. Upon completion and conversion to permanent, the funds will be fixed at the lesser of 6% or the AFR at closing.

Source: NDC Corporate Equity fund VIII, LP Type: **Syndication**

Proceeds: $2,060,962 Syndication Rate: 75% Anticipated HTC: $ 274,795

Comments:

Due to the recent volatility in credit pricing, it should be noted, a decrease below $0.66 per credit dollar may jeopardize the financial feasibility of the deal. Alternatively, based on the current analysis, a two cent increase in the final credit price would warrant downward adjustment to the credit amount.

Amount: $111,678 Type: **Deferred Developer Fees**

Comments:

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 has included debt service from a deferred developer fee note; however, no actual loan note outlining the proposed terms and rate was provided. Information in the Application originally indicated the" loan" was to be amortized over 15 years at 0%; however, subsequent to correspondence with the Applicant, it was indicated the claimed "loan" would instead be amortized over 15 years at 15%. Generally, due to the uncertainty of this being a tangible loan, the Underwriter would not include any debt service from the proposed loan in the recommended financing structure, but rather include these funds in the deferred developer fee.

However, as mentioned previously, without the additional debt service, the Applicant's proforma and estimated debt service results in a debt coverage ratio (DCR) of 2.62, which is significantly above the current underwriting maximum guideline of 1.35. Therefore, the Underwriter has structured the proposed deferred developer loan as a second conventional loan. The Department's current rules require an amortization of at least 30 years which is the term used as a proxy in this analysis.

As stated above, the proforma analysis results in a debt coverage ratio above the Department’s maximum guideline of 1.35. The underwriting analysis assumes the development will receive a second loan at an interest rate of 6% for 30 years in an amount of not less than $187,473 in order to bring the debt coverage ratio within the parameters of the Department's guidelines. Similarly, the deferred developer "loan" could be fully replaced with conventional funds if a more competitive interest rate was sought.

At its November 13, 2008 meeting, the Governing Board approved an increase in tax credits for all competitive 2007 and 2008 transactions using the 9% credit rate and a 10% increase in direct and sitework construction costs. As a result, all applications on the 2008 waiting list to be considered for a forward commitment will be treated in the same manner. As discussed previously, the Applicant's total development cost estimate is within 5% therefore, the Applicant's cost will be used for purposes of determining the development's eligible basis and funding need. Accordingly, the Applicant's development cost has been increased by 10% as approved by the TDHCA Board for purposes of determining the recommended tax credit allocation.

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The Applicant's total development cost estimate (including the 10% increase) less the adjusted permanent loan of $387,473 (includes 2nd permanent mortgage loan of $187,473) indicates the need for $2,423,598 in gap funds. Based on the currently submitted syndication terms, a tax credit allocation of $323,146 annually would be required to fill this gap in financing. Of the two possible tax credit allocations, the gap-driven amount ($323,146), and eligible basis-derived estimate, including 10% increase in basis ($316,123), the eligible basis-derived estimate of $316,123 is recommended resulting in proceeds of $2,370,924 based on a syndication rate of 75%.

The Underwriter's recommended financing structure indicates the need for $52,673 in additional permanent funds. Deferred developer fees in this amount appear to be repayable within five years of stabilized operation.

Underwriter:	*Diamond Unique Thompson*	Date:	December 29, 2008
Reviewing Underwriter:	*Raquel Morales/Thomas Cavanagh*	Date:	December 29, 2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	December 29, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Blackshear Homes, San Angelo, 9& HTC #08300

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 50%		6	3	2	1,212	$638	$424	$2,544	$0.35	$214.00	$49.00
TC 60%		4	3	2	1,212	$765	$551	$2,204	$0.45	$214.00	$49.00
TC 50%		6	3	2	1,214	$638	$424	$2,544	$0.35	$214.00	$49.00
TC 60%		4	3	2	1,214	$765	$551	$2,204	$0.45	$214.00	$49.00
TOTAL:		20		**AVERAGE:**	1,213		$475	$9,496	$0.39	$214.00	$49.00

INCOME	Total Net Rentable Sq Ft:	24,260	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT			$113,952	$114,048	Tom Green		12
Secondary Income	Per Unit Per Month:	$8.50	2,040	2,040	$8.50	Per Unit Per Month	
Other Support Income:			0		$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME			$115,992	$116,088			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(8,699)	(8,712)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions			0				
EFFECTIVE GROSS INCOME			$107,293	$107,376			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.38%	$343	0.28	$6,850	$7,150	$0.29	$358	6.66%
Management		5.00%	268	0.22	5,365	5,350	0.22	268	4.98%
Payroll & Payroll Tax		17.16%	920	0.76	18,408	14,500	0.60	725	13.50%
Repairs & Maintenance		11.23%	602	0.50	12,046	7,310	0.30	366	6.81%
Utilities		1.85%	99	0.08	1,980	205	0.01	10	0.19%
Water, Sewer, & Trash		0.55%	29	0.02	588	500	0.02	25	0.47%
Property Insurance		6.05%	325	0.27	6,491	5,500	0.23	275	5.12%
Property Tax	2.47582	8.77%	470	0.39	9,408	22,227	0.92	1,111	20.70%
Reserve for Replacements		4.66%	250	0.21	5,000	5,000	0.21	250	4.66%
TDHCA Compliance Fees		0.75%	40	0.03	800	800	0.03	40	0.75%
Other: Asst Mngt		1.12%	60	0.05	1,200	1,200	0.05	60	1.12%
TOTAL EXPENSES		63.50%	$3,407	$2.81	$68,135	$69,742	$2.87	$3,487	64.95%
NET OPERATING INC		36.50%	$1,958	$1.61	$39,157	$37,634	$1.55	$1,882	35.05%
DEBT SERVICE									
Deferred Developer Fees		0.00%	$0	$0.00	$0	$19,227	$0.79	$961	17.91%
City of San Angelo		13.41%	$719	$0.59	14,389	12,884	$0.53	$644	12.00%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		23.08%	$1,238	$1.02	$24,768	$5,523	$0.23	$276	5.14%
AGGREGATE DEBT COVERAGE RATIO					2.72	1.17			
RECOMMENDED DEBT COVERAGE RATIO						1.35		6000	
CONSTRUCTION COST							3.81	3.1	

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		0.26%	$350	$0.29	$7,000	$7,000	$0.29	$350	0.25%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		4.11%	5,575	4.60	111,500	111,500	4.60	5,575	3.97%
Direct Construction		58.58%	79,370	65.43	1,587,404	1,524,860	62.85	76,243	54.24%
Contingency	4.71%	2.95%	4,000	3.30	80,000	80,000	3.30	4,000	2.85%
Contractor's Fees	13.39%	8.39%	11,370	9.37	227,400	227,400	9.37	11,370	8.09%
Indirect Construction		4.41%	5,971	4.92	119,425	119,425	4.92	5,971	4.25%
Ineligible Costs		1.13%	1,525	1.26	30,500	30,500	1.26	1,525	1.08%
Developer's Fees	18.93%	15.50%	21,000	17.31	420,000	420,000	17.31	21,000	14.94%
Interim Financing		3.43%	4,643	3.83	92,850	92,850	3.83	4,643	3.30%
Reserves		1.25%	1,695	1.40	33,900	33,900	1.40	1,695	1.21%
TOTAL COST		100.00%	$135,499	$111.71	$2,709,979	$2,811,071	$115.87	$140,554	100.00%
Construction Cost Recap		*74.03%*	***$100,315***	***$82.70***	***$2,006,304***	***$1,943,760***	***$80.12***	***$97,188***	*69.15%*

SOURCES OF FUNDS						RECOMMENDED	
First Financial Bankshares	0.00%	$0	$0.00	$0	$0	$187,473	Developer Fee Available
City of San Angelo	7.38%	$10,000	$8.24	200,000	200,000	200,000	$420,000
NDC Corporate Equity fund VIII, LP	86.19%	$116,788	$96.28	2,335,757	2,335,757	2,370,924	% of Dev. Fee Deferred
Deferred Developer Fees	4.12%	$5,584	$4.60	111,678	111,678	52,673	13%
Additional (Excess) Funds Req'd	2.31%	$3,127	$2.58	62,544	163,636	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$2,709,979	$2,811,071	$2,811,071	$187,986

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Blackshear Homes, San Angelo, 9& HTC #08300

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$85.39	$2,071,639
Adjustments				
Exterior Wall Finish			$0.00	$0
Elderly			0.00	0
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(2.47)	(59,922)
Floor Cover			3.75	90,956
Porches & Patios	$20.86	3,168	2.72	66,091
Plumbing Fixtures	$1,110	(10)	(0.46)	(11,100)
Rough-ins	$400	20	0.33	8,000
Built-In Appliances	$2,575	20	2.12	51,500
Exterior Stairs			0.00	0
Enclosed Corridors			0.00	0
Heating/Cooling			2.28	55,313
Garages/Carports			0.00	0
Comm &/or Aux Bldgs			0.00	0
Other: fire sprinkler	$2.15		0.00	0
SUBTOTAL			93.67	2,272,476
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.86		(13.11)	(318,147)
TOTAL DIRECT CONSTRUCTION COSTS			$80.56	$1,954,330
Plans, specs, survy, bld prmts	3.90%		($3.14)	($76,219)
Interim Construction Interest	3.38%		(2.72)	(65,959)
Contractor's OH & Profit	11.50%		(9.26)	(224,748)
NET DIRECT CONSTRUCTION COSTS			$65.43	$1,587,404

PAYMENT COMPUTATION

Primary		Amort	360
Int Rate	6.00%	DCR	#DIV/0!

Secondary	$200,000	Amort	360
Int Rate	6.00%	Subtotal DCR	2.72

Additional	$0	Amort	
Int Rate		Aggregate DCR	2.72

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$13,488
Secondary Debt Service	14,389
Additional Debt Service	0
NET CASH FLOW	$9,757

Primary	$187,473	Amort	360
Int Rate	6.00%	DCR	2.79

Secondary	$200,000	Amort	360
Int Rate	6.00%	Subtotal DCR	1.35

Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

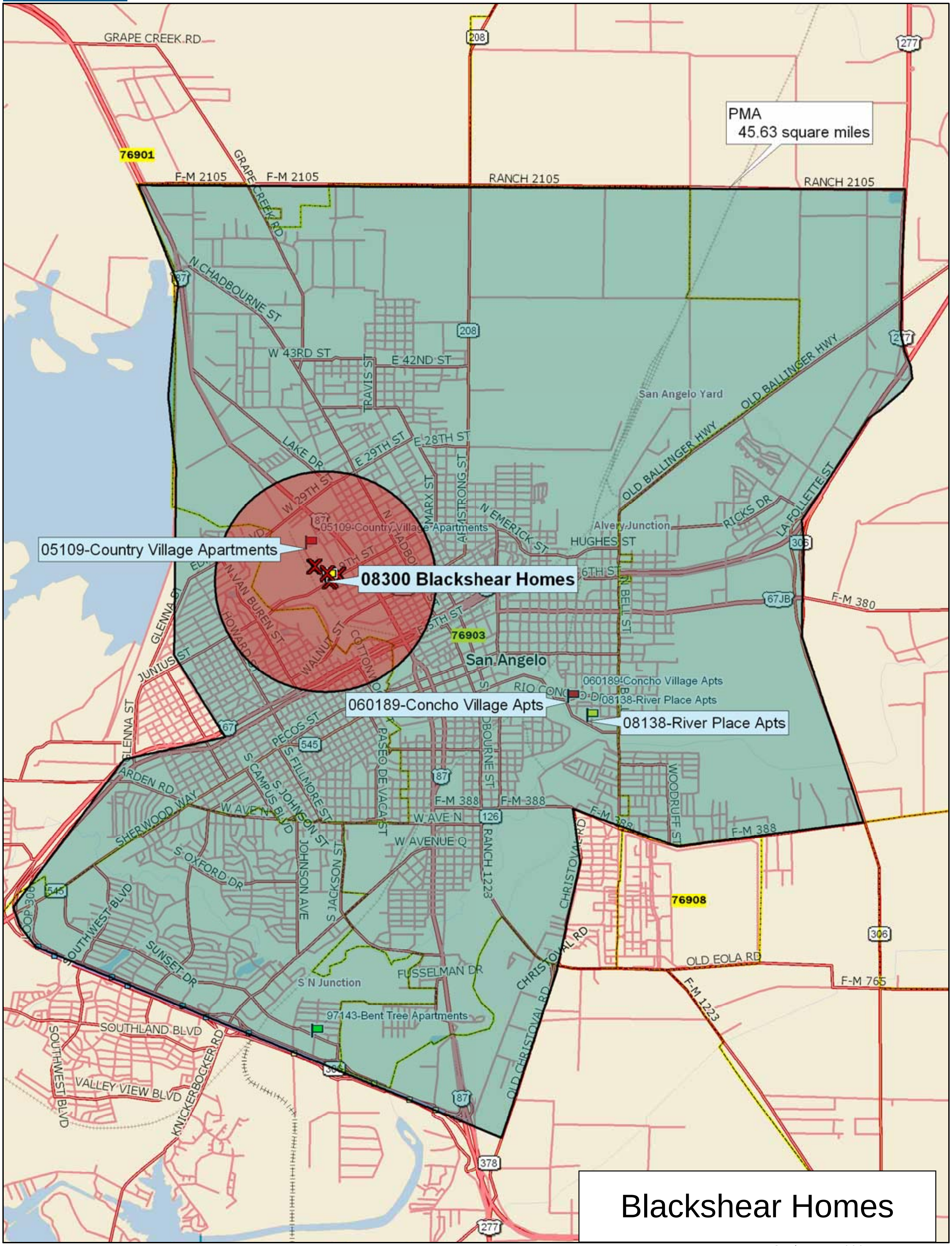
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

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	$114,048	$117,469	$120,994	$124,623	$128,362	$148,807	$172,508	$199,984	$268,762
Secondary Income	2,040	2,101	2,164	2,229	2,296	2,662	3,086	3,577	4,807
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	116,088	119,571	123,158	126,852	130,658	151,469	175,594	203,561	273,569
Vacancy & Collection Loss	(8,712)	(8,968)	(9,237)	(9,514)	(9,799)	(11,360)	(13,170)	(15,267)	(20,518)
Employee or Other Non-Rental Units or Conces:	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$107,376	$110,603	$113,921	$117,339	$120,859	$140,108	$162,424	$188,294	$253,051
EXPENSES at 4.00%									
General & Administrative	$7,150	$7,436	$7,733	$8,043	$8,364	$10,177	$12,381	$15,064	$22,298
Management	5,350	5,511	5,676	5,846	6,022	6,981	8,093	9,382	12,608
Payroll & Payroll Tax	14,500	15,080	15,683	16,311	16,963	20,638	25,109	30,549	45,220
Repairs & Maintenance	7,310	7,602	7,906	8,223	8,552	10,404	12,659	15,401	22,797
Utilities	205	213	222	231	240	292	355	432	639
Water, Sewer & Trash	500	520	541	562	585	712	866	1,053	1,559
Insurance	5,500	5,720	5,949	6,187	6,434	7,828	9,524	11,588	17,153
Property Tax	22,227	23,116	24,041	25,002	26,002	31,636	38,490	46,829	69,318
Reserve for Replacements	5,000	5,200	5,408	5,624	5,849	7,117	8,658	10,534	15,593
Other	2,000	2,080	2,163	2,250	2,340	2,847	3,463	4,214	6,237
TOTAL EXPENSES	$69,742	$72,478	$75,322	$78,279	$81,351	$98,631	$119,599	$145,046	$213,424
NET OPERATING INCOME	$37,634	$38,124	$38,598	$39,060	$39,507	$41,478	$42,825	$43,248	$39,627
DEBT SERVICE									
First Lien Financing	$13,488	$13,488	$13,488	$13,488	$13,488	$13,488	$13,488	$13,488	$13,488
Second Lien	14,389	14,389	14,389	14,389	14,389	14,389	14,389	14,389	14,389
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$9,757	$10,247	$10,721	$11,183	$11,630	$13,600	$14,948	$15,371	$11,750
DEBT COVERAGE RATIO	1.35	1.37	1.38	1.40	1.42	1.49	1.54	1.55	1.42

HTC ALLOCATION ANALYSIS -Blackshear Homes, San Angelo, 9& HTC #08300

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS	10% Increase
Acquisition Cost					
Purchase of land	$7,000	$7,000			
Purchase of buildings					
Off-Site Improvements					
Sitework	$111,500	$111,500	$111,500	$111,500	$11,150
Construction Hard Costs	$1,524,860	$1,587,404	$1,524,860	$1,587,404	$152,486
Contractor Fees	$227,400	$227,400	$227,400	$227,400	
Contingencies	$80,000	$80,000	$80,000	$80,000	
Eligible Indirect Fees	$119,425	$119,425	$119,425	$119,425	
Eligible Financing Fees	$92,850	$92,850	$92,850	$92,850	
All Ineligible Costs	$30,500	$30,500			
Developer Fees					
Developer Fees	$420,000	$420,000	$420,000	$420,000	
Development Reserves	$33,900	$33,900			
TOTAL DEVELOPMENT COSTS	$2,647,435	$2,709,979	$2,576,035	$2,638,579	$163,636

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		$2,576,035	$2,638,579	$163,636
High Cost Area Adjustment		130%	130%	100%
TOTAL ADJUSTED BASIS		$3,348,846	$3,430,153	$163,636
Applicable Fraction		100%	100%	100%
TOTAL QUALIFIED BASIS		$3,348,846	$3,430,153	$163,636
Applicable Percentage		9.00%	9.00%	9.00%
TOTAL AMOUNT OF TAX CREDITS		$301,396	$308,714	$14,727
Syndication Proceeds	**0.7500**	**$2,260,470**	**$2,315,353**	**$110,454**
				with 10%
Total Tax Credits (Eligible Basis Method)		**$301,396**	**$308,714**	**$316,123**
Syndication Proceeds		**$2,260,470**	**$2,315,353**	**$2,370,924**
Requested Tax Credits		**$278,624**		
Syndication Proceeds		**$2,089,679**		
Gap of Syndication Proceeds Needed		**$2,423,598**		
Total Tax Credits (Gap Method)		**$323,146**		



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TN
MN (6.3°E)

Scale 1 : 75,000

1" = 1.18 mi   Data Zoom 11-4

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: TDHCA Governing Board

From: Audrey Martin, Real Estate Analysis

cc: File; Ben Sheppard, Multifamily Finance Production

Date: June 4, 2009

Re: Amendment Request for Village Park Apartments, TDHCA #05629

Background

The development was originally underwritten and approved for an award in 2005. An amendment request was presented to the Board during the April 2009 Board meeting, but was tabled to allow the Owner and staff to further address the request to omit ceiling fans, which were a threshold amenity.

Amendment Request

The Owner is proposing to install microwave oven / range hood combinations as an alternative to ceiling fans. The Owner submitted a bid for $133,760 for the installation, or $320 per unit. There is sufficient deferred developer fee to cover the cost of the microwaves, and sufficient cash flow to repay the additional deferred developer fee. The cost certification has been submitted to the Department, and includes final, certified costs that substantiate the Owner's credit request. The additional cost of the microwaves will not change the credit recommendation at this time, as only final, incurred costs may be considered for the purpose of determining the final credit allocation.

Conclusions

The change identified in the amendment request does not negatively impact the underwriting of the transaction. Staff will not recommend a change to the tax credit award prior to finalization of the cost certification review process.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report Addendum

REPORT DATE: 04/02/09 PROGRAM: 4% HTC / Bond FILE NUMBER: **05629**

DEVELOPMENT

Village Park Apartments

Location: 8701 Hammerly Boulevard Region: 6

City: Houston County: Harris Zip: 77080 [X] QCT [ ] DDA

Key Attributes: Acquisition/Rehabilitation, General, Urban

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$629,380			**$612,809**		

* The development was originally awarded annual tax credits of $574,490 and $13,660,000 in TDHCA issued bonds. However, pursuant to 49.12(d) of the 2009 QAP a tax-exempt bond development is eligible to request additional credits than originally awarded. In conjunction with the development's final cost certification the Owner has requested $54,890 or 9.5% in additional tax credits. Since this amount is less than 10% more than the amount reflected in the 2005 Determination Notice issued to the Owner, the request may be approved by the Executive Director. However, since this development is being presented to the Board for approval of the requested changes to the application, approval of the additional credit request is also included for Board approval.

RECOMMENDATION

Staff has evaluated the financial viability of the requested amendment. Based on the revised information provided, the transaction meets the Department's 2008 and 2009 Real Estate Analysis Rules and Guidelines. If the Board chooses to approve the amendment, the Underwriter recommends a total allocation of $612,809, subject to the following condition.

CONDITIONS

1 The Owner is requesting $16,571 more in tax credits than are being recommended. If a commitment is received from Boston Capital for the purchase of the additional $16,571 in tax credits, including syndication rate, prior to the issuance of IRS Forms 8609, staff recommends an allocation of up to $629,380, dependent upon the syndication rate indicated in the commitment from Boston Capital.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	364

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ADDENDUM

The subject development is an acquisition and rehabilitation 4% bond transaction that was originally underwritten and approved in 2005. In association with the development's final construction inspection and submission of the final cost certification, the Owner has requested an amendment to the application as follows:

- Approval for a change in the number of affordable and market rate units to 364 affordable units and 54 market rate units instead of 355 affordable units and 63 market rate units.
- A correction in the number of residential buildings from 27 to 25.
- Approval for the installation of a pavilion with picnic tables and barbecue grills as a replacement for ceiling fans in the bedrooms.
- Approval for a children's activity center as a replacement for accessible walking path.
- Approval for a soccer area as a replacement for the volleyball court in order to meet the sport court requirement.
- Approval for an additional smaller playground area adjacent to the existing playground in order to meet the requirement for two children's playgrounds.
- Approval for a public telephone available to tenants 24 hours a day as a replacement for controlled gate access.
- Approval for a decrease in the number of parking spaces from 627 to 551 total.

Unit Mix

The first item identified in the amendment request is change in the mix of units between affordable and market rate. Originally, the application identified 355 affordable units and 63 market rate units, but at cost certification, 364 affordable units and 54 market rate units were identified. This changed the unit applicable fraction from 85% to 87%. The Owner explained that the cost certification documentation reflects the actual and final unit mix based on the income qualifications of the existing residents. The Owner stated that the purpose of the change is to avoid the forced relocation of residents.

Number of Buildings

The Owner is requesting a correction to the number of buildings. There are 25 buildings on the property; however, there were discrepancies in the number of buildings between different application exhibits, with the number of buildings being presented between 24 and 27. Most documentation in the application, including the appraisal, environmental site assessment, and development plan description, identified 27 residential buildings. However, a site plan in the application identified 24 residential structures, which were treated as 25 residential buildings by counting one physical structure as two separate buildings. The amendment request from the Owner explains that prior to taking ownership of the development, Building 10 was damaged in a fire and not re-built. This building was not reflected in the site plan, and the as-built survey submitted at cost certification is consistent with the site plan. This correction does not affect the number of units or square footage.

Amenities

Ceiling Fans - The Owner stated that the absence of ceiling fans in the bedrooms is a result of a misunderstanding about the requirement for ceiling fans. The Owner indicated that ceiling fans are included in the living areas but are not included in the bedrooms. The Owner explained that the installation of the ceiling fans would require the replacement of 240 electrical panels, and the cost would be $839,425 or $2,008 per unit. Additionally, the property operates under an asbestos operations and maintenance program, and there could be additional costs associated with demolition and renovation activities and relocation of tenants. For these reasons, the Owner believes that the installation of ceiling fans in the bedrooms is infeasible and proposes to build a pavilion with picnic tables and barbecue grills as a replacement amenity. The Owner submitted an estimate from a contractor indicating the cost of the pavilion and a community garden would be $76,877.

Accessible Walking Path - The Owner also mistakenly interpreted accessible walking path as being the accessible walkways winding through the property. The Owner offers a children's activity center as a substitute for the accessible walking path.

Sport Court - The amendment request also identifies a change to the sport court provided. At application, a volleyball court was present at the development, but the Owner explained that after surveying community interests, the volleyball court was replaced with additional children's playground equipment. The Owner proposes a soccer area as a replacement for the volleyball court.

Children's Playgrounds - Two children's playgrounds were also proposed at application, but during the construction inspection by the Department, the amenity was not observed. The Owner explained that playground equipment was installed in a 57' by 31' bordered area adjacent to the existing playground, which is in a 99' by 95' bordered area. The Owner believes the installation of the new playground equipment is sufficient to satisfy the requirement for two children's playgrounds.

Full Perimeter Fencing - Full perimeter fencing with controlled gate access was also originally proposed in the application, but the Owner explained that this was misinterpreted due to the fact that the entry to the site does have a guard shack. The Owner indicated that full perimeter fencing without controlled gate access should have been proposed originally. A public telephone available to tenants 24 hours a day is offered as a replacement for the controlled access gate.

Parking Spaces
The Owner's request also addresses a difference in the number of parking spaces at the development. The application identified 627 parking spaces and at cost certification, the architect certified to the presence of 551 parking spaces. The Owner stated that this was an error on the application and is requesting approval for the development as built.

The final development costs, as certified by the CPA, are $442K greater than the Underwriter's estimate at application, and eligible basis increased by $1,378,295 in comparison to the Underwriter's estimate at application. This cost increase qualifies the development to receive a credit allocation greater than the originally approved amount at application. The change to the applicable fraction also accounts for approximately 25% of the increase to the final credit amount, but the higher credit amount is primarily a result of the increase in costs.

OPERATING PROFORMA ANALYSIS

Income:

The Owner's projected rental income is calculated by subtracting the Houston Housing Authority utility allowances from gross rents that are lower than the program gross rent limits. According to the rent roll provided in the cost certification the property is not collecting the maximum tax credit rents. At application, the Market Analyst estimated the market rents to be lower than the program rents for the area, thus reflecting that the market was not able to support the maximum program rents. The Underwriter's projected rental income uses the average tenant paid rents as reflected in the rent roll as of 1/31/09. The Owner's potential gross rent estimate is about $43K or 1% greater than the Underwriter's estimate. However, there is a significant difference in the estimate of secondary income due to the fact that the Owner charges tenants a pass-through utility cost capped at the utility allowance for electric costs.

Another difference between the Owner's estimate and the Underwriter's estimate is that the Owner included $120K in rental concessions and this loss was not considered in the Underwriter's analysis, as it should not be necessary once the property reaches stabilization. Therefore, the net effect of higher secondary income and rental concessions is that the effective gross income projected by the Owner is more than 12% greater than the Underwriter' s estimate.

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Expenses:

The Owner's proforma reflects higher expenses than indicated by the property's operating history, and as a result the Underwriter relied upon the TDHCA database, IREM, and the property's actual operations in estimating expenses. The Owner's total annual operating expense estimate of $5,704 per unit is more than 18% greater than the Underwriter's estimate of $4,813. Several of the Owner's line-item expenses are inconsistent with the Underwriter's estimates: general and administrative ($52K or 59% lower); repairs and maintenance ($43K or 28% lower); utilities ($385K or 86% higher); property taxes ($80K or 43% higher); and compliance fees ($2K or 17% greater). The difference in the utilities line item is in part due to the fact that the Underwriter's estimate reflects the net cost to the Owner after the utility reimbursement charged to the tenants. In contrast, the Owner identified the gross utility cost but the utility reimbursement was identified as a secondary income source. It is important to mention that although the Underwriter's analysis projects an expense to income ratio below 65%, the Owner's expense to income ratio exceeds the Department's 65% limit.

Conclusion:

Although the Owner's net operating income is within 5% of the Underwriter's estimate, the income and expense estimates of the Owner are not within 5% of the Underwriter's estimates. Therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity. Because the development was originally underwritten utilizing a 3% income escalator and 4% expense escalator, the Underwriter's proforma has utilized these escalators, consistent with the 2008 REA Rules and Guidelines. Based on the proposed financial structure reflected in the Cost Certification, which includes the Owner's expected reduction in the permanent loan, the DCR of 1.24 falls within the Department's guidelines. If the permanent loan was not reduced as expected by the Owner, the development would have a DCR of 1.16, which also falls within the Department's guidelines. In addition, utilizing the 2% income escalator and 3% expense escalator required by the 2009 REA Rules and Guidelines, the development has above a 1.15 DCR and positive cash flow for the initial 15 years, as required by the REA Rules and Guidelines.

CONSTRUCTION COST ESTIMATE EVALUATION

Cost Schedule:

The Department has received the Cost Certification for this development, and evidence of the final development costs, as certified by the development CPA, has been included as part of the documentation. The Owner's site work costs have decreased by $621K or 51%, while direct construction costs have increased by $1.6 million or 97% from the estimates provided at application. Contractor fees increased $69K or 17%. Indirect construction costs increased by $21K or 20%. Developer fees increased by $104K or 4%. However, the total development cost is $442K or 2% greater than the Underwriter's estimate at application. Additionally, since this is an acquisition and rehabilitation project, the Owner's final development costs are utilized to determine the final credit amount.

Conclusion:

It appears that the changes made to the development have not affected the reasonableness of the Owner's final, certified development costs. As a result, the Owner's development cost schedule will be used to determine the development's final need for permanent funds and to calculate eligible basis. Eligible basis of $19,448,044 supports annual tax credits of $629,412. This figure will be compared to the tax credits previously approved by the Board, the Owner's current request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

Issuer: TDHCA

Source: Greystone Servicing Corporation   Type: **Interim to Permanent Bond Financing**

Tax-Exempt: $12,740,000   Interest Rate: 6.10%   [X] Fixed   Amort: 360 months

Comments:

The loan has not converted to the permanent phase; conversion to permanent is expected for May 1, 2009. The loan documents support a loan of $13,660,000; however, $12,740,000 is the Owner's anticipated final loan amount after resizing for conversion.

Source: Bond Transaction | Type: **Bond Premium**

Amount $211,094 | Conditions:

Comments:

The Owner negotiated a cash consideration of $211,094 at closing by accepting a lock-out period beyond 10 years on the ability to call the bonds at par. The premium obtained by the Owner was calculated on $10,560,000 of the bonds at a 1.999% premium. The documentation submitted for this source was limited to statements from the Owner submitted via email and bond cash flows.

Source: Boston Capital Corporation | Type: **Syndication**

Proceeds: $5,978,512 | Syndication Rate: 95% | Anticipated HTC: $ 629,380

Comments:

The Owner's sources reflect a syndication price remains of $0.95 per tax credit dollar for the original credits as well as the additional credits being requested. The Limited Partnership Agreement does not guarantee the purchase of additional credits, however, and further, does not state the rate at which additional tax credits would be purchased. For this reason, the recommended financing structure reflects only the syndication proceeds specifically committed to in the Limited Partnership Agreement. The credit request at cost certification is $54,890 or 9.6% greater than the credit amount approved at application underwriting, $574,490. However, the cost certification request is only $16,571 greater than the amount of credits used by the syndicator to calculate syndication proceeds $612,809.

Amount: $2,504,603 | Type: **Deferred Developer Fees**

Amount: $673,678 | Type: **General Partner Contribution**

The amount of the financing gap exceeds the amount of developer fee available, and for that reason, the sources of funds include $673,678 in gap funding from the General Partner. The Owner submitted a signed statement indicating that the General Partner, Summit America Properties XXVI, Inc., will provide the Partnership with gap funding, as necessary. The Owner also submitted unaudited financial statements as of 12/31/08 for Summit Housing Partners, the Owner of the General Partner, indicating sufficient liquidity to cover for the anticipated gap funding. As mentioned previously, the recommended financing structure uses a lower amount of syndication proceeds than the Owner does, which results in a larger gap of $831,087. The Owner has committed to provide all gap financing necessary, and is found to have sufficient liquidity to cover this larger gap in the event that the additional credits are not purchased by the investor.

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio that falls within the Department's 2008 and 2009 guidelines. This analysis is based on the average current rents at the property. If the rents can be increased to the maximum tax credit rents, the development would still operate at a DCR that falls within the Department's guidelines; however, the Owner does not intend to increase the rents in the near future. Therefore, the Owner's final and certified total development costs, less the permanent loan amount of $12.74M and bond premium of $211K indicates the need for $9,156,793 in gap funds. Based on the final syndication terms a tax credit allocation of $963,969 annually would be required to fill this gap in financing.

As stated above, the investor limited partner has not committed to purchase the additional $16,571 in credits being requested above the amount used to calculate syndication proceeds, $612,809. Therefore, the recommended financing structure assumes that these additional tax credits will not be purchased, which would result in a gap of $831,087 which must be filled by the General Partner. If the additional $16,571 in credits are purchased by the investor limited partner at the original syndication rate, $0.95, the financing gap will be reduced to $673,678. If the additional credits are purchased by the investor limited partner at a lower rate, consistent with current market conditions (assumed by the Underwriter to be $0.70), the financing gap would be approximately $715,090. The Underwriter has found the General Partner to have sufficient liquidity to fund the largest of these three potential amounts of gap financing.

The Owner's final Cost Certification identifies a tax credit request that is higher than the amount originally awarded to this development. Per §49.12(d) of the 2009 QAP, a tax-exempt bond development may request an increase in tax credits if the Department determines that the development will not receive more tax credits than needed for the financial feasibility and viability of the transaction. Based on the cost certification review, it appears that the requested additional credits are supported by the final certified development costs and eligible basis. The requested increase in credit does not exceed 110% of the amount of credits reflected in the Determination Notice, therefore, per the QAP this increase can be approved administratively by the Executive Director. Additionally, per §49.20(i) of the 2009 QAP a Tax-Exempt Bond Credit Increase Request Fee equal to 5% of the amount of the credit increase for one year is required. The Owner has not provided to the Department the required fee, but is required to pay the fee prior to the issuance of IRS Forms 8609.

Although the eligible basis supports the requested credits of $629,380, the Underwriter recommends a lower allocation of $612,809. This is because $612,809 is the annual tax credit allocation used by the investor limited partner to calculate syndication proceeds. The investor limited partner has not committed to purchase any additional tax credits, and the Underwriter does not recommend the allocation of tax credits that will not yield additional tax credit proceeds. However, as stated in the Conditions section of the report, if the Department receives a commitment from Boston Capital for the purchase of the additional tax credits prior to the issuance of IRS Forms 8609, the allocation supported by eligible basis, $629,380 will be recommended.

Tax Credit Allocation Previously Awarded:	$574,490
Tax Credit Allocation Requested by Owner:	$629,380
Tax Credit Allocation Determined by Eligible Basis:	$629,412
Tax Credit Allocation Determined by Gap in Financing:	$963,969
Tax Credit Allocation Used by Limited Partner to Determined Syndication Proceeds:	**$612,809**

The allocation used by the limited partner to determine syndication proceeds is recommended. An annual allocation of $612,809 results in total equity proceeds of $5,821,103 at a syndication price of $0.95 per tax credit dollar. The Underwriter's recommended financing structure indicates the need for $3,335,690 in additional permanent funds. Deferred developer fees and an additional owner contribution in this amount appear to be repayable by Year 15.

Underwriter:	*Rosalio Banuelos*	Date:	April 2, 2009
Reviewing Underwriter:	*Audrey Martin*	Date:	April 2, 2009
Director of Real Estate Analysis:	*Brent Stewart*	Date:	April 2, 2009

COST CERTIFICATION COMPARATIVE ANALYSIS

Village Park Apartments, Houston, HTC#05629

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%	3	0	1	537	$642	$567	$575	$587	$1,701	$1.06	$55.00	$39.00
MR	1	0	1	537		565	$575	$565	565	1.05	55.00	39.00
TC 60%	110	1	1	672	$687	570	$670	$602	62,721	0.85	85.00	53.00
MR	10	1	1	672		572	$670	$572	5,719	0.85	85.00	53.00
TC 60%	26	1	1	758	$687	586	$670	$602	15,236	0.77	85.00	53.00
MR	2	1	1	758		584	$670	$584	1,167	0.77	85.00	53.00
TC 60%	30	2	1	864	$825	677	$775	$709	20,299	0.78	116.00	64.00
MR	6	2	1	864		680	$775	$680	4,080	0.79	116.00	64.00
TC 60%	26	2	1	869	$825	679	$775	$709	17,649	0.78	116.00	64.00
MR	4	2	1	869		691	$775	$691	2,762	0.79	116.00	64.00
TC 60%	7	2	1	959	$825	682	$775	$709	4,776	0.71	116.00	64.00
MR	1	2	1	959		693	$775	$693	693	0.72	116.00	64.00
TC 60%	53	2	2	1,026	$825	706	$823	$709	37,411	0.69	116.00	64.00
MR	7	2	2	1,026		707	$823	$707	4,947	0.69	116.00	64.00
TC 60%	61	2	2	1,040	$825	699	$823	$709	42,652	0.67	116.00	64.00
MR	11	2	2	1,040		707	$823	$707	7,776	0.68	116.00	64.00
TC 60%	48	3	2	1,150	$953	806	$940	$806	38,676	0.70	147.00	74.00
MR	12	3	2	1,150		816	$940	$816	9,795	0.71	147.00	74.00
TOTAL:	418		AVERAGE:	895		$667			$278,624	$0.74	$108.89	$61.30

INCOME					TDHCA	TDHCA-UW	APPLICATION	Cost Certification	COUNTY	IREM REGION	COMPT. REGION
	Total Net Rentable Sq Ft: 374,298										
POTENTIAL GROSS RENT					$3,343,488	$3,886,152	$3,494,208	$3,386,688	Harris		6
Secondary Income			Per Unit Per Month:	$15.00	75,240	75,240	75,240	75,240	$15.00	Per Unit Per Month	
Other Support Income: Utility Reimbursement					0		316,008	486,552	$97.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					$3,418,728	$3,961,392	$3,885,456	$3,948,480			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(256,405)	(297,104)	(271,980)	(296,136)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions								(120,000)			
EFFECTIVE GROSS INCOME					$3,162,323	$3,664,288	$3,613,476	$3,532,344			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT					PER SQ FT	PER UNIT	% OF EGI
General & Administrative		2.79%	$211	0.24	$88,112	$135,600	$46,000	$36,000	$0.10	$86	1.02%
Management		4.00%	303	0.34	126,493	136,190	145,573	129,000	0.34	309	3.65%
Payroll & Payroll Tax		13.93%	1,054	1.18	440,534	421,086	328,000	437,574	1.17	1,047	12.39%
Repairs & Maintenance		4.79%	362	0.40	151,320	161,028	88,980	108,600	0.29	260	3.07%
Utilities		14.11%	1,068	1.19	446,322	616,767	891,154	831,000	2.22	1,988	23.53%
Water, Sewer, & Trash		8.62%	652	0.73	272,640	242,047	277,193	294,000	0.79	703	8.32%
Property Insurance		3.63%	274	0.31	114,687	93,575	94,050	94,000	0.25	225	2.66%
Property Tax	2.664583	5.81%	440	0.49	183,856	324,344	272,948	263,750	0.70	631	7.47%
Reserve for Replacements		3.97%	300	0.34	125,400	125,400	125,700	125,400	0.34	300	3.55%
TDHCA Compliance Fees		0.46%	35	0.04	14,560	122,880	106,160	17,000	0.05	41	0.48%
Other: Security		1.52%	115	0.13	48,000			48,000	0.13	115	1.36%
TOTAL EXPENSES		63.62%	$4,813	$5.38	$2,011,923	$2,378,917	$2,375,758	$2,384,324	$6.37	$5,704	67.50%
NET OPERATING INC		36.38%	$2,752	$3.07	$1,150,400	$1,285,371	$1,237,718	$1,148,020	$3.07	$2,746	32.50%
DEBT SERVICE											
Greystone Servicing Corporation		29.30%	$2,216	$2.48	$926,445	$994,406	$998,647	$926,445	$2.48	$2,216	26.23%
Bond Premium		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		7.08%	$536	$0.60	$223,956	$290,965	$239,071	$221,575	$0.59	$530	6.27%
AGGREGATE DEBT COVERAGE RATIO					1.24	1.29	1.24	1.24			
RECOMMENDED DEBT COVERAGE RATIO					1.24						

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	TDHCA-UW	APPLICATION	Cost Certification	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		62.49%	$33,703	$37.64	$14,087,960	$14,111,000	$14,111,000	$14,087,960	$37.64	33703.25359	63.72%
Off-Sites		0.00%	0	0.00	0			0	0.00	0	0.00%
Sitework		2.60%	1,404	1.57	586,720	487,000	1,207,342	586,720	1.57	1,404	2.65%
Direct Construction		14.83%	8,000	8.93	3,343,936	2,415,070	1,694,708	3,343,936	8.93	8,000	15.13%
Contingency						165,417	165,417		0.00	0	0.00%
Contractor's Fees	12.09%	2.11%	1,137	1.27	475,108	406,285	406,285	475,108	1.27	1,137	2.15%
Indirect Construction		0.55%	298	0.33	124,717	104,210	104,210	124,717	0.33	298	0.56%
Ineligible Costs		4.37%	2,356	2.63	984,843	1,011,588	1,011,588	984,843	2.63	2,356	4.45%
Developer's Fees	14.78%	11.11%	5,992	6.69	2,504,603	2,356,924	2,400,613	2,504,603	6.69	5,992	11.33%
Interim Financing		0.00%	0	0.00	0	109,843	109,843	0	0.00	0	0.00%
Reserves		1.94%	1,046	1.17	437,319	498,142		0	0.00	0	0.00%
TOTAL COST		100.00%	$53,936	$60.23	$22,545,206	$21,665,479	$21,211,006	$22,107,887	$59.06	$52,890	100.00%
Construction Cost Recap		*19.54%*	***$10,540***	***$11.77***	***$4,405,764***	***$3,473,772***	***$3,473,752***	***$4,405,764***	***$11.77***	***$10,540***	*19.93%*

SOURCES OF FUNDS				TDHCA	TDHCA-UW	APPLICATION	Cost Certification	RECOMMENDED	
Greystone Servicing Corporation	56.51%	$30,478	$34.04	$12,740,000	$13,660,000	$13,660,000	$12,740,000	$12,740,000	Developer Fee Available
Bond Premium	0.94%	$505	$0.56	211,094			211,094	211,094	$2,504,603
HTC Syndication Proceeds	26.52%	$14,303	$15.97	5,978,512	5,368,683	5,342,224	5,978,512	5,821,103	% of Dev. Fee Deferred
Deferred Developer Fees	11.11%	$5,992	$6.69	2,504,603	2,208,782	2,208,782	2,504,603	2,504,603	100%
General Partner Contribution	0.00%	$0	$0.00	0	0	0	673,678	831,087	
Additional (Excess) Funds Req'd	4.93%	$2,658	$2.97	1,110,997	428,014	0	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$22,545,206	$21,665,479	$21,211,006	$22,107,887	$22,107,887	$4,741,890

COST CERTIFICATION COMPARATIVE ANALYSIS (continued)

Village Park Apartments, Houston, HTC#05629

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)	(924,516)
Floor Cover			2.43	909,544
Breezeways/Balconies	$20.33		0.00	0
Plumbing Fixtures	$805		0.00	0
Rough-ins	$400		0.00	0
Built-In Appliances	$1,850	418	2.07	773,300
Exterior Stairs	$1,800		0.00	0
Enclosed Corridors	($9.92)		0.00	0
Heating/Cooling			1.90	711,166
Garages/Carports			0.00	0
Comm &/or Aux Bldgs			0.00	0
Other: fire sprinkler	$1.95	374,298	1.95	729,881
SUBTOTAL			5.88	2,199,375
Current Cost Multiplier	0.98		(0.12)	(43,988)
Local Multiplier			(5.88)	(2,199,375)
TOTAL DIRECT CONSTRUCTION COSTS			($0.12)	($43,988)
Plans, specs, survy, bld prm	3.90%		$0.00	$1,716
Interim Construction Interest	3.38%		0.00	1,485
Contractor's OH & Profit	11.50%		0.01	5,059
NET DIRECT CONSTRUCTION COSTS			($0.10)	($35,729)

PAYMENT COMPUTATION

Primary	$12,740,000	Amort	360
Int Rate	6.10%	DCR	1.24
Secondary	$211,094	Amort	
Int Rate		Subtotal DCR	1.24
Additional	$5,978,512	Amort	
Int Rate		Aggregate DCR	1.24

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$926,445
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$223,956

Primary	$12,740,000	Amort	360
Int Rate	6.10%	DCR	1.24
Secondary	$211,094	Amort	0
Int Rate	0.00%	Subtotal DCR	1.24
Additional	$5,978,512	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	$3,343,488	$3,443,793	$3,547,106	$3,653,520	$3,763,125	$4,362,494	$5,057,326	$5,862,827	$7,879,149
Secondary Income	75,240	77,497	79,822	82,217	84,683	98,171	113,807	131,934	177,308
Other Support Income: Utility R	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	3,418,728	3,521,290	3,626,929	3,735,736	3,847,809	4,460,665	5,171,133	5,994,760	8,056,457
Vacancy & Collection Loss	(256,405)	(264,097)	(272,020)	(280,180)	(288,586)	(334,550)	(387,835)	(449,607)	(604,234)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$3,162,323	$3,257,193	$3,354,909	$3,455,556	$3,559,223	$4,126,115	$4,783,298	$5,545,153	$7,452,222
EXPENSES at 4.00%									
General & Administrative	$88,112	$91,636	$95,302	$99,114	$103,078	$125,410	$152,581	$185,638	$274,789
Management	126,493	130,288	134,196	138,222	142,369	165,045	191,332	221,806	298,089
Payroll & Payroll Tax	440,534	458,155	476,481	495,541	515,362	627,017	762,862	928,138	1,373,871
Repairs & Maintenance	151,320	157,372	163,667	170,214	177,023	215,375	262,037	318,808	471,913
Utilities	446,322	464,175	482,742	502,051	522,133	635,255	772,885	940,333	1,391,922
Water, Sewer & Trash	272,640	283,546	294,888	306,683	318,951	388,052	472,125	574,412	850,270
Insurance	114,687	119,274	124,045	129,007	134,167	163,235	198,600	241,628	357,668
Property Tax	183,856	191,210	198,859	206,813	215,086	261,685	318,379	387,357	573,383
Reserve for Replacements	125,400	130,416	135,633	141,058	146,700	178,483	217,152	264,199	391,079
Other	62,560	65,062	67,665	70,371	73,186	89,042	108,334	131,804	195,103
TOTAL EXPENSES	$2,011,923	$2,091,135	$2,173,478	$2,259,075	$2,348,055	$2,848,599	$3,456,287	$4,194,123	$6,178,088
NET OPERATING INCOME	$1,150,400	$1,166,058	$1,181,431	$1,196,482	$1,211,167	$1,277,515	$1,327,011	$1,351,030	$1,274,134
DEBT SERVICE									
First Lien Financing	$926,445	$926,445	$926,445	$926,445	$926,445	$926,445	$926,445	$926,445	$926,445
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	$223,956	$239,613	$254,987	$270,037	$284,723	$351,071	$400,566	$424,586	$347,689
DEBT COVERAGE RATIO	1.24	1.26	1.28	1.29	1.31	1.38	1.43	1.46	1.38

HTC ALLOCATION ANALYSIS -Village Park Apartments, Houston, HTC#05629

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	$1,675,000	$1,675,000				
Purchase of buildings	$12,412,960	$12,412,960	$12,412,960	$12,412,960		
Off-Site Improvements						
Sitework	$586,720	$586,720			$586,720	$586,720
Construction Hard Costs	$3,343,936	$3,343,936			$3,343,936	$3,343,936
Contractor Fees	$475,108	$475,108			$475,108	$475,108
Contingencies						
Eligible Indirect Fees	$124,717	$124,717	$34,825	$34,825	$89,892	$89,892
Eligible Financing Fees						
All Ineligible Costs	$984,843	$984,843				
Developer Fees						
Developer Fees	$2,504,603	$2,504,603	$1,867,168	$1,838,680	$637,435	$665,923
Development Reserves		$437,319				
TOTAL DEVELOPMENT COSTS	$22,107,887	$22,545,206	$14,314,953	$14,286,465	$5,133,091	$5,161,579

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		$14,314,953	$14,286,465	$5,133,091	$5,161,579
High Cost Area Adjustment				130%	130%
TOTAL ADJUSTED BASIS		$14,314,953	$14,286,465	$6,673,018	$6,710,052
Applicable Fraction		86.42%	86.42%	86.42%	86.42%
TOTAL QUALIFIED BASIS		$12,371,582	$12,346,961	$5,767,102	$5,799,108
Applicable Percentage		3.47%	3.47%	3.47%	3.47%
TOTAL AMOUNT OF TAX CREDITS		$429,294	$428,440	$200,118	$201,229
Syndication Proceeds	**0.9499**	**$4,077,884**	**$4,069,769**	**$1,900,935**	**$1,911,485**

Total Tax Credits (Eligible Basis Method)	**$629,412**	**$629,669**
Syndication Proceeds	**$5,978,819**	**$5,981,253**
Approved Tax Credits	**$574,490**	
Syndication Proceeds	**$5,457,109**	
Cost Certification Request	**$629,380**	
Syndication Proceeds	**$5,978,512**	
Gap of Syndication Proceeds Needed	**$9,156,793**	
Total Tax Credits (Gap Method)	**$963,969**	
Tax Credits to be Purchased by Limted Partner	**$612,809**	
Syndication Proceeds	**$5,821,103**	
Reconciled Tax Credits	**$612,809**	
Syndication Proceeds	**$5,821,103**	

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: February 6, 2006 **PROGRAM:** 4% HTC/MFB **FILE NUMBER:** 05629

DEVELOPMENT NAME

Village Park Apartments

APPLICANT

Name:	Village Park Apartments Partners, Ltd.		**Type:**	For-profit			
Address:	105 Tallapoosa Street, Suite 300		**City:**	Montgomery		**State:**	AL
Zip:	36104	**Contact:** Hunter McKenzie	**Phone:**	(334) 954-4458		**Fax:**	(334) 954-4496

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Summit America Properties, Inc	**(%):**	0.01	**Title:**	Managing General Partner
Name:	Realty Partners, LLC	**(%):**	N/A	**Title:**	100% member of MGP/Guarantor
Name:	WDH Holdings, LLC	**(%):**	N/A	**Title:**	78% member of Realty Partners
Name:	Summit Asset Management, LLC	**(%):**	N/A	**Title:**	Developer
Name:	Summit Construction, LLC	**(%):**	N/A	**Title:**	Consultant
Name:	Summit America, LLC	**(%):**	N/A	**Title:**	Guarantor
Name:	W Daniel Hughes, Jr	**(%):**	N/A	**Title:**	Guarantor/Owner of WDH Holdings

PROPERTY LOCATION

Location:	8701 Hammerly Boulevard		☐ **QCT**		☒ **DDA**
City:	Houston	**County:**	Harris	**Zip:**	77080

REQUEST

Amount	Interest Rate	Amortization	Term
1) $574,490	N/A	N/A	N/A
2) $13,660,000	6.10%	30 yrs	18 yrs

Other Requested Terms: 1) Annual ten-year allocation of housing tax credits
2) Tax-exempt mortgage revenue bonds

Proposed Use of Funds: Acquisition/Rehab **Property Type:** Multifamily

Special Purpose (s): General population

RECOMMENDATION

☒ RECOMMEND APPROVAL OF ISSUANCE OF $13,660,000 IN TAX-EXEMPT MORTGAGE REVENUE BONDS WITH A FIXED INTEREST RATE OF 6.11% WITH A 30-YEAR AMORTIZATION PERIOD, SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $574,490 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance by cost certification indicating the Asbestos O&M Program will be

continued;

2. Receipt, review and acceptance by closing of the construction loan of a certification by a third party certified public account or tax attorney familiar with the construction work performed at the development from 1995 to 2005 that the work performed does not adversely affect the development's eligibility for tax credits under Internal Revenue Code Section 42;
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the tax credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 418 **# Rental Buildings** 29 **# Non-Res. Buildings** 4 **# of Floors** 3 **Age:** 34 yrs **Vacant:** 30 at 12/ 01/ 2005

Net Rentable SF: 374,298 **Av Un SF:** 895 **Common Area SF:** 6,134 **Gross Bldg SF:** 380,432

STRUCTURAL MATERIALS

The structures will be wood frame on a slab on grade. According to the plans provided in the application the exteriors will be comprised as follows: 10% brick veneer/90% wood siding. The interior wall surfaces will be drywall and the pitched roofs will be finished with composition roll.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, refrigerator, tile tub/shower surround, washer and dryer connections, laminated counter tops, central boiler, central heat and air conditioning, and 8-foot ceilings.

ONSITE AMENITIES

According to the Property Condition Assessment, the Subject property's community amenities include perimeter fencing with controlled gate access, two central laundry rooms, volleyball court, playground, central mail kiosk, and a swimming pool. An existing building will also be converted to a community center during the renovation.

Uncovered Parking: 627 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Village Park is a 33-unit per acre acquisition and rehabilitation development proposed for conversion to mixed-income housing located in the northwestern section of the City of Houston. The development was built in 1972 and is comprised of 17 three-story and 10 two-story apartment buildings, One leasing office, and two common laundry rooms. It should be noted, the Property Condition Assessment indicates the development was rehabbed in 1995 through 1996. This issue is discussed in more detail in the acquisition value paragraph of the construction cost estimate evaluation section and the conclusion to the financing structure analysis section (below).

Development Plan: The buildings are currently 93% occupied and in a good to fair state. The Property Condition Assessment (PCA) noted deteriorated metal stair components and support columns at a majority of staircases and the wood railing system needs isolated repairs due to normal weathering and light damage from tenants. The soffits were observed to be in good to fair condition with instances of minor damage at numerous buildings. Sealant is needed at gaps and cracks in the concrete surfaces of upper level walkways. Property management reported no current or persistent roof leaks. The flat roof areas were reportedly replaced in 1997 and a protective silver coating was applied to all roofs in 2004. There are two roofs (building #5 and #22) that require replacement due to large areas of standing water. The apartment buildings also feature smaller areas of sloped roofing with asphalt shingles. Instances of peeling and damaged shingles were observed at several locations and isolated damages to gypsum soffits were observed at numerous locations. Repairs and repaint of building exteriors are needed.

The PCA also states, no down (i.e. uninhabitable) units were reported or observed at the Property. Repair of heavily cracked lightweight concrete flooring is needed in unit #2235. According to Mr. Daniel Pereira, Maintenance Manager, many of the package HVAC are original, but fan motors, coils, etc. have been replaced as needed. Forty-six of the original units should be replaced with new split system components. Wiring that runs from the circuit breakers to the light switches and outlets throughout buildings #1 through #22 at the Property was observed to be aluminum. Apartments in remaining buildings were noted to have copper branch wiring. In order to prevent a potential electrical hazard, property management should install copper/aluminum rated (COALR) receptacles (switches and outlets) in the apartment units with aluminum wiring. Though not required by code at the time of construction, Property management may wish to install GFI outlets near kitchen and bathroom sinks.

Finally the PCA indicates several areas of deteriorated asphalt pavement were observed in driveways throughout the site. Based on current conditions of the asphalt surfaces, minor repair, seal coat application and restriping is recommended at this time. Trip hazards due to damaged or settled sidewalks should be repaired. Steps into the existing pool do not feature hand rails. Although not required, property management may consider installing hand rails at pool steps as a general accessibility improvement. The chain link fence at the east site perimeter is damaged. REA noted no deficiencies with respect to lighting at the Property. Trimming of trees contacting building exteriors is needed at this time. Isolated cracks in the concrete deck surrounding the pool area should be sealed. Accessible compliant hardware should be installed at the leasing office entry door. Total cost for immediate repairs is $250,000.

In response to a request, the Applicant provided a revised PCA providing a breakdown of costs for rehabilitation work proposed by the Applicant. Proposed work includes: asphalt overlay over existing parking; repair of damaged pilasters at entrance; repair of eroded areas and new landscaping; installation of a surveillance system; repair to chain link fencing; repair of the playground; testing of the galvanized piping; addition of accessible parking areas; repair and repaint of exterior components; repair of damaged gypsum soffits; tree trimming; repair and repaint of miscellaneous wood trim, columns, rails, and exterior doors; installation of vinyl at building walkways and balcony areas; repair of asphalt shingles and other roofing; new building signage; repair of stairs and landings; repair of concrete walks; installation of miscellaneous column supports at connecting walks between buildings; replacement of aluminum windows; replacement of appliances; replacement of cabinetry and countertops; installation of new smoke detectors; provision of GFI outlets in kitchens and bathrooms; CO/ALR outlets to be installed in units with aluminum wiring; replacement of HVAC; retrofit of 5% of unit for accessibility; renovation of clubhouse interior. The total budget reviewed and confirmed by the PCA provider is $2,902,070.

According to a letter dated December 12, 2005, "Summit Asset Management, LLC does not intend to relocate or displace any residents during the rehabilitation of Village Park Apartments. A rolling rehabilitation is performed around the residents to ensure that their lifestyle does not become disrupted."

SITE ISSUES

SITE DESCRIPTION

Size: 12.7052 acres 553,439 square feet **Flood Zone Designation:** Zone X

Zoning: No zoning in Houston

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The development is located at 8701 Hammerly Boulevard in Houston. The Subject has frontage along Hammerly Boulevard, which is a heavily traveled, four-lane residential street. The Subject also has frontage along Ojeman Road, which is a lightly traveled, two-lane residential street running along the eastern property boundary.

Adjacent Land Uses:

- **North:** Hammerly Boulevard followed by Cedar Brook Elementary School;
- **South:** Storage facility;
- **East:** Ojeman Road followed by commercial (Lanehart Electric Contractors), vacant land, and a small office building; and
- **West:** Hammerly Walk Apartments.

Site Access: Primary access to the site is via Hammerly Boulevard, which is a four-lane heavily traveled thoroughfare through the neighborhood. Access is also provided at two locations along Ojeman Road, a lightly traveled two-lane residential street. The Subject is also located within 0.1 mile of Bingle Road, which is a major north-south roadway in this area that connects with Interstate 10 and U.S. Highway 290. Interstate 10 is approximately two miles south of the Subject, and U.S. Highway 290 is approximately 2.5 miles to the northeast.

Public Transportation: "The Metropolitan Transit Authority of Harris County (METRO) provides public bus transportation to the City of Houston. Metro operates 130 routes, has 17 transit centers and 27 park and ride lots. The nearest bus stop is located in directly in front of the Subject property on Hammerly Boulevard (Route #58)" (p. 24, Market Study).

Shopping & Services: The site is within two miles of major grocery/pharmacies, shopping centers, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Site Inspection Findings: TDHCA staff performed a site inspection on January 12, 2006 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 December 12, 2005 was prepared by Real Estate Advisory, LLC (REA) and contained the following findings and recommendations:

Findings:

- **Asbestos-Containing Materials (ACM): "**An Asbestos Operations and Maintenance (O&M) Plan is currently in place at the Property. The O&M plan was initiated based on the findings of an Asbestos Survey conducted at the Property dated September 28, 2004. The O&M discussed findings from the Asbestos Survey and identified wall texture material, ceiling texture material, and floor tile mastic as asbestos-containing materials (ACM)" (p. iii).
- **Lead-Based Paint (LBP): "**Sampling conducted by REA did not identify LBP at the Property. Therefore, REA considers the potential for significant applications of LBP at the Property to be unlikely" (p. 21).
- **Radon: "**Detected levels of radon gas were below the USEPA action level of 4.0 pCi/L. Therefore, radon is not considered an environmental concern at the Property" (p. 22).
- **Floodplain:** "REA reviewed a National Flood Insurance Program (NFIP) Flood Insurance Rate Map (FIRM) for Harris County, Texas and Incorporated Areas (Community 48201C, Panel 0645J, dated November 6, 1996). According to the FIRM, the Property is located in unshaded Zone X. Unshaded Zone X is identified as areas outside the 500-year flood zone; such areas are not considered flood hazard areas" (p. 8).

Recommendations: "REA did not locate recognized environmental conditions that would impose a liability, restrict the use, limit the development, or impact the value or marketability of the Property…REA recommends continuing the Asbestos O&M Program. No further environmental investigation is recommended at this time" (p. iv). Receipt, review and acceptance at cost certification indicating the Asbestos O&M Program will be continued 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. The Village Park was included in the August 15 collapse and the 2005 non-traditional carryforward. Three-hundred and fifty-five (355) units (85%) will be reserved for households earning 60% or less of AMGI, and the remaining 63 units will be offered at market rents.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$25,620	$29,280	$32,940	$36,600	$39,540	$42,480

MARKET HIGHLIGHTS

A market feasibility study with an effective date of September 28, 2005 was prepared by Novogradac and Company ("Market Analyst") and highlighted the following findings:

Definition of Primary Market Area (PMA): "For the purpose of this Study, the Subject's Primary Market Area (PMA) is defined as two zip code areas: 77080 and 77055. This area encompasses approximately 17 square miles and is bounded by Clay Road to the north, Hempstead Road to the east, Interstate 10 to the south and Gessner Road to the west, as depicted on the following page. This area was defined based on conversations with local property managers (including the Subject's), city officials, natural physical barriers and overall similarities in market characteristics observed during the field investigation. It is assumed 100 percent of the income qualified demand for the Subject will be generated from within the PMA" (p. 12).

Population: The estimated 2004 population of the PMA was 92,626 and is expected to increase to approximately 96,860 by 2009. Within the primary market area there were estimated to be 29,606 households in 2004.

Total Primary Market Demand for Rental Units: "The PMA has an older residential base with approximately 80 percent of the housing stock constructed prior to 1980. The development pattern in the PMA suggests a slowing trend, with less than nine percent of the housing stock being built since 1990. The Subject was originally constructed in 1972. However, since the Subject will offer above-average condition and good curb appeal after renovation, it should have a competitive advantage in terms of age/condition relative to most of the properties in the PMA" (p. 27).

The Market Analyst used an income band of $21,120 to $39,540. "Minimum income levels were calculated based on the assumption that lower income families should pay no more than 35 percent of their income to gross rent" (p. 78).

The Market Analyst calculated projected renter household demand by bedroom type. The total number of households in the PMA in 2004 were categorized as one- to +seven-person households, a renter percentage specific to the household size was applied, and a standard income-eligible percentage of 26.29% was also applied, as follows:

Type	No. Households	Renters	Inc-Eligible	Total
1 person	6,582	56.37%	26.29%	976
2 persons	7,846	41.72%	26.29%	861
3 persons	4,828	59.79%	26.29%	759
4 persons	4,488	63.76%	26.29%	752
5 persons	2,863	69.98%	26.29%	527
6 persons	1,493	73.34%	26.29%	288
+7 persons	1,507	72.02%	26.29%	285
Total	**29,606**			**4,448**

Based on this analysis and the current distribution of households by number of persons at the subject development, a total demand for 3,438 affordable units was calculated resulting in a capture rate of 3.08% for the development's three studio units; 13.23% for the 126 one-bedroom units; 14.09% for the 175 two-bedroom units; and 4.45% for the 51 three-bedroom units (p. 80).

The Market Analyst also provided a demand analysis based on overall turnover and household growth demand in the PMA. The Market Analyst assumed income-qualified households at 26.3% of total households; renter households at 57.5%; and percentage of rent-overburdened households (turnover) at 27.5% (p. 81).

PRIMARY MARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	**Units of Demand**	**% of Total Demand**	**Units of Demand**	**% of Total Demand**
Household Growth	45	4%	32	3%
Resident Turnover	1,233	96%	1,237	97%
TOTAL ANNUAL DEMAND	**1,278**	**100%**	**1,269**	**100%**

Ref: p. 81

Inclusive Capture Rate: "Based on conversations with the developer and the property manager, it is estimated that approximately 80 percent of the existing tenants will likely be income qualified under the LIHTC Program after converting from a market rate property" (p. 77). "To be conservative, Novogradac has estimated the inclusive capture rate assuming 50 percent of the Subject's LIHTC units will be unoccupied upon completion of the renovation. Although Windcrest on Westview is not currently maintaining an occupancy rate of 90 percent, we did not deduct these 154 units from the demand because the property is an existing LIHTC property that has previously reached stabilization of at least 90 percent. No new LIHTC properties are planned for the PMA. Thus, there are an estimated 178 unstabilized LIHTC units in the PMA, including the Subject property. Dividing the 178 unstabilized LIHTC units into the total demand of 1,278 income qualified renter households indicates an inclusive capture rate of approximately 13.9 percent" (p. 81).

The Underwriter calculated an inclusive capture rate of 28% based upon a supply of unstabilized comparable affordable units of 355 (the total number of subject affordable units proposed) divided by a demand for 1,269 affordable units in the PMA. However, the subject development is currently 93% occupied, and it is likely the existing tenants will choose to remain at the property. Therefore, an inclusive capture rate calculation is not a meaningful tool for determining the feasibility of the subject development.

