

BOARD BOOK OF OCTOBER 15, 2015

J. Paul Ozer, Chair



Juan Muñoz, Vice-Chair

Leslie Bingham Escareño, Member

T. Tolbert Chisum, Member

Tom Gann, Member

J. B. Goodwin, Member

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING**

**A G E N D A
10:00 AM
October 15, 2015**

**John H. Reagan Building
JHR 140, 105 W 15th Street
Austin, Texas**

CALL TO ORDER

ROLL CALL

CERTIFICATION OF QUORUM

J. Paul Oxer, Chairman

Pledge of Allegiance - I pledge allegiance to the flag of the United States of America, and to the republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

Texas Allegiance - Honor the Texas flag; I pledge allegiance to thee, Texas, one state under God, one and indivisible.

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 under Chapter 551 of the Texas Government Code, Texas Open Meetings Act. Action may be taken on any item on this agenda, regardless of how designated.

ITEM 1: APPROVAL OF THE FOLLOWING ITEMS PRESENTED IN THE BOARD MATERIALS:

LEGAL

- a) Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning Harmon Elliott Senior Citizens Complex (HTF 355077 / CMTS 2642)
- b) Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning Gardens of Taylor (HTC 05034 / CMTS 4245)
- c) Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning Telstar Apartments (HTC 91022 / CMTS 951)
- d) Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning Weldon Blackard (HOME 539112 / CMTS 2706)
- e) Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning Lincoln Courts (HOME 533186 / CMTS 2631)

Jeffrey T. Pender
Deputy General
Counsel

ASSET MANAGEMENT

- f) Presentation, Discussion and Possible Action regarding Material Amendments to Housing Tax Credit Applications
 - 09961 Villas on the Hill Fort Worth
 - 12365 Stepping Stone and Taylor Square Apartments Taylor
 - 14003 Whitestone and Tamaric Apartments Cedar Park

Raquel Morales
Director of Asset
Management

HOUSING RESOURCE CENTER

- g) Presentation, Discussion, and Possible Action on the draft 2016 State of Texas Consolidated Plan: One-Year Action Plan

Elizabeth Yevich
Director of HRC

COMMUNITY AFFAIRS

- h) Presentation, Discussion, and Possible Action on Corrections to Previous Program Year 2015 Emergency Solutions Grants Program Awards to Applicants from the City of Houston/Harris County Continuum of Care

Michael DeYoung
Director of CA

MULTIFAMILY FINANCE

- i) Presentation, Discussion, and Possible Action on Determination Notices for Housing Tax Credits with another Issuer
15417 Tuckaway Apartments Cedar Park
- j) Presentation, Discussion, and Possible Action regarding a Waiver of 10 TAC §10.204(8)(B), Uniform Multifamily Rules related to the Submission of an Alternative Utility Allowance and a Determination Notice for Housing Tax Credits with another Issuer
15410 Aldrich 51 Austin

Marni Holloway
Director of MF

RULES

- k) Presentation, Discussion, and Possible Action on an order adopting the repeal of 10 TAC Chapter 5, Community Affairs Programs, Subchapter A, General Provisions, §5.12 concerning Purchases, and directing its publication in the *Texas Register*
- l) Presentation, Discussion, and Possible Action on an order adopting amendments to 10 TAC Chapter 5, Community Affairs Programs, Subchapter A, General Provisions, §5.2 Definitions and §5.10 Procurement Standards, and directing that they be published in the *Texas Register*
- m) Presentation, Discussion, and Possible Action on an order adopting amendments to 10 TAC Chapter 5 Community Affairs Programs, Subchapter B, Community Services Block Grant, §§5.201, 5.203, 5.207, 5.210, 5.213, and 5.214, and directing that they be published in the *Texas Register*
- n) Presentation, Discussion, and Possible Action on an order adopting amendments to 10 TAC Chapter 5, Community Affairs Programs, Subchapter D, Comprehensive Energy Assistance Program, §5.401, Background; §5.407, Subrecipient Requirements for Establishing Priority for Eligible Households and Client Eligibility Criteria; §5.422, General Assistance and Benefit Levels; and §5.423, Household Crisis Component, and directing that they be published in the *Texas Register*
- o) Presentation, Discussion, and Possible Action on an order adopting an amendment to 10 TAC Chapter 5, Community Affairs Programs, Subchapter E, Weatherization Assistance Program General, §5.503 Definitions; and new §5.529 Program Requirements, and directing that they be published in the *Texas Register*
- p) Presentation, Discussion, and Possible Action proposing an amendments to 10 TAC Chapter 5 Community Affairs Programs, Subchapter A, General Provisions, §5.7, and directing that it be published for public comment in the *Texas Register*
- q) Presentation, Discussion, and Possible Action on an order adopting amendments to 10 TAC Chapter 21, Minimum Energy Efficiency Requirements for Single Family Construction Activities, §§21.1 Purpose, 21.2 Applicability, 21.3 Definitions, 21.4 General Requirements, 21.5 New Construction and Reconstruction Activities, and 21.6 Rehabilitation Activities, and directing their publication in the *Texas Register*
- r) Presentation, Discussion, and Possible Action on an order adopting amendments to 10 TAC Chapter 24, Texas Bootstrap Loan Program Rule, §§24.1 Purpose, 24.2 Definitions, 24.4 Participant Requirements, 24.5 Program Activities, 24.6 Prohibited Activities, 24.7 Distribution of Funds, 24.8 Criteria for Funding, 24.9 Program Administration, 24.10 Owner-Builder Qualifications, 24.11 Types of Funding Transactions, 24.12 Property Guidelines and Related Issues, and 24.13 Nonprofit Owner-Builder Housing Program

Michael DeYoung
Director of
Community Affairs

Homero Cabello
Director of SF Ops

Certification, and directing their publication in the *Texas Register*

- s) Presentation, Discussion, and Possible Action on proposed repeal of 10 TAC Chapter 12, concerning the Multifamily Housing Revenue Bond Rules, and a proposed new 10 TAC Chapter 12, concerning the Multifamily Housing Revenue Bond Rules, and directing its publication for public comment in the *Texas Register*

Marni Holloway
Director of MF

CONSENT AGENDA REPORT ITEMS

ITEM 2: THE BOARD ACCEPTS THE FOLLOWING REPORTS:

- a) TDHCA Outreach Activities, September 2015
- b) Report on the Department's 4th Quarter Investment Report in accordance with the Public Funds Investment Act ("PFIA")
- c) Report on the Department's 4th Quarter Investment Report relating to funds held under Bond Trust Indentures
- d) Report Regarding a Request for Proposal ("RFP") for Mortgage Warehouse Facility issued by the Texas Department of Housing and Community Affairs (the "Department")
- e) Report on the procurement of outside counsel to assist with matters concerning securities disclosure, single-family and multi-family bonds, and loan document preparation
- f) Report Regarding the Voluntary Financial Commitment of Funds from Homeless Housing and Services Program ("HHSP") Subrecipients for *Youth Count Texas!*
- g) Compliance Division Update
- h) Executive Report of Multifamily Program Amendments, Extensions and Ownership Transfers
- i) Report Regarding an Invitation for Bid ("IFB") for Texas Statewide Homebuyer Education Program ("TSHEP") Administrator issued by the Texas Department of Housing and Community Affairs (the "Department")

Michael Lyttle
Chief, External Affairs

David Cervantes
Chief Financial Officer

Monica Galuski
Director of Bond Finance

Jeffrey T. Pender
Deputy General Counsel

Michael DeYoung
Director of CA

Patricia Murphy
Chief of Compliance

Raquel Morales
Director of Asset Management

Cathy Gutierrez
Director of Texas Homeownership

ACTION ITEMS

ITEM 3: MULTIFAMILY FINANCE

- a) Presentation, Discussion, and Possible Action on Timely Filed Appeals and Waivers under any of the Department's Program Rules
 - 15000 Palm Parque Houston
 - 15001 Selinsky Street Supportive Housing Houston
- b) Presentation and Discussion on the development of the 2015-2 Multifamily Direct Loan Notice of Funding Availability (NOFA)

Marni Holloway
Director of MF Finance

ITEM 4: ASSET MANAGEMENT

Presentation, Discussion and Possible Action regarding Material Amendments to Housing Tax Credit Applications

- 14127 Haymon Krupp El Paso
- 14130 Tays El Paso
- 13417 Masters Ranch Apartments San Antonio

Raquel Morales
Director of Asset Management

PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS.

EXECUTIVE SESSION

The Board may go into Executive Session (close its meeting to the public):

- 1. The Board may go into Executive Session Pursuant to Tex. Gov't 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;
- 2. Pursuant to Tex. Gov't Code, §551.071(1) to seek the advice of its attorney about pending or contemplated litigation or a settlement offer;
- 3. Pursuant to Tex. Gov't Code, §551.071(2) for the purpose of seeking the advice of its attorney about a matter in which the duty of the attorney to the governmental body under the Texas

J. Paul Oxe
Chairman

Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Tex. Gov't Code, Chapter 551; including seeking legal advice in connection with a posted agenda item;

4. Pursuant to Tex. Gov't Code, §551.072 to deliberate the possible purchase, sale, exchange, or lease of real estate because it would have a material detrimental effect on the Department's ability to negotiate with a third person; and/or-
5. Pursuant to Tex. Gov't Code, §2306.039(c) the Department's internal auditor, fraud prevention coordinator or ethics advisor may meet in an executive session of the Board to discuss issues related to fraud, waste or abuse.

OPEN SESSION

If there is an Executive Session, the Board will reconvene in Open Session. Except as specifically authorized by applicable law, the Board may not take any actions in Executive Session

ADJOURN

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 Michael Lyttle, 512-475-4542, TDHCA, 221 East 11th Street, Austin, Texas 78701, and request the information.

If you would like to follow actions taken by the Governing Board during this meeting, please follow TDHCA account (@tdhca) on Twitter.

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 three (3) days before the meeting so that appropriate arrangements can be made.

Non-English speaking individuals who require interpreters for this meeting should contact Elena Peinado, 512- 475-3814, at least three (3) days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Elena Peinado al siguiente número 512- 475-3814 por lo menos tres días antes de la junta para hacer los preparativos apropiados.

CONSENT AGENDA

1a

BOARD ACTION REQUEST

LEGAL DIVISION

OCTOBER 15, 2015

Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning Harmon Elliott Senior Citizens Complex (HTF 355077 / CMTS 2642)

RECOMMENDED ACTION

WHEREAS, Harmon Elliott Senior Citizens Complex, owned by the Housing Authority of the City of Muleshoe ("Owner"), has a history of uncorrected compliance findings relating to the applicable land use restriction agreement and the associated statutory and rule requirements;

WHEREAS, on August 25, 2015, Owner's representatives met with the Enforcement Committee and agreed, subject to Board approval, to enter into an Agreed Final Order assessing an administrative penalty of \$1,000, with \$250 to be paid on or before November 16, 2015, and the remaining \$750 to be forgiven if all violations are resolved as instructed in the Agreed Final Order on or before November 16, 2015;

WHEREAS, unresolved compliance findings include: Annual Owner's Compliance Report violations for the years 2013 and 2014, a violation for failure to have written tenant selection criteria, Fair Housing Disclosure Notice violations for four units, a household income above limit upon initial occupancy violation for one unit, and UPCS violations and

WHEREAS, staff has based its recommendations for an Agreed Final Order on the Department's rules for administrative penalties and an assessment of each and all of the statutory factors to be considered in assessing such penalties, applied specifically to the facts and circumstances present in this case;

NOW, therefore, it is hereby

RESOLVED, that an Agreed Final Order assessing an administrative penalty of \$1,000, subject to partial forgiveness as outlined above for noncompliance at Harmon Elliott Senior Citizens Complex (HTF 355077 / CMTS 2642), substantially in the form presented at this meeting, and authorizing any non-substantive technical corrections, is hereby adopted as the order of this Board.

BACKGROUND

Housing Authority of the City of Muleshoe Van Apartments, Ltd. ("Owner") is the owner of Harmon Elliott Senior Citizens Complex ("Property"), a low income apartment complex comprised of 16 units, located in Muleshoe, Bailey County. The Property is subject to a Land Use Restriction Agreement ("LURA") signed in 1996 in consideration for an allocation of Housing Trust Funds to construct the Property.

The following compliance violations were referred for an administrative penalty and remain unresolved:

1. 2013 Annual Owner's Compliance Report Violation -- Part D remains outstanding.
2. Written tenant selection criteria violation;
3. Fair Housing Disclosure Notice violations for units 804, 812, 815, and 816;
4. Household above limit upon initial occupancy violation for unit 815;
5. 2014 UPCS violations:
 - a. Exterior - Damaged gutters;
 - b. Expired fire extinguisher gauge in community room;
 - c. Accessible door handles for community building - The community building is identified as a common use facility and subject to Fair Housing design requirements. Knob-type handles were reported at the both restroom doors. Property must replace knobs with accessible operating mechanisms that are operable with one hand and do not require tight grasping, pinching, or twisting of the wrist.
 - d. Accessible entrance door handles - Some storm doors attached to the primary entrance doors of covered units subject to Fair Housing design requirements were observed as not having accessible door handles. Property must replace handles with accessible operating mechanisms that are operable with one hand and do not require tight grasping, pinching, or twisting of the wrist.
6. 2014 Annual Owner's Compliance Report Violation -- Part A and the Owner's Financial Certification remain outstanding.

Owner met with the Enforcement Committee on August 25, 2015, and agreed to sign an Agreed Final Order with the following terms:

1. A \$1,000 administrative penalty, subject to partial forgiveness as indicated below;
2. Owner must correct the reporting, file monitoring, and UPCS violations as indicated in the Agreed Final Order, and submit full documentation of the corrections to TDHCA on or before November 16, 2015;
3. Owner must submit \$250 portion of the administrative penalty on or before November 16, 2015;

4. If Owner complies with all requirements and addresses all violations as required, a \$750 portion of the administrative penalty will be forgiven; and
5. If Owner violates any provision of the Agreed Final Order, the full administrative penalty will immediately come due and payable.

Consistent with direction from the Department's Enforcement Committee, a probated and, upon successful completion of probation, partially forgivable administrative penalty in the amount of \$1,000 is recommended.

ENFORCEMENT ACTION AGAINST
HOUSING AUTHORITY OF THE
CITY OF MULESHOE WITH
RESPECT TO HARMON ELLIOTT
SENIOR CITIZENS COMPLEX
(HTF FILE # 355077 / CMTS # 2642)

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BEFORE THE
TEXAS DEPARTMENT OF
HOUSING AND
COMMUNITY AFFAIRS

AGREED FINAL ORDER

General Remarks and official action taken:

On this 15th day of October, 2015, the Governing Board ("Board") of the Texas Department of Housing and Community Affairs ("TDHCA") considered the matter of whether enforcement action should be taken against **HOUSING AUTHORITY OF THE CITY OF MULESHOE**, a public housing authority ("Respondent").

This Agreed Order is executed pursuant to the authority of the Administrative Procedure Act ("APA"), Tex. Gov't Code §2001.056, which authorizes the informal disposition of contested cases. In a desire to conclude this matter without further delay and expense, the Board and Respondent agree to resolve this matter by this Agreed Final Order. The Respondent agrees to this Order for the purpose of resolving this proceeding only and without admitting or denying the findings of fact and conclusions of law set out in this Order.

Upon recommendation of the Enforcement Committee, the Board makes the following findings of fact and conclusions of law and enters this Order:

WAIVER

Respondent acknowledges the existence of their right to request a hearing as provided by TEX. GOV'T CODE § 2306.044, and to seek judicial review, in the District Court of Travis County, Texas, of any order as provided by TEX. GOV'T CODE § 2306.047. Pursuant to this compromise and settlement, the Respondent waives those rights and acknowledges the jurisdiction of the Board over Respondent.

FINDINGS OF FACT

Jurisdiction:

1. During 1996, Respondent was awarded an allocation of Housing Trust Funds by the Board, in the amount of \$219,229 to build and operate Harmon Elliott Senior Citizens Complex ("Property") (HTC file No. 355077 / CMTS No. 2642 / LDLD No. 360).

2. Respondent signed a land use restriction agreement (“LURA”) regarding the Property. The LURA was effective January 22, 1996, and filed of record at Volume 193, Page 198 of the Official Public Records of Real Property of Bailey County, Texas (“Records”).
3. Respondent is a public housing authority that is qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a housing development that is subject to the regulatory authority of TDHCA.

Compliance Violations¹:

4. On May 1, 2014, TDHCA sent notice that Respondent had failed to timely submit Part D of their 2013 Annual Owner’s Compliance Report, a violation of 10 TEX. ADMIN. CODE §10.607 (Reporting Requirements), which requires each development to submit an Annual Owner’s Compliance Report. Part D remains outstanding.
5. An on-site monitoring review was conducted on February 19, 2014, to determine whether Respondent was in compliance with LURA requirements to lease units to low income households and maintain records demonstrating eligibility. The monitoring review found violations of the LURA and TDHCA rules. Notifications of noncompliance were sent and a July 7, 2014, corrective action deadline was set. The following violations were not corrected before the corrective action deadline:
 - a. Respondent failed to maintain written tenant selection criteria, a violation of 10 TEX. ADMIN. CODE §10.610 (Tenant Selection Criteria), which requires all developments to establish written tenant selection criteria that meet minimum TDHCA requirements. A response was submitted on August 19, 2015, 408 days past the corrective deadline, after an administrative penalty informal conference notice was sent. The submission did not meet current minimum rule requirements and the finding remains unresolved.
 - b. Respondent failed to provide the Fair Housing Disclosure Notice for units 804, 812, 815, and 816, a violation of 10 TEX. ADMIN. CODE §10.612 (Tenant File Requirements), which requires all developments to provide prospective households with a fair housing disclosure notice within a certain time period.

On January 8, 2015, this form was combined with the Notice of Amenities and Services into a replacement document called a “Tenant Rights and Resources Guide.”

A response was submitted on August 19, 2015, 408 days past the corrective deadline, after an administrative penalty informal conference notice was sent. The forms were all backdated and the findings remain unresolved.

¹ Within this Agreed Final Order, all references to violations of TDHCA Compliance Monitoring rules at 10 TEX. ADMIN. CODE, CHAPTER 10 refer to the versions of the code in effect at the time of the compliance monitoring reviews and/or inspections that resulted in recording each violation. All past violations remain violations under the current code and all interim amendments.

- c. Respondent failed to provide documentation that household incomes were within prescribed limits upon initial occupancy for unit 815, a violation of 10 TEX. ADMIN. CODE §10.611 (Determination, Documentation and Certification of Annual Income) and Sections 2.2 and 4.2 of the LURA, which require screening of tenants to ensure qualification for the program. No response has been received to date.
6. A Uniform Physical Condition Standards ("UPCS") inspection was conducted on August 1, 2014. Inspection reports showed multiple property condition violations as indicated at Attachment 1, a violation of 10 TEX. ADMIN. CODE § 10.621 (Property Condition Standards). Notifications of noncompliance were sent and a November 18, 2014, corrective action deadline was set. No response has been received to date.
7. On May 8, 2015, TDHCA sent notice that Respondent had failed to timely submit their 2014 Annual Owner's Compliance Report, a violation of 10 TEX. ADMIN. CODE §10.607 (Reporting Requirements), which requires each development to submit an Annual Owner's Compliance Report. Part A and the Owner's Financial Certification remain outstanding.
8. The following violations remain outstanding at the time of this order:
 - a. 2013 Annual Owner's Compliance Report violation described in FOF #4;
 - b. Written tenant selection criteria violation described in FOF #5a;
 - c. Fair Housing Disclosure Notice violations described in FOF #5b;
 - d. Household income above initial occupancy violation described in FOF #5c;
 - e. 2014 UPCS violations described in FOF # 6;
 - f. 2014 Annual Owner's Compliance Report violation described in FOF #7.

CONCLUSIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to Tex. Gov't Code §§2306.041-.0503, 10 TEX. ADMIN. CODE § 1.14 and 10 TEX. ADMIN. CODE Chapter 60, both of which were replaced by 10 TEX. ADMIN. CODE §2 as of November 19, 2014;
2. Respondent is a "housing sponsor" as that term is defined in Tex. Gov't Code §2306.004(14);
3. Respondent violated 10 TEX. ADMIN. CODE §10.607 in 2014 by failing to submit Annual Owner's Compliance Report for the year 2013;
4. Respondent violated 10 TEX. ADMIN. CODE §10.610 in 2014, by not maintaining written tenant selection criteria meeting TDHCA requirements;
5. Respondent violated 10 TEX. ADMIN. CODE §10.612 in 2014, by failing to execute the Fair Housing Disclosure Notice during the appropriate time frame for units 804, 812, 815, and 816;

6. Respondent violated 10 TEX. ADMIN. CODE §10.611 and Sections 2.2 and 4.2 of the LURA in 2014, by failing to provide documentation that household income was within prescribed limits upon initial occupancy for the unit 815;
7. Respondent violated 10 TEX. ADMIN. CODE § 10.621 and I.R.C. §42, as amended, in 2014, by failing to comply with HUD's Uniform Physical Condition Standards when major violations were discovered and not timely corrected.²
8. Respondent violated 10 TEX. ADMIN. CODE §10.607 in 2015, by failing to submit Annual Owner's Compliance Report for the year 2014;
9. Because Respondent is a housing sponsor with respect to the Property, and has violated TDHCA rules and agreements, the Board has personal and subject matter jurisdiction over Respondent pursuant to TEX. GOV'T CODE §2306.041 and §2306.267.
10. Because Respondent is a housing sponsor, TDHCA may order Respondent to perform or refrain from performing certain acts in order to comply with the law, TDHCA rules, or the terms of a contract or agreement to which Respondent and TDHCA are parties, pursuant to Tex. Gov't Code §2306.267.
11. Because Respondent has violated rules promulgated pursuant to Tex. Gov't Code Chapter 2306 and has violated agreements with the Agency to which Respondent is a party, the Agency may impose an administrative penalty pursuant to TEX. GOV'T CODE §2306.041.
12. An administrative penalty of \$1,000 is an appropriate penalty in accordance with 10 TAC §§60.307 and 60.308, which were in place at the time of multiple violations. It remains appropriate under the replacement rule at 10 TEX. ADMIN. CODE §2, which became effective on November 19, 2014.

Based upon the foregoing findings of fact and conclusions of law, and an assessment of the factors set forth in Tex. Gov't Code §2306.042 to be considered in assessing such penalties as applied specifically to the facts and circumstances present in this case, the Board of the Texas Department of Housing and Community Affairs orders the following:

IT IS HEREBY ORDERED that Respondent is assessed an administrative penalty in the amount of \$1,000, subject to deferral as further ordered below.

IT IS FURTHER ORDERED that Respondent shall pay and is hereby directed to pay a \$250 portion of the assessed administrative penalty by cashier's check payable to the "Texas Department of Housing and Community Affairs" on or before November 16, 2015.

² HUD's Uniform Physical Condition Standards are the standards adopted by TDHCA pursuant to 10 TEX. ADMIN. CODE 10.621(a)

IT IS FURTHER ORDERED that Respondent shall submit Part D of the 2013 Annual Owner's Compliance Report, reporting data as of December 31, 2013, via the Compliance Monitoring and Tracking System ("CMTS") on or before November 16, 2015. The link to CMTS is <https://pox.tdhca.state.tx.us/aims2/pox> and technical support is available at: <http://www.tdhca.state.tx.us/pmcomp/reports.htm>.

IT IS FURTHER ORDERED that Respondent shall submit Part A and the Owner's Financial Certification of the 2014 Annual Owner's Compliance Report, reporting data as of December 31, 2014, via the Compliance Monitoring and Tracking System ("CMTS") on or before November 16, 2015. The link to CMTS is <https://pox.tdhca.state.tx.us/aims2/pox> and technical support is available at: <http://www.tdhca.state.tx.us/pmcomp/reports.htm>.

IT IS FURTHER ORDERED that Respondent shall repair all UPCS violations as indicated in Attachment 1 and submit work orders in the correct format, and including all necessary parts, to document the corrections to TDHCA on or before November 16, 2015.

IT IS FURTHER ORDERED that Respondent shall fully correct the file monitoring violations as indicated in Attachments 2 and 3, and submit full documentation of the corrections to TDHCA on or before November 16, 2015.

IT IS FURTHER ORDERED that Respondent shall follow the requirements of 10 Tex. Admin. Code 10.406, a copy of which is included at Attachment 4, and obtain approval from the Department prior to consummating a sale of the property, if contemplated.

IT IS FURTHER ORDERED that if Respondent timely and fully complies with the terms and conditions of this Agreed Final Order, correcting all violations as required, the satisfactory performance under this order will be accepted in lieu of the remaining assessed administrative penalty in the amount of \$750, and that remaining amount of the administrative penalty will be deferred and forgiven.

IT IS FURTHER ORDERED that if Respondent fails to satisfy any conditions or otherwise violates any provision of this order, then remaining administrative penalty in the amount of \$750 shall be immediately due and payable to the Department. Such payment shall be made by cashier's check payable to the "Texas Department of Housing and Community Affairs" upon the earlier of (1) within thirty days of the date the Department sends written notice to Respondent that it has violated a provision of this Order, or (2) the property closing date if sold before the terms and conditions of this Agreed Final Order have been fully satisfied.

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IT IS FURTHER ORDERED that corrective documentation must be uploaded to the Compliance Monitoring and Tracking System (“CMTS”) by following the instructions at this link: <http://www.tdhca.state.tx.us/pmcdocs/CMTSUserGuide-AttachingDocs.pdf>. After the upload is complete, an email must be sent to Ysella Kaseman at ysella.kaseman@tdhca.state.tx.us to inform her that the documentation is ready for review. If it comes due and payable, the penalty payment must be submitted to the following address:

| If via overnight mail (FedEx, UPS): | If via USPS: |
|---|--|
| TDHCA Attn: Ysella Kaseman 221 E 11 th St Austin, Texas 78701 | TDHCA Attn: Ysella Kaseman P.O. Box 13941 Austin, Texas 78711 |

IT IS FURTHER ORDERED that the terms of this Agreed Final Order shall be published on the TDHCA website.

[Remainder of page intentionally blank]

Approved by the Governing Board of TDHCA on _____, 2015.

By: _____
Name: J. Paul Oxe
Title: Chair of the Board of TDHCA

By: _____
Name: James "Beau" Eccles
Title: Secretary of the Board of TDHCA

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

Before me, the undersigned notary public, on this _____ day of _____, 2015, personally appeared J. Paul Oxe, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

Notary Public, State of Texas

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

Before me, the undersigned notary public, on this _____ day of _____, 2015, personally appeared James "Beau" Eccles, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

Notary Public, State of Texas

STATE OF TEXAS §
 §
COUNTY OF _____ §

BEFORE ME, _____, a notary public in and for the State of _____, on this day personally appeared Raquel Posadas Kirven, known to me or proven to me through _____ to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (he/she) executed the same for the purposes and consideration therein expressed, who being by me duly sworn, deposed as follows:

1. "My name is _____, I am of sound mind, capable of making this statement, and personally acquainted with the facts herein stated.
2. I hold the office of _____ for Respondent. I am the authorized representative of Respondent, owner of Harmon Elliott Senior Citizens Complex, which is subject to a Land Use Restriction Agreement monitored by the TDHCA in the State of Texas, and I am duly authorized by Respondent to execute this document.
3. Respondent knowingly and voluntarily enters into this Agreed Final Order, and agrees with and consents to the issuance and service of the foregoing Agreed Order by the Board of the Texas Department of Housing and Community Affairs."

RESPONDENT:
HOUSING AUTHORITY OF THE CITY OF
MULESHOE, a public housing authority

By: _____
Name: Raquel Posadas Kirven
Title: Executive Director

Given under my hand and seal of office this _____ day of _____, 2015.

Signature of Notary Public

Printed Name of Notary Public

NOTARY PUBLIC IN AND FOR THE STATE OF _____
My Commission Expires: _____

Attachment 1

UPCS Violation Resources and Instructions

Violations – Part 1:

| Inspectable Area | Inspectable Item | Deficiency | 1 | 2 | 3 | Comments |
|--|------------------|--|---|----|----|------------------------------------|
| Harmon Elliott Senior Citizens 809 W. Avenue K Muleshoe, TX 79347 | | | | | | |
| Building: Bldg 1 | | | | | | |
| Unit: | | | | | | |
| Building Exterior | | | | | | |
| Roofs | | | | | | |
| | | Missing/Damaged Components from Downspout/Gutter | | L2 | | gutter behind is damaged/hole |
| Building: Community room | | | | | | |
| Unit: | | | | | | |
| Building Systems | | | | | | |
| | | Fire Protection | | | L3 | fire extinguisher gauge is expired |

Corrective Action: Submit work orders and/or invoices in accordance with the guidelines published online at: <http://www.tdhca.state.tx.us/pmcomp/inspections/docs/UPCS-WorkOrderGuidelines.pdf>.

Violations – Part 2: In addition, a limited accessibility review of the Fair Housing Act Design Manual was conducted. The following must also be corrected as part of the UPCS inspection.

Accessible Door Handles (*Fair Housing Act Design Manual reference pg. 3.3*) The community building is identified as a common use facility and subject to Fair Housing design requirements. Knob-type handles were reported at the both restroom doors.

- o **Corrective Action** – Provide an owner’s certification with photographic evidence that the condition has been corrected. Install operating mechanisms that are operable with one hand and do not require tight grasping, pinching, or twisting of the wrist, and allow the user to open the doors.

Entrance Door Handle (*Fair Housing Act Design Manual reference pg. 3.10*) Some storm doors attached to the primary entrance doors of covered units subject to Fair Housing design requirements were observed as not having accessible door handles.

- o **Corrective Action** – Please provide an owner’s statement with photographic evidence that the condition has been corrected in all fair housing covered and mobility accessible units (one sample photo only). Ensure that all Fair Housing Act-covered units primary entry storm doors have operating mechanisms that are operable with one hand and do not require tight grasping, pinching, or twisting of the wrist. Lever-operated or push-type are two acceptable designs.

Attachment 2

File Monitoring Violation Resources and Instructions

1. Refer to the following link for all references to the rules at 10 TEX. ADMIN. CODE §10 that are referenced below:

[http://texreg.sos.state.tx.us/public/readtac\\$ext.ViewTAC?tac_view=5&ti=10&pt=1&ch=10&sch=F&rl=Y](http://texreg.sos.state.tx.us/public/readtac$ext.ViewTAC?tac_view=5&ti=10&pt=1&ch=10&sch=F&rl=Y)

2. Refer to the following link for copies of forms that are referenced below:

<http://www.tdhca.state.tx.us/pmcomp/forms.htm>

3. Technical support and training presentations are available at the following links:

Video/Audio Training: <http://www.tdhca.state.tx.us/pmcomp/presentations.htm>

Income and Rent Limits: <http://www.tdhca.state.tx.us/pmcomp/irl/index.htm>

Utility Allowance: <http://www.tdhca.state.tx.us/pmcomp/utility-allowance.htm>

Online Reporting: <http://www.tdhca.state.tx.us/pmcomp/reports.htm>

FAQ's: <http://www.tdhca.state.tx.us/pmcomp/compFaqs.htm>

4. **Written tenant selection criteria** – Respondent submitted written tenant selection criteria, however, the criteria were incomplete.

Submit updated written tenant selection criteria addressing all requirements at 10 TEX. ADMIN. CODE §10.610.

5. **Fair Housing Disclosure Notice** – This notice has been replaced by the Tenant's Rights and Resource Guide as indicated at 10 TEX. ADMIN. CODE §10.613(k). Respondent submitted signed Tenant's Rights and Resource Guide Acknowledgments, but they were backdated and therefore, unacceptable.

Correctable findings: Implement Tenants Rights and Resource Guide as indicated at 10 TEX. ADMIN. CODE §10.613(k) and submit signed Tenants Rights and Resource Guide Acknowledgments for units 804, 812, 815, and 816. If the tenant has moved out without signing this form, please submit a letter to TDHCA including the move-out date and acknowledging that the finding cannot be resolved.

6. **Household income violation for unit 815** – A household occupied this unit on 7/25/2013. The income on the Income Certification was \$30,959, which is above the program limit of \$26,880. The applicant indicated on the application that they receive income from Social Security, child support, and employment. Acceptable verification of Social Security income was present in the file; however, no acceptable verification of employment and child support income was present. The bank statements present in the file could not be used to verify employment income because they do not reflect the household's gross earnings, and they could not be used to verify child support income because they do not necessarily reflect the full court-ordered amount. Because of this, the Department was unable to determine if the household was income eligible at the time of move-in.

Follow these instructions, based upon the appropriate circumstances:

| Circumstance with respect to unit 815 | Required Action |
|---|---|
| If unit is still occupied by the household that moved in on 7/25/2013 and you believe that they qualify for occupancy | <p>Obtain acceptable verifications for all household income at the time of move-in. If the household is eligible, certify the household and submit to the Department all necessary verifications.</p> <p>If the household's circumstances have changed since move-in, a new certification may be performed using current circumstances and current income and asset information. If a new certification is performed for the existing household, the property must obtain first hand documentation, such as pay stubs and bank statements, to document income and assets.</p> |
| If unit is occupied by a new qualified household | Submit the full tenant file, including the tenant application, verifications of all sources of income and assets, tenant income certification, lease, lease addendum, and Tenant Rights and Resources Guide Acknowledgment |
| If unit is occupied by a nonqualified household on a month-to-month lease | <ol style="list-style-type: none"> 1. Follow your normal procedures for terminating residency and provide a copy of documentation to TDHCA. 2. As soon as the unit is occupied by a qualified household, you must submit the full tenant file, including the tenant application, verifications of all sources of income and assets, tenant income certification, lease, lease addendum, and Tenant Rights and Resources Guide Acknowledgment. Receipt after 11/16/2015 is acceptable for this circumstance provided that Requirement 1 is fulfilled. |
| If unit is occupied by a nonqualified household with a non-expired lease | <ol style="list-style-type: none"> 1. Issue a nonrenewal notice to tenant and provide a copy to TDHCA. 2. As soon as the unit is occupied by a qualified household, you must to submit the full tenant file, including the tenant application, verifications of all sources of income and assets, tenant income certification, lease, lease addendum, and Tenant Rights and Resources Guide Acknowledgment. Receipt after 11/16/2015 is acceptable for this circumstance provided that Requirement 1 is fulfilled. |
| If unit is vacant | <ol style="list-style-type: none"> 1. Unit must be made ready for occupancy and a letter certifying that it is ready for occupancy must be submitted to TDHCA. 2. As soon as the unit is occupied by a qualified household, you must submit the full tenant file, including the tenant application, verifications of all sources of income and assets, tenant income certification, lease, lease addendum, and Tenant Rights and Resources Guide Acknowledgment. Receipt after 11/16/2015 is acceptable for this circumstance provided that Requirement 1 is fulfilled. |

Attachment 3

Tenant File Guidelines

The following technical support does not represent a complete list of all file requirements and is intended only as a guide. TDHCA staff recommends that all onsite staff responsible for accepting and processing applications sign up for First Thursday Training in order to get a full overview of the process. Sign up at <http://www.tdhca.state.tx.us/pmcomp/COMPtrain.html>. Forms discussed below are available at: <http://www.tdhca.state.tx.us/pmcomp/forms.htm>.

1. **Intake Application:** The Department does not have a required form to screen households, but we make this form available for that purpose. It is required that households be screened for household composition, income and assets. Applicants must complete all blanks on the application and answer all questions. Any lines left intentionally blank should be marked with "none" or "n/a." The application must be signed and dated by all adult household members, using the date that the form is actually completed.
2. **Verify Income:** Each source of income and asset must be documented for every adult household member based upon the information disclosed on the application. There are multiple methods:
 - a. **First hand verifications:** Paystubs or payroll print-outs that show gross income. If you choose this method, ensure that you consistently collect a specified number of consecutive check stubs as defined in your management plan;
 - b. **Employment Verification Form:** Part 1 must be completed by you and signed by the tenant. Part 2 must be completed by the employer. To prevent fraud, you must submit the form directly to the employer and must not allow the tenant to handle it. You should ensure that the person completing the employer portion has authority to do so and has access to all applicable information in order to verify the employment income. If you receive the verification via mail, retain the envelope. If you receive it via fax, ensure that the fax stamp is on it;
 - c. **Verification of non-employment income:** You must obtain verifications for all other income sources, such as child support, social security, and/or unemployment benefits;
 - d. **Telephone Verifications:** these are acceptable *only* for clarifying discrepancies and cannot be used as primary form of verification. Include your name, the date, the name of the person with whom you spoke, and your signature;
 - e. **Certification of Zero Income:** If an adult household member does not report any sources of income on the application, this form can be used to document thorough screening and to document the source of funds used to pay for rent, utilities, and/or other necessities.

3. **Verify Assets:** Regardless of their balances, applicants must report all assets owned, including assets such as checking or savings accounts. The accounts are typically disclosed on the application form, but you must review all documentation from the tenant to ensure proper documentation of the household's income and assets. For instance, review the credit report (if you pull one), application, pay stubs, and other documents to ensure that all information is consistent. Examples of ways to find assets that are frequently overlooked: Review pay stubs for assets such as checking and retirement accounts that the household may have forgotten to include in the application. These accounts must also be verified. Format of verifications:
 - a. **Under \$5000 Asset Certification Form:** If the total cash value of the assets owned by members of the household is less than \$5,000, as reported on the Intake Application, the TDHCA Under \$5,000 Asset Certification form may be used to verify assets. If applicable, follow the instructions to complete one form per household that includes everyone's assets, even minors, and have all adults sign and date using the date that the form is actually completed.
 - b. **First hand verifications** such as bank statements to verify a checking account. Ensure that you use a consistent number of consecutive statements, as identified in your management plan.
 - c. **3rd party verifications** using the TDHCA Asset Verification form. As with the "Employment Verification Form" discussed above, Part 1 must be completed by you and signed by the tenant. Part 2 must be completed by the employer. To prevent fraud, you must submit the form directly to the employer and must not allow the tenant to handle it. You should ensure that the person completing the employer portion has authority to do so and has access to all applicable information in order to verify the employment income. If you receive the verification via mail, retain the envelope. If you receive it via fax, ensure that the fax stamp is on it.
4. **Tenant Income Certification Form:** Upon verification of all income and asset sources disclosed on the application and any additional information found in the documentation submitted by the tenant, the next step is to annualize the sources on the Income Certification Form, add them together, and compare to the applicable income limit for household size which can be found at <http://www.tdhca.state.tx.us/pmcomp/irl/index.htm>. Be sure to include any income derived from assets. The form must include (and be signed by) each adult household member.
5. **Lease:** Must conform with your LURA and TDHCA requirements and indicate a rent below the maximum rent limits, which can be found at <http://www.tdhca.state.tx.us/pmcomp/irl/index.htm>. When determining the rent, ensure that the tenant's rent, plus the utility allowance, plus any housing subsidies, plus any mandatory fees, are below the maximum limits set by TDHCA. 10 Tex. Admin. Code §10.613(a) prohibits the eviction or termination of tenancy of low income households for reasons other than good cause throughout the affordability period in accordance with Revenue Ruling 2004-82. In addition, 10 Tex. Admin. Code §10.613(e) prohibits HTC developments from locking out or threatening to lock out any development resident, or seizing or threatening to seize personal property of a resident, except by judicial process, for purposes of performing necessary repairs or construction work, or in case of emergency. The prohibitions must be included in the lease or lease addendum. The Texas Apartment Association has an affordable lease addendum that has incorporated this required language. If you are not a TAA member, you can draft a lease addendum using the requirements outlined above.

6. **Tenant Rights and Resources Guide:** As of 1/8/2015, the Fair Housing Disclosure Notice and Tenant Amenities and Services Notice have been replaced by the Tenant Rights and Resources Guide, a copy of which is available online at: <http://www.tdhca.state.tx.us/pmcdocs/FairHousingDisclosureBooklet.doc>.

In accordance with 10 TAC §10.613(k), a laminated copy of this guide must be posted in a common area of the leasing office. Development must also provide a copy of the guide to each household during the application process and upon any subsequent changes to the items described at paragraph b) below. The Tenant Rights and Resources Guide includes:

- a) Information about Fair Housing and tenant choice; and
- b) Information regarding common amenities, unit amenities, and services.

A representative of the household must receive a copy of the Tenant Rights and Resources Guide and sign an acknowledgment of receipt of the brochure prior to, but no more than 120 days prior to, the initial lease execution date.

In the event that there is a prior finding for a Fair Housing Disclosure Notice, Tenant Amenities and Services Notice, the Tenant Rights and Resources Guide was not provided timely, or the household does not certify to receipt of the Tenant Rights and Resources Guide, correction will be achieved by providing the household with the Tenant Rights and Resources Guide and receiving a signed acknowledgment. A copy of the acknowledgment form is available at: <http://www.tdhca.state.tx.us/pmcdocs/FairHousingDisclosureSignaturePage.pdf>.

Attachment 4:

Texas Administrative Code

| | |
|---------------------|---|
| <u>TITLE 10</u> | COMMUNITY DEVELOPMENT |
| <u>PART 1</u> | TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS |
| <u>CHAPTER 10</u> | UNIFORM MULTIFAMILY RULES |
| <u>SUBCHAPTER E</u> | POST AWARD AND ASSET MANAGEMENT REQUIREMENTS |
| <u>RULE §10.406</u> | Ownership Transfers (§2306.6713) |

(a) Ownership Transfer Notification. All multifamily Development Owners must provide written notice to the Department at least thirty (30) calendar days prior to any sale, transfer, or exchange of the Development or any portion of or Controlling interest in the Development. Transfers that are the result of an involuntary removal of the general partner by the investment limited partner must be reported to the Department, as soon as possible due to the sensitive timing and nature of this decision. If the Department determines that the transfer, involuntary removal, or replacement was due to a default by the General Partner under the Limited Partnership Agreement, or other detrimental action that put the Development at risk of failure, staff may make a recommendation to the Board for the debarment of the entity and/or its Principals and Affiliates pursuant to the Department's debarment rule. In addition, a record of transfer involving Principals in new proposed awards will be reported and may be taken into consideration by the Executive Award and Review Committee, in accordance with §1.5 of this title (relating to Previous Participation Reviews), prior to recommending any new financing or allocation of credits.

(b) Requirement. Department approval must be requested for any new member to join in the ownership of a Development. Exceptions include changes to the investment limited partner, non-controlling limited partner, or other partners affiliated with the investment limited partner, or changes resulting from foreclosure wherein the lender or financial institution involved in the transaction is the resulting owner. Any subsequent transfer of the Development will be required to adhere to the process in this section. Furthermore, a Development Owner may not transfer an allocation of tax credits or ownership of a Development supported with an allocation of tax credits to any Person or entity 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 requested in compliance with this section. Notwithstanding the foregoing, a Development Owner shall be required to notify the Department but shall not be required to obtain Executive Director approval when the transferee is an Affiliate of the Development Owner with no new members or the transferee is a Related Party who does not Control the Development and the transfer is being made for estate planning purposes.

(c) Transfers Prior to 8609 Issuance or Construction Completion. Transfers (other than those that do not require Executive Director approval, as set forth in subsection (b) of this section) will not be approved prior to the issuance of IRS Form(s) 8609 (for Housing Tax Credits) or the completion of construction (for all Developments funded through other Department programs) unless the Development Owner can provide evidence that the need for the transfer is due to a hardship (ex. potential bankruptcy, removal by a partner, etc.). The Development Owner must provide the Department with a written explanation describing the hardship and a copy of any applicable agreement between the parties to the transfer, including any Third-Party agreement.

(d) Non-Profit Organizations. If the ownership transfer request is to replace a non-profit organization within the Development ownership entity, the replacement non-profit entity must adhere to the requirements in paragraph (1) or (2) of this subsection.

(1) If the LURA requires ownership or material participation in ownership by a Qualified Non-Profit Organization, and the Development received Tax Credits pursuant to §42(h)(5) of the Code, the transferee must be a Qualified Non-Profit Organization that meets the requirements of §42(h)(5) of the Code and

Texas Government Code §2306.6706.

(2) If the LURA requires ownership or material participation in ownership by a qualified non-profit organization, but the Development did not receive Tax Credits pursuant to §42(h)(5) of the Code, the Development Owner must show that the transferee is a non-profit organization that complies with the LURA.

(e) Historically Underutilized Business ("HUB") Organizations. If a HUB is the general partner of a Development Owner and it (i) is being removed as the result of a default under the organizational documents of the Development Owner or (ii) determines to sell its ownership interest, in either case, after the issuance of 8609s, the purchaser of that general partnership interest is not required to be a HUB as long as the LURA does not require such continual ownership or a material LURA amendment is approved. Such approval can be obtained concurrent with Board approval described herein. All such transfers must be approved by the Board and require that the Board find that:

(1) the selling HUB is acting of its own volition or is being removed as the result of a default under the organizational documents of the Development Owner;

(2) the participation by the HUB has been substantive and meaningful, or would have been substantial and meaningful had the HUB not defaulted under the organizational documents of the Development Owner, enabling it to realize not only financial benefit but to acquire skills relating to the ownership and operation of affordable housing; and

(3) the proposed purchaser meets the Department's standards for ownership transfers

(f) Documentation Required. A Development Owner must submit documentation requested by the Department to enable the Department to understand fully the facts and circumstances that gave rise to the need for the transfer and the effects of approval or denial. Documentation includes but is not limited to:

(1) a written explanation outlining the reason for the request;

(2) a list of the names of transferees and Related Parties;

(3) detailed information describing the experience and financial capacity of transferees and related parties holding an ownership interest of 10 percent or greater in any Principal or Controlling entity;

(4) evidence and certification that the tenants in the Development have been notified in writing of the proposed transfer at least thirty (30) calendar days prior to the date the transfer is approved by the Department. The ownership transfer approval letter will not be issued until this 30 day period has expired.

(g) Within five (5) business days after the date the Department receives all necessary information under this section, staff shall initiate a qualifications review of a transferee, in accordance with §1.5 of this title, to determine the transferee's past compliance with all aspects of the Department's programs, LURAs and eligibility under this chapter.

(h) Credit Limitation. As it relates to the Housing Tax Credit amount further described in §11.4(a) of this title (relating to Tax Credit Request and Award Limits), the credit amount will not be applied in circumstances described in paragraphs (1) and (2) of this subsection:

(1) in cases of transfers in which the syndicator, investor or limited partner is taking over ownership of the Development and not merely replacing the general partner; or

(2) in cases where the general partner is being replaced if the award of credits was made at least five (5) years prior to the transfer request date.

(i) Penalties. The Development Owner must comply with any additional documentation requirements as stated in Subchapter F of this chapter (relating to Compliance Monitoring). The Development Owner, as on record with the Department, will be liable for any penalties imposed by the Department even if such penalty can be attributable to the new Development Owner unless such ownership transfer is approved by the Department.

(j) Ownership Transfer Processing Fee. The ownership transfer request must be accompanied by corresponding ownership transfer fee as outlined in §10.901 of this chapter (relating to Fee Schedule).

Source Note: The provisions of this §10.406 adopted to be effective December 9, 2014, 39 TexReg 9518

1b

BOARD ACTION REQUEST

LEGAL DIVISION

OCTOBER 15, 2015

Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning Gardens of Taylor (HTC 05034 / CMTS 4245)

RECOMMENDED ACTION

WHEREAS, Gardens of Taylor, owned by The Gardens of Taylor, LP, ("Owner"), has a history of uncorrected compliance findings relating to the applicable land use restriction agreement and the associated statutory and rule requirements;

WHEREAS, Owner's representatives agreed, subject to Board approval, to enter into an Agreed Final Order stipulating that a violation had occurred and assessing a \$0 administrative penalty;

WHEREAS, all findings that had been referred for an administrative penalty were resolved informally upon the request of the Enforcement Committee and

WHEREAS, staff has based its recommendations for an Agreed Final Order on the Department's rules for administrative penalties and an assessment of each and all of the statutory factors to be considered in assessing such penalties, applied specifically to the facts and circumstances present in this case;

NOW, therefore, it is hereby

RESOLVED, that an Agreed Final Order stipulating that a violation occurred at Gardens of Taylor (HTC 05034 / CMTS 4245), substantially in the form presented at this meeting, and authorizing any non-substantive technical corrections, is hereby adopted as the order of this Board.

BACKGROUND

The Gardens of Taylor, LP ("Owner") is the owner of Gardens of Taylor ("Property"), a low income apartment complex comprised of 36 units, located in Taylor, Williamson County. The Property is subject to a Land Use Restriction Agreement ("LURA") signed in 2008 in consideration for a Housing Tax Credit allocation to construct the Property.

The following compliance violations were referred for an administrative penalty and were resolved on August 11, 2015, after intervention by the Enforcement Committee.

1. Utility Allowance violation identified during the 2014 onsite file monitoring review.

This was Owner's first administrative penalty referral and the Enforcement Committee set a deadline for Owner to submit corrections in order to avoid an informal conference. If fully acceptable corrective documentation had been submitted by the deadline, the referral would have been closed with a warning letter. No response was received and owner failed to respond to mail, email, or phone contact attempts until after the deadline. Acceptable corrections were ultimately submitted before the informal conference date, and Owner representatives agreed to sign an Agreed Final Order stipulating that violations had occurred, and assessing an administrative penalty of \$0.00 for noncompliance at Gardens of Taylor

Consistent with direction from the Department's Enforcement Committee, an Agreed Final Order stipulating that a violation occurred is recommended, with an administrative penalty in the amount of \$0.

ENFORCEMENT ACTION AGAINST
THE GARDENS OF TAYLOR, LP
WITH RESPECT TO GARDENS OF
TAYLOR (HTC FILE # 05034 /
CMTS # 4245)

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§

BEFORE THE
TEXAS DEPARTMENT OF
HOUSING AND
COMMUNITY AFFAIRS

AGREED FINAL ORDER

General Remarks and official action taken:

On this 15th day of October, 2015, the Governing Board ("Board") of the Texas Department of Housing and Community Affairs ("TDHCA") considered the matter of whether enforcement action should be taken against **THE GARDENS OF TAYLOR, LP**, a Texas limited partnership ("Respondent").

This Agreed Order is executed pursuant to the authority of the Administrative Procedure Act ("APA"), Tex. Gov't Code §2001.056, which authorizes the informal disposition of contested cases. In a desire to conclude this matter without further delay and expense, the Board and Respondent agree to resolve this matter by this Agreed Final Order. The Respondent agrees to this Order for the purpose of resolving this proceeding only and without admitting or denying the findings of fact and conclusions of law set out in this Order.

Upon recommendation of the Enforcement Committee, the Board makes the following findings of fact and conclusions of law and enters this Order:

WAIVER

Respondent acknowledges the existence of their right to request a hearing as provided by TEX. GOV'T CODE § 2306.044, and to seek judicial review, in the District Court of Travis County, Texas, of any order as provided by TEX. GOV'T CODE § 2306.047. Pursuant to this compromise and settlement, the Respondent waives those rights and acknowledges the jurisdiction of the Board over Respondent.

FINDINGS OF FACT

Jurisdiction:

1. During 2005, Respondent was awarded an allocation of Low Income Housing Tax Credits by the Board, in an annual amount of \$275,212 to build and operate Gardens of Taylor ("Property") (HTC file No. 05034 / CMTS No. 4245 / LDLD No. 544).

2. Respondent signed a land use restriction agreement (“LURA”) regarding the Property. The LURA was effective June 15, 2008, and filed of record at Document Number 2008064257 of the Official Public Records of Real Property of Williamson County, Texas (“Records”).
3. Respondent is a Texas limited partnership that is qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a housing development that is subject to the regulatory authority of TDHCA.

Compliance Violations¹:

4. An on-site monitoring review was conducted on April 15, 2014, to determine whether Respondent was in compliance with LURA requirements to lease units to low income households and maintain records demonstrating eligibility. The monitoring review found violations of the LURA and TDHCA rules. Notifications of noncompliance were sent and an October 1, 2014, corrective action deadline was set. The following violations were not corrected before the corrective action deadline:
 - a. Respondent failed to properly calculate the utility allowance for the property, a violation of 10 TEX. ADMIN. CODE §10.614 (Utility Allowances), which requires all developments to establish a utility allowance. The violation was corrected on August 11, 2015, after intervention by the Enforcement Committee.

CONCLUSIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to Tex. Gov’t Code §§2306.041-.0503, 10 TEX. ADMIN. CODE § 1.14 and 10 TEX. ADMIN. CODE Chapter 60, both of which were replaced by 10 TEX. ADMIN. CODE §2 as of November 19, 2014.
2. Respondent is a “housing sponsor” as that term is defined in Tex. Gov’t Code §2306.004(14).
3. Pursuant to IRC §42(m)(1)(B)(iii), housing credit agencies are required to monitor for noncompliance with all provisions of the IRC and to notify the Internal Revenue Service of such noncompliance.
4. Respondent violated 10 TEX. ADMIN. CODE § 10.614 in 2014 by failing to properly calculate a utility allowance;
5. Because Respondent is a housing sponsor with respect to the Property, and has violated TDHCA rules and agreements, the Board has personal and subject matter jurisdiction over Respondent pursuant to TEX. GOV’T CODE §2306.041 and §2306.267.

¹ Within this Agreed Final Order, all references to violations of TDHCA Compliance Monitoring rules at 10 TEX. ADMIN. CODE, CHAPTERS 10 AND 60 refer to the versions of the code in effect at the time of the compliance monitoring reviews and/or inspections that resulted in recording each violation. All past violations remain violations under the current code and all interim amendments.

6. Because Respondent is a housing sponsor, TDHCA may order Respondent to perform or refrain from performing certain acts in order to comply with the law, TDHCA rules, or the terms of a contract or agreement to which Respondent and TDHCA are parties, pursuant to Tex. Gov't Code §2306.267.
7. Because Respondent has violated rules promulgated pursuant to Tex. Gov't Code Chapter 2306 and has violated agreements with the Agency to which Respondent is a party, the Agency may impose an administrative penalty pursuant to TEX. GOV'T CODE §2306.041.
8. An administrative penalty of \$0 is an appropriate penalty in accordance with 10 TAC §§60.307 and 60.308, which were in place at the time of the violation. It remains appropriate under the replacement rule at 10 TEX. ADMIN. CODE §2, which became effective on November 19, 2014.

Based upon the foregoing findings of fact and conclusions of law, and an assessment of the factors set forth in Tex. Gov't Code §2306.042 to be considered in assessing such penalties as applied specifically to the facts and circumstances present in this case, the Board of the Texas Department of Housing and Community Affairs orders the following:

IT IS HEREBY ORDERED that Respondent is assessed an administrative penalty in the amount of \$0, subject to deferral as further ordered below.

IT IS FURTHER ORDERED that Respondent shall follow the requirements of 10 Tex. Admin. Code 10.406, a copy of which is included at Attachment 1, and obtain approval from the Department prior to consummating a sale of the property, if contemplated.

IT IS FURTHER ORDERED that the terms of this Agreed Final Order shall be published on the TDHCA website.

[Remainder of page intentionally blank]

Approved by the Governing Board of TDHCA on _____, 2015.

By: _____
Name: J. Paul Oxer
Title: Chair of the Board of TDHCA

By: _____
Name: James "Beau" Eccles
Title: Secretary of the Board of TDHCA

THE STATE OF TEXAS §
§
COUNTY OF _____ §

Before me, the undersigned notary public, on this _____ day of _____, 2015, personally appeared J. Paul Oxer, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

Notary Public, State of Texas

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

Before me, the undersigned notary public, on this _____ day of _____, 2015, personally appeared James "Beau" Eccles, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

Notary Public, State of Texas

STATE OF TEXAS §
 COUNTY OF _____ §

BEFORE ME, _____, a notary public in and for the State of _____, on this day personally appeared _____, known to me or proven to me through _____ to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (he/she) executed the same for the purposes and consideration therein expressed, who being by me duly sworn, deposed as follows:

1. "My name is _____, I am of sound mind, capable of making this statement, and personally acquainted with the facts herein stated.
2. I hold the office of _____ for Respondent. I am the authorized representative of Respondent, owner of Gardens of Taylor, which is subject to a Land Use Restriction Agreement monitored by the TDHCA in the State of Texas, and I am duly authorized by Respondent to execute this document.
3. Respondent knowingly and voluntarily enters into this Agreed Final Order, and agrees with and consents to the issuance and service of the foregoing Agreed Order by the Board of the Texas Department of Housing and Community Affairs."

RESPONDENT:

THE GARDENS OF TAYLOR, LP,

By: _____
 Name: _____
 Title: _____

Given under my hand and seal of office this _____ day of _____, 2015.

 Signature of Notary Public

 Printed Name of Notary Public

NOTARY PUBLIC IN AND FOR THE STATE OF _____
 My Commission Expires: _____

Attachment 1

Texas Administrative Code

| | |
|---------------------|---|
| <u>TITLE 10</u> | COMMUNITY DEVELOPMENT |
| <u>PART 1</u> | TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS |
| <u>CHAPTER 10</u> | UNIFORM MULTIFAMILY RULES |
| <u>SUBCHAPTER E</u> | POST AWARD AND ASSET MANAGEMENT REQUIREMENTS |
| <u>RULE §10.406</u> | Ownership Transfers (§2306.6713) |

(a) **Ownership Transfer Notification.** All multifamily Development Owners must provide written notice to the Department at least thirty (30) calendar days prior to any sale, transfer, or exchange of the Development or any portion of or Controlling interest in the Development. Transfers that are the result of an involuntary removal of the general partner by the investment limited partner must be reported to the Department, as soon as possible due to the sensitive timing and nature of this decision. If the Department determines that the transfer, involuntary removal, or replacement was due to a default by the General Partner under the Limited Partnership Agreement, or other detrimental action that put the Development at risk of failure, staff may make a recommendation to the Board for the debarment of the entity and/or its Principals and Affiliates pursuant to the Department's debarment rule. In addition, a record of transfer involving Principals in new proposed awards will be reported and may be taken into consideration by the Executive Award and Review Committee, in accordance with §1.5 of this title (relating to Previous Participation Reviews), prior to recommending any new financing or allocation of credits.

(b) **Requirement.** Department approval must be requested for any new member to join in the ownership of a Development. Exceptions include changes to the investment limited partner, non-controlling limited partner, or other partners affiliated with the investment limited partner, or changes resulting from foreclosure wherein the lender or financial institution involved in the transaction is the resulting owner. Any subsequent transfer of the Development will be required to adhere to the process in this section. Furthermore, a Development Owner may not transfer an allocation of tax credits or ownership of a Development supported with an allocation of tax credits to any Person or entity 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 requested in compliance with this section. Notwithstanding the foregoing, a Development Owner shall be required to notify the Department but shall not be required to obtain Executive Director approval when the transferee is an Affiliate of the Development Owner with no new members or the transferee is a Related Party who does not Control the Development and the transfer is being made for estate planning purposes.

(c) **Transfers Prior to 8609 Issuance or Construction Completion.** Transfers (other than those that do not require Executive Director approval, as set forth in subsection (b) of this section) will not be approved prior to the issuance of IRS Form(s) 8609 (for Housing Tax Credits) or the completion of construction (for all Developments funded through other Department programs) unless the Development Owner can provide evidence that the need for the transfer is due to a hardship (ex. potential bankruptcy, removal by a partner, etc.). The Development Owner must provide the Department with a written explanation describing the hardship and a copy of any applicable agreement between the parties to the transfer, including any Third-Party agreement.

(d) **Non-Profit Organizations.** If the ownership transfer request is to replace a non-profit organization within the Development ownership entity, the replacement non-profit entity must adhere to the requirements in paragraph (1) or (2) of this subsection.

(1) If the LURA requires ownership or material participation in ownership by a Qualified Non-Profit Organization, and the Development received Tax Credits pursuant to §42(h)(5) of the Code, the transferee must be a Qualified Non-Profit Organization that meets the requirements of §42(h)(5) of the Code and Texas Government Code §2306.6706.

(2) If the LURA requires ownership or material participation in ownership by a qualified non-profit organization, but the Development did not receive Tax Credits pursuant to §42(h)(5) of the Code, the Development Owner must show that the transferee is a non-profit organization that complies with the LURA.

(e) Historically Underutilized Business ("HUB") Organizations. If a HUB is the general partner of a Development Owner and it (i) is being removed as the result of a default under the organizational documents of the Development Owner or (ii) determines to sell its ownership interest, in either case, after the issuance of 8609s, the purchaser of that general partnership interest is not required to be a HUB as long as the LURA does not require such continual ownership or a material LURA amendment is approved. Such approval can be obtained concurrent with Board approval described herein. All such transfers must be approved by the Board and require that the Board find that:

(1) the selling HUB is acting of its own volition or is being removed as the result of a default under the organizational documents of the Development Owner;

(2) the participation by the HUB has been substantive and meaningful, or would have been substantial and meaningful had the HUB not defaulted under the organizational documents of the Development Owner, enabling it to realize not only financial benefit but to acquire skills relating to the ownership and operation of affordable housing; and

(3) the proposed purchaser meets the Department's standards for ownership transfers

(f) Documentation Required. A Development Owner must submit documentation requested by the Department to enable the Department to understand fully the facts and circumstances that gave rise to the need for the transfer and the effects of approval or denial. Documentation includes but is not limited to:

(1) a written explanation outlining the reason for the request;

(2) a list of the names of transferees and Related Parties;

(3) detailed information describing the experience and financial capacity of transferees and related parties holding an ownership interest of 10 percent or greater in any Principal or Controlling entity;

(4) evidence and certification that the tenants in the Development have been notified in writing of the proposed transfer at least thirty (30) calendar days prior to the date the transfer is approved by the Department. The ownership transfer approval letter will not be issued until this 30 day period has expired.

(g) Within five (5) business days after the date the Department receives all necessary information under this section, staff shall initiate a qualifications review of a transferee, in accordance with §1.5 of this title, to determine the transferee's past compliance with all aspects of the Department's programs, LURAs and eligibility under this chapter.

(h) Credit Limitation. As it relates to the Housing Tax Credit amount further described in §11.4(a) of this title (relating to Tax Credit Request and Award Limits), the credit amount will not be applied in circumstances described in paragraphs (1) and (2) of this subsection:

(1) in cases of transfers in which the syndicator, investor or limited partner is taking over ownership of the Development and not merely replacing the general partner; or

(2) in cases where the general partner is being replaced if the award of credits was made at least five (5) years prior to the transfer request date.

(i) Penalties. The Development Owner must comply with any additional documentation requirements as stated in Subchapter F of this chapter (relating to Compliance Monitoring). The Development Owner, as on record with the Department, will be liable for any penalties imposed by the Department even if such penalty can be attributable to the new Development Owner unless such ownership transfer is approved by the Department.

(j) Ownership Transfer Processing Fee. The ownership transfer request must be accompanied by corresponding ownership transfer fee as outlined in §10.901 of this chapter (relating to Fee Schedule).

Source Note: The provisions of this §10.406 adopted to be effective December 9, 2014, 39 TexReg 9518

1c

BOARD ACTION REQUEST

LEGAL DIVISION

OCTOBER 15, 2015

Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning Telstar Apartments (HTC 91022 / CMTS 951)

RECOMMENDED ACTION

WHEREAS, Telstar Apartments, owned by 2800 West Davis LLC, (“Owner”), formerly known as 5124 Live Oak LLC, has a history of uncorrected compliance findings relating to the applicable land use restriction agreement and the associated statutory and rule requirements;

WHEREAS, Owner’s representatives agreed, subject to Board approval, to enter into an Agreed Final Order stipulating that a violation had occurred and assessing an administrative penalty of \$0;

WHEREAS, all findings that had been referred for an administrative penalty were resolved informally upon the request of the Enforcement Committee and

WHEREAS, staff has based its recommendations for an Agreed Final Order on the Department’s rules for administrative penalties and an assessment of each and all of the statutory factors to be considered in assessing such penalties, applied specifically to the facts and circumstances present in this case,

NOW, therefore, it is hereby

RESOLVED, that an Agreed Final Order stipulating that a violation occurred at Telstar Apartments (HTC 91022 / CMTS 951), substantially in the form presented at this meeting, and authorizing any non-substantive technical corrections, is hereby adopted as the order of this Board.

BACKGROUND

2800 West Davis LLC, formerly known as 5124 Live Oak LLC ("Owner") is the owner of Telstar Apartments ("Property"), a low income apartment complex comprised of 100 units, located in Dallas. The Property is subject to a Land Use Restriction Agreement ("LURA") signed in 1991 in consideration for a Housing Tax Credit allocation to construct the Property.

TDHCA performed a file monitoring review on September 11, 2014, and a physical inspection on November 10, 2014. Violations were identified during each review, but the confirmation letters were not issued until February 1, 2015 and December 18, 2014, respectively. Meanwhile, Owner purchased the property without permission on November 26, 2014, before those confirmation letters were issued. The seller did notify Owner of the requirement to submit an ownership transfer request and also transferred the log-in information to access TDHCA's Compliance Monitoring and Tracking System ("CMTS"), so Owner had access to the letters when they were issued.

The following compliance violations were referred for an administrative penalty and were fully resolved on August 13, 2015, after intervention by the Enforcement Committee:

1. 2014 File Monitoring Violations:
 - a. Failure to provide documentation that household income was within prescribed limits upon initial occupancy for unit 2-108;
 - b. Failure to collect Annual Eligibility Certifications for units 1-210, 2-205, 2-206, 3-107, and 3-208;
 - c. Failure to provide an Affirmative Marketing Plan and associated marketing materials to groups identified as least likely to apply;
 - d. Failure to maintain written tenant selection criteria;
2. 2014 Uniform Physical Condition Standards ("UPCS") Violations, as indicated at Attachment 1;
3. Reporting Violation: Failure to submit all parts of the 2014 Annual Owner's Compliance Report.

This was Owner's first administrative penalty referral and the Enforcement Committee set a deadline for Owner to submit corrections in order to avoid an informal conference. If fully acceptable corrective documentation had been submitted by the deadline, the referral would have been closed with a warning letter. Only partial corrections were submitted by the deadline and no extension was requested. The complete affirmative marketing plan and UPCS corrections were not submitted until the Secretary of the Enforcement Committee made contact after the deadline to confirm the informal conference date and time. Acceptable corrections were ultimately submitted before the informal conference, and Owner representatives agreed to sign an Agreed Final Order stipulating that violations had occurred, and assessing an administrative penalty of \$0.00 for noncompliance at Telstar.

Consistent with direction from the Department's Enforcement Committee, an Agreed Final Order stipulating that a violation occurred is recommended, with an administrative penalty in the amount of \$0.

ATTACHMENT 1 - 2014 UPCS VIOLATIONS:

| | L1 | L2 | L3 | Deficiency Title | Roll | Exp | Notes |
|---------------------------------------|----|----------------------------|----------|--|------|-----|-----------------------------------|
| CMTS 951 - Telstar Apartments | | | | | | | |
| 510 Westmount Dallas, TX 75211 | | | | | | | |
| | | | X | Erosion/Rutting Areas | 0 | 0 | erosion bldg 2 |
| | | | X | Overgrown/Penetrating Vegetation | 0 | 0 | trees rubbing on bldg 2 |
| | | | X | Ponding/Site Drainage | 0 | 0 | drains clogged |
| | | Health & Safety | X | Hazards - Tripping | 0 | 0 | sidewalk uneven multiple location |
| Building Systems | | | | | | | |
| | | Sanitary System | X | Missing Drain/Cleanout/Manhole Covers | 0 | 0 | missing cap |
| Unit: 166 | | | | | | | |
| | | Doors | X | Damaged Frames/Threshold/Lintels/Trim | 0 | 0 | br1 damaged |
| | | | X | Deteriorated/Missing Seals (Entry Only) | 0 | 0 | front entry seal deteriorated |
| | | Smoke Detector | X | Missing/Inoperable | 0 | 0 | br1 missing - repaired |
| | | Walls | X | Damaged | 0 | 0 | br2 |
| Unit: 174 | | | | | | | |
| | | Health & Safety | X | Emergency Fire Exits - Emergency/Fire Exits Blocked/Unusable | 0 | 0 | entry double key |
| | | Smoke Detector | X | Missing/Inoperable | 0 | 0 | br1 missing - repaired |
| Unit: 209 | | | | | | | |
| | | Kitchen | X | Dishwasher/Garbage Disposal - Damaged/Inoperable | 0 | 0 | dishwasher inoperable |
| Unit: 215 | | | | | | | |
| | | Doors | X | Damaged Hardware/Locks | 0 | 0 | br1 latch |
| | | | X | Damaged Surface (Holes/Paint/Rusting) | 0 | 0 | bath1 hole |
| | | Kitchen | X | Refrigerator-Missing/Damaged/Inoperable | 0 | 0 | gasket |
| Unit: 217 | | | | | | | |
| | | Smoke Detector | X | Missing/Inoperable | 0 | 0 | missing - repaired |
| Building Exterior | | | | | | | |
| | | Roofs | X | Missing/Damaged Components from Downspout/Gutter | 0 | 0 | gutters damaged |
| Unit: 102 (ms. 103) | | | | | | | |
| | | Bathroom | X | Plumbing - Leaking Faucet/Pipes | 0 | 0 | toilet leaking |
| Unit: 107 | | | | | | | |
| | | Health & Safety | X | Infestation - Insects | 0 | 0 | roaches |

| | L1 | L2 | L3 | Deficiency Title | Roll | Exp | Notes |
|---------------------------------------|----|----|----|--|------|-----|---------------------------|
| CMTS 951 - Telstar Apartments | | | | | | | |
| 510 Westmount Dallas, TX 75211 | | | | | | | |
| Building | | | | | | | |
| Unit: 107 | | | | | | | |
| | | | X | Smoke Detector Missing/Inoperable | 0 | 0 | missing x2 |
| Unit: 119 | | | | | | | |
| | | | X | Health & Safety Emergency Fire Exits - Emergency/Fire Exits Blocked/Unusable | 0 | 0 | br1 tv blocking egress |
| | | | X | Smoke Detector Missing/Inoperable | 0 | 0 | br1 missing - repaired |
| Unit: 123 | | | | | | | |
| | | | X | Doors Deteriorated/Missing Seals (Entry Only) | 0 | 0 | light around edge |
| Unit: 206 | | | | | | | |
| | | | X | Kitchen Dishwasher/Garbage Disposal - Damaged/Inoperable | 0 | 0 | dishwasher inoperable |
| Unit: 211 | | | | | | | |
| | | | X | Kitchen Range/Stove - Missing/Damaged/Inoperable | 0 | 0 | 2 burner inoperable |
| | | | X | Smoke Detector Missing/Inoperable | 0 | 0 | br1 inoperable - repaired |
| Building | | | | | | | |
| Building Exterior | | | | | | | |
| | | | X | Roofs Damaged/Clogged Drains | 0 | 0 | gutters clogged |
| Unit: 106 | | | | | | | |
| | | | X | Doors Damaged Surface (Holes/Paint/Rusting) | 0 | 0 | br1 damaged |
| | | | X | Health & Safety Infestation - Insects | 0 | 0 | roaches |
| | | | X | Emergency Fire Exits - Emergency/Fire Exits Blocked/Unusable | 0 | 0 | br2 locks blocking egress |
| | | | X | Smoke Detector Missing/Inoperable | 0 | 0 | missing |
| Unit: 110 | | | | | | | |
| | | | X | Walls Damaged | 0 | 0 | hallway hole |
| Unit: 202 | | | | | | | |
| | | | X | Health & Safety Emergency Fire Exits - Emergency/Fire Exits Blocked/Unusable | 0 | 0 | br1 a/c blocking egress |
| | | | X | Kitchen Dishwasher/Garbage Disposal - Damaged/Inoperable | 0 | 0 | dishwasher inoperable |
| Unit: 208 | | | | | | | |
| | | | X | Bathroom Lavatory Sink - Damaged/Missing | 0 | 0 | deteriorated |
| | | | X | Plumbing - Leaking Faucet/Pipes | 0 | 0 | bath1 leak |

| | L1 | L2 | L3 | Deficiency Title | Roll | Exp | Notes |
|---------------------------------------|----|----|----------|--|------|-----|--|
| CMTS 951 - Telstar Apartments | | | | | | | |
| 510 Westmount Dallas, TX 75211 | | | | | | | |
| Unit: 210 | | | | | | | |
| | | | X | Deteriorated/Missing Seals (Entry Only) | 0 | 0 | entry seal damaged |
| Unit: 212 | | | | | | | |
| | | | X | Garbage and Debris - Indoors | 0 | 0 | garbage throughout not in container |
| Building Systems | | | | | | | |
| | | | X | Missing/Damaged/Expired Extinguishers | 0 | 0 | expired x2 |
| Closet/Utility/Mechanical | | | | | | | |
| | | | X | Missing Covers | 0 | 0 | missing cover exposed connections |
| Building Systems | | | | | | | |
| | | | X | Leaking Central Water Supply | 0 | 0 | boiler lines leaking |
| | | | X | Missing/Damaged/Expired Extinguishers | 0 | 0 | expired x2 |
| Closet/Utility/Mechanical | | | | | | | |
| | | | X | Missing Covers | 0 | 0 | missing cover exposed connections |
| Building Exterior | | | | | | | |
| | | | X | Electrical Hazards - Exposed Wires/Open Panels | 0 | 0 | damaged covon outlet exposed connections |
| Building Systems | | | | | | | |
| | | | X | Missing/Damaged/Expired Extinguishers | 0 | 0 | expired |
| Closet/Utility/Mechanical | | | | | | | |
| | | | X | Missing Breakers | 0 | 0 | missing breakers |
| | | | X | Missing Covers | 0 | 0 | missing cover on timer |

ENFORCEMENT ACTION AGAINST
2800 WEST DAVIS LLC F/K/A 5124
LIVE OAK LLC WITH RESPECT TO
TELSTAR APARTMENTS
(HTC FILE # 91022 / CMTS # 951)

§
§
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§
§

BEFORE THE
TEXAS DEPARTMENT OF
HOUSING AND
COMMUNITY AFFAIRS

AGREED FINAL ORDER

General Remarks and official action taken:

On this 15th day of October, 2015, the Governing Board ("Board") of the Texas Department of Housing and Community Affairs ("TDHCA") considered the matter of whether enforcement action should be taken against **2800 WEST DAVIS LLC F/K/A 5124 LIVE OAK LLC**, a Texas limited liability company ("Respondent").

This Agreed Order is executed pursuant to the authority of the Administrative Procedure Act ("APA"), Tex. Gov't Code §2001.056, which authorizes the informal disposition of contested cases. In a desire to conclude this matter without further delay and expense, the Board and Respondent agree to resolve this matter by this Agreed Final Order. The Respondent agrees to this Order for the purpose of resolving this proceeding only and without admitting or denying the findings of fact and conclusions of law set out in this Order.

Upon recommendation of the Enforcement Committee, the Board makes the following findings of fact and conclusions of law and enters this Order:

WAIVER

Respondent acknowledges the existence of their right to request a hearing as provided by TEX. GOV'T CODE § 2306.044, and to seek judicial review, in the District Court of Travis County, Texas, of any order as provided by TEX. GOV'T CODE § 2306.047. Pursuant to this compromise and settlement, the Respondent waives those rights and acknowledges the jurisdiction of the Board over Respondent.

FINDINGS OF FACT

Jurisdiction:

1. During 1991, Telstar Associates ("Prior Owner") was awarded an allocation of Low Income Housing Tax Credits by the Board, in an annual amount of \$29,250 to build and operate Telstar Apartments ("Property") (HTC file No. 91022 / CMTS No. 951 / LDLD No. 291).

2. Prior Owner signed a land use restriction agreement (“LURA”) regarding the Property. The LURA was effective September 9, 1991, and filed of record at Volume 91175, Page 5593 of the Official Public Records of Real Property of Dallas County, Texas (“Records”). In accordance with Section 2 of the LURA, the LURA is a restrictive covenant/deed restriction encumbering the property and binding on all successors and assigns for the full term of the LURA.
3. Respondent purchased the property on November 26, 2014, without permission from TDHCA, and submitted a retroactive ownership transfer request on July 16, 2015. Respondent has agreed to comply with the terms of the LURA going forward, and ownership transfer approval was issued by TDHCA on September 1, 2015.
4. Respondent is a Texas limited liability company that is qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a housing development that is subject to the regulatory authority of TDHCA.

Compliance Violations¹:

5. An on-site monitoring review was conducted on September 11, 2014, to determine whether Respondent was in compliance with LURA requirements to lease units to low income households and maintain records demonstrating eligibility. The monitoring review found violations of the LURA and TDHCA rules. Notification of noncompliance was issued via the Compliance Monitoring and Tracking System (“CMTS”) on February 1, 2015, after the ownership transfer had been completed, and a May 2, 2015 corrective action deadline was set.
 - a. Respondent failed to provide documentation that household income was within prescribed limits upon initial occupancy for unit 2-108, a violation of 10 TEX. ADMIN. CODE §10.611 (Determination, Documentation and Certification of Annual Income) and Section 4 of the LURA, which require screening of tenants to ensure qualification for the program;
 - b. Respondent failed to collect data in the form of an Annual Eligibility Certification for units 1-210, 2-205, 2-206, 3-107, and 3-208, a violation of 10 TEX. ADMIN. CODE §10.612 (Tenant File Requirements), which requires developments to annually collect an Annual Eligibility Certification form from each household.
 - c. Respondent failed to provide an affirmative marketing plan, a violation of 10 TEX. ADMIN. CODE §10.617 (Affirmative Marketing Requirements), which requires developments to approve and distribute an affirmative marketing plan and to distribute marketing materials to selected marketing organizations that reach groups identified as least likely to apply and to the disabled.

¹ Within this Agreed Final Order, all references to violations of TDHCA Compliance Monitoring rules at 10 TEX. ADMIN. CODE, CHAPTERS 10 AND 60 refer to the versions of the code in effect at the time of the compliance monitoring reviews and/or inspections that resulted in recording each violation. All past violations remain violations under the current code and all interim amendments.

- d. Respondent failed to maintain written tenant selection criteria, a violation of 10 TEX. ADMIN. CODE §10.610 (Tenant Selection Criteria), which requires all developments to establish written tenant selection criteria that meet minimum TDHCA requirements.
 - e. Final and fully acceptable corrective documentation for the above file monitoring violations was received on August 10, 2013, after intervention by the Enforcement Committee.
6. A Uniform Physical Condition Standards ("UPCS") inspection was conducted on November 10, 2014. Inspection reports showed numerous serious property condition violations as indicated at Attachment 1, a violation of 10 TEX. ADMIN. CODE § 10.621 (Property Condition Standards). Notification of noncompliance was issued via CMTS on December 18, 2014, after the ownership transfer had been completed, and a May 18, 2015, corrective action deadline was set. Final and fully acceptable corrective documentation was received on August 13, 2015, after intervention by the Enforcement Committee.
 7. On May 8, 2015, TDHCA sent notice that Respondent had failed to timely submit their 2014 Annual Owner's Compliance Report that came due on April 30, 2015, a violation of 10 TEX. ADMIN. CODE §10.607 (Reporting Requirements), which requires each development to submit an Annual Owner's Compliance Report. The final section, Part B, was submitted on July 1, 2015, after intervention by the Enforcement Committee.
 8. All of the above violations are considered resolved at the time of this order.

CONCLUSIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to Tex. Gov't Code §§2306.041-.0503, 10 TEX. ADMIN. CODE § 1.14 and 10 TEX. ADMIN. CODE Chapter 60, both of which were replaced by 10 TEX. ADMIN. CODE §2 as of November 19, 2014.
2. Respondent is a "housing sponsor" as that term is defined in Tex. Gov't Code §2306.004(14).
3. Pursuant to IRC §42(m)(1)(B)(iii), housing credit agencies are required to monitor for noncompliance with all provisions of the IRC and to notify the Internal Revenue Service of such noncompliance.
4. Respondent violated Section 4 of the LURA and 10 TEX. ADMIN. CODE §10.611 by failing to provide documentation that household income was within prescribed limits upon initial occupancy for unit 2-108.
5. Respondent violated 10 TEX. ADMIN. CODE §10.612 by failing to collect Annual Eligibility Certifications for 5 units.
6. Respondent violated 10 TEX. ADMIN. CODE §10.617 by failing to provide a complete affirmative marketing plan, along with marketing materials.

7. Respondent violated 10 TEX. ADMIN. CODE §10.610 by not maintaining written tenant selection criteria meeting TDHCA requirements;
8. Respondent violated 10 TEX. ADMIN. CODE § 10.621 and I.R.C. §42, as amended, by failing to comply with HUD's Uniform Physical Condition Standards when major violations were discovered and not timely corrected.²
9. Respondent violated 10 TEX. ADMIN. CODE §10.607 in 2015 by failing to timely submit all parts of the Annual Owner's Compliance Report for the year 2014.
10. Because Respondent is a housing sponsor with respect to the Property, and has violated TDHCA rules and agreements, the Board has personal and subject matter jurisdiction over Respondent pursuant to TEX. GOV'T CODE §2306.041 and §2306.267.
11. Because Respondent is a housing sponsor, TDHCA may order Respondent to perform or refrain from performing certain acts in order to comply with the law, TDHCA rules, or the terms of a contract or agreement to which Respondent and TDHCA are parties, pursuant to Tex. Gov't Code §2306.267.
12. Because Respondent has violated rules promulgated pursuant to Tex. Gov't Code Chapter 2306, and has violated agreements with the Agency that Respondent is subject to, the Agency may impose an administrative penalty pursuant to TEX. GOV'T CODE §2306.041.
13. An administrative penalty of \$0 is an appropriate penalty in accordance with 10 TAC §§60.307 and 60.308, which were in place at the time of the violation. It remains appropriate under the replacement rule at 10 TEX. ADMIN. CODE §2, which became effective on November 19, 2014.

Based upon the foregoing findings of fact and conclusions of law, and an assessment of the factors set forth in Tex. Gov't Code §2306.042 to be considered in assessing such penalties as applied specifically to the facts and circumstances present in this case, the Board of the Texas Department of Housing and Community Affairs orders the following:

IT IS HEREBY ORDERED that Respondent is assessed an administrative penalty in the amount of \$0.

IT IS FURTHER ORDERED that Respondent shall follow the requirements of 10 Tex. Admin. Code 10.406, a copy of which is included at Attachment 1, and obtain approval from the Department prior to consummating a sale of the property, if contemplated.

IT IS FURTHER ORDERED that the terms of this Agreed Final Order shall be published on the TDHCA website.

² HUD's Uniform Physical Condition Standards are the standards adopted by TDHCA pursuant to 10 TEX. ADMIN. CODE 10.621(a)

Approved by the Governing Board of TDHCA on _____, 2015.

By: _____
Name: J. Paul Oxer
Title: Chair of the Board of TDHCA

By: _____
Name: James "Beau" Eccles
Title: Secretary of the Board of TDHCA

THE STATE OF TEXAS §
§
COUNTY OF _____ §

Before me, the undersigned notary public, on this _____ day of _____, 2015, personally appeared J. Paul Oxer, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

Notary Public, State of Texas

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

Before me, the undersigned notary public, on this _____ day of _____, 2015, personally appeared James "Beau" Eccles, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

Notary Public, State of Texas

STATE OF TEXAS §
 §
COUNTY OF _____ §

BEFORE ME, _____, a notary public in and for the State of _____, on this day personally appeared Hudson Henley, known to me or proven to me through _____ to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (he/she) executed the same for the purposes and consideration therein expressed, who being by me duly sworn, deposed as follows:

1. "My name is _____, I am of sound mind, capable of making this statement, and personally acquainted with the facts herein stated.
2. I hold the office of _____ for Respondent. I am the authorized representative of Respondent, owner of Telstar Apartments, which is subject to a Land Use Restriction Agreement monitored by the TDHCA in the State of Texas, and I am duly authorized by Respondent to execute this document.
3. Respondent knowingly and voluntarily enters into this Agreed Final Order, and agrees with and consents to the issuance and service of the foregoing Agreed Order by the Board of the Texas Department of Housing and Community Affairs."

RESPONDENT:

2800 WEST DAVIS LLC F/K/A 5124 LIVE OAK LLC,
a Texas limited liability company

By: _____

Name: Hudson Henley

Title: _____

Given under my hand and seal of office this _____ day of _____, 2015.

Signature of Notary Public

Printed Name of Notary Public

NOTARY PUBLIC IN AND FOR THE STATE OF _____

My Commission Expires: _____

Attachment 1

Texas Administrative Code

| | |
|---------------------|---|
| <u>TITLE 10</u> | COMMUNITY DEVELOPMENT |
| <u>PART 1</u> | TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS |
| <u>CHAPTER 10</u> | UNIFORM MULTIFAMILY RULES |
| <u>SUBCHAPTER E</u> | POST AWARD AND ASSET MANAGEMENT REQUIREMENTS |
| RULE §10.406 | Ownership Transfers (§2306.6713) |

(a) Ownership Transfer Notification. All multifamily Development Owners must provide written notice to the Department at least thirty (30) calendar days prior to any sale, transfer, or exchange of the Development or any portion of or Controlling interest in the Development. Transfers that are the result of an involuntary removal of the general partner by the investment limited partner must be reported to the Department, as soon as possible due to the sensitive timing and nature of this decision. If the Department determines that the transfer, involuntary removal, or replacement was due to a default by the General Partner under the Limited Partnership Agreement, or other detrimental action that put the Development at risk of failure, staff may make a recommendation to the Board for the debarment of the entity and/or its Principals and Affiliates pursuant to the Department's debarment rule. In addition, a record of transfer involving Principals in new proposed awards will be reported and may be taken into consideration by the Executive Award and Review Committee, in accordance with §1.5 of this title (relating to Previous Participation Reviews), prior to recommending any new financing or allocation of credits.

(b) Requirement. Department approval must be requested for any new member to join in the ownership of a Development. Exceptions include changes to the investment limited partner, non-controlling limited partner, or other partners affiliated with the investment limited partner, or changes resulting from foreclosure wherein the lender or financial institution involved in the transaction is the resulting owner. Any subsequent transfer of the Development will be required to adhere to the process in this section. Furthermore, a Development Owner may not transfer an allocation of tax credits or ownership of a Development supported with an allocation of tax credits to any Person or entity 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 requested in compliance with this section. Notwithstanding the foregoing, a Development Owner shall be required to notify the Department but shall not be required to obtain Executive Director approval when the transferee is an Affiliate of the Development Owner with no new members or the transferee is a Related Party who does not Control the Development and the transfer is being made for estate planning purposes.

(c) Transfers Prior to 8609 Issuance or Construction Completion. Transfers (other than those that do not require Executive Director approval, as set forth in subsection (b) of this section) will not be approved prior to the issuance of IRS Form(s) 8609 (for Housing Tax Credits) or the completion of construction (for all Developments funded through other Department programs) unless the Development Owner can provide evidence that the need for the transfer is due to a hardship (ex. potential bankruptcy, removal by a partner, etc.). The Development Owner must provide the Department with a written explanation describing the hardship and a copy of any applicable agreement between the parties to the transfer, including any Third-Party agreement.

(d) Non-Profit Organizations. If the ownership transfer request is to replace a non-profit organization within the Development ownership entity, the replacement non-profit entity must adhere to the requirements in paragraph (1) or (2) of this subsection.

(1) If the LURA requires ownership or material participation in ownership by a Qualified Non-Profit Organization, and the Development received Tax Credits pursuant to §42(h)(5) of the Code, the transferee must be a Qualified Non-Profit Organization that meets the requirements of §42(h)(5) of the Code and

Texas Government Code §2306.6706.

(2) If the LURA requires ownership or material participation in ownership by a qualified non-profit organization, but the Development did not receive Tax Credits pursuant to §42(h)(5) of the Code, the Development Owner must show that the transferee is a non-profit organization that complies with the LURA.

(e) Historically Underutilized Business ("HUB") Organizations. If a HUB is the general partner of a Development Owner and it (i) is being removed as the result of a default under the organizational documents of the Development Owner or (ii) determines to sell its ownership interest, in either case, after the issuance of 8609s, the purchaser of that general partnership interest is not required to be a HUB as long as the LURA does not require such continual ownership or a material LURA amendment is approved. Such approval can be obtained concurrent with Board approval described herein. All such transfers must be approved by the Board and require that the Board find that:

(1) the selling HUB is acting of its own volition or is being removed as the result of a default under the organizational documents of the Development Owner;

(2) the participation by the HUB has been substantive and meaningful, or would have been substantial and meaningful had the HUB not defaulted under the organizational documents of the Development Owner, enabling it to realize not only financial benefit but to acquire skills relating to the ownership and operation of affordable housing; and

(3) the proposed purchaser meets the Department's standards for ownership transfers

(f) Documentation Required. A Development Owner must submit documentation requested by the Department to enable the Department to understand fully the facts and circumstances that gave rise to the need for the transfer and the effects of approval or denial. Documentation includes but is not limited to:

(1) a written explanation outlining the reason for the request;

(2) a list of the names of transferees and Related Parties;

(3) detailed information describing the experience and financial capacity of transferees and related parties holding an ownership interest of 10 percent or greater in any Principal or Controlling entity;

(4) evidence and certification that the tenants in the Development have been notified in writing of the proposed transfer at least thirty (30) calendar days prior to the date the transfer is approved by the Department. The ownership transfer approval letter will not be issued until this 30 day period has expired.

(g) Within five (5) business days after the date the Department receives all necessary information under this section, staff shall initiate a qualifications review of a transferee, in accordance with §1.5 of this title, to determine the transferee's past compliance with all aspects of the Department's programs, LURAs and eligibility under this chapter.

(h) Credit Limitation. As it relates to the Housing Tax Credit amount further described in §11.4(a) of this title (relating to Tax Credit Request and Award Limits), the credit amount will not be applied in circumstances described in paragraphs (1) and (2) of this subsection:

(1) in cases of transfers in which the syndicator, investor or limited partner is taking over ownership of the Development and not merely replacing the general partner; or

(2) in cases where the general partner is being replaced if the award of credits was made at least five (5) years prior to the transfer request date.

(i) Penalties. The Development Owner must comply with any additional documentation requirements as stated in Subchapter F of this chapter (relating to Compliance Monitoring). The Development Owner, as on record with the Department, will be liable for any penalties imposed by the Department even if such penalty can be attributable to the new Development Owner unless such ownership transfer is approved by the Department.

(j) Ownership Transfer Processing Fee. The ownership transfer request must be accompanied by corresponding ownership transfer fee as outlined in §10.901 of this chapter (relating to Fee Schedule).

Source Note: The provisions of this §10.406 adopted to be effective December 9, 2014, 39 TexReg 9518

1d

BOARD ACTION REQUEST

LEGAL DIVISION

OCTOBER 15, 2015

Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning Weldon Blackard (HOME 539112 / CMTS 2706)

RECOMMENDED ACTION

WHEREAS, Weldon Blackard Rental (HOME 539112 / CMTS 2706), owned by Neighborhood Housing Services of Dimmit County, Inc., ("Owner") has a history of uncorrected compliance findings relating to the applicable land use restriction agreement and the associated statutory and rule requirements;

WHEREAS, on September 22, 2015, Owner's representatives met with the Enforcement Committee and agreed, subject to Board approval, to enter into an Agreed Final Order assessing an administrative penalty of \$2,500, with \$250 to be paid on or before November 16, 2015, and the remaining \$2,250 to be forgiven if all violations are resolved as instructed in the Agreed Final Order on or before November 16, 2015;

WHEREAS, unresolved compliance findings include: utility allowance violation that caused a gross rent violation for one unit, Fair Housing Disclosure Notice violation for one unit, household income above limit upon initial occupancy violations for six units and

WHEREAS, staff has based its recommendations for an Agreed Final Order on the Department's rules for administrative penalties and an assessment of each and all of the statutory factors to be considered in assessing such penalties, applied specifically to the facts and circumstances present in this case,

NOW, therefore, it is hereby

RESOLVED, that an Agreed Final Order assessing an administrative penalty of \$2,500, subject to partial forgiveness as outlined above for noncompliance at Weldon Blackard Rental (HOME 539112 / CMTS 2706), substantially in the form presented at this meeting, and authorizing any non-substantive technical corrections, is hereby adopted as the order of this Board.

BACKGROUND

Neighborhood Housing Services of Dimmit County, Inc. ("Owner") is the owner of Weldon Blackard Rental ("Property"), a low income apartment complex comprised of 12 units, located in Big Wells, Dimmit County. The Property is subject to a Land Use Restriction Agreement ("LURA") signed in 2000 in consideration for an allocation of HOME Funds in the amount of \$544,680 for construction.

The following compliance violations were referred for an administrative penalty and later resolved on August 21, 2015, after intervention by the Enforcement Committee:

1. 2014 Annual Owner's Compliance Report Violation;
2. Household income violations for units 1603(1), 1603.5(2), and 1601(3);
3. Tenant income certification violation for unit 1603.5(2);
4. Property-wide Notice of Amenities and Services violation;
5. Nonresidential use violation for Unit 1601(3).

The following compliance violations were referred for an administrative penalty and are unresolved:

1. Utility allowance violation;
2. Household income violations for units 1601.5(4), 1602(5), 1602.5(6), 1604.5(8), 1606(9), and 1606.5(10);
3. Fair Housing Disclosure Notice violation for unit 1602.5(6).

A new gross rent violation was also identified while reviewing utility allowance documentation submitted after intervention by the Enforcement Committee. An improper utility allowance resulted in overcharged rent for unit 1603(1). This new violation has not yet been issued by the Compliance Division and is not yet subject to an administrative penalty, but must be resolved before the utility allowance violation above can be marked as corrected. Therefore, this gross rent violation is addressed in the utility allowance corrective instructions in the Agreed Final Order.

Owner met with the Enforcement Committee on September 22, 2015, and agreed to sign an Agreed Final Order with the following terms:

1. A \$2,500 administrative penalty, subject to partial forgiveness as indicated below;
2. Owner must correct the file monitoring violations as indicated in the Agreed Final Order, and submit full documentation of the corrections to TDHCA on or before November 16, 2015;
3. Owner must submit \$250 portion of the administrative penalty on or before November 16, 2015;
4. If Owner complies with all requirements and addresses all violations as required, the remaining \$2,250 portion of the administrative penalty will be forgiven; and
5. If Owner violates any provision of the Agreed Final Order, the full administrative penalty will immediately come due and payable.

Consistent with direction from the Department's Enforcement Committee, a probated and, upon successful completion of probation, partially forgivable administrative penalty in the amount of \$2,500 is recommended.

ENFORCEMENT ACTION AGAINST
NEIGHBORHOOD HOUSING
SERVICES OF DIMMIT COUNTY,
INC. WITH RESPECT TO
WELDON BLACKARD RENTAL
(HOME FILE # 539112 / CMTS # 2706)

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BEFORE THE
TEXAS DEPARTMENT OF
HOUSING AND
COMMUNITY AFFAIRS

AGREED FINAL ORDER

General Remarks and official action taken:

On this 15th day of October, 2015, the Governing Board ("Board") of the Texas Department of Housing and Community Affairs ("TDHCA") considered the matter of whether enforcement action should be taken against **NEIGHBORHOOD HOUSING SERVICES OF DIMMIT COUNTY, INC.**, a Texas nonprofit corporation ("Respondent").

This Agreed Order is executed pursuant to the authority of the Administrative Procedure Act ("APA"), Tex. Gov't Code §2001.056, which authorizes the informal disposition of contested cases. In a desire to conclude this matter without further delay and expense, the Board and Respondent agree to resolve this matter by this Agreed Final Order. The Respondent agrees to this Order for the purpose of resolving this proceeding only and without admitting or denying the findings of fact and conclusions of law set out in this Order.

Upon recommendation of the Enforcement Committee, the Board makes the following findings of fact and conclusions of law and enters this Order:

WAIVER

Respondent acknowledges the existence of their right to request a hearing as provided by TEX. GOV'T CODE § 2306.044, and to seek judicial review, in the District Court of Travis County, Texas, of any order as provided by TEX. GOV'T CODE § 2306.047. Pursuant to this compromise and settlement, the Respondent waives those rights and acknowledges the jurisdiction of the Board over Respondent.

FINDINGS OF FACT

Jurisdiction:

1. During 1999, Respondent was awarded an allocation of HOME funds Low Income by the Board, in the total amount of \$544,680 to build and operate Weldon Blackard Rental ("Property") (HOME file No. 539112 / CMTS No. 2706 / LDLD No. 101).

2. Respondent signed a land use restriction agreement (“LURA”) regarding the Property. The LURA was effective July 13, 2000, and filed of record at Volume 278, Page 01 of the Official Public Records of Real Property of Dimmit County, Texas (“Records”).
3. Respondent is a Texas nonprofit corporation that is qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a housing development that is subject to the regulatory authority of TDHCA.

Compliance Violations¹:

4. On May 8, 2015, TDHCA sent notice that Respondent had failed to timely submit their 2014 Annual Owner’s Compliance Report, a violation of 10 TEX. ADMIN. CODE §10.607 (Reporting Requirements), which requires each development to submit an Annual Owner’s Compliance Report.

The final parts were submitted on August 13, 2015, 105 days past the deadline, after intervention by the Enforcement Committee.

5. An on-site monitoring review was conducted on March 25, 2014, to determine whether Respondent was in compliance with LURA requirements to lease units to low income households and maintain records demonstrating eligibility. The monitoring review found violations of the LURA and TDHCA rules. Notifications of noncompliance were sent and a January 12, 2015, corrective action deadline was set. Corrective documentation was timely submitted on January 9, 2015, but none of the documentation was acceptable and the following violations were referred for an administrative penalty:
 - a. Respondent failed to properly calculate the utility allowance for the property, a violation of 10 TEX. ADMIN. CODE §10.614 (Utility Allowances), which requires all developments to establish a utility allowance. The finding remains unresolved.
 - b. Respondent failed to provide documentation that household incomes were within prescribed limits upon initial occupancy for units 1603(1), 1603.5(2), 1601(3), 1601.5(4), 1602(5), 1602.5(6), 1604.5(8), 1606(9), 1606.5(10), a violation of 10 TEX. ADMIN. CODE §10.611 (Determination, Documentation and Certification of Annual Income) and Section 4.3 of the LURA, which require screening of tenants to ensure qualification for the program. Acceptable corrective documentation for units 1603(1), 1603.5(2), and 1601(3) was submitted on August 21, 2015, 221 days past the deadline, after intervention by the Enforcement Committee. Findings for units 1601.5(4), 1602(5), 1602.5(6), 1604.5(8), 1606(9), and 1606.5(10) remain unresolved.

¹ Within this Agreed Final Order, all references to violations of TDHCA Compliance Monitoring rules at 10 TEX. ADMIN. CODE, CHAPTERS 10 AND 60 refer to the versions of the code in effect at the time of the compliance monitoring reviews and/or inspections that resulted in recording each violation. All past violations remain violations under the current code and all interim amendments.

- c. Respondent failed to complete a Tenant Income Certification for unit 1603.5(2), a violation of 10 TEX. ADMIN. CODE §10.612 (Tenant File Requirements), which requires developments to certify each household's income to ensure eligibility. Acceptable corrective documentation was submitted on August 21, 2015, 221 days past the deadline, after intervention by the Enforcement Committee.
- d. Respondent failed to provide the Fair Housing Disclosure Notice for unit 1602.5(6), a violation of 10 TEX. ADMIN. CODE § 10.612 (Tenant File Requirements), which requires all developments to provide prospective households with a fair housing disclosure notice within a certain time period. This form has since been combined with the Notice of Amenities and Services into a replacement document called a "Tenant Rights and Resources Guide."

A Fair Housing Disclosure Notice was submitted on January 1, 2015, however it was backdated and, therefore, unacceptable. The finding is now uncorrectable because the household moved out on September 30, 2014, without signing during the appropriate time period.
- e. Respondent failed to provide a Notice of Amenities and Services property-wide, a violation of 10 TEX. ADMIN. CODE §10.613 (Lease Requirements), which required owners to provide to each household, at the time of execution of an initial lease and whenever there was a subsequent change in amenities and services, a notice describing those amenities and services. This form has since been combined with the Fair Housing Disclosure Notice into a replacement document called a "Tenant Rights and Resources Guide." Acceptable corrective documentation was submitted on August 21, 2015, 221 days past the deadline, after intervention by the Enforcement Committee.
- f. Unit 1601(3) was not being used for non-residential use and was unoccupied from August 1, 2011 to July 15, 2014, a violation of Section 2.3 of the LURA, which requires 100% of the units to be leased to individuals or families with income levels at or below the levels stipulated by the Department. Acceptable corrective documentation was submitted on August 21, 2015, 221 days past the deadline, after intervention by the Enforcement Committee.

6. The following violations remain outstanding at the time of this order:

- a. Utility allowance violation described in FOF #5a;
- b. Household income violations, described in FOF #5b; and
- c. Fair Housing Disclosure Notice violation described in FOF #5d.

CONCLUSIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to Tex. Gov't Code §§2306.041-.0503, 10 TEX. ADMIN. CODE § 1.14 and 10 TEX. ADMIN. CODE Chapter 60, both of which were replaced by 10 TEX. ADMIN. CODE §2 as of November 19, 2014.
2. Respondent is a "housing sponsor" as that term is defined in Tex. Gov't Code §2306.004(14).
3. Respondent violated 10 TEX. ADMIN. CODE §10.607 in 2015, by failing to submit Annual Owner's Compliance Reports for the year 2014;
4. Respondent violated 10 TEX. ADMIN. CODE § 10.614 in 2014, by failing to properly calculate a utility allowance;
5. Respondent violated 10 TEX. ADMIN. CODE §10.611 and Section 4.3 of the LURA in 2014, by failing to provide documentation that household incomes were within prescribed limits upon initial occupancy for 9 units;
6. Respondent violated 10 TEX. ADMIN. CODE §10.612 in 2014, by failing to provide tenant income certification and documentation to ensure qualification for the program;
7. Respondent violated 10 TEX. ADMIN. CODE §10.612 in 2014, by failing to execute the Fair Housing Disclosure Notice during the appropriate time frame for 1 unit;
8. Respondent violated 10 TEX. ADMIN. CODE §10.613 in 2014, by failing to execute the Notice of Amenities and Services property-wide;
9. Respondent violated representations made on page 1 of the LURA between 2011 and 2014, by using unit 1601(3) for non-residential use instead of being available for occupancy.
10. Because Respondent is a housing sponsor with respect to the Property, and has violated TDHCA rules and agreements, the Board has personal and subject matter jurisdiction over Respondent pursuant to TEX. GOV'T CODE §2306.041 and §2306.267.
11. Because Respondent is a housing sponsor, TDHCA may order Respondent to perform or refrain from performing certain acts in order to comply with the law, TDHCA rules, or the terms of a contract or agreement to which Respondent and TDHCA are parties, pursuant to Tex. Gov't Code §2306.267.
12. Because Respondent has violated rules promulgated pursuant to Tex. Gov't Code Chapter 2306 and has violated agreements with the Agency to which Respondent is a party, the Agency may impose an administrative penalty pursuant to TEX. GOV'T CODE §2306.041.

13. An administrative penalty of \$2,500 is an appropriate penalty in accordance with 10 TAC §§60.307 and 60.308, which were in place at the time of the violation. It remains appropriate under the replacement rule at 10 TEX. ADMIN. CODE §2, which became effective on November 19, 2014.

Based upon the foregoing findings of fact and conclusions of law, and an assessment of the factors set forth in Tex. Gov't Code §2306.042 to be considered in assessing such penalties as applied specifically to the facts and circumstances present in this case, the Board of the Texas Department of Housing and Community Affairs orders the following:

IT IS HEREBY ORDERED that Respondent is assessed an administrative penalty in the amount of \$2,500, subject to deferral as further ordered below.

IT IS FURTHER ORDERED that Respondent shall pay and is hereby directed to pay a \$250 portion of the assessed administrative penalty by cashier's check payable to the "Texas Department of Housing and Community Affairs" on or before November 16, 2015.

IT IS FURTHER ORDERED that Respondent shall fully correct the file monitoring violations as indicated in Attachments 1 and 2, and submit full documentation of the corrections to TDHCA on or before November 16, 2015.

IT IS FURTHER ORDERED that Respondent shall follow the requirements of 10 Tex. Admin. Code 10.406, a copy of which is included at Attachment 3, and obtain approval from the Department prior to consummating a sale of the property, if contemplated.