Market Rent Comparables: "To evaluate the competitive position of the Subject, a total of seven comparable LIHTC and market-rate properties were screened to ascertain whether these properties would compete directly with the Subject for prospective low-income tenants. Each of these properties is located within two miles of the Subject. Properties that were deemed most comparable were also surveyed in depth for information on unit mix, size, absorption (if new), unit features and project/unit amenities tenant profiles, rental and utility structure, construction information and market trends in general" (p. 32).

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Est. Market**	**Differential**
Efficiency (60%)	$570	$640	-$70	$575	-$5
Efficiency (MR)	$570	N/A		$575	-$5
1-BR 672 SF (60%)	$586	$686	-$100	$670	-$84
1-BR 672 SF (MR)	$586	N/A		$670	-$84
1-BR 758 SF (60%)	$592	$686	-$94	$670	-$78
1-BR 758 SF (MR)	$592	N/A		$670	-$78
2-BR/1BA 864 SF (60%)	$690	$823	-$133	$775	-$85
2- BR/1BA 864 SF (MR)	$690	N/A		$775	-$85
2-BR/1BA 869 SF (60%)	$696	$823	-$127	$775	-$79
2- BR/1BA 969 SF (MR)	$696	N/A		$775	-$79
2-BR/1BA 959 SF (60%)	$693	$823	-$130	$775	-$82
2- BR/1BA 959 SF (MR)	$693	N/A		$775	-$82
2-BR/2BA 1,026 SF (60%)	$750	$823	-$73	$850	-$100
2- BR/2BA 1,026 SF (MR)	$750	N/A		$850	-$100
2-BR/2BA 1,040 SF (60%)	$747	$823	-$76	$850	-$103
2- BR/2BA 1,040 SF (MR)	$747	N/A		$850	-$103
3-Bedroom (60%)	$866	$951	-$85	$940	-$74
3-Bedroom (MR)	$866	N/A		$940	-$74

(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 vacancy rate for the comparable properties range from zero to 14.1 percent, with the overall weighted average of 6.2 percent. The average vacancy rate of the two comparable LIHTC properties is 4.4 percent. The closest LIHTC property is reporting 0.7 percent vacancy and the two closest market rate properties are reporting an average vacancy rate of approximately 8.8 percent. The Subject property is currently operating at approximately 6.0 percent vacancy as a market rate property, which appears consistent with the overall average of the comparable properties" (p. 39).

Absorption Projections: "The three recently constructed LIHTC properties reported absorption rates ranging from 12 to 33 units per month, with an average of approximately 19 units per month. The two LIHTC properties that were acquired and rehabilitated experienced considerably higher absorption rates than new construction because most of the previous tenants remained in place during and after conversion to LIHTC. The Subject property will likely experience an absorption rate that is more comparable to Peninsula Apartments and Yale Village since the developer estimates that approximately 80 percent of the existing tenant base at the Subject will be income qualified once the property converts to LIHTC. After renovation, the existing tenant base at the Subject will benefit from improvements to the site, exterior finishes, unit appliances, a new community center and rents that are below achievable market rents. Thus, if we conservatively assume an absorption rate of 60 units per month overall, the absorption period is estimated to be approximately seven months to reach stabilization of 95 percent occupancy" (p. 38).

Known Planned Development: "We spoke to Ms. Renissa Montalvo, a planner with the City of Houston Planning Department. According to a record search done by Ms. Montalvo, there are no planned multifamily developments in the general area of the Subject" (p. 29).

Other Relevant Information: "At this time, we cannot know how many people displaced by Hurricane Katrina or Rita will become permanent residents of a particular community. Based on the results of this survey, less than one percent of the tenants at the comparable properties are Hurricane Katrina or Rita evacuees. Thus, it appears to have a negligible impact on the demand for housing in this area. We have researched numerous articles and discussed with numerous participants this issue. However, there is no consensus on the long-term impact on demand in this region" (p. 37).

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 calculated tenant-paid rents by subtracting the current utility allowance for tenant-paid electric costs from gross rents that are inconsistent with program gross rent limits. Application materials indicate tenants are currently responsible for no utility expenses. Although the units are not individually metered for electric usage and there is no plan to add individual meters, the Applicant plans to charge both LIHTC and market rate unit tenants a pass-through utility cost capped at the utility allowance for electric costs. It should be noted the development's water is heated through a central boiler system. The pass-through payments were included in the Applicant's proforma as a secondary source of income.

Section 1.32(d)(1)(A)(ii) of the underwriting rules and guidelines state units must be individually metered for utility costs to be paid by the tenant. Based on this guideline, the Underwriter has calculated potential gross rent by assuming no utility allowance. In addition, the tenant-paid rent assumptions were limited to the lesser of the gross program rent limit and the market rents indicated in the submitted Market Study. If the Applicant revises rehabilitation plans to include installation of individual unit meters for utility costs, review of the conclusions of this analysis by the Underwriter will be required.

Secondary income from sources other than utility reimbursement meets current underwriting guidelines. The Applicant has assumed a vacancy and collection loss at 7.0% that is slightly less than the underwriting guideline of 7.5%. Despite differences in tenant-paid rent calculations and vacancy loss assumptions, the Applicant's effective gross income is within 5% of the Underwriter's estimate.

Expenses: The Applicant's total annual operating expense of $5,684 per unit is within 5% of the Underwriter's estimate of $5,691. The Underwriter calculated individual line item expenses based on TDHCA regional database information for developments of similar size, IREM database information, and the development's operating history. Several of the Applicant's line-item expenses are inconsistent with the

Underwriter's estimates, including: general and administrative ($90K lower); payroll ($93K lower); repair and maintenance ($72K lower); and utilities ($274K higher). The Applicant also failed to include compliance fees at $40 per unit. It should be noted, the underwriting minimum guideline for rehabilitation developments of $300 per unit per year for replacement reserve appears to be adequate to meet the expected repairs estimated by the Property Condition providers at $3.3M over the 30-year proforma.

Conclusion: The Applicant's effective gross income, total operating expense, and net operating income are each within 5% of the Underwriter's estimate. Therefore, the Applicant's Year 1 proforma will be used to determine the development's debt service capacity and long term feasibility. It should be noted, although the Applicant has requested a bond rate of 6.10%, the permanent lender's underwriting rate of 6.11% was used to estimate debt service in this analysis. Both the Underwriter's and the Applicant's estimates indicate the committed financing structure results in an initial debt coverage ratio (DCR) that is within the Department's DCR guideline of 1.10 to 1.30.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 12.7051 acres	$1,675,000	**Date of Valuation:**	09/ 28/ 2005
Existing Building(s): "as is"	$12,425,000	**Date of Valuation:**	09/ 28/ 2005
Total Development: "as is"	$14,100,000	**Date of Valuation:**	09/ 28/ 2005

Appraiser: Novogradac & Company **City:** Austin **Phone:** (512) 340-0420

APPRAISAL ANALYSIS/CONCLUSIONS

Highest and Best Use: The Appraiser has assumed a highest and best use as vacant of construction of a multifamily development with financial subsidies such as tax credits, favorable financing or some other gap subsidy and a highest and best use as improved of rehabilitation of the Subject using tax credit equity, favorable financing or some other gap subsidy to fund needed renovations, which will extend the physical and economic life of the improvements.

Cost Approach: "The cost approach consists of a summation of land value (as though vacant) and the cost to reproduce or replace the improvements, less appropriate deductions for depreciation. Reproduction cost is the cost to construct a replica of the Subject improvements. Replacement cost is the cost to construct improvements having equal utility. This valuation technique was not undertaken since we do not believe the approach would yield a reliable indication of value for the Subject property.

To arrive at an estimated land value for the Subject site, we attempted to analyze actual sales of comparable sites in the competitive area. Even though we do not deem the Subject to be in a speculative market, a sale history has been provided where pertinent. The adjusted sales indicate a range from $2,165 to $5,518 per unit, and an average of $3,987 per unit. All of the comparable land sales have received approximately equivalent weight in the overall value conclusion. Thus, the estimated value for the Subject property's land is $4,000 per unit, which equates to approximately 12 percent of the current purchase price of $13,700,000. Thus, the indicated fee simple value of the Subject's land (as vacant), via the sales comparison approach, as of September 28, 2005, is: **$1,675,000**."

Income Capitalization Approach: "The income capitalization approach requires estimation of the anticipated economic benefits of ownership, gross and net incomes, and capitalization of these estimates into an indication of value using investor yield or return requirements. Yield requirements reflect the expectations of investors in terms of property performance, risk and alternative investment possibilities. The Subject is an income producing property and this is considered to be the best method of valuation.

In order to estimate the appropriate capitalization rate, we relied upon several methods: Market Extraction Method – Trend Analysis; Market Extraction Method – Comparable Properties; The Korpacz Survey; Band of Investment; and Debt Coverage Formula. We reconciled to an **8.50 percent** capitalization rate for the 'as is' scenario. As a result of our analysis of the Subject, the estimated market value assuming 'as is,' in the fee simple, via the income capitalization approach, as of September 28, 2005 is: **$14,100,000**."

Sales Comparison Approach: "In the sales comparison approach, we estimate the value of a property by comparing it with similar, recently sold properties in surrounding or competing areas. Inherent in this approach is the principle of substitution, which holds that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution. There is adequate information to use the sales comparison approach using the EGIM and NOI/unit analysis in valuing the Subject property.

We attempted to identify sales of comparable rental properties in the PMA that were similar to the Subject in terms of age, condition, number of units and amenities before and after completing the proposed renovations. We were successful in identifying six reasonably similar transactions of multifamily properties in this general market area. [The transaction dates range from April 2003 to March 2005 for 256- to 424-unit developments.] The Subject's 'as is' market value assuming market rents, as of September 28, 2005, via the sales comparison approach, is: **$13,500,000**."

Conclusion: "In the final analysis, we considered the influence of the three approaches in relation to one another and in relation to the Subject. In the case of the Subject several components of value can only be valued using either the income or sales comparison approach. As a result of Novogradac's investigation and analysis, it is our opinion that, subject to the limiting conditions and assumptions contained herein, the estimated land value **'**as vacant**'**, of the fee simple interest in the Subject, free and clear of financing, as of September 28, 2005, is: **$1,675,000** [and] the estimated market value **'**as is**'**, of the fee simple interest in the Subject, free and clear of financing, as of September 28, 2005, is: **$14,100,000**."

ASSESSED VALUE

Land: 12.71 acres	$1,383,720	**Assessment for the Year of:**	2005
Building:	$7,771,240	**Valuation by:**	Harris County Appraisal District
Total Assessed Value:	$9,154,960	**Tax Rate:**	3.10377

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Purchase and Sale Agreement (12.705 acres)		
Contract Expiration Date:	01/ 31/ 2006	**Anticipated Closing Date:**	02/ 28/ 2006
Acquisition Cost:	$13,700,000 (2nd Amendment)	**Other Terms/Conditions:**	
Seller:	Brittany Village Park, LP	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The development cost of $32,697 per unit is substantiated by the appraisal and is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant also estimated closing and other ineligible acquisition costs totaling $411,000.

Due to the mention in the Property Condition Assessment of rehabilitation work completed on the development in 1996, the development's eligibility for tax credits based on the acquisition cost of the existing buildings is in question. In response to a request, the Applicant submitted a list of rehabilitation work completed from 1996 to 2004 indicating the cost of the work, the basis of the buildings at the beginning of the period and the costs as a percentage of the beginning basis. It should be noted the Applicant certified in Volume 3, Tab 6, Part C of the uniform application that no rehabilitation work greater than 25% of the building's adjusted basis was performed in the previous ten years. For purposes of this analysis, the Underwriter will assume that the development is eligible for acquisition tax credits; however, the recommendations of this report are conditioned upon receipt, review and acceptance of a certification by a third party certified public account or tax attorney familiar with the construction work performed at the development from 1995 to 2005 that the work performed does not adversely affect the development's eligibility for tax credits under Internal Revenue Code Section 42.

The Applicant has claimed an acquisition eligible basis for the existing buildings of $12,316,280 based on a land value of $1,383,720. The tax assessment also indicates a land value at $1,383,720; however, the appraisal commissioned by the Applicant gives a current value of $1,675,000 based on comparable land sales.

The underwriting analysis assumes the appraised land value of $1,675,000 providing for a more conservative acquisition eligible basis of $12,025,000.

Sitework Cost: Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of $2,888 per unit, which is inconsistent with the estimate in the Property Condition Assessment.

Direct Construction Cost: The Applicant's direct construction cost estimate is $720K or 30% lower than the estimate provided in the Property Condition Assessment.

It should be noted the total sitework and direct construction cost indicated in the Applicant's development cost schedule is consistent with the total indicated in the Property Condition Assessment (PCA). It appears the Applicant and PCA-provider have different methodology for characterizing costs as part of sitework.

The total rehabilitation hard costs of $8,310 per unit is greater than the 2005 minimum requirement of $6,000, but less than the 2006 minimum of $12,000.

Interim Financing Fees: The Applicant did not characterize any developments costs as interim interest. In fact, only $30,945 of financing costs is included in their eligible basis estimate.

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.

Conclusion: The Applicant has claimed the 30% boost in eligible basis due to the recent characterization of Harris County as a difficult development area.

The Applicant's total development cost is within 5% of the Underwriter's estimate. However, the Underwriter's estimate reflects the verifiable development costs and an eligible basis estimate that meets current underwriting guidelines; therefore, the Underwriter's development cost schedule will be used to estimate eligible basis and determine the development's need for permanent funds. An eligible basis of $18,069,749, as adjusted by the Underwriter for overstated acquisition basis, supports annual tax credits of $581,511. 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

INTERIM CONSTRUCTION FINANCING

Source: Regions Bank **Contact:** E Spencer Knight

Principal Amount: $13,796,600 **Fees:** 1% at issuance; 1% per year

Additional Information: Letter of credit

Amortization: N/A yrs **Term:** 30 mos **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

PERMANENT BOND FINANCING

Source: Fannie Mae via Greystone Servicing Corporation, Inc **Contact:** Kelly Davis

Tax-Exempt Amount: $13,660,000 **Interest Rate:** 6.11% fixed lender's underwriting rate

Additional Information: 30-year credit enhancement at 46 bps per year

Amortization: 30 yrs **Term:** 30 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

Annual Payment: $994,406 **Lien Priority:** 1st **Date:** 01/ 17/ 2006

TAX CREDIT SYNDICATION

Source: Guilford Capital Corporation **Contact:** Matt Edwards

Net Proceeds: $5,368,683 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 95¢

Commitment: ☒ LOI ☐ Firm ☐ Conditional **Date:** 12/ 28/ 2005

Additional Information: $565,124 anticipated annually in tax credits

APPLICANT EQUITY

Amount: $278,586 **Source:** Cash Equity

Amount: $1,930,196 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Bond Financing: TDHCA will be the issuer of the bonds and the Applicant's financing plan includes credit enhancement by Fannie Mae and a public offering. The permanent financing commitment is generally consistent with the terms reflected in the sources and uses of funds listed in the application. However, the Applicant estimates annual debt service of $998,647, which is higher than the debt service of $994,406 resulting from the terms of the commitment.

HTC Syndication: The tax credit syndication commitment is inconsistent with the terms reflected in the sources and uses of funds listed in the application. While the application form indicates a syndication rate of 93%, the letter of interest commits to 95%.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $1,930,196 amount to 80% of the total proposed fees. The underwriting analysis includes the proposed cash equity of $278,586 with anticipated deferred fees.

Financing Conclusions: The proforma analysis indicates the development can support the requested bond allocation of $13,660,000 at the lender's underwriting rate of 6.11%. As stated above, the Underwriter's cost schedule was used to calculate the development's eligible basis. However, the Applicant's request is less than both the annual tax credits based on the estimated eligible basis and the tax credit resulting from the gap method; therefore, the recommended annual tax credit allocation is $574,490. The anticipated deferred fees of $2,093,897, or 87% of eligible developer fees, appear to be repayable from cashflow within ten years of stabilized operation.

Should it be found that the development does not qualify for acquisition tax credits, the development would be characterized as infeasible based on current underwriting guidelines. The development would not be recommended for a tax credit or bond allocation.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, and Property Manager are related entities. These are common relationships for HTC-funded developments.

APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

Financial Highlights:

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- Summit America Properties, Inc, the General Partner, submitted a preliminary consolidated balance sheet as of December 31, 2004 indicating total asset of $786K comprised of $787K in notes receivable, investments in partnerships, and $4K in loan costs. Liabilities total $796K for negative equity of $10K.
- Realty Partners, LLC, 100% owner of the General Partner, submitted a consolidated financial statement worksheet for 2004 indicating total assets of $72.4M comprised of $2.4M in current assets, $3M in restricted assets, $63.2M in real property net of accumulated depreciation, and $3.7M in intangibles. Liabilities total $75.8M for negative net assets of $327K.
- WDH Holdings, LLC, member of the owner of the General Partner, submitted an unedited balance sheet

as of April 30, 2005 indicating total assets of $10.2M comprised of $5K in cash and $10.2M in equity investments in closely held companies. Liabilities totaled $500K in notes payable for net assets of $9.7M.

- Summit America, LLC, a proposed guarantor of permanent financing, submitted consolidated balance sheets as of March 31, 2005 indicating total assets of $32.5M comprised of $8.4M in current assets, $15.9M in property, plant and equipment, and $8.2M in other assets. Liabilities total $25.7M resulting in net assets of $6.8M.
- W Daniel Hughes, Jr, proposed guarantor of permanent financing and 100% owner of WDH Holdings, LLC, also submitted an unaudited financial statement.

Background & Experience: Multifamily Finance Production staff has 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

- Significant inconsistencies in the application could affect the financial feasibility of the development.

Underwriter:	*Lisa Vecchietti*	**Date:**	February 6, 2006
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	February 6, 2006

MULTIFAMILY COMPARATIVE ANALYSIS

Village Park, Houston, 4% HTC #05629

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Utilities	Wtr, Swr, Trsh
TC 60%	3	0	1	537	$640	$575	$1,725	$1.07	$55.00	$26.31
MR	1	0	1	537		$575	575	1.07	55.00	26.31
TC 60%	102	1	1	672	686	670	68,340	1.00	65.00	32.31
MR	18	1	1	672		670	12,060	1.00	65.00	32.31
TC 60%	24	1	1	758	686	670	16,080	0.88	65.00	32.31
MR	4	1	1	758		670	2,680	0.88	65.00	32.31
TC 60%	31	2	1	864	823	775	24,025	0.90	80.00	38.31
MR	5	2	1	864		775	3,875	0.90	80.00	38.31
TC 60%	25	2	1	869	823	775	19,375	0.89	80.00	38.31
MR	5	2	1	869		775	3,875	0.89	80.00	38.31
TC 60%	7	2	1	959	823	775	5,425	0.81	80.00	38.31
MR	1	2	1	959		775	775	0.81	80.00	38.31
TC 60%	51	2	2	1,026	823	823	41,973	0.80	80.00	38.31
MR	9	2	2	1,026		823	7,407	0.80	80.00	38.31
TC 60%	61	2	2	1,040	823	823	50,203	0.79	80.00	38.31
MR	11	2	2	1,040		823	9,053	0.79	80.00	38.31
TC 60%	51	3	2	1,150	951	940	47,940	0.82	94.00	51.31
MR	9	3	2	1,150		940	8,460	0.82	94.00	51.31
TOTAL:	418		AVERAGE:	895	$672	$775	$323,846	$0.87	$76.46	$37.94

INCOME	Total Net Rentable Sq Ft:	374,298		TDHCA	APPLICANT		Comptroller's Region	6
POTENTIAL GROSS RENT				$3,886,152	$3,494,208		IREM Region	Houston
Secondary Income		Per Unit Per Month:	$15.00	75,240	75,240	$15.00	Per Unit Per Month	
Other Support Income: Utility Reimbursement				0	316,008	$63.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$3,961,392	$3,885,456			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(297,104)	(271,980)	-7.00%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$3,664,288	$3,613,476			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		3.70%	$324	0.36	$135,600	$46,000	$0.12	$110	1.27%
Management		3.72%	326	0.36	136,190	145,573	0.39	348	4.03%
Payroll & Payroll Tax		11.49%	1,007	1.13	421,086	328,000	0.88	785	9.08%
Repairs & Maintenance		4.39%	385	0.43	161,028	88,980	0.24	213	2.46%
Utilities		16.83%	1,476	1.65	616,767	891,154	2.38	2,132	24.66%
Water, Sewer, & Trash		6.61%	579	0.65	242,047	277,193	0.74	663	7.67%
Property Insurance		2.55%	224	0.25	93,575	94,050	0.25	225	2.60%
Property Tax	3.10377	8.85%	776	0.87	324,344	272,948	0.73	653	7.55%
Reserve for Replacements		3.42%	300	0.34	125,400	125,700	0.34	301	3.48%
Compliance, contract labor, security		3.35%	294	0.33	122,880	106,160	0.28	254	2.94%
TOTAL EXPENSES		64.92%	$5,691	$6.36	$2,378,917	$2,375,758	$6.35	$5,684	65.75%
NET OPERATING INC		35.08%	$3,075	$3.43	$1,285,370	$1,237,718	$3.31	$2,961	34.25%
DEBT SERVICE									
First Lien Mortgage		27.14%	$2,379	$2.66	$994,406	$998,647	$2.67	$2,389	27.64%
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		7.94%	$696	$0.78	$290,964	$239,071	$0.64	$572	6.62%
AGGREGATE DEBT COVERAGE RATIO					1.29	1.24			
RECOMMENDED DEBT COVERAGE RATIO						1.24			

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)		65.13%	$33,758	$37.70	$14,111,000	$14,111,000	$37.70	$33,758	66.53%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		2.25%	1,165	1.30	487,000	1,207,342	3.23	2,888	5.69%
Direct Construction		11.15%	5,778	6.45	2,415,070	1,694,708	4.53	4,054	7.99%
Contingency	5.70%	0.76%	396	0.44	165,417	165,417	0.44	396	0.78%
General Req'ts	6.00%	0.80%	417	0.47	174,123	174,123	0.47	417	0.82%
Contractor's G & A	2.00%	0.27%	139	0.16	58,039	58,039	0.16	139	0.27%
Contractor's Profit	6.00%	0.80%	417	0.47	174,123	174,123	0.47	417	0.82%
Indirect Construction		0.48%	249	0.28	104,210	104,210	0.28	249	0.49%
Ineligible Costs		4.67%	2,420	2.70	1,011,588	1,011,588	2.70	2,420	4.77%
Developer's G & A	2.00%	1.45%	752	0.84	314,257	0	0.00	0	0.00%
Developer's Profit	13.00%	9.43%	4,887	5.46	2,042,667	2,400,613	6.41	5,743	11.32%
Interim Financing		0.51%	263	0.29	109,843	109,843	0.29	263	0.52%
Reserves		2.30%	1,192	1.33	498,142	0	0.00	0	0.00%
TOTAL COST		100.00%	$51,831	$57.88	$21,665,479	$21,211,006	$56.67	$50,744	100.00%
Recap-Hard Construction Costs		*16.03%*	***$8,310***	***$9.28***	***$3,473,772***	***$3,473,752***	***$9.28***	***$8,310***	*16.38%*

SOURCES OF FUNDS

						RECOMMENDED	
First Lien Mortgage	63.05%	$32,679	$36.49	$13,660,000	$13,660,000	$13,660,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0	$2,400,613
HTC Syndication Proceeds	24.78%	$12,844	$14.34	5,368,683	5,342,224	5,457,109	% of Dev. Fee Deferred
Deferred Developer Fees	10.19%	$5,284	$5.90	2,208,782	2,208,782	2,093,897	87%
Additional (Excess) Funds Req'd	1.98%	$1,024	$1.14	428,014	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$21,665,479	$21,211,006	$21,211,006	$4,538,272

Village Park, Houston, 4% HTC #05629

PAYMENT COMPUTATION

Primary	$13,660,000	Amort	360
Int Rate	6.11%	DCR	1.29

Secondary	$0	Amort	
Int Rate	0.00%	Subtotal DCR	1.29

Additional	$5,342,224	Amort	
Int Rate		Aggregate DCR	1.29

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	$994,406
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$243,312

Primary	$13,660,000	Amort	360
Int Rate	6.11%	DCR	1.24

Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.24

Additional	$5,342,224	Amort	0
Int Rate	0.00%	Aggregate DCR	1.24

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	$3,494,208	$3,599,034	$3,707,005	$3,818,215	$3,932,762	$4,559,149	$5,285,303	$6,127,115	$8,234,330
Secondary Income	75,240	77,497	79,822	82,217	84,683	98,171	113,807	131,934	177,308
Contractor's Profit	316,008	325,488	335,253	345,310	355,670	412,319	477,990	554,122	744,694
POTENTIAL GROSS INCOME	3,885,456	4,002,020	4,122,080	4,245,743	4,373,115	5,069,639	5,877,101	6,813,171	9,156,332
Vacancy & Collection Loss	(271,980)	(300,151)	(309,156)	(318,431)	(327,984)	(380,223)	(440,783)	(510,988)	(686,725)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$3,613,476	$3,701,868	$3,812,924	$3,927,312	$4,045,131	$4,689,416	$5,436,318	$6,302,183	$8,469,607
EXPENSES at 4.00%									
General & Administrative	$46,000	$47,840	$49,754	$51,744	$53,813	$65,472	$79,657	$96,915	$143,458
Management	145,573	149133.981	153608.0001	158216.2401	162962.7273	188918.4649	219008.2785	253890.6193	341207.7618
Payroll & Payroll Tax	328,000	341,120	354,765	368,955	383,714	466,846	567,990	691,047	1,022,918
Repairs & Maintenance	88,980	92,539	96,241	100,090	104,094	126,646	154,085	187,467	277,498
Utilities	891,154	926,800	963,872	1,002,427	1,042,524	1,268,390	1,543,190	1,877,527	2,779,199
Water, Sewer & Trash	277,193	288,281	299,812	311,804	324,277	394,532	480,009	584,004	864,468
Insurance	94,050	97,812	101,724	105,793	110,025	133,862	162,864	198,149	293,309
Property Tax	272,948	283,866	295,221	307,029	319,311	388,490	472,658	575,060	851,230
Reserve for Replacements	125,700	130,728	135,957	141,395	147,051	178,910	217,672	264,831	392,014
Other	106,160	110,406	114,823	119,416	124,192	151,099	183,835	223,663	331,076
TOTAL EXPENSES	$2,375,758	$2,468,526	$2,565,776	$2,666,871	$2,771,964	$3,363,167	$4,080,967	$4,952,554	$7,296,377
NET OPERATING INCOME	$1,237,718	$1,233,342	$1,247,148	$1,260,441	$1,273,168	$1,326,249	$1,355,351	$1,349,629	$1,173,229
DEBT SERVICE									
First Lien Financing	$994,406	$994,406	$994,406	$994,406	$994,406	$994,406	$994,406	$994,406	$994,406
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	$243,312	$238,936	$252,742	$266,035	$278,762	$331,843	$360,945	$355,223	$178,824
DEBT COVERAGE RATIO	1.24	1.24	1.25	1.27	1.28	1.33	1.36	1.36	1.18

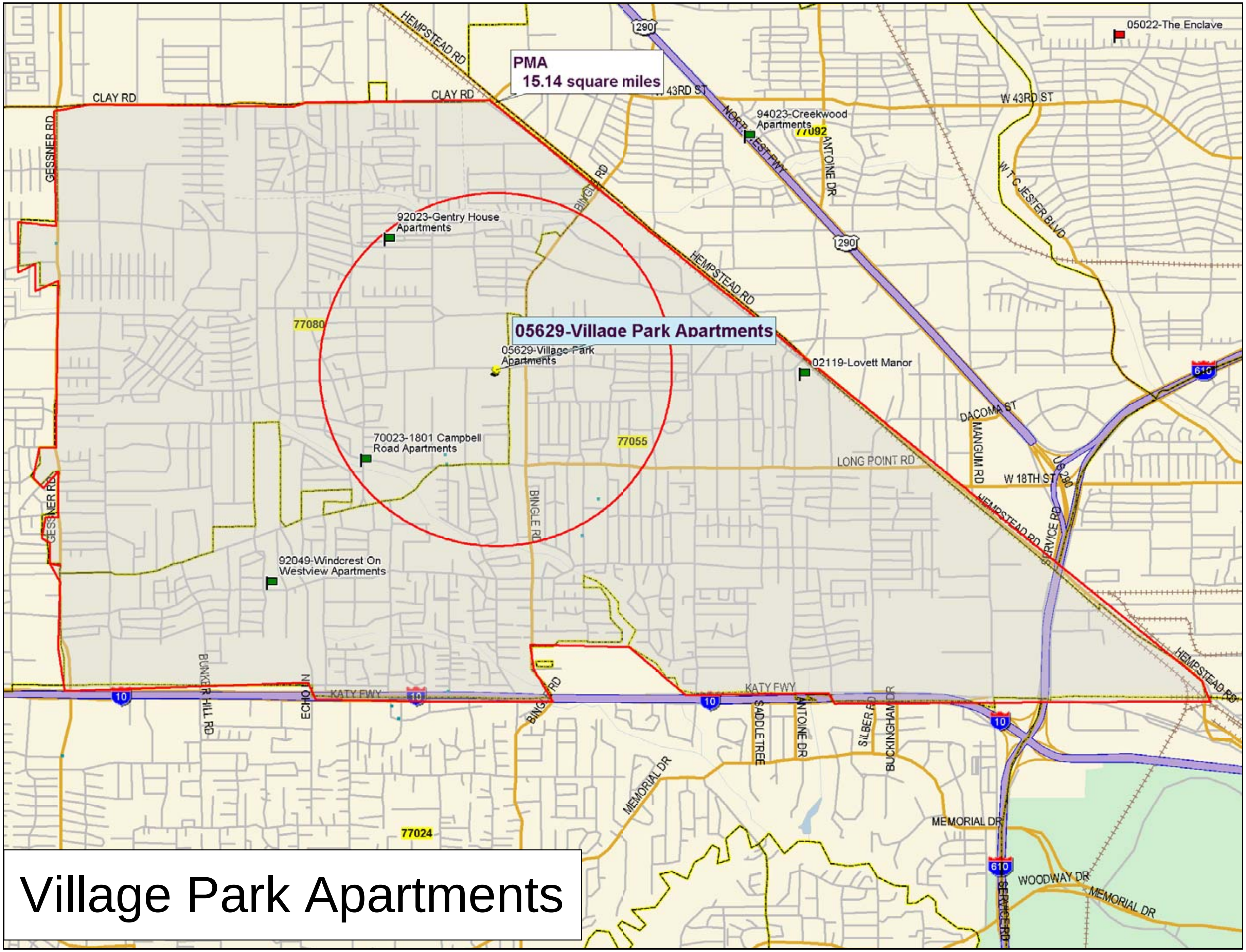
LIHTC Allocation Calculation - Village Park, Houston, 4% HTC #05629

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	$1,794,720	$2,086,000				
Purchase of buildings	$12,316,280	$12,025,000	$12,316,280	$12,025,000		
(2) Rehabilitation/New Construction Cost						
On-site work	$1,207,342	$487,000			$1,207,342	$487,000
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	$1,694,708	$2,415,070			$1,694,708	$2,415,070
(4) Contractor Fees & General Requirements						
Contractor overhead	$58,039	$58,039			$58,039	$58,039
Contractor profit	$174,123	$174,123			$174,123	$174,123
General requirements	$174,123	$174,123			$174,123	$174,123
(5) Contingencies	$165,417	$165,417			$165,417	$165,417
(6) Eligible Indirect Fees	$104,210	$104,210			$104,210	$104,210
(7) Eligible Financing Fees	$109,843	$109,843			$109,843	$109,843
(8) All Ineligible Costs	$1,011,588	$1,011,588				
(9) Developer Fees			$1,847,442	$1,803,750	$553,171	$553,174
Developer overhead		$314,257				
Developer fee	$2,400,613	$2,042,667				
(10) Development Reserves		$498,142	$1,847,442	$1,803,750	$553,171	$553,174
TOTAL DEVELOPMENT COSTS	$21,211,006	$21,665,479	$14,163,722	$13,828,750	$4,240,976	$4,240,999

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			$14,163,722	$13,828,750	$4,240,976	$4,240,999
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			$14,163,722	$13,828,750	$5,513,268	$5,513,298
Applicable Fraction			85%	85%	85%	85%
TOTAL QUALIFIED BASIS			$12,028,998	$11,744,513	$4,682,321	$4,682,347
Applicable Percentage			3.54%	3.54%	3.54%	3.54%
TOTAL AMOUNT OF TAX CREDITS			$425,827	$415,756	$165,754	$165,755
	Syndication Proceeds	**0.9499**	**$4,044,948**	**$3,949,285**	**$1,574,507**	**$1,574,516**

Total Credits (Eligible Basis Method)	**$591,581**	**$581,511**
Syndication Proceeds	**$5,619,455**	**$5,523,800**
Requested Credits	**$574,490**	
Syndication Proceeds	**$5,457,109**	
Gap of Syndication Proceeds Needed	**$7,551,006**	
Credit Amount	**$794,922**	

Village Park Apartments



Scale 1 : 46,875

1" = 3,906.3 ft Data Zoom 12-1

TN MN (4.0°E)

Carleton Residential Properties

060053

5485 Belt Line Road
Suite 300
Dallas, Texas 75254

(972) 980-9810
(972) 980-1559 Fax

August 11, 2009

Mr. Ben Sheppard
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
Austin, TX 78701

Dear Mr. Sheppard:

We would like to request an amendment due to two errors in our application for Candletree Apartments (TDHCA #060053). Both errors where discovered at the time of our final inspection and are part of the final inspection letter.

First, we incorrectly noted 88 of our 1 bedroom 650 square feet units as being 1.5 bathroom units. The unit is actually a 1 bedroom, 1 bathroom unit. This was obviously just an error on the rent schedule for three reasons. First, this is a rehab and we did not change the units. It was originally a 1 bedroom, 1 bathroom unit. Second, although not required because it is a rehab, we did include the floorplan of this unit and it clearly shows only 1 bath. Third, it would be very difficult to build a 650 square foot unit with more than one bathroom just due to size constraints. I've included a copy of the floor plan that was included in the application.

Our second error was the number of parking spaces included in the application. This is always an estimate at the time of the application because very often changes have to be made as part of the development process as you work with the civil engineers and the City to gain permit approval. In our case our architects estimated parking based on space available. They simply estimated too high. As the civil engineer further refined the plan, we had to add handicapped spaces and dumpster space. We used the same amount of physical space as shown in the application, but because of handicapped and dumpster requirements, it yields fewer spaces. The application list 351 spaces while the actual number of spaces is 326. I've include the site plan from the application as well as the final as built site plan. Again, if you compare them side to side, you will note that we used the same physical space for both. The development is now over 90% occupied and we have plenty of parking to meet our needs.

I've enclosed a correct rent schedule along with an amendment request check of $2,500.

Thank you for your time on this matter. Should you have any question on this matter, please feel free to call me at (972) 980-9810.

Sincerely,

Jeff Fulenchek
Director of Affordable Housing,
Carleton Development, Ltd., co-developer

Volume 1, Tab 2. Populations Served

060053

Part B. Rent Schedule (Required ... Application Rent Schedule

Unit types should be entered from smallest to largest based ... me "# 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 rentl 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.

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%				PHU	5	1	1.00	555	2,775	248	69	179	895
TC60%					43	1	1.00	555	23,865	509	69	440	18,920
TC30%				PHU	16	1	1.50	650	10,400	248	69	179	2,864
TC60%					72	1	1.50	650	46,800	539	69	470	33,840
TC30%				PHU	8	2	1.00	820	6,560	263	84	179	1,432
TC60%					16	2	1.00	820	13,120	644	84	560	8,960
TC30%				PHU	12	2	2.00	950	11,400	263	84	179	2,148
TC60%					44	2	2.00	950	41,800	744	84	660	29,040
									0			0	-
									0			0	-
									0			0	-
									0			0	-
									0			0	-
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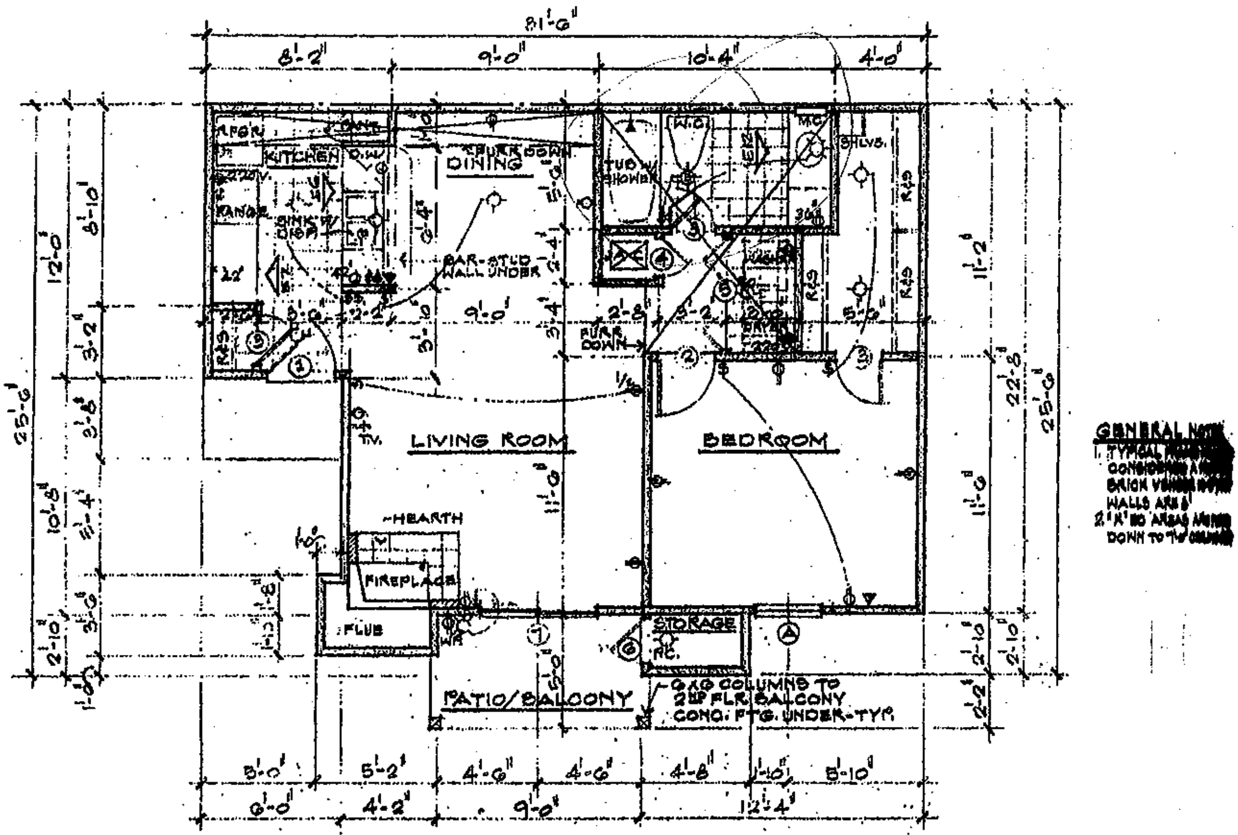
									0				-
									0				-
									0				-
				TOTAL	216				156,720				98,099

Non Rental Income	$0.00	per unit/month for:	*describe source here*	
Non Rental Income	0.00	per unit/month for:	*describe source here*	
Non Rental Income	10.00	per unit/month for:	*Laundry, vending, cable,phone, appl. Fees*	2,160
+ TOTAL NONRENTAL INCOME	**$10.00**	per unit/month		2,160
= POTENTIAL GROSS MONTHLY INCOME				100,259
- Provision for Vacancy & Collection Loss			% of Potential Gross Income: 7.50%	7,519
- Rental Concessions				
= EFFECTIVE GROSS MONTHLY INCOME				92,740
x 12 = EFFECTIVE GROSS ANNUAL INCOME				1,112,875

1-136
2-80

Application floorplan for the 650 square foot 1 bedroom unit was same as in cost certification (i.e. as built) and had only one bathroom.

060053



FLOOR PLAN - UNIT A-2
1/4"=1'-0"

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.

				Building Configuration						Total # of Buildings	
				Building Label	I	II	III	IV	V		
				Number of Buildings	3	5	1	3	7	19	
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								
A-1	1	1	555		16					48	26,640
A-2	1	2	650			16	8			88	57,200
B-1	2	2	820					8		24	19,680
B-2	2	2	950						8	56	53,200
										-	-
										-	-
										-	-
										-	-
										-	-
										-	-
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										-	-
										-	-
										-	-
										-	-
										-	-
										-	-
										-	-
				Totals	48	80	8	24	56	4,104	156,720

216

060053

060053

Part B. Specifications and Amenities

SITE ATTRIBUTES

Total Acquisition Acreage: 8.037 Development Site Acreage: 8.037 # Units per Acre: 26.50

DEVELOPMENT ATTRIBUTES *Selections must be consistent with submitted architectural plans*

Building/Unit Configuration:
- ☐ Detached Residence
- ☐ Duplex
- ☐ Triplex
- ☐ Fourplex
- ☐ Townhome
- ☒ >4 units per building
- ☐ Single Room Occupancy (per §42(i)(3)(B))
- ☐ Transitional (per **§42(i)(3)(B))**

Maximum # of Floors: 2

# of Residential Buildings: 19 # of Hydraulic/__-Passenger Elevators: __ ☐ Fire Sprinkler

EXTERIOR *Selections must be consistent with items selected for points (if applicable) and submitted architectural plans*

Subfloor	**Walls**
☒ Wood	___% Plywood/Hardboard
☐ Concrete Slab	20% Siding/Shingle
☐ Other *(Describe)*	40% Masonry Veneer
	___% Cement Fiber
	40% Stucco
	___% Other *(Describe)*
Parking	**Roofs**
___ Shed or Flat Roof Carports	☐ Built-Up Rock
___ Detached Garages	☒ Comp. Shingle
351 Uncovered Spaces	☐ Comp. Roll
___ Parking Garage Spaces	☐ Wood Shingle
	☐ Wood Shake
	☐ Other *(Describe)*

INTERIOR *Selections must be consistent with items selected for points (if applicable) and submitted architectural plans*

Flooring	**Air System**
90% Carpet	☒ Forced Air
10% Resilient Covering	☐ Furnace
___% Ceramic Tile	☐ Hot Water
	☐ Warm and Cooled Air
___% Light Concrete	☐ Heat Pump, packaged
___% Other *(Describe)*	☐ Wall Units
	☐ Other
Kitchen	**Other**
☒ Microwave	☐ Phone Jack in each room
☒ Icemaker	☐ High Speed in each room
☒ Self-cleaning Oven	☐ Laundry Connections
Walls	☐ Washer and Dryer included
☒ Drywall	☐ Fireplace
☐ Plaster	☒ Ceiling Fixture in each room
☒ 8-Foot Ceilings	☐ Individual Water Heater
	☐ Other *(Describe)*

060087

DCTC-SPHINX DEVELOPMENT, L.P.

August 10, 2009

Mr. Ben Sheppard
Texas Department of Housing and Community Affairs
P.O. Box 13941
221 East 11th Street
Austin, TX 78711-3941

Re: Request for amendment on Alsbury Villas Site Plan
TDHCA #060087

Please accept this request for an amendment of the application associated with the development named above. Due to unforeseen changes in the architectural design and setbacks, the original development proposal had to be changed.

A major factor in the changes resulted from requirements related to a restrictive covenant on the southeast corner of the site and a detention pond (950' long by 20' wide) drainage easement requested by the city. As a result of the restrictive covenant one buildings was changed and that in turn affected the number of two bedroom units provided. These matters arose late in the construction preparation process.

There was also a conflict between the number half baths in the Rent Schedule and the Building/Unit Configuration Form submitted at application. The corrected Rent Schedule form is attached

The table below shows the unit types that were committed and the units constructed.

APPLICATION					FINAL INSPECTION/CONSTRUCTION				
# Units	# Beds	# Baths	UNIT (SF)	AREA (SF)	# Units	# Beds	# Baths	UNIT (SF)	AREA (SF)
17	1	1	760	12,920	18	1	1	760	13,680
× 1	1	1	742	742					
4	1	1	874	3,496	5	1	1	874	4,370
21	2	1.5	974	20,454	20	2	1.5	974	19,480
4	2	1.5	1,005	4,020	5	2	1.5	1005	5,025
21	2	1.5	1,044	21,924	20	2	1.5	1,044	20,880
13	2	1.5	1,057	13,741	13	2	1.5	1,057	13,741
13	2	2	1,018	13,234	13	2	2	1,018	13,234
22	3	2	1,226	26,972	22	3	2	1,295	28,490
34	3	2.5	1,195	40,630	34	3	2.5	1,256	42,704
150				158,151	150				161,604

One hundred fifty units with 158,151 square feet were committed to at application. At final inspection, 150 units with 161,604 square feet were built.

3030 LBJ FREEWAY, SUITE 880, | DALLAS, TEXAS 75234 | TEL: 214.342.1405

060087

Twenty two 1-Bedrooms committed to,...23 provided +1 provided

Seventy two 2 Bedrooms committed to ,...71 provided -1 provided

Material of comparable quality, simulated wood planking was substituted for ceramic tile flooring in all living areas for an additional cost of $123,103.00. This was an upgrade.

In addition to the committed amenities, the following items were constructed above and beyond application and city requirements.

- 9 feet ceiling in all units.
- Storage room of approx 9 square feet for some units. storage rooms were in application plans.
- 3,453 square feet in excess of what was committed was provided.
- Boxed drainage channel with 12 inch grass cover was provided at an additional cost of $178,000.
  Staff could not determine the merit of this feature from the information provided.
- Detention pond with grass covered channel was constructed. The landscaping of the channel was above and beyond the requirement . The result was ;more green area.
  Staff could not determine the merit of this feature from the information provided.
- Vinyl planking flooring was provided at additional cost of $123,103.00

Sphinx at Alsbury Villas (DCTC-Sphinx Development, LP) respectfully request that:

1. The unit mix (unit type and unit total) be accepted as provided.
2. Accept the extra 3,453 square feet and accept the reduction in the number of half bathrooms in exchange for this request.
3. Accept additional cost of $123,103.00 incurred by upgrading the carpet and percentage of the ceramic tiles to vinyl planking in exchange for this request.

Very truly yours,

SDC Ewing Court, L.P.
By:
It's General Partner

By [signature]

Name Joseph N. Agumadu

Title Manager

060087

Application's Indication of Development Composition and Size								
As Determined from the Final Deficiency Response Submissions of Architectural Plans								
Building Type			Type 1	Type 2	Type 3	Type 4	Total	
No. of Bldgs.			4	4	4	1	13	
Unit	Unit Type	Sq.Ft.					Total Units	Sq.Ft.
A1	1BR/1Bath	760	2	1	1	2	18	13,680
A3	1BR/1Bath	874		1			4	3,496
B2	2BR/1.5Bath	974	4	4	2	2	42	40,908
B2a	2BR/1.5Bath	1,005		1			4	4,020
B2b	2BR/1.5Bath	1,057	2		1	1	13	13,741
B3	2BR/2Bath	1,018	2		1	1	13	13,234
C1	3BR/2.5Bath	1,195	4	2	2	2	34	40,630
C2	3BR/2Bath	1,226		2	3	2	22	26,972
Total 1 Bldg.			14	11	10	10		
Total All Bldgs.			56	44	40	10	150	156,681

22 - 1s

72 - 2s

56 - 3s

Last Application deficiency response

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.

					Building Configuration					Total # of Buildings	
				Building Label	I	II	III	IV			
				Number of Buildings	4	4	4	1		13	1
Unit Type				Plans	Number of Units Per Building					Total # of Units	Total Sq Ft for Unit Type
Unit Label	# of Bedrooms	# of Baths	Sq. Ft. Per Unit								
A1a	1	1	760		3 2	1	1	1		17	12,920
A1d	1	1	742					1		1	742
A3	1	1	874			1				4	3,496
										-	-
B2-1	2	1.5	974		2	2	1	1		21	20,454
B2-2	2	1.5	1,044		2	2	1	1		21	21,924
B2d	2	1.5	1,005			1				4	4,020
B2B	2	1.5	1,057		2		1	1		13	13,741
B3	2	2.0	1,018	2/2	2		1	1		13	13,234
										-	-
C1	3	2 3	1,195	3/2.5	4	2	2	2		34	40,630
C2	3	2	1,226			2	3	2		22	26,972
										-	-
										-	-
										-	-
										-	-
										-	-
										-	-
										-	-
										-	-
				Totals	56	44	40	10	-	150	158,133

This exhibit indicated:
22 1/1
59 2/1.5
13 2/2
22 3/2
34 3/3
(i.e., 22 1s, 72 2s & 56 3s)

060087

This was the last application deficiency response. The edits were made by staff during the amendment request review.

060087

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
501(c)(3) Mortgage Revenue Bond: (MRB), (MRB30%), (MRB40%), (MRB50%),
HOME: High (HH), Low (LH), Employee Occupied non LI unit
Other: describe any "Other" rental assistance or rent restrictions in the space provided; documentation
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

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%					4	1	1.00	874	3,496	356	69	287	1,148
~~TC60%~~													-
TC60%					1	1	1.00	742	742	713	69	644	644
TC60%					10	1	1.00	760	7,600	713	69	644	6,440
MR					7	1	1.00	760	5,320	0	69	644	4,508
TC30%					6	2	2.00	1,018	6,108	427	84	343	2,058
TC60%					7	2	2.00	1,018	7,126	855	84	771	5,397
TC60%					13	2	1.5 ~~2.00~~	1,057	13,741	855	84	771	10,023
TC60%					4	2	1.5 ~~2.00~~	1,005	4,020	855	84	771	3,084
TC60%					21	2	1.5 ~~2.00~~	1,044	21,924	855	84	771	16,191
TC60%					21	2	1.5 ~~2.00~~	974	20,454	855	84	771	16,191
MR													-
TC30%													-
TC30%					6	3	2.00	1,226	7,356	494	96	398	2,388
TC60%					16	3	2.00	1,226	19,616	989	96	893	14,288
TC60%													-
TC60%					34	3	2.5 ~~2.00~~	1,195	40,630	989	96	893	30,362
~~MR~~					~~0~~	~~3~~	~~2.00~~	~~0~~	~~0~~	~~989~~	~~96~~	~~893~~	-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
				TOTAL	150				158,133				112,722

Non Rental Income	$3.25	per unit/month for:	cable/telephone	488
Non Rental Income	10.31	per unit/month for:	garages/carports/storage	1,547
Non Rental Income	10.96	per unit/month for:	laundry/fees/misc	1,643
+ TOTAL NONRENTAL INCOME	$24.52	per unit/month		3,678
= POTENTIAL GROSS MONTHLY INCOME				116,400
- Provision for Vacancy & Collection Loss			% of Potential Gross Income: 7.50%	8,730
- Rental Concessions				
= EFFECTIVE GROSS MONTHLY INCOME				107,670
x 12 = EFFECTIVE GROSS ANNUAL INCOME				1,292,038

Last Rent Schedule indicated:

22 - 1/1

72 - 2/2

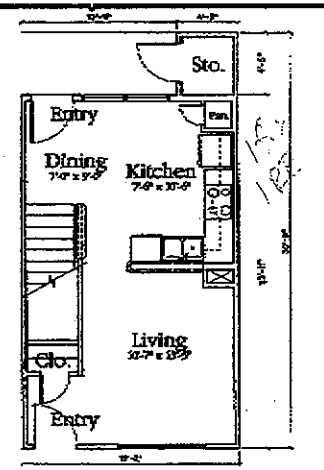
56 - 3/2

Deficiency response

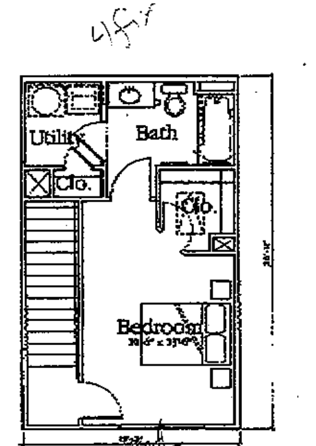
Note:

All units to have:

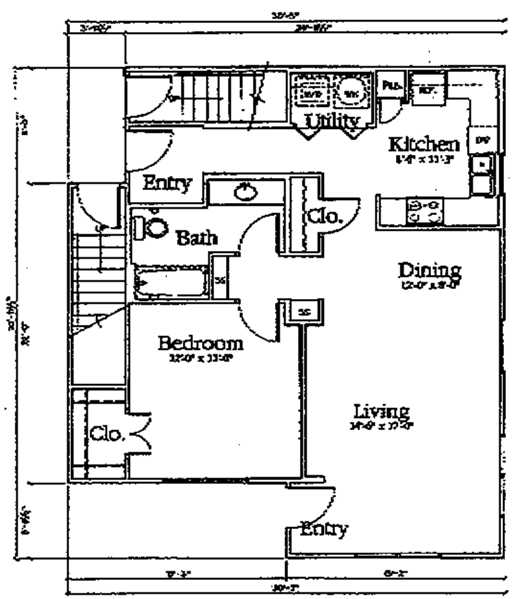
1. Microwave Ovens
2. Self Cleaning Ovens
3. Mini-Blinds or Window Coverings On All Windows
4. Dishwasher & Disposal
5. Range/Oven
6. Exhaust Vent Fans in All Bathrooms
7. Ceiling Fans in Living Areas and Bedrooms
8. Refrigerator With Ice Maker
9. Laundry Connections
10. Energy Star Rated Appliances



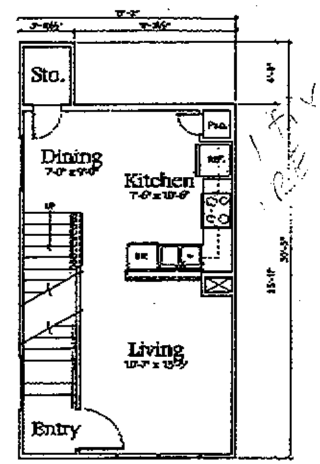
08 Plan, First Floor - Unit A1-a
SCALE: 1/4" = 1'-0" N.S.F. 742 / G.S.F. 879
HUD CALCS: N.S.F. 685 / G.S.F. 773



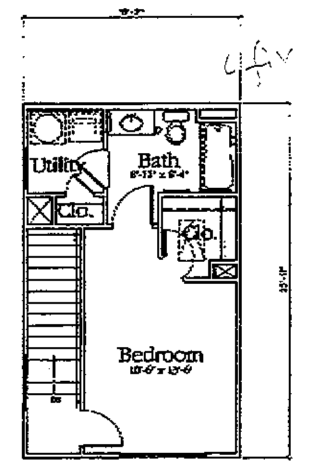
10 Plan, First Floor - Unit A1-a
SCALE: 1/4" = 1'-0"



16 Plan, First Floor - Unit A3
SCALE: 1/4" = 1'-0" N.S.F. 874 / G.S.F. 928
HUD CALCS: N.S.F. 874 / G.S.F. 874



18 Plan, First Floor - Unit A1
SCALE: 1/4" = 1'-0" N.S.F. 760 / G.S.F. 814
HUD CALCS: N.S.F. 700 / G.S.F. 760



20 Plan, Second Floor - Unit A1
SCALE: 1/4" = 1'-0"

JHP

Sphinx at Alsbury Villas
Burleson, Texas

Revision #1 6/8/05
Revision #2 5/5/06

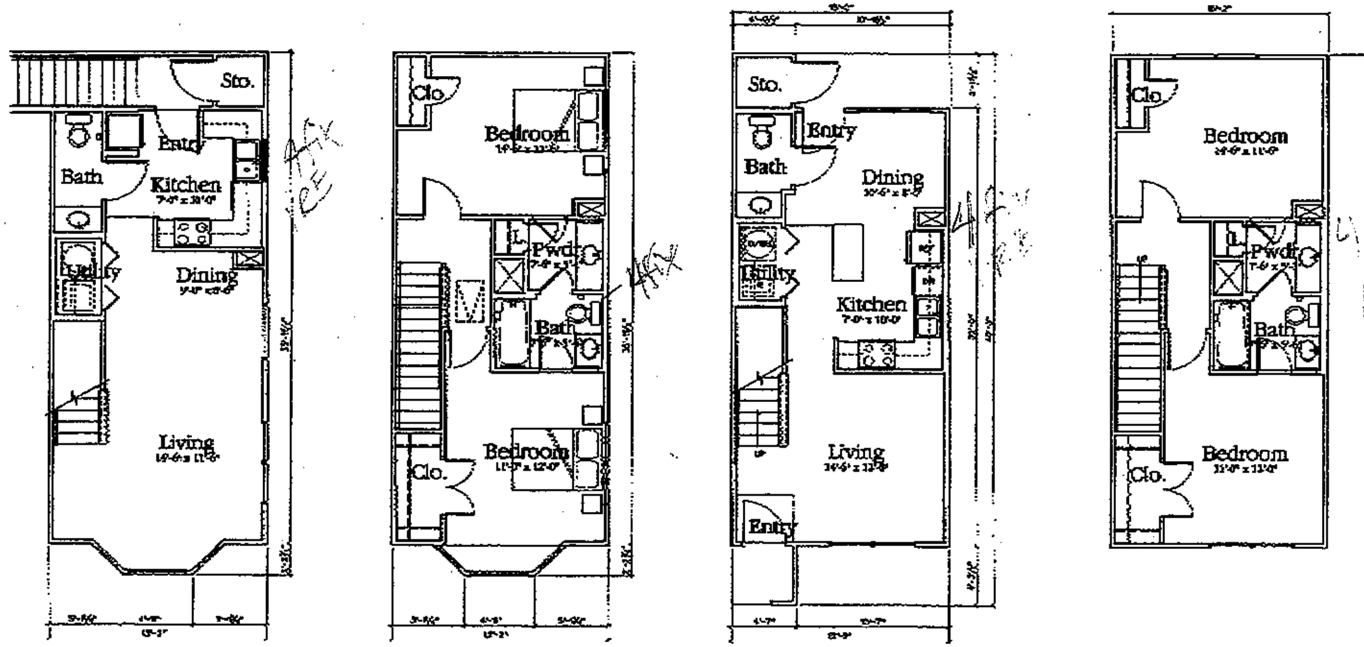
Sheet
A201

060087

Note:

All units to have:

1. Microwave Ovens
2. Self Cleaning Ovens
3. Mini-Blinds or Window Coverings On All Windows
4. Dishwasher & Disposal
5. Range/Oven
6. Exhaust Vent Fans in All Bathrooms
7. Ceiling Fans in Living Areas and Bedrooms
8. Refrigerator With Ice Maker
9. Laundry Connections
10. Energy Star Rated Appliances



(17) Plan, First Floor - Unit B2-a
SCALE: 1/8" = 1'-0" N.S.F. 1,005 / G.S.F. 1,051
HUD CALCS: N.S.F. 956 / G.S.F. 1,005

(18) Plan, Second Floor - Unit B2-a
SCALE: 1/8" = 1'-0"

(19) Plan, First Floor - Unit B2
SCALE: 1/8" = 1'-0" N.S.F. 974 / G.S.F. 1,098
HUD CALCS: N.S.F. 926 / G.S.F. 974

(20) Plan, Second Floor - Unit B2
SCALE: 1/8" = 1'-0"

JHP

Sphinx at Alsbury Villas

Burleson, Texas

Revision #1 6/8/05
Revision #2 5/5/06

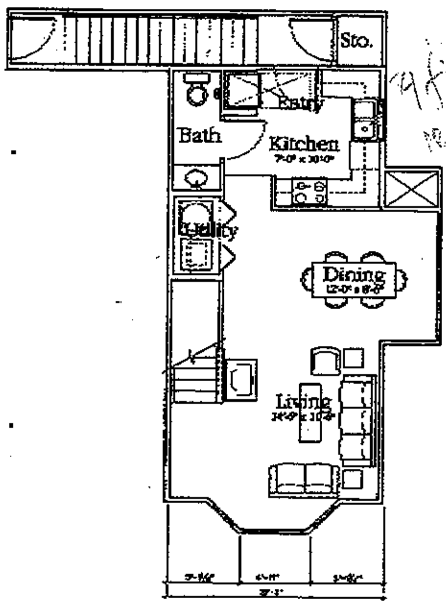
A202

060087

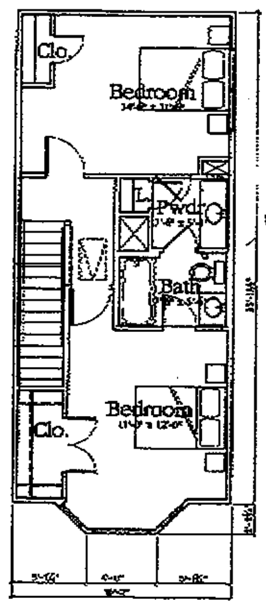
Note:

All units to have:

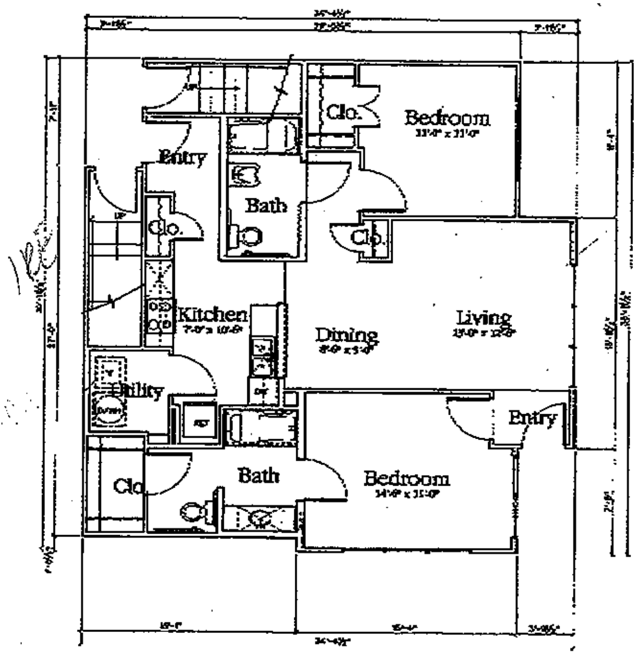
1. Microwave Ovens
2. Self Cleaning Ovens
3. Mini-Blinds or Window Coverings On All Windows
4. Dishwasher & Disposal
5. Range/Oven
6. Exhaust Vent Fans in All Bathrooms
7. Ceiling Fans in Living Areas and Bedrooms
8. Refrigerator With Ice Maker
9. Laundry Connections
10. Energy Star Rated Appliances



(16) Plan, First Floor - Unit B2-b
SCALE: 1/8" = 1'-0" N.S.F. 1,057 / G.S.F. 1,178
HUD CALCS: N.S.F. 1,003 / G.S.F. 1,057



(17) Plan, Second Floor - Unit B2-b
SCALE: 1/8" = 1'-0"



(19) Floor Plan - Unit B3
SCALE: 1/8" = 1'-0" N.S.F. 1,018 / G.S.F. 1,067
HUD CALCS: N.S.F. 968 / G.S.F. 1,018

JHP

Sphinx at Alsbury Villas
Burleson, Texas

Revision #1
Revision #2

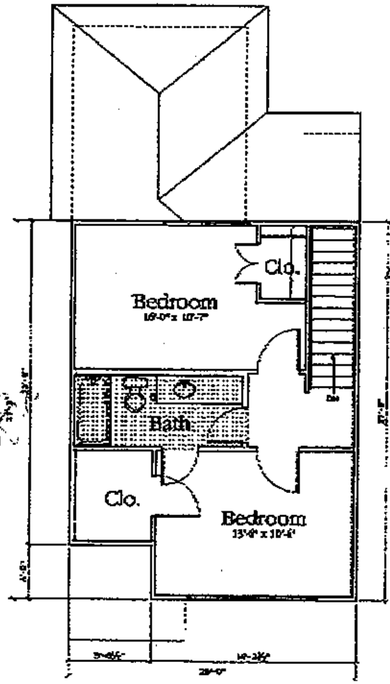
A203

060087

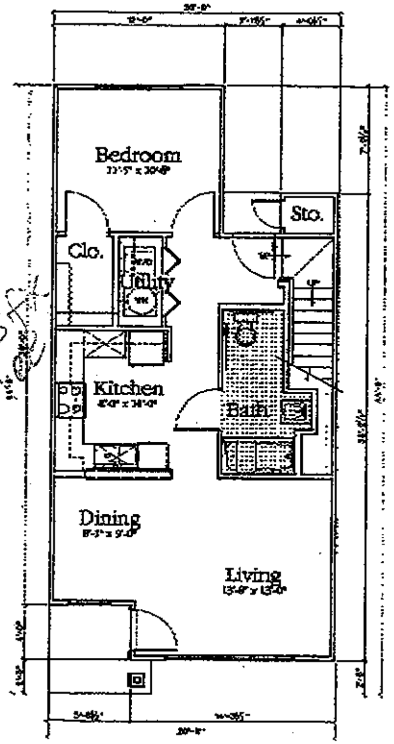
Note:

All units to have:

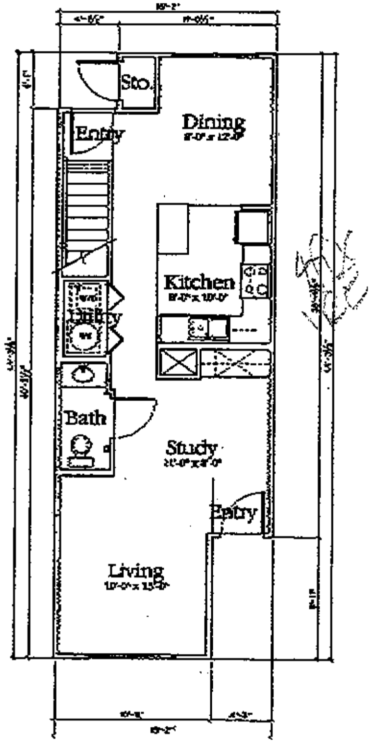
1. Microwave Ovens
2. Self Cleaning Ovens
3. Mini-Blinds or Window Coverings On All Windows
4. Dishwasher & Disposal
5. Range/Oven
6. Exhaust Vent Fans in All Bathrooms
7. Ceiling Fans in Living Areas and Bedrooms
8. Refrigerator With Ice Maker
9. Laundry Connections
10. Energy Star Rated Appliances



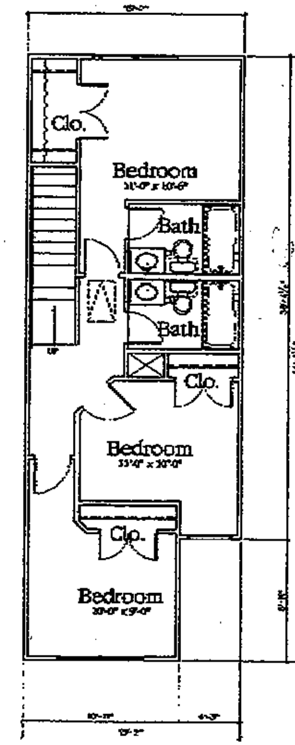
(16) Plan, Second Floor - Unit C2
SCALE: 1/8" = 1'-0" N.S.F. 1,226 / G.S.F. 1,291
HUD CALCS: N.S.F. 1,153 / G.S.F. 1,226



(17) Plan, First Floor - Unit C2
SCALE: 1/8" = 1'-0"



(19) Plan, First Floor - Unit C1
SCALE: 1/8" = 1'-0" N.S.F. 1,195 / G.S.F. 1,275
HUD CALCS: N.S.F. 1,121 / G.S.F. 1,195



(20) Plan, Second Floor - Unit C1
SCALE: 1/8" = 1'-0"

Sphinx at Alsbury Villas
Burleson, Texas

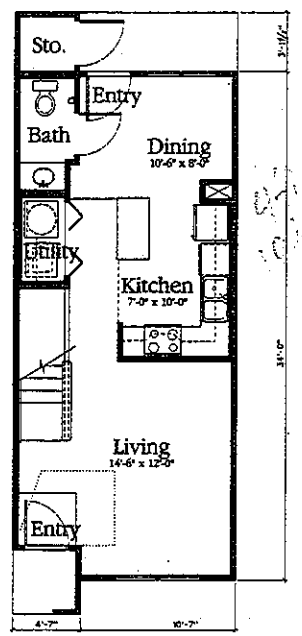
A204

060087

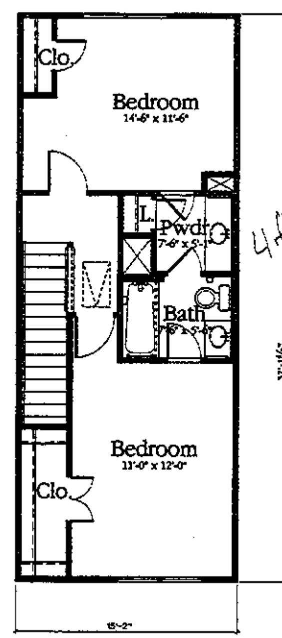
Note:

All units to have:

1. Microwave Ovens
2. Self Cleaning Ovens
3. Mini-Blinds or Window Coverings On All Windows
4. Dishwasher & Disposal
5. Range/Oven
6. Exhaust Vent Fans in All Bathrooms
7. Ceiling Fans in Living Areas and Bedrooms
8. Refrigerator With Ice Maker
9. Laundry Connections
10. Energy Star Rated Appliances



17 First Floor - Unit B2-cond.2
SCALE: 1/8" = 1'-0" N.S.F. 1,044 / G.S.F. 1,127



19 Second Floor - Unit B2-cond.2
SCALE: 1/8" = 1'-0" N.S.F. 1,044 / G.S.F. 1,127

JHP

James, Harwick+Partners, Inc
8340 Meadow Road, Suite 24
Dallas, Texas 7523
Telephone: 214-363-5687
Facsimile: 214-363-956

Sphinx at Alsbury Villas

Burleson, Texas

Project Number: 205008
Drawn By: HR
Issued for Tax Credits: 02/10/06

Revision	Date
Revision #1	6/2/06

Unit Plans

Sheet:

A202.1

Cost Certified

23 - 1/1

58 - 1/1.5

13 - 2/2

22 - 3/2

34 - 3/2.5

060087

E T SCHEDULE

DEVELOPMENT NAME: Sphinx At Alsbury **FILE NUMBER: 060087**

COST CERTIFICATION SEP 15 2009

Type of Unit designation should be one or more of the ... unit's rent restrictions:
Tax Credit: *(TC30%), (TC40%), (TC50%), (TC60% ... (c)(3) **Mortgage Revenue Bond:** (MRB)*
HOME: *High (HH) or Low (LH) ... er: (OT) describe any "Other" restrictions on an attached sheet*
Housing Trust Fund: *(HTF30%), (HTF60%), (HTF*
For units funded under more than one program, the "I ... uld be the most restrictive - for example a LH and TC50% would be "50%".
The rent and utility limits available at the time the Cos ... 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)
TC 30%	30%	1	1	1.00	760	760	363	69	294	294
TC 60%	60%	10	1	1.00	760	7,600	726	69	657	6,570
TC 30%	30%	3	1	1.00	874	2,622	363	69	294	882
TC 60%	60%	2	1	1.00	874	1,748	726	69	657	1,314
TC 30%	30%	4	2	1.50	974	3,896	436	84	352	1,408
TC 60%	60%	16	2	1.50	974	15,584	871	84	787	12,592
TC 30%	30%	1	2	1.50	1,044	1,044	436	84	352	352
TC 60%	60%	19	2	1.50	1,044	19,836	871	84	787	14,953
TC 60%	60%	5	2	1.50	1,005	5,025	871	84	787	3,935
TC 60%	60%	13	2	1.50	1,057	13,741	871	84	787	10,231
TC 30%	30%	1	2	2.00	1,018	1,018	436	84	352	352
TC 60%	60%	12	2	2.00	1,018	12,216	871	84	787	9,444
TC 30%	30%	1	3	2.00	1,295	1,295	504	96	408	408
TC 60%	60%	21	3	2.00	1,295	27,195	1,008	96	912	19,152
TC 30%	30%	5	3	2.50	1,256	6,280	504	96	408	2,040
TC 60%	60%	29	3	2.50	1,256	36,424	1,008	96	912	26,448
						0			0	-
Rent Restricted Total		143				156,284				110,375
Market Rate		7	1	1.00	760	5,320	707		707	4,949
Market Rate						0				-
Market Rate						0				-
Market Rate						0				-
Market Rate						0				-
Market Rate						0				-
Market Rate Total		7				5,320				4,949
Employee/Owner Occupied*						0				-
Total Units		150				161,604				115,324
+ Non Rental Income Source #1			$ 30.00	per unit/month for:		*Garage Income - 45 Garages*				1,350
+ Non Rental Income Source #2			$ 15.00	per unit/month for:		*Carport Income - 104 Carports*				1,560
+ Non Rental Income Source #3				per unit/month for:		*describe source here*				-
= POTENTIAL GROSS MONTHLY INCOME										118,234
- Provision for Vacancy & Collection Loss								% of Potential Gross Income:	7.50%	8,868
- Rental Concessions										
= EFFECTIVE GROSS MONTHLY INCOME										109,366
x 12 = EFFECTIVE GROSS ANNUAL INCOME										1,312,397

* Only enter Employee/Owner Occupied Units if not included in rent restricted or market rate units shown above.