IT IS FURTHER ORDERED that if Respondent timely and fully complies with the terms and conditions of this Agreed Final Order, correcting all violations as required, the satisfactory performance under this order will be accepted in lieu of the remaining assessed administrative penalty in the amount of \$2,250, and that remaining amount of the administrative penalty will be deferred and forgiven.

IT IS FURTHER ORDERED that if Respondent fails to satisfy any conditions or otherwise violates any provision of this order, then the remaining administrative penalty in the amount of \$2,250 shall be immediately due and payable to the Department. Such payment shall be made by cashier's check payable to the "Texas Department of Housing and Community Affairs" upon the earlier of (1) within thirty days of the date the Department sends written notice to Respondent that it has violated a provision of this Order, or (2) the property closing date if sold before the terms and conditions of this Agreed Final Order have been fully satisfied.

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IT IS FURTHER ORDERED that corrective documentation must be uploaded to the Compliance Monitoring and Tracking System (“CMTS”) by following the instructions at this link: <http://www.tdhca.state.tx.us/pmcdocs/CMTSUserGuide-AttachingDocs.pdf>. After the upload is complete, an email must be sent to Ysella Kaseman at ysella.kaseman@tdhca.state.tx.us to inform her that the documentation is ready for review. If it comes due and payable, the penalty payment must be submitted to the following address:

| If via overnight mail (FedEx, UPS): | If via USPS: |
|---|--|
| TDHCA Attn: Ysella Kaseman 221 E 11 th St Austin, Texas 78701 | TDHCA Attn: Ysella Kaseman P.O. Box 13941 Austin, Texas 78711 |

IT IS FURTHER ORDERED that the terms of this Agreed Final Order shall be published on the TDHCA website.

[Remainder of page intentionally blank]

Approved by the Governing Board of TDHCA on _____, 2015.

By: _____

Name: J. Paul Ozer

Title: Chair of the Board of TDHCA

By: _____

Name: James "Beau" Eccles

Title: Secretary of the Board of TDHCA

THE STATE OF TEXAS §
§
COUNTY OF _____ §

Before me, the undersigned notary public, on this _____ day of _____, 2015, personally appeared J. Paul Ozer, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

Notary Public, State of Texas

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

Before me, the undersigned notary public, on this _____ day of _____, 2015, personally appeared James "Beau" Eccles, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

Notary Public, State of Texas

STATE OF TEXAS §
 §
COUNTY OF _____ §

BEFORE ME, _____, a notary public in and for the State of _____, on this day personally appeared _____, known to me or proven to me through _____ to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (he/she) executed the same for the purposes and consideration therein expressed, who being by me duly sworn, deposed as follows:

1. "My name is _____, I am of sound mind, capable of making this statement, and personally acquainted with the facts herein stated.
2. I hold the office of _____ for Respondent. I am the authorized representative of Respondent, owner of Weldon Blackard Rental, which is subject to a Land Use Restriction Agreement monitored by the TDHCA in the State of Texas, and I am duly authorized by Respondent to execute this document.
3. Respondent knowingly and voluntarily enters into this Agreed Final Order, and agrees with and consents to the issuance and service of the foregoing Agreed Order by the Board of the Texas Department of Housing and Community Affairs."

RESPONDENT:

**NEIGHBORHOOD HOUSING SERVICES OF
DIMMIT COUNTY, INC.,**

By: _____
Name: Manuel Estrada
Title: _____

Given under my hand and seal of office this _____ day of _____, 2015.

Signature of Notary Public

Printed Name of Notary Public

NOTARY PUBLIC IN AND FOR THE STATE OF _____

My Commission Expires: _____

Attachment 1

File Monitoring Violation Resources and Instructions

1. Refer to the following link for all references to the rules at 10 TEX. ADMIN. CODE §10 that are referenced below:

[http://texreg.sos.state.tx.us/public/readtac\\$ext.ViewTAC?tac_view=5&ti=10&pt=1&ch=10&sch=F&rl=Y](http://texreg.sos.state.tx.us/public/readtac$ext.ViewTAC?tac_view=5&ti=10&pt=1&ch=10&sch=F&rl=Y)

2. Refer to the following link for copies of forms that are referenced below:

<http://www.tdhca.state.tx.us/pmcomp/forms.htm>

3. Technical support and training presentations are available at the following links:

Video/Audio Training: <http://www.tdhca.state.tx.us/pmcomp/presentations.htm>

Income and Rent Limits: <http://www.tdhca.state.tx.us/pmcomp/irl/index.htm>

Utility Allowance: <http://www.tdhca.state.tx.us/pmcomp/utility-allowance.htm>

Online Reporting: <http://www.tdhca.state.tx.us/pmcomp/reports.htm>

FAQ's: <http://www.tdhca.state.tx.us/pmcomp/compFaq.htm>

4. **Utility Allowance – PENDING INSTRUCTIONS FROM COMPLIANCE RELATING TO NEW GROSS RENT FINDING FOR UNIT 1603(1)**
5. **Fair Housing Disclosure Notice Violation for unit 1602(5)** – Affected tenant has moved out and there is no corrective action available. Ensure that the Tenant Rights and Resources Guide has been properly implemented at the property. No further documentation to be submitted.
6. **Household income above limit upon initial occupancy for units 1601.5(4), 1602(5), 1602.5(6), 1604.5(8), 1606(9), and 1606.5(10)** – Follow instructions in chart below.

| Circumstance with respect to units listed above | Required Action |
|---|--|
| If unit is occupied by a qualified household | Submit the full tenant file, including the tenant application, verifications of all sources of income and assets, tenant income certification, lease, lease addendum, and Tenant Rights and Resources Guide Acknowledgment. |
| If unit is occupied by a nonqualified household on a month-to-month lease | <ol style="list-style-type: none"> 1. Follow your normal procedures for terminating residency and provide a copy of documentation to TDHCA. 2. As soon as the unit is occupied by a qualified household, you must submit the full tenant file, including the tenant application, verifications of all sources of income and assets, tenant income certification, lease, lease addendum, and Tenant Rights and Resources Guide Acknowledgment. Receipt after 11/16/2015 is acceptable for this circumstance provided that Requirement 1 is fulfilled. |

| | |
|---|---|
| <p>If unit is occupied by a nonqualified household with a non-expired lease</p> | <ol style="list-style-type: none"> 1. Issue a nonrenewal notice to tenant and provide a copy to TDHCA. 2. As soon as the unit is occupied by a qualified household, you must submit the full tenant file, including the tenant application, verifications of all sources of income and assets, tenant income certification, lease, lease addendum, and Tenant Rights and Resources Guide Acknowledgment. Receipt after 11/16/2015 is acceptable for this circumstance provided that Requirement 1 is fulfilled. |
| <p>If unit is vacant</p> | <ol style="list-style-type: none"> 1. Unit must be made ready for occupancy and a letter certifying that it is ready must be submitted to TDHCA. 2. As soon as the unit is occupied by a qualified household, you must submit the full tenant file, including the tenant application, verifications of all sources of income and assets, tenant income certification, lease, lease addendum, and Tenant Rights and Resources Guide Acknowledgment. Receipt after 11/16/2015 is acceptable for this circumstance provided that Requirement 1 is fulfilled. |

Attachment 2

Tenant File Guidelines

The following technical support does not represent a complete list of all file requirements and is intended only as a guide. TDHCA staff recommends that all onsite staff responsible for accepting and processing applications sign up for First Thursday Training in order to get a full overview of the process. Sign up at <http://www.tdhca.state.tx.us/pmcomp/COMPtrain.html>. Forms discussed below are available at: <http://www.tdhca.state.tx.us/pmcomp/forms.htm>.

1. **Intake Application:** The Department does not have a required form to screen households, but we make this form available for that purpose. It is required that households be screened for household composition, income and assets. Applicants must complete all blanks on the application and answer all questions. Any lines left intentionally blank should be marked with "none" or "n/a." The application must be signed and dated by all adult household members, using the date that the form is actually completed.
2. **Verify Income:** Each source of income and asset must be documented for every adult household member based upon the information disclosed on the application. There are multiple methods:
 - a. **First hand verifications:** Paystubs or payroll print-outs that show gross income. If you choose this method, ensure that you consistently collect a specified number of consecutive check stubs as defined in your management plan;
 - b. **Employment Verification Form:** Part 1 must be completed by you and signed by the tenant. Part 2 must be completed by the employer. To prevent fraud, you must submit the form directly to the employer and must not allow the tenant to handle it. You should ensure that the person completing the employer portion has authority to do so and has access to all applicable information in order to verify the employment income. If you receive the verification via mail, retain the envelope. If you receive it via fax, ensure that the fax stamp is on it;
 - c. **Verification of non-employment income:** You must obtain verifications for all other income sources, such as child support, social security, and/or unemployment benefits;
 - d. **Telephone Verifications:** these are acceptable *only* for clarifying discrepancies and cannot be used as primary form of verification. Include your name, the date, the name of the person with whom you spoke, and your signature;
 - e. **Certification of Zero Income:** If an adult household member does not report any sources of income on the application, this form can be used to document thorough screening and to document the source of funds used to pay for rent, utilities, and/or other necessities.

3. **Verify Assets:** Regardless of their balances, applicants must report all assets owned, including assets such as checking or savings accounts. The accounts are typically disclosed on the application form, but you must review all documentation from the tenant to ensure proper documentation of the household's income and assets. For instance, review the credit report (if you pull one), application, pay stubs, and other documents to ensure that all information is consistent. Examples of ways to find assets that are frequently overlooked: Review pay stubs for assets such as checking and retirement accounts that the household may have forgotten to include in the application. These accounts must also be verified. Format of verifications:
 - a. **Under \$5000 Asset Certification Form:** If the total cash value of the assets owned by members of the household is less than \$5,000, as reported on the Intake Application, the TDHCA Under \$5,000 Asset Certification form may be used to verify assets. If applicable, follow the instructions to complete one form per household that includes everyone's assets, even minors, and have all adults sign and date using the date that the form is actually completed.
 - b. **First hand verifications** such as bank statements to verify a checking account. Ensure that you use a consistent number of consecutive statements, as identified in your management plan.
 - c. **3rd party verifications** using the TDHCA Asset Verification form. As with the "Employment Verification Form" discussed above, Part 1 must be completed by you and signed by the tenant. Part 2 must be completed by the employer. To prevent fraud, you must submit the form directly to the employer and must not allow the tenant to handle it. You should ensure that the person completing the employer portion has authority to do so and has access to all applicable information in order to verify the employment income. If you receive the verification via mail, retain the envelope. If you receive it via fax, ensure that the fax stamp is on it.
4. **Tenant Income Certification Form:** Upon verification of all income and asset sources disclosed on the application and any additional information found in the documentation submitted by the tenant, the next step is to annualize the sources on the Income Certification Form, add them together, and compare to the applicable income limit for household size which can be found at <http://www.tdhca.state.tx.us/pmcomp/irl/index.htm>. Be sure to include any income derived from assets. The form must include (and be signed by) each adult household member.
5. **Lease:** Must conform with your LURA and TDHCA requirements and indicate a rent below the maximum rent limits, which can be found at <http://www.tdhca.state.tx.us/pmcomp/irl/index.htm>. When determining the rent, ensure that the tenant's rent, plus the utility allowance, plus any mandatory fees, are below the maximum limits set by TDHCA. 10 Tex. Admin. Code §10.613(a) prohibits the eviction or termination of tenancy of low income households for reasons other than good cause throughout the affordability period in accordance with Revenue Ruling 2004-82. In addition, 10 Tex. Admin. Code §10.613(e) prohibits HTC developments from locking out or threatening to lock out any development resident, or seizing or threatening to seize personal property of a resident, except by judicial process, for purposes of performing necessary repairs or construction work, or in case of emergency. The prohibitions must be included in the lease or lease addendum. The Texas Apartment Association has an affordable lease addendum that has incorporated this required language. If you are not a TAA member, you can draft a lease addendum using the requirements outlined above.

6. **Tenant Rights and Resources Guide:** As of 1/8/2015, the Fair Housing Disclosure Notice and Tenant Amenities and Services Notice have been replaced by the Tenant Rights and Resources Guide, a copy of which is available online at: <http://www.tdhca.state.tx.us/pmcdocs/FairHousingDisclosureBooklet.doc>.

In accordance with 10 TAC §10.613(k), a laminated copy of this guide must be posted in a common area of the leasing office. Development must also provide a copy of the guide to each household during the application process and upon any subsequent changes to the items described at paragraph b) below. The Tenant Rights and Resources Guide includes:

- a) Information about Fair Housing and tenant choice; and
- b) Information regarding common amenities, unit amenities, and services.

A representative of the household must receive a copy of the Tenant Rights and Resources Guide and sign an acknowledgment of receipt of the brochure prior to, but no more than 120 days prior to, the initial lease execution date.

In the event that there is a prior finding for a Fair Housing Disclosure Notice, Tenant Amenities and Services Notice, the Tenant Rights and Resources Guide was not provided timely, or the household does not certify to receipt of the Tenant Rights and Resources Guide, correction will be achieved by providing the household with the Tenant Rights and Resources Guide and receiving a signed acknowledgment. A copy of the acknowledgment form is available at: <http://www.tdhca.state.tx.us/pmcdocs/FairHousingDisclosureSignaturePage.pdf>.

Attachment 3:

Texas Administrative Code

| | |
|---------------------|---|
| <u>TITLE 10</u> | COMMUNITY DEVELOPMENT |
| <u>PART 1</u> | TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS |
| <u>CHAPTER 10</u> | UNIFORM MULTIFAMILY RULES |
| <u>SUBCHAPTER E</u> | POST AWARD AND ASSET MANAGEMENT REQUIREMENTS |
| <u>RULE §10.406</u> | Ownership Transfers (§2306.6713) |

(a) Ownership Transfer Notification. All multifamily Development Owners must provide written notice to the Department at least thirty (30) calendar days prior to any sale, transfer, or exchange of the Development or any portion of or Controlling interest in the Development. Transfers that are the result of an involuntary removal of the general partner by the investment limited partner must be reported to the Department, as soon as possible due to the sensitive timing and nature of this decision. If the Department determines that the transfer, involuntary removal, or replacement was due to a default by the General Partner under the Limited Partnership Agreement, or other detrimental action that put the Development at risk of failure, staff may make a recommendation to the Board for the debarment of the entity and/or its Principals and Affiliates pursuant to the Department's debarment rule. In addition, a record of transfer involving Principals in new proposed awards will be reported and may be taken into consideration by the Executive Award and Review Committee, in accordance with §1.5 of this title (relating to Previous Participation Reviews), prior to recommending any new financing or allocation of credits.

(b) Requirement. Department approval must be requested for any new member to join in the ownership of a Development. Exceptions include changes to the investment limited partner, non-controlling limited partner, or other partners affiliated with the investment limited partner, or changes resulting from foreclosure wherein the lender or financial institution involved in the transaction is the resulting owner. Any subsequent transfer of the Development will be required to adhere to the process in this section. Furthermore, a Development Owner may not transfer an allocation of tax credits or ownership of a Development supported with an allocation of tax credits to any Person or entity 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 requested in compliance with this section. Notwithstanding the foregoing, a Development Owner shall be required to notify the Department but shall not be required to obtain Executive Director approval when the transferee is an Affiliate of the Development Owner with no new members or the transferee is a Related Party who does not Control the Development and the transfer is being made for estate planning purposes.

(c) Transfers Prior to 8609 Issuance or Construction Completion. Transfers (other than those that do not require Executive Director approval, as set forth in subsection (b) of this section) will not be approved prior to the issuance of IRS Form(s) 8609 (for Housing Tax Credits) or the completion of construction (for all Developments funded through other Department programs) unless the Development Owner can provide evidence that the need for the transfer is due to a hardship (ex. potential bankruptcy, removal by a partner, etc.). The Development Owner must provide the Department with a written explanation describing the hardship and a copy of any applicable agreement between the parties to the transfer, including any Third-Party agreement.

(d) Non-Profit Organizations. If the ownership transfer request is to replace a non-profit organization within the Development ownership entity, the replacement non-profit entity must adhere to the requirements in paragraph (1) or (2) of this subsection.

(1) If the LURA requires ownership or material participation in ownership by a Qualified Non-Profit Organization, and the Development received Tax Credits pursuant to §42(h)(5) of the Code, the transferee must be a Qualified Non-Profit Organization that meets the requirements of §42(h)(5) of the Code and

Texas Government Code §2306.6706.

(2) If the LURA requires ownership or material participation in ownership by a qualified non-profit organization, but the Development did not receive Tax Credits pursuant to §42(h)(5) of the Code, the Development Owner must show that the transferee is a non-profit organization that complies with the LURA.

(e) Historically Underutilized Business ("HUB") Organizations. If a HUB is the general partner of a Development Owner and it (i) is being removed as the result of a default under the organizational documents of the Development Owner or (ii) determines to sell its ownership interest, in either case, after the issuance of 8609s, the purchaser of that general partnership interest is not required to be a HUB as long as the LURA does not require such continual ownership or a material LURA amendment is approved. Such approval can be obtained concurrent with Board approval described herein. All such transfers must be approved by the Board and require that the Board find that:

(1) the selling HUB is acting of its own volition or is being removed as the result of a default under the organizational documents of the Development Owner;

(2) the participation by the HUB has been substantive and meaningful, or would have been substantial and meaningful had the HUB not defaulted under the organizational documents of the Development Owner, enabling it to realize not only financial benefit but to acquire skills relating to the ownership and operation of affordable housing; and

(3) the proposed purchaser meets the Department's standards for ownership transfers

(f) Documentation Required. A Development Owner must submit documentation requested by the Department to enable the Department to understand fully the facts and circumstances that gave rise to the need for the transfer and the effects of approval or denial. Documentation includes but is not limited to:

(1) a written explanation outlining the reason for the request;

(2) a list of the names of transferees and Related Parties;

(3) detailed information describing the experience and financial capacity of transferees and related parties holding an ownership interest of 10 percent or greater in any Principal or Controlling entity;

(4) evidence and certification that the tenants in the Development have been notified in writing of the proposed transfer at least thirty (30) calendar days prior to the date the transfer is approved by the Department. The ownership transfer approval letter will not be issued until this 30 day period has expired.

(g) Within five (5) business days after the date the Department receives all necessary information under this section, staff shall initiate a qualifications review of a transferee, in accordance with §1.5 of this title, to determine the transferee's past compliance with all aspects of the Department's programs, LURAs and eligibility under this chapter.

(h) Credit Limitation. As it relates to the Housing Tax Credit amount further described in §11.4(a) of this title (relating to Tax Credit Request and Award Limits), the credit amount will not be applied in circumstances described in paragraphs (1) and (2) of this subsection:

(1) in cases of transfers in which the syndicator, investor or limited partner is taking over ownership of the Development and not merely replacing the general partner; or

(2) in cases where the general partner is being replaced if the award of credits was made at least five (5) years prior to the transfer request date.

(i) Penalties. The Development Owner must comply with any additional documentation requirements as stated in Subchapter F of this chapter (relating to Compliance Monitoring). The Development Owner, as on record with the Department, will be liable for any penalties imposed by the Department even if such penalty can be attributable to the new Development Owner unless such ownership transfer is approved by the Department.

(j) Ownership Transfer Processing Fee. The ownership transfer request must be accompanied by corresponding ownership transfer fee as outlined in §10.901 of this chapter (relating to Fee Schedule).

Source Note: The provisions of this §10.406 adopted to be effective December 9, 2014, 39 TexReg 9518

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BOARD ACTION REQUEST

LEGAL DIVISION

OCTOBER 15, 2015

Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning Lincoln Courts (HOME 533186 / CMTS 2631)

RECOMMENDED ACTION

WHEREAS, Lincoln Courts, owned by the Baytown Housing Authority, (“Owner”) has a history of uncorrected compliance findings relating to the applicable land use restriction agreement and the associated statutory and rule requirements;

WHEREAS, Owner’s representatives attended an informal conference on September 22, 2015, and agreed, subject to Board approval, to enter into an Agreed Final Order stipulating that a violation had occurred, and assessing a \$0 administrative penalty;

WHEREAS, all findings that had been referred for an administrative penalty were resolved informally upon the request of the Enforcement Committee; and

WHEREAS, staff has based its recommendations for an Agreed Final Order on the Department’s rules for administrative penalties and an assessment of each and all of the statutory factors to be considered in assessing such penalties, applied specifically to the facts and circumstances present in this case;

NOW, therefore, it is hereby

RESOLVED, that an Agreed Final Order stipulating that a violation occurred at Lincoln Courts (HOME 533186 / CMTS 2631), substantially in the form presented at this meeting, and authorizing any non-substantive technical corrections, is hereby adopted as the order of this Board.

BACKGROUND

The Baytown Housing Authority ("Owner") is the owner of Lincoln Courts ("Property"), a low income apartment complex composed of 30 units, located in Baytown, Harris County. The Property is subject to a Land Use Restriction Agreement ("LURA") signed in 1999 in consideration for an allocation of HOME funds in the amount of \$750,000 to rehabilitate the Property.

The following compliance violations identified during the 2014 file monitoring review were referred for an administrative penalty and resolved on August 17, 2015, after intervention by the Enforcement Committee.

1. Fair Housing Disclosure Notice violations for units 1, 2, 3, 9, 13, and 26.
2. Notice of Amenities and Services violations for unit 21.

The following compliance violations were referred for an administrative penalty and cannot be resolved because the affected tenants moved out without signing. No corrective action is available.

1. Fair Housing Disclosure Notice violations units 7, 19, 23, and 30.
2. Notice of Amenities and Services violations units 7, 23, and 30.

The property has been referred for an administrative penalty multiple times and corrective documentation for the above violations was not received until prompted by an informal conference notice from the Enforcement Committee. The previous penalty referral resulted in a LURA amendment to extend the affordability period. Since the property has been referred previously, the Committee did not offer an opportunity to submit corrections and close the administrative penalty referral with a warning letter, as it does for an initial referral. Corrective documentation was received before the informal conference to address all correctable violations and Owner representatives agreed to sign an Agreed Final Order stipulating that violations had occurred, and assessing an administrative penalty of \$0 for noncompliance at Lincoln Courts.

Consistent with direction from the Department's Enforcement Committee, an Agreed Final Order stipulating that a violation occurred is recommended, with an administrative penalty in the amount of \$0.

ENFORCEMENT ACTION AGAINST
BAYTOWN HOUSING AUTHORITY
WITH RESPECT TO LINCOLN
COURTS (HOME FILE # 533186 /
CMTS # 2631)

§
§
§
§
§

BEFORE THE
TEXAS DEPARTMENT OF
HOUSING AND
COMMUNITY AFFAIRS

AGREED FINAL ORDER

General Remarks and official action taken:

On this 15th day of October, 2015, the Governing Board ("Board") of the Texas Department of Housing and Community Affairs ("TDHCA") considered the matter of whether enforcement action should be taken against **BAYTOWN HOUSING AUTHORITY**, a public housing authority ("Respondent").

This Agreed Order is executed pursuant to the authority of the Administrative Procedure Act ("APA"), Tex. Gov't Code §2001.056, which authorizes the informal disposition of contested cases. In a desire to conclude this matter without further delay and expense, the Board and Respondent agree to resolve this matter by this Agreed Final Order. The Respondent agrees to this Order for the purpose of resolving this proceeding only and without admitting or denying the findings of fact and conclusions of law set out in this Order.

Upon recommendation of the Enforcement Committee, the Board makes the following findings of fact and conclusions of law and enters this Order:

WAIVER

Respondent acknowledges the existence of their right to request a hearing as provided by TEX. GOV'T CODE § 2306.044, and to seek judicial review, in the District Court of Travis County, Texas, of any order as provided by TEX. GOV'T CODE § 2306.047. Pursuant to this compromise and settlement, the Respondent waives those rights and acknowledges the jurisdiction of the Board over Respondent.

FINDINGS OF FACT

Jurisdiction:

1. During 1999, Respondent was awarded an allocation of HOME funds by the Board, in an the total amount of \$750,000 to rehabilitate Lincoln Courts ("Property") (HTC file No. 533186 / CMTS No. 2631 / LDLD No. 38).

2. Respondent signed a land use restriction agreement (“LURA”) regarding the Property. The LURA was effective March 26, 1999, and filed of record at Clerk’s File Number T906411, and recorded in Film Code 527-45-2256 of the Official Public Records of Real Property of Harris County, Texas (“Records”), as amended by a First Amendment executed on November 6, 2009, and filed in the Records at Document Number 201000045910.
3. Respondent is a Texas public housing authority that is qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a housing development that is subject to the regulatory authority of TDHCA.

Compliance Violations¹:

4. An on-site monitoring review was conducted on August 21, 2014, to determine whether Respondent was in compliance with LURA requirements to lease units to low income households and maintain records demonstrating eligibility. The monitoring review found violations of the LURA and TDHCA rules. Notifications of noncompliance were sent and a January 21, 2015, corrective action deadline was set. The following violations were not corrected before the corrective action deadline:

- a. Respondent failed to provide the Fair Housing Disclosure Notice for units 1, 2, 3, 7, 9, 13, 19, 23, 26, and 30, a violation of 10 TEX. ADMIN. CODE §10.612 (Tenant File Requirements), which requires all developments to provide prospective households with a fair housing disclosure notice within a certain time period. This form has since been combined with the Notice of Amenities and Services into a replacement document called a “Tenant Rights and Resources Guide.”

Partially acceptable corrective documentation was submitted on August 17, 2015, 208 days past the corrective deadline, after an administrative penalty informal conference notice was sent. The finding was corrected for units 1, 2, 3, 9, 13, and 26. The finding is uncorrectable for units 7, 19, 23, and 30 because the households moved out without signing during the appropriate time period.

- b. Respondent failed to provide a Notice of Amenities and Services to units 7, 21, 23, and 30, a violation of 10 TEX. ADMIN. CODE §10.613 (Lease Requirements), which required owners to provide to each household, at the time of execution of an initial lease and whenever there was a subsequent change in amenities and services, a notice describing those amenities and services. This form has since been combined with the Fair Housing Disclosure Notice into a replacement document called a “Tenant Rights and Resources Guide.”

¹ Within this Agreed Final Order, all references to violations of TDHCA Compliance Monitoring rules at 10 TEX. ADMIN. CODE, CHAPTERS 10 AND 60 refer to the versions of the code in effect at the time of the compliance monitoring reviews and/or inspections that resulted in recording each violation. All past violations remain violations under the current code and all interim amendments.

Partially acceptable corrective documentation was submitted on August 17, 2015, 208 days past the corrective deadline, after an administrative penalty informal conference notice was sent. The finding was corrected for unit 21. The finding is uncorrectable for units 7, 23, and 30 because the households moved out without signing during the appropriate time period.

5. As indicated above, the only remaining unresolved violations relate to households that have moved out, and for which no corrective action is available.

CONCLUSIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to Tex. Gov't Code §§2306.041-.0503, 10 TEX. ADMIN. CODE § 1.14 and 10 TEX. ADMIN. CODE Chapter 60, both of which were replaced by 10 TEX. ADMIN. CODE §2 as of November 19, 2014.
2. Respondent is a "housing sponsor" as that term is defined in Tex. Gov't Code §2306.004(14).
3. Respondent violated 10 TEX. ADMIN. CODE §10.612 in 2014, by failing to execute the Fair Housing Disclosure Notice during the appropriate time frame for 10 units;
4. Respondent violated 10 TEX. ADMIN. CODE §10.613 in 2014, by failing to execute the Notice of Amenities and Services for 4 units;
5. Because Respondent is a housing sponsor with respect to the Property, and has violated TDHCA rules and agreements, the Board has personal and subject matter jurisdiction over Respondent pursuant to TEX. GOV'T CODE §2306.041 and §2306.267.
6. Because Respondent is a housing sponsor, TDHCA may order Respondent to perform or refrain from performing certain acts in order to comply with the law, TDHCA rules, or the terms of a contract or agreement to which Respondent and TDHCA are parties, pursuant to Tex. Gov't Code §2306.267.
7. Because Respondent has violated rules promulgated pursuant to Tex. Gov't Code Chapter 2306 and has violated agreements with the Agency to which Respondent is a party, the Agency may impose an administrative penalty pursuant to TEX. GOV'T CODE §2306.041.
8. An administrative penalty of \$0 is an appropriate penalty in accordance with 10 TAC §§60.307 and 60.308, which were in place at the time of the violation. It remains appropriate under the replacement rule at 10 TEX. ADMIN. CODE §2, which became effective on November 19, 2014.

Based upon the foregoing findings of fact and conclusions of law, and an assessment of the factors set forth in Tex. Gov't Code §2306.042 to be considered in assessing such penalties as applied specifically to the facts and circumstances present in this case, the Board of the Texas Department of Housing and Community Affairs orders the following:

IT IS HEREBY ORDERED that Respondent is assessed an administrative penalty in the amount of \$0.

IT IS FURTHER ORDERED that Respondent shall follow the requirements of 10 Tex. Admin. Code 10.406, a copy of which is included at Attachment 1, and obtain approval from the Department prior to consummating a sale of the property, if contemplated.

IT IS FURTHER ORDERED that the terms of this Agreed Final Order shall be published on the TDHCA website.

[Remainder of page intentionally blank]

Approved by the Governing Board of TDHCA on _____, 2015.

By: _____
Name: J. Paul Oxer
Title: Chair of the Board of TDHCA

By: _____
Name: James "Beau" Eccles
Title: Secretary of the Board of TDHCA

THE STATE OF TEXAS §
§
COUNTY OF _____ §

Before me, the undersigned notary public, on this _____ day of _____, 2015, personally appeared J. Paul Oxer, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

Notary Public, State of Texas

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

Before me, the undersigned notary public, on this _____ day of _____, 2015, personally appeared James "Beau" Eccles, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

Notary Public, State of Texas

STATE OF TEXAS §
 §
COUNTY OF _____§

BEFORE ME, _____, a notary public in and for the State of _____, on this day personally appeared _____, known to me or proven to me through _____ to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (he/she) executed the same for the purposes and consideration therein expressed, who being by me duly sworn, deposed as follows:

1. "My name is _____, I am of sound mind, capable of making this statement, and personally acquainted with the facts herein stated.
2. I hold the office of _____ for Respondent. I am the authorized representative of Respondent, owner of Lincoln Courts, which is subject to a Land Use Restriction Agreement monitored by the TDHCA in the State of Texas, and I am duly authorized by Respondent to execute this document.
3. Respondent knowingly and voluntarily enters into this Agreed Final Order, and agrees with and consents to the issuance and service of the foregoing Agreed Order by the Board of the Texas Department of Housing and Community Affairs."

RESPONDENT:

BAYTOWN HOUSING AUTHORITY, a public housing authority

By: _____

Name: Joyce Young

Title: Executive Director

Given under my hand and seal of office this _____ day of _____, 2015.

Signature of Notary Public

Printed Name of Notary Public

NOTARY PUBLIC IN AND FOR THE STATE OF _____

My Commission Expires: _____

Attachment 1

Texas Administrative Code

| | |
|---------------------|---|
| <u>TITLE 10</u> | COMMUNITY DEVELOPMENT |
| <u>PART 1</u> | TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS |
| <u>CHAPTER 10</u> | UNIFORM MULTIFAMILY RULES |
| <u>SUBCHAPTER E</u> | POST AWARD AND ASSET MANAGEMENT REQUIREMENTS |
| RULE §10.406 | Ownership Transfers (§2306.6713) |

(a) Ownership Transfer Notification. All multifamily Development Owners must provide written notice to the Department at least thirty (30) calendar days prior to any sale, transfer, or exchange of the Development or any portion of or Controlling interest in the Development. Transfers that are the result of an involuntary removal of the general partner by the investment limited partner must be reported to the Department, as soon as possible due to the sensitive timing and nature of this decision. If the Department determines that the transfer, involuntary removal, or replacement was due to a default by the General Partner under the Limited Partnership Agreement, or other detrimental action that put the Development at risk of failure, staff may make a recommendation to the Board for the debarment of the entity and/or its Principals and Affiliates pursuant to the Department's debarment rule. In addition, a record of transfer involving Principals in new proposed awards will be reported and may be taken into consideration by the Executive Award and Review Committee, in accordance with §1.5 of this title (relating to Previous Participation Reviews), prior to recommending any new financing or allocation of credits.

(b) Requirement. Department approval must be requested for any new member to join in the ownership of a Development. Exceptions include changes to the investment limited partner, non-controlling limited partner, or other partners affiliated with the investment limited partner, or changes resulting from foreclosure wherein the lender or financial institution involved in the transaction is the resulting owner. Any subsequent transfer of the Development will be required to adhere to the process in this section. Furthermore, a Development Owner may not transfer an allocation of tax credits or ownership of a Development supported with an allocation of tax credits to any Person or entity 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 requested in compliance with this section. Notwithstanding the foregoing, a Development Owner shall be required to notify the Department but shall not be required to obtain Executive Director approval when the transferee is an Affiliate of the Development Owner with no new members or the transferee is a Related Party who does not Control the Development and the transfer is being made for estate planning purposes.

(c) Transfers Prior to 8609 Issuance or Construction Completion. Transfers (other than those that do not require Executive Director approval, as set forth in subsection (b) of this section) will not be approved prior to the issuance of IRS Form(s) 8609 (for Housing Tax Credits) or the completion of construction (for all Developments funded through other Department programs) unless the Development Owner can provide evidence that the need for the transfer is due to a hardship (ex. potential bankruptcy, removal by a partner, etc.). The Development Owner must provide the Department with a written explanation describing the hardship and a copy of any applicable agreement between the parties to the transfer, including any Third-Party agreement.

(d) Non-Profit Organizations. If the ownership transfer request is to replace a non-profit organization within the Development ownership entity, the replacement non-profit entity must adhere to the requirements in paragraph (1) or (2) of this subsection.

(1) If the LURA requires ownership or material participation in ownership by a Qualified Non-Profit Organization, and the Development received Tax Credits pursuant to §42(h)(5) of the Code, the transferee must be a Qualified Non-Profit Organization that meets the requirements of §42(h)(5) of the Code and

Texas Government Code §2306.6706.

(2) If the LURA requires ownership or material participation in ownership by a qualified non-profit organization, but the Development did not receive Tax Credits pursuant to §42(h)(5) of the Code, the Development Owner must show that the transferee is a non-profit organization that complies with the LURA.

(e) Historically Underutilized Business ("HUB") Organizations. If a HUB is the general partner of a Development Owner and it (i) is being removed as the result of a default under the organizational documents of the Development Owner or (ii) determines to sell its ownership interest, in either case, after the issuance of 8609s, the purchaser of that general partnership interest is not required to be a HUB as long as the LURA does not require such continual ownership or a material LURA amendment is approved. Such approval can be obtained concurrent with Board approval described herein. All such transfers must be approved by the Board and require that the Board find that:

(1) the selling HUB is acting of its own volition or is being removed as the result of a default under the organizational documents of the Development Owner;

(2) the participation by the HUB has been substantive and meaningful, or would have been substantial and meaningful had the HUB not defaulted under the organizational documents of the Development Owner, enabling it to realize not only financial benefit but to acquire skills relating to the ownership and operation of affordable housing; and

(3) the proposed purchaser meets the Department's standards for ownership transfers

(f) Documentation Required. A Development Owner must submit documentation requested by the Department to enable the Department to understand fully the facts and circumstances that gave rise to the need for the transfer and the effects of approval or denial. Documentation includes but is not limited to:

(1) a written explanation outlining the reason for the request;

(2) a list of the names of transferees and Related Parties;

(3) detailed information describing the experience and financial capacity of transferees and related parties holding an ownership interest of 10 percent or greater in any Principal or Controlling entity;

(4) evidence and certification that the tenants in the Development have been notified in writing of the proposed transfer at least thirty (30) calendar days prior to the date the transfer is approved by the Department. The ownership transfer approval letter will not be issued until this 30 day period has expired.

(g) Within five (5) business days after the date the Department receives all necessary information under this section, staff shall initiate a qualifications review of a transferee, in accordance with §1.5 of this title, to determine the transferee's past compliance with all aspects of the Department's programs, LURAs and eligibility under this chapter.

(h) Credit Limitation. As it relates to the Housing Tax Credit amount further described in §11.4(a) of this title (relating to Tax Credit Request and Award Limits), the credit amount will not be applied in circumstances described in paragraphs (1) and (2) of this subsection:

(1) in cases of transfers in which the syndicator, investor or limited partner is taking over ownership of the Development and not merely replacing the general partner; or

(2) in cases where the general partner is being replaced if the award of credits was made at least five (5) years prior to the transfer request date.

(i) Penalties. The Development Owner must comply with any additional documentation requirements as stated in Subchapter F of this chapter (relating to Compliance Monitoring). The Development Owner, as on record with the Department, will be liable for any penalties imposed by the Department even if such penalty can be attributable to the new Development Owner unless such ownership transfer is approved by the Department.

(j) Ownership Transfer Processing Fee. The ownership transfer request must be accompanied by corresponding ownership transfer fee as outlined in §10.901 of this chapter (relating to Fee Schedule).

Source Note: The provisions of this §10.406 adopted to be effective December 9, 2014, 39 TexReg 9518

1f

BOARD ACTION REQUEST

ASSET MANAGEMENT

OCTOBER 15, 2015

Presentation, Discussion, and Possible Action regarding a material amendment to the Housing Tax Credit (“HTC”) application Villas on the Hill in Fort Worth (#09135/09961)

RECOMMENDED ACTION

WHEREAS, Villas on the Hill received an award of 9% Housing Tax Credits in 2009 to construct 72 multifamily units in Fort Worth;

WHEREAS, the Housing Tax Credits were later exchanged under the Tax Credit Exchange Program and the Owner received an award of Exchange funds in the amount of \$7,894,851;

WHEREAS, the Owner is requesting approval for a 6.49% reduction to the Net Rentable Area (“NRA”) square footage, from 75,710 square feet to 70,798 square feet;

WHEREAS, under Texas Government Code §2306.6712 and 10 TAC §10.405(a)(4)(D), Board approval is required for a reduction of 3% or more in the square footage of the units or common areas;

NOW, therefore, it is hereby

RESOLVED, that the requested application amendment is granted and the Executive Director and his designees are each authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

Villas on the Hill (formerly known as Lincoln Terrace) was submitted and approved for a 9% HTC allocation during the 2009 cycle. The Development Owner, the Fort Worth Housing Authority, later exchanged the housing tax credits under the Tax Credit Exchange Program, and received an award of Exchange funds in the amount of \$7,894,851. The Development placed in service in 2011, and the cost certification documentation was submitted to the Department in 2012.

During the cost certification review process, it was revealed that the total unit square footage of the Development decreased by 6.49% from what was represented in the Application. At Application, the proposed NRA was 75,710 square feet, but as-built and certified to by the development architect, the final NRA is 70,798 square feet. Information in the final cost certification shows that the individual square footages for each of the unit types decreased slightly. A table summarizing the changes is below:

| | Application | Cost Certification |
|------------------|-------------|--------------------|
| Unit Type | Size | Size |
| 1BR/1BA | 775 sf | 740 sf |
| 2BR/1BA | 1,080 sf | 1,001 sf |
| 3BR/2BA | 1,295 sf | 1,215 sf |
| Total | 75,710 sf | 70,798 sf |

In a letter dated June 20, 2014, the Development Owner (Fort Worth Housing Authority, Attn: Brian Dennison) requested approval from the Department for the reduction in square footage. While the Owner explained which dimensions of the buildings changed that resulted in the reduced NRA, the Owner has not been able to support why the changes were necessary, but staff has identified that compliance with accessibility requirements required wider hallways which, in turn, reduced the unit square footages. Representatives for the Owner recently indicated verbally that the changes resulted from the City of Fort Worth's plan review process; however, the Owner has not been able to provide supporting evidence. A letter from the former construction contractor (Integrated Construction Development- Kenneth W. Fambro, II), dated December 1, 2014, was provided to the Department in attempts to explain why the decrease in square footage occurred. According to that letter the former contractor states that the initial application was submitted based on a preliminary layout from the architect without obtaining comments from the City of Fort Worth building officials. After the Application was awarded, plans were finalized and submitted to the City only to find that revisions were necessary to meet ADA accessibility and fire code egress requirements. As a result the unit sizes were reduced slightly to obtain approval from the City of Fort Worth to move forward with construction of the Development. The former contractor states that the oversight was not discovered until architect certification was requested for purposes of the cost certification requirements.

Staff's review of the final building plans do not reveal significant differences from what was presented at application, other than the reduced unit sizes. The cost certification analysis is complete at this point and staff has concluded that the development's feasibility is not negatively impacted by reduction in square footage. Staff continues to work with the Development Owner to complete the remaining cost certification requirements in order to recommend approval of IRS Forms 8609.

Staff recommends approval of the amendment request.



FORT WORTH HOUSING AUTHORITY

"Investing in the Community"

June 20, 2014

Raquel Morales
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

RE: Net Rentable Area Amendment Request
TDHCA # 09961/09135
Villas on the Hill

Dear Raquel,

We are submitting this letter to request an amendment to the Net Rentable Area ("NRA") committed at application as the change resulted in a "material alteration" pursuant to Section 10.405(a)(4)(D) of the current Uniform Multifamily Rules. The following table lists the differences:

Net Rentable Area: The following NRA committed at application as approved by TDHCA and the NRA certified by the Architect on Exhibit 5A. We would like to replacement the NRA committed at application with the following NRA that was noted certified by the architect:

| | Total Net Rentable Area |
|-----------------|-------------------------|
| Per application | 75,710 |
| Per Exhibit 5A | 70,798 |

A check in the amount of \$2500, payable to TDHCA, is enclosed and we ask that an administrative the amendment to change the NRA be processed administratively.

I appreciate your attention to this matter and welcome in any discussion you would like to have over the phone to clarify these administrative amendment requests. If you would like to talk further please contact me directly at (817)333-2123.

Sincerely,

A handwritten signature in black ink, appearing to read 'BKD', with a long horizontal flourish extending to the right.

Brian K. Dennison
Vice President, Development & Asset Management
Sole Member of the General Partner

Villas On the Hills

Slab difference between the Bid set dated 10/9/09

And

Construction set (project built with) dated 2/5/10

Building 1:

Footage was lost at the area where the Condensing units were set between Unit C and B in the back side of the building. The area was increased in size from 11'-10" from the bid set to 12'-3" on the Construction set. Total footage lost in the units 213 square feet

Area at the Meter base in the back side of the building. The area was increased in size from 24'-4" from the bid set to 24'-7" on the construction set. Total footage lost in the units 62'-10" square feet

The stairs in the middle of the building was enlarged. The area increased from 9'-8" on the bid set to 10'-7" on the construction set. Total area lost in the units 340 square foot

Front entry way was increased on the front side of the building. The area was increased in size from 15'-8" on the bid set to 16'-7" on the construction set. Total area lost in the units 303-8" square foot.

Building 2 is same as building one

Total for building 1 – 919 square Foot

Total for Building 2 – 919 Square foot

Building 3:

The width of the slab was reduced from 72'-8" on the bid set to 72'-2" on the construction set.

The area lost in the units is 697'-4"

The left stair footage was increased from 11'-3" to 11'-8". Total amount lost in units is 307 square foot.

Building 4 is the same as building 3.

Total for Building 3 – 1004 square foot

Total for Building 4 – 1004 square foot

Building 5:

The width of the slab was reduced from 72'-8" on the bid set to 72'-2" on the construction set.

The area lost in the units is 697'-4"

The length of the slab was reduced from 152'-3" on the bid set to 151'-9" on the construction set.

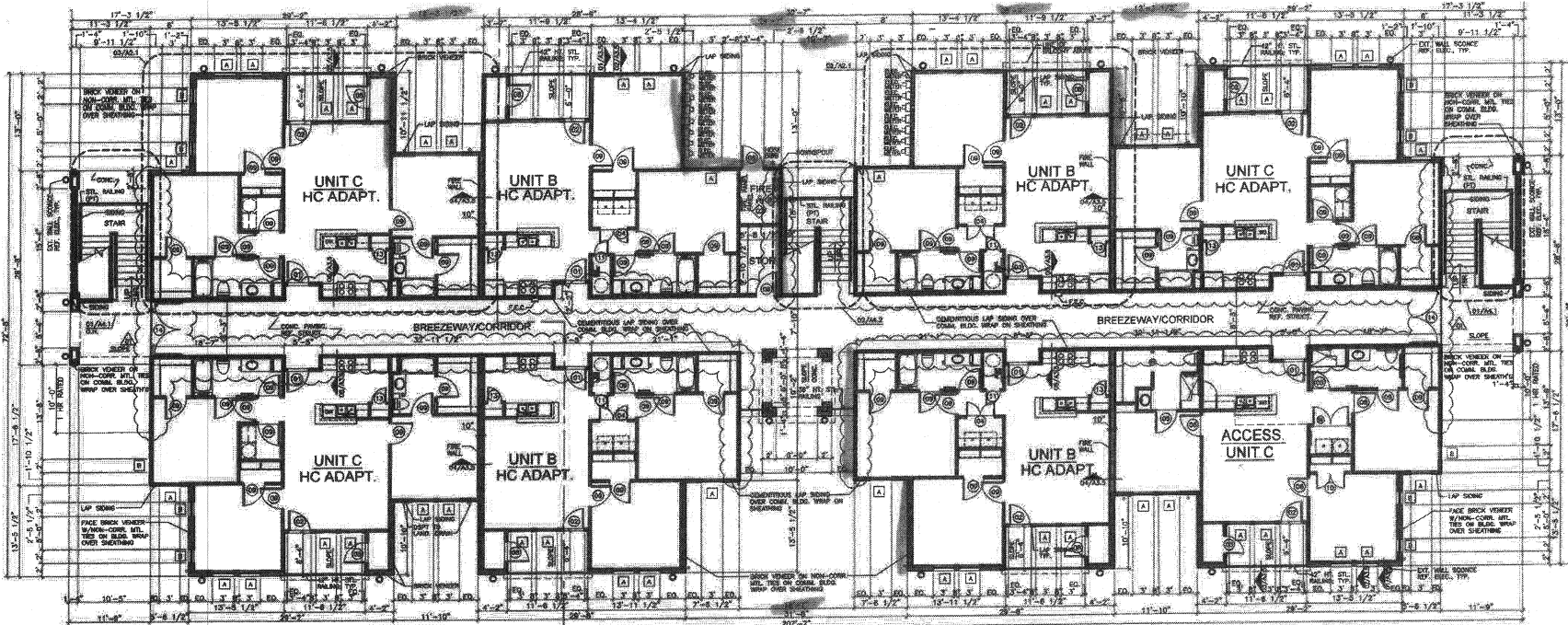
The area lost in the units is 701'-4"

The stairs increased in size from 9'-7" on the bid set to 10'-8" on the construction set.

The area lost in the units is 662'-8".

Total for Building 5 – 2,061 square foot

Total footage lost in units – 5,907 square foot



01 FIRST FLOOR PLAN - BUILDINGS 1 & 2

NOTE: 1. ALL DIMENSIONS TO FACE OF WALL OR WINDOW.
2. PROVIDE 3'-1/2" SH. CAB. FOR STAIR AT ALL WALLS.

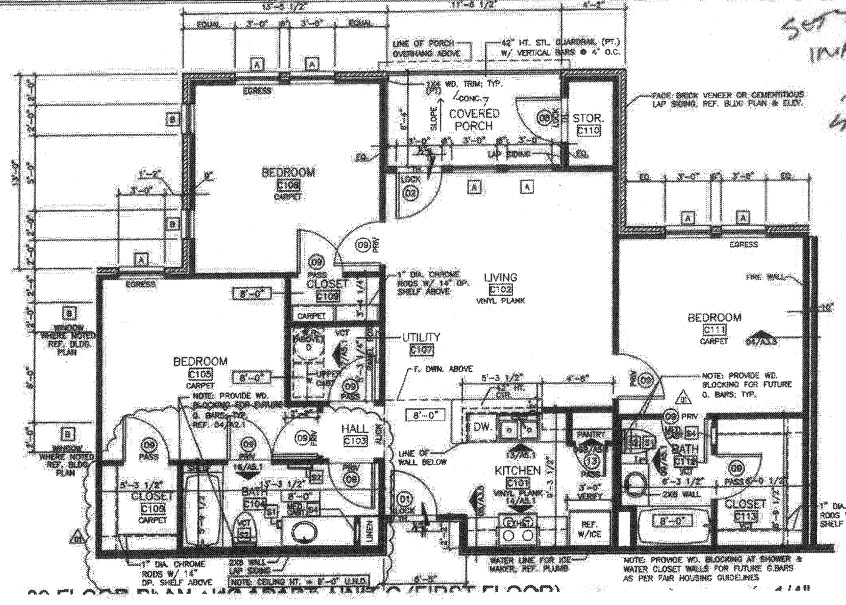
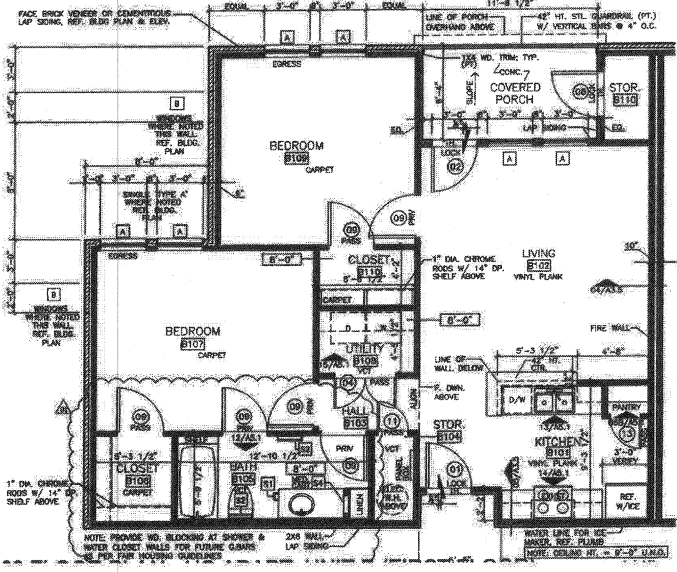


PLAN NORTH

TES

COMMON SPECIALTIES

- ALUP
- CONCRETE
- SECTIONAL CHROME FDM #1008
- QUANTITY SECTION FROM #1224 24"
- 3" DIA. CHROME
- SHOW FRONT LENGTHS PER FIN.
- HC CABINET
- 9400
- LENGTH
- CHROME
- FRONT FROM #0700
- CONCRETE
- 750



*SET POSIT
IN AS BUILT
DATE
SIDING*

**SCHWARZ
HANSO
ARCHITECT**

2800 PAGES PARK PLAZA, SUITE 100
FORT WORTH, TEXAS 76116
PHONE: 817-377-3800
FAX: 817-377-3802
EMAIL: info@schwarzhanso.com

A PROPOSED MULTI-FAMILY FACILITY FOR
FORT WORTH HOUSING AUTHORITY
LINCOLN TERRACE APARTMENTS
(FORMERLY 2800 HORNE STREET)
9700, 9701, 9704, 9705, 9708, 9712, 9713, 9716, LINCOLN TERRACE DR., FORT WORTH, TX

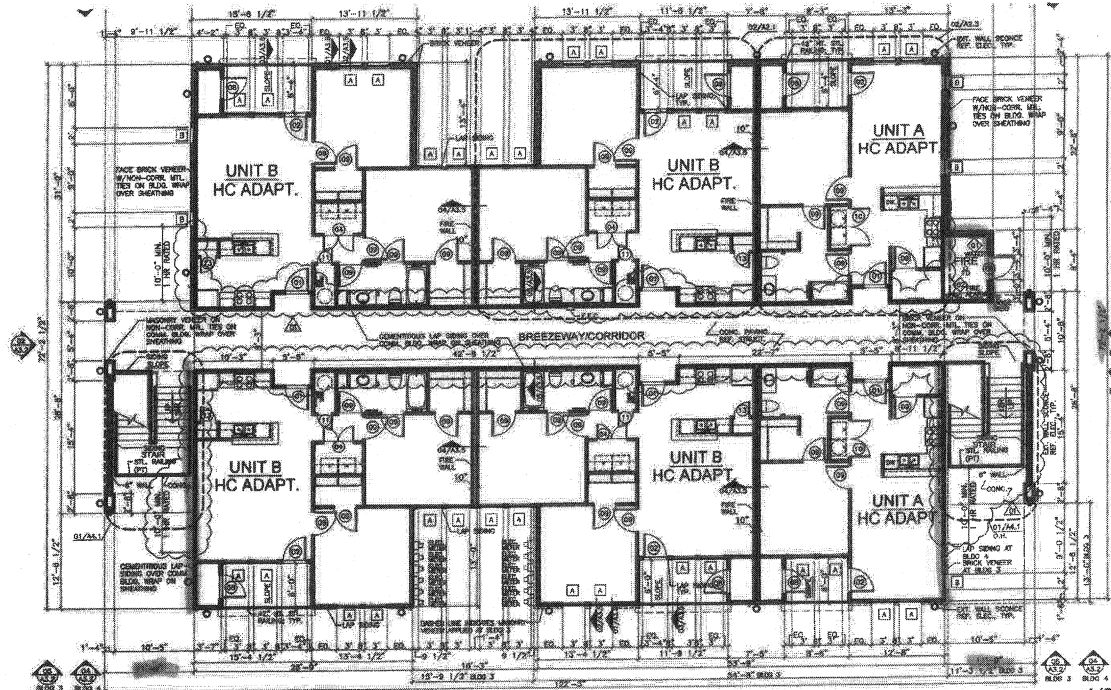


JOB #: 08008
DATE: 02/05/10
DRAWN BY: STAFF
CHECKED BY: GHS

REVISIONS:
CITY COMMENT
02/04/10

SHEET NO.

A2.1



01 FIRST FLOOR PLAN - BUILDINGS 3 & 4

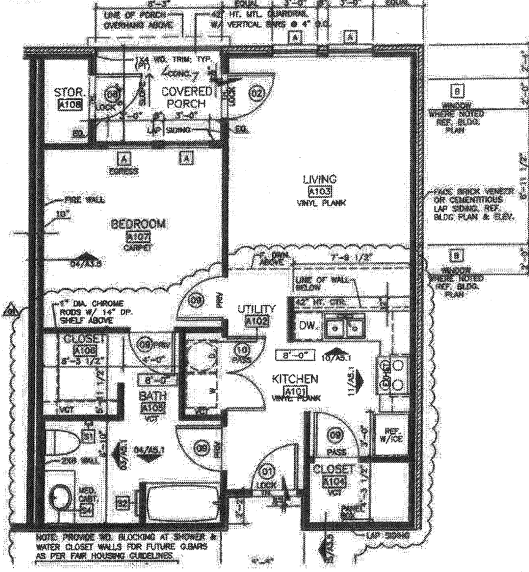


NOTE 1. ALL DIMENSIONS TO FACE OF WALL OR WINDOW.
2. PROVIDE 3-1/2" GAP W/ALL. FOR SOUND AT ALL WALLS.

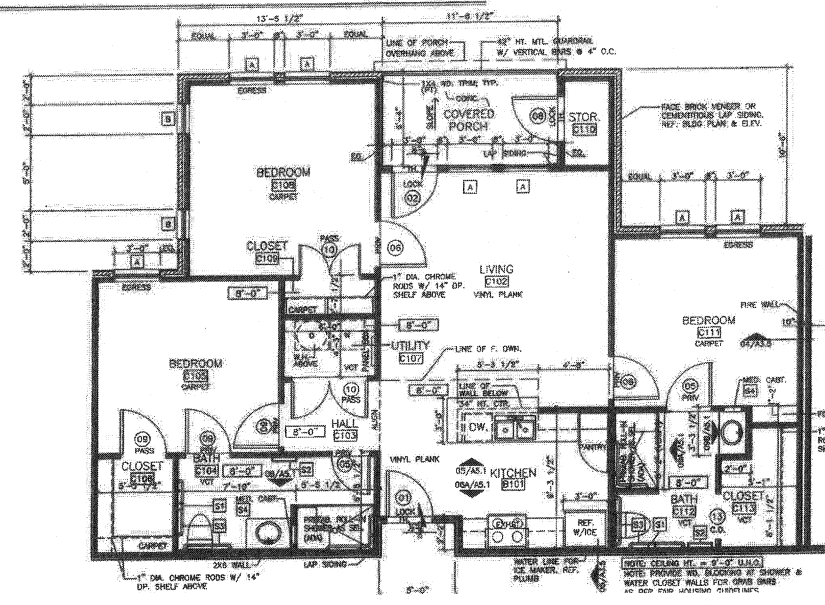
KEY NOTES

- ◆ WATER SUB-IRRIGATION SYSTEM
- ◆ THIS ALUMI. PANEL
- RESTROOM SPECIALTIES**
- 51 TUBSET TRENCH VALVE/SETTER HOME PRODUCTS LAMP'S DRIP COLLECTION, CHROME, ITEM #1300
- 52 FIBER BAR SET/SETTER HOME PRODUCTS LAMP'S DRIP COLLECTION, ITEM #1224 24"
- 53 COMB SHVS 1-1/2" DIA./SETTER HOME PRODUCTS HC SERIES TEARLESS SEAL, SEAM FRENCH, LENGTH PER P/A
- 54 RECESSED MEDICINE CABINET/AMERICAN PRIDE VENT - MODEL #8000
- 55 SHOWER RGS 12' LENGTH/SETTER HOME PRODUCTS BRUSH ALUMINUM FINISH, ITEM #6000
- 56 SHOWER FLANGE/SETTER HOME PRODUCTS CHROME, ITEM #6070

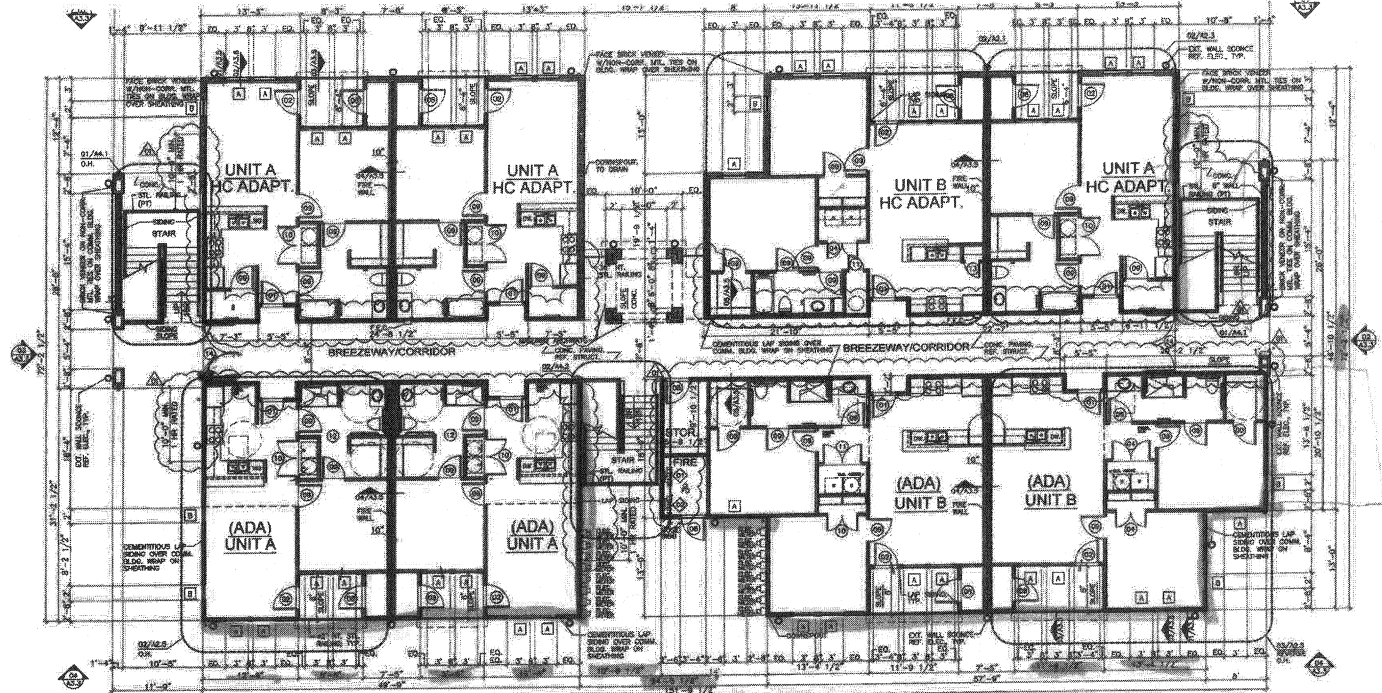
WOOD FRAMED EXTENSION FINISHED WALL (1.5 IN. MIN) WALL ASSEMBLY TO COMPLY WITH U.L. LIST #21



NOTE: PROVIDE 30" BLOCCING AT SHOWER & WATER CLOSET WALLS FOR FUTURE CHANGE AS PER FAIR HOUSING GUIDELINES.



NOTE: CEILING HT. = 9'-0" UNLESS SHOWN OTHERWISE. PROVIDE 30" BLOCCING AT SHOWER & WATER CLOSET WALLS FOR FUTURE CHANGE AS PER FAIR HOUSING GUIDELINES.



01 FIRST FLOOR PLAN - BUILDING 5



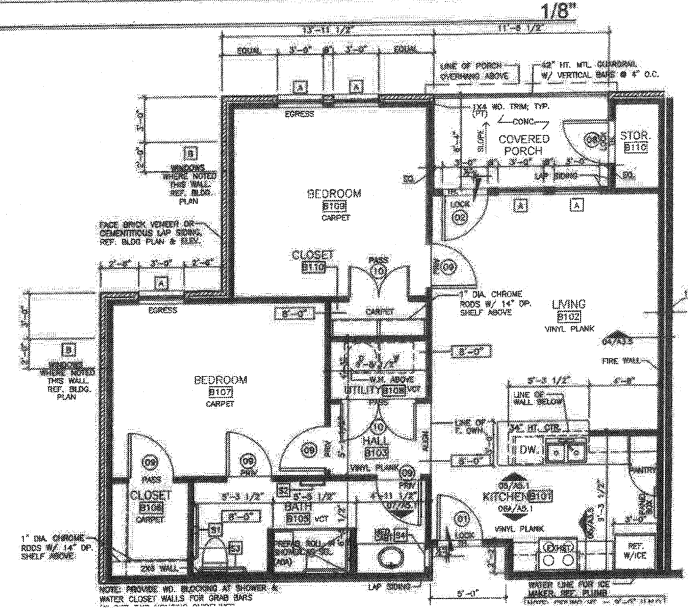
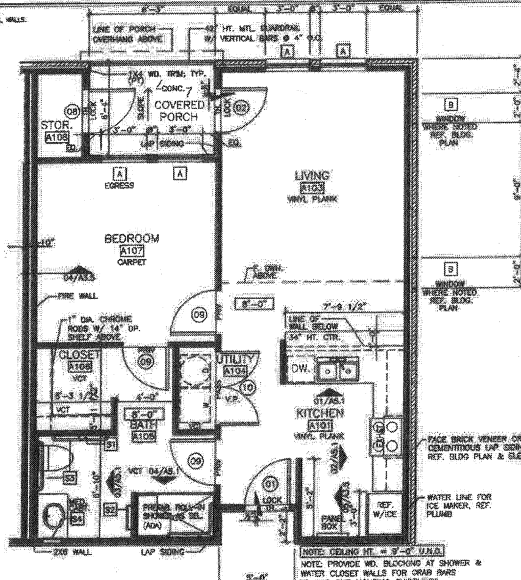
KEY NOTES

- ① WATER SUB-METERING STATION
- ② FIRE ALARM PANEL

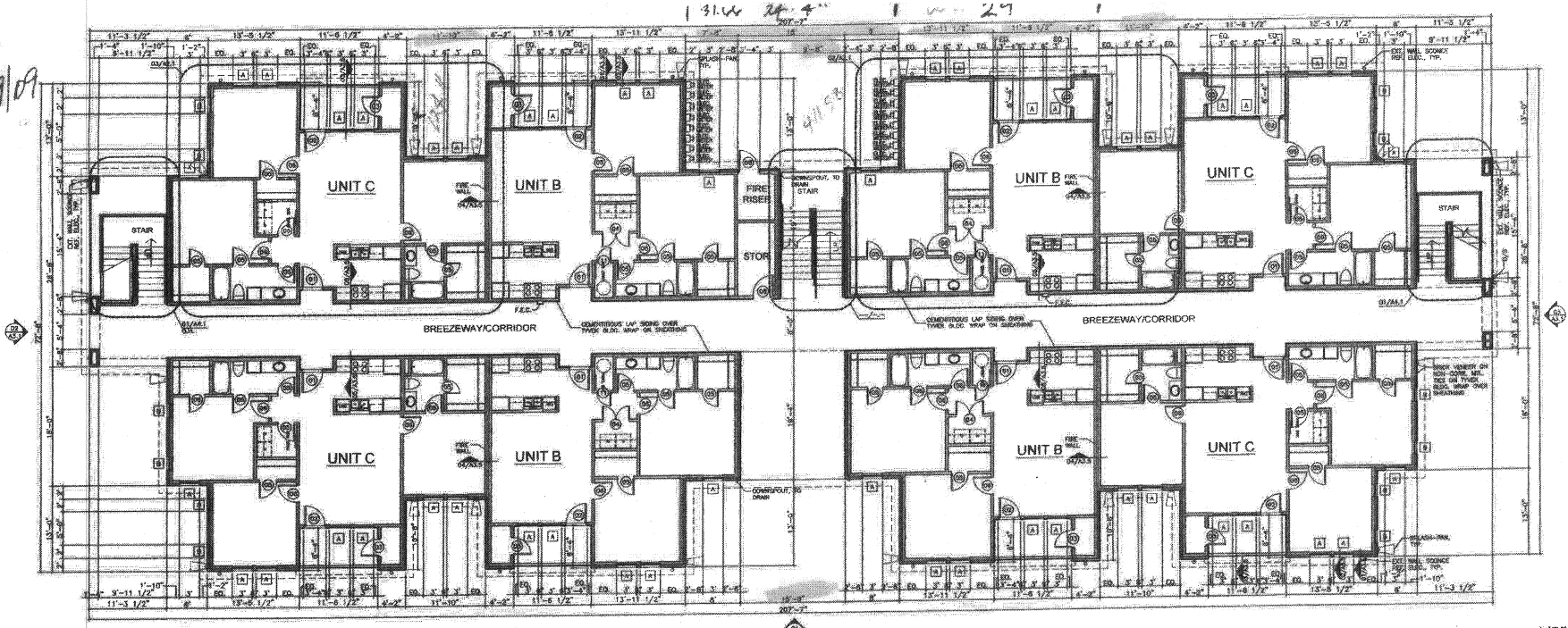
RESTROOM SPECIALTIES

- ① TOILET TISSUE HOLDER
BETTER HOME PRODUCTS
- ② LANE'S END COLLECTION CHROME, ITEM #1208
- ③ TOWEL BAR SET
BETTER HOME PRODUCTS
- ④ LANE'S END COLLECTION, ITEM #1224 24"
- ⑤ BATH MATS 3'-7 1/2" DIA.
BETTER HOME PRODUCTS
- ⑥ HC BENCH
FRANKLIN STONE, BATH 755816, LENGTHS PER FIN.
- ⑦ RECESSED MEDICINE CABINET
AMERICAN WOOD
- ⑧ VESTA - MODEL #8400
- ⑨ SHOWER ROD (OF LENGTH)
BETTER HOME PRODUCTS
- ⑩ BRIGHT ALUMINUM FINISH, ITEM #8700
- ⑪ BENCHER FINISH
BETTER HOME PRODUCTS
- ⑫ CHROME, ITEM #8700

BRICK FRAMED EXTERIOR FINISHED WALL (1 1/2" MIN. RADIUS)
WALL ASSEMBLY TO COMPLY WITH U.L.C. 3053.7



B5 SET
DATED 10/9/09
WITH ALL
PRICE

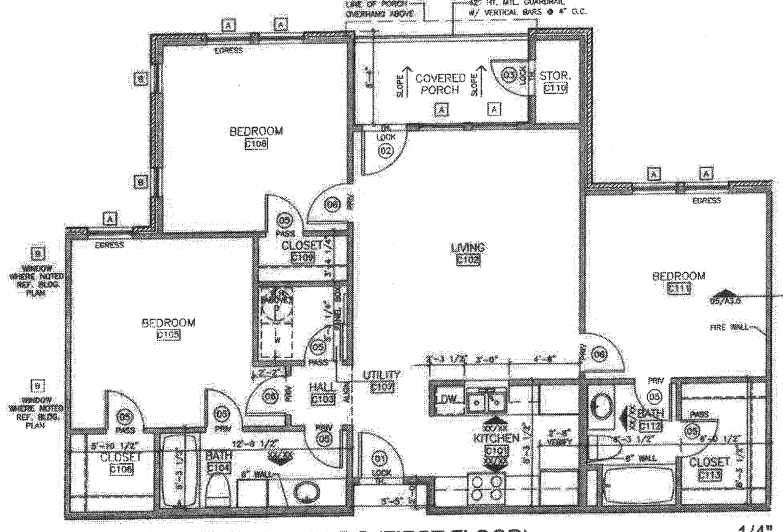
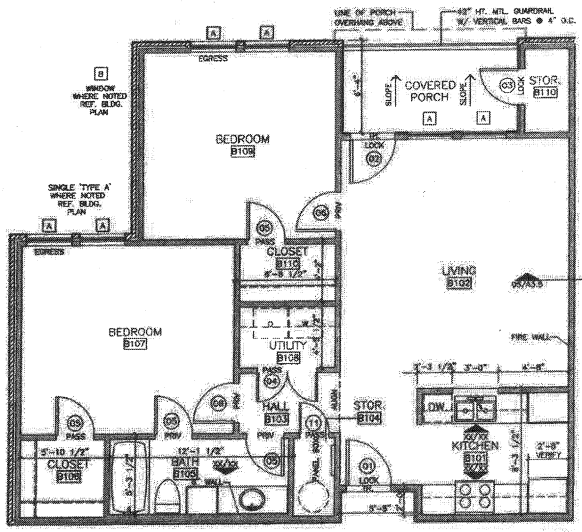


01 FIRST FLOOR PLAN - BUILDINGS 1 & 2



KEY NOTES

USE ALL DIMENSIONS TO FACE OF WALL OR WINDOW.
PROVIDE 3/4" SET BACK FOR DOORS AT ALL WALLS 1/2" SET BACK WALL BETWEEN FLOORS.

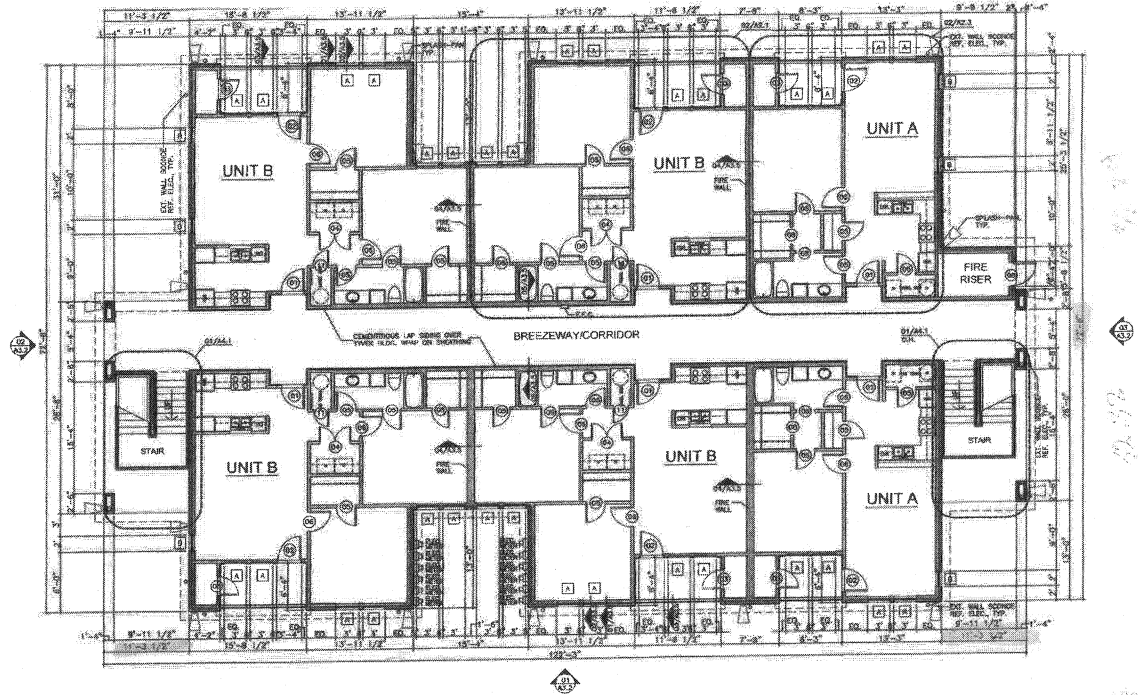


1/8"

1/4"

BIDDING SET
FOR REVIEW ONLY

© SCHWAB-HANSEN CORPORATION

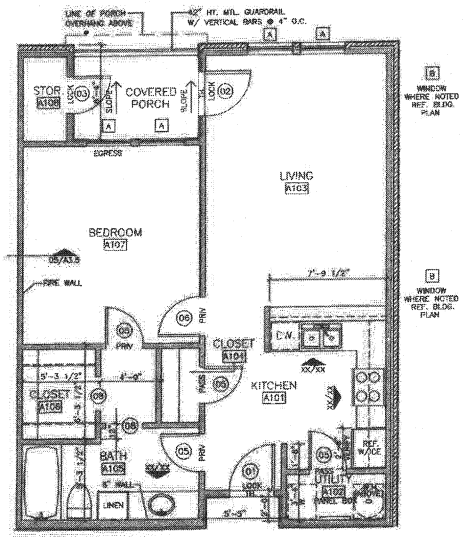


01 FIRST FLOOR PLAN - BUILDINGS 3 & 4

1/8"

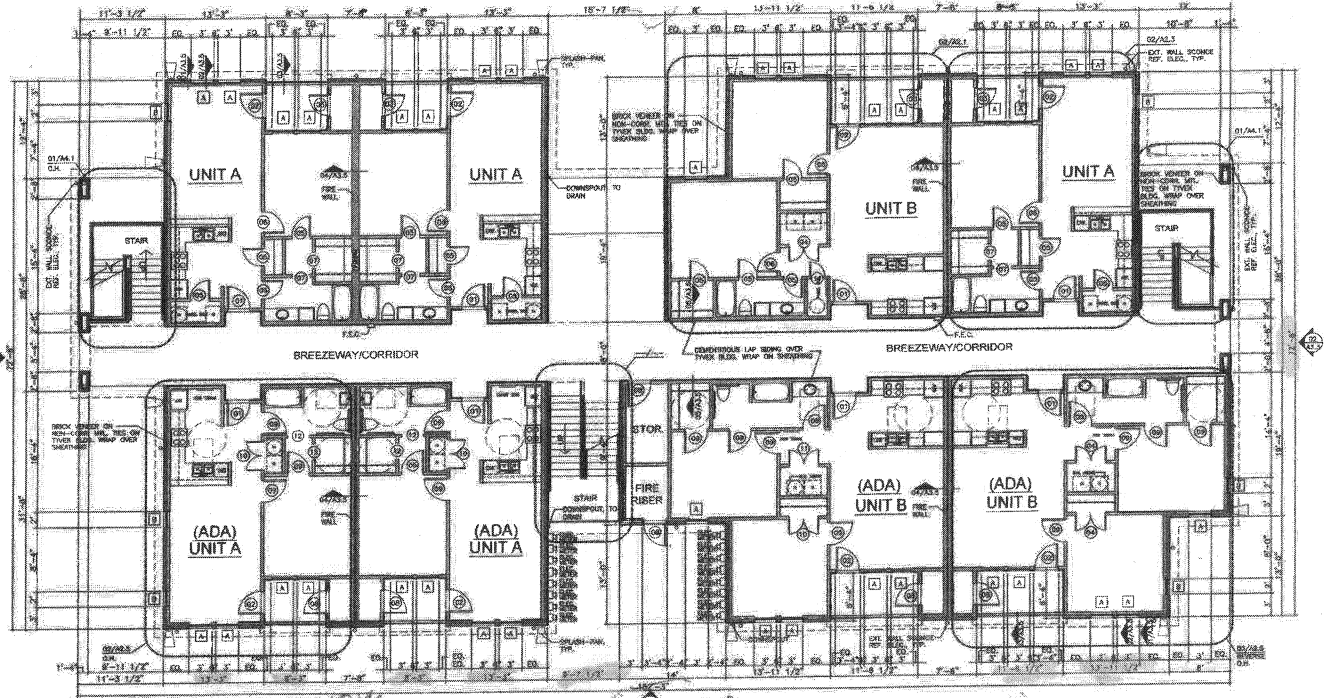
PLAN NORTH

NOTE: ALL DIMENSIONS TO FACE OF WALL UNLESS NOTED OTHERWISE.
 PROVIDE 2'-0" RISE ABOVE FIN. GRADE OF ALL WALLS 1/2" RISE ABOVE FIN. GRADE BETWEEN FLOORS.



02 UNIT A (FIRST FLOOR) 1/4"

SUBMITTING SET FOR REVIEW ONLY
 SCHWABZ-MINSON CONSULTANTS

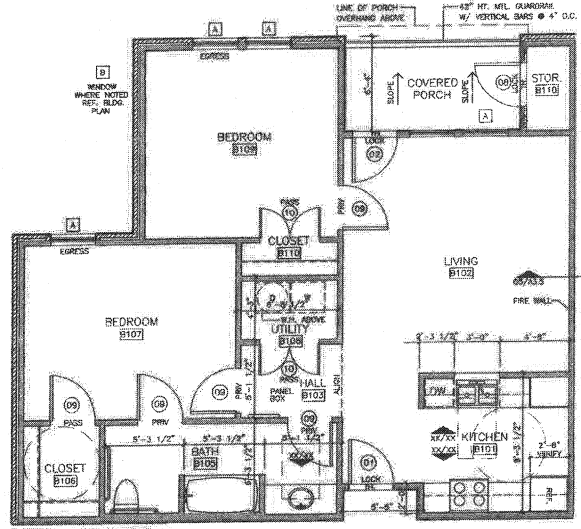
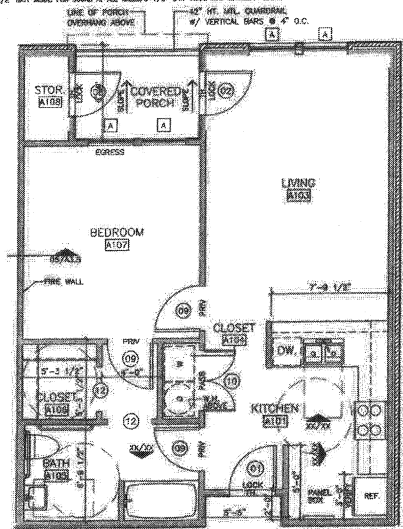


KEY NOTES



01 FIRST FLOOR PLAN - BUILDING 5

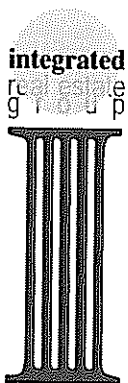
1/8"



02 TYP FLOOR PLAN - ADA UNIT A (FIRST FLOOR) 1/4" 03 TYP FLOOR PLAN - ADA UNIT B (FIRST FLOOR) 1/4"

BIDDING SET FOR REVIEW ONLY

DATE: 05/05/2010 10:00:00 AM



3110 W. Southlake Blvd.
Suite 120
Southlake, Texas 76092
Phone (817) 742-1851
Fax (817) 742-1852

Integrated Construction
Development

Integrated Housing
Solutions

Integrated Property
Management

Integrated Senior Living

December 1, 2014

Raquel Morales
Senior Asset Manager
Asset Management Division
Texas Department of Housing and Community Affairs
221 E. 11th Street
Austin, Texas 78701

RE: Villas on the Hill (formally known as Lincoln Terrace Apartments) #09134

Dear Ms. Morales:

Please allow this letter to serve as clarification regarding the square footage differences for Villas on the Hill. The application was submitted based on a preliminary layout from the architect without obtaining comments from the City of Fort Worth building officials. After the application was awarded, we finalized the plans and submitted to the City only to find that revisions were necessary to meet ADA accessibility requirements as well as Fire Code egress. Unfortunately, we could not increase the building footprint to allow for the necessary changes (wider corridors and additional access points) given the existing impervious coverage requirements. That being the case, the units were reduced slightly to obtain the building plan approval and the development was built accordingly. This issue was not discovered until the architect certification was requested and submitted with the reduced square footage.

Thank you in advance for your consideration. We truly apologize for this oversight and never intended to reduce the building area which is 1.5% over the acceptable percentage. Please feel free to contact me if there are comments or questions.

Sincerely,

Kenneth W. Fambro, II
Vice President

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
OCTOBER 15, 2015

Presentation, Discussion, and Possible Action regarding a material amendment to the Housing Tax Credit (“HTC”) application for Stepping Stone and Taylor Square Apartments (#12365).

RECOMMENDED ACTION

WHEREAS, Stepping Stone and Taylor Square Apartments received an award of 9% Housing Tax Credits in 2012 for the acquisition and rehabilitation of 96 multifamily units in Williamson County;

WHEREAS, the Development Owner is now requesting material alterations to the Development’s square footage of the units;

WHEREAS, Board approval is required for any change that would materially alter a Development as directed in Texas Government Code §2306.6712 and 10 TAC §10.405(a) and the owner has complied with the amendment requirements therein;

WHEREAS, the requested changes do not negatively affect the Development, impact the viability of the transaction, impact scoring items in the tax credit application, or affect the amount of the tax credits awarded; and

WHEREAS, the Development Owner acknowledges that the Development will still meet the construction requirements in 10 TAC Chapter 1, Subchapter B;

NOW, therefore, it is hereby

RESOLVED, that the requested application amendment is granted and the Executive Director and his designees are each authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

Stepping Stone and Taylor Square Apartments was submitted and approved during the 2012 competitive 9% Housing Tax Credit cycle. The Application proposed the acquisition and

rehabilitation of two existing USDA developments, Stepping Stone Apartments (a 44-unit complex) and Taylor Square Apartments (a 52-unit complex). The Development Owner received its award under the USDA set aside based on its status as a Development proposing to rehabilitate units that receive federal financial assistance through the Texas Rural Development Office of the United States Department of Agriculture as allowed under §2306.111(d-2) and funds were allocated from the At-Risk Development Set-Aside as required under the 2014 Qualified Allocation Plan §11.5(2).

On September 1, 2015, the owner, HVM Taylor, Ltd. (Dennis Hoover), submitted a material amendment request for a reduction in the square footage of the Net Rentable Area (NRA). The reduction in NRA was revealed during the Asset Manager’s review of the final cost certification submitted for this Development. The owner stated that the plans that were submitted with the 2012 application, which were used by Real Estate Analysis staff in the underwriting of the Development, showed the entire slab measurements as opposed to the net rentable area as defined by the Department in 10 TAC §10.3(83) and as verified by the Architect. A comparison of the changes in unit sizes between Application and cost certification is presented below:

| Application | | | | Cost Certification | | | |
|-------------|--------|-----|---------------|--------------------|--------|-----|---------------|
| # Units | # Beds | NRA | Total NRA | # Units | # Beds | NRA | Total NRA |
| 3 | 1 | 650 | 1,950 | 3 | 1 | 595 | 1,785 |
| 3 | 1 | 650 | 1,950 | 3 | 1 | 595 | 1,785 |
| 11 | 1 | 650 | 7,150 | 11 | 1 | 595 | 6,545 |
| 6 | 1 | 785 | 4,710 | 6 | 1 | 656 | 3,936 |
| 1 | 1 | 650 | 650 | 1 | 1 | 595 | 595 |
| 10 | 1 | 785 | 7,850 | 10 | 1 | 656 | 6,560 |
| 13 | 1 | 650 | 8,450 | 13 | 1 | 595 | 7,735 |
| 7 | 1 | 650 | 4,550 | 7 | 1 | 595 | 4,165 |
| 2 | 2 | 800 | 1,600 | 2 | 2 | 835 | 1,670 |
| 4 | 2 | 800 | 3,200 | 4 | 2 | 835 | 3,340 |
| 12 | 2 | 946 | 11,352 | 12 | 2 | 798 | 9,576 |
| 23 | 2 | 946 | 21,758 | 23 | 2 | 798 | 18,354 |
| 1 | 1 | 946 | 946 | 1 | 1 | 798 | 798 |
| 96 | | | 76,116 | 96 | | | 66,844 |

As reflected above, the correct NRA results in a decrease of 9,272 square feet, or 18%, from what was reported to and approved by the Board. According to the Owner, there are no real reductions in square footages or other material changes to the Development. No cost items are expected to change or affect this transaction’s financial viability as a result of this error.

Staff has reviewed the original application and scoring documentation against this amendment request and has concluded that none of the changes would have resulted in selection or threshold criteria changes that would have affected the application score.

Staff recommends approval of the amendment request.

**HVM Taylor, Ltd.
P. O. Box 190
Burnet, TX 78611**

August 31, 2015

Texas Department of Housing and Community Affairs
% Laura DeBellas Asset Manager
221 East 11th Street
Austin, TX 78711-3941

RE: TDHCA #12365 Amendment Request

Dear Ms. DeBellas;

Please accept this letter as an official request for the approval of an Amendment. The amendment requested is for TDHCA application #12365, Taylor Square and Stepping Stone Apartments. The change we are asking for is due to the fact that there will be a total livable net square footage change/reduction. In our opinion these changes would not materially alter the Development in a negative manner and does not adversely affect the application as this was rehabilitation to an existing Rural Development property.

The Changes Requested: Please see the square footages for each unit configuration at application/underwriting as compared to at cost certification:

| <u>Stepping Stone</u> | <u>Application</u> | <u>Cost Certification</u> |
|-----------------------|--------------------|---------------------------|
| 1 BR | 650 | 595 |
| 2 BR | 800 | 835 |
| <u>Taylor Square</u> | <u>Application</u> | <u>Cost Certification</u> |
| 1 BR | 785 | 656 |
| 2 BR | 946 | 798 |

The reason the change is necessary: When we submitted our 2012 application for Tax Credits at Taylor, and then during the underwriting process, a new set of plans was not required. We were fortunate to have the old original plans on file and were allowed to use those to figure the square footages of the different unit configurations. Unfortunately the old plans show the entire slab measurements as opposed to the new "As-Built" plans submitted at Cost Certification. The new plans by Cross Architects are actual living/heated square footage space which resulted in a reduction in the square footage in most units. Cross Architect has certified to the correct

square footages on the 5A of the Cost Certification and cannot change what the actuals are.

We have included with this request letter a copy of the old plans where the original square footages were figured and a copy of the final plans cover page by Cross Architect for your review. Also included are copies of the revised and corrected Rent Schedule and 5A-Architects Certification.

Please consider that the amendment request does not have any effect on our points requested in the application. The property will still have the tenant services as promised. Nothing was changed other than updates to the units to provide safe, sanitary and newer appliances and living space. There was no real reduction in square footages only a mistake made in the original figures using the old plans.

We were not aware of this challenge when the application was submitted. We will not alter the amenities, services and overall rehabilitation.

Again, we ask that you consider acceptance of the changes presented in this request for amendment to the application. Please contact myself at (512) 756-6809 ext. 218 or Dennis Hoover at ext. 212. Or you may email us at KYoungquist@hamiltonvalley.com and dennishoover@hamiltonvalley.com if you have any questions or need further information. Thank you in advance for your consideration in this matter.

Sincerely,



Kim Youngquist
Development Coordinator
Hamilton Valley Management, Inc.

Cc: Dennis Hoover, President-HVM

5A- Development Summary with Architect's Certification (2012 Awards)

Development Name: Stepping Stone and Taylor Square Apa

TDHCA #: 12365

For Developments that received a tax credit award in 2012, please fill out this form with the information requested.

DEVELOPMENT LOCATION

Address: 2501 Davis St. / 1005 Cottonbowl

City: Taylor County: Williamson Zip: 76574

TARGET POPULATION (mark an "x" next to the appropriate description)

Elderly: X

General: X

Supportive Housing: _____

CONSTRUCTION TYPE (mark an "x" next to the appropriate description)

New Construction: _____

Acquisition/Rehabilitation (excluding Reconstruction): X

Acquisition/Rehabilitation (including Reconstruction): _____

Adaptive Reuse: _____

SITE ATTRIBUTES

Total site acreage: 8.229

Density: 11.67 per acre

11-digit Census Tract Number: 48491021202

Flood Zone Designation: Zone X

DEVELOPMENT ATTRIBUTES

APPLICATION

PLACED IN SERVICE

| DEVELOPMENT ATTRIBUTES | APPLICATION | PLACED IN SERVICE |
|--------------------------------------|------------------------|------------------------|
| Number of units: | <u>96</u> | <u>96</u> |
| Number of residential buildings: | <u>15</u> | <u>15</u> |
| Number of non-residential buildings: | <u>2</u> | <u>2</u> |
| Maximum number of floors: | <u>2</u> | <u>2</u> |
| Number of elevators: | <u>0</u> | <u>0</u> |
| Net rentable area: | <u>66,844</u> | <u>66,844</u> |
| Community building area: | <u>1952 TS/1695 SS</u> | <u>1952 TS/1695 SS</u> |
| Number of Carports: | <u>0</u> | <u>96</u> |
| Number of Attached Garages: | <u>0</u> | <u>0</u> |
| Number of Detached Garages: | <u>0</u> | <u>0</u> |
| Number of storage spaces: | <u>0</u> | <u>0</u> |

EXTERIOR - ROOF (mark an "x" next to the appropriate description)

Architectural Shingle (25-year): _____

Architectural Shingle (30-year): _____

Metal Roofing: X

Built-Up Rock: _____

Clay Tile: _____

Wood Shingle/Shake: _____

Other (describe): _____

EXTERIOR - WALLS (indicate the percentage of each as appropriate)

Hardiplank: 80 %

Masonry/Brick: 20 %

Stucco: _____ %

Wood Siding: _____ %

Other (describe): _____ %

INTERIOR - FLOORS (indicate the percentage of each as appropriate)

Carpet: 40 %

Ceramic Tile: _____ %

Resilient Floor Cover: 60 %

Other (describe): _____ %

AIR SYSTEM (mark an "x" next to the appropriate description)

Central (12 SEER): _____

Central (13 SEER): _____

Central (14 SEER): X

Evaporative Cooler: _____

Heat Pump: _____

Other (describe): _____

5A- Development Summary with Architect's Certification (2012 Awards)

Development Name: Stepping Stone and Taylor Square Apa

TDHCA #: 12365

COMMON AMENITIES (mark an "x" next to each amenity that exists)

- Accessible walking/jogging path separate from a sidewalk and in addition to required accessible routes to Units or other amenities
- Barbecue grill and picnic table- at least one of each for every 50 Units
- Common area Wi-Fi
- Community dining room w/full or warming kitchen
- Community laundry room with at least one washer and dryer for each 25 Units
- Community theater room equipped with a 52 inch or larger screen with surround sound equipment; DVD player; and theater seating
- Controlled gate access
- Covered pavilion that includes barbecue grills and tables
- Dog Park
- Enclosed community sun porch or covered community porch/patio
- Equipped and functioning business center or equipped computer learning center
- Full perimeter fencing
- Furnished and staffed children's activity center
- Furnished community room
- Furnished fitness center
- Gazebo w/sitting area
- Health screening room
- Horseshoe pit, putting green or shuffleboard court
- Library with an accessible sitting area (separate from the community room)
- One children's playscape equipped for 5 to 12 year olds, or one Tot Lot
- Secured entry (elevator buildings only)
- Senior activity room (Arts and Crafts, etc.)
- Service coordinator office in addition to leasing offices
- Splash Pad/water feature play area
- Sport court (tennis, basketball or volleyball)
- Swimming pool
- Twenty-four hour monitored camera/security system in each building
- Two children's playscapes equipped for 5 to 12 year olds, two Tot Lots, or one of each
- Other (describe): _____
- Other (describe): _____
- Other (describe): _____
- Other (describe): _____

5A- Development Summary with Architect's Certification (2012 Awards)

Development Name: Stepping Stone and Taylor Square Apa

TDHCA #: 12365

GREEN BUILDING AMENITIES (mark an "x" next to each amenity that exists)

at least 20% of the water needed annually for site irrigation is from a rain water harvesting/collection system and/or locally approved greywater collection system.

Native trees and plants installed that are appropriate to the site's soils and microclimate and located to allow for shading in the summer and heat gain in the winter.

all of the HVAC condenser units are located so they are fully shaded 75% of the time during summer months (May-August).

installation of Energy-Star qualified hot water heaters or install those that are part of an overall Energy-Star efficient system.

installation of individual or sub-metered utility meters. Rehab developments may claim sub-meter only if not already sub-metered at the time of Application.

healthy finish materials including the use of paints, stains, adhesives and sealants consistent with the Green Seal 11 standard or other applicable Green Seal standard.

installation of daylight sensor, motion sensors or timers on all exterior lighting and install fixtures that include automatic switching on timers or photocell controls for all lighting not intended for 24-hour operation or required for security.

Recycling service provided throughout the compliance period

Enterprise Green Communities

LEED Certification (Certified, Silver, Gold or Platinum levels)

National Green Building Standard.

5A- Development Summary with Architect's Certification (2012 Awards)

Development Name: Stepping Stone and Taylor Square Apa

TDHCA #: 12365

UNIT AMENITIES (mark an "x" next to each amenity that exists)

All New Construction Units must be wired with RG-6 COAX or better and CAT3 phone cable or better, wired to each bedroom, dining room and living room. (Not required for Rehabilitation Developments)
 All Units must have central heating and air conditioning (Packaged Terminal Air Conditioners meet this requirement for SRO Units in Supportive Housing Developments)

Blinds or window coverings for all windows
 Disposal and Energy-Star or equivalently rated dishwasher (not required for TRDO-USDA or SRO Developments; Rehabilitation Developments exempt from dishwasher if one was not originally in the unit)

Energy-Star rated Refrigerator
 At least one Energy-Star rated ceiling fan per Unit
 Energy-Star rated lighting in all Units, which may include compact florescent bulbs.
 Exhaust/vent fans (vented to the outside) in bathrooms

Adequate parking spaces consistent with local code, unless there is no local code, in which case the requirement would be 1.5 spaces/Unit for non-Qualified Elderly and 1 space/Unit for Qualified Elderly.

Laundry connections (not required of Rehabilitation Developments)
 Oven/Range
 Plumbing fixtures (toilets and faucets) must meet design standards at 30 TAC 290.252
 Screens on all operable windows

100% masonry on exterior
 14 SEER HVAC or evaporative coolers in dry climates for New Construction, Adaptive Reuse, and reconstruction or radiant barrier in the attic for Rehabilitation (excluding reconstruction)
 Covered entries

Covered parking (including garages) of at least one covered space per Unit
 Covered patios or covered balconies
 Greater than 75% masonry on exterior
 High Speed Internet service to all Units at no cost to residents
 Laundry equipment (washers and dryers) for each individual unit including a front loading washer and dryer in required UFAS compliant Units

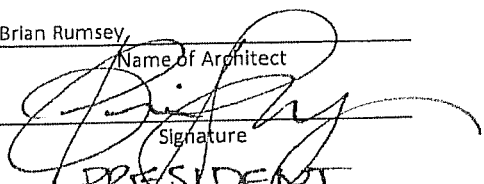
Microwave ovens
 Nine foot ceilings in living room and all bedrooms (at minimum)
 R-15 Walls / R-30 Ceilings (rating of wall system)
 Refrigerator with icemaker
 Self-cleaning or continuous cleaning ovens
 Storage room or closet, of approximately 9 square feet or greater, which does not include bedroom, entryway or linen closets - does not need to be in the Unit but must be on the property site
 Structural Insulated Panel construction with wall insulation at a minimum of R-20 and roof at a minimum R-30

Thirty (30) year shingle or metal roofing
 Other (describe): Central Heating and Air Conditioning
 Other (describe): _____
 Other (describe): _____
 Other (describe): _____
 Other (describe): _____

Certification of the Architect: Architect hereby certifies that the Development information as set forth in this exhibit is, to the best of his/her knowledge, true and accurate for the subject property.

Cross Architect _____
Architect Firm Name

Brian Rumsey _____
Name of Architect


Signature
PRESIDENT
Title

7-17-15
Date

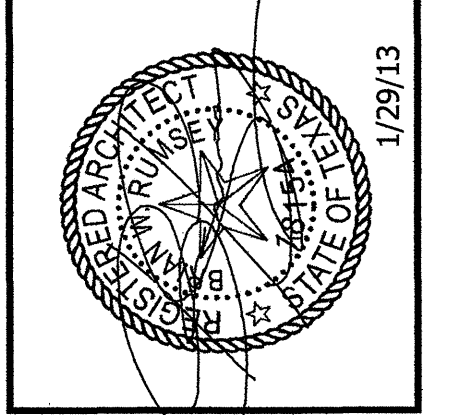
11A- Rent Schedule

Development Name: **Stepping Stone and Taylor Square Apartments**

TDHCA #: **12365**

| | | % of LI | % of Total | |
|----------|--------------|---------|------------|----|
| HOUSING | TC30% | 8% | 8% | 8 |
| | TC40% | | | 0 |
| | TC50% | 35% | 35% | 34 |
| | TC60% | 56% | 56% | 54 |
| TAX | HTC LI Total | | | 96 |
| CREDITS | TCEO | | | 0 |
| | MR | | | 0 |
| | MR Total | | | 0 |
| | TC Total | | | 96 |
| MORTGAGE | MRB30% | | | 0 |
| | MRB40% | | | 0 |
| | MRB50% | | | 0 |
| | MRB60% | | | 0 |
| | MRB LI Total | | | 0 |
| REVENUE | MRBMR | | | 0 |
| | MRBMR Total | | | 0 |
| BOND | MRB Total | | | 0 |

| | | % of LI | % of Total | |
|----------|----------------|---------|------------|--|
| HOUSING | HTF30% | | | |
| | HTF40% | | | |
| | HTF50% | | | |
| | HTF60% | | | |
| TRUST | HTF80% | | | |
| | HTF LI Total | | | |
| FUND | MR | | | |
| | MR Total | | | |
| | HTF Total | | | |
| HOME | 30% | 25% | 25% | |
| | LH/50% | 75% | 75% | |
| | HH/60% | | | |
| | HH/80% | | | |
| | HOME LI Total | | | |
| | EO | | | |
| | MR | | | |
| MR Total | | | | |
| OTHER | HOME Total | | | |
| | Total OT Units | | | |



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 FAX: 972.312.8666
 brumsey@crossarchitects.com



TAYLOR SQUARE APARTMENTS

PROJECT:
 TAYLOR SQUARE APARTMENTS
 TAYLOR, TEXAS 76774

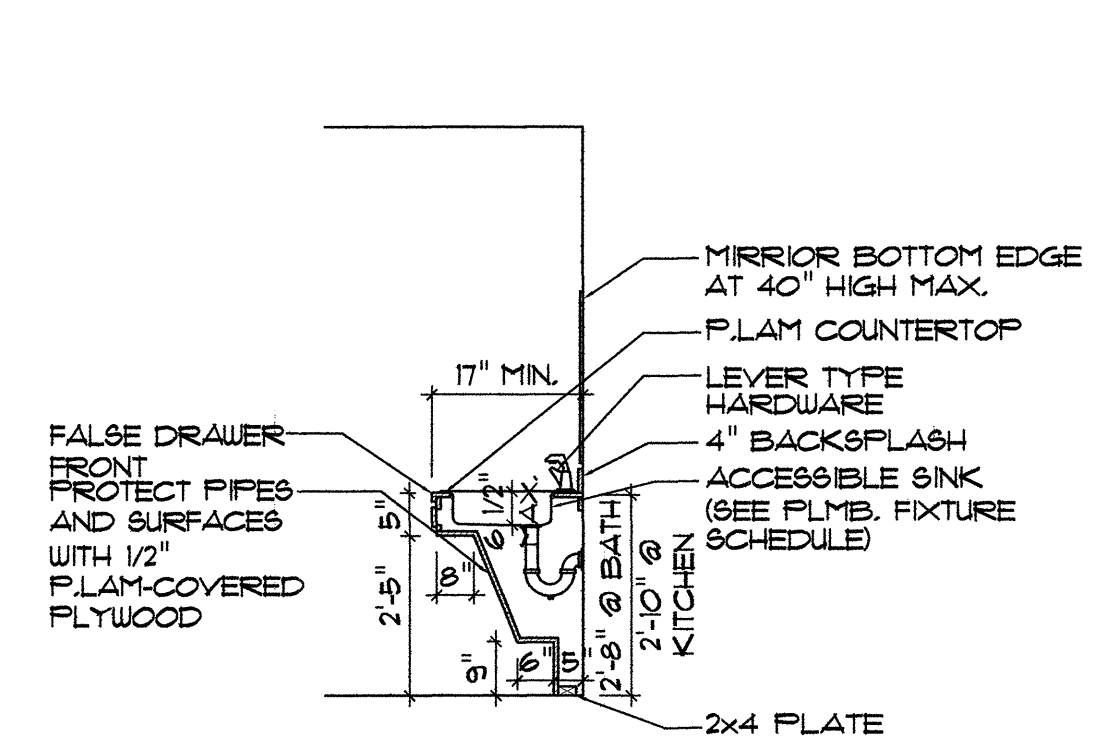
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|-----------|------|
| NO. | DATE |
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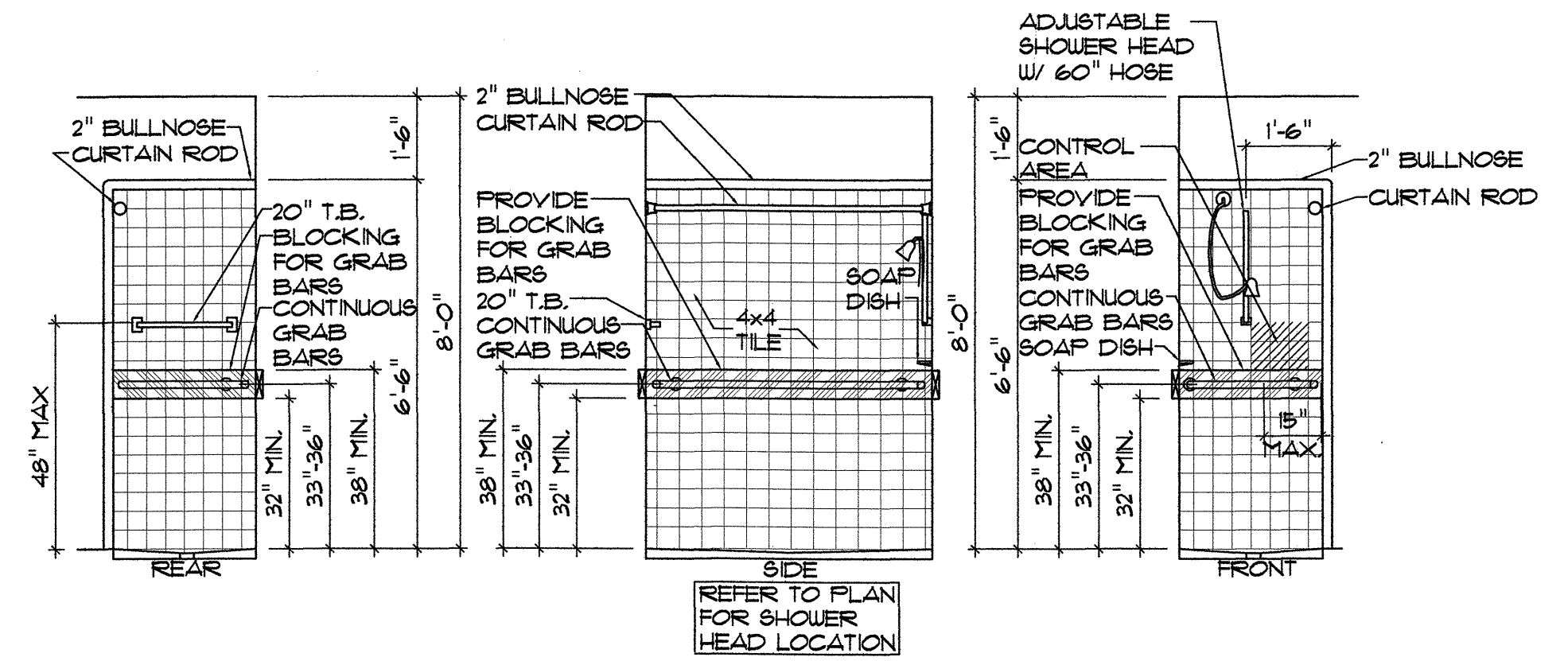
DATE:
 12/07/12

PROJ. NO.:
 12023

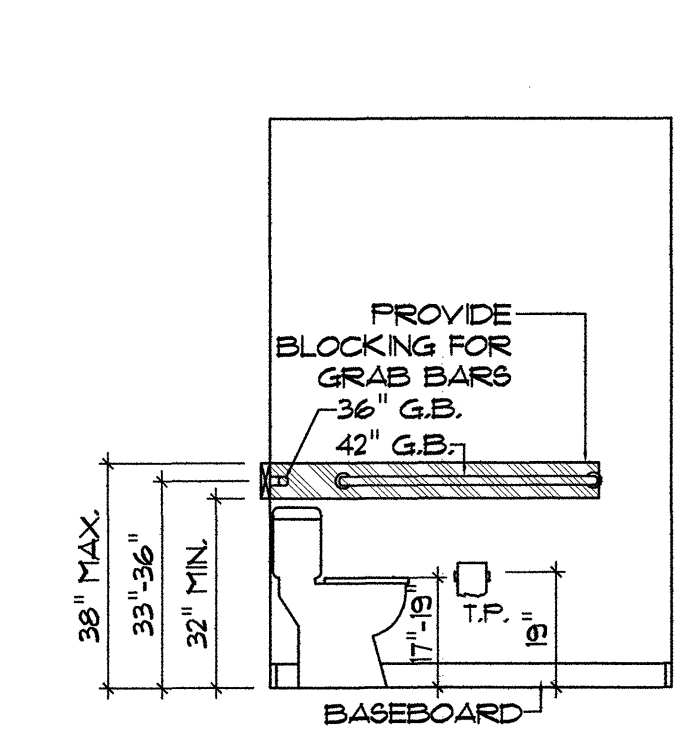
SHEET NUMBER
A3.0
 A1 H.C.
 DEMOLITION AND
 UNIT PLAN
 Copyright © 2012



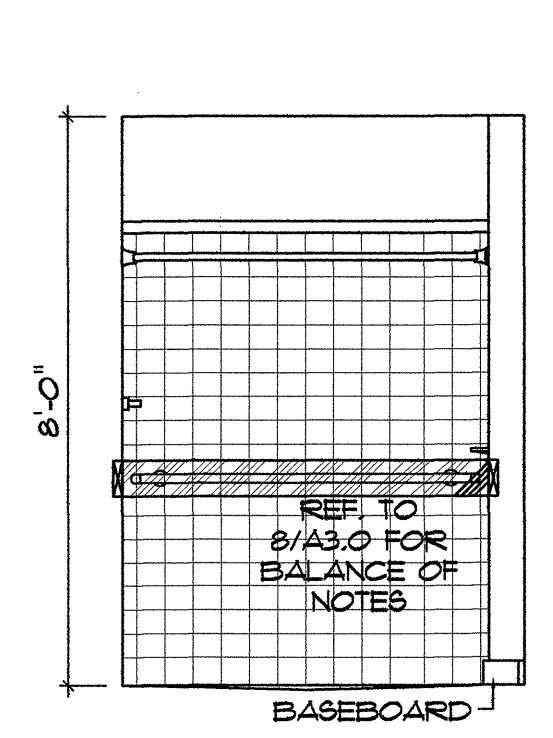
09 ADA SINK SECTION
 3/8" = 1'-0"



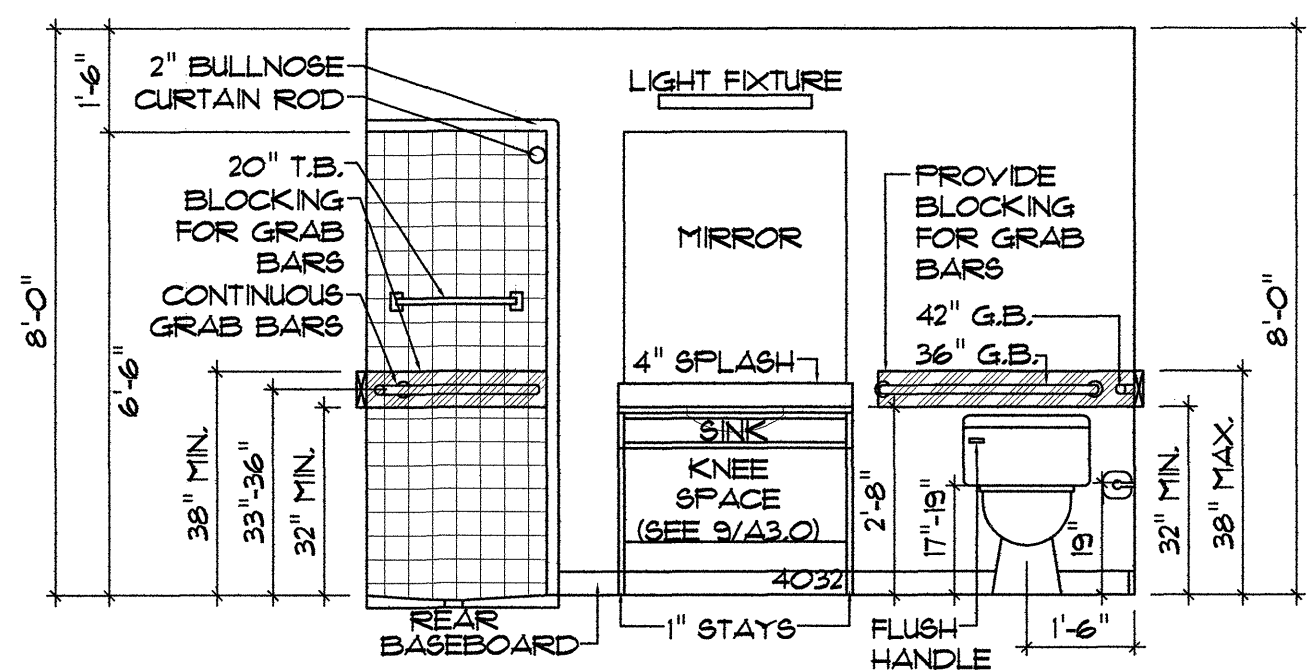
08 BATHROOM ELEVATION
 3/8" = 1'-0"



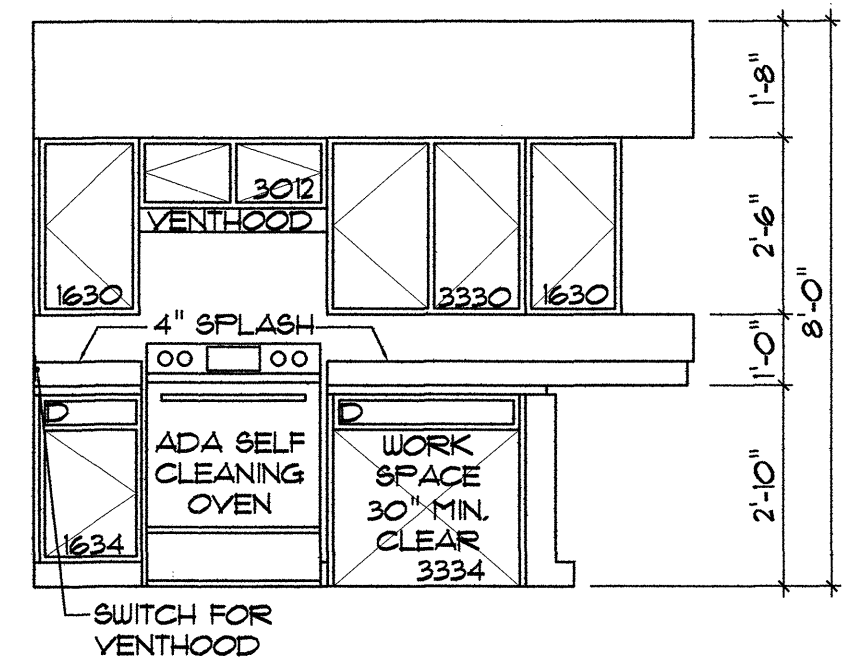
07 BATHROOM ELEVATION
 3/8" = 1'-0"



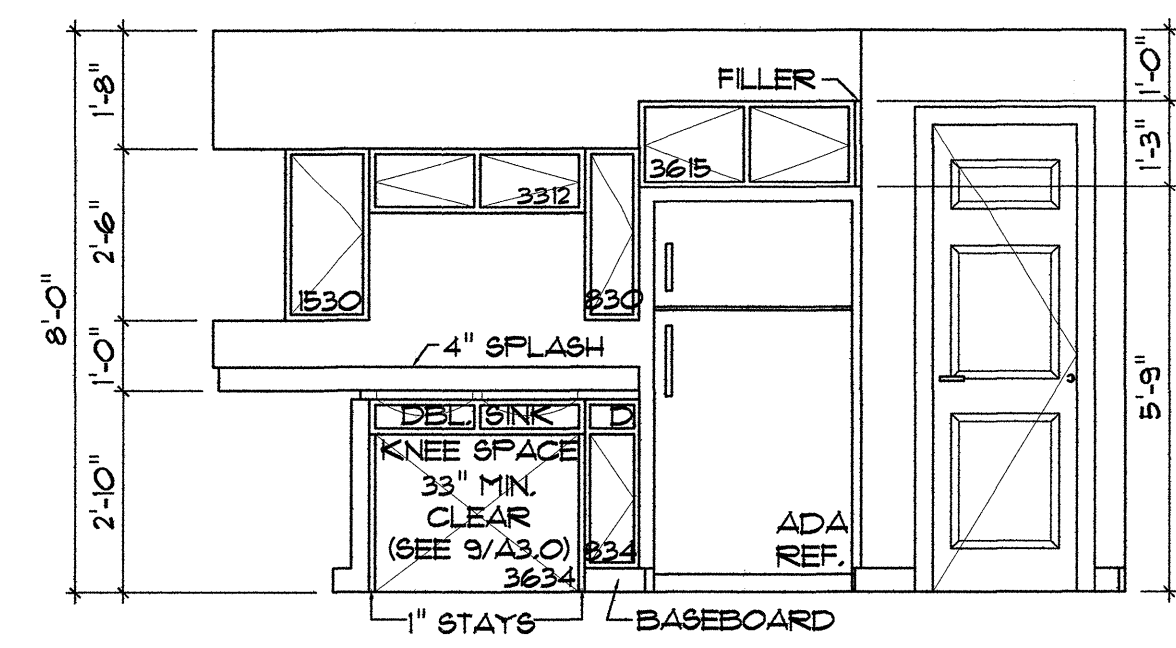
06 BATHROOM ELEVATION
 3/8" = 1'-0"



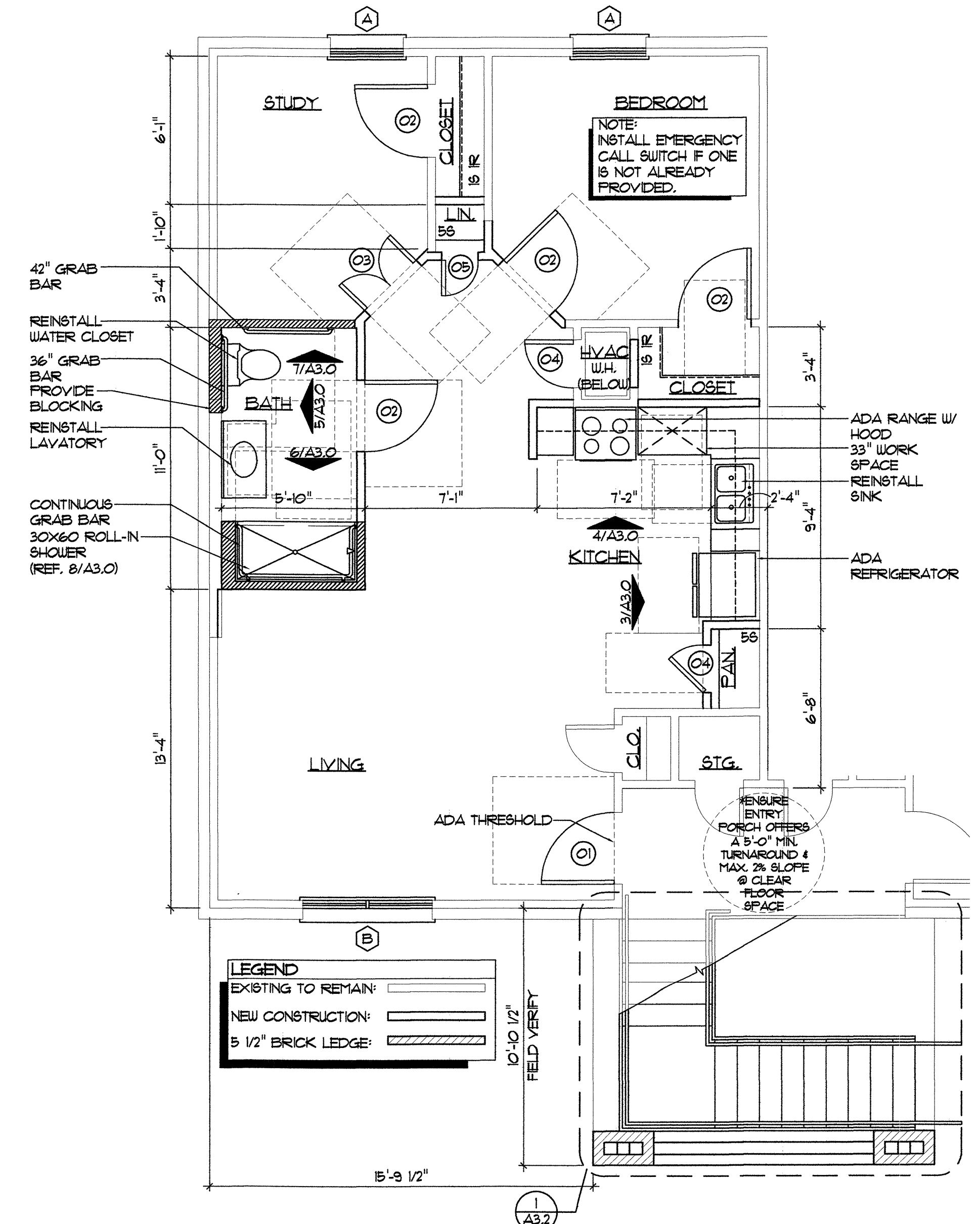
05 BATHROOM ELEVATION
 3/8" = 1'-0"



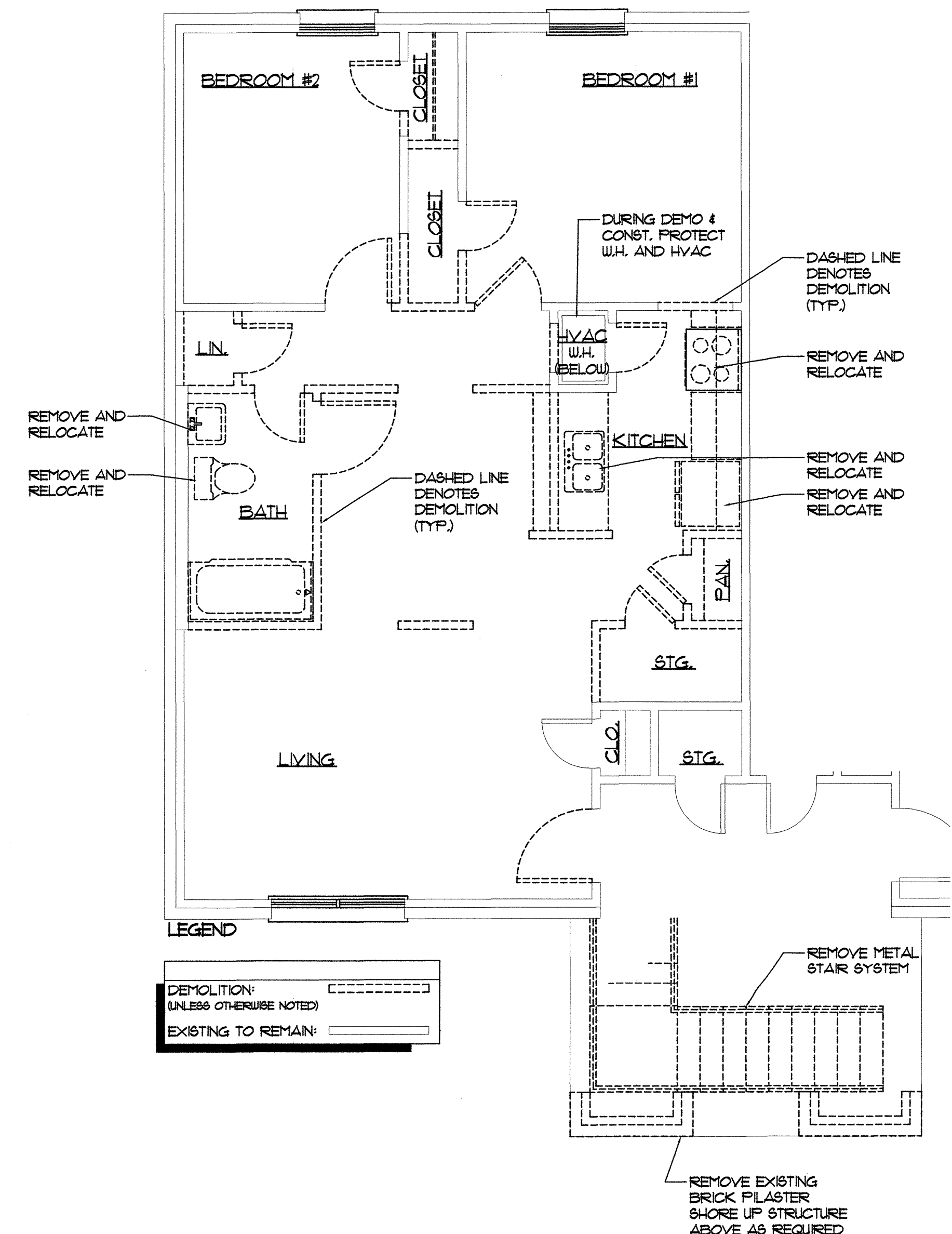
04 KITCHEN ELEVATION
 3/8" = 1'-0"



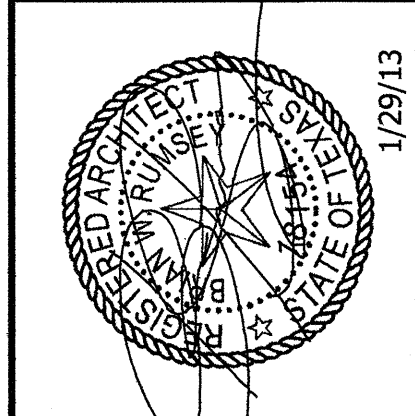
03 KITCHEN ELEVATION
 3/8" = 1'-0"



02 A1 H.C. UNIT 1 BEDROOM PLAN
 1/4" = 1'-0"
 TAYLOR SQUARE APARTMENTS



01 A1 H.C. DEMOLITION PLAN
 1/4" = 1'-0"
 TAYLOR SQUARE APARTMENTS



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TAYLOR SQUARE APARTMENTS

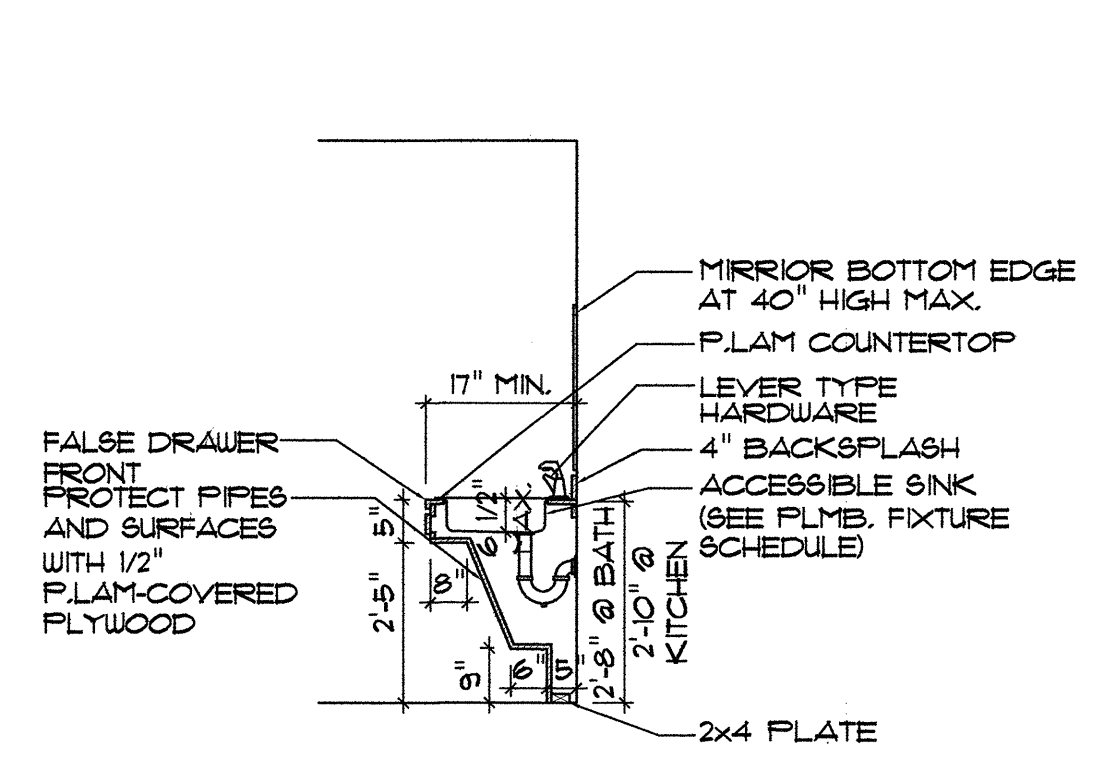
PROJECT:
 TAYLOR SQUARE APARTMENTS
 TAYLOR, TEXAS 76754

| REVISIONS | |
|-----------|------|
| NO. | DATE |
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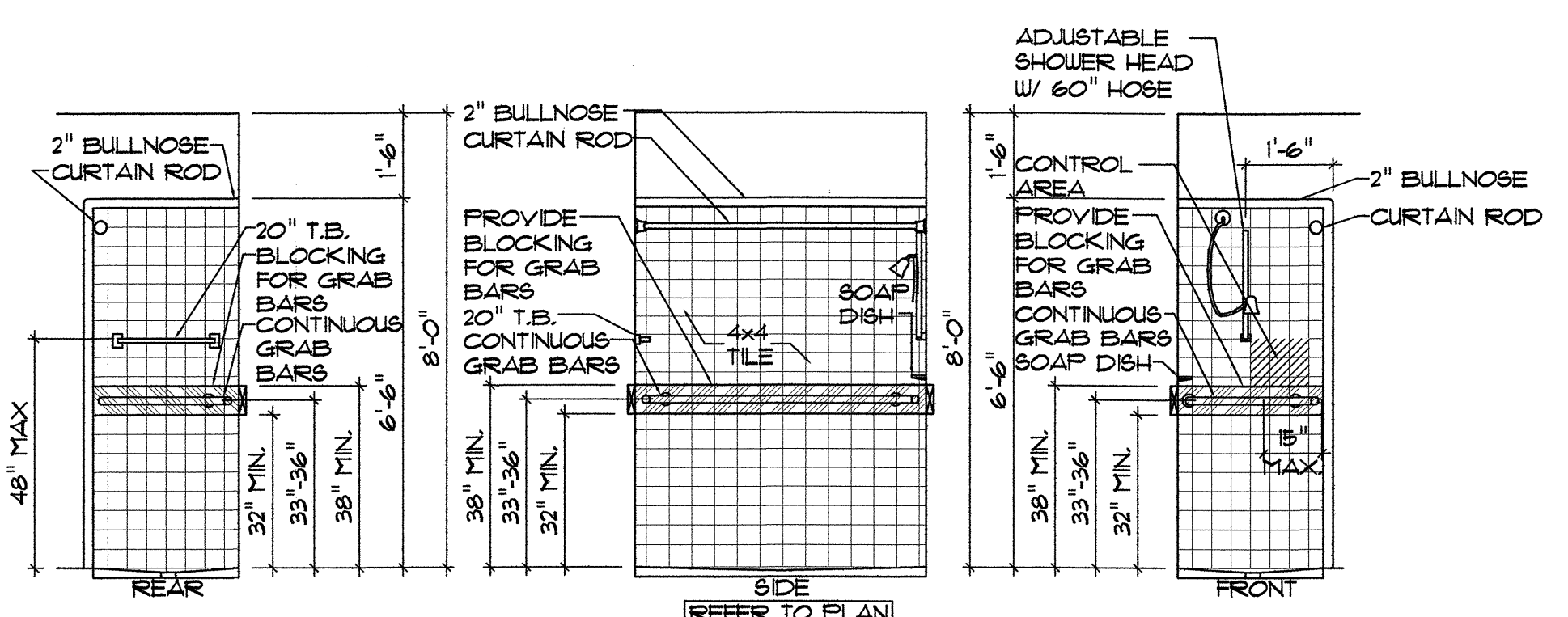
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DATE:
 12/07/12
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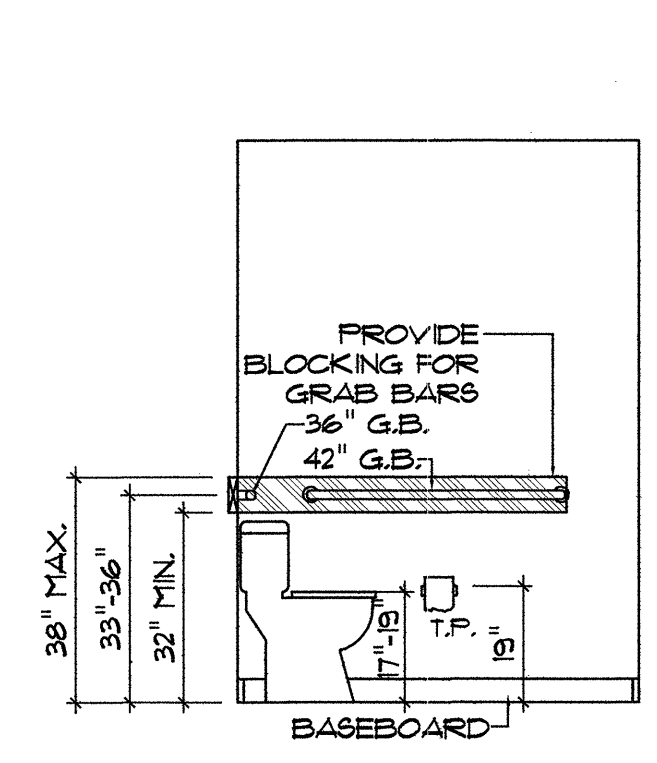
A3.1
 B1 H.C.
 DEMOLITION AND
 UNIT PLAN
 Copyright © 2012



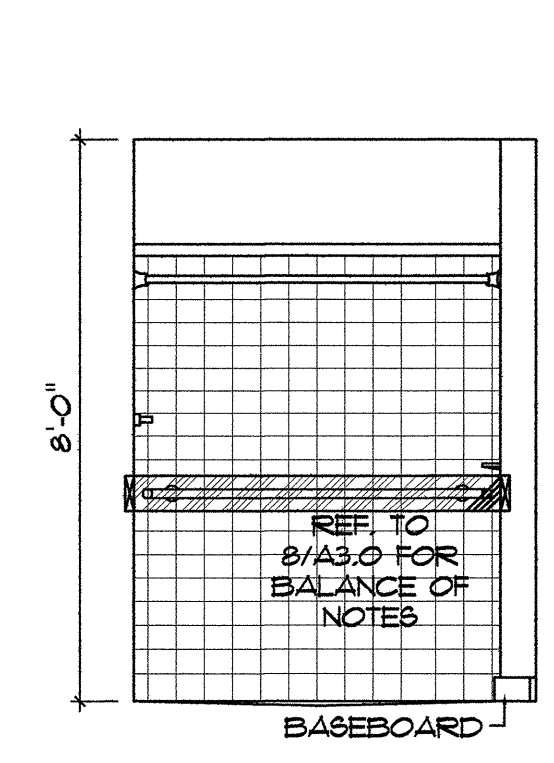
08 ADA SINK SECTION
 3/8" = 1'-0"



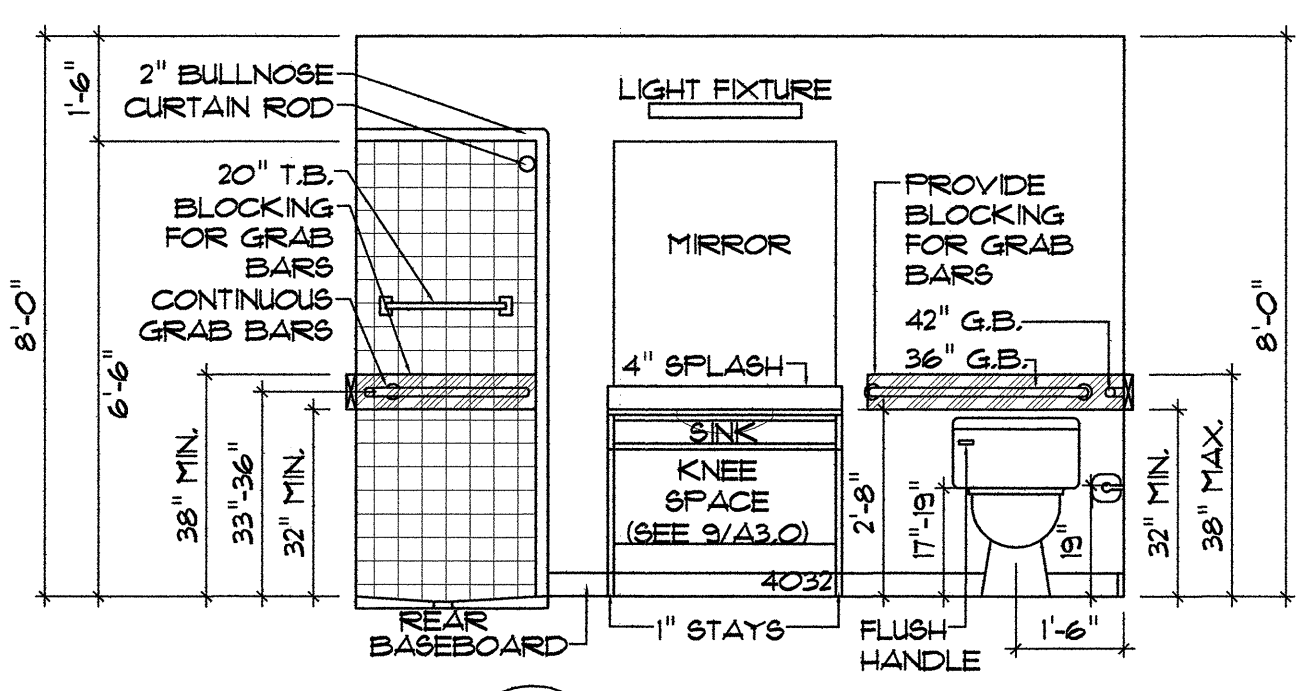
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 3/8" = 1'-0"



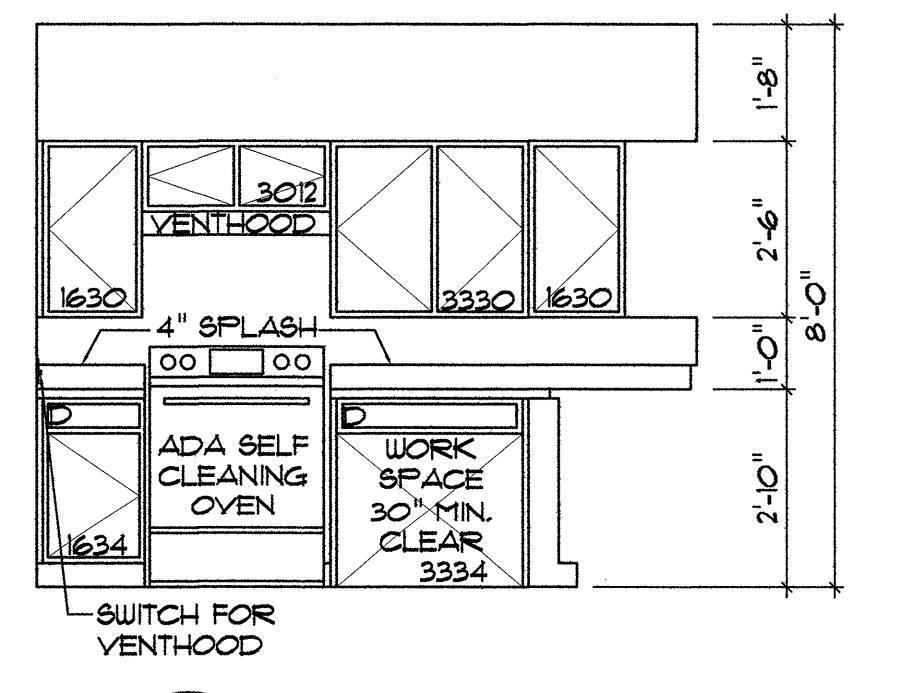
06 BATHROOM ELEVATION
 3/8" = 1'-0"



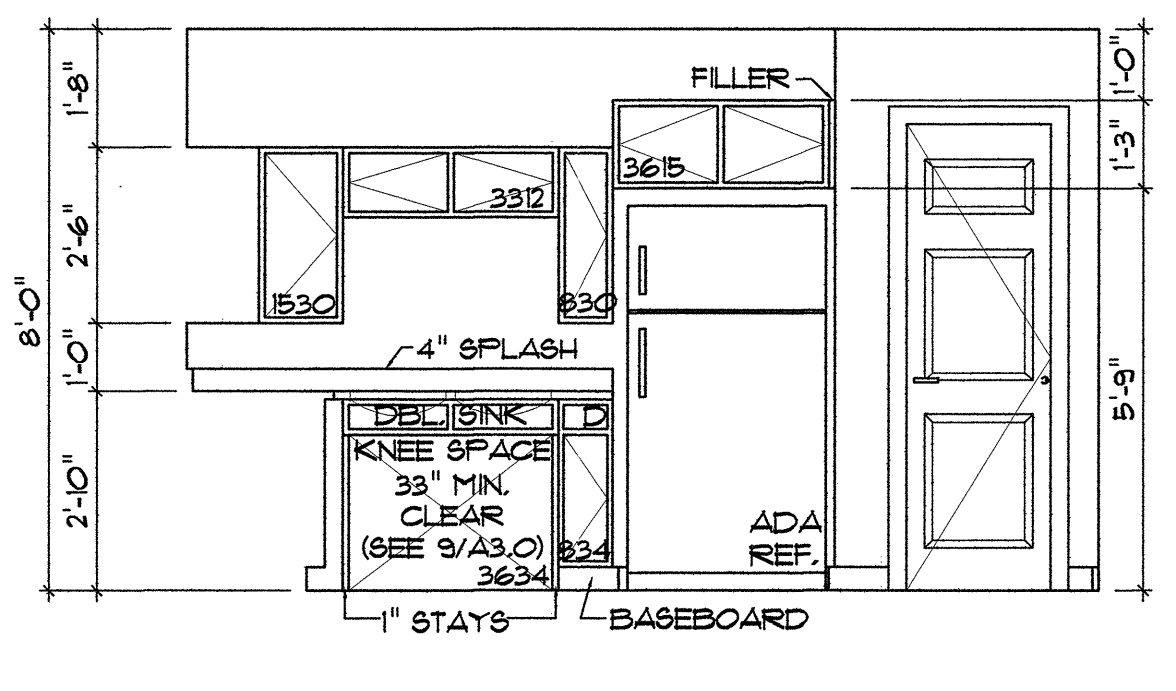
05 BATHROOM ELEVATION
 3/8" = 1'-0"



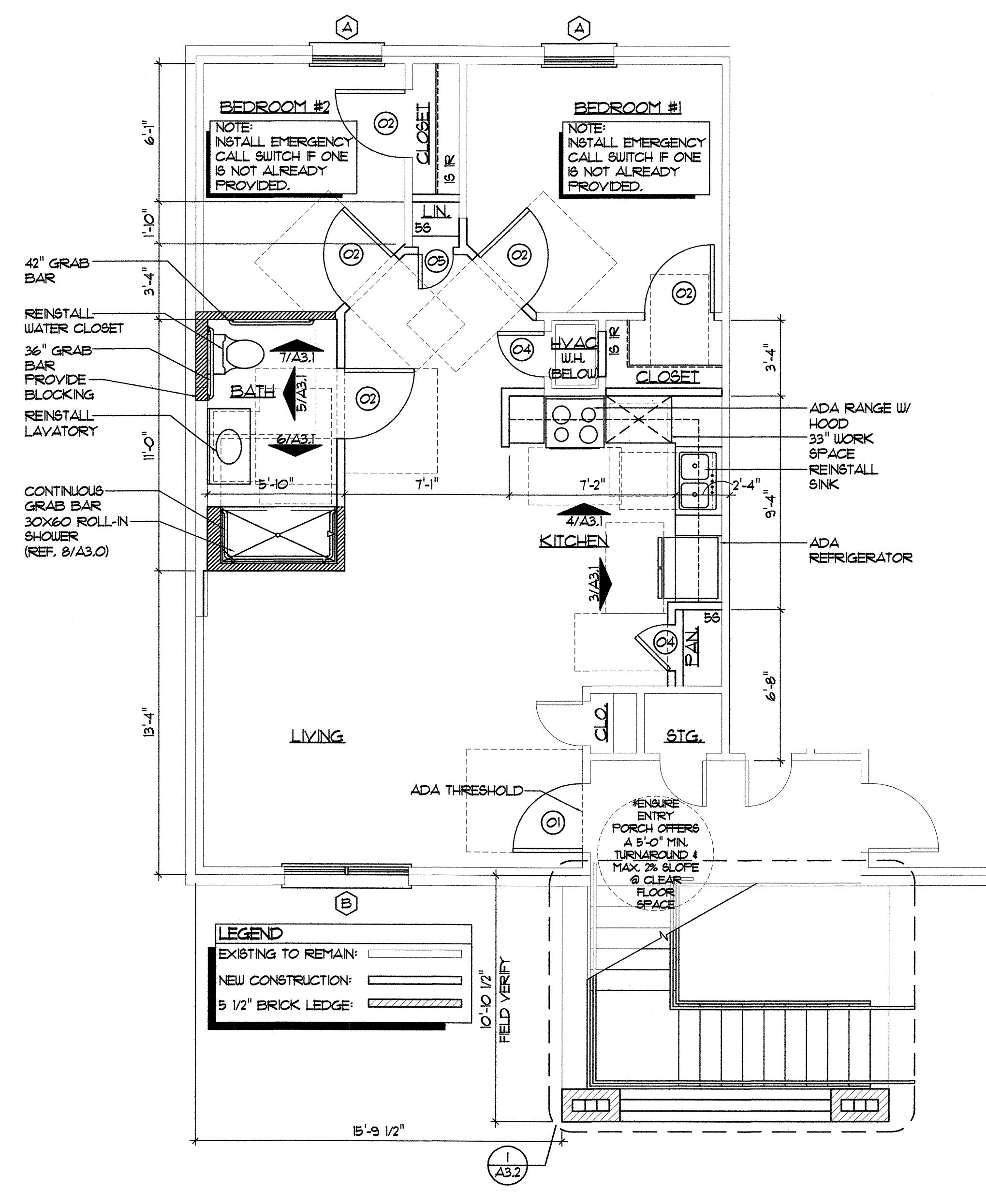
04 BATHROOM ELEVATION
 3/8" = 1'-0"



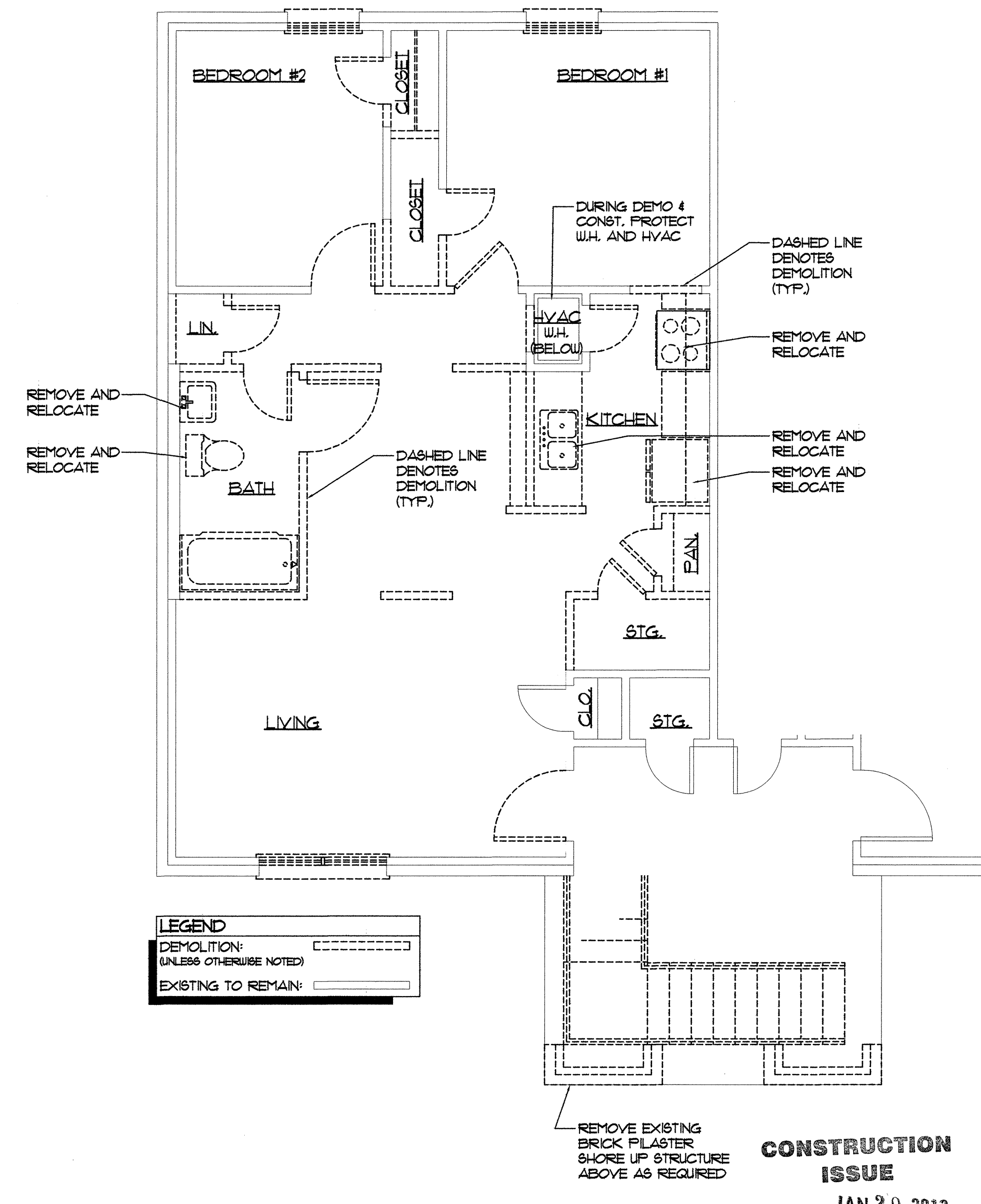
04 KITCHEN ELEVATION
 3/8" = 1'-0"



03 KITCHEN ELEVATION
 3/8" = 1'-0"



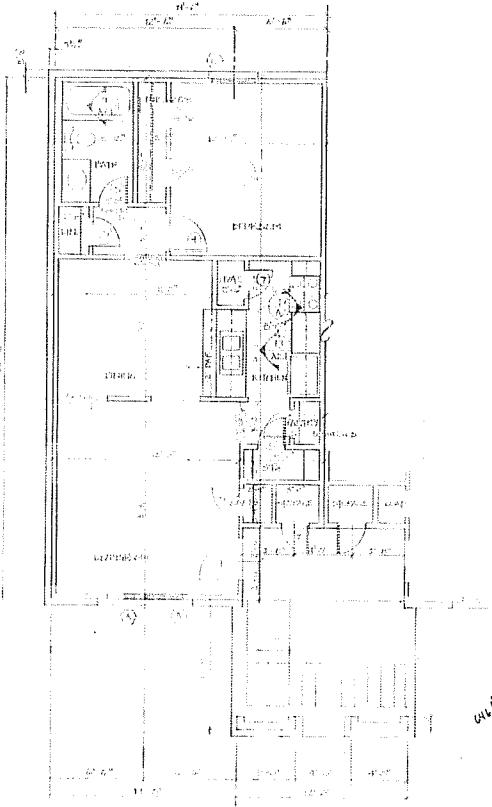
02 B1 H.C. UNIT 2 BEDROOM PLAN
 1/4" = 1'-0"
 TAYLOR SQUARE APARTMENTS



01 B1 H.C. DEMOLITION PLAN
 1/4" = 1'-0"
 TAYLOR SQUARE APARTMENTS

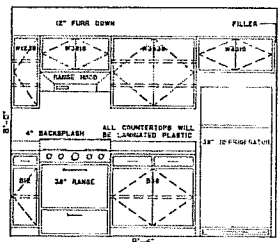
CONSTRUCTION ISSUE
 DATE: JAN 29 2013

1/8" = 1'-0"
 5/8" x 1" TYPE GYPSUM BOARD IS TO BE CONTINUOUS
 BEHIND BATH TUB AT ALL EXTERIOR AND COMMON WALLS.

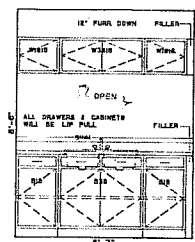


18 FLOOR PLAN (1 BDRM)
 A2.1

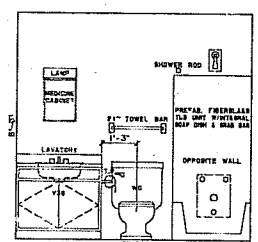
NET RENTABLE AREA - 785 sf.



17 KITCHEN ELEVATION
 A2.1



13 KITCHEN ELEVATION
 A2.1



9 BATH ELEVATION
 A2.1

ADJUSTABLE TRAVELER ROD:
 J.C. TINSLEY CO. R 735-2006 A (30 TO 40 IN.)
 R 735-2008 A (40 TO 50 IN.)
 R 735-2002 A (50 TO 60 IN.)

DRAPER (SEE QUALITY AND TYPE LIST)
 J.C.C. DRAPER CO.: 5" (1) - Natural-suede look-velvet, 50% polyester, 5/8" center.
 LEXER: Flare-suede look-velvet, 50% polyester, 7 1/2" center.
 DALLAS: Micro-foam look-velvet, 50% polyester, 10" center.

| PAINT SCHEDULE | EXTERIOR | | METAL | | INTERIOR | | WOOD-FINISH | | WOOD-FLOOR | | GLASS | |
|----------------|-----------------|----------------------|--------------|-----------------------------------|-----------------|--------------------|-------------|-------------------|----------------------|------------------|------------------------------|-----------------------------|
| | NUMBER OF COATS | ZINC CHROMATE PRIMER | ALLOY ENAMEL | PRIMER (SEE EXT. LATER MANUFACT.) | EXTENSION LATEX | ENAMEL UNDERCOATER | WOOD STAIN | CLEAR WOOD SEALER | PANEL & TRIM VARNISH | TEXTURED TEXTURE | FLAT FINISH LATEX WALL PAINT | DENEGARD FOR NATURAL FINISH |
| | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

GENERAL FINISH SCHEDULE

| ROOM | FLOOR | WALLS | CEILING | DOOR |
|--------------|------------------------------|------------------------------|------------------------------|------------------------------|
| LIVING | 1" x 1/2" PLYWOOD | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT | CAMBRIDGE |
| DINING | 1" x 1/2" PLYWOOD | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT | CAMBRIDGE |
| KITCHEN | 1" x 1/2" PLYWOOD | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT | CAMBRIDGE |
| BATH | 1" x 1/2" PLYWOOD | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT | CAMBRIDGE |
| BEDROOM | 1" x 1/2" PLYWOOD | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT | CAMBRIDGE |
| HALL | 1" x 1/2" PLYWOOD | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT | CAMBRIDGE |
| STAIR | 1" x 1/2" PLYWOOD | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT | CAMBRIDGE |
| W.C. | 1" x 1/2" PLYWOOD | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT | CAMBRIDGE |
| ALL EXTERIOR | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT |

GENERAL FINISH SCHEDULE

| ROOM | FLOOR | WALLS | CEILING | DOOR |
|--------------|------------------------------|------------------------------|------------------------------|------------------------------|
| LIVING | 1" x 1/2" PLYWOOD | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT | CAMBRIDGE |
| DINING | 1" x 1/2" PLYWOOD | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT | CAMBRIDGE |
| KITCHEN | 1" x 1/2" PLYWOOD | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT | CAMBRIDGE |
| BATH | 1" x 1/2" PLYWOOD | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT | CAMBRIDGE |
| BEDROOM | 1" x 1/2" PLYWOOD | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT | CAMBRIDGE |
| HALL | 1" x 1/2" PLYWOOD | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT | CAMBRIDGE |
| STAIR | 1" x 1/2" PLYWOOD | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT | CAMBRIDGE |
| W.C. | 1" x 1/2" PLYWOOD | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT | CAMBRIDGE |
| ALL EXTERIOR | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT | FLAT FINISH LATEX WALL PAINT |

KITCHEN EQUIPMENT SCHEDULE

| ITEM | DESCRIPTION | MANUFACTURER |
|--------------|------------------|--------------|
| RANGE | GENERAL ELECTRIC | JW 5076 |
| HOOD | GENERAL ELECTRIC | JV 912 |
| REFRIGERATOR | GENERAL ELECTRIC | JM 54 C |

FINISHING FIXTURE SCHEDULE

| ITEM | DESCRIPTION | MANUFACTURER |
|--------------|-------------|----------------|
| KITCHEN SINK | BRASSCRAFT | 95 MIDE 22649F |
| WATER CLOSET | WILCOX | 10045 |
| BATHING | WILCOX | 242020F |
| LAVATORY | WILCOX | 10045 |
| WATER HEATER | WILCOX | 10045 |

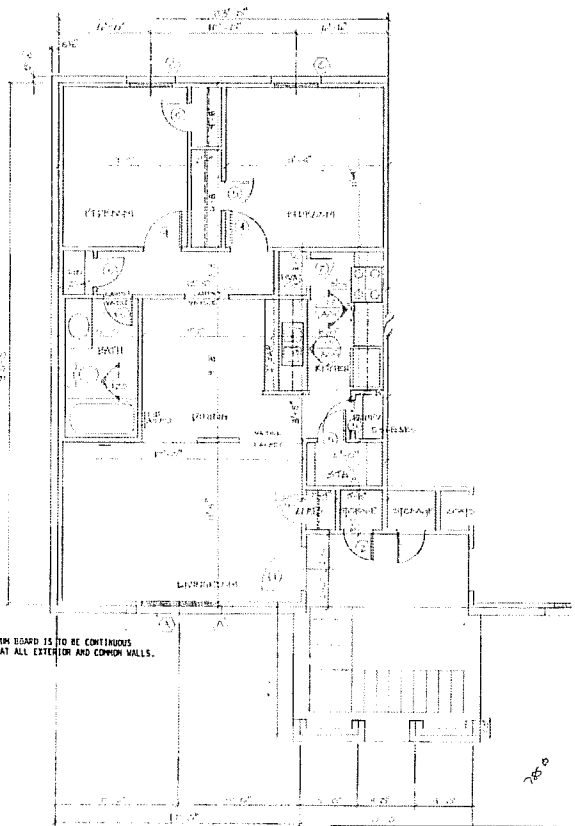
BATH FURNISHING SCHEDULE

| ITEM | DESCRIPTION | MANUFACTURER |
|--------------------|-------------|--------------|
| TUB/SHOWER | WILCOX | 10045 |
| SHOWER CURTAIN ROD | WILCOX | 10045 |
| SHOWER CABINET | WILCOX | 10045 |
| WATER HEATER | WILCOX | 10045 |

NOTE:
 1. E.W. SMOKE DETECTOR SO-D, EGD-1 OR EQ.
 2. EXHAUST FAN NUTONE MODEL NO.8922, 80CM-3.5 BONES OR EQ.
 3. INSTALL NUTONE MCV-306 COMB. DOOR CHIME AND PEEP ON FRONT DOOR 5'-0" HIGH & 6" OF DOOR.



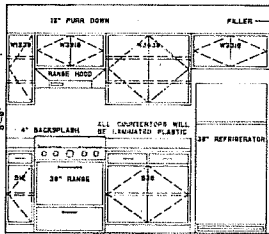
TAYLOR SQUARE LTD.
 Taylor, Texas



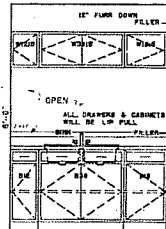
TUB NOTE:
5/8" R-TYPE CYPRESS BOARD IS TO BE CONTIGUOUS
BEHIND BATH TUB AT ALL EXTERIOR AND COMMON WALLS.

18 FLOOR PLAN (2 BDRM)
A2.2

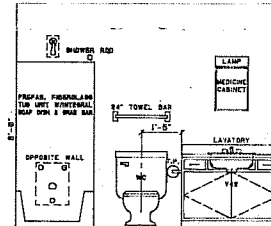
Net Rentable Area - 946 SF



17 KITCHEN ELEVATION
A2.2



13 KITCHEN ELEVATION
A2.2



9 BATH ELEVATION
A2.2

ADJUSTABLE TRAVELER RD.
J.C. FLOW'S NO. R 75-206 & 130 TO 48 IN.)
R 75-233 & 140 TO 60 IN.)
R 75-242 & 147 TO 100 IN.)

DRIPY (BTR QUALITY AND TYPE D4)
TILE, COVER CO.: 95% (90% natural stone, 5% synthetic, 5% custom)
5/8" POLYMER, 10' custom.
DORX - Flat-sawn, lat-washable, 91%
polyester, 9" thin.
DALLAS - White-form lat-washable, 92%
polyester, 10' custom.

| PAINT SCHEDULE | NUMBER OF COATS | EXTERIOR | | INTERIOR | | METAL | | WOOD-PANTRY FINISH | | WOOD-FINISH FINISH | | OTHER WALLBOARD | |
|-------------------------------|-----------------|----------|------|----------|------|-------|------|--------------------|------|--------------------|------|-----------------|------|
| | | WALL | TRIM | WALL | TRIM | WALL | TRIM | WALL | TRIM | WALL | TRIM | WALL | TRIM |
| ZINC CHROMATE PRIMER | 1 | | | 1 | 1 | | | | | | | | |
| ALKID ENAMEL | 1 | | | 1 | 1 | | | | | | | | |
| EXTENSION LATEX | 2 | | | 2 | 2 | | | | | | | | |
| ENAMEL UNDERCOATER | | | | | | 1 | 1 | | | | | | |
| SEMI GLOSS LATEX | | | | | | | | 1 | 1 | | | | |
| WOOD STAIN | | | | | | | | | | 1 | 1 | | |
| CLEAR WOOD SEALER | | | | | | | | | | | | 1 | 1 |
| PANEL & TRIM VARNISH | | | | | | | | | | | | | 1 |
| TEXTURE TEXTURE | | | | | | | | | | | | | 1 |
| FLAT FINISH LATEX WALL PAINT | | | | | | | | | | | | | 2 |
| *DISREGARD FOR NATURAL FINISH | | | | | | | | | | | | | |

| ROOM FINISH SCHEDULE | | | |
|----------------------|---|----------------------|--------|
| ROOM | WALLS | Ceilings | FLOOR |
| LIVING | 1/2" 5/8" SPLY. 1/2" 5/8" SPLY. 1/2" 5/8" SPLY. | POP. 1/2" 5/8" SPLY. | CARPET |
| DINING | " | " | " |
| KITCHEN | " | " | " |
| BATH | " | " | " |
| BEDROOMS | " | " | " |
| CLOSET | " | " | " |
| HALL | " | " | " |
| STAIR | " | " | " |

| SINK SCHEDULE | |
|---------------|-------------------------|
| PAIR | SIZE & TYPE |
| 1 | 20" H.D. FLUSH HANDSINK |
| 2 | 20" H.D. FLUSH HANDSINK |
| 3 | 20" H.D. FLUSH HANDSINK |
| 4 | 20" H.D. FLUSH HANDSINK |
| 5 | 20" H.D. FLUSH HANDSINK |
| 6 | 20" H.D. FLUSH HANDSINK |
| 7 | 20" H.D. FLUSH HANDSINK |

| KITCHEN EQUIPMENT SCHEDULE | |
|----------------------------|--------------------|
| RANGE | APPL. ELECT. (W/S) |
| HOOD | APPL. ELECT. (W/S) |
| REF. (FRIG.) | APPL. ELECT. (W/S) |

| BATH HARDWARE SCHEDULE | |
|------------------------|-----------|
| TOILET | WASH. TUB |
| TOILET | WASH. TUB |
| TOILET | WASH. TUB |
| TOILET | WASH. TUB |
| TOILET | WASH. TUB |

NOTE:
 1) E.W. SMOKE DETECTOR 80-D, EGD-1 OR EQ.
 2) 4-INCH FAN NUTONE MODEL NO.8832, 80CM-3.5 SONES OR EQ.
 INSTALL NUTONE MCV-308 COMB. DOOR CHIME AND PEEP ON FRONT DOOR 4'-6" HIGH & 6" OF DOOR.

TAYLOR SQUARE LTD.

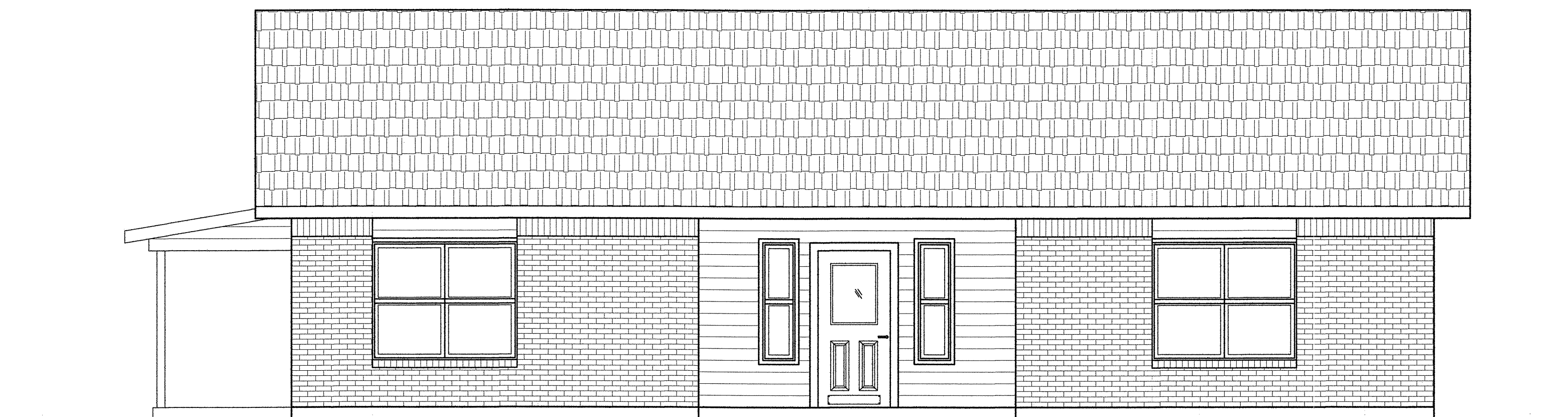
Taylor, Texas

Drawn By: _____
 Approved: _____
 Date: _____

A2.2

STEPPING STONE APARTMENTS

TAYLOR, TEXAS 76574



SITE LOCATION MAP



INDEX TO DRAWINGS

| | | | | | | |
|----------------------|------------------------------------|--|--|--|--|--|
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| ARCHITECTURAL | | | | | | |
| A1.0 | SITE PLAN/ ADDRESS PLAN | | | | | |
| A1.1 | SITE DETAILS | | | | | |
| A1.2 | DUMPSTER PLAN AND DETAILS | | | | | |
| A2.0 | DOOR SCHEDULE | | | | | |
| A2.1 | GENERAL NOTES | | | | | |
| A3.0 | A1 H.C. DEMOLITION PLAN & NEW PLAN | | | | | |
| A3.1 | B1 H.C. DEMOLITION PLAN & NEW PLAN | | | | | |
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| ACCESSIBILITY | | | | | | |
| ADA-1 | ACCESSIBILITY | | | | | |
| ADA-2 | ACCESSIBILITY | | | | | |
| ADA-3 | ACCESSIBILITY | | | | | |
| STRUCTURAL | | | | | | |
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| S1.1 | GENERAL NOTES | | | | | |
| S2.1 | SITE STRUCTURES | | | | | |
| S3.1 | MISC. DETAILS & SECTIONS | | | | | |

CONTACT INFORMATION

OWNER
HVM TAYLOR, LTD.
209 S. WEST STREET
BURNET, TEXAS 78611
PH (512) 756-8809, FAX (512) 756-9885
CONTACT: BEN FARMER

ARCHITECT
CROSS ARCHITECTS, PLLC
1255 W. 15TH STREET, SUITE 125
PLANO, TEXAS 75075
PH (972) 398-6644, FAX (972) 312-8666
CONTACT: BRIAN RUMSEY

PROJECT DATA

| | |
|-------------|---|
| BUILDING | 2009 INTERNATIONAL BUILDING CODE |
| FIRE | 2009 INTERNATIONAL FIRE CODE |
| RESIDENTIAL | 2009 INTERNATIONAL RESIDENTIAL CODE |
| MECHANICAL | 2009 INTERNATIONAL MECHANICAL CODE |
| PLUMBING | 2009 INTERNATIONAL PLUMBING CODE |
| ELECTRICAL | 2008 NATIONAL ELECTRICAL CODE |
| ENERGY | 2009 INTERNATIONAL ENERGY CONSERVATION CODE |

MASTER REVISION RECORD

| NUMBER | DESCRIPTION | DATE |
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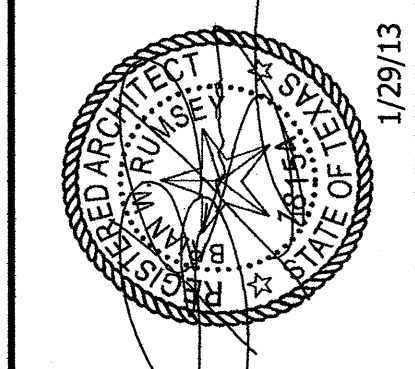
PROJECT UNIT TABULATION DATA

| UNIT TABULATION - STEPPING STONE APARTMENTS | | | |
|---|---------------|------------|----------------|
| TYPE | S.F. PER UNIT | # OF UNITS | NET TOTAL S.F. |
| A1 - ONE BEDROOM, ONE BATH | 595 S.F. | 35 | 20,825 S.F. |
| A1 H.C. - ONE BEDROOM, ONE BATH | 595 S.F. | 3 | 1,785 S.F. |
| B1 - TWO BEDROOM, ONE BATH | 835 S.F. | 5 | 4,175 S.F. |
| B1 H.C. - TWO BEDROOM, ONE BATH | 835 S.F. | 1 | 835 S.F. |
| | | 44 | 27,620 S.F. |

| UNIT TABULATION - TAYLOR SQUARE APARTMENTS | | | |
|--|---------------|------------|----------------|
| TYPE | S.F. PER UNIT | # OF UNITS | NET TOTAL S.F. |
| A1 - ONE BEDROOM, ONE BATH | 656 S.F. | 16 | 10,496 S.F. |
| A1 H.C. - ONE BEDROOM, ONE BATH | 798 S.F. | 1 | 798 S.F. |
| B1 - TWO BEDROOM, ONE BATH | 798 S.F. | 33 | 26,334 S.F. |
| B1 H.C. - TWO BEDROOM, ONE BATH | 798 S.F. | 2 | 1,596 S.F. |
| | | 52 | 39,224 S.F. |

GENERAL NOTES

- THE GENERAL CONTRACTOR SHALL VERIFY ALL CONDITIONS AT THE JOBSITE, NOTIFY ARCHITECT OR ANY DEVIATIONS FROM THOSE CONDITIONS AS THEY ARE NOTED ON THE DRAWINGS
- THE GENERAL CONTRACTOR SHALL COORDINATE & SCHEDULE ALL WORK WITH THE OWNER
- THE GENERAL CONTRACTOR IS RESPONSIBLE FOR COMPLIANCE WITH ALL STATE & LOCAL BUILDING CODES & GOVERNMENTAL REGULATORY AGENCIES
- THE GENERAL CONTRACTOR IS TO SUBMIT SHOP DRAWINGS, PRODUCT DATA & SAMPLE TO OWNER/ ARCHITECT FOR APPROVAL PRIOR TO FABRICATIONS OF ALL MILLWORK & WALL FINISHES
- DO NOT SCALE ANY DRAWINGS, ANY DIMENSIONS ARE TO BE OBTAINED FROM THE ARCHITECT IF NOT NOTED ON THE DRAWINGS
- THE GENERAL CONTRACTOR SHALL VERIFY THE SIZE, LOCATIONS, & CHARACTERISTICS OF ALL WORK & EQUIPMENT SUPPLIED BY THE OWNER OR OTHERS WITH THE MANUFACTURED OR SUPPLIER PRIOR TO THAT START OF THE RELATED WORK
- THE GENERAL CONTRACTOR SHALL SEE THAT ALL SUBCONTRACTORS RECEIVE COMPLETE WORKING DRAWINGS & ASSUME FULL RESPONSIBILITY FOR COORDINATION OF WORK

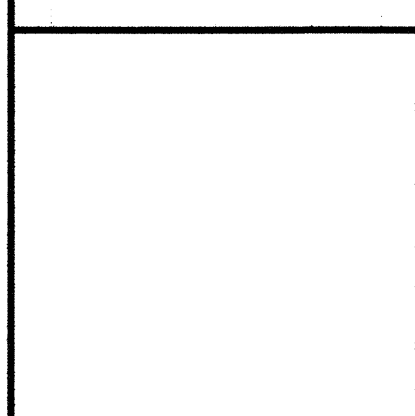


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FAX: 972.312.8666
brumsey@crossarchitects.com



STEPPING STONE APARTMENTS

PROJECT:
STEPPING STONE APARTMENTS
TAYLOR, TEXAS 76574



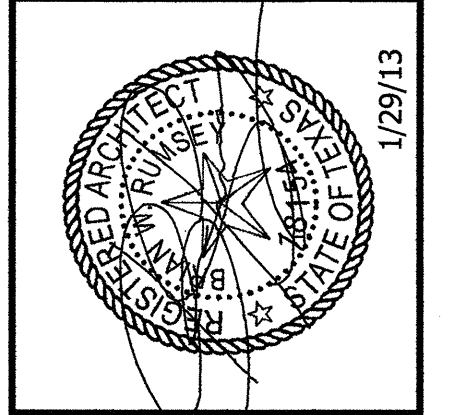
DRAWINGS ISSUED FOR:
CONSTRUCTION ISSUE
DATE: JAN 29 2013

DATE:
12/07/12

PROJ. NO.:
12023

SHEET NUMBER
CS-1

COVER SHEET
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 brumsey@crossarchitects.com



STEPPING STONE APARTMENTS

PROJECT:
 STEPPING STONE APARTMENTS
 TAYLOR, TEXAS 76774

REVISIONS

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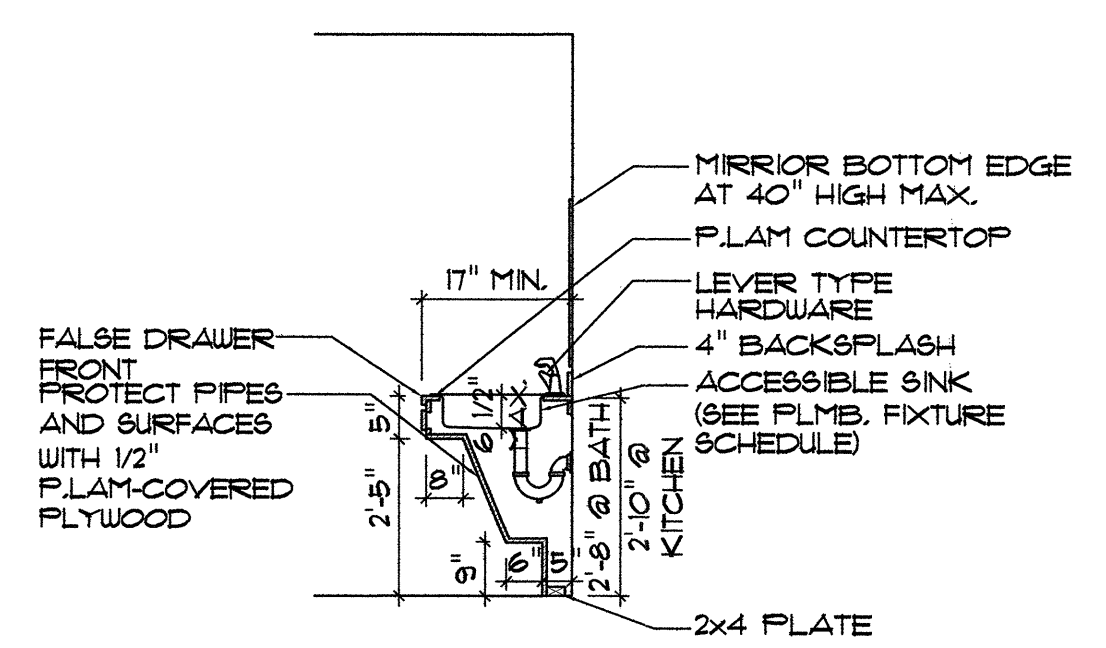
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DATE: 12/07/12

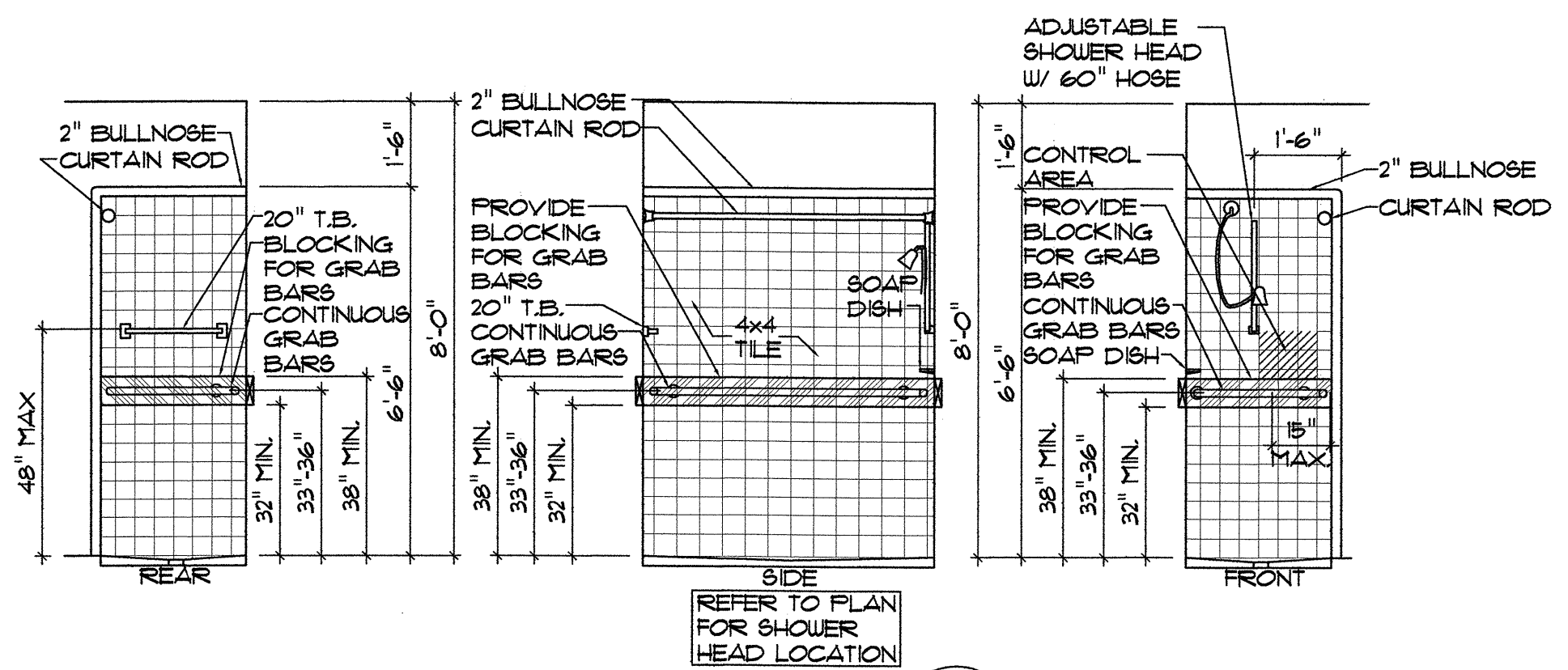
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SHEET NUMBER

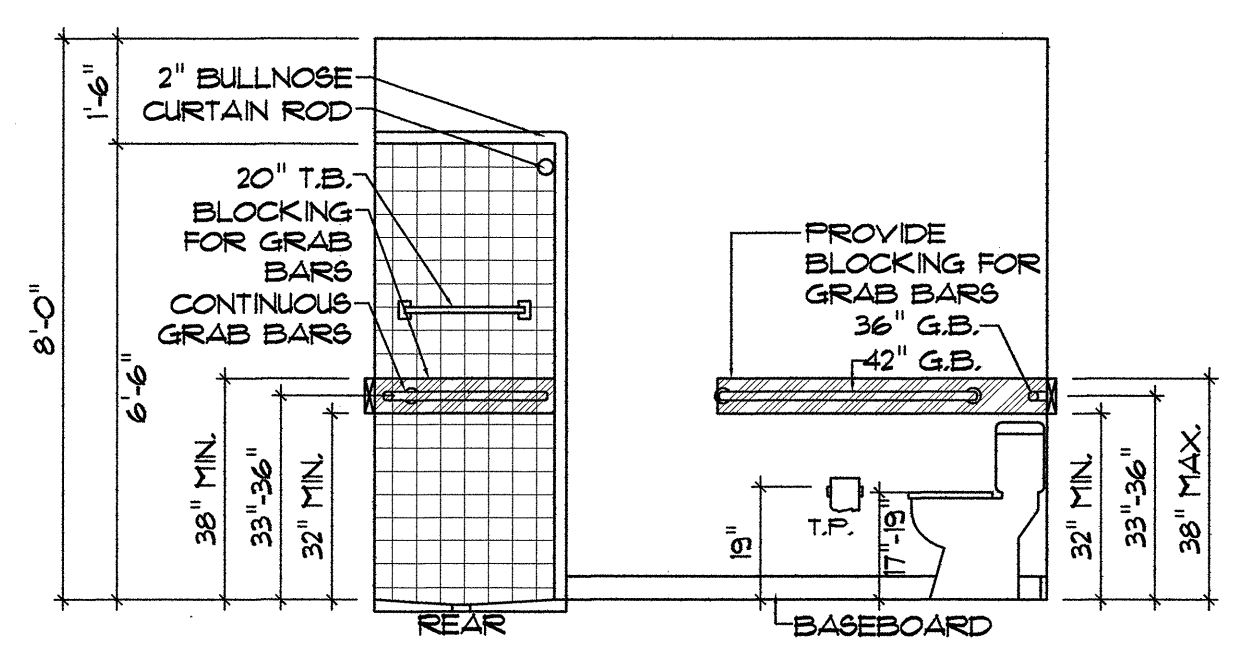
A3.1
 B1 H.C.
 DEMOLITION AND
 UNIT PLAN
 Copyright © 2012



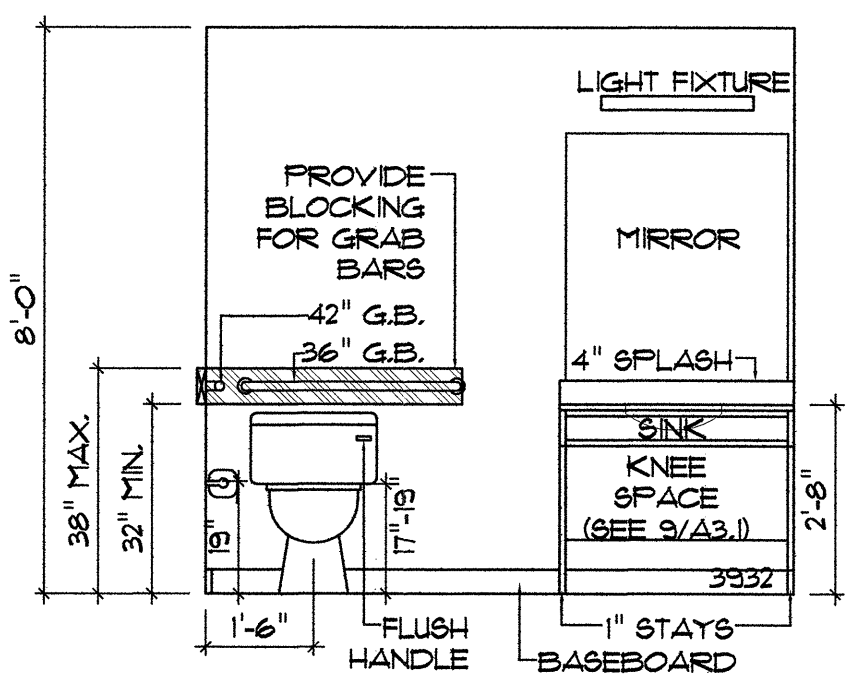
09 ADA SINK SECTION
 3/8" = 1'-0"



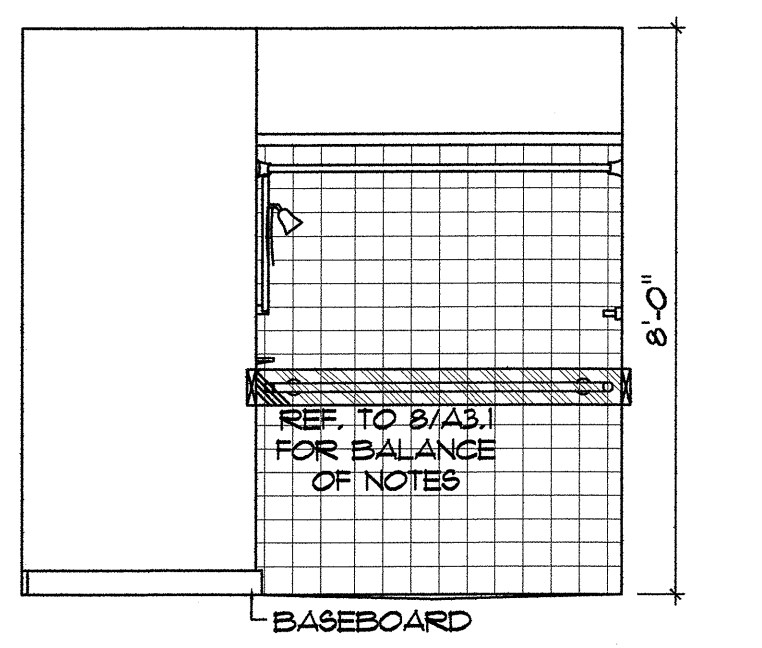
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 3/8" = 1'-0"



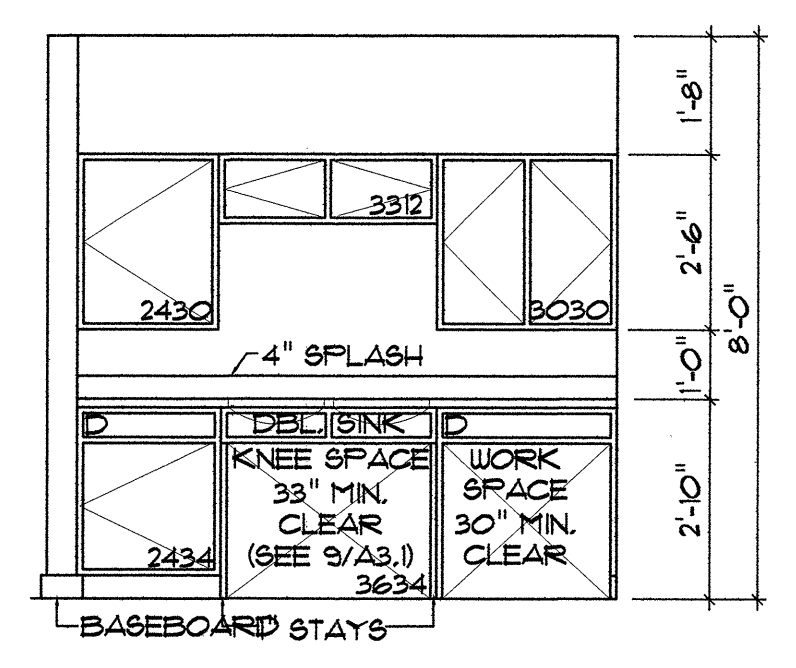
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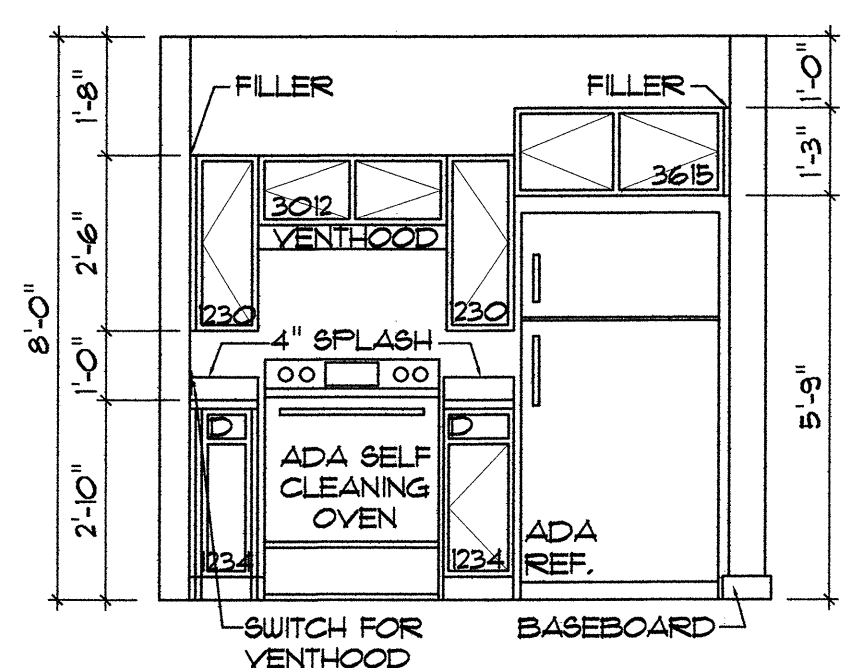
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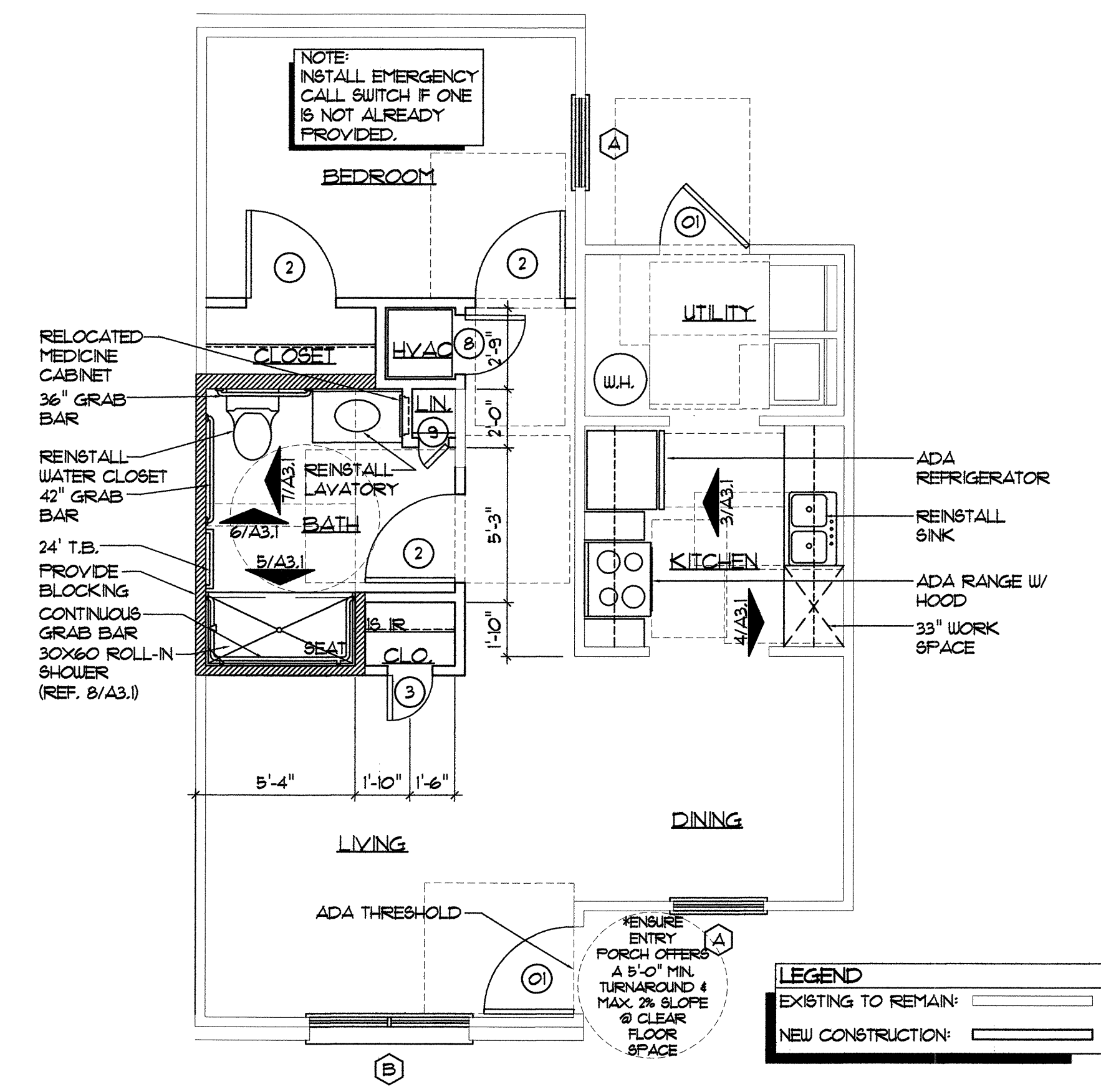
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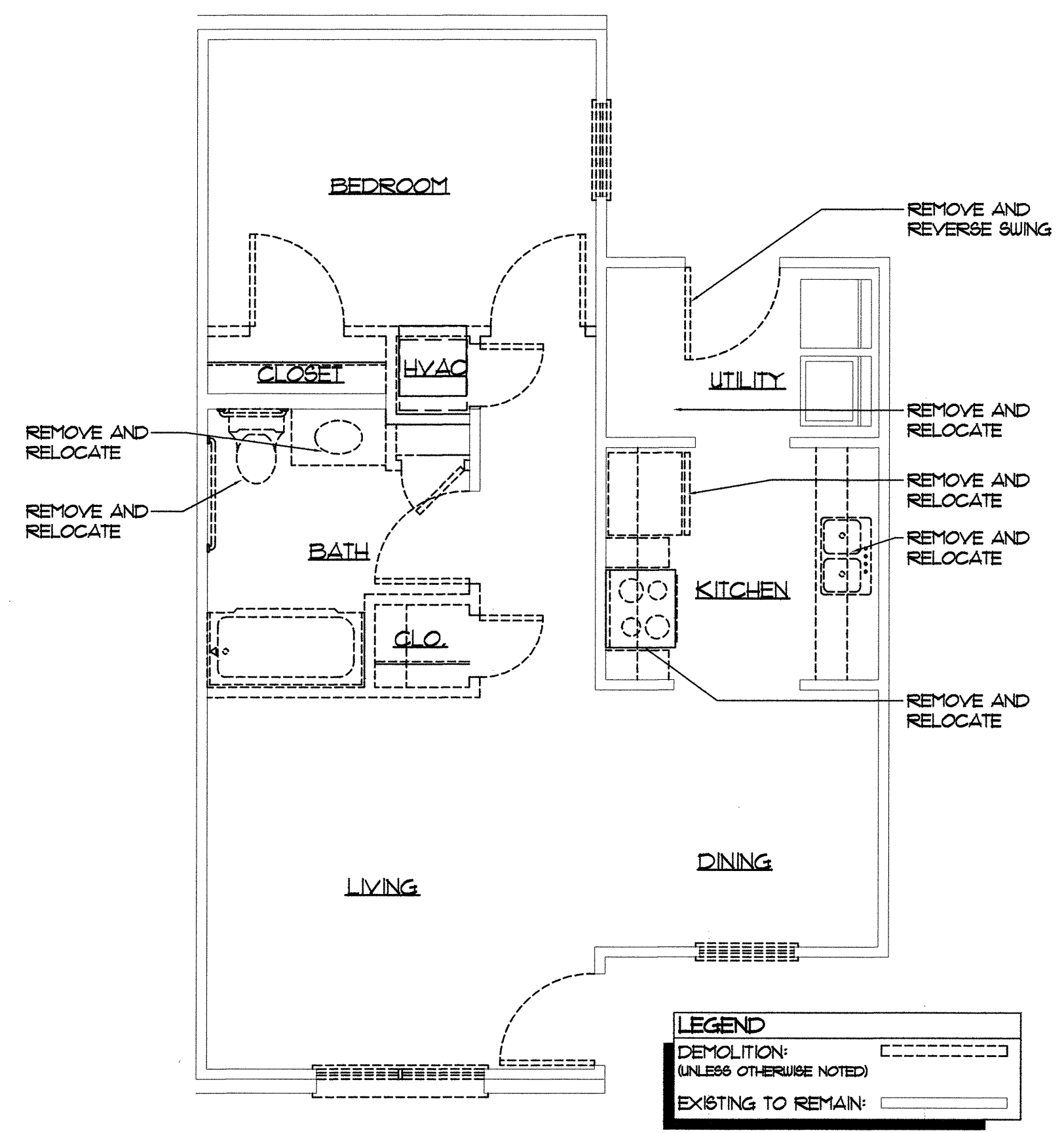
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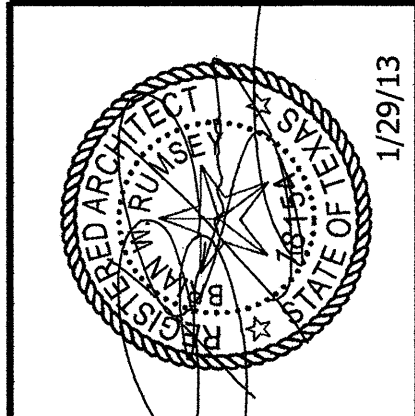
03 KITCHEN ELEVATION
 3/8" = 1'-0"



02 B1 H.C. UNIT 1 BEDROOM PLAN
 1/4" = 1'-0" STEPPING STONE APARTMENTS



01 B1 H.C. DEMOLITION PLAN
 1/4" = 1'-0" STEPPING STONE APARTMENTS



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 brumsey@crossarchitects.com



STEPPING STONE APARTMENTS

PROJECT:
 STEPPING STONE APARTMENTS
 TAYLOR, TEXAS 76574

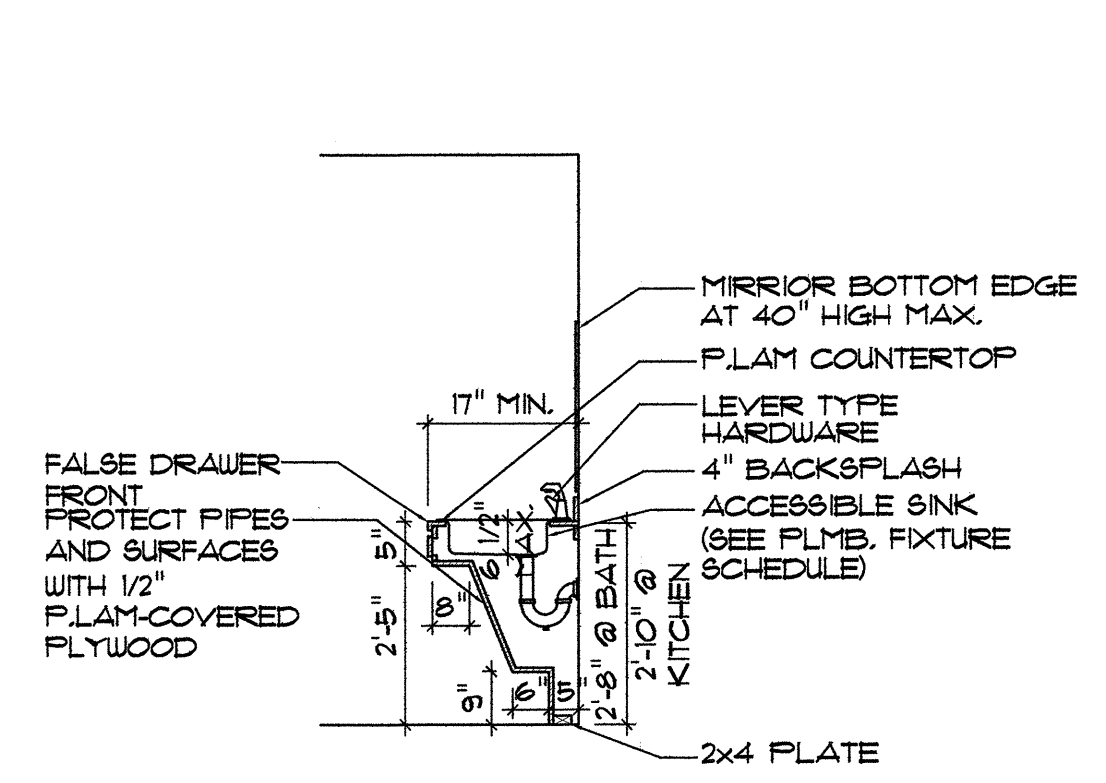
| REVISIONS | |
|-----------|------|
| NO. | DATE |
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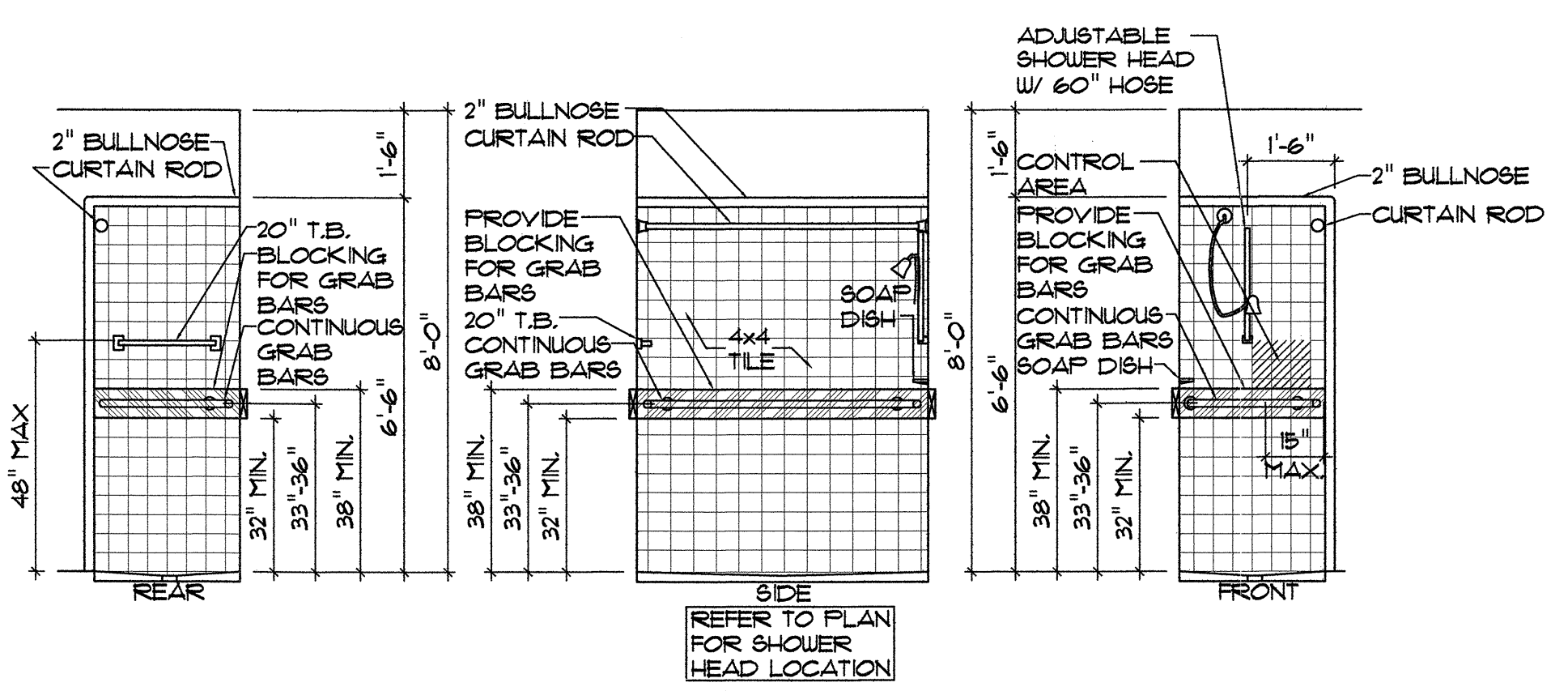
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 12/07/12

PROJ. NO.:
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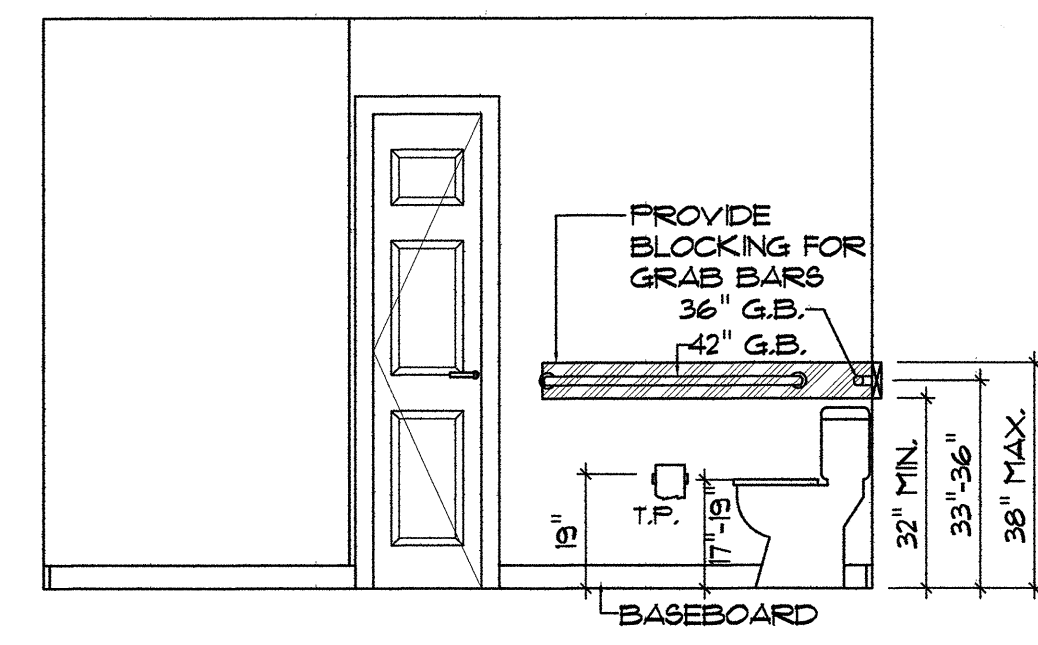
SHEET NUMBER
A3.0
 A1 H.C.
 DEMOLITION AND
 UNIT PLAN
 Copyright © 2012



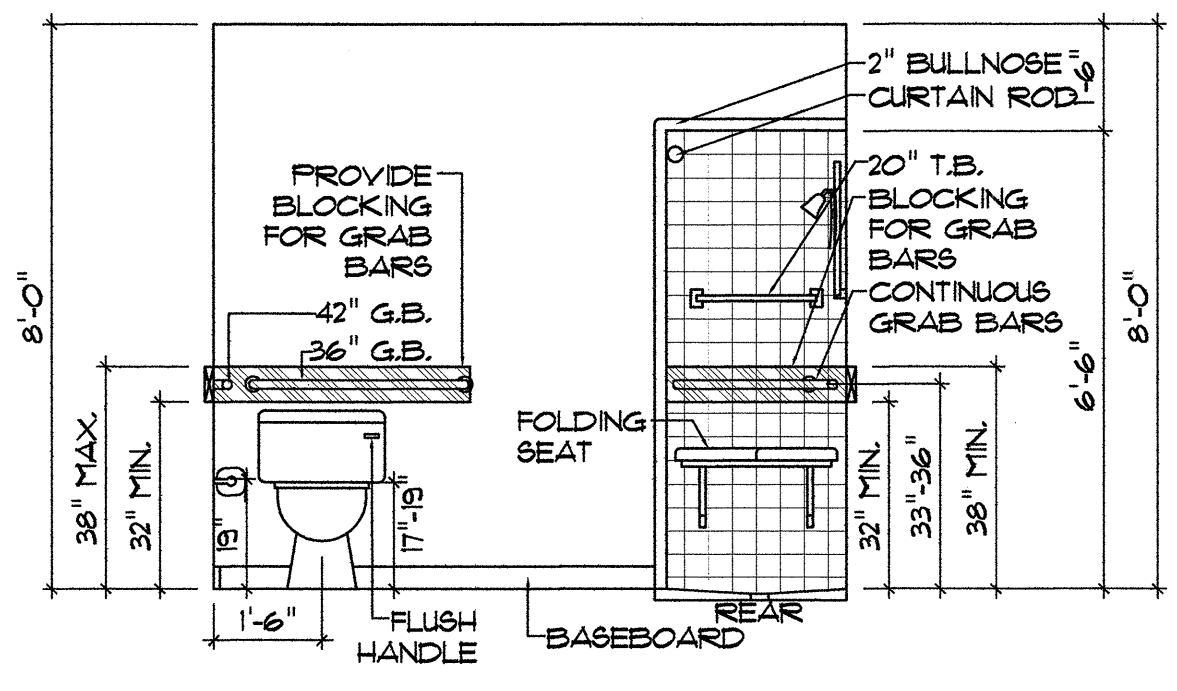
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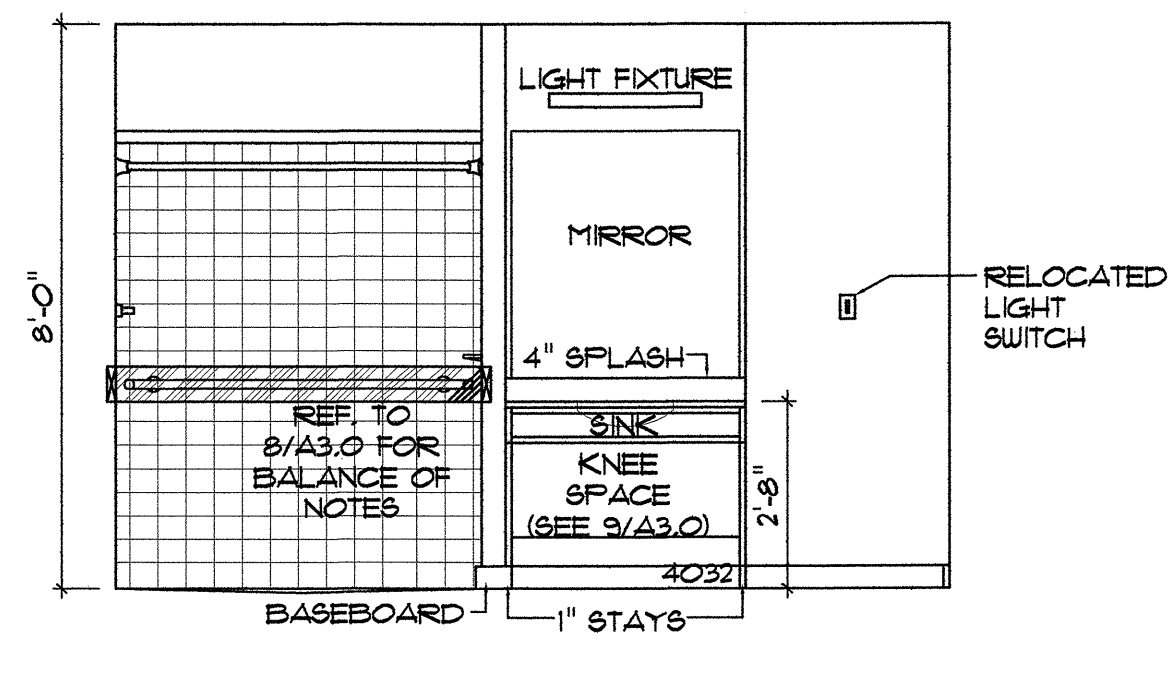
08 BATHROOM ELEVATION
 3/8" = 1'-0"