BS

060111

LIFENET™
Community Behavioral Healthcare

September 1, 2009

By Federal Express
Mr. Michael Gerber
Texas Department of Housing
and Community Affairs
221 East 11th
Austin, TX 78701

RE: **Evergreen at Rockwall Apartment Community**
TDHCA File No: 060111
Amendment Request

Dear Mr. Gerber:

This letter requests an Amendment to the 9% Housing Tax Credit Application for Evergreen at Rockwall Apartment Community (the "Project") that was submitted in 2006. The Application was previously modified by letter to you dated October 4, 2007 (the "Prior Amendment Letter"), as approved by the Executive Director's response dated December 17, 2007. The Project has now been completed and we wish to resolve an issue raised by the Cost Certification review. Enclosed is a check in the amount of $2,500.00 for this amendment request.

During the Cost Certification review, the TDHCA staff questioned the increase of the site acreage from 6.3 +/- acres, as shown in the initial application, to 6.5749 acres, as shown in the Cost Certification.

The Project site was purchased out of a 25+/- acre tract which was being platted as a Planned Development (the "PD"). In the Pre-Application the site was described as "approximately 6.3 acres out of a 25.45 acre tract of land. ...The site will include the Northeast corner of said tract and have frontage on the North and East Boundary lines." Only a sketch of the 25.45 acre PD was included in the Pre-Application – not a sketch of a site plan. In the Relevant Development Information Form, Part 1, the Total Site Acreage was shown as "6.3 +/-."

In the Application, the references to the site were to "approximately 6.3 acres" and the legal description of the site provided in Volume 2, Tab 2 and in Volume 3, Tab 2 called for "an unspecified 6.3 acre tract of land situated in a 25.45 acre tract of land..." with the remainder of the description being the metes and bounds of the PD. The site plan provided in Volume 2, Tab 4 of the Application does not have any

060111

dimensions for the boundary lines (Attachment #1). The Application requested and received six (6) points for having the exact same site as shown in the Pre-Application.

The acreage of the as-built site is 6.5749 acres. The increase in the acreage was occasioned by changes to the entrance drive due to the City of Rockwall's requirements in connection with fire access to the Project site and to the PD. The change to the entrance drive onto State Highway 205 was referenced in our Prior Amendment Letter and was evidenced in the final plat which was provided with that letter. The actual increase in acreage was not referenced, however, because the increase was less than 10% of the total site acreage and was not considered material under either Section 50.17(d)(4)(G) of the 2006 QAP or Section 49.17(d)(4)(G) of the 2007 QAP. It was not a common practice in 2007 to request application amendments for changes that were immaterial under the QAP. Subsequent staff enforcement of the adherence to obligations provisions that first appeared in the 2006 QAP has made application amendments essential, no matter what the change. However, we note that 2006 applications were specifically exempted from the adherence to obligations provision pursuant to Section 50.9(c) of the 2006 QAP, so at the time the Project site was acquired in 2006, we did not apply to amend the application.

Enclosed is a copy of the actual site plan as shown in the Prior Amendment Letter (Attachment #2). As you will see, the entrance to the Project off of State Highway 205 was moved to the west. This was done to accommodate the City of Rockwall's requirements concerning fire access. Enclosed is a copy of a letter from Brad Forslund to Mayor Bill Cecil and the City of Rockwall City Council dated August 7, 2006, responding to issues raised at a July 24, 2006 City Council meeting (Attachment #3). In paragraph 6, Mr. Forslund states that in order to provide two access points to State Highway 205 per the City requirements, the straight driveway to the Project site was converted to a loop road that benefited the PD as a whole. (See the August 2, 2006 depiction of the PD included in Mr. Forslund's letter). At that time it was contemplated that the Project site's access to the loop road would be at the middle of the southern boundary of the Project site. The design had the advantage that it also gave the PD's southeastern corner tract a second exit to meet fire safety requirements.

The Texas Department of Transportation ("TXDOT") also weighed in, however, with the requirement that the loop road's eastern entry onto State Highway 205 be at a location appropriate for an eventual median cut when the contemplated upgrade to a divided highway takes place. This resulted in the east entry to the loop road being relocated further to the west. In order to provide fire trucks easy access to the Project site itself, it was necessary to extend the site driveway further to the south to connect with the loop road. As a result, the Project site has access by means of the eastern portion of the loop road which provides either a right turn for entrance onto the eastern boundary of the site, or continuation straight onto the western boundary of the site.

When the changes required by the City for fire access and the changes imposed by TXDOT with regard to curb cuts onto State Highway 205 were implemented, it was clear that an additional tract of land (the "Fee Strip") would be needed in order to conveniently connect the Project site to the loop road and to secondarily provide necessary fire access for the PD's southeastern corner tract. In negotiating with the owner of the PD, the developer agreed to improve the Fee Strip with paving and to maintain it until such time that a property owner's association was organized for the PD, provided that the cost of

060111

acquiring the Fee Strip was limited to $1.00. The developer had a choice of acquiring the Fee Strip through an easement or in fee. The choice was made to acquire the tract in fee so that the Project's access to State Highway 205 was totally in the control of the Project Owner, and not in the control of the owner of the PD.

The relocation of the driveway and acquisition of the Fee Strip resulted in the Project having a total acreage of 6.5749 acres. The change from the 6.3 acres +/- shown in the original Application is a change of 0.2749 acres at most, which is a 4.36% increase. Since the increase is less than ten percent (10%) of the original site under control and proposed in the Application, it is not considered a "material alteration of the Development under Section 49.17(d)(4)(G) of the 2009 QAP. Likewise, the change in acreage decreases the residential density of the Development by 4.15%. Since this modification is less than 5%, it is not a material change under Section 49.17(d)(4)(F). We therefore request that this amendment be approved without requiring a Board hearing.

We are requesting that this amendment be approved without penalty or loss of Pre-Application Participation Incentive Points. In October 2006, when the change in the site plan was made and the site was acquired, the QAP specifically stated that 2006 Applications were not subject to the Adherence to Obligations provision, which did not go into effect until December 1, 2006. (See Section 50.9(c) of the 2006 QAP, a copy of which is enclosed as Attachment #4). The following year, when it became apparent that the TDHCA staff was becoming much more exacting in its enforcement of the details of the 9% applications, we made an amendment request which indicated that the site plan had changed, and we showed the new driveway arrangement on the final plans which were provided to the TDHCA. (see Prior Amendment Letter, Attachment #5).

Finally, this change does not constitute the type of change in acreage that should trigger a loss of Pre-Application Participation Incentive Points. The purpose of the Pre-App points is to encourage potential tax credit applicants to honestly identify the project under consideration, so that other potential applicants may evaluate whether their proposed projects are competitive. The Project submitted an application for exactly the same site that was identified in the Pre-Application, and therefore received Pre-Application Participation Incentive Points. It was only months after the tax credits were awarded that the City of Rockwall and TXDOT raised concerns that required modifications to the Project's driveway. The land on which the buildings are sitting did not change from what was presented in the Pre-App and in the original Application. We would like to point out that if the developer had only obtained an easement for the driveway, then a change in the easement location would be unlikely to raise this issue, because the purchased site would not be changed. Instead, the developer took the more conservative and safer route of purchasing the land for the driveway, bringing the driveway location into the definition of the Project site. The objections of the City and TXDOT to the original driveway location were not reasonably foreseeable by the developer.

In summary, in 2006 when the change in the driveway location was made, it was not the practice of affordable housing developers to request application amendments for changes not considered "material" under the QAP. In 2007 the changes made to the driveway were submitted to the TDHCA staff in October 2007, and we thought that the amended site plan had been considered and approved with the final plans. The site for the Project itself has not changed, only the access to the site has changed, and that 'change was required by governmental entities who had the power to refuse to grant building permits if the change was not made.

In a time period when affordable housing developments are difficult to get on the ground, Evergreen at Rockwall Senior Community is a completed development that is up and running. It seems wholly inappropriate to penalize the Project Owner for an immaterial change to the development plans by revoking Pre-App Points and causing the loss of the tax credits. Development projects always have refinements that must be made to the plans as the development and construction process proceeds. The purpose of Pre-App Points is accomplished, once the 9% applications have been submitted. After the tax credit awards have been made, the affordable housing community should have no real concern if governmental authorities cause immaterial changes to the project site, as long as the project is built where the Pre-App and the Application said it would be built.

For all the reasons set forth above, we request that this amendment request be granted without penalty or loss of points. If you need any additional information, please do not hesitate to call either me at 214.932.1937 or Brad Forslund of Churchill Residential, Inc., at 972.550.7800, extension 222.

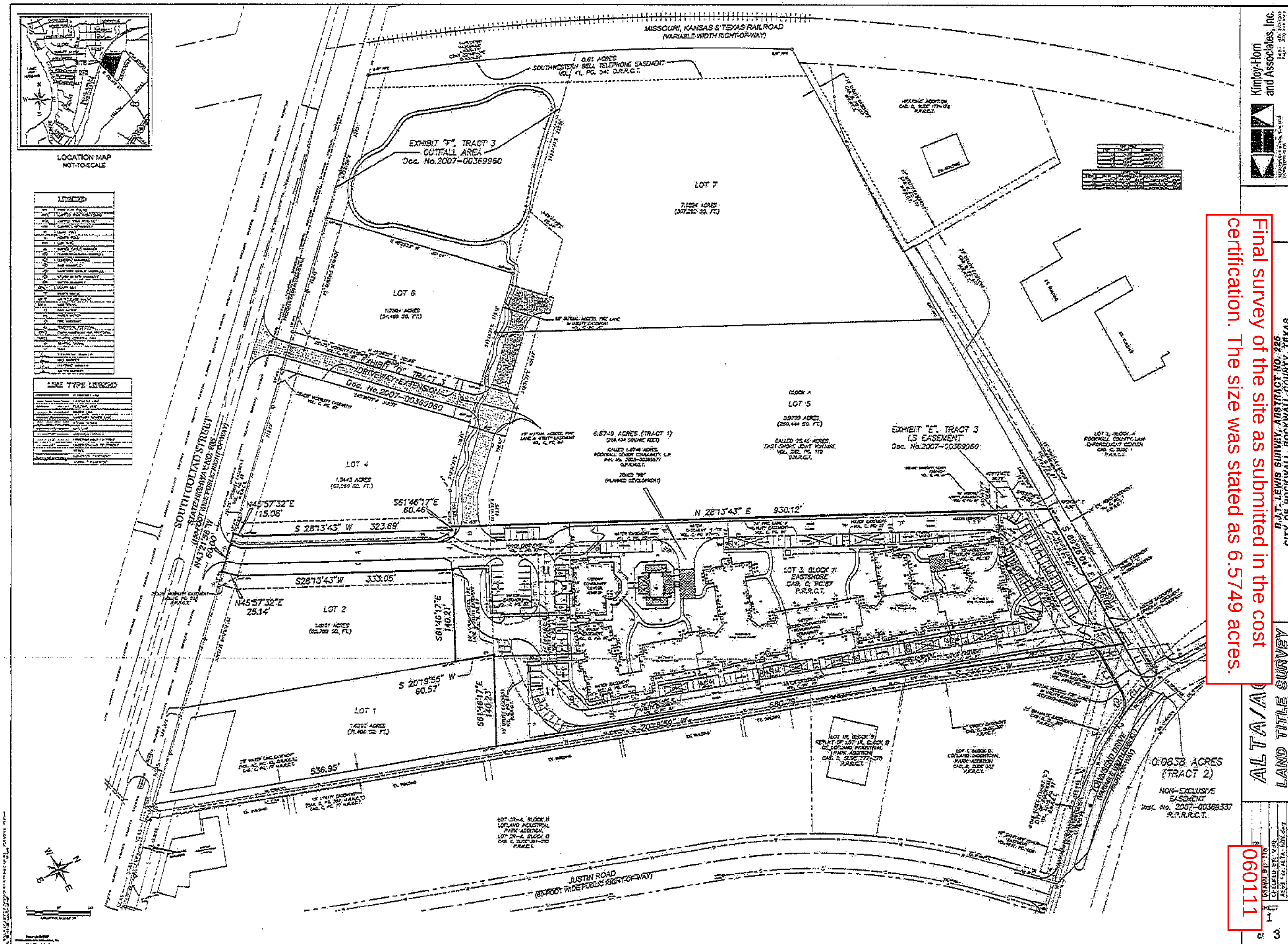
Thank you.

Sincerely,

Liam Mulvaney
Managing Member of GP

Enclosures

cc: Brad Forslund



Final survey of the site as submitted in the cost certification. The size was stated as 6.5749 acres.

060111

Rone Engineering

060111

August 13, 2009

• Geotechnical Engineering

• Construction Materials Testing

• Environmental Consulting

• Forensic Engineering

Rockwall Senior Community, LP
c/o Churchill Residential
5605 N. MacArthur Boulevard, Suite 580
Irving, Texas 75038

Texas Department of Housing and Community Affairs (TDHCA)
P.O. Box 13941
Austin, Texas 78711-3941

Re: Environmental Site Assessment
Rockwall Senior Community LP
1325 S. Goliad Street
Rockwall, Texas 75087
Rone Project No. 06-11412

Dear Ladies and Gentlemen:

Rone Engineering Services, Ltd. (Rone) completed an Environmental Site Assessment (ESA) for the above-referenced property on March 20, 2006. An ESA Update was completed for the above-referenced property on October 26, 2006. An August 2008 survey of the site is attached and shows the actual dimensions of the property acquired.

During Rone's March 2006 and October 2006 site inspections, Rone inspected the site and adjacent vacant land areas, which included the overall dimensions of the property as shown on the survey. Based on this information, the site has been thoroughly inspected and no recognized environmental conditions were identified. No further environmental action is warranted.

Rone appreciates the opportunity to perform these services for Rockwall Senior Community, LP and TDHCA. Please contact Rone if you have questions regarding this information.

Respectfully submitted,

RONE ENGINEERING SERVICES, LTD.

Brian E. Reeser

Brian E. Reeser, PG
Senior Project Manager

Attachment

Dallas/Fort Worth
8908 Ambassador Row
Dallas, Texas 75247
Telephone 214-630-9745
Telephone 817-284-1318
Facsimile 214-630-9819

Houston
7701 West Little York
Suite 600
Houston, Texas 77040
Telephone 713-996-9979
Facsimile 713-996-9972

Austin
4221 Freidrich Lane
Suite 195
Austin, Texas 78744
Telephone 512-462-2733
Facsimile 512-462-1158

10-05-07

LIFENET™
Community Behavioral Healthcare

060111

October 4, 2007

TDHCA
Attn: Ben Sheppard
221 East 11th
Austin, TX 78701

Note: The amendment request says nothing about changing the size of the site.

RE: **Evergreen at Rockwall Apartment Community**
TDHCA File No: 06111
Acknowledgment of Insignificant Change

Dear Mr. Sheppard:

This letter requests an **Acknowledgement of Insignificant Change** to the 9% Housing Tax Credit Application for Evergreen at Rockwall Apartment Community (the "Project") that was submitted in 2006. The Project is currently under construction and no buildings have been completed yet.

Proposed Change of Site Orientation and Clubhouse.
At the time of the Application, the property was zoned Commercial and the plans for rezoning to Planned Development ("PD") had not been finalized. The approved PD master plan zoned the adjacent north parcel for assisted living. In contemplation of an adjacent assisted living facility, the footprint of the project was flipped so as many units as possible would be orientated to the north, making the projects more compatible (the land to the south was zoned commercial). In flipping the footprint, the clubhouse was moved from within a residential building to stand alone at the end of the Project as a separate non-residential building. The entrance drive onto State Highway 205 was realigned to meet requirements of the final PD and the City's access requirements.

Number of Buildings	**Application**	**Underwriting Report**	**Final Plans**
Residential Buildings	6*	1	5
Non-Residential Buildings	0	0	1*
	*(Clubhouse included/embedded) See Site Plan		*Clubhouse joined at end of building - (1) non-residential building

Square Footage	**Application**	**Underwriting Report**	**Final Plans**
Net Rentable SF	114,900	114,900	114,900
Common Area SF	35,485*	4,000*	42,121*
Gross Building Area	**146,385**	**118,900**	**157,021**
	*Clubhouse: 4,000 sf Hallways, A/C: 29,208 sf Balcony/Porches: 2,277 sf	* Clubhouse only	* Clubhouse: 5,114 sf Hallways, A/C: 29,208 sf Stairs, Elevator & Storage: 7,799 sf

The chart shown above sets out the changes to the building count and the square footage that was caused by separating the Clubhouse from the residential building. We also took the opportunity to correct the common area square footage calculation, which in the Application erroneously included balconies and porches and failed to include stairs, elevators and storage areas.

Enclosed please find the Final Plans for the Project. Also enclosed are the following Exhibits which have been revised to reflect the changes proposed to be made to the Project:

a.	Site Plan	(Vol. 2, Tab 4; Vol. 3, Tab 1)
b.	Floor Plans	(Vol. 2, Tab 4; Vol. 3, Tab 1)
c.	Building /Unit Type Configuration	(Vol. 1, Tab 2, Part F)

Proposed Change of Some Uncovered Parking to Carport Parking.

Originally the Application showed 170 uncovered parking spaces for this 141-unit senior Project. During our pre-leasing effort we discovered a high demand for covered parking – even to the point that its availability was a deal point in signing a tenant lease. As a result of this demand, we have decided to provide a carport for 54 of the parking spaces. At this time we plan to charge a minimal fee of $20 per month for covered parking. We realize that the cost of constructing the covered parking will not be includible in the eligible basis. We request that the Application be amended to permit this change to the parking facilities. If the prospect of charging a minimal fee for the covered spaces would require that this amendment request go to the TDHCA Board for approval, however, and that is the only factor requiring Board review, then we would withdraw the request to charge for the covered parking.

Proposed Substitution of Amenities.

At the time of the Application the Applicant selected as a common amenity "Secured Entry (elevator buildings only) (1 point)". This selection was made based upon a misunderstanding which resulted from a conversation with a staff member concerning what constituted a "secured entry". The developer had understood that if a development had controlled gate access, then that constituted a "secured entry". Since then we have come to understand that points for secured entry require that the building itself have keyed access or other secured entry. We find that our tenants do not appreciate this degree of security, due to the inconvenience of having to operate the locking mechanism every time they need to open the door, and in a development with controlled gate access and full perimeter fencing, as will be provided in the Project, it is not considered necessary. Accordingly, we request the TDHCA's consent to the substitution of another amenity of equivalent point value. The Project will have a service coordinator's office in the Clubhouse, which will be in addition to the leasing offices. This amenity qualified for 1 point in the 2006 QAP. We request that the TDHCA accept the substitution of this amenity for the secured entry previously selected.

Please acknowledge that the insignificant changes proposed do not constitute a material alteration of the Application that would require a formal amendment request to the Board. Enclosed is the fee of $2,500 for the Proposed Charge for Covered Parking spaces and the Proposed Substitution of Amenities.

060111

Please do not hesitate to call me at 214.932.1937 should you have any questions. Thank you.

Sincerely,

Liam Mulvaney
Managing Member of GP

Enclosures

060111

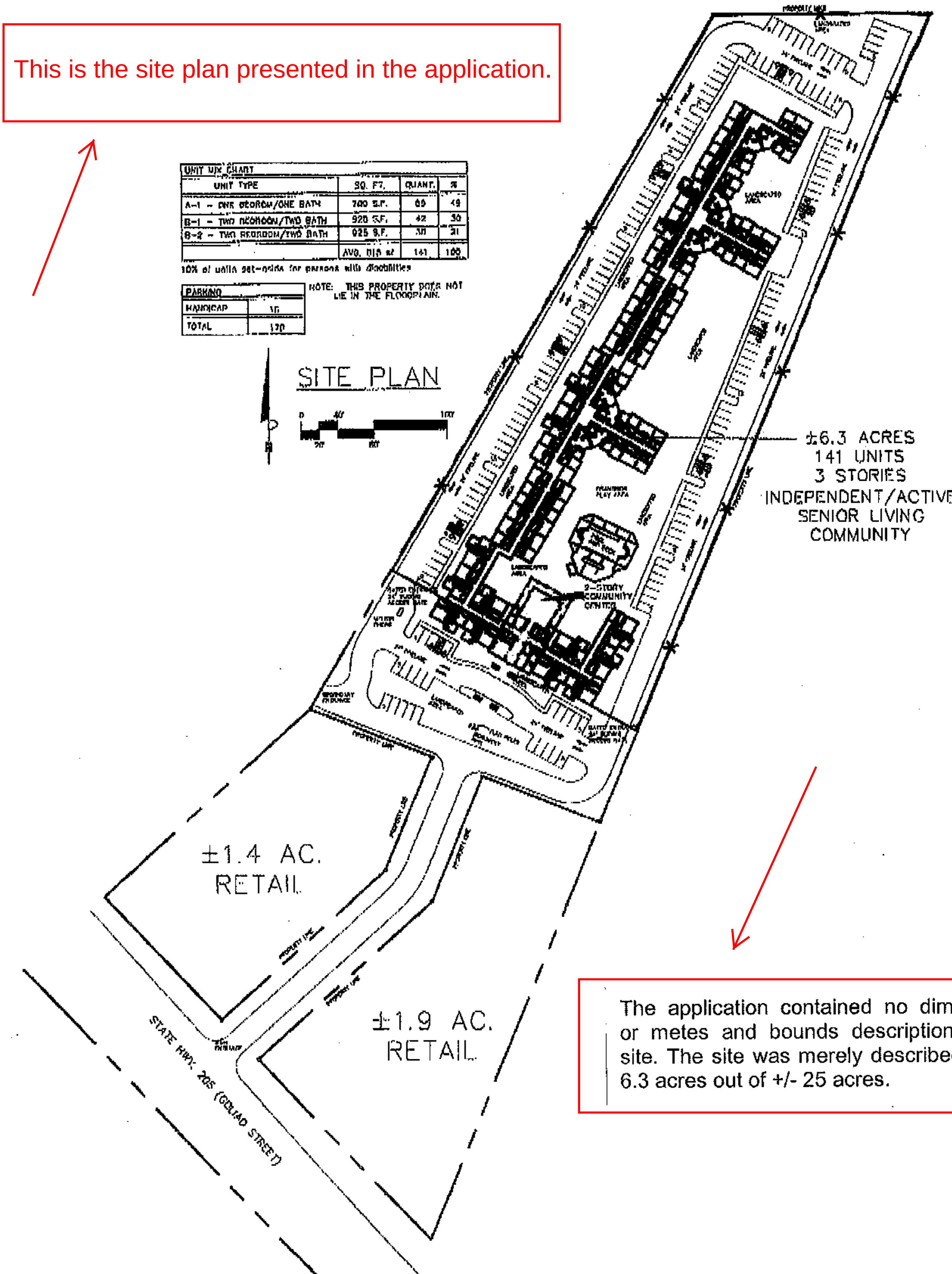
This is the site plan presented in the application.

UNIT MIX CHART			
UNIT TYPE	SQ. FT.	QUANT.	%
A-1 – ONE BEDROOM/ONE BATH	700 S.F.	69	49
B-1 – TWO BEDROOM/TWO BATH	920 S.F.	42	30
B-2 – TWO BEDROOM/TWO BATH	925 S.F.	30	21
	AVG. 818 sf	141	100

10% of units set-aside for persons with disabilities

PARKING	
HANDICAP	16
TOTAL	170

NOTE: THIS PROPERTY DOES NOT LIE IN THE FLOODPLAIN.



The application contained no dimensions or metes and bounds description of the site. The site was merely described as +/- 6.3 acres out of +/- 25 acres.

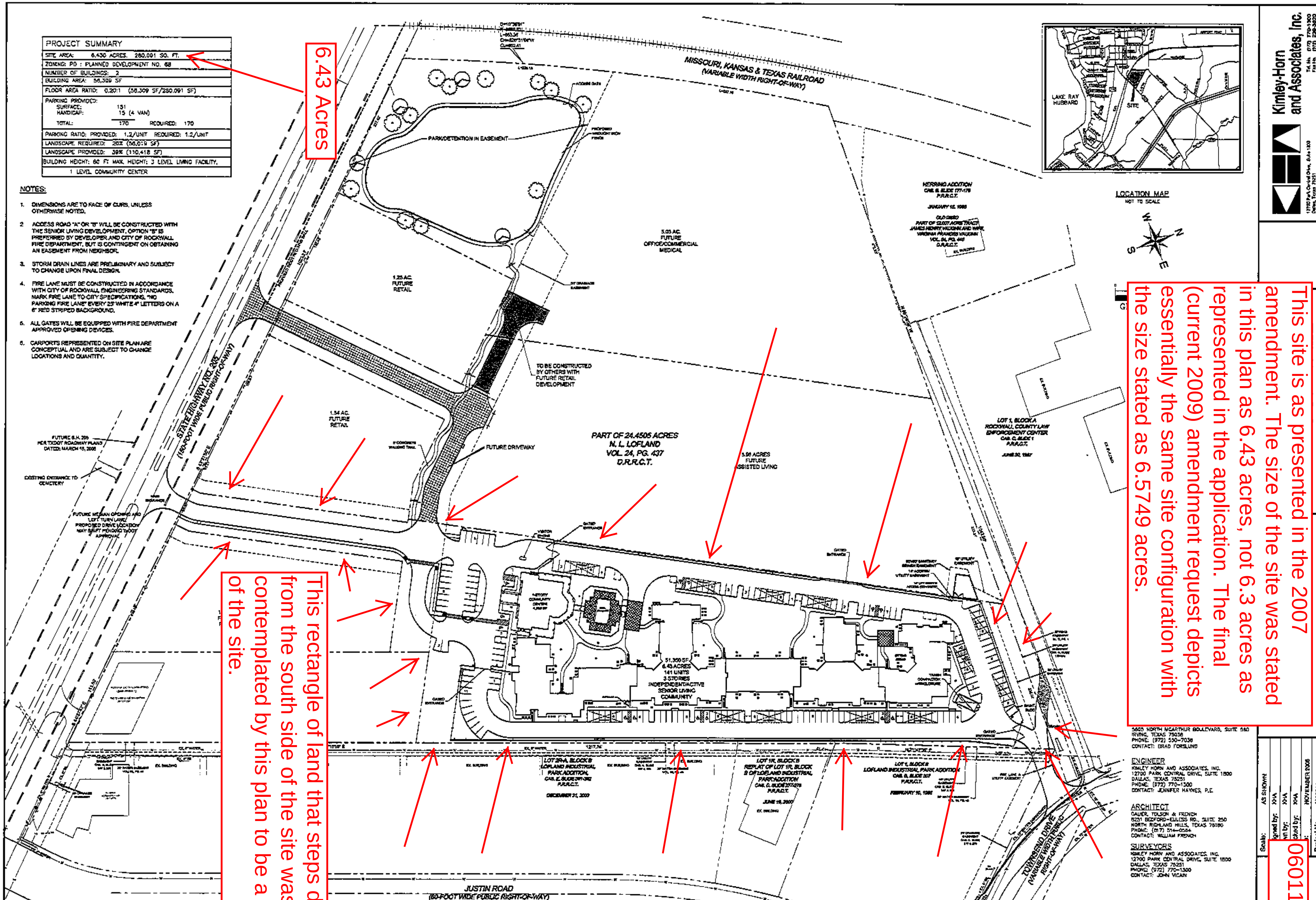
Galler | Tolson | French
Architecture
Planning
Project Management

Phone 817.514.0584
Fax 817.514.0694
Web www.GTFdesign.com

8251 Bedford-Euless Rd. Suite 250 · North Richland Hills, TX 76180

EVERGREEN RETIREMENT COMMUNITY
ROCKWALL, TEXAS
SITE PLAN

2-16-06



6.43 Acres

This rectangle of land that steps down from the south side of the site was contemplated by this plan to be a part of the site.

This site is as presented in the 2007 amendment. The size of the site was stated in this plan as 6.43 acres, not 6.3 acres as represented in the application. The final (current 2009) amendment request depicts essentially the same site configuration with the size stated as 6.5749 acres.

060111

060111

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Ben Sheppard, Multifamily Finance Production Division

From: Sam Hoover, Real Estate Analysis Division

cc: File

Date: November 1, 2007

Re: Amendment Request for Evergreen at Rockwall, #060111

I have reviewed the Applicant's request to amend the application with respect to the footprint of the development, the community building and the covered parking.

The Applicant has requested to flip the footprint of the project so as many units as possible would be orientated to the north, making the project more compatible with an adjacent assisted living facility located to the north of the property. In flipping the footprint, the clubhouse was relocated from within one of the residential buildings to stand alone at the end of the development as a separate non-residential building. As a result, the original number of residential buildings was changed from six residential buildings to five. These changes did not change the unit mix or square footage totals of the residential buildings, but did increase the clubhouse square footage from 4,000 square feet to 5,114 square feet. Additionally, the Applicant has requested to change the number of parking spaces from 170 uncovered spaces as originally proposed to 116 uncovered parking spaces and 54 carport spaces. The Applicant discovered during their pre-leasing efforts that a high demand for covered parking exists. As a result of this demand they have decided to provide 54 carports and will charge $20 per month for the covered parking. The Applicant is aware that the cost to construct these carports will not be included in eligible basis for purposes of the Underwriter's analysis. Of note, the Underwriter questioned the Applicant regarding the fact that the total direct construction costs have not changed as a result of the changes being requested. The Applicant indicated that the contract price established would still be maintained and that the cost to construct the carports would come out of contingency. Lastly, the Applicant has requested to substitute secured entry (elevator buildings only) with a service coordinator's office. Each of these common amenities are worth 1 point each. The affect of this substitute on the underwriting analysis will not be substantial since these costs are included in the direct construction cost estimate, which has not changed.

Based on the information provided by the Applicant, the requested amendment has no material effect on the application as underwritten or on the recommended 9% Housing Tax Credit Award. Should any further changes be requested, the transaction should be reevaluated and adjustment to the 9% HTC recommendation may be warranted.

060111

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

December 17, 2007

Mr. Liam Mulvaney
LifeNet Community Behavioral Healthcare
10405 E. Northwest Highway, Suite 100
Dallas, Texas 75238

Re: Evergreen at Rockwall (the Development), Rockwall, Rockwall County
Housing Tax Credit Development No. 060111

Dear Mr. Mulvaney:

The Texas Department of Housing and Community Affairs received your letter of November 16, 2007. The letter requested the Department's approval to change the site plan, and building plans that were proposed in the application of the development named above. The succeeding discussion reflects the Department's understanding of the representations provided in your correspondence and in the application.

In the original plan, the residential areas and clubhouse were parts of a single building and the residential areas remain connected in the final plan. However, the clubhouse in the final plan is distinct from the residential building. The net rentable area was not changed but the common area of the clubhouse was changed from 4,000 square feet (as underwritten) to 5,114 square feet as amended. The total common area, including common hallways, the clubhouse and other common areas, was changed from the 146,385 square feet stated in the application to 157,021 square feet as currently proposed. A part of the change in the common area resulted from applying the Department's definition of common area instead of the architect's definition. Therefore, the final common area was corrected to exclude porches that were included in the original plan but were not heated and cooled space.

Another change in the development was that the buildings were flipped from their original position so that as many units as possible would face a tract that has been rezoned for assisted living on the north side of the site as opposed to facing land that was zoned commercial on the south side. The foregoing change in the design was made so that the final configuration would be as compatible as possible with the zoning that was finally approved for the subject site and the surrounding area.

Your letter also requested that 54 of the original 170 open parking spaces be converted to carports. The request was said to result from a substantial demand for covered parking from prospective tenants. The conversion would eliminate the cost of the converted spaces from eligible basis because under the final proposal a fee will be charged for the covered spaces.

You requested that the representation to provide "secured building entry" be replaced by a proposal to provide a service coordinator's office in the clubhouse. Both the original representation and the replacement were worth one point in the same exhibit of the application. The change was requested because the intended meaning of the term "secured building entry" was said to have been taken to be a reference to a security device such as a perimeter fence with controlled access gate, a device that is reportedly present in the development, not a controlled access door into the clubhouse or residential building, a device that was reported as not present in the development.

Your request for approval of the changes discussed above is granted. This letter will be forwarded to our Portfolio Management and Compliance Division and to the Real Estate Analysis Division. Please include this letter with the submission of your cost certification.

Thank you for your letter.

Sincerely,

Michael Gerber
Executive Director

MFP/bs

Cc: Patricia Murphy, Director of Portfolio Management and Compliance
Raquel Morales, Senior Cost Certification Specialist

060111

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

2006 HOUSING TAX CREDIT COMMITMENT NOTICE

Issued to the Development Owner: **Rockwall Senior Community, L.P.**

Contact Person: Brad Forslund

Contact Address: 5605 N. MacArthur Blvd., Ste. 580
Irving, TX 75038

Contact Phone/Fax: 9725507800 / (972) 550-7900

Development Name and TDHCA #: **Evergreen at Rockwall, TDHCA#060111**

Development Address: 1200 Block of South Goliad St.
Rockwall, TX 75087
Located in Rockwall County in Region 3

Set-Asides: **At-Risk:** ☐ **Non-Profit:** ☑ **USDA:** ☐

Allocation Category: Urban/Exurban

Annual Housing Credit Allocation Commitment Amount: **$1,042,433**

Issuance Date of Commitment Notice: August 11, 2006

Effective Date of Commitment Notice: July 28, 2006

Expiration Date of Commitment Notice: **August 21, 2006**

Pursuant to Internal Revenue Code §42 (the "Code"), the Texas Department of Housing and Community Affairs (the "Department") has approved an application from the Development Owner named above for an allocation of housing tax credits from the 2006 Housing Tax Credit ceiling for the housing development described above ("Development"). This Commitment Notice confirms the Department's commitment to make an allocation of tax credits to the proposed Development in the Annual Housing Credit Allocation Commitment Amount set forth above. This Commitment Notice does not constitute an allocation of housing tax credits. The allocation will be made only through the Department's execution and delivery of Internal Revenue Service (IRS) Forms 8609.

This Commitment Notice is subject to the Development Owner's full compliance with the Department's 2006 Housing Tax Credit Program Qualified Allocation Plan and Rules, Chapter 50 of Title 10 of the Texas Administrative Code, (the "Rules"); all applicable state and federal law, including the Code; and other relevant regulations and pronouncements of the Internal Revenue Service. In addition to compliance with applicable state and federal law, the Department's issuance of IRS Forms 8609 will be dependent upon the Development Owner's compliance with the terms of the Application and this Commitment Notice, including the implementation of all representations and covenants made by the Development Owner, whether express or implied, and specifically including all pledges made regarding the construction and operation of the Development, and any other conditions set forth in Exhibit "A" of this Commitment Notice and incorporated by reference. This Commitment Notice is binding on all successors.

060111

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 allocation of credits, the Development is considered to be in the calendar year in which the Board votes, not in the year of the Credit Ceiling. This limitation applies only to communities contained within counties with populations exceeding one million (which for calendar year 2006 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) 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 Developments under review and existing Tax-Exempt Bond Developments in the Department's portfolio. (2306.67021)

(g) **Rehabilitation Costs.** Rehabilitation Developments 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 financed with TX-USDA-RHS in which case the minimum is $6,000.

(h) **Unacceptable Sites**. Developments will be ineligible if the Development is located on a site that is determined to be unacceptable by the Department.

(i) **Appeals and Administrative Deficiencies for Site and Development Restrictions.** An Application or Development found to be in violation under subsections (a) - (h) of this section will be notified in accordance with the Administrative Deficiency process described in §50.9(d)(4) of this title. They may also utilize the appeals process described in §50.17(b) of this title.

§50.7. Regional Allocation Formula; Set-Asides; Redistribution of Credits.

(a) **Regional Allocation Formula.** As required by §2306.111(d), Texas Government Code, the Department uses a regional distribution formula developed by the Department to distribute credits from the State Housing Credit Ceiling to all urban/exurban areas and rural areas. The formula is based on the need for housing assistance, and the availability of housing resources in those urban/exurban areas and rural areas, and the Department uses the information contained in the Department's annual state low income housing plan and other appropriate data to develop the formula. This formula establishes separate targeted tax credit amounts for rural areas and urban/exurban 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/exurban areas is referred to as the Urban/Exurban Regional Allocation. Developments qualifying for the Rural Regional Allocation must meet the Rural Development definition. At least 5% of each region's allocation for each calendar year shall be allocated to Developments which are financed through TX-USDA-RHS, that meet the definition of a Rural Development, do not exceed 76 Units if New Construction, and have filed an "Intent to Request 2006 Housing Tax Credits" form by the Pre-Application submission deadline. These Developments will be attributed to the Rural Regional Allocation in each region where they are located. Developments financed through TX-USDA-RHS's 538 Guaranteed Rural Rental Housing Program will not be considered under this set-aside. Commitments of 2006 Housing Tax Credits issued by the Board in 2005 will be applied to each Set-Aside, Rural Regional Allocation, Urban/Exurban Regional Allocation and TX-USDA-RHS Allocation for the 2006 Application Round as appropriate.

(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 organization's Application is filed on behalf of a limited partnership, the Qualified Nonprofit Organization must be the controlling managing General Partner. If the organization's 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 15% of the allocation to each Uniform State Service Region will be set aside for allocation under the At-Risk Development Set-Aside. 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 §50.3(13) of this title. (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 §50.3(13)(A) of this title, or provide evidence that it will renew, retain or preserve the financial benefit described in §50.3(13)(A) of this title; and must have filed an "Intent to Request 2006 Housing Tax Credits" form by the Pre-Application submission deadline.

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(viii) State senator of the district containing the Development; and
(ix) State representative of the district containing the Development.

(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 §50.9(i)(12) of this title, 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.

§50.9. Application: Submission; Communication with Department Employees; 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 2007 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 §50.20 of this title, 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 and 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, Applicants may withdraw their 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 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 Department to remedy an Administrative Deficiency as further described in §50.3(1) of this title or by amendment of an Application after a commitment or allocation of tax credits as further described in §50.17(d) of this title.

(b) **Communication with Department Employees.** Communication with Department staff by Applicants that submit a Pre-Application or Application must follow the following requirements. During the period beginning on the date a Development Pre-Application or Application is filed and ending on the date the Board makes a final decision with respect to any approval of that Application, the Applicant or a Related Party, and any Person that 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 individual employed as a lobbyist by the Applicant or a Related Party, may communicate with an employee of the Department about the Application orally or in written form, which includes electronic communications through the Internet, so long as that communication satisfies the conditions established under paragraphs (1) - (3) of this subsection. Section 50.5(b)(6) of this title applies to all communication with Board members. Communications with Department employees is unrestricted during any board meeting or public hearing held with respect to that Application.

(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;

(3) a record of the communication must be maintained by the Department and included with the Application for purposes of board review and must contain the date, time, and means of communication; the names and position titles of the persons involved in the communication and, if applicable, the person's relationship to the Applicant; the subject matter of the communication; and a summary of any action taken as a result of the communication. (2306.1113)

(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

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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. Effective December 1, 2006 (meaning this does not apply to amendments received prior to this effective date and does not apply to 2006 Tax Credit Applications), if a Development Owner does not produce the Development as represented in the Application and in any amendments approved by the Department subsequent to the Application, or does not provide the necessary evidence for points received for the Commitment of Development Funding by Local Political Subdivisions by the required deadline (unless granted an extension by the Department):

(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 by ten points for applications for tax credits that are submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development by ten points for the two Application Rounds concurrent to, or following, the date that the non-conforming aspect, or lack of financing, was identified by the Department; and

(B) prohibit eligibility to apply for 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 12 months from the date that the non-conforming aspect, or lack of financing, was identified by the Department.

(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 §50.5; Applicants will be promptly notified in these instances.

(1) Eligibility and Selection Criteria Review. All Applications will first be reviewed as described in this paragraph. Applications will be confirmed for eligibility under §50.5 of this chapter and Set-Aside eligibility will be confirmed. 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) Priority 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 designated as "priority" Applications. Applications that do not appear to be competitive may not be reviewed in detail for Threshold Criteria during the Application Round.

(3) Threshold Criteria Review. Applications that are designated as "priority" from the Priority Review Assessment will be evaluated in detail for eligibility under §50.6 of this chapter and against the Threshold Criteria. Applications 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. To the extent that the review of Threshold Criteria documentation, or submission of Administrative Deficiency documentation, alters the score assigned to the Application, Applicants will be notified of their final score. As Applications are evaluated under this Review process, a final score by the Department may remove the Application from "priority" status at which point other Applications may be designated as "priority" and reviewed under this paragraph.

(4) 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 and Selection, and Threshold Criteria 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 a facsimile, email (if an email address is provided by the Applicant) and a telephone call to the Applicant and one other party identified by the Applicant in the Application advising that such a request has

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pregnancies; and encourages the formation and maintenance of two-parent families; any services addressed by §2306.254 Texas Government Code; or any other services approved in writing by the Department.

(10) **Housing Needs Characteristics.** (42(m)(1)(C)(ii)) Applications may qualify to receive up to 7 points. Each Application, based on the Area or county where the Development is located, will receive a score based on the Uniform Housing Needs Scoring Component. If a Development is in a place, the Area score will be used. If a Development is not within a place, then the county score will be used. The Uniform Housing Needs Scoring Component scores for each Area and county will be published in the Reference Manual.

(11) **Development Includes the Use of Existing Housing as part of a Community Revitalization Plan (Development Characteristics).** Applications may qualify to receive 7 points for this item. (42(m)(1)(C)(iii)) The Development is an existing Residential Development and the proposed Rehabilitation or demolition and reconstruction is part of a Community Revitalization Plan. Evidence of the Community Revitalization Plan and a map showing the boundaries of the Community Revitalization Plan and the location of the Development site within the boundaries must be submitted.

(12) **Pre-Application Participation Incentive Points.** (2306.6704) Applications which 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 site as the proposed Development 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 subsections (i)(2) and (i)(6) of this title. 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.

(13) **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 date of the close of the Application Acceptance Period, that the subject Property is located within one of the geographical areas described in subparagraphs (A) - (H) of this paragraph. Areas qualifying under any one of the subparagraphs (A) - (H) of this paragraph will receive 4 points. An Application may only receive points under one of the subparagraphs (A) - (H) 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 (2306.1273).

(B) a designated state or federal empowerment/enterprise zone, urban enterprise community, or urban enhanced enterprise community. Such Developments must submit a letter and a map from a city/county official verifying that the proposed Development is located within such a designated zone. Letter should be no older than 6 months from the first day of the Application Acceptance Period. (General Appropriation Act, Article VII, Rider 6; 2306.127)

(C) a city or county-sponsored area or zone where a city or county has, through a local government initiative, specifically encouraged or channeled growth, neighborhood preservation, or redevelopment. Such Developments must submit all of the following documentation: a letter from a city/county official verifying that the proposed Development is located within the city or county-sponsored zone or district; a map from the city/county official which clearly delineates the boundaries of the district; and a certified copy of the appropriate resolution or documentation from the mayor, local city council, county judge, or county commissioners court which documents that the designated Area was created by the local city council/county commission, and targets a specific geographic Area which was not created solely for the benefit of the Applicant.

(D) the Development is located in a county that has received an award as of November 15, 2005, 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

(3) Within 14 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 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 §50.18 of this title 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 three percent 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 five percent;

(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 original Application, 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 represented at the time of Application, 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 (4% or 9%) 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.

08300

The City of San Angelo, Texas
Community Development P. O. Box 1751; 76902

September 14, 2009

Robbye Meyer
P.O. BOX 13941
Austin, TX 78711-3941
(512) 475-3800

Re: Blackshear Homes #08300

Dear Ms. Meyer,

Thank you for your continued support on the Blackshear Homes Tax Credit Project (08300). The City of San Angelo requests an opportunity to address the Board during the October meeting and present a case to overturn their recent decision to disapprove the amendment to extend the number of lots from eight (8) to sixteen (16).

Upon City Council approval to support the project, the city reserved 20 lots which included the additional 8 lots identified on the amendment. The developer, National Development Council (NDC) documented only 8 of those 20 lots in the original application with a plan to secure a phase two and obtain funding for a similar tax credit project which would utilize the remaining lots.

However, since the original application was submitted the economy has seen a drastic downturn and the opportunities to obtain equity investors for an additional project has evaporated and the developer has no intentions of competing for additional tax credits. Therefore, in order to extend the project further into the neighborhood to make more of an impact, we requested that the developer submit the amendment to add the 8 lots.

Approving the amendment would have significant benefits to the Blackshear neighborhood. Specifically:

- It is not a significant change to the scope of the project
- The environmental assessment was complete with no detrimental impact identified
- It will require less replating which will make it easier to be city code compliant
- It will help maintain the character of the neighborhood

- It will be easier to sell the homes when the 15year rental restrictions expire
- But more importantly, it will expand and push out the revitalization efforts deeper into the neighborhood

We can't emphasize enough that this project is less about housing 20 families in 20 rental units. It is about revitalizing a neighborhood that has been neglected and allowed to deteriorate over the years. The city is excited about Blackshear and we continue to make progress in the neighborhood. Since the original application, the city completed over 25k ft of sidewalks and our affordable housing partners are ready to build 4 new homes in the area where the eight lots identified in the amendment are located.

We appreciate your attention to this issue. Please feel free to contact me at (325) 657-4274.

Sincerely,

Robert Salas
Director, Community Development

08300

THE NATIONAL
DEVELOPMENT
COUNCIL

07-24-09P12:45 RCVD

July 13, 2009

Texas Department of Housing & Community Affairs
Attn. Robbye Meyer
Multifamily Division
221 East 11th Street
Austin, TX 78701-2410

RE: Blackshear Homes – 08300

Dear Ms. Meyer:

Blackshear Homes is a 20 unit LIHTC development on scattered sites in the Blackshear neighborhood of San Angelo, TX. The project, as originally proposed, was located on eight lots with multiple units on several of the lots. The original acreage was 3.9285 acres, a density of one unit per .1964 acres. We are respectfully requesting to amend our site plan to include eight additional lots. The number of units will remain at twenty. The additional lots are all in the Blackshear neighborhood. With the additional lots the total project acreage will be increased to 5.2954 acres with an average density of one unit per .2648 acres. The additional lots will reduce the need for shared driveways, and will enhance the project visibility of the project bringing more units to the various street frontages.

The City of San Angelo has been the driving force behind the proposed amendment for several reasons: first the additional land enhances the ability to convert the units to home ownership at the end of the compliance period as proposed in the original application. Secondly, the revised site plan encompasses more of the Blackshear neighborhood where the City is focusing their community development efforts and dollars. The City has recently constructed a LEED certified home in the vicinity of the additional lots. The City is providing seven of the eight new lots at a below market cost of $750.00 under its urban homesteading program. The eighth lot was an interior lot (surrounded by 3 of the original eight lots) on Shelton Street. Galilee CDC, the joint venture developer, has acquired this lot from Tom Green County and will make it available to the project at the same price as the city lots, $750.00.

7513 Thistledown Drive
McKinney, TX 75071
TEL (214) 491-1500 FAX (214) 291-5206

New York Office
708 Third Avenue, Suite 710
New York, NY 10017
TEL (212) 682-1106 FAX (212) 573-6118

www.nationaldevelopmentcouncil.org

08300

July 13, 2009
Blackshear Homes – 08300

The Blackshear Homes 2008 LIHTC application did not receive "pre-application" bonus points; therefore, the competitive score would not have changed as a result of the proposed amendment. A copy of the new site plan, surveys, title policies and environmental Phase 1 for the additional lots are enclosed.

Best Regards,

Stephanie Dugan

Stephanie Dugan, Director
National Development Council,
& Agent for Community Development Properties, San Angelo, Inc., Managing Member
Blackshear Properties of San Angelo, LLC

THE NATIONAL DEVELOPMENT COUNCIL™

Volume 3, Tab 2
SCATTERED SITE INFORMATION

Application 3.9285acres + Amendment 1.3670acres =5.2955acres

original 3.9285 ACRES (rows 1–8)

Amended 1.3670 ACRES (rows 9–16)

	11 Digit Census Tract Number	Legal (Lot, Block, Subdivision)	Address (Street Number and Name)	Acres (Decimal Out to 4 Places)	No. of Units on This Lot	Bldg. Type(s) (SFR, 2plex, 3plex, 4plex, 5plex, etc.)	Contract Grantor & Grantee
1	48451000500	North 134.24 ' of Lot 10, Block 3 Home Acres	2022 Shelton 134.24' x 250'	.7704	3	SFR	Option Contract City of San Angelo to Galilee CDC Assigned to Applicant
2	48451000500	Lot 11, Block 3 Home Acres	2000 Shelton 174.24' x 250'	1.000	3	SFR	""
3 *	48451000500	South 40' of West 1/2 Lot 10, Block 3 Home Acres	2000 Block, Shelton 40' x 125'	.1148	0*	SFR	""
4	48451000500	Lot 5, Block 4 Allendale	808 W. 19th 50' x 192.5'	.2210	1	SFR	""
5	48451000500	N 1/2 of E 1/2 Lot 1, Block 4 Home Acres	1915 Shelton 71.18' x 153'	.2500	1	SFR	""
6	48451000500	Lot 4 & 5, Block 3 Allendale	708 (710) W. 19th Street 100' x 192.5'	.4419	2	SFR	""
7	48451000500	Lot 8, Block 2, Home Acres except the N 55' of the west 150' Lot 8	2122 Brown Street 119.24' x 250' + 55' x 100'	.8106	2	SFR	""
8	48451000500	W1/2 of Lot 8 Block 4, Home Acres	2200 Lillie 91.05' x 153'	.3198	1	SFR	""
9	48451000500	Lot 2, Block 4, Mineola Addition	807 W. 18th Street 51' x 145'	.1698	1	SFR	""
10	48451000500	Lot 1, Block 4, Mineola Addition	801 W. 18th Street 51' x 145'	.1698	1	SFR	""
11	48451000500	Lot 2, Block 2, Mineola Addition	604 W. 18th Street 50' x 145'	.1664	1	SFR	""
12	48451000500	Lot 18, Block 3, Mineola Addition	704 W. 17th Street 50' x 150'	.1722	1	SFR	""
13	48451000500	Lot 7 Block 3, Mineola Heights Addition	714 W. 18th Street 50' x 200'	.2296	1	SFR	""
14	48451000500	South 150 Feet of Lot 8, Block 3, Mineola Heights Addition	716 W. 18th Street 50' x 150'	.1722	1	SFR	""
15	48451000500	South 150 Feet of Lot 10, Block 3, Mineola Heights Addition	720 W. 18th Street 50' x 150'	.1722	1	SFR	""
16 *	48451000500	East 1/2 of the South 40' of Lot 10, Block 3 Home Acres (back 1/2 of #3 above)	2000 Block, Shelton 40' x 125'	.1148	0*	SFR	""
17							
18	* Same Lot						
19							
20							

08300

Volume 3, Tab 2
SCATTERED SITE INFORMATION

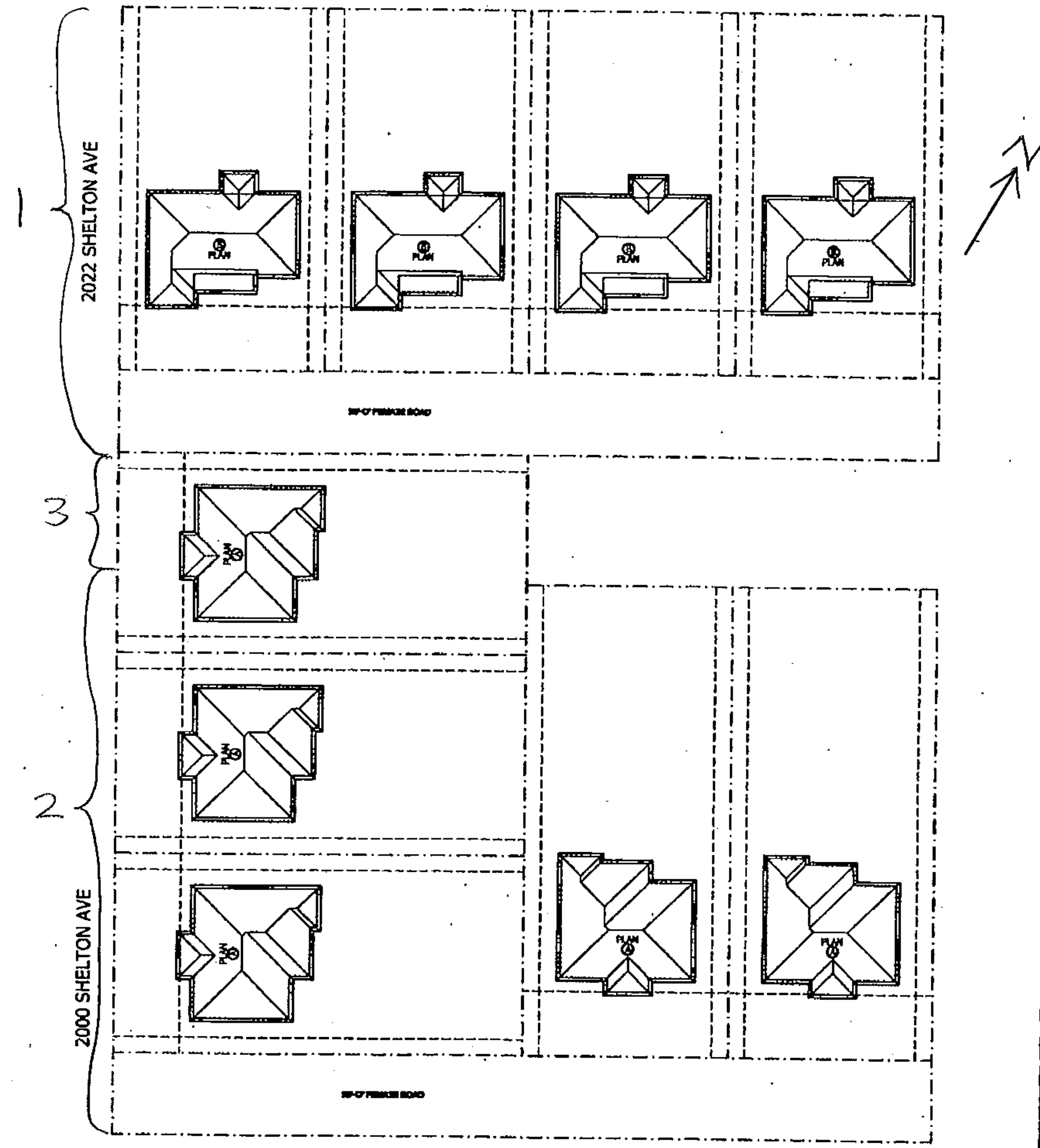
	11 Digit Census Tract Number	Legal (lot, Block, Subdivision)	Replat Description	Address (Street Number and Name)	Acres (Decimal Out to 4 Places)	Acres After Re-plat	No. of Units on This Lot	No. of Units After Replat	Bldg. Type(s) (SFR, 2plex, 3plex, 4plex, 5plex, etc.)	Contract Grantor & Grantee
1	48451000500	North 134.24' of Lot 10, Block 3 Home Acres	First Replat in Lot 10, Block 3, Home Acres Addition	2022 Shelton	0.7704	0.0000	3		SFR	Option Contract City of San Angelo to Galilee CDC Assigned to Applicant
1A		REPLAT	Lot 10A, Block 3, Home Acres Addition	2022-A Shelton		0.3333		1		
1B		REPLAT	Lot 10B, Block 3, Home Acres Addition	2022-B Shelton		0.3333		1		
2	48451000500	Lot 11, Block 3 Home Acres	First Replat in Lot 11, Block 3, Home Acres Addition	2000 Shelton	1.0000	0.0000	3		SFR	""
2A		REPLAT	Lot 11A, Block 3, Home Acres Addition	2000-A Shelton		0.3333		1		
2B		REPLAT	Lot 11B, Block 3, Home Acres Addition	2000-B Shelton		0.3333		1		
2C		REPLAT	Lot 11C, Block 3, Home Acres Addition	2000-C Shelton		0.3334		1		
3	48451000500	South 40' of West 1/2 Lot 10, Block 3 Home Acres	First Replat in Lot 10, Block 3, Home Acres Addition	2000 Block Shelton	0.1148	0.0000	0		SFR	""
3C		REPLAT	Lot 10C, Block 3, Home Acres Addition	2022-C Shelton		0.3334		1		
4	48451000500	Lot 5, Block 4 Allendale		808 W. 19th	0.2210	0.2210	1	1	SFR	""
5	48451000500	N 1/2 of E 1/2 Lot 1, Block 4 Home Acres		1915 Shelton	0.2500	0.2500	1	1	SFR	""
6	48451000500	Lot 4 & 5 , Block 3 Allendale		708 (710) W. 19th Street	0.4419	0.4419	2	2	SFR	""
7	48451000500	Lot 8, Block 2, Home Acres except the N 55' of the west 150' Lot 8	First replat In Lot 8, Block 2, Home Acres Addition	2122 Brown Street	0.8106	0.0000	2		SFR	""
7A		REPLAT	Lot 8A , Block 2, Home Acres Addition	2122-A Brown Street		0.4684		1		
7B		REPLAT	Lot 8B , Block 2, Home Acres Addition	2122-B Brown Street		0.3422		1		
8	48451000500	W 1/2 of Lot 8 Block 4, Home Acres		2000 Lillie	0.3198	0.3198	1	1	SFR	""
9	48451000500	Lot 2, Block 4 Mineola Addition		807 W. 18th Street	0.1698	0.1698	1	1	SFR	""
10	48451000500	Lot 1, Block 4 Mineola Addition		801 W. 18th Street	0.1698	0.1698	1	1	SFR	""
11	48451000500	Lot 2, Block 2 Mineola Addition		604 W. 18th Street	0.1664	0.1664	1	1	SFR	""
12	48451000500	Lot 18, Block 3, Mineola Addition		704 W. 17th Street	0.1722	0.1722	1	1	SFR	""
13	48451000500	Lot 7 Block 3, Mineola Heights Addition		714 W. 18th Street	0.2296	0.2296	1	1	SFR	""
14	48451000500	South 150' of Lot 8, Block 3, Mineola Heights Addition		716 W. 18th Street	0.1722	0.1722	1	1	SFR	""
15	48451000500	South 150' of lot 10 , Block 3, Mineola Heights Addition		720 W. 18th Street	0.1722	0.1722	1	1	SFR	""
16	48451000500	East 1/2 of the South 40' of Lot 10, Block 3 Home Acres (back 1/2 of lot #3 above)	First Replat in Lot 10, Block 3, Home Acres Addition	2000 Block Shelton	0.1148	0.0000	0		SFR	""
3C		REPLAT (Back 1/2 of 3C above)	Lot 10C, Block 3, Home Acres Addition	2022-C Shelton (same as 3-C Above)		0.0000		0		
					5.2955	5.2955	20	20		

08300


08300
PROJECT MAP
N
19TH ST
LILLIE AVE
SHELTON ST
BROWN ST
HUDSON ST
W 19TH ST
W 18TH ST
W 17TH ST
BRYANT BLVD
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16

Application: Sites 1-3 on Project Map

08300



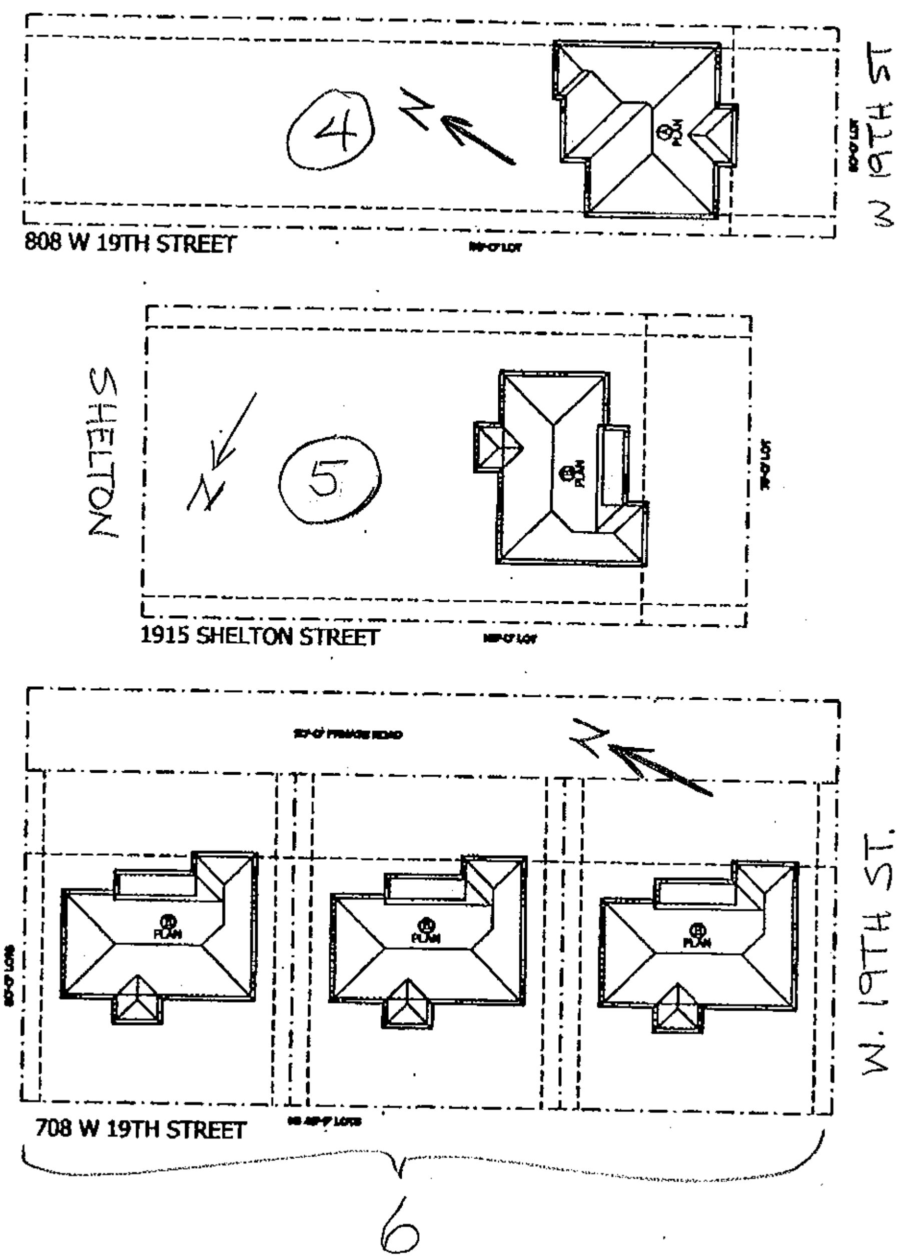
NATIONAL DEVELOPMENT COUNCIL

DATE: 2/26/08

Hunn Designs

Application: Sites 4-6

08300



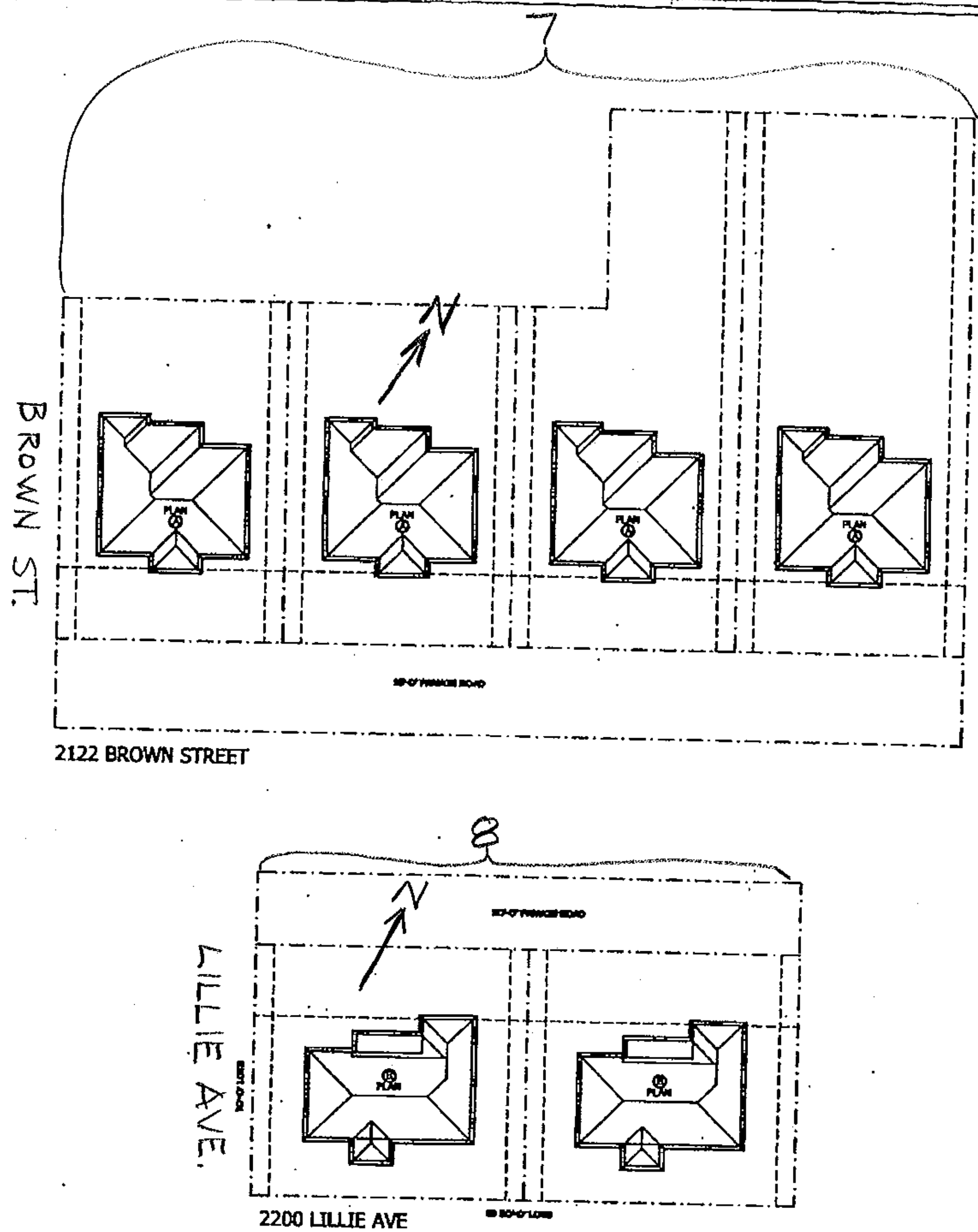
NATIONAL DEVELOPMENT COUNCIL

DATE: 2/26/08

Hunn Designs

Application: Sites 7&8

08300



NATIONAL DEVELOPMENT COUNCIL

DATE 2/26/08

Hunn Designs

AMENDMENT

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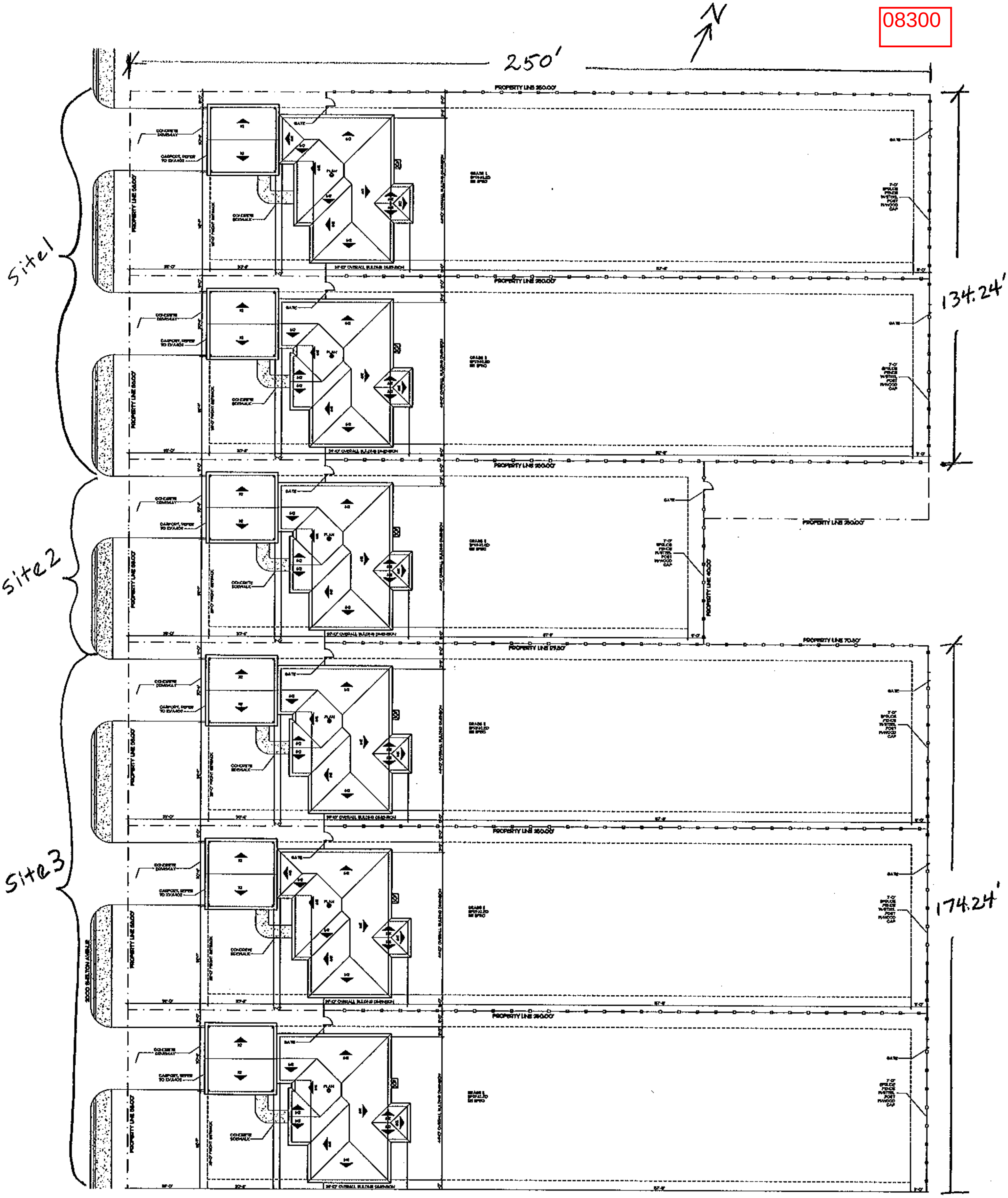
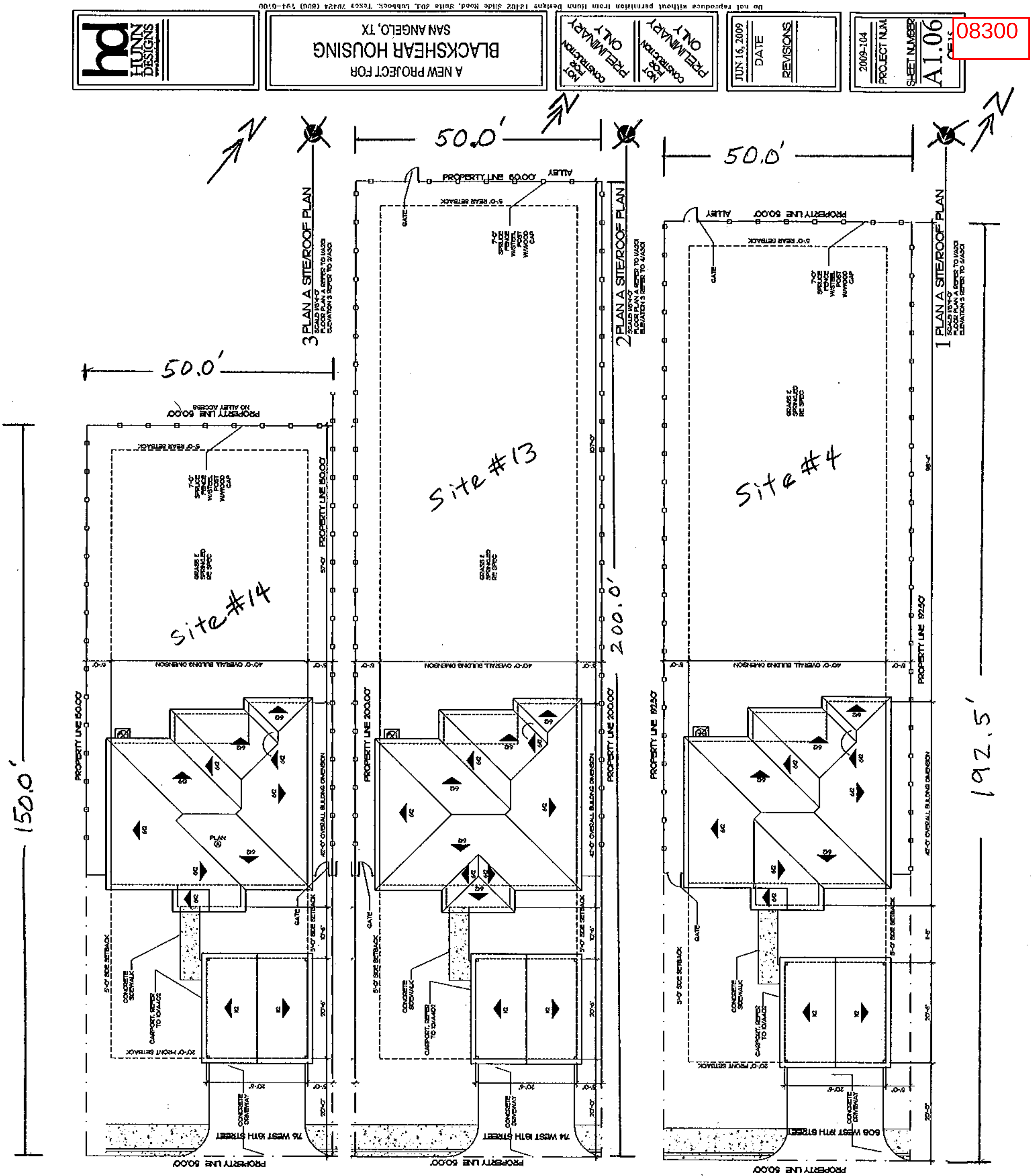


AMENDMENT



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Do not reproduce without permission from Hunn Designs 12102 Slide Road, Suite 201, Lubbock, Texas 79424 (806) 791-0700
HUNN DESIGNS
A NEW PROJECT FOR
BLACKSHEAR HOUSING
SAN ANGELO, TX
NOT FOR CONSTRUCTION
PRELIMINARY ONLY
NOT FOR CONSTRUCTION
PRELIMINARY ONLY
JUN 16, 2009
DATE
REVISIONS
2009-104
PROJECT NUM.
SHEET NUMBER
A1.06
50.0'
50.0'
50.0'
150.0'
200.0'
192.5'
Site #14
Site #13
Site #4
3 PLAN A SITE/ROOF PLAN
2 PLAN A SITE/ROOF PLAN
1 PLAN A SITE/ROOF PLAN
PROPERTY LINE 50.00'
PROPERTY LINE 150.00'
PROPERTY LINE 200.00'
PROPERTY LINE 192.50'
40'-0" OVERALL BUILDING DIMENSION
42'-0" OVERALL BUILDING DIMENSION
5'-0" REAR SETBACK
20'-0" FRONT SETBACK
5'-0" SIDE SETBACK
GATE
ALLEY
NO ALLEY ACCESS
CONCRETE SIDEWALK
CONCRETE DRIVEWAY
716 WEST 19TH STREET
714 WEST 19TH STREET
608 WEST 19TH STREET

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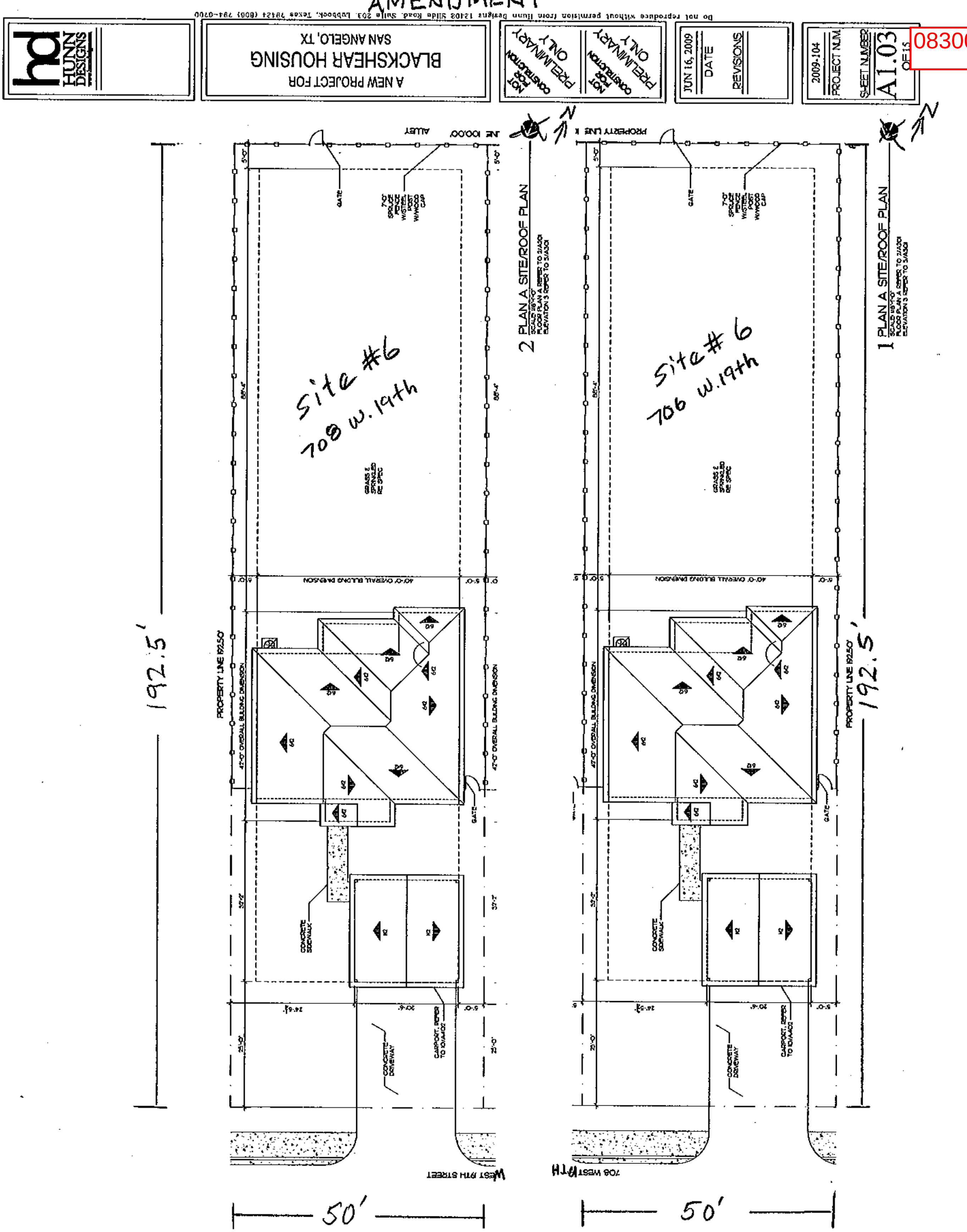

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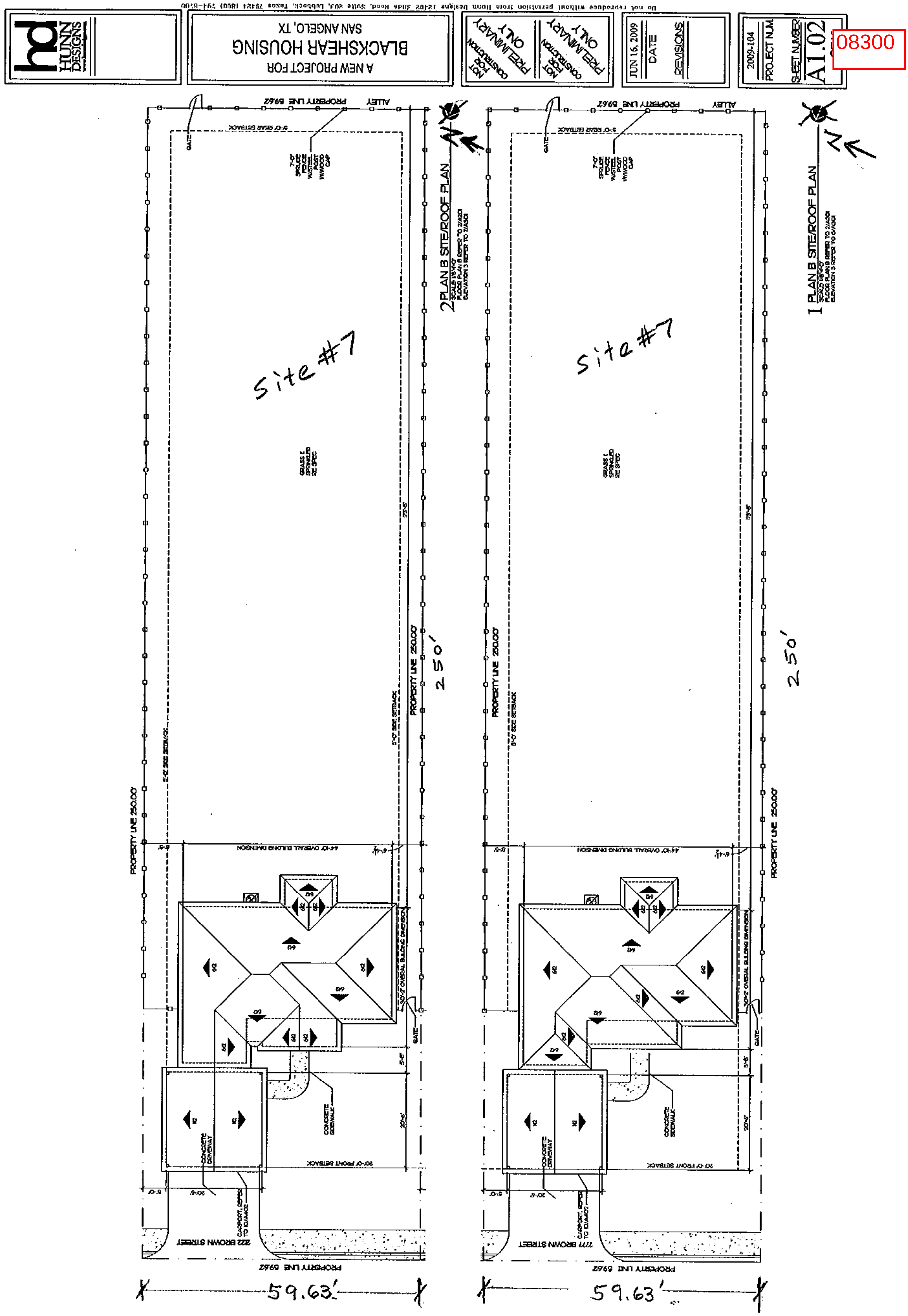
A NEW PROJECT FOR
BLACKSHEAR HOUSING
SAN ANGELO, TX
NOT FOR CONSTRUCTION PRELIMINARY ONLY
NOT FOR CONSTRUCTION PRELIMINARY ONLY
JUN 16, 2009
DATE
REVISIONS
2009-104
PROJECT NUM.
SHEET NUMBER
A1.03
2 PLAN A SITE/ROOF PLAN
1 PLAN A SITE/ROOF PLAN
Site #6
708 W. 19th
Site #6
706 W. 19th
192.5'
192.5'
50'
50'
ALLEY
PROPERTY LINE 192.50'
40'-0" OVERALL BUILDING DIMENSION
GATE
GRASS & SPRINKLED RE SPEC
CONCRETE SIDEWALK
CONCRETE DRIVEWAY
WEST 19TH STREET
708 WEST 19TH

AMENDMENT

08300



AMENDMENT

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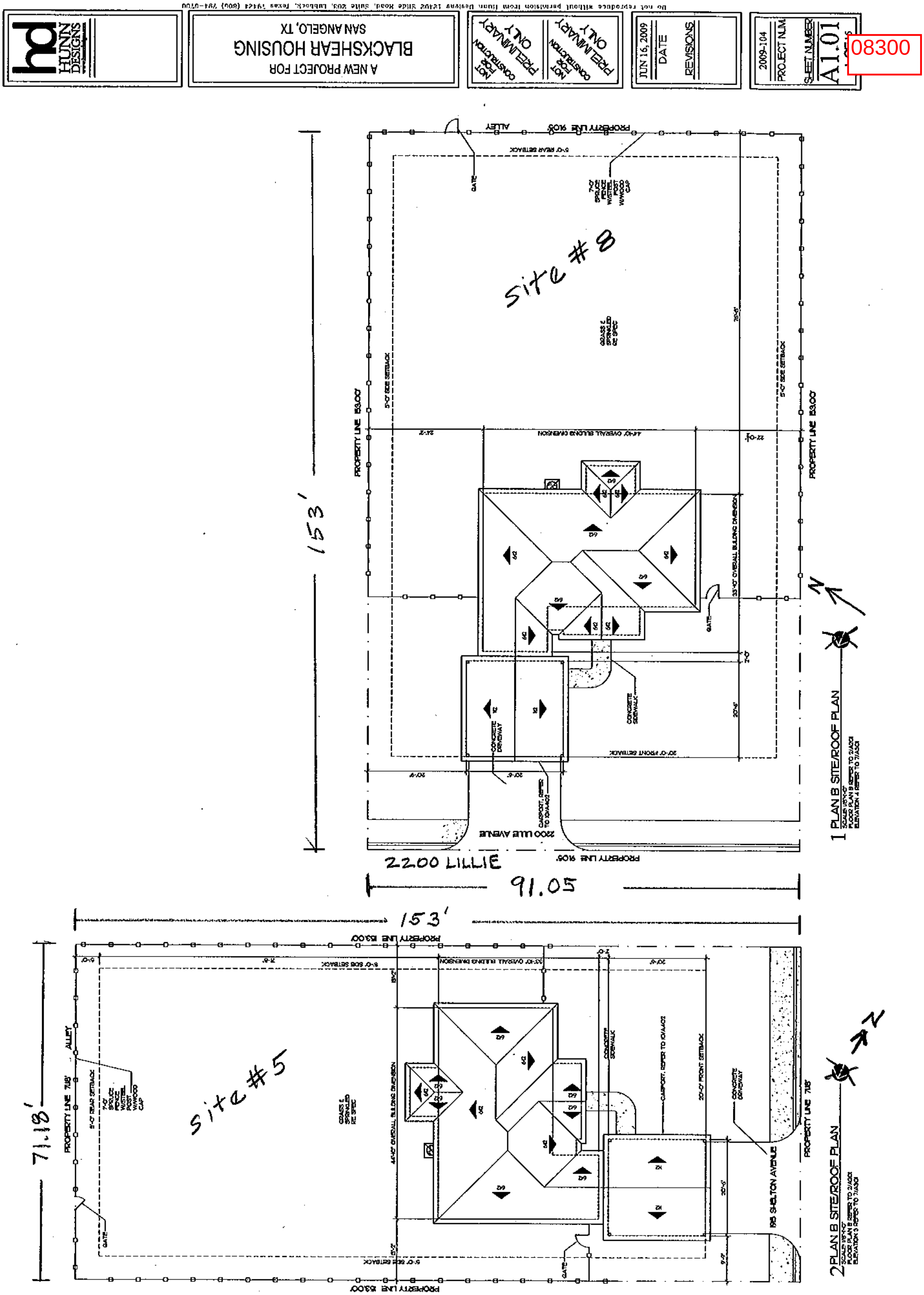

AMENDMENT

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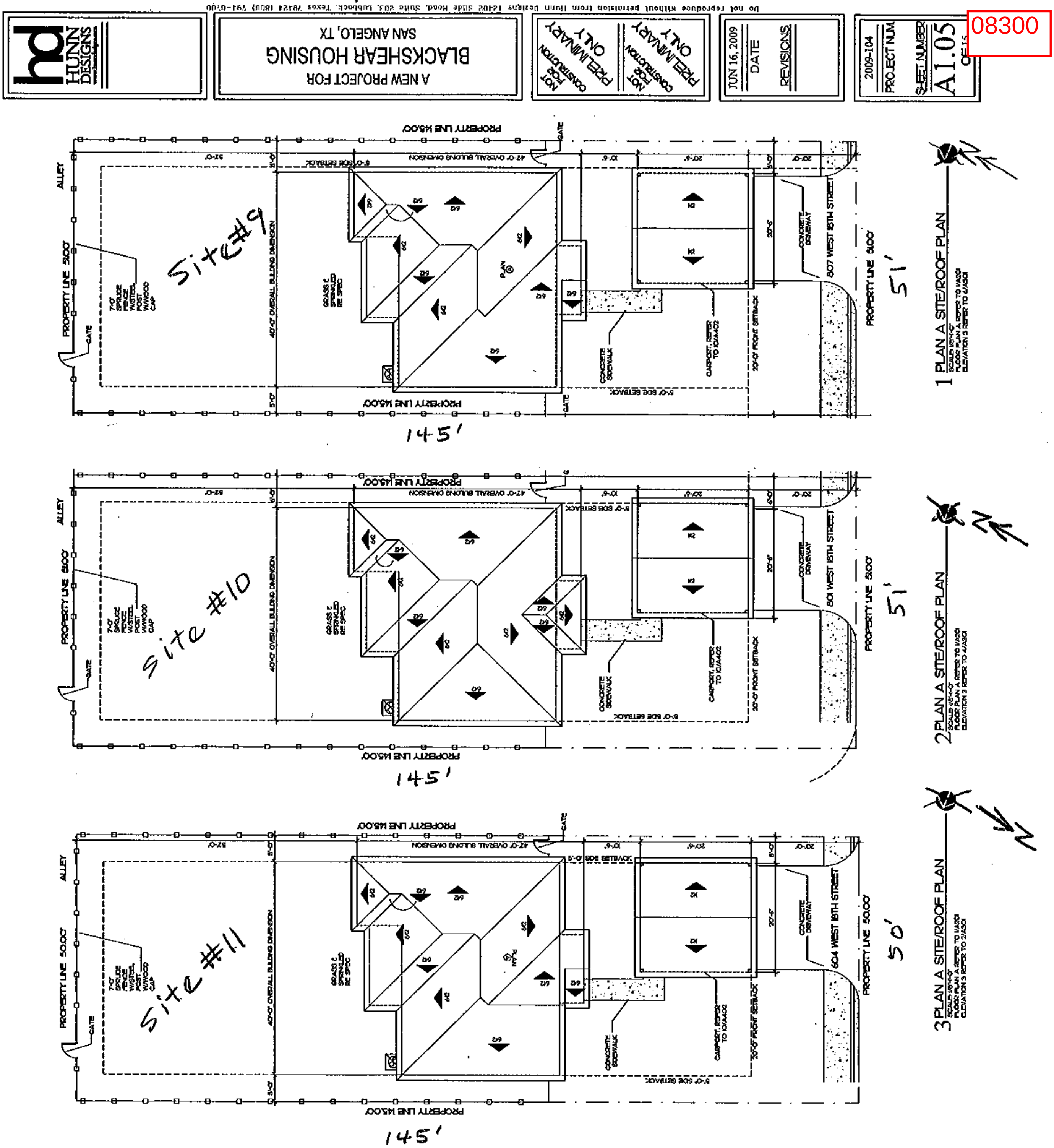
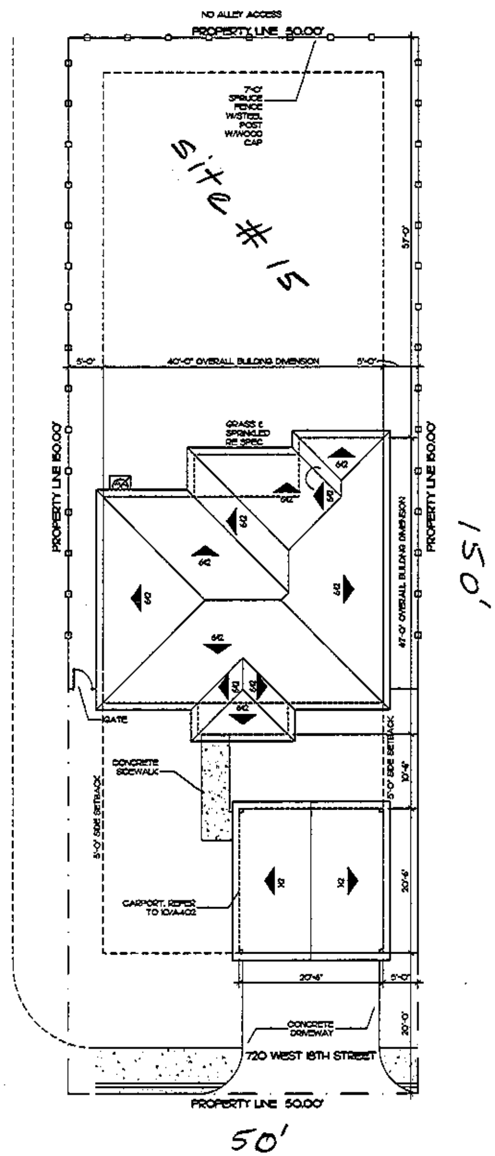
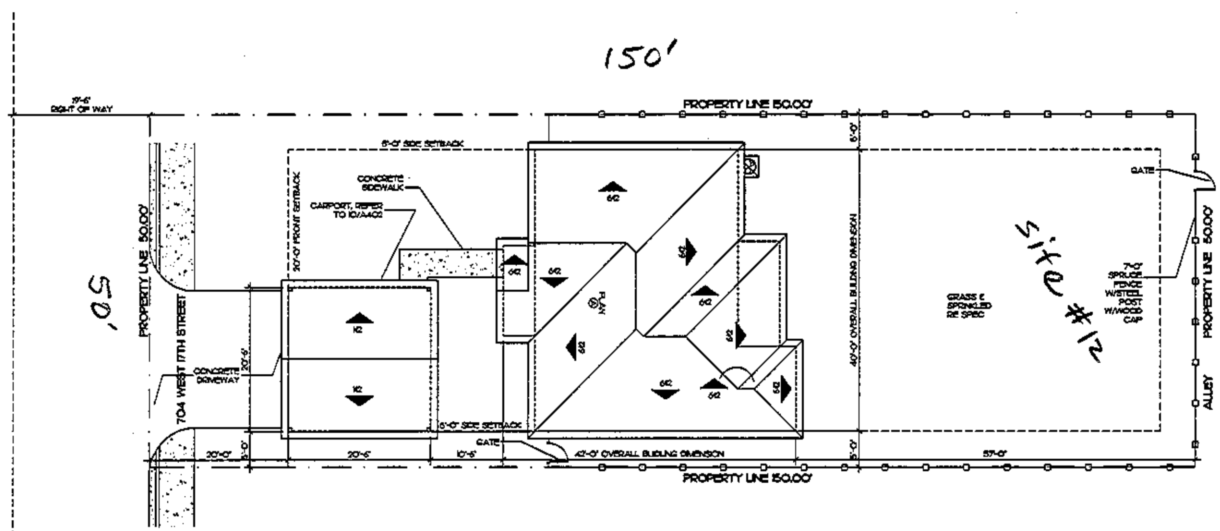


AMENDMENT



2 PLAN A SITE/ROOF PLAN
SCALE: 1/8"=1'-0"
FLOOR PLAN A REFER TO 1/A201
ELEVATION 3 REFER TO 2/A301



1 PLAN A SITE/ROOF PLAN
SCALE: 1/8"=1'-0"
FLOOR PLAN B REFER TO 1/A201
ELEVATION 3 REFER TO 3/A301

hd HUNN DESIGNS

A NEW PROJECT FOR
BLACKSHEAR HOUSING
SAN ANGELO, TX

NOT FOR CONSTRUCTION PRELIMINARY ONLY

NOT FOR CONSTRUCTION PRELIMINARY ONLY

JUN 16, 2009
DATE
REVISIONS

2009-104
PROJECT NUM.
SHEET NUMBER
A1.04

08300

SUMMIT HOUSING PARTNERS, L.L.C.

May 4, 2009

Robbye Meyer
Multifamily Finance Production Division
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
221 East 11th Street
Austin, Texas 78701-2410

RE: Ceiling Fan Deficiency Follow-up
Village Park Apartments – TDHCA File No: 05629/05629B – CMTS: 4331

Robbye,

We greatly appreciate your working with us towards an alternative solution to the installation of ceiling fans at Village Park. Due to the exorbitant cost and inconvenience to the residents related to the fan installation, we would like to propose the installation of new microwave oven/range hood combinations above the ranges in each unit as a substitution. We have determined that the installation is feasible and are currently pricing. Based on the installation costs at other projects, I expect this cost to come in somewhere between $135K and $165K depending on what circuitry has to be added.

In addition, the original agency write-up for the April Board Meeting noted we have some additional amenities on site that had not been proposed as substitutions as part of our amendment request or claimed on the original application. We would like to offer these amenities as additional substitutes for the fans. Pictures of these amenities are attached. They include:

- An Equipped Computer Learning Center
- Furnished Community Room

We understand that the substitutions/waivers described above are subject to TDHCA Board approval. Thank you again for working with us towards a resolution. Please let me know if you have any questions or need additional information.

Sincerely,
Summit Housing Partners, LLC

Tom Champion

105 Tallapoosa Street, Third Floor • Montgomery, Alabama 36104
Telephone: 334.954.4458 • Facsimile: 334.954.4496


EXIT

05629

05629

VILLAGE PARK APARTMENTS

CURRENT STATISTICS AND AMENDMENT REQUEST SUMMARY

May 21, 2009

Location:	Houston, TX
Number of Units:	418
Rent Restrictions:	85% (355 units) proposed in Application / 87% (364 units) as built
Number of Residents:	899 (352 under 18)
Current Occupancy:	90%
Occupancy in Sub-Market:	87
UPCS Physical Assessment Score:	92

<u>Deficiency</u>	<u>Proposed Substitution/Comment</u>
Building count in application does not match count in cost certification	*Buildings can be counted in two ways as some are semi attached by breezeways. Survey and site plan have not changed since application submission.
Ceiling fans are located in all unit living areas but not in bedrooms per requirement Ceiling Fan Bid: $839,425	*Install new Microwave/Range Hood combination above ranges in all units *New in-place Equipped Computer Learning Center offered as additional substitute (+4 points). *In-place Furnished Community Room offered as additional substitute (+2 points)
Accessible Walking Path (-2 points)	*New in-place Children's Activity Center/Kid's Club after school program offered as substitute (+6 points)
Community Garden (-2 points)	*Community Garden will be constructed (+ 2 points)

05629

Cagle Contractors

3171 Rosemont Court
Millbrook, Al 36054
Phone (334) 285-2877
Fax (334 285-1389
emj1560@aol.com

May 29, 2009

To: Summit Asset Management
105 Tallapoosa Street
Montgomery, Al 36104
Phone 334-956-4458
Fax 334-954-4496

Attn: Tom Champion

Re: Microwave Installation Proposal for Village Park Apartments - 8701 Hammerly Blvd. , Houston, TX 77080

Scope of Work as Follows:

Install 418 microwave hood @ 320.00 ea.	$133,760.00
Total Project Cost Labor and Materials	$133,760.00

Sincerely

M George Cagle

Signature

05629

SUMMIT ASSET MANAGEMENT, L.L.C.

105 Tallapoosa Street, Suite 300
Montgomery, Alabama 36104

Telephone: 334.954.4458
Telecopier: 334.954.4496

February 13, 2009

Ben Sheppard
Multifamily Finance Production Division
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
221 East 11th Street
Austin, Texas 78701-2410

Kimbal Thompson
Inspection Specialist
Real Estate Analysis Division
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
221 East 11th Street
Austin, Texas 78701-2410

Rosalio Banuelos
Cost Certification Specialist
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
221 East 11th Street
Austin, Texas 78701-2410

RE: Deficiency Letter Follow-up Notice Response
Village Park Apartments – TDHCA File No: 05629/05629B – CMTS: 4331 (Administrative Deficiencies)

Gentlemen,

As you are aware, Summit Asset Management, LLC (the "Developer") has received letters concerning Administrative Deficiencies at the above referenced community. The deficiencies addressed in this letter concern application deficiencies, which were committed to in the property's original LIHTC application but not present at the time of inspection and/or arose as part of the cost certification review.

In response to the application deficiencies, the Developer is providing this letter addressing each deficiency in detail, with a written certification and other supporting documentation as evidence that corrective action either has been taken, or requesting waivers/approval for substitutions.

As you know our goal is to provide quality affordable housing to the residents of Village Park Apartments. We believe our acquisition; rehabilitation and management efforts at the property have, and will continue to accomplish this goal. We sincerely apologize to the Agency any discrepancies between the original application and

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final product at Village Park. However, we believe the final product is actually superior to the one contemplated in the application.

We greatly appreciate your efforts to help us achieve compliance and ultimately the issuance of 8609s. As part of our efforts to facilitate this process, we are not asking for any additional credits for the costs associated with additional work detailed below.

Please see the response below which follows the outline of the Agencies Deficiency Letter Follow-Up notice dated December 18, 2008:

- **Deficiency #1:** The application identified 29 residential buildings as one of the representations to be included in the development. At inspection, only 26 were reported as observed.

  Response/Corrective Action: There are 25 residential buildings at the property. Volume 1, Tab 2 Activity Overview shows buildings labeled 1-26 with no unit mix for building for #10. Volume 3, Tab 1, Part B references 26 residential buildings and 4 non-residential buildings. Prior to Village Park Apartments Partners, Ltd. taking ownership of the Project, Building #10 was damaged in a fire and not re-built. The ALTA/ACSM Land Title survey attached as Exhibit A shows 25 residential buildings and 4 non-residential buildings at Village Park Apartments.

  Please accept this as our formal request to amend the application as required to indicate 25 residential buildings and 4 non-residential buildings.

- **Deficiency #2:** The application identified Ceiling Fans as one of the amenities to be included in the development. At inspection, the amenity was reported as not observed.

  Response/Corrective Action: Ceiling fans are included in the living areas at the property but are not included in the bedrooms. As-built, no ceiling fixtures exist in any bedroom type, and installation of ceiling fans in all bedrooms would require replacement of approximately 240 electrical panels. The cost of ceiling fan installation and electrical panel replacement would be $839,425, or $2,008/unit. Also, the property operates under an Asbestos O&M Program and there could be additional costs associated with demolition and renovation activities; plus additional costs associated with tenant relocation. Given the extensive cost and potential relocation of residents, the Developer does not believe ceiling fan installation is feasible at the property and respectfully requests TDHCA waive this requirement of the 2005 Qualified Allocation Plan. Please see Exhibit B for a clarification from the architect as to the extent of the work required for the addition of ceiling fans in all bedrooms along with a bid from the general contractor for the required work.

  With the ceiling fan installation infeasible, the Developer is proposing to build a pavilion with picnic tables and barbecue grills for the residents in accordance with TDHCA specifications. The total cost of building the pavilion (inclusive of the Community Garden discussed in Deficiency 4 below) is approximately $76,877. Please see Exhibit C for a plan and bid for this replacement amenity. It will take approximately 45 days from permitting to complete this addition. Please note that this deficiency was not intentional on the part of the Developer, but was a result of a misunderstanding in that the requirement for ceiling fans was assumed to be met in that all of the units had ceiling fans. The mistake was regarding the requirement that all the bedrooms have them also.

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Please accept this as our formal request to amend the application to waive the requirement for ceiling fans in all bedrooms, and accept the pavilion as a replacement amenity that will enhance the quality of life for the residents (+2 point amenity).

- **Deficiency #3:** The application identified Accessible Walking Path as one of the amenities to be included in the development. At inspection, the amenity was reported as not observed.

  Response/Corrective Action: Accessible walking path was included in both the Bond application and the LIHTC application. The Developer included Accessible Walking Path and believed it to be distinct from the ¼ mile walking trail presented in the application. The Developer mistakenly interpreted Accessible Walking Path as being the accessible concrete walkways winding through the property. The developer proposes to provide a children's activity center as a replacement amenity. Our staffed "Kids Club" is an after school program that provides activities from 2:30 to 5:00 along with lunch and snacks in the summer time.

  Please accept this as our formal request to amend the application to delete the "accessible walking path" amenity (-1 point), and add the "children's activity center amenity" (+3 points). Please see Exhibit D for photos of the children's activity center.

- **Deficiency #4:** The application identified Community Garden as one of the amenities to be included in the Development. At inspection, the amenity was reported as not observed.

  Response/Corrective Action: A community garden will be constructed at the property and will be accessible to all residents. The total cost of building the community garden and pavilion discussed under Deficiency 2 above is approximately $76,877. Please see Exhibit B for a site plan and bid for the addition of this amenity.

- **Deficiency #5:** The application identified Sports Court as one of the amenities to be included in the development. At inspection, the amenity was reported as not observed.

  Response/Corrective Action: A sports court was included in both the Bond application and the LIHTC application. A volleyball court was present at the time of application submittal, but was removed post-closing after surveying community interests. The volleyball court was located adjacent to the children's playground and was replaced with additional children's playground equipment. In lieu of a volleyball court; a soccer area was put in on the other side of the existing playground based on the resident survey. The Developer respectfully requests the substitution of the soccer area for the volleyball court in order to meet the sports court amenity requirement. Please see Exhibit E for photos of the new playground equipment where the volleyball court was located, and of the soccer area.

- **Deficiency #6:** The application identified Two Children's playgrounds equipped for 5-12year olds, two tot lots, or one of each as one of the amenities to be included in the development. At inspection, the amenity was reported as not observed.

Response/Corrective Action: Two Children's playgrounds equipped for 5-12year olds, two tot lots, or one of each was included in both the Bond application and the LIHTC application, and are included on-site. Post-closing, additional playground equipment was installed in a 57' by 31' bordered area that was where the volleyball court was located. The original playground in located in an adjacent bordered area with dimensions of 99' by 95'. The Developer believes the installation of the new playground equipment is distinct from the existing playground and satisfies the requirement. Please see Exhibit E for photos of the new equipment where the volleyball court was.

In addition to the possible amendment issues above that were indentified during the final inspection, Mr. Banuelos asked that we address the following possible amendment issues identified in his cost certification review:

- **Deficiency A**: The Application identified efficiency units. There were no efficiency units noted on the Cost Certification rent schedule.

  Response/Corrective Action: There are 4 efficiency units on site. Please see Exhibit F for a revised cost certification rent schedule identifying these units as efficiency units rather than small 1 bedroom units.

- **Deficiency B**: The Application identified controlled gate access as an amenity. This amenity was not observed during the inspection.

  Response/Corrective Action: "Full perimeter fencing with controlled gate access" was marked on the application. "Full perimeter fencing without controlled gate access" should have been marked. The developer believes this was misinterpreted by our staff as the entry to the site does have a guard shack.

  Please accept this as our formal request to amend the application as required to delete "full perimeter fencing with controlled gate access" (-3 points), and add "full perimeter fencing without controlled gate access" (+2points). To replace the lost point we would also like to substitute "public telephone(s) available to tenants 24 hours a day" (+2 points) as an amenity. Please see Exhibit G for photos of the guard shack and fencing. Photos of the public phones will follow this letter.

- **Deficiency C**: The Application identified 627 parking places while the Cost Certification only identified 551 parking places.

  Response/Corrective Action: This was clearly an error on the application. There are 551 parking places on site per the ALTA/ACSM Land Title Survey of the property.

  Please accept this as our formal request to amend the application to indicate there are 551 parking places on site.

Deficiency D: The Application set aside was 85% (355) LIHTC units and 15% (63) market rate units. The set aside per the Cost Certification rent schedule is 86% (364) LIHTC units and 14% (54) market rate units.

Response/Corrective Action: The Partnership and Developer are very sensitive to avoiding the forced relocation of residents. The Application identified the anticipated number of LIHTC and market rate units at the time of submission. The cost certification rent schedule reflects the actual and final unit mix at the property based on the final tax credit qualifying of the existing residents. The Partnership was able to qualify 86%, or 364 LIHTC units reserving them for qualified households, and 14%, or 54 units for market rate households.

Based on the responses above, there should be a net increase in points scored by the project. While we are not asking for additional application changes, the Developer would like to note that there are additional amenities being offered to the residents at the property that were not referenced in the original application, but would qualify for additional points such as the equipped computer learning center (2 points) and the furnished community room (1 point). Please see Exhibit H for photos of these amenities.

We understand that the substitutions/waivers described above will be subject to TDHCA Board approval, and if approved, the owner will immediately begin the work detailed; which should be completed in 45-60 days. Should the Board approve our requests, we hope that we can proceed with the process of cost certification and issuance of 8609s. Should the work not be completed prior to the next compliance inspection, we understand we could be subject to the filing of 8823s. In the current housing tax credit environment, our LIHTC syndicator is eager to receive 8609s to pass along to our ultimate investor partner in the property. While we intend and desire to abide by all program guidelines, we also want our ultimate investor to be satisfied in hopes that it leads to their continued reinvestment in the LIHTC program.

Thank you again for working with us towards a resolution of these deficiencies. Please let me know if you have any questions or need additional information. We look forward to working with you in the future to preserve affordable housing in Texas.

Sincerely,
Summit Asset Management, L.L.C.

Tom Champion

05629

Donald C. Brown AIA, Architect
260 Commerce Street, Suite 200
Montgomery, Alabama 36104
(334) 834-8340
(334) 834-8343 Fax

November 11, 2008

Hunter McKenzie
Summit America
105 Tallapoosa Street, Suite 30
Montgomery AL, 36104

Re: Village Park Apartments
Houston, Texas.

Mr. McKenzie,

The purpose of this letter is to define the scope of work necessary to provide a new ceiling fan in the living room and bedroom of each unit for Village Park Apartments. There are a total of 1,394 new ceilings fans that will need to be provided.

In order to provide new ceiling fans, the existing circuit will need to be extended to handle the extra electrical load caused by the new fan. Some of the existing circuits can not be extended to handle the extra load and these panels with insufficient circuits will need to be replaced with new panels. 230 units will require new electrical panels. Also, arc fault breakers will need to be provided for all circuits receiving new fans. These should also be provided at the new panels as well.

New electrical wiring will be required from the new fan to the existing or new electrical panel where there is not an existing fixture box. Gypboard repairs and touch-up paint will be necessary where new wiring is provided. The option of providing surface mounted wire mould was considered in an effort to minimize gypboard repairs; however, per the contractor, the additional cost of wire mould relative to the additional gypboard repairs would cost roughly the same.

72 of the fans can be installed at an existing fixture box or light fixture. These fans will still require arc fault breakers; although, the existing circuits should be able to remain the same with no new electrical wiring required.

In summary, 1,394 fans will need to be installed with 72 fans that can be installed at an existing fixture box. All fans will need new arc fault breakers and 230 units will need new electrical panels. Because of the existing capacity at some of the panels and because of code requirements, this additional work will be necessary.

Sincerely,

Donald C. Brown, AIA

Donald C. Brown Architect
260 Commerce Street, Suite 200
Montgomery, AL 36104

Village Park Ceiling Fans

El Bravo Efficiency

Description	QTY		Total
Install New Panel (Incl Arch Fault)	0	$ 781.25	$ -
Install New Arch Fault (No Panel Needed)	1	$ 93.75	$ 93.75
Install New Fan(Existing Fixture Box)	0	$ 156.25	$ -
Install New Fan w/ Circuit	1	$ 368.75	$ 368.75
S/R & Paint Repairs	1	$ 68.75	$ 68.75
Permitting	1	$ 6.25	$ 6.25
			$ 537.50
		# of Units	4
		TOTAL	$ 2,150.00

$ 2,150.00

San Luis 1 BR 1BA

Description	QTY		Total
Install New Panel (Incl Arch Fault)	0	$ 781.25	$ -
Install New Arch Fault (No Panel Needed)	2	$ 93.75	$ 187.50
Install New Fan(Existing Fixture Box)	0	$ 156.25	$ -
Install New Fan w/ Circuit	2	$ 368.75	$ 737.50
S/R & Paint Repairs	2	$ 68.75	$ 137.50
Permitting	2	$ 6.25	$ 12.50
			$ 1,075.00
		# of Units	240
		TOTAL	$ 258,000.00

$ 258,000.00

El Rey 1 BR 1BA

Description	QTY		Total
Install New Panel (Incl Arch Fault)	0	$ 781.25	$ -
Install New Arch Fault (No Panel Needed)	2	$ 93.75	$ 187.50
Install New Fan(Existing Fixture Box)	0	$ 156.25	$ -
Install New Fan w/ Circuit	2	$ 368.75	$ 737.50
S/R & Paint Repairs	2	$ 68.75	$ 137.50
Permitting	2	$ 6.25	$ 12.50
			$ 1,075.00
		# of Units	56
		TOTAL	$ 60,200.00

$ 60,200.00

05629

Village Park-Fan Installation

La Catalina 2 BR 1BA

Description	QTY		Total
Install New Panel (Incl Arch Fault)	1	$ 781.25	$ 781.25
Install New Arch Fault (No Panel Needed)	0	$ 93.75	$ -
Install New Fan(Existing Fixture Box)	0	$ 156.25	$ -
Install New Fan w/ Circuit	3	$ 368.75	$ 1,106.25
S/R & Paint Repairs	3	$ 68.75	$ 206.25
Permitting	3	$ 6.25	$ 18.75
			$ 2,112.50
		# of Units	30
			$ 63,375.00

$ 63,375.00

La Estella 2BR 1BA

Description	QTY		Total
Install New Panel (Incl Arch Fault)	0	$ 781.25	$ -
Install New Arch Fault (No Panel Needed)	2	$ 93.75	$ 187.50
Install New Fan(Existing Fixture Box)	2	$ 156.25	$ 312.50
Install New Fan w/ Circuit	1	$ 368.75	$ 368.75
S/R & Paint Repairs	1	$ 68.75	$ 68.75
Permitting	2	$ 6.25	$ 12.50
			$ 950.00
		# of Units	36
			$ 34,200.00

$ 34,200.00

Del Sol 2BR 1BA

Description	QTY		Total
Install New Panel (Incl Arch Fault)	1	$ 781.25	$ 781.25
Install New Arch Fault (No Panel Needed)	0	$ 93.75	$ -
Install New Fan(Existing Fixture Box)	0	$ 156.25	$ -
Install New Fan w/ Circuit	3	$ 368.75	$ 1,106.25
S/R & Paint Repairs	3	$ 68.75	$ 206.25
Permitting	1	$ 6.25	$ 6.25
			$ 2,100.00
		# of Units	8
			$ 16,800.00

$ 16,800.00

05629

Village Park-Fan Installation

El Monterey 2BR 2BA

Description	QTY				Total
Install New Panel (Incl Arch Fault)	1	$	781.25	$	781.25
Install New Arch Fault (No Panel Needed)	0	$	93.75	$	-
Install New Fan(Existing Fixture Box)	0	$	156.25	$	-
Install New Fan w/ Circuit	3	$	368.75	$	1,106.25
S/R & Paint Repairs	3	$	68.75	$	206.25
Permitting	3	$	6.25	$	18.75
				$	2,112.50
		# of Units			48
				$	101,400.00

$ 101,400.00

La Casa Blanca 2BR 2BA

Description	QTY				Total
Install New Panel (Incl Arch Fault)	1	$	781.25	$	781.25
Install New Arch Fault (No Panel Needed)	0	$	93.75	$	-
Install New Fan(Existing Fixture Box)	0	$	156.25	$	-
Install New Fan w/ Circuit	3	$	368.75	$	1,106.25
S/R & Paint Repairs	3	$	68.75	$	206.25
Permitting	3	$	6.25	$	18.75
				$	2,112.50
		# of Units			72
				$	152,100.00

$ 152,100.00

El Palacio 3BR 2BA

Description	QTY				Total
Install New Panel (Incl Arch Fault)	1	$	781.25	$	781.25
Install New Arch Fault (No Panel Needed)	0	$	93.75	$	-
Install New Fan(Existing Fixture Box)	0	$	156.25	$	-
Install New Fan w/ Circuit	3	$	368.75	$	1,106.25
S/R & Paint Repairs	3	$	68.75	$	206.25
Permitting	1	$	6.25	$	6.25
				$	2,100.00
		# of Units			72
				$	151,200.00

$ 151,200.00

BID TOTAL $ 839,425.00

BOARD ACTION REQUEST
Multifamily Finance
October 15, 2009

Action Item

Presentation, Consideration, and Possible Approval to Extending Deadlines Relating to Placement in Service, 10% test and Commencement of Substantial Construction for 2007 and 2008 Applicants Participating in the Tax Credit Exchange Program.

Required Action

Approve, amend, or take no action on the proposed extensions to placement in service, 10% test and commencement of substantial construction for 2007 and 2008 Applicants participating in the Tax Credit Exchange Program.

Background

The American Recovery and Reinvestment Act of 2009 provides that State Allocating Agencies may return all unused 2007 and 2008 credit ceiling and up to 40% of the 2009 credit ceiling allocation to the U.S. Treasury in exchange for cash grants at a rate of $0.85 per dollar of tax credit returned. These funds will be accessed from the U.S. Treasury Department pursuant to an agreement to be entered into with the Department. The Board adopted the Department's Exchange Policy and Policy Supplement (collectively the "Exchange Policy") on July 30, 2009. The Exchange awards are currently scheduled to be closed by year end in order to facilitate construction completion by year end 2010 though Treasury has recently extended the deadline for disbursement until December 2011.

There have been concerns raised as it relates to the placement in service, 10% test and commencement of substantial construction deadlines for the 2007 and 2008 awardees who have applied for Exchange Program funds. On September 10, 2009 the Department received forty-five (45) Exchange applications from 2007 and 2008 awardees. Of those received, three (3) are 2007 awardees that received additional credits in 2008 and have not received placement in service extensions and one (1) application received a partial allocation from the 2007 credit ceiling and the majority of its credits from the 2008 credit ceiling.

Placement in Service
Pursuant to §42(h)(1)(E)(i) of the IRS Code a development must place in service not later than the close of the second calendar year following the calendar year in which the allocation is made. The Department has maintained that the deadlines as it relates to placement in service should be based on the year of the original award and not the year the Exchange award is made. Therefore, unless a placement in service extension has been requested and received pursuant to IRS Revenue Procedures 95-28 and 2007-54 all

2007 awardees must place in service by December 31, 2009. The revenue procedure provides relief for owners with carryover allocations for developments located in counties designated by the Federal Emergency Management Agency (FEMA) as eligible for disaster assistance as of the date of a Presidential Disaster Declaration. A current list of the 2007 Exchange applicants that would be affected is included in this Board presentation.

10% Test

Pursuant to §42(h)(1)(E)(ii) of the Internal Revenue Code and Treasury Regulations, §1.42-6 a development must incur more than 10% of the Development Owner's reasonably expected basis no later than twelve months following the date of allocation. For the 2007 awardees that have applied under Exchange this requirement should have already been met and for the 2008 awardees, the deadline for 10% Test submission is December 1, 2009.

For the 2008 applicants under Exchange, staff has received comment that this requirement will be difficult to meet given the current timeline on awarding Exchange funds and the need by many to use Exchange or have closed on Exchange funds to meet this level of project completion. A current list of the 2008 Exchange applicants is included in this Board presentation.

Commencement of Substantial Construction

Pursuant to §50.14(b)(4) of the 2008 Qualified Allocation Plan, the Development Owner must submit evidence of having commenced and continued substantial construction activities. The evidence must be submitted not later than December 1 of the year after the execution of the Carryover Allocation Document. While the Board has, in the past, allowed for extensions of such deadline, it has been on a case by case basis. For the 2008 awardees that have been unsuccessful in securing a syndicator or that have applied for Exchange funding, meeting this deadline could be problematic.