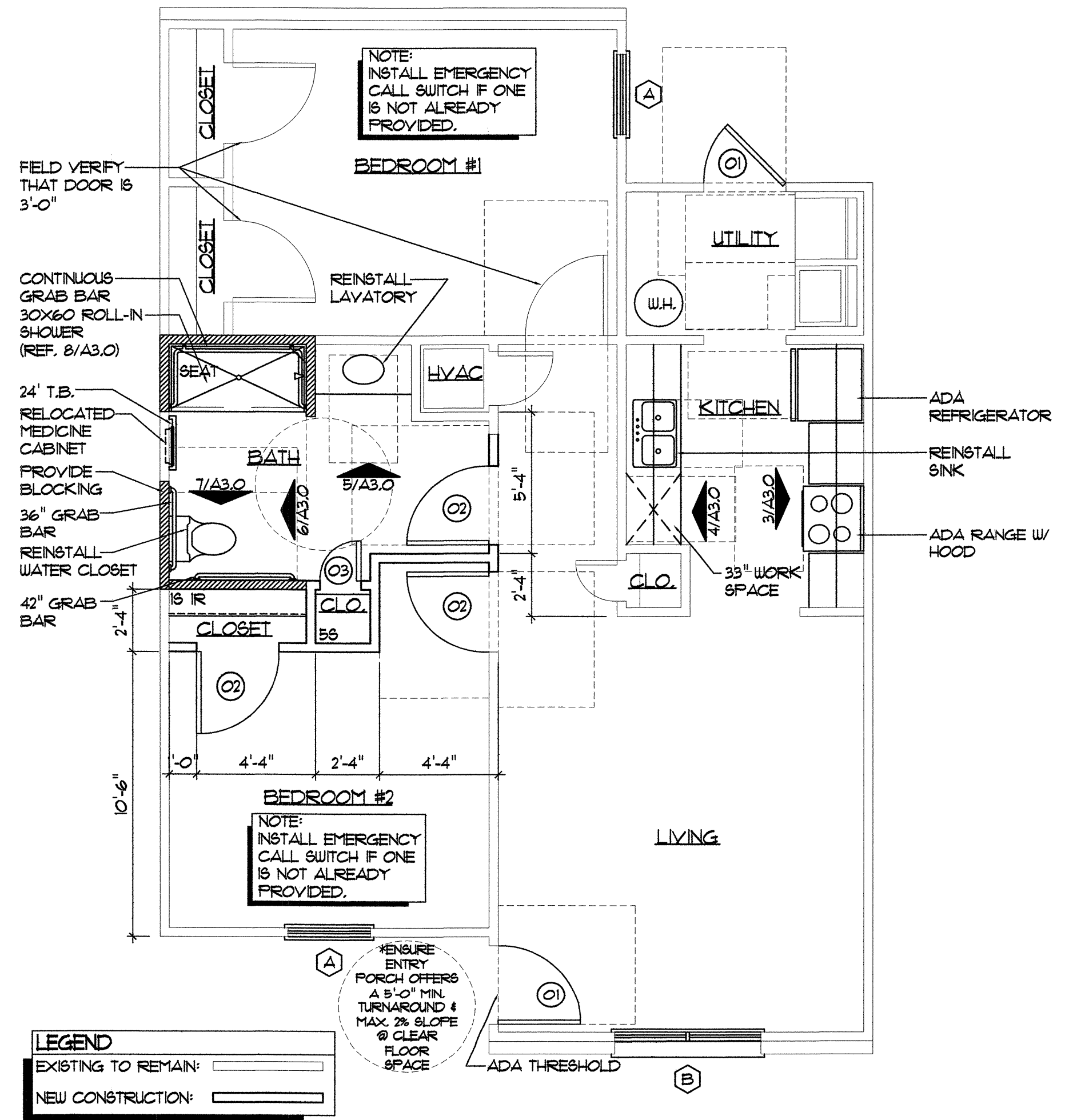
07 BATHROOM ELEVATION
 3/8" = 1'-0"



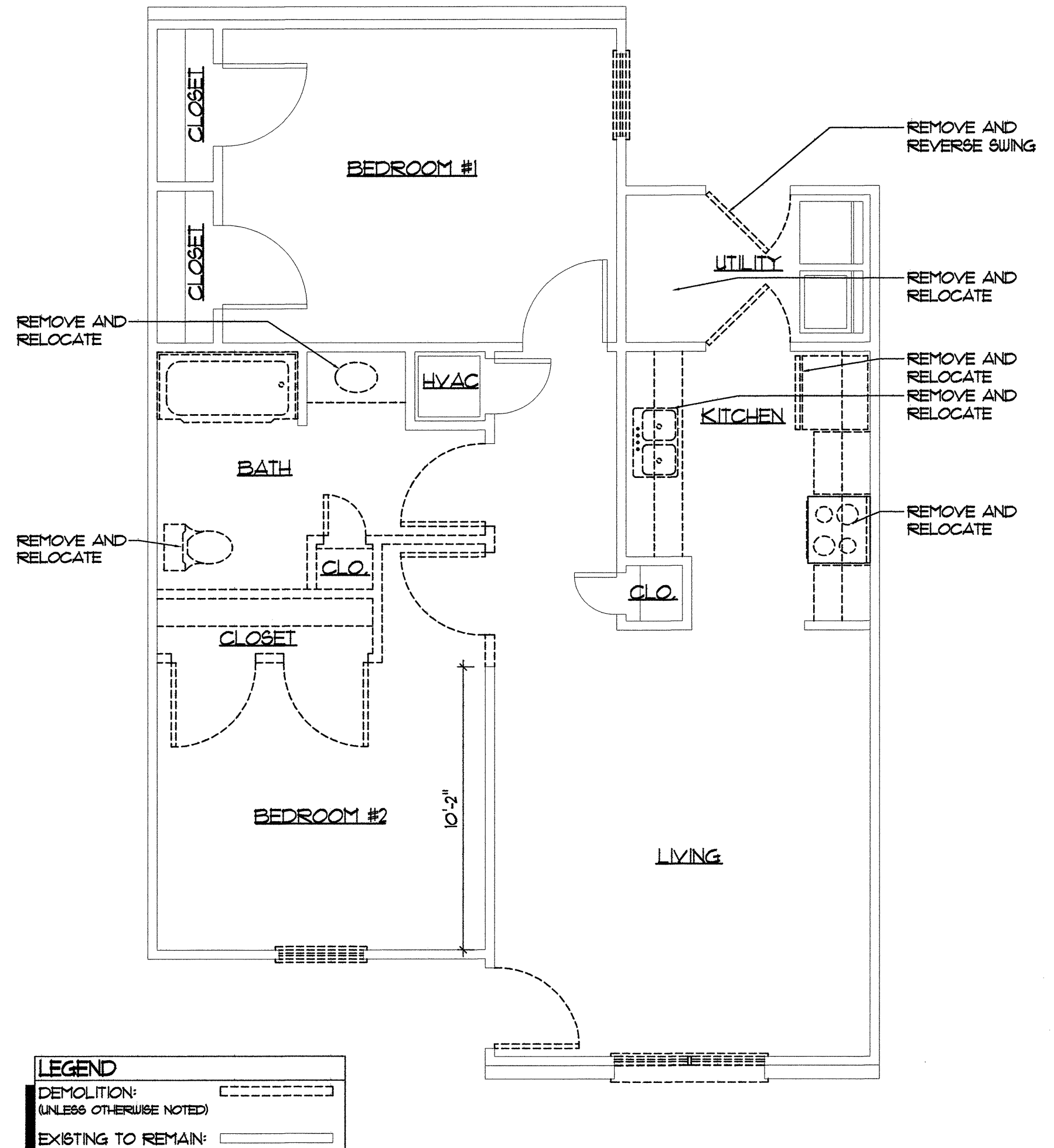
06 BATHROOM ELEVATION
 3/8" = 1'-0"



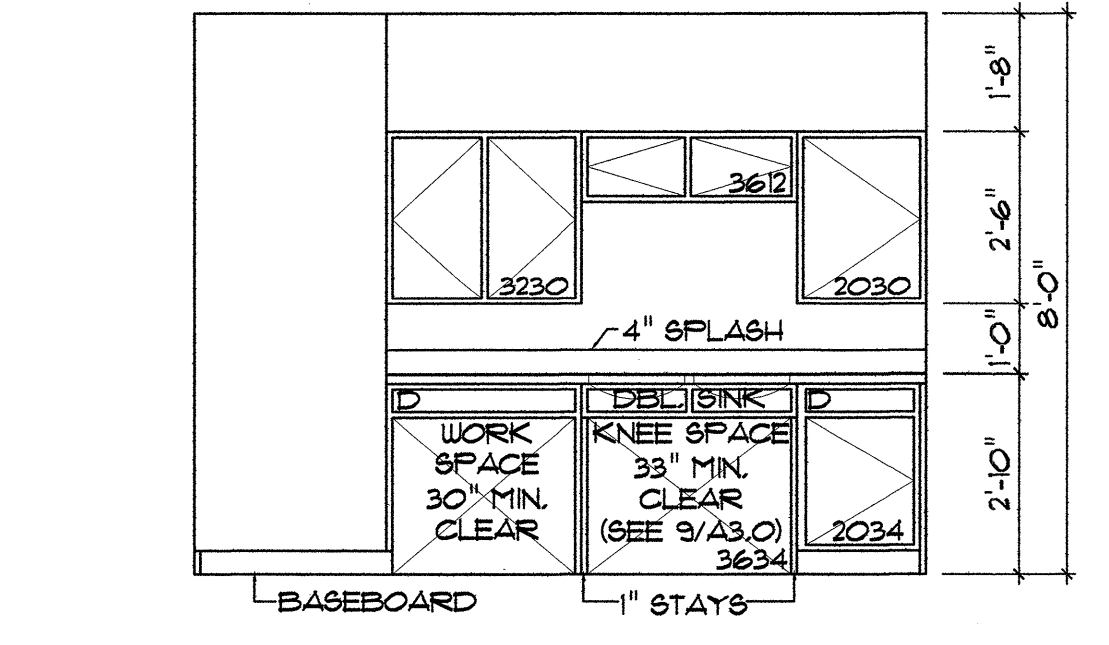
05 BATHROOM ELEVATION
 3/8" = 1'-0"



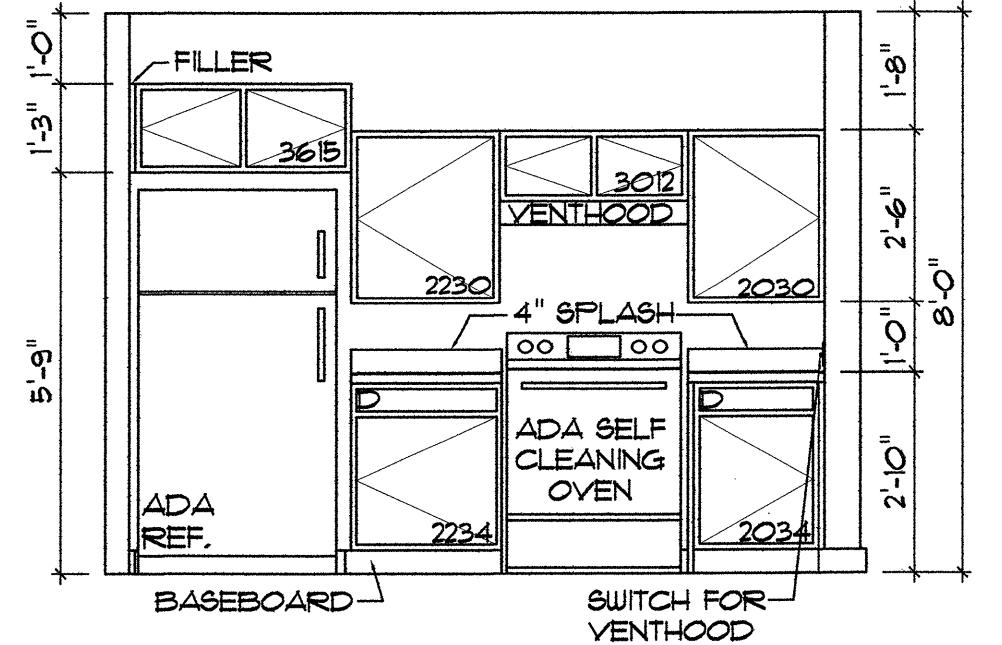
02 A1 H.C. UNIT 2 BEDROOM PLAN
 1/4" = 1'-0" STEPPING STONE APARTMENTS



01 A1 H.C. DEMOLITION PLAN
 1/4" = 1'-0" STEPPING STONE APARTMENTS

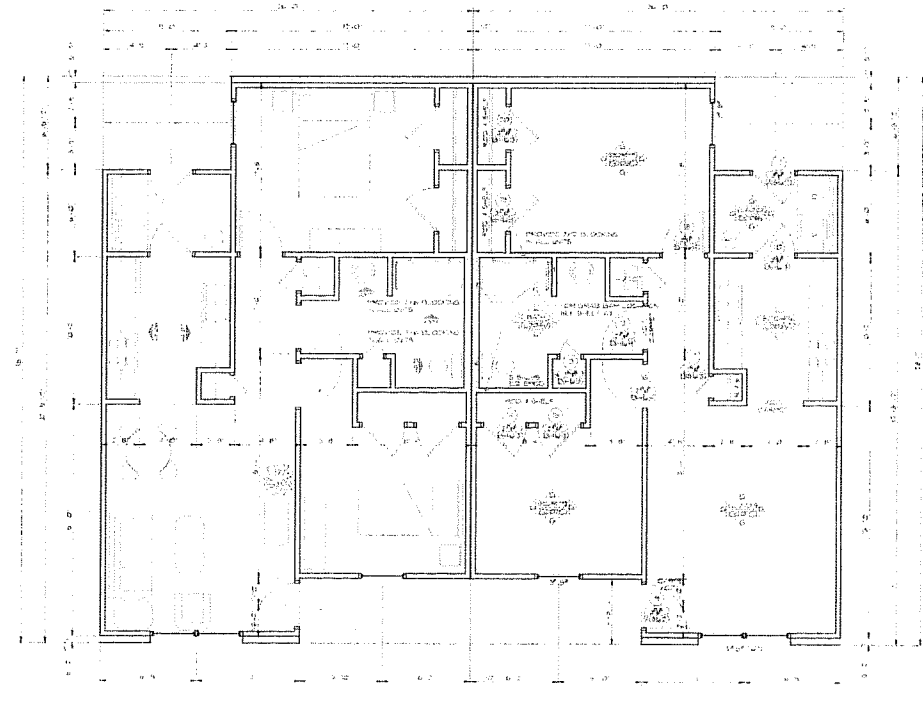
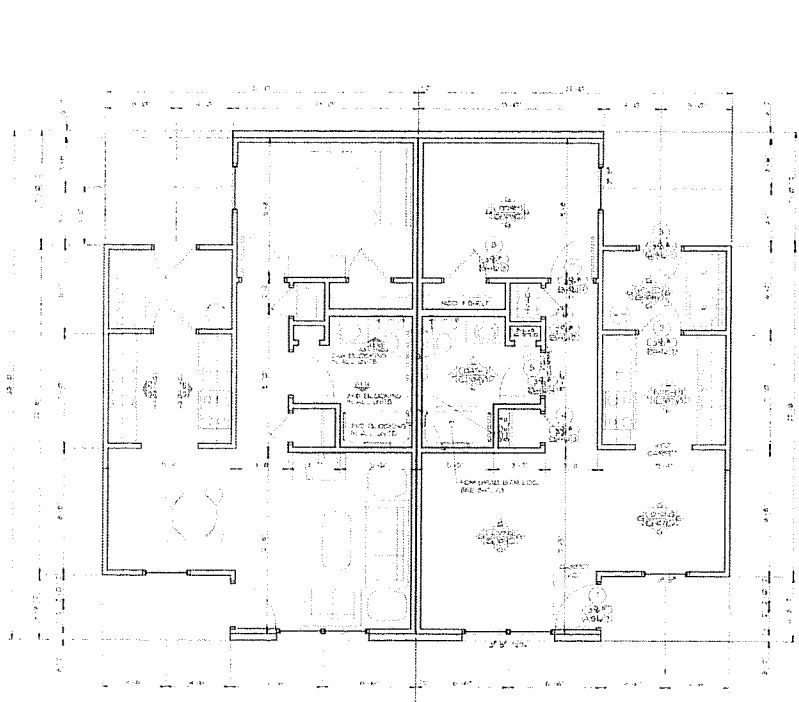
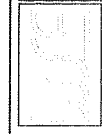


04 KITCHEN ELEVATION
 3/8" = 1'-0"



03 KITCHEN ELEVATION
 3/8" = 1'-0"

CONSTRUCTION ISSUE
 DATE: JAN 25 2013



01 HUNTER HARBOR UNIT 101 FLOOR PLAN
 NET RENTABLE AREA - 650 sf

02 HUNTER HARBOR UNIT 102 FLOOR PLAN
 NET RENTABLE AREA - 800 sf

GENERAL NOTES

1. ALL WORK SHALL BE IN ACCORDANCE WITH THE CITY OF DENVER, COLORADO, AND ALL APPLICABLE CODES AND REGULATIONS.
2. ALL WORK SHALL BE IN ACCORDANCE WITH THE CITY OF DENVER, COLORADO, AND ALL APPLICABLE CODES AND REGULATIONS.
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10. ALL WORK SHALL BE IN ACCORDANCE WITH THE CITY OF DENVER, COLORADO, AND ALL APPLICABLE CODES AND REGULATIONS.

| BATH - ADDITION | | |
|------------------------|--------------------|----------|
| ACCESSORY | NOTES | QUANTITY |
| MEDICINE CABINET | 1/4" x 1/2" x 1/2" | 1 @ 115 |
| SHOWER CURTAIN ROD | 1/2" x 1/2" x 1/2" | 1 @ 115 |
| TUB SHOWER GRAB BARS | 1/2" x 1/2" x 1/2" | 1 @ 115 |
| TOILET BARS | 1/2" x 1/2" x 1/2" | 1 @ 115 |
| WATER CLOSET GRAB BARS | 1/2" x 1/2" x 1/2" | 1 @ 115 |
| TOILET PAPER HOLDER | 1/2" x 1/2" x 1/2" | 1 @ 115 |

NOTHING SUBSTITUTIONS - SHOW GRAB BARS - SEE SPECIFICATIONS

| KITCHEN EQUIPMENT | | |
|-------------------|--------------|--------------|
| EQUIPMENT | MANUFACTURER | MODEL NUMBER |
| REFRIGERATOR | WHIRLPOOL | WHS25A1 |
| RANGE | WHIRLPOOL | W7B00000000 |
| DISHWASHER | WHIRLPOOL | WDF321PW00 |
| RANGE | WHIRLPOOL | W7B00000000 |

NOTES: EQUIPMENT SHALL BE DELIVERED TO THE PROJECT AND SHALL BE INSTALLED BY THE CONTRACTOR. ALL EQUIPMENT SHALL BE IN ACCORDANCE WITH THE CITY OF DENVER, COLORADO, AND ALL APPLICABLE CODES AND REGULATIONS.

EXTRA AND ROOM FINISHES

| ROOM NAME | ROOM NO. | FLOOR FINISH | WALL FINISH | CEILING FINISH | DOOR FINISH | WINDOW FINISH | FIXTURES |
|-------------|----------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| KITCHEN | 101 | 1/2" x 1/2" x 1/2" | 1/2" x 1/2" x 1/2" | 1/2" x 1/2" x 1/2" | 1/2" x 1/2" x 1/2" | 1/2" x 1/2" x 1/2" | 1/2" x 1/2" x 1/2" |
| LIVING AREA | 101 | 1/2" x 1/2" x 1/2" | 1/2" x 1/2" x 1/2" | 1/2" x 1/2" x 1/2" | 1/2" x 1/2" x 1/2" | 1/2" x 1/2" x 1/2" | 1/2" x 1/2" x 1/2" |
| BEDROOM | 101 | 1/2" x 1/2" x 1/2" | 1/2" x 1/2" x 1/2" | 1/2" x 1/2" x 1/2" | 1/2" x 1/2" x 1/2" | 1/2" x 1/2" x 1/2" | 1/2" x 1/2" x 1/2" |
| BATH | 101 | 1/2" x 1/2" x 1/2" | 1/2" x 1/2" x 1/2" | 1/2" x 1/2" x 1/2" | 1/2" x 1/2" x 1/2" | 1/2" x 1/2" x 1/2" | 1/2" x 1/2" x 1/2" |

NOTE: FINISHES SHALL BE IN ACCORDANCE WITH THE CITY OF DENVER, COLORADO, AND ALL APPLICABLE CODES AND REGULATIONS.

As-Built

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
OCTOBER 15, 2015

Presentation, Discussion, and Possible Action regarding a material amendment to the Housing Tax Credit (“HTC”) Application for Whitestone and Tamaric Apartments (#14003).

RECOMMENDED ACTION

WHEREAS, Whitestone and Tamaric Apartments received an award of 9% Housing Tax Credits in 2014 for the acquisition and rehabilitation of 64 general population units in Williamson County;

WHEREAS, the Development Owner is now requesting material alterations to the Development’s square footage of common areas and a resulting modification of the site plan;

WHEREAS, Board approval is required for any change that would materially alter a Development as directed in Texas Government Code §2306.6712 and 10 TAC §10.405(a) and the Owner has complied with the amendment requirements therein;

WHEREAS, the requested changes do not negatively affect the Development, impact the viability of the transaction, impact scoring items in the tax credit application, or affect the amount of the tax credits awarded; and

WHEREAS, the Development Owner acknowledges that the Development will still meet the construction requirements in 10 TAC Chapter 1, Subchapter B;

NOW, therefore, it is hereby

RESOLVED, that the requested application amendment is granted and the Executive Director and his designees are each authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

Whitestone and Tamaric Apartments was submitted and approved during the 2014 competitive 9% Housing Tax Credit cycle. The Application proposed the acquisition and rehabilitation of two existing USDA developments, Whitestone (a 40-unit family development) and Tamaric Apartments

(a 24-unit family development). The Development Owner received its award under the USDA set aside based on its status as a Development proposing to rehabilitate units that receive federal financial assistance through the Texas Rural Development Office of the United States Department of Agriculture as allowed under §2306.111(d-2) and funds were allocated from the At-Risk Development Set-Aside as required under the 2014 Qualified Allocation Plan §11.5(2).

On September 2, 2015, the Owner, HVM 2014 Cedar Park, Ltd. (Nena and Dennis Hoover), submitted a material amendment request for a reduction of 37.26% of the square footage of the common area due to removal of the proposed community building on the Tamaric Apartments site plan. At original Application, only one of the developments in the Application (Whitestone Apartments) had an existing community space. The Development Owner, as part of the rehabilitation of Tamaric Apartments, proposed to add an accessible common area of 816 air conditioned and 927 gross square feet that would comprise an office, two ADA accessible restrooms, and a small kitchenette. At the time of Application, the common area was indicated on the Physical Needs Assessment (PNA) and plans as 2,488 between both Tamaric and Whitestone. The Real Estate Analysis Underwriting Report only accounted for 2,136 gross square feet of common area, counting only the common area of the clubhouse building proposed for Tamaric (927 gross sq ft) and the clubhouse building existing on Whitestone (1199 gross sq ft). The slight 10 square feet difference appears to be an error in the underwriting report. The common area building was proposed to replace an existing small office on the site (86 square feet by the PNA) without a restroom.

According to the Development Owner, the Mayor and City Council demonstrated overwhelming support for the project and its plans throughout the application process; however, when the owner began the process of obtaining building permits, the planner in the City of Cedar Park office advised that no construction of new multifamily buildings (including the proposed community building) was allowed on the site due to its zoning as Development Reserve. According to the planning office, the zoning for Tamaric Apartments was changed to Development Reserve when it was annexed by the City in 1988, after its original construction in 1975. The zoning requirements for Tamaric Apartments at the time the HTC Application was submitted showed the Development Reserve zoning, but members of the Development Team discussed with staff during the processing of their Amendment request that they did not realize that the City would interpret the Development Reserve zoning requirement as limiting any new construction of non-residential buildings on the existing site. The Development Owner had previously permitted and constructed a laundry room on the site under the Development Reserve zoning but the City has now expressed the opinion via email exchanges with Development staff that the laundry building, though originally allowed, is now considered a legally nonconforming structure.

The Development Owner was given the option of applying for re-zoning, but the Future Land Use Plan for the City of Cedar Park does not currently permit new multifamily development in the area and City staff have expressed via email correspondence with the owner that was reviewed by staff that any addition or expansion of existing buildings would not be permitted. The owner instead entered a new proposal for achieving the desired common area components on the site.

Site Plan Changes

Instead of building a new common area building on the existing Tamaric Apartments site, the Development Team has proposed remodeling two existing structures to better serve its tenants. The site currently has an existing 276 square foot common area laundry and an 86 square foot office

(square footage used is as estimated on the PNA, though Development staff measured the existing spaces at 227 and 88 sq ft respectively). The Development Team has proposed that the 276 square foot building could be remodeled to encompass an ADA accessible restroom and office along with a small space that would provide a community building for tenant events, special services, and tenant use. It proposes that the 86 square foot office could then be remodeled to serve as a common area laundry building, with one front loading washer and dryer available to the residents who choose not to install a washer and dryer in their units, which are currently outfitted with existing washer and dryer hookups. Based on email correspondence with the City, the Owner believes the remodel of these items is allowable under the current zoning requirements.

The change in community space would result in a reduction of three percent or more in the common areas and therefore results in a material alteration of a Development under 10 TAC §10.405(a)(4)(D).

Changes in Development Costs

The Owner has proposed to re-allocate \$76,197 of the \$104,447 cost originally budgeted for both community buildings (according to the Owner, necessary work on Whitestone's existing community building will require only \$28,250 of the planned costs) to other planned amenities for the development, including the proposed renovations of the existing office and laundry building (\$37,647) replacement of the site mailboxes (\$3,000), updates to unit washer and dryer hook ups (\$3,750), and an upgrade to a snap lock roof (\$31,800) that will provide long term durability and a longer life than an asphalt shingle roof. No cost items will significantly change as a result of the Development Owner's proposed re-allocation of funds, the overall development cost will not change, and the changes have not been found to affect this transaction's financial viability.

Staff has reviewed the original application and scoring documentation against this amendment request and has concluded that none of the changes would have resulted in selection or threshold criteria changes that would have affected the application score.

Staff recommends approval of the amendment request.

HVM 2014 Cedar Park, Ltd.
P. O. Box 190
Burnet, TX 78611

August 31, 2015

Texas Department of Housing and Community Affairs
% Laura DeBellis Asset Manager
221 East 11th Street
Austin, TX 78711-3941

RE: TDHCA #14003 Amendment Request

Dear Ms. DeBellis;

Please accept this letter as an official request for approval of an Amendment to TDHCA application #14003, HVM 2014 Cedar Park, Ltd., specifically the Tamaric Apartments.

The change we are asking for would use funds allocated in the application for a new office/clubhouse located at the Tamaric location. These funds would be reallocated for other needed improvements. The changes would not materially alter the Development in a negative manner, and does not adversely affect the application. All proposed changes will benefit all the tenants. Please find attached a revised Development Cost Schedule. This will show the reallocation of \$76,644.00 of the original \$104,447.00 that was to be used for a Community Room Facilities and new Office with an accessible restroom. The difference of \$28,250.00 remains for the improvements at the Whitestone location.

The Changes Requested: Each unit currently possesses washer and dryer hookups. We would like to reallocate some of the funds mentioned in the previous paragraph to have each unit's wiring and breaker boxes brought up to a more safe capacity so that it can support a washer and dryer. It has been discovered that some tenants do not use the existing hookups for fear of a fire hazard. It seems that the use of the equipment tends to trip the breakers frequently. After having an electrician inspect the units we have an additional cost in the electrical line item of \$3,750 to accomplish this.

In addition to updating the unit's electrical connections and wiring capacity, we would use \$25,447.00 for the remodeling of the current laundry building. The existing building (226.38 sq. ft.) would be converted to the office with an ADA standard accessible restroom. Along with the remodel of the current laundry building, we would make use of the existing office (87

sq. ft.) by remodeling it into a small community room for tenant events, special services and tenant usage. We would also be able to move the laundry room (using 1 washer and 1 dryer) into this building for a total cost of \$12,200.00.

We propose to replace the mail boxes currently on site. This is projected to cost \$3,000.00.

Finally, installation of a snap lock roof will increase the cost from \$280 per square to \$400 a square (265 total squares) which will increase roofing costs by \$31,800.

The reason the change is necessary: When the 2014 application for Tax Credits for the two properties located in Cedar Park was submitted, we had approached the Mayor and City Council for support. There was over-whelming support of our application to rehab the existing USDA-RD 24 and 40 unit properties. We received a letter, directly from the Mayor, and a resolution was passed by the City Council both stating their support. However, after we received our commitment from TDHCA, we began the process of obtaining building permits. It was discovered at this time that after we obtained the Tamaric property in 1996 and remodeling it in that same year, the City of Cedar Park changed the zoning of this specific area to "Development Reserve". The Planning and Zoning director has interrupted that to mean no more multi-family developments are to be built. The Planner for the City of Cedar Park has stated that we could do an interior remodel but no expansion would be permitted (copy of correspondence available upon request). In summary, we will be unable to build any new structures. We are allowed however to make changes for ADA requirements as far as existing buildings and sidewalks.

We have also been told by the City Planner, in an email (copy of email available upon request) that we would need to obtain a zoning verification letter that confirms the current zoning of the property in the place of a building permit. He tells us that although they usually don't do this for zoning verification letters, they would include a confirmation that the entire site (including the current laundry building) is legally nonconforming as is. That is all he is willing to do at this point.

We do have the option of applying for re-zoning. However, their FLUP does not permit new multifamily development in the area. Again, we were told that the most we could do is the interior remodel we have proposed above. It would be costly to apply for the rezoning and having already been told by the zoning director that we still would not be able to build any new structures, we are seeking alternatives so as to not spend money unnecessarily. We feel it more beneficial to utilize those funds on the property itself rather than on fees and legal costs. We can accomplish our goal of providing updates and changes for the residents at Tamaric in other ways as stated here. Providing the amenities planned in the initial application by being creative with what we have to work with.

Please consider that the amendment request does not have any effect on our points requested in the application. The property will still have the tenant services as promised. In addition, the rentable square footage will not be changed in any way. No reduction in units.

We feel we have delivered a plan that does not alter the amenities, services and overall rehabilitation stated in the application.

Again, we ask that you consider acceptance of the changes presented in this request for amendment to the application. Please contact myself at (512) 756-6809 ext. 218 or Dennis Hoover at ext. 212. Or you may email us at KYoungquist@hamiltonvalley.com and dennishoover@hamiltonvalley.com if you have any questions or need further information. Thank you in advance for your consideration in this matter.

Sincerely,

Kim Youngquist
Development Coordinator
Hamilton Valley Management, Inc.

Cc: Dennis Hoover, President-HVM

HVM 2014 Cedar Park, Ltd.
Cost Revision as of 8-31-15

Cost at Application

New Office/Community building for both Tamaric and Whitestone Apts.:

\$104,447.00

Proposed New Allocation
of funds for Tamaric Property only:

Remodel existing laundry into office & ADA restroom 25,447.00

Remodel existing office into laundry/meeting room 12,200.00

Upgrade high-amp breakers in electrical panel to two pole 3,750.00

New mail boxes 3,000.00

Snap lock roof, roofing cost will increase by \$120 per sq.
Resulting in a total increase of: 31,800.00

Existing funds designated for Whitestone: 28,250.00

Total use of funds: **\$104,447.00**

Development Cost Schedule

Self Score Total: 108

This Development Cost Schedule must be consistent with the Summary Sources and Uses of Funds Statement. All Applications must complete the total development cost column and the Tax Payer Identification column. Only HTC applications must complete the Eligible Basis columns and the Requested Credit calculation below:

| TOTAL DEVELOPMENT SUMMARY | | |
|---------------------------|--------------------------------|------------|
| Total Cost | Eligible Basis (If Applicable) | |
| | Acquisition | New/Rehab. |

Scratch Paper/Notes

ACQUISITION

| | | | |
|--|--------------------|--------------------|------------|
| Site acquisition cost | 334,900 | | |
| Existing building acquisition cost | 2,079,287 | 2,079,287 | |
| Closing costs & acq. legal fees | | | |
| Other (specify) - see footnote 1 | | | |
| Assumption, deducted from building Basis | 403,228 | | |
| Subtotal Acquisition Cost | \$2,817,415 | \$2,079,287 | \$0 |

OFF-SITES²

| | | | |
|----------------------------------|------------|------------|------------|
| Off-site concrete | | | |
| Storm drains & devices | | | |
| Water & fire hydrants | | | |
| Off-site utilities | | | |
| Sewer lateral(s) | | | |
| Off-site paving | | | |
| Off-site electrical | | | |
| Other (specify) - see footnote 1 | | | |
| Other (specify) - see footnote 1 | | | |
| Subtotal Off-Sites Cost | \$0 | \$0 | \$0 |

SITE WORK³

| | | | |
|-------------------------------------|------------------|------------|------------------|
| Demolition | | | |
| Rough grading | | | |
| Fine grading | 8,500 | | 8,500 |
| On-site concrete | 37,018 | | 37,018 |
| On-site electrical | | | |
| On-site paving | 242,601 | | 242,601 |
| On-site utilities | 12,850 | | 12,850 |
| Decorative masonry | 5,996 | | 5,996 |
| Bumper stops, striping & signs | | | |
| Irrigation System for Slab Leveling | 24,500 | | 24,500 |
| Subtotal Site Work Cost | \$331,465 | \$0 | \$331,465 |

SITE AMENITIES

| | | | |
|-------------------------------------|-----------------|------------|-----------------|
| Landscaping | 22,000 | | 22,000 |
| Pool and decking | 4,500 | | 4,500 |
| Athletic court(s), playground(s) | 32,000 | | 32,000 |
| Fencing | | | |
| New mail boxes | 3,000 | | 3,000 |
| Subtotal Site Amenities Cost | \$61,500 | \$0 | \$61,500 |

New Mail boxes

BUILDING COSTS*:

| | | | |
|---------------------------------|---------|--|---------|
| Concrete | 53,544 | | 53,544 |
| Masonry | 14,444 | | 14,444 |
| Metals | 113,657 | | 113,657 |
| Woods and Plastics | 380,364 | | 380,364 |
| Thermal and Moisture Protection | 19,802 | | 19,802 |
| Roof Covering | 99,600 | | 99,600 |
| Doors and Windows | 127,637 | | 127,637 |

Add cost for Snap Lock Roof

BUILDING COSTS (Continued):

| | | | |
|-------------------------------|---------|--|---------|
| Finishes | 504,827 | | 504,827 |
| Specialties | 48,057 | | 48,057 |
| Equipment | 77,942 | | 77,942 |
| Furnishings | | | |
| Special Construction | | | |
| Conveying Systems (Elevators) | | | |
| Mechanical (HVAC; Plumbing) | 393,344 | | 393,344 |
| Electrical | 135,078 | | 135,078 |

Individually itemize costs below:

| | | | |
|--|--------------------|------------|--------------------|
| Detached Community Facilities/Building | 65,897 | | 65,897 |
| Carports and/or Garages | | | |
| Lead-Based Paint Abatement | | | |
| Asbestos Abatement | | | |
| Structured Parking | | | |
| Commercial Space Costs | | | |
| Accessibility Modification per CNA | 54,100 | | 54,100 |
| Subtotal Building Costs | \$2,088,293 | \$0 | \$2,088,293 |

TOTAL BUILDING COSTS & SITE WORK**(including site amenities)**

| | | | |
|--|--------------------|------------|--------------------|
| | \$2,481,258 | \$0 | \$2,481,258 |
|--|--------------------|------------|--------------------|

| | | | | |
|-------------------------|--------|--------------------|------------|--------------------|
| Contingency | 10.00% | \$248,126 | | 248,126 |
| TOTAL HARD COSTS | | \$2,729,384 | \$0 | \$2,729,384 |

OTHER CONSTRUCTION COSTS

| | | | | |
|-------------------------------------|-------|------------------|------------|------------------|
| General requirements (<6%) | 6.00% | 148,876 | | 148,876 |
| Field supervision (within GR limit) | | | | |
| Contractor overhead (<2%) | 4.00% | 99,250 | | 99,250 |
| G & A Field (within overhead limit) | | | | |
| Contractor profit (<6%) | 6.00% | 148,876 | | 148,876 |
| TOTAL CONTRACTOR FEES | | \$397,002 | \$0 | \$397,002 |

TOTAL CONSTRUCTION CONTRACT

| | | | |
|--|--------------------|------------|--------------------|
| | \$3,126,386 | \$0 | \$3,126,386 |
|--|--------------------|------------|--------------------|

SOFT COSTS³

| | | | |
|--|--------|--|--------|
| Architectural - Design fees | 45,000 | | 45,000 |
| Architectural - Supervision fees | | | |
| Engineering fees | | | |
| Real estate attorney/other legal fees | 30,000 | | 30,000 |
| Accounting fees | 9,000 | | 9,000 |
| Impact Fees | | | |
| Building permits & related costs | 5,000 | | 5,000 |
| Appraisal | 5,000 | | 5,000 |
| Market analysis | 8,500 | | 8,500 |
| Environmental assessment | 3,000 | | 3,000 |
| Soils report | | | |
| Survey | 18,000 | | 18,000 |
| Marketing | | | |
| Partnership Hazard & liability insurance | | | |
| Real property taxes | 29,940 | | 29,940 |
| Personal property taxes | | | |
| Tenant relocation expenses | 96,000 | | 96,000 |
| Other (specify) - see footnote 1 | | | |
| Other (specify) - see footnote 1 | | | |

Added additional cost for the
upgrad of high-amp breakers
Remodel existing office/laundry

6.00%
4.00%
6.00%

Subtotal Soft Cost

| | | |
|-----------|-----|-----------|
| \$249,440 | \$0 | \$249,440 |
|-----------|-----|-----------|

FINANCING:

CONSTRUCTION LOAN(S)³

| | | | |
|----------------------------------|--------|--|--------|
| Interest | 83,000 | | 83,000 |
| Loan origination fees | 57,000 | | 57,000 |
| Title & recording fees | 22,000 | | 22,000 |
| Closing costs & legal fees | 5,000 | | 5,000 |
| Inspection fees | 25,000 | | 25,000 |
| Credit Report | | | |
| Discount Points | | | |
| Other (specify) - see footnote 1 | | | |
| Other (specify) - see footnote 1 | | | |

PERMANENT LOAN(S)

| | | | |
|----------------------------------|--------|--|--|
| Loan origination fees | | | |
| Title & recording fees | 22,000 | | |
| Closing costs & legal | 5,000 | | |
| Bond premium | | | |
| Credit report | | | |
| Discount points | | | |
| Credit enhancement fees | | | |
| Prepaid MIP | | | |
| Other (specify) - see footnote 1 | | | |
| Other (specify) - see footnote 1 | | | |

BRIDGE LOAN(S)

| | | | |
|----------------------------------|--|--|--|
| Interest | | | |
| Loan origination fees | | | |
| Title & recording fees | | | |
| Closing costs & legal fees | | | |
| Other (specify) - see footnote 1 | | | |
| Other (specify) - see footnote 1 | | | |

OTHER FINANCING COSTS³

| | | | |
|----------------------------------|------------------|------------|------------------|
| Tax credit fees | 25,017 | | |
| Tax and/or bond counsel | | | |
| Payment bonds | | | |
| Performance bonds | | | |
| Credit enhancement fees | | | |
| Mortgage insurance premiums | | | |
| Cost of underwriting & issuance | 50,000 | | |
| Syndication organizational cost | 850 | | |
| Tax opinion | | | |
| Contractor Guarantee Fee | | | |
| Developer Guarantee Fee | | | |
| Other (specify) - see footnote 1 | | | |
| Other (specify) - see footnote 1 | | | |
| Subtotal Financing Cost | \$294,867 | \$0 | \$192,000 |

DEVELOPER FEES³

| | | | |
|--------------------------------------|------------------|------------|------------------|
| Housing consultant fees ⁴ | | | |
| General & administrative | | | |
| Profit or fee | 535,174 | | 535,174 |
| Subtotal Developer Fees | \$535,174 | \$0 | \$535,174 |

9.48%

9.48%

RESERVES

| | | | |
|-------------|---------|--|--|
| Rent-up | | | |
| Operating | 219,860 | | |
| Replacement | 290,991 | | |
| Escrows | | | |

| | | | |
|--------------------------|-----------|-----|-----|
| Subtotal Reserves | \$510,851 | \$0 | \$0 |
|--------------------------|-----------|-----|-----|

| | | | |
|--|-------------|-------------|-------------|
| TOTAL HOUSING DEVELOPMENT COSTS⁵ | \$7,534,133 | \$2,079,287 | \$4,103,000 |
|--|-------------|-------------|-------------|

The following calculations are for HTC Applications only.

Deduct From Basis:

| | | | |
|---|-------------|-------------|-------------|
| Federal grants used to finance costs in Eligible Basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units §42(d)(5) | | | |
| Historic Credits (residential portion only) | | | |
| Total Eligible Basis | | \$2,079,287 | \$4,103,000 |
| **High Cost Area Adjustment (100% or 130%) | | | 130% |
| Total Adjusted Basis | | \$2,079,287 | \$5,333,899 |
| Applicable Fraction | | 100% | 100% |
| Total Qualified Basis | \$7,413,186 | \$2,079,287 | \$5,333,899 |
| Applicable Percentage ⁶ | | 3.42% | 8.04% |
| Credits Supported by Eligible Basis | \$499,957 | \$71,112 | \$428,845 |

(May be greater than actual request)

Name of contact for Cost Estimate: Dennis Hoover

Phone Number for Contact: 512-756-6809 ext. 212

Footnotes:

¹ An itemized description of all "other" costs must be included at the end of this exhibit.

² All Off-Site costs must be justified by a Third Party engineer in accordance with the Department's format provided in the Offsite Cost Breakdown form.

³ (HTC Only) Site Work expenses, indirect construction costs, developer fees, construction loan financing and other financing costs may or may not be included in Eligible Basis. Site Work costs must be justified by a Third Party engineer in accordance with the Department's format provided in the Site Work Cost Breakdown form.

⁴ (HTC Only) Only fees paid to a consultant for duties which are not ordinarily the responsibility of the developer, can be included in Eligible Basis. Otherwise consulting fees are included in the calculation of maximum developer fees.

⁵ (HTC Only) Provide all costs & Eligible Basis associated with the Development.

⁶ (HTC Only) Use the appropriate Applicable Percentages as defined in §10.3 of the Uniform Mutifamily Rules.

Development Cost Schedule *from Application*

Self Score Total: 0

This Development Cost Schedule must be consistent with the Summary Sources and Uses of Funds Statement. All Applications must complete the total development cost column and the Tax Payer Identification column. Only HTC applications must complete the Eligible Basis columns and the Requested Credit calculation below:

| TOTAL DEVELOPMENT SUMMARY | | |
|---------------------------|--------------------------------|------------|
| Total | Eligible Basis (If Applicable) | |
| Cost | Acquisition | New/Rehab. |

Scratch Paper/Notes

ACQUISITION

| | | |
|--|--------------------|--------------------|
| Site acquisition cost | 334,900 | |
| Existing building acquisition cost | 2,079,287 | 2,079,287 |
| Closing costs & acq. legal fees | | |
| Other (specify) - see footnote 1 | | |
| Assumption, deducted from building Basis | 403,228 | |
| Subtotal Acquisition Cost | \$2,817,415 | \$2,079,287 |

OFF-SITES²

| | | |
|----------------------------------|------------|------------|
| Off-site concrete | | |
| Storm drains & devices | | |
| Water & fire hydrants | | |
| Off-site utilities | | |
| Sewer lateral(s) | | |
| Off-site paving | | |
| Off-site electrical | | |
| Other (specify) - see footnote 1 | | |
| Other (specify) - see footnote 1 | | |
| Subtotal Off-Sites Cost | \$0 | \$0 |

SITE WORK³

| | | |
|-------------------------------------|------------------|------------------|
| Demolition | | |
| Rough grading | | |
| Fine grading | 8,500 | 8,500 |
| On-site concrete | 37,018 | 37,018 |
| On-site electrical | | |
| On-site paving | 242,601 | 242,601 |
| On-site utilities | 12,850 | 12,850 |
| Decorative masonry | 5,996 | 5,996 |
| Bumper stops, striping & signs | | |
| Irrigation System for Slab Leveling | 24,500 | 24,500 |
| Subtotal Site Work Cost | \$331,465 | \$331,465 |

SITE AMENITIES

| | | |
|-------------------------------------|-----------------|-----------------|
| Landscaping | 22,000 | 22,000 |
| Pool and decking | 4,500 | 4,500 |
| Athletic court(s), playground(s) | 32,000 | 32,000 |
| Fencing | | |
| Other (specify) - see footnote 1 | | |
| Subtotal Site Amenities Cost | \$58,500 | \$58,500 |

BUILDING COSTS*:

| | | |
|---------------------------------|---------|---------|
| Concrete | 53,544 | 53,544 |
| Masonry | 14,444 | 14,444 |
| Metals | 113,657 | 113,657 |
| Woods and Plastics | 380,364 | 380,364 |
| Thermal and Moisture Protection | 19,802 | 19,802 |
| Roof Covering | 67,800 | 67,800 |
| Doors and Windows | 127,637 | 127,637 |

| | | | |
|--------------------------|-----------|-----|-----|
| Subtotal Reserves | \$510,851 | \$0 | \$0 |
|--------------------------|-----------|-----|-----|

| | | | |
|--|-------------|-------------|-------------|
| TOTAL HOUSING DEVELOPMENT COSTS⁵ | \$7,534,133 | \$2,079,287 | \$4,103,000 |
|--|-------------|-------------|-------------|

The following calculations are for HTC Applications only.

Deduct From Basis:

Federal grants used to finance costs in Eligible Basis
 Non-qualified non-recourse financing
 Non-qualified portion of higher quality units §42(d)(5)
 Historic Credits (residential portion only)

| | | |
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| | | | |
|---|-------------|-------------|-------------|
| Total Eligible Basis | | \$2,079,287 | \$4,103,000 |
| **High Cost Area Adjustment (100% or 130%) | | | 130% |
| Total Adjusted Basis | | \$2,079,287 | \$5,333,899 |
| Applicable Fraction | | 100% | 100% |
| Total Qualified Basis | \$7,413,186 | \$2,079,287 | \$5,333,899 |
| Applicable Percentage⁶ | | 3.42% | 8.04% |
| Credits Supported by Eligible Basis | \$499,957 | \$71,112 | \$428,845 |

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(May be greater than actual request)

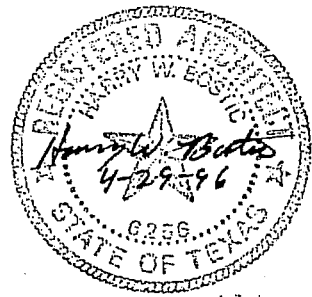
Name of contact for Cost Estimate: **Dennis Hoover**

Phone Number for Contact: **512-756-6809 ext. 212**

Footnotes:

- ¹ An itemized description of all "other" costs must be included at the end of this exhibit.
- ² All Off-Site costs must be justified by a Third Party engineer in accordance with the Department's format provided in the Offsite Cost Breakdown form.
- ³ (HTC Only) Site Work expenses, indirect construction costs, developer fees, construction loan financing and other financing costs may or may not be included in Eligible Basis. Site Work costs must be justified by a Third Party engineer in accordance with the Department's format provided in the Site Work Cost Breakdown form.
- ⁴ (HTC Only) Only fees paid to a consultant for duties which are not ordinarily the responsibility of the developer, can be included in Eligible Basis. Otherwise, consulting fees are included in the calculation of maximum developer fees.
- ⁵ (HTC Only) Provide **all** costs & Eligible Basis associated with the Development.
- ⁶ (HTC Only) Use the appropriate Applicable Percentages as defined in §10.3 of the Uniform Multifamily Rules.

Current Laundry



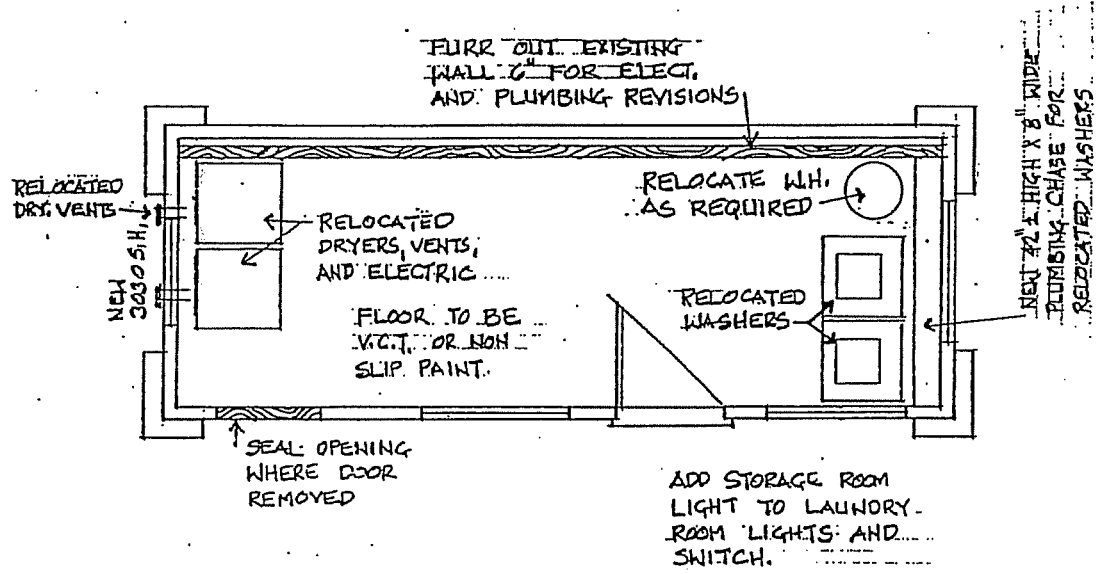
W S ALLEN & ASSOCIATES

HVM CEDAR PARK
CEDAR PARK TEXAS

| REVISION | DATE |
|----------|------|
| | |
| | |
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| | |

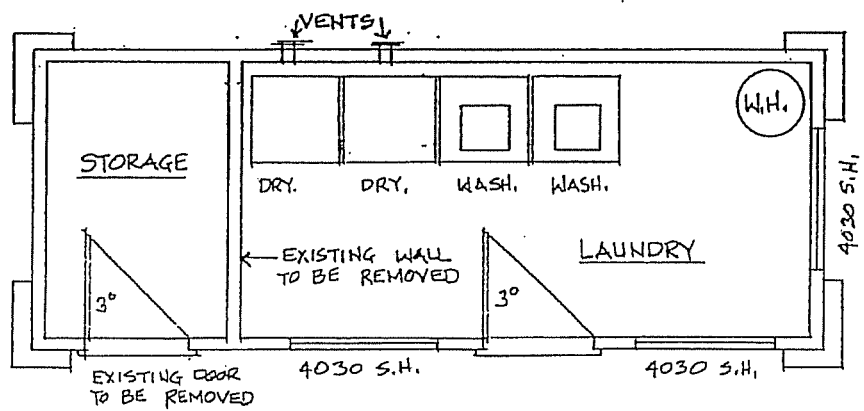
DRAWN
CHECKED
DATE
4-29-96
PROJECT NUMBER

A1.6



REVISED LAUNDRY - 1996
1/4" = 1'-0"

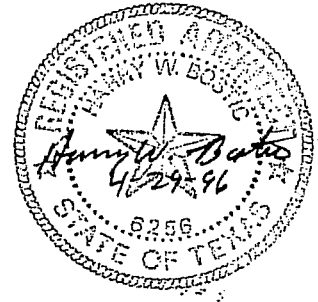
REPLACE EXISTING SIDING WITH MASONITE SUPER SIDING TO MATCH APARTMENT UNIT BUILDINGS.



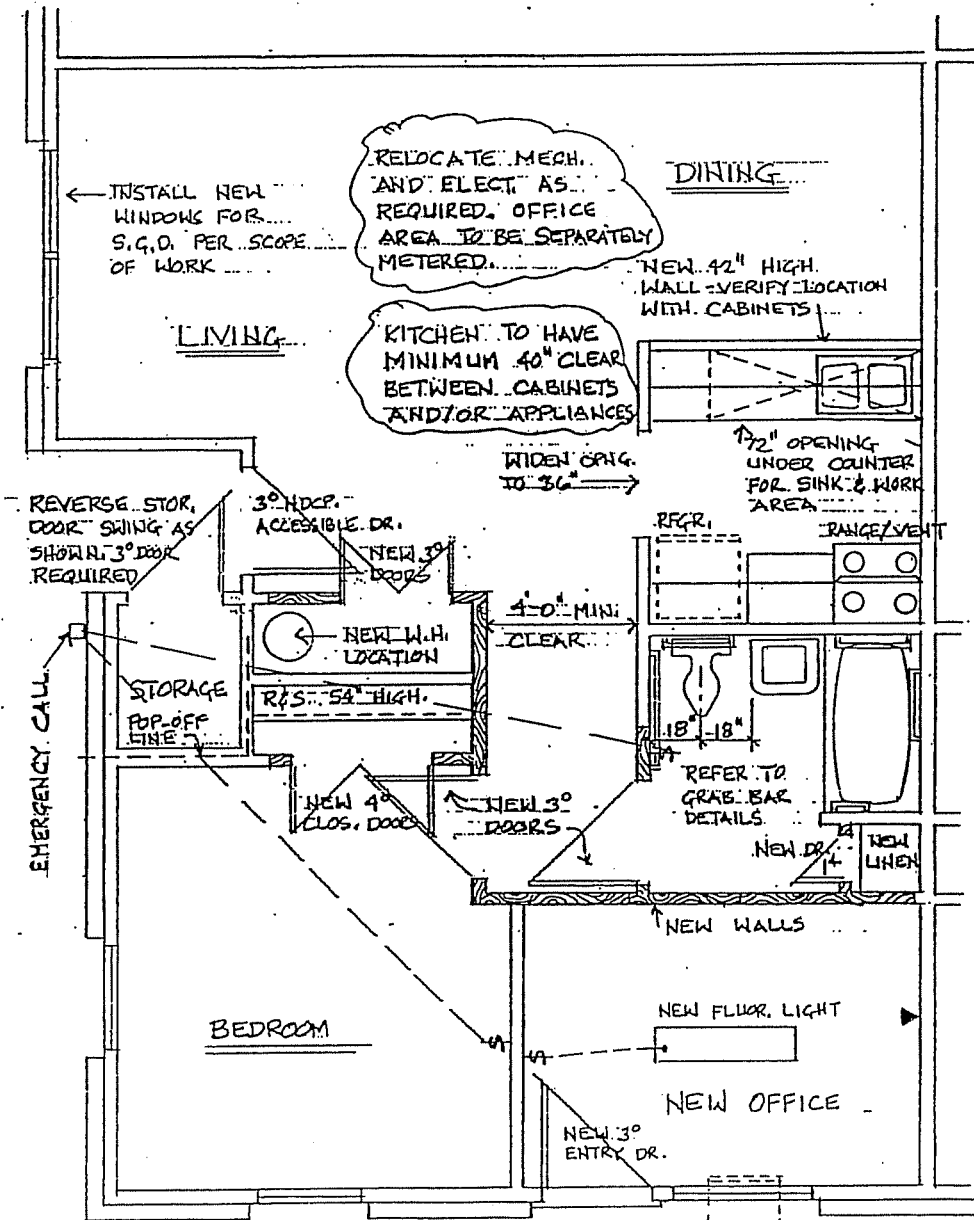
EXISTING LAUNDRY - 1975
1/4" = 1'-0"

$9'10" \times 23'1" = 226.38 \text{ sq. ft.}$

Current Office



W. SALLEN & ASSOCIATES
455 Michael Street
ATCO, TX 75002



REVISED PLAN FOR HANDICAP ACCESSIBILITY
REVERSE PLAN

PROVIDE ELECT. FOR NEW WINDOW UNIT

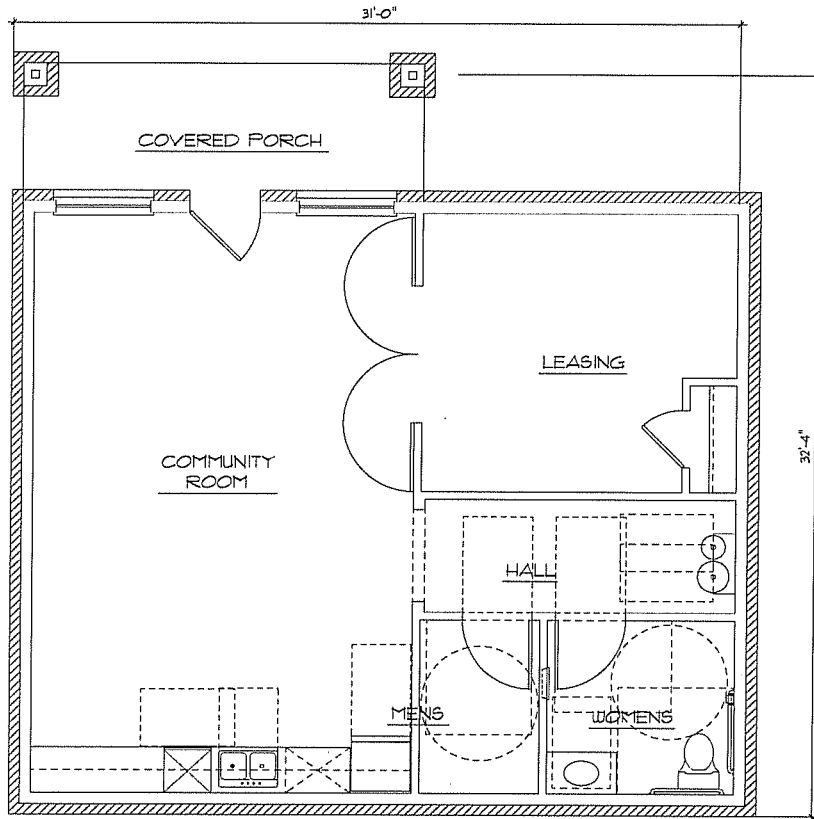
11' x 8' = 88 sq ft.

HVM CEDAR PARK
CEDAR PARK TEXAS

| | |
|----------------|----|
| DATE | BY |
| REVISION | |
| DRAWN | |
| CHECKED | |
| DATE | |
| PROJECT NUMBER | |

A1.4

Prospective plan for clubhouse that will not be built due to zoning (showing 816 of livable sq ft).



Proposed New
for Tamaric

CLUBHOUSE FLOOR PLAN
SCALE 1/4" = 1'-0"

816 S.F. A.C.
927 S.F. GROSS



TAMARIC APARTMENTS
CEDAR PARK, TEXAS

A11.0
CLUB PLAN
Copyright © 2014

1g

BOARD ACTION REQUEST
HOUSING RESOURCE CENTER
OCTOBER 15, 2015

Presentation, Discussion, and Possible Action on the draft 2016 State of Texas Consolidated Plan: One-Year Action Plan

RECOMMENDED ACTION

WHEREAS, the U.S. Department of Housing and Urban Development (“HUD”) requires the submission of a One-Year Action Plan in accordance with 24 CFR §91.320 and

WHEREAS, the Department has developed the draft 2016 State of Texas Consolidated Plan: One-Year Action Plan, which reports on the intended use of funds received by the State of Texas from HUD for Program Year (“PY”) 2016, beginning on February 1, 2016, and ending on January 31, 2017;

NOW, therefore, it is hereby

RESOLVED, that the draft 2016 State of Texas Consolidated Plan: One-Year Action Plan, in the form presented to this meeting, is hereby approved for release for public comment, and

FURTHER RESOLVED, that the Executive Director and his designees are each hereby authorized, empowered and directed, for and on behalf of the Department, to cause notice of the draft 2016 State of Texas Consolidated Plan: One-Year Action Plan to be published in the *Texas Register* and, in connection therewith, to make such non-substantive grammatical and technical changes as they deem necessary or advisable.

BACKGROUND

The Texas Department of Housing and Community Affairs (“TDHCA”), Texas Department of Agriculture (“TDA”), and Texas Department of State Health Services (“DSHS”) prepared the draft 2016 State of Texas Consolidated Plan: One-Year Action Plan (“Plan”) in accordance with 24 CFR §91.320. TDHCA coordinates the preparation of the State of Texas Consolidated Plan documents. The Plan covers the State’s administration of the Community Development Block Grant Program (“CDBG”) by TDA, the Housing Opportunities for Persons with AIDS Program (“HOPWA”) by DSHS, and the Emergency Solutions Grant (“ESG”) Program and the HOME Investment Partnerships (“HOME”) Program by TDHCA.

The Plan reflects the intended uses of funds received by the State of Texas from HUD for Program Year 2016. The Program Year begins on February 1, 2016, and ends on January 31, 2017. The Plan also illustrates the State’s strategies in addressing the priority needs and specific goals and objectives identified in the 2015-2019 State of Texas Consolidated Plan.

A draft of the Plan to be approved by the Board for release for public comment can be found online on the Housing Resource Center website at <http://www.tdhca.state.tx.us/housing-center/pubs.htm>, or on TDHCA's Board Meeting Information Center website at <http://www.tdhca.state.tx.us/board/meetings.htm>.

Upon approval by the Board, the Plan will be available for public comment on the TDHCA Public Comment Center at <http://www.tdhca.state.tx.us/public-comment.htm>. The public comment period will be open from October 19, 2015, through November 19, 2015, and a public hearing will be held on Monday, November 16, 2015, at 2:00 p.m. in the Stephen F. Austin Building, Room 170, 1700 North Congress Avenue, Austin, TX 78701.

Individuals who require auxiliary aids, services or sign language interpreters for this public hearing should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989, at least three (3) days before the meeting so that appropriate arrangements can be made.

Non-English speaking individuals who require interpreters for the public hearing should contact Elena Peinado, 512- 475-3814, at least three (3) days before the hearing so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Elena Peinado al siguiente número 512- 475-3814 por lo menos tres días antes de la junta para hacer los preparativos apropiados.

Per 24 CFR §91.15(a)(1), the Plan should be submitted to HUD on December 15, 2015, which is at least 45 days before the start PY 2016. However, on August 13, 2015, the Department received written approval from HUD of a request to extend the submission date to January 15, 2016. This extension allows the Department to incorporate new regulatory and reporting requirement into the Plan, while adhering to the State of Texas Citizen Participation Plan.

The final version of the Plan is intended to be presented to the Board for approval in December and is due to HUD by January 15, 2016, unless HUD grants a further waiver.

1h

BOARD ACTION REQUEST
COMMUNITY AFFAIRS DIVISION
OCTOBER 15, 2015

Presentation, Discussion, and Possible Action on Corrections to Previous Program Year 2015 Emergency Solutions Grants Program Awards to Applicants from the City of Houston/Harris County Continuum of Care.

RECOMMENDED ACTION

WHEREAS, at the July 16, 2015, meeting of the Governing Board, staff presented and the Board approved awards for the Program Year (“PY”) 2015 Emergency Solutions Grants Program (“ESG”);

WHEREAS, at the September 3, 2015, meeting of the Governing Board, staff presented and the Board approved revisions to the award recommendations originally presented at the July 16, 2015, meeting of the Governing Board; and

WHEREAS, staff has subsequently identified two errors in the documentation provided at the September 3, 2015, meeting and wishes to correct that error;

NOW, therefore, it is hereby

RESOLVED, that the award made to Coalition for the Homeless of Houston/Harris County be increased from \$128,850 to \$130,350 to include administrative funds awarded to that organization for their participation in the Department’s pilot project; and that the award made to Catholic Charities, Archdiocese of Galveston-Houston be reduced from \$553,765 to \$553,715 to account for a typographical error and

FURTHER RESOLVED, that the Executive Director, his designees, and each of them be and they hereby are authorized, empowered, and directed, for and on behalf of the Department, to take any and all such actions as they or any of them may deem necessary or advisable to effectuate revisions to the awards of PY 2015 ESG funds to the Coalition for the Homeless of Houston/Harris County and Charities, Archdiocese of Galveston-Houston.

Background

On February 5, 2015, the Department released a Notice of Funds Availability (“NOFA”) notifying prospective applicants of the availability of ESG funds for PY 2015. Applications were due on March 26, 2015. The resulting awards were presented and approved at the July 16, 2015, meeting of the Governing Board.

In the weeks following the July 16, 2015, meeting of the Governing Board, staff was contacted by the Coalition for the Homeless of Houston/Harris County relating to the local competition they had administered on behalf of the City of Houston/Harris County CoC (“the CoC”). Their award recommendations to the Department, based on their competition, had included awards that were

joint collaborations, something the Department encourages. They requested that the awards previously approved by the Board on July 16, 2015, be modified. When staff presented those modifications at the September 3, 2015, meeting of the Governing Board, staff's presentation included two errors. The award for the Coalition for the Homeless of Houston/Harris County, given as \$128,850, should have been \$130,350 to include administrative funds awarded to that organization for their participation in the Department's pilot project. Also, there was a typographical error in the award amount indicated for Catholic Charities, Archdiocese of Galveston-Houston. The September 3, 2015, award amount of \$553,765 should have been an award amount of \$553,715.

The attached document is an updated award list that reflects all PY 2015 ESG award amounts, as corrected, and one PY 2014 ESG award.

Program Year 2015 ESG Awards

| CoC | Applicant Name | 2015 Requested Amount | 2015 Award Recommendation |
|-------------------------------------|--|-----------------------|---------------------------|
| San Antonio/Bexar County | Family Violence Prevention Services, Inc. D.B.A. The Battered Women & Children's Shelter | \$150,000 | 150,000.00 |
| San Antonio/Bexar County | San Antonio Metropolitan Ministry, Inc | \$450,000 | 452,339.00 |
| San Antonio/Bexar County | Family Endeavors, Inc. | \$300,000 | 195,572.00 |
| San Antonio/Bexar County | George Gervin Youth Center, Inc. | \$150,000 | 0.00 |
| Austin/Travis County | Youth and Family Alliance D.B.A. Lifeworks | \$399,879 | 402,218.00 |
| Dallas City & County/Irving | The Family Place | \$600,000 | 602,339.00 |
| Dallas City & County/Irving | Shared Housing Center, Inc. | \$211,914 | 214,253.00 |
| Fort Worth/Arlington/Tarrant County | Tarrant County Homeless Coalition | \$653,044 | 682,714.00 |
| El Paso City & County | Project Vida | \$351,208 | 353,547.00 |
| El Paso City & County | Salvation Army - El Paso | \$150,000 | 0.00 |
| El Paso City & County | The Opportunity Center for the Homeless | \$300,000 | 0.00 |
| El Paso City & County | Center Against Family Violence, Inc | \$175,000 | 0.00 |
| Waco/McLennan County | Salvation Army - Waco | \$96,809 | 96,808.00 |
| Texas Balance of State | Advocacy Outreach | \$300,000 | 302,339.00 |
| Texas Balance of State | Mid-Coast Family Services | \$300,000 | 302,339.00 |
| Texas Balance of State | La Posada Providencia | \$560,319 | 562,658.00 |
| Texas Balance of State | Salvation Army - Tyler | \$450,000 | 452,339.00 |
| Texas Balance of State | City of Denton | \$598,000 | 600,339.00 |
| Texas Balance of State | Women's Shelter of East Texas, Inc. D.B.A. Family Crisis Center of East Texas | \$150,000 | 150,000.00 |
| Texas Balance of State | Shelter Agencies for Families in East Texas, Inc SAFE-T | \$149,998 | 149,998.00 |
| Texas Balance of State | Corpus Christi Hope House, Inc. | \$142,774 | 142,774.00 |
| Texas Balance of State | The Salvation Army - Corpus Christi | \$300,000 | 302,339.00 |
| Texas Balance of State | Friendship of Women, Inc. | \$547,120 | 549,459.00 |
| Texas Balance of State | City of Texarkana | \$600,000 | 0.00 |
| Texas Balance of State | Matagorda County Women's Crisis Center D.B.A. The Crisis Center | \$300,000 | 0.00 |
| Texas Balance of State | Women's Center of East Texas, Inc. | \$217,642 | 0.00 |

| | | | |
|---|---|---------------|--------------|
| State | | | |
| Texas Balance of State | Central Texas Opportunities, Inc. | \$450,000 | 0.00 |
| Texas Balance of State | Salvation Army - Lubbock | \$139,660 | 0.00 |
| Texas Balance of State | Salvation Army - Amarillo | \$130,000 | 0.00 |
| Texas Balance of State | Women Together Foundation, Inc. | \$146,655 | 0.00 |
| Texas Balance of State | City of Beaumont | \$266,735 | 0.00 |
| Texas Balance of State | D.O.R.S. Community Services | \$300,000 | 0.00 |
| Texas Balance of State | Concho Valley Community Action Agency | \$120,608 | 0.00 |
| Texas Balance of State | The Children's Center, Inc. | \$150,000 | 0.00 |
| Amarillo | City of Amarillo | \$126,968 | 129,307.00 |
| Wichita Falls/Wise, Palo Pinto, Wichita, Archers Counties CoC | No Applicant | \$0 | 0.00 |
| City of Houston/Harris County | Service of the Emergency Aid Resource Center for the Homeless | \$350,000 | 352,339.00 |
| City of Houston/Harris County | Bridge Over Troubled Waters | \$416,951 | 419,290.00 |
| City of Houston/Harris County | Salvation Army - Houston | \$160,000 | 162,339.00 |
| City of Houston/Harris County | Alliance of Community Assistance Ministries, Inc. | \$150,550 | 152,889.00 |
| City of Houston/Harris County | Coalition for the Homeless of Houston/Harris County | \$128,850 | 130,350.00 |
| City of Houston/Harris County | Catholic Charities, Diocese of Galveston - Houston | \$553,765 | 553,715.00 |
| Bryan/College Station/Brazos Valley CoC | No Applicant | \$0 | 0.00 |
| | Totals | 12,194,349.00 | 8,564,503.00 |

Program Year 2014 ESG Award

| CoC | Applicant Name | Amount of partial award for 2015 | 2014 Award Recommendation |
|--------------------------|------------------------|----------------------------------|---------------------------|
| San Antonio/Bexar County | Family Endeavors, Inc. | 195,572.00 | 106,767.00 |

1i

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
OCTOBER 15, 2015

Presentation, Discussion, and Possible Action on Determination Notices for Housing Tax Credits with another Issuer.

RECOMMENDED ACTION

WHEREAS, a 4% Housing Tax Credit application for Tuckaway Apartments was submitted to the Department on July 27, 2015;

WHEREAS, the Certification of Reservation from the Texas Bond Review Board was issued on August 18, 2015, and will expire on January 15, 2016;

WHEREAS, the proposed issuer of the bonds is the Capital Area Housing Finance Corporation; and

WHEREAS, the EARAC recommends the issuance of the Determination Notice;

NOW, therefore, it is hereby

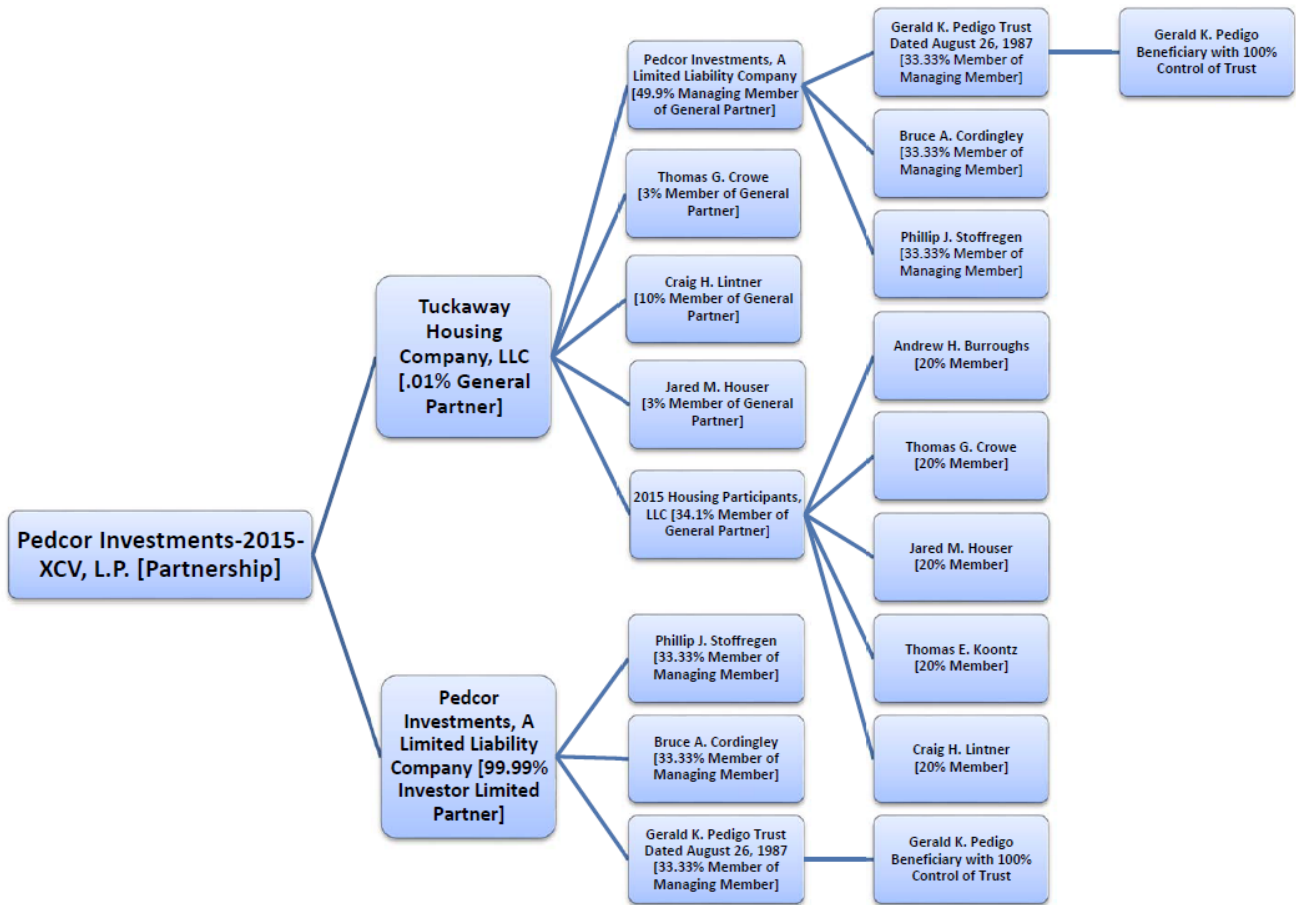
RESOLVED, that the issuance of a Determination Notice of \$1,298,961 in 4% Housing Tax Credits, subject to underwriting conditions that may be applicable as found in the Real Estate Analysis report posted to the Department's website for Tuckaway Apartments is hereby approved as presented to this meeting.

BACKGROUND

General Information: Tuckaway Apartments, proposed to be located at 1740 Bagdad Road in Cedar Park, Williamson County, involves the new construction of 256 units, all of which will be rent and income restricted at 60% of Area Median Family Income. The development will serve the general population and is zoned appropriately. The census tract (0203.27) has a median household income of \$82,917, is in the first quartile and has a poverty rate of 6%.

Organizational Structure: The Borrower is Pedcor Investment-2015-XCV, L.P. and includes the entities and principals as indicated in the organizational chart below. In accordance with 10 TAC §1.301(d)(1), Tuckaway Apartments has been designated as a Small Portfolio Category 1 and as such the compliance history was deemed acceptable by EARAC without further review or discussion.

Public Comment: The Department has not received any letters of support or opposition for this Development.



1j

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
OCTOBER 15, 2015

Presentation, Discussion, and Possible Action regarding a Waiver of 10 TAC §10.204(8)(B), Uniform Multifamily Rules related to the Submission of an Alternative Utility Allowance and a Determination Notice for Housing Tax Credits with another Issuer.

RECOMMENDED ACTION

WHEREAS, a 4% Housing Tax Credit application for Aldrich 51 Apartments was submitted to the Department on April 6, 2015;

WHEREAS, the Certification of Reservation from the Texas Bond Review Board (“BRB”) was issued on August 17, 2015, and will expire on January 14, 2016;

WHEREAS, the proposed issuer of the bonds is the Austin Housing Finance Corporation;

WHEREAS, the applicant requested a waiver pursuant to §10.207(a) of the Uniform Multifamily Rules regarding §10.204(8)(B) relating to the submission of an alternative utility allowance after submission of the application;

WHEREAS, staff determined that not submitting the alternative utility allowance request prior to submission of the application did not hinder the financial feasibility review process performed by the Real Estate Analysis Division (“REA”); and

WHEREAS, in accordance with 10 TAC §1.301(d)(1), the compliance history is designated as an Extra Large Portfolio Category 2 and deemed acceptable by the Executive Award and Review Advisory Committee (“EARAC”) without further review or discussion;

NOW, therefore, it is hereby

RESOLVED, the Board hereby grants the waiver relating to §10.204(8)(B) of the Uniform Multifamily Rules, regarding the requirement to submit the use of an alternative utility allowance prior to submission of the Application; and

FURTHER RESOLVED, that the issuance of a Determination Notice of \$978,428 in 4% Housing Tax Credits, subject to underwriting conditions that may be applicable as found in the Real Estate Analysis report posted to the Department’s website for Aldrich 51 Apartments is hereby approved as presented to this meeting.

BACKGROUND

General Information: Aldrich 51 Apartments, proposed to be located at 2604 Aldrich Street in Austin, Travis County, involves the new construction of 240 units of which 18 will be rent and income restricted at 30%

AMFI, 52 will be rent and income restricted at 50% AMFI, 146 will be rent and income restricted at 60% AMFI, and the remaining 24 will be market rate units. The development will serve the general population and is zoned appropriately. The census tract (003.06) has a median household income of \$64,211, is in the second quartile and has a poverty rate of 14.9%.

Waiver Request: It was represented in the application that the utility allowance for electricity and utility will be paid by tenants rather than paid to or through the owner of the building. The Applicant requested the use of the HUD Utility Schedule model to calculate utility allowance; which requires Department review and approval. The use of this alternative method was not requested prior to application submission (April 6, 2015) as required under §10.204(8)(B) of the Uniform Multifamily Rules. The Applicant submitted the documentation on April 23, 2015, and an approval was granted on July 24, 2015, with the condition that no more than 180 days and no less than 90 days prior to commencement of leasing activities, the Owner must submit an updated utility allowance to the Department for approval.

The requirement to submit the request to use an alternative utility allowance method prior to submission of the Application is to avoid delays associated with staff time in processing the requests which could result in delays in the underwriting analysis by REA staff. Moreover, such delays could prevent the applicant from ultimately closing on the Private Activity Bonds within the timeframe set forth by the BRB under the Certificate of Reservation. Pursuant to §2306.6701 the Department's purpose is to encourage the development of appropriate types of rental housing for households that have difficulty finding suitable rental housing in the private marketplace as well as providing for and encouraging the participation of nonprofit organizations in the acquisition, development, and operation of affordable housing developments. The Aldrich 51 ownership structure involves a nonprofit general partner which advances the purpose under §2306. Staff recommends granting the waiver in this particular circumstance since it did not affect staff's ability to process the request and for the underwriting evaluation to be performed timely, but adds that this recommendation is not to suggest that the deadlines imposed by the Department's rules are to be taken lightly.

Organizational Structure: The Borrower is Austin DMA Housing II, LLC. The Managing Member is AHFC Aldrich 51, a nonprofit corporation which includes the following Board of Directors: Bert Lumbreras, Betsy Spencer, and Rebecca Giello. The Special Member is DMA Aldrich 51, LLC, of which the managing members are DMA Community Ventures II, LLC and JSA Community Ventures, LLC. The Sole Members are Diana McIver and Janine Sisak, respectively.

The EARAC met on October 6, 2015, and considered the previous participation review documentation relating to the organizational structure as noted above. In accordance with 10 TAC §1.301(d)(1), the compliance history is designated as an Extra Large Portfolio Category 2 and deemed acceptable by the EARAC without further review or discussion.

Public Comment: No letters of support or opposition have been received by the Department.

1k

BOARD ACTION REQUEST
COMMUNITY AFFAIRS DIVISION
OCTOBER 15, 2015

Presentation, Discussion, and Possible Action on an order adopting the repeal of 10 TAC Chapter 5, Community Affairs Programs, Subchapter A, General Provisions, §5.12 concerning Purchases, and directing its publication in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Texas Government Code, §§2306.053 and 2306.092, the Department is provided the authority to adopt rules governing the administration of the Department and its Community Affairs programs and

WHEREAS, the proposed repeal was approved for publication at the July 30, 2015, meeting of the Governing Board, and was published in the August 14, 2015, issue of the *Texas Register* to allow for public comment;

NOW, therefore, it is hereby

RESOLVED, that the final order adopting the repeal of Chapter 5, Subchapter A, §5.12 is hereby ordered and approved, together with the preamble presented to this meeting, for publication in the *Texas Register* and

FURTHER RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the repeal in the form presented to this meeting, to be published in the *Texas Register*.

BACKGROUND

The purpose of the repeal is to consolidate requirements and to avoid redundancy. The requirements of 10 TAC §5.12 related to Purchases are now addressed in 10 TAC §5.10, Purchase and Procurement Requirements. The proposed repeal of the existing section was approved for publication at the July 30, 2015, meeting of the Governing Board, and was published in the August 14, 2015, issue of the *Texas Register* to allow for public comment. No comments were received. Staff recommends no changes.

Attachment A: Preamble and Repeal of 10 TAC Chapter 5 Community Affairs Programs, Subchapter A, General Provisions, §5.12

The Texas Department of Housing and Community Affairs (the “Department”) adopts the repeal of Subchapter A, General Provisions, §5.12, as published in the August 14, 2015, issue of the *Texas Register* (40 TexReg 5119).

REASONED JUSTIFICATION. The purpose of the repeal is to remove the existing text in order to consolidate text into one location at 10 TAC §5.10.

SUMMARY OF PUBLIC COMMENT: Comments were accepted from August 14, 2015, through September 14, 2015. No comments were received.

STATUTORY AUTHORITY. The section is repealed pursuant to Texas Government Code, §2306.053, which authorizes the Department to adopt rules, and §2306.094, which specifically authorizes the Department to adopt rules to govern the administration of its Community Affairs programs.

The repeal affects no other code, article, or statute.

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BOARD ACTION REQUEST
COMMUNITY AFFAIRS DIVISION
OCTOBER 15, 2015

Presentation, Discussion, and Possible Action on an order adopting amendments to 10 TAC Chapter 5, Community Affairs Programs, Subchapter A, General Provisions, §5.2 Definitions and §5.10 Procurement Standards, and directing that they be published in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Texas Government Code, §§2306.053 and 2306.092, the Department is provided the authority to adopt rules governing the administration of the Department and its Community Affairs programs and

WHEREAS, the proposed amendments were approved for publication at the July 30, 2015, meeting of the Governing Board, and were published in the August 14, 2015, issue of the *Texas Register* to allow for public comment;

NOW, therefore, it is hereby

RESOLVED, that the final order adopting the amendments to 10 TAC §§5.2 and 5.10 are hereby approved, together with the preamble presented to this meeting, for publication in the *Texas Register* and

FURTHER RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the amendments to 10 TAC Chapter 5, Community Affairs Programs, Subchapter A, General Provisions, §5.2 Definitions and §5.10 Procurement Standards, in the form presented to this meeting, to be published in the *Texas Register* and in connection therewith make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

BACKGROUND

The purpose of the amendments to 10 TAC §5.2 is to remove definitions specific to the Community Services Block Grant (“CSBG”), Comprehensive Energy Assistance Program (“CEAP”), and the Weatherization Assistance Program (“WAP”) from the General Provisions subchapter and add them to the program sections of the rules; and to change the client income eligibility threshold for the CEAP and the Low Income Home Energy Assistance Program (“LIHEAP”) WAP from 125% to 150% of the federal poverty level..

The purpose of the amendments to 10 TAC §5.10 is to change the name of the section to Purchase and Procurement Standards to incorporate the procurement requirement relating to purchase pre-approval from §5.12 to §5.10 (repeal of §5.12 is to be adopted in a separate action item); to clarify the requirements of “aggregate”; and to incorporate changes to procurement requirements introduced by 2 CFR Part 200.

The amendments were approved for publication at the July 30, 2015, meeting of the Governing Board, and were published in the August 14, 2015, issue of the *Texas Register* to allow for public comment. One comment was received from the Texas Association of Community Action Agencies supporting the change that was made in the proposed rule.

Attachment A: Preamble and Amended 10 TAC Chapter 5, Community Affairs Programs, Subchapter A, General Provisions, §§5.2 and §5.10

The Texas Department of Housing and Community Affairs (the "Department") adopts amendments to 10 TAC Chapter 5, Community Affairs Programs, Subchapter A, General Provisions, §§5.2 Definitions and 5.10 Procurement Standards, with no changes to the proposed text as published in the August 14, 2015, issue of the *Texas Register* (40 TexReg 5113).

REASONED JUSTIFICATION. The purpose of the amendments to 10 TAC §5.2 is to remove definitions specific to the Community Services Block Grant ("CSBG"), Comprehensive Energy Assistance Program ("CEAP"), and the Weatherization Assistance Program ("WAP") from the General Provisions subchapter and add them to the program sections of the rules; and to change the client income eligibility threshold for the CEAP and the Low Income Home Energy Assistance Program ("LIHEAP") WAP from 125% to 150% of the federal poverty level. The purpose of the amendments to 10 TAC §5.10 is to change the name of the section to Purchase and Procurement Standards to incorporate the procurement requirement relating to purchase pre-approval from §5.12 to §5.10; to clarify the requirements of "aggregate"; and to incorporate changes to procurement requirements introduced by the updated 2 CFR Part 200.

SUMMARY OF PUBLIC COMMENT AND STAFF RECOMMENDATIONS.

Comments were accepted from August 14, 2015, through September 14, 2015. The Department's response to all comments received is set out below. The comments and responses include both administrative clarifications and corrections to the amendments recommended by staff and substantive comments on the amendments and the corresponding Departmental responses. Comments and responses are presented in the order they appear in the rules, with comments received from:

Stella Rodriguez, Executive Director, Texas Association of Community Action Agencies (TACAA)

§5.2. Definitions

COMMENT SUMMARY: Regarding §5.2(b)(32)(B) – Low Income, commenter states that members of TACAA support the proposed amendment.

STAFF RESPONSE: Staff thanks the commenter for their support.

STATUTORY AUTHORITY. The amended sections are adopted pursuant to Texas Government Code §2306.053, which authorizes the Department to adopt rules, and Chapter 2306, Subchapter E, which authorizes the Department to administer its Community Affairs programs.

The amendments affect no other code, article, or statute.

§5.2. Definitions.

(a) To ensure a clear understanding of the terminology used in the context of the programs of the Community Affairs Division, a list of terms and definitions has been compiled as a reference.

(b) The words and terms in this chapter shall have the meanings described in this subsection unless the context clearly indicates otherwise.

- (1) Affiliate--If, directly or indirectly, either one controls or has the power to control the other or a third person controls or has the power to control both. The ways the Department may determine control include, but are not limited to:
 - (A) Interlocking management or ownership;
 - (B) Identity of interests among family members;
 - (C) Shared facilities and equipment;
 - (D) Common use of employees; or
 - (E) A business entity which has been organized following the exclusion of a person which has the same or similar management, ownership, or principal employees as the excluded person.
- (2) Award Date--Date on which the Department's Board commits funds to an awardee.
- (3) Awarded Funds--The amount of funds committed by the Department's board to a Subrecipient or service area.
- (4) Child--Household dependent not exceeding eighteen (18) years of age.
- (5) Code of Federal Regulations (CFR)--The codification of the general and permanent rules and regulations of the federal government as adopted and published in the Federal Register.
- (6) Collaborative Application--An application from two or more organizations to provide services to the target population.
- (7) Community Action Agencies (CAAs)--Local Private Nonprofit Organizations and Public Organizations that carry out the Community Action Program, which was established by the 1964 Economic Opportunity Act to fight poverty by empowering the poor in the United States.
- (8) Community Affairs Division (CAD)--The Division at the Department that administers CEAP, CSBG, ESG, HHSP, Section 8 Housing Choice Voucher Program, and WAP.
- (9) Community Services Block Grant (CSBG)--An HHS-funded program which provides funding for CAAs and other Eligible Entities that seek to address poverty at the community level.
- (10) Comprehensive Energy Assistance Program (CEAP)--A LIHEAP-funded program to assist low-income Households, particularly those with the lowest incomes, that pay a high proportion of Household income for home energy, primarily in meeting their immediate home energy needs.
- (11) Contract--The executed written Agreement between the Department and a Subrecipient performing an Activity related to a CAD program that describes performance requirements and responsibilities assigned by the document; for which the first day of the contract period is the point at which programs funds may be considered by a Subrecipient for expenditure unless otherwise directed in writing by the Department.
- (12) Contracted Funds--The amount of funds obligated by the Department to a Subrecipient as reflected in a Contract.
- (13) Declaration of Income Statement (DIS)--A Department-approved form for limited use and only when an applicant cannot obtain income documentation requiring the Subrecipient to document income and the circumstances preventing the client from obtaining documentation. The DIS is not complete unless notarized in accordance with §406.014 of the Texas Government Code.
- (14) Deobligation--The partial or full removal of Contracted Funds from a Subrecipient. Partial Deobligation is the removal of some portion of the full Contracted Funds from a Subrecipient, leaving some remaining balance of Contracted Funds to be administered by the Subrecipient. Full Deobligation is the removal of the full amount of Contracted Funds from a Subrecipient. This definition does not apply to CSBG.
- (15) Department--The Texas Department of Housing and Community Affairs.
- (16) Department of Energy (DOE)--Federal department that provides funding for the weatherization assistance program.
- (17) Department of Health and Human Services (HHS)--Federal department that provides funding for CSBG and LIHEAP energy assistance and weatherization.

- (18) Department of Housing and Urban Development (HUD)--Federal department that provides funding for ESG.
- (19) Dwelling Unit--A house, including a stationary mobile home, an apartment, a group of rooms, or a single room occupied as separate living quarters. This definition does not apply to the ESG or HHSP.
- (20) Elderly Person--
- (A) for CSBG, a person who is fifty-five (55) years of age or older;
 - (B) for CEAP, WAP and HHSP, a person who is sixty (60) years of age or older; and
 - (C) for ESG, a person who is sixty-two (62) years of age or older
- (21) Emergency Solutions Grants (ESG)--A HUD-funded program which provides funds for services necessary to help persons that are at risk of homelessness or homeless quickly regain stability in permanent housing.
- (22) Equipment--Tangible non-expendable personal property including exempt property, charged directly to the award, having a useful life of more than one year, and an acquisition cost of \$5,000 or more per unit.
- (23) Expenditure--Funds having been drawn from the Department through the Contract System. For purposes of this rule, expenditure will include draws requested through the system.
- (24) Families with Young Children--A family that includes a Child age five (5) or younger.
- (25) High Energy Burden--Households with energy burden which exceeds 11% of annual gross income. Determined by dividing a Household's annual home energy costs by the Household's annual gross income.
- (26) High Energy Consumption--Household energy expenditures exceeding the median of low-income home energy expenditures, by way of example, at the time of this rulemaking, that amount is \$1,000, but is subject to change.
- (27) Homeless or Homeless Individual--An individual as defined by 42 U.S.C. §§11371 - 11378 and 24 CFR §576.2.
- (28) Homeless Housing and Services Program (HHSP)--A state funded program established under §2306.2585 of the Texas Government Code with the purpose of providing funds to local programs to prevent and eliminate homelessness in municipalities with a population of 285,500 or more.
- (29) Household--Any individual or group of individuals who are living together as one economic unit. For DOE WAP this includes all persons living in the Dwelling Unit. For energy programs, these persons customarily purchase residential energy in common or make undesignated payments for energy.
- (30) Inverse Ratio of Population Density Factor--The number of square miles of a county divided by the number of poverty Households of that county.
- (31) Local Unit of Government--City, county, council of governments, and housing authorities.
- (32) Low Income--Income in relation to family size and that governs eligibility for a program:
- (A) For DOE WAP, at or below 200% of the DOE Income guidelines;
 - (B) For CEAP and LIHEAP WAP, at or below 150% of the HHS Poverty Income guidelines;
 - (C) For CSBG, at or below 125% of the HHS Poverty Income guidelines;
 - (D) For ESG, below 30% of the Median Family Income (MFI) as defined by HUD's 30% Income Limits for All Areas for persons receiving prevention assistance; and
 - (E) For HHSP, there is no procedural requirement to verify income for persons living on the street (or other places not fit for human habitation) or living in emergency shelter. For all other persons, at or below 30% of the Extremely Low Income Limits as defined by HUD for the Section 8 program.
- (33) Low Income Home Energy Assistance Program (LIHEAP)--An HHS-funded program which serves low income Households who seek assistance for their home energy bills and/or weatherization services.

- (34) Migrant Farm Worker--An individual or family that is employed in agricultural labor or related industry and is required to be absent overnight from their permanent place of residence.
- (35) Modified Cost Reimbursement--A contract sanction whereby reimbursement of costs incurred by the Subrecipient is made only after the Department has reviewed and approved backup documentation provided by the Subrecipient to support such costs.
- (36) Office of Management and Budget (OMB)--Office within the Executive Office of the President of the United States that oversees the performance of federal agencies and administers the federal budget.
- (37) OMB Circulars--Instructions and information issued by OMB to Federal agencies that set forth principles and standards for determining costs for federal awards and establish consistency in the management of grants for federal funds. Uniform cost principles and administrative requirements for local governments and for nonprofit organizations, as well as audit standards for governmental organizations and other organizations expending federal funds are set forth in 2 CFR Part 200, unless different provisions are required by statute or approved by OMB.
- (38) Outreach--The method that attempts to identify clients who are in need of services, alerts these clients to service provisions and benefits, and helps them use the services that are available. Outreach is utilized to locate, contact and engage potential clients.
- (39) Performance Statement--A document which identifies the services to be provided by a Subrecipient.
- (40) Persons with Disabilities--Any individual who is:
- (A) a handicapped individual as defined in §7(9) of the Rehabilitation Act of 1973;
 - (B) under a disability as defined in §1614(a)(3)(A) or §223(d)(1) of the Social Security Act or in §102(7) of the Developmental Disabilities Services and Facilities Construction Act; or
 - (C) receiving benefits under 38 U.S.C. Chapter 11 or 15.
- (41) Population Density--The number of persons residing within a given geographic area of the state.
- (42) Poverty Income Guidelines--The official poverty income guidelines as issued by HHS annually.
- (43) Private Nonprofit Organization--An organization described in §501(c) of the Internal Revenue Code (the "Code") of 1986 and which is exempt from taxation under subtitle A of the Code, has an accounting system and a voluntary board, and practices nondiscrimination in the provision of assistance. For ESG, this does not include a governmental organization such as a public housing authority or a housing finance agency.
- (44) Production Schedule--A Production schedule signed by the applicable Executive Director/Chief Executive Officer of the Subrecipient, and approved by the Department meeting the requirements of this definition. The Production Schedule shall include the estimated monthly and quarterly performance targets and the estimated monthly and quarterly expenditure targets for all Contracted Funds reflecting achievement of the criteria identified in the specific program sections of this chapter by the end of the contract period.
- (45) Public Organization--A unit of government, as established by the Legislature of the State of Texas. Includes, but may not be limited to, cities, counties, and councils of governments.
- (46) Referral--The process of providing information to a client Household about an agency, program, or professional person that can provide the service(s) needed by the client.
- (47) Reobligation--The reallocation of deobligated funds to other Subrecipients administering those same program's funds.
- (48) Seasonal Farm Worker--An individual or family that is employed in seasonal or temporary agricultural labor or related industry and is not required to be absent overnight from their permanent place of residence. In addition, at least 20% of the Household annualized income must be derived from the agricultural labor or related industry.

- (49) Single Audit--As defined in the Single Audit Act of 1984 (as amended) or UGMS, a series of audits that cover departments, agencies, and other organizational units which expended or otherwise administered federal or state awards during such fiscal year provided that each such audit shall encompass the financial statements and schedule of expenditures of federal or state awards for each such department, agency, and organizational unit.
- (50) State--The State of Texas or the Department, as indicated by context.
- (51) Subcontractor--A person or an organization with whom the Subrecipient contracts with to provide services.
- (52) Subgrant--An award of financial assistance in the form of money, or property in lieu of money, made under a grant by a Subrecipient to an eligible Subgrantee. The term includes financial assistance when provided by contractual legal agreement, but does not include procurement purchases.
- (53) Subgrantee--The legal entity to which a subgrant is awarded and which is accountable to the Subrecipient for the use of the funds provided.
- (54) Subrecipient--Generally, an organization with whom the Department contracts and provides CSBG, CEAP, ESG, HHSP, DOE WAP, or LIHEAP funds. (Refer to Subchapters B, D - G, J, and K of this chapter for program specific definitions.)
- (55) Supplies--All tangible personal property excluding equipment, intangible property, and debt instruments, and inventions of a contractor conceived or first actually reduced to practice in the performance of work under a funding agreement (subject inventions), as defined in 37 CFR Part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts, and Cooperative Agreements." A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the Subrecipient for financial statement purposes or \$5,000, regardless of the length of its useful life.
- (56) System for Award Management (SAM)--Combined federal database that includes the Excluded Parties List System (EPLS).
- (57) Systematic Alien Verification for Entitlements (SAVE)--Automated intergovernmental database that allows authorized users to verify the immigration status of applicants.
- (58) Texas Administrative Code (TAC)--A compilation of all state agency rules in Texas.
- (59) Treatment as a State or Local Agency--For purposes of 5 U.S.C. Chapter 15, any entity that assumes responsibility for planning, developing, and coordinating activities under the CSBG Act and receives assistance under CSBG Act shall be deemed to be a state or local agency.
- (60) Uniform Grant Management Standards (UGMS)--Established to promote the efficient use of public funds by providing awarding agencies and grantees a standardized set of financial management procedures and definitions, by requiring consistency among grantor agencies in their dealings with grantees, and by ensuring accountability for the expenditure of public funds. State agencies are required to adhere to these standards when administering grants and other financial assistance agreements with cities, counties and other political subdivisions of the state. In addition, Chapter 2105, Texas Government Code, subjects subrecipients of federal block grants (as defined therein) to the Uniform Grant and Contract Management Standards.
- (61) Unit of General Local Government--A unit of government which has, among other responsibilities, the authority to assess and collect local taxes and to provide general governmental services.
- (62) United States Code (U.S.C.)--A consolidation and codification by subject matter of the general and permanent laws of the United States.
- (63) Vendor Agreement--An agreement between the Subrecipient and energy vendors that contains assurance as to fair billing practices, delivery procedures, and pricing for business transactions involving ESG and LIHEAP beneficiaries.

(64) Weatherization Assistance Program (WAP)--DOE and LIHEAP funded program designed to reduce the energy cost burden of low income households through the installation of energy efficient weatherization materials and education in energy use.

§5.10. Purchase and Procurement Standards.

(a) General. All purchase of materials, labor, supplies, or services require some form of procurement.

(1) Excluding micropurchases, all procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. Subrecipients must perform and document a cost or price analysis in connection with every procurement action, including contract modifications. Subrecipients must have written selection procedures for all procurement transactions, and if not subject to UGMS must document which federal regulations they have adopted.

(2) The following practices may hinder full and open competition and are not allowable in any procurement transaction:

(A) Geographic preferences;

(B) Points for prior experience that exclude relative experience;

(C) Lack of a defined scoring scale

(D) Name Brand requirements

(E) Bid packet pick-up requirements with limited availability of access.

(3) In accordance with 34 Texas Administrative Code §20.13, each Subrecipient shall make a good faith effort to utilize the state's Historically Underutilized Business Program in contracts for construction, services (including professional and consulting services) and commodities purchases.

(4) Documentation of procurement processes, to include but not be limited to cost or price analysis, procurement package, advertising, responses, selection process, and evidence that the awardee does not appear on the System for Award Management (SAM) must be maintained by the Subrecipient in accordance with the record retention requirements of the applicable program.

(5) For purchases of personal property, equipment, goods or services with an acquisition cost of over \$25,000 in the aggregate, Competitive Proposal or Sealed Bid procedures must be used.

(b) Purchases of personal property, equipment, goods or services with an acquisition cost of over \$5,000 in the aggregate require prior written approval from the Department's Community Affairs Division before the purchase can take place. "Aggregate" means the following:

(1) For single purchases or individual recurring purchases made without contract, aggregate cost means the cost of the individual purchase.

(2) For contracts, aggregate cost means the total potential cost of the contract, including option years and amendments.

(c) For CSBG, CEAP, WAP, and ESG, any partnership formed by the Subrecipient with an entity that will receive federal funds to provide program services requires a written executed contract or memorandum of understanding. For ESG, except if the Subrecipient is subgranting funds to a Private Nonprofit Organization, full and open procurement is required.

(d) For CEAP and WAP, any partnership, contract, or memorandum of understanding, formed by the Subrecipient with an entity that will replace heating and cooling appliances must include a provision that the appliances must be destroyed beyond repair and/or in accordance with local, state, or federal requirements.

(e) In addition to the requirements in subsections (a) – (d) of this section and those described in §5.3 of this chapter (relating to Cost Principles and Administrative Requirements), except for Private Nonprofit Subrecipients of ESG and DOE WAP, Subrecipients must follow the requirements in Texas Government Code, Chapter 783 (UGMS). For Subrecipients that are subject to UGMS, this

subsection may be modified by the version of UGMS that exists at the time the Contract is signed. For example, the version of UGMS as of this publication, does not allow micro-purchases.

(f) Disposition of Equipment:

(1) For equipment with a current value of less than \$5,000, Subrecipient may dispose of the equipment without requesting Department approval.

(2) For equipment with a current value of \$5,000 or more, Subrecipient must receive written approval from the Department for disposition of the equipment.

(g) Additional Department requirements are:

(1) Micro-purchase procedures:

(A) This procedure may be used only on those services, supplies, or equipment costing in the aggregate of \$3,000 or less (or \$2,000 or less in the case of acquisitions for construction subject to the Davis-Bacon Act).

(B) Micro-purchases may be awarded without soliciting competitive quotations if the Subrecipient considers the price to be reasonable.

(C) To the extent practicable, the Subrecipient must distribute micro-purchases equitably among qualified suppliers.