At the September 3, 2009 Board meeting the Board approved staff's recommendation to accept the return of 45 allocations from 2007 and 2008 totaling $37,820,216 in annual tax credits. These credits will be exchanged for $321,471,836 in Treasury grant funds and will be available to award all 45 applicants in accordance with the Department's Exchange Policy fulfilling their request for $313,444,271 in Exchange Program awards at a future Board meeting.

§1602(c)(2) of the IRS Code clearly states that subawards are subject to the same requirements as low-income housing tax credit allocations. If Exchange subawards are subject to the same requirements as a HTC allocation, then the same deadlines apply.

Treasury has stated they are not going to give official guidance on this issue. However, they have stated unofficially that if a previous owner returns "all" the credits from a previous award and receives a new award, they no longer have a tax credit award and an award of exchange represents a new award and may allow for a new set of deadlines. Under the Board's existing Exchange Policy, Exchange Applicants are limited to developments with existing active tax credit allocations. The Board anticipated that the existing deadlines would be maintained in order to expedite the use of the Exchange funds.

Existing 2007 developments were allowed to participate in the Exchange Program to the extent that they were able to meet the existing deadlines. Two developments applying for exchange from 2007 have or will place in service by the end of the year, six have requested and previously received placed in service extensions due to qualifying disasters in their community, and five more have requested a disaster based extension but at least four of these do not qualify. There are four transactions (Villas on Raiford, Aurrora Meadows, West End Baptist Manor and Las Palmas Gardens Apartments) which are not anticipated to meet the year end deadline and have not been granted an extension to allow them to be placed in service in 2010. These developments previously had the ability to close on their transactions prior to the financial market downturn, but were unable to do so. These developments also did not avail themselves to the amnesty opportunities for returning credits previously provided by the Board. Staff is concerned that given the lack of ability to close, or interest in returning these credits, combined with the inability to meet the placed in service deadlines, may foreshadow long-term concerns with respect to the ability to deliver and operate the required housing, if a reset of deadlines is granted.

In summary, the 10% Test and placed in service deadlines are Federal dates that can be reset as long as 100% of the credit is returned and 100% of the credit is required to be returned in the Texas Exchange Program. The substantial construction deadline is a State deadline promulgated by the Board through the QAP and can be extended by the Board. The intent of the Exchange Program was to focus on existing tax credit developments that are “shovel ready” and could be completed quickly; however, a six month extension of all deadlines would facilitate both the urgency in which construction needs to be completed and provide for the use of Exchange funds in meeting the initial significant construction deadlines.

Recommendation

Staff recommends the Board approve the policy change to effectively extend all deadlines (the 10% test, Commencement of Substantial Construction and Placement in Service) six (6) months for Exchange awardees who previously had 2007 or 2008 awards and not reset the deadlines for 2007 developments that have no previous relief of the deadlines and have not made significant progress on construction.

List of 2007/2008 awards to be posted by three day posting.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

October 15, 2009

Action Item

Presentation, Discussion, and Possible Approval of Forward Commitments from the 2010 State Housing Credit Ceiling for the Allocation of Competitive Housing Tax Credits.

Required Action

Discuss and Possibly Approve the Issuance of Commitments for Allocations of Housing Tax Credits from the 2010 State Housing Credit Ceiling.

Background

As permitted under §49.10(c) of the 2009 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 2009 Application Round. Included with this Board Action Request is a report titled 2009 Waiting List Competitive Housing Tax Credit Applications; all Applications on this list are eligible for consideration of a forward commitment under this agenda item. Pursuant to §49.10(c) of the 2009 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 §49.10(c) of the 2009 QAP: "Applications that are submitted under the 2008 QAP and granted a Forward Commitment of 2010 Housing Tax Credits are considered by the Board to comply with the 2009 QAP by having satisfied the requirements of this 2009 QAP, except for statutorily required QAP changes."
2. As described in §49.10(c)(1) of the 2009 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 2010 State Housing Credit Ceiling to ensure adherence to the requirements of §2306.6714 and the Regional Allocation Formula in 2010.

4. Any Application approved for a forward commitment award, the allocation amount will be adjusted based on any additional credit allocation policy approved by the Board.
5. Any approved Applications will be reviewed to ensure that they do not have Material Noncompliance consistent with §49.5(b)(2) and (3) of the 2009 QAP.
6. Any approved Applications will be reviewed consistent with §49.6(f) of the 2009 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.
7. Staff will review to ensure that consistent with §49.6(d) of the 2009 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."
8. 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.

If desired, the Board may also utilize this Board action item to recommend a forward allocation of 2010 housing credits to previously awarded applications.

Attached is a list of active 2009 Applications which have not yet received an award. Where a $2 million cap, one mile rule or other issue is known to exist it is so noted. Most of the remaining Applications have not been reviewed for threshold or evaluated for financial feasibility or compliance. Therefore, should the Board award any Applications as Forward Commitments, the Applications should be subject to such reviews.

Recommendations

Staff does not recommend the allocation of Forward commitments because it will reduce the amount of Housing Tax Credits available in 2010 to other qualified applications that will be submitted for the 2010 Application Round; the scoring process and Department rules were objectively applied to all 2009 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.

Should the Board be compelled to award Forward Commitments, the staff recommends the Board make Forward Commitment awards only to the extent TCAP, Exchange or Returned credits are not available to those Applicants by the end of the 2009 calendar year.

Regional Waiting List Applications ("Regional N")
2009 Competitive Housing Tax Credit Program

File #	Region Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Requested Credit	Owner Contact	TDHCA HOME	Final Score	Comment[7]
Region: 1																	
Applications Submitted in Region 1:		**Urban**															
09320	1 N	Oxford Street Apts	Ventura Dr. and Viking Dr.	Amarillo	Urban	☐	☐	127	128	G	NC	☐	$1,330,000	Justin Zimmerman	☐	180.0	
09113	1 N	Estacado Place Apts	Intersection of MLK & Loop 289	Lubbock	Urban	☐	☐	120	120	E	NC	☐	$1,388,828	G. Granger MacDonald	☐	160.0	
							Total:	**247**	**248**				**$2,718,828**				
2	**Applications in Region**						**Region Total:**	**247**	**248**				**$2,718,828**				

1 = Status of Award Abbreviation: Development Previously Awarded 2009 Housing Tax Credits=A, Recommended for Award=R, Not Recommended for Award=N.
2 = Allocation: Rural Regional Allocation or Urban Regional Allocation.
3 = Set-Aside Abbreviations: TRDO-USDA=USDA, Nonprofit=NP.
4 = Target Population Abbreviation: Intergenerational=I, Elderly=E, General=G.
5 = Housing Activity: New Construction=NC, Rehabilitation (includes Reconstruction)=RH, Adaptive Reuse=ADR.
6 = Acquisition=ACQ, Developments for which acquisition Housing Tax Credits are being requested.
7 = Comment: Violation of State Statute if awarded.

File #	Region Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Requested Credit	Owner Contact	TDHCA HOME	Final Score	Comment[7]

Region: 2

Applications Submitted in Region 2: Rural

File #	Region Status	Development Name	Address	City	Allocation	USDA	NP	LI Units	Total Units	Target Pop	Housing Activity	ACQ	Requested Credit	Owner Contact	TDHCA HOME	Final Score	Comment
09110	2 N	Mustang Heights Apts	Intersection of Arizona Ave. & I-20 frontage Rd.	Sweetwater	Rural	☐	☐	80	80	G	NC	☐	$952,875	Lucille Jones	☐	160.0	
						Total:		**80**	**80**				**$952,875**				
		1 Applications in Region				**Region Total:**		**80**	**80**				**$952,875**				

1 = Status of Award Abbreviation: Development Previously Awarded 2009 Housing Tax Credits=A, Recommended for Award=R, Not Recommended for Award=N.
2 = Allocation: Rural Regional Allocation or Urban Regional Allocation.
3 = Set-Aside Abbreviations: TRDO-USDA=USDA, Nonprofit=NP.
4 = Target Population Abbreviation: Intergenerational=I, Elderly=E, General=G.
5 = Housing Activity: New Construction=NC, Rehabilitation (includes Reconstruction)=RH, Adaptive Reuse=ADR.
6 = Acquisition=ACQ, Developments for which acquisition Housing Tax Credits are being requested.
7 = Comment: Violation of State Statute if awarded.

File #	Region Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Requested Credit	Owner Contact	TDHCA HOME	Final Score	Comment[7]
Region:	**3**																
Applications Submitted in Region 3:			**Urban**														
09200	3 N	Mariposa Pointe	E. Side JJ Lemmon Rd .3m N. of Lancaster Hutchins Rd.	Hutchins	Urban	☐	☑	128	128	G	NC	☐	$1,550,426	Cynthia Mickens-Smith	☐	210.0	Violates $2M Cap
09140	3 N	Village of Salado	9.549 acres at approx. 201 N. Joe Wilson Rd.	Cedar Hill	Urban	☐	☐	83	83	G	NC	☐	$1,557,463	Uwe Nahuina	☐	205.0	Violates $2M Cap
09264	3 N	Sedona Ranch	6101 Old Denton Rd.	Fort Worth	Urban	☐	☐	200	208	G	NC	☐	$1,951,174	Manish Verma	☐	196.0	Violates $2M Cap
09168	3 N	LifeNet Lofts	2621 Jeffries St. and 2600 Block of Merlin St.	Dallas	Urban	☐	☑	125	125	G	NC	☐	$1,000,295	Liam Mulvaney	☐	176.0	
09129	3 N	Napa Villas	NW corner Town Square Dr. & Gratitude Trl.	Plano	Urban	☐	☐	123	123	E	NC	☐	$1,641,929	Dan Allgeier	☐	133.0	
							Total:	**659**	**667**				**$7,701,287**				
5	**Applications in Region**						**Region Total:**	**659**	**667**				**$7,701,287**				

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5 = Housing Activity: New Construction=NC, Rehabilitation (includes Reconstruction)=RH, Adaptive Reuse=ADR.
6 = Acquisition=ACQ, Developments for which acquisition Housing Tax Credits are being requested.
7 = Comment: Violation of State Statute if awarded.

File #	Region Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Requested Credit	Owner Contact	TDHCA HOME	Final Score	Comment[7]

Region: 6

Applications Submitted in Region 6: Urban

File #	Region Status	Development Name	Address	City	Allocation	USDA	NP	LI Units	Total Units	Target Pop	Housing Activity	ACQ	Requested Credit	Owner Contact	TDHCA HOME	Final Score	Comment
09272	6 N	Mason Apartment Homes	Mason Rd. b/t Franz & Morton Rd.	Houston	Urban	☐	☐	120	120	E	NC	☐	$1,068,324	Kenneth Cash	☐	207.0	Violates $2M Cap
09281	6 N	Mariposa at Keith Harrow	SWQ of Keith Harrow Blvd. & Hwy 6	Houston	Urban	☐	☐	180	180	E	NC	☐	$2,000,000	Stuart Shaw	☐	204.0	Violates One Mile and $2M Cap
09160	6 N	Stone Court Senior Residences	NEC of Smithstone Dr. & Somerall Dr.	Houston	Urban	☐	☐	80	80	E	NC	☐	$1,027,552	Michael Robinson	☐	200.0	Violates $2M Cap
09191	6 N	Sendero Pointe	S. Side of Addicks Satsuma approx. 10m E. of Hwy 6	Houston	Urban	☐	☐	120	120	E	NC	☐	$1,634,081	Thomas W. Troll	☐	199.0	Violates One Mile and $2M Cap
09201	6 N	Ventana Pointe	Red Oak & Butterfield Rd.	Houston	Urban	☐	☑	96	96	E	NC	☐	$1,091,199	Vincent A. Marquez	☐	199.0	
09269	6 N	Eldridge Oaks	8.5 acres on N. Eldridge Pkwy., N. of FM 529	Houston	Urban	☐	☐	160	160	G	NC	☐	$1,828,649	Kenneth Cash	☐	194.0	Violates $2M Cap
09317	6 N	Champion Homes at Marina Landing	7302 Heards Ln.	Galveston	Urban	☐	☐	256	256	G	RH	☑	$1,643,824	Saleem Jafar	☐	193.0	Violates $2M Cap
09276	6 N	Cypress Creek at Calder Drive	N. Side of FM 517 approx. 1/2 mi W. of FM 646	Dickinson	Urban	☐	☐	180	180	G	NC	☐	$2,000,000	Stuart Shaw	☐	181.0	Violates $2M Cap
09169	6 N	Orem Ranch	W. Side of 12500 Blk of Almeda	Houston	Urban	☐	☐	80	81	G	NC	☐	$1,597,843	W. Barry Kahn	☐	160.0	Violates $2M Cap
09313	6 N	Hampshire Court Apts	3400 Blk of S. Burke Dr. near Vista Rd.	Pasadena	Urban	☐	☐	159	159	E	NC	☐	$2,000,000	J. Steve Ford	☐	150.0	
09311	6 N	Deerbrook Place Apts	19700 Blk of the W. Side of Deerbrook Park Blvd.	Houston	Urban	☐	☐	159	159	E	NC	☐	$2,000,000	William D. Henson	☐	141.0	
							Total:	**1,590**	**1,591**				**$17,891,472**				

Applications Submitted in Region 6: Rural

File #	Region Status	Development Name	Address	City	Allocation	USDA	NP	LI Units	Total Units	Target Pop	Housing Activity	ACQ	Requested Credit	Owner Contact	TDHCA HOME	Final Score	Comment
09102	6 N	Magnolia Trails	31000 Blk of Nichols Sawmill Rd. (W. side)	Magnolia	Rural	☐	☐	76	80	E	NC	☐	$805,336	David Mark Koogler	☐	212.0	Violates $2M Cap
							Total:	**76**	**80**				**$805,336**				
	12	**Applications in Region**					**Region Total:**	**1,666**	**1,671**				**$18,696,808**				

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4 = Target Population Abbreviation: Intergenerational=I, Elderly=E, General=G.
5 = Housing Activity: New Construction=NC, Rehabilitation (includes Reconstruction)=RH, Adaptive Reuse=ADR.
6 = Acquisition=ACQ, Developments for which acquisition Housing Tax Credits are being requested.
7 = Comment: Violation of State Statute if awarded.

Region: 7

File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	Set-Asides[3] NP	LI Units	Total Units	Target Pop[4]	Housing Activity[5]	ACQ[6]	Requested Credit	Owner Contact	TDHCA HOME	Final Score	Comment[7]
Applications Submitted in Region 7:			**Urban**															
09130	7	N	M Station	2906 E. MLK Jr. Blvd.	Austin	Urban	☐	☑	135	150	G	NC	☐	$1,828,487	Walter Moreau	☐	211.0	
09268	7	N	Wildflower Terrace	NEC of Berkman Dr. & Tom Miller St.	Austin	Urban	☐	☐	171	201	E	NC	☐	$2,000,000	Diana McIver	☐	211.0	
								Total:	**306**	**351**				**$3,828,487**				
Applications Submitted in Region 7:			**Rural**															
09293	7	N	Villas of Shady Grove	North FM 963 at Hill St. and Rhomberg St.	Burnet	Rural	☐	☐	72	80	G	NC	☐	$859,980	Dennis Hoover	☑	179.0	
								Total:	**72**	**80**				**$859,980**				
3	**Applications in Region**							**Region Total:**	**378**	**431**				**$4,688,467**				

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2 = Allocation: Rural Regional Allocation or Urban Regional Allocation.
3 = Set-Aside Abbreviations: TRDO-USDA=USDA, Nonprofit=NP.
4 = Target Population Abbreviation: Intergenerational=I, Elderly=E, General=G.
5 = Housing Activity: New Construction=NC, Rehabilitation (includes Reconstruction)=RH, Adaptive Reuse=ADR.
6 = Acquisition=ACQ, Developments for which acquisition Housing Tax Credits are being requested.
7 = Comment: Violation of State Statute if awarded.

File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Requested Credit	Owner Contact	TDHCA HOME	Final Score	Comment[7]

Region: 8

Applications Submitted in Region 8: Urban

File #	Region	Status	Development Name	Address	City	Allocation	USDA	NP	LI Units	Total Units	Target Pop	Housing Activity	ACQ	Requested Credit	Owner Contact	TDHCA HOME	Final Score	Comment
09121	8	N	Red Oak Seniors	920 S. Loop 340	Waco	Urban	☐	☐	36	36	E	NC	☐	$543,337	R.J. Collins	☐	204.0	
09118	8	N	Fairways at Sammons Park	SWC of W. Adams & 43rd St.	Temple	Urban	☐	☐	92	92	E	NC	☐	$1,000,000	Clifton Phillips	☐	204.0	
								Total:	**128**	**128**				**$1,543,337**				
			2 Applications in Region					**Region Total:**	**128**	**128**				**$1,543,337**				

1 = Status of Award Abbreviation: Development Previously Awarded 2009 Housing Tax Credits=A, Recommended for Award=R, Not Recommended for Award=N.
2 = Allocation: Rural Regional Allocation or Urban Regional Allocation.
3 = Set-Aside Abbreviations: TRDO-USDA=USDA, Nonprofit=NP.
4 = Target Population Abbreviation: Intergenerational=I, Elderly=E, General=G.
5 = Housing Activity: New Construction=NC, Rehabilitation (includes Reconstruction)=RH, Adaptive Reuse=ADR.
6 = Acquisition=ACQ, Developments for which acquisition Housing Tax Credits are being requested.
7 = Comment: Violation of State Statute if awarded.

File #	Region Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Requested Credit	Owner Contact	TDHCA HOME	Final Score	Comment[7]

Region: 9

Applications Submitted in Region 9: Urban

File #	Region Status	Development Name	Address	City	Allocation	USDA	NP	LI Units	Total Units	Target Pop	Housing Activity	ACQ	Requested Credit	Owner Contact	TDHCA HOME	Final Score	Comment
09230	9 N	Darson Marie Terrace	3142 Weir Ave.	San Antonio	Urban	☐	☐	56	57	E	NC	☐	$705,442	Richard Washington	☐	207.0	
09187	9 N	Pleasanton Farms	SE Loop 410 & Pleasanton Rd.	San Antonio	Urban	☐	☐	165	165	G	NC	☐	$2,000,000	Mike Sugrue	☐	163.0	
09307	9 N	Medio Springs Ranch Apts	1530 Marbach Oaks	San Antonio	Urban	☐	☐	200	252	G	NC	☐	$1,340,000	Stephen J. Poppoon	☐	158.0	
09202	9 N	Tesoro Hills	Sweet Maiden Dr. at Tesoro Hills	San Antonio	Urban	☐	☐	158	158	G	NC	☐	$2,000,000	Mike Sugrue	☐	150.0	
							Total:	**579**	**632**				**$6,045,442**				

Applications Submitted in Region 9: Rural

File #	Region Status	Development Name	Address	City	Allocation	USDA	NP	LI Units	Total Units	Target Pop	Housing Activity	ACQ	Requested Credit	Owner Contact	TDHCA HOME	Final Score	Comment
09304	9 N	Gardens at Clearwater Apts	400 Blk of Clearwater Paseo	Kerrville	Rural	☐	☐	80	80	E	NC	☐	$903,549	Lucille Jones	☐	179.0	
							Total:	**80**	**80**				**$903,549**				

5 Applications in Region	**Region Total:**	**659**	**712**	**$6,948,991**

1 = Status of Award Abbreviation: Development Previously Awarded 2009 Housing Tax Credits=A, Recommended for Award=R, Not Recommended for Award=N.
2 = Allocation: Rural Regional Allocation or Urban Regional Allocation.
3 = Set-Aside Abbreviations: TRDO-USDA=USDA, Nonprofit=NP.
4 = Target Population Abbreviation: Intergenerational=I, Elderly=E, General=G.
5 = Housing Activity: New Construction=NC, Rehabilitation (includes Reconstruction)=RH, Adaptive Reuse=ADR.
6 = Acquisition=ACQ, Developments for which acquisition Housing Tax Credits are being requested.
7 = Comment: Violation of State Statute if awarded.

File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Requested Credit	Owner Contact	TDHCA HOME	Final Score	Comment[7]

Region: 12

Applications Submitted in Region 12: Urban

File #	Region	Status	Development Name	Address	City	Allocation	USDA	NP	LI Units	Total Units	Target Pop	Housing Activity	ACQ	Requested Credit	Owner Contact	TDHCA HOME	Final Score	Comment
09299	12	N	Hillcrest Acres	19.9 acres b/w Cuthbert Ave. & Princeton Ave., W. of Midland Dr.	Midland	Urban	☐	☐	93	93	G	NC	☐	$1,191,077	Max Schleder	☐	197.0	
								Total:	**93**	**93**				**$1,191,077**				
1	**Applications in Region**							**Region Total:**	**93**	**93**				**$1,191,077**				

1 = Status of Award Abbreviation: Development Previously Awarded 2009 Housing Tax Credits=A, Recommended for Award=R, Not Recommended for Award=N.
2 = Allocation: Rural Regional Allocation or Urban Regional Allocation.
3 = Set-Aside Abbreviations: TRDO-USDA=USDA, Nonprofit=NP.
4 = Target Population Abbreviation: Intergenerational=I, Elderly=E, General=G.
5 = Housing Activity: New Construction=NC, Rehabilitation (includes Reconstruction)=RH, Adaptive Reuse=ADR.
6 = Acquisition=ACQ, Developments for which acquisition Housing Tax Credits are being requested.
7 = Comment: Violation of State Statute if awarded.

File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target Pop[4]	Housing Activity[5]	ACQ[6]	Requested Credit	Owner Contact	TDHCA HOME	Final Score	Comment[7]

Region: 13

Applications Submitted in Region 13: Urban

File #	Region	Status	Development Name	Address	City	Allocation	USDA	NP	LI Units	Total Units	Target Pop	Housing Activity	ACQ	Requested Credit	Owner Contact	TDHCA HOME	Final Score	Comment
09306	13	N	Canyon Square Village	8622 & 8624 N. Loop Rd.	El Paso	Urban	☐	☐	104	104	G	NC	☐	$1,264,046	Ike J. Monty	☐	156.0	
								Total:	**104**	**104**				**$1,264,046**				
1			**Applications in Region**					**Region Total:**	**104**	**104**				**$1,264,046**				
32			**Total Applications**						**4,014**	**4,134**				**$45,705,716**				

1 = Status of Award Abbreviation: Development Previously Awarded 2009 Housing Tax Credits=A, Recommended for Award=R, Not Recommended for Award=N.
2 = Allocation: Rural Regional Allocation or Urban Regional Allocation.
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4 = Target Population Abbreviation: Intergenerational=I, Elderly=E, General=G.
5 = Housing Activity: New Construction=NC, Rehabilitation (includes Reconstruction)=RH, Adaptive Reuse=ADR.
6 = Acquisition=ACQ, Developments for which acquisition Housing Tax Credits are being requested.
7 = Comment: Violation of State Statute if awarded.

HOME PROGRAM DIVISION

BOARD ACTION REQUEST

October 15, 2009

Action Item

Presentation, Discussion and Possible Approval of Policy clarifications regarding

1. The Regional Allocation of the remainder of the Tax Credit Assistance Program ("TCAP") Funds; and
2. The inclusion of an additional draw scheduled at seventy-five percent (75%) construction completion.

Requested Action

Approve, Deny, or Approve with Amendments Policy clarifications regarding

1. The Regional Allocation of the remainder of the Tax Credit Assistance Program ("TCAP") Funds; and
2. The inclusion of an additional draw scheduled at seventy-five percent (75%) construction completion.

Background

On July 16, 2009 the Board approved a final Policy and Policy Supplement ("Policy") to administer $148,354,769 available to Texas for the TCAP program. While the program was initially oversubscribed, many of the applicants who made application for both TCAP and the Tax Credit Exchange Program ("Exchange") opted for the Exchange program. As a result, there remains $78,155,391 in currently active requests from developments first awarded credits in 2007 or 2008 and $70,199,378 in funds remaining to address any successful appeals and 2009 applications. The Policy identified that the allocation of the TCAP funds would be subject to the Regional Allocation Formula ("RAF") and would be in accordance with the QAP. There has been some confusion raised, however, over how the Department should allocate the remaining TCAP Funds for Round 2. The two options are:

Option A. Continuing the use of the original Regional Allocation Formula allocation and thus funding only subregions that remained underfunded in Round 1; or

Option B. Reapplying the Regional Allocation Formula to the remaining funds so that every region has an opportunity for funding a 2009 tax credit allocation.

Staff generally believes it was the Boards intention to allocate based upon Option A. Based on the funding for 2007/2008 HTC Awardees in Round 1 as reflected on the attached log, the following Subregions would be overfunded and funds for 2009 allocations would not be available:

1 (urban)
3 (rural)
5 (urban)
8 (urban)
9 (rural)
12 (urban)
13 (urban)

Under Option A, the remaining underfunded subregions would receive priority in Round 2. The overfunded subregions would be left out of a reallocation of the remaining TCAP Funds based on the Regional Allocation Formula. For example, Round 2 applicants located in Subregion 1 (urban) would not be considered for funding unless there were an undersubscription statewide. In addition, the overfunding in Round 1 of the subregions listed above will result in the remaining regions having 22.22% less available per subregion than originally available during Round 1.

Under Option B, the remaining TCAP Funds would be reallocated to all subregions based on the Regional Allocation Formula and the 22.22% overfunding from Round 1 would be imbedded in the overall reallocation. The result of Option B would be that 2009 applications in all regions the State could still be eligible for funding; however, the distribution of funds would be skewed toward those regions already heavily funded or overfunded in Round 1.

Staff recommends Option A and consistent with this option if any additional Round 1 awards are returned, the returned funds will first be reallocated to the subregion of origin. For example, if a Round 1 development located in Subregion 1 (urban) declines a TCAP Award of $500,000, Round 2 applicants located in Subregion 1 (urban) would be considered first for the $500,000 allocation.

Table 1. Regional Allocation Scenarios

ROUND 1: Regional Allocation

Geographical Reference	Subregion	Round 1 Regional Allocation	Round 1 Total Requests
At-Risk Set-Aside	At Risk	$ 22,253,215	$ 4,319,757
Lubbock	1 Urban	$ 2,052,659	$ 2,200,000
	1 Rural	$ 2,291,537	$ -
Abilene	2 Urban	$ 1,122,798	$ -
	2 Rural	$ 1,467,629	$ -
Dallas/Fort Worth	3 Urban	$ 25,240,843	$ 21,304,888
	3 Rural	$ 3,691,363	$ 9,322,714
Tyler	4 Urban	$ 1,551,053	$ -
	4 Rural	$ 2,893,936	$ 2,846,300
Beaumont	5 Urban	$ 1,093,463	$ 5,670,711
	5 Rural	$ 2,094,137	$ 529,396
Houston	6 Urban	$ 27,387,917	$ 2,400,000
	6 Rural	$ 3,605,180	$ -
Austin/Round Rock	7 Urban	$ 7,226,263	$ 3,093,040
	7 Rural	$ 1,069,201	$ -
Waco	8 Urban	$ 4,088,297	$ 5,200,000
	8 Rural	$ 1,884,930	$ -
San Antonio	9 Urban	$ 7,467,789	$ 2,709,672
	9 Rural	$ 1,534,556	$ 2,956,514
Corpus Christi	10 Urban	$ 2,616,658	$ -
	10 Rural	$ 2,101,631	$ -
Brownsville/Harlingen	11 Urban	$ 10,880,763	$ 2,736,593
	11 Rural	$ 5,133,896	$ -
San Angelo	12 Urban	$ 1,331,531	$ 2,165,806
	12 Rural	$ 832,664	$ -
El Paso	13 Urban	$ 4,370,565	$ 10,700,000
	13 Rural	$ 1,070,292	$ -
		$ 148,354,769	

ROUND 2: Scenarios for Allocation of Remaining $70,199,378

Subregion	Round 1 Percentage Underfunded	Option A	Option B
At Risk	81%	$ 13,948,810	$ 10,529,907
1U	-7%	$ -	$ 971,289
1R	100%	$ 1,782,379	$ 1,084,323
2U	100%	$ 873,323	$ 531,292
2R	100%	$ 1,141,536	$ 694,461
3U	16%	$ 3,061,422	$ 11,943,610
3R	-153%	$ -	$ 1,746,701
4U	100%	$ 1,206,424	$ 733,937
4R	2%	$ 37,052	$ 1,369,370
5U	-419%	$ -	$ 517,411
5R	75%	$ 1,217,070	$ 990,916
6U	91%	$ 19,435,834	$ 12,959,575
6R	100%	$ 2,804,143	$ 1,705,920
7U	57%	$ 3,214,859	$ 3,419,365
7R	100%	$ 831,634	$ 505,931
8U	-27%	$ -	$ 1,934,524
8R	100%	$ 1,466,116	$ 891,922
9U	64%	$ 3,700,907	$ 3,533,652
9R	-93%	$ -	$ 726,130
10U	100%	$ 2,035,261	$ 1,238,166
10R	100%	$ 1,634,668	$ 994,462
11U	75%	$ 6,334,611	$ 5,148,623
11R	100%	$ 3,993,192	$ 2,429,287
12U	-63%	$ -	$ 630,062
12R	100%	$ 647,654	$ 394,005
13U	-145%	$ -	$ 2,068,090
13R	100%	$ 832,483	$ 506,447
		$ 70,199,378	**$ 70,199,378**

The second issue of clarification is with regard to contemplating an additional draw at the 75% completion stage. Currently, the TDHCA TCAP Policy Supplement to Board Resolution 09-043 provides for a maximum of three (3) draws:

- 25% of the funds committed under this subsection at 25% completion of construction;
- 50% of the funds at 50% completion of construction; and
- 100% of the funds at completion of construction.

HUD Notice CPD-09-03 – REV, Implementation of the Tax Credit Assistance Program (TCAP), requires state housing credit agencies to "Demonstrate that all project owners have expended 75 percent of the TCAP funds within two years of the enactment of the Recovery Act (i.e., by February 16, 2011)." This requirement puts an additional burden on the Department, and ultimately the owner, to ensure that the funds are being spent by this deadline. While many projects may be complete by this deadline, staff believes it is important to include this federal benchmark in the award documents and allow an additional draw at that time to assist with compliance. Although TDHCA's administrative costs may rise with four scheduled draws rather than just three, the lack of a scheduled draw at 75% completion of construction may result in the Department not meeting HUD's program requirement.

Recommendation

Staff recommends that the Board clarify the existing Policy and approve

1. Option A of the Regional Allocation Scenarios for the TCAP Funds available for Round 2 with the provision that, if a Round 1 award is returned, the returned funds will be allocated to the subregion of origin; and
2. The inclusion of an additional draw scheduled at seventy-five percent (75%) construction completion.

At Risk

Available in At Risk $22,253,215

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
6	U	09742	08195	Chateau Village Apartments		$0	$1,100,000	$0	$1,100,000	662			$ 1,100,000		
11	U	09720	7226	Candlewick Apartments		$1,720,000	$0	$1,499,757	$3,219,757	631			$ 3,219,757		
Totals						*$5,016,963*	*$3,700,000*	*$4,889,210*	*$4,319,757*				*$ 4,319,757*		

REGION 1

Available in Urban $2,052,659

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
1	U	09746	08414	Jason Avenue Residential		$0	$2,200,000	$0	$2,200,000	395	$ (147,341)	-7.18%			$ 2,200,000
1	U								$0		$ (147,341)	-7.18%			

Available in Rural $2,291,537

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
1	R								$0						
1	R								$0						

REGION 2

Available in Urban $1,122,798

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
2	U								$0		$ 1,122,798	100.00%	$ -		

Available in Rural $1,467,629

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
2	R								$0		$ 1,467,629	100.00%	$ -		

REGION 3

Available in Urban $25,240,843

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
3	U	09711	07001	Fairway Crossing		$0	$0	$1,352,350	$1,352,350	746	$ 23,888,493	94.64%	$ 1,352,350		
3	U	09740	08193	Sphinx at Fiji Senior		$0	$5,550,000	$0	$5,550,000	490	$ 18,338,493	72.65%	$ 5,550,000		
3	U	09733	08205	Wind River		$0	$4,950,523	$0	$4,950,523	489	$ 13,387,970	53.04%	$ 4,950,523		
3	U	09721	)8273/0902	Four Seasons at Clear Creek		$0	$5,365,000	$0	$5,365,000	447	$ 8,022,970	31.79%	$ 5,365,000		
3	U	09712	)7091/0894	City Walk at Akard		$0	$750,000	$3,337,015	$4,087,015	328	$ 3,935,955	15.59%	$ 4,087,015		

Available in Rural $3,691,363

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
3	R	09737	08184	Washington Hotel Lofts		$1,709,812	$0	$506,819	$2,216,631	632	$ 1,474,732	39.95%	$ 2,216,631		
3	R	09749	08100	The Grand Reserve Seniors- Waxahachie Comr		$0	$3,420,000	$0	$3,420,000	587	$ (1,945,268)	-52.70%		$ 3,420,000	
3	R	09750	060419	Gardens of Weatherford		$0	$1,357,890	$2,328,193	$3,686,083	190	$ (5,631,351)	-152.55%		$ 3,686,083	

REGION 4

Available in Urban $1,551,053

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
4	U								$0		$ 1,551,053	100.00%			

Available in Rural $2,893,936

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
4	R	09743	08258	Lexington Court Phase II		$0	$400,000	$896,300	$1,296,300	650	$ 1,597,636	55.21%	$ 1,296,300		
4	R	09703	)8240/0901	Timber Village Apartments II		$0	$1,550,000	$0	$1,550,000	645	$ 47,636	1.65%	$ 1,550,000		

REGION 5

Available in Urban $1,093,463

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
5	U	09754	08417	Seville Apartments		$1,461,695	$800,000	$0	$2,261,695	625	$ (1,168,232)	-106.84%			$ 2,261,695
5	U	09753	08416	Timber Edge (fka Park Shadows Apartments)		$2,109,016	$1,300,000	$0	$3,409,016	525	$ (4,577,248)	-418.60%			$ 3,409,016

Available in Rural $2,094,137

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
5	R	09700	08174	Oakleaf Estates		$0	$529,396	$0	$529,396	563	$ 1,564,741	74.72%	$ 529,396		

REGION 6

Available in Urban $27,387,917

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
6	U	09728	08603	West Oaks Seniors Apartments		$0	$2,400,000	$0	$2,400,000	350	$ 24,987,917	91.24%	$ 2,400,000		

Available in Rural $3,605,180

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
6	R								$0		$ 3,605,180	100.00%	$ -		

REGION 7

Available in Urban $7,226,263

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
7	U	09756	8134/0900	The Huntington		$0	$1,350,000	$243,040	$1,593,040	552	$ 5,633,223	77.95%	$ 1,593,040		
7	U	09726	07612	Residences at Onion Creek		$0	$1,500,000	$0	$1,500,000	395	$ 4,133,223	57.20%	$ 1,500,000		

Available in Rural $1,069,201

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
7	R								$0		$ 1,069,201	100.00%	$ -		

REGION 8

Available in Urban $4,088,297

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
8	U	09722	8280/0902	Costa Esmeralda		$0	$5,200,000	$0	$5,200,000	486	$ (1,111,703)	-27.19%			$ 5,200,000

Available in Rural $1,884,930

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
8	R								$0		$ 1,884,930	100.00%			

REGION 9

Available in Urban $7,467,789

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
9	U	09723	08413	CityView Apartment Homes		$0	$0	$2,709,672	$2,709,672	200	$ 4,758,117	63.72%	$ 2,709,672		

Available in Rural $1,534,556

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
9	R	09718	07242	Paseo de Paz		$0	$2,441,660	$0	$2,441,660	660	$ (907,104)	-59.11%		$ 2,441,660	
9	R	09714	07604	Terraces at Cibolo		$0	$0	$514,854	$514,854	545	$ (1,421,958)	-92.66%		$ 514,854	

REGION 10

Available in Urban $2,616,658

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
10	U								$0						

Available in Rural $2,101,631

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
10	R								$0						

REGION 11

Available in Urban $10,880,763

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
11	U	09748	60117/0709	Mesquite Terrace Apartments		$0	$2,736,593	$0	$2,736,593	501	$ 8,144,170	74.85%	$ 2,736,593		

Available in Rural $5,133,896

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
11	R								$0		$ 5,133,896	100.00%	$ -		

REGION 12

Available in Urban $1,331,531

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
12	U	09757	08300	Blackshear Homes		$1,185,461	$0	$0	$1,185,461	600	$ 146,070	10.97%	$ 1,185,461		
12	U	09713	08138	River Place Apartments		$0	$0	$980,345	$980,345	584	$ (834,275)	-62.66%			$ 980,345

Available in Rural $832,664

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
12	R								$0						

REGION 13

Available in Urban $4,370,565

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
13	U	09704	08183	Desert Villas		$0	$3,100,000	$0	$3,100,000	498	$ 1,270,565	29.07%	$ 3,100,000		
13	U	09708	)8160/0902	Tres Palmas		$0	$7,600,000	$0	$7,600,000	448	$ (10,700,000)	#DIV/0!			$ 7,600,000

Available in Rural $1,070,292

Region	R/ U	Project Number	Previous TDHCA#	Project Name	Submitted Exchange Application	Equity Bridge	Perm Loan	HTC Replce	Total Funds Requested	TCAP self score	Over/Under	Percentage Remaining	Funded Initially	Funded in Rural Collapse	Funded in SW Collapse
13	R								$0						

SUMMARY

Funding	Total Active Requests		Over/Under		Initial Awards	Rural Collapse Awards	Statewide Collapse Awards
At-Risk Set-Aside Funding Totals	$4,319,757				$ 4,319,757		
Regional Set-Asides Funding Totals	$73,835,634				$ 42,121,981	$ 10,062,597	$ 21,651,056
Grand Funding Totals	$78,155,391				$ 46,441,738	$ 10,062,597	$ 21,651,056
			$ 70,199,378				$ 78,155,391

Total Applications Received	57
Withdrawn/Terminated	29
Total Applications Awarded	28

None at this time

HOME PROGRAM DIVISION

BOARD ACTION REQUEST

October 15, 2009

Action Item

Presentation, Discussion and Possible Approval of Tax Credit Assistance Program ("TCAP") Appeal.

Requested Action

Approve, Deny, or Approve with Amendments the Appeal for TCAP Application #09727, The Mirabella (San Antonio), a tax-exempt bond and 4% tax credit development.

Background

On August 28, 2009, the Applicant was notified of termination of TCAP Application #09727, The Mirabella. Termination was based on failure to meet the TCAP Round 1 Application Cycle requirement for receipt of a 2007 or 2008 LIHTC Award. LIHTC Award is defined as approval by the Department's Governing Board ("Board") of an allocation or determination of Low Income Housing Tax Credits.

The Mirabella received a determination in late 2008, but allowed the associated tax exempt bond reservation to expire. On April 13, 2009, a new reservation was requested and issued with a 2009 docket number. This 2009 determination was approved by the Board. Therefore, the LIHTC Award was made in 2009, and rendering the TCAP Application ineligible for the Round 1 Application Cycle. Concurrent with termination of their TCAP Round 1 Application, the Applicant was notified of the opportunity to reapply as an eligible TCAP Round 2 Application Cycle. The Board in its TCAP Policy established priority for applications with 2007 or 2008 existing allocations of tax credits. The Board did not reach back to prioritize 2007 or 2008 transactions that returned their 2007 or 2008 allocation but were anticipated to receive a new allocation in 2009, though there were several 9% transactions in addition to this 4% transaction that would fit into that grouping.

An Appeal of Termination of TCAP Application #09727, The Mirabella was received on September 4, 2009. The Appeal is based, in part, on the assumption that the 2008 determination notice was never returned and it was, in fact, "reinstated" under Section 49.20(f) of the QAP. The Appeal states, "The tax credit allocation evidenced by the Determination Notice is a reinstatement of an allocation originally issued in 2008." The Applicant indicates that the Board's decision at the September 3, 2009 Board meeting constitutes a reinstatement of this previously issued determination.

On September 15, 2009, the Department's Executive Director (the "Executive Director") sent a letter to the Applicant upholding the termination. The letter reemphasized that the Board's intent in the Policy is clear in that the Applicant must have an active Award of LIHTCs in order to qualify. While The Mirabella did not formally return their Award of LIHTCs, the development would still not have qualified under the federal rules, which requires all TCAP awardees to have active tax credits, without the Board's approval of a new Determination Notice which occurred at the September 3, 2009 Board meeting. Moreover, the new 2009 application required a new evaluation and new underwriting which reflected a significantly altered and distressed financing structure. As a result, the original Determination Notice from 2008 does not qualify The Mirabella for TCAP funds and would not allow the development to be eligible to apply with other developments that have active Awards of LIHTCs approved in 2007 or 2008. Granting the appeal at this point would in essence prioritize this 2009 application ahead of all the other 2009 applications in the region.

The Executive Director's response to the Appeal also states the Board's decision at the September 4, 2009 Board meeting does not constitute a "reinstatement" of the previously issued Determination Notice under the 2009 Qualified Allocation Plan ("QAP"). The language in 10 TAC §49.12 provides two options for developments that previously received a Determination Notice but were unable to close prior to the bond reservation expiration date. The first option is for developments that have not had significant changes in the development plan, costs, or financing and that receive a new reservation from the Bond Review Board in the same program year. The second option is for developments that do have changes and/or are receiving a new reservation of bonds from a subsequent program year. The Mirabella falls under the second option due to the current 2009 reservation of bonds being from a different program year than the original 2008 reservation and as a result of very clear and significant changes in the financing structure for the development. As a result, a new application for 4% tax credits was required. This new application was reviewed and evaluated in its entirety by the Department. As reflected in the language of the QAP, Board approval on September 3, 2009 of this application resulted in the issuance of a "new determination notice" (10 TAC §49.12(f)(2)), rather than a "reinstatement" of a previous determination. It should be noted that the Applicant has submitted a TCAP application for Round 2, which The Mirabella is eligible to apply under based on the tax credit award approved in September 2009.

Recommendation

Staff recommends that the Board deny the Appeal for TCAP Application #09727, The Mirabella, San Antonio.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

September 15, 2009

Lourdes Castro Ramirez
The Mirabella, Ltd.
818 S. Flores St. Ste. 200
San Antonio, Texas 78204
Facsimile: (210) 477-6002

Re: Appeal of Termination of the TCAP Application for The Mirabella (TCAP #09727)

Dear Sir or Madam:

On September 4, 2009, we received your letter appealing staff's termination of the Tax Credit Assistance Program ("TCAP") application for the above referenced development. The application was terminated on August 28, 2009 due to the development's ineligibility under the TCAP application round for 2007 and 2008 developments. We have reviewed your letter and the circumstances of the termination and have the following observations.

Appeal Review

Your letter indicates the Department's termination was in error because the Board Policy requires the Applicant to have "previously returned the awarded credits." You indicate that the Applicant in this case never returned the award of credits and therefore continues to meet the definition reflected in the Policy Supplement. The Board's intent in the Policy is clear that Applicant's must have an active Award of LIHTCs in order to qualify, which is consistent with the federal program rules. While The Mirabella did not formally return their Award of LIHTCs, the development would still not have qualified under the federal rules without the Board's approval of a new Determination Notice which occurred at the September 4, 2009 Board meeting. As a result, the original Determination Notice from 2008 does not qualify The Mirabella for TCAP funds and would not allow the development to be eligible to apply with other developments that have active Awards of LIHTCs approved in 2007 or 2008.

Additionally, you indicate that the Board's decision at the September 4, 2009 Board meeting constitutes a "reinstatement" of the previously issued Determination Notice under the 2009 Qualified Allocation Plan ("QAP"). The language in 10 TAC §49.12 provides two options for developments that previously received a Determination Notice but were unable to close prior to the bond reservation expiration date. The first option is for developments that have not had significant changes in the development plan, costs, or financing and that receive a new reservation from the Bond Review Board in the same program year. The second option is for developments that do have changes and/or are receiving a new reservation of bonds from a subsequent program year. The Mirabella falls under the second option due to the current 2009 reservation of bonds being from a different program year than the original 2008 reservation and as a result of very clear and significant changes in the financing structure for the development. As a result, a new application for 4% tax credit was required. This new application was reviewed and evaluated in its entirety by the Department. As reflected in the language of the QAP, Board approval on September 4, 2009 of this application resulted in the issuance of a "new determination notice" (10 TAC §49.12(f)(2)), rather than a "reinstatement" of a previous determination. The new Determination Notice awarded based upon the September 2009 Board meeting allows the development to be eligible for TCAP funds under the TCAP round for developments with awards approved in 2009. Accepting the TCAP application before the Board's approval of the 2009 Determination Notice would have effectively invalidated the financing structure proposed in the 4% tax credit application.

Appeal Determination

Based upon our review, the termination of the TCAP application submitted under the application round for developments with Awards of LIHTCs approved in 2007 and 2008 is upheld.

As indicated above, based upon the Board's approval at the September 4, 2009 Board meeting, The Mirabella appears to qualify for submission of a TCAP application under the current application round for developments with Awards of LIHTCs approved in 2009. At your election, staff will hold the current application for consideration under the round for 2009 tax credit awardees and will not require submission of another TCAP application. Please notify staff of any changes to this application prior to the October 1, 2009 deadline for TCAP application for 2009 tax credit awardees.

Sincerely,

Michael Gerber
Executive Director

CFD

cc. Valerie Garrity
By Facsimile: (216) 584-2572

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September 4, 2009

By E-Mail to michael.gerber@tdhca.state.tx.us
Mr. Michael Gerber
Executive Director
Texas Department of
Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701-2410

RE: The Mirabella, San Antonio, Bexar County, Texas (TDHCA # 09727); Appeal of Termination of Application for TCAP Funds.

Dear Mr. Gerber:

This letter appeals the termination of an application for Tax Credit Assistance Program ("TCAP") funding for The Mirabella (the "Project"), as set out in Cameron Dorsey's termination notice dated August 28, 2009 addressed to The Mirabella, Ltd. (the "Partnership"). The Project is a tax-exempt bond and 4% tax credit development. It will be a senior complex in the City of San Antonio, a community where the need for quality affordable housing of this kind continues to increase as the constituents grow older. It will also be the first multifamily development in the city to make use of solar heating and water, resulting in a reduction of utility costs for seniors on limited incomes. The reason provided for the termination was that the Project was not eligible to submit an application during the acceptance period for developments approved by the TDHCA Board for awards of tax credits in 2007 and 2008 because the Determination Notice that the Project received in 2008 is "no longer a valid Determination Notice due to the expiration of the tax exempt bond reservation that qualified the transaction for the 4% tax credits." We think this is an incorrect evaluation of the status of the Project's 2008 Determination Notice that has resulted in an inappropriate termination.

1. Eligible Applicants for TCAP Funding

Section I(1) of the TDHCA Board Resolution No. 09-043 (the "Resolution") which establishes the TDHCA TCAP Policy states:

> Only Applicants that received an Award of LIHTC for award years 2007, 2008 and/or 2009 and did not previously return the credits are, eligible for TCAP

> funding provided that the TCAP application is consistent with the most recent Board approved application except for changes to the development costs, financing structure, or additional TCAP related requirements.

[Emphasis added] The language of its Resolution indicates that the Board contemplated there might be multiple Board-approved applications related to a development, as turns out to be the case for the Project. The Supplemental Information to the Board Policy on American Recovery and Reinvestment Act of 2009, Tax Credit Assistance Program ("the Policy Supplement") defines "Award of LIHTC" as follows:

> *Award of LIHTC.* The Notice requires a uniform definition of Award of LIHTC for the purpose of committing TCAP funds. An award is defined as an approval by the Department's Governing Board ("Board") of an allocation or determination of Low Income Housing Tax Credits between October 1, 2006, and September 30, 2009, and as may be adjusted based upon the application for funds under this Policy.

2. The Project's 2008 Determination Notice Has Never Been Returned

The Project applied for a bond reservation on July 30, 2008 which had a 150-day deadline of January 15, 2009. The Project received a Determination Notice for an annual allocation of $695,738 in 4% Housing Tax Credits that was approved by the TDHCA Board on November 13, 2008 and was issued the same day. The timing of this Determination Notice is clearly within the requirements of the Policy Supplement. Recognizing that the January 15th deadline would not be met, the Partnership applied for a new bond reservation on November 30, 2008.

Section 49.12(f) of the 2009 Qualified Allocation Plan ("QAP") states:

> 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: ...

The two alternatives, one of which must apply, are: (i) the new docket number is 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 Bond Review Board, in which case a revised Determination Notice is to be issued once the Department is notified of a new docket number; or (ii) if there are changes to the application then the application is to be resubmitted in full, along with applicable fees to be reviewed and evaluated in its entirety for a new determination notice to be issued. Regardless of which alternative applies, the Determination Notice is to be considered "reinstated".

When a new bond reservation was requested on November 30, 2008, the bond reservation and the Determination Notice were still in the same year, so alternative (i) applied, and the Determination Notice was reinstated through the use of a certification that there were no changes to the proposed deal. Under the QAP the Determination Notice was revised and reinstated and a new Determination Notice was issued on December 17, 2008. The new bond reservation had a 150-day deadline of April 30, 2009. On April 13, 2009, the Partnership requested a new bond reservation. This time the bond reservation had a 2009 docket number, so alternative (ii) applied. The Partnership submitted a new application, as required for the reinstatement of the existing Determination Notice per Section 49.12(f)(ii). Reinstatement was granted by the TDHCA Board on September 3, 2009. Although the docket number on both the bond reservation and the Determination Notice now reflect a 2009 date, the purpose of that numbering mechanism is simply to show that the 2009 QAP Threshold Criteria now apply to the Project. The tax credit allocation evidenced by the Determination Notice is a reinstatement of an allocation originally issued in 2008.

<u>We note that at no time did the Partnership ever "return the credits" in connection with the Project.</u> The QAP states that, regardless of whether 49.12(f)(i) or (ii) applies, the process of initiating a new bond reservation for a development that has already had its 4% allocation of tax credits approved by the TDHCA Board involves a Determination Notice being "<u>reinstated</u>", so this process does not represent a return of credits. In both instances when the Determination Notice was reinstated, the time during which the bond reservation could be closed had not lapsed, so the Determination Notice was still in effect. Under the clear language of the Policy, the Project is qualified to apply for TCAP as an applicant with a 2008 Determination Notice evidencing a tax credit allocation that has not previously been surrendered.

We additionally point out that the Partnership never requested a return of 50% of the Determination Fee under Section 49.20(f) of the QAP, as is permitted if the applicant intends to surrender the allocation of tax credits. This is further evidence of the Partnership's intent to keep the 2008 allocation of 4% tax credits in full force and effect without a lapse.

3. The Mirabella Qualifies for TCAP First Round

Since the Partnership has never returned its 2008 allocation of 4% tax credits, and currently has TDHCA Board approval of the reinstatement of that allocation, the Project has a 2008 "Award of LIHTC" as defined in the Policy Supplement. Pursuant to the Tax Credit Assistance Program (TCAP) Submission Packet – May 2009 (Revised July 16, 2009), the TDHCA represented that it would solicit applications from applicants with an Award of LIHTC made in 2007 or 2008 during June and July of 2009, and that initial awarding of TCAP funds for these developments would take place by September 3, 2009. As the holder of a 2008 Award of LIHTC, the Partnership is entitled to participate in the first tranche of funding under the TCAP.

In summary, because of the manner in which the QAP deals with the reinstatement of a Determination Notice for a bond transaction that spans two calendar years, the Project qualifies for the first round of TCAP funding. With a score of 320, the Project outscores the only other application for Urban areas in Region 9. With fewer and fewer 4% deals closing, here is one that is financially viable, shovel-ready, and strongly supported by the community. The Mirabella has traveled down an unusual path and is in a unique situation that does not apply to the other TCAP applicants. Forcing Mirabella to apply with the second round of TCAP applications effectively blocks the Project from fairly competing at all, which, considering the amount of time that has gone into its creation since well before the original 2008 LIHTC Award, contradicts the main goal of the TCAP program – to give priority to eligible projects which can be completed within the required time span. We respectfully request the reinstatement of the TCAP application and allocation of TCAP funding pursuant to the Project's score.

Very truly yours,

B J Palmer

Barry J. Palmer

cc: Tom Gouris
Robbye Meyer
Cameron Dorsey
Lourdes M. Castro Ramirez
Ed Hinojosa
Bradford McMurray
David Casso
Debra Guerrero
Valerie Garrity
James Plummer

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

August 28, 2009

Lourdes Castro Ramirez
The Mirabella, Ltd.
818 S. Flores St. Ste. 200
San Antonio, Texas 78204
Facsimile: (210) 477-6002

Re: TCAP Application for The Mirabella (TDHCA #09727)

Dear Sir or Madam:

We have done a preliminary review of the above referenced application for Tax Credit Assistance Program (TCAP) funds. Based upon this review it has been determined that you do not have an Award of 4% Housing Tax Credits as required in Section I(1) of Board approved TCAP Policy (Resolution No. 09-043), which states:

> Only Applicants that received an Award of LIHTC for award years 2007, 2008 and/or 2009 and did not previously return the credits are, eligible for TCAP funding provided that the TCAP application is consistent with the most recent Board approved application except for changes to the development costs, financing structure, or additional TCAP related requirements.

The TCAP Policy supplement further defines an Award of LIHTCs as follows:

> An award is defined as an approval by the Department's Governing Board ("Board") of an allocation or determination of Low Income Housing Tax Credits between October 1, 2006, and September 30, 2009, and as may be adjusted based upon the application for funds under this Policy.

The Determination Notice that The Mirabella received in late 2008 is no longer a valid Determination Notice due to the expiration of the tax exempt bond reservation that qualified the transaction for the 4% tax credits. The Department has determined that the subject application was not eligible to submit an application during application acceptance period for tax credit developments approved by the Board for awards of LIHTCs in 2007 and 2008. Therefore the subject application is terminated.

Should you receive an Award of LIHTCs, as defined above, prior to the October 1, 2009 federal TCAP eligibility deadline and submit a TCAP application prior to the October 1, 2009 deadline for TCAP applications that received an Award of LIHTCs in 2009, you may qualify for TCAP funding. You may appeal this termination to the Executive Director in accordance with Title 10 of the Texas Administrative Code Section 1.7 within seven (7) days of the date of this letter.

Sincerely,

Cameron Dorsey
HOME Program Manager

CFD

cc. Valerie Garrity
By Facsimile: (216) 584-2572

None at this time

None at this time

OFFICE OF COLONIA INITIATIVES
BOARD ACTION REQUEST
October 15, 2009

Action Item

Presentation, Discussion, and Possible Approval for publication in the *Texas Register* a final order adopting repeal of Title 10, Texas Administrative Code (TAC), Part 1, Chapter 2, Texas Bootstrap Loan Program Rules and final order adopting new Title 10, Texas Administrative Code (TAC), Part 1, Chapter 2, Texas Bootstrap Loan Program Rules.

Required Action

Approve the final repeal of Title 10, Texas Administrative Code (TAC), Part 1, Chapter 2, Texas Bootstrap Loan Program Rules and approve, deny or approve with modifications the final order adopting new Title 10, Texas Administrative Code (TAC), Part 1, Chapter 2, Texas Bootstrap Loan Program Rules.

Background

On July 16, 2009 the Department's Governing Board approved the proposed repeal of the current Texas Bootstrap Loan Program Rules and the proposed new program rules. On August 7, 2009 the Texas Bootstrap Loan Program Draft Rules were published in the *Texas Register*. The public comment period for the draft rules commenced upon publication and ended on September 7, 2009. In addition to publishing the document in the *Texas Register* a copy or the proposed repeal and a copy of the proposed new program rules were emailed to each participating Nonprofit Owner-Builder Housing Provider. No comments were received pertaining to the repeal of the previous Texas Bootstrap Loan Program Rules. Over thirty public comments were received on the proposed new program rules and a Department response is attached.

Recommendation

Staff recommends Board approval of the final rules for the Texas Bootstrap Loan Program based on staff recommendations in response to public comment.

Attachment: Final repeal of Texas Bootstrap Loan Program Rules, final new Texas Bootstrap Loan Program Rules and Summary of Public Comment.

Reasoned Response to Public Comment on the Texas Bootstrap Loan Program Draft Rules

This document provides the Department's response to all comments received.

Language deleted from the Texas Bootstrap Loan Program Draft Rules is shown with single strikethrough and new language proposed for the Texas Bootstrap Loan Program Draft Rules is shown with a single underline.

Public comments and the Department's responses are presented in the order in which the sections appear in the proposed Chapter 2, starting with Section 2.2 and ending with Section 2.12. Following the section number is the title of the section as it appears in the rule. Each number corresponds to the person who commented on the particular rule section. The key relating each number to a particular commenter is listed below. Following the identification of the related commenter is a summary of the comment and staff's response, including the reasons why the Department agreed or disagreed with the comment and a statement of the factual basis for the new chapter.

Public comments on the proposed amendments were received by: (51)Lower Valley Housing Corporation; (52) Habitat for Humanity Laredo; (53)FUTURO Communities; (54) Community Development Corporation of Brownsville; (55) La Gloria Development Corporation; (56) Reliable Real Estate Inspection Service; (57) Texas Low Income Housing Information Service.

§2.2(21). Definitions--Owner-Builder.

COMMENT(57): The commenter stated it does not see a reason to prohibit contract for deed buyers who happened to contract after a particular date from participating in Bootstrap.

STAFF RESPONSE: Staff recommends no amendments to §2.2(21):
Texas Government Code §2306.751, defines Owner-Builder as a person, other than a person who owns or operates a construction business, an Owner-Builder as one who owns or purchases a piece of real property through a warranty deed or a warranty deed and deed of trust; or is purchasing a piece of real property under a contract for deed entered into before January 1, 1999 and who undertakes to make improvements to that property.

§2.3(e). Allocation of Funds.

COMMENT(57): The commenter stated that a semi colon or comma should separate the reference to the HOME program from the reference to the housing trust fund.

STAFF RESPONSE: Staff concurs and recommends that §2.3(e) be revised to:
(e) Each state fiscal year the Department shall transfer at least $3 million to the Texas Bootstrap Loan Program revolving fund from money received under the federal HOME Investment Partnerships Program established under Title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. §§12701, et seq.), from money in the housing trust fund, or from money appropriated by the legislature to the Department pursuant to §2306.7581 of the Texas Government Code.

§2.7(c). Distribution of Funds--Reservation Procedures.

COMMENT(51, 52, 54, 55, 57): The commenters stated many concerns regarding the ten Reservations under the two-thirds set-aside. The commenters believe it will limit them to ten houses per year and would prevent them from building more than ten houses which many believed was not as cost effective as a direct limit on the dollar amount of outstanding reservations and a limit on the number of units unnecessarily restricts their opportunity to reach more households.

STAFF RESPONSE: Staff concurs and recommends that §2.7(c) be revised to:

(c) Reservation procedures. Reservations of funds are available to the Nonprofit Owner-Builder Housing Provider (NOHP) on first-come, first-served basis. In all cases the NOHP must register each Owner-Builder applicant on the Texas Bootstrap Loan Program Reservation System via the Department's website. Maximum Reservations allowed for an NOHP at any given time may not exceed ~~ten~~ $900,000 in total loan Reservations in the two-thirds set-aside as noted in Section 2306.753(d) of the Texas Government Code. The NOHP ~~is allowed up to five~~ may not exceed $450,000 in total loan Reservations at any given time under the Balance of the State set-aside. The NOHP may enter additional Reservations after a loan has closed and all required closing documents have been submitted to the Department for funding.

§2.7(e). Distribution of Funds--Modification of loan Reservation.

COMMENT (51, 57): The commenters stated NOHPs should be able to withdraw or remove Owner-Builders due to nonperformance under the self-help agreement or other reasons that would prohibit the completion of construction or rehabilitation of the home. This places an undo burden on the NOHP to hold the property until funds become available again.

STAFF RESPONSE: Staff concurs and recommends that §2.7(e) be revised to:
(e) Modification of loan Reservation. After a Reservation has been secured and the Owner-Builder applicant has been deemed eligible to participate in the Program, the NOHP must notify the Department of any changes to the Owner-Builder application, such as a cancellation, change in the sales price or change in the loan amount. The NOHP will not be permitted to change, exchange, replace or switch Owner-Builder applicants once the loan has been registered; unless construction has commenced and one of the following events has occurred: death, illness, divorce, loss of income, nonperformance by Owner-Builder applicant or for other acceptable reasons, as approved by the Department, where the Owner-Builder applicant is unable to perform.

§2.8(b)& (c)(3). Criteria for Funding.

COMMENT (51, 57): The commenters requested clarification regarding the submission of the Reservation and documents required by the Department. The commenters also requested the Department provide a time line for its review of the documentation submitted by the NOHP. The commenters also stated that the Department proposes to require outside parties to submit documents under deadlines. However, the Department does not guarantee similar timeliness for itself. The commenters recommend that the Department provide times in number of days to Bootstrap providers for reviews and document preparation conducted by the Department.

STAFF RESPONSE: The Department endeavors to respond in a timely basis usually within ten (10) business days. However, it's unclear what recourse will be utilized if review period is not met by the Department since many of the Bootstrap requirements are statutorily. Staff recommends that §2.8(b) and §2.8(c)(3) be revised to:

(b) A nonprofit organization must have been certified by the Department as a Nonprofit Owner-Builder Housing Provider (NOHP) and must have executed a Loan Origination Agreement to be eligible to submit a Reservation on behalf of an Owner-Builder applicant. A Reservation containing false information and/or all documents required in the Program Manual are -not received within ten (10) business days after the Reservation has been entered into the system ~~by the deadline~~ will be disqualified. The Department staff will review and process all Owner-Builder applications in the order received. If the Department receives more than one Owner-Builder applications on the same day the applications will be processed in the order entered into the Reservation system. The NOHP will be notified in writing ~~of any Reservations cancelled. All Reservations must be received by the Department by 5:00 p.m. of the tenth (10th) business day, regardless of method of delivery.~~ of the Department's determination.

(3) ~~The Department will ensure that the Reservation is reviewed for the completeness of submission of all materials required under the NOFA, and information requested in the Program Manual~~. Reservations and/or applications submitted on behalf of an Owner-Builder applicant must comply with all applicable Texas Bootstrap Loan Program ~~and Housing Trust Fund~~ requirements or regulations established in these rules. Reservations and/or applications submitted on behalf of an Owner-Builder applicant that do not comply with such requirements ~~are~~will be disqualified. The NOHP will be notified in writing of any cancelled and/or disqualified ~~Disqualified Reservations~~ Reservations and/or applications submitted on behalf of an Owner-Builder applicant. ~~will be notified in writing.~~

§2.8(c)(5). Criteria for Funding.

COMMENT (51): The commenter states that it would be impossible for any NOHP to plan its program and put all its funding together with private lenders if the Department had absolute and capricious right to withhold funding after it had approved a Reservation and issued an applicant eligibility letter to the Owner-Builder applicant to participate in the Texas Bootstrap Loan Program.

STAFF RESPONSE: Staff concurs and recommends that §2.8(c)(5) be revised to:

(5) Prior to issuing an applicant eligibility letter the ~~The~~ Department may decline to fund any Reservation entered into the Reservation system if the proposed housing 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 Reservation which are entered, and may decide it is in the Department's best interest to refrain from committing the funds.- If the Department has issued an applicant eligibility letter to the Owner-Builder Applicant, but the NOHP and/or Owner-Builder applicant has not complied with all the Program rules and guidelines, the Department may suspend funding until the NOHP and/or Owner-

Builder applicant has satisfied all requirements of the Program. If the NOHP is unable to cure any deficiencies within fifteen (15) days, the Department may provide a one-time fifteen (15) day extension or decline to fund the Reservation.

§2.8((c)(6). Criteria for Funding.

COMMENT (57): The commenter stated a concern about the reservation system inability to emphasize extremely low-income families with incomes below $17,500. A tiebreaker benefiting only one family at the end when funds are running out does not out weight a NOFA system of awarding of points to applications primarily benefiting families below $17,500.

It was also recommended the Department review and make available data on the incomes of families served by Bootstrap before and after the institution of the reservation system and that the Department provide for, within these rules, the ability to adjust the operation of the reservation system to assure that families with incomes below $17,500 substantially benefit from the Bootstrap program and whether a local government imposes development fees or waives fees has no bearing on the degree of housing need experienced by a family.

STAFF RESPONSE: Staff recommends no amendments to §2.8(c)(6):
The Reservation system is a ready to proceed model which has resulted in a more efficient process for distributing and expending funds. Under §2306.753 of the Texas Government Code the Department is required to establish a priority for loans made under this program to Owner-Builders whose income is less than $17,500. Over 270 loans have been made to households with incomes at or below $17,500 since the inception of the Program in fiscal year 2000. This number represents approximately 31% of all loans made under the Program. Since the inception of the Reservation system in fiscal year 2008 & 2009 a total of 96 loans (approximately 35%) have been made to household with incomes at or below $17,500. Staff reviews all loan applications submitted daily to ensure that priority is given to households with incomes at or below $17,500. Under §2306.757 of the Texas Government Code, the Department is also required to give priority on loans to owner-builders who will reside in counties or municipalities that agree in writing to waive capital recovery fees, building permit fees, inspection fees, or other fees. NOHP is required to notify the Department and submit the necessary documentation provided by the local government entity listing all fees that have been waived. Both of these items are addressed in §2.8(c)(6) of the Program rules.

§2.9(a). Program Administration.

COMMENT(52,53, 57): The commenters have requested clarification if Bootstrap could be combined with Department funds such as HOME, Housing Trust Funds, First-time Homebuyer Bond funds, etc. Some legislative action was taken to address the Department's current policy regarding leveraging other Department funds in conjunction with the Bootstrap Loan Program. One commenter stated Owner-Builder applicants in participating jurisdictions have an unfair advantage over Owner-Builder applicants in non-participating jurisdiction. Owner-Builder applicants in participating jurisdictions are able to leverage HOME funds with the Bootstrap Loan Program. While Owner-Builder applicants in non-participating jurisdictions are not able to leverage HOME funds and in most cases these Owner-Builder applicants are faced with higher construction and land acquisition costs.

STAFF RESPONSE: The Department has determined the Texas Bootstrap Loan Program is able to originate mortgage loans from housing trust fund, federal block grants and owner-builder revolving loan fund which can receive funds from the HOME Investment Partnership Program in accordance with Section 2306.7581 of the Texas Government Code and therefore these sources cannot be used as leverage against themselves. However, other Department funds not listed in Section 2306.758 of the Texas Government Code such as First-Time Homebuyer Bond funds may be leveraged with the Texas Bootstrap Loan Program funds for amounts needed above $45,000 not to exceed $90,000 in total amount of amortized repayable loans. Staff recommends that §2.9(a) be revised to:

(a) Per household assistance from the Department for any Texas Bootstrap Loan Program loans may not exceed $45,000 per-household pursuant to <*>2306.754(b) of the Texas Government Code. The Owner-Builder must obtain the amount necessary that exceeds $45,000 from other sources of funds. The total amount of Amortized repayable loans made by the Department and other entities to an Owner-Builder under the Program may not exceed $90,000 pursuant to <*>2306.754(b) of the Texas Government Code. For purposes of these rules, a Grant includes a forgivable loan.
(1)The Department may originate mortgage loans from the Housing Trust Fund, Federal Block Grants and Owner-Builder revolving loan fund which can receive funds from the HOME Investment Partnership Program in accordance with <*> 2306.7581 of the Texas Government Code combined funds cannot exceed $45,000 of total Department funds;

(2) Other Department funds not listed in <*> 2306.758 of the Texas Government Code such as First-Time Homebuyer Bond funds may be leveraged with the Texas Bootstrap Loan Program funds for amounts needed above $45,000.

§2.9(t)(4). Program Administration.

COMMENT(57): The commenter stated the USDA 502 mortgage term is 33 years. The Bootstrap program must allow for combination with USDA mortgages.

STAFF RESPONSE: Staff recommends no amendments to §2.8(c)(6):
Texas Government Code §2306.754(c) states that a loan made by the Department may not exceed a term of 30 years.

§2.9(t)(9). Program Administration.

COMMENT (57): The commenter stated the Department should provide for waiving the debt-to-income ceiling in cases where it is appropriate to do so. Such as allowing a higher ceiling for a person with disabilities who has a steady income, low living expenses and a strong history of paying debts.

STAFF RESPONSE: Staff recommends no amendments to §2.9(t)(9):

The 45% debt-to-income ratio requirement already exceeds most lending requirements set by the mortgage industry. Currently under FHA manual underwriting their qualifying ratio requirement is 31%/43%, under Fannie Mae their qualifying ratio requirement is 38%, USDA Rural Housing Loan Program qualifying ratio is 29%/41%.

§2.9(t)(10). Loan Program Requirements--Credit Qualifications.

COMMENT (51): The commenter states it is not cost effective for the NOHP to collect from the potential Owner/Builder the fee for two tri-merge credit reports that will be submitted to all the lenders.

STAFF RESPONSE: Staff recommends no amendments to §2.9(t)(10):
Currently the majority of credit reports submitted by the NOHP on behalf of an Owner-Builder applicant do not contain a tri-merge credit report the Department at its expense will order and obtain the tri-merge credit report.

§2.9(t)(11-13). Program Administration.

COMMENT(51, 52, 54, 55, 57): The commenters stated that the proposed credit standards would make it impossible to continue qualifying families under the Program. They also stated proposed rules go against the purpose of the Bootstrap program, which was to help families to obtain the funds to build an affordable decent home. In today's economy, that purpose stands even more clearly. Rather than instituting standards, which will penalize hundreds of families, it was recommended a meeting of Bootstrap providers be established to review performance data. It was also recommended allowing a loan where the applicant pays the collection in full. FHA allows the applicant to pay the collection and no waiting is required.

STAFF RESPONSE: Staff concurs and recommends that §2.9(t)(11)(A) and §2.9(t)(11)(E) be revised to:

(A) Payments on any consumer, retail and/or installment account (i.e. auto loans, signature loans, payday loans, credit cards or any other type of retail and/or installment loan) which has been delinquent for more than thirty (30) days on three (3) or more occasions within the last twelve (12) months; unless the Owner-Builder applicant has been current for the four (4) months immediately preceding the application date and must submit to the Department a written explanation of the cause for the previous delinquency, which is acceptable to the Department. ~~prior to the date of application.~~ For purposes of this subparagraph, the credit history of an Owner-Builder who is a domestic farm laborer and receives a substantial portion of his/her income as a laborer on a farm will not apply. However, Owner-Builder must still demonstrate the ability and willingness to meet debt obligations.

(E) Any account (for the exception of a medical account) that has been placed for collection, charged off or profit ~~or~~and loss within the last twelve (12) months prior to the date of application, unless the account has been paid in full.

§2.9(t)(14). Program Administration.

COMMENT (57): The commenter stated that as Texas cities emphasized smaller lot sizes and denser development, such as town houses, condominiums or other attached housing configuration. The Bootstrap rules should not preclude such a possibility.

STAFF RESPONSE: The Department does not impose any density restrictions, which would prohibit participating in the Program. The 65% sweat equity requirement under the Program will be difficult to achieve and document on attached single-family residences except in the case of rehabilitation. Staff recommends the following amendment to §2.9(t)(14).

(14) Must be a detached single-family residence or property located within the State of Texas; attached single-family residence may qualify under the Program for a rehabilitation loan. Manufactured homes are not eligible. All property taxes must be current prior to closing.

§2.9(t)(17).Program Administration-Loan Program Requirements-Non-Purchasing Spouse:

COMMENT (52): The commenter recommends not including the debts of the non-purchasing spouse in the debt-to-income ratio since they will not be financially responsible for the loan.

STAFF RESPONSE: Staff recommends no amendments to §2.9(t)(17).
It is crucial when reviewing the loan for approval that the total household income and debts be taken into consideration. Since this program is intended to serve very low income families and to ensure the families will be successful homeowners.

§2.12.Property Guidelines:

COMMENT(56): The commenter states that the number of inspections that are required for all housing rehabilitation, reconstruction, and new home construction is not adequate. The Department should provide guidance with regard to which party will be responsible for the inspection fees.

STAFF RESPONSE: Housing being rehabilitated and/or constructed within an incorporated area are being inspected by the local government entity. For housing being rehabilitated and/or constructed outside an incorporated area the Department currently requires a final inspection to be completed by a licensed third party inspector. Under the proposed rules the Department is requiring an initial and final inspection for all housing being rehabilitated outside an incorporated area. Staff recommends that §2.12 be revised to:

§2.12. Property Guidelines and Related Issues.

(a) If the NOHP is utilizing program funds to construct a new ~~the~~ home they must conform to <*>2306.514 of the Texas Government Code regardless if the property is located within an incorporated area or not.

(b) If the property is located within an incorporated area where certain building codes must be met, the Department will require a copy of the certificate of occupancy. If no certificate of occupancy is available from an incorporated area the NOHP must obtain a document from the local government entity showing that the home has passed all required building codes. A copy of the certificate of occupancy or any other document received from the local governing entity must be submitted to the Department upon completion of construction. If the property is located outside an incorporated area ~~at a minimum,~~ inspections will be required to be completed by a professional inspector licensed by the Texas Real Estate Commission. For properties located in an incorporated area or outside an incorporated area; inspections ~~-Inspections~~ will be required for all housing rehabilitation (initial and final), for properties located outside an incorporated area housing reconstruction (initial and final) and new construction (final only) ~~activities and~~ must be inspected by a professional inspector licensed by the Texas Real Estate Commission.

(1) The initial inspection for rehabilitation must identify and prioritize areas in need of repair. A copy of the initial inspection reports must be provided to the Department and the homeowner.

(~~1~~2) The final inspections for housing rehabilitation must ensure that the construction on the house is complete, that the home is safe, sound and sanitary. A copy of the final inspection report must be ~~given~~ provided to the Department and the homeowner.

(~~2~~3) The final inspections for reconstruction and new construction must ensure that the construction on the home is complete, that the home is safe, and that it meets, at a minimum, International Residential Code (IRC). IRC is a comprehensive residential code which establishes minimum construction requirements with plumbing, mechanical, energy, and electrical provisions. A copy of the final inspection report must be ~~given~~ provided to the Department and the homeowner.

(~~3~~4) The Contractor must ensure and verify that each construction contractor performing activities in the amount of $10,000.00 or more under the Contract is registered and maintains good standing with the Texas Residential Construction Commission.

(4~~5~~) The Contractor must ensure and verify that each housing unit being rehabilitated in the amount of $10,000.00 or more under the Contract is registered with the Texas Residential Construction Commission.

(~~5~~6) All final inspections must ensure that the construction on the house is complete and that the home is safe. In both instances any deficiencies noted on the certificate of occupancy or the third party inspector's report must be corrected prior to closing. Cosmetic issues such as paint, wall texture, etc. will not be required to be corrected since this is a self-help construction Program. If the Texas Residential Construction Commission registrations required in the Chapter are no longer required by operation of law, such registrations must be obtained from the entity that succeeds to the applicable registration functions of the Texas Residential Construction Commission, if any.

(7) The NOHP and/or the Owner-Builder applicant will be responsible for the selection and/or the fee of a licensed inspector.

The Texas Department of Housing and Community Affairs (the Department) adopts the repeal of 10 TAC, Chapter 2, §§2.1 - 2.17 concerning the Texas Bootstrap Loan Program, without changes to the proposed text as published in the August 7, 2009 issue of the Texas Register (34 TexReg 3478) and will not be republished.

The adopted repeal will allow the Department to make changes to the existing rule to ensure compliance with all statutory requirements, formalize existing policy and guidelines and include revisions of necessary policy and administrative changes to further enhance operations.

No comments were received regarding the proposed repeal.

The Board approved the final order adopting this repeal on October 15, 2009.

§2.1.Purpose.

§2.2.Definitions.

§2.3.Allocation of Funds.

§2.4.Applicant Requirements.

§2.5.Application Limitations.

§2.6.Program Activities.

§2.7.Prohibited Activities.

§2.8.Distribution of Funds.

§2.9.Application and Award Process.

§2.10.General Threshold Criteria.

§2.11.Selection Criteria for Texas Bootstrap Loan Program.

§2.12.Program Administration.

§2.13.Owner-Builder Qualifications.

§2.14.Types of Funding Transactions.

§2.15.Leveraged Loans.

§2.16.Property guidelines and related issues.

§2.17.Nonprofit Owner-Builder Housing Program (NOHP) Certification.

Section 2.1. Purpose.

(a) This chapter clarifies the administration of the Texas Department of Housing and Community Affairs Texas Bootstrap Loan Program also known as the Owner-Builder Loan Program. The Texas Bootstrap Loan Program provides assistance to income-eligible individuals, families and households to purchase or refinance real property, on which to build new residential housing or improve existing residential housing. The Program is administered in accordance with Subchapter FF, Chapter 2306 of the Texas Government Code.

(b) The Texas Bootstrap Loan Program is a self-help construction program that is designed to provide very low-income families an opportunity to help themselves attain homeownership or repair their existing homes through sweat equity. All Owner-Builder applicants under this Program are required to provide through personal labor at least 65% of labor necessary to build or rehabilitate the home. All applicable building codes and housing standards are adhered to under this Program. In addition, nonprofit organizations can combine these funds with other sources of funds. The total amount of Amortized repayable loans made by the Department and other entities to an Owner-Builder may not exceed $90,000 per housing unit.

Section 2.2. Definitions.

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Activity--A form of assistance by which Texas Bootstrap Loan Program funds are used to provide incentives to develop and support affordable housing and homeownership through acquisition, new construction, reconstruction, and rehabilitation of residential housing.

(2) Administrative Deficiencies--The absence of information or a document from the Owner-Builder application as required by these rules and Program Manual.

(3) Amortized--A loan in which the principal as well as the interest, if applicable, is payable monthly or in some other periodic installment over the term of the loan.

(4) Board--The governing board of the Texas Department of Housing and Community Affairs.

(5) Colonia--A geographic area located in a county some part of which is within one-hundred fifty (150) miles of the international border of this state 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, Texas Water Code; or

(B) has the physical and economic characteristics of a Colonia, as determined by the Department.

(6) Colonia Self-Help Center--As defined under Subchapter Z, Chapter 2306 of the Texas Government Code.

(7) Committed--Funds reserved to an Owner-Builder and approved by the Department.

(8) Department--The Texas Department of Housing and Community Affairs.

(9) Development--Projects that have a construction component, either in the form of new construction or the rehabilitation of single family residential housing that meet the Texas Bootstrap Loan Program requirements.

(10) Drawn--Funds approved by the Department and disbursed to the Nonprofit Owner-Builder Housing Provider (NOHP).

(11) Economically Distressed Area--A county that contains an area that meets the criteria for an economically distressed area under Section 17.92(1), Texas Water Code; and has adopted and enforces the model rules under Section 16.343, Texas Water Code.

(12) 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. A Grant includes a forgivable loan.

(13) HUD--United States Department of Housing and Urban Development.

(14) Life of Loan Flood Certification--Life of Loan Flood Certification tracks the flood zone of the property for the life of the loan.
(15) Loan Origination Agreement--A written agreement, including all amendments thereto between the Department and the Nonprofit Owner-Builder Housing Provider (NOHP) that authorizes the NOHP to originate certain loans under the Texas Bootstrap Loan Program.
(16) New Construction--Any single-family structure not meeting the definition of Rehabilitation or Reconstruction.
(17) NOFA--Notice of Funding Availability.
(18) NOHP--Nonprofit Owner-Builder Housing Provider.
(19) Nonprofit Organization--An organization that:
(A) is organized under state or local laws;
(B) has no part of its net earnings benefiting any member, founder, contributor, or individual;
(C) has a current tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c)(3), a charitable, nonprofit corporation, 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 nonprofit under Section 501(c)(3) of 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.
(D) A nonprofit organization's pending application for Section 501(c)(3) status cannot be used to comply with the tax status requirement.
(20) Open Reservation Cycle--A defined period during which an NOHP may submit Owner-Builder applications according to a published NOFA and which will be reviewed on a first come-first serve basis until all funds available are committed, or until the NOFA is closed. Owner-Builder applications will be reviewed in accordance with Program rules and the Program Manual. The Department may release funds in a two year funding cycle or less than two (2) years.
(21) Owner-Builder--A person, other than a person who owns or operates a construction business and who owns or purchases a piece of real property through a warranty deed and deed of trust; or is purchasing a piece of real property under a contract for deed entered into before January 1, 1999; and who undertakes to make improvements to that property.
(22) Participant--An organization which submits an application to the Department to be certified as an NOHP.
(23) Program--Texas Bootstrap Loan Program also know as the Owner-Builder Loan Program.
(24) Program Manual--A set of guidelines designed to be an implementation tool for the NOHP that has executed a Loan Origination Agreement and allows the NOHP to search for terms, statutes, regulations, forms and attachments. The Program Manual is developed by the Department and amended or supplemented from time to time.
(25) Reconstruction--The rebuilding of a new single-family structure on the same lot where housing exists at the time of Owner-Builder loan application. Texas Bootstrap Loan Program funds may also be used to build a new foundation or repair an existing foundation.
(26) Rehabilitation--Includes the alteration, improvement or modification of an existing single family structure. It may also include moving an existing single family structure to a foundation constructed with Texas Bootstrap Loan Program funds.
(27) Related Party--As defined in Section 2306.6702 of the Texas Government Code.
(28) Reservation--An amount of funds set-aside for each individual Owner-Builder applicant registered into the Department's Texas Bootstrap Loan Program Registration website.
(29) Self-Help Housing Construction--The self-help housing process enables Owner-Builders to rehabilitate, reconstruct or construct their own homes, usually

working together in groups on other eligible Owner-Builder's houses at the same time. Owner-builders use their own "sweat equity" to reduce the cost of their homes.
(30) Single family structure--A property designed and built to support the habitation of one person or one household.
(31) Very Low-Income Families--Owner-Builders who do not have an annual income that exceeds 60% of the greater of the state or local median family income, as determined by the Department, when combined with the income of any person who resides with the Owner-Builder.

Section 2.3. Allocation of Funds.
(a) The Department administers all Texas Bootstrap Loan Program funds provided to the Department in accordance with Subchapter FF, Chapter 2306 of the Texas Government Code. The Department shall solicit gifts and grants to make loans under this chapter.

(b) The Department may also make loans under this chapter from:
(1) available funds in the housing trust fund established under Section 2306.201, of the Texas Government Code;
(2) federal block grants that may be used for the purposes of this chapter; and
(3) the Owner-Builder revolving loan fund established under Section 2306.7581, of the Texas Government Code.
(c) The Department shall establish an Owner-Builder revolving loan fund for the sole purpose of funding loans pursuant to Section 2306.7581 of the Texas Government Code.

(d) The Department shall deposit money received in repayment of a loan to the Owner-Builder revolving loan fund pursuant to Section 2306.7581 of the Texas Government Code.

(e) Each state fiscal year the Department shall transfer at least $3 million to the Texas Bootstrap Loan Program revolving fund from money received under the federal HOME Investment Partnerships program established under Title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. Section 12701, et seq.), from money in the housing trust fund; or from money appropriated by the legislature to the Department pursuant to Section 2306.7581 of the Texas Government Code.

(f) In a state fiscal year the Department may use not more than 10% of the revenue available to enhance the ability of tax-exempt organizations described by Section 2306.755(a) of the Texas Government Code to enhance the number of such organizations that are able to implement the Program. The Department shall use that available revenue to provide financial assistance, technical training and management support.

Section 2.4. Participant Requirements.
(a) Eligible Participants. The following organizations or entities are eligible to participate in the Texas Bootstrap Loan Program:
(1) Colonia Self Help Centers established under Section 2306, Subchapter Z, Texas Government Code; or
(2) Nonprofit Owner-Builder Housing Provider (NOHP) certified by the Department pursuant to Section 2306.755 of the Texas Government Code.

(b) Ineligible Participants: The following violations may cause a Participant, and any applications they have submitted, to be ineligible:
(1) Previously funded Participants(s) who have been partially or fully deobligated due to failure to meet contractual obligations during twelve (12) month period prior to the NOFA published date;
(2) Participants who have not satisfied all eligibility requirements described in the Program rules and NOFA to which they are responding;

(3) Participants that have failed to make timely payment on fee commitments or on debt instruments held by the Department and for which the Department has initiated formal collection actions;
(4) Participants that have been debarred by HUD or the Department; or
(5) Participants whose staff violates the state's revolving door policy.

(c) Noncompliance. Each Participant will be reviewed for its compliance history by the Department. Participants found to be in material noncompliance, or otherwise violating the compliance rules of the Department, will be terminated.

(d) Eligibility requirements. Participant must be certified as an NOHP or must be a Colonia Self-Help Center and must have entered into a Loan Origination Agreement with the Department in order to be eligible to participate in the Texas Bootstrap Loan Program Reservation system and as more fully described in the NOFA. The Participant must have the capacity to administer and manage resources as evidence by previous experience of managing state and/or federal programs.

(e) If indicated by the Department, comply with all requirements to utilize the Department's website to provide necessary data to the Department.

Section 2.5. Program Activities.
All eligible Participants that satisfy the requirements of Section 2.4, of this title (relating to Participant Requirements) may reserve funds and submit a loan application on behalf of an Owner-Builder Applicant for the Texas Bootstrap Loan Program.

Section 2.6. Prohibited Activities.
The following activities are prohibited in relation to the origination of a Texas Bootstrap Loan Program Loan, but may be charged as an allowable cost by a third (3rd) party lender for the origination of all other loans originated in connection with a Texas Bootstrap Loan Program Loan.
(1) Payment of delinquent property taxes or related fees or charges on properties to be assisted with Texas Bootstrap Loan Program funds;
(2) Loan Origination Fees;
(3) Application fee;
(4) Discount fees;
(5) Underwriter fee;
(6) Loan Processing fees; and
(7) Other fees not approved by the Department.

Section 2.7. Distribution of Funds.
(a) Set-Asides: In accordance with Section 2306.753(d) of the Texas Government Code, at least two-thirds (2/3) of the dollar amount of loans made under this chapter in each fiscal year must be made to Owner-Builders whose property is located in a county that is eligible to receive financial assistance under Subchapter K, Chapter 17, Texas Water Code.

(b) Balance of State: The remaining one-third (1/3) of the dollar amount of loans may be made to Owner-Builders in either a county under subsection (a) of this section or a county not eligible to receive financial assistance under Subchapter K, Chapter 17, Texas Water Code.

(c) Reservation procedures. Reservations of funds are available to the Nonprofit Owner-Builder Housing Provider (NOHP) on first-come, first-served basis. In all cases the NOHP must register each Owner-Builder applicant on the Texas Bootstrap Loan Program Reservation System via the Department's website. Maximum Reservations allowed for an NOHP at any given time may not exceed $900,000 in total loan Reservations in the two-thirds set-aside as noted in Section 2306.753(d) of the Texas Government Code. The NOHP may not exceed $450,000 in total loan Reservations at any given time under the Balance of the State set-aside. The NOHP may enter additional Reservations after a loan has closed and all required closing documents have been submitted to the Department for funding.

(d) A Reservation of funds with respect to the Program may be subject to cancellation if all documents required in the Program Manual are not submitted to the Department within ten (10) business days of the date the registration was entered into the Reservation system and/or if the performance benchmarks outlined in these Program rules are not adhered to. Registration of an Owner-Builder applicant does not guarantee funding.

(e) Modification of loan Reservation. After a Reservation has been secured and the Owner-Builder applicant has been deemed eligible to participate in the Program, the NOHP must notify the Department of any changes to the Owner-Builder application, such as a cancellation, change in the sales price or change in the loan amount. The NOHP will not be permitted to change, exchange, replace or switch Owner-Builder applicants once the loan has been registered; unless construction has commenced and one of the following events has occurred: death, illness, divorce, loss of income, nonperformance by Owner-Builder applicant or for other acceptable reasons, as approved by the Department, where the Owner-Builder applicant is unable to perform.

(f) Once a Reservation has been awarded, the Department may grant one forty-five (45) day extension of required benchmarks due to extenuating circumstances that were beyond the Owner-Builder's and/or the NOHPs control. If the NOHP cannot meet the required benchmarks after the forty-five (45) day extension, the Reservation will be cancelled. In order to receive another Reservation on the same Owner-Builder applicant the NOHP must submit an updated application to ensure the Owner-Builder applicant still meets all guidelines and requirements under Texas Bootstrap Loan Program Rules and Program Manual.

Section 2.8. Criteria for Funding.
(a) All Notices of Funding Availability (NOFA) will be presented to the Board for approval. The Department will publish a NOFA in the *Texas Register* and on the Department's website. The NOFA will be published as an Open Reservation Cycle. The NOFA will establish and define the terms and conditions for the submission of Reservations. The NOFA will also indicate the approximate amount of available funds.

(b) A nonprofit organization must have been certified by the Department as a Nonprofit Owner-Builder Housing Provider (NOHP) and must have executed a Loan Origination Agreement to be eligible to submit a Reservation on behalf of an Owner-Builder applicant. A Reservation containing false information and/or all documents required in the Program Manual are not received within ten (10) business days after the Reservation has been entered into the system will be disqualified. The Department staff will review and process all Owner-Builder applications in the order received. If the Department receives more than one Owner-Builder application on the same day the applications will be processed in the order entered into the Reservation system. The NOHP will be notified in writing of the Department's determination.

(c) Reservations received by the Department in response to a NOFA will be handled in the following manner:
(1) The Department will accept Reservations until the all funds under the NOFA have been committed. The Department may limit the eligibility of Reservations in the NOFA.
(2) Each Reservation will be assigned a "received date" based on the date and time the Reservation was entered into the Texas Bootstrap Loan Program Reservation System. Each Reservation will be reviewed in accordance with the Program rules.
(3) Reservations and/or applications submitted on behalf of an Owner-Builder applicant must comply with all applicable Texas Bootstrap Loan Program

requirements or regulations established in these rules. Reservations and/or applications submitted on behalf of an Owner-Builder applicant that do not comply with such requirements will be disqualified. The NOHP will be notified in writing of any cancelled and/or disqualified Reservations and/or applications submitted on behalf of an Owner-Builder applicant.

(4) Administrative Deficiencies. If a Reservation contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the Reservation, the Department staff may request clarification or correction of such Administrative Deficiencies. The Department staff may request clarification or correction in a deficiency notice in the form of an email, facsimile or a telephone call to the NOHP advising that such a request has been transmitted. An NOHP may not change or supplement a Reservation in any manner after submission, except in response to a direct request from the Department. NOHP must submit the requested information to the Department within five (5) business days of notification of deficiency.

(5) Prior to issuing an applicant eligibility letter the Department may decline to fund any Reservation entered into the Reservation system if the proposed housing 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 Reservation which are entered, and may decide it is in the Department's best interest to refrain from committing the funds. If the Department has issued an applicant eligibility letter to the Owner-Builder applicant, but the NOHP and/or Owner-Builder applicant has not complied with all the Program rules and guidelines, the Department may suspend funding until the NOHP and/or Owner-Builder applicant has satisfied all requirements of the Program. If the NOHP is unable to cure any deficiencies within fifteen (15) days, the Department may provide a one-time fifteen (15) day extension or decline to fund the Reservation.

(6) In the event of a tie between two or more Reservations, the Department reserves the right to determine which Reservation will receive funding. The Department will give priority to Reservations to Owner-Builders with an annual income of less than $17,500 and Reservations to Owner-Builders who will reside in counties and municipalities that agree in writing to waive the capital recovery fees, building permit fee or other fees related to the building of the houses to be built with the loan proceeds. Tied Reservations may also receive a partial recommendation for funding.

(d) Alternative Dispute Resolution Policy. In accordance with Section 2306.082 of the 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 of the 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. 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 Section 1.17.

Section 2.9. Program Administration.

(a) Per household assistance from the Department for any Texas Bootstrap Loan Program loans may not exceed $45,000 per-household pursuant to Section 2306.754(b) of the Texas Government Code. The Owner-Builder must obtain the amount necessary that exceeds $45,000 from other sources of funds. The total amount of Amortized repayable loans made by the Department and other entities to an Owner-Builder under the Program may not exceed $90,000 pursuant to Section 2306.754(b) of the Texas Government Code. For purposes of these rules, a Grant includes a forgivable loan:

(1)The Department may originate mortgage loans from the Housing Trust Fund, Federal Block Grants and Owner-Builder revolving loan fund which can receive funds from the HOME Investment Partnership Program in accordance with Section 2306.7581 of the Texas Government Code combined funds cannot exceed $45,000 of total Department funds;
(2) Other Department funds not listed in Section 2306.7581 of the Texas Government Code such as First-Time Homebuyer Bond funds may be leveraged with the Texas Bootstrap Loan Program funds for amounts needed above $45,000.
(b) A loan made by the Department shall be secured by a first (1st) lien on the real property if the Department's loan is the largest Amortized, repayable loan secured by the real property; or

(c) The Department may accept a parity lien position if the original principal amount of the leveraged loan is equal to or greater than the Department's loan; or

(d) The Department may accept a subordinate lien position if the original principal amount of the leveraged loan is at least $1,000 or greater than the Department's loan. However liens related to other subsidized funds provided in the form of grants and nonamortizing loans, such as deferred payment or forgivable loans, must be subordinate to the Department's loan.

(e) The Department, through a Nonprofit Owner-Builder Housing Provider (NOHP), shall make loans for Owner-Builder applicants to enable them to:
(1) purchase or refinance real property on which to build new residential housing;
(2) build new residential housing; or
(3) improve existing residential housing.

(f) The NOHP will be granted a 6% administration fee upon completion of the house and closing of each mortgage loan.

(g) Loan Origination Agreement. Upon approval by the Department, the nonprofit organization certified as an NOHP or Colonia Self-Help Centers shall enter into, execute, and deliver to the Department the Loan Origination Agreement.

(h) Amendments. The Department, acting by and through its Executive Director or his/her designee, may authorize, execute, and deliver modifications and/or amendments to any Program written agreement provided that:
(1) Time extensions. The Executive Director may collectively provide up to one (1) six (6) month extension to the end date of any Loan Origination Agreement. Any additional time extension granted by the Executive Director shall include a statement by the Executive Director relating to unusual, non-foreseeable or extenuating circumstances. If the extension is longer than six (6) months and the Executive Director determines that a statement related to unusual, 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; and
(2) In the case of all other modifications or amendments, such modification or amendment does not, in the estimation of the Executive Director, significantly decrease the benefits to be received by the Department.

(i) Sanctions/Deobligation. The Department will apply its Administration Rules, Title 10, Part 1, Chapter 1, Texas Administrative Code.

(j) The Department may use all applicable provisions and/or any relevant rules to assure compliance with these rules or Loan Origination Agreement.

(k) Additional Funds. In the event the Department has additional funds in the same funding cycle, the Department, with Board approval, will distribute funds in accordance to Section 2.7(a) - (b) of this title (relating to Distribution of Funds.)

(l) The Department may terminate the Loan Origination Agreement in whole or in part. If the NOHP has not achieved performance benchmarks as outlined in Loan Origination Agreement, Program rules and Manual. Performance benchmarks must be satisfactorily completed as follows:
(1) If the Owner-Builder applicant qualifies for the Program, the Department will issue an applicant eligibility letter (approval letter) which reserves the funds (up to $45,000 per Reservation) for twelve (12) months from the Reservation date. Owner-Builder applicant will not be required to re-qualify for the Program if the Owner-Builder applicant closes on the loan on or before the expiration date stated on the applicant eligibility letter issued by the Department. If the Owner-Builder fails to close on the loan on or before the expiration date stated on the applicant eligibility letter, the Owner-Builder applicant will be required to re-qualify for the Program. In an effort to expedite expenditure of funds, the NOHP will be required to meet specific performance benchmarks on the home within twelve (12) months of the Reservation. If the NOHP fails to meet the required benchmarks, the Reservation may be subject to cancellation in accordance with the Loan Origination Agreement. The Department may provide one forty-five (45) day extension to benchmark deadlines due to extenuating circumstances that were beyond the Owner-Builder's and/or the NOHPs control. If the NOHP cannot meet the required benchmarks after the forty-five (45) day extension, the Reservation will be cancelled. In order to receive another Reservation on the same Owner-Builder applicant the NOHP will be instructed to submit an updated application if funds are available, to ensure the Owner-Builder applicant meets all Texas Bootstrap Loan Program Rules. Once an Owner-Builder has been deemed eligible and funds have been reserved, the NOHP must meet the following performance benchmarks depending on the type of loan being requested:
(A) Purchase Money Loan:
(i) Within ninety (90) days of the respective Reservation date the NOHP must have initiated the preconstruction process, which includes the homeownership education and counseling programs of the organization.
(ii) Within one-hundred-eighty (180) days of the respective Reservation date construction must have started on the unit; and
(iii) Within one (1) year of the respective Reservation date the unit must be 100% complete and the purchase money loan must have closed with the Owner-Builder applicant.
(B) Interim and Residential Construction Loans:
(i) Within ninety (90) days of the respective Reservation date, the loan must close and construction must have started on the unit;
(ii) Within one-hundred-eighty (180) days of the respective Reservation date, the unit must be at 40% completion;
(iii) Within two-hundred-seventy (270) days of the respective Reservation date, the unit must be at 80% completion; and
(iv) Within one (1) year of the respective Reservation date, the unit must be 100% complete and the purchase money loan must have closed with the Owner-Builder applicant.
(2) Quarterly reports are due by the NOHP to the Department on the 20th of the month following the end of each calendar quarter. All funding may be suspended until reports are received.

(m) Roles and responsibilities for administering the Program contract. NOHPs are required to:
(1) Qualify potential Owner-Builders for loans;
(2) Provide Owner-Builder homeownership education classes;
(3) Supervise and assist Owner-Builders in building and/or rehabilitate housing;
(4) Facilitate loans made or purchased by the Department under the Program; and
(5) Implement and administer the Program on behalf of the Department.

(n) Loan Origination/Loan Servicing. An NOHP must enter into a Loan Origination Agreement with the Department in order to participate in the Program. If the NOHP wishes to service the loans originated on behalf of the Department it must enter into a Loan Servicing Agreement with the Department. The Department may grant the request upon reviewing the NOHP capacity to implement those specific functions.

(o) First Year Consultation Agreement. The NOHP agrees that if notified by the Department that Owner-Builder has failed to make a scheduled payment due under the Program loan, or other payments due under the Program loan documents issued under the Program, within the first twelve (12) months of funding, the NOHP will be required to meet with the Owner-Builder and provide counseling and assistance until the payments are made current. After consultation and in the event that the Department and NOHP are not able to reach a consensus about NOHPs effort to bring the Program loan current as required under this chapter, the Department in accordance with its administrative rules may apply appropriate graduated sanctions leading up to, but not limited to deobligation of funds and future debarment from participation in the program.

(p) Conflict of Interest. The NOHP shall ensure that no employee, officer, or agent of NOHP shall participate in the selection, or in the award or administration of a subcontract supported by funds provided under this program if a conflict of interest, real or apparent, would be involved. Such conflict of interest would arise when the employee, officer, or agent; any member of his or her immediate family; his or her partner; or, any organization which employs, or is about to employ any of the above; has a financial or other interest in the firm or person selected to perform the subcontract. The NOHP may not accept an application from any of its officers or employees nor any spouse or person related within the third (3rd) degree of affinity (marriage) or consanguinity (blood) to any officer or employee of the NOHP.

(q) Administrative Fee. The NOHP may request their administrative fee upon completion of the house and closing of each mortgage loan.

(r) Blueprints. If NOHPs activity is interim or residential construction, NOHP must provide an original copy of the proposed blue prints to be approved by the Department prior to accepting applications. Blue prints must include the required construction requirements pursuant to Section 2306.514 of the Texas Government Code.

(s) Work Write-up. The NOHP must submit a work write-up for all rehabilitation projects. Work write-ups must be reviewed and approved by the Department, before rehabilitation is started. The NOHP must also adopt a set of general specifications that provide detailed guidance to Owner-Builders and contractors on how to complete specific items in a work write-up.

(t) Loan program requirements. The Department may purchase or originate loans that conform to the lending parameters and the specific loan Program requirements as follows:
(1) Maximum Loan amount not to exceed $45,000. If it is not possible for the Owner-Builder to purchase necessary real property and build adequate housing for $45,000, the NOHP must obtain additional funding from other sources of funds;
(2) Minimum Loan amount is $1,000;
(3) The total amount of all Amortized repayable loans under the Program may not exceed $90,000. Deferred forgivable loans are not included in these total loan calculations;
(4) May not exceed a term of thirty (30) years;
(5) Minimum loan term of five (5) years;
(6) Zero percent (0%) non-interest loans;
(7) When refinancing a contract for deed, the Department will not disburse any portion of the Department's loan until the Owner-Builder receives a deed to the property;

(8) Owner-builder(s) must have resided in this state for the preceding six (6) months prior to the date of application;
(9) Total Debt-to-Income Ratio: Maximum of 45% (unless otherwise dictated by the mortgage insurer, if any);
(10) Credit Qualifications: Owner-Builder applicants must have a credit history that indicates reasonable ability and willingness to meet debt obligations. In order for the Department to make a reasonable determination, the Department will obtain a tri-merge credit report on all Owner-Builder applicants submitted to the Department for approval.
(11) Indicators of unacceptable credit include:
(A) Payments on any consumer, retail and/or installment account (i.e. auto loans, signature loans, payday loans, credit cards or any other type of retail and/or installment loan) which has been delinquent for more than thirty (30) days on three (3) or more occasions within the last twelve (12) months: unless the Owner-Builder applicant has been current for the four (4) months immediately preceding the application date and must submit to the Department a written explanation of the cause for the previous delinquency, which is acceptable to the Department. For purposes of Section 2.9(t)(11)(A), the credit history of an Owner-Builder who is a domestic farm laborer and receives a substantial portion of his/her income as a laborer on a farm will not apply. However, Owner-Builder must still demonstrate the ability and willingness to meet debt obligations.
(B) A foreclosure which has been completed within the last twelve (12) months prior to the date of application.
(C) An outstanding Internal Revenue Service tax lien or any other outstanding tax liens where Owner-Builder applicant has made no satisfactory payment arrangements.
(D) A court-created or court-affirmed obligation or judgment caused by nonpayment that is currently outstanding or has been outstanding within the last twelve (12) months and Owner-Builder applicant has made no satisfactory payment arrangements.
(E) Any account (for the exception of a medical account) that has been placed for collection, charged off or profit and loss within the last twelve (12) months prior to the date of application, unless the account has been paid in full.
(F) Any delinquency on any government debt.
(G) A bankruptcy that has been filed within the past twelve (12) months prior to the date of application.
(12) The following will not be considered indicators of unacceptable credit:
(A) A bankruptcy in which debts were discharged more than twenty-four (24) months prior to the date of application or where an applicant successfully completed a bankruptcy debt restructuring plan and has demonstrated a willingness to meet obligations when due for the twelve (12) months prior to the date of application.
(B) A judgment satisfied more than twelve (12) months before the date of application.
(C) Medical accounts that are delinquent or that have been placed for collection.
(13) Liabilities: The Owner-Builder applicant's liabilities include all revolving charge accounts, real estate loans, alimony, child support, installment loans, and all other debts of a continuing nature with more than ten (10) monthly payments remaining. Debts for which the Owner-Builder applicant is a co-signer will be included in the total monthly obligations unless the other party to the debt provides evidence showing that the Owner-Builder applicant has not been making payments on the co-signed loans for the previous twelve (12) months. There may be no late payments within the past twelve (12) months or the debt will be included. Payments on installment debts which are paid off prior to funding are not included for qualification purposes. Payments on all revolving debts (i.e. credit cards, payday loans, lines of credit, unsecured loans) and certain types of installment loans that appear to be recurring in nature will be included in debt ratio calculation, even if the Owner-Builder applicant intends to pay off the accounts, since the Owner-Builder applicant can reuse those credit sources, unless the account is paid off and closed. Any bankruptcy must have been discharged or dismissed in addition the Department will require that the Owner-Builder applicant to submit a letter of explanation regarding the circumstances that led to the bankruptcy.

(14) Must be a detached single-family residence or property located within the State of Texas; attached single-family residence may qualify under the Program for a rehabilitation loan. Manufactured homes are not eligible. All property taxes must be current prior to closing.
(15) The residence must be occupied as the principal residence of the Owner-Builder within thirty (30) days of the later of the end of the construction period or the closing of the loan. Any additional habitable structures must be removed from the property prior to closing. Portion of the former structure may be utilized as storage upon the Department's written approval prior to closing.
(16) Escrow Account--An account to which the borrower contributes monthly payments to cover the anticipated costs of real estate taxes, hazard and flood insurance premiums, and other related costs. The Department will require that up to two (2) months of reserves for hazard and/or flood insurance and property taxes to be collected at the time of closing and these funds must be deposited with the mortgage loan servicer. In addition, the Department will also require that the property taxes be prorated at the time of closing and those funds be deposited with the mortgage loan servicer. The Owner-Builders will be required to deposit monthly funds to an escrow account with the mortgage loan servicer in order to pay the taxes and insurance. This will ensure that funds are available to pay for the cost of real estate taxes, insurance premiums, and other assessments when they come due. These funds are included in the Owner-Builders monthly payment to the mortgage loan servicers. The mortgage loan servicer will establish and administer the escrow accounts in accordance with the Real Estate Settlement and Procedures Act of 1974 (RESPA).
(17) Non-Purchasing Spouse--An Owner-Builder applicant's spouse who does not apply for the loan will be required to execute the information disclosure form, the deed of trust as a "non-purchasing" spouse and will not be required to execute the note. For credit underwriting purposes the non-purchasing spouse's debts and obligations will be considered in the Owner-Builder total debt-to-income ratio. The Owner-Builder applicant will be qualified using obligations for which the Owner-Builder applicant and non-purchase spouse are personally or jointly liable. Only the income of the Owner-Builder applicant will be used in determining the total debt to income ratio. For program eligibility purposes, the income of a non-applicant spouse must be included in the calculation of family income. Tax Returns, W2's and recent pay check stubs, or Verification of Employment must be submitted to document household income.

(u) Loan Assumption--A Program loan is assumable if the Department determines that the Owner-Builder applicant complies with all Program restrictions in effect at the time of the assumption.

Section 2.10. Owner-Builder Qualifications.
The Owner-Builder must:
(1) Own or be purchasing a piece of real property through a warranty deed or Contract for Deed;
(2) Not have an annual household income that exceeds 60% of the greater of the state or local area median family income as determined by HUD income guidelines;
(3) Demonstrate the willingness and ability to repay the loan;
(4) Execute a Self-Help Agreement committing to provide through personal labor at least 65% of the labor necessary to build or rehabilitate the proposed housing working through a state-certified NOHP; or provide an amount of labor equivalent to 65% in connection with building or rehabilitating housing for others through a state certified NOHP; provide through the noncontract labor of friends, family, or volunteers and through personal labor at least 65% of the labor necessary to build or rehabilitate the proposed housing by working through a state certified NOHP or if due to a documented disability or other limiting circumstances the owner-builder cannot provide the amount of personal labor otherwise required, provide through the noncontract labor of friends, family or volunteers at least 65% of the labor necessary to build or rehabilitate the proposed housing by working through a state certified NOHP.

(5) Not have liquid assets in excess of $25,000 (excluding retirement and/or 401K accounts);
(6) Successfully complete an Owner-Builder homeownership education class prior to loan funding;
(7) Be given priority for loans if the Owner-Builder has an income of less than $17,500 annually;
(8) Not be currently in delinquency or in default with child support and/or government loans;
(9) Not have any outstanding judgments and/or liens on the property.

Section 2.11. Types of Funding Transactions.
All mortgage loans will be evidenced by a promissory note and will be secured by a lien on the subject property. The following transaction types are permitted by the Department under the Program.
(1) Purchase Money. In a purchase money transaction, all proceeds are used to finance the purchase of a single-family dwelling unit and/or a piece of real property which will be the Owner-Builders primary residence within thirty (30) days of closing the loan. In this instance, a permanent loan is made and the Owner-Builder's repayment obligation begins immediately. In certain situations, eligible closing costs may be financed by the loan proceeds.
(2) Residential Construction (One Time Closing with Owner-Builder). An interim construction loan, also known as a residential construction loan, this transaction is treated as a purchase, because it is a one time closing with the Owner-Builder. Construction period is for twelve (12) months at which time payments will begin on the 13th month after closing.
(3) Interim Construction (Closing with NOHP). Interim construction is a commercial transaction between the NOHP and the Department. The construction period is for twelve (12) months; once the construction of the home is completed the closing with the Owner-Builder will take place as a purchase money transaction.
(4) Purchase of Mortgage Loans. The Department may purchase and take assignments from mortgage lenders of notes and other obligations evidencing loans or interest in loans for purchase money transactions as described in paragraph (1) of this section or for residential construction transactions as described in paragraph (2) of this section.

Section 2.12. Property Guidelines and Related Issues.
(a) If the NOHP is utilizing program funds to construct the home they must conform to Section 2306.514 of the Texas Government Code regardless if the property is located within an incorporated area or not.

(b) If the property is located within an incorporated area where certain building codes must be met, the Department will require a copy of the certificate of occupancy. If no certificate of occupancy is available from an incorporated area the NOHP must obtain a document from the local government entity showing that the home has passed all required building codes. A copy of the certificate of occupancy or any other document received from the local governing entity must be submitted to the Department upon completion of construction. If the property is located outside an incorporated area inspections will be required to be completed by a professional inspector licensed by the Texas Real Estate Commission. For properties located in an incorporated area or outside an incorporated area; inspections will be required for all housing rehabilitation (initial and final), for properties located outside an incorporated area housing reconstruction (initial and final) and new construction (final only) must be inspected by a professional inspector licensed by the Texas Real Estate Commission.
(1) The initial inspection for rehabilitation must identify and prioritize areas in need of repair. A copy of the initial inspection reports must be provided to the Department and the homeowner.
(2) The final inspections for housing rehabilitation must ensure that the construction on the house is complete, that the home is safe, sound and sanitary.

A copy of the final inspection report must be provided to the Department and the homeowner.
(3) The final inspections for reconstruction and new construction must ensure that the construction on the home is complete, that the home is safe, and that it meets, at a minimum, International Residential Code (IRC). IRC is a comprehensive residential code which establishes minimum construction requirements with plumbing, mechanical, energy, and electrical provisions. A copy of the final inspection report must be provided to the Department and the homeowner.
(4 The Contractor must ensure and verify that each construction contractor performing
activities in the amount of $10,000.00 or more under the Contract is registered and maintains good standing with the Texas Residential Construction Commission.
(5) The Contractor must ensure and verify that each housing unit being rehabilitated in the amount of $10,000.00 or more under the Contract is registered with the Texas Residential Construction Commission.
(6) All final inspections must ensure that the construction on the house is complete and that the home is safe. In both instances any deficiencies noted on the certificate of occupancy or the third party inspector's report must be corrected prior to closing. Cosmetic issues such as paint, wall texture, etc. will not be required to be corrected since this is a self-help construction Program. If the Texas Residential Construction Commission registrations required in the Chapter are no longer required by operation of law, such registrations must be obtained from the entity that succeeds to the applicable registration functions of the Texas Residential Construction Commission, if any.
(7) The NOHP and/or the Owner-Builder applicant will be responsible for the selection and/or the fee of a licensed inspector.

(c) Appraisals are required by the Department on each property prior to funding.

(d) Maximum loan to value ratio may not exceed 95%, the lien amounts of forgivable loans and/or grants will not be included in the loan-to-value calculation.

(e) Improvement Surveys are required on each property.

(f) Insurance requirements:
(1) Title Insurance. The title insurance must be written by a title insurer licensed to do business in the jurisdiction where the mortgaged property is located.
(A) Title Commitment. A copy of the preliminary title report including complete legal description, and copies of covenants, conditions and restrictions, easements, and any supplements thereto is required. The preliminary title report should not be more than thirty (30) days old at the time the submission package (Submission or Funding Package) is sent to the Department.
(B) Mortgagee's Policy. The Department requires a Mortgagee's policy of title insurance in the amount of the loan. The Mortgagee named shall be: "Texas Department of Housing and Community Affairs." Required endorsements include-T-36 Environmental Endorsement for all loans made by the Department.
(2) Property Insurance.
(A) Builder's Risk is required where construction of the residence is being financed by the Department. At the end of the construction period, the binder must be endorsed to remove the "pending disbursements" clause.
(B) Hazard Insurance. The Department requires property insurance for protection against loss or damage from the following perils: fire, windstorm, hail, explosion, riot, and civil commotion, damage by aircraft, vehicles or smoke. Homeowner's policies or package policies that provide property and liability coverage are acceptable. All risk policies are acceptable. The amount of hazard insurance coverage at the time the loan is funded must be no less than 100% of the current insurable value of improvements. The Department will require that the premium for a twelve (12) month homeowner's policy and up to two (2) months of reserve be collected at closing and name the Department as loss payee.

(C) Flood insurance is required for all structures located in special flood hazard areas where the U.S. Federal Emergency Management Agency (FEMA) has mandated flood insurance coverage. In addition the Department requires a Life of Loan Flood Certification on all loans. The flood certification must be part of the Funding Package. Flood insurance is not required if the NOHP or Owner-Builder applicant obtains a Letter of Map Amendment from FEMA stating that the area is no longer classified as a special flood hazard area. The letter must include a map illustrating the amended flood hazard area. An Owner-Builder applicant may elect to obtain flood insurance even though flood insurance is not required. However, the Owner-Builder applicant may not be coerced into obtaining flood insurance unless it is required in accordance with this section. Evidence of insurance must be obtained prior to loan funding. Insurance premiums for at least twelve (12) months and up to two (2) months of reserves will be collected at closing. The Department must be named as loss payee on the policy.

Section 2.13. Nonprofit Owner-Builder Housing Program (NOHP) Certification.
(a) Definitions and Terms. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.
(1) Applicant--A nonprofit organization that has submitted a request for certification as a NOHP to the Department. An Applicant for the Texas Bootstrap Loan Program must be a NOHP certified by the Department.
(2) Articles of Incorporation--A document that sets forth the basic terms of a corporation's existence and is the official recognition of the corporation's existence. The documents must evidence that they have been filed with the Secretary of State.
(3) 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 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.
(4) Resolutions--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.

(b) Application Procedures for Certification of NOHP. An Applicant requesting certification as a NOHP must submit an application for NOHP certification in a form prescribed by the Department. The NOHP application must be submitted prior to submitting an application for Texas Bootstrap Loan Program Reservation System, and must be recertified every three (3) years. The application must include documentation evidencing the requirements of this subsection.
(1) Applicant must have the following legal status at the time of application to apply for certification as a NOHP:
(A) The Applicant must be organized as a nonprofit organization under the Texas Nonprofit Corporation Act or other state not-for-profit/nonprofit statute as evidenced by Charter or Articles of Incorporation.
(B) The Applicant must be registered and in good standing with the Secretary of State, State Comptroller's Office and the Texas Residential Construction Commission to do business in the State of Texas.
(C) No part of the nonprofit organization's net earnings may inure to the benefit of any member, founder, contributor, or individual, as evidenced by Charter or Articles of Incorporation.
(D) The Applicant must have the following tax status:
(i) A current tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c)(3), a charitable, nonprofit corporation, 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 NOHP; or
(ii) Classification as a subordinate of a central organization non-profit under the Internal Revenue Code Section 501(c)(3), 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.
(iii) A nonprofit organization's pending application for Section 501(c)(3) status cannot be used to comply with the tax status requirement under this subparagraph.
(E) 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 Charter, Articles of Incorporation, Resolutions or Bylaws:
(2) An Applicant must have the following capacity and experience listed in subparagraphs (A) and (B) of this paragraph.
(A) Conforms to the financial accountability standards of 24 CFR Section 84.21, "Standards of Financial Management Systems" as evidenced by:
(i) notarized statement by the Executive Director or chief financial officer of the organization in a form prescribed by the Department; or
(ii) certification from a Certified Public Accountant.
(B) Has a demonstrated capacity of at least one (1) year for carrying out mortgage loan origination and self-housing construction activities, as evidenced by resumes and/or statements that describe the experience of key staff members who have successfully completed projects similar to those to be assisted with Texas Bootstrap Loan Program funds; or contract(s) with consultant firms or individuals who have housing experience similar to projects to be assisted with Texas Bootstrap Loan Program funds, to train appropriate key staff of the organization.
(3) An Applicant must submit a current roster of all Board of Directors, including names and mailing addresses.
(4) A local or state government and/or public agency cannot qualify as a NOHP, but may sponsor the creation of a NOHP.
(5) Religious or Faith-based Organizations may sponsor a NOHP if the NOHP meets all the requirements of this section. While the governing board of a NOHP 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 NOHP 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 Texas Bootstrap Loan program may not use Texas Bootstrap Loan Program funds to support any inherently religious activities such as worship, religious instruction, or proselytizing; and
(C) Texas Bootstrap Loan Program 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 NOHP uses as its principal place of worship are always ineligible.
(D) Compliance with subparagraphs (A) - (C) of this paragraph may be evidenced by the Organizations By-laws, Charter or Articles of Incorporation.
(6) A Colonia Self-Help Center as defined under Subchapter Z, Chapter 2306 of the Texas Government Code is not required to complete the NOHP Certification process as long as it provides a letter from the appropriate funding entity demonstrating a good standing performance and/or certification standing.

(c) Program Design. Organizations must provide written evidence on how the Owner-Builder will meet the 65% sweat equity requirement.

(d) Applicant must provide details, such as number of houses they are proposing to build, type of proposed financing structure and construction timeliness in order to show evidence of its ability to carry out the Texas Bootstrap Loan Program.

(e) Applicant must provide copies of program guidelines used to qualify Owner-Builders and homebuyer course curriculum in order to show evidence of its experience in qualifying potential Owner-Builders; providing education classes, counseling and training.

(f) Applicant must submit any past due audit to the Department in a satisfactory format on or before the Application deadline.

(g) Applicants must be in compliance in any existing or prior contracts awarded by the Department.

(h) The Department may certify NOHPs meeting all of the above criteria operated by a tax-exempt organization listed under Section 501(c)(3), Internal Revenue Code of 1986 to:
(1) qualify potential Owner-Builders for loans under this chapter;
(2) provide Owner-Builder education classes;
(3) assist Owner-Builders in building or rehabilitating housing; and
(4) originate and/or service loans.

BOND FINANCE DIVISION

BOARD ACTION REQUEST
October 15, 2009

Action Items

Presentation, Discussion and Approval of Resolution No. 10-004 authorizing application to the Texas Bond Review Board for reservation of the 2009 single family private activity bond authority.

Required Action

Presentation, Discussion and Approval of Resolution No. 10-004 authorizing application to the Texas Bond Review Board for reservation of the 2009 single family private activity bond authority.

Background

At the beginning of each new TDHCA single family bond issuance, our Board petitions the Texas Bond Review Board to start the process in the form of a resolution followed by an application to draw down our private activity bond authority also known as volume cap. Staff at this time is not seeking nor is the Board giving final approval of a bond program for 2010 with respect to the finance structure, target mortgage rates, timing and size of the issue. Staff will come back to the Board in 2010 with a final structure for your review and approval.

Bond Finance is requesting to draw down an additional $103 million of 2009 volume cap for our single family mortgage revenue bond program.

In anticipation of a 2010 single family mortgage revenue bond issuance, staff is requesting the Board to authorize a draw down of $103 million of 2009 volume authority from the Texas Bond Review Board for our single family mortgage revenue bond program. TDHCA has $18 million of 2008 volume cap, $204 million of 2009 volume cap, $90 million of H.R. 3221 volume cap, and in 2010 will acquire another $205 million in volume cap. As you are aware today, Staff is requesting $120 million of volume cap for our next 2010 MCC Program which will leave TDHCA with approximately $397 million of volume cap for 2010. Staff believes with the pending announcement from the Feds to assist first-time homebuyer, $103 million in additional volume cap is needed in 2010. This additional cap will allow TDHCA to issue a $500 million bond structure in 2010 at a very attractive mortgage rate for the first-time homebuyers of Texas.

Recommendation

Presentation, Discussion and Approval of Resolution No. 10-004 authorizing application to the Texas Bond Review Board for reservation of the 2009 single family private activity bond authority.

Resolution No. 10-004

RESOLUTION AUTHORIZING THE FILING OF AN APPLICATION FOR RESERVATION WITH TEXAS BOND REVIEW BOARD WITH RESPECT TO QUALIFIED MORTGAGE BONDS; 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, the private activity bond "State ceiling" (as defined in Section 146(d) of the Code) applicable to the State is subject to allocation, in the manner authorized by Section 146(e) of the Code, pursuant to Chapter 1372, Texas Government Code, as amended (the "Allocation Act"); and

WHEREAS, the Allocation Act requires the Department, in order to reserve a portion of the State Ceiling for qualified mortgage bonds (the "Reservation") and satisfy the requirements of Section 146(a) of the Code, to file an application for reservation (the "Application for Reservation") with the Texas Bond Review Board (the "Bond Review Board"), stating the maximum amount of the bonds requiring an allocation, the purpose of the bonds and the section of the Code applicable to the bonds; and

WHEREAS, the Allocation Act and the rules promulgated thereunder by the Bond Review Board (the "Allocation Rules") require that the Application for Reservation be accompanied by a copy of the certified resolution of the issuer authorizing the filing of the Application for Reservation; and

WHEREAS, the Board has determined to authorize the filing of the Application for Reservation with respect to qualified mortgage bonds;

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 for qualified mortgage bonds to be issued and delivered within 180 days after receipt of a "reservation date," as defined in the Allocation Rules, in the maximum amount of $103,000,000, 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.

Section 3 - Purposes of Resolution. The Board has expressly determined and hereby confirms that the issuance of the qualified mortgage 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 made available to the Board relevant to the subject of this Resolution were posted on the Department's website not later than the third day before the date of the meeting of the Board at which this Resolution was considered, and any documents made available to the Board by the Department on the day of the meeting were also made available in hard-copy format to the members of the public in attendance at the meeting, as required by Section 2306.032, Texas Government Code, as amended.

[Execution page follows]

PASSED AND APPROVED this 15th day of October, 2009.

____
Chairman, Governing Board

ATTEST:

____
Secretary to the Governing Board

(SEAL)

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST
October 15, 2009

Action Item

Presentation, discussion and possible approval of a policy to enable the Department to provide assistance to homeowners under Hurricane Rita Round 2 based on notification to and consent from lienholders.

Requested Action

Approve, deny or approve with modification the recommendation.

Background

The Texas Department of Housing and Community Affairs is receiving funding from HUD to provide disaster assistance to persons affected by Hurricane Rita. Under the Rita 2 funding, ACS administers a program to repair or replace housing damaged by the storm. When warranted, it is necessary to replace homes when repairs are extensive. The home replaced is demolished.

On May 21, 2009, the Board authorized staff to proceed on applications where staff was unable to receive an executed hold harmless agreement from a lien holder on an otherwise eligible applicant.

Lenders have not indicated a willingness to indemnify and hold the Department harmless when then Department replaced seriously damaged improvements. Given that the Department will complete the replacement, the notifying requirement for such indemnifications and releases is not a workable solution. Notifying the lienholder and giving it a reasonable opportunity to object is recommended as an acceptable and much more expeditious course of action.

Recommendation

Authorize staff to change the hold harmless agreement with the attached from of letter.

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST
October 15, 2009

Action Item

Presentation, Discussion and Possible Approval of Request for Change in the Maximum Benefit Limitation for Elevation Assistance to the Homeowner Assistance Program (HAP) and Sabine Pass Restoration Program (SPRP) for CDBG Disaster Recovery Rita Round 2

Requested Action

Approve, deny or approve with modification the recommendation.

Background

On November 13, 2008, the TDHCA Board approved Amendment 6 to the Action Plan, which altered the reconstruction maximum benefit restrictions in the Action Plan under HAP and SPRP components of CDBG Round 2. The alteration included separating construction costs for the new structure itself and related costs such as demolition, closing costs and remediation for subsequent board approval after public comment. This action, approved by HUD, allowed the Board to direct staff to modify limits, as needed.

Under the Rita Round 2 Action Plan, homeowners may apply for assistance in an amount up to $30,000 to help defray the costs of elevating rehabilitated or reconstructed homes in accordance with FEMA advisory flood elevations or subsequent FEMA permanent maps.

Currently in SPRP there are four eligible applicants that own existing homes who qualify for ‘elevation only’ and one eligible applicant who needs ‘elevation only’ for a new home the applicant is building with personal funds.

The Program Manager has conferred with elevation contractors in Sabine Pass to identify and secure program qualified firms capable of providing the ‘elevation only’ benefit to eligible SPRP applicants. Four contractors have provided verbal quotations that range from $40,000-$50,000 to elevate homes such as the ones described above. Many contractors contacted have indicated Most contractors that have declined this quotation opportunity have stated they are occupied with work elsewhere, including areas affected by Hurricane Ike. Based on the four contractors that have provided verbal quotations, it is anticipated that two of them will submit firm prices if the cap is raised. This provides the program with contractors available to perform the work based on their prior discussions.

While the majority of the elevations associated with TDHCA program-provided homes have been performed at the $30,000 cap, there are some circumstances where bids are coming in that require services that exceed the established cap, as detailed above. Staff is seeking the Board to establish a policy when that cap is exceeded for elevation of rehabilitated or applicant-provided homes in Hurricane Rita Round 2. Potential options for the Board’s consideration include:

1. Grant the TDHCA Executive Director the authority to evaluate and grant an increase on a case by case basis, based on executive team review
2. Raise the cap on this item to accommodate potential needs above $30,000
3. Bring each case requiring in excess of $30,000 to the Board on a case by case basis

Recommendation

Adopt a policy for staff to follow when considering services to address costs to elevate existing homes in a flood plain in the HAP and SPRP areas that exceed the established cap of $30,000, and homes in the SPRP area where the homeowner is building a home outside of the TDHCA disaster recovery program.

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST
October 15, 2009

Action Item

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

C06003 South East Texas Regional Planning Commission

Requested Action

Approve or deny the requests for amendments related to housing contracts under the CDBG Disaster Recovery Program.

Background

The U. S. Department of Housing and Urban Development approved the State of Texas Action Plan (Action Plan) 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. The South East Texas Regional Planning Commission has submitted an amendment request that requires TDHCA Governing Board approval.

South East Texas Regional Planning Commission (SETRPC) Contract Number C 06 0003

Summary of Request
SETRPC is requesting Amendment #8 to: a) extend their contract from October 31, 2009 to May 31, 2010, and b) transfer funds between budget categories. SETRPC anticipates that 272 homes will be complete by October 31, 2009 or 119% of their contracted number of households to be served of 228 homes. SETRPC is projecting that 309 homes will either have bids awarded, be under construction, or be completed by October 31, 2009; including 81 households above SETRPC's contracted amount to be served that is a result of cost savings in the program.

Factors that have resulted in SETRPC's request to extend the contract includes the identification of additional households that can be served above the contractual number as a result of savings related to project costs and an increase in their award amount from previously unobligated CDBG Disaster Recovery funds.

Current Budget

	SETRPC	Port Arthur	Beaumont	TOTAL
Rehabilitation	$600,000.00	$361,189.00	$352,900.00	$1,314,089.00
Reconstruction	$14,523,120.00	$3,468,011.00	$3,404,780.00	$21,395,911.00
Demolition	$0.00	$1,250,000.00	$0.00	$1,250,000.00
Planning/Project Delivery	$1,985,241.00	$321,000.00	$442,000.00	$2,748,241.00
General Administration	$490,295.00	$0.00	$0.00	$490,295.00
TOTAL	$17,598,656.00	$5,400,200.00	$4,199,680.00	$27,198,536.00

Proposed Budget

	SETRPC	Port Arthur	Beaumont	TOTAL
Rehabilitation	$658,093.00	$240,588.00	$200,516.00	$1,099,197.00
Reconstruction	$15,141,978.00	$3,430,515.00	$3,361,386.00	$21,933,879.00
Demolition	$0.00	$773,953.00	$0.00	$773,953.00
Planning/Project Delivery	$2,138,212.00	$321,000.00	$442,000.00	$2,901,212.00
General Administration	$490,295.00	$0.00	$0.00	$490,295.00
TOTAL	$18,428,578.00	$4,766,056.00	$4,003,902.00	$27,198,536.00

Requested Action

Staff recommends approval of SETRPC's request to extend the contract end date from October 31, 2009 to May 31, 2010 to allow for the completion of assistance to a minimum of twenty (20) additional households. The required beneficiaries to be assisted will be increased accordingly.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

October 15, 2009

Action Item

Presentation, Discussion and Approval of Potential Policy Changes to the Current Notice of Funding Availability (NOFA) for the $58 Million Related to Hurricanes Ike and Dolly to Allow Current Applications to be Funded.

Required Action

Approve, Deny or Approve with Amendments the Potential Policy Changes to the current NOFA for the $58 Million affordable rental housing set-aside under CDBG disaster funding related to Hurricanes Ike and Dolly.