(2) Small purchase procedures:

(A) This procedure may be used only on those services, supplies, or equipment costing in the aggregate of \$25,000 or less;

(B) Subrecipient must establish a clear, accurate description of the specifications for the technical requirements of the material, equipment, or services to be procured; and

(C) Subrecipient must obtain a written price or documented rate quotation from an adequate number of qualified sources. An adequate number is, at a minimum, three different sources.

(3) If Subrecipient chooses to use sealed bid as the method for procurement:

(A) To be used for goods and services with a fixed price where the most reasonable, responsible and responsive bid is the determining factor. Subrecipient must formally advertise, for a minimum of three (3) days, in newspapers or through notices posted in public buildings throughout the service area. Advertising beyond the Subrecipient's service area is allowable and recommended by the Department. The advertisement should include, at a minimum, a response time of fourteen (14) days prior to the closing date of the bid request. All bids must be publicly opened and the time and place described in the advertisement. A government entity must comply with the statutorily imposed publication requirements in addition to those requirements stated herein; and

(B) When advertising for material or labor services, Subrecipient shall indicate a period for which the materials or services are sought (e.g. for a one-year contract with an option to renew for an additional four (4) years). Reprocurring contracts for labor services must occur at least every five (5) years.

(4) If Subrecipient chooses to use Competitive proposals as the method for procurement:

(A) The Request for Proposal (RFP) or Request for Qualification (RFQ), is to be used for professional and consulting services where provider price, qualifications, experience and knowledge are the determining factors. The RFP or RFQ must be publicized and the preferred method of advertising is the local service area newspapers. This advertisement should, at a minimum, allow fourteen (14) days before the RFP or RFQ is due. The due date must be stated in the advertisement; and

(B) The time period for services shall be one year, plus four (4) additional years at a maximum, for a total of five years in one-year increments. Price increases may be negotiated at the end of each year. Documentation of the negotiation, including a reason for any increase in price, must be maintained by the Subrecipient.

(5) Non-competitive proposals may be accepted only if:

- (A) The service, supply, or equipment is available only from a single source;
- (B) A public emergency exists preventing the time required for competitive solicitation; or
- (C) After solicitation of a number of sources, competition is determined inadequate.
- (i) Subrecipients must maintain written documentation explaining the determination that a service, supply, or equipment is available only from a single source.
- (ii) Contracts entered into as a result of a sole source determination must be reprocured every year.
- (6) Contract provisions, including subcontracts, shall include the provisions or conditions described in subparagraphs (A) - (H) of this paragraph:
 - (A) Contracts in excess of \$25,000 shall include provisions or conditions that allow for administrative, contractual, or legal remedies in instances where Subcontractors violate or breach the contract terms, and provide for such remedial actions as may be appropriate;
 - (B) All contracts in excess of \$25,000 shall include suitable provisions for termination by the Subrecipient, including the manner by which termination shall be effected and the basis for settlement. In addition, such contracts shall describe conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the Subrecipient;
 - (C) Contracts shall include a provision with regard to independent Subcontractor status, and a provision to hold harmless and indemnify the Subrecipient and the Department from and against any and all claims, demands and course of action asserted by any third party arising out of or in connection with the services to be performed under contract;
 - (D) Contracts shall include a provision regarding conflicts of interest. Subrecipient's employees, officers, and/or agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from Subcontractors, or potential Subcontractors; and
 - (E) Contracts shall include a provision prohibiting and requiring the reporting of fraud, waste, and abuse.
 - (i) Subrecipient shall establish, maintain, and utilize internal control systems and procedures sufficient to prevent, detect, and correct incidents of waste, fraud, and abuse in all Department funded programs and to provide for the proper and effective management of all program and fiscal activities funded by this contract. Subrecipient's internal control systems and all transactions and other significant events must be clearly documented and the documentation made readily available for review by Department.
 - (ii) Subrecipient shall give Department, the Federal awarding agency, the Comptroller General of the United States, or any of their duly authorized representatives complete access to all of its records, employees, and agents for the purpose of monitoring or investigating the program. Subrecipient shall fully cooperate with Department's efforts to detect, investigate, and prevent waste, fraud, and abuse. Subrecipient shall immediately notify the Department of any identified instances of waste, fraud, or abuse.
 - (iii) Department will notify the funding source upon identification of possible instances of waste, fraud, and abuse or other serious deficiencies.
 - (iv) Subrecipient may not discriminate against any employee or other person who reports a violation of the terms of this contract or of any law or regulation to Department or to any appropriate law enforcement authority, if the report is made in good faith.
 - (F) Contracts shall include a provision to the effect that any alterations, additions, or deletions to the terms of the contract which are required by changes in federal law and regulations or state statute are automatically incorporated into the contract without written amendment, and shall become effective on the date designated by such law and or regulation; and any other alterations, additions, or deletions to the terms of the contract shall be amended hereto in writing and executed by both parties to the contract.

(G) Contracts shall include the provisions described in clauses (i) - (iii) of this subparagraph:

(i) Subcontractor represents that it possesses legal authority to enter into the contract, receive and manage the funds authorized by the contract, and to perform the services Subcontractor has obligated itself to perform under the contract;

(ii) The person signing the contract on behalf of the Subcontractor warrants that he/she has been authorized by the Subcontractor to execute the contract on behalf of the Subcontractor and to bind the Subcontractor to all terms set forth in the contract; and

(iii) Department shall have the right to suspend or terminate the contract if there is a dispute as the legal authority of either the Subcontractor or the person signing the contract to enter into the contract or to render performances there under. Should such suspension or termination occur, the Subcontractor is liable to the Subrecipient for any money it has received for performance of provisions of the contract.

(H) All subawards made by a Subrecipient, except for micro-purchases but including small purchases, shall contain provisions as reflected in the Contract with the Department.

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Date: September 14, 2015

To: Annette Cornier
Rule Comments
Texas Department of Housing and Community Affairs
cadrulecomments@tdhca.state.tx.us

From: Stella Rodriguez, Executive Director
Texas Association of Community Action Agencies

Re: Proposed Amendments – Chapter 5, Community Affairs Programs

Members of the Texas Association of Community Action Agencies (TACAA) reviewed the proposed amendments to Chapter 5, Community Affairs Programs, Subchapter A, General Provisions and Subchapter D, Comprehensive Energy Assistance Program.

We respectfully submit the following recommendations.

Chapter 5, Community Affairs Programs, Subchapter A, General Provisions

§5.2.Definitions

§5.2(b)(31~~39~~)(B) – Regarding income eligibility for CEAP and LIHEAP WAP at or below 150% of HHS Poverty Income guidelines.

Comment: We support the proposed amendment.

Chapter 5, Community Affairs Programs, Subchapter D, Comprehensive Energy Assistance Program

~~§5.407(e) A Household unit cannot be served if the meter is utilized by another Household.~~

§5.407(f) Household units where the Subrecipient is unable to determine whether the meter is utilized by another Household may not be served without written approval from Community Affairs Division staff.

Recommendation: We do not support the replacement of §5.407(e) with §5.407(f). Leave §5.407(e) with current language.

Rationale: The wording in (f) suggests that Subrecipients are usually able to determine whether the meter is utilized by more than one Household. It is not the responsibility of the Subrecipient to police this condition, only to act when it is clearly discovered that the meter is being improperly used. It is unclear how obtaining written approval from Community Affairs Division (CAD) staff could benefit the program. The added procedure to obtain written approval from CAD would delay assistance, could allow shut-off of utility service, and in a crisis situation, could cause a dangerous condition for applicant Households.

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BOARD ACTION REQUEST
COMMUNITY AFFAIRS DIVISION
OCTOBER 15, 2015

Presentation, Discussion, and Possible Action on an order adopting amendments to 10 TAC Chapter 5 Community Affairs Programs, Subchapter B, Community Services Block Grant, §§5.201, 5.203, 5.207, 5.210, 5.213, and 5.214, and directing that they be published in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Texas Government Code, §§2306.053, 2105.059 and 2306.092, the Department is provided the authority to adopt rules governing the administration of the Department, block grant programs, and its Community Affairs programs and

WHEREAS, the proposed amendments were approved for publication at the July 30, 2015, meeting of the Governing Board, and were published in the August 14, 2015, issue of the *Texas Register* to allow for public comment;

NOW, therefore, it is hereby

RESOLVED, that the final order adopting the amendments to 10 TAC §§5.201 Background and Definitions, 5.203 Distribution of CSBG Funds, 5.207 Subrecipient Performance, 5.210 CSBG Needs Assessment, Community Action Plan, and Strategic Plan, 5.213 Board Structure, and 5.214 Board Administrative Requirements are hereby approved, together with the preamble presented to this meeting, for publication in the *Texas Register* and

FURTHER RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the amendments to 10 TAC Chapter 5, Community Affairs Programs, Subchapter B, Community Services Block Grant, §§5.201, 5.203, 5.207, 5.210, 5.213, and 5.214, in the form presented to this meeting, to be published in the *Texas Register* and in connection therewith make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

BACKGROUND

The purpose of the amendments to 10 TAC §5.201 is to change the name of the subsection to “Background and Definitions”, and to add definitions specific to the CSBG that were removed from Subchapter A, General Provisions. The purpose of the amendment to 10 TAC §5.203 is to remove a reference to a policy that is no longer applicable to the program. The purpose of the amendment to 10 TAC §5.207 is to incorporate the CSBG Organizational Standards, as modified by the Department, into the program rule. The purpose of the amendment to 10 TAC §5.210 is to revise language to fit current program requirements, and to incorporate the new requirement that CSBG Eligible Entities complete a strategic plan into the program rules. The purpose of the amendment to

10 TAC §5.213 is to clarify information regarding tripartite boards. The purpose of the amendment to §5.214 is to establish in the rules that an advisory board established by the governing officials of a public organization to administer the CSBG may not exercise any authority that is not designated in writing by the governing officials of the public organization.

The amendments were approved for publication at the July 30, 2015, meeting of the Governing Board, and were published in the August 14, 2015, issue of the *Texas Register* to allow for public comment. No comments were received. Staff recommends no changes.

Attachment A: Preamble and Amended 10 TAC Chapter 5, Community Affairs Programs, Subchapter B, Community Services Block Grant, §§5.201, 5.203, 5.207, 5.210, 5.213, and 5.214

The Texas Department of Housing and Community Affairs (the "Department") adopts amendments to 10 TAC Chapter 5, Community Affairs Programs, Subchapter B, Community Services Block Grant, §§5.201 Background and Definitions, 5.203 Distribution of CSBG Funds, 5.207 Subrecipient Performance, 5.210 CSBG Needs Assessment, Community Action Plan, and Strategic Plan, 5.213 Board Structure, and 5.214 Board Administrative Requirements, with no changes to the proposed text as published in the August 14, 2015, issue of the *Texas Register* (40 TexReg 5119).

REASONED JUSTIFICATION. The purpose of the amendments to 10 TAC §5.201 is to change the name of the subsection to "Background and Definitions" and to add definitions specific to the CSBG that were removed from Subchapter A, General Provisions. The purpose of the amendment to 10 TAC §5.203 is to remove a reference to a policy that is no longer applicable to the program. The purpose of the amendment to 10 TAC §5.207 is to incorporate the CSBG Organizational Standards, as modified by the Department, into the program rule. The purpose of the amendment to 10 TAC §5.210 is to revise language to fit current program requirements, and to incorporate the new requirement that CSBG Eligible Entities complete a strategic plan into the program rules. The purpose of the amendment to 10 TAC §5.213 is to clarify information regarding tripartite boards. The purpose of the amendment to §5.214 is to establish in the rules that an advisory board established by the governing officials of a public organization to administer the CSBG may not exercise any authority that is not designated in writing by the governing officials of the public organization.

SUMMARY OF PUBLIC COMMENT AND STAFF RECOMMENDATIONS.

Comments were accepted from August 14, 2015, through September 14, 2015. No comments were received.

STATUTORY AUTHORITY. The amended sections are adopted pursuant to Texas Government Code §2306.053, which authorizes the Department to adopt rules, §2105.059, which authorizes the Department to adopt rules for block grant programs, and Chapter 2306, Subchapter E, which authorizes the Department to administer its Community Affairs programs.

The amendments affect no other code, article, or statute.

§5.201. Background and Definitions

(a) In addition to this subchapter, the rules established in Subchapter A of this chapter (relating to General Provisions) also apply to the CSBG program, except those that relate to the suspension, reduction, withholding or termination of funding. The CSBG Act was amended by the "Community Services Block Grant Amendments of 1994" and the Coats Human Services Reauthorization Act of 1998. The Secretary is authorized to establish a community services block grant program and make grants available through the program to states to ameliorate the causes of poverty in communities within the states.

(b) The Texas Legislature designated the Department as the lead agency for the administration of the CSBG program pursuant to Texas Government Code, §2306.092. CSBG funds will be made available to Eligible Entities to carry out the purposes of the CSBG program.

(c) Definitions

(1) Community Action Plan--A plan required by the Community Services Block Grant (CSBG) Act which describes the local Eligible Entity service delivery system, how coordination will be developed to fill identified gaps in services, how funds will be coordinated with other public and private resources and how the local entity will use the funds to support innovative community and neighborhood based initiatives related to the grant.

(2) CSBG Act--The CSBG Act is a law passed by Congress authorizing the Community Services Block Grant. The CSBG Act was amended by the Community Services Block Grant Amendments of 1994 and the Coats Human Services Reauthorization Act of 1998 under 42 U.S.C. §§9901, et seq. The CSBG Act authorized establishing a community services block grant program to make grants available through the program to states to ameliorate the causes of poverty in communities within the states.

(3) Discretionary Funds--Those CSBG funds maintained by the Department, at its discretion, for CSBG allowable uses as authorized by §675C of the CSBG Act, and not designated for distribution on a statewide basis to CSBG Eligible Entities and not designated for state administrative purposes.

(4) Eligible Entity--Those local organizations in existence and designated by the federal and state government to administer programs created under the Federal Economic Opportunity Act of 1964. This includes community action agencies, limited-purpose agencies, and units of local government. The CSBG Act defines an eligible entity as an organization that was an eligible entity on the day before the enactment of the Coats Human Services Reauthorization Act of 1998 (October 27, 1998), or is designated by the Governor to serve a given area of the state and that has a tripartite board or other mechanism specified by the state for local governance.

(5) National Performance Indicator--A measure of performance within the Department's Community Affairs Contract System for measuring performance and results of Subrecipients of funds.

(6) Needs Assessment--An assessment of community needs in the areas to be served with CSBG funds.

§5.203. Distribution of CSBG Funds.

(a) The CSBG Act requires that no less than 90% of the state's allocation be allocated to Eligible Entities. The Department currently utilizes a multi-factor fund distribution formula to equitably provide CSBG funds throughout the state's 254 counties to the CSBG Eligible Entities. Revisions to the formula shall be considered on a biennial basis including the release of decennial census figures. Changes to the formula shall be presented to the Department's Governing Board for approval.

(b) Five percent of the Department's annual allocation of CSBG funds and any funds not spent as identified in subsection (c) of this section, may be expended for activities as per 42 U.S.C. §9907(b)(A) - (H) and activities that may include:

(1) the provision of training and technical assistance to CSBG Eligible Entities;

(2) services to low-income migrant seasonal farm worker and Native American populations;

(3) assisting CSBG Eligible Entities in responding to natural or man-made disasters;

(4) funding for innovative and demonstration projects that assist CSBG target population groups to overcome at least one of the barriers to attaining self-sufficiency; and

(5) other projects/initiatives, including state conference expenses.

(c) Up to 5% of the Department's annual allocation of CSBG funds will be used for administrative purposes consistent with state and federal law.

§5.207. Subrecipient Performance.

(a) Eligible Entities shall submit information regarding the use of funds as part of the Community Action Plan as described in §5.210 of this chapter.

(b) Unexpended Funds. The Department reserves the right to deobligate or recapture funds from CSBG Eligible Entities and any other CSBG-funded organizations.

(1) The Department of Health and Human Services (HHS) issues terms and conditions for receipt of funds under the CSBG. Subrecipients will comply with the requirements of the terms and conditions of the CSBG award.

(2) The Coats Human Services Reauthorization Act of 1998, allows states to recapture unexpended CSBG funds in excess of 20% of the CSBG funds obligated to an Eligible Entity unless superseded by Congressional action in the appropriation process or by the terms and conditions issued by HHS in the CSBG award letter.

(c) Services to Poverty Population. Eligible Entities administering services to clients in one or more CSBG service area counties shall ensure that such services are rendered reasonably and in an equitable manner to ensure fairness among all potential applicants eligible for services. Services rendered must reflect the poverty population ratios in the service area and services should be distributed based on the proportionate representation of the poverty population within a county. A variance of greater than plus or minus 20% may constitute a finding. Eligible Entities with a service area of a single county shall demonstrate marketing and outreach efforts to render direct services to a reasonable percentage of the county's eligible population based on the most recent census or American Community Survey data, as directed by the Department. Services should also be distributed based on the proportionate representation of the poverty population within a county. Other CSBG-funded organizations shall ensure that services are rendered in accordance with requirements of the CSBG contract.

(d) In keeping with the regulations issued under Title II, §676(b)(3)(C), §676(5),(6),(9) State Application and Plan, the Department requires CSBG Eligible Entities, and other CSBG organizations where applicable, to coordinate CSBG funds and form partnerships with other public and private resources and coordinate and establish linkages between governmental and other social service programs to assure the effective delivery of services and avoid duplication of services.

(e) In keeping with the regulations issued under Title II, §676(b)(4), CSBG Eligible Entities shall provide, on an emergency basis, for the provision of such supplies and services, nutritious foods, and related services, as may be necessary to counteract the conditions of starvation and malnutrition. The nutritional needs may be met through a referral source that has resources available to meet the immediate needs.

(f) In keeping with the regulations issued under Title II, §676(b)(5), CSBG Eligible Entities, shall coordinate the provision of employment and training activities through local workforce investment systems under the Workforce Investment Act of 1998.

(g) In keeping with the regulations issued under Title II, §678G(b)(1-2), CSBG Eligible Entities shall inform custodial parents in single-parent families that participate in programs, activities, or services about the resources available through the Texas Attorney General's Office with respect to the collection of child support payments and refer eligible parents to the Texas Attorney General's Office of Child Support Services Division.

(h) Documentation of Services. Subrecipients must maintain a record of referrals and services provided.

(i) Intake Form. To fulfill the requirements of 42 U.S.C. §9917, CSBG Subrecipients must complete and maintain an intake form that documents income, assesses client needs, and captures the demographic and household characteristic data required for the monthly performance and expenditure report, referenced in Subchapter A of this chapter (relating to General Provisions), for all Households receiving a community action service. CSBG Subrecipients must complete and maintain a manual or electronic intake form for all clients for each program year.

(j) Case Management.

(1) In keeping with the regulations issued under Title II, §676(b) State Application and Plan, the Department requires CSBG Eligible Entities, and other CSBG Subrecipients where applicable, to incorporate integrated case management systems in the administration of their CSBG program (Title II, §676(b)). Incorporating case management in the service delivery system and providing assistance that has a long-term impact on the client, such as enabling the client to move from poverty to self-sufficiency, to maintain stable families, and to revitalize the community, supports the requirements of Title II, §676(b). An integrated case management system improves the overall provision of assistance and improves each Subrecipient's ability to transition persons from poverty to self-sufficiency. Case management can be provided on a short-term basis to meet immediate needs, or for Eligible Entities it can be provided on a long-term basis to persons working to transition out of poverty and achieve self-sufficiency.

(2) Subrecipients must have and maintain documentation of case management services provided.

(3) Eligible Entities must provide ongoing case management services for persons working to transition out of poverty and achieve self-sufficiency. The case management services must include the components described in subparagraphs (A) - (N) of this paragraph. The forms or systems utilized for each component may be manual or electronic forms provided by the Department or manual or electronic forms created by the Eligible Entity that at minimum contain the same information as the Department-issued form, including but not limited to:

(A) Self-Sufficiency Client Questionnaire to assess a client's status in the areas of employment, job skills, education, income, housing, food, utilities, child care, transportation, and health insurance;

(B) Self-Sufficiency Outcomes Matrix to assess the client's status in the self-sufficiency domains noted in subparagraph (A) of this paragraph;

(C) Case Management Screening Questions to assess the client's willingness to participate in case management services on an ongoing basis;

(D) Case Management Agreement between Subrecipient and client;

(E) Release of Information Form;

(F) Case Management Service Plan to document steps and timeline to achieve goals;

(G) Case management follow-up - A system to document client progress at completing steps and achieving goals. Case management follow-up should occur, at a minimum, every 30 days, either through a meeting, phone call or e-mail. In person meetings should occur, at a minimum, once a quarter;

(H) A record of referral resources and documentation of the results;

(I) A system to document services received and to collect and report NPI data;

(J) A system to document case closure for persons that have exited case management;

(K) A system to document income for persons that have maintained an income level above 125% of the Poverty Income Guidelines for 90 days;

(L) Client Satisfaction Survey;

(M) A system to document and notify clients of termination of case management services; and

(N) Evaluation System - a process to determine the effectiveness of case management services and CSBG services.

(k) Subrecipient Requirements for Review Process for Applicants Denied based on Income Eligibility. When an applicant is denied services based solely on income eligibility, the applicant may request a recertification of income eligibility based on initial documentation provided at the time of the original application. The recertification will be an analysis of the initial calculation based on the documentation received with the initial application for services and will be performed by an individual other than the person who performed the initial determination. If the recertification upholds the denial based on income eligibility documents provided at the initial application, the applicant is notified in writing and no further appeal is afforded to the applicant.

(l) Subrecipient Requirements for Appeals Process for CSBG Applicants/Clients Denied for Reasons other than Income Eligibility. Subrecipients shall establish a CSBG denial of service complaint procedure. At a minimum, the procedures described in paragraphs (1) - (7) of this subsection shall be included:

(1) Subrecipients shall provide a written denial of assistance notice to applicant/client within ten (10) business days of the adverse determination. This notification shall include written notice of the right to a hearing and specific reasons for the denial by component. The applicant wishing to appeal a decision must provide written notice to Subrecipient within twenty (20) days of receipt of the denial notice;

(2) Subrecipient who receives an appeal or client complaint shall establish an appeal committee composed of at least three persons. Subrecipient shall maintain documentation of appeals/complaints in their client files;

(3) Subrecipient shall hold the hearing within twenty (20) days after the Subrecipient received the appeal/complaint request from the applicant/client;

(4) Subrecipient shall record the hearing;

(5) The hearing shall allow time for a statement by Subrecipient staff with knowledge of the case;

(6) The hearing shall allow the applicant/client at least equal time, if requested, to present relevant information contesting the decision;

(7) Subrecipient shall notify applicant/client of the decision in writing. The Subrecipient shall mail the notification by close of business on the business day following the decision (one (1) day turnaround). In the event of an adverse decision, the notice must inform the applicant of their ability to appeal to the Department and must state that the applicant must appeal the decision in writing within ten (10) days of the decision.

(m) In the event of an adverse decision by the Department under subsection (l) of this section, applicants/clients who allege that the Subrecipient has denied all or part of a service or benefit in a manner that is unjust, violates discrimination laws, or without reasonable basis in law or fact, may request a contested hearing under Texas Government Code, Chapter 2001.

(n) The hearing shall be conducted by the State Office of Administrative Hearings on behalf of the Department in the locality served by the Subrecipient.

(o) If client appeals to the Department, the funds should remain encumbered until the Department completes its decision.

(p) Effective January 1, 2016, Eligible Entities shall meet the CSBG Organizational Standards as issued by the U.S. Department of Health and Human Services in Information Memorandum #138 (as revised), except that where the word bylaws is used the Department has modified the standards to read Certificate of Formation and bylaws; also, Eligible Entities will have to follow the Administrative requirements in UGMS including but not limited to the State of Texas Single Audit Circular. The CSBG Organizational Standards shall be included as a performance objective as described in §5.206 of this subchapter.

§5.210. CSBG Needs Assessment, Community Action Plan, and Strategic Plan.

(a) In accordance with §676 of the CSBG Act, the Department is required to secure a Community Action Plan on an annual basis from each CSBG Eligible Entity. The Community Action Plan shall be submitted to the Department on or before a date specified by the Department in the Eligible Entity contract.

(b) Every three (3) years each CSBG Eligible Entity shall complete a community needs assessment, upon which the Community Action Plan will be based. Information related to the community needs assessment shall be submitted to the Department on or before a date specified by the Department in the Eligible Entity contract.

(c) The Community Action Plan shall at a minimum include a budget, a description of the delivery of services for the case management system in accordance with the National Performance Indicators and shall include a performance statement that describes the services, programs and activities to be administered by the organization.

(d) Hearing. In conjunction with the Submission of the Community Action Plan, the Eligible Entity must submit to the Department a certification from its board that a public hearing was conducted on the proposed use of funds.

(e) Every five (5) years each Eligible Entity shall complete a strategic plan, upon which the Community Action Plan will be based. Information related to the strategic plan shall be submitted to the Department on or before a date specified by the Department in the Eligible Entity contract.

(f) Subrecipients receiving state discretionary funds under §5.203(b) of this subchapter (relating to Distribution of CSBG Funds) are not required to submit a Community Action Plan. All CSBG Subrecipients must develop a performance statement which identifies the services, programs, and activities to be administered by the organization.

§5.213. Board Structure.

(a) Eligible Entities that are Private Nonprofit Organizations shall administer the CSBG program through a tripartite board that fully participates in the development, planning, implementation, and evaluation of the program to serve low-income communities. Some of the members of the board shall be selected by the Private Nonprofit Organizations and others through a democratic process; the board shall be composed so as to assure that the requirements of §676B(a)(2) of the CSBG Act are followed and are composed as:

(1) One-third of the members of the board shall be elected public officials, holding office on the date of the selection, or their representatives. In the event that there are not enough elected public officials reasonably available and willing to serve on the board, the entity may select appointive public officials to serve on the board. The public officials selected to serve on the board may each choose one permanent representative or designate an alternate to serve on the board. Appointive public officials or their representatives or alternates may be counted in meeting the 1/3 requirement. Refer to subsection (f)(1)(B) of this section entitled "Permanent Representatives and Alternates" for related information;

(2) not fewer than 1/3 of the members are persons chosen in accordance with democratic selection procedures adequate to assure that these members are representative of low-income individuals and families in the neighborhood served; and each representative of low-income individuals and families selected to represent a specific neighborhood within a community does reside in the neighborhood represented by the member;

(3) the remainder are members of business, industry, labor, religious, law enforcement, education, or other major groups and interests in the community served.

(b) For a Public Organization to be considered to be an Eligible Entity for purposes of the CSBG Act, §673(1), the entity shall administer the CSBG grant through a tripartite board that fully participates [participate] in the development, planning, implementation and evaluation of programs that serve low-income communities or through another mechanism specified by the state. At present, the tripartite board, whether it consists of publicly elected officials or of official appointees (an "advisory board"), is the only mechanism for administration the Department has specified.

(c) For a Public Organization to administer the CSBG grant as an Eligible Entity through another [an advisory board or other qualifying] method, prior review and approval from the Department is required. The mechanism must assure decision-making and participation by low-income individuals in the development, planning, implementation, and evaluation of programs funded by CSBG.

(d) All Public Organization Boards must have a tripartite structure where:

(1) One-third of the members of the board shall be elected public officials, holding office on the date of the selection, or their representatives. In the event that there are not enough elected public officials reasonably available and willing to serve on the board, the entity may select appointive public officials to serve on the board. The public officials selected to serve on the board may each choose one permanent representative or designate an alternate to serve on the board. Appointive public officials or their representatives or alternates may be counted in meeting the 1/3 requirement. Refer to subsection (f)(1)(B) of this section, entitled "Permanent Representatives and Alternates" for related information:

(2) not fewer than 1/3 of the members are persons chosen in accordance with democratic selection procedures adequate to assure that these members are representative of low-income individuals and families in the neighborhood served; reside in the neighborhood served; and are able to participate actively in the development, planning implementation, and evaluation of programs funded by CSBG; and

(3) the remainder are members of business, industry, labor, religious, law enforcement, education, or other major groups and interests in the community served.

(e) Eligible Entities administering the Head Start Program must comply with the Head Start Act (42 U.S.C. §9837) that requires the governing body membership to comply with the requirements of §642(c)(1) of the Head Start Act.

(f) Selection. Pursuant to §676B of the CSBG Act, Eligible Entities that are Private Nonprofit Organizations and Public Organizations have the responsibility for selection and composition of the board.

(1) Public Officials:

(A) Elected public officials or appointed public officials, selected to serve on the board, shall have either general governmental responsibilities or responsibilities which require them to deal with poverty-related issues; and

(B) Permanent Representatives and Alternates. The public officials selected to serve on the board may each choose one permanent representative or designate an alternate to serve on the board.

(i) Permanent Representatives. The representative need not be a public official but shall have full authority to act for the public official at meetings of the board. Permanent representatives may hold an officer position on the board. If a permanent representative is not chosen, then an alternate may be designated by the public official selected to serve on the board. Alternates may not hold an officer position on the board.

(ii) Alternate Representatives. If the private nonprofit entity or public organization board chooses to allow alternates, the alternates for low-income representatives shall be elected at the same time and in the same manner as the board representative is elected to serve on the board. Alternates for representatives of private sector organizations may be designated to serve on the board and should be selected at the same time the board representative is selected. In the event that the board member or alternate ceases to be a member of the organization represented, he/she shall no longer be eligible to serve on the board. Alternates may not hold an officer position on the board.

(2) Low-Income Representatives:

(A) The CSBG Act and its amendments require representation of low-income individuals on boards or state-specified governing bodies. The CSBG statute requires that not fewer than one-third of the members shall be representatives of low-income individuals and families and that they shall be chosen in accordance with democratic selection procedures adequate to assure that these members are representative of low-income individuals and families in the neighborhoods served; and that each representative of low-income individuals and families selected to represent a specific neighborhood within a community resides in the neighborhood represented by the member; or

(B) Board members representing low-income individuals and families must be selected in accordance with a democratic procedure. This procedure, as detailed in subparagraph (D) of this paragraph, may be either directly through election, public forum, or, if not possible, through a similar democratic process such as election to a position of responsibility in another significant service or community organization such as a school PTA, a faith-based organization leadership group; or an advisory board/governing council to another low-income service provider;

(C) Every effort should be made by the nonprofit entity or public organization to assure that low-income representatives are truly representative of current residents of the geographic area to be served, including racial and ethnic composition, as determined by periodic selection or reselection by the community. "Current" should be defined by the recent or annual demographic changes as documented in the needs/community assessment. This does not preclude extended service of low-income community representatives on boards, but it does suggest that continued board participation of longer term members be revalidated and kept current through some form of democratic process; and

(D) The procedure used to select the low-income representative must be documented to demonstrate that a democratic selection process was used. Among the selection processes that may be utilized, either alone or in combination, are:

(i) Selection and elections, either within neighborhoods or within the community as a whole; at a meeting or conference, to which all neighborhood residents, and especially those who are poor, are openly invited;

(ii) Selection of representatives to a community-wide board by members of neighborhood or sub-area boards who are themselves selected by neighborhood or area residents;

(iii) Selection, on a small area basis (such as a city block); or

(iv) Selection of representatives by existing organizations whose membership is predominately composed of poor persons.

(3) Representatives of Private Groups and Interests:

(A) The private nonprofit entity or public organization shall select the remainder of persons to represent the private sector on the board or it may select private sector organizations from which representatives of the private sector organization would be chosen to serve on the board; and

(B) The individuals and/or organizations representing the private sector shall be selected in such a manner as to assure that the board will benefit from broad community involvement. The board composition for the private sector shall draw from officials or members of business, industry, labor, religious, law enforcement, education, school districts, representatives of education districts and other major groups and interests in the community served.

(h) Eligible Entities must have written procedures under which a low-income individual, community organization, religious organization, or representative of such may petition for adequate representation as described in (a) – (f) of this section if such persons or organizations consider there to be inadequate representation on the board of the Eligible Entity.

§5.214. Board Administrative Requirements.

(a) Powers of the Board for Private Nonprofit Entities. The board is responsible for abiding by the terms of contracts and shall determine the policies of the agency to assure accountability for public funding. The board shall function as the organization's governing body with the same legal powers and responsibilities as the board of directors of any nonprofit corporation.

(b) Powers of the Board for Public Organizations. The powers, duties, and responsibilities of the board shall be determined by the governing officials of the public organization. The governing officials may establish an advisory board. The advisory board may not exercise any authority not delegated to it in writing by the governing officials of the public organization.

(c) Compensation. Board members are not entitled to compensation for their service on the board. Reimbursement of reasonable and necessary expenses incurred by a board member in carrying out his/her duties is allowed.

(d) Conflict of Interest. No board member may participate in the selection, award, or administration of a subcontract supported by CSBG funds if:

(1) the board member;

(2) any member of his/her immediate family (as defined in the CSBG contract);

(3) the board member's partner; or

(4) any organization which employs or is about to employ any of the individuals described in paragraphs (1) - (3) of this subsection, has a financial interest in the firm or person selected to perform a subcontract. No employee of the local CSBG Subrecipient or of the Department may serve on the board.

1n

BOARD ACTION REQUEST
COMMUNITY AFFAIRS DIVISION
OCTOBER 15, 2015

Presentation, Discussion, and Possible Action on an order adopting amendments to 10 TAC Chapter 5, Community Affairs Programs, Subchapter D, Comprehensive Energy Assistance Program, §5.401, Background; §5.407, Subrecipient Requirements for Establishing Priority for Eligible Households and Client Eligibility Criteria; §5.422, General Assistance and Benefit Levels; and §5.423, Household Crisis Component, and directing that they be published in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Texas Government Code, §§2306.053, 2105.059 and 2306.092, the Department is provided the authority to adopt rules governing the administration of the Department, block grant programs, and its Community Affairs programs and

WHEREAS, the proposed amendments were approved for publication at the July 30, 2015, meeting of the Governing Board, and were published in the August 14, 2015, issue of the *Texas Register* to allow for public comment;

NOW, therefore, it is hereby

RESOLVED, that the final order adopting the amendments to 10 TAC §§5.401, 5.407, 5.422, and 5.423 are hereby approved, together with the preamble presented to this meeting, for publication in the *Texas Register* and

FURTHER RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the amendments to 10 TAC Chapter 5, Community Affairs Programs, Subchapter D, Comprehensive Energy Assistance Program, §§5.401, 5.407, 5.422, and 5.423, in the form presented to this meeting, to be published in the *Texas Register* and in connection therewith make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

BACKGROUND

The purpose of the amendments to 10 TAC §5.401 is to change the name of the subsection to “Background and Definitions” and to add definitions specific to the CEAP that were removed from Subchapter A, General Provisions. The purpose of the amendments to 10 TAC §5.407 and §5.422 is to raise the client income eligibility level to at or below 150% of the federal poverty level; to add the requirement that highest energy costs or needs in relation to income (“energy burden”) shall be the highest rated item in priority determinations; and to add categorical eligibility, whereby pursuant to Section 2605(b)(2)(A) of Title XXVI of the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35), as amended (“the LIHEAP Act”), states may make payments to households in which at least one individual is receiving supplemental security income payments issued under Title XVI of

the Social Security Act and/or veterans benefit payments issued under the Veterans' and Survivors' Pension Improvement Act of 1978. The purpose of the amendment to 10 TAC §5.423 is to add the ability for Subrecipients to purchase portable heating/cooling units for households experiencing a Life Threatening Crisis whether or not the established weather criteria had been met.

The amendments were approved for publication at the July 30, 2015, meeting of the Governing Board, and were published in the August 14, 2015, issue of the *Texas Register* to allow for public comment. Comment was received from one organization.

Attachment A: Preamble and Amended 10 TAC Chapter 5, Community Affairs Programs, Subchapter D, Comprehensive Energy Assistance Program, §§5.401, 5.407, 5.422, and 5.423

The Texas Department of Housing and Community Affairs (the "Department") adopts amendments to 10 TAC Chapter 5, Community Affairs Programs, Subchapter D, Comprehensive Energy Assistance Program, §5.401, Background; §5.407, Subrecipient Requirements for Establishing Priority for Eligible Households and Client Eligibility Criteria; §5.422, General Assistance and Benefit Levels; and §5.423, Household Crisis Component, with changes to the proposed text as published in the August 14, 2015, issue of the *Texas Register* (40 TexReg 5124).

REASONED JUSTIFICATION. The purpose of the amendments to 10 TAC §5.401 is to change the name of the subsection to "Background and Definitions" and to add definitions specific to the CEAP that were removed from Subchapter A, General Provisions. The purpose of the amendments to 10 TAC §5.407 and §5.422 is to raise the client income eligibility level to at or below 150% of the federal poverty level; to add the requirement that highest energy costs or needs in relation to income ("energy burden") shall be the highest rated item in priority determinations; and to add categorical eligibility, whereby pursuant to Section 2605(b)(2)(A) of Title XXVI of the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35), as amended ("the LIHEAP Act"), states may make payments to households in which at least one individual is receiving supplemental security income payments issued under Title XVI of the Social Security Act and/or veterans benefit payments issued under the Veterans' and Survivors' Pension Improvement Act of 1978. The purpose of the amendment to 10 TAC §5.423 is to add the ability for Subrecipients to purchase portable heating/cooling units for households experiencing a Life Threatening Crisis whether or not the established weather criteria had been met.

SUMMARY OF PUBLIC COMMENT AND STAFF RECOMMENDATIONS.

Comments were accepted from August 14, 2015, through September 14, 2015. The Department's response to all comments received is set out below. The comments and responses include both administrative clarifications and corrections to the amendments recommended by staff and substantive comments on the amendments and the corresponding Departmental responses. Comments and responses are presented in the order they appear in the rules, with comments received from:

Stella Rodriguez, Executive Director, Texas Association of Community Action Agencies (TACAA)

COMMENT SUMMARY: Regarding §5.407(f) – Commenter states that members of TACAA do not support the replacement of §5.407(e) with §5.407(f).

COMMENTER'S RATIONALE: The wording in (f) suggests that Subrecipients are usually able to determine whether the meter is utilized by more than one Household. It is not the responsibility of the Subrecipient to police this condition, only to act when it is clearly discovered that the meter is being improperly used. It is unclear how obtaining written approval from Community Affairs Division ("CAD") staff could benefit the program. The added procedure to obtain written approval from CAD would delay assistance, could allow shut-off of utility service, and in a crisis situation, could cause a dangerous condition for applicant Households.

STAFF RESPONSE: Staff appreciates the input and realizes the intent of the change was not clear. The rule change is intended to address those instances in which separate structures share a meter, and providing clarity that if the occupants of the separate structures that share a meter submit an application as one household, that applicant may be served. In those cases, the members and income from both households must be counted when determining eligibility. As currently written, the rule forbids this option.

To be more clear, staff recommends the following revision to the proposed language in 10 TAC §5.407(f):

- ~~(f) Household units where the Subrecipient is unable to determine whether the meter is utilized by another Household may not be served without written approval from Community Affairs Division staff. A Household unit cannot be served if the meter is utilized by another Household that is not a part of the application for assistance. In instances where separate structures share a meter and the applicant is otherwise eligible for assistance, Subrecipient may provide services if:~~
- ~~(1) the members of the separate structures that share a meter meet the definition of a Household per §5.2 of this Chapter;~~
 - ~~(2) the members of the separate structures that share a meter submit one application as one Household; and~~
 - ~~(3) all persons and applicable income from each structure are counted when determining eligibility.~~

So that assistance is not unnecessarily delayed, staff does not suggest that Subrecipients be required to contact staff prior to serving such households. Should Subrecipients have questions or concerns about a particular case, staff will provide technical assistance upon request.

STATUTORY AUTHORITY. The amended sections are adopted pursuant to Texas Government Code §2306.053, which authorizes the Department to adopt rules, §2105.059, which authorizes the Department to adopt rules for block grant programs, and Chapter 2306, Subchapter E, which authorizes the Department to administer its Community Affairs programs.

The amendments affect no other code, article, or statute.

§5.401. Background and Definitions.

(a) The Comprehensive Energy Assistance Program (CEAP) is funded through the Low Income Home Energy Assistance Act of 1981 (Title XXVI of the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, as amended). LIHEAP has been in existence since 1982. LIHEAP is a federally funded block grant program that is implemented to serve low income Households who seek assistance for their home energy bills.

(b) Definitions.

(1) Categorical Eligibility: use of funds whereby Subrecipients may deem income eligible Households that include at least one member that receives:

(A) Supplemental security income payments (SSI) from the Social Security Administration; or

(B) Veterans benefit payments under:

(i) Section 415 – Dependency and Indemnity Compensation to Parents of a Deceased Veteran;

- (ii) Section 521 – Veterans of a Period of War (a Veteran who is permanently and totally disabled);
 - (iii) Section 541 – Spouses and Children” (of a deceased Veteran); or
 - (iv) Section 542 – Children of Deceased Veterans of a Period of War.
- (2) Emergency--Defined by the LIHEAP Act of 1981 (Title XXVI of the Omnibus Budget Reconciliation Act of 1981, 42 U.S.C. §8622):
- (A) natural disaster;
 - (B) a significant home energy supply shortage or disruption;
 - (C) significant increase in the cost of home energy, as determined by the Secretary;
 - (D) a significant increase in home energy disconnections reported by a utility, a state regulatory agency, or another agency with necessary data;
 - (E) a significant increase in participation in a public benefit program such as the food stamp program carried out under the Food Stamp Act of 1977 (7 U.S.C. §§2011, et seq.), the national program to provide supplemental security income carried out under Title XVI of the Social Security Act (42 U.S.C. §§1381, et seq.) or the state temporary assistance for needy families program carried out under Part A of Title IV of the Social Security Act (42 U.S.C. §§601, et seq.), as determined by the head of the appropriate federal agency;
 - (F) a significant increase in unemployment, layoffs, or the number of Households with an individual applying for unemployment benefits, as determined by the Secretary of Labor; or
 - (G) an event meeting such criteria as the Secretary, at the discretion of the Secretary, may determine to be appropriate.
- (3) Life Threatening Crisis--A life threatening crisis exists when at least one person in the applicant Household could lose their life without the Subrecipient's utility assistance because there is a shut-off notice or a delivered fuel source is below a ten (10) day supply (by client report) and any member of the Household is dependent upon equipment that is prescribed by a medical professional, operated on electricity or gas and is necessary to sustain the person's life. Examples of life-sustaining equipment include but are not limited to kidney dialysis machines, oxygen concentrators, cardiac monitors, and in some cases heating and air conditioning when ambient temperature control is prescribed by a medical professional. Documentation must not include information regarding the applicant's medical condition but may include certification that such a device is required in the home to sustain life.

§5.407. Subrecipient Requirements for Establishing Priority for Eligible Households and Client Eligibility Criteria.

- (a) Subrecipients shall set the client income eligibility level at or below 150% of the federal poverty level in effect at the time the client makes an application for services.
- (b) Subrecipients shall determine client income. Income exclusions to be used to determine total Household income are those noted in §5.19 of this chapter (relating to Client Income Guidelines).
- (c) Social security numbers are not required for applicants for CEAP.
- (d) Subrecipients shall establish priority criteria to serve persons in Households who are particularly vulnerable such as the Elderly, Persons with Disabilities, Families with Young Children, Households with High Energy Burden, and Households with High Energy Consumption. Highest energy costs or needs in relation to income shall be the highest rated item in sliding scale priority determinations.
- (e) Categorical eligibility exists when any member of the household receives cash assistance payments from SSI and/or from veterans benefits as described in subsection 5.401 of this section.

- (1) A complete application is required for all households, including those that are categorically eligible. Total household income documentation must be collected by the agency for the purposes of determining benefit level and collecting required demographic information.
- (2) Recipients of regular social security payments are not automatically categorically eligible.
- (3) Applicants shall provide the agency a letter from the cognizant federal agency stating under what Public Law or U.S. Code Title his/her benefit is received.

~~(f) Household units where the Subrecipient is unable to determine whether the meter is utilized by another Household may not be served without written approval from Community Affairs Division staff. A Household unit cannot be served if the meter is utilized by another Household that is not a part of the application for assistance. In instances where separate structures share a meter and the applicant is otherwise eligible for assistance, Subrecipient may provide services if:~~

- ~~(1) the members of the separate structures that share a meter meet the definition of a Household per §5.2 of this Chapter;~~
- ~~(2) the members of the separate structures that share a meter submit one application as one Household; and~~
- ~~(3) all persons and applicable income from each structure are counted when determining eligibility.~~

§5.422. General Assistance and Benefit Levels.

- (a) Subrecipients shall not discourage anyone from applying for CEAP assistance. Subrecipients shall provide all potential clients with opportunity to apply for LIHEAP programs.
- (b) CEAP provides assistance to targeted beneficiaries, with priority given to the elderly, persons with disabilities, families with young children; Households with the highest energy costs or needs in relation to income, and Households with high energy consumption.
- (c) CEAP includes activities, as defined in Assurances 1-16 in Title XXVI of the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35), as amended; such as education; and financial assistance to help very low- and extremely low-income consumers reduce their utility bills to an affordable level. CEAP services include energy education, needs assessment, budget counseling (as it pertains to energy needs), utility payment assistance; repair of existing heating and cooling units, and crisis-related purchase of portable heating and cooling units.
- (d) Sliding scale benefit for all CEAP components:
 - (1) Benefit determinations are based on the Household's income, the Household size, the energy cost and/or the need of the Household, and the availability of funds;
 - (2) Energy assistance benefit determinations will use the sliding scale described in subparagraphs (A) - (C) of this paragraph:
 - (A) Households with Incomes of 0 to 50% of Federal Poverty Guidelines may receive an amount needed to address their energy payment shortfall not to exceed \$1,200;
 - (B) Households with Incomes of 51% to 75% of Federal Poverty Guidelines may receive an amount needed to address their energy payment shortfall not to exceed \$1,100; and
 - (C) Households with Incomes of 76% to at or below 150% of Federal Poverty Guidelines may receive an amount needed to address their energy payment shortfall not to exceed \$1,000; and

(3) A Household may receive repair of existing heating and cooling units not to exceed \$3,000. Households that include at least one member that is elderly, disabled, or a child age 5 or younger, may receive either repair of existing heating and cooling units or crisis-related purchase of portable heating and cooling units not to exceed \$3,000.

(e) Subrecipient shall not establish lower local limits of assistance for any component.

(f) Total maximum possible annual Household benefit (all allowable benefits combined) equals \$5,400.

(g) Subrecipient shall determine client eligibility for utility payments and/or retrofit based on the agency's Household priority rating system and Household's income as a percent of poverty.

(h) Subrecipients shall provide only the types of assistance described in paragraphs (1) - (11) of this subsection with funds from CEAP:

(1) Payment to vendors and suppliers of fuel/utilities, goods, and other services, such as past due or current bills related to the procurement of energy for heating and cooling needs of the residence, not to include security lights and other items unrelated to energy assistance;

(2) Payment to vendors--only one energy bill payment per month;

(3) Needs assessment and energy conservation tips, coordination of resources, and referrals to other programs;

(4) Payment of water bills only when such costs include expenses from operating an evaporative water cooler unit or when the water bill is an inseparable part of a utility bill. As a part of the intake process, outreach, and coordination, the Subrecipient shall confirm that a client owns an operational evaporative cooler and has used it to cool the dwelling within sixty (60) days prior to application. Payment of other utility charges such as wastewater and waste removal are allowable only if these charges are an inseparable part of a utility bill. Documentation from vendor is required. Whenever possible, Subrecipient shall negotiate with the utility providers to pay only the "home energy"--heating and cooling--portion of the bill;

(5) Energy bills already paid may not be reimbursed by the program;

(6) Payment of reconnection fees in line with the registered tariff filed with the Public Utility Commission and/or Texas Railroad Commission. Payment cannot exceed that stated tariff cost. Subrecipient shall negotiate to reduce the costs to cover the actual labor and material and to ensure that the utility does not assess a penalty for delinquency in payments;

(7) Payment of security deposits only when state law requires such a payment, or if the Public Utility Commission or Texas Railroad Commission has listed such a payment as an approved cost, and where required by law, tariff, regulation, or a deferred payment agreement includes such a payment. Subrecipients shall not pay such security deposits that the energy provider will eventually return to the client;

(8) While rates and repair charges may vary from vendor to vendor, Subrecipient shall negotiate for the lowest possible payment. Prior to making any payments to an energy vendor a Subrecipient shall have a signed vendor agreement on file from the energy vendor receiving direct LIHEAP payments from the Subrecipient;

(9) Subrecipient may make payments to landlords on behalf of eligible renters who pay their utility and/or fuel bills indirectly. Subrecipient shall notify each participating Household of the amount of assistance paid on its behalf. Subrecipient shall document this notification. Subrecipient shall

maintain proof of utility or fuel bill payment. Subrecipient shall ensure that amount of assistance paid on behalf of client is deducted from client's rent;

(10) In lieu of deposit required by an energy vendor, Subrecipient may make advance payments. The Department does not allow LIHEAP expenditures to pay deposits, except as noted in paragraph (7) of this subsection. Advance payments may not exceed an estimated two months' billings; and

(11) Funds for the Texas CEAP shall not be used to weatherize dwelling units, for medicine, food, transportation assistance (i.e., vehicle fuel), income assistance, or to pay for penalties or fines assessed to clients.

§5.423. Household Crisis Component.

(a) A bona fide Household crisis exists when extraordinary events or situations resulting from extreme weather conditions and/or fuel supply shortages or a terrorist attack have depleted or will deplete Household financial resources and/or have created problems in meeting basic Household expenses, particularly bills for energy so as to constitute a threat to the well-being of the Household, particularly the Elderly, the Disabled, or a Family with Young Children.

(b) A utility disconnection notice may constitute a Household crisis. Assistance provided to Households based on a utility disconnection notice is limited to two (2) payments per year. Weather criterion is not required to provide assistance due to a disconnection notice. The notice of disconnection must have been provided to the Subrecipient within the effective contract term and the notice of disconnection must not be dated more than sixty (60) days from receipt at the Subrecipient.

(c) Crisis assistance payments cannot exceed the minimum amount needed to resolve the crisis; e.g. when a shut-off notice requires a certain amount to be paid to avoid disconnection and the same notice indicates that there are balances due other than the required amount, only the amount required to avoid disconnection may be paid as crisis assistance. Crisis assistance payments that are less than the amount needed to resolve the crisis may only be made when other funds or options are available to resolve the Household's remaining crisis need.

(d) Crisis assistance for one Household cannot exceed the maximum allowable benefit level in one program year. If a Household's crisis assistance needs exceed that maximum allowable benefit, Subrecipient may pay up to the Household crisis assistance limit only if the remaining amount of Household need can be paid from other funds. If the Household's crisis requires more than the Household limit to resolve and no other funds are available, the crisis exceeds the scope of this component.

(e) Payments may not exceed Household's actual utility bill.

(f) Where necessary to prevent undue hardships from a qualified crisis, Subrecipients may directly issue vouchers to provide:

(1) Temporary shelter not to exceed the annual Household expenditure limit for the duration of the contract period in the limited instances that supply of power to the dwelling is disrupted--causing temporary evacuation;

(2) Emergency deliveries of fuel up to 250 gallons per crisis per Household, at the prevailing price. This benefit may include coverage for tank pressure testing;

(3) Service and repair of existing heating and cooling units not to exceed \$3,000 during the contract period when Subrecipient has met local weather crisis criteria. If any component of the central

system cannot be repaired using parts, the Subrecipient can replace the component in order to repair the central system. Documentation of service/repair and related warranty must be included in the client file;

(4) Portable air conditioning/evaporative coolers and heating units (portable electric heaters are allowable only as a last resort) may be purchased for households that include at least one member that is Elderly, Disabled, or a Family with Young Children, when Subrecipient has met local weather crisis criteria;

(5) When a Household's crisis meets the definition of Life Threatening Crisis, portable air conditioning/evaporative coolers and heating units (portable electric heaters are allowable only as a last resort) may be purchased for those Households regardless of whether Subrecipient has met local weather crisis criteria. All other provisions of this subsection apply;

(6) Purchase of more than two portable heating/cooling units per Household requires prior written approval from the Department;

(7) Purchase of portable heating/cooling units which require performance of electrical work for proper installation requires prior written approval from the Department;

(8) Replacement of central systems and combustion heating units is not an approved use of crisis funds; and

(9) Portable heating/cooling units must be Energy Star(r) and compliant with the 2009 International Residential Code (IRC). In cases where the type of unit is not rated by Energy Star(r), or if Energy Star(r) units are not available due to supply shortages, Subrecipient may purchase the highest rated unit available.

(g) Crisis funds, whether for emergency fuel deliveries, repair of existing heating and cooling units, purchase of portable heating/cooling units, or temporary shelter, shall be considered part of the total maximum Household allowable assistance.

(h) When natural disasters result in energy supply shortages or other energy-related emergencies, LIHEAP will allow home energy related expenditures for:

(1) Costs to temporarily shelter or house individuals in hotels, apartments or other living situations in which homes have been destroyed or damaged, *i.e.*, placing people in settings to preserve health and safety and to move them away from the crisis situation;

(2) Costs for transportation (such as cars, shuttles, buses) to move individuals away from the crisis area to shelters, when health and safety is endangered by loss of access to heating or cooling;

(3) Utility reconnection costs;

(4) Blankets, as tangible benefits to keep individuals warm;

(5) Crisis payments for utilities and utility deposits; and

(6) Purchase of fans, air conditioners and generators. The number, type, size and cost of these items may not exceed the minimum needed to resolve the crisis.

(i) Time Limits for Assistance--Subrecipients shall ensure that for clients who have already lost service or are in immediate danger of losing service, some form of assistance to resolve the crisis shall be provided within a 48-hour time limit (18 hours in life-threatening situations). The time limit commences upon completion of the application process. The application process is considered to be complete when an agency representative accepts an application and completes the eligibility process.

(j) Subrecipients must maintain written documentation in client files showing crises resolved within appropriate timeframes. Subrecipients must maintain documentation in client files showing that a

utility bill used as evidence of a crisis was received by the Subrecipient during the effective contract term. The Department may disallow improperly documented expenditures.

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Date: September 14, 2015

To: Annette Cornier
Rule Comments
Texas Department of Housing and Community Affairs
cadrulecomments@tdhca.state.tx.us

From: Stella Rodriguez, Executive Director
Texas Association of Community Action Agencies

Re: Proposed Amendments – Chapter 5, Community Affairs Programs

Members of the Texas Association of Community Action Agencies (TACAA) reviewed the proposed amendments to Chapter 5, Community Affairs Programs, Subchapter A, General Provisions and Subchapter D, Comprehensive Energy Assistance Program.

We respectfully submit the following recommendations.

Chapter 5, Community Affairs Programs, Subchapter A, General Provisions

§5.2.Definitions

§5.2(b)(31~~39~~)(B) – Regarding income eligibility for CEAP and LIHEAP WAP at or below 150% of HHS Poverty Income guidelines.

Comment: We support the proposed amendment.

Chapter 5, Community Affairs Programs, Subchapter D, Comprehensive Energy Assistance Program

~~§5.407(e) A Household unit cannot be served if the meter is utilized by another Household.~~

§5.407(f) Household units where the Subrecipient is unable to determine whether the meter is utilized by another Household may not be served without written approval from Community Affairs Division staff.

Recommendation: We do not support the replacement of §5.407(e) with §5.407(f). Leave §5.407(e) with current language.

Rationale: The wording in (f) suggests that Subrecipients are usually able to determine whether the meter is utilized by more than one Household. It is not the responsibility of the Subrecipient to police this condition, only to act when it is clearly discovered that the meter is being improperly used. It is unclear how obtaining written approval from Community Affairs Division (CAD) staff could benefit the program. The added procedure to obtain written approval from CAD would delay assistance, could allow shut-off of utility service, and in a crisis situation, could cause a dangerous condition for applicant Households.

10

BOARD ACTION REQUEST
COMMUNITY AFFAIRS DIVISION
OCTOBER 15, 2015

Presentation, Discussion, and Possible Action on an order adopting an amendment to 10 TAC Chapter 5, Community Affairs Programs, Subchapter E, Weatherization Assistance Program General, §5.503 Definitions; and new §5.529 Program Requirements, and directing that they be published in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Texas Government Code, §§2306.053 and 2306.092, the Department is provided the authority to adopt rules governing the administration of the Department and its Community Affairs programs and

WHEREAS, the amendment and new section were approved for publication at the July 30, 2015, meeting of the Governing Board, and were published in the August 14, 2015, issue of the *Texas Register* to allow for public comment;

NOW, therefore, it is hereby

RESOLVED, that the final order adopting the amendment to 10 TAC §5.503, and adopting new §5.529 are hereby approved, together with the preamble presented to this meeting, for publication in the *Texas Register* and

FURTHER RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the amendment to 10 TAC Chapter 5, Community Affairs Programs, Subchapter E, Weatherization Assistance Program General, §5.503 Definitions; and new §5.529 Program Requirements, in the form presented to this meeting, to be published in the *Texas Register* and in connection therewith make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

BACKGROUND

The purpose of the amendment to 10 TAC §5.503 adds Electric Baseload Measure to the list of definitions for the Weatherization Assistance Program (“WAP”). The new 10 TAC §5.529 adds general program requirements for the WAP.

The amendment and new section were approved for publication at the July 30, 2015, meeting of the Governing Board, and were published in the August 14, 2015, issue of the *Texas Register* to allow for public comment. No comments were received. Staff recommends Board approval with no changes.

Attachment A: Preamble and Amended 10 TAC Chapter 5, Community Affairs Programs, Subchapter E, Weatherization Assistance Program General, §5.503; and new §5.529

The Texas Department of Housing and Community Affairs (the "Department") adopts amendments to 10 TAC Chapter 5, Community Affairs Programs, Subchapter E, Weatherization Assistance Program General, §5.503 Definitions; and new §5.529 Program Requirements, with no changes to the proposed text as published in the August 14, 2015, issue of the *Texas Register* (40 TexReg 5128).

REASONED JUSTIFICATION. The purpose of the amendment to 10 TAC §5.503 adds Electric Baseload Measure to the list of definitions for the Weatherization Assistance Program ("WAP"). The new 10 TAC §5.529 adds general program requirements for the WAP.

SUMMARY OF PUBLIC COMMENT. Comments were accepted from August 14, 2015, through September 14, 2015. No comments were received.

STATUTORY AUTHORITY. The amended sections are adopted pursuant to Texas Government Code §2306.053, which authorizes the Department to adopt rules, and Chapter 2306, Subchapter E, which authorizes the Department to administer its Community Affairs programs.

The amendments affect no other code, article, or statute.

§5.503. Definitions.

- (a) Electric Base-Load Measure--Weatherization measures which address the energy efficiency and energy usage of lighting and appliances.
- (b) Energy Audit--The energy audit software and procedures used to determine the cost effectiveness of weatherization measures to be installed in a Dwelling Unit. The Energy Audit shall be used for any Dwelling Unit weatherized utilizing DOE funds.
- (c) Energy Repairs--Weatherization-related repairs necessary to protect or complete regular weatherization energy efficiency measures.
- (d) Multifamily Dwelling Unit--A structure containing more than one Dwelling Unit.
- (e) Rental Unit--A Dwelling Unit occupied by a person who pays rent for the use of the Dwelling Unit.
- (f) Renter--A person who pays rent for the use of the Dwelling Unit.
- (g) Shelter--Defined by the Department as a Dwelling Unit or Units whose principal purpose is to house on a temporary basis individuals who may or may not be related to one another and who are not living in nursing homes, prisons, or similar institutional care facilities.
- (h) Single Family Dwelling Unit--A structure containing no more than one Dwelling Unit.

(i) Weatherization Assistance Program Policy Advisory Council (WAP PAC)--The WAP PAC was established by the Department in accordance with 10 CFR §440.17 to provide advisory services in regards to the DOE WAP program.

(j) Weatherization Material--The material listed in Appendix A of 10 CFR Part 440.

(k) Weatherization Project--A project conducted to reduce heating and cooling demand of Dwelling Units that are energy inefficient.

§5.529 Program Requirements.

(a) Each unit weatherized requires completion of a written whole house assessment. Subgrantees must perform the whole house assessment then let that assessment guide whether the unit is best served through DOE funds using the audit or through LIHEAP WAP funds using the priority list.

(b) Any unit that is weatherized using DOE funds must use the audit as a guide for installed measures. Subgrantees combining DOE funds with LIHEAP WAP funds may not mix the use of the audit and the priority list.

(c) Any unit that is weatherized using LIHEAP only must be completed using the priority list as a guide for installed measures. Failure to complete a written whole house assessment prior to weatherization may lead to unit failure during quality control inspection.

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BOARD ACTION REQUEST
COMMUNITY AFFAIRS DIVISION
OCTOBER 15, 2015

Presentation, Discussion, and Possible Action proposing an amendments to 10 TAC Chapter 5 Community Affairs Programs, Subchapter A, General Provisions, §5.7, and directing that it be published for public comment in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Chapter 2306.053 of the Texas Government Code, the Department is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, the proposed amendments to 10 TAC §5.7 remove reference to the Office of Management and Budget (“OMB”) Circular A-110 “Administrative Requirements for Grants to Non-Profits”, which has been replaced by requirements included in 2 Code of Federal Regulations (“CFR”) Part 200 and addressed elsewhere in this Subchapter, and update Subrecipient requirements for fidelity bond documentation and

WHEREAS, the proposed amendments make changes to harmonize the section with 10 TAC §5.2 and 10 TAC Chapter 2 Subchapter B, and reduce the reporting burden for Subrecipients;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the proposed amendments to 10 TAC Chapter 5 Community Affairs Programs, Subchapter A, General Provisions, §5.7 Fidelity Bond Requirements, in the form presented to this meeting, to be published in the *Texas Register* for review and public comment, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

BACKGROUND

The purpose of the amendments is to remove reference to Office of Management and Budget (“OMB”) Circular A-110 “Administrative Requirements for Grants to Non-Profits,” which has been replaced by requirements now included in 2 Code of Federal Regulations (“CFR”) Part 200 and addressed elsewhere in this subchapter; and to update Subrecipient requirements for fidelity bond documentation. The proposed amendments make changes to harmonize the section with 10 TAC §5.2 and 10 TAC Chapter 2, Subchapter B, and reduce the reporting burden for Subrecipients.

Attachment A: Preamble and Proposed Amendments to 10 TAC Chapter 5 Community Affairs Programs, Subchapter A, General Provisions, §5.7

The Texas Department of Housing and Community Affairs (the “Department”) proposes amendments to 10 TAC Chapter 5, Community Affairs Programs, Subchapter A, General Provisions, §5.7 Fidelity Bond Requirements.

The purpose of the amendments to 10 TAC §5.7 is to remove reference to Office of Management and Budget (“OMB”) Circular A-110 “Administrative Requirements for Grants to Non-Profits,” which has been replaced by requirements now included in 2 Code of Federal Regulations (“CFR”) Part 200 and addressed elsewhere in this Subchapter, and to update Subrecipient requirements for fidelity bond documentation. The proposed amendments make changes to harmonize the section with 10 TAC §5.2 and 10 TAC Chapter 2, Subchapter B, and reduce the reporting burden for Subrecipients.

FISCAL NOTE. Timothy K. Irvine, Executive Director, has determined that, for each year of the first five years the amendments are in effect, enforcing or administering the amendments does not have any foreseeable implications related to costs or revenues of the state or local governments.

PUBLIC BENEFIT/COST NOTE. Mr. Irvine also has determined that, for each year of the first five years the amendments are in effect, the public benefit anticipated as a result of the amendments will be clarity of program requirements and programmatic adherence to federal guidelines. There will not be any economic cost to any individuals required to comply with the amendments.

ADVERSE IMPACT ON SMALL OR MICRO-BUSINESSES. The Department has determined that there will be no economic effect on small or micro-businesses.

REQUEST FOR PUBLIC COMMENT. The public comment period will be held October 23, 2015, to November 23, 2015, to receive input on the amendments. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Attention: Annette Cornier, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941, by email to the following address: cadrulecomments@tdhca.state.tx.us, or by fax to (512) 475-3935. ALL COMMENTS MUST BE RECEIVED BY 5:00 P.M. NOVEMBER 23, 2015.

STATUTORY AUTHORITY. The amendments are proposed pursuant to Texas Government Code §2306.053, which authorizes the Department to adopt rules, and Chapter 2306, Subchapter E, which authorizes the Department to administer its Community Affairs programs.

The proposed amendments affect no other code, article, or statute.

§5.7. Fidelity Bond Requirements

The Department is required to assure that fiscal control and accounting procedures for federally funded entities will be established to assure the proper disbursement and accounting for the federal funds paid to the state (~~A-110 "Administrative Requirements for Grants to Non-Profits"~~). In compliance with that assurance the Department requires program Subrecipients to maintain adequate fidelity bond coverage. A fidelity bond is a bond indemnifying the Subrecipient against losses resulting from the fraud or lack of integrity, honesty or fidelity of one or more of its employees, officers, or other persons holding a position of trust.

(1) In administering Contracts, Subrecipients shall observe their regular requirements and practices with respect to bonding and insurance. In addition, the Department may impose bonding and insurance requirements by contract.

(2) If a Subrecipient is a non-governmental organization, the Department requires an adequate fidelity bond. If the amount of the fidelity bond is not prescribed in the contract, the fidelity bond must be for a minimum of \$10,000 or an amount equal to the contract if less than \$10,000. The bond must be obtained from a company holding a certificate of authority to issue such bonds in the State of Texas.

(3) The fidelity bond coverage must include all persons authorized to sign or counter-sign checks or to disburse sizable amounts of cash. Persons who handle only petty cash (amounts of less than \$250) need not be bonded, nor is it necessary to bond officials who are authorized to sign payment vouchers, but are not authorized to sign or counter-sign checks or to disburse cash.

(4) ~~The Department must receive written assurance from the Subrecipient that the required fidelity bond has been established.~~ The Subrecipient must receive an assurance letter ~~must be received~~ from the bonding company or agency stating the type of bond, the amount and period of coverage, the positions covered, and the annual cost of the bond. Compliance must be continuously maintained thereafter. A copy of the actual policy shall remain on file with the Subrecipient and shall be subject to monitoring by the Department.

(5) Subrecipients are responsible for filing claims against the fidelity bond when a covered loss is discovered. The Department may take any one or more of the actions described in Chapter 2, Subchapter B of this Part, titled “Enforcement Regarding Community Affairs Contract Subrecipients.”

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BOARD ACTION REQUEST
SINGLE FAMILY OPERATIONS & SERVICES
OCTOBER 15, 2015

Presentation, Discussion, and Possible Action on an order adopting amendments to 10 TAC Chapter 21, Minimum Energy Efficiency Requirements for Single Family Construction Activities, §§21.1 Purpose, 21.2 Applicability, 21.3 Definitions, 21.4 General Requirements, 21.5 New Construction, Reconstruction and Manufactured Housing Unit Activities, and 21.6 Rehabilitation Activities, and directing their publication in the *Texas Register*.

RECOMMENDED ACTION

WHEREAS, proposed amendments to the Minimum Energy Efficiency Requirements for Single Family Construction Activities, 10 TAC Chapter 21, were approved at the July 30, 2015, Board meeting and were published for public comment in the *Texas Register* on August 21, 2015, and

WHEREAS, public comment was received through September 21, 2015, and the Department has carefully considered the public comment and made changes in response to public comment;

NOW, therefore, it is hereby

RESOLVED, that the Governing Board hereby adopts the amendments to all sections of 10 TAC Chapter 21, Minimum Energy Efficiency Requirements for Single Family Construction Activities, in the form presented to this meeting and

FURTHER RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the publication of the adoption in the *Texas Register* and, in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

BACKGROUND

Adoption of amendments to 10 TAC Chapter 21, Minimum Energy Efficiency Requirements for Single Family Construction Activities, will clarify applicability and definitions, simplify requirements, improve readability, and affect grammatical matters. Public comments on the proposed amendments are summarized below.

Attachment A. Preamble and Adoption of the amendments of 10 TAC Chapter 21, concerning the Minimum Energy Efficiency Requirements for Single Family Construction Activities, and directing its publication in the *Texas Register*

The Texas Department of Housing and Community Affairs (the “Department”) adopts amendments to 10 TAC Chapter 21 with changes to the proposed text as published in the August 21, 2015, issue of the *Texas Register* (40 TexReg 5212).

REASONED JUSTIFICATION FOR THE RULE. The amendments to Chapter 21 concerning the Minimum Energy Efficiency Requirements for Single Family Construction Activities will clarify applicability and definitions, simplify requirements, improve readability, and affect grammatical matters.

SUMMARY OF PUBLIC COMMENTS AND STAFF RECOMMENDATIONS. The Department accepted public comments between August 21, 2015, and September 21, 2015. Comments regarding the amendments were accepted in writing and by e-mail, with comments received from: (1) Charles Cloutman of Meals on Wheels and More, (2) Luis Chavez of Fort Bend Community Revitalization Projects, (3) Juan Garcia of El Paso Collaborative for Community and Economic Development, (4) Will Gudeman of Equity Community Development Corporation, (5) Cyrus Reed of the Sierra Club, Lone Star Chapter, (6) Rosa Gonzalez-Abrego of Easter Seals Central Texas, and (7) Irene Valenzuela of the El Paso County Colonia Self-Help Center.

General Comments

COMMENT SUMMARY: Commenter (5) suggested that the Department replace any references to the 2009 International Residential Code (IRC) with 2015 IRC for single family construction activities beginning on September 1, 2016, in order to be consistent with H.B. 1736 passed by the 84th Texas Legislature.

STAFF RESPONSE: Staff agrees and has added to the appropriate rule sections that on September 1, 2016, Chapter 11 of the 2015 IRC is adopted as the energy code in Texas for single family residential construction, as deemed by H.B. 1736 of the 84th Texas Legislature. Staff has updated this amendment in response to this comment (see *italics*):

§21.5. New Construction, Reconstruction and Manufactured Housing Unit Activities

(a) Single family residential dwellings, as defined in §388.002 of the Health and Safety Code, that are newly constructed or reconstructed shall comply with §388 of the Health and Safety Code (Texas Building Energy Performance Standards).

(b) Effective January 1, 2012, the Texas State Energy Conservation Office adopted the 2009 International Residential Code (Chapter 11) as the state-mandated energy code for all residential construction, one- and two-family residences of three stories or less above grade.

(c) For construction activities that start on or after September 1, 2016, Chapter 11 of the 2015 International Residential Code is adopted as the energy code in Texas for single family residential construction.

(d) Manufactured Housing Units that are installed as replacement for sub-standard housing shall be ENERGY STAR certified.

§21.6. Rehabilitation Activities

(a) All rehabilitation activities funded by a Contract with an effective date on or after September 1, 2016, or a Reservation of Department funds submitted on or after September 1, 2016, shall comply with Chapter 11 of the 2015 International Residential Code as the energy code in Texas for single family residential construction.

COMMENT SUMMARY: Commenter (3) described how the present energy efficiency requirements are costly and create difficulties for contractors participating in the Amy Young Barrier Removal Program.

STAFF RESPONSE: The proposed amendments to the rule intend to simplify current requirements for single family program administrators and their contractors, especially by lowering costs by removing the requirement that all rehabilitation activities meet at least 6 energy efficient measures from a specific list. In the proposed amended rule, minimum specifications for rehabilitation activities apply only if a scope of work involves installation or replacement from a list provided in the rule. No changes to the rule have been made in response to these comments.

COMMENT SUMMARY: Commenter (7) described the difficulty in implementing energy efficiency requirements on housing activities in the colonias. For new construction and reconstruction activities, commenter stated that replacing colonia housing with energy efficient manufactured homes is cost-prohibitive. Commenter suggested providing consumer education on household energy conservation instead of requiring construction standards. For rehabilitation activity, commenter stated it is infeasible to require construction standards that raise the energy efficiency of homes that are dilapidated or built with unconventional methods. Energy efficiency requirements will not benefit colonia families.

STAFF RESPONSE: The proposed amendments to the rule intend to simplify current requirements for single family program Administrators and their contractors, especially by lowering costs by removing the requirement that all rehabilitation activities meet at least 6 energy efficient measures from a specific list. In the proposed amended rule, minimum specifications for rehabilitation activities apply only if a scope of work involves installation or replacement from a list provided in the rule. No changes to the rule have been made in response to these comments, but staff will consider the input provided when proposing possible changes in the future.

COMMENT SUMMARY: Commenter (1) provided accessibility standards for Manufactured Housing Units (MHUs), however these MHU-accessibility-specific comments were not related to the proposed rule amendments on minimum energy efficiency requirements that were published in the *Texas Register*.

STAFF RESPONSE: These comments are on the accessibility of MHUs and are not related to the proposed amendments to the minimum energy efficiency rule. No changes to the rule have been made in response to these comments, but staff will consider the input provided when proposing possible changes to rules that impact the accessibility of MHUs in the future.

§21.5. New Construction, Reconstruction and Manufactured Housing Unit Activities

COMMENT SUMMARY: Commenter (1) stated that if the Department requires new Manufactured Housing Units (MHUs) to be ENERGY STAR certified without increasing funding for assisting MHUs, it will make assisting households with an MHU too costly. The Department must increase funding for MHU activities.

STAFF RESPONSE: Staff has further clarified this section to confirm that any MHUs installed to replace sub-standard housing shall be ENERGY STAR certified. The Department's Programs that

fund MHU activities have recently increased funding to accommodate this requirement. Staff has updated this amendment in response to this comment:

§21.5. New Construction, Reconstruction and Manufactured Housing Unit Activities

~~§21.5. New Construction and Reconstruction Activities.~~

~~(a) Single family residential dwellings, as defined in §388.002 of the Health and Safety Code, that are newly constructed or reconstructed shall comply with §388 of the Health and Safety Code (Texas Building Energy Performance Standards). An ENERGY STAR certified manufactured is a home that has been designed, produced and installed by the home manufacturer to meet ENERGY STAR requirements for energy efficiency.~~

(b) Effective January 1, 2012, the Texas State Energy Conservation Office adopted the 2009 International Residential Code (Chapter 11) as the state-mandated energy code for all residential construction, one- and two-family residences of three stories or less above grade.

(c) For construction activities that start on or after September 1, 2016, Chapter 11 of the 2015 International Residential Code is adopted as the energy code in Texas for single family residential construction.

(d) Manufactured Housing Units that are installed as replacement for sub-standard housing shall be ENERGY STAR certified.

§21.6. Rehabilitation Activities

COMMENT SUMMARY: Commenter (1) suggested that the Department require equipment sizing to be certified according to instructions in Manual J when replacing or installing central heating and cooling equipment.

STAFF RESPONSE: Staff agrees with commenter, but thinks that Manual J certification is already required by stating that equipment should be sized in accordance with the International Residential Code. No changes have been made in response to this comment.

COMMENT SUMMARY: Commenter (6) requested removing requirements for load calculations to be performed when replacing or installing central heating and cooling equipment because it is cost-prohibitive.

STAFF RESPONSE: The current and amended energy efficiency rule requires Department-funded single family construction activities to adhere to International Residential Code, which mandates the calculation of heating and cooling loads. Otherwise, there is no way to ensure that energy efficiency has been achieved. No changes have been made in response to this comment.

COMMENT SUMMARY: Commenter (1) stated that requiring attic insulation, including insulation covering the top plates of exterior walls, to be increased to R-30 and requiring that baffles be installed in framing bays of existing soffit vents, will add \$500 to project costs.

STAFF RESPONSE: The proposed amended rule currently states that the requirement applies only if central heating and cooling equipment is replaced or installed. If no central heating and cooling equipment will be replaced or installed, no replacement is necessary and no energy efficiency standards apply. Specific chapter and section numbers of IRC have been added for further clarification and no other changes have been made in response to this comment.

COMMENT SUMMARY: Commenter (1) recommended that bulbs installed in ENERGY STAR certified products should be Light-Emitting Diode (LED) or Compact Fluorescent Lamp (CFL) bulbs because they vastly improve energy savings.

STAFF RESPONSE: The proposed amended rule addresses replacement or installation of building systems, equipment, fixtures and appliances that require construction expertise. Since bulbs can be installed by participating households themselves, staff will refrain from including bulb specification requirements in the rule at this time. No changes have been made in response to this comment.

COMMENT SUMMARY: Commenter (1) recommended that for windows receiving permanent installation of solar shades, the shades should be interior roller shades, which will add \$100 (per window) to project costs.

STAFF RESPONSE: Administrators would experience no increase in costs because the Department pays for project costs. However, the proposed amended rule removes this solar shade requirement and instead requires that if any window is installed, it shall be ENERGY STAR certified with specifications that comply with Chapter 11 of the International Residential Code. No changes have been made in response to this comment.

COMMENT SUMMARY: Commenter (1) stated that requiring south-facing windows to have permanently installed overhangs to block sun is asymmetrical, unattractive and costly, adding \$400 (per window) to project costs.

STAFF RESPONSE: Administrators would experience no increase in costs because the Department pays for project costs. However, the proposed amended rule removes this permanent window overhang requirement and instead requires that if any window is installed, it shall be ENERGY STAR certified with specifications that comply with Chapter 11 of the International Residential Code. No changes have been made in response to this comment.

COMMENT SUMMARY: Commenter (1) recommended adding propane domestic water heaters as a type of water heater that may be eligible for replacement under this rule.

STAFF RESPONSE: The proposed amended rule requires that if any storage or tankless domestic water heater is replaced or installed, it shall meet the Federal Energy Conservation Standards required by the current version of 10 CFR 430.32. This includes propane domestic water heaters. No changes have been made in response to this comment.

COMMENT SUMMARY: Commenters (4, 6) sought clarification of requirements for rehabilitation activities involving duct work, attic insulation, attic access, and exhaust fans.

STAFF RESPONSE: The proposed amended rule currently states that the requirement applies only if rehabilitation activity includes replacing or installing an item described in §21.6. If the item already exists and is functional, no replacement is necessary and no energy efficiency standards apply. Specific chapter and section numbers of IRC have been added for further clarification and no other changes have been made in response to this comment:

(1) Replacement or installation of central heating and cooling equipment shall be sized as specified in Chapter 14, Section M1401.3 of the 2009 International Residential Code;

(2) If central heating and cooling equipment is replaced or installed, ductwork located in unconditioned spaces shall be sealed in accordance with Chapter 14, Section M1601.4.1 of the 2009 International Residential Code. Ductwork located in unconditioned spaces shall be insulated to R-8;

(3) If central heating and cooling equipment is replaced or installed, attic insulation shall be increased to R-30 (R-38 in Climate Zone 4 as defined by Chapter 11, Figure N1101.2 of the 2009 International Residential Code), including insulation covering the top plates of exterior walls. Baffles shall be installed in framing bays of existing soffit vents, as specified in Chapter 11, Sections N1102.2.1 – N1102.2.3 of the 2009 International Residential Code.

~~(4) If central heating and cooling equipment is replaced or installed, where applicable, attic accesses shall be insulated in accordance with Section N1102.2.3 of the 2009 International Residential Code;~~

COMMENT SUMMARY: Commenter (6) recommended revising proposed standards for ductwork sealing and insulation, or exempting the Amy Young Barrier Removal Program from the energy efficiency rule. Given the funding limitations of the Amy Young Barrier Removal Program, the rule does not support the program purpose. No changes have been made in response to this comment

STAFF RESPONSE: State law and the current and amended energy efficiency rules all require Department-funded single family construction activities to adhere to the International Residential Code. No changes have been made in response to this comment.

COMMENT SUMMARY: Commenter (1) suggested that the Department accept ENERGY STAR qualified products, instead of ENERGY STAR certified products, when electrical fixtures, equipment and appliances are replaced or installed. Commenter suggested that the Department accept equivalent low flow products, in addition to WaterSense labeled products, when plumbing fixtures are replaced or installed.

STAFF RESPONSE: ENERGY STAR certified and WaterSense labeled products are easier to identify than products that have equivalent specifications without the certification or label, which streamlines compliance with this rule. No changes have been made in response to this comment.

COMMENT SUMMARY: Commenters (2, 3, 4, 6) requested that the Department reconsider the requirement that any domestic water heaters replaced or installed be ENERGY STAR certified. ENERGY STAR certified domestic water heaters are prohibitively expensive and may not fit into existing water heater closets without costly restructuring, which negatively impact project budgets.

STAFF RESPONSE: Staff agrees and has updated this section to state that when domestic water heaters are replaced or installed, they must meet the Federal Energy Conservation Standards required by the current version of 10 CFR 430.32. Staff has updated this amendment in response to this comment:

~~(24)~~ Domestic water heaters, ~~storage and tankless~~ ~~regardless of fuel source~~, when replaced or installed, shall meet the Federal Energy Conservation Standards required by 10 CFR 430.32, and as they may be revised from time to time ~~be ENERGY STAR certified.~~

The Board approved the final order adopting the amendments on October 15, 2015.

STATUTORY AUTHORITY. The amendments are adopted pursuant to the authority of Texas Government Code, §2306.053, which authorizes the Department to adopt rules.

TITLE 10. COMMUNITY DEVELOPMENT.
PART 1. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS.
CHAPTER 21. MINIMUM ENERGY EFFICIENCY REQUIREMENTS FOR SINGLE FAMILY CONSTRUCTION ACTIVITIES.

§21.1. Purpose.

§21.2. Applicability.

§21.3. Definitions.

§21.4. General Requirements.

§21.5. New Construction, Reconstruction and Manufactured Housing Unit Activities.

§21.6. Rehabilitation Activities.

§21.1. Purpose

(a) Texas Government Code, §2306.187 requires that the Department develop and adopt rules relating to Minimum Energy Efficiency requirements for new construction, reconstruction, and rehabilitation activities in Single Family Programs.

(b) This chapter describes the Minimum Energy Efficiency Requirements for all single family construction activities, which includes the Department's HOME Investments Partnership Program (HOME), Housing Trust Fund (HTF), Neighborhood Stabilization Program (NSP), Office of Colonia Initiatives (OCI) Programs, and other single family programs as developed by the Department.

(c) Single family programs are designed to improve and provide affordable housing opportunities to low-income individuals in Texas in accordance with Texas Government Code, §2306, and any applicable statutes and federal regulations.

§21.2. Applicability

Unless otherwise noted, this chapter only applies to single family programs. Program rules may impose additional requirements related to any provision of this chapter.

§21.3. Definitions

(a) Any capitalized terms that are defined in Texas Government Code, §2306, and Chapter 1 of this title (relating to Administration), Chapter 20 of this title (relating to Single Family Programs Umbrella Rule), or other Department rules, have, when capitalized, the meanings ascribed to them therein.

(b) The following words and terms, when used in this chapter, shall have the following meanings unless the context or the Notice of Funding Availability (NOFA) indicates otherwise.

(1) ENERGY STAR Certified Appliances, Equipment, and Products--Labeled appliances, equipment, and products that are independently certified to save energy without sacrificing features or functionality, meeting the US EPA's specifications for energy efficiency and performance.

(2) ENERGY STAR Certified Home--A new home that has earned the ENERGY STAR label and has undergone a process of inspections, testing, and verification to meet requirements set forth by the US EPA.

(3) ENERGY STAR Certified Manufactured Housing Unit -- A home that has been designed, produced and installed by the home manufacturer to meet ENERGY STAR requirements for energy efficiency.

(4) RESNET--Residential Energy Services Network. RESNET is an independent, nonprofit organization established in 1995 to help homeowners reduce the cost of their utility bills by making their homes more energy efficient. RESNET-certified Home Energy Systems Raters are required to inspect, test, and verify homes for ENERGY STAR certification.

(5) WaterSense Labeled Fixtures--Labeled products that are backed by independent, third-party testing and certification, meeting the US EPA's specifications for water efficiency and performance.

(6) US EPA--United States Environmental Protection Agency.

§21.4. General Requirements

The following general requirements shall apply to all single family construction activities.

(1) This chapter shall go into effect on January 1, 2015. All construction activities funded by a Contract with an effective date on or after January 1, 2015, or a Reservation of Department funds submitted on or after January 1, 2015 shall comply with this chapter.

(2) Local residential building codes that exceed some or all parts of this chapter shall take precedence.

(3) A final inspection conducted by Administrators confirming compliance with this chapter shall be required for release of final payment from the Department.

§21.5. New Construction, Reconstruction and Manufactured Housing Unit Activities

(a) Single family residential dwellings, as defined in §388.002 of the Health and Safety Code, that are newly constructed or reconstructed shall comply with §388 of the Health and Safety Code (Texas Building Energy Performance Standards).

(b) Effective January 1, 2012, the Texas State Energy Conservation Office adopted the 2009 International Residential Code (Chapter 11) as the state-mandated energy code for all residential construction, one- and two-family residences of three stories or less above grade.

(c) For construction activities that start on or after September 1, 2016, Chapter 11 of the 2015 International Residential Code is adopted as the energy code in Texas for single family residential construction.

(d) Manufactured Housing Units that are installed as replacement for sub-standard housing shall be ENERGY STAR certified.

§21.6. Rehabilitation Activities

(a) All rehabilitation activities funded by a Contract with an effective date on or after September 1, 2016, or a Reservation of Department funds submitted on or after September 1, 2016, shall comply with Chapter 11 of the 2015 International Residential Code as the energy code in Texas for single family residential construction.

(b) If the proposed scope of work or the awarded construction contract for the Rehabilitation of an existing single family residential unit includes an item described in paragraphs (1) – (9) of this section, the following requirements shall apply:

(1) Replacement or installation of central heating and cooling equipment shall be sized as specified in Chapter 14, Section M1401.3 of the 2009 International Residential Code;

(2) If central heating and cooling equipment is replaced or installed, ductwork located in unconditioned spaces shall be sealed in accordance with Chapter 14, Section M1601.4.1 of the 2009 International Residential Code. Ductwork located in unconditioned spaces shall be insulated to R-8;

(3) If central heating and cooling equipment is replaced or installed, attic insulation shall be increased to R-30 (R-38 in Climate Zone 4 as defined by Chapter 11, Figure N1101.2 of the 2009 International Residential Code), including insulation covering the top plates of exterior walls. Baffles shall be installed in framing bays of existing soffit vents, as specified in Chapter 11, Sections N1102.2.1 – N1102.2.3 of the 2009 International Residential Code.

(4) If ductless heating and cooling systems (also known as mini-split, multi-split or variable refrigerant flow (VRF) heat pump systems) are replaced or installed, they shall be ENERGY STAR certified;

(5) If exhaust fans are replaced or installed in bathrooms or kitchens, they shall be ENERGY STAR certified and installed in accordance with Chapter 15 of the 2009 International Residential Code;

(6) If windows are installed, they shall be ENERGY STAR certified windows, meeting the U-factor and Solar Heat Gain Coefficient for the climate zone of the dwelling as identified in Chapter 11, Table N1101.2 of the 2009 International Residential Code;

(7) Electrical fixtures, equipment and appliances that are replaced or installed, where applicable, shall be ENERGY STAR certified products;

(8) Plumbing fixtures that are replaced or installed, where applicable, shall be WaterSense labeled products;

(9) Domestic water heaters, storage and tankless, when replaced or installed, shall meet the Federal Energy Conservation Standards required by 10 CFR 430.32, and as they may be revised from time to time.

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BOARD ACTION REQUEST
OFFICE OF COLONIA INITIATIVES
OCTOBER 15, 2015

Presentation, Discussion, and Possible Action on an order adopting amendments to 10 TAC Chapter 24, Texas Bootstrap Loan Program Rule, §§24.1 Purpose, 24.2 Definitions, 24.4 Participant Requirements, 24.5 Program Activities, 24.6 Prohibited Activities, 24.7 Distribution of Funds, 24.8 Criteria for Funding, 24.9 Program Administration, 24.10 Owner-Builder Qualifications, 24.11 Types of Funding Transactions, 24.12 Property Guidelines and Related Issues, and 24.13 Nonprofit Owner-Builder Housing Program Certification, and directing their publication in the *Texas Register*.

RECOMMENDED ACTION

WHEREAS, proposed amendments to the Texas Bootstrap Loan Program Rule, 10 TAC Chapter 24, were approved at the July 30, 2015, Board meeting and were published for public comment in the *Texas Register* on August 21, 2015, and

WHEREAS, public comment was received through September 21, 2015, and the Department has carefully considered the public comment and made changes in response to public comment;

NOW, therefore, it is hereby

RESOLVED, that the Governing Board hereby adopts the amendments to all sections of 10 TAC Chapter 24, Texas Bootstrap Loan Program Rule, in the form presented to this meeting and

FURTHER RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the publication of the adoption in the *Texas Register* and, in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

BACKGROUND

Adoption of amendments to 10 TAC Chapter 24, the Texas Bootstrap Loan Program Rule, will provide clarification and changes to program requirements in order to strengthen underwriting guidelines; align program rules with the Single Family Programs Umbrella Rule (10 TAC Chapter 20); and protect the integrity of the Program. Public comments on the proposed amendments are summarized below.

Attachment A. Preamble and Adoption of the amendments of 10 TAC Chapter 24, concerning the Texas Bootstrap Loan Program, and directing its publication in the *Texas Register*

The Texas Department of Housing and Community Affairs (the "Department") adopts amendments to 10 TAC Chapter 24 with changes to the proposed text as published in the August 21, 2015, issue of the *Texas Register* (40 TexReg 5215).

REASONED JUSTIFICATION FOR THE RULE. The amendments to Chapter 24 concerning the Texas Bootstrap Loan Program will provide clarification and changes to program requirements in order to strengthen underwriting guidelines; align program rules with the Single Family Programs Umbrella Rule (10 TAC Chapter 20); and protect the integrity of the Program.

SUMMARY OF PUBLIC COMMENTS AND STAFF RECOMMENDATIONS. The Department accepted public comments between August 21, 2015, and September 21, 2015. Comments regarding the amendments were accepted in writing and by e-mail, with comments received from: (1) Nancy Hanson of the Lower Valley Housing Corporation, (2) Miriam Morgan of Habitat for Humanity of Jefferson County and (3) Rebekah Logan of Golden Crescent Habitat for Humanity.

§24.1. Purpose - §24.1(b)

COMMENT SUMMARY: Commenter (1) proposed that the Department increase the total amount of amortized repayable loans permitted to an Owner-Builder to \$100,000, from the current limit of \$90,000.

STAFF RESPONSE: The maximum total amortized loan amount of \$90,000 is a statutory requirement under Section 2306.754 of the Texas Government Code. Staff recommends no changes.

§24.2. Definitions - §24.2(7)

COMMENT SUMMARY: Commenter (1) suggested expanding the definition of the term "Self-Help Housing Construction" by mentioning the specific percentage of construction (65%) that must be contributed by Owner-Builders in this Program.

STAFF RESPONSE: The definition for "Self-Help Housing Construction" is correct in this section of the rule because it is defining the concept only. The legislative requirement that Owner-Builders contribute 65% of construction is specific to this Program and this percentage is noted in §24.1 Purpose, §24.10 Owner-Builder Qualifications, and §24.13 Nonprofit Owner-Builder Housing Program Certification. Staff recommends no changes.

§24.6. Prohibited Activities

COMMENT SUMMARY: Commenter (1) proposed that the Department allow a servicing fee to be charged to either the borrower ("Owner-Builder") or the Department.

STAFF RESPONSE: Staff recommends further clarifying this section to state that the listed fees may not be charged to the Owner-Builders. Staff has updated this amendment in response to this comment.

§24.6. Prohibited Activities.

The fees described in paragraphs (1) - (8) of this section are prohibited and may not be charged to the Owner-Builder in relation to the origination or servicing of a loan through the Texas Bootstrap Loan Program, but may be charged as an allowable cost by a third (3rd) party lender or servicers for the origination of all other loans originated in connection with a loan through the Texas Bootstrap Loan Program:

- (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;
- (7) loan servicing fees; and
- (8) other fees not approved by the Department in writing prior to expenditure.

§24.8. Criteria for Funding - §24.8(a)

COMMENT SUMMARY: Commenter (1) proposed that Nonprofit Owner-Builder Housing Providers have 90 days from the date of reservation to submit the household's completed application to the Department.

STAFF RESPONSE: The Program currently provides Nonprofit Owner-Builder Housing Providers 10 business days from the date of reservation to submit their completed applications to the Department. The reservation system uses a model that prioritizes those households that are truly ready-to-proceed so that Bootstrap funds can be expended as efficiently as possible. This model is successful and staff recommends making no additional amendments to this section.

§24.8. Criteria for Funding - §24.8(c)(5)

COMMENT SUMMARY: Commenter (1) proposed that the Department increase the length of the one-time extension, from 15 to 30 calendar days, during which a Nonprofit Owner-Builder Housing Provider may cure a Reservation deficiency.

STAFF RESPONSE: The Program currently provides Nonprofit Owner-Builder Housing Providers a 15-calendar day extension to cure any deficiencies. The reservation system uses a model that prioritizes those households that are truly ready-to-proceed so that Bootstrap funds can be expended as efficiently as possible. This model is successful and staff recommends making no additional amendments to this section.

§24.9. Program Administration - §24.9(l)(1)

COMMENT SUMMARY: Commenters (1, 3) asked that the Department refrain from increasing the dollar amount difference that is required between the Texas Bootstrap lien and the leveraged loan from \$1,000 in the instances when the Department will subordinate its Texas Bootstrap lien.

STAFF RESPONSE: Staff agrees and as a result of these comments has removed the words "The Department may accept a subordinate lien position if the original principal amount of the leveraged mortgage loan is at least \$10,000 or greater than the Department's Loan..." Staff has updated the amendment in response to this comment.

§24.9. Program Administration - §24.9(1)(3)

COMMENT SUMMARY: Commenter (1) proposed that the Department increase the total cost for an Owner-Builder house to \$100,000 from the current maximum of \$90,000.

STAFF RESPONSE: Staff recommends no changes. The maximum amount of \$90,000 is a statutory provision under Section 2306.754 of the Texas Government Code.

§24.10. Owner Builder Qualifications - §24.10(2)(A)

COMMENT SUMMARY: Commenter (1) suggested that a borrowers' overtime income be excluded from income eligibility calculations if the borrowers' employer states in writing that overtime pay is an occasional occurrence.

STAFF RESPONSE: Statute states that "an Owner-Builder may not have an annual income that exceeds 60% Area Median Family Income". Any earned income must be considered in income eligibility calculations. No changes have been made in response to this comment.

§24.10. Owner-Builder Qualifications - §24.10(3)

COMMENT SUMMARY: Commenter (1) suggested that when the Department obtains tri-merge credit reports for all Owner-Builder Applicants, the credit reports should be no older than 90 days.

STAFF RESPONSE: The Department orders up-to-date credit reports directly from a credit bureau once the Department receives an Owner-Builder Application. It is unnecessary to require that reports are no older than a certain age because the Department administers the ordering of reports. Staff recommends no changes.

§24.10. Owner-Builder Qualifications - §24.10(3)(E)

COMMENT SUMMARY: Commenters (2, 3) asked that the Department refrain from increasing the length of the review period of unacceptable credit accounts placed in collection, profit and loss and charge off from 12 months to 24 months from the date of the loan application.

STAFF RESPONSE: Due to the increase in the number of delinquent and foreclosed loans, the Department has strengthened program underwriting guidelines in order to ensure the funds are used for households that can be successful program recipients. No changes have been made in response to this comment.

The Board approved the final order adopting the amendments on October 15, 2015.

STATUTORY AUTHORITY. The amendments are adopted pursuant to the authority of Texas Government Code, §2306.053, which authorizes the Department to adopt rules.

TITLE 10. COMMUNITY DEVELOPMENT.
PART 1. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS.
CHAPTER 24. TEXAS BOOTSTRAP LOAN PROGRAM RULE.

- §24.1. Purpose.
- §24.2. Definitions.
- §24.3. Allocation of Funds.
- §24.4. Participant Requirements.
- §24.5. Program Activities.
- §24.6. Prohibited Activities.
- §24.7. Distribution of Funds.
- §24.8. Criteria for Funding.
- §24.9. Program Administration.
- §24.10. Owner-Builder Qualifications.
- §24.11. Types of Funding Transactions.
- §24.12. Property Guidelines and Related Issues.
- §24.13. Nonprofit Owner-Builder Housing Program Certification.

§24.1. Purpose.

(a) This chapter clarifies the Texas Bootstrap Loan Program, administered by the Texas Department of Housing and Community Affairs (the "Department"), 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 Texas Government Code, Chapter 2306, Subchapter FF, Chapter 1 of this title (relating to Administration), Chapter 2 of this title (relating to Enforcement), Chapter 20 of this title (relating to Single Family Programs Umbrella Rule), Chapter 21 of this title (relating to Minimum Energy Efficiency Requirements for Single Family Construction Activities), and Chapter 26 of this title (relating to Housing Trust Fund).

(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 percent 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.

§24.2. Definitions.

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise. Other definitions may be found in Texas Government Code, Chapter 2306, Chapter 1 of this title (relating to Administration), Chapter 2 of this title (relating to Enforcement), Chapter 20 of this title (relating to Single Family Programs Umbrella Rule), Chapter

21 of this title (relating to Minimum Energy Efficiency Requirements for Single Family Construction Activities), and Chapter 26 of this title (relating to Housing Trust Fund).

(1) Capital Recovery Fee--Means a charge or assessment imposed by a political subdivision against new development in order to generate revenue for funding or recouping the costs of capital improvements or facility expansions necessitated by and attributable to the new development. The term includes amortized charges, lump-sum charges, contributions in aid of construction, and any other fee that functions as described by this definition.

(2) Loan Origination Agreement--A written agreement, including all amendments thereto between the Department and the Participant that authorizes the Participant to originate certain loans under the Texas Bootstrap Loan Program.

(3) NOHP--Nonprofit Owner-Builder Housing Provider.

(4) 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.

(5) Participant--An organization which submits an application to the Department to be certified as an NOHP or a Colonia Self-Help Center.

(6) Program--Texas Bootstrap Loan Program also known as the Owner-Builder Loan Program.

(7) 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.

§24.3. Allocation of Funds.

(a) The Department administers all Texas Bootstrap Loan Program funds provided to the Department in accordance with Texas Government Code, Chapter 2306, Subchapter FF. 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 Texas Government Code, §2306.201;

(2) federal block grants that may be used for the purposes of this chapter; and

(3) the Owner-Builder revolving loan fund established under Texas Government Code, §2306.7581.

(c) The Department shall establish an Owner-Builder revolving loan fund for the sole purpose of funding loans pursuant to Texas Government Code, §2306.7581.

(d) The Department shall deposit money received in repayment of a loan to the Owner-Builder revolving loan fund pursuant to Texas Government Code, §2306.7581.

(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 Texas Government Code, §2306.7581.

(f) In a state fiscal year the Department may use not more than 10 percent of the revenue available to enhance the ability of tax-exempt organizations described by Texas Government Code, §2306.755(a) 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.

§24.4. 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 Texas Government Code, Chapter 2306, Subchapter Z; or

(2) NOHPs certified by the Department pursuant to Texas Government Code, §2306.755.

(b) Eligibility requirements. The 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. The Participant must have the capacity to administer and manage resources as evidenced by previous experience of managing state and/or federal programs.

§24.5. Program Activities.

Texas Bootstrap Loan Program funds may be used to finance affordable housing and promote homeownership through acquisition, new construction, Reconstruction, or Rehabilitation of residential housing. All eligible organizations that satisfy the requirements of this chapter may reserve funds by submitting a loan application on behalf of an Owner-Builder Applicant for the Texas Bootstrap Loan Program.

§24.6. Prohibited Activities.

The fees described in paragraphs (1) - (8) of this section are prohibited and may not be charged to the Owner-Builder in relation to the origination or servicing of a loan through the Texas Bootstrap Loan Program, but may be charged as an allowable cost by a third (3rd) party lender or servicer for the origination of all other loans originated in connection with a loan through the Texas Bootstrap Loan Program:

(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;

(7) loan servicing fees; and

(8) other fees not approved by the Department in writing prior to expenditure.

§24.7. Distribution of Funds.

(a) Set-Asides. In accordance with Texas Government Code, §2306.753(d), 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 census tract that has a median household income that is not greater than 75 percent of the median state household income for the most recent year for which statistics are available.

(b) Balance of State. The remaining one-third (1/3) of the dollar amount of loans may be made to Owner-Builders statewide.

(c) Loan Priority. The Department may allow a Participant access to the Reservation System 24 hours prior to all other Participants if the Owner-Builder Applicant meets the following criteria:

(1) annual household income is less than \$17,500; or

(2) property is located in a county and/or municipality that agrees in writing to waive the Capital Recovery Fees, building permit fee or other fees related to the house(s) to be built with the loan proceeds. Owner-Builder Applicant will not receive priority if there are none of the above fees are imposed by the county and/or municipality or water supply company.

§24.8. Criteria for Funding.

(a) The Department will distribute the funds in accordance with the Texas Housing Trust Fund (HTF) Plan in effect at the time. The Department will publish an announcement for a NOFA in the *Texas Register* and post the NOFA on the Department's website. The NOFA will establish and define the terms, conditions, and maximum Reservation amounts allowed per Participant. The Department may also set a deadline for receiving Reservations and/or Applications. The NOFA will indicate the approximate amount of available funds. The Department may increase funds in the NOFA from time to time without republishing the NOFA in the *Texas Register* and Department's website.

(b) A Nonprofit Organization must have been certified by the Department as an NOHP and must have executed a Loan Origination Agreement to be eligible to submit Reservations. Any Reservation containing false information will be disqualified. The Department will review and process all Reservations in the order received. 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 as described in paragraphs (1) - (5) of this subsection.

(1) The Department will accept Reservations until 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 must comply with all applicable Texas Bootstrap Loan Program requirements or regulations established in this chapter. Reservations that do not comply with such requirements may be disqualified. The Participant will be notified in writing of any cancelled and/or disqualified Reservations.

(4) If a Reservation contains deficiencies which, in the determination of the Department, require clarification or correction of information submitted at the time of the Reservation, the Department may request clarification or correction in the form of an email or letter to the Participant.

(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 Participant and/or Owner-Builder Applicant has not complied with all the Program rules and guidelines, the Department may suspend funding until the Participant and/or Owner-Builder Applicant has satisfied all requirements of the Program. If the Participant is unable to cure any deficiencies within fifteen (15) calendar days, the Department may provide a one-time fifteen (15) calendar day extension or decline to fund the Reservation.

§24.9. Program Administration.

(a) Household assistance from the Department for any Texas Bootstrap Loan Program loans may not exceed \$45,000 per household pursuant to Texas Government Code, §2306.754(b). The Owner-Builder must obtain the amount necessary that exceeds \$45,000 from other sources of funds

including other Department funds with the exception of funds being utilized to implement the Texas Bootstrap Loan Program. 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 Texas Government Code, §2306.754(b).

(b) The Department 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.

(c) Upon approval by the Department, the Participant shall enter into, execute, and deliver to the Department the Loan Origination Agreement. The Department may terminate the Loan Origination Agreement in whole or in part if the Participant has not performed as outlined in the NOFA, Loan Origination Agreement, and/or Program Manual.

(d) In the event the Department has additional funds in the same funding cycle, the Department, with Board approval, will distribute funds in accordance with this chapter.

(e) 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 date of the Applicant eligibility letter. 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. The Owner-Builder Applicant must be requalified by the Department. If the Owner-Builder Applicant is requalified the Department may grant an extension of up to 90 days from the expiration date on the original Applicant eligibility letter. If the Owner-Builder Applicants fails to close on the loan after the extension is granted the Reservation and/or loan will be cancelled.

(f) Roles and responsibilities for administering the Program Contract. Participants are required to:

- (1) qualify potential Owner-Builders for loans;
- (2) provide Owner-Builder homeownership education classes;
- (3) supervise and assist Owner-Builders to build 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.

(g) Loan Servicing Agreement. If the Participant 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 Participant capacity to implement those specific functions.

(h) First Year Consultation Agreement. The Participant 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 Participant 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 Participant are not able to reach a consensus about Participant's 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.

(i) Administrative Fee. The Participant will be granted a 6 percent administration fee upon completion of the house and funding of each Mortgage loan.

(j) Blueprints. If Participant's activity is interim or residential construction, Participant must provide an original copy of the proposed blueprints to be approved by the Department prior to accepting

applications. Blueprints must include the required construction requirements pursuant to Texas Government Code, §2306.514. All blueprints submitted for approval must be prepared and executed by an architect or engineer licensed by the state of Texas.