Background

At the May 21, 2009 Board meeting, the Board approved the NOFA for $58 million of Multifamily Rental Funds relating to Hurricanes Ike and Dolly.

The NOFA provides that funds are first allocated regionally based on the same Council of Government (COG) regions and percentages as the general Ike/Dolly allocations. If there are any funds remaining in a COG Region after August 1, 2009 and there are insufficient requests for the funds available in that COG Region, then those unrequested funds will be distributed among the remaining COG regions. After which time applications will be awarded on a first come first served basis irrespective of COG Region until all funds are exhausted.

The Department received a total of twenty-two (22) applications totaling $75,755,261 by the application acceptance period deadline of August 14, 2009. Staff has completed the preliminary threshold review and evaluation of the applications and has identified several issues common to many of the applications that deem the applications ineligible, under the eligibility requirements prescribed in the current NOFA. These remaining applications total $40,701,257 and a summary of the issues is listed below. One application was approved and awarded funding in the amount of $3,450,000 at the July 30, 2009 Board meeting.

1. Replacement Units: Item 3(b) of the NOFA states "*replacement of single-family or multifamily rental housing developments or units damaged or destroyed by Hurricanes Ike or Dolly through reconstruction and new construction on the same site or another site as long as the applicant is replacing the same number of units destroyed.*" Staff has reviewed three (3) applications that propose the new construction of multifamily affordable units which were not identified as replacement units. Staff requested documentation, in the form of street addresses within the same city as the proposed development, from the applicants identifying those units that were damaged and/or destroyed and are not anticipated to be rebuilt. The applicants were unable to provide the requested documentation. Several applicants who partnered with the local city housing authority were given the opportunity to provide evidence of demolished units which they did not own but which the city ordered or authorized

to be demolished. The applications listed in Table 1 have been identified with this concern. They are listed in the order in which they were received to reflect priority.

Table 1

TDHCA #	Development Name	Amount Requested	Concern
09810	Costa Mariposa	$1,675,000	252 units in Texas City; unable to prove up replacement (Tax-Exempt Bonds already closed)
09816	Lucas Gardens*	$4,884,659	94 units in Beaumont; Housing Authority proved up 131
09808	Azure Pointe*	$5,000,000	252 units in Beaumont; Housing Authority proved up 131 (Application for Tax Exempt Bonds Going to December Board meeting)
09809	Casa Brazoria	$1,375,000	36 units in Clute; unable to prove up replacement units (2009 9% award funds deferred developer fee)
	TOTAL:	**$12,934,659**	

*The Beaumont Housing Authority is the Applicant for Lucas Gardens and is the proposed General Partner in Azure Pointe; therefore, the 131 replacement units identified may only count toward one of the developments.

Staff notes that there is one other application, Ventana Pointe that includes 96 units to be located in Houston that may fall into this category. This application was awarded 2009 competitive tax credits at the July 30, 2009 Board meeting; however, subsequent to the Board meeting has had their credits rescinded and may appeal.

Suggested Revision to the NOFA: Item 3(b) of the NOFA would be revised to read *"replacement of single-family or multifamily rental housing developments or units damaged or destroyed by Hurricanes Ike or Dolly through reconstruction and new construction on the same site or another site as long as the applicant shows evidence of an equal or greater number of units damaged or destroyed located within the county."* Additionally, Item 3(d) which reads *"if the units are to be reconstructed on a different site, the applicant must show evidence of control over and destruction of the units being replaced..."* would be removed.

2. Insurance: Pursuant to Item 3(a) of the NOFA which states *"rehabilitation of existing affordable single-family or multifamily rental housing developments damaged by Hurricanes Ike or Dolly that were uninsured or underinsured."* All of these developments have indicated that insurance existed at the time of the storm and some proceeds were provided by the insurance company but the information available is incomplete. A determination on the development being under insured can not be made at this time. Moreover with the information provided to date, a determination on the duplication of benefit can not be made thus the potential provision of excess funds for the rehabilitation exists.

Table 2

TDHCA #	Development Name	Amount Requested	Concern
09812	Champion Homes at Bay Walk	$5,000,000	Conflicting information on status of insurance settlement;
09813	Champion Homes at Marina Landing	$5,000,000	Insurance proceeds received have not been accounted for.
09819	Colony of Humble	$3,845,824	Settlement statement not provided; portion of insurance proceeds received have not been documented.
09818	Countryside Village	$4,138,740	Settlement statement not provided; portion of insurance proceeds received have not been documented.
	TOTAL:	**$17,984,564**	

Additionally, three applications were received that indicated no insurance claim was filed because the extent of the damage to the property did not exceed the amount of the deductible. These applications are listed in Table 3 below. Currently these applications do not meet the eligibility requirements for being uninsured or underinsured.

Table 3

TDHCA #	Development Name	Amount Requested	Concern
09803	Union Acres Apartments	$3,003,389	Damage to property assessed at the amount of the deductible ($25k); no insurance claim was filed.
09804	Balboa Apartments	$4,987,819	Damage to property assessed for less than the deductible ($400k); no insurance claim was filed.
09820	Lexington Square Apartments	$1,790,826	Damage to property assessed for less than the deductible ($385k); no insurance claim was filed.
	TOTAL:	**$9,782,034**	

Suggested Revision to the NOFA: Staff does not suggest a revision to the NOFA regarding the requirement to submit documentation of insurance proceeds received since pursuant to CDBG Regulations the funds cannot result in a duplication of benefits received. The applications listed in Table 2 will be moved to the back of the line for funding until such time they can prove up the insurance proceeds received, but no later than October 30, 2009 at which time the application will be terminated.

Regarding the applications that did not sustain enough Hurricane damage to exceed their deductible, Item 3(a) of the NOFA would be revised to read *"rehabilitation of existing affordable single-family or multifamily rental housing developments damaged by Hurricanes Ike or Dolly that were uninsured or underinsured. If an insurance claim was filed but the deductible exceeded the claim then the Department considers the property to be underinsured for the purposes of the NOFA."* The applications listed in Table 3 will be moved to the back of the line for funding until such time they can prove up the insurance proceeds received, but no later than October 30, 2009 at which time the application will be terminated.

3. Substitution of Funds: One of the CDBG applicants received a 2009 Competitive Tax Credit Award at the July 30, 2009 Board meeting. At the time of Commitment the applicant was unable to prove up the funding for which Local Political Subdivision (LPS) points were awarded. Staff notes that even without the LPS points the application would still have received an award within the region. However, due to the gap in financing the lack of LPS funds has created the application is no longer financially feasible under the tax credit program. In discussions with staff as well as with the Board at the September 3, 2009 Board meeting the applicant has requested to be allowed to swap out funding sources to preserve the financial feasibility of the transaction. However, the applicant has not received a commitment for the CDBG funds. The last application listed below did not receive a 2009 competitive HTC award at the July 30, 2009 Board meeting. Staff has requested commitments for the local funding the Applicant reflected in the CDBG application that would make up the difference in the HTC allocation and has not received such documentation.

Table 4

TDHCA #	Development Name	Amount Requested	Concern
09812	Champion Homes at Bay Walk	$5,000,000	Competitive 2009 HTC application financially infeasible at time of Commitment due to lack of LPS funds. CDBG funds were not considered a source of financing in lieu of LPS because a firm commitment for these funds was not available at the time the HTC Commitment was due in August 2009.
09813	Champion Homes at Marina Landing	$5,000,000	Competitive 2009 HTC application not awarded; commitments for local funding to account for the difference in HTC funds was not submitted.
09816	Lucas Gardens	$4,987,819	Applied for $8.2M in Capital Grant Stimulus Funds from HUD; outcome of award expected within the year.
	TOTAL:	**$14,987,819**	

Suggested Revision to the NOFA: Staff recommends no revisions to the NOFA that would allow the applications listed in Table 4 to become eligible.

4. Repayable CDBG Loan: The current NOFA and Board policy on the CDBG disaster funds has been to allocate them as grants or deferred forgivable loans with no expectation of repayment except in the case of non-performance. Several of the developments in the current round and presumably more in the upcoming round have a received an allocation of 2009 tax credits and will be using the CDBG funds to offset reductions in equity and debt resulting from the economic downturn. Section 42 of the IRS code requires that any federal grant (and the deferred forgivable loan as proposed is generally considered to be a grant) should be excluded from the calculation of eligible basis thereby reducing the

potential credit allocation. Since the final allocation is determined when the development is complete during the cost certification process, any 2009 application for tax credits would likely have their tax credit allocation reduced if the CDBG funds are structured with no repayment thereby potentially reducing the final credit allocation and possibly rendering the development financially infeasible. Staff proposes to modify the current or future NOFA to structure the CDBG funds as a real loan with fully amortizing debt at 0% when an applicant has requested that the CDBG funds be treated as real debt for tax credit allocation purposes.

Table 5

TDHCA #	Development Name	Amount Requested	Concern
09812	Champion Homes at Bay Walk	$5,000,000	CDBG funds provided as a grant reduce tax credit eligible basis.
09808	Azure Pointe	$5,000,000	CDBG funds provided as a grant reduce tax credit eligible basis.
09809	Casa Brazoria	$1,375,000	CDBG funds provided as a grant reduce tax credit eligible basis.
09814	Lufkin Pioneer Crossing	$2,796,156	CDBG funds provided as a grant reduce tax credit eligible basis.
09801	Beacon Bay Townhomes	$844,794	CDBG funds structured as a grant would exceed the Department's 1.35 DCR unless CDBG funds are structured as a loan.
09817	Bayou Bend Apartments	$5,000,000	CDBG funds structured as a grant would exceed the Department's 1.35 DCR unless CDBG funds are structured as a loan.
	TOTAL:	**$20,015,950**	

Suggested Revision to the NOFA: Staff does not recommend a revision to the NOFA regarding this issue.

Recommendation

Staff recommends the Board allow policy changes to the NOFA as discussed in 1 and 2 that would allow those affected applications to remain eligible and processed the order in which they were received.

ISASTER RECOVERY DIVISION
BOARD ACTION REQUEST
October 15, 2009

Action Item

Presentation, Discussion, and Possible Approval of CDBG Disaster Recovery Program Award Recommendations for the $58 million affordable rental housing set-aside related to Hurricanes Ike and Dolly.

Requested Action

Approve, Deny, or Approve with Amendments CDBG Disaster Recovery Affordable Rental Housing Set-Aside Award Recommendations for #09815 Tidwell Estates, #09801 Beacon Bay Townhomes, and #09817 Bayou Bend Apartments.

Background

Under the General Use of Funds and Funding Allocation of the Action Plan for Disaster Recovery to Use Community Development Block Grant (CDBG) Funding for hurricanes Ike and Dolly is a line item activity for the Rental Housing Stock Restoration Program. Congress required that states devote not less than approximately 10.6% of these funds to support repair, rehabilitation and reconstruction of the affordable rental housing stock in the impacted areas.

The Texas Department of Housing and Community Affairs (the "Department") is responsible for administering an initial set-aside amount of $58,834,914 for affordable rental housing programs through a Rental Notice of Funding Availability ("NOFA") appropriated for Hurricanes Ike and Dolly. This set-aside was established from 15% of the total grant amount that was available for planning purposes. At the May 21, 2009 Board meeting, staff presented an update of the Disaster Recovery Funds for Ike and Dolly and received the Board's approval to move forward with a Notice of Funding Availability (NOFA) for $58 million of Multifamily Rental Funds.

These funds are to be made available in the form of a grant or deferred forgivable loan to the owners of affordable rental properties. The affected housing must be in one of the 3 counties directly affected by Dolly or one of the 34 counties directly affected by Ike; and must be designated in the State CDBG Action Plan. A minimum of 51% of the funds to each property are to be used for affordable rental housing for low/moderate-income Texans earning 80 percent or less of the Area Median Family Income (AMFI). The NOFA complies with the requirements as stated in the Action Plan for the Rental Housing Stock Restoration Program.

Process for Allocating

The NOFA provides that funds are first allocated regionally based on the same Council of Government (COG) regions and percentages as the general Ike/Dolly allocations. If there are any funds remaining in a COG Region after August 1, 2009 and there are insufficient requests for the funds available in that COG Region, then those unrequested funds will be distributed among the remaining COG regions. After which time applications will be awarded on a first come first served basis irrespective of COG Region until all funds are exhausted.

The Department received a total of twenty-two (22) applications totaling $75,755,261 by the application acceptance period deadline of August 14, 2009. The Board awarded one application previously at the September 3rd Board meeting in the amount of $3,450,000 and staff has completed the review and evaluation of three more applications to be presented to the Board at this meeting with requested funds totaling $6,122,470. Due to potential policy changes to the current Notice of Funding Availability (NOFA), also on this Board agenda, one or more of the remaining applications could potentially be funded.

Summary of the Applications

Tidwell Estates, located in Houston, Harris County consists of the rehabilitation of 132 units in an apartment complex that was damaged by Hurricane Ike and due to being underinsured the insurance claim paid out does not cover the full cost of repairs. The development is an existing Tax Credit development that was completed in 2000 designated to serve the general population. The rehabilitation includes the roof replacement of the 33 building complex consisting of seventy-six (76) 2-bedroom, 1-bath units; thirty-two (32) 3-bedroom, 2-bath units and twenty-four (24) 4-bedroom , 2-bath units.

Beacon Bay Townhomes, located in Port Isabel, Cameron County consists of the rehabilitation of 18 residential buildings that are comprised of 76 units. The project is a 2002 Tax Credit development targeting the general population that consists of sixteen (16) 1-bedroom, 1-bath units; sixteen (16) 2-bedroom, 1-bath units; twenty-four (24) 2-bedroom, 2-bath units and twenty (20) 3-bedroom, 2-bath units that were underinsured at the time of the Hurricane Ike. The repairs paid for by insurance have been completed and the funds requested will restore the development to pre-hurricane condition.

Bayou Bend Apartments, located in Houston, Harris County consists of the acquisition and rehabilitation of a 107 unit complex that was recently foreclosed upon in June 2009. The complex is comprised of seven (7) 2-story residential buildings with fifty-five (55) 1-bedroom, 1-bath units and fifty-two (52) 2-bedroom, 1-bath units that will target the general population. The subject property is only one of many properties that are in need of rehabilitation, due to prior hurricane activity and deferred maintenance as a result of current economic conditions. The rehabilitation of this multifamily community will provide a safe and secure environment for families, and will have a positive esthetic affect on the surrounding community, which is currently undergoing some single family revitalization.

Recommendation

Staff recommends the Board approve the following CDBG applications under the $58 million affordable rental housing set-aside related to Hurricanes Ike and Dolly.

TDHCA #	Development Name	City	Amount Recommended
09815	Tidwell Estates	Houston	$277,676
09801	Beacon Bay	Port Isabel	$449,413
09817	Bayou Bend Apartments	Houston	$4,173,934
	TOTAL:		**$4,901,023**

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
Building Homes. Strengthening Communities.

Real Estate Analysis Division
Underwriting Report

REPORT DATE: 10/06/09 PROGRAM: CDBG Disaster Recovery FILE NUMBER: **09815**

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 does not fully evaluate or recommend based upon any potential events beyond the initial 5 year period.

DEVELOPMENT

Tidwell Estates

Location: 1200 West Tidwell (Apartments); 1126 West Tidwell (Vocational School); 1106 West Tidwell (Church) Region: 6

City: Houston County: Harris Zip: 77091 ☐ QCT ☐ DDA

Key Attributes: Family, Multifamily, Rehabilitation and/or Reconstruction

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
CDBG Disaster Recovery	$277,676	Grant		**$277,676**	**Grant**	

CONDITIONS

1 Receipt, review, and acceptance, by closing of an accepable site inspection by TDHCA staff.
2 Should the terms and rates of the proposed debt or other financing change, the transaction should be re-evaluated and an adjustment to the award amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
50% of AMI	50% of AMI	31
60% of AMI	60% of AMI	68

PREVIOUS UNDERWRITING REPORTS

The development was previously underwritten during the 1999 HTC Cycle and was awarded a 9% HTC allocation under TDHCA file #99002.

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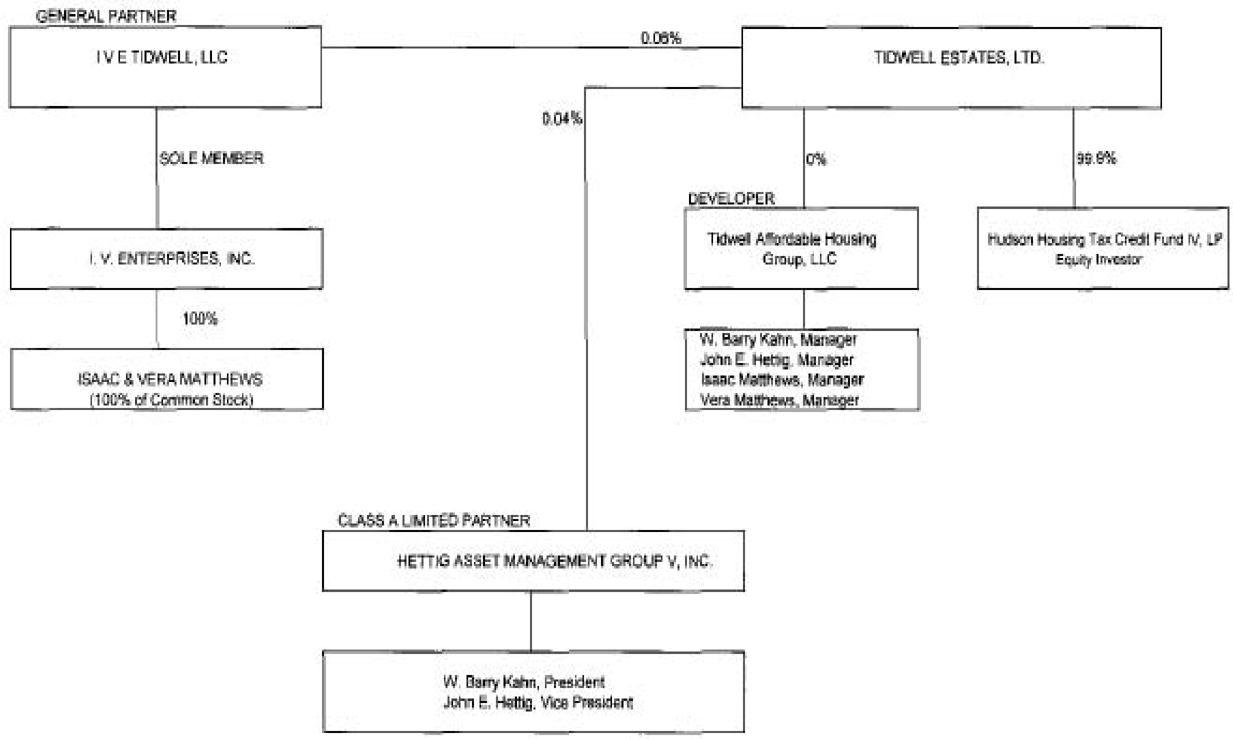
DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: W. Barry Kahn Phone: (713) 871-0063 Fax: (713) 871-1916
Email: bkahn@hettig-kahn.com

KEY PARTICIPANTS

Name	Financial Notes
Tidwell Estates, Ltd	The Underwriter has reviewed the submitted development team financials and has determined there to be sufficient liquidity available to meet the program requirement of financial reserves equal to 10% of the total development cost.
Isaac & Vera Matthews	
I.V. Enterprises, Inc	
W. Barry & Tammie Kahn	
John E. Hettig	

[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant and Developer are related entities. This is a common relationship for TDHCA-funded developments.

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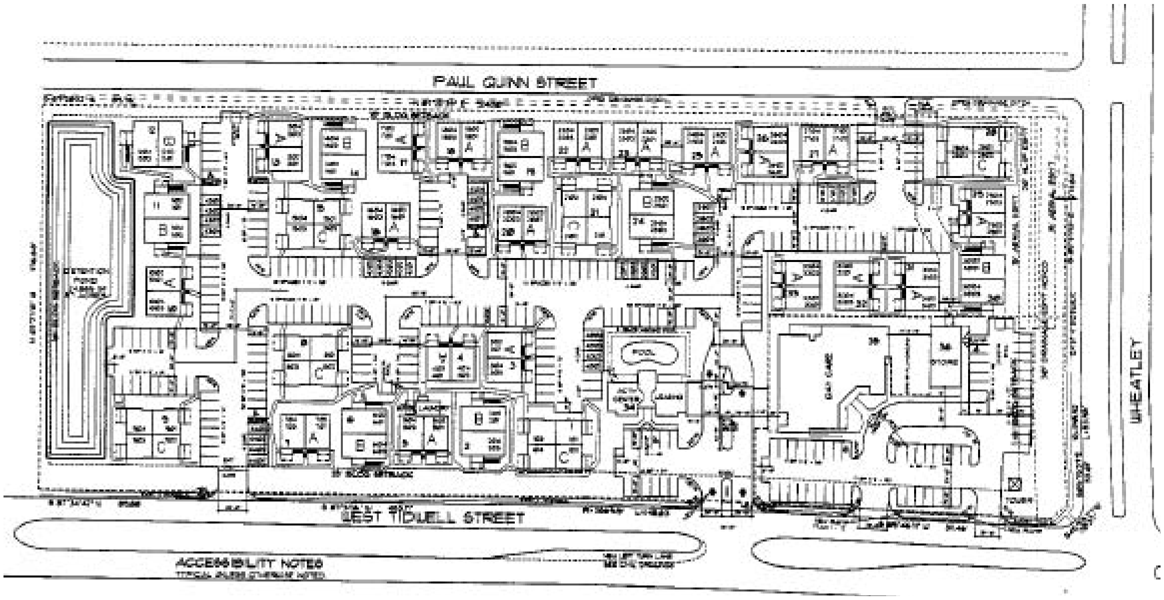
PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C								Total Buildings
Floors/Stories	2	2	2								
Number	19	8	6								**33**

BR/BA	SF	Units										Total Units	Total SF
2/1	816	4										76	62,016
3/2	1,060		4									32	33,920
4/2	1,224			4								24	29,376
Units per Building		4	4	4								**132**	**125,312**

Rehabilitation & Tenant Relocation Summary:

Relocation: Per the Applicant, tenants will not be relocated as the primary improvement will be roof replacement, which will not necessitate relocation. The development is currently experiencing low occupancy which allows for tenants to occupy the unaffected portions of the development.

Rehabilitation: The plan calls for the replacement or repair of roofs. The Applicant provided a report from Nelson Architectural Engineers, Inc (NAE) regarding the scope of work needed to fully repair and/or replace the roofing throughout the development.

NAE opined that a roof with 25% or higher distressed shingles is indicative of extensive damage. Furthermore, the age, condition, and fungal/algae growth observed at the roofs is preventing (and will continue to prevent) self sealing of the distressed shingles to occur. Based on the degree and extent of the distress noted, (a minimum of 57% of roof shingle distress at the apartment buildings and 75% of roof shingle distress at the garages), NAE is of the opinion that the asphalt shingle roofs at the subject complex have failed and are in need of full replacement. NAE is also noted that at least two roof structures had as-built construction deficiencies that resulted in the separation of roof sheathing at trusses. This condition is unrelated to Hurricane Ike. The report recommends that the asphalt shingle roofs with wind damage at each apartment building equal to or greater than 25% be replaced in full. All the asphalt shingle roofs at the apartment buildings and garages meet and/or exceed NAE's criteria required for full roof replacement.

SITE ISSUES

Total Size:	8.87 acres	Scattered site?	☐ Yes	☒ No		
Flood Zone:	Zone X	Within 100-yr floodplain?	☐ Yes	☒ No		
Zoning:	N/A	Needs to be re-zoned?	☐ Yes	☐ No	☒ N/A	

Comments:

The City of Houston has no zoning ordinances which would affect this development.

TDHCA SITE INSPECTION

Inspector: TDHCA Staff

Comments:

To date, the site inspection for the property has not been completed by TDHCA staff. Accordingly, receipt, review, and acceptance, by closing, of an acceptable site inspection is a condition of this report.

MARKET HIGHLIGHTS

Provider: No Market Study Required   Date: N/A

Comments:

The NOFA guidelines exclude the requirement that the Applicant provide a market study for the subject development. 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.

OPERATING PRO FORMA ANALYSIS

Income: Number of Revisions: None   Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of 9/17/2008, as estimated by Direct Energy and Diamond Property Consultants, from the 2009 program gross rent limits. Tenants will be required to pay all electric utility costs. The Applicant's secondary income of $15 per unit per month are in-line with current TDHCA underwriting guidelines. The Applicant's vacancy and collection loss is projected at 11% which is $45K higher than the Underwriter's estimate at 7.5%. The Underwriter's Effective Gross Income is still within 5% of the Applicant's EGI.

Expense: Number of Revisions: 1   Date of Last Applicant Revision: 9/22/2009

The Applicant's total annual operating expense projection at $5,061 per unit is within 5% of the Underwriter's estimate of $5,045, derived from actual operating history of the development, the TDHCA database, and third-party data sources.

The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, two line-items specifically: Payroll and Payroll Tax & Repairs and Maintenance were found to be higher than TDHCA and IREM database numbers. However, the Underwriter was able to substantiate the Applicant's claim upon review of 2008 Year End Operating Statements. Other notable line-item discrepancies were found within: Utilities ($12K lower), and Water, Sewer, and Trash ($22K higher). The Underwriter combined the utilities expense with water, sewer, and trash expense line-items and found that overall the Underwriter's database estimates were approximately $10K lower than the Applicant's. The Applicant's 2008 Year End Operating Statements are closer to the database expenses used by the Underwriter by $5K, as compared to the Applicant's estimates which are approximately $15K higher than the 2008 year end operating statements.

Overall the Applicant's current estimates are $5K lower than the 2008 expenses derived from the 2008 Year End Operating Statements.

Conclusion:

The Applicant's effective gross income and operating expenses are within 5% of the Underwriter's estimates, however; net operating income is not within 5%. The discrepancy is due to the Applicant's projection of 11% for vacancy loss and collections. Therefore, the Underwriter's year-one pro forma will be used to determine the development's debt capacity. The Underwriter was able to corroborate the Applicant's debt service figures based on a recent statement. The CDBG funds will not carry any debt service as they are considered to be a grant. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.30, which is within the Department's DCR guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year pro forma utilizes a 2% annual growth factor for income and a 3% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, operating expense, and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cash flow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 7.47 acres	$975,888	Tax Year:	2009
Existing Buildings:	$2,019,112	Valuation by:	Harris CAD
Total Assessed Value:	$2,995,000	Tax Rate:	2.5237

Comments:

Property Control & Title documentation show the site acreage to be more or less 8.871 acres. The Underwriter found no explanation as to why Harris County reports smaller acreage.

EVIDENCE of PROPERTY CONTROL

Type: Warranty Deed

Acreage: 8.871

Original Closing Date: 3/10/1999

Valid Through Board Date? N/A

Acquisition Cost: N/A

Other: The Applicant is the current owner

Owner: Tidwell Estates, Ltd.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 9/22/2009

Site work Cost:

The Applicant claimed no site work costs. However the Underwriter relied upon the Applicant's initial insurance claim, invoices, and payments to contractor's. The Underwriter included $1,118 in site work costs to repair the signage of the development destroyed by the hurricane.

Direct Construction Cost:

The Applicant is claiming $311,735 in hard costs including $261,446 for a full roof replacement and $50,289 for interior unit repairs, replacement of building fascia and recovery of the temporary roof dry-in costs. The total damage to the property from the hurricane was $222K as estimated by the insurance company; insurance proceeds of $153K were paid to the applicant ($222K in damages less a deductible of $69K). The applicant worked with the insurance company to increase their proceeds based on the roof replacement assessment, but was unable to reach an agreement for full roof replacement. The insurance company suggested that patching the roof would be sufficient which is the opposite recommendation by the third party engineering/architectural firm. The Underwriter reviewed the insurance claim and the architectural estimate relating to the roof replacement. These materials provided enough information on which to base a funding recommendation allowing for full roof replacement.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted. 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 CDBG funds and to calculate eligible costs. The Underwriter calculated eligible costs of $277,676 which supports CDBG funds of the same amount. This figure is equivalent to the Applicant's request for CDBG funds.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: None Date of Last Applicant Revision: N/A

Source: TDHCA HOME / CDBG Funds Type: **CDBG Funds (Grant)**

Principal: $277,676 Conditions:

Amount: $0 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

The Applicant's request for a grant of $277,676 under the CDBG Disaster Recovery Program is recommended. Based on the materials within the application, the Underwriter relied upon a third-party engineering report, the Applicant's initial insurance claim, and General Contractor invoices to determine the total development cost for full replacement of the roof, unit interior, and building exterior repairs. The Underwriter's total development cost estimate indicates the need for $277,676 in CDBG Disaster Recovery Grant funds.

The Underwriter's recommended financing structure indicates the need for $0 in additional funds to meet the Applicant's request.

Underwriter:	*Colton Sanders*	Date:	10/6/2009
Manager of Real Estate Analysis:	*Audrey Martin*	Date:	10/6/2009
Director of Real Estate Analysis:	*Brent Stewart*	Date:	10/6/2009

MULTIFAMILY COMPARATIVE ANALYSIS

Tidwell Estates, Houston, CDBG Disaster Recovery #09815

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 50%	26	2	1	816	$717	$632	$16,432	$0.77	$85.00	$56.00
TC 60%	31	2	1	816	$861	$776	$24,056	$0.95	$85.00	$56.00
MR	19	2	1	816		$776	$14,744	$0.95	$85.00	$56.00
TC 50%	4	3	2	1,060	$829	$728	$2,912	$0.69	$101.00	$69.00
TC 60%	20	3	2	1,060	$995	$894	$17,880	$0.84	$101.00	$69.00
MR	8	3	2	1,060		$895	$7,160	$0.84	$101.00	$69.00
TC 50%	1	4	2	1,224	$925	$806	$806	$0.66	$119.00	$82.00
TC 60%	17	4	2	1,224	$1,110	$991	$16,847	$0.81	$119.00	$82.00
MR	6	4	2	1,224		$999	$5,994	$0.82	$119.00	$82.00
TOTAL:	132		**AVERAGE:**	949		$809	$106,831	$0.85	$95.06	$63.88

INCOME	Total Net Rentable Sq Ft:	125,312	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT			$1,281,972	$1,281,972	Harris	Houston	6
Secondary Income	Per Unit Per Month:	$15.00	23,760	23,760	$15.00	Per Unit Per Month	
Other Support Income:			0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME			$1,305,732	$1,305,732			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(97,930)	(143,628)	-11.00%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME			$1,207,802	$1,162,104			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		3.61%	$331	0.35	$43,644	$53,598	$0.43	$406	4.61%
Management		3.69%	337	0.36	44,548	41,777	0.33	316	3.59%
Payroll & Payroll Tax		14.09%	1,289	1.36	170,166	167,362	1.34	1,268	14.40%
Repairs & Maintenance		9.92%	908	0.96	119,867	118,400	0.94	897	10.19%
Utilities		3.12%	285	0.30	37,644	25,724	0.21	195	2.21%
Water, Sewer, & Trash		3.96%	362	0.38	47,836	70,264	0.56	532	6.05%
Property Insurance		4.50%	411	0.43	54,302	48,243	0.38	365	4.15%
Property Tax	2.5237	6.12%	560	0.59	73,971	74,831	0.60	567	6.44%
Reserve for Replacements		3.28%	300	0.32	39,600	36,300	0.29	275	3.12%
TDHCA Compliance Fees		0.44%	40	0.04	5,280	2,472	0.02	19	0.21%
Other:		2.40%	220	0.23	29,020	29,020	0.23	220	2.50%
TOTAL EXPENSES		55.13%	$5,045	$5.31	$665,878	$667,991	$5.33	$5,061	57.48%
NET OPERATING INC		44.87%	$4,105	$4.32	$541,925	$494,113	$3.94	$3,743	42.52%
DEBT SERVICE									
CW Captial		34.46%	$3,153	$3.32	$416,223	$416,323	$3.32	$3,154	35.82%
CDGB		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		10.41%	$952	$1.00	$125,702	$77,790	$0.62	$589	6.69%
AGGREGATE DEBT COVERAGE RATIO					1.30	1.19			
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)		0.00%	$0	$0.00	$0	$0	$0.00	$0	0.00%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		0.00%	0	0.00	0	0	0.00	0	0.00%
Direct Construction		72.30%	2,362	2.49	311,735	311,735	2.49	2,362	72.30%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Contractor's Fees	8.00%	5.78%	189	0.20	24,939	24,939	0.20	189	5.78%
Indirect Construction		10.20%	333	0.35	44,000	44,000	0.35	333	10.20%
Ineligible Costs		0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's Fees	13.27%	11.71%	383	0.40	50,501	50,501	0.40	383	11.71%
Interim Financing		0.00%	0	0.00	0	0	0.00	0	0.00%
Reserves		0.00%	0	0.00	0	0	0.00	0	0.00%
TOTAL COST		100.00%	$3,266	$3.44	$431,175	$431,175	$3.44	$3,266	100.00%
Construction Cost Recap		78.08%	**$2,551**	**$2.69**	**$336,674**	**$336,674**	**$2.69**	**$2,551**	78.08%

SOURCES OF FUNDS						RECOMMENDED	
CW Captial	0.00%	$0	$0.00	$0	$0	$0	Developer Fee Available
CDGB	64.40%	$2,104	$2.22	277,676	277,676	277,676	$0
Insurance Proceeds	35.60%	$1,163	$1.22	153,499	153,499	153,499	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$0	$0.00	0	0	0	#DIV/0!
Additional (Excess) Funds Req'd	0.00%	$0	$0.00	0	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$431,175	$431,175	$431,175	$2,296,323

Tidwell Estates, Houston, CDBG Disaster Recovery #09815

PAYMENT COMPUTATION

Primary	$0	Amort	0
Int Rate	0.00%	DCR	1.30

Secondary	$277,676	Amort	
Int Rate		Subtotal DCR	1.30

Additional	$153,499	Amort	
Int Rate		Aggregate DCR	1.30

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Serv	$416,223	416,223
Secondary Debt Service		0
Additional Debt Service		0
NET CASH FLOW		$125,702

Primary	$4,150,305	Amort	263
Int Rate	8.44%	DCR	1.30

Secondary	$277,676	Amort	0
Int Rate	0.00%	Subtotal DCR	1.30

Additional	$153,499	Amort	0
Int Rate	0.00%	Aggregate DCR	1.30

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 2.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,281,972	$1,307,611	$1,333,764	$1,360,439	$1,387,648	$1,532,075	$1,691,535	$1,867,591	$2,276,583
Secondary Income	23,760	24,235	24,720	25,214	25,719	28,395	31,351	34,614	42,194
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,305,732	1,331,847	1,358,484	1,385,653	1,413,366	1,560,471	1,722,886	1,902,205	2,318,777
Vacancy & Collection Loss	(97,930)	(99,888)	(101,886)	(103,924)	(106,002)	(117,035)	(129,216)	(142,665)	(173,908)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,207,802	$1,231,958	$1,256,597	$1,281,729	$1,307,364	$1,443,435	$1,593,669	$1,759,540	$2,144,869
EXPENSES at 3.00%									
General & Administrative	$43,644	$44,954	$46,302	$47,691	$49,122	$56,946	$66,016	$76,530	$102,850
Management	44,548	45,439	46,347	47,274	48,220	53,239	58,780	64,898	79,110
Payroll & Payroll Tax	170,166	175,271	180,529	185,945	191,523	222,028	257,391	298,387	401,007
Repairs & Maintenance	119,867	123,463	127,167	130,982	134,911	156,399	181,310	210,188	282,474
Utilities	37,644	38,773	39,937	41,135	42,369	49,117	56,940	66,009	88,711
Water, Sewer & Trash	47,836	49,271	50,749	52,271	53,840	62,415	72,356	83,880	112,728
Insurance	54,302	55,931	57,609	59,338	61,118	70,852	82,137	95,220	127,967
Property Tax	73,971	76,190	78,475	80,830	83,255	96,515	111,887	129,708	174,316
Reserve for Replacements	39,600	40,788	42,012	43,272	44,570	51,669	59,899	69,439	93,320
Other	34,300	35,329	36,389	37,481	38,605	44,754	51,882	60,145	80,830
TOTAL EXPENSES	$665,878	$685,408	$705,516	$726,218	$747,532	$863,933	$998,597	$1,154,403	$1,543,314
NET OPERATING INCOME	$541,925	$546,550	$551,081	$555,511	$559,832	$579,502	$595,072	$605,136	$601,555
DEBT SERVICE									
First Lien Financing	$416,223	$416,223	$416,223	$416,223	$416,223	$416,223	$416,223	$416,223	$416,223
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	$125,702	$130,327	$134,858	$139,288	$143,609	$163,279	$178,849	$188,913	$185,332
DEBT COVERAGE RATIO	1.30	1.31	1.32	1.33	1.35	1.39	1.43	1.45	1.45

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
Building Homes. Strengthening Communities.

Real Estate Analysis Division
Underwriting Report

REPORT DATE: 10/08/09 PROGRAM: CDBG Disaster Recovery FILE NUMBER: **09801**

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 does not fully evaluate or recommend based upon any potential events beyond the initial 5 year period.

DEVELOPMENT

Beacon Bay Townhomes

Location: 306 Beacon Bay Drive Region: 11

City: Port Isabel County: Cameron Zip: 78578 ☐ QCT ☐ DDA

Key Attributes: Family, Multifamily, Rehabilitation

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
CDBG Disaster Recovery Program	$844,794	Grant		**$449,413 ***	**Grant**	

* Staff understands that the Applicant intends to appeal the recommended CDBG award amount. If the Board chooses to grant the appeal, the award amount should not exceed $816,898, which is supported by eligible costs. Granting the appeal requires either a waiver of the 1.35 maximum DCR guideline, or that the CDBG award be structured as a repayable loan with 30 year amortization and a 2.5% interest rate. Structuring the CDBG award as a repayable loan currently is not consistent with the Board's policy to structure CDBG awards as grants or deferred, forgivable loans.

CONDITIONS

1. Receipt, review, and acceptance, by closing of an acceptable site inspection by TDHCA staff.
2. Should the terms and rates of the proposed debt or other financing change, the transaction should be re-evaluated and an adjustment to the award amount may be warranted.

SALIENT ISSUES

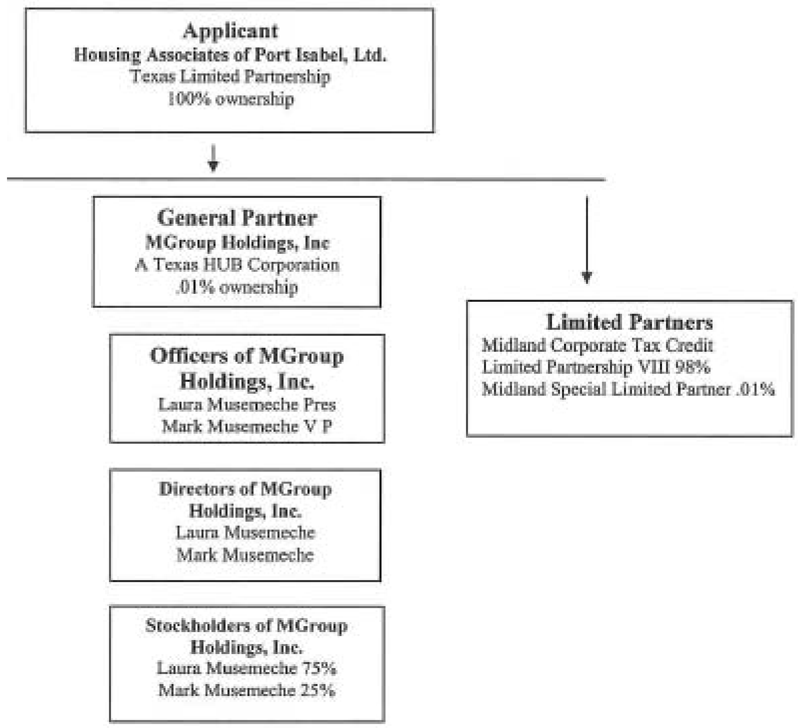
TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
50% of AMI	50% of AMI	21
60% of AMI	60% of AMI	55

PREVIOUS UNDERWRITING REPORTS

This development was previously underwritten and awarded a tax credit allocation not to exceed $492,235 annually on July 11, 2000 during the 9% HTC cycle. TDHCA file # 00072.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Mark Musemeche Phone: (713) 522-4141 Fax: (713) 522-9775
Email: mgroupinc@sbcglobal.net

KEY PARTICIPANTS

Name	Financial Notes
MGroup Holdings, Inc.	The Underwriter has reviewed the submitted development team financials and has determined there to be sufficient liquidity available to meet the program requirement of financial reserves equal to 10% of the total development cost.
MGroup LLC	
Mark Musemeche	
Laura Musemeche	
Housing Associates of Port Isabel, Ltd.	

¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant and Developer are related entities. These are common relationships for HTC-funded developments.

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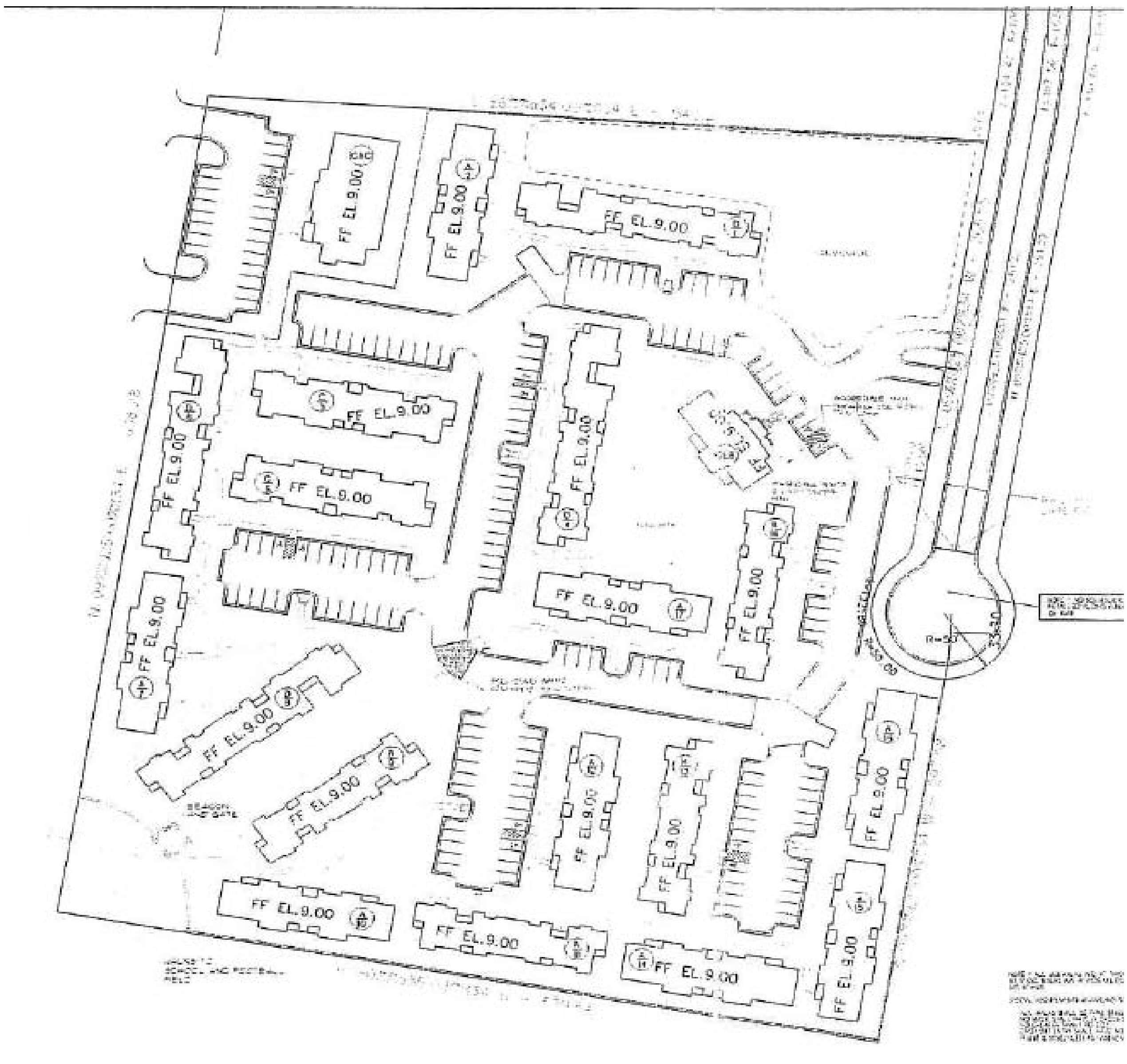
PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D							Total Buildings
Floors/Stories	1	1	1	1							
Number	8	4	2	4							18

BR/BA	SF	Units										Total Units	Total SF
1/1	690	2										16	11,040
2/1	850		2		2							16	13,600
2/2	910		2	2	3							24	21,840
3/2	1,152	2		2								20	23,040
Units per Building		4	4	4	5							**76**	**69,520**

Rehabilitation summary:

The rehabilitation / reconstruction scope of work includes items that were either not reimbursed or were deemed ineligible by the insurance company. Rehabilitation activities include: storm water detention pond pump repair and restoration, completion of landscape and irrigation system, completion of replacement of roofing, installation and reconstruction of the playground, replacement of appliances and HVAC not covered by insurance, repairs to electrical panels and breakers, replacement of cabinets and millwork not covered by insurance.

The following repairs have already been completed: major debris removal, mold and mildew remediation, de-humidification, demolition of all damaged property, re-roofing and patching of approximately half of the roofing throughout the development, replacement of siding and windows damaged, re-painting and drywall repair of approximately 66 units (some units required complete restoration and other required partial restoration depending on severity of damage), insulation replaced, new flooring in all units, replacement of destroyed appliances, repair/replacement of some HVAC systems, replacement of most lighting, plumbing, and door hardware fixtures throughout the development.

The Applicant provided a Property Condition Assessment (PCA) which confirms these improvements. The PCA contemplates $453K in rehabilitation costs.

SITE ISSUES

Total Size:	8.5 acres	Scattered site?	[ ] Yes	[X] No	
Flood Zone:	Zone X	Within 100-yr floodplain?	[ ] Yes	[X] No	
Zoning:	A-1	Needs to be re-zoned?	[ ] Yes	[ ] No	[X] N/A

Comments:

The previous underwriting report and the current CDBG application state that the development does not lie within the 100 year flood plain, however; the updated PCA report dated June 24, 2009 states that the development does lie within the 500 year flood plain.

The subject property is currently zoned Multi-Family District A-1 and conforms to the present zoning according to the City of Port Isabel.

TDHCA SITE INSPECTION

Inspector: TDHCA Staff

Comments:

To date, the site inspection for the property has not been completed by TDHCA staff. Accordingly, receipt, review, and acceptance, by closing, of an acceptable site inspection is a condition of this report.

MARKET HIGHLIGHTS

Provider: No Market Study Required   Date: N/A

Comments:

The NOFA guidelines exclude the requirement that the Applicant provide a market study for the subject development. 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.

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OPERATING PRO FORMA ANALYSIS

Income: Number of Revisions: 2 Date of Last Applicant Revision: 10/5/2009

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of May 1, 2009, calculated by Cirro Energy, from the 2009 rural program maximum HTC rents (Rural HTC Rent). Tenants will be required to pay electric utility costs. Water, sewer, and trash are paid by the development, and the Port Isabel Housing Authority utility allowance for water, sewer, and trash as of January 2009 was used in the analysis. The Underwriter's projected rents were calculated using the per unit average of actual rent collected as reported on the October 2009 rent roll provided by the Applicant.

Per the October 2009 rent roll, on average the development is collecting 1% less than the maximum Rural HTC Rent. The Applicant has reported that the market will not support the higher Rural HTC Rents. Furthermore, the Applicant reported that approximately 80% of the units are occupied by Section 8 Voucher Holders. The HUD Fair Market Rents (FMR) on which the voucher rents are based are lower than maximum 60% Rural HTC Rents less utility allowances, but higher than the 50% Rural HTC Rents less utility allowances.

The Applicant reports secondary income of $6.32 per unit per month, and vacancy & collection loss assumptions of 7.5% of EGI; both are inline with current TDHCA underwriting guidelines.

Of note: the Applicant reports a $3,762 loss to lease per month in addition to the vacancy and collection loss. The Underwriter's pro forma does not include this loss to lease figure, however. This is because the use of average collected rents per the October rent roll indicates a potential gross rent that is only 1.3% lower than potential gross rent using maximum Rural HTC Rents. Although the development is currently experiencing a loss to lease, because the average rent being collected currently is close to maximum Rural HTC Rents, it is reasonable to assume that following completion of the proposed repairs, the development will be able to achieve the average rents, at a minimum. Therefore, the Underwriter did not include loss to lease. The Underwriter's Effective Gross Income is not within 5% of the Applicant's EGI.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 10/5/2009

The Applicant's total annual operating expense projection of $4,422 per unit is not within 5% of the Underwriter's estimate of $4,139 per unit as derived from actual operating history of the development and the TDHCA & IREM databases. The Underwriter considered historical operating expenses for the development from June 2008 to May 2009 as well as CMTS 2007 & 2008 Owner's Compliance Report. The Underwriter utilized the development's historical expense reports to support: payroll; repairs & maintenance; water, sewer, & trash; and property insurance expenses. Overall the Underwriter's projected expenses are not within 5% of the Applicant's, however the Underwriter's pro forma results in an acceptable expense to income ratio below 65%. The Applicant reports an expense to income ratio of 74.6% which is above the 65% guideline.

Conclusion:

The Applicant's effective gross income, operating expenses, and net operating income are not within 5% of the Underwriter's estimates; therefore, the Underwriter's year-one pro forma will be used to determine the development's debt capacity.

The Underwriter has calculated a DCR of 1.93 and an expense to income ratio of 64.3%. In order to achieve a DCR between 1.15 and 1.35 consistent with current REA Rules and Guidelines, the Underwriter has assumed that the development can support additional debt based on the Underwriter's year 1 NOI. Therefore, the recommended CDBG award is lower than the Applicant's request. The award recommendation is discussed further in the "Recommended Financing Structure" below.

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Feasibility:

The Underwriter's recommended financing structure's 30-year pro forma utilizes a 2% annual growth factor for income and a 3% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income (EGI), operating expense, and net operating income (NOI) projections were utilized resulting in a debt coverage ratio that begins at 1.35 and continues increasing throughout the long-term pro forma resulting in positive cash flow through 15 years.

The Underwriter has reviewed the development's operating statements prior to the hurricane damage which report positive cash flow in 2007 and negative cash flow in 2008. Effective gross income was reportedly $56K less in 2008 as compared to 2007. Therefore, the Underwriter expects that upon completion of the rehabilitation this development that it will be able to collect rents closer or equal to HUD Fair Market Rent or Rural HTC Rents which will increase Effective Gross Income & NOI.

ASSESSED VALUE

Land Only: 9.6 acres	$349,440	Tax Year:	2009
Existing Buildings:	$682,996	Valuation by:	Cameron CAD
1 acre:	$36,400		Cameron CAD
Total Prorata: 8.5 acres	$309,291		Cameron CAD
Total Assessed Value:	$1,032,436	Tax Rate:	2.332261

Comments:

It should be noted that the Cameron County Appraisal District and existing title commitment report site acreage to be 9.6 acres while the survey, applicant, and warranty deed report site acreage at 8.5. The Underwriter discussed this discrepancy with the Applicant, and the Applicant reported that a portion of the site was dedicated as a right of way by the city, thereby reducing the total acreage.

EVIDENCE of PROPERTY CONTROL

Type: Special Warranty Deed — Acreage: 9.6

Contract Expiration: N/A — Valid Through Board Date? N/A

Acquisition Cost: N/A — Other: The Applicant is the current owner

Seller: Housing Associates of Port Isabel, Ltd.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 — Date of Last Applicant Revision: 9/9/2009

Site work Cost:

Since this is a proposed rehabilitation, the associated site work costs are minimal. The Applicant has estimated site work costs of $928 per unit, which is consistent with the estimate in the proposed scope of work and the Property Condition Assessment (PCA).

Construction Costs:

The Applicant's direct construction cost estimate of $382,575 is higher than the Underwriter's estimate by $2 as derived from the PCA report. The underwriting analysis will reflect the PCA value.

The total damage to the property from the hurricane was $1,574,701. Insurance proceeds paid for $1,393,676 after depreciation of $148K and deductible of $32K. The Applicant estimates that $844K in repairs remain to be completed. Of this amount, $561K are hard costs and $283K are soft costs as reported by the Applicant.

Ineligible Costs:

Initially, the Applicant included $105K in reserves as an eligible cost. CDBG Disaster Recovery rules regard these costs as ineligible; however, upon review of documentation provided by the Applicant to support the reserve amounts, the Underwriter determined that all but $56K of the $105K could be considered eligible for CDBG purposes. Therefore, the Underwriter reduced the Applicant's eligible costs by the $56K that is ineligible for CDBG purposes. Therefore, the recommended grant has been reduced by this amount.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, the Underwriter's development cost schedule, as derived from the PCA report and application materials, will be used to determine the development's need for permanent funds. **Of note:** The Applicant has received $1,393,676 from Texas Windstorm Insurance Association as settlement for the October 2008 insurance claim resulting from hurricane damage sustained by the development in September 2008. The Applicant has reported that no costs represented in the CDBG application will be paid for using insurance proceeds. The Underwriter has confirmed the Applicant's claim, and is only excluding the capital injection of $56K to cover operating expenses from eligible costs to determine the amount of the CDBG award. As a result, the Underwriter determined that $816,898 of repair costs resulting from hurricane damage were not covered by insurance proceeds and are eligible for CDBG purposes.

PROPOSED FINANCING STRUCTURE

SOURCES & USES Number of Revisions: None Date of Last Applicant Revision: N/A

Source: TDHCA - CDBG Type: **CDBG Disaster Recover Funds**

Principal: $844,794 Conditions: Deferred and Forgivable

Amount: $0 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

The Applicant has requested a grant of $844,794 under the CDBG Disaster Recovery Program. The Underwriter's total development cost estimate, less ineligible costs, supports an award of $816,898. However, the Underwriter's year 1 pro forma indicates that the development has additional debt capacity, and in order to reduce DCR to 1.35, the Underwriter has assumed that additional debt in the amount of $424,181 can be supported. The Underwriter's total development cost less the assumed $424,181 in additional permanent debt indicates the need for $449,413 in additional permanent funds, which is recommended to be filled with the CDBG award. The Underwriter's analysis assumes that the $56K in ineligible costs could be funded using the additional permanent debt of $424,181 that the development could support.

The Applicant intends to appeal the underwriting recommendation on the basis that tax credit developments typically project a DCR above 1.35 at some point over the 30-year pro forma, and because this development was originally awarded tax credits in 2000 it can reasonably be assumed to have achieved the higher DCR that is typically projected for HTC developments after year one. Further, the Applicant asserts that this development has realized reduced rents and increasing expenses during 2008 resulting from the hurricane damage as evidenced by current operating statements. If the Board choose to grant the appeal and waive the 1.35 maximum DCR guideline, staff has determined that the award should not to exceed $816,898, which is equal to the amount of eligible rehabilitation costs for CDBG purposes.

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As an alternative, the Board may choose to allow the CDBG award to be structured as a repayable loan. Under this scenario, assuming a loan amount of $816,898 (consistent with eligible rehabilitation costs), 30 year amortization, and 2.5% interest rate, the development's DCR would be a 1.35. No waiver of the 1.35 DCR maximum would be necessary; however, the Board's current policy is to structure CDBG awards as grants or deferred, forgivable loans, which does not allow for the structure of the award as a repayable loan. A waiver of the CDBG NOFA requirement that awards be structured as grants or deferred forgivable loans would be required.

Underwriter:	*Colton Sanders*	Date:	10/8/09
Manager of Real Estate Analysis:	*Audrey Martin*	Date:	10/8/09
Director of Real Estate Analysis:	*Brent Stewart*	Date:	10/8/09

MULTIFAMILY COMPARATIVE ANALYSIS

Beacon Bay Townhomes, Port Isabel, CDBG Disaster Recovery #09801

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 50%	2	1	1	690	$480	$409	$818	$0.59	$71	$53.00
TC 60%	14	1	1	690	$576	$505	$7,070	$0.73	$71	$53.00
TC 50%	15	2	1	850	$577	$495	$7,425	$0.58	$82	$61.00
TC 60%	1	2	1	850	$693	$611	$611	$0.72	$82	$61.00
TC 60%	24	2	2	910	$693	$611	$14,664	$0.67	$82	$61.00
TC 50%	4	3	2	1,152	$666	$570	$2,280	$0.49	$96	$71.00
TC 60%	16	3	2	1,152	$800	$704	$11,264	$0.61	$96	$71.00
TOTAL:	76		**AVERAGE:**	915		$581	$44,132	$0.63	$83.37	$61.95

INCOME		Total Net Rentable Sq Ft:	69,520		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT					$522,508	$529,584	Cameron		11
Secondary Income			Per Unit Per Month:	$6.32	5,760	5,760	$6.32	Per Unit Per Month	
Other Support Income:					0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					$528,268	$535,344			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(39,620)	(40,152)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0	(45,144)			
EFFECTIVE GROSS INCOME				40720.63668	$488,648	$450,048			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.17%	$268	0.29	$20,367	$29,500	$0.42	$388	6.55%
Management		4.00%	258	0.28	19,570	20,285	0.29	$267	4.51%
Payroll & Payroll Tax		16.88%	1,085	1.19	82,466	83,000	1.19	$1,092	18.44%
Repairs & Maintenance		6.21%	399	0.44	30,321	40,000	0.58	$526	8.89%
Utilities		3.89%	250	0.27	19,008	18,000	0.26	$237	4.00%
Water, Sewer, & Trash		9.14%	588	0.64	44,677	48,887	0.70	$643	10.86%
Property Insurance		7.33%	471	0.52	35,809	40,863	0.59	$538	9.08%
Property Tax	2.332261	7.17%	461	0.50	35,017	32,000	0.46	$421	7.11%
Reserve for Replacements		4.67%	300	0.33	22,800	19,000	0.27	$250	4.22%
TDHCA Compliance Fees		0.39%	25	0.03	1,900	1,900	0.03	$25	0.42%
Other: Security & Cable TV		0.53%	34	0.04	2,600	2,600	0.04	$34	0.58%
TOTAL EXPENSES		64.37%	$4,139	$4.52	$314,534	$336,035	$4.83	$4,422	74.67%
NET OPERATING INC		35.63%	$2,291	$2.50	$174,113	$114,013	$1.64	$1,500	25.33%
DEBT SERVICE									
TDHCA - CDBG		18.46%	$1,187	$1.30	$90,192	$90,192	$1.30	$1,187	20.04%
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		17.17%	$1,104	$1.21	$83,921	$23,821	$0.34	$313	5.29%
AGGREGATE DEBT COVERAGE RATIO					1.93	1.26			
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		N/A	$0	$0.00	$0	$0	$0.00	$0	0.00%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.07%	928	1.01	70,500	70,500	1.01	928	8.35%
Direct Construction		43.79%	5,034	5.50	382,573	382,575	5.50	5,034	45.29%
Contingency	10.00%	5.15%	592	0.65	45,000	45,000	0.65	592	5.33%
Contractor's Fees	14.00%	7.26%	835	0.91	63,430	63,432	0.91	835	7.51%
Indirect Construction		18.47%	2,124	2.32	161,394	189,288	2.72	2,491	22.41%
Ineligible Costs		0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's Fees	13.00%	10.76%	1,237	1.35	94,000	94,000	1.35	1,237	11.13%
Interim Financing		0.00%	0	0.00	0	0	0.00	0	0.00%
Reserves		6.49%	746	0.82	56,696	0	0.00	0	0.00%
TOTAL COST		100.00%	$11,495	$12.57	$873,594	$844,795	$12.15	$11,116	100.00%
Construction Cost Recap		64.28%	**$7,388**	**$8.08**	**$561,503**	**$561,507**	**$8.08**	**$7,388**	66.47%

SOURCES OF FUNDS			Sum of Eligible Costs	$816,898		RECOMMENDED	
Additional Permanent Debt	0.00%	$0	$0.00	$0	$0	$424,181	Developer Fee Available
TDHCA - CDBG	96.70%	$11,116	$12.15	844,794	844,794	449,413	$94,000
HTC Syndication Proceeds	0.00%	$0	$0.00	0	0	0	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$0	$0.00	0	0	0	0%
Additional (Excess) Funds Req'd	3.30%	$379	$0.41	28,800	1	(0)	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$873,594	$844,795	$873,594	$690,843

Beacon Bay Townhomes, Port Isabel, CDBG Disaster Recovery #09801

PAYMENT COMPUTATION

Primary	$987,103	Amort	284
Int Rate	7.625%	DCR	1.93

Secondary	$844,794	Amort	0
Int Rate	0.00%	Subtotal DCR	1.93

Additional	$0	Amort	
Int Rate		Aggregate DCR	1.93

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Serv**flect a 1.35 DCR.**	$90,192
Secondary Debt Service	**0**
Additional Debt Service	38,758
NET CASH FLOW	$45,164

Primary	$987,103	Amort	284
Int Rate	7.625%	DCR	1.93

Secondary	$449,413	Amort	0
Int Rate	0.00%	Subtotal DCR	1.93

Additional	$424,181	Amort	284
Int Rate	7.625%	Aggregate DCR	1.35

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 2.00%	**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**	**YEAR 10**	**YEAR 15**	**YEAR 20**	**YEAR 30**
POTENTIAL GROSS RENT	$522,508	$532,958	$543,617	$554,489	$565,579	$624,445	$689,438	$761,195	$927,893
Secondary Income	5,760	5,875	5,993	6,113	6,235	6,884	7,600	8,391	10,229
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	528,268	538,833	549,610	560,602	571,814	631,329	697,038	769,586	938,121
Vacancy & Collection Loss	(39,620)	(40,412)	(41,221)	(42,045)	(42,886)	(47,350)	(52,278)	(57,719)	(70,359)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$488,648	$498,421	$508,389	$518,557	$528,928	$583,979	$644,760	$711,867	$867,762
EXPENSES at 3.00%									
General & Administrative	$20,367	$20,978	$21,607	$22,255	$22,923	$26,574	$30,807	$35,713	$47,996
Management	19,570	19,961	20,361	20,768	21,183	23,388	25,822	28,510	34,753
Payroll & Payroll Tax	82,466	84,940	87,488	90,113	92,816	107,599	124,737	144,605	194,337
Repairs & Maintenance	30,321	31,231	32,168	33,133	34,127	39,562	45,863	53,168	71,453
Utilities	19,008	19,578	20,166	20,771	21,394	24,801	28,751	33,331	44,794
Water, Sewer & Trash	44,677	46,017	47,398	48,820	50,284	58,293	67,578	78,341	105,284
Insurance	35,809	36,883	37,989	39,129	40,303	46,722	54,164	62,790	84,385
Property Tax	35,017	36,067	37,150	38,264	39,412	45,689	52,966	61,402	82,520
Reserve for Replacements	22,800	23,484	24,189	24,914	25,662	29,749	34,487	39,980	53,730
Other	4,500	4,635	4,774	4,917	5,065	5,871	6,807	7,891	10,605
TOTAL EXPENSES	$314,534	$323,775	$333,288	$343,083	$353,168	$408,249	$471,982	$545,731	$729,856
NET OPERATING INCOME	$174,113	$174,646	$175,101	$175,474	$175,760	$175,730	$172,778	$166,136	$137,906
DEBT SERVICE									
First Lien Financing	$90,192	$90,192	$90,192	$90,192	$90,192	$90,192	$90,192	$90,192	$90,192
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	38,758	38,758	38,758	38,758	38,758	38,758	38,758	38,758	38,758
NET CASH FLOW	$45,164	$45,696	$46,151	$46,524	$46,810	$46,780	$43,828	$37,186	$8,957
DEBT COVERAGE RATIO	1.35	1.35	1.36	1.36	1.36	1.36	1.34	1.29	1.07

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
Building Homes. Strengthening Communities.

Real Estate Analysis Division
Underwriting Report

REPORT DATE: 10/08/09 PROGRAM: CDBG FILE NUMBER: **09817**

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 does not fully evaluate or recommend based upon any potential events beyond the initial 5 year period.