(k) Work Write-up. The Participant 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.

(l) Loan Program requirements. The Department may purchase or originate loans that conform to the lending parameters and the specific loan Program requirements as described in paragraphs (1) – (8) of this subsection:

(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 Participant 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 percent) 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 loan application.

(m) Loan Assumption. A Program loan is assumable if the Department determines that the Owner-Builder Applicant complies with all Program requirements in effect at the time of the assumption.

(n) Forgivable Loan. The term for a Forgivable Loan may not exceed 15 years from the date of closing.

§24.10. 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 percent of the greater of the state or local area median family income as determined by HUD's income table;

(A) Eligibility Income is the total Household income including all income (salary, tips, bonus, overtime, alimony, child support, benefits, etc.) received by the Owner-Builder Applicant, co-Applicant and/or any other persons living in the home. This income is used to determine whether the household income exceeds 60% of the Area Median Family Income or 60% of the State Median Family Income, adjusted for Household size, whichever is greater. No income is excluded in this calculation.

(B) Qualifying Income is the income used to calculate the Owner-Builder Applicant's debt to income ratio. It is the income of the Owner-Builder Applicant and co-Applicant excluding the total of any income not received consistently for the past 12 months from the date of application.

Examples of excluded income includes, but is not limited to, income from a full or part time job that lacks a stable job history, potential bonuses, commissions, and child support.

(3) demonstrate the willingness and ability to repay the loan; 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. Unacceptable credit includes, but is not limited to:

(A) payments on any open 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. 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 from the production or handling of agriculture or aquacultural products 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 loan application;

(C) an outstanding Internal Revenue Service tax lien or any other outstanding tax liens unless the Owner-Builder Applicant has made formal and satisfactory payment arrangements for at least six (6) months prior to the date of loan application;

(D) a court-created or court-affirmed obligation or judgment caused by nonpayment that is currently outstanding must be paid off. The Department may consider this account in good standing if the Owner-Builder Applicant has made formal and satisfactory payment arrangements for at least six (6) months prior to the date of loan application;

(E) any account (with the exception of a medical account) that has been placed for "collection," "profit and loss" or "charged off" within the last twenty-four (24) months prior to the date of loan application, unless the account has been or will be paid in full after receiving notice from the Department. If there are other, unpaid or unresolved accounts that were placed for "collection," "profit and loss," or "charged off" prior to the last twenty-four (24) months prior to the date of loan application then Owner-Builder Applicant must also have re-established at least one line of credit that must be in good standing with no delinquencies for at least six (6) months prior to the date of loan application. Type of debts that will be taken into consideration may include, but are not limited to the following: rental history, cell phone, utility, child care, auto insurance, etc.;

(F) any delinquency on any government debt unless the Owner-Builder Applicant has made formal and satisfactory payment arrangements for at least six (6) months prior to the date of loan application;

(G) a bankruptcy that has been filed within the past twelve (12) months prior to the date of loan application;

(H) any delinquency on child support unless the Owner-Builder Applicant has made formal and satisfactory payment arrangements for at least six (6) months prior to the date of loan application; The following will not be considered indicators of unacceptable credit:

(i) a bankruptcy in which debts were discharged more than twelve (12) months prior to the date of loan application. Owner-Builder Applicant must also have re-established at least one line of credit that must be in good standing with no delinquencies for at least six (6) months prior to the date of loan application. In addition the Owner-Builder Applicant must submit to the Department a letter of explanation regarding the circumstances that led to the bankruptcy which is acceptable to the Department;

(ii) where an Owner-Builder Applicant has successfully completed a debt restructuring plan and has demonstrated a willingness to meet obligations when due for the six (6) months prior to the date of loan application. If an Owner-Builder Applicant is currently participating in a debt management plan, the trustee or assignee must provide a letter to the Department stating that they are aware and agree with the Owner-Builder Applicant applying for a mortgage loan. In addition Owner-Builder Applicant must have successfully completed at least six (6) months of the debt management plan with no delinquent payments;

(iii) medical accounts that are delinquent or that have been placed for collection;

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. Payments on installment debts which are paid off prior to funding are not included for qualification purposes. Payments on all revolving debts (e.g. 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. Payments on any type of loan that have been deferred must be deferred for at least eighteen (18) months from the date of loan application in order for the debt not to be included in the debt ratio calculation;

(4) execute a Self-Help Agreement committing to provide through personal labor at least 65 percent of the labor necessary to build or Rehabilitate the proposed housing working through a state-certified Participant; or provide an amount of labor equivalent to 65 percent in connection with building or Rehabilitating housing for others through a state certified Participant; provide through the noncontract labor of friends, family, or volunteers and through personal labor at least 65 percent of the labor necessary to build or Rehabilitate the proposed housing by working through a state certified Participant 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 percent of the labor necessary to build or Rehabilitate the proposed housing by working through a state certified Participant;

(5) not have cash 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; and

(8) not have any outstanding judgments and/or liens on the property.

(9) 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.

§24.11. 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 may be up to twelve (12) months.

(3) Interim Construction (Closing with Participant). Interim construction is a commercial transaction between the Participant and the Department. The construction period may be up to 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.

§24.12. Property Guidelines and Related Issues.

- (a) Appraisals are required by the Department on each property prior to closing.
- (b) Loan to value ratio may not exceed 95 percent of the appraised value. The lien amounts of forgivable loans and/or Grants will not be included in the loan-to-value calculation.
- (c) Combined loan-to-value ratio may not exceed 100 percent of the appraised value. The lien amounts of Forgivable Loans will also be included in the combined loan to value ratio.
- (d) Improvement Surveys are required on each property.
- (e) Category 1A (Texas Society of Professional Surveyors) ("lot survey") are required for all interim and residential construction loans. Upon Department approval a recorded subdivision plat may be used in lieu of lot surveys for interim construction loans only. Upon completion of construction an improvement survey must also be provided.
- (f) 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 and must list the Department's Loan.
- (g) Existing Property. A property inspection will be required to be completed by a professional inspector licensed by the Texas Real Estate Commission for all existing properties. A copy of the inspection report must be submitted prior to closing. Any deficiencies listed on the report must be corrected prior to closing. Cosmetic issues such as paint, wall texture, etc. may not be required to be corrected if utilizing a Self-Help construction Program. A copy of the reports must be provided to the Owner-Builder Applicant and the Department. The Participant and/or the Owner-Builder Applicant will be responsible for the selection and/or the fee of a licensed inspector.

§24.13. Nonprofit Owner-Builder Housing Program 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) Bylaws--A rule or administrative provision adopted by a corporation for its internal governance. Bylaws are enacted apart from the Certificate of Formation. Bylaws and amendments to bylaws must be formally adopted in the manner prescribed by the organization's certificate of formation 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.
 - (3) Certificate of Formation--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 Office of the Secretary of State.
 - (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 or Re-Certification of NOHP. An Applicant requesting certification or re-certification as an 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. An NOHP applying for recertification will only be required to submit the following if any changes have occurred. An organization applying for certification must include documentation pertaining to the requirements of this subsection.

(1) Applicant must have the following legal status at the time of Application to apply for certification as an NOHP:

(A) The Applicant must be organized as a nonprofit organization under the Texas Business Code or other state not-for-profit/nonprofit statute as evidenced by charter or Certificate of Formation.

(B) The Applicant must be registered and in good standing with the Office of the Secretary of State and the State Comptroller's Office 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 Certificate of Formation.

(D) The Applicant must have the following tax status:

(i) A current letter of determination from the Internal Revenue Service (IRS) under §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 an NOHP; or

(ii) Classification as a subordinate of a central Nonprofit Organization under the Internal Revenue Code §501(c)(3), as evidenced by a current group exemption letter, that is dated 1986 or later. The group exemption letter must specifically list the Applicant.

(iii) A Nonprofit Organization's pending application for §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, Certificate of Formation, Resolutions, or Bylaws.

(2) An Applicant must have the capacity and experience listed in subparagraphs (A) and (B) of this paragraph.

(A) Conforms to the United States Generally Accepted Accounting Principles ("GAAP") as evidenced by a:

(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) If the Applicant will be utilizing interim or residential construction funds it must provide an audited financial statement for the most recent fiscal year or a signed and dated financial statement for the period since last published audit. Applicants that do not have audited financial statements or a signed and dated financial statement for the period since last published audit must provide a resolution from the Board of Directors that is signed and dated within 6 months from the date of application and certifies that the accounting procedures used by the organization conform to the GAAP. Applicants that do not have audited financial statements or a signed and dated financial statement for the period since last published audit and are certified as NOHPs are restricted to only originating permanent loans and will be ineligible for any interim or residential construction loans until the Department has reviewed the most current audited financial statements.

(C) Has a demonstrated capacity of at least one (1) year for carrying out Mortgage loan origination and Self-Help 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. If applying for re-certification to participate in the Texas Bootstrap Loan Program and the organization is in good standing, the organization will not be required to submit any additional information regarding experience.

(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 restrictions described in subparagraphs (A) - (C) of this paragraph 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) Compliance with subparagraphs (A) and (B) of this paragraph may be evidenced by the Bylaws, charter or Certificate of Formation. If an organization is applying for re-certification and no updates have been made to its Bylaws and/or Certificate of Formation, the organization will not be required to submit any additional information regarding its Bylaws and/or Certificate of Formation, but must submit a sworn statement attesting to the fact that no changes have been made to either the Bylaws and/or Certificate of Formation.

(6) A Colonia Self-Help Center as defined under Texas Government Code, Chapter 2306, Subchapter Z is not required to complete the NOHP Certification process as long as it provides a letter from the unit of local government demonstrating a good standing performance.

(c) Program Design. Organizations must provide written evidence on how the Owner-Builder will meet the 65 percent sweat equity requirement. If applying for re-certification to participate in the Texas Bootstrap Loan Program and the organization is in good standing and certifies that no changes have been made to the Program design, the organization will not be required to submit any additional information regarding the Program design.

(d) Applicant must provide details, such as number of houses they are proposing to build, type of proposed financing structure and construction timelines in order to show evidence of its ability to carry out the Texas Bootstrap Loan Program. If applying for re-certification to participate in the Texas Bootstrap Loan Program and the organization is in good standing and certifies that no changes have been made that impact the proposed financing structure or construction timelines, the organization will not be required to submit any additional information.

(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 and in providing education classes, counseling and training. If applying for re-certification to participate in the Texas Bootstrap Loan Program and the organization is in good standing, the organization will not be required to submit any additional information.

(f) Applicant must submit any past due Single 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 criteria in subsection (b) of this section operated by a tax-exempt organization listed under §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.

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BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
OCTOBER 15, 2015

Presentation, Discussion, and Possible Action regarding the proposed repeal of 10 TAC Chapter 12, Multifamily Housing Revenue Bond Rules, and a proposed new 10 TAC Chapter 12, concerning the Multifamily Housing Revenue Bond Rules and directing its publication for public comment in the *Texas Register*.

RECOMMENDED ACTION

WHEREAS, the Texas Department of Housing and Community Affairs (“Department”) is authorized to issue multifamily housing revenue bonds for the State of Texas and

WHEREAS, the Department developed the Multifamily Housing Revenue Bond Rules to establish the procedures and requirements relating to an issuance of bonds;

NOW, therefore, it is hereby

RESOLVED, that the proposed repeal of the current 10 TAC Chapter 12 and the proposed new 10 TAC Chapter 12, regarding the Multifamily Housing Revenue Bond Rules, together with the preamble presented to this meeting, are hereby approved for publication in the *Texas Register* for public comment and

FURTHER RESOLVED, that the Executive Director and his designees be and each of them are hereby authorized, empowered, and directed, for and on behalf of the Department, to cause the proposed draft Multifamily Housing Revenue Bond Rules, together with the preamble in the form presented to this meeting, to be published in the *Texas Register* for public comment and, in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

BACKGROUND

Attached to this Board Action Request is the 2016 Draft Multifamily Housing Revenue Bond Rules (“Bond Rules”) which reflect staff’s recommendations for the Board’s consideration. Changes to the draft rule make the Bond Rules consistent with the proposed changes to the 2016 Draft Uniform Multifamily Rules and Qualified Allocation Plan (“QAP”), as applicable. To the extent there are changes made by the Board to these aforementioned rules that would coincide with the Bond program, the Uniform Multifamily Rules and QAP would take precedence over the 2016 Bond Rules as applicable.

Rule-Making Timeline: Upon Board approval, the draft Bond Rules will be posted to the Department’s website and published in the *Texas Register*. Public comment will be accepted between October 30, 2015 and November 30, 2015. The Bond Rules will be brought before the Board in December for final approval and will be subsequently published in the *Texas Register*.

Summary of Proposed Changes to the Bond Rules: This section outlines some of the more significant recommendations by staff. It should be noted that there are other changes in the Bond Rules that are not specifically mentioned herein; such changes are being made to ensure consistency with those changes proposed in Chapter 10 relating to the Uniform Multifamily Rules and Chapter 11 relating to the Qualified Allocation Plan. The applicable sections and page references are indicated for ease of reference.

1. **§12.3 – Bond Rating and Investment Letter – Bond Ratings** (*page 2 of 10*). This section was modified to remove the language stating all publicly offered bonds be required to maintain an “A” rating after closing. The Bonds are rated at closing; however, the rating may be reduced post-closing for a variety of reasons.
2. **§12.4 – Pre-Application Process and Evaluation – Undesirable Neighborhood Characteristics** (*page 2 of 10*). This new section was added to describe the timing associated with the disclosure related to Undesirable Neighborhood Characteristics.
3. **§12.5 – Pre-Application Threshold Requirements - Zoning** (*page 4 of 10*). Staff is proposing to eliminate the requirement for zoning documentation at the time of pre-application. Applicants will indicate in the pre-application whether the site is currently zoned appropriately, but will not be required to submit evidence of appropriate zoning at the time the full application is submitted in conformance with §10.204(11) of the proposed 2016 Uniform Multifamily Rules.
4. **§12.5 – Pre-Application Threshold Requirements – Current Market Information** (*page 4 of 10*). This item has not proved to be particularly useful in its current form. Staff is proposing it be removed until such time a more beneficial method to evaluate market demand, aside from requiring a complete market study, can be determined.
5. **§12.10 – Fees** (*page 10 of 10*). The changes to this section include removing the requirement of the undesirable neighborhood characteristics fee to be consistent with the proposed 2016 Uniform Multifamily Rules.

The Texas Department of Housing and Community Affairs (the “Department”) proposes new 10 TAC Chapter 12, §§12.1 - 12.10, concerning the 2016 Multifamily Housing Revenue Bond Rules. The purpose of the proposed new rule is to implement changes that will improve the 2016 Private Activity Bond Program. The Multifamily Housing Revenue Bond Rules outline the threshold and scoring related requirements associated with private activity bond funding from the Department. The proposed repeal of existing Chapter 12 is published concurrently with this rulemaking.

FISCAL NOTE. Timothy K. Irvine, Executive Director, has determined that, for each year of the first five years the new sections will be in effect, enforcing or administering the new sections do not have any foreseeable implications related to costs or revenues of the state or local governments.

PUBLIC BENEFIT/COST NOTE. Mr. Irvine also has determined that, for each year of the first five years the new sections will be in effect, the public benefit anticipated as a result of the new sections will be the adoption of new rules for multifamily housing revenue bonds; providing updates and greater clarity and thereby enhancing the state’s ability to provide decent, safe and sanitary housing administered by the Department. The average cost of filing an application is between \$40,000 and \$50,000, which may vary depending on the specific type of application, location of the development site, and other non-state of Texas funding sources utilized. The proposed rules do not, on average, result in an increased cost of filing an application as compared to the existing program rules.

ADVERSE IMPACT ON SMALL OR MICRO-BUSINESSES. The Department has determined that there will be no new or additional economic effect on small or micro-businesses. The average cost of filing an application is between \$40,000 and \$50,000, which may vary depending on the specific type of application, location of the development site, and other non-state of Texas funding sources utilized. The proposed rules do not, on average, result in an increased cost of filing an application as compared to the existing program rules.

REQUEST FOR PUBLIC COMMENT. The public comment period will be held October 30, 2015, to November 30, 2015, to receive input on the new sections. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Shannon Roth, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941, or by fax to (512) 475-1895. **ALL COMMENTS MUST BE RECEIVED BY 5:00 P.M. November 30, 2015.**

STATUTORY AUTHORITY. The new sections are proposed pursuant to Texas Government Code, §2306.053, which authorizes the Department to adopt rules.

The proposed new sections affect no other code, article, or statute.

Multifamily Housing Revenue Bond Rules

§12.1. General.

(a) Authority. The rules in this chapter apply to the issuance of multifamily housing revenue bonds ("Bonds") by the Texas Department of Housing and Community Affairs ("Department"). The Department is authorized to issue ~~such~~ Bonds pursuant to Texas Government Code, Chapter 2306. Notwithstanding anything in this chapter to the contrary, Bonds which are issued to finance the Development of multifamily rental housing are subject to the requirements of the laws of the State of Texas, including but not limited to Texas Government Code, Chapters 1372 and 2306, and federal law pursuant to the requirements of Internal Revenue Code ("Code"), §142.

(b) General. The purpose of this chapter is to state the Department's requirements for issuing Bonds, the procedures for applying for Bonds and the regulatory and land use restrictions imposed upon Bond financed Developments. The provisions contained in this chapter are separate from the rules relating to the Department's administration of the Housing Tax Credit program. Applicants seeking a Housing Tax Credit Allocation should consult Chapter 11 of this title (relating to the Housing Tax Credit Program Qualified Allocation Plan) and Chapter 10 of this title (relating to Uniform Multifamily Rules) for the current program year. In general, the Applicant will be required to satisfy the requirements of the Qualified Allocation Plan ("QAP") and Uniform Multifamily Rules in effect at the time the Certificate of Reservation is issued by the Texas Bond Review Board. If the applicable QAP or Uniform Multifamily Rules contradict rules set forth in this chapter, the applicable QAP or Uniform Multifamily Rules will take precedence over the rules in this chapter. The Department encourages participation in the Bond program by working directly with Applicants, lenders, Bond Trustees, legal counsels, local and state officials and the general public to conduct business in an open, transparent and straightforward manner.

(c) Costs of Issuance. The Applicant shall be responsible for payment of all costs ~~associated~~related towith the preparation and submission of the pre-application and Application, including but not limited to, costs associated with the publication and posting of required public notices and all costs and expenses associated with the issuance of the Bonds, regardless of whether the Application is ultimately approved or whether Bonds are ultimately issued. At any stage during the process, the Applicant is solely responsible for determining whether to proceed with the Application and the Department disclaims any and all responsibility and liability in this regard.

(d) Taxable Bonds. The Department may issue taxable Bonds and the requirements associated with such Bonds, including occupancy requirements, shall be determined by the Department on a case by case basis.

(e) Waivers. Requests for waivers of program rules must be made in accordance with §10.207 of this title (relating to Waiver of Rules for Applications).

§12.2. Definitions.

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise. Any capitalized terms not specifically mentioned in this section shall have the meaning as defined in Texas Government Code, Chapter 2306, §§141, 142, and 145 of the Internal Revenue Code, and Chapter 10 of this title (relating to Uniform Multifamily Rules).

(1) Institutional Buyer--Shall have the meaning prescribed under 17 CFR §230.501(a), but excluding any natural person or any director or executive officer of the Department (17 CFR §230.501(a)(4) - (6)), or as defined by 17 CFR §230.144(A), promulgated under the Securities Act of 1935, as amended.

(2) Persons with Special Needs--Shall have the meaning prescribed under Texas Government Code, §2306.511.

(3) Bond Trustee--A financial institution, usually a trust company or the trust department in a commercial bank, that holds collateral for the benefit of the holders of municipal securities. The Bond Trustee's obligations and responsibilities are set forth in the Indenture.

§12.3. Bond Rating and Investment Letter.

(a) Bond Ratings. All publicly offered Bonds issued by the Department to finance Developments shall have ~~and be required to maintain~~ a debt rating the equivalent of at least an "A" rating assigned to long-term obligations by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or Moody's Investors Service, Inc. If such rating is based upon credit enhancement provided by an institution other than the Applicant or Development Owner, the form and substance of such credit enhancement shall be subject to approval by the Board, evidenced by a resolution authorizing the issuance of the credit enhanced Bonds. ~~Remedies relating to failure to maintain appropriate credit ratings shall be provided in the financing documents relating to the Development.~~

(b) Investment Letters. Bonds rated less than "A," or Bonds which are unrated must be placed with one or more Institutional Buyers and must be accompanied by an investor letter acceptable to the Department. Subsequent purchasers of such Bonds shall also be qualified as Institutional Buyers and shall ~~sign~~ execute and deliver to the Department an investor letter in a form ~~acceptable~~ satisfactory to the Department. Bonds rated less than "A" and Bonds which are unrated shall be issued in physical form, in minimum denominations of one hundred thousand dollars (\$100,000), and shall carry a legend requiring any purchasers of the Bonds to sign and deliver to the Department an investor letter in a form acceptable to the Department.

§12.4. Pre-Application Process and Evaluation.

(a) Pre-Inducement Questionnaire. Prior to the filing of a pre-application, the Applicant shall submit the Pre-Inducement Questionnaire, in the form prescribed by the Department, so the Department can get a preliminary understanding of the proposed Development plan before a pre-application and corresponding fees are submitted. Information requested by the Department in the questionnaire includes, but is not limited to, the financing structure, borrower and key principals, previous housing tax credit or private activity bond experience, related party or identity of interest relationships and contemplated scope of work (if proposing Rehabilitation). After reviewing the pre-inducement questionnaire, Department staff will follow-up with the Applicant to discuss the next steps in the process and may schedule a pre-inducement conference call or meeting. Prior to the submission of a pre-application, it is important that the Department and Applicant communicate regarding the Department's objectives and policies in the development of affordable housing throughout the State using Bond financing. The acceptance of the questionnaire by the Department does not constitute a pre-application or Application and does not bind the Department to any formal action regarding an inducement resolution.

(b) Undesirable Neighborhood Characteristics. If the Development Site has any of the characteristics described in §10.101(a)(4)(B) of this title (relating to Site and Development Requirements and Restrictions), the Applicant must disclose the presence of such characteristics to the Department. Disclosure may be done

at time of pre-application and handled in connection with the inducement or it can be addressed at the time of Application submission. The Application may be subject to termination should staff conclude that the Development Site has any characteristics found in §10.101(a)(4)(B) of this title (relating to Site and Development Requirements and Restrictions) and the Applicant failed to disclose.

(bc) Pre-Application Process. An Applicant who intends to pursue Bond financing from the Department shall submit a pre-application by the corresponding pre-application submission deadline, as ~~prescribed set forth~~ by the Department. The required pre-application fee as described in §12.10 of this chapter (relating to Fees) must be submitted with the pre-application in order for the pre-application to be accepted by the Department. Department review at the time of the pre-application is limited and not all issues of eligibility and documentation submission requirements pursuant to Chapter 10 of this title (relating to Uniform Multifamily Rules) are reviewed. The Department is not responsible for notifying an Applicant of potential areas of ineligibility or other deficiencies at the time of pre-application. If the Development meets the criteria as described in §12.5 of this chapter (relating to Pre-Application Threshold Requirements), the pre-application will be scored and ranked according to the selection criteria as described in §12.6 of this chapter (relating to Pre-Application Scoring Criteria).

(ed) Scoring and Ranking. The Department will rank the pre-application according to score within each priority defined by Texas Government Code, §1372.0321. All Priority 1 pre-applications will be ranked above all Priority 2 pre-applications which will be ranked above all Priority 3 pre-applications. This priority ranking will be used throughout the calendar year. The selection criteria, as further described in §12.6 of this chapter, reflect a structure which gives priority consideration to specific criteria as outlined in Texas Government Code, §2306.359. In the event two or more pre-applications receive the same score, the Department will use the ~~following~~ tie breaker factors as outlined in §11.7 of this title (relating to Tie Breaker Factors) in the order they are presented to determine which pre-application will receive preference in consideration of a Certificate of Reservation.

~~(1) Applications that meet any of the criteria under §11.9(c)(4) of this title (relating to Competitive HTC Selection Criteria).~~

~~(2) Applications proposed to be located the greatest linear distance from the nearest Housing Tax Credit assisted Development. Developments awarded Housing Tax Credits but do not have a Land Use Restriction Agreement in place will be considered Housing Tax Credit assisted Developments for purposes of this paragraph. The linear measurement will be performed from the closest boundary to closest boundary.~~

(de) Inducement Resolution. After the pre-applications have been scored and ranked, the pre-application and proposed financing structure will be presented to the Department's Board for consideration of an inducement resolution declaring the Department's initial intent to issue Bonds with respect to the Development. Approval of the inducement resolution does not guarantee final Board approval of the Bond Application. Department staff may recommend that the Board not approve an inducement resolution for a pre-application. ~~Because e~~Each Development is unique, and therefore, making the final determination to issue Bonds is often dependent on the issues presented at the time the full Application is presented to considered by the Board.

§12.5. Pre-Application Threshold Requirements.

The threshold requirements of a pre-application include the criteria listed in paragraphs (1) - ~~(109)~~ of this section. As the Department reviews the pre-application the assumptions as reflected in Chapter 10, Subchapter D of this title (relating to Underwriting and Loan Policy) will be utilized even if not reflected by the Applicant in the pre-application.

(1) Submission of the multifamily bond pre-application in the form prescribed by the Department;

(2) Completed Bond Review Board Residential Rental Attachment for the current program year;

(3) Site Control, evidenced by the documentation required under §10.204(10) of this title (relating to Required Documentation for Application Submission). The Site Control must be valid through the date of the Board meeting at which the inducement resolution is considered and must meet the requirements of §10.204(10) of this title at the time of Application;

~~(4) Zoning evidenced by the documentation required under §10.204(11) of this title;~~

~~(5) Boundary survey or plat clearly identifying the location and boundaries of the subject Property;~~

~~(6) Current market information (must support affordable rents);~~

~~(57) Local area map that shows the location of the Development Site and the location of at least six (6) community assets within a one mile radius (two miles if in a Rural Area). Only one community asset of each type will count towards the number of assets required. The mandatory community assets and specific requirements are identified in §10.101(a)(2) of this title (relating to Site and Development Requirements and Restrictions);~~

~~(86) Organization Chart showing the structure of the Development Owner and of any Developer or Guarantor, providing the names and ownership percentages of all Persons having an ownership interest in the Development Owner or the Developer or Guarantor, as applicable.~~

~~(7) Complete the Distribution List Form, as provided in the pre-application, to include the anticipated financing participants;~~

~~(98) Evidence of Entity Registration or Reservation with the Texas Office of the Secretary of State;~~

~~(910) A certification, as provided in the pre-application, that the Applicant met the requirements and deadlines for public notifications as identified in §10.203 of this title (relating to Public Notifications (§2306.56705(9))). Notifications must not be older than three (3) months prior to the date of Application submission. Re-notification will be required by Applicants who have submitted a change from pre-application to Application that reflects a total Unit increase of greater than 10 percent or a 5 percent ~~increase~~ change in density (calculated as units per acre) as a result of a change in the size of the Development Site. In addition, should a change in elected official occur between the submission of a pre-application and the submission of an Application, Applicants are required to notify the newly elected (or appointed) official.~~

§12.6. Pre-Application Scoring Criteria.

This section identifies the scoring criteria used in evaluating and ranking pre-applications. The criteria identified below include those items required under Texas Government Code, §2306.359 and other criteria considered important by the Department. Any scoring items that require supplemental information to substantiate points must be submitted in the pre-application, as further outlined in the Multifamily Bond Pre-Application Procedures Manual. Applicants proposing multiple sites will be required to submit a separate

pre-application for each Development Site. Each Development Site will be scored on its own merits and the final score will be determined based on an average of all of the individual scores.

(1) Income and Rent Levels of the Tenants. Pre-applications may qualify for up to (10 points) for this item.

(A) Priority 1 designation includes one of clauses (i) - (iii) of this subparagraph. (10 points)

(i) Set aside 50 percent of Units rent capped at 50 percent AMGI and the remaining 50 percent of units rents capped at 60 percent AMGI; or

(ii) Set aside 15 percent of units rent capped at 30 percent AMGI and the remaining 85 percent of units rent capped at 60 percent AMGI; or

(iii) Set aside 100 percent of units rent capped at 60 percent AMGI for Developments located in a census tract with a median income that is higher than the median income of the county, MSA or PMSA in which the census tract is located.

(B) Priority 2 designation requires the set aside of at least 80 percent of the Units capped at 60 percent AMGI. (7 points)

(C) Priority 3 designation. Includes any qualified residential rental development. Market rate units can be included under this priority. (5 points)

(2) Cost of ~~the~~ Development ~~per~~by Square Foot. (1 point) For this item, costs shall be defined as either the Building Cost or the Hard Costs as represented in the Development Cost Schedule, as originally provided in the pre-application. This calculation does not include indirect construction costs. Pre-applications that do not exceed \$95 per square foot of Net Rentable Area will receive one (1) point. Rehabilitation will automatically receive (1 point).

(3) Unit Sizes. (5 points) The Development must meet the minimum requirements identified in this subparagraph to qualify for points. Points for this item will be automatically granted for Applications involving Rehabilitation (excluding Reconstruction) provided they are requested in the Private Activity Bond Pre-Application Scoring Form.

(A) five-hundred-fifty (550) square feet for an Efficiency Unit;

(B) six-hundred-fifty (650) square feet for a one Bedroom Unit;

(C) eight-hundred-fifty (850) square feet for a two Bedroom Unit;

(D) one-thousand-fifty (1,050) square feet for a three Bedroom Unit; and

(E) one-thousand, two-hundred-fifty (1,250) square feet for a four Bedroom Unit.

(4) Extended Affordability. (2 points) A pre-application may qualify for points under this item for Development Owners that are willing to extend the Affordability Period for a Development to a total of thirty-five (35) years.

(5) Unit and Development Features. A minimum of (7 points) must be selected, as certified in the pre-application, for providing specific amenity and quality features in every Unit at no extra charge to the tenant. The amenities and corresponding point structure is provided in §10.101(b)(6)(B) of this title (relating to Site and Development Requirements and Restrictions). The amenities selected at pre-application may change at Application so long as the overall point structure remains the same. The points selected at pre-application and/or Application and corresponding list of amenities will be required to be identified in the LURA and the points selected must be maintained throughout the Compliance-PeriodExtended Use Period. Applications involving scattered site Developments must have a specific amenity located within each Unit to receive count for points. Rehabilitation Developments will start with a base score of (3 points).

(6) Common Amenities. All Developments must provide at least the minimum threshold of points for common amenities based on the total number of Units in the Development as provided in subparagraphs (A) - (F) of this paragraph. The common amenities include those listed in §10.101(b)(5) of this title and must meet the requirements as stated therein. The Owner may change, from time to time, the amenities offered; however, the overall points as selected at Application must remain the same. For Developments with 41 Units or more, at least two (2) of the required threshold points must come from the Green Building Features as identified in §10.101(b)(5)(C)(xxxi) of this title. ~~The amenities must be for the benefit of all tenants and made available throughout normal business hours. If fees in addition to rent are charged for amenities, then the amenity may not be included among those provided to satisfy the threshold requirement. All amenities must meet accessibility standards and spaces for activities must be sized appropriately to serve the proposed Target Population. Some amenities may be restricted to a specific Target Population. An amenity can only receive points once; therefore combined functions (a library which is part of a community room) can only receive points under one category. Applications for non-contiguous scattered site housing, excluding non-contiguous single family sites, will have the threshold test applied based on the number of Units per individual site, and will have to identify in the LURA which amenities are at each individual site.~~

- (A) Developments with 16 to 40 Units must qualify for (4 points);
- (B) Developments with 41 to 76 Units must qualify for (7 points);
- (C) Developments with 77 to 99 Units must qualify for (10 points);
- (D) Developments with 100 to 149 Units must qualify for (14 points);
- (E) Developments with 150 to 199 Units must qualify for (18 points); or
- (F) Developments with 200 or more Units must qualify for (22 points).

(7) Tenant Supportive Services. (8 points) By electing points, the Applicant certifies that the Development will provide supportive services, which are listed in §10.101(b)(7) of this title, appropriate for the proposed tenants and that there will be adequate space for the intended services. The provision and complete list of supportive services will be included in the LURA and must be maintained throughout the Extended Use Period. The Owner may change, from time to time, the services offered; however, the overall points as selected at Application must remain the same. The services provided should be those that will directly benefit the Target Population of the Development and accessible to all. No fees may be charged to the tenants for any of the services. Services must be provided on-site or transportation to those off-site services identified on the list must be provided. The same service may not be used for more than one scoring item. All services must be provided by a person on the premises.

(8) Underserved Area. An Application may qualify to receive up to (2 points) ~~for general population Developments if the Development Site is located in an Underserved Area as further described in §11.9(c)(6)(A)-(G) of this title, a Colonia, Economically Distressed Area, or Place, or if outside of the boundaries of any Place, a county that has never received a competitive tax credit allocation or a 4 percent non-competitive tax credit allocation for a Development that remains an active tax credit development.~~

(9) Development Support/Opposition. (Maximum +24 to -24 points) Each letter will receive a maximum of +3 to -3 and must be received ten (10) business days prior to the date of the Board meeting at which the pre-application will be considered. Letters must clearly state support or opposition to the specific Development. State Representatives or Senators as well as local elected officials to be considered are those in office at the time the pre-application is submitted and represent the district containing the proposed Development Site. Letters of support from State or local elected officials that do not represent the district containing the proposed Development Site will not qualify for points under this exhibit. Neutral letters, letters that do not

specifically refer to the Development or do not explicitly state support will receive (zero (0) points). A letter that does not directly express support but expresses it indirectly by inference (i.e., a letter that says "the local jurisdiction supports the Development and I support the local jurisdiction") will be treated as a neutral letter.

- (A) State Senator and State Representative of the districts whose boundaries include the proposed Development Site;
- (B) Mayor of the municipality (if the Development is within a municipality or its extraterritorial jurisdiction);
- (C) All elected members of the Governing Body of the municipality (if the Development is within a municipality or its extraterritorial jurisdiction);
- (D) Presiding officer of the Governing Body of the county in which the Development Site is located;
- (E) All elected members of the Governing Body of the county in which the Development Site is located;
- (F) Superintendent of the school district in which the Development Site is located; and
- (G) Presiding officer of the board of trustees of the school district in which the Development Site is located.

(10) Preservation Initiative. (10 points) Preservation Developments, including rehabilitation proposals on properties which are nearing expiration of an existing affordability requirement within the next two (2) years or for which there has been a rent restriction requirement in the past ten (10) years may qualify for points under this item. Evidence must be submitted in the pre-application.

(11) Declared Disaster Areas. (7 points) If at the time the complete pre-application is submitted or at any time within the two-year period preceding the date of submission, the proposed Development Site is located in an area declared to be a disaster area under Texas Government Code, §418.014. ~~This includes federal, state, and Governor declared disaster areas.~~

§12.7. Full Application Process.

(a) Application Submission. Once the inducement resolution has been approved by the Board, an Applicant who elects to proceed with submitting a full Application to the Department must submit the complete tax credit Application pursuant to §10.201 of this title (relating to Procedural Requirements for Application Submission).

(b) Eligibility Criteria. The Department will evaluate the Application for eligibility and threshold at the time of full Application pursuant to Chapter 10 of this title (relating to Uniform Multifamily Rules). If there are changes to the Application at any point prior to closing that have an adverse affect on the score and ranking order and that would have resulted in the pre-application being placed below another pre-application in the ranking, the Department will terminate the Application and withdraw the Certificate of Reservation from the Bond Review Board (with the exception of changes to deferred developer's fees and support or opposition points). The Development and the Applicant must satisfy the requirements set forth in Chapter 10 of this title (relating to Uniform Multifamily Rules) and Chapter 11 of this title (relating to Housing Tax Credit Program Qualified Allocation Plan) in addition to Texas Government Code, Chapter 1372, the applicable requirements of Texas Government Code, Chapter 2306, and the Code. The Applicant will also be required to select a Bond Trustee from the Department's approved list as published on its website.

(c) Bond Documents. Once the Application has been submitted and the Applicant has deposited funds to pay costs, the Department's bond counsel shall draft Bond documents.

(d) Public Hearings. For every Bond issuance, the Department will hold a public hearing in order to receive comments from the public pertaining to the Development and the issuance of the Bonds. The Applicant or member of the Development Team must be present at the public hearing and will be responsible for conducting a brief presentation on the proposed Development and providing handouts at the hearing that should contain at a minimum, a description of the Development, maximum rents and income restrictions. If the proposed Development is Rehabilitation then the presentation should include the proposed scope of work that is planned for the Development. All handouts must be submitted to the Department for review at least two (2) days prior to the public hearing. Publication of all notices required for the public hearing shall be at the sole expense of the Applicant, as well as any facility rental fees or required deposits.

(e) Approval of the Bonds. Subject to the timely receipt and approval of commitments for financing, an acceptable evaluation for eligibility, the satisfactory negotiation of Bond documents, and the completion of a public hearing, the Board, upon presentation by Department staff, will consider the approval of the final Bond resolution relating to the issuance, final Bond documents and in the instance of privately placed Bonds, the pricing, terms and interest rate of the Bonds. The process for appeals and grounds for appeals may be found under §1.7 of this title (relating to Staff Appeals Process) and §1.8 of this title (relating to Board Appeals Process). To the extent applicable to each specific Bond issuance, the Department's conduit multifamily Bond transactions will be processed in accordance with 34 TAC Part 9, Chapter 181, Subchapter A (relating to Bond Review Board Rules) and Texas Government Code, Chapter 1372.

(f) Local Permits. Prior to closing on the Bond financing, all necessary approvals, including building permits from local municipalities, counties, or other jurisdictions with authority over the Development Site must have been obtained or evidence that the permits are obtainable subject only to payment of certain fees must be submitted to the Department.

§12.8. Refunding Application Process.

(a) Application Submission. Owners who wish to refund or modify tax-exempt bonds that were previously issued by the Department must submit to the Department a summary of the proposed refunding plan or modifications. To the extent such modifications constitute a re-issuance under state law the Applicant shall then be required to submit a refunding Application in the form prescribed by the Department pursuant to the Bond Refunding Application Procedures Manual.

(b) Bond Documents. Once the Department has received the refunding Application and the Applicant has deposited funds to pay costs, the Department's bond counsel will draft the required Bond documents.

(c) Public Hearings. Depending on the proposed modifications to existing Bond covenants a public hearing may be required. Such hearing must take place prior to obtaining Board approval and must meet the requirements pursuant to §12.7(d) of this chapter (relating to Full Application Process) regarding the presence of a member of the Development Team and providing a summary of proposed Development changes.

(d) Rule Applicability. Refunding Applications must meet the requirements pursuant to Chapter 10 of this title (relating to Uniform Multifamily Rules) and Chapter 11 of this title (relating to Housing Tax Credit Program Qualified Allocation Plan) with the exception of criteria stated therein specific to the Competitive Housing Tax Credit Program. At the time of the original award the Application would have been subject to eligibility and threshold requirements under the QAP in effect the year the Application was awarded. Therefore, it is anticipated the Refunding Application would not be subject to the site and development

requirements and restrictions pursuant to §10.101 of this title (relating to Site and Development Requirements and Restrictions). The circumstances surrounding a refunding Application are unique to each Development; therefore, upon evaluation of the refunding Application, the Department is authorized to utilize its discretion in the applicability of the Department's rules as it deems appropriate.

§12.9. Regulatory and Land Use Restrictions.

(a) Filing and Term of Regulatory Agreement. A Bond Regulatory and Land Use Restriction Agreement will be filed in the property records of the county in which the Development is located for each Development financed from the proceeds of Bonds issued by the Department. The term of the Regulatory Agreement will be based on the criteria as described in paragraphs (1) - (3) of this subsection, as applicable:

- (1) the longer of thirty (30) years, from the date the Development Owner takes legal possession of the Development;
- (2) the end of the remaining term of the existing federal government assistance pursuant to Texas Government Code, §2306.185; or
- (3) the period required by the Code.

(b) Federal Set Aside Requirements.

(1) Developments which are financed from the proceeds of Private Activity Bonds must be restricted under one of the two minimum set-asides as described in subparagraphs (A) and (B) of this paragraph:

(A) at least 20 percent of the Units within the Development shall be occupied or held vacant and available for occupancy at all times by persons or families whose income does not exceed 50 percent of the area median income; or

(B) at least 40 percent of the Units within the Development shall be occupied or held vacant and available for occupancy at all times by persons or families whose income does not exceed 60 percent of the area median income.

(2) The Development Owner must designate at the time of Application which of the two set-asides will apply to the Development and must also designate the selected priority for the Development in accordance with Texas Government Code, §1372.0321. Units intended to satisfy set-aside requirements must be distributed evenly throughout the Development, and must include a reasonably proportionate amount of each type of Unit available in the Development.

(3) No tenant qualifying under either of the set-asides shall be denied continued occupancy of a Unit in the Development because, after commencement of such occupancy, such tenant's income increases to exceed the qualifying limit; provided, however, that should a tenant's income, as of the most recent determination thereof, exceed 140 percent of the applicable income limit and such tenant constitutes a portion of the set-aside requirement of this section, then such tenant shall only continue to qualify for so long as no Unit of comparable or smaller size is rented to a tenant that does not qualify as a Low-Income Tenant.

§12.10. Fees.

(a) Pre-Application Fees. The Applicant is required to submit, at the time of pre-application, the following fees: \$1,000 (payable to TDHCA), \$2,500 (payable to ~~Bracewell & Giuliani~~, the Department's bond counsel)

and \$5,000 (payable to the Texas Bond Review Board (BRB) pursuant to Texas Government Code, §1372.006(a)). These fees cover the costs of pre-application review by the Department, its bond counsel and filing fees to the BRB. ~~If the Applicant intends to disclose, at the time of pre-application, the presence of an undesirable neighborhood characteristic pursuant to §10.101(a)(4) of this title (relating to Site and Development Requirements and Restrictions) then the Undesirable Neighborhood Characteristic Disclosure Fee pursuant to §10.901(21) of this title (relating to Fee Schedule) must accompany the pre-application.~~

(b) Application Fees. At the time of Application the Applicant is required to submit a tax credit application fee of \$30/unit and \$10,000 for the bond application fee (for multiple site Applications the application fee shall be \$10,000 or \$30/unit, whichever is greater). Such fees cover the costs associated with Application review and the Department's expenses in connection with providing financing for a Development. For Developments proposed to be structured as part of a portfolio such application fees may be reduced on a case by case basis at the discretion of the Executive Director.

(c) Closing Fees. The closing fee for Bonds, other than refunding Bonds is equal to 50 basis points (0.005) of the issued principal amount of the Bonds. The Applicant will also be required to pay at closing of the Bonds the first two years of the administration fee equal to 20 basis points (0.002) of the issued principal amount of the Bonds and a Bond compliance fee equal to \$25/unit (such compliance fee shall be applied to the third year following closing).

(d) Application and Issuance Fees for Refunding Applications. For refunding Applications the application fee will be \$10,000 unless the refunding is not required to have a public hearing, in which case the fee will be \$5,000. The closing fee for refunding Bonds is equal to 25 basis points (0.0025) of the issued principal amount of the refunding Bonds. If applicable, administration and compliance fees due at closing may be prorated based on the current billing period of such fees. If additional volume cap is being requested other fees may be required as further described in the Bond Refunding Applications Procedures Manual.

(e) Administration Fee. The annual administration fee is equal to 10 basis points (0.001) of the outstanding bond amount on its date of calculation and is paid as long as the Bonds are outstanding.

(f) Bond Compliance Fee. The Bond compliance monitoring fee is equal to \$25/Unit.

The Texas Department of Housing and Community Affairs (the “Department”) proposes the repeal of 10 TAC Chapter 12, §§12.1 - 12.10, concerning the 2015 Multifamily Housing Revenue Bond Rules. The purpose of the repeal is to allow for the proposal and adoption of new sections. The proposed new Chapter 12, concerning the 2016 Multifamily Housing Revenue Bond Rules is published concurrently with this proposed repeal in this issue of the *Texas Register*.

FISCAL NOTE. Timothy K. Irvine, Executive Director, has determined that, for each year of the first five years the repeal will be in effect, enforcing or administering the repeal does not have any foreseeable implications related to costs or revenues of the state or local governments.

PUBLIC BENEFIT/COST NOTE. Mr. Irvine also has determined that, for each year of the first five years the repeal is in effect, the public benefit anticipated as a result of the repeal will be the adoption of new rules for multifamily housing revenue bonds; providing updates and greater clarity, and enhancing the state’s ability to provide decent, safe and sanitary housing administered by the Department. There will not be any economic cost to any individuals required to comply with the repeal.

ADVERSE IMPACT ON SMALL OR MICRO-BUSINESSES. The Department has determined that there will be no economic effect on small or micro-businesses.

REQUEST FOR PUBLIC COMMENT. The public comment period will be held October 30, 2015, to November 30, 2015, to receive input on the repeal. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Shannon Roth, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941, or by fax to (512) 475-1895. ALL COMMENTS MUST BE RECEIVED BY 5:00 P.M. November 30, 2015.

STATUTORY AUTHORITY. The repeal is proposed pursuant to Texas Government Code, §2306.053, which authorizes the Department to adopt rules.

The proposed repeal affects no other code, article, or statute.

§12.1. *General.*

§12.2. *Definitions.*

§12.3. *Bond Rating and Investment Letter.*

§12.4. *Pre-Application Process and Evaluation.*

§12.5. *Pre-Application Threshold Requirements.*

§12.6. *Pre-Application Scoring Criteria.*

§12.7. *Full Application Process.*

§12.8. *Refunding Application Process.*

§12.9. *Regulatory and Land Use Restrictions.*

§12.10. *Fees.*

2a

TDHCA Outreach Activities, September 2015

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 |
|---|-----------------|-------------|---|---------------------------|
| 2015 Texas Association of Realtors Convention Expo | Fort Worth | Sept 2 | Homeownership | Exhibitor |
| First Thursday Income Eligibility Training | Austin | Sept 3 | Compliance | Training |
| HOME HRA Training/Institute for Building Technology and Safety | Austin | Sept 8 | HOME | Training |
| Veterans Assoc. of Real Estate Professionals/Veterans Housing Summit | San Antonio | Sept 12 | Homeownership | Presentation |
| TAA/Housing Tax Credit Compliance Training | Fort Worth | Sept 15 | Compliance | Training |
| Emergency Solutions Grants Income Eligibility Webinar | Austin | Sept 15 | Community Affairs | Training |
| Housing and Health Services Coordination Council Meeting | Austin | Sept 15 | Housing Resource Center | Participant |
| TAA/Uniform Physical Condition Standards Inspection Training | Fort Worth | Sept 16 | Compliance | Training |
| Relocation Specialist Training/Texas Department of Aging and Disability Services | Austin | Sept 16-17 | Housing Resource Center, HOME | Presentation |
| Veterans Housing Summit | San Antonio | Sept 20 | Homeownership | Exhibitor |
| Emergency Solutions Grants Contract Implementation Webinar/New Subrecipients | Austin | Sept 22 | Community Affairs | Training |
| First Thursday Income Eligibility Training | Lubbock | Sept 22 | Compliance | Training |
| Housing Subcommittee/Intellectual and Developmental Disabilities System Redesign Advisory Council | Austin | Sept 23 | Housing Resource Center | Participant |
| 2015 Texas Municipal League Conference | San Antonio | Sept 23-25 | External Affairs, Policy & Public Affairs | Exhibitor |
| TAA/Housing Tax Credit Compliance Training | Abilene | Sept 24 | Compliance | Training |
| Emergency Solutions Grants Contract Implementation Webinar (Existing Subrecipients) | Austin | Sept 24 | Community Affairs | Training |
| Community Resource Coordination Group State Workgroup Meeting | Austin | Sept 29 | Housing Resource Center | Presentation, Participant |
| Amy Young Barrier Removal Program/Administrator Workshop | Austin | Sept 29-30 | Housing Trust Fund | Training |

Internet Postings of Note, September 2015

A list of new or noteworthy documents posted to the Department's website

PY 2014 Comprehensive Energy Assistance Program: Timeline and Administrative Program Services Costs — *updating documents detailing milestone dates and an explanation of allowable expenses and related activities:*
www.tdhca.state.tx.us/community-affairs/ceap/guidance.htm

2015 HOME/TCAP Multifamily Development Program - Application Log: Sept 3 — *detailing applicants seeking funding through the Department's HOME and Tax Credit Assistance programs, sorted by property name, region, population served, funding request, and other categories:*
www.tdhca.state.tx.us/multifamily/home/index.htm

2016 Multifamily and 2016 Single Family Regional Allocation Formula Methodology — *detailing the method used to determine how funding will be distributed among the 13 service regions for Housing Tax Credit, Housing Trust Fund, and Single-Family HOME activities:*
www.tdhca.state.tx.us/housing-center/pubs-drafts.htm; www.tdhca.state.tx.us/housing-center/pubs-plans.htm

Program Services: Environmental Review Trainings — *detailing the time and dates for webinar training opportunities relating to the 2015 ESG Program within the context of Fair Housing, match requirements, environmental review requirements, monitoring process, and other relevant topics:*
www.tdhca.state.tx.us/program-services/training.htm

Community Affairs: Homeless Survey of Persons Formerly in Foster Care — *providing link for appropriate stakeholders regarding survey to gather information on the subjects' experience after foster care with homelessness:*
www.tdhca.state.tx.us/community-affairs/announcements.htm

Purchasing: No Bid Contracts — *detailing all no-bid contracts held by the Department in response to Governor Abbott's call for increased transparency with state contracts:*
www.tdhca.state.tx.us/purchasing/vendors.htm

2015 HOME Program Competitive Applications: Revised Sept 11 — *provided for eligible applicants seeking funding for homebuyer, homeowner rehabilitation, and tenant-based rental assistance activities through the Department's HOME Program:*
www.tdhca.state.tx.us/home-division/nofas.htm; www.tdhca.state.tx.us/nofa.htm;
www.tdhca.state.tx.us/home-division/applications.htm

2015 HOME Program Reservation System Application: Revised Sept 11 — *provided for eligible applicants seeking funding for single-family activities for the Persons with Disabilities, Contract for Deed, and Disaster Relief, and General set-asides through the Department's HOME Program:*
www.tdhca.state.tx.us/home-division/applications.htm

Competitive Housing Tax Credits Award and Waiting List: Sept 8 — *detailing the current status regarding applications receiving a 2015 credit allocation and those assigned to the waiting list:*
www.tdhca.state.tx.us/multifamily/housing-tax-credits-9pct/index.htm

Community Affairs: 2 CFR 200 (OMB Super Circular) — *providing management and budget guidance for grants and agreements relating to the Department's CEAP, ESG, HHSP, and WAP activities:*
www.tdhca.state.tx.us/community-affairs/ceap/guidance.htm; www.tdhca.state.tx.us/community-affairs/wap/guidance.htm; www.tdhca.state.tx.us/community-affairs/esgp/guidance-solutions.htm;
www.tdhca.state.tx.us/community-affairs/hhsp/guidance.htm

Section 811: Referral Agent and Service Coordinator Manuals — *providing important information for individuals conducting or coordinating all pre-tenancy activities, or who are administering services to individuals participating in the program once they have moved in to a Section 811 unit:*

www.tdhca.state.tx.us/section-811-pra/referral-agents.htm

Office of Colonia Initiatives: Border Field Office Contacts — *updating address for the Laredo Field Office:*

www.tdhca.state.tx.us/oci/offices.htm

Office of Colonia Initiatives: Self-Help Center Contacts — *updating Center coordinator contact for the Maverick County/City of Eagle Pass Self-Help Center; one edit to contact information for Webb County Self-Help Center:*

www.tdhca.state.tx.us/oci/centers/list.htm

2016 Amy Young Barrier Removal Program: Notice of Funding Availability — *providing application and supporting material and instructions for eligible entities interested in administering AYBR Program funds:*

www.tdhca.state.tx.us/hf/single-family/amy-young.htm

Public Comment Center — *new webpage providing links to Draft 2016 Uniform Multifamily Rules (Subchapters A - E and G) and QAP, as well as contact information for stakeholders interested in providing written comment:*

www.tdhca.state.tx.us/public-comment.htm

Agreed Final Orders — *updated to reflect recently added documents regarding the disposition of contested enforcement actions related to funding recipients out of compliance with the appropriate program guidelines:*

www.tdhca.state.tx.us/board/agreed-final-orders.htm

Emergency Solutions Grant Program: Income Eligibility Training Webinar — *making available training material for entities administering funds through the Department's ESG Program:*

www.tdhca.state.tx.us/community-affairs/esgp/guidance-solutions.htm

2015-2019 State of Texas Consolidated Plan — *outlining long-range plans regarding the State's administration of the Community Development Block Grant, Housing Opportunities for Persons with AIDS, Emergency Solutions Grants and HOME Investment Partnerships programs:*

www.tdhca.state.tx.us/housing-center/pubs-plans.htm

Texas Bootstrap Loan Program: October 2015 Training Opportunities — *detailing the times, dates, and locations for October bootstrap training sessions scheduled for Austin, Dallas, and Houston:*

www.tdhca.state.tx.us/oci/bootstrap.htm

2016 DRAFT HTC Site Demographic Characteristics Report: Sept 3 Board meeting — *detailing place name, population, MSA, rural/urban, region, tax credit units per capita, and other criteria:*

www.tdhca.state.tx.us/multifamily/apply-for-funds.htm

Carryover Manual and Package — *relating to information required of developments that received a 2015 Competitive Housing Tax Credit Commitment Notice:*

www.tdhca.state.tx.us/multifamily/apply-for-funds.htm

HOME: Supplemental TDHCA Eligibility Verification Forms — *relating to asset verification, asset certification, employment verification, and other eligibility criteria:*

www.tdhca.state.tx.us/home-division/forms/home_forms_hra.htm; www.tdhca.state.tx.us/home-division/forms/home_forms_hba.htm; www.tdhca.state.tx.us/home-division/forms/home_forms_sfd.htm; www.tdhca.state.tx.us/home-division/forms/home_forms_tbra.htm

2b

BOARD REPORT ITEM
FINANCIAL ADMINISTRATION DIVISION
OCTOBER 15, 2015

Report on the Department's 4th Quarter Investment Report in accordance with the Public Funds Investment Act ("PFIA")

BACKGROUND

The Department's investment portfolio consists of two distinct parts. One part is related to bond funds under trust indentures that are not subject to the PFIA, and the remaining portion is related to accounts excluded from the indentures but covered by the PFIA. The Department's total investment portfolio is \$776,725,171 of which \$747,304,577 is not subject to the PFIA. This report addresses the remaining \$29,420,594 (See Page 1 of the Internal Management Report) in investments covered by the PFIA. These investments are deposited in the General Fund, Housing Trust Fund, Compliance, and Housing Initiative accounts, which are all held at the Texas Treasury Safekeeping Trust Company ("TTSTC"), primarily in the form of overnight repurchase agreements. These investments are fully collateralized and secured by the U.S. Government Securities. A repurchase agreement is the purchase of a security with an agreement to repurchase that security at a specific price and date which in this case was August 31, 2015, with an effective interest rate of 0.09%. These investments safeguard principal while maintaining liquidity.

Below is a description of each fund group and its corresponding accounts.

- The **General Fund** accounts maintain funds for administrative purposes to fund expenses related to the Department's ongoing operations. These accounts contain balances related to bond residuals, fee income generated from the Mortgage Credit Certificate ("MCC") Program, escrow funds, single family and multifamily bond administration fees, and balances associated with the Below Market Interest Rate ("BMIR") Program.
- The **Housing Trust Fund** accounts maintain funds related to programs set forth by the Housing Trust Fund funding plan. The Housing Trust Fund provides loans and grants to finance, acquire, rehabilitate, and develop decent and safe affordable housing.
- The **Compliance** accounts maintain funds from compliance fees and asset management fees collected from multifamily developers. The number of low income units and authority to collect these fees is outlined in the individual Land Use Restriction Agreements ("LURAs") that are issued to each Developer. These fees are generated for the purpose of offsetting expenses incurred by the Department related to the monitoring and administration of these properties.

- The **Housing Initiative** accounts maintain funds from fees collected from Developers in connection with the Department's Tax Credit Program. The majority of fees collected are application fees and commitment fees. The authority for the collection of these fees is outlined in the Department's Multifamily Rules. These fees are generated for the purpose of offsetting expenses incurred by the Department related to the administration of the Tax Credit Program.

This report is in the format required by the Public Funds Investment Act. It shows in detail the types of investments, their maturities, their carrying (face amount) values, and fair values at the beginning and end of the quarter. The detail for investment activity is on Pages 1 and 2.

During the 4th Quarter, as it relates to the investments covered by the PFIA, the carrying value decreased by \$442,501 (See Page 1) for a total of \$29,420,594. The decrease is described below by fund groups.

General Fund: The General Fund increased by \$95,661. This consists primarily of \$260,292 received in bond administration fees, and \$417,244 in MCC Fees. Disbursements included \$345,362 transferred to fund the operating budget and \$243,079 in bond related expenses.

Housing Trust Fund: The Housing Trust Fund decreased \$1,264,976. This consists primarily of \$1,100,954 received in loan repayments, offset by disbursements of \$2,237,763 for loans and grants.

Compliance: Compliance funds increased \$539,286. This consists primarily of \$1,050,420 received in compliance fees, offset by disbursements of \$551,950 transferred to fund the operating budget.

Housing Initiative: Housing Initiative funds increased \$187,528. This consists primarily of \$527,349 received in fees related to tax credit activities, offset by disbursements of \$302,688 transferred to fund the operating budget.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HOUSING FINANCE DIVISION**

**PUBLIC FUNDS INVESTMENT ACT
INTERNAL MANAGEMENT REPORT (SEC. 2256.023)
QUARTER ENDING AUGUST 31, 2015**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HOUSING FINANCE DIVISION
PUBLIC FUNDS INVESTMENT ACT
Internal Management Report (Sec. 2256.023)
Supplemental Management Report
Quarter Ending August 31, 2015


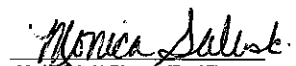
| Investment Type | FAIR VALUE (MARKET) @ 05/31/15 | CARRYING VALUE @ 05/31/15 | CHANGE IN CARRYING VALUE | | | CARRYING VALUE @ 08/31/15 | FAIR VALUE (MARKET) @ 08/31/15 | CHANGE IN FAIR VALUE (MARKET) | ACCRUED INT REC'BL @ 08/31/15 | RECOGNIZED GAIN | |
|-------------------------------|--------------------------------------|---------------------------------|--------------------------|------------------------|------------------------|---------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|---------------------|----------|
| | | | ACCRETION / PURCHASES | AMORTIZATION/ SALES | MATURITIES | | | | | | |
| NON-INDENTURE RELATED: | | | | | | | | | | | |
| General Fund | Mortgage-Backed Securities | 614,659.96 | 586,939.22 | - | - | (62,018.32) | 524,920.90 | 544,284.15 | (8,357.49) | 2,702.64 | - |
| General Fund | Repurchase Agreements | 7,420,420.73 | 7,420,420.73 | 1,011,859.75 | (854,180.71) | - | 7,578,099.77 | 6,566,240.02 | (1,011,859.75) | 18.95 | - |
| Housing Trust Fund | Repurchase Agreements | 5,211,172.44 | 5,211,172.44 | 226,474.66 | (3,491,451.12) | - | 3,946,195.98 | 3,946,195.98 | - | 10.12 | - |
| Compliance | Repurchase Agreements | 8,160,111.19 | 8,160,111.19 | 539,286.08 | - | - | 8,699,397.27 | 8,699,397.27 | - | 21.74 | - |
| Housing Initiatives | Repurchase Agreements | 8,484,452.75 | 8,484,452.75 | 218,961.06 | (31,433.55) | - | 8,671,980.26 | 8,671,980.26 | - | 21.88 | - |
| | | <u>29,890,817.07</u> | <u>29,863,096.33</u> | <u>1,996,581.55</u> | <u>(2,377,065.38)</u> | <u>(62,018.32)</u> | <u>29,420,594.18</u> | <u>29,439,957.43</u> | <u>(8,357.49)</u> | <u>2,775.33</u> | <u>-</u> |
| TOTAL | | <u>858,391,367.48</u> | <u>794,081,515.19</u> | <u>38,613,477.88</u> | <u>(24,948,854.70)</u> | <u>(31,020,967.38)</u> | <u>776,725,170.99</u> | <u>834,225,545.03</u> | <u>(6,809,478.25)</u> | <u>2,344,606.24</u> | <u>-</u> |

* With regards to the Multi Family Indenture, the Department is carrying \$82,114,636 of investments pledged as reserves by participating entities. The Department is carrying these investments with their corresponding liability purely for tracking the flow of funds.

(b) (8) The Department is in compliance with regards to investing its funds in a manner which will provide by priority the following objectives: (1) safety of principal, (2) sufficient liquidity to meet Department cash flow needs, (3) a market rate of return for the risk assumed, and (4) conformation to all applicable state statutes governing the investment of public funds including Section 2306 of the Department's enabling legislation and specifically, Section 2256 of the Texas Government Code, the Public Funds Investment Act.

Per Section 2256.007(d) of the Texas Government Code, the Public Funds Investment Act:

David Cervantes completed 5.0 hrs. of training on the Texas Public Funds Investment Act on August 15, 2014
Monica Galuski completed 5.0 hrs. of training on the Texas Public Funds Investment Act on February 20, 2015

| | |
|---|--------------|
|  David Cervantes, Chief Financial Officer | Date 10/5/15 |
|  Monica Galuski, Director of Bond Finance | Date 9/30/15 |

**Texas Department of Housing and Community Affairs
Non-Indenture Related Investment Summary
For Period Ending August 31, 2015**

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/15 | Beginning Market Value 05/31/15 | Accretions/Purchases | Amortizations/Sales | Maturities | Transfers | Ending Carrying Value 08/31/15 | Ending Market Value 08/31/15 | Change In Market Value | Recognized Gain |
|----------------------------------|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------------------|---------------------------------|----------------------|-----------------------|--------------------|-------------|--------------------------------|------------------------------|------------------------|-----------------|
| Repo Agmt | General Fund | 0.09 | 08/31/15 | 09/01/15 | 1,618,670.31 | 1,618,670.31 | 7,959.92 | | | | 1,626,630.23 | 1,626,630.23 | - | 0.00 |
| Repo Agmt | General Fund | 0.09 | 08/31/15 | 09/01/15 | 27,643.11 | 27,643.11 | | (2,459.90) | | | 25,183.21 | 25,183.21 | - | 0.00 |
| Repo Agmt | General Fund | 0.09 | 08/31/15 | 09/01/15 | 158,450.46 | 158,450.46 | | (58,187.29) | | | 100,263.17 | 100,263.17 | - | 0.00 |
| Repo Agmt | General Fund | 0.09 | 08/31/15 | 09/01/15 | 1,078,688.27 | 1,078,688.27 | 415,416.51 | | | | 1,494,104.78 | 1,494,104.78 | - | 0.00 |
| Repo Agmt | General Fund | 0.09 | 08/31/15 | 09/01/15 | 1,614,768.61 | 1,614,768.61 | | (93,554.26) | | | 1,521,214.35 | 1,521,214.35 | - | 0.00 |
| Repo Agmt | General Fund | 0.09 | 08/31/15 | 09/01/15 | 288,991.10 | 288,991.10 | | (17,951.21) | | | 271,039.89 | 271,039.89 | - | 0.00 |
| Repo Agmt | General Fund | 0.09 | 08/31/15 | 09/01/15 | | | 588,483.32 | | | | 588,483.32 | 588,483.32 | - | 0.00 |
| GNMA | General Fund | 7.50 | 08/31/89 | 07/20/18 | 59,636.86 | 63,103.55 | | | (5,008.09) | | 54,628.77 | 57,591.29 | (504.17) | 0.00 |
| GNMA | General Fund | 7.50 | 10/31/89 | 09/20/18 | 99,109.46 | 104,512.91 | | | (11,375.75) | | 87,733.71 | 92,062.49 | (1,074.67) | 0.00 |
| GNMA | General Fund | 7.50 | 01/01/90 | 11/20/18 | 42,571.06 | 44,513.58 | | | (8,004.29) | | 34,566.77 | 35,478.64 | (1,030.65) | 0.00 |
| GNMA | General Fund | 7.50 | 01/01/90 | 12/20/18 | 45,525.74 | 47,968.20 | | | (3,615.23) | | 41,910.51 | 43,814.92 | (538.05) | 0.00 |
| GNMA | General Fund | 7.50 | 02/27/90 | 12/20/18 | 6,242.53 | 6,266.69 | | | (425.20) | | 5,817.33 | 5,837.69 | (3.80) | 0.00 |
| GNMA | General Fund | 7.50 | 03/30/90 | 01/20/19 | 63,838.05 | 67,766.64 | | | (4,498.39) | | 59,339.66 | 62,694.72 | (573.53) | 0.00 |
| GNMA | General Fund | 7.50 | 04/26/90 | 03/20/19 | 51,363.63 | 54,467.53 | | | (22,434.50) | | 28,929.13 | 29,265.00 | (2,768.03) | 0.00 |
| GNMA | General Fund | 7.50 | 05/29/90 | 04/20/19 | 62,177.68 | 65,792.07 | | | (5,645.24) | | 56,532.44 | 59,530.92 | (615.91) | 0.00 |
| GNMA | General Fund | 2.65 | 01/29/13 | 12/15/42 | 46,329.82 | 46,282.56 | | | (428.80) | | 45,901.02 | 45,526.01 | (327.75) | 0.00 |
| GNMA | General Fund | 3.20 | 01/29/13 | 10/15/42 | 110,144.39 | 113,986.23 | | | (582.83) | | 109,561.56 | 112,482.47 | (920.93) | 0.00 |
| Repo Agmt | General Fund | | | | 517,509.13 | 517,509.13 | | (517,509.13) | | | - | - | - | 0.00 |
| Repo Agmt | General Fund | 0.09 | 08/31/15 | 09/01/15 | 2,115,699.74 | 2,115,699.74 | | (164,518.92) | | | 1,951,180.82 | 1,951,180.82 | - | 0.00 |
| General Fund Total | | | | | 8,007,359.95 | 8,035,080.69 | 1,011,859.75 | (854,180.71) | (62,018.32) | - | 8,103,020.67 | 8,122,383.92 | (8,357.49) | 0.00 |
| Repo Agmt | Housing Trust Fund | 0.09 | 08/31/15 | 09/01/15 | 188,583.57 | 188,583.57 | | (149,906.10) | | | 38,677.47 | 38,677.47 | - | 0.00 |
| Repo Agmt | Housing Trust Fund | 0.09 | 08/31/15 | 09/01/15 | 15.47 | 15.47 | 31.80 | | | | 47.27 | 47.27 | - | 0.00 |
| Repo Agmt | Housing Trust Fund | 0.09 | 08/31/15 | 09/01/15 | 171,125.76 | 171,125.76 | | (107,967.37) | | | 63,158.39 | 63,158.39 | - | 0.00 |
| Repo Agmt | General Revenue Appn | 0.09 | 08/31/15 | 09/01/15 | 702.37 | 702.37 | 173.20 | | | | 875.57 | 875.57 | - | 0.00 |
| Repo Agmt | General Revenue Appn | 0.09 | 08/31/15 | 09/01/15 | 269,861.85 | 269,861.85 | | (180,647.88) | | | 89,213.97 | 89,213.97 | - | 0.00 |
| Repo Agmt | General Revenue Appn | 0.09 | 08/31/15 | 09/01/15 | 1,160,701.04 | 1,160,701.04 | | (419,996.47) | | | 740,704.57 | 740,704.57 | - | 0.00 |
| Repo Agmt | General Revenue Appn | 0.09 | 08/31/15 | 09/01/15 | 50,844.73 | 50,844.73 | 433.32 | | | | 51,278.05 | 51,278.05 | - | 0.00 |
| Repo Agmt | Housing Trust Fund-GR | 0.09 | 08/31/15 | 09/01/15 | 2,256,936.45 | 2,256,936.45 | | (600,433.30) | | | 1,656,503.15 | 1,656,503.15 | - | 0.00 |
| Repo Agmt | Bootstrap -GR | 0.09 | 08/31/15 | 09/01/15 | 3,342.08 | 3,342.08 | 0.00 | | | | 3,342.08 | 3,342.08 | - | 0.00 |
| Repo Agmt | Bootstrap -GR | 0.09 | 08/31/15 | 09/01/15 | 700,059.12 | 700,059.12 | 225,836.34 | | | | 925,895.46 | 925,895.46 | - | 0.00 |
| Repo Agmt | Contract for Deed Conversion | 0.09 | 08/31/15 | 09/01/15 | 409,000.00 | 409,000.00 | | (32,500.00) | | | 376,500.00 | 376,500.00 | - | 0.00 |
| Housing Trust Fund Total | | | | | 5,211,172.44 | 5,211,172.44 | 226,474.66 | (1,491,451.12) | - | - | 3,946,195.98 | 3,946,195.98 | 0.00 | 0.00 |
| Repo Agmt | Multi Family | 0.09 | 08/31/15 | 09/01/15 | 958,828.05 | 958,828.05 | 118,835.95 | | | | 1,077,664.00 | 1,077,664.00 | - | 0.00 |
| Repo Agmt | Multi Family | 0.09 | 08/31/15 | 09/01/15 | 730,281.52 | 730,281.52 | 91,129.57 | | | | 821,411.09 | 821,411.09 | - | 0.00 |
| Repo Agmt | Low Income Tax Credit Prog. | 0.09 | 08/31/15 | 09/01/15 | 6,471,001.62 | 6,471,001.62 | 329,320.56 | | | | 6,800,322.18 | 6,800,322.18 | - | 0.00 |
| Compliance Total | | | | | 8,160,111.19 | 8,160,111.19 | 539,286.08 | - | - | - | 8,699,397.27 | 8,699,397.27 | 0.00 | 0.00 |
| Repo Agmt | Asset Management | 0.09 | 08/31/15 | 09/01/15 | 940,981.32 | 940,981.32 | 130,873.78 | | | | 1,071,855.10 | 1,071,855.10 | - | 0.00 |
| Repo Agmt | Low Income Tax Credit Prog. | 0.09 | 08/31/15 | 09/01/15 | 1,117,872.26 | 1,117,872.26 | | (31,433.55) | | | 1,086,438.71 | 1,086,438.71 | - | 0.00 |
| Repo Agmt | Low Income Tax Credit Prog. | 0.09 | 08/31/15 | 09/01/15 | 6,043,300.35 | 6,043,300.35 | 85,569.94 | | | | 6,128,870.29 | 6,128,870.29 | - | 0.00 |
| Repo Agmt | Low Income Tax Credit Prog. | 0.09 | 08/31/15 | 09/01/15 | 382,298.82 | 382,298.82 | 2,517.34 | | | | 384,816.16 | 384,816.16 | - | 0.00 |
| Housing Initiatives Total | | | | | 8,484,452.75 | 8,484,452.75 | 218,961.06 | (31,433.55) | - | - | 8,671,980.26 | 8,671,980.26 | 0.00 | 0.00 |
| Total Investment Summary | | | | | 29,863,096.33 | 29,890,817.07 | 1,996,581.55 | (2,377,065.38) | (62,018.32) | 0.00 | 29,420,594.18 | 29,439,957.43 | (8,357.49) | 0.00 |

2c

BOARD REPORT ITEM
BOND FINANCE DIVISION
OCTOBER 15, 2015

REPORT ITEM

Report on the Department's 4th Quarter Investment Report relating to funds held under Bond Trust Indentures.

BACKGROUND

- The Department's Investment Policy excludes funds invested under a bond trust indenture for the benefit of bond holders because each trust indenture controls the authorized investments under that particular trust indenture. Management of assets within an indenture is the responsibility of the Trustee. This internal management report is for informational purposes only and while not required under the Public Funds Investment Act, it is consistent with the prescribed format and detail as required by the Public Funds Investment Act. It shows in detail the types of investments, their maturity, their carrying (face amount) value and their fair value at the beginning and end of the quarter.
- The detail for investment activity can be found online at TDHCA's Board Meeting Information Center website at <http://www.tdhca.state.tx.us/board/meetings.htm>.
- Overall, the portfolio carrying value decreased by \$16.9 million (see page 3) for a total of \$747,304,576.81. The decrease reflects loan repayments and bond redemptions.

The portfolio consists of those investments described in the attached Bond Trust Indenture Supplemental Management Report.

| | <u>Beginning Quarter</u> | <u>Ending Quarter</u> |
|--|--------------------------|-----------------------|
| Mortgage Backed Securities ("MBS") | 84% | 81% |
| Guaranteed Investment Contract/ Investment Agreement ("GIC/IA") | 5% | 5% |
| Repurchase Agreements | 5% | 8% |
| Money Markets and Mutual Funds | 6% | 6% |

The 3% decrease in MBS is due to the principal payments received on the underlying mortgages. The 3% increase in Repurchase Agreements is the result of the deposit of mortgage payments that are invested temporarily until bond redemptions and bond interest payments.

The portfolio activity for the quarter:

- The maturities in MBS this quarter were \$30.9 million which represents loan repayments or payoffs. There have been no recent MBS purchases or sales.

| | 4th Qtr | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | |
|------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | FY 14 | FY 15 | FY 15 | FY 15 | FY 15 | Total |
| Purchases | - | | - | | | - |
| Sales | - | | - | | | - |
| Maturities | \$ 38,527,660 | \$ 40,322,810 | \$ 27,713,951 | \$ 27,472,359 | \$ 30,958,949 | \$ 164,995,729 |

- The process of valuing investments at fair value (market value) identifies unrealized gains and losses. These gains or losses do not impact the overall portfolio because the Department does not typically liquidate these investments (MBS) but holds them until maturity.
- The fair value (the amount at which a financial instrument could be exchanged in a current transaction between willing parties) decreased \$6.8 million (see pages 3 and 4), with fair value being greater than the carrying value. The national average for a 30-year fixed rate mortgage, as reported by the Freddie Mac Primary Mortgage Market Survey as of August 31, 2015, was 3.84%, down from 3.87% at the end of May 2015. There are various factors that affect the fair value of these investments, but there is a correlation between the prevailing mortgage interest rates and the change in market value.
- Given the current financial environment, this change in market value is to be expected. However, the change is cyclical and is reflective of the overall change in the bond market as a whole.
- The ability of the Department's investments to provide the appropriate cash flow to pay debt service and eventually retire the related bond debt is of more importance than the assessed relative value in the bond market as a whole.
- The more relevant measures of indenture parity, projected future cash flows, and the comparison of current interest income to interest expense are reported on page 5 in the Bond Trust Indenture Parity Comparison. This report shows parity (ratio of assets to liabilities) by indentures with assets greater than liabilities in a range from 99.24% to 154.70% which would indicate the Department has sufficient assets to meet its obligations. The interest comparison reflects interest income greater than interest expense and indicates a positive cash flow.


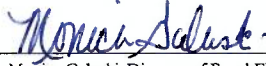
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 BOND FINANCE DIVISION
 BOND TRUST INDENTURES
 Supplemental Management Report
 Quarter Ending August 31, 2015

| | FAIR VALUE | CARRYING | CHANGE IN CARRYING VALUE | | | CARRYING | FAIR VALUE | CHANGE | ACCRUED | RECOGNIZED |
|---------------------------|------------------------|-----------------------|--------------------------|------------------------|------------------------|-----------------------|------------------------|---------------------------|--------------------------|------------|
| | (MARKET) @ 05/31/15 | VALUE @ 05/31/15 | ACCRETION / PURCHASES | AMORTIZATION/ SALES | MATURITIES | VALUE @ 08/31/15 | (MARKET) @ 08/31/15 | IN FAIR VALUE (MARKET) | INT REC'BL @ 08/31/15 | GAIN |
| INDENTURE RELATED: | | | | | | | | | | |
| Single Family | 442,154,427.92 | 403,340,334.17 | 23,703,914.31 | (7,541,859.32) | (19,790,578.74) | 399,711,810.42 | 432,977,963.94 | (5,547,940.23) | 1,430,775.34 | - |
| RMRB | 287,630,844.03 | 264,137,609.97 | 6,315,772.32 | (7,336,607.87) | (10,706,842.54) | 252,409,931.88 | 272,299,573.13 | (3,603,592.81) | 871,890.11 | - |
| CHMRB | 4,874,912.63 | 4,490,018.27 | 15,211.86 | (226,948.24) | (254,606.82) | 4,023,675.07 | 4,365,027.61 | (43,541.82) | 22,516.07 | - |
| Taxable Mortgage Program | 8,982,707.58 | 8,692,137.89 | 557,334.40 | | (93,928.78) | 9,155,543.51 | 9,402,484.16 | (43,629.04) | 16,649.39 | - |
| Multi Family | 84,857,658.25 | 83,558,318.56 | 6,024,663.44 | (7,466,373.89) | (112,992.18) | 82,003,615.93 | 85,740,538.76 | 2,437,583.14 | - | - |
| | <u>828,500,550.41</u> | <u>764,218,418.86</u> | <u>36,616,896.33</u> | <u>(22,571,789.32)</u> | <u>(30,958,949.06)</u> | <u>747,304,576.81</u> | <u>804,785,587.60</u> | <u>(6,801,120.76)</u> | <u>2,341,830.91</u> | <u>-</u> |

* With regards to the Multi Family Indenture, the Department is carrying \$82,114,636 of investments and cash pledged as reserves by participating entities. The Department is carrying these assets with their corresponding liability purely for tracking the flow of funds.

(b) (8) The Department is in compliance with regards to investing its funds in a manner which will provide by priority the following objectives: (1) safety of principal, (2) sufficient liquidity to meet cash flow needs, (3) a market rate of return for the risk assumed, and (4) conformation state statutes governing the investment of public funds including S legislation and specifically, Section 2256 of the Texas Government Code, the Public Funds Investment Act.

Per Section 2256.007(d) of the Texas Government Code, the Public Funds Investment Act:
 David Cervantes completed 5.0 hrs. of training on the Texas Public Funds Investment Act on August 15, 2014
 Monica Galuski completed 5.0 hrs. of training on the Texas Public Funds Investment Act on February 20, 2015



| | |
|---|---------------------|
|  | Date <u>10/5/15</u> |
| David Cervantes, Chief Financial Officer | |
|  | Date <u>9/30/15</u> |
| Monica Galuski, Director of Bond Finance | |

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
 BOND FINANCE DIVISION
 BOND TRUST INDENTURES
 Supplemental Management Report
 Quarter Ending August 31, 2015

| INVESTMENT TYPE | FAIR VALUE (MARKET) @ 05/31/15 | CARRYING VALUE @ 05/31/15 | ACCRETION / PURCHASES | AMORTIZATION/ SALES | MATURITIES | CARRYING VALUE @ 08/31/15 | FAIR VALUE (MARKET) @ 08/31/15 | CHANGE IN FAIR VALUE (MARKET) | RECOGNIZED GAIN |
|------------------------------|--------------------------------------|---------------------------------|--------------------------|------------------------|------------------------|---------------------------------|--------------------------------------|-------------------------------------|--------------------|
| INDENTURE RELATED: | | | | | | | | | |
| Mortgage-Backed Securities | 702,073,292.17 | 637,791,160.62 | - | - | (30,958,949.06) | 606,832,211.56 | 664,313,222.35 | (6,801,120.76) | - |
| Guaranteed Inv Contracts | 39,364,614.22 | 39,364,614.22 | 1,516,021.45 | (6,655,275.56) | - | 34,225,360.11 | 34,225,360.11 | - | - |
| Investment Agreements | 3,659,690.87 | 3,659,690.87 | - | (1,581,324.90) | - | 2,078,365.97 | 2,078,365.97 | - | - |
| Treasury-Backed Mutual Funds | 46,343,213.86 | 46,343,213.86 | 6,024,663.44 | (6,907,027.96) | - | 45,460,849.34 | 45,460,849.34 | - | - |
| Repurchase Agreements | 37,059,739.29 | 37,059,739.29 | 29,076,211.44 | (7,428,160.90) | - | 58,707,789.83 | 58,707,789.83 | - | - |
| | <u>828,500,550.41</u> | <u>764,218,418.86</u> | <u>36,616,896.33</u> | <u>(22,571,789.32)</u> | <u>(30,958,949.06)</u> | <u>747,304,576.81</u> | <u>804,785,587.60</u> | <u>(6,801,120.76)</u> | <u>-</u> |

(b) (8) The Department is in compliance with regards to investing its funds in a manner which will provide by priority the following objectives: (1) safety of principal, (2) sufficient liquidity to meet Department cash flow needs, (3) a market rate of return for the risk assumed, and (4) conformation to all applicable state statutes governing the investment of public funds including Section 2306 of the Department's enabling legislation and specifically, Section 2256 of the Texas Government Code, the Public Funds Investment Act.

Per Section 2256.007(d) of the Texas Government Code, the Public Funds Investment Act:
 David Cervantes completed 5.0 hrs. of training on the Texas Public Funds Investment Act on August 15, 2014
 Monica Galuski completed 5.0 hrs. of training on the Texas Public Funds Investment Act on February 20, 2015

| | |
|---|---------------------|
|  | Date <u>10/5/15</u> |
| David Cervantes, Chief Financial Officer | |
|  | Date <u>9/30/15</u> |
| Monica Galuski, Director of Bond Finance | |

Texas Department of Housing and Community Affairs
Bond Finance Division
Executive Summary
As of August 31, 2015

| | Single Family Indenture Funds | Residential Mortgage Revenue Bond Indenture Funds | Collateralized Home Mortgage Revenue Bond Indenture Funds | Taxable Mortgage Program | Multi-Family Indenture Funds | Combined Totals |
|---|----------------------------------|--|--|--------------------------------|---------------------------------|------------------------------|
| PARITY COMPARISON: | | | | | | |
| PARITY ASSETS | | | | | | |
| Cash | \$ 139,146 | \$ (76,955) | | | \$ 111,020 | \$ 173,211 |
| Investments ⁽¹⁾ | \$ 68,654,090 | \$ 20,600,797 | \$ 332,822 | \$ 4,117,532 | \$ 80,029,686 | \$ 173,734,928 |
| Mortgage Backed Securities ⁽¹⁾ | \$ 331,854,585 | \$ 232,016,874 | \$ 3,686,606 | \$ 5,038,012 | \$ - | \$ 572,596,076 |
| Loans Receivable ⁽²⁾ | \$ 886,911 | | | | \$ 965,186,178 | \$ 966,073,089 |
| Accrued Interest Receivable | \$ 1,429,218 | \$ 871,890 | \$ 22,516 | \$ 8,563 | \$ 9,423,442 | \$ 11,755,629 |
| TOTAL PARITY ASSETS | \$ 402,963,949 | \$ 253,412,607 | \$ 4,041,944 | \$ 9,164,107 | \$ 1,054,750,326 | \$ 1,724,332,933 |
| PARITY LIABILITIES | | | | | | |
| Bonds Payable ⁽¹⁾ | \$ 347,390,000 | \$ 217,685,000 | \$ 2,600,000 | | \$ 965,352,798 | \$ 1,533,027,798 |
| Accrued Interest Payable | \$ 6,734,359 | \$ 1,326,444 | \$ 12,779 | | \$ 9,517,808 | \$ 17,591,390 |
| Other Non-Current Liabilities ⁽³⁾ | | | | | \$ 87,928,586 | \$ 87,928,586 |
| TOTAL PARITY LIABILITIES | \$ 354,124,359 | \$ 219,011,444 | \$ 2,612,779 | \$ - | \$ 1,062,799,192 | \$ 1,638,547,774 |
| PARITY DIFFERENCE | \$ 48,839,590 | \$ 34,401,163 | \$ 1,429,165 | N/A | \$ (8,048,866) | \$ 85,785,158 |
| PARITY | 113.79% | 115.71% | 154.70% | N/A | 99.24% | 105.24% |
| INTEREST COMPARISON For the <i>twelfth</i> Fiscal Month Only (not Fiscal Year to Date) : | | | | | | |
| INTEREST INCOME | | | | | | |
| Interest & Investment Income | \$ 1,698,783 | \$ 878,618 | \$ 22,854 | | \$ 3,387,599 | \$ 5,987,854 |
| TOTAL INTEREST INCOME | \$ 1,698,783 | \$ 878,618 | \$ 22,854 | \$ - | \$ 3,387,599 | \$ 5,987,854 |
| INTEREST EXPENSE | | | | | | |
| Interest on Bonds | \$ 1,106,237 | \$ 601,468 | \$ 21,984 | | \$ 3,387,598 | \$ 5,117,287 |
| TOTAL INTEREST EXPENSE | \$ 1,106,237 | \$ 601,468 | \$ 21,984 | \$ - | \$ 3,387,598 | \$ 5,117,287 |
| NET INTEREST INTEREST RATIO | \$ 592,546 153.56% | \$ 277,150 146.08% | \$ 870 103.96% | N/A N/A | \$ 1 100.00% | \$ 870,567 117.01% |

(1) Investments, Mortgage Backed Securities and Bonds Payable reported at par value not fair value.

This adjustment is consistent with indenture cashflows prepared for rating agencies.

(2) Loans Receivable include whole loans only. Special mortgage loans are excluded.

(3) Other Non-Current Liabilities include "Due to Developers" (for insurance, taxes and other operating expenses) and "Earning Due to Developers" (on investments).

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BOARD REPORT ITEM

BOND FINANCE DIVISION

OCTOBER 15, 2015

Report Regarding a Request for Proposal (“RFP”) for Mortgage Warehouse Facility issued by the Texas Department of Housing and Community Affairs (the “Department”).

BACKGROUND

On July 23, 2015, the Department issued an RFP for firms interested in serving as a Mortgage Warehouse Provider to the Department; the RFP had a submission deadline of August 18, 2015. One proposal was received.

A review team of Department staff evaluated the proposal and selected First Southwest & Company to serve as Mortgage Warehouse Provider to the Department.

The term of the award will be one year with the ability to renew and extend for one year per renewal for a maximum of three consecutive renewal years.

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BOARD REPORT ITEM

LEGAL DIVISION

OCTOBER 15, 2015

Report on the procurement of outside counsel to assist with matters concerning securities disclosure, single family and multifamily bonds, and loan document preparation

BACKGROUND

The Department uses outside counsel to assist it in making complex legal decisions concerning a variety of issues that arise within the context of our single/multi-family bond programs including the issuance of bonds and mortgage credit certificates and ongoing compliance with trust indentures and other agreements. In the course of issuing and maintaining bonds the Department also makes use of the services provided by an outside securities disclosure counsel who is responsible for the preparation and review of all official statements of the Department in connection with the sale of our bonds into public markets. The Department also uses outside loan document preparation counsel. Over the last few years the Department has found it to be cost effective to outsource the preparation of the more routine and uncomplicated single family loan documents to legal counsel that specializes in the service.

In order to procure outside counsel, the Texas Government Code requires the Department to obtain the permission of the Office of the Attorney General ("OAG"). A "request to retain" is filed with the OAG explaining the need to hire outside counsel and to make sure the OAG cannot otherwise provide such services to the agency. If approved, the Department engages in a procurement process and selects a counsel for approval by the OAG. The Department and the prospective outside counsel negotiate an agreement and submit it to the OAG for approval. The entire process takes approximately three to four months.

At the end of May 2015, the Department began the process of procuring new outside counsel as the expiration of existing agreements approached. The successful responder for the Department's request for outside single/multi-family bond counsel was Bracewell & Giuliani. For outside bond/securities disclosure counsel, McCall, Parkhurst and Horton, L.L.P. was selected. Finally, Robertson Anschutz Vettors was chosen as our new outside document preparation counsel. Though staff issued a request for proposals for outside Low-Income Housing Tax Credit counsel, the Department received no responses and no outside Low Income Housing Tax Credit counsel was procured. Staff is assessing whether to reprocur.

All new contracts became effective in early September. We are looking forward to a continuing relationship with our bond and disclosure counsels and to a new and mutually beneficial relationship with our new outside single family loan document preparation counsel.

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BOARD REPORT ITEM
COMMUNITY AFFAIRS DIVISION
OCTOBER 15, 2015

Report Regarding the Voluntary Financial Commitment of Funds from Homeless Housing and Services Program (“HHSP”) Subrecipients for *Youth Count Texas!*

BACKGROUND

During the 84th Texas legislative session, House Bill (“HB”) 679, authored by Representative Sylvester Turner, passed both chambers and was signed into law on June 17, 2015. HB 679 adds §§2306.1101 and 2306.1102 to the Texas Government Code. The former defines homeless youth, and the latter requires the Texas Department of Housing and Community Affairs (“TDHCA”), in conjunction with the Texas Interagency Council for the Homeless (“TICH”), to conduct a study of homeless youth. A report on the study is due to the Texas Legislature no later than December 1, 2016.

To satisfy the requirement of the study, TDHCA is heading an initiative called *Youth Count Texas!*, which will produce a statewide count and needs assessment of Texas’ homeless and unstably-housed youth. The count will be conducted in different areas of Texas starting in October 2015 and will run through March 2016. *Youth Count Texas!* will be conducted in three phases:

Phase I - Survey Tool Development. From July to August 2015, TDHCA contracted with the Texas Network of Youth Services (“TNOYS”) to gather input from stakeholders including the TICH and to hold three roundtables on the survey tools. TNOYS also obtained commitments from a majority of Continua of Care (“CoCs”), the regional and local planning bodies that coordinate housing and services for homeless families and individuals in the State, to take the survey tool to their governing bodies for approval. The result was the creation of two surveys: one for use during the January 2016 point-in-time (“PIT”) count of homeless persons required annually of CoCs by the U.S. Department of Housing and Urban Development (“HUD”), and one for a needs assessment which can be used until March 2016.

Phase II - Survey Implementer. From September 2015 through March 2016, TDHCA will contract with a Vendor to create training for survey implementation, provide technical assistance for CoCs, provide a data collection methodology and system, and deliver a report of the results of the implementation.

Phase III – Data Analysis. The data from Phase II, along with data collected from other Texas state agencies, will be analyzed to examine the number and needs of homeless youth and the degree to which current programs are meeting those needs; identify any sources of funding that might be available to provide services to homeless youth; and develop a strategic plan establishing steps to be taken and timelines for reducing youth homelessness in Texas.

While the purpose of *Youth Count Texas!* is to gather data for the study required by HB 679, TDHCA also aims to increase the PIT count accuracy, survey more youth, and set a baseline count for homeless youth. *Opening Doors*, the Federal comprehensive strategy to prevent and end homelessness developed by the United States Interagency Council on Homelessness, has set a goal to end youth

homelessness by 2020. This goal is also being adopted by several local communities in Texas. Overall, the success of the study and its results are anticipated to provide useful information for homeless service providers.

In the course of planning to implement *Youth Count Texas!*, the Department identified a source of funding to be used to procure a Vendor for Phase I and Phase II. The amount of funding identified was in-line with the proposals received. However, the due date of the report to the Legislature is December 1, 2016, necessitating that a majority of the count occur in early 2016 in order to be completed and analyzed in time for the report. As a result, the work of the Vendor needed to be complete before the start of State Fiscal Year (SFY) 2017. Because part of the funding identified is available only in SFY 2017, there will be a shortfall in the funds available for a successful Phase II of *Youth Count Texas!*

In an effort to make sure the study was able to be accomplished successfully, the need to fill the \$100,000 in funding gap was communicated to the eight cities that participate in the Homeless Housing and Services Program (“HHSP”). HHSP was created during the 81st Texas legislative session to be administered by the Department to fund homelessness prevention and homeless services in the eight largest Texas cities. The 84th Texas Legislature, 1st called session, enacted House Bill 1 which provided General Revenue funds of \$10 million for HHSP in SFY 2016 and SFY 2017. At the September 3, 2015 meeting of the Department’s Governing Board, the cities of Arlington, Austin, Corpus Christi, Dallas, El Paso, Fort Worth, Houston, and San Antonio were awarded a total of \$5,000,000.

In response to learning of the funding shortfall, six of the eight HHSP subrecipients have voluntarily offered to support *Youth Count Texas!* with HHSP funding, understanding that a successful study will further the goals of the funds. The remaining two cities are considering supporting *Youth Count Texas!* Each city is committing either a pro-rata portion based on the percentage of HHSP funding awarded, or an equal share (\$12,500) for the amount needed for the implementation of *Youth Count Texas!* The total committed to date is \$90,583. Any amount received from the HHSP subrecipients over \$100,000 will be used in Phase III of the study on homeless youth.

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BOARD REPORT ITEM
COMPLIANCE DIVISION
OCTOBER 15, 2015

Compliance Division Update

BACKGROUND

This is a periodic report about ongoing and emerging issues in the Compliance Division.

Effective October 1, 2015, Earnest Hunt, who has served as the Manager of Contract Monitoring since September of 2011, has been promoted to Director of Subrecipient Monitoring. The Community Affairs Monitoring Section as well as the staff in the existing Contract Monitoring Section will report directly to Mr. Hunt.

Subrecipient Monitoring: Department staff have contacted the U.S. Department of Health and Human Services (“HHS”) and requested training and technical assistance on implementation of Information Memorandum 116 (“IM 116”). IM 116 provides guidance on Corrective Action, Termination, or Reduction of Funding for CSBG Eligible Entities.

A handful of subrecipients have completed the customer service survey but, as discussed in previous updates, we have not found this to be an effective way to obtain feedback regarding the monitoring process.

Multifamily Monitoring: Department staff have been approached by the Texas Apartment Association, a representative of the City of Austin, and the Continuum of Care serving the City of Austin (ECHO) regarding their hope to add an additional tool to use in their laudable commitment to end veteran homelessness. What they seek is to have managers of rental properties be allowed to have a separate set of leasing criteria for homeless veterans, and to allow them to have priority over any and all prospective tenants on a waiting list. The Department organized a conference call with these organizations and representatives from the U.S. Department of Housing and Urban Development (“HUD”) to discuss any possible fair housing implications. Following the call, Department staff sent a letter to HUD requesting a written response on the issue.

Several 9% Housing Tax Credit properties were awarded with conditions at the July 30, 2015 Board meeting based on their Previous Participation Review. Below is an update on the status of meeting those conditions.

| # | Name | Condition | Status |
|-------|------------------------|--|-----------|
| 15038 | Pecan Chase Apartments | All construction inspection deficiencies at Pioneer Crossing at Burkburnett must be corrected by carryover | Satisfied |
| 15105 | Willow Springs | All noncompliance at Huffman Hollow (99173) be corrected 30 days prior to carryover | Satisfied |

| | | | |
|-------|----------------------------------|---|---|
| 15126 | Brazoria Manor | All construction inspection deficiencies at Pioneer Crossing at Burkburnett must be corrected by carryover | Satisfied |
| 15049 | Kennedale Senior | All deficiencies on Constitution Court corrected by carryover | Satisfied |
| 15010 | Mariposa Homes at South Broadway | All deficiencies related to HTC 11096 are remediated by current end of HOME contract and provide proof of such to TDHCA by that date | Satisfied |
| 15237 | TRM Seniors | All outstanding Uniform Physical Condition Standards violations at Red River Apartments are corrected 30 days prior to carryover | Satisfied |
| 15274 | Riverview at Calallen | Applicant must complete 20 unique hours of accessibility training; documentation of ownership transfer acceptable to EARAC received 30 days before carryover | Satisfied |
| 15285 | Residences at Earl Campbell | All outstanding issues at Residence of Diamond Hill and Residence of Onion Creek are completed 30 days prior to carryover | Satisfied |
| 15241 | Trails of Brady | Davis Bacon noncompliance noted with HOME contract 1001678 must be corrected as noted below prior to execution of commitment: <ol style="list-style-type: none"> 1. Executed Reserve Agreement and funded reserve for Davis Bacon wages with TDHCA having approval of disbursement authority 2. Worker Action Plan required in previous Department correspondence | The Davis Bacon noncompliance noted with HOME contract 1001678 has been corrected but it was not corrected in the manner stated in the condition. |
| 15110 | Place of Grace | The July 30, 2015, Board book included an attachment listing 12 conditions. These are ongoing requirements. | To the Department's knowledge, no condition has been violated |
| 15116 | The Carlyle | The July 30, 2015, Board book included an attachment listing 12 conditions. These are ongoing requirements. | To the Department's knowledge, no condition has been violated |

In November 2014 the Department adopted enforcement rules including rules regarding debarment. The Compliance Division has identified individuals who appear eligible for debarment under the criteria as set out in the rule and has recently made referrals to the Enforcement Committee. Through these initial referrals it has been determined that the rule may not function as intended and, therefore, staff will propose amendments at an upcoming board meeting.

Approximately 100 Customer Service Surveys have been returned since the last Compliance Division update. The survey results are generally positive.

Staff would like to recognize the following properties that scored a 100 on their most recent Uniform Physical Condition Standards (“UPCS”) inspection:

| File Number | Property Name | City | General Contact |
|--------------------|------------------------------|-----------------|------------------------|
| 00036 | Oak Haven | Donna | Dennis Hoover |
| 00130 | Cielo Lindo | Edcouch | Dennis Hoover |
| 01097 | Sunset Palms | El Paso | Bobby Bowling |
| 91114 | Meadows Apartments | Gilmer | Dennis Hoover |
| 91175 | Chaparral Heights | Mission | Arthur Flores |
| 92042 | Sunrise Project | Edinburg | Theodore Miller |
| 92163 | Tatum Square | Tatum | Jina Sullivan-Hamm |
| 93128 | Project 93 03 | Edinburg | Theodore Miller |
| 94084 | Tidmore Bullard Elderly | Bullard | Charles Tidmore |
| 94085 | Tidmore Bullard Family | Bullard | Charles Tidmore |
| 95104 | Jefferson Square | Brenham | Barbara James |
| 96032 | Mid-Towne II | Tomball | Dennis Hoover |
| 97013 | Pecan Hill | Bryson | William Swan |
| 98049 | Nueces Bend at Two Rivers | San Antonio | Steve Bodkin |
| 534389 | Bentcreek Apartments | Pampa | Jina Sullivan-Hamm |
| 537605 | Denver City Mult-family | Denver City | Christina Rodriguez |
| 98898 | Denton Special needs Housing | Denton | Sheila Harper |
| 02153 | Villa de Escandon | Rio Grande City | Dennis Hoover |
| 02157 | La Mirage | Borger | Patrick Barbolla |
| 03247 | Las Brisas | Alamo | Dennis Hoover |
| 03259 | Pecan Creek | Hillsboro | Patrick Barbolla |
| 04001 | Diana Palms | El Paso | Bobby Bowling |
| 03022 | Tropicana Palms | El Paso | Bobby Bowling |
| 03023 | Capistrano Palms | El Paso | Bobby Bowling |
| 04295 | La Mirgae Villas | Perryton | Patrick Barbolla |
| 04052 | Chilsom Trail | Belton | Leslie Holleman |
| 05016 | Country Lane Senior | Temple | Kenneth Mitchell |
| 05137 | Los Ebanos | Zapata | Dennis Hoover |
| 060206 | Gardens of Mabank | Mabank | Leanne Neal |
| 12264 | LULAC Hacienda | Corpus Christi | Walter Martinez |
| 08264 | Cambridge Crossing | Corsicana | Janine Sisak |
| 07426 | River Park Village East | Lampasas | Chris Flynn |
| 11135 | Jourdanton Square | Jourdanton | Dennis Hoover |

| | | | |
|---------|--|---------------|-------------------|
| 11000 | Canutillo Palms | El Paso | Bobby Bowling |
| 08303 | Heritage Square | Texas City | Chad Asarch |
| 09228 | Lufkin Pioneer Crossing | Lufkin | Noorallah Jooma |
| 10084 | 4415 Perry | Houston | Joy Horak-Brown |
| 10130 | Meadow Vista | Weatherford | Justin MacDonald |
| 11061 | Pioneer Crossing for Seniors Burkburnett | Burkburnett | Noorallah Jooma |
| 11138 | Silver Leaf at Gun Barrel City | Mabank | J. Michael Sugrue |
| 1001589 | Creek View Apartments II | Johnson City | Mark Mayfield |
| 11041 | Riverwoods Commons | Bastrop | Will Markel |
| 12089 | Briarbend | Beaumont | Mark Musemeche |
| 13026 | The Huntington at Sienna Plantation | Missouri City | Mark Musemeche |
| 13032 | StoneLeaf at Eustace | Eustace | Victoria Sugrue |
| 13128 | Winchester Arms | Comanche | Michelle Gardner |

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BOARD REPORT ITEM
ASSET MANAGEMENT DIVISION
OCTOBER 15, 2015

Executive Report of Multifamily Program Amendments, Extensions, and Ownership Transfers

REPORT ITEM

This report contains information on Fiscal Year 2015 – 4th Quarter (6/1/2015 to 8/31/2015).

- 18 LURA Amendments (All Administratively Approved)
- 10 Application Amendments (7 Administratively Approved; 3 Board Approved)
- 15 Extensions – 1 Cost Certification Extensions & 14 Ten Percent Test Extensions (All Administratively Approved)
- 44 Ownership Transfers (All Administratively Approved)

Fiscal Year 2016 – 1st Quarter information will be reported at the January 2016 meeting.

Land Use Restriction Agreement (LURA) Amendments

2015 Quarter 4

ADMINISTRATIVELY APPROVED

| Dev. No. | Date of Approval | Development Name | City | Owner Name/Contact | Type of Amendment |
|----------------|------------------|---------------------------------|---------------|--------------------------------|---|
| 1001759, 12336 | 6/1/2015 | The Residences of Solms Village | New Braunfels | Janna Darmon - Herman & Kittle | Change in applicable fraction for BIN's 1, 2, 5 & 6 |
| 1001393, 11009 | 6/3/2015 | Sunflower Estates | La Feria | Valery Kedroff - Owner Rep | Correction to app frac on BIN # 2 from 90.74% to 87.50% |
| 1001681, 12388 | 6/10/2015 | Paseo Pointe | Los Fresnos | Janice Degollado | Change in applicable fraction |
| 12221 | 6/10/2015 | Riverstone Trails | Sunnyvale | Marie Koeneman | Correction of mobility and hearing visual accessible unit numbers |
| 1001682, 12339 | 6/10/2015 | Hacienda del Sol Apartments | San Benito | Janice Degollado | Change in applicable fraction |
| 99177 | 6/11/2015 | Park at Clear Creek | Hempstead | Compliance Division | Compliance Division requests correction to Set-Aside Percentage |
| 532334 | 6/18/2015 | San Jacinto Senior Housing | San Antonio | Margret Sanchez | Release of LURA |

ADMINISTRATIVELY APPROVED

| Dev. No. | Date of Approval | Development Name | City | Owner Name/Contact | Type of Amendment |
|---------------|------------------|--------------------------|-------------|----------------------------------|--|
| 12300 | 6/30/2015 | Capital Studios | Austin | John Guttman | Waiver Request for Threshold Amenity: Energy Star Rated Ceiling Fan |
| 00030 | 7/1/2015 | Villas of Costa Dorada | San Antonio | Diane Laframboise | Change in supportive services scope and provider. |
| 96113, 536265 | 7/6/2015 | Sunrise Village II | San Marcos | Mary Peterson (Property Manager) | Change in Elderly Restrictions from 63 and 60 to 62+ or 80% at 55 |
| 539116 | 7/10/2015 | Riverview Apartments | San Marcos | Ysella Kaseman | Change number of HOME units from 54 to 53 per 5/10/07 Board approval |
| 00010 | 7/14/2015 | El Patrimonio Apartments | Mcallen | Cynthia Bast | Removal of HUB requirement |
| 03002 | 7/14/2015 | Padre De Vida Apartments | Mcallen | Cynthia Bast | Removal of HUB requirement |
| 02003 | 7/14/2015 | El Pueblo Dorado | Pharr | Cynthia Bast | Removal of HUB requirement. |
| 03036 | 7/14/2015 | Galilean Apartments | Edinburg | Nikki Sheffield | Removal of HUB requirement |

ADMINISTRATIVELY APPROVED

| Dev. No. | Date of Approval | Development Name | City | Owner Name/Contact | Type of Amendment |
|-------------------|------------------|------------------|------------|------------------------------|--|
| 1001676, 12379 | 7/24/2015 | Sunrise Terrace | La Feria | Sara Walker | Change in mobility accessible units on LURA |
| 01037 | 8/5/2015 | Bachon Townhomes | Wylie | Lauren Osterman/Justin Young | Identify Sphinx Development Corporation (SDC) as the HUB, instead of Bachon Townhomes, LLC |
| 11011 | 8/31/2015 | Sedona Village | Fort Worth | Janice Degollado | Add 100% masonry on exterior to Appendix C. This amenity was left out by error. |

Housing Tax Credit Application Amendments

2015 Quarter 4

Board Approved

| Dev. No. | Date of Approval | Development Name | City | Owner Name/Contact | Type of Amendment |
|--------------|------------------|-----------------------------------|----------|---------------------------------|---|
| 12098 | 6/30/2015 | The Belleview (fka1400 Belleview) | Dallas | Sara Reidy | Reduction in acreage resulting in a greater than 5% change in residential density |
| 14070 | 7/16/2015 | Lakeline Station | Austin | John Guttman and Jennifer Hicks | 9% Application review for material alteration of the development |
| 93014, 13048 | 7/30/2015 | Shepherd Seniors Apartments | Shepherd | Devin Baker | Reduction in NRA from Application to Post Carryover |

Administratively Approved

| Dev. No. | Date of Approval | Development Name | City | Owner Name/Contact | Type of Amendment |
|----------|------------------|------------------------|---------------|------------------------|--|
| 12067 | 6/1/2015 | Amberwood Place | Longview | Lisa Stephens | Appeal regarding Development Consultant Fees treated as Developer Fee and waiver request for underwriting criteria (DCR & feasibility) |
| 14150 | 6/11/2015 | Eagles Rest | San Antonio | Anne Tyler, NRP | Addition of Co-Developer with no ownership interest |
| 14283 | 7/14/2015 | Bella Vista Apartments | Alton | Toni Jackson, Attorney | Site reduction (waiver) & change in Development Partnership Structure |
| 05003 | 7/22/2015 | Oasis Apartments | Fort Stockton | Bill Lee | Substitute greater than 75% masonry on exterior with a community garden and additional playground equipment. |

Administratively Approved

| Dev. No. | Date of Approval | Development Name | City | Owner Name/Contact | Type of Amendment |
|-------------------|------------------|--------------------------|--------------|---------------------------|--|
| 13112 | 8/11/2015 | Liberty Trails Townhomes | Liberty Hill | Owen Dundee/Richard Haley | Change in acreage from 9.5 to 10.54 and addition of Picerne Investment Corp as guarantor. Acknowledgment of 1.08% increase in NRA. |
| 14256 | 8/17/2015 | Retama Park | Olmito | Christine Richardson | Change in Developer Structure |
| 11123, 1001576 | 8/27/2015 | Allegre Point | Austin | Mark Musemeche | Amendment to Direct Loan Terms to allow for a 223(f) refinancing |

Housing Tax Credit Extensions

2015 Quarter 4

ADMINISTRATIVELY APPROVED

| Dev. No. | Date of Approval | Development Name | City | Type of Extension | Original Deadline | Approved Deadline |
|-------------------|------------------|---------------------------------|---------------|-------------------|-------------------|-------------------|
| 14037 | 6/8/2015 | Artspace El Paso Lofts | El Paso | 10% Test | 7/1/2015 | 8/1/2015 |
| 1002197, 14170 | 6/8/2015 | The Reserves at Brookside | Borger | 10% Test | 7/1/2015 | 8/17/2015 |
| 1002201, 14132 | 6/8/2015 | Mission Village of Monahans | Monahans | 10% Test | 7/1/2015 | 10/1/2015 |
| 14029 | 6/9/2015 | Royal Gardens | Wichita Falls | 10% Test | 7/1/2015 | 10/30/2015 |
| 14007 | 6/10/2015 | Liberty Manor | Liberty Hill | 10% Test | 7/1/2015 | 7/30/2015 |
| 14025, 91184 | 6/10/2015 | Heritage Place | Jacksonville | 10% Test | 7/1/2015 | 10/1/2015 |
| 1002243, 14209 | 6/18/2015 | Riverside Village Apartments | Rio Hondo | 10% Test | 7/1/2015 | 10/31/2015 |
| 14297 | 6/19/2015 | Casitas Los Olmos | Raymondville | 10% Test | 7/1/2015 | 10/31/2015 |
| 14023 | 6/23/2015 | Heritage Square Apartments | Jacksonville | 10% Test | 7/1/2015 | 10/1/2015 |
| 1002200, 14133 | 6/26/2015 | Mission Village of Jacksonville | Jacksonville | 10% Test | 7/1/2015 | 9/1/2015 |

ADMINISTRATIVELY APPROVED

| Dev. No. | Date of Approval | Development Name | City | Type of Extension | Original Deadline | Approved Deadline |
|----------------------------|------------------|---------------------------------|------------|--------------------|-------------------|-------------------|
| 94007, 14100, 93016, 93017 | 7/9/2015 | SavannahPark of ALK | | 10% Test | 7/1/2015 | 10/1/2015 |
| 14130 | 7/9/2015 | Tays | El Paso | 10% Test | 7/1/2015 | 10/1/2015 |
| 14003, 7, 96035, 91052 | 7/10/2015 | Whitestone & Tamaric Apartments | Cedar Park | 10% Test | 7/1/2015 | 10/28/2015 |
| 14037 | 8/7/2015 | Artspace El Paso Lofts | El Paso | 10% Test | 8/1/2015 | 10/1/2015 |
| 11185 | 8/10/2015 | Azure Pointe | Beaumont | Cost Certification | 1/15/2014 | 7/24/2015 |

Housing Tax Credit Program Ownership Transfers

2015 Quarter 4

ADMINISTRATIVELY APPROVED

| Dev. No. | Date of Approval | Development Name | City | Person/Entity Departing | New Person/Entity | Type of Ownership Change |
|-----------------------|------------------|-----------------------------|-------------|------------------------------------|--------------------------------|---|
| 07203, 15090009907 | 6/3/2015 | Melbourne Seniors | Alvin | NZ-H Properties, Inc | Melbourne SLP, LLC | Change in General Partner |
| 14272 | 6/5/2015 | The Lodge at Huffmeister | Cypress | N/A | Jeffersonian Contractors, Inc. | Addition of For-Profit Buffer Entity |
| 1002199, 14092 | 6/8/2015 | Madison Oaks | Winnsboro | Leslie Holleman & Associates, Inc. | Evolle Housing Partners, LLC | Affiliate |
| 535031 | 6/8/2015 | Parkview Place Apartments | Georgetown | Parkview Owner LLC | Parkview Single LLC | Sale |
| 1002197, 14170 | 6/8/2015 | The Reserves at Brookside | Borger | Ed Keating | Not Applicable | Removal of a principal affiliate |
| 91132 | 6/10/2015 | Bayou Village Place | Houston | SSH Apartments, Inc | Canmar Interests, LP | Full sale of LP to Tenants in Common entity |
| 14150 | 6/11/2015 | Eagles Rest | San Antonio | NRP Eagles Rest SLP, LLC | RD Holdco LLC | Change in GP |
| 05612, 05612B | 6/23/2015 | Park Manor Senior Community | Sherman | HSI | Sherman Senior Housing LLC | GP transfer |
| 060099 | 6/26/2015 | Oakcreek Apartments | Conroe | Apartment Advisors, LLC | SCA Frazier St. Investors, LP | Change in GP |
| 13090009787, 09266 | 6/26/2015 | Skytop Apartments | Conroe | Skytop Apartments, LP | SCA Frazier St. Investor, LP | Change in GP |

ADMINISTRATIVELY APPROVED

| Dev. No. | Date of Approval | Development Name | City | Person/Entity Departing | New Person/Entity | Type of Ownership Change |
|--------------|------------------|---|------------|--|----------------------------------|---|
| 96115 | 7/2/2015 | Early Bird Townhomes | Seguin | Seguin Housing Partners Limited | HKM Stone Ranch Townhomes LLC | Replacement GP |
| 11165 | 7/8/2015 | Playa Del Pueblo | Midland | None | Playa Del Pueblo Ltd. | Addition of Special LP, Co-Developer, and Guarantor |
| 05020 | 7/9/2015 | Central Place | Hereford | CSRI Investments, LLC | Tammie Goldston & Associates LP | General Partner |
| 97143 | 7/9/2015 | Bent Tree Apartments | San Angelo | San Angelo Bent Tree Apartments, L.P. | SA Bent Tree Apartments, L.P. | Sale |
| 93100, 92048 | 7/10/2015 | Villa Oaks (fka Windcrest On Sherwood Apartments) | Houston | Windcrest PCF Ltd | LJC Villa Oaks Townhomes, LP | Purchase/Sale |
| 01050 | 7/10/2015 | Ewing Villas | Dallas | Not Applicable | SDC Ewing Investments, LP | Name Change |
| 01416 | 7/10/2015 | Palomino Place Apartments | Houston | Palomino Place Apartments, Ltd. | Palomino Apartments LP | Purchase/Sale |
| 96177 | 7/17/2015 | Villas Of Sorrento | Dallas | The Villas of Sorrento, A Nevada Limited Partner | Villa Sorrento Apartments, LLC | Sale |
| 93123 | 7/22/2015 | Forest Creek Apartments | Houston | Forest Creek Partnership, Ltd. | Forest Creek Harmony Housing LLC | Purchase/Sale |
| 96179 | 7/23/2015 | Rollins Martin Apartments | Austin | Joe Garcia Company Number One, LP | TSAHC | Property Sale |
| 01037 | 7/23/2015 | Bachon Townhomes | Wylie | Bachon Resources, Inc. | N/A | Acknowledgment of departure of Co-GP |

ADMINISTRATIVELY APPROVED

| Dev. No. | Date of Approval | Development Name | City | Person/Entity Departing | New Person/Entity | Type of Ownership Change |
|-----------------------|------------------|---|-------------|---------------------------------------|--|------------------------------------|
| 97173 | 7/31/2015 | Douglas Landing | Austin | Bethesda Holdings III | Douglas Landing Preservation LLC | New Member in Ownership Structure |
| 05629, 05629B | 8/3/2015 | Village Park Apartments | Houston | Summit America Properties ZZVI, Inc. | Village Park GP, LLC | General Partner |
| 00006T, 060621 | 8/3/2015 | Champions Crossings | San Marcos | TWC Housing, LLC | LRC GP, LLC | Owner of General Partner |
| 03009 | 8/3/2015 | Forest Park Apartments | Bryan | TWC Housing, LLC | LRC GP. LLC; LEDIC Realty Company, LLC | Change in owner of GP |
| 060615, 060615B | 8/3/2015 | Hillcrest Apartments | Mesquite | Summit America Propertis XXVII, Inc. | Hillcrest GP, LLC | General partner interest |
| 99095 | 8/3/2015 | Mesa Place Townhomes (aka Western Mesa Hills) | El Paso | TWC Housing, LLC | LRC FP, LLC | Owner of GP |
| 98089 | 8/3/2015 | Franklin Place Townhomes aka Belvidere Hunt | El Paso | TWC Housing, LLC | LRC GP, LLC | Owner of GP |
| 060616, 060616B | 8/3/2015 | Center Ridge Apartments | Duncanville | Summit America Properties XXVII, Inc. | Center Ridge GP, LLC | General Partner |
| 10400, 06719 | 8/3/2015 | Elmridge Apartments | Austin | Realty Partners, LLC | Elm Ridge GP, LLC | Class B Limited Partner |
| 060627B, 060627 | 8/3/2015 | Aspen Park Apartments | Houston | Summit Aspen Park Apartments, Ltd. | Aspen Park GP, LLC | General Partner |
| 00044T, MF038, 060622 | 8/3/2015 | Red Hills Villas | Round Rock | TWC Housing, LLC | LRC GP, LLC | Change in owner of General Partner |

ADMINISTRATIVELY APPROVED

| Dev. No. | Date of Approval | Development Name | City | Person/Entity Departing | New Person/Entity | Type of Ownership Change |
|-------------------|------------------|---|------------|---|---|---|
| 05623, 05623B | 8/3/2015 | Coral Hills Apartments | Houston | Summit America Properties XXIII, Inc. | Coral Hills GP, LLC | General Partner |
| 02412 | 8/3/2015 | Shady Oaks Manor | Fort Worth | TWC Housing, LLC | LRC GP, LLC | GP transfer |
| 1001491, 11164 | 8/5/2015 | Oasis Cove | Canadian | Not Applicable | Petros-Oasis, LLC | Addition of Class B Limited Partner |
| 96082 | 8/10/2015 | Huntington Meadows (fka Gardens Of Decker Lake) | Austin | LN Realty, Inc. LP, ZJL Housing, Inc. LP and GE Capital Real Estate | Windchime Investments, LLC | LP Transfer |
| 93110 | 8/12/2015 | Spring Glen (fka Shadow Glen Apartments) | Fort Worth | Fort Worth Affordability Inc. | Gulf Coast Housing Partnership, Inc. | Sale |
| 93109 | 8/12/2015 | Spring Hill | Fort Worth | Fort Worth Affordability Inc. | Gulf Coast Housing Partnership, Inc. | Sale |
| 99001 | 8/20/2015 | Oakwood Place Apartments | Dallas | Oakwood Place, Inc. | GIS Irrevocable Trust, DJS Irrevocable Trust and The Stolarski Family Trust (all LPs) | Assignment of GP interest and replacement of LP |
| 93101 | 8/20/2015 | Garland Meadows Apartments | Garland | Outreach Housing Corporation | AH SubGP 245 Garland, LLC SubGP 245 Garland, LLC | Replacement of GP with affiliate of LP |
| 96143 | 8/27/2015 | Las Lomas Apartments | Dallas | Alex Stolarski | GIS Irrevocable Trust, DJS Irrevocable Trust, The Stolarski Family Trust | Limited Partner transfer acknowledgment |
| 00010 | 8/31/2015 | El Patrimonio Apartments | Mcallen | P. Rowan Smith | Vesta Equity / Lewis Brown | Sale |
| 02003 | 8/31/2015 | El Pueblo Dorado | Pharr | P. Rowan Smith | Vesta Equity / Lewis Brown | Sale |

ADMINISTRATIVELY APPROVED

| Dev. No. | Date of Approval | Development Name | City | Person/Entity Departing | New Person/Entity | Type of Ownership Change |
|----------|------------------|--------------------------|---------|-------------------------|----------------------------|--------------------------|
| 03002 | 8/31/2015 | Padre De Vida Apartments | Mcallen | P. Rowan Smith | Vesta Equity / Lewis Brown | Sale |

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2i

BOARD REPORT ITEM

TEXAS HOMEOWNERSHIP DIVISION

OCTOBER 15, 2015

Report Regarding an Invitation for Bid (“IFB”) to administer the Texas Statewide Homebuyer Education Program (“TSHEP”) issued by the Texas Department of Housing and Community Affairs (the “Department”).

Background

On August 27, 2015, the Department issued an IFB to procure a Third Party to administer the Texas Statewide Homebuyer Education Program. Bids were received from two respondents.

A review team of Department staff evaluated the bids and selected the Texas State Affordable Housing Corporation to serve as Administrator of the Texas Statewide Homebuyer Education Program for the Department.

The term of the award will be one year with the ability to renew and extend for one year per renewal for a maximum of three consecutive renewal years.

ACTION ITEMS

3a

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
OCTOBER 15, 2015

Presentation, Discussion, and Possible Action on Timely Filed Appeals and Waivers under any of the Department's Program Rules

RECOMMENDED ACTION

WHEREAS, a Competitive (9%) Housing Tax Credit application for Palm Parque (#15000) was submitted to the Department by the Full Application Delivery Date;

WHEREAS, the Applicant claimed eligibility for points under 10 TAC §11.9(c)(5) related to Education Excellence and §11.9(d)(2) related to Commitment of Development Funding by Local Political Subdivision;

WHEREAS, staff issued a scoring notice to the applicant, denying the points for Education Excellence and Commitment of Development Funding by Local Political Subdivision;

WHEREAS, the Applicant has timely filed an appeal of the scoring notice;

WHEREAS, the Executive Director denied the appeal, and

WHEREAS, the applicant timely filed an appeal to the Governing Board and staff is recommending denial of the appeal

NOW, therefore, it is hereby

RESOLVED, that the appeal of the scoring notice for Palm Parque (#15000) is hereby denied.

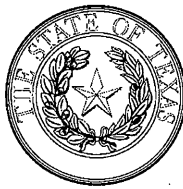
BACKGROUND

Palm Parque, Application #15000 was denied points under §11.9(c)(5) of the Qualified Allocation Plan ("QAP") related to Education Excellence, because the development site was not located within the attendance zone of an elementary, middle, or high school with the appropriate rating. Additionally, the Application was denied points under §11.9(d)(2) related to Commitment of Development Funding by Local Political Subdivision, because 100 percent of the governing board of the Midtown TIRZ is not appointed by the elected officials of the city or county in which the Development Site is located.

The Applicant's appeal of the Scoring Notice referenced only the Commitment of Development Funding by Local Political Subdivision and indicated that the entire Board of the Redevelopment Board was appointed by the Mayor of Houston. However, the response to a request for additional information and subsequent research by staff reflects that three positions on the Board of the TIRZ are not appointed by the Mayor or any other elected official of the city or county. The TIRZ Creation Ordinance indicates that position one

and two are appointed by the State Senator and Representative respectively, and that position eight is appointed by the Houston ISD. The TIRZ website also confirms that these positions are appointed by entities other than elected officials of the city or county.

Staff recommends denial.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Greg Abbott
GOVERNOR

BOARD MEMBERS
J. Paul Oser, *Chair*
Juan S. Muñoz, PhD, *Vice Chair*
Leslie Bingham-Escareño
T. Tolbert Chisum
Tom H. Gann
J.B. Goodwin

October 6, 2015

Writer's direct dial: 512-475-3296
Email: tim.irvine@tdhca.state.tx.us

Rick Sims
Simco Ministries, Inc.
3202 Trulley Ave
Houston, TX 770044

RE: 15000 PALM PARQUE SCORING NOTICE APPEAL

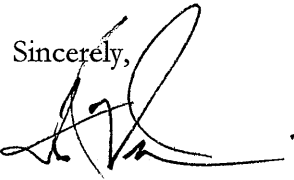
Dear Mr. Sims:

The Texas Department of Housing and Community Affairs is in receipt of your September 28, 2015, appeal, of the scoring notice for the above-referenced Application, as well as additional documentation received October 2, 2015, in response to our request. This Application was denied points under §11.9(c)(5) of the Qualified Allocation Plan ("QAP"), related to Education Excellence, because the development site was not located within the attendance zone of an elementary, middle, or high school with the appropriate rating. Additionally, the Application was denied points under §11.9(d)(2), related to Commitment of Development Funding by Local Political Subdivision, because 100 percent of the governing board of the Midtown Tax Increment Reinvestment Zone ("TIRZ") is not appointed by the elected officials of the city or county in which the Development Site is located.

Your appeal letter referenced only the Commitment of Development Funding by Local Political Subdivision and indicated that the entire Board of the Redevelopment Board was appointed by the Mayor of Houston. However, the original response to our question, and subsequent research by staff, reflects that three positions on the Board of the TIRZ are not appointed by the Mayor or any other elected official of the city or county. The TIRZ Creation Ordinance indicates that position one and two are appointed by the State Senator and Representative, respectively, and that position eight is appointed by the Houston ISD. The TIRZ website also confirms that these positions are appointed by entities other than elected officials of the city or county. Therefore your appeal is denied for failure to satisfy the requirements of the QAP.



You have indicated that you wish to appeal this decision directly to the Governing Board. Therefore, this appeal has been placed on the agenda for the next meeting schedule for October 15, 2015. Should you have any questions, please contact Marni Holloway, Multifamily Finance Director, at marni.holloway@tdhca.state.tx.us or by phone at 512-475-1676.

Sincerely,


Timothy K. Irvine
Executive Director



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2015 Application Round
Scoring Notice - Competitive Housing Tax Credit Application

L.David Punch

Date: September 25, 2015

Phone #:

**THIS NOTICE WILL ONLY BE
TRANSMITTED VIA EMAIL**

Email: pastorpunch@yahoo.com

Second Email: RRsims90@aol.com

RE: 2015 Competitive Housing Tax Credit (HTC) Application for Palm Parque, TDHCA Number: 15000

The Texas Department of Housing and Community Affairs has completed its program review of the Application referenced above as further described in the 2015 Qualified Allocation Plan ("QAP"). This scoring notice provides a summary of staff's assessment of the application's score. The notice is divided into several sections.

Section 1 of the scoring notice provides a summary of the score requested by the Applicant followed by the score staff has assessed based on the Application submitted. You should note that four scoring items are not reflected in this scoring comparison but are addressed separately.

Section 2 of the scoring notice includes each of the four scoring criteria for which points could not be requested by the Applicant in the application self-score form and include: §11.9(d)(1) Local Government Support, §11.9(d)(4) Quantifiable Community Participation, §11.9(d)(5) Community Support from State Representative, and §11.9(d)(6) Input from Community Organizations.

Section 3 provides information related to any point deductions assessed under §11.9(f) of the QAP or §10.201(7)(A) of the Uniform Multifamily Rules.

Section 4 provides the final cumulative score in bold.

Section 5 includes an explanation of any differences between the requested and awarded score as well as any penalty points assessed.

The scores provided herein are merely informational at this point in the process and may be subject to change. For example, points awarded under §11.9(e)(2) "Cost of Development per Square Foot" and §11.9(e)(4) "Leveraging of Private, State, and Federal Resources" may be adjusted should the underwriting review result in changes to the Application that would affect these scores. Likewise, if an Application is awarded points under §11.9(d)(2) "Commitment of Development Funding by Local Political Subdivision" and subsequently receives an award of tax credits, the Applicant must provide a firm commitment of funds as a condition of the Commitment Notice. Applicants may substitute qualifying sources only if no points were elected under §11.9(d)(2)(C). If a scoring adjustment is necessary, staff will provide the Applicant a revised scoring notice.

Be further advised that if the Applicant failed to properly disclose information in the Application that could have a material impact on the scoring information provided herein, the score included in this notice may require adjustment and/or the Applicant may be subject to other penalties as provided for in the Department's rules.

This preliminary scoring notice is provided by staff at this time to ensure that an Applicant has sufficient notice to exercise any appeal process provided under §10.902 of the Uniform Multifamily Rules. All information in this scoring notice is further subject to modification, acceptance, and/or approval by the Department's Governing Board.



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2015 Application Round
Scoring Notice - Competitive Housing Tax Credit Application

Appeal Election Form: 15000, Palm Parque

Note: If you do not wish to appeal this notice, you do not need to submit this form.

I am in receipt of my 2015 scoring notice and am filing a formal appeal to the Executive Director on or before Friday, October 2, 2015.

If my appeal is denied by the Executive Director:

- I do wish to appeal to the Board of Directors and request that my application be added to the Department Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. If no additional documentation is submitted, the appeal documentation to the Executive Director will be utilized.
- I do not wish to appeal to the Board of Directors.

Signed _____

Title _____

Date _____

Please email to Marni Holloway:
<mailto:marni.holloway@tdhca.state.tx.us>



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2015 Application Round
Scoring Notice - Competitive Housing Tax Credit Application

Page 2 of Final Scoring Notice: 15000, Palm Parque

Section 1:

| | |
|--|-----|
| Score Requested by Applicant (Does not include points for §11.9(d)(1), (4), (5), or (6) of the 2015 QAP): | 130 |
| Score Awarded by Department staff (Does not include points for §11.9(d)(1), (4), (5), or (6) of the 2015 QAP): | 116 |
| Difference between Requested and Awarded: | 14 |

Section 2:

| | |
|---|----|
| Points Awarded for §11.9(d)(1) Local Government Support: | 17 |
| Points Awarded for §11.9(d)(4) Quantifiable Community Participation: | 8 |
| Points Awarded for §11.9(d)(5) Community Support from State Representative: | 8 |
| Points Awarded for §11.9(d)(6) Input from Community Organizations: | 0 |

Section 3:

| | |
|--|---|
| Points Deducted for §11.9(f) of the QAP or §10.201(7)(A) of the Uniform Multifamily Rules: | 0 |
|--|---|

Section 4:

| | |
|--|------------|
| Final Score Awarded to Application by Department staff: | 149 |
|--|------------|

Section 5:

Explanation for Difference between Points Requested and Points Awarded by the Department as well as penalties assessed:

§11.9(c)(5) Educational Excellence. Development Site is not located within the attendance zone of an elementary, middle, or high school with the appropriate rating. (Requested 3, Awarded 0)

§11.9(d)(2) Commitment of Development Funding by Local Political Subdivision. The application received 11 points for an application for funding from the City of Houston in the form of a loan. At Commitment, funding was changed to an in-kind contribution from the Midtown TIRZ. However, 100 percent of the governing board of the Midtown TIRZ is not appointed by the elected officials of the city or county in which the Development Site is located, therefore the Application does not qualify for the points under this scoring item, which are hereby rescinded. (Requested 11, Awarded 0)

← See page 9 under Article VI which clearly states how the board is appointed and the elected official appoint 100 percent

Restrictions and requirements relating to the filing of an appeal can be found in §10.902 of the Uniform Multifamily Rules. If you wish to appeal this scoring notice, you must file your appeal with the Department no later than 5:00 p.m. (CST), Friday, October 2, 2015. If an appeal is denied by the Executive Director, an Applicant may appeal to the Department's Board.

In an effort to increase the likelihood that Board appeals related to scoring are heard at the Board meeting, the Department has provided an Appeal Election Form for all appeals submitted to the Executive Director. In the event an appeal is denied by the Executive Director, the Applicant is able to request that the appeal automatically be added to the Board agenda.

If you have any concerns regarding potential miscalculations or errors made by the Department, please contact Marni Holloway at (512) 475-1676 or by email at <mailto:marni.holloway@tdhca.state.tx.us>.

Sincerely,

Marni Holloway
Marni Holloway
Director of Multifamily Finance

City of Houston, Texas, Resolution No.

95-96

A RESOLUTION APPROVING THE CREATION OF THE MIDTOWN REDEVELOPMENT AUTHORITY; APPROVING THE ARTICLES OF INCORPORATION AND THE BYLAWS THEREOF; CONFIRMING THE APPOINTMENT OF THE INITIAL DIRECTORS AND CHAIRPERSON; AND CONTAINING FINDINGS AND OTHER PROVISIONS RELATING TO THE SUBJECT.

* * * * *

WHEREAS, Section 7 of Chapter 1241, Acts of the 71st Legislature of Texas, Regular Session, 1989 (now codified as Section 4A, of Article 1528I, TEX. REV. CIV. STAT. ANN. (Vernon Supp. 1995)) ("Article 1528I"), authorizes the creation and organization of public non-profit local government corporations to act as a duly constituted authority of a city to aid and assist the city in the performance of one or more governmental functions; and

WHEREAS, Section 4A of Article 1528I requires a local government corporation to be created pursuant to the provisions of Chapter 394, Texas Local Government Code (Vernon Supp. 1995), ("Chapter 394"); a local government corporation's articles of incorporation and bylaws shall be in the form and be executed, approved, and filed in the manner prescribed by Chapter 394; and

WHEREAS, a local government corporation may have and exercise all of the powers prescribed by Article 1528I and Article 1396, TEX. REV. CIV. STAT. ANN. (Vernon Supp. 1995) (collectively, the "Acts"); and

JUL 1995
Recorder
Legal Dept.
Land Use Div

WHEREAS, Chapter 394 requires as a condition to the creation of a local government corporation that at least three (3) residents of the city who are citizens of the state and at least eighteen (18) years of age submit a written application for the incorporation of the local government corporation; and

WHEREAS, there has been presented to and filed with the City an application executed by three (3) residents of the City who meet the requirements of Chapter 394 requesting the incorporation of the Midtown Redevelopment Authority (the "Authority") and

WHEREAS, City Council desires to grant the application for incorporation of the Authority, authorize its Articles of Incorporation, approve its Bylaws, appoint the board of directors of the Authority, and take other action with respect to the Authority; **NOW, THEREFORE:**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HOUSTON, TEXAS:

Section 1. The City Council hereby finds, determines, and declares that the application for the incorporation of the Authority is executed and filed in the manner required by Chapter 394 and the City Council therefore has authority to consider and act on the application for incorporation of the Authority.

Section 2. The City Council hereby finds, determines, recites and declares that it is wise, expedient, necessary, and advisable that the Authority be formed, the creation and organization of the Authority under the provisions of the Acts and Chapter 394 as a duly

constituted authority of the City is hereby approved, and the Authority is hereby authorized to aid, assist, and act on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the Midtown Area of Houston and neighboring areas, as more particularly described in City of Houston, Texas, Ordinance No. 94-1345, and as the boundaries may be changed from time to time; to promote, develop, encourage and maintain employment, commerce and economic development in Houston; and to perform the other purposes described in the Articles of Incorporation.

Section 3. The City Council hereby approves the Articles of Incorporation of the Authority in substantially the form attached hereto as Exhibit "A" and authorizes the incorporators of the Authority to file such Articles of Incorporation with the Secretary of State of the State of Texas in the manner provided by law.

Section 4. The City Council hereby approves the Bylaws of the Authority in substantially the form attached hereto as Exhibit "B".

Section 5. The City Council hereby confirms the appointment of the directors listed in the Articles of Incorporation attached hereto.

The City Council hereby confirms the appointment of Doug Williams as the initial Chairperson of the Board of Directors. Subsequent chairpersons shall be designated as provided by the bylaws.

Section 6. The City Council hereby finds, determines, recites, and declares that any notes, bonds, loans, debts or other obligations of the Authority shall not be deemed an indebted-

ness, liability, general or moral obligation or pledge of the faith or credit of the State of Texas, the City of Houston, or any other political subdivision or governmental unit, nor shall any such notes, bonds, loans, debts or other obligations constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction or an agreement, obligation, or indebtedness of the City or of the State of Texas within the meaning of the City Charter or of any constitutional or statutory provision whatsoever.

Section 7. The City Council hereby finds, determines, recites, and declares that it is the purpose, intent, and desire of the City in approving the creation of the Authority and its Articles of Incorporation and Bylaws, that such actions and the Authority hereby authorized comply with the requirements of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations and Internal Revenue Service rulings promulgated thereunder and the rulings issued pursuant thereto, such that the Authority shall be deemed to be a constituted authority acting on behalf of the City pursuant to the provisions of the Acts and Chapter 394, Local Government Code.

Section 8. This Resolution shall take effect immediately upon its passage and approval by the Mayor; however, in the event that the Mayor fails to sign this Resolution within five (5) days after its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

PASSED AND ADOPTED this 28th day of June, 1995.

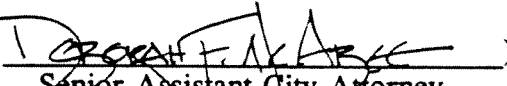
APPROVED this ___ day of _____, 1995.

Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Resolution is 7-4-95, 1995.



City Secretary

Bm
(Prepared by Legal Dept. )
(DFM/dfm 6/14/95) Senior Assistant City Attorney
(Requested by Richard Lewis, Director, Finance and Administration Department)
L.D. No. 349520801

ARTICLES OF INCORPORATION
OF
MIDTOWN REDEVELOPMENT AUTHORITY

We, the undersigned natural persons, each of whom is at least eighteen (18) years of age or more, and a resident and a qualified voter of the City of Houston, Texas (the "City") and a citizen of the State of Texas, acting as incorporators of a corporation under the provisions of Article 1528I, Vernon's Texas Civil Statutes (the "Act"), and Chapter 394, Vernon's Texas Codes Annotated, Texas Local Government Code (the "Local Government Code"), do hereby adopt the following Articles of Incorporation for such corporation:

ARTICLE I

The name of the corporation is MIDTOWN REDEVELOPMENT AUTHORITY.

ARTICLE II

The Corporation is a public non-profit corporation.

ARTICLE III

The period of duration of the Corporation shall be the same as the duration of Reinvestment Zone Number Two, City of Houston, Texas ("Midtown TID"), as established by City of Houston, Texas, Ordinance No. 94-1345, and as may be amended from time to time .

ARTICLE IV

The Corporation is organized for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the Midtown Area of Houston and neighboring areas, as more particularly described in City of Houston, Texas, Ordinance No. 94-1345, and as the boundaries may be amended from time to time ("Midtown"); to promote, develop, encourage and maintain housing, employment, commerce and economic development in the City; and to expand and develop the educational facilities and opportunities in Midtown.

The Corporation is further organized to aid, assist and act on behalf of the City and the Board of Directors of the Midtown TID:

- (a) in the preparation and implementation of a Project Plan and a Financing Plan for the Midtown TID,
- (b) in the development of an inner-city redevelopment policy, including a policy for the acquisition of land and land use controls,
- (c) in the development of a policy to finance development and redevelopment of residential and commercial properties in the inner City , and
- (d) in the development of a policy for disposition of abandoned street rights-of-way, street setbacks and code revisions which will encourage inner-city redevelopment.

The Corporation is formed pursuant to the provisions of the Act as it now or may hereafter be amended, and Chapter 394, Texas Local Government Code, which authorizes the Corporation to assist and act on behalf of the City and to engage in activities in the furtherance of the purposes for its creation, provided that the Corporation shall not be authorized to make or acquire home mortgages, or to make loans to lending institutions, the proceeds of which are to be used to make home mortgages or to make loans on residential developments.

The Corporation shall have and exercise all of the rights, powers, privileges, authority, and functions given by the general laws of Texas to non-profit corporations incorporated under the Act including, without limitation, Article 1396, Vernon's Texas Civil Statutes.

The Corporation shall have all other powers of a like or different nature not prohibited by law which are available to non-profit corporations in Texas and which are necessary or useful to enable the Corporation to perform the purposes for which it is created, including the power to issue bonds, notes or other obligations, and otherwise exercise its borrowing power to accomplish the purposes for which it was created, provided that the Corporation shall not issue bonds without the consent of the City Council.

The Corporation is created as a local government corporation pursuant to the Act and shall be a governmental unit within the meaning of Subdivision (2), Section 101.001, Texas Civil Practice and Remedies Code. The operations of the Corporation are governmental and not proprietary functions for purposes of the Texas Tort Claims Act, Section 101.001 et seq., Texas Civil Practice and Remedies Code. The Corporation shall have the power to acquire land in accordance with the Act as amended from time to time.

ARTICLE V

The Corporation shall have no members and shall have no stock.

ARTICLE VI

All powers of the Corporation shall be vested in a Board consisting of nine (9) persons. The initial directors of the Corporation ("Director" or "Directors") shall be those persons named in Article VIII. Each initial Director named in Article VIII hereof shall serve for the term expiring on the date set forth in Article VIII. Subsequent Directors shall be appointed by position to the Board by the Mayor of the City with the approval of the City Council of the City. [Recommendations for persons to serve in positions 1, 2, 8 and 9 of the board may be made by the person or entity appointing board members for the comparable position on the Board of Directors of the Midtown TID.] Except as provided in the Articles of Incorporation, each Director shall serve for the term provided in the Bylaws. Any Director may be removed from office at any time, with or without cause, by the City Council. The number of Directors may only be increased or decreased by an amendment to these Articles of Incorporation.

The initial Chairperson shall be Doug Williams, and the Mayor of the City shall designate each subsequent Chairperson of the Board of Directors.

If any of the following persons is not serving as a member of the Board, he or she shall serve as an ex-officio, non-voting member of the Board:

- (1) Chief of Staff, Mayor's Office;
- (2) Director of the Department of Public Works and Engineering;
- (3) Director of the Finance and Administration Department;

- (4) Director of the Planning and Development Department;
- (5) Director of the Parks and Recreation Department; and
- (6) Chairman of the Board of the Metropolitan Transit Authority of Harris County.

In addition, the Board of Directors of the Corporation may designate one or more representatives of the Houston Independent School District, Harris County, Houston Community College or other political subdivisions as ex officio, non-voting members of the Board of Directors.

All other matters pertaining to the internal affairs of the Corporation shall be governed by the Bylaws of the Corporation, so long as such Bylaws are not inconsistent with these Articles of Incorporation, or the laws of the State of Texas.

ARTICLE VII

The street address of the initial registered office of the Corporation is 1001 Fannin, Houston, Texas, 77002, and the name of its initial registered agent at such address is Robert R. Randolph.

ARTICLE VIII

The number of Directors initially constituting the Board is nine (9). The names, addresses, and positions of eight (8) of the initial Directors, each of whom resides within the City, are:

| <u>POS.</u> | <u>NAME</u> | <u>ADDRESS</u> |
|-------------|--|--|
| 1 | William Paul Thomas | 440 Louisiana, Suite 575 Houston, Texas 77002 |
| 2 | Barron F. Wallace | 1000 Louisiana, Suite 5400 Houston, Texas 77002 |
| 3 | Doug O. Williams | 5100 Westheimer, Suite 580 Houston, Texas 77056 |
| 4 | Nicole Cao | 3001 South Main Houston, Texas 77002 |
| 5 | Allen Crosswell | 1800 Bering, Suite 501 Houston, Texas 77057 |
| 6 | D. V. "Sonny" Flores | P.O. Box 230710 Houston, Texas 77223-0710 |
| 7 | David Edwards | 2102 Crawford, Suite 3071 Houston, Texas 77002 |
| 8 | Linda K. Brown | P.O. Box 131886 Houston, Texas 77219 |
| 9 | [Houston Independent School District representative to be named] | |

The term of each position shall be coterminous with the term of the corresponding position on the Board of Directors of the Midtown TID, as established by City of Houston, Texas, Ordinance No. 94-1345, as may be amended from time to time.

ARTICLE IX

The names and street addresses of the incorporators, each of whom resides within the City, are:

| <u>NAME</u> | <u>ADDRESS</u> |
|----------------------|---|
| Robert R. Randolph | 1812 Albans, Houston, Texas, 77005 |
| Allen H. Crosswell | 1112 Bering, #42, Houston, Texas 77057 |
| D. V. "Sonny" Flores | 1710 Telephone Road, Houston, Texas 77023 |

ARTICLE X

No Director shall be liable to the Corporation for monetary damages for an act or omission in the Director's capacity as a Director, except for liability (i) for any breach of the Director's duty of loyalty to the Corporation, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for any transaction from which the Director received an improper benefit, whether or not the benefit resulted from an act taken within the scope of the Director's office, or (iv) for acts or omissions for which the liability of a Director is expressly provided by statute. Any repeal or amendment of this Article by the Directors shall be prospective only, and shall not adversely affect any limitation on the personal liability of a Director existing at the time of such repeal or amendment. In addition to the circumstances in which a Director is not personally liable as set forth in the preceding sentences, a Director shall not be liable to the fullest extent permitted by any amendment to the Texas statutes hereafter enacted that further limits the liability of a Director.

ARTICLE XI

In accordance with the provisions of Section 501(c)(3) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and regardless of any other provisions of these Articles of Incorporation or the laws of the State of Texas, the Corporation: (a) shall not permit any part of the net earnings of the Corporation to inure to the benefit of any private individual (except that reasonable compensation may be paid for personal services rendered to or for the Corporation in effecting one or more of its purposes); (b) shall not direct any of its activities to attempting to influence legislation by propaganda or otherwise; (c) shall not participate in, or intervene in (including the publication or distribution of statements), any political campaign on behalf of any candidate for public office; and (d) shall not attempt to influence the outcome of any election for public office or to carry on, directly or indirectly, any voter registration drives. Any income earned by the Corporation after payment of reasonable expenses, debt and establishing a reserve shall accrue to the City.

The City shall, at all times, have an unrestricted right to receive any income earned by the Corporation, exclusive of amounts needed to cover reasonable expenditures and reasonable reserves for future activities. Unless otherwise directed by the City, any income of the Corporation received by the City shall be deposited into the Reinvestment Zone Number Two, Houston, Texas, Tax Increment Fund, or its successor. No part of the Corporation's income shall inure to the benefit of any private interests.

If the Board of Directors determines by resolution that the purposes for which the Corporation was formed have been substantially met and all bonds issued by and all obligations incurred by the Corporation have been fully paid, the Board shall execute a certificate of dissolution which states those facts and declares the Corporation dissolved in accordance with the requirements of Section 394.026 of Vernon's Texas Codes Annotated, Local Government Code, or with applicable law then in existence. In the event of dissolution or liquidation of the Corporation, all assets will be turned over to the Finance and Administration Department of the City, or its successor, for deposit into the Reinvestment Zone Number Two, Houston, Texas Tax Increment Fund unless the City Council shall otherwise direct.

Any capital project(s) of the Corporation as well as all plans and specifications of any improvement to be made by the Corporation shall be approved by the Director of the City Civic Center Department.

ARTICLE XII

If the Corporation is a private foundation within the meaning of Section 509(a) of the Code, the Corporation: (a) shall distribute its income for each taxable year at such time and in such manner as not to become subject to the tax on undistributed income imposed by Section 4942 of the Code; (b) shall not engage in any act of self-dealing as defined in Section 4941(d) of the Code; (c) shall not retain any excess business holdings as defined in Section 4943(c) of the Code; (d) shall not make any investments in such manner as to subject it to tax under Section 4944 of the Code; and (e) shall not make any taxable expenditures as defined in Section 4945(d) of the Code.

ARTICLE XIII

These Articles may not be changed or amended unless approved by the City Council of the City.

ARTICLE XIV

On _____, the City Council of the City duly adopted a resolution approving the form of these Articles of Incorporation and approving the creation of the Corporation.

IN WITNESS WHEREOF, we have hereunto set our hands this ___ day of _____, 1995.

THE STATE OF TEXAS §

COUNTY OF HARRIS §

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____ day of _____, 1995.

My Commission Expires:

Notary Public in and for
The State of Texas

THE STATE OF TEXAS §

COUNTY OF HARRIS §

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____ day of _____, 1995.

My Commission Expires:

Notary Public in and for
The State of Texas

THE STATE OF TEXAS §

COUNTY OF HARRIS §

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____ day of _____, 1995.

My Commission Expires:

Notary Public in and for
The State of Texas

BYLAWS
OF
MIDTOWN REDEVELOPMENT AUTHORITY

A Texas Local Government Corporation
(Created on behalf of the City of Houston)

Date of Adoption: _____

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OF
MIDTOWN REDEVELOPMENT AUTHORITY

ARTICLE I

PURPOSES

The Corporation is organized for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the Midtown Area of Houston and neighboring areas, as more particularly described in City of Houston, Texas, Ordinance No. 94-1345, and as the boundaries may be changed from time to time ("Midtown"); to promote, develop, encourage and maintain housing, employment, commerce and economic development in the City; and to expand and develop the educational facilities and opportunities in Midtown.

The Corporation is further organized to aid, assist and act on behalf of the City and the Board of Directors of Reinvestment Zone Number Two, City of Houston, Texas ("Midtown TID"):

- (a) in the preparation and implementation of a Project Plan and a Financing Plan for the Midtown TID,
- (b) in the development of an inner-city redevelopment policy, including a policy for the acquisition of land and land use controls,
- (c) in the development of a policy to finance development and redevelopment of residential and commercial properties in the inner City , and
- (d) in the development of a policy for disposition of abandoned street rights-of-way, street setbacks and code revisions which will encourage inner-city redevelopment.

The Corporation is formed pursuant to the provisions of Articles 1528~~l~~ and 1396, Tex. Rev. Civ. Stat. Ann. (the " Act") as it now or may hereafter be amended, and Chapter 394, Texas Local Government Code, which authorizes the Corporation to assist and act on behalf of the City and to engage in activities in the furtherance of the purposes for its creation.

The Corporation shall have and exercise all of the rights, powers, privileges, authority, and functions given by the general laws of Texas to non-profit corporations incorporated under the Act including, without limitation, Article 1396, Tex. Rev. Civ. Stat.

The Corporation shall have all other powers of a like or different nature not prohibited by law which are available to non-profit corporations in Texas and which are necessary or useful to enable the Corporation to perform the purposes for which it is created, including the power to issue bonds, notes or other obligations, and otherwise exercise its borrowing power to accomplish the purposes for which it was created, provided that the Corporation shall not issue bonds or notes without the consent of the City Council.

The Corporation is created as a local government corporation pursuant to the Act and shall be a governmental unit within the meaning of Subdivision (2), Section 101.001, Texas Civil Practice and

Remedies Code. The operations of the Corporation are governmental and not proprietary functions for purposes of the Texas Tort Claims Act, Section 101.001 et seq., Texas Civil Practice and Remedies Code. The Corporation shall have the power to acquire land in accordance with the Act as amended from time to time.

ARTICLE II

BOARD OF DIRECTORS

Section 1. Appointment, Classes, Powers, Number, and Term of Office. All powers of the Corporation shall be vested in a Board consisting of nine (9) persons. Directors of the Corporation ("Director" or "Directors") shall be appointed by position to the Board. Each initial Director shall serve for the term expiring on the date set forth in the Articles of Incorporation. Except as provided in the Articles of Incorporation, Directors shall be appointed by the Mayor of the City with the approval of the City Council of the City. Each Director shall serve for the term described below for the position to which such person was appointed, or until his or her successor is appointed by the City unless such Director has been appointed to fill an unexpired term in which case the term of the Director shall expire on the expiration date of the term of the Director whose position he or she was appointed to fill. Any Director may be removed from office at any time, with or without cause, by the City Council. The number of Directors may only be increased or decreased by an amendment to the Articles of Incorporation.

The chairperson of the Board shall be designated by the Mayor of the City.

The term of each position shall be coterminous with the term of the corresponding position on the Board of Directors of Reinvestment Zone Number Two, City of Houston, Texas, as established by City of Houston, Texas Ordinance No. 94-1345, as may be amended from time to time.

If any of the following persons are not serving as a member of the Board, he or she shall serve as an ex-officio, non-voting member of the Board:

- (1) Chief of Staff, Mayor's Office;
- (2) Director of the Department of Public Works and Engineering;
- (3) Director of the Planning and Development Department;
- (4) Director of the Finance and Administration Department;
- (5) Director of the Parks and Recreation Department; and
- (6) Chairman of the Board of the Metropolitan Transit Authority of Harris County.

Any person designated as an ex-officio member of the Board is entitled to notice of and to attend meetings of the Board.

Section 2. Meetings of Directors. The Directors may hold their meetings and may have an office and keep the books of the Corporation at such place or places within the City as the Board may from time to time determine; provided, however, in the absence of any such determination, such place shall be the registered office of the Corporation in the State of Texas.

The Board shall meet in accordance with and file notice of each meeting of the Board for the same length of time and in the same manner and location as is required of a City under Chapter 551, Texas Government Code (the "Open Meetings Act").

The Corporation, the Board, and any committee of the Board exercising the powers of the Board are subject to Chapter 552, Texas Government Code (the "Open Records Act").

Section 3. Annual Meetings. The annual meeting of the Board shall be held at the time and at the location in the City designated by the resolution of the Board for the purposes of transacting such business as may be brought before the meeting.

Section 4. Regular Meetings. Regular meetings of the Board shall be held at such times and places as shall be designated, from time to time, by resolution of the Board.

Section 5. Special and Emergency Meetings. Special and emergency meetings of the Board shall be held whenever called by the Chairperson of the Board or the Secretary or by a majority of the Directors who are serving duly appointed terms of office at the time the meeting is called.

The Secretary shall give notice of each special meeting in person, by telephone, FAX, mail or telegraph at least three (3) days before the meeting to each Director. Notice of each emergency meeting shall also be given in the manner required of the City under Subsections (f) and (h) of Section 3A of the Open Meetings Act. Unless otherwise indicated in the notice thereof, any and all matters pertaining to the purposes of the Corporation may be considered and acted upon at a special or emergency meeting. At any meeting at which every Director shall be present, even though without any notice, any matter pertaining to the purposes of the Corporation may be considered and acted upon to the extent allowed by the Open Meetings Act.

Section 6. Quorum. A majority of the Board shall constitute a quorum for the consideration of matters pertaining to the purposes of the Corporation. If at any meeting of the Board there is less than a quorum present, a majority of those present may adjourn the meeting from time to time. The act of a majority of the Directors present and voting at a meeting at which a quorum is in attendance shall constitute the act of the Board, unless the act of a greater number is required by law, by the Articles of Incorporation, or by these Bylaws.

A Director who is present at a meeting of the Board at which any corporate action is taken shall be presumed to have assented to such action unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of the action.

Section 7. Conduct of Business. At the meetings of the Board, matters pertaining to the purposes of the Corporation shall be considered in such order as from time to time the Board may determine.

At all meetings of the Board, the Chairperson shall preside, and in the absence of the Chairperson, the Vice Chairperson shall preside. In the absence of the Chairperson and the Vice Chairperson, a chairperson shall be chosen by the Board from among the Directors present.

The Secretary of the Corporation shall act as secretary of all meetings of the Board, but in the absence of the Secretary, the presiding officer may appoint any person to act as secretary of the meeting.

Section 8. Executive Committee, Other Committees. The Board may, by resolution passed by a majority of the Directors, designate three (3) or more Directors to constitute an executive committee or other type of committee. To the extent provided in the authorizing resolution, a committee shall have and may exercise all of the authority of the Board in the management of the Corporation, except where action of the Board is specified by statute. A committee shall act in the manner provided in the authorizing resolution. Each committee so designated shall keep regular minutes of the transactions of its meetings and shall cause such minutes to be recorded in books kept for that purpose in the office of the Corporation, and shall report the same to the Board from time to time. Committees authorized to exercise the powers of the Board shall give notice of any meeting in the manner required for a meeting of the Board.

Section 9. Compensation of Directors. Directors, as such, shall not receive any salary or compensation for their services as Directors; provided, that nothing contained herein shall be construed to preclude any Director from receiving compensation which is not excessive and which is at commercially reasonable rates for personal services (rendered in other than a "Director" capacity) which are reasonable and necessary in carrying out the Corporation's purposes.

Section 10. Board of Advisory Directors. The Board may establish a Board of Advisory Directors composed of members who are, in the judgment of the Board, qualified to advise with respect to the activities of the Corporation. Members of the Board of Advisory Directors shall serve for a term of one (1) year or such longer term as may be fixed by the Board, not to exceed four (4) years. Advisory Directors may be removed by the Board at any time with or without cause. The number of members of the Board of Advisory Directors shall be fixed from time to time by the Board. The officers and Directors of the Corporation may consult with the Board of Advisory Directors from time to time with respect to the activities of the Corporation but the Board of Advisory Directors shall in no way restrict the powers of the Board nor limit its responsibilities or obligations. The Board of Advisory Directors shall have no responsibility for the management of the affairs of the Corporation. Advisory Directors shall not receive any salary or compensation for their services as Advisory Directors; provided, that nothing contained herein shall be construed to preclude any Advisory Director from receiving compensation which is not excessive and which is at commercially reasonable rates for personal services (rendered in other than an "Advisory Director" capacity) which are reasonable and necessary in carrying out the Corporation's purposes.

Section 11. Director's Reliance on Consultant Information. A Director shall not be liable if while acting in good faith and with ordinary care, he relies on information, opinions, reports, or statements, including financial statements and other financial data, concerning the Corporation or another person, that were prepared or presented by:

- (a) one or more other officers or employees of the Corporation;
- (b) legal counsel, public accountants, or other persons as to matters the officer reasonably believes are within the person's professional or expert competence; or
- (c) a committee of the Board of which the Director is not a member.

ARTICLE III

OFFICERS

Section 1. Titles and Term of Office. The officers of the Corporation shall be a chairperson of the Board, one or more vice chairpersons of the Board, a president, one or more vice presidents, a

secretary, a treasurer, and such other officers as the Board may from time to time elect or appoint. One person may hold more than one office, except that neither the Chairperson of the Board nor the President shall hold the office of Secretary. The term of office for each officer (other than the Chairperson) shall be two (2) years commencing with the date of the annual meeting of the Board at which each such officer is elected. The Chairperson shall serve for the term designated by the Mayor of the City.

All officers (other than the Chairperson) shall be subject to removal, with or without cause, at any time by a vote of a majority of the whole Board.

A vacancy in the office of any officer (other than the Chairperson) shall be filled by the Board.

Section 2. Powers and Duties of the Chairperson. The Chairperson shall be a member of the Board and shall preside at all meetings of the Board. The Chairperson shall be designated by the Mayor of the City. He or she shall have such duties as are assigned by the Board. The Chairperson may call special or emergency meetings of the Board.

Section 3. Powers and Duties of the Vice Chairperson. The Vice Chairperson shall be a member of the Board. The Vice Chairperson shall perform the duties and exercise the powers of the Chairperson upon the Chairperson's death, absence, disability, or resignation, or upon the Chairperson's inability to perform the duties of his or her office. Any action taken by the Vice Chairperson in the performance of the duties of the Chairperson shall be conclusive evidence of the absence or inability to act of the Chairperson at the time such action was taken.

Section 4. Powers and Duties of the President. The President shall be the principal executive officer of the Corporation and, subject to the Board, he or she shall be in general charge of the properties and affairs of the Corporation. In furtherance of the purposes of the Corporation and subject to the limitations contained in the Articles of Incorporation, the President, Chairperson, or Vice Chairperson may sign and execute all bonds, notes, deeds, conveyances, franchises, assignments, mortgages, notes, contracts and other obligations in the name of the Corporation.

Section 5. Vice Presidents. A Vice President shall have such powers and duties as may be assigned to him or her by the Board or the President, including the performance of the duties of the President upon the death, absence, disability, or resignation of the President, or upon the President's inability to perform the duties of his or her office. Any action taken by the Vice President in the performance of the duties of the President shall be conclusive evidence of the absence or inability to act of the President at the time such action was taken.

Section 6. Treasurer. The Treasurer shall have custody of all the funds and securities of the Corporation which come into his or her hands. When necessary or proper, he or she may endorse, on behalf of the Corporation, for collection, checks, notes and other obligations and shall deposit the same to the credit of the Corporation in such bank or banks or depositories as shall be designated in the manner prescribed by the Board; he or she may sign all receipts and vouchers for payments made to the Corporation, either alone or jointly with such other officer as is designated by the Board; whenever required by the Board, he or she shall render a statement of his or her case account; he or she shall enter or cause to be entered regularly in the books of the Corporation to be kept by him or her for that purpose full and accurate accounts of all moneys received and paid out on account of the Corporation; he or she shall perform all acts incident to the position of Treasurer subject to the control of the Board; and he or she shall, if required by the Board, give such bond for the faithful discharge of his or her duties in such form as the Board may require.

Section 7. Secretary. The Secretary shall keep the minutes of all meetings of the Board in books provided for that purpose; he or she shall attend to the giving and serving of all notices; in furtherance of the purposes of the Corporation and subject to the limitations contained in the Articles of Incorporation, he or she may sign with the President in the name of the Corporation and/or attest the signatures thereof, all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes and other instruments of the Corporation; he or she shall have charge of the Corporation's books, records, documents and instruments, except the books of account and financial records and securities of which the Treasurer shall have custody and charge, and such other books and papers as the Board may direct, all of which shall at all reasonable times be open to the inspection of any Director upon application at the office of the Corporation during business hours; and, he or she shall in general perform all duties incident to the office of Secretary subject to the control of the Board.

Section 8. Compensation. Officers may be entitled to receive such salary or compensation for personal services which are necessary and reasonable in carrying out the Corporation's purposes as the Board may from time to time determine, provided, that in no event shall the salary or compensation be excessive. Board members, even if they are officers, are not entitled to compensation except as otherwise provided in Article II, Section 9.

Section 9. Officer's Reliance on Consultant Information. In the discharge of a duty imposed or power conferred on an officer of the Corporation, the officer may in good faith and with ordinary care rely on information, opinions, reports, or statements, including financial statements and other financial data, concerning the Corporation or another person, that were prepared or presented by:

- a. one or more other officers or employees of the Corporation, including members of the Board;
- or
- b. legal counsel, public accountants, or other persons as to matters the officer reasonably believes are within the person's professional or expert competence.

ARTICLE IV

MISCELLANEOUS PROVISIONS

Section 1. Fiscal Year. The fiscal year of the Corporation shall be as determined by the Board.

Section 2. Seal. The seal of the Corporation shall be such as from time to time may be approved by the Board.

Section 3. Notice and Waiver of Notice. Whenever any notice whatever is required to be given under the provisions of these Bylaws, such notice shall be deemed to be sufficient if given by depositing the same in a post office box in a sealed postpaid wrapper addressed to the person entitled thereto at his or her post office address, as it appears on the books of the Corporation, and such notice shall be deemed to have been given on the day of such mailing. A waiver of notice, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

Section 4. Resignations. Any Director, officer or Advisory Director may resign at any time. Such resignations shall be made in writing and shall take effect at the time specified therein, or, if no time

be specified, at the time of its receipt by the President or Secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 5. Gender. References herein to the masculine gender shall also refer to the feminine in all appropriate cases.

Section 6. Appropriations and Grants. The Corporation shall have the power to request and accept any appropriation, grant, contribution, donation, or other form of aid from the federal government, the State, any political subdivision, or municipality in the State, or from any other source.

ARTICLE V

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Right to Indemnification. Subject to the limitations and conditions as provided in this Article V and the Articles of Incorporation, each person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrate or investigative (hereinafter a "proceeding"), or any appeal in such a proceeding or any inquiry or investigation that could lead to such a proceeding, by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a Director or officer of the Corporation or while a Director or officer of the Corporation is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise shall be indemnified by the Corporation to the fullest extent permitted by the Texas Non-Profit Corporation Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such person in connection with such proceeding, and indemnification under this Article V shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder. The rights granted pursuant to this Article V shall be deemed contract rights, and no amendment, modification or repeal of this Article V shall have the effect of limiting or denying any such rights with respect to actions taken or proceedings arising prior to any such amendment, modification or repeal. It is expressly acknowledged that the indemnification provided in this Article V could involve indemnification for negligence or under theories of strict liability.

Section 2. Advance Payment. The right to indemnification conferred in this Article V shall include the right to be paid in advance or reimbursed by the Corporation the reasonable expenses incurred by a person of the type entitled to be indemnified under Section 1 who was, is or is threatened to be made a named defendant or respondent in a proceeding in advance of the final disposition of the proceeding and without any determination as to the person's ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred by any such person in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of a written affirmation by such Director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification under this Article V and a written undertaking, by or on behalf of such person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified person is not entitled to be indemnified under this Article V or otherwise.

Section 3. Indemnification of Employees and Agents. The Corporation, by adoption of a resolution of the Board, may indemnify and advance expenses to an employee or agent of the Corporation to the same extent and subject to the same conditions under which it may indemnify and advance expenses to Directors and officers under this Article V; and the Corporation may indemnify and advance expenses to persons who are not or were not Directors, officers, employees or agents of the Corporation but who are or were serving at the request of the Corporation as a Director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any liability asserted against him or her and incurred by him or her in such a capacity or arising out of his or her status as such a person to the same extent that it may indemnify and advance expenses to Directors under this Article V.

Section 4. Appearance as a Witness. Notwithstanding any other provision of this Article V, the Corporation may pay or reimburse expenses incurred by a Director or officer in connection with his or her appearance as a witness or other participation in a proceeding involving the Corporation or its business at a time when he or she is not a named defendant or respondent in the proceeding.

Section 5. Non-exclusivity of Rights. The right to indemnification and the advancement and payment of expenses conferred in this Article V shall not be exclusive of any other right which a Director or officer or other person indemnified pursuant to Section 3 of this Article V may have or hereafter acquire under any law (common or statutory), provision of the Articles of Incorporation of the Corporation or these Bylaws, agreement, vote of shareholders or disinterested Directors or otherwise.

Section 6. Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself and any person who is or was serving as a Director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a Director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, proprietorship, employee benefit plan, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under this Article V.

Section 7. Notification. Any indemnification of or advance of expenses to a Director or officer in accordance with this Article V shall be reported in writing to the members of the Board with or before the notice of the next regular meeting of the Board and, in any case, within the 12-month period immediately following the date of the indemnification or advance.

Section 8. Savings Clause. If this Article V or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each Director, officer or any other person indemnified pursuant to this Article V as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, to the full extent permitted by any applicable portion of this Article V that shall not have been invalidated and to the fullest extent permitted by applicable law.

ARTICLE VI

PROVISIONS RELATING TO MINORITY CONTRACTING

Section 1. Minority Contracts. The Corporation shall attempt to stimulate the growth of disadvantaged businesses inside the City by encouraging the full participation of disadvantaged

businesses in all phases of its procurement activities and affording those disadvantaged businesses a full and fair opportunity to compete for Corporation contracts. The Corporation shall establish one or more programs designed to increase participation by disadvantaged businesses in contract awards which will conform to City approved programs. Any program established by the Corporation shall provide that disadvantaged businesses certified by the City shall be the disadvantaged businesses certified for Corporation contracts.

ARTICLE VII

CODE OF ETHICS

Section 1. Policy and Purposes.

a. It is the policy of the Corporation that Directors and officers conduct themselves in a manner consistent with sound business and ethical practices; that the public interest always be considered in conducting corporate business; that the appearance of impropriety be avoided to ensure and maintain public confidence in the Corporation; and that the Board establish policies to control and manage the affairs of the Corporation fairly, impartially, and without discrimination.

b. This Code of Ethics has been adopted as part of the Corporation's Bylaws for the following purposes: (a) to encourage high ethical standards in official conduct by Directors and corporate officers; and (b) to establish guidelines for such ethical standards of conduct.

Section 2. Conflicts of Interest.

a. Except as provided in subsection (c), a Director or officer is prohibited from participating in a vote, decision, or award of a contract involving a business entity or real property in which the Director or the officer has a substantial interest, if it is foreseeable that the business entity or real property will be economically benefited by the action. A person has a substantial interest in a business (i) if his or her ownership interest is ten percent or more of the voting stock or shares of the business entity or ownership of \$5,000 or more of the fair market value of the business entity, or (ii) if the business entity provides more than ten percent of the person's gross income. A person has a substantial interest in real property if the interest is an equitable or legal ownership with a fair market value of \$2,500 or more. An interest of a person related in the second degree by affinity or the third degree by consanguinity to a Director or officer is considered a substantial interest.

b. If a Director or a person related to a Director in the first or second degree by affinity or the first, second, or third degree by consanguinity has a substantial interest in a business entity or real property that would be pecuniarily affected by any official action taken by the Board, such Director, before a vote or decision on the matter, shall file an affidavit stating the nature and extent of the interest. The affidavit shall be filed with the Secretary of the Board.

c. A Director who has a substantial interest in a business entity that will receive a pecuniary benefit from an action of the Board may vote on that action if a majority of the Board has a similar interest in the same action or if all other similar business entities in the Corporation will receive a similar pecuniary benefit.

d. An employee of a public entity may serve on the Board.

Section 3. Acceptance of Gifts. No Director or officer shall accept any benefit as consideration for any decision, opinion, recommendation, vote or other exercise of discretion in carrying out official acts for the Corporation. No Director or officer shall solicit, accept, or agree to accept any benefit from a person known to be interested in or likely to become interested in any contract, purchase, payment, claim or transaction involving the exercise of the Director's or officer's discretion. As used here, "benefit" does not include:

a. a fee prescribed by law to be received by a Director or officer or any other benefit to which the Director or officer is lawfully entitled or for which he gives legitimate consideration in a capacity other than as a Director or officer;

b. a gift or other benefit conferred on account of kinship or a personal, professional, or business relationship independent of the official status of the Director or officer;

c. an honorarium in consideration for legitimate services rendered above and beyond official duties and responsibilities if:

(1) not more than one honorarium is received from the same person in a calendar year;

(2) not more than one honorarium is received for the same service; and

(3) the value of the honorarium does not exceed \$250 exclusive of reimbursement for travel, food, and lodging expenses incurred by the Director or officer in performance of the services;

d. a benefit consisting of food, lodging, transportation, or entertainment accepted as a guest is reported as may be required by law.

Section 4. Bribery. A Director or officer shall not intentionally or knowingly offer, confer or agree to confer on another, or solicit, accept, or agree to accept from another:

a. any benefit as consideration for the Director's or officer's decision, opinion, recommendation, vote, or other exercise of discretion as a Director or officer;

b. any benefit as consideration for the Director's or officer's decision, vote, recommendation, or other exercise of official discretion in a judicial or administrative proceeding; or

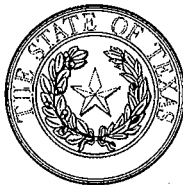
c. any benefit as consideration for a violation of a duty imposed by law on the Director or officer.

Section 5. Nepotism. No Director or officer shall appoint, or vote for, or confirm the appointment to any office, position, clerkship, employment or duty, of any person related within the second degree by affinity (marriage relationship) or within the third degree of consanguinity (blood relationship) to the Director or officer so appointing, voting or confirming, or to any other Director or officer. This provision shall not prevent the appointment, voting for, or confirmation of any person who shall have been continuously employed in any such office, position, clerkship, employment or duty at least thirty (30) days prior to the appointment of the Director or officer so appointing or voting.

ARTICLE VIII

AMENDMENTS

A proposal to alter, amend, or repeal these Bylaws shall be made by the affirmative vote of a majority of the full Board at any annual or regular meeting, or at any special meeting if notice of the proposed amendment be contained in the notice of said special meeting. However, any proposed change or amendment to the Bylaws must be approved by the City Council of the City to be effective.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Greg Abbott
GOVERNOR

BOARD MEMBERS

J. Paul Oser, *Chair*
Juan S. Muñoz, PhD, *Vice Chair*
Leslie Bingham-Escareño
T. Tolbert Chisum
Tom H. Gann
J.B. Goodwin

October 2, 2015

Writer's direct phone # 512/475-1676
Email: marni.holloway@tdhca.state.tx.us

Rick Sims
Simco Ministry, Inc.
3202 Trulley Ave
Houston, TX 77004

RE: PALM PARQUE, TDHCA NUMBER: 15000 - SCORING NOTICE APPEAL
REQUEST FOR ADDITIONAL INFORMATION

Dear Mr. Sims:

The Texas Department of Housing and Community Affairs (the "Department") is in receipt of your appeal, dated September 28, 2015, of the scoring notice for the above-referenced Application. This Application was denied points under §11.9(d)(2) of the Qualified Allocation Plan relating to Commitment of Development Funding by Local Political Subdivision because 100 percent of the governing board of the Midtown TIRZ is not appointed by the elected officials of the city or county.

Information included with your appeal includes the original Articles of Incorporation for the Midtown Redevelopment Authority, which states that the Mayor will appoint the directors of the Board. Further due diligence by staff revealed that subsequent agreements may have modified this authority. For instance, the 1997 Houston Independent School District Interlocal Agreement <http://www.houstontx.gov/ecodev/tirzdocs/02/interlocHISD.pdf> at section IV. E. states that "HISD shall have the unequivocal right to appoint to and maintain one (1) member on the Midtown Board of Directors". Further, the Midtown Reinvestment Authority website Board webpage <http://houstontown.com/about/mra/board/> seems to indicate that positions 1, 2, and 8 are not appointed by officials of the city or county.

In order for the Executive Director to make a determination regarding the appeal, additional information that describes how all Midtown TIRZ board members are currently appointed is required since the documentation you provided seem to be inconsistent with subsequent agreements regarding this entity. Moreover, should the Executive Director deny the appeal, time is of the essence in order to have the matter presented before the Department's Governing Board on October 15, 2015. Please submit any additional information responsive to this request as soon as possible.

Should you have any questions, please contact me at the email or phone number above.

Sincerely,

Marni Holloway
Director of Multifamily Finance



City of Houston, Texas, Ordinance No. 94-1345

AN ORDINANCE DESIGNATING A CONTIGUOUS GEOGRAPHIC AREA, GENERALLY BOUNDED BY I-45 ON THE NORTH, HWY. 288 ON THE EAST, U.S. HWY. 59 ON THE SOUTH, AND BAGBY STREET AND SPUR 527 ON THE WEST (MIDTOWN), AS REINVESTMENT ZONE NUMBER TWO, CITY OF HOUSTON, TEXAS; CREATING A BOARD OF DIRECTORS FOR SUCH ZONE; MAKING VARIOUS FINDINGS AND PROVISIONS RELATED TO THE SUBJECT; PROVIDING A SEVERABILITY CLAUSE; AND DECLARING AN EMERGENCY.

* * * * *

WHEREAS, the City Council has received a petition, as supplemented (the "Petition"), requesting that a contiguous geographic area in Houston, Texas, generally bounded by I-45 on the North, Hwy. 288 on the East, U.S. Hwy. 59 on the South, and Bagby Street and Spur 527 on the West (Midtown), be designated as a reinvestment zone under the provisions of Chapter 311 of the Texas Tax Code; and

WHEREAS, the Petition was submitted by the owners of property constituting at least fifty percent of the appraised value of the property in the proposed reinvestment zone according to the most recent certified appraisal roll for Harris County, Texas, the county in which the proposed zone is located; and

WHEREAS, the City Council passed Resolution No. 94-24, as amended by Resolution No. 94-31, authorizing the preparation of a preliminary reinvestment zone financing plan and the publication of notice of a public hearing on the creation of the proposed zone; and

WHEREAS, the City has prepared a preliminary reinvestment zone financing plan and has presented the plan to the governing body of each taxing unit that levies taxes on real property in the proposed reinvestment zone; provided notice to each such taxing unit of the

public hearing on the creation of the proposed zone and made a formal presentation to representatives of Harris County and Houston Independent School District pursuant to Section 311.003 of the Texas Tax Code; and

WHEREAS, the preliminary reinvestment zone financing plan provides that City of Houston ad valorem taxes are to be deposited into the tax increment fund, and that taxes of other taxing units may be utilized in the financing of the proposed zone; and

WHEREAS, a notice of the December 7, 1994, public hearing on the creation of the proposed zone was published on November 30, 1994, in the Houston Chronicle and the Houston Post, newspapers of general circulation in the City; and

WHEREAS, Harris County, pursuant to Section 311.003, Texas Tax Code, has waived the Tax Code requirement that it receive sixty (60) days' notice of the public hearing on the creation of the proposed zone by action of its Commissioner's Court on October 25, 1994; and

WHEREAS, the Houston Independent School District, pursuant to Section 311.003, Texas Tax Code, has waived the requirement that it receive sixty (60) days' notice of the public hearing on the creation of the proposed zone by action of its Board of Trustees on November 3, 1994; and

WHEREAS, at the public hearing, interested persons were allowed to speak for or against the creation of the proposed zone, its boundaries, or the concept of tax increment financing; and

WHEREAS, evidence was received and presented at the public hearing in favor of the creation of the proposed zone under the provisions of Chapter 311, Texas Tax Code, and no one appeared or presented evidence in opposition to the creation of the proposed zone;

WHEREAS, no owner of real property in the proposed zone protested the inclusion of his property in the proposed zone; **NOW, THEREFORE,**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON, TEXAS:

Section 1. Findings

(a) That the facts and recitations contained in the preamble of this Ordinance are hereby found and declared to be true and correct and are adopted as part of this Ordinance for all purposes.

(b) That the City Council further finds and declares that the proposed improvements in the zone will significantly enhance the value of all the taxable real property in the proposed zone and will be of general benefit to the City.

(c) That the City Council further finds and declares that the proposed reinvestment zone meets the criteria of Section 311.005 of the Texas Tax Code because:

(1) The proposed zone is an area that substantially impairs or arrests the sound growth of the City; retards the provision of housing accommodations; constitutes an economic and social liability and is a menace to the public health, safety, morals and welfare in its present condition and use because of the presence of unsanitary and unsafe conditions; the deterioration of site or other improvements;

the predominance of inadequate sidewalk and street layout; the presence of a substantial number of substandard, deteriorated and deteriorating structures; and the existence of conditions that endanger life or property by fire or other cause; and

- (2) The proposed zone is an area described in a petition submitted by the owners of property constituting at least 50 percent of the appraised value of the property in the area requesting that the area be designated as a reinvestment zone;
- (d) That the City Council, pursuant to the requirements of Chapter 311, Texas Tax

Code, further finds and declares:

- (1) That the proposed zone is a contiguous geographic area located wholly within the corporate limits of the City of Houston;
- (2) That the total appraised value of taxable real property in the proposed zone, or in existing reinvestment zones, if any, does not exceed fifteen percent of the total appraised value of taxable real property in the City and in industrial districts created by the City;
- (3) That the proposed zone does not contain more than fifteen percent of the total appraised value of real property taxable by Harris County or the Houston Independent School District;

- (4) That development or redevelopment within the boundaries of the proposed zone will not occur solely through private investment in the reasonably foreseeable future.

Section 2. Designation of the Zone

That the City, acting under the provisions of Chapter 311, Texas Tax Code (the "Act"), including Section 311.005(a)(5), does hereby create and designate a reinvestment zone over the area described in Exhibit "A" and depicted in the map attached hereto as Exhibit "B." The reinvestment zone shall hereafter be identified as Reinvestment Zone Number Two, City of Houston, Texas, (the "Zone"). The City Council specifically declares that the Zone is designated pursuant to Section 311.005(a)(5) of the Texas Tax Code.

Section 3. Board of Directors

That there is hereby created a Board of Directors for the Zone, which shall consist of nine (9) members. Position One on the Board of Directors shall be filled by the State Senator representing the area included within the Zone or his designee. Position Two on the Board shall be filled by the State Representative representing the area included within the Zone or his designee. The Mayor is hereby authorized to nominate and appoint the remaining seven (7) members of the Board to Positions Three through Nine, subject to the consent and approval of the City Council provided, however, that Harris County shall be entitled to appoint a director to Position Nine if Harris County approves the payment of all or part of the tax increment attributable to Harris County; and, that the Houston Independent School District ("HISD") shall

be entitled to appoint a director to Position Eight if HISD approves the payment of all or part of the tax increment attributable to HISD.

The directors or their designees in Position One and Position Two shall be members of the board by operation of law pursuant to Section 311.009(b), Texas Tax Code. The directors appointed to Positions Three, Four and Five shall be appointed for two year terms, beginning January 1, 1995, while the directors appointed to Positions Six, Seven, Eight and Nine shall be appointed to a one year term, beginning January 1, 1995. All subsequent appointments shall be for two-year terms. The member of the Board of Directors appointed to Position Three is hereby designated to serve as the chair of the Board of Directors for a term beginning January 1, 1995, and ending December 31, 1995. Thereafter, the Mayor shall annually nominate and appoint, subject to City Council approval, a member to serve as chair for a term of one year beginning January 1 of the following year. The City Council authorizes the Board of Directors to elect from its members a vice chairman and such other officers as the Board of Directors sees fit.

The Board of Directors shall make recommendations to the City Council concerning the administration of the Zone. The Board of Directors shall prepare or cause to be prepared and adopt a project plan and a reinvestment zone financing plan for the Zone as described in Section 311.011, Texas Tax Code, and shall submit such plans to the City Council for its approval. The City hereby delegates to the Board of Directors all powers necessary to prepare and implement the project plan and reinvestment zone financing plan, subject to approval by the City Council,

including the power to employ any consultants or enter into any reimbursement agreements payable solely from the Tax Increment Fund established pursuant to Section 6 of this Ordinance subject to the approval of the Director of the Finance and Administration Department, that may be reasonably necessary to assist the Board of Directors in the preparation of the project plan and reinvestment zone financing plan and in the issuance of tax increment obligations.

Section 4. Duration of the Zone

That the Zone shall take effect on January 1, 1995, and termination of the operation of the Zone shall occur on December 31, 2025, or at an earlier time designated by subsequent ordinance, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, and the interest on the bonds, have been paid in full.

Section 5. Tax Increment Base

That the Tax Increment Base for the Zone is the total appraised value of all real property taxable by the City and located in the Zone, determined as of January 1, 1995, the year in which the Zone was effective and designated as a reinvestment zone (the "Tax Increment Base").

Section 6. Tax Increment Fund

That there is hereby created and established a Tax Increment Fund for the Zone which may be divided into subaccounts as authorized by subsequent ordinances. All Tax Increments, as defined below, shall be deposited in the Tax Increment Fund. The Tax Increment Fund and any subaccounts shall be maintained at the depository bank of the City and shall be secured in the manner prescribed by law for Texas cities. The annual Tax Increment shall equal the

amount by which the then-current appraised value of all taxable real property located in the Zone exceeds the Tax Increment Base of the Zone less any amounts that are to be allocated from the Tax Increment pursuant to the Act. All revenues from the sale of any tax increment bonds or other notes hereafter issued by the City, if any; revenues from the sale of property acquired as part of the tax increment financing plan, if any; and other revenues to be used in the Zone shall be deposited into the Tax Increment Fund. Money shall be disbursed from the Tax Increment Fund only to pay project costs as defined by the Texas Tax Code, for the Zone, or to satisfy the claims of holders of tax increment bonds or notes issued for the Zone. Pursuant to the provisions of Section 311.011(f), Texas Tax Code, one third of the Tax Increment Fund is hereby dedicated to providing low-income housing in the City during the term of the Zone, and shall be set aside in a separate subaccount or fund within the Tax Increment Fund established for that purpose.

Section 7. Severability

If any provision, section, subsection, sentence, clause or phrase of this Ordinance, or the application of same to any person or set of circumstances, is for any reason held to be unconstitutional, void or invalid, the validity of the remaining provisions of this Ordinance or their application to other persons or set of circumstances shall not be affected thereby, it being the intent of the City Council in adopting this Ordinance that no portion hereof or regulations contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness or

invalidity of any portion hereof, and all provisions of this Ordinance are declared severable for that purpose.

Section 8. Open Meetings

It is hereby found, determined and declared that a sufficient written notice of the date, hour, place and subject of the meeting of the City Council at which this Ordinance was adopted was posted at a place convenient and rapidly accessible at all times to the general public at the City Hall of the City for the Time required by law preceding this meeting, as required by the Open Meetings Law, Texas Gov't Code Ann., ch. 551, and that this meeting has been open to the public as required by law at all times during which this Ordinance and the subject matter hereof has been discussed, considered and formally acted upon. The City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 9. Notices

The contents of the notice of the public hearing, which hearing was held before the City Council on December 7, 1994, and the publication of said notice, is hereby ratified, approved and confirmed.

Section 10. Emergency

There exists a public emergency requiring that this Ordinance be passed finally on the date of its introduction as requested in writing by the Mayor; therefore, this Ordinance shall be passed finally on such date and shall take effect immediately upon its passage and approval by the Mayor; however, in the event that the Mayor fails to sign this Ordinance within five days

of its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

PASSED AND ADOPTED this 14th day of December, 19994

APPROVED this _____ day of _____, 199__.

Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is 12-20-94.

[Signature]
City Secretary

(Prepared by Legal Dept.
(MAM/mam 12/12/94)

Mich. Anthony Moss ^{DA} *all*
Assistant City Attorney

(Requested by Richard Lewis, Director, Finance and Administration Department)
A\MAM\MIDTWN.ORD

BOUNDARY DESCRIPTION

Midtown Tax Increment Financed District

Being all of the following described property in the Obedience Smith Survey, Abstract No. 696, and the James S. Holman Survey No. 323, City of Houston, Harris County Texas and being more particularly described as follows:

BEGINNING at the intersection of the westerly line of Brazos Street with the northerly line of Webster Avenue;

THENCE in a southeasterly direction along the northerly line of Webster Avenue to its intersection with the easterly line of Main Street;

THENCE in a southwesterly direction along the easterly line of Main Street to its intersection with the northerly line of Dennis Avenue;

THENCE in a southeasterly direction along the northerly line of Dennis Avenue to its intersection with the westerly line of San Jacinto Street;

THENCE in a northeasterly direction along the westerly line of San Jacinto Street to its intersection with the northerly line of McGowen Avenue;

THENCE in a southeasterly direction along the northerly line of McGowen Avenue to its intersection with the westerly line of Austin Street;

THENCE in a northeasterly direction along the westerly line of Austin Street to its intersection with the northerly line of Webster Avenue;

THENCE in a southeasterly direction along the northerly line of Webster Avenue to its intersection with the easterly line of Chenevert Street;

THENCE in a southwesterly direction along the easterly line of Chenevert Street to its intersection with the northerly line of Dennis Avenue;

THENCE in a southeasterly direction along the northerly line of Dennis Avenue to its intersection with the easterly line of Hamilton Street which is adjacent to US Hwy 59/State Highway 288;

THENCE in a southwesterly direction along the easterly line of Hamilton Street to its intersection with the southerly line of Stuart Avenue;

THENCE in a northwesterly direction along the southerly line of Stuart Avenue to its intersection with the Easterly line of Crawford Street;

THENCE in a southwesterly direction along the easterly line of Crawford Street to its intersection with the southerly line of Winbern Avenue;

THENCE in a northwesterly direction along the southerly line of Winbern Avenue to its intersection with the easterly line of La Branch Street;

THENCE in a southwesterly direction along the easterly direction along the easterly line of La Branch Street to its intersection with the southerly line of Alabama Avenue;

THENCE in a northwesterly direction along the southerly line of Alabama Avenue to its intersection with the easterly line of San Jacinto Street;

THENCE in a southwesterly direction along the easterly line of San Jacinto Street to its intersection with the southerly line of Cleburne Avenue;

THENCE in a northwesterly direction along the southerly line of Cleburne Avenue to its intersection with the easterly line of Main Street;

THENCE in a southerly direction along the easterly line of Main Street to its intersection with the southerly line of Richmond Avenue;

THENCE northwesterly and westerly along the southerly line of Richmond Avenue to its intersection with the easterly line of Spur 527, a segment of the Southwest Freeway;

THENCE in a northeasterly and northerly direction along said Spur 527 to it's intersection with the easterly line of Milam Street;

THENCE in a northeasterly direction along the easterly line of Milam Street to its intersection with the easterly line of said Spur 527;

THENCE in a northerly and northeasterly direction along the easterly line of said Spur 527 to its intersection with the northerly line of Elgin Avenue;

THENCE in a northwesterly direction along the northerly line of Elgin Avenue to its intersection with the westerly line of Brazos Street;

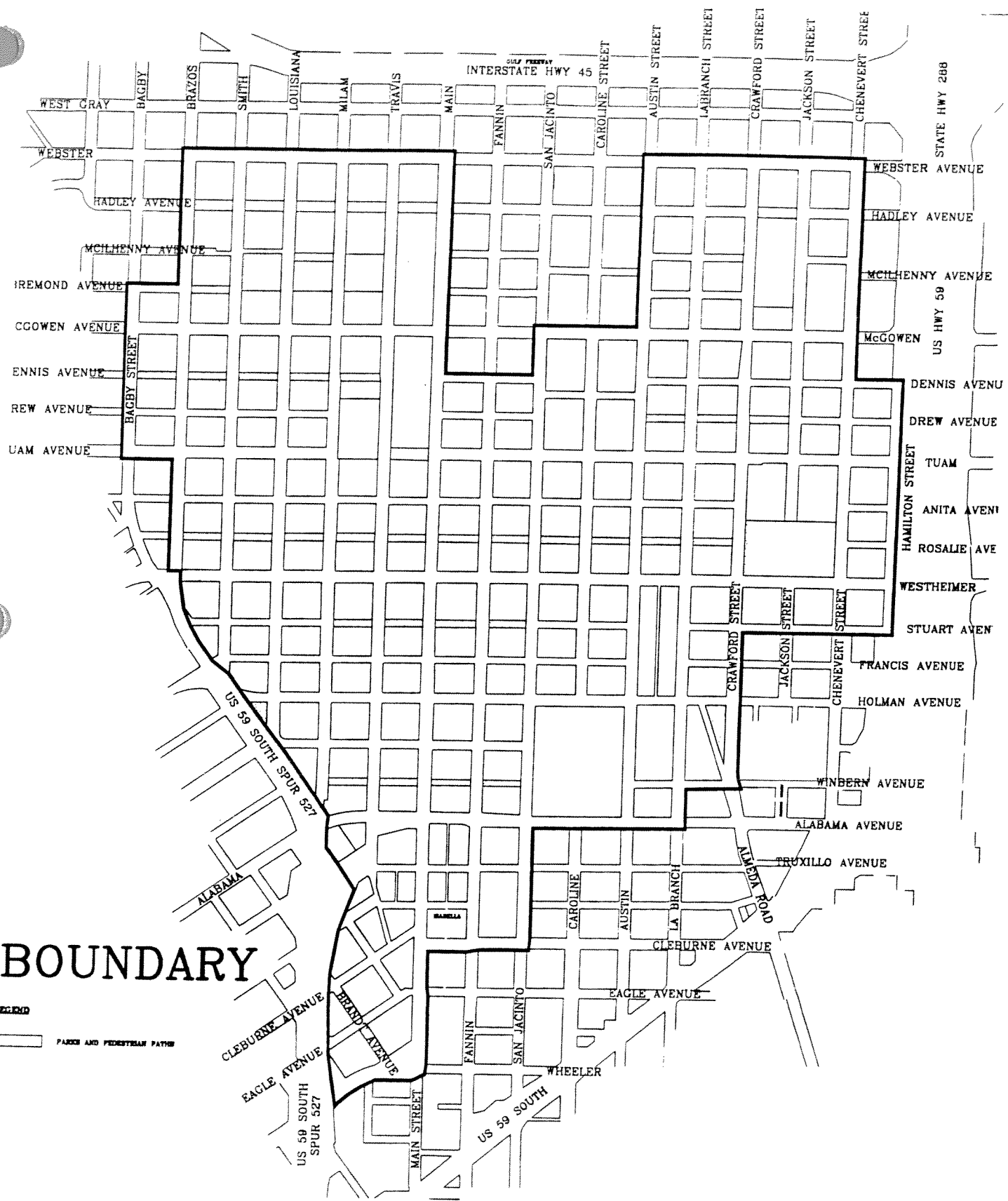
THENCE in a northeasterly direction along the westerly line of Brazos Street to its intersection with the southerly line if Tuam Avenue;

THENCE in a northwesterly direction along the southerly line of Tuam Avenue to its intersection with the westerly line of Bagby Street;

THENCE in a northeasterly direction along the westerly line of Bagby Street to it's intersection with the northerly line of Bremond Street;

THENCE in a southeasterly direction along the northerly line of Bremond Street to its intersection with the westerly line of Brazos Street;

THENCE in a northeasterly direction along the westerly line of Brazos Street to it's intersection with the northerly line of Webster Avenue same being THE PLACE OF BEGINNING of the herein described District.



BOUNDARY

LEGEND
 ——— PARKS AND PEDESTRIAN PATHS

REQUEST FOR COUNCIL ACTION

W. Davis

SUBJECT: Ordinance creating Tax Increment Reinvestment Zone, No. 2, (MIDTOWN) and creating a Board of Directors.

Categ. #

Page 1 of 1

Agenda Item # 55

FROM (Department or other point of origin):
Department of Finance and Administration

Origination Date
12/7/94

Agenda Date
DEC 14 1994

DIRECTOR'S SIGNATURE:

Richard Lewis

Council District Affected:
D & I

For Additional Information Contact: Janica D. Davis
Phone: 247-1332

Date and Identification of Prior Authorizing Council Action:
10/19/94 Resolution 94-24
11/16/94 Resolution 94-31

RECOMMENDATION: (Summary)

Approve an Ordinance creating a Tax Increment Reinvestment Zone, No. 2 (MIDTOWN) and creating a Board of Directors.

Amount and Source of Funding: N/A

94-1345

SPECIFIC EXPLANATION: On September 12, 1994 the City Secretary received a petition signed by owners of over 50% of the total appraised property value within the proposed District. The petition requests the creation of a Tax Increment Reinvestment Zone (aka Tax Increment Financing District) for an area generally bounded by Webster on the north, I-59 on the east and south, and Bagby on the west, known as MIDTOWN.

On October 19, 1994 the City Council passed Resolution 94-24. This Resolution gave the Department authorization to prepare a preliminary reinvestment zone financing plan, to request a waiver of the 60 day notification requirement and established December 21, 1994 as the date for the public hearing. In response to the City's request, the Harris County Commissioners Court approved a waiver of the 60 day notification requirement on October 25, 1994. The Houston Independent School District Board approved a waiver of the 60 day notification requirement on Thursday November 3, 1994.

On November 16, 1994 the City Council passed Resolution 94-31 amending Resolution 94-24 to change the date of the public hearing from December 21 to December 7, 1994, thereby providing City Council more time for consideration. The City Council held a public hearing to receive comments concerning the Zone creation on December 7, 1994.

The Department of Finance and Administration, Legal Department and Planning and Development Department have reviewed the petition and find it in conformance with the City of Houston guidelines. This Ordinance also creates a nine member Board of Directors for the Zone. The statute requires the Board to include the State Representative, State Senator, and up to seven additional members including the Chairman of the Board.

The Department recommends passage of the Ordinance creating the Zone and the Board of Directors.

- cc: Richard Lewis
- Ben Hall
- Donna Kristaponis
- Dan Jones

REQUIRED AUTHORIZATION

F&A Budget:

James Sauer

Chief Administrative Officer

Other Authorization

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
OCTOBER 15, 2015

Presentation, Discussion, and Possible Action on Timely Filed Appeals and Waivers under any of the Department's Program Rules

RECOMMENDED ACTION

WHEREAS, a Competitive (9%) Housing Tax Credit application for Selinsky Street Supportive Housing (#15001) was submitted to the Department by the Full Application Delivery Date;

WHEREAS, the Applicant claimed eligibility for points under 10 TAC §11.9(d)(7), related to Community Revitalization Plan;

WHEREAS, staff issued a scoring notice to the applicant, denying the points for Community Revitalization Plan;

WHEREAS, the Applicant has timely filed an appeal of the scoring notice;

WHEREAS, the Executive Director denied the appeal, and

WHEREAS, the applicant timely filed an appeal to the Governing Board and stadd is recommending denial of the appeal;

NOW, therefore, it is hereby

RESOLVED, that the appeal of the scoring notice for Selinsky Street Supportive Housing (#15001) is hereby denied.

BACKGROUND

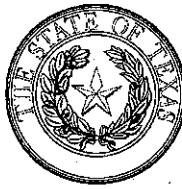
Selinsky Street Supportive Housing, Application #15001, was denied points under §11.9(d)(7) of the 2015 Qualified Allocation Plan ("QAP"), related to Community Revitalization Plan ("CRP"). In order to be eligible for the points requested, the Development Site must have been "located in an area targeted for revitalization in a community revitalization plan that meets the criteria" under the scoring item, and a resolution must have been provided indicating that the Development contributes "most significantly to the concerted revitalization efforts of the city."

During the review process, staff issued multiple rounds of deficiencies related to the CRP in an attempt to ascertain whether or not the Development Site was located within the boundaries of such a plan. The Applicant provided several responses with various maps, but was unable to provide evidence to substantiate

that the Development Site was, in fact, within the boundaries of a CRP. On July 29, 2015, the Applicant also conceded the two points related to the resolution.

In addition to the point loss related to CRP, the Applicant incurred a 5 point penalty because certain Administrative Deficiencies were not satisfactorily cured by the deadline established in the deficiency notice.

Staff recommends denial.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Greg Abbott
GOVERNOR

BOARD MEMBERS

J. Paul Oxer, *Chair*
Juan S. Muñoz, PhD, *Vice Chair*
Leslie Bingham-Escareño
T. Tolbert Chisum
Tom H. Gann
J.B. Goodwin

September 8, 2015

Writer's direct phone # 512-475-3296
Email: tim.irvine@tdhca.state.tx.us

Rick Sims
Simco Ministry Inc.
3202 Trulley Ave
Houston, TX 77004

RE: 15001 SELINSKY STREET SUPPORTIVE HOUSING: SCORING NOTICE APPEAL

Dear Mr. Sims:

The Texas Department of Housing and Community Affairs is in receipt of your appeal, dated August 26, 2015, of the scoring notice for the above referenced Application. This Application was denied points under §11.9(d)(7) of the 2015 Qualified Allocation Plan ("QAP"), related to Community Revitalization Plan, because the development site was not located within the boundaries of a defined revitalization area. Additionally, the Application was assessed a 5 point penalty because certain Administrative deficiencies were not satisfactorily cured by the deadline established in the deficiency notice. The appeal provides no information responsive to the core issue, whether the Development Site is located within the boundaries of a defined revitalization area. Therefore, since I have been provided no basis for approving the appeal, the appeal is hereby denied.

You have indicated that you wish to appeal this decision directly to the Governing Board. Therefore, this appeal has been placed on the agenda for the next meeting scheduled for October 15, 2015. Should you have any questions, please contact Kathryn Saar, Competitive Tax Credit Program Administrator, at kathryn.saar@tdhca.state.tx.us or by phone at 512-936-7834.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy K. Irvine".

Timothy K. Irvine
Executive Director



Kathryn Saar

From: willman [rrsims90@aol.com]
Sent: Wednesday, August 26, 2015 6:02 PM
To: kathryn.saar@tdhca.state.tx.us
Cc: pastorpunch@yahoo.com; vcooper@slb.com; tjackson@joneswalker.com
Subject: Appeal Selinsky
Attachments: Appeal Selinsky.pdf; 15001_2015 Appeal Election Form (1).pdf

Per our conversation attached is my appeal for application 15001. and a reminder to place me on the Oct. 3 agenda. This can easily be resolved, I have high regard for the opinion of Jeff Pender and Tim Irvine in these areas

Thanks

Rick



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2015 Application Round
Scoring Notice - Competitive Housing Tax Credit Application

Appeal Election Form: 15001, Selinsky Street Supportive Housing

Note: If you do not wish to appeal this notice, you do not need to submit this form.

I am in receipt of my 2015 scoring notice and am filing a formal appeal to the Executive Director on or before Friday, August 28, 2015.

If my appeal is denied by the Executive Director:

I do wish to appeal to the Board of Directors and request that my application be added to the Department Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. If no additional documentation is submitted, the appeal documentation to the Executive Director will be utilized.

I do not wish to appeal to the Board of Directors.

Signed _____

Title _____

Date _____

Please email to Kathryn Saar:
<mailto:kathryn.saar@tdhca.state.tx.us>

From: Kathryn Saar <kathryn.saar@tdhca.state.tx.us>
To: willman <rrsims90@aol.com>
Cc: pastorpunch <pastorpunch@yahoo.com>; tjackson <tjackson@joneswalker.com>
Subject: RE: 15001 Selinsky Street Supportive Housing
Date: Tue, Aug 11, 2015 1:04 pm

Hi Rick,

The Award Recommendation Methodology works like this: the Department will fund as many full application in the sub-region as possible. In this case, Region 6 Urban has \$11,392,345 available, which means we fund down through Altura Heights (with a score of 159). This takes up \$10,617,943 of the credit available. The next three applications are tied at 158: 15180, 15001 and 15013. Campanile wins the tie break, which means it is next in line for Region 6 Urban. Because 15180 is requesting \$1,439,481 and we only have \$774,402, we cannot fund that deal in the Initial Application Selection (step 3). We don't skip to the next deal, that balance of \$774K flows into the collapse. The collapse funds go first to the most underserved Rural subregions (step 4), then to the most underserved Urban subregions (step 5). Right now, subregion 9 Urban is next in line for funding (being 32.25% underfunded). The Board book showed 6 Urban as 2.26% underfunded (ranked 14th most underserved subregion). Without the Selinsky award, it is 6.8% underfunded (so it jumps to 11th most underserved subregion).

Thank you,
Kathryn

Kathryn Saar

Competitive Tax Credit Program Administrator, Multifamily Finance
Texas Department of Housing and Community Affairs
221 E. 11th Street | Austin, TX 78701
Office: 512.936.7834
Fax: 512.475.0764

Any person receiving guidance from TDHCA staff should be mindful that, as set forth in 10 TAC §11.1(b) there are important limitations and caveats (Also see 10 TAC §10.2(b)).

From: willman [<mailto:rrsims90@aol.com>]
Sent: Tuesday, August 11, 2015 12:34 PM
To: kathryn.saar@tdhca.state.tx.us
Cc: pastorpunch@yahoo.com; tjackson@joneswalker.com
Subject: Re: 15001 Selinsky Street Supportive Housing

Kathryn, according to the information posted on the Board Agenda and the application 15180, they are requesting 1,1 million in tax credits, and I am requesting 501k tax credit, so according to the distribution before it goes into the statewide collapse, all application which score ahead of me have the choice to reduce their credit amount or the department will continue the process also with the review from Ben he made me a moving target, once I fixed one thing he had another (wow) so with only 600k available in the region I still have the chance for the recommendation

Rick

—Original Message—

From: Kathryn Saar <kathryn.saar@tdhca.state.tx.us>

To: Rick Sims <rrsims90@aol.com>

Cc: pastorpunch <pastorpunch@yahoo.com>; tjackson <tjackson@joneswalker.com>

Sent: Tue, Aug 11, 2015 12:14 pm

Subject: 15001 Selinsky Street Supportive Housing

Good Morning Rick,

I wanted to follow up with you on the Selinsky Street Application. As you know, this application was recommended for an allocation at the July 30th Board Meeting, conditioned upon the application score remaining competitive. Through the deficiency review process, you conceded two points related to the Community Revitalization Plan (see attached email). This point concession means that the Application is no longer competitive (15001 is now tied with 15180, but 15180 wins the tie-break). Because the competitive status of Selinsky Street has changed, it is no longer recommended for an award.

It is also my understanding that there were some deficiencies that were received after the extended response deadline, which would have the effect of further reducing the score. However, the log I will be posting later today will only reflect the 2 points which were conceded.

Please let me know if you have any questions.

Thank you,
Kathryn

Kathryn Saar

Competitive Tax Credit Program Administrator, Multifamily Finance
Texas Department of Housing and Community Affairs
221 E. 11th Street | Austin, TX 78701
Office: 512.936.7834
Fax: 512.475.0764

Any person receiving guidance from TDHCA staff should be mindful that, as set forth in 10 TAC §11.1(b) there are important limitations and caveats (Also see 10 TAC §10.2(b)).

Against who ???, it appears from Kathryn my application has to compete with not only Region 6, but the entire state applications while the applicant in the region only compete within themselves. I submit my application eliminate each other and I pick up the crumbs.

competitive based upon the Applicant self-score and an initial program review. The procedure identified in subparagraphs (A) - (F) of this paragraph will also be used in making recommendations to the Board.

(A) USDA Set-Aside Application Selection (Step 1). The first level of priority review will be those Applications with the highest scores in the USDA Set-Aside until the minimum requirements stated in §11.5(2) of this chapter (relating to Competitive HTC Set-Asides. (§2306.111(d))) are attained. The minimum requirement may be exceeded in order to award the full credit request or underwritten amount of the last Application selected to meet the At-Risk Set-Aside requirement;

(B) At-Risk Set-Aside Application Selection (Step 2). The second level of priority review will be those Applications with the highest scores in the At-Risk Set-Aside statewide until the minimum requirements stated in §11.5(3) of this chapter are attained. This may require the minimum requirement to be exceeded to award the full credit request or underwritten amount of the last Application selected to meet the At-Risk Set-Aside requirement. This step may leave less than originally anticipated in the 26 sub-regions to award under the remaining steps, but these funds would generally come from the statewide collapse;

2 items for recommendations
criteria score and credit amt.

(C) Initial Application Selection in Each Sub-Region (Step 3). The highest scoring Applications within each of the 26 sub-regions will then be selected provided there are sufficient funds within the sub-region to fully award the Application. Applications electing the At-Risk or USDA Set-Asides will not be eligible to receive an award from funds made generally available within each of the sub-regions;

(D) Rural Collapse (Step 4). If there are any tax credits set-aside for Developments in a Rural Area in a specific Uniform State Service Region ("Rural sub-region") that remain after award under subparagraph (C) of this paragraph, those tax credits shall be combined into one "pool" and then be made available in any other Rural Area in the state to the Application in the most underserved Rural sub-region as compared to the sub-region's allocation. This rural redistribution will continue until all of the tax credits in the "pool" are allocated to Rural Applications and at least 20 percent of the funds available to the State are allocated to Applications in Rural Areas. (§2306.111(d)(3)) In the event that more than one sub-region is underserved by the same percentage, the priorities described in clauses (i) - (ii) of this subparagraph will be used to select the next most underserved sub-region:

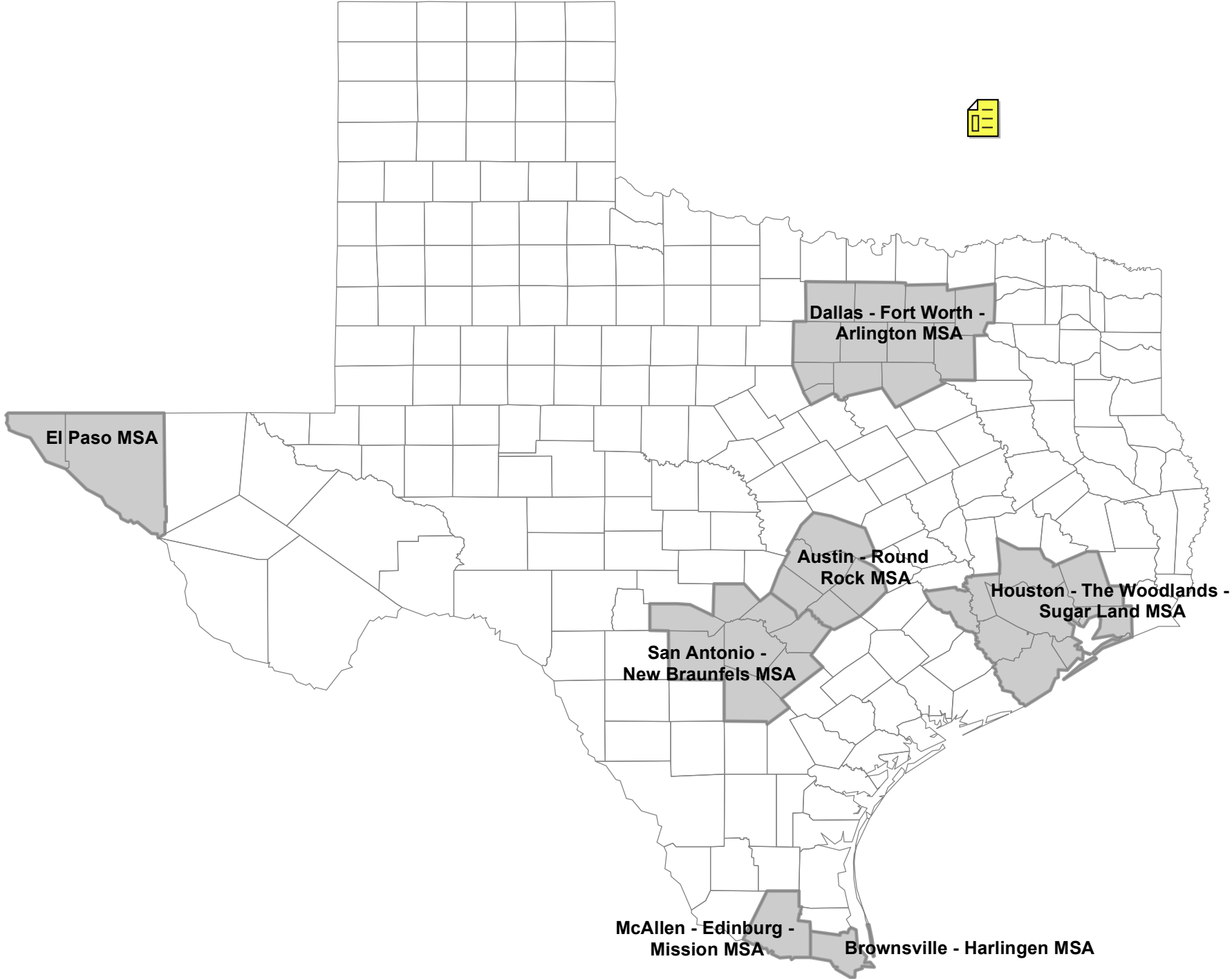
- (i) the sub-region with no recommended At-Risk Applications from the same Application Round; and
- (ii) the sub-region that was the most underserved during the Application Round during the year immediately preceding the current Application Round.

(E) Statewide Collapse (Step 5). Any credits remaining after the Rural Collapse, including those in any sub-region in the State, will be combined into one "pool." The funds will be used to award the highest scoring Application (not selected in a prior step) in the most underserved sub-region in the State compared to the amount originally made available in each sub-region. This process will continue until the funds remaining are insufficient to award the next highest scoring Application in the next most underserved sub-region. In the event that more than one sub-region is underserved by the same percentage, the priorities described in clauses (i) and (ii) of this subparagraph will be used to select the next most underserved sub-region:

- (i) the sub-region with no recommended At-Risk Applications from the same Application Round; and
- (ii) the sub-region that was the most underserved during the Application Round during the year immediately preceding the current Application Round.