DEVELOPMENT

Bayou Bend Apartments

Location: 5800 Bayou Bend Court Region: 6

City: Houston County: Harris Zip: 77004 ☐ QCT ☐ DDA

Key Attributes: Multifamily, Acquisition, Rehabilitation, Family, Urban

ALLOCATION

	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
CDBG Special Disaster Recovery Funds	$5,000,000	Grant		**$4,173,934 ***	**Grant**	

* Staff understands that the Applicant intends to appeal the recommended CDBG award amount. If the Board chooses to grant the appeal, the award amount should not exceed $4,436,954, which is supported by eligible costs. Granting the appeal would require either a waiver of the 1.35 maximum DCR guideline, or that a portion of the CDBG award, $625,700, be structured as a repayable loan ($625,700 loan, 30 year amortization, 0% interest rate), with the remaining $3,811,254 structured as a grant. Structuring the CDBG award as a repayable loan currently is not consistent with the Board's policy to structure CDBG awards as grants or deferred, forgivable loans.

CONDITIONS

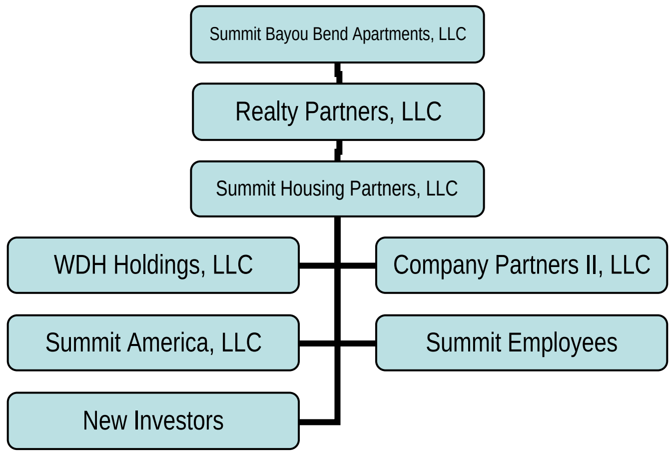
1 Receipt review, and acceptance, by completion of construction, that all liens, judgments and assignments are resolved and removed, except for the proposed first lien loan to Oak Grove Capital in the amount of $2,400,000.

2 Receipt, review, and acceptance by closing of evidence that the $2.4M construction loan may be used to fund construction costs which will later be reimbursed by CDBG funds through the draw process (to address the 10% reserve requirement). If the construction loan cannot be used in this way, evidence of an alternate source of funding to meet the 10% reserve requirement must be submitted.

3 Should the terms and rates of the proposed debt or other financing change, the transaction should be re-evaluated and an adjustment to the award amount may be warranted.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact:	Jonathan Killough	Phone:	(334) 954-4458	Fax:	(334) 954-4496
Email:	jkillough@summithousingpartners.com				

KEY PARTICIPANTS

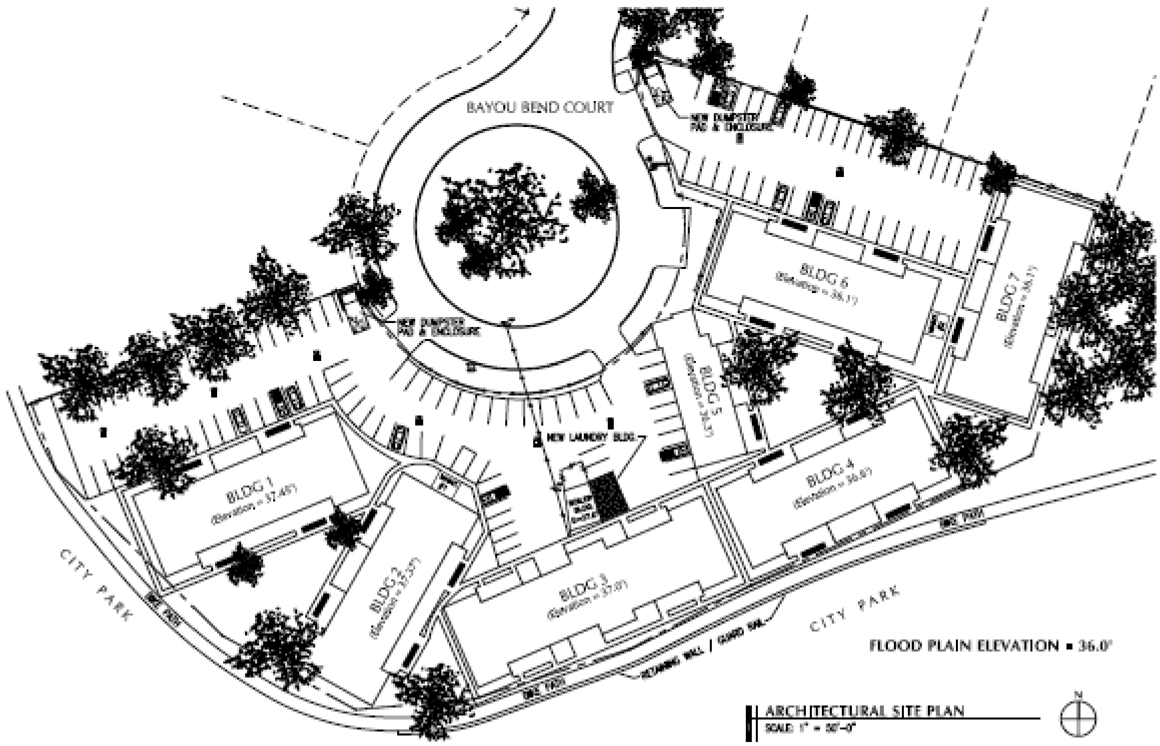
Name	Financial Notes
Summit Housing Partners, LLC	The Underwriter has reviewed the submitted development team financials and has determined that there does not appear to be sufficient liquidity available to meet the program requirement of financial reserves equal to 10% of the total development cost. However, this concern may be mitigated assuming that the Applicant can use the construction loan to meet the 10% reserve requirement. This report is conditioned upon receipt of evidence that the construction loan may be used in this way.
Summit America, LLC	
W. Daniel Hughes, Jr.	

IDENTITIES of INTEREST

- The Applicant, Developer, Construction Manager and Property Manager 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				Total Buildings
Floors/Stories	2	2	2	2	2	2	2				
Number	1	1	1	1	1	1	1				**7**

BR/BA	SF	Units										Total Units	Total SF
1/1	573	8	8	8	8	7	8	8				55	31,515
2/1	758	8	8	12	8		8	8				52	39,416
Units per Building		16	16	20	16	7	16	16				**107**	**70,931**

Rehabilitation Summary:

Renovations are planned to include new drywall, insulation, roof repairs, exterior paint, energy efficient air conditioning units, windows, exterior doors, replacement of patio slabs as necessary, repair and cleaning of mansard siding on second floor, repair of stairwells, curbs, sidewalks and brick as necessary, resurfacing and striping of the parking lot, individual electric hot water heaters, new perimeter fencing, video surveillance, new playground/tot lot, and a complete rehabilitation of the leasing office and central laundry facilities. Also, dumpster pads and enclosures will be added as well as a laundry facility adjacent to the maintenance shop, and the common courtyards will be newly landscaped. In the interior of the units, the property will have all new energy efficient appliances including dishwashers and garbage disposals, new electrical wiring, new cabinets and countertops in both kitchens and baths, new commodes, sinks and bathtubs, new fixtures, blinds, floor coverings, new paint and new interior doors.

Additionally, 5% of the units will be modified to comply with UFAS 504 impaired requirements, and 2% of the total units will be modified with sight and hearing devices to meet UFAS 504 requirements.

Relocation Plan:

Although this is an acquisition/rehabilitation property, a relocation plan will not be needed because the subject property is currently 100% vacant. The property was damaged by Hurricanes Ike and Dolly. The vacancy of the property is due primarily to damage sustained during Hurricane Ike while it was not adequately insured, thereby not having the resources to repair the damages. This subsequently caused the property become 100% vacant and to be foreclosed upon in June 2009.

SITE ISSUES

Total Size:	2.799 acres	Scattered site?	[ ] Yes	[X] No	
Flood Zone:	AE	Within 100-yr floodplain?	[X] Yes	[ ] No	
Zoning:	None	Needs to be re-zoned?	[ ] Yes	[ ] No	[X] N/A

Comments:

Buildings 1-3 are located in zone X500; however, buildings 4-7 are in zone AE which is within the 100 year flood zone Accordingly, a mitigation plan for the existing buildings in zone AE must be considered by the Department HOME Division and the U.S. Department of HUD as part of the environmental review under 24 CFR Parts 50 and 58. Any funding recommendation will be subject to receipt, review, and acceptance, prior to start of construction, of an acceptable environmental review, addressing any known environmental concerns.

There are no zoning regulations promulgated or administered by the City of Houston or Harris County.

TDHCA SITE INSPECTION

Inspector: TDHCA Staff Date: 9/25/2009

Overall Assessment:

[ ] Excellent [x] Acceptable [ ] Questionable [ ] Poor [ ] Unacceptable

MARKET HIGHLIGHTS

Provider: No Market Study Required Date: N/A

Comments:

The NOFA guidelines exclude the requirement that the Applicant provide a market study for the subject development. 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.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 2 Date of Last Applicant Revision: 9/4/2009

The Underwriter utilized the lesser of the Appraiser's "As proposed, As Completed & Stabilized" market rent conclusion or the rents calculated by subtracting tenant-paid utility allowances from the 2009 program gross rent limits at 80% of AMI. The Applicant chose to utilize the "As is" market rent conclusions provided by the Appraiser which are $50 and $60 lower for the one and two-bedroom units respectively. Tenants will be required to pay electric 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 10%, which appears to be overstated. Current underwriting guidelines assume an allowance of 7.5% of potential income.

Of note, the submitted appraisal indicates that the high vacancy rates reported at a number of the surveyed properties in the market, may not be 'indicative of actual market conditions,' but rather, due to poor management practices. Moreover, the Appraiser states that the 'current vacancy rate is higher than typical for the market...[and] the performance of [other properties in the market area]...offer indicators that perhaps vacancy will improve in the short term." The Appraiser concluded a 'short term' vacancy rate of 14% "As Is" and 10% "As Proposed."

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 8/31/2009

The Applicant's total annual operating expense projection at $4,103 per unit is within 5% of the Underwriter's estimate of $4,150, derived from the TDHCA database, and third-party data sources. It should be noted, the Applicant included reserve for replacements in the amount of $250 per unit, which is below current Department standards for acquisition/rehabilitation developments. The Underwriter has utilized the Department minimum of $300 per unit, which supported by the submitted PCA.

Conclusion:

The Applicant's 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 pro forma and estimated debt service result in a debt coverage ratio (DCR) above the current underwriting maximum guideline of 1.35. Therefore, the recommended financing structure reflects an increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The underwriting 30-year proforma utilizes a 2% annual growth factor for income and a 3% annual growth factor for expenses in accordance with current TDHCA guidelines. The Underwriter's base year effective gross income, expenses and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cash flow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Novogradac & Company, LLP Date: 8/7/2009

Number of Revisions: none Date of Last Applicant Revision: N/A

Land Only:	2.8 acres	$320,000	As of:	7/31/2009
Existing Buildings: (as-is)		$1,380,000	As of:	7/31/2009
Total Development: (as-is)		$1,700,000	As of:	7/31/2009

ASSESSED VALUE

Land Only:	2.8 acres	$0	Tax Year:	2009
Existing Buildings:		$0	Valuation by:	Harris CAD
Total Assessed Value:		$0	Tax Rate:	2.5237

Comments:

The subject property has been on the Harris County Appraisal District tax roll as an 100% tax exempt property and therefore no value has been assigned or assessed. The Applicant has not projected that the exemption on the property will continue; therefore both the Applicant's and Underwriter's pro forma include an estimate for property tax expense.

EVIDENCE of PROPERTY CONTROL

Type: Agreement of Purchase and Sale Acreage: 2.8

Contract Expiration: 11/30/2009 Valid Through Board Date? [X] Yes [ ] No

Acquisition Cost: $1,550,000 Other:

Seller: Bayou Bend Real Estate, LLC Related to Development Team? [ ] Yes [X] No

TITLE

Comments:

Receipt review, and acceptance, by Cost Certification, that all liens, judgments and assignments are resolved and removed, except for the proposed first lien loan to Whitney Bank in the amount of $2,400,000, is a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of $553,571 per acre or $14,486 per unit is supported by the "As Is" appraised value and assumed to be reasonable since the acquisition is an arm's-length transaction. However, acquisition cost is not eligible under the CDBG NOFA; therefore, the Underwriter's analysis assumes that the acquisition will be funded using permanent loan funds, rather than the CDBG award.

Of note, the property was foreclosed upon in June of this year, and as such the current owner was not the owner at the time of Hurricane Ike that caused damage to the property. The current owner was the lender at the time that the damages were sustained. The prior owner may or may not have received insurance proceeds but the property is being sold in its current condition and will not benefit from any insurance proceeds. Furthermore, the scope of work for the rehabilitation is based upon repairs and improvements that are needed to return the property back to acceptable livability standards.

Sitework Cost:

Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of $1,698 per unit, which is generally consistent with the estimate in the proposed work write-up/Property Condition Assessment (PCA).

Direct Construction Cost:

The Applicant's direct construction cost estimate is $406K or 14% higher than the estimate provided in the Property Condition Assessment (PCA). The underwriting analysis will reflect the PCA value.

Ineligible Costs:

The Applicant included $342K in reserves as an eligible cost, while the Underwriter limited reserves to $285K consistent with REA Rules and Guidelines. CDBG Disaster Recovery rules regard these costs as ineligible; therefore, the Underwriter's analysis assumes that the reserves will be funded using permanent loan funds, rather than the CDBG award. The amount of the permanent loan is greater than the total of the acquisition cost and reserves; therefore the CDBG award recommendation will not be reduced as a result of these ineligible costs.

Contingency & Fees:

The Underwriter's analysis reflects contingency and contractor fees equal to the maximums allowed by current REA Rules and Guidelines. Because the Underwriter relied upon PCA costs, which were lower than the Applicant's estimates, contingency and contractor fees reflected in the Underwriter's analysis are lower than those reflected in the Applicant's development cost schedule.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, the Underwriter's development cost schedule which is $563,046 less than the Applicant's will be used to determine the development's need for permanent funds.

PROPOSED FINANCING STRUCTURE

SOURCES & USES Number of Revisions: None Date of Last Applicant Revision: N/A

Source:	Whitney Bank			Type:	**Interim Financing**		
Principal:	$2,400,000	Interest Rate:	4.25%	☐ Fixed	Term:	30	months

Comments:

This loan will have an interest rate of Prime plus 0.5%, with a floor of 4.25%.

Source:	Oak Grove Capital			Type:	**Permanent Financing**		
Principal:	$2,400,000	Interest Rate:	7.0%	X Fixed	Amort:	360	months
Source:	CDBG Disaster Recovery Funds			Type:	**Grant**		
Principal:	$5,000,000	Interest Rate:	0.0%	X Fixed	Amort:	0	months
Amount:	$0			Type:	**Deferred Developer Fees**		

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. The underwriting analysis assumes an increase in the permanent loan amount to $2,663,019 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease.

The Applicant has requested a grant of $5M under the CDBG Disaster Recovery Program. The Underwriter's total development cost estimate less the adjusted permanent loan of $2,663,019 indicate the need for $4,173,934 in additional permanent funds, which are recommended to be filled by the CDBG award. The Underwriter's recommended financing structure indicates that no additional funds will be needed.

The Applicant intends to appeal the underwriting recommendation on the basis of the maximum 1.35 DCR requirement. If the Board choose to grant the appeal and waive the 1.35 maximum DCR guideline, staff has determined that the award should not to exceed $4,436,954, which is equal to the amount of eligible rehabilitation costs for CDBG purposes.

As an alternative, the Board may choose to allow a portion of the CDBG award to be structured as a repayable loan. Under this scenario, a loan amount of $625,700 with 30 year amortization, and a 0% interest rate, would cause the development's DCR to be a 1.35. The balance of the $4,436,954, or $3,811,254 would be awarded as a grant. Under this scenario, no waiver of the 1.35 DCR maximum would be necessary; however, the Board's current policy is to structure CDBG awards as grants or deferred, forgivable loans, which does not allow for the structure of the award as a repayable loan. A waiver of the CDBG NOFA requirement that awards be structured as grants or deferred forgivable loans would be required.

Underwriter:	*D. P. Burrell*	Date:	October 8, 2009
Reviewing Underwriter	*Diamond Unique Thompson*	Date:	October 8, 2009
Manager of Real Estate Analysis:	*Audrey Martin*	Date:	October 8, 2009

MULTIFAMILY COMPARATIVE ANALYSIS

Bayou Bend Apartments, Houston, CDBG #09817

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
CDBG/80%	28	1	1	573	$957	$525	$14,700	$0.92	$96.00	$37.00
MR	27	1	1	573		$585	$15,795	$1.02	$96.00	$37.00
CDBG/80%	27	2	1	758	$1,148	$625	$16,875	$0.82	$132.00	$48.00
MR	25	2	1	758		$675	$16,875	$0.89	$132.00	$48.00
TOTAL:	107		AVERAGE:	663		$600	$64,245	$0.91	$113.50	$42.35

INCOME	Total Net Rentable Sq Ft:	70,931		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$770,940	$736,500	Harris	Houston	6
Secondary Income		Per Unit Per Month:	$15.00	19,260	19,260	$15.00	Per Unit Per Month	
Other Support Income:				0		$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$790,200	$755,760			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(59,265)	(75,576)	-10.00%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$730,935	$680,184			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.74%	$324	0.49	$34,671	$34,700	$0.49	$324	5.10%
Management		3.95%	270	0.41	28,851	26,514	0.37	248	3.90%
Payroll & Payroll Tax		15.88%	1,085	1.64	116,095	115,900	1.63	1,083	17.04%
Repairs & Maintenance		8.67%	592	0.89	63,360	62,800	0.89	587	9.23%
Utilities		3.62%	247	0.37	26,469	24,960	0.35	233	3.67%
Water, Sewer, & Trash		5.22%	357	0.54	38,160	43,740	0.62	409	6.43%
Property Insurance		5.10%	348	0.53	37,274	37,450	0.53	350	5.51%
Property Tax	2.5237	8.50%	580	0.88	62,108	61,259	0.86	573	9.01%
Reserve for Replacements		4.39%	300	0.45	32,100	26,750	0.38	250	3.93%
TDHCA Compliance Fees		0.00%	0	0.00	0	0	0.00	0	0.00%
Other: Security		0.68%	47	0.07	5,000	5,000	0.07	47	0.74%
TOTAL EXPENSES		60.76%	$4,150	$6.26	$444,089	$439,073	$6.19	$4,103	64.55%
NET OPERATING INC		39.24%	$2,681	$4.04	$286,846	$241,111	$3.40	$2,253	35.45%
DEBT SERVICE									
Whitney Bank		26.21%	$1,791	$2.70	$191,607	$191,607	$2.70	$1,791	28.17%
TDHCA CDBG Grant		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		13.03%	$890	$1.34	$95,239	$49,504	$0.70	$463	7.28%
AGGREGATE DEBT COVERAGE RATIO					1.50	1.26			
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)		24.48%	$15,645	$23.60	$1,674,000	$1,674,000	$23.60	$15,645	22.62%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		2.67%	1,704	2.57	182,359	181,650	2.56	1,698	2.45%
Direct Construction		43.24%	27,631	41.68	2,956,527	3,363,370	47.42	31,433	45.45%
Contingency	5.00%	2.30%	1,467	2.21	156,944	201,496	2.84	1,883	2.72%
Contractor's Fees	14.00%	6.43%	4,107	6.20	439,444	494,903	6.98	4,625	6.69%
Indirect Construction		3.76%	2,406	3.63	257,404	257,404	3.63	2,406	3.48%
Ineligible Costs		0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's Fees	14.33%	8.94%	5,715	8.62	611,519	611,519	8.62	5,715	8.26%
Interim Financing		4.01%	2,560	3.86	273,884	273,884	3.86	2,560	3.70%
Reserves		4.17%	2,662	4.02	284,873	341,774	4.82	3,194	4.62%
TOTAL COST		100.00%	$63,897	$96.39	$6,836,954	$7,400,000	$104.33	$69,159	100.00%
Construction Cost Recap		*54.63%*	***$34,909***	***$52.66***	***$3,735,274***	***$4,241,419***	***$59.80***	***$39,639***	*57.32%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Whitney Bank	35.10%	$22,430	$33.84	$2,400,000	$2,400,000	$2,663,019	Developer Fee Available
TDHCA CDBG Grant	73.13%	$46,729	$70.49	5,000,000	5,000,000	4,173,934	$611,519
Deferred Developer Fees	0.00%	$0	$0.00	0		0	0%
Additional (Excess) Funds Req'd	-8.24%	($5,262)	($7.94)	(563,046)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$6,836,954	$7,400,000	$6,836,954	$1,223,611

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Bayou Bend Apartments, Houston, CDBG #09817

PAYMENT COMPUTATION

Primary	$2,400,000	Amort	360
Int Rate	7.00%	DCR	1.50

Secondary	$5,000,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.50

Additional	$0	Amort	
Int Rate		Aggregate DCR	1.50

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$212,606
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$74,240

Primary	$2,663,019	Amort	360
Int Rate	7.00%	DCR	1.35

Secondary	$5,000,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 2.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$770,940	$786,359	$802,086	$818,128	$834,490	$921,345	$1,017,239	$1,123,114	$1,369,070
Secondary Income	19,260	19,645	20,038	20,439	20,848	23,017	25,413	28,058	34,203
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	790,200	806,004	822,124	838,567	855,338	944,362	1,042,652	1,151,172	1,403,272
Vacancy & Collection Loss	(59,265)	(60,450)	(61,659)	(62,892)	(64,150)	(70,827)	(78,199)	(86,338)	(105,245)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$730,935	$745,554	$760,465	$775,674	$791,188	$873,535	$964,453	$1,064,834	$1,298,027
EXPENSES at 3.00%									
General & Administrative	$34,671	$35,711	$36,782	$37,886	$39,022	$45,238	$52,443	$60,796	$81,704
Management	28,851	29,428	30,017	30,617	31,230	34,480	38,069	42,031	51,235
Payroll & Payroll Tax	116,095	119,578	123,165	126,860	130,666	151,478	175,604	203,573	273,585
Repairs & Maintenance	63,360	65,261	67,219	69,235	71,312	82,671	95,838	111,102	149,312
Utilities	26,469	27,263	28,081	28,924	29,791	34,536	40,037	46,414	62,377
Water, Sewer & Trash	38,160	39,305	40,484	41,699	42,950	49,790	57,721	66,914	89,927
Insurance	37,274	38,392	39,544	40,731	41,952	48,634	56,381	65,361	87,839
Property Tax	62,108	63,972	65,891	67,867	69,903	81,037	93,944	108,907	146,362
Reserve for Replacements	32,100	33,063	34,055	35,077	36,129	41,883	48,554	56,288	75,646
Other	5,000	5,150	5,305	5,464	5,628	6,524	7,563	8,768	11,783
TOTAL EXPENSES	$444,089	$457,123	$470,543	$484,359	$498,584	$576,271	$666,153	$770,153	$1,029,771
NET OPERATING INCOME	$286,846	$288,430	$289,922	$291,315	$292,604	$297,264	$298,300	$294,681	$268,256
DEBT SERVICE									
First Lien Financing	$212,606	$212,606	$212,606	$212,606	$212,606	$212,606	$212,606	$212,606	$212,606
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	$74,240	$75,825	$77,316	$78,710	$79,998	$84,658	$85,694	$82,076	$55,651
DEBT COVERAGE RATIO	1.35	1.36	1.36	1.37	1.38	1.40	1.40	1.39	1.26

REPORT ITEMS

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST
October 15, 2009

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 administered by TDHCA related to hurricanes Rita, Ike, and Dolly, as well as the FEMA Alternative Housing Pilot Program (AHPP).

Public Law 109-148 –Hurricane Rita Round I ($74.5 Million)

Under the **1st Supplemental CDBG Disaster Recovery Program (referred to as Round I),** there are three Councils of Governments (COGs) 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 $40,324,845 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) - $27,198,536
    - SETRPC - $17,598,656
    - Beaumont - $4,199,680
    - Port Arthur - $5,400,200

As detailed below, the Deep East Texas Council of Governments completed their contract activities in April. The Houston-Galveston Area Council and the South East Texas Regional Planning Commission are contractually required to complete activities by October 31, 2009, though each has submitted an extension request. H-GAC is completing assistance to beneficiaries located in the floodplain that will be receiving assistance in the form of a loan, and SETRPC is reviewing an additional twenty-three (23) case files to determine whether assistance can be offered, as a result of cost savings from the bidding process and an increase in their award amount from funding previously unobligated that can be used to assist additional households. Cumulatively, the COGs have completed assistance to four hundred ninety-six (496) households, have another twenty-one (21) homes under construction, and have twenty-two (22) homes under contract that cannot proceed unless the contracts are extended. Cumulatively, there are five hundred thirty-nine (539) homes either under bid award, under construction, or completed as of October 5, 2009 which greatly exceed of the contracted number of households to be served. Program efficiencies have allowed for a greater number to be served than was originally anticipated.

The COGs have committed $761,851 of HTF dollars to assist with gap financing needs, and $648,303 of that has been drawn. More of these HTF dollars are anticipated to be obligated to address the gap financing needs of the additional homeowners being served under this program.

Financial Summary

	Current Budget	Admin $ Drawn To Date	Project $ Drawn To Date	Total Requested	% of Funds Drawn
DETCOG	**$6,745,034.00**	**$674,304.31**	**$5,888,799.21**	**$6,563,103.52**	**97.30%**
H-GAC	**$7,015,706.00**	**$891,194.92**	**$4,817,204.61**	**$5,708,399.53**	**81.37%**
SETRPC	**$27,198,536.00**	**$2,735,964.03**	**$18,838,524.65**	**$21,574,488.68**	**79.32%**
SETRPC	$17,598,656.00	$2,197,019.81	$11,742,332.33	$13,939,352.14	79.21%
Beaumont	$4,199,680.00	$436,783.16	$3,429,022.80	$3,865,805.96	92.05%
Port Arthur	$5,400,200.00	$102,161.06	$3,667,169.52	$3,769,330.58	69.80%
Totals	**$40,959,276.00**	**$4,301,463.26**	**$29,544,528.47**	**$33,845,991.73**	**82.63%**

Project Summary

	No. to be Served	No. out for Bid	* Units Under Contract	No. Site-built Under Construction	Total Rehabilitated /Reconstructed	No. of MHUs Delivered	Total No. Constructed/ Delivered
DETCOG	**128**	**0**	**0**	**0**	**13**	**115**	**128**
H-GAC	**103**	**0**	**5**	**2**	**23**	**73**	**96**
SETRPC	**309**	**1**	**17**	**19**	**213**	**59**	**272**
SETRPC	204	1	17	13	114	59	173
Beaumont	55	0	0	5	50	0	50
Port Arthur	50	0	0	1	49	0	49
Total	**540**	**1**	**22**	**21**	**249**	**247**	**496**

** Total of MHUs ordered but not yet delivered and construction contracts signed for site-built units*

Public Law 109-234 – Hurricane Rita Round II ($428 Million)

The **2nd Supplemental CDBG Disaster Recovery Funding (referred to 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 hurricane Rita, but it also addresses needs arising from hurricane Katrina evacuees. The total funding allocation is $428,671,849, broken down as follows:

	Current Budget	Cumulative Expenditures	Balance Remaining	Percentage Expended
Homeowner Assistance Program (HAP)	$210,371,273.00	$58,959,598.07	$151,411,674.93	**28.03%**
Sabine Pass Restoration Program (SPRP)	$12,000,000.00	$4,878,216.02	$7,121,783.98	**40.65%**
Rental Housing Stock Restoration Program (RHSRP)	$82,779,333.00	$51,686,032.39	$31,093,300.61	**62.44%**
City of Houston/Harris County Public Services & Community Development Program (Houston/Harris Co)	$61,500,000.00	$33,400,734.81	$28,099,265.19	**54.31%**
Restoration of Critical Infrastructure Program (ORCA)	$42,000,000.00	$19,481,700.44	$22,518,299.56	**46.39%**
State Administrative Funds (Admin Funds)	$19,933,592.00	$8,005,424.71	$11,928,167.29	**40.16%**
	$428,584,198.00	**$176,411706.44**	**$252,172,491.56**	**41.16%**

CDBG Round 2 City of Houston and Harris County Public Service and Community Development Program

City of Houston

Original funding of $20 million was allocated to the Houston Police Department for establishment of the Housing Safety Component, composed of civilian and officer personnel. Civilian personnel consist of administrative staff that supports the officer personnel and the entry of the overtime incurred by officers on behalf of the hurricane evacuee population. A re-allocation of $1,500,000 of administrative funds was provided to the Houston Police Department's Housing Safety Program in July of 2009.

Funding of $20 million was also allocated to carry out rehabilitation of existing multi-family housing stock through the existing Apartment to Standards Program. These funds will provide rehabilitation of multi-family housing to the evacuee population.

The administrative fund budget category is $500,000, of which $49,944.56 or 9.99% has been expended.

The City of Houston's Housing Safety Component expenditures remain at $19,993,902.26 or 92.99% of the $21,500,000 allocation.

The Housing Safety and Apartment to Standards program expenditures remained at $9,144,342.20 or 45.72% of the $20,000,000 allocation. The Apartment to Standards program has executed contracts for two rehabilitation projects. The Fondren Court project has been completed. The Department has completed its final inspections and the remaining balance of $705,657.80 is expected to be issued within October. Expenditures of $9,144,342.20 represent 92.84% of the $9,850,000 allocated to the Fondren Court project. The Regency/Sandpiper project was allocated $10,150,000, with rehabilitation commencing in May 2009. There have been no expenditures submitted for reimbursement.

Harris County

Funding of $20 million was allocated to provide services to the residents of Harris County among six 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.), Disaster Housing Assistance Program Component (Harris County) and the Multi-Family Evacuee Housing Program.

The administrative fund budget category is $1,000,000, of which $520,541.00 or 52.05% has been expended.

Expenditures incurred among the six program categories equal $4,262,490.35 or 21.31% of the $20,000,000 allocation.

The Department continues to work closely with Harris County to expedite environmental clearance for the two sites within their multifamily component.

CDBG Round 2 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. A subsequent amendment awarded additional funds for a total of $82,799,333 for this activity. The construction work, once completed, will restore rental unit housing to 838 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	Funds Drawn/ Expended	Loan Closing Date
7060007	Orange Navy Homes	Orange	140	Recon.	$15,821,439	$8,941,134.13	10/15/2008
7060010	Brittany Place II Single Family	Port Arthur	100	Recon.	$13,077,366	$3,264,151.96	12/04/08
7060006	Pointe North	Beaumont	158	Recon.	$13,778,332	$8,889,204.09	8/31/2008
7060011	Gulfbreeze Plaza I	Port Arthur	86	Recon.	$9,067,577	$4,600,286.16	12/17/2008
7060012	Gulfbreeze Plaza II	Port Arthur	148	Recon.	$13,280,250	$12,136,915.00	6/11/2008
7060008	Virginia Estates	Beaumont	110	Rehab	$6,707,534	$4,761,343.14	5/26/2008
7060009	Brittany Place I Multifamily	Port Arthur	96	Recon.	$11,046,835	$8,807,172.91	4/9/2008
		Totals:	**838**		**$82,779,333**	$51,686,032.39	

<u>CDBG Round 2 Homeowner Assistance Program and Sabine Pass Restoration Program Update from ACS State & Local Solutions, Inc.</u>

Key metrics as of October 5th are shown in the chart below. Changes in the totals of key metrics from 8/25 are as follows:

- Completed applications increased by 507, from 3,579 to 4,086
- Completed inspections now total 2,263 an increase of 125
- A total of 1,567 homes have been assigned to contractors, an increase of 160
- The total number of Benefit Selection meetings held increased by 160
- Closings have increased to 1,100 from 882, an increase of 218
- Constructions starts have gone from 782 to 982, an increase of 200

AS OF 8/24/09	HAP	SPRP	Total
Completed Applications	3,963	123	4,086
Passed Eligibility	1,928	95	2,023
Inspections Complete	2,143	120	2,263
Projects Assigned to Contractors	1,484	83	1,567
Benefit Selection Meetings Held	1,484	83	1,567
Closings	1,039	61	1,100
Construction Starts	925	57	982
Finished Homes	332	45	377

MILESTONES

Several significant milestones were achieved during this reporting period. Among them were:

- The 1,000th closing agreement was executed on September 16th
- September 21st saw the start of the 900th home in the program
- The total number of applicants who passed eligibility exceeded 2,000 on September 29th
- TDHCA completed the initial round of inspections on 17 finished homes in Southeast Texas

This month will soon see the 1,000th home start and it is anticipated that the 500th home will be complete during the next reporting period.

OUTREACH

Signs are currently being placed on construction sites in the DETCOG area. These signs identify the site as part of TDHCA's Hurricane Rita recovery effort. The signs also inform individuals who may need help because of Rita or Ike damage where they can call to obtain assistance. A photo of the sign appears below. Similar signs are being printed and will soon be deployed in the Southeast Texas Regional Planning Commission area.

The Outreach initiative mentioned in the last report to the Board involving the mailing of letters to 986 individuals who had completed Benefit Selection asking them to refer anyone still in need of assistance to the program has been a resounding success. The number of new applications mailed since that initiative was launched has exceeded 2,175.

<u>CONSTRUCTION</u>

Issues surrounding difficulties presented by home size restriction imposed by some municipalities have been resolved. All of these applicants will be served.

A new record in terms of the number of days required to complete a home from Closing was achieved in September. J.W. Turner completed the home of Ms. Louise Mitchell in Beaumont in 28 days. Pictured below from left to right are: J.W. Turner, Mark Healy (Shaw Group), Ms. Mitchell and Eric Friess (Shaw Group).

In order to increase the emphasis on home completion, a letter was sent to all contractors reminding them that penalties would be assessed for homes not completed in the agreed-upon timeframes. The letters were addressed to individual contractors and contained specific days-to-completion data relative to each. A meeting with all contractors was held in Beaumont subsequent to delivery of the letters to insure understanding and to emphasize that compliance would be mandatory within a specified timeframe.

<u>Public Law 110-329 –Hurricane Ike/Dolly Round I ($1.3 Billion)</u>

TDHCA has been designated by the Governor as the state’s lead agency to administer housing recovery funds related to Hurricanes Ike and Dolly. The Department is administering $654,158,758 in housing funds, of which $562,613,463 will administered locally by 18 subrecipients, $58,834,914 is being set-aside for affordable rental housing activities through a competitive notice of funds availability, and $32,710,381 is being used by TDHCA for administration.

To date, TDHCA has awarded $562,613,463 to 18 subrecipients that will locally administer housing funds. The deadline to apply under the $58 million set-aside for affordable rental housing activities was August 14, 2009 and the Department received a total of twenty-two (22) applications totaling $75,755,261. One award has been made to date and additional recommendations will follow as reviews are completed.

Subrecipient	Allocation	Date of Award
Brazos Valley Council of Governments	**N/A**	
Brazos Valley Affordable Housing Corporation	$948,929	9/3/2009
Deep East Texas Council of Governments	**$5,931,070**	**7/30/2009**
East Texas Council of Governments	**$415,117**	**7/16/2009**
Houston-Galveston Area Council *	**$11,076,980**	**7/30/2009**
Galveston	$160,432,233	7/16/2009
Galveston County	$99,503,498	7/16/2009
Harris County	$56,277,229	7/16/2009
Houston	$87,256,565	5/21/2009
Chambers County	$20,921,582	9/3/2009
Liberty County	$8,878,923	9/3/2009
Fort Bend County	$1,582,107	7/30/2009
Montgomery County	$6,909,237	7/16/2009
Lower Rio Grande Valley Development Council	**N/A**	
Brownsville	$1,635,318	7/30/2009
Cameron County	$3,093,750	7/30/2009
Mission	$209,638	9/3/2009
Hidalgo County	$2,000,000	7/30/2009
Willacy County	$541,287	9/3/2009
South East Texas Regional Planning Commission	**$95,000,000**	**7/16/2009**
TOTAL	**$562,613,463**	
Rental NOFA	$58,834,914	
TOTAL HOUSING	**$621,448,377**	

FEMA Alternative Housing Pilot Program

The Disaster Recovery Division is also responsible for administration of the Federal Emergency Management Agency (FEMA) award of $16,471,725 for the Alternative 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) announced that TDHCA was awarded $16,471,725 for the Alternative 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.

On July 31, 2009, TDHCA issued a notice of contract termination to the Heston Group for failure to provide sufficient responses to the requests outlined in the default notices issued on May 12, 2009 and June 25, 2009. The Department is currently working with the Heston Group as well as with their legal representation to build a transition and transfer of assets plan. As a result of the contract termination, the Department is currently working on a Request for Proposal (RFP) for a contractor that has the ability to complete the remaining portion of the program. The RFP will be released following the completion of the transition plan between the Heston group and the Department.

TDHCA staff is also working closely with the City of Houston on the planning for a group site to address the renter population that relocated from East Texas due to Hurricane Rita.

Texas Department of Housing and Community Affairs
HTC Ownership Transfers for Fiscal Year 2009

Dev. No.	Date Approved	Development	City	County	Reg	Entity Departing (GP=general partner, O=owner, SLP=special limited partner, D=developer)	New Member or Owner	Type of Ownership Change (S=sale. FS=sale involving foreclosure. R=restructure. D=default/removal of GP. NC=name change. L=change of limited partner). O=other change
02093	1/7/09	Union Park Apartmentsd	San Antonio	Bexar	9	SA Union Park Development II, LLC (GP)	2008 South San Antonio Park GP, LLC (GP)	R - GP replaced by non-affiliate entity.
07204	1/8/09	Notting Hill Gate Apartments	Missouri City	Fort Bend	6	N/A	Integrated NH Development, LLC (Managing GP)	R - Managing GP added to the structure.
08133	2/3/09	Gardens at Sienna	Beaumont	Jefferson	5	N/A	GST General, LLC (GP)	R - GP replaced by an affiliate.
02440	2/4/09	Ironwood Crossing	Fort Worth	Tarrant	3	Brisben Texas, Inc. (GP)	Western Center Boulevard Associates, LLC (GP)	R - GP replaced by an affiliate.
60022	2/9/09	Crestmoor Park West	Hurst	Tarrant	3	N/A	Michael Chamy (Member of GP)	R - The owner has added Michael Chamy to the structure of the GP.
04224	2/13/09	Commons of Grace Senior	Houston	Harris	6	N/A	NRP Commons of Grace, LLC (SLP)	R - Added and SLP to the structure of the owner.
05118	2/13/09	Vista Verde Apartments	San Antonio	Bexar	9	N/A	GMAT Development-Vista Verde, Ltd. (Co-GP)	R - Added a non-affiliate co-GP.
94039	2/13/09	Willow Pond Apartments	Dallas	Dallas	3	Dallas/Glen Hills, LP (O)	WPA Investment Group, Ltd. (O)	S - Sale
04478	3/10/09	Villas at Winkler Apartments	Houston	Harris	6	TX Winkler Housing GP LLC (GP)	TX Winkler Housing GP, LLC (GP)	R - GP interests transferred to an affiliate entity.
07300 - 08922	3/19/09	Wentworth Apartments	Houston	Harris	6	Alix Capital Investments (GP)	Alix Wentworth Development, Inc. (GP)	R - GP interests transferred to an affiliate entity.
93130	4/17/09	Waterford at Valley Ranch	Irving	Dallas	3	M-N Valley Ranch, Ltd. (O)	Waterford at Valley Ranch, LLC (O)	S - Development sold to a non-affiliate entity.
01004	5/15/09	Fulton Village Apartments	Houston	Harris	6	Fulton Village Investments, LLC (GP)	APV-Fulton Village GP, LLC (GP)	R - GP interests transferred to a non-affiliate entity.
08183 - 09013	5/26/09	Desert Villas	El Paso	El Paso	13	Investment Builders, Inc. (GP)	IBI Desert Villas, LLC (GP)	R - GP interests transferred to an affiliate entity.
60609	5/26/09	Residences at Sunset Pointe	Ft. Worth	Tarrant	3	NDG Sunset Pointe, LLC (GP)	NDG Sunset Pointe TX, Ltd.	R - GP interests transferred to a non-affiliate entity.

Texas Department of Housing and Community Affairs
HTC Ownership Transfers for Fiscal Year 2009

Dev. No.	Date Approved	Development	City	County	Reg	Entity Departing (GP=general partner, O=owner, SLP=special limited partner, D=developer)	New Member or Owner	Type of Ownership Change (S=sale. FS=sale involving foreclosure. R=restructure. D=default/removal of GP. NC=name change. L=change of limited partner). O=other change
08195	5/29/09	Chateau Village Apartments	Houston	Harris	6	Housing Services, Inc. (GP)	Houston Leased Housing Associates GP I, LLC (GP)	R - GP interests transferred to a non-affiliate entity.
05222 - 08065	6/4/09	Kingwood Senior Village	Houston	Harris	6	Covenant Community Capital Corporation (Owner of GP)	Covenant Neighborhoods, Inc. (Owner of GP)	R - Owner of GP transferred to an affiliate entity.
94025	6/5/09	Historic Electric Building	Ft. Worth	Tarrant	3	Electric Partners, LP (O)	Historic Electric, LLC (O)	S - Development sold to a non-affiliate entity.
60058	6/5/09	Park Meadows Phase 2	Lubbock	Lubbock	1	LHA Greenfair, LP (O) and LGFD-1, LLC (GP)	LHA Park 2, LP (O) and LPMD-2, LLC (GP	R - Owner and GP changed names. Ownership transferred to the new entities, which are affiliates of the old.
04489	6/5/09	Port Royal Apartments	San Antonio	Bexar	9	Woodshire X, Inc. (GP)	5302 W. Military, LLC (GP)	R - GP interests transferred to a non-affiliate entity on the condition that David Starr not be involved with the property.
03462	6/5/09	Providence at Veteran's Memorial	Houston	Harris	6	Chicory GP-Southside, Inc. (GP)	11201 V. Memorial, LLC (GP)	R - GP interests transferred to a non-affiliate entity on the condition that David Starr not be involved with the property.
04456	6/5/09	Providence at Marshall Meadows	San Antonio	Bexar	9	Texas Chicory XXV GP, LLC (GP)	1700 W. Chavaneaux, LLC (GP)	R - GP interests transferred to a non-affiliate entity on the condition that David Starr not be involved with the property.
03463	6/5/09	Providence at Rush Creek II	Arlington	Tarrant	3	Chicory Court GP IV, Inc. (GP)	W. 1200 Sublett Road, LLC (GP)	R - GP interests transferred to a non-affiliate entity on the condition that David Starr not be involved with the property.
04480	6/5/09	Homes of Pecan Grove	Dallas	Dallas	3	Chicory Court GP-Simpson Stuart, LLC (GP)	3111 Simpson stuart, LLC (GP)	R - GP interests transferred to a non-affiliate entity on the condition that David Starr not be involved with the property.
91040	6/10/09	Mission Pointe	Euless	Tarrant	3	Tarrant Country Villa Associates, LP (O)	PA Mission Pointe, LLC (O)	S - Development sold to a non-affiliate entity.
08182	6/12/09	Suncrest Apartments	El Paso	El Paso	13	Sound Preservation 105, LP (O)	Sound Preservation 205, LP (O)	R - Owner of the development changed names. Ownership transferredto the new entity, which is an affiliate of the old.
05168 - 08053	6/16/09	Lakeview Park	Denison	Grayson	3	Rumsey Development, LLC (Owner of GP)	None	R - Sole member of the GP has been removed, allowing its 3 owners to own the GP directly.
05165 - 08051	6/22/09	Lincoln Park Apartments	Houston	Harris	6	Lincoln Park Apartments, LLC (GP)	Lincoln Park Apartments GP, LLC (GP)	R - GP changed names. Ownership transferred to the new entity, which is an affiliate of the old.
03081	7/3/09	Wright Senior Apartments	Grand Prairie	Dallas	3	Dean Dauley and Hal Thorne (Owners of Co-GP)	Lake Geneva Corp. (Owner of Co-GP)	R - One co-GP has changed its ownership from Dean Duley and Hal Thorne, individuals, to Lake Geneva Corp., owned by Peggy Jo Dauley.

Texas Department of Housing and Community Affairs
HTC Ownership Transfers for Fiscal Year 2009

Dev. No.	Date Approved	Development	City	County	Reg	Entity Departing (GP=general partner, O=owner, SLP=special limited partner, D=developer)	New Member or Owner	Type of Ownership Change (S=sale. FS=sale involving foreclosure. R=restructure. D=default/removal of GP. NC=name change. L=change of limited partner). O=other change
07309	7/29/09	Glenwood Trails Apts	Deer Park	Harris	6	N/A	Nantucket Housing, LLC (Managing GP)	R- Non-affiliate added as Managing General Partner. No one has left the structure.
05124 / 08038	8/7/09	Town Parc at Amarillo	Amarillo	Potter	1	Lone Star State Development I, LLC (GP)	AHI-Town Parc, LLC (GP)	R - GP transferred to a non-affiliate entity.
060014	8/4/09	Nacogdoches Senior Village	Nacogdoches	Nacogdoches	5	N/A	Louis Williams (Owner of GP)	R - Non-Affiliate added to the ownership of the GP.
04082	8/4/09	Fenner Square	Goliad	Goliad	10	Gant's Land Maintenance (Class B LP)	Dr. Michele Thiet, MD (Class B LP)	R - Class B Limited Partner interests transferred to non-affiliate natural person.
05088	8/4/09	Oak Timbers-Fort Worth South	Hurst	Tarrant	3	Oak Timbers (GP)	Comunidad Corporation (GP)	R - GP interests transferred to non-affiliate.
93093	8/18/09	Wales SRO	Dallas	Dallas	3	Texas Housing Opportunity Fund and Banc One Community Development Corporation (LP)	Eric Anderson and Greenfield Operations, LLC (LP)	R - Limited Partner interests transferred to affiliates.
060426	9/7/09	Costa Almadena	New Braunfels	Comal	9	N/A	Costa Almadena E-Group, LLC. (Owner of SLP)	R - Non-affiliate added to the ownership of the Special Limited Partner.
060422	9/10/09	Costa Mirada	San Antonio	Bexar	9	N/A	Costa Mirada E-Group, LLC (Owner of Class B LP)	R - Non-affiliate added to the ownership of the Class B Limited Partner.
05436	9/10/09	Costa Valencia	New Braunfels	Comal	9	N/A	NRP Costa Valencia, LLC, et al (Owner of Class B LP)	R - Non-affiliates added to the ownership of the Class B Limited Partner.
060418	9/10/09	Southpark Ranch	Austin	Travis	7	N/A	GMAT Development SLP, Ltd. (Special Class Limited Partner)	R - Non-affiliate added as a Special Class Limited Partner.
08134	9/8/09	The Huntington-Buda	Buda	Hays	7	N/A	BHP General 120, LLC (GP)	R - Single purpose affiliate replaced the current GP. Original GP owns the single purpose entity.
05204-08062	9/8/09	Village Park North	Houston	Harris	6	Creative Ambassador, LLC (GP)	Creative Ambassador North, LLC (GP)	R - GP name corrected. No other change.
05198	9/28/09	Olive Grove Manor	Houston	Harris	6	HCHA Olive Grove Manor, LLC (GP)	HCHA Olive Grove, LLC (GP)	R - GP name changed by owner. No other change.

Texas Department of Housing Community Affairs

2009 Housing Tax Credit Amendments Approved by the Board

Dev. No.	Board Hearing	Development	City	County	Region	Owners (And Others Penalized)	Subject of Amendment	Approval By	Fee	Penalties Applied
060118	2/5/09	Sunset Haven	Brownsville	Cameron	11	Las Varas Public Facility Corporation, Franklin Development	Eliminated 5,000 s.f. of retail space, reduced number of floors from 4 to 3.	Board	$ 2,500	NA
08401	2/5/09	Artisan at San Pedro Creek	San Antonio	Bexar	9		Changed phone wiring from CAT5e to CAT3, flooring to 100% vinyl. Added networking devices.	Board	$ 2,500	NA
08133	2/5/09	The Gardens of Sienna	Beaumont	Jefferson	5	Mark & Laura Musemeche	Changed site plan, number of buildings, building plans. Unit mix remained same.	Board	$ 2,500	NA
04456	3/12/09	Providence at Marshall Meadows	San Antonio	Bexar	9	Saleem Jafar; Avenidas Group (NP)	Changed site plan, building plans, unit plans, parking, and eliminated controlled access gates.	Board	$ 2,500	NA
05623	4/23/09	Coral Hills	Houston	Harris	6	Summit America	Wash/dry connections replaced by computer center; "monitored unit security" delivered via outside cameras; "community garden/walk trail" replaced by furnished community room & gazebo with sitting area; 172 units delivered instead of 173 with one unit used as community room and one for social services.	Board	$ 2,500	NA
08195	5/21/09	Chateau Village	Houston	Harris	6	Dominium Development	Removed a condition of the commitment requiring a 50% tax exemption to be obtained.	Board	$ 2,500	NA
04463	5/21/09	Lakeside Manor Senior Community	Denton	Denton	3	Outreach Housing Corporation; Richard Shaw (E.D.)	Reduced buildings from 31 to 26, units from 178 to 176 because 2/2s declined from 34 to 32. Added 126 open parking spaces; increased NRA from 137,510 to 145,808.	Board	$ 2,500	1 pt. for unstated term
95005	7/16/09	Brandywood	Pasadena	Harris	6	American Housing Foundation	Because of repeated flooding, 17 buildings and 258 units were approved for demolition at request of owner, City of Pasadena and FEMA.	Board	$ 2,500	NA

Texas Department of Housing Community Affairs

2009 Housing Tax Credit Amendments Approved Administratively

Dev. No.	Date of Approval	Development	City	County	Reg	Interested Parties	Subject of Amendment Approved
05060	1/5/09	North Mountain Village	El Paso	El Paso	13	Investment Builders, Ike Monty, Robert Sanderson	Land was added to the site for a detention pond. Final area 9.101 acres.
07094	1/9/09	Mesquite Terrace	Pharr	Hidalgo	11	Housing Authority of City of Pharr; Tekoa Partners; Tellepsen Builders; Bill Lee, Bill Skeen, Howard Tellepsen, etc.	Substituted 100% vinyl for carpet and vinyl flooring.
05613	2/6/09	Providence Mockingbird	Dallas	Dallas	3	Leon Backes	Parking spaces reduced from 454 to 413.
07164	2/6/09	Covington Townhomes	Texarkana	Bowie	4	Texarkana PHA	separate children's playscaped & tot lot (or two of either), & enlarging clubhouse from 3,608 s.f. to 4,518 s.f. Site increased from 8.764 acres to 12.62 acres and buildings from 17 to 27. NRA increased from 129,838 to
060189	2/12/09	River Pointe	San Angelo	Tom Green	12	Dan O'Dea; Michelle Grandt	Horseshoe area & public telephone replaced by health screening room and furnished fitness center. Vinyl tile replaced carpet.
05204	2/20/09	Village Park North	Houston	Harris	6	LULAC; David Marquez	Reduced open parking spaces from 138 to 120
060034	3/6/09	Cedar Drive Village	La Marque	Galveston	6	Charles Holcomb	Microwaves replaced self-cleaning ovens
060024	3/9/09	Cunningham Manor	Brownsville	Cameron	11	Brownsville Housing Authority, Bill Lee, Bill Skeen	4BR units built with added half-bathroom (i.e. 2 bathrooms) & 3BR units built with added sink (1 bathroom + sink). Limited access gates were added and 1.5% less NRA built because of stairwells.
07194	3/19/09	377 Villas	Brownwood	Brown	2	T. Justin MacDonald	Microwaves replaced self-cleaning ovens
08223	4/9/09	Evergreen at the Colony Senior Community	The Colony	Denton	3	LifeNet Community Behavioral Healthcare	Added 2,000 square feet to the clubhouse; reduced corridor space by 1,774 square feet; reduced open parking; added 24 rental garages and 50 rental carports.
060101	4/9/09	La Vista	Austin	Travis	7	Guadalupe Neighborhood Development Corporation	Four public parking spaces on the street could not be developed. Increased garage spaces by one space.
060058	4/29/09	Park Meadows Villas - Phase II	Lubbock	Lubbock	1	City of Lubbock Housing Initiatives; Landmark Housing Development; Kent Hance; Ron Hance, Susan Sorrells	Changed site plan by reconfiguring main driveway and replacing two parking areas with two cul-de-sacs dedicated to city. Site size decreased from 9.257 to 8.842 acres.
060118	5/14/09	Sunset Haven	Brownsville	Cameron	11		Corrected parking spaces from 106 to 100.
08251	5/19/09	Hometowne on Wayside	Houston	Harris	6	Integrated Housing; Kenneth Fambro	Changed site plan by reconfiguring buildings, driveways, detention pond. Site size decreased from 4.54 to 4.394 acres. Eliminated 50 garages; added 52 carports; eliminated swimming pool; added NRA; reduced parking spaces.
060238	5/20/09	One Southwood Crossing	Port Arthur	Jefferson	5	Itex Property Management; Ike Akbari	Replaced self-cleaning ovens & storage rooms with Energy Star refrigerators & dishwashers. Granite countertops also added.
05433	6/22/09	The Villas at Costa Tarragona I	Corpus Christi	Nueces	10	The NRP Group	Common area was restated. Building plans did not change.
060024	7/1/09	Cunningham Manor	Brownsville	Cameron	11	LULAC; David Marquez	Reduced open parking spaces from 214 to 208

Texas Department of Housing Community Affairs

2009 Housing Tax Credit Amendments Approved Administratively

Dev. No.	Date of Approval	Development	City	County	Reg	Interested Parties	Subject of Amendment Approved
060418	7/2/09	Southpark	Austin	Travis	7	Versa Development; Manish Verma	Vinyl flooring was used instead of ceramic tile. Added were ice-makers in refrigerators, barbeque area with trellis, fireplace, grills and 3 picnic tables.
060062	7/2/09	Enclave at Parkview	San Angelo	Tom Green	12	Bert Magill	Changed site plan, land taken for ROW reduced site from 9.224 to 9.069. Parking declined from 313 to 310. Vinyl simulated "wood plank" flooring replaced carpet and vinyl originally proposed.
08095	8/4/09	Bluebonnet Senior Village	Alamo	Hidalgo	11	Alamo Housing Opportunities Corporation	Changed from carpet and vinyl to 100% ceramic tile. Furnished free washers & dryers in all units. Converted common laundry room to storage. Added community porch/patio.
05204	8/7/09	Village Park North	Houston	Harris	6	LULAC; David Marquez	NRA and unit mix stated in the PCA were approved as the correct figures for those items in the application.
07424	8/10/09	Los Ebanos	Brownsville	Cameron	11	Reliant Group; GungHo Partners; JSS Family Trust; Joseph L. Sherman; Chris Porter	Corrected error in record. Application represented ceiling heights as 8 feet not 9 feet.
04224	8/18/09	Commons of Grace	Houston	Harris	6	The NRP Group	60 2/2s @ 987s.f. were built instead of 60 2/1s @ 950s.f. NRA increased by 2,220s.f.
07309	8/20/09	Glenwood Trails	Deer Park	Harris	6	Kilday Realty Corporation	Substituted fire sprinklers for covered patios.
060426	8/20/09	Costa Almadena	San Antonio	Bexar	9	The NRP Group	Parking decreased from 321 to 317.
08198	8/20/09	Highland Manor	La Marque	Galveston	6	Mark-Dana Corporation	Reduced parking spaces from 177 to 141. Eliminated entrance from Bernice St. by agreement of city council.
060095	8/24/09	La Villa de Alton	Alton	Hidalgo	11	Gilberto de los Santos; Fortuna Enterprises	Corrected error in record. Application represented land as 5.91 acres but it was recorded as 6.35 acres.
060099	9/2/09	Oakcreek	Conroe	Montgomery	6	Apartment Advisors, LLC; Richard Bowe; Michael Manners	Parking spaces finalized at 273, resolving conflicting statements in application.
060193	9/2/09	Villa Main	Port Arthur	Jefferson	5	Port Arthur Affordable Housing Corporation; Port Arthur Housing Authority	Changed flooring from carpet and vinyl to 100% vinyl.
07416	9/9/09	Regent I	Beaumont	Jefferson	5	Golden Triangle Redevelopment Corporation	Covered pavilion with barbeque grills & tables and perimeter fence replaced fitness center & sport court. A community recreation center is across street from this development.
060610	9/25/09	Meadowlands	San Antonio	Bexar	9	Manish Verma, Versa Devco Development	Reduced parking spaces from 513 to 503.

2009 HTC EXTENSIONS APPROVED QUARTERLY REPORT

Dev. #	Development Name	Type	Action By "b" or "e" (Board or ED)	Old Deadline	New Deadline	Date of Approval or Pending
07226	Candlewick Townhomes	coc	Board	12/1/08	4/1/09	2/5/09
07227	Champion Homes at La Joya	coc	Board	12/1/08	6/1/09	2/5/09
07166	Jeremiah Seniors Apts	coc	Board	12/1/08	1/21/09	2/5/09
07096	Moore Grocery Lofts	coc	Board	12/1/08	12/22/08	2/5/09
07306	Zion Village	coc	Board	12/1/08	1/8/09	2/5/09
07182	Retama Village	coc	ED	12/1/08	7/1/09	3/3/09
07223	Shady Oaks Apts	coc	ED	12/1/08	5/31/09	3/3/09
07103	Oak Tree Village	coc	Board	12/1/08	2/19/09	3/12/09
07194	Villas of Brownwood	coc	Board	12/1/08	12/8/08	12/8/08
09189	Sunlight Manor Apts	coc	ED	12/1/08	3/31/09	4/23/09
07094	Mesquite Terrace	coc	Board	12/1/08	2/26/09	5/21/09
07149	Residences at Eastland	coc	Board	12/1/08	5/21/09	7/16/09
07203	The Melbourne Apts	coc	Board	5/1/09	1/1/09	7/16/09
07164	Covington Townhomes	coc	Board	5/31/09	7/24/09	9/3/09
07001	Fairway Crossing Apartments	cc	ED	1/15/09	5/15/09	1/29/09
06194	La Vista Apts	cc	ED	1/15/09	4/15/09	1/30/09
060195	Cedarwood Apts	cc	ED	1/15/09	4/15/09	1/30/09
060162	HomeTowne on Picadilly	cc	ED	1/15/09	3/16/09	1/30/09
060027	Parkway Ranch Apts	cc	ED	1/15/09	5/15/09	1/30/09
07093	Cypresswood Crossing Apts	cc	ED	1/15/09	4/15/09	2/3/09
060168	Birdsong Place Villas	cc	ED	1/15/09	7/15/09	2/3/09
07436	The Villas at Shaver	cc	ED	1/15/09	5/15/09	2/3/09
060202	Beaumont Downtown Lofts	cc	ED	1/15/09	6/30/09	2/4/09
060024	Cunningham Apartments	cc	ED	1/15/09	4/15/09	2/4/09
07198	West Durango Apartments	cc	ED	1/15/09	7/15/09	2/4/09
06144	Centerpointe Homes	cc	ED	1/15/09	4/15/09	2/4/09
06158	Alta Vista Towers Homes	cc	ED	1/15/09	5/15/09	2/4/09
060099	Oakcreek Apartments	cc	ED	1/15/09	4/15/09	2/6/09
060170	Orchard Park	cc	ED	1/15/09	7/31/09	3/13/09
060186	Sunset Way Apts	cc	Board	1/15/08	2/6/09	3/12/09
04478	Villas at Winlker	cc	Board	1/4/07	6/24/08	3/12/09
05446	Providence at Marine Creek	cc	Board	7/1/08	7/17/08	3/12/09
060162	HomeTowne on Picadilly	cc	ED	3/16/09	6/19/09	4/13/09
05204	Ambassador North Apts	cc	ED	4/1/09	7/1/09	4/15/09
05165	Lincoln Park Apts	cc	Board	4/1/08	1/15/09	7/16/09
05447	Providence Place II Apts	cc	Board	8/1/08	1/7/09	7/16/09
060014	Nacogdoches Senior Village	cc	Board	1/15/09	3/9/09	7/16/09
060071	Retama Village	cc	Board	1/15/09	7/15/09	7/16/09
060072	Easterling Village	cc	Board	1/15/09	1/26/09	7/16/09
060405	Sea Breeze Seniors Apts	cc	Board	1/15/08	1/15/09	7/16/09
060408	Amberwood	cc	Board	1/15/08	3/11/09	7/16/09
060609	The Residences at Sunset Pointe	cc	Board	1/15/09	1/20/09	7/16/09
07090	Thomas Ninke Senior Village	cc	Board	1/15/09	1/29/09	7/16/09
07198	West Durango Apartments	cc	Board	1/15/09	1/15/10	7/16/09
07164	Covington Townhomes	cc	ED	1/15/09	6/10/10	8/26/09
04432	Mariposa at Hunter Road	cc	Board	4/1/07	3/31/08	9/3/09

2009 HTC EXTENSIONS APPROVED QUARTERLY REPORT

Dev. #	Development Name	Type	Action By "b" or "e" (Board or ED)	Old Deadline	New Deadline	Date of Approval or Pending
060053	Candletree Apts	cc	Board	1/15/09	3/31/09	9/3/09
060217	Mariposa at Reed Road	pis	ED	12/31/08	12/31/09	1/15/09
07226	Candlewick Townhomes	pis	Board	12/31/09	12/31/10	2/5/09
07227	Champion Homes at La Joya	pis	Board	12/31/09	12/31/10	2/5/09
060199	Legacy Senior Housing of Port Arthur	pis	ED	3/3/09	12/31/09	3/27/09
060170	Orchard Park at Willowbrook	pis	ED	4/31/09	7/31/09	3/13/09
04206	Lake Jackson Manor	HUB	ED	11/20/08	5/22/09	3/13/09
03178	Jacinto Manor Apts	HUB	Board	5/19/09	8/19/09	7/16/09
04206	Lake Jackson Manor	HUB	Board	5/22/09	8/22/09	7/16/09
02092	Union Pines Apts	HUB	Board	7/10/09	10/12/09	9/3/09
09203	Union Park Apts	HUB	Board	7/10/09	10/12/09	9/3/09
03178	Jacinto Manor Apts	HUB	Board	8/19/09	9/2/09	9/3/09
04206	Lake Jackson Manor	HUB	Board	8/22/09	9/2/09	9/3/09

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Michael Gerber

From: Gordon Anderson

cc: Tim Irvine, Michael Lyttle

Date: October 2, 2009

Re: TDHCA Outreach Activities

The attached document highlights outreach activities on the part of TDHCA staff for September 2009. The information provided focuses primarily on activities Executive and staff have taken on voluntarily; however, also included are mandated activities such as TEFRA and tax credit public hearings. 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, September 2009

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
HOME Single-Family NOFA Application Workshop	McAllen	Sept. 1	HOME	Training
First Thursday Income Eligibility Training	Austin	Sept. 3	Compliance & Asset Oversight	Training
Disability Advisory Workgroup Meeting	Austin	Sept. 17	Housing Resource Center	Participant
Hurricane Ike Action Plan Public Hearing	Houston	Sept. 17	Disaster Recovery	Public Hearing
Hurricane Ike Action Plan Public Hearing	Livingston	Sept. 17	Disaster Recovery	Public Hearing
Housing Tax Credit Program Training Workshop	Houston	Sept. 18	Compliance & Asset Oversight	Training
Hurricane Ike Action Plan Public Hearing	Weslaco	Sept. 18	Disaster Recovery	Public Hearing
Community Resource Coordinating Group	Austin	Sept. 21	Housing Resource Center	Participant
Five Star Default Servicing Conference	Fort Worth	Sept. 22	Neighborhood Stabilization	Presentation, Participant
“State of the District” Event	Harlingen	Sept. 23	Executive, Policy & Public Affairs	Presentation, Participant
Sakowitz Apartments Ground Breaking Ceremony	Houston	Sept. 23	Executive	Presentation, Participant
2010 Housing Trust Fund Match Program Roundtable	Austin	Sept. 23	Housing Trust Fund	Roundtable Hearing
2009 Consolidated Hearings	Dallas	Sept. 28	Housing Resource Center	Public Hearing
2009 Consolidated Hearings	Houston	Sept. 30	Housing Resource Center	Public Hearing