(F) Contingent Qualified Nonprofit Set-Aside Step (Step 6). If an insufficient number of Applications participating in the Nonprofit Set-Aside are selected after implementing the criteria described in subparagraphs (A) - (E) of this paragraph to meet the requirements of the 10 percent Nonprofit Set-

State of Texas Section 811 Service Area: 2013



HUD > Press Room > Press Releases > 2013 > HUDNo.13-024

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HUD No.13-024
 Brian Sullivan
 (202) 708-0685
<http://www.hud.gov/news/index.cfm>

FOR RELEASE
 Tuesday
 February 12, 2013

HHS Press Office
 (202) 690-6343
<http://www.hhs.gov/news/>

**HUD AND HHS PARTNER TO PROVIDE PERMANENT
 HOUSING AND SERVICES
 TO LOW-INCOME PEOPLE WITH DISABILITIES**
*\$98 million in rental assistance will prevent homelessness
 and unnecessary institutionalization*

WASHINGTON – To prevent thousands of people with disabilities from experiencing homelessness or unnecessary institutionalization, the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Health and Human Services (HHS) today announced nearly \$98 million in funding for 13 state housing agencies for rental assistance to extremely low-income persons with disabilities, many of whom are transitioning out of institutional settings or are at high risk of homelessness.

HUD's support of these state agencies is made possible through the *Section 811 Project Rental Assistance Demonstration Program (PRA Demo)* which enables persons with disabilities who earn less than 30 percent of median income to live in integrated mainstream settings. The state housing agencies are working closely with their state Medicaid and Health and Human Service counterparts to identify, refer, and conduct outreach to persons with disabilities who require long-term services and supports to live independently.

“By working together, HUD and HHS are helping states to offer permanent housing and critically needed supportive services to offer real and lasting assistance to persons who

might otherwise be institutionalized or living on our streets,” said HUD Secretary Shaun Donovan. “We’re helping states reduce health care costs, improving quality of life for persons with disabilities, and ending homelessness as we know it.”

“Our nation is strongest when all our citizens are able to fully participate and contribute,” said HHS Secretary Kathleen Sebelius. “This unique collaboration of federal and state agencies will enable thousands of Americans with disabilities to lead productive, meaningful lives in their communities.”

Today’s announcement reinforces the guiding principles of the *Americans with Disabilities Act* and the landmark 1999 Supreme Court ruling in *Olmstead v. L.C.*, which require state and local governments to provide services in the most integrated settings appropriate to meet the needs of individuals with disabilities.

The rental assistance announced today also supports the Obama Administration’s long term strategy to prevent and end homelessness. The *Dedicating Opportunities to End Homelessness (DOEH) Initiative* is a joint effort by HUD and the U.S. Interagency Council on Homelessness (USICH) designed to help communities match their homeless supports with other mainstream resources such as housing choice vouchers, public housing, private multifamily housing units, and other federally funded services. The initiative is beginning in 10 critically important communities: Atlanta, Chicago, Fresno County, Los Angeles County, Houston, New Orleans, Philadelphia, Phoenix/Maricopa County, Seattle, and Tampa.



The following state agencies have been awarded rental subsidy through HUD’s demonstration program (see attached state-by-state descriptions):

| State Housing Agency | Amount of Rent Subsidy | # of units |
|-----------------------------------|------------------------|------------|
| California Housing Finance Agency | \$11,870,256 | 335 |
| | | |

| | | |
|--|--------------|-----|
| Delaware State Housing Authority | \$5,100,753 | 170 |
| Georgia Housing & Finance Authority | \$4,160,771 | 150 |
| Illinois Housing Development Authority | \$11,982,009 | 826 |
| Louisiana Housing Corporation | \$8,254,097 | 200 |
| Massachusetts Dept. of Housing & Community Development | \$5,276,452 | 100 |
| Maryland Dept. of Housing & Community Development | \$10,917,383 | 150 |
| Minnesota Housing Finance Agency | \$3,000,000 | 95 |
| Montana Dept. of Commerce | \$2,000,000 | 82 |
| North Carolina Housing Finance Agency | \$12,000,000 | 562 |
| Pennsylvania Housing Finance Agency | \$5,707,800 | 200 |
| Texas Dept. of Housing & Community Affairs | \$12,000,000 | 385 |

| | | |
|---------------------------------------|---------------------|--------------|
| Washington State Dept. of Commerce | \$5,580,280 | 275 |
| TOTAL | \$97,849,801 | 3,530 |

Authorized under the *Frank Melville Supportive Housing Investment Act of 2010*, HUD's *Section 811 Project Rental Assistance Demonstration Program* provides funding to states for project-based rental assistance to develop permanent affordable housing options in integrated settings for extremely low-income persons with disabilities. Under the state health care/housing agency partnership, each state has in place a policy for referrals, tenant selection, and service delivery to ensure that this housing is targeted to those persons with disabilities most in need of affordable housing with supportive services.

###

HUD's mission is to create strong, sustainable, inclusive communities and quality affordable homes for all. HUD is working to strengthen the housing market to bolster the economy and protect consumers; meet the need for quality affordable rental homes: utilize housing as a platform for improving quality of life; build inclusive and sustainable communities free from discrimination; and transform the way HUD does business. More information about HUD and its programs is available on the Internet at www.hud.gov and <http://espanol.hud.gov>. You can also follow HUD on twitter @HUDgov, on facebook at www.facebook.com/HUD, or sign up for news alerts on [HUD's News Listserv](#).

HHS is the principal agency for protecting the health of all Americans and providing essential human services, especially for those who are least able to help themselves. All HHS press releases, fact sheets and other press materials are available at <http://www.hhs.gov/news>. You can follow HHS on Twitter @HHSgov and sign up for [HHS Email Updates](#)

disabilities through a priority built into its allocation process for the Low Income Housing Tax Credit program. PHFA will implement this same criteria to create 200 units in the state's Section 811 PRA Demo program. This program will prioritize three target groups for housing in Section 811 PRA-assisted units: persons with disabilities who are institutionalized; those at risk of institutionalization, and those currently living in congregate settings who desire to move into the community. In addition, this grant will assist in achieving the administration's 10-year goal of ending homelessness. Philadelphia has been identified as having one of the country's highest chronically homeless populations.

Texas Department of Housing and Community Affairs

Austin, Texas

\$12,000,000

Total Units - 385

Section 811 PRA Demo funding will enable the Texas Department of Housing and Community Affairs (TDHCA) to create 385 units of integrated housing for persons with disabilities in the state of Texas. TDHCA has partnered with the Health and Human Services Commission (HHSC), which oversees the State's Department of Aging and Disability Services (DADS), its Department of State Health Services, its Department of Assistive and Rehabilitative Services, and its Department of Family and Protective Services. DADS is taking the lead for all of the Health and Human Service agencies for this program. TDHCA and DADS have a long history of collaboration that sets the stage for a successful implementation of this program.

There are three target populations under the Section 811 PRA Demo. The first target population includes individuals with disabilities living in institutions, the second target population consists of people with serious mental illness, and the third target population consists of youth with disabilities who are transitioning out of the custody of the state's abuse and neglect system. Due to the large size of the state and the primary locations of concentrations of these populations, TDHCA will focus the Section 811 PRA Demo on seven priority areas: Austin-Round Rock-San Marcos; Brownsville-Harlingen; Dallas-Fort Worth-Arlington; El Paso; Houston-Sugar Land-Baytown; McAllen-Edinburg-Mission; and San Antonio-New Braunfels. Texas's PRA Demo pool of multifamily units will come from the

state's Investment Partnerships Program, Multifamily Bond Financing Program, and Neighborhood Stabilization Programs. TDHCA plans to target existing and pipeline units from these programs that have already shown their ability to provide housing for persons with disabilities. In addition, this grant will assist in achieving the

administration's 10 year goal of ending homelessness. Houston has been identified as having one the country's highest chronically homeless populations.



Washington State Department of Commerce

Olympia, Washington

\$5,580,280

Total Units – 275

The Washington Department of Commerce (Commerce) joins with the Department of Social and Health Services (DSHS), the State's Medicaid agency, the Washington State Health Care Authority (HCA), and the Washington State Housing Finance Commission (WSHFC) in the development of the Washington Section 811 Project Rental Assistance Demonstration Program. Using this funding, Washington will create 275 units of integrated permanent supportive housing for persons with disabilities. Commerce currently manages five major housing programs providing permanent supportive housing for disabled persons. In addition to its commitment and responsibility to provide services to persons with disabilities, DSHS has five years of experience operating programs, such as its Roads to Community Living (Money Follows the Person demonstration project), which mirrors the 811 Demonstration program approach. The Washington State HCA and WSHFC will play supportive roles to the two principal agencies. The target populations under the Section 811 PRA Demo are particularly vulnerable extremely low-income persons with disabilities that receive or are eligible to receive long term services and supports through DSHS, as well as eligible individuals currently enrolled in the Roads to Community Living Project, which includes persons with significant developmental, functional, or cognitive disabilities. In addition, this grant will assist in achieving the administration's 10-year goal of ending homelessness. Seattle has been identified as having one of the country's highest chronically homeless populations.

Section 811 Metropolitan Statistical Areas and County List

Austin-Round Rock

- Bastrop
- Caldwell
- Hays
- Travis
- Williamson

Brownsville-Harlingen

- Cameron

Dallas-FortWorth-Arlington

- Collin
- Dallas
- Denton
- Ellis
- Hunt
- Kaufman
- Rockwall
- Hood
- Johnson
- Parker
- Somervell
- Tarrant
- Wise

El Paso

- El Paso
- Hudspeth

Houston-The Woodlands-Sugar Land

- Austin County
- Brazoria
- Chambers
- Fort Bend
- Galveston
- Harris
- Liberty
- Montgomery
- Waller



McAllen-Edinburg-Mission

- Hidalgo

San Antonio-New Braunfels

- Atascosa
- Bandera
- Bexar
- Comal
- Guadalupe
- Kendall
- Medina
- Wilson

Exhibit 5 of the Cooperative Agreement

PROGRAM GUIDELINES

FOR THE SECTION 811 PROJECT RENTAL ASSISTANCE DEMONSTRATION (811 PRA) PROGRAM

Part A—Summary and Applicability

- § PRA.101 General
- § PRA.102 Definitions

Part B- Grantee Requirements

- § PRA.201 Cooperative Agreement
- § PRA.202 Grantee's Default under the Cooperative Agreement
- § PRA.203 Inter-Agency Partnership Agreement
- § PRA.204 Use Agreement
- § PRA.205 Rental Assistance Contract (RAC)
- § PRA.206 Administrative Costs
- § PRA.207 Approved Rent and Rent Adjustments
- § PRA.208 ~~Executive Order 13166~~
- § PRA.209 Compliance with Fair Housing and Civil Rights Laws
- § PRA.210 Affirmatively Furthering Fair Housing
- § PRA.211 Effective Communication
- § PRA.212 Barrier Free/Accessibility Requirements for Units, Buildings, and Facilities, Including Public and Common Use Areas
- § PRA.213 Davis Bacon Labor Standards
- § PRA.214 Energy and Water Conservation
- § PRA.215 Environmental Requirements and Environmental Assurance
- § PRA.216 Coastal Barrier Resources Act
- § PRA.217 Lead-based paint
- § PRA.218 Program Income
- § PRA.219 Procurement of Recovered Materials
- § PRA.220 HUD's Electronic Line of Credit Control System
- § PRA.221 Tenant Rental Assistance Certification System (TRACS)
- § PRA.222 Uniform Administrative Requirements
- § PRA.223 Grantee duty to ensure Owner requirements are satisfied

Part C—Rental Assistance Contract

- § PRA.301 Rental Assistance Contract (RAC)
- § PRA.302 Term of the RAC
- § PRA.303 Leasing to Eligible Tenants
- § PRA.304 Supportive Services
- § PRA.305 Limitations on Assisted Units
- § PRA.306 Grantee Program Administration
- § PRA.307 Housing Standards for Assisted Units
- § PRA.308 Default by Owner
- § PRA.309 Default by Grantee
- § PRA.310 Notice Upon Contract Expiration
- § PRA.311 Financing

Part D—Owner Requirements

- § PRA.401 Use Agreement
- § PRA.402 Responsibilities of the Owner
- § PRA.403 Selection and Admission of Eligible Tenants
- § PRA.404 Overcrowded and Under Occupied Units
- § PRA.405 Uniform Physical Construction Standards

- § PRA.406 Reviews During Management Period
- § PRA.407 Barrier Free/Accessibility Requirement for Units, Buildings, and Facilities, Including Public and Common Use Areas
- § PRA.408 Compliance with Fair Housing and Civil Rights Laws
- § PRA.409 Tenant Organization Rights
- § PRA.410 Effective Communication
- § PRA.411 Executive Order 13166

Part A— Applicability

§ PRA.101 General.

The purpose of the Section 811 Project Rental Assistance program, as authorized under the Frank Melville Supportive Housing Investment Act of 2010, is to provide Extremely Low Income Persons with Disabilities and Extremely Low Income households with at least one Person with Disabilities with decent, safe and sanitary rental housing through the use of Rental Assistance Payments to Owners. The Section 811 Project Rental Assistance program guidelines are applicable only to the Assisted Units, as defined in below. Grantee and Owners must comply with these guidelines without modification, unless approved by HUD.

§ PRA.102 Definitions.

Refer to Exhibit 1 of the Cooperative Agreement for the definitions.

Part B- Grantee Requirements

§ PRA.201 Cooperative Agreement.

Grantee must execute a Cooperative Agreement (HUD-93205-PRA) with HUD. The terms of the Cooperative Agreement include the work to be performed and any special conditions or requirements. Grantee shall not modify the Cooperative Agreement without the written consent of HUD.

§ PRA.202 Grantee's Default under the Cooperative Agreement.

In the event of a default, as defined by the Cooperative Agreement, HUD may exercise all remedies as outlined in the Agreement including but not limited to terminating the Cooperative Agreement and/or assuming all or some of the RACs.

§ PRA.203 Inter-Agency Partnership Agreement (IPA). As defined in the Cooperative Agreement and included as Exhibit 3 to the Cooperative Agreement.

§ PRA.204 Use Agreement.

The Grantee shall be responsible ensuring the HUD-approved Use Agreement (HUD-92238-PRA) is recorded by the Owner consistent with local law. Grantee is responsible for enforcing the provisions of the Use Agreement against the Owner, subject to the exception below and any other applicable HUD administrative guidance and requirements.

If Congress fails to appropriate funds adequate to meet the future financial needs of the Cooperative Agreement and the Cooperative Agreement is terminated, HUD will not require Grantee to enforce any Use Agreements on Eligible Multifamily Properties covered under a RAC. Under such a circumstance, and in accordance with the Cooperative Agreement, HUD will allow Grantee or Grantee's designee to continue to enforce or terminate such Use Agreements at the Grantee's or Grantee's designee's discretion.

§ PRA.205 Rental Assistance Contract (RAC).

Grantee or Grantee's designee must execute a Rental Assistance Contract (HUD-92235-PRA and HUD-92237-PRA), in the form prescribed by HUD with Owners pursuant to the requirements set forth in the Cooperative Agreement.

If Congress fails to appropriate funds adequate to meet the future financial needs of the Cooperative Agreement, or the Cooperative Agreement is terminated, then HUD will permit Grantee or Grantee's designee to continue or terminate the RAC, at the Grantee or Grantee's designee's discretion.

§ PRA.206 Administrative Costs.

Administrative costs are allowable at a rate of no more than eight (8) percent of the rental assistance Grant amount awarded, unless modified with HUD consent in accordance with the Cooperative Agreement. These funds may be used for planning and other costs associated with developing and operating the Section 811 PRA Demo program, including infrastructure and technology needed to operate the program and costs incurred after applicant's receipt of an Award Letter from HUD and before the execution of the Cooperative Agreement. The costs can include both direct and indirect costs. If a Grantee includes administrative costs in their budget as a

direct cost, they cannot charge these costs as part of their indirect cost rate as well, and should instruct their auditor or the government auditor setting the rate of the availability and use of the administrative costs as described in the NOFA.

§ PRA.207 Approved Rent and Rent Adjustments.

The initial RAC rent level may not exceed the applicable or Fair Market Rent (FMR) level as determined by HUD, unless such rent level is substantiated by a market study that has been prepared in accordance with the requirements of a state housing agency or of Chapter 9 of HUD's Section 8 Renewal Guide, or as approved by HUD. Rents can only be adjusted annually based upon: (1) HUD's Operating Cost Adjustment Factor (OCAF), (2) other operating cost index approved by HUD as has been adopted by the Grantee for purposes of subsidizing affordable housing, or (3) approval by HUD.

§ PRA.208 Executive Order 13166.

Executive Order 13166, "Improving Access to Services for Persons with Limited English Proficiency (LEP)", seeks to improve access to federally assisted programs and activities for individuals who, as a result of national origin, are limited in their English proficiency. Grantee obtaining federal financial assistance from HUD shall take reasonable steps to ensure meaningful access to their programs and activities to LEP individuals.

§ PRA.209 Compliance with Fair Housing and Civil Rights Laws.

Grantee must comply with all applicable fair housing and civil rights requirements in 24 CFR 5.105(a), including, but not limited to, the Fair Housing Act; Title VI of the Civil Rights Act of 1964; Section 504 of the Rehabilitation Act of 1973; Title II of the Americans with Disabilities Act; and Section 109 of the Housing and Community Development Act of 1974. Grantee must also comply with HUD's Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity requirements. See HUD's Equal Access rules at 24 C.F.R. §§ 5.100, 5.105(a)(2), 5.403 and HUD's final rule published in the *Federal Register* at 77 Fed. Reg. 5662, "Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity."

If the Grantee is in a state or jurisdiction that has also passed a law or laws proscribing discrimination in housing based upon sexual orientation or gender identity, or a law or laws proscribing discrimination in housing based on lawful source of income, the Grantee and its subrecipients must comply with those laws of the states or localities in which the programs or activities are conducted;

In addition, in executing this Cooperative Agreement, Grantee certifies that they will comply with the requirements of the Fair Housing Act, Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, and Title II of the Americans with Disabilities Act.

Grantee shall refer to Handbook 4350.3 REV-1, chapter 2 for further guidance.

§ PRA.210 Affirmatively Furthering Fair Housing.

Under Section 808(e)(5) of the Fair Housing Act, HUD has a statutory duty to affirmatively further fair housing. HUD requires the same of its funding recipients. Grantees will be required to certify that they will affirmatively further fair housing, and each grantee must establish an affirmative fair housing marketing plan for its state PRA program, and require other participating agencies and owners to follow its plan when marketing PRA-Assisted Units. Grantees must adopt affirmative marketing procedures for their Section 811 PRA program. Affirmative marketing procedures consist of actions to provide information and otherwise attract eligible persons to the program regardless of race, color, national origin, religion, sex, disability, or familial status, who are not likely to apply to the program without special outreach. Grantees must affirmatively further fair housing by selecting projects for participation that offer access to appropriate services, accessible transportation, and commercial facilities to ensure greater integration of persons with disabilities in



other financial assistance for a dwelling or which is secured by residential real estate, because of race, color, religion, sex, handicap, familial status, or national origin.

(3) Servicing of loans or other financial assistance with respect to dwellings in a manner that discriminates, or servicing of loans or other financial assistance which are secured by residential real estate in a manner that discriminates, or providing such loans or financial assistance with other terms or conditions that discriminate, because of race, color, religion, sex, handicap, familial status, or national origin.

■ 6. In part 100, add a new subpart G to read as follows:

Subpart G—Discriminatory Effect

§ 100.500 Discriminatory effect prohibited.

Liability may be established under the Fair Housing Act based on a practice's discriminatory effect, as defined in paragraph (a) of this section, even if the practice was not motivated by a discriminatory intent. The practice may still be lawful if supported by a legally sufficient justification, as defined in paragraph (b) of this section. The burdens of proof for establishing a violation under this subpart are set forth in paragraph (c) of this section.

(a) *Discriminatory effect.* A practice has a discriminatory effect where it actually or predictably results in a disparate impact on a group of persons or creates, increases, reinforces, or perpetuates segregated housing patterns because of race, color, religion, sex, handicap, familial status, or national origin.

(b) *Legally sufficient justification.* (1) A legally sufficient justification exists where the challenged practice:


(i) Is necessary to achieve one or more substantial, legitimate, nondiscriminatory interests of the respondent, with respect to claims brought under 42 U.S.C. 3612, or defendant, with respect to claims brought under 42 U.S.C. 3613 or 3614; and

(ii) Those interests could not be served by another practice that has a less discriminatory effect.

(2) A legally sufficient justification must be supported by evidence and may not be hypothetical or speculative. The burdens of proof for establishing each of the two elements of a legally sufficient justification are set forth in paragraphs (c)(2) and (c)(3) of this section.

(c) *Burdens of proof in discriminatory effects cases.* (1) The charging party, with respect to a claim brought under 42 U.S.C. 3612, or the plaintiff, with respect to a claim brought under 42 U.S.C. 3613 or 3614, has the burden of

proving that a challenged practice caused or predictably will cause a discriminatory effect.

(2) Once the charging party or plaintiff satisfies the burden of proof set forth in paragraph (c)(1) of this section, the respondent or defendant has the burden of proving that the challenged practice is necessary to achieve  or more substantial, legitimate, nondiscriminatory interests of the respondent or defendant.

(3) If the respondent or defendant satisfies the burden of proof set forth in paragraph (c)(2) of this section, the charging party or plaintiff may still prevail upon proving that the substantial, legitimate, nondiscriminatory interests supporting the challenged practice could be served by another practice that has a less discriminatory effect.

(d) *Relationship to discriminatory intent.* A demonstration that a practice is supported by a legally sufficient justification, as defined in paragraph (b) of this section, may not be used as a defense against a claim of intentional discrimination.

Dated: February 8, 2013.

John Trasviña,

Assistant Secretary for Fair Housing and Equal Opportunity.

[FR Doc. 2013-03375 Filed 2-14-13; 8:45 am]

BILLING CODE 4210-67-P

Syllabus

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Timber & Lumber Co.*, 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

**TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS ET AL. *v.* INCLUSIVE
COMMUNITIES PROJECT, INC., ET AL.****CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR
THE FIFTH CIRCUIT**

No. 13–1371. Argued January 21, 2015—Decided June 25, 2015

The Federal Government provides low-income housing tax credits that are distributed to developers by designated state agencies. In Texas, the Department of Housing and Community Affairs (Department) distributes the credits. The Inclusive Communities Project, Inc. (ICP), a Texas-based nonprofit corporation that assists low-income families in obtaining affordable housing, brought a disparate-impact claim under §§804(a) and 805(a) of the Fair Housing Act (FHA), alleging that the Department and its officers had caused continued segregated housing patterns by allocating too many tax credits to housing in predominantly black inner-city areas and too few in predominantly white suburban neighborhoods. Relying on statistical evidence, the District Court concluded that the ICP had established a *prima facie* showing of disparate impact. After assuming the Department’s proffered non-discriminatory interests were valid, it found that the Department failed to meet its burden to show that there were no less discriminatory alternatives for allocating the tax credits. While the Department’s appeal was pending, the Secretary of Housing and Urban Development issued a regulation interpreting the FHA to encompass disparate-impact liability and establishing a burden-shifting framework for adjudicating such claims. The Fifth Circuit held that disparate-impact claims are cognizable under the FHA, but reversed and remanded on the merits, concluding that, in light of the new regulation, the District Court had improperly required the Department to prove less discriminatory alternatives.

The FHA was adopted shortly after the assassination of Dr. Martin Luther King, Jr. Recognizing that persistent racial segregation had

2 TEXAS DEPT. OF HOUSING AND COMMUNITY AFFAIRS v.
INCLUSIVE COMMUNITIES PROJECT, INC.

Syllabus

left predominantly black inner cities surrounded by mostly white suburbs, the Act addresses the denial of housing opportunities on the basis of “race, color, religion, or national origin.” In 1988, Congress amended the FHA, and, as relevant here, created certain exemptions from liability.

Held: Disparate-impact claims are cognizable under the Fair Housing Act. Pp. 7–24.



(a) Two antidiscrimination statutes that preceded the FHA are relevant to its interpretation. Both §703(a)(2) of Title VII of the Civil Rights Act of 1964 and §4(a)(2) of the Age Discrimination in Employment Act of 1967 (ADEA) authorize disparate-impact claims. Under *Griggs v. Duke Power Co.*, 401 U. S. 424, and *Smith v. City of Jackson*, 544 U. S. 228, the cases announcing the rule for Title VII and for the ADEA, respectively, antidiscrimination laws should be construed to encompass disparate-impact claims when their text refers to the consequences of actions and not just to the mindset of actors, and where that interpretation is consistent with statutory purpose. Disparate-impact liability must be limited so employers and other regulated entities are able to make the practical business choices and profit-related decisions that sustain the free-enterprise system. Before rejecting a business justification—or a governmental entity’s analogous public interest—a court must determine that a plaintiff has shown that there is “an available alternative . . . practice that has less disparate impact and serves the [entity’s] legitimate needs.” *Ricci v. DeStefano*, 557 U. S. 557, 578. These cases provide essential background and instruction in the case at issue. Pp. 7–10.

(b) Under the FHA it is unlawful to “refuse to sell or rent . . . or otherwise make unavailable or deny, a dwelling to a person because of race” or other protected characteristic, §804(a), or “to discriminate against any person in” making certain real-estate transactions “because of race” or other protected characteristic, §805(a). The logic of *Griggs* and *Smith* provides strong support for the conclusion that the FHA encompasses disparate-impact claims. The results-oriented phrase “otherwise make unavailable” refers to the consequences of an action rather than the actor’s intent. See *United States v. Giles*, 300 U. S. 41, 48. And this phrase is equivalent in function and purpose to Title VII’s and the ADEA’s “otherwise adversely affect” language. In all three statutes the operative text looks to results and plays an identical role: as a catchall phrase, located at the end of a lengthy sentence that begins with prohibitions on disparate treatment. The introductory word “otherwise” also signals a shift in emphasis from an actor’s intent to the consequences of his actions. This similarity in text and structure is even more compelling because Congress passed the FHA only four years after Title VII and four months after the

Kathryn recommendation clear prohibited position

Finally the application was submitted to the department expecting the staff to comply with the Fair Housing Laws and Civil Rights Act THE PROCESS DOES NOT TAKE INTO ACCOUNT THE DISCRIMINATORY EFFECTS the Statewide Collapse on projects in the 811 Service Area. The rule does not take the Supreme Court Opinion into consideration in regards to persons with disabilities, The departments is required to apply the same measures to person with disabilities as it has done to persons because of race, If the department has can make preference to Black persons then I expect the same for person with disabilities . The credits are request to remain with application 15001 Selinsky Street Supportive Housing and is justified by HUD regulation 100.500 and Section 805 of the Fair Housing Act



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2015 Application Round
Scoring Notice - Competitive Housing Tax Credit Application

L.David Punch

Date: August 21, 2015

Phone #:

**THIS NOTICE WILL ONLY BE
TRANSMITTED VIA EMAIL**

Email: pastorpunch@yahoo.com

Second Email: RRsims90@aol.com

**RE: 2015 Competitive Housing Tax Credit (HTC) Application for Selinsky Street Supportive Housing,
TDHCA Number: 15001**

The Texas Department of Housing and Community Affairs has completed its program review of the Application referenced above as further described in the 2015 Qualified Allocation Plan ("QAP"). This scoring notice provides a summary of staff's assessment of the application's score. The notice is divided into several sections.

Section 1 of the scoring notice provides a summary of the score requested by the Applicant followed by the score staff has assessed based on the Application submitted. You should note that four scoring items are not reflected in this scoring comparison but are addressed separately.

Section 2 of the scoring notice includes each of the four scoring criteria for which points could not be requested by the Applicant in the application self-score form and include: §11.9(d)(1) Local Government Support, §11.9(d)(4) Quantifiable Community Participation, §11.9(d)(5) Community Support from State Representative, and §11.9(d)(6) Input from Community Organizations.

Section 3 provides information related to any point deductions assessed under §11.9(f) of the QAP or §10.201(7)(A) of the Uniform Multifamily Rules.

Section 4 provides the final cumulative score in bold.

Section 5 includes an explanation of any differences between the requested and awarded score as well as any penalty points assessed.

The scores provided herein are merely informational at this point in the process and may be subject to change. For example, points awarded under §11.9(e)(2) "Cost of Development per Square Foot" and §11.9(e)(4) "Leveraging of Private, State, and Federal Resources" may be adjusted should the underwriting review result in changes to the Application that would affect these scores. Likewise, if an Application is awarded points under §11.9(d)(2) "Commitment of Development Funding by Local Political Subdivision" and subsequently receives an award of tax credits, the Applicant must provide a firm commitment of funds as a condition of the Commitment Notice. Applicants may substitute qualifying sources only if no points were elected under §11.9(d)(2)(C). If a scoring adjustment is necessary, staff will provide the Applicant a revised scoring notice.

Be further advised that if the Applicant failed to properly disclose information in the Application that could have a material impact on the scoring information provided herein, the score included in this notice may require adjustment and/or the Applicant may be subject to other penalties as provided for in the Department's rules.

This preliminary scoring notice is provided by staff at this time to ensure that an Applicant has sufficient notice to exercise any appeal process provided under §10.902 of the Uniform Multifamily Rules. All information in this scoring notice is further subject to modification, acceptance, and/or approval by the Department's Governing Board.



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2015 Application Round
Scoring Notice - Competitive Housing Tax Credit Application

Page 2 of Final Scoring Notice: 15001, Selinsky Street Supportive Housing

Section 1:

| | |
|--|-----|
| Score Requested by Applicant (Does not include points for §11.9(d)(1), (4), (5), or (6) of the 2015 QAP): | 127 |
| Score Awarded by Department staff (Does not include points for §11.9(d)(1), (4), (5), or (6) of the 2015 QAP): | 121 |
| Difference between Requested and Awarded: | 6 |

Section 2:

| | |
|---|----|
| Points Awarded for §11.9(d)(1) Local Government Support: | 17 |
| Points Awarded for §11.9(d)(4) Quantifiable Community Participation: | 8 |
| Points Awarded for §11.9(d)(5) Community Support from State Representative: | 8 |
| Points Awarded for §11.9(d)(6) Input from Community Organizations: | 0 |

Section 3:

| | |
|--|---|
| Points Deducted for §11.9(f) of the QAP or §10.201(7)(A) of the Uniform Multifamily Rules: | 5 |
|--|---|

Section 4:

| | |
|--|------------|
| Final Score Awarded to Application by Department staff: | 149 |
|--|------------|

Section 5:

Explanation for Difference between Points Requested and Points Awarded by the Department as well as penalties assessed:

§11.9(d)(7) Community Revitalization Plan. Development site does not appear to be within the boundaries of a defined revitalization area. Applicant conceded the additional 2 points under 11.9(d)(7)(A)(ii)(III). (Requested 6, Awarded 0)

§10.201(7)(A) Administrative Deficiencies for Competitive HTC Applications. Administrative deficiencies were not satisfactorily cured by deadline established in deficiency notice. Deficiencies cured one (1) day late. (5 point penalty assessed)

Restrictions and requirements relating to the filing of an appeal can be found in §10.902 of the Uniform Multifamily Rules. If you wish to appeal this scoring notice, you must file your appeal with the Department no later than 5:00 p.m. (CST), Friday, August 28, 2015. If an appeal is denied by the Executive Director, an Applicant may appeal to the Department's Board.

In an effort to increase the likelihood that Board appeals related to scoring are heard at the Board meeting, the Department has provided an Appeal Election Form for all appeals submitted to the Executive Director. In the event an appeal is denied by the Executive Director, the Applicant is able to request that the appeal automatically be added to the Board agenda.

If you have any concerns regarding potential miscalculations or errors made by the Department, please contact Kathryn Saar at (512) 936-7834 or by email at <mailto:kathryn.saar@tdhca.state.tx.us>.

Sincerely,

Teresa Morales

Teresa Morales
 Acting Director of Multifamily Finance

From: [Rick Sims](#)
To: ben.sheppard@tdhca.state.tx.us
Subject: Re: 15001 UPDATE AS OF 4:05 PM Deficiencies Requiring Resolution
Date: Wednesday, July 29, 2015 4:26:27 PM

I will not be able to provide the letter from the city I concede the 2 points

Rick

-----Original Message-----

From: Ben Sheppard <ben.sheppard@tdhca.state.tx.us>
To: Rick Sims <rrsims90@aol.com>; ben.sheppard <ben.sheppard@tdhca.state.tx.us>
Cc: pastorpunch <pastorpunch@yahoo.com>; jhartz <jhartz@ldgdevelopment.com>; jtrevino <jtrevino@ldgdevelopment.com>; rgilbert <rgilbert@ldgdevelopment.com>; rochelledgilbert <rochelledgilbert@yahoo.com>
Sent: Wed, Jul 29, 2015 4:22 pm
Subject: RE: 15001 UPDATE AS OF 4:05 PM Deficiencies Requiring Resolution

oK – that strikes #48

Thanks,

Ben Sheppard
Specialist, Multifamily Finance
Texas Department of Housing and Community Affairs
Ph. 512.475.2122

Any person receiving guidance from TDHCA staff should be mindful that, as set forth in 10 TAC Section 11.1(b) there are important limitations and caveats (Also see 10 TAC §10.2(b)).

From: Rick Sims [<mailto:rrsims90@aol.com>]
Sent: Wednesday, July 29, 2015 4:15 PM
To: ben.sheppard@tdhca.state.tx.us
Cc: pastorpunch@yahoo.com; jhartz@ldgdevelopment.com; jtrevino@ldgdevelopment.com; rgilbert@ldgdevelopment.com; rochelledgilbert@yahoo.com
Subject: Re: 15001 UPDATE AS OF 4:05 PM Deficiencies Requiring Resolution

Ben I certify that all relevant recommendation of the ESA will be implemented

Respectfully

Rick Sims

-----Original Message-----

From: Ben Sheppard <ben.sheppard@tdhca.state.tx.us>
To: Rick Sims <rrsims90@aol.com>
Cc: pastorpunch <pastorpunch@yahoo.com>; Justin Hartz <jhartz@ldgdevelopment.com>; Jason Trevino <jtrevino@ldgdevelopment.com>; Rochelle Gilbert <rgilbert@ldgdevelopment.com>; rochelledgilbert <rochelledgilbert@yahoo.com>
Sent: Wed, Jul 29, 2015 4:07 pm
Subject: 15001 UPDATE AS OF 4:05 PM Deficiencies Requiring Resolution
The org charts and rent schedule are OK. I am reviewing the site plan. These items in the original deficiency notice remain to be resolved:

Deficiency 1. Has anyone in the owner or developer been removed from his owner/developer position in a prior development? If not, page 3 of the Development Owner Certification should have the second space check-marked, not the first space. Having an application terminated is not applicable. Please submit a revised form if no one has been removed while developing or operating an affordable housing property in the past 10 years.

Deficiencies 7a and 7f (7f was written because the self score requested 6 points and 2 of these points require the city to say the development contributes "most significantly" to the city's revitalization efforts. I think Houston already named several developments, thereby making this impossible.)

Deficiencies 13-21

Deficiencies 30(d) and 30(e)

Deficiency 40 Previous Participation Forms are needed for Life Boat and Noah Arc.

Deficiency 43

Deficiency 48

Thanks,

Ben Sheppard
Specialist, Multifamily Finance
Texas Department of Housing and Community Affairs
Ph. 512.475.2122

Any person receiving guidance from TDHCA staff should be mindful that, as set forth in 10 TAC Section 11.1(b) there are important limitations and caveats (Also see 10 TAC §10.2(b)).

3b

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
OCTOBER 15, 2015

Presentation and Discussion on the development of the 2015-2 Multifamily Direct Loan Notice of Funding Availability

BACKGROUND

On February 6, 2015, the 2015-1 HOME/TCAP Multifamily Development Notice of Funding Availability (2015-1 NOFA) was published, announcing the availability of up to \$20 million for the development of affordable multifamily rental housing. The NOFA included two set-asides: Community Housing Development Organization (“CHDO”) funds, consisting of \$4 million in HOME funds, and General, consisting of \$10 million in HOME funds and \$6 million from loan repayments from the Tax Credit Assistance Program (“TCAP funds”). In July the Department awarded 15 applications under the NOFA a total of \$17,091,000. The attached log reflects awards of \$8.55 million under the CHDO set-aside, awards of \$6,791,000 in General HOME funds, and awards of \$1,750,000 in TCAP funds. Four 9% Housing Tax Credit (HTC)-layered applications that applied for HOME/TCAP were recommended for allocations of 9% HTC only, because they did not meet the underwriting requirements set forth in the 2015-1 NOFA. Of the 15 awarded applications, all but one was layered with 9% HTC. The combined CHDO and General awards from HOME total \$15,341,000, which is \$1,341,000 beyond the \$14 million originally anticipated from HOME sources in the 2015-1 NOFA. Staff recommended awards based on the availability of TCAP funds to fill the difference; however, additional HOME deobligations and program income have now been identified such that the \$1,341,000 overage will be funded with HOME program income and prior year allocations. Staff has carried this out because of the need to prioritize the use of HOME funds. Therefore, there are \$4,250,000 in TCAP funds remaining from the 2015 -1 NOFA that can be made available under a 2015-2 NOFA.

In addition to the \$4,250,000 of available TCAP funds, staff anticipates programming at least an additional \$7,300,000 in TCAP from loan repayments received in the past year. TCAP loan repayments consist of both principal and interest payments. Principal returns the original balance awarded to the TCAP fund, while interest grows the fund so that awards will be available to fund additional affordable housing opportunities in the future. Since repayments to the fund began, a total of just over \$20 million has been received and a little less than half or \$7.7 million has been from interest payments. Of that \$7.7 million of interest payments, \$5.39 million was recently used to resolve HUD findings relating to HOME projects that had been foreclosed by senior lenders and as a result did not complete their federal affordability period. The remaining \$2.3 million of interest payments could be retained in order to continue to grow the fund or be used for grant or grant like activities without diminishing the fund itself. Possible future uses would include future HUD repayment (none identified at present) or deferred forgivable loan or grant programs such as the identified need for investment in the development of Permanent Supportive Housing (“PSH”). Staff is, therefore, proposing to include a non-permanent set aside for PSH developments in the 2015-2 NOFA. Applicants in the PSH set-aside only will be allowed to structure the funds as deferred forgivable loans, since PSH developments typically cannot support any permanent debt and no other repayable debt should exist in their financing structure. To the extent that PSH developments are proposed in non-participating jurisdictions HOME funds could also be used to fund additional developments. Between \$9

million and \$13 million in TCAP will be available for General applicants not electing to be in the PSH set-aside or the CHDO set aside.

\$15,022,000 in funds from HOME will be available under the NOFA. Staff anticipates regionally allocating \$7.2 million in 2015 program year funds, consisting of \$3.2 million under the CHDO set-aside and \$4 million under the General set-aside. In addition, \$4,622,000 from prior year allocations and program income will be available, for a total of \$11,822,000 under the General set-aside from HOME.

The 2015-1 NOFA demonstrated that repayable loans with an interest rate slightly below prevailing conventional interest rates can be underwritten and there will be enough demand from the development community to distribute widely the multifamily direct loan funds. Staff believes that the minimum 3% interest rate and 30 year amortization from the 2015-1 NOFA should continue in the 2015-2 NOFA and be a structural requirement for all applications except the PSH set aside. The TCAP funds programmed for this NOFA are available because the initial awards were structured as repayable loans. The Department's HOME allocation continues to decline, making the availability of HOME funds for multifamily activities scarce, and one that should be preserved in the form of repayment wherever possible. Moreover, in the distant past HOME funds for single and multifamily purposes were structured primarily as grants or deferred or cash flow loans with minimal repayment activity. Over the last five years however, repayment requirements for HOME multifamily loans have increased, so that the anticipated program income has grown from \$3M to \$5M up to now roughly \$8M annually. This program income now accounts for well over a quarter of the programmable HOME funds on an annual basis and is also the reason that additional HOME funds are available for this proposed NOFA. Staff believes it is in the Department's and development community's best interest to continue to recycle funds whenever possible to provide a reliable fund source for investment in high quality affordable housing in the future.

The 2015-2 NOFA includes an accelerated pace for awardees to close and begin construction after receiving an award. In this regard, the understanding and ability to cancel an award should the awardee not meet the agreed-upon closing timeline must be significantly enhanced. At the same time HOME allocations from the federal government have been reduced, the scrutiny on the HOME program has increased, especially with regard to timely commitment and expenditure of HOME funds. Over the past three years, the average time from award to closing multifamily transactions has been approximately 11 months. Some portion of HOME awards eventually fall out and those funds have to be reobligated quickly to alternate developments in subsequent funding NOFAs, in order to meet federal requirements which have recently been revised by HUD to compress markedly the "use it or lose it" factor. Under new HOME requirements the Department will have two years in total to commit funds which means any reobligation must take place within that two year window as well. Most of the recent multifamily HOME awards have been layered with 9% HTC at the time of initial 9% HTC award which means their timetable can be as much as 12 to 18 months to close. Staff believes an accelerated closing requirement for developments with 9% HTC, combined with a set-aside specifically for ready to go Private Activity Bond layered 4% HTC applications, will help the Department meet its commitment and expenditure deadlines.

Other ideas that staff are considering include: more rigorous scoring criteria, three application received dates regardless of the actual received date based on priorities, a prohibition on applications that previously received an award of Department assistance, and incentivizing applications participating in the Department's Section 811 Project Rental Assistance Demonstration Project. The 30 year/3% treatment will be spelled out in detail to avoid confusion such as occurred on 2015-1.

2015-2 Multifamily Direct Loan Notice of Funding Availability (NOFA)
Draft Bullet Points

1. **Priorities** –All applicants will be scored based on scoring criteria described below to the extent that other applications exist within the same priority *and* set-aside.
 - a. Priority 1: Applications accepted by 2/29/16. Awards for this priority are anticipated to be made at the 3/31/15 and/or 4/28/15 Board Meeting and expected to close on all financing by 5/31/16. All Priority 1 applications will receive a 2/29/16 received date.
 - b. Priority 2: Applications accepted by 4/29/16. Awards for this priority are anticipated to be made at the 5/26/15 and/or 6/16/15 Board Meeting and expected to close on all financing by 7/29/16. All Priority 2 applications will receive a 4/29/16 received date.
 - c. Priority 3: Applications including those layering with 2016 HTC, that must close on all financing by 12/31/16. Awards for this priority are anticipated to be made at the 7/28/16 Board Meeting. All Priority 3 applications will receive a 4/30/16 received date.

Applicants that are not able to close within the required timeline for a given priority will move down in priority order. Priority 3 applicants that are not able to close within the required timeline will be terminated and given appeal rights in accordance with 10 TAC §10.902.

2. **Set Asides** – For all set-asides except PSH, applicants must structure the multifamily direct loan as a fully repayable loan at 3.0% interest and 30 year amortization with a term that matches the term within 6 months of any superior loan(s).
 - a. CHDO –\$3.2 million (HOME). HTC-layered and non-HTC layered applications accepted.
 - b. PSH – \$2.3 million (TCAP and HOME depending on location). Applicants may request a deferred forgivable loan structure. Only 9% HTC-layered applications and 4% HTC-layered applications where the multifamily direct loan will not be used to pay off bonds will be accepted.
 - c. 4% HTC-layered applications proposing new construction that do not qualify for CHDO or PSH set-asides –\$4 million (TCAP and HOME depending on location). This set-aside will be available until all \$4 million in funds under this set-aside are awarded or until 4/29/16, whichever occurs first.
 - d. General – any remaining funds (TCAP and HOME depending on location). This set-aside may increase based on the amount awarded under the 4% HTC-layered applications proposing new construction set-aside.
3. **Maximum Requests**
 - a. \$2 million maximum request for all new construction projects, regardless of HOME or TCAP, layering, or set-aside.
 - b. \$1 million maximum request for all rehab projects, regardless of HOME or TCAP, layering, or set-aside.
4. **Maximum Per Unit Subsidy Limits Statewide**
 - a. 0 bedroom (efficiency): \$75,000
 - b. 1 bedroom: \$90,000

- c. 2 bedrooms: \$110,000
- d. 3 bedrooms or more: \$135,000

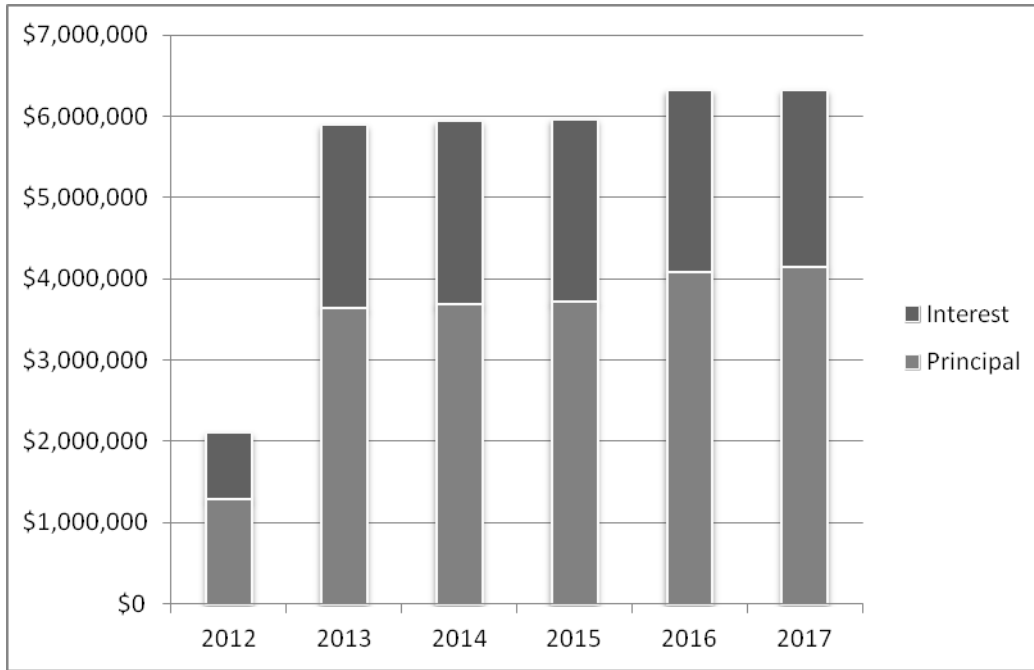
5. Scoring Criteria

- a. Eligibility for points under 10 TAC §11.9(c)(4) related to the Opportunity Index based on the scale provided in 10 TAC §11.9(c)(4).
- b. Owners that have committed to providing at least ten 811 units under the 2015 811 NOFA (committed units may not count for points under any other program) (3 points).
- c. An application that proposes rehabilitation of a development that meets the all of the following criteria will be eligible for up to 6 points:
 - i. An existing USDA 515 loan that matures January 4, 2021 or earlier (1 point).
 - ii. At least 80% of the units are Rental Assistance units (1 point).
 - iii. The Capital Needs Assessment estimates at least \$30,000 per unit in rehabilitation costs (1 point).
 - iv. The past six months' rent rolls indicate at least 95% occupancy in all of the last 6 months for all in-service units(1 point).
 - v. The development is composed of 36 units or less (1 point).
 - vi. The development has reserves in excess of \$10,000 per unit (1 point).
- d. Any application that proposes rehabilitation of a development in which the development will not be transferred to another entity as part of the transaction, and caps developer fee at:
 - 1. 10% of total development cost (2 points).
 - 2. 5% of total development cost (5 points).
- e. An application that caps the per HOME/TCAP unit subsidy limit at:
 - i. \$100,000 per HOME/TCAP unit (1 point).
 - ii. \$80,000 per HOME/TCAP unit (2 points).
 - iii. \$60,000 per HOME/TCAP unit (4 points).
- f. An application that provides Match in the amount of:
 - i. 5.1% to 9.0% of the HOME/TCAP requested (3 points).
 - ii. 9.1% or more of the HOME/TCAP requested (5 points)
 - iii. Match provided in an area where HUD has waived match requirements (5 points)
- g. Tiebreaker – In the event that one or more application receives the same number of points based on the scoring criteria above, staff will recommend for award the Application with a Development Site located the greatest linear distance from the nearest Housing Tax Credit assisted development.

6. Miscellaneous

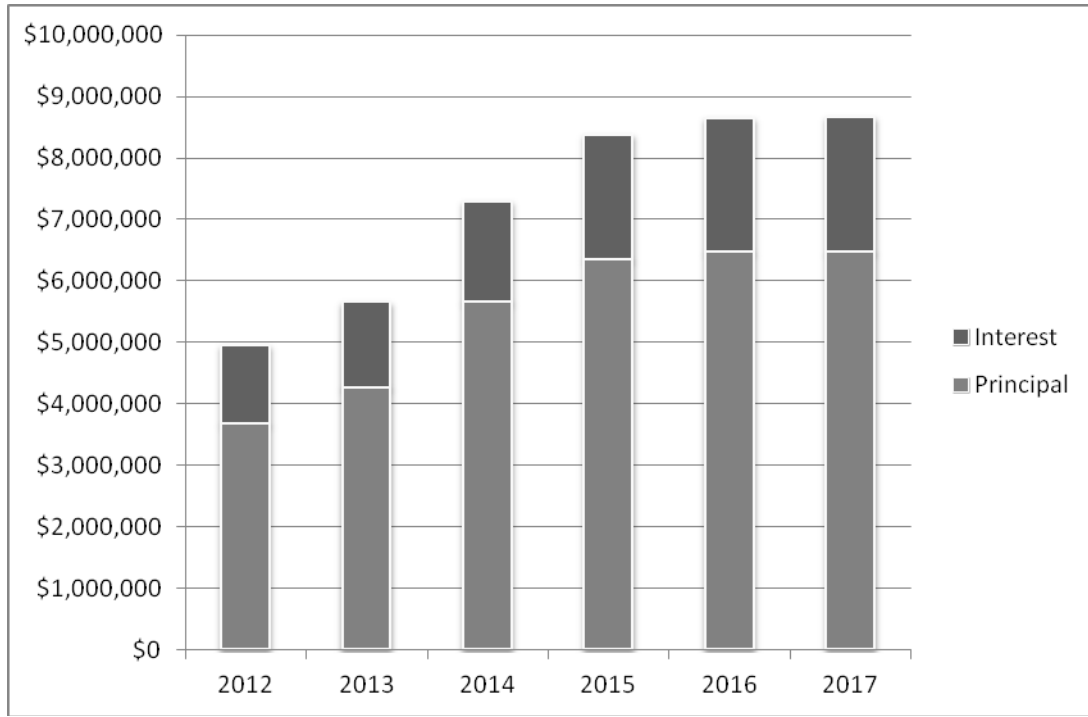
- a. All 4% HTC-layered applications must have a certificate of reservation at the time of Multifamily Direct Loan application submission.
- b. After 5/31/16, all set-asides will collapse with the possible exception of CHDO for any remaining funds. TDHCA will publish the amount of available funds as each priority passes.
- c. Based on the availability of funds, applications will be accepted until 5pm Central Daylight Time on 5/31/16.

TCAP Repayments



| State Fiscal Year | Principal | Interest | % Principal | % Interest | Notes |
|-------------------|-------------|-------------|-------------|------------|------------------------------------|
| 2012 | \$1,292,755 | \$807,020 | 61.57% | 38.43% | first TCAP repayment in March 2012 |
| 2013 | \$3,634,678 | \$2,253,115 | 61.73% | 38.27% | |
| 2014 | \$3,679,914 | \$2,254,606 | 62.01% | 37.99% | |
| 2015 | \$3,714,841 | \$2,243,441 | 62.35% | 37.65% | |
| 2016 | \$4,083,703 | \$2,231,451 | 64.67% | 35.33% | |
| 2017 | \$4,137,083 | \$2,178,072 | 65.51% | 34.49% | |

HOME Program Income from Multifamily Activities



| State Fiscal Year | Principal | Interest | % Principal | % Interest | Notes |
|-------------------|-------------|-------------|-------------|------------|--|
| 2012 | \$3,679,017 | \$1,272,911 | 74.29% | 25.71% | |
| 2013 | \$4,268,523 | \$1,382,513 | 75.54% | 24.46% | |
| 2014 | \$5,662,793 | \$1,629,385 | 77.66% | 22.34% | |
| 2015 | \$6,355,105 | \$2,026,572 | 75.82% | 24.18% | |
| 2016 | \$6,474,155 | \$2,175,959 | 74.84% | 25.16% | repayment on loans that will begin repayment in these years not included |
| 2017 | \$6,475,624 | \$2,191,803 | 74.71% | 25.29% | |



2015-1 HOME/TCAP Multifamily Development (MFD) Program - Application Log - September 3, 2015
 Per 2015-1 HOME/TCAP MFD Notice of Funding Availability published in the Texas Register on 02/06/2015

The following data was compiled using information submitted by each applicant. While this data has been reviewed or verified by the Department, errors may still be present. Those reviewing the log are advised to use caution in reaching any definitive conclusions based on this information alone. Applicants are encouraged to review 10 TAC §61.11(b) and 10.2(b) concerning Due Diligence and Applicant Responsibility. A more complete log will be posted subsequent to completion of all staff application reviews as well as at various times during the cycle. Applicants that identify an error in the log should contact Andrew Sinnott at andrew.sinnott@tdhca.state.tx.us as soon as possible. Identification of an error early does not guarantee that the error can be addressed administratively.

Applications sorted by date received and, for 9%-layered applications, whether or not they are competitive.

| | | | | | | | | | | | | | Total Set Aside Funding Level: \$6,000,000 | | |
|------------------------------------|---------------------------|---------------|-----------------|--------|------------------|---|---|--------------------|-------------|-----------------|----------|---------------|--|--|------------|
| | | | | | | | | | | | | | Scoring as per Section 3 of 2015-1 MFD NOFA | | Tiebreaker |
| TDHCA# | Property Name | Property City | Property County | Region | Housing Activity | Multifamily Development Program Request | As Underwritten at 3% Interest and 30 Year Amortization | Target Population | Total Units | HOME/TCAP Units | Layering | Date Received | Comments | | |
| 15403 | Harris Branch | Austin | Travis | 7 | NC | \$ 1,900,000 | | Elderly | 216 | 26 | 4% | 2/3/2015 | Withdrawn | | |
| 15306 | Altura Heights | Houston | Harris | 6 | NC | \$ 1,000,000 | \$ 800,000 | General | 124 | 14 | 9% | 4/1/2015 | Awarded 7/30/15 | | |
| 15242 | Sundance Meadows | Brownsville | Cameron | 11 | NC | \$ 1,000,000 | | General | 132 | 15 | 9% | 4/1/2015 | Recommended with 9% HTC only | | |
| 15126 | Brazoria Manor Apartments | Brazoria | Brazoria | 6 | R | \$ 500,000 | \$ 250,000 | General | 56 | 10 | 9% | 4/1/2015 | Awarded 7/30/15 | | |
| 15101 | Reserves at Summit West | Wichita Falls | Wichita | 2 | NC | \$ 785,000 | \$ 700,000 | General | 36 | 11 | 9% | 4/1/2015 | Awarded 7/30/15 | | |
| 15087 | Reserves at Copper Ranch | Lubbock | Lubbock | 1 | NC | \$ 785,000 | | General | 84 | 11 | 9% | 4/1/2015 | Not Competitive | | |
| 15125 | McKinney Manor Apartments | Sweeny | Brazoria | 6 | R | \$ 500,000 | | General | 48 | 0 | 9% | 4/1/2015 | Not Competitive | | |
| 15297 | Artesian Flats | Waco | McLennan | 8 | NC | \$ 1,000,000 | | General | 100 | 14 | 9% | 4/1/2015 | Not Competitive | | |
| 15328 | Mahon Villas Phase I | Lubbock | Lubbock | 1 | NC | \$ 1,000,000 | | General | 94 | 10 | 9% | 4/1/2015 | Not Competitive | | |
| 15410 | Aldridge 51 Apartments | Austin | Travis | 7 | NC | \$ 2,000,000 | | General | 240 | 30 | 4% | 4/6/2015 | Not Considered As a Result of 7/30/15 Board Action | | |
| 15600 | Sphinx at Fiji Lofts | Dallas | Dallas | 3 | NC | \$ 2,000,000 | | General | 170 | 23 | 4% | 6/8/2015 | Not Considered As a Result of 7/30/15 Board Action | | |
| Total TCAP Amount Requested | | | | | | \$ 12,470,000 | \$ 1,750,000 | Total Units | 1300 | 164 | | | | | |

| | | | | | | | | | | | | | Total Set Aside Funding Level: \$14,000,000 | |
|------------------------------------|---|------------------|-----------------|--------|------------------|---|---|--------------------|-------------|-----------------|----------|---------------|--|--|
| TDHCA# | Property Name | Property City | Property County | Region | Housing Activity | Multifamily Development Program Request | As Underwritten at 3% Interest and 30 Year Amortization | Target Population | Total Units | HOME/TCAP Units | Layering | Date Received | Comments | |
| CHDO - \$4,000,000 | | | | | | | | | | | | | | |
| 15502 | Westridge Villas | Frisco | Collin | 3 | NC | \$ 4,000,000 | \$ 4,000,000 | General | 132 | 56 | HOME | 3/31/2015 | Awarded 7/30/15 | |
| 15234 | Merritt Leisure | Midland | Midland | 12 | NC | \$ 2,000,000 | \$ 2,000,000 | Elderly | 194 | 28 | 9% | 4/1/2015 | Awarded 7/30/15 | |
| 15273 | Merritt Hill Country | Dripping Springs | Hays | 7 | NC | \$ 2,000,000 | \$ 1,550,000 | Elderly | 80 | 29 | 9% | 4/1/2015 | Awarded 7/30/15 | |
| 15020 | Evergreen at Rowlett Senior | Rowlett | Dallas | 3 | NC | \$ 1,000,000 | \$ 1,000,000 | Elderly | 138 | 7 | 9% | 4/1/2015 | Awarded 7/30/15 | |
| 15065 | Rhine Forest Apartments | New Braunfels | Comal | 9 | NC | \$ 1,000,000 | | General | 134 | 14 | 9% | 4/1/2015 | Not Competitive | |
| 15120 | Waters at Granbury | Granbury | Hood | 3 | NC | \$ 1,000,000 | | General | 80 | 15 | 9% | 4/1/2015 | Not Competitive | |
| 15501 | Casitas Acacia | San Benito | Cameron | 11 | NC | \$ 1,500,000 | | General | 20 | 20 | HOME | 6/8/2015 | Not Considered As a Result of 7/30/15 Board Action | |
| 15503 | Cornerstone Apartments | Brownsville ETJ | Cameron | 11 | NC | \$ 4,000,000 | | General | 108 | 39 | HOME | 6/22/2015 | Not Considered As a Result of 7/30/15 Board Action | |
| Total CHDO Amount Requested | | | | | | \$ 16,500,000 | \$ 8,550,000 | Total Units | 886 | 208 | | | | |
| General - \$10,000,000 | | | | | | | | | | | | | | |
| 15121 | The Glades of Gregory-Portland | Gregory | San Patricio | 10 | NC | \$ 1,000,000 | \$ 790,000 | General | 72 | 14 | 9% | 4/1/2015 | Awarded 7/30/15 | |
| 15010 | Mariposa Apartment Homes at South Broadway | Joshua | Johnson | 3 | NC | \$ 1,000,000 | | Elderly | 222 | 9 | 9% | 4/1/2015 | Recommended with 9% HTC only | |
| 15252 | Henderson Village | Henderson | Rusk | 4 | NC | \$ 900,000 | \$ 785,000 | General | 80 | 8 | 9% | 4/1/2015 | Awarded 7/30/15 | |
| 15086 | Reserves at Preston Trails | Wolfforth | Lubbock | 1 | NC | \$ 785,000 | \$ 700,000 | General | 112 | 11 | 9% | 4/1/2015 | Awarded 7/30/15 | |
| 15063 | Palladium Van Alstyne Senior Living | Van Alstyne | Grayson | 3 | NC | \$ 1,000,000 | \$ 900,000 | Elderly | 132 | 14 | 9% | 4/1/2015 | Awarded 7/30/15 | |
| 15303 | Reserve at Engel Road | New Braunfels | Comal | 9 | NC | \$ 1,000,000 | \$ 1,000,000 | General | 96 | 14 | 9% | 4/1/2015 | Awarded 7/30/15 | |
| 15022 | The Oaks of Westview | Canton | Van Zandt | 4 | R | \$ 1,000,000 | \$ 1,000,000 | General | 88 | 18 | 9% | 4/1/2015 | Awarded 7/30/15 | |
| 15035 | The Oaks of Fairview | Athens | Henderson | 4 | R | \$ 976,000 | \$ 976,000 | General | 98 | 28 | 9% | 4/1/2015 | Awarded 7/30/15 | |
| 15036 | Fairview Cottages | Athens | Henderson | 4 | R | \$ 640,000 | \$ 640,000 | Elderly | 44 | 9 | 9% | 4/1/2015 | Awarded 7/30/15 | |
| 15028 | Lometa Pointe | Lampasas | Lampasas | 8 | NC | \$ 785,500 | | Elderly | 78 | 11 | 9% | 4/1/2015 | Recommended with 9% HTC only | |
| 15093 | Stonebridge at Childress | Childress | Childress | 1 | NC | \$ 750,000 | | General | 48 | 8 | 9% | 4/1/2015 | Recommended with 9% HTC only | |
| 15179 | Royal Gardens at Goldthwaite | Goldthwaite | Mills | 8 | NC | \$ 600,000 | | General | 49 | 5 | 9% | 4/1/2015 | Not Recommended by REA | |
| 15012 | Mariposa Apartment Homes at Greenville Road | Royce City | Rockwall | 3 | NC | \$ 1,000,000 | | Elderly | 222 | 9 | 9% | 4/1/2015 | Not Competitive | |
| 15023 | The Terraces at Canyon Lake | Canyon Lake | Comal | 9 | NC | \$ 785,000 | | Elderly | 62 | 11 | 9% | 4/1/2015 | Not Competitive | |

| TDHCA# | Property Name | Property City | Property County | Region | Housing Activity | Multifamily Development Program Request | As Underwritten at 3% Interest and 30 Year Amortization | Target Population | Total Units | HOME/TCAP Units | Layering | Date Received | Eligibility under Opportunity Index | Unrestricted Units | Amount of Local Funding | Total Score | Distance to nearest HTC development (miles) |
|---------------------------------------|-------------------------------|---------------|-----------------|--------|------------------|---|---|--------------------|-------------|-----------------|----------|---------------|-------------------------------------|--------------------|-------------------------|-------------|---|
| 15029 | The Courtyard Apartments | Sanger | Denton | 3 | NC | \$ 1,000,000 | | Elderly | 60 | 8 | 9% | 4/1/2015 | | | | | Not Competitive |
| 15037 | The Cottages at Main | Bullard | Smith | 4 | R | \$ 480,000 | | Elderly | 24 | 7 | 9% | 4/1/2015 | | | | | Not Competitive |
| 15062 | Baron Hotel | Cisco | Eastland | 2 | R | \$ 726,904 | | General | 30 | 10 | 9% | 4/1/2015 | | | | | Not Competitive |
| 15075 | The Village at Main | Bullard | Smith | 4 | R | \$ 500,000 | | General | 24 | 7 | 9% | 4/1/2015 | | | | | Not Competitive |
| 15102 | Reserves at Perryton | Perryton | Ochiltree | 1 | NC | \$ 785,000 | | General | 48 | 11 | 9% | 4/1/2015 | | | | | Not Competitive |
| 15138 | Indian Lake Apartment Homes | Indian Lake | Cameron | 11 | NC | \$ 1,000,000 | | General | 80 | 18 | 9% | 4/1/2015 | | | | | Not Competitive |
| 15139 | Arbor Creek Apartment Homes | Los Fresnos | Cameron | 11 | NC | \$ 1,000,000 | | General | 120 | 30 | 9% | 4/1/2015 | | | | | Not Competitive |
| 15164 | Southport Estates | Levelland | Hockley | 1 | NC | \$ 900,000 | | General | 48 | 13 | 9% | 4/1/2015 | | | | | Not Competitive |
| 15172 | Oak Grove Village | Marble Falls | Burnet | 7 | NC | \$ 1,000,000 | | Elderly | 42 | 13 | 9% | 4/1/2015 | | | | | Not Competitive |
| 15174 | Palladium Glenn Heights | Glenn Heights | Ellis | 3 | NC | \$ 1,000,000 | | General | 180 | 14 | 9% | 4/1/2015 | | | | | Not Competitive |
| 15183 | Borgfeld Manor | Cibolo | Guadalupe | 9 | NC | \$ 1,000,000 | | General | 120 | 7 | 9% | 4/1/2015 | | | | | Not Competitive |
| 15198 | The Pointe at Canyon Lake | New Braunfels | Comal | 9 | NC | \$ 1,000,000 | | General | 100 | 14 | 9% | 4/1/2015 | | | | | Not Competitive |
| 15268 | Cayetano Villas of Kingsville | Kingsville | Kieberg | 10 | NC | \$ 1,000,000 | | General | 48 | 8 | 9% | 4/1/2015 | | | | | Not Competitive |
| 15278 | Palladium Anna | Anna | Collin | 3 | NC | \$ 1,000,000 | | General | 180 | 14 | 9% | 4/1/2015 | | | | | Not Competitive |
| 15309 | Reserve at Hagan | Whitehouse | Smith | 4 | NC | \$ 1,000,000 | | General | 72 | 14 | 9% | 4/1/2015 | | | | | Not Competitive |
| 15339 | Royal Gardens at Diboll | Diboll | Angelina | 5 | NC | \$ 600,000 | | General | 49 | 6 | 9% | 4/1/2015 | | | | | Not Competitive |
| 15338 | Mill Town Crossing | Silsbee | Hardin | 5 | NC | \$ 775,000 | | General | 80 | 11 | 9% | 4/1/2015 | | | | | Withdrawn |
| 15337 | Mission Village of Alpine | Alpine | Brewster | 13 | NC | \$ 700,000 | | General | 40 | 10 | 9% | 4/1/2015 | | | | | Withdrawn |
| Total General Amount Requested | | | | | | \$ 27,688,404 | \$ 6,791,000 | Total Units | 2794 | 552 | | | | | | | |
| Total HOME Amount Requested | | | | | | \$ 44,188,404 | \$ 15,341,000 | | | | | | | | | | |

1 = Housing Activity: New Construction=NC, Rehabilitation=R

2= Layering of Other Department Active Applications: 9%=9% Competitive Tax Credits, 4%=4% Tax Credit Program

3 = Date Received: The date that the application, all required 3rd Party Reports, and Application Fees were received. All 2015 9%-layered applications are considered to be received on 4/1/15.

4

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
OCTOBER 15, 2015

Presentation, Discussion, and Possible Action regarding a material amendment to the Housing Tax Credit (“HTC”) Application for Haymon Krupp (#14127)

RECOMMENDED ACTION

WHEREAS, Haymon Krupp received an award of 9% Housing Tax Credits in 2014 to demolish and re-construct 96 multifamily units in El Paso;

WHEREAS, the Development Owner is now requesting material alterations to the Development’s site plan and architectural design, changes in acreage, and changes in development costs, financing and timing;

WHEREAS, Board approval is required for any change that would materially alter a Development and a re-evaluation is required for a Development that undergoes a substantial change as directed in Texas Government Code §2306.6712 and 10 TAC §10.405(a) and the Owner has complied with the amendment requirements therein;

WHEREAS, the Development Owner indicates that the development costs have increased by \$6.2M or 51%, the first lien debt has increased by \$1.8M or 77%, and related party loans from the Housing Authority of the City of El Paso to support the transaction have increased by \$3.4M or 153%; and

WHEREAS, the changes do not impact scoring items in the tax credit application; however, concerns exist regarding the delayed timing of construction and ultimate ability to place all Units in service by December 31, 2016 as required

NOW, therefore, it is hereby

RESOLVED, that the requested application amendment is granted subject to meeting the deadline for loan closing and completion of tenant relocation by November 15, 2015, and the Executive Director and his designees are each authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

Haymon Krupp was approved during the 2014 competitive 9% Housing Tax Credit cycle under the At Risk set aside to demolish and reconstruct 96 multifamily units in El Paso, part of an existing Public Housing development originally built in 1975. The Development Owner received its award under the At Risk set aside based on its status as a Development proposing to rehabilitate or reconstruct housing units that are owned by a public housing authority and receive assistance under Section 9, United States Housing Act of 1937, as allowed under §2306.6702 of Texas Government Code. The Owner originally proposed that 75% of the units would be financed with HTC and HUD Rental Assistance Demonstration (“RAD”) program funds and that 25% of the units would remain supported by a public housing operating subsidy. On July 1, 2015, the Owner, Haymon Krupp, LP (Housing Authority of the City of El Paso), through their Consultant (Sarah Anderson) submitted a material amendment request for several substantial, material changes to the original application based on changed circumstances. One of the changes involved the source of operating income as a result of HUD’s denial of its application for the RAD conversion program. The Development Owner has further advised the Department that in reliance on incorrect professional advice from a non-affiliate applicant consultant, it applied for tax credits and the application reflected an application site plan which it has now determined must be significantly reconfigured in order to meet local requirements. This was corrected and a new proposed site plan has been developed using a new architect. The changes are sufficiently extensive to constitute material amendment under Tex. Gov’t Code §2306.6712. Accordingly, the Development Owner has made request for a material amendment which requires approval by the Texas Department of Housing and Community Affairs’ (“TDHCA”) Governing Board (“Board”). A copy of the request is attached hereto and incorporated herein by reference for all purposes.

Because the Development Owner acted in reliance on a non-affiliated professional third party, they have indicated that the necessary changes were not reasonably foreseeable or preventable. Staff has confirmed that the changes would not result in a change to the application’s competitive score. The application will presumably remain financially feasible if only because it will occur under the umbrella of the Housing Authority of the City of El Paso (“HACEP”), and HACEP has advised that it has the financial resources to ensure that as long as the Development Owner retains the tax credit award the development can be accomplished. From the perspective of developing the number of units originally proposed, the requested amendment meets the statutory criteria for approval.

However, the staff has identified other significant concerns that it believes require disclosure to and consideration by the Board. The development must be placed in service by December 31, 2016, in order to claim its tax credits. If this were simply construction of 96 new units this would be less of a concern, but this Application entails relocating households from existing units, carrying out demolition and abatement, and then constructing the units under significantly changed plans. Since the Development Owner provided a best case construction timeline dated July 15, 2015, which reflected anticipated final certificates of occupancy by December 14, 2016, with all units completed by January 9, 2017. The Development Owner advises that the necessary measures to ensure that all units will be ready for occupancy by December 31, 2016 are being taken. Because the timeline further reflected several key dates including executed construction contract, receipt of city permits for building and demolition and resident relocation, all of which appear now to be between 10-30 days behind this best case schedule, achieving the committed December 31, 2016 completion will clearly require a commitment and ability to take extraordinary measures. The Development Owner

has expressly represented this commitment and ability to staff. Real Estate Analysis staff has been provided a redlined, unexecuted version of the construction contract. While the contract for construction has not been finalized at this juncture, we understand that intense efforts are underway to finalize this. The Development Owner has also advised that although it understands there is no flexibility to waive or extend IRS placement in service deadlines, the Department has some latitude to waive or extend the state rules in this regard. The Development Owner has assured staff that it will take all actions required to place all units in service by December 31, 2016.

The Owner's General Partner, Paisano Haymon Krupp GP, LLC, has as its sole member the Paisano Housing Redevelopment Corporation, an instrumentality of the Housing Authority of the City of El Paso. Hunt El Paso Krupp recently, through an amendment approved administratively in May 2015, entered as a 50% Co-Developer to assist Paisano Housing Redevelopment Corporation with this Development at the request of the syndicator, who has changed to Hunt Capital Partners, with HDG Investments, LLC coming in as the guarantor of completion of construction, rental achievement, and full funding of the permanent and construction loan.

Site Plan and Architectural Design Changes

The letter submitted by the Owner addressed several site plan and architectural design changes that were described as necessary in order to meet the 40% open space requirements and 35-foot height limitations of the City of El Paso's zoning ordinances. According to the owner, the original development plan created by the development team's architect only had 33% open space and the Owner was advised by the architect on September 9, 2014 that the plans fell short of the City's zoning requirements; the Owner states that the architect submitted two subsequent alternative plan sets through September and December 2014 for the City's review but both were again rejected for failing to meet the City's zoning and accessibility requirements. After the second set of plans was rejected, the Owner chose to replace the original architect. In order to meet the City's requirements, the new architect reduced the building footprints, decreased the number of buildings (from 16 to 12), and reconfigured the network of drives and parking areas to eliminate previously planned traffic roundabouts, connect the ends of two existing cul-de-sacs, and add a second drive to connect existing streets and provide double and single-ledged head-in parking along the south side of the site.

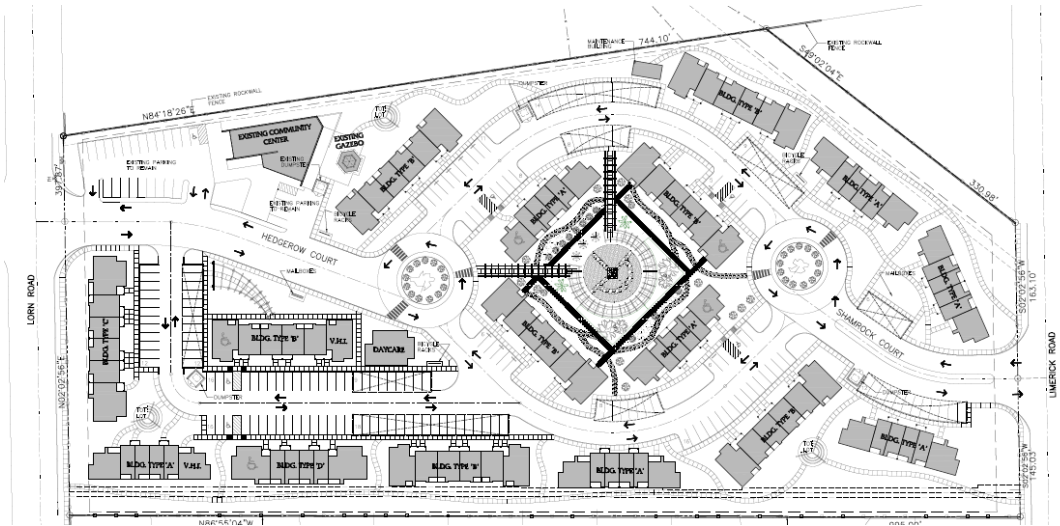
Revised architectural plans were also submitted, proposing a change from townhome style construction to two story buildings that would contain a total of eight dwelling units, four on the ground level and four on the second story. The Owner has stated that the revised design will continue to provide buildings with 30-year architectural shingle roofs, 100% stucco finishes (with the exception of fiber cement siding at the breezeways), nine-foot ceiling heights, and covered entries and porches/patios. No changes in the total number of units, set asides, or unit mix were made (with the exception of the 72 RAD and HTC designated units being changed to 72 Section 8 and HTC supported units) though square footages for each unit type increased slightly (nine square feet on the two bedroom, nine square feet on the three bedroom, and 16 square feet on the 4 bedroom). Both the revised site plan and architectural plans result in significant modifications, which is considered material under 10 TAC §10.405(a)(4)(A) and 10 TAC §10.405(a)(4)(E).

To accommodate changes in the site plan and project budget, the Owner also decided to eliminate planned carports and remove the existing daycare center building from the site plan. Removal of the daycare center also potentially represents a substantive modification of the scope of tenant services and would be considered material under 10 TAC §10.405(a)(4)(C). According to the Owner, however, the site plan submitted with the application included a building erroneously labeled as a

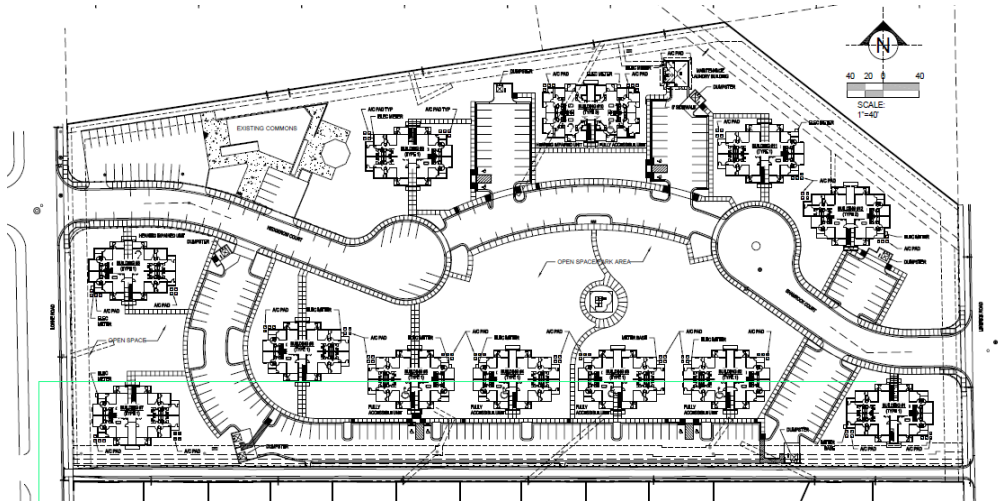
“daycare” that had not been operated as a daycare in seven years and instead served as a one story general community space building. Moreover other than the site plan, the Owner did not specifically identify what services would be provided after construction was complete. The existing building is no longer part of the reconstruction. It was however originally planned at 1,650 square feet, which together with the planned maintenance and laundry building (450 square feet at application) would have amounted to a common area square footage of 2,100. The amendment submitted increased the maintenance and laundry building to 740 square feet. The removal of the 1,650 square foot building would result in an overall decrease of 64.76% of common area square footage, which leads to a reduction of 3% or more in the square footage of the common areas and is considered material under 10 TAC §10.405(a)(4)(D).

The Owner has, however, proposed that a reduction will not occur, as the Owner is now planning to lease 1,688 square feet of space at an existing community center that appears on the Development’s site plan. This existing community center, known as Flora Garcia Community Center, was previously built with the use of CDBG funds for intentional use with Haymon Krupp, the Sitegraves Manor Apartments, and the neighborhood residents residing within Census Tract 43-10, Block Group 3. At application, the existing community center was not evaluated or included as part of the common area by the Department’s Real Estate Analysis staff because it was not going to be used exclusively by Haymon Krupp residents and was owned and operated by the City of El Paso. The Flora Garcia Center has since been acquired by the Housing Authority of the City of El Paso. The Housing Authority has proposed a draft Master lease between itself and the Owner whereby an amount of 308 square feet of office space on the second floor of the Community Center will be retained expressly for use by staff of Haymon Krupp and 1,380 square feet of a meeting room on the first floor of the Community Center will be reserved for use by Haymon Krupp residents, resulting in 1,688 of replacement community space (which combined with the maintenance and laundry building will provide a total of 2,408 square feet of common area space). The Community Center itself will continue to be used by Haymon Krupp, the Sitegraves Manor Apartments, and the neighborhood residents. A copy of the draft lease was submitted for staff’s review; the lease shows a reservation of 1,688 square feet of the community building to be comprised of the meeting room and office with the exception that upon mutually acceptable reasonable terms the Housing Authority and the Owner may reallocate the space within the community building. The draft lease provided was for a 75 year term and for an annual base rent of \$100.00. The Department has discussed with the Owner that the entire community center will be encumbered by the LURA, which will require compliance with both the provisions in the Title 10, Part 1, Chapter 10, Uniform Multifamily Rules, Subchapter F, relating to Compliance Monitoring, and with all applicable accessibility provisions in Title 10, Part 1, Chapter 1, Administration, Subchapters A and B. The Owner’s response includes an acknowledgement that the building will be encumbered by the LURA and will need to be accessible by 2010 ADA standards; the Owner’s response has also stated that there will be no additional costs associated with any renovations to the community center.

Site Plan at Application



Site Plan at Amendment



Changes in Acreage

The Owner also reported a change in acreage. According to the Owner, the 10.120 acreage used for purposes of the application and other third party reports was based on an existing legal description used in the Warranty Deed held by the Housing Authority. The Owner states that when an ALTA survey was conducted in connection with the anticipated construction and equity closing, it was discovered that Hedgerow Court and Shamrock Court, both cul-de-sac streets within the site, had previously been dedicated to the public pursuant to plat and were no longer owned as part of the site. The plat dedication was executed on behalf of the Housing Authority on the same day the Housing Authority acquired the site (July 15, 1975), but the plat was not recorded until August 12, 1975 and therefore the Warranty Deed used a metes and bounds description specifying 10.120 acres, an error that has been carried forward by reference into other property and historical documents.

The prior dedication was discovered by the surveyor, who reduced the acreage of the site to 9.0834 acres to exclude the cul-de-sac streets within the site. According to the Owner, the reduction in acreage was technical in nature because the actual boundaries of the site were not altered in any respect. The Owner has stated that there was no cause to believe, at the time of application, that the Warranty Deed was incorrect and has argued that the institutional knowledge of the dedication 40 years ago was lost over time. The change resulted in a reduction of 10.24% in the site acreage, which leads to a modification of residential density that is considered material under 10 TAC §10.405(a)(4)(F) and a decrease in the site acreage of greater than 10 percent from the original site under control and proposed in the Application that is considered material under 10 TAC §10.405(a)(4)(G).

Changes in Development Costs and Financing

As directed by Texas Government Code §2306.6712(b), Department staff assigned to underwrite applications were required to evaluate the amendment requested and provide an analysis. The Owner submitted significantly revised development costs and financing information at the time of the amendment, including changes in planned subsidy, cost estimates for planned work, changes in the financing parties and loan terms, and changes in the syndicator and syndication rates.

According to the Owner, the Housing Authority's RAD conversion application was denied on the basis that the Housing Authority was seeking to maintain the Public Housing Authority subsidy for 25% of the Development's units, which it was required to do under its tax credit reservation for the At Risk Set Aside. A copy of the HUD letter, dated June 30, 2015, was submitted demonstrating that HUD was unable to approve a RAD application where less than 100 percent of the units were proposed for conversion. The letter submitted with the original application was a HUD letter approving a Portfolio Award under the RAD dated December 16, 2013, and required the Public Housing Authority to submit acceptable RAD Applications for the referenced projects within 365 days. A Commitment to enter into a Housing Assistance Payment (CHAP) was not provided at the time of application; instead, the Department included as one of its Underwriting Conditions to be met at the time of the 10% Test that the Owner submit documentation of HUD approval of RAD rents as represented in the application. The Owner included in this amendment a request to have this underwriting condition eliminated for purposes of the 10% Test. The Owner has proposed that the RAD subsidy will be replaced by Section 8 subsidy that the Housing Authority will convert to project based subsidy from its Housing Choice Voucher allotment. This has been approved by HUD upon the understanding that HACEP will rely on its existing Section 8 resources and will develop and operate the 24 public housing units for 40 years and the 72 project-based Section 8 units at incomes at or below 80 percent of AMI for 30 years.

The additional changes in development costs and financing have been re-evaluated by the Department's Real Estate Analysis Division, and while they have been found to fit within the Department's underwriting box for financial feasibility, the timeline to achieve placement in service is of concern.

Placed In Service Deadlines

A timeline for tenant relocation, demolition, and construction was requested by staff due to the many moving pieces of this transaction. A timeline was provided on September 22, 2015, but dated July 15, 2015 showing a best case tenant relocation ending October 13, 2015, a demolition start date of October 23, 2015, a demolition completion date of January 25, 2016, and a construction start date of January 26, 2016. The timeline has no room for further delays or contingencies. Some of the

timeline's estimated completion dates have. Key among these are the Contract execution deadline of September 3, 2015, the City building permits of August 19, 2015, and the City demolition permit of September 4; these milestones have yet to be accomplished. In addition the most recent report on the start and completion dates of the resident relocation reflects a 10 day delay. The Development Owner is aware of these concerns and has represented to staff a commitment to dedicate the necessary resources to move this process along and complete and place all units in service by December 31, 2016.

Construction completion of all 96 units, based on the timeline provided, is expected to be completed in three general phases (marked by completion of thirty two units) for the twelve planned buildings. Thirty-two units are projected for completion by November 21, 2016, thirty-two units are projected for completion by December 13, 2016, and the last thirty-two units are projected for completion by January 9, 2017, though the Owner has described that the January date only reflects miscellaneous work that may still need to be done after Certificates of Occupancy are received (estimated Certificate of Occupancy dates are shown on the timeline as October 6, November 9, and December 14, 2016). The Development is required by its Carryover Allocation Agreement to place all units and all buildings in service by no later than December 31, 2016. While the IRS requires only one unit to be completed and certified by the local authority or registered architect as ready for occupancy to place each newly constructed building "in service," TDHCA will require the Owner to request a waiver for good cause in the event that all units are not certified as ready for occupancy in each building. The Owner has not requested an amendment to the Carryover Allocation Agreement. Staff would expect an updated timeline reflecting the delayed commencement of relocation, demolition, and construction and revised completion supporting timely placement in service of all units.

Staff recommends approval of the amendment request subject to meeting the Owner's updated best case timelines. Specifically, November 15, 2015, as the deadline for loan closing and completion of tenant relocation.

July 1, 2015

Laura DeBellas
TDHCA
221 E. 11th St.
Austin, TX 78701

Ms. DeBellas:

Please consider this a formal request for an amendment to TDHCA Application # 14127 Haymon Krupp located in El Paso, TX.

The Developer is requesting two revisions to the development:

- Architectural Design Revisions
- Change in acreage
- Financing Changes

Neither of these requested changes would have had an impact on the original scoring or eligibility of the application. Additionally, we believe that these changes will ultimately benefit the residents.

Below is a detailed explanation of the requested revisions:

Haymon Krupp Design Revisions

The design for the redevelopment of the Housing Authority of the City of El Paso's (HACEP) Haymon Krupp project was required to be revised to meet the open space requirements of the City of El Paso's zoning ordinances. When the plans were submitted for City Plan Review it was determined that the original plans submitted in the LIHTC application needed to be adjusted to meet the 40% open space under the project's zoning designation.

Meeting the requirement was a complex issue that required reduced a combination of building footprints, a reduced number of buildings, a reduction of paved surface areas, etc. which drove the need to revise the building plan and resulted in revised unit designs.

It is important to note that the number of units did not change and the square footages of the units did not change. The primary design changes are described below.

Site Plan Changes. Primary revisions to the site plan include a reduction in the number of residential buildings for the development and a simplification of the parking/street network.

The number of residential buildings decreased by 4, from 16 originally to 12 under the new design.

The network of drives and parking areas were reconfigured to simplify the traffic flow and provide parking that is nearer, in most cases, to the residential units in which they are intended to serve.

The original plan retained the two existing cul-de-sacs and repurposed the ends of the cul-de-sacs into vehicular roundabouts, while providing two new double loaded drives emanating from, and connecting, the cul-de-sacs.

The new site plan also retains the two existing cul-de-sacs, but simplified the circulation by eliminating the traffic roundabouts. A single drive now connects the ends of the two cul-de-sacs and provides a combination of parallel parking and court parking between buildings. A second drive connects the existing streets and provides double-loaded and single-loaded head-in parking along the south side of the site.

The result of the changes to the site is an open space percentage which conforms to, and exceeds, the City’s zoning requirements and open spaces that are more effectively configured and distributed to maximize uses of the outdoor environment.

One additional change is the removal of a day care center building on the site plan. At the time of application the Developer had considered providing day care services as part of its amenities. Upon further review, the Developer has chosen other amenities and eliminated the day care center. The reduction in costs associated with that building have been addressed in the financing section below.

Building Plan Changes. The revised design resulted in more efficient building configurations wherein the buildings are more compact and uniform, which will provide a higher degree of construction efficiencies. Each building is two-story and contains 8 dwelling units – 4 units on the ground level and 4 units on the second story. The revised design continues to provide buildings with 30-year architectural shingle roofs, 100% stucco finish (with the exception of fiber cement siding at the breezeways), 9-foot ceiling heights, and covered entries and porches/patios.

Unit Plan Changes. The number of dwelling units did not change as a result of the revised design. The revised design used the original square footages as the bench mark for unit sizes. The square footages for unit types increased slightly to accommodate unit features, functionality, or constructability. The original plan provided a combination of townhome and flat units. The revised plan provides all flat units. The following table provides a comparison of the unit mix and unit sizes.

| Unit Mix Unit Type | Quantity | | Square Footage | |
|-------------------------------|----------|---------|----------------|---------|
| | Original | Revised | Original | Revised |
| 2 Bedroom Unit | 46 | 46 | 850 | 859 |
| 3 Bedroom Unit | 42 | 42 | 1,050 | 1,059 |
| 4 Bedroom Unit | 8 | 8 | 1,250 | 1,269 |
| Total | | 96 | | 96 |

The new architectural plans reflecting these changes are attached.

Change in Acreage

For the 2014 application round reconstruction projects were not required to submit Site Design Plans or survey as part of the application. Acreages used for the purposes of the application and other third party reports were based on the legal description as issued by the title company, which was 10.120. In the process of working toward the closing an ALTA survey was done and the acreage was determined to actually be 9.31. There have been no changes to the site of any kind. We believe that the most recent survey is simply a more accurate assessment than what may have been done 40+ years ago. We do not believe that this is a significant change and it does not impact the development in any way.

Financing Structure

The original structure for Haymon Krupp included 25% public housing units and 75% RAD conversion financing. Upon submission of documentation to HUD to proceed with the RAD conversion, the Developer was notified that HUD would not approve a RAD conversion that retained a public housing operating subsidy. We were instructed by HUD to instead do a mixed finance structure. Below is a summary of the changes that resulted from this change in financing:

Rent Schedule

Please note that unit sizes have all slightly increased to 859, 1059 and 1269 respectively, although, the bedroom mix has not changed at all. The number of 2, 3 and 4 bedroom units has all remained the same. While the total number of 30%, 50% and 60% units remain at 8, 15 and 49 respectively; the unit designation/subsidy type has changed. The project will no longer have RAD units but will instead be comprised of PHA, Tax Credit and Section 8 units. Specifically, all of the 30% HTC units are now PHA units, as are many of the 50% and 60% HTC units. However, the total number of PHA units has remained the same, at 24 total PHA units or 25% of the total number of units. Additionally, there are now 72 Section 8 units, of which 48 are layered on Tax Credit units and 24 are not or are considered "market rate" Section 8 units.

Proforma

Individual operating expense categories have changed based upon further research and communications with the lender, syndicator and property management company but the overall expense per unit has only increased by roughly 2% to \$4,121 per unit.

Development Costs:

Originally, development costs were estimated by the architect who is no longer engaged in the project. After removing the architect and engaging with the development team in place, costs were then re-evaluated based upon the most recent information available. Development costs have increased due to several factors. First, the previous cost estimator (the architect) did not fully take into account several cost factors including current price of labor and materials, in addition to not considering all code compliance cost factors. Certain activity costs have increased considerably due to either a low initial estimate or due to additional scope of work. Particularly, current estimates for demo and abatement costs are quite higher than originally thought. Additionally, the scope of the grading work has expanded leading to higher site work costs. Finally, other factors have been taken into account that were not previously in regards to the vertical construction costs, for example, the project will meet LEED Silver standards and add considerable costs above what was originally estimated. The current cost estimate does not include the cost of constructing the daycare, which will no longer be a part of the project.

Financing

In the original application, PNC was to provide a construction bridge loan in the amount of \$5,349,813 and permanent financing in the form of a conversion loan in the amount of \$2,269,240.



After negotiating with other lenders, it has been decided that construction and permanent financing will be provided by Bank of the West (BOW). BOW has agreed to loan up to \$9,800,000 towards the construction of the project. The construction loan will have a term of 21 months at a variable rate of one-month LIBOR plus 2.25%, currently estimated at 3.50%. BOW will provide a \$4,025,000 term loan through the Federal Home Loan Bank of San Francisco Community Investment Program rate with a 21-month forward rate lock + 2.25%, currently estimated to be 5.75% (all-in).

PNC was originally slated to provide the equity at a preliminary price of \$0.90 per LIHTC to purchase 99.99% interest in the entity that will own and operating the project. After negotiations with other syndicators, it has been agreed upon that Hunt Capital Partners will be providing the equity for the project. The syndication rate has increased to \$1.00, however, the pay-in schedule has reduced the amount of the equity during construction to \$100,000, while the total equity proceeds have increased to \$7,999,200.

In the original application, HACEP was to provide gap funding in the form of a grant, in the amount of \$2,200,000. Please note that in current financing structure, HACEP will provide gap funding in the form of a loan with an interest rate of 3% and a loan amount of \$4,450,010. These funds will have a soft repayment structure; therefore, will not be included in debt service in the enclosed proforma. In the original application, \$0 deferred developer was indicated which has now been increased to \$200,037. Additionally, \$56,403 in operating income trapped in escrow has been included as a permanent source.

10% Test Requirement

It should be noted that there was an Underwriting Condition for 10% Test that "Documentation of HUD Approval of RAD rents as represented in the Application" be submitted. Because RAD rents are no longer being used, we request that this condition be eliminated.

We would like to make it clear that these requested changes are items that the Developer could not have anticipated at the time of application. With regard to the open space requirements, the Developer relied on the expertise of the architect to ensure that all City of El Paso requirements were met. The architect used for the application has since been replaced as a result of this issue. Additionally, as RAD is a newly established program by HUD with rules that are still being implemented and interpreted, there was no way to anticipate that they would prohibit their use with developments that retained public housing operating subsidy on some units.

We believe that these changes do not impact the scoring for the original application, nor do they adversely impact the residents of the development, and in fact result in a better development at the end of the day.

Please contact me directly if you have any questions regarding this amendment request.

Sincerely,

A handwritten signature in black ink that reads 'Sarah Anderson'.

Sarah Anderson
512-554-4721
sarah@sarahandersonconsulting.com

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BARRY J. PALMER

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August 31, 2015

By Email to tim.irvine@tdhca.state.tx.us

Texas Department of Housing and Community Affairs

221 East 11th Street

Austin, Texas 78701-2410

Attention: Tim Irvine, Executive Director

RE: #14127 – Haymon Krupp Apartments, El Paso, El Paso County, Texas;
Application Amendment.

Dear Tim:

Following up on our meeting of August 20, 2015, concerning the requested application amendment for Haymon Krupp Apartments, here are synopses of the major application changes being requested, the reason for such changes, and an indication of whether the circumstance requiring the change was foreseeable or avoidable and whether the change would impact the scoring of the application.

1. Reduction in acreage. The site plan (the “Original Plan”) included in the 2014 Competitive 9% Application (the “Application”) for Haymon Krupp (the “Project”) shows 10.120 acres, which was taken from an existing legal description used in the Warranty Deed into the Housing Authority. No survey was required to be included in the Application, nor was one available. When an ALTA Survey was conducted in connection with the anticipated construction and equity closing, it was discovered that Hedgerow Court and Shamrock Court, both cul-de-sac streets within the site (the “Streets”), had previously been dedicated to the public pursuant to plat and were no longer owned as part of the site. The plat designated the property as being “Scotsdale Unit 8” and indicated that it included 10.120 acres. The plat dedication was executed on behalf of the Housing Authority on the same day the Housing Authority acquired the site (July 15, 1975), but the plat was not recorded until August 12, 1975, and the Warranty Deed into the Housing Authority used a metes and bounds description that specifies 10.120 acres without referencing the plat. When a Contract for Ground Lease and Bill of Sale was executed to show site control in the Application, the legal description used was a brief reference to the legal description in the Warranty Deed into the Housing Authority. The legal description used in the Title Commitment provided in the Application referenced the platted description, but stated that it was the same land as described on Exhibit A, which was the metes and bounds description taken from the Warranty Deed and specifying 10.120 acres. The prior dedication to the public

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was discovered by the surveyor, who reduced the acreage included within the site to 9.0834 acres because of the dedication by plat. This reduction in acreage was technical in nature because the actual boundaries of the site had not altered in any respect. Since the existing Streets were being incorporated into the site design without any change, the reduction in acreage itself did not create any consequent need to revise the site plan. If you lay the Original Plan over the new site plan proposed in the application amendment request (the “Current Plan”) it is clear that the size of the site has not changed and the exterior boundary lines are still exactly as shown in the Original Plan.

Foreseeable, avoidable or impacting score? While the Housing Authority did execute the plat simultaneously with the acquisition of the site, it can be argued that this happened nearly 40 years ago. Since the Housing Authority does not have any staff members who were employed in 1975 and involved in the land acquisition, there is no institutional knowledge of the plat dedication other than what is shown in the documentation. The documentation from the land acquisition referenced 10.120 acres as shown in the Warranty Deed, and there was no reasonable cause to believe that the actual acreage was less. Indeed, the recorded plat itself indicates that Scotsdale Unit 8 is 10.120 acres. For these reasons, we believe that the reduction in acreage was not foreseeable or avoidable by the development team. The technical loss of the acreage would have had no impact upon the Application’s score.

2. Increase in population density. Solely because of the reduction in acreage resulting from the discovery that the Streets were dedicated to the public, the population density for the Project was increased by 11.4%. The 96 units in the Project originally constituted a density of 9.486 units per acre. With the reduced acreage, 96 units constituted a density of 10.569 units per acre, without any change at all in the Original Plan.

Foreseeable, avoidable or impacting score? Since the loss in acreage was unforeseen and unavoidable, we think this concurrent increase in density was also unforeseen and unavoidable. We also believe that the increase in density caused by the loss of acreage had no negative impact upon the Project because the Original Plan was exactly the same as shown in the Application. The buildable land acreage has not changed at all and the Project has the same number of units on the same buildable acreage. The density increase did not affect the score of the Application.

3. Redesign to meet City’s open space requirements. The Original Plan was devised by McCormick Architecture (“Original Architect”) to meet the zoning requirements of the City of El Paso. On September 9, 2014, the Original Architect verbally confirmed that the Original Plan had only 33% open space, whereas 40% open space is required to meet the zoning requirements. Upon confirmation with the City, the Original Architect submitted two alternative sets of plans from September through December 2014, but they were rejected for not meeting either City or accessibility requirements. It was determined that reconfiguring the Original Plan was not going to be sufficient to provide the requisite additional qualifying open space. The Housing Authority subsequently procured Fugleberg Koch PLLC as replacement architects (“Current Architect”) and the Current Plan was devised for the exact site specified in the Application. The Current Plan retains the low-rise concept required by the zoning’s 35-foot height limitation by using a maximum of two-stories, but one-story wings shown in the Original Plan were eliminated,

reducing the number of residential buildings from 16 to 12. In order to achieve the new building designs, unit designs were changed from townhomes to flats, but the unit mix was not changed and unit areas were maintained or slightly increased. The traffic pattern was also simplified in order to reduce pavement and add to open space.

Foreseeable, avoidable or impacting score? We believe that by engaging an architectural firm located in El Paso, the Housing Authority was reasonable in relying upon the Original Plan complying with requisite zoning requirements. Additionally, had the development team been reviewing the Original Plan for zoning compliance, it is extremely unlikely that the difference between 33% and 40% open space would be visually apparent without the software capable of calculating open space on a site. We therefore think the error was neither foreseeable nor avoidable. Increasing the amount of open space will not impact the score of the Application and should probably be considered to improve the Project.

4. Substitution of existing Community Building for Daycare Building. The Project site had an existing one-story building that was once used for daycare, but no daycare services have been provided at the Project site for more than seven years. The most recent use has been for general community space. The intent was that the Project would have similarly sized building which would be used for a leasing office and community space. Unfortunately, the Original Architect designated the 1,650 square foot building on the Original Plan as being “Daycare,” sticking with the nomenclature that was commonly used for the community. This was a simple error, and was not noted by the development team due to time constraints because the architectural drawings were received shortly before the application was filed. Meanwhile, at the time of Application, there was an existing Community Center owned by the City of El Paso on a portion of the site which was then ground leased to the City. It served as a community center for the neighborhood as a whole and was not included as an element of the Project. The City’s occupancy pursuant to ground lease has subsequently expired, and the Community Center is now available for use in conjunction with the Project. The Current Plan anticipates having the Housing Authority lease a portion of the 5,751 square foot facility to [the Development Owner] to use it for leasing offices, and resident services in lieu of the 1,650 square foot building.

Foreseeable, avoidable or impacting score? We acknowledge that an error was made in labeling the 1,650 square foot building on the Original Plan as “Daycare” when it was intended for leasing offices and community space. We note, however, that the Application did not require designation of the common amenities that will be made available at the site – only the number of common amenity points that will be maintained. This Project designated 10 threshold common amenity points in the Application and amenities supporting these points will be maintained. On-site daycare services are not currently planned at the Project because historically there has not been a demand for such services at this location, which is why the previous daycare facility has been vacant for at least seven years. If the need arises in the future for on-site daycare services could be provided in the Community Building. Any families who live at the Project and require daycare are entitled to obtain it through several other daycare facilities operated by the Housing Authority on various properties located throughout the City. There is no change to the availability of these services for those currently utilizing these services, and they will be available for future residents. In view of the foregoing, we believe that it was foreseeable that even though a building was called “Daycare” in the Original Plan, it might in the

future serve other purposes consistent with the residents' needs and that daycare was not a mandated amenity. The architect's error in labeling the building may have been avoidable, but the development team did not have sufficient time to get the error corrected, given the late date of delivery of the Original Plans. Whether or not the Project provides daycare on site does not impact the scoring of the Application, as long as 10 points of threshold common amenities are provided.

5. Changes to unit subsidies. The Application's Rent Schedule showed a mixture of 25% public housing units and 75% RAD units, designed to meet the requirements of §11.5(3)(D) of the 2014 QAP. Post-award the Housing Authority was notified by HUD that it was impermissible to have a RAD transaction that retained Section 9 public housing subsidy in the development. For that reason, the Project was changed to a mixture of 25% public housing units and 75% Project-based Section 8 units. The change in type of subsidy resulted in changes to the Rent Schedule, so the application amendment request updates that information and other financial projections that were affected. Because the finances were changing and an application amendment was clearing required, we took the opportunity to update the sources and uses of funds.

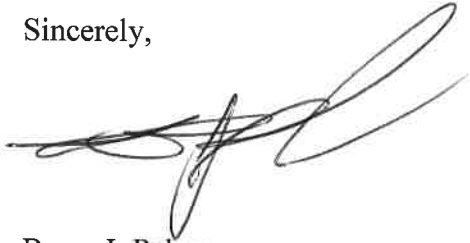
Foreseeable, avoidable or impacting score? Because the RAD Program was very new in 2014 and its rules were still evolving, we believe that it was not foreseeable or avoidable that HUD would prohibit mixing RAD units with retained public housing subsidies. The Rental Assistance Demonstration Conversion Guide for Public Housing Agencies that was available in 2014 actually contemplated partial conversions in a footnote on page 3 of the document. Notwithstanding this, the Housing Authority received a letter from HUD on June 30, 2015, advising that "HUD was unable to approve a RAD application where less than 100 percent of the units are converted." The 72 units that were previously designated as RAD conversions have been changed to Project-Based Vouchers (Section 8), which necessitated a change in the Rent Schedule and other financial projections. The change from RAD units to Section 8 units does not affect the score. The Project continues to qualify for the At-Risk Set-Aside under §2306.6702(a)(5)(B) of the Government Code. The Project also continues to qualify for three points under §11.9(e)(4) of the 2014 QAP by virtue of the Housing Tax Credit funding request being less than 8 percent of the Total Housing Development Cost. There is accordingly no impact on the Application's score.

In summary, we think that the requested changes to the 2014 application were largely unavoidable and that the Developer has brought the necessary amendments to the TDHCA as soon as possible after review by the City of El Paso and by HUD. We believe that the requested modifications would not have impacted the application's score.

Tim Irvine, Executive Director
August 31, 2015
Page 5

Consolidation of all of the necessary amendments in one action was considered necessary to achieve a clear picture of what was needed to get this Project in compliance with the City and the HUD requirements. We respectfully request that the TDHCA Staff support the requested application amendment and recommend approval to the TDHCA Board at the next possible Board Meeting.

Sincerely,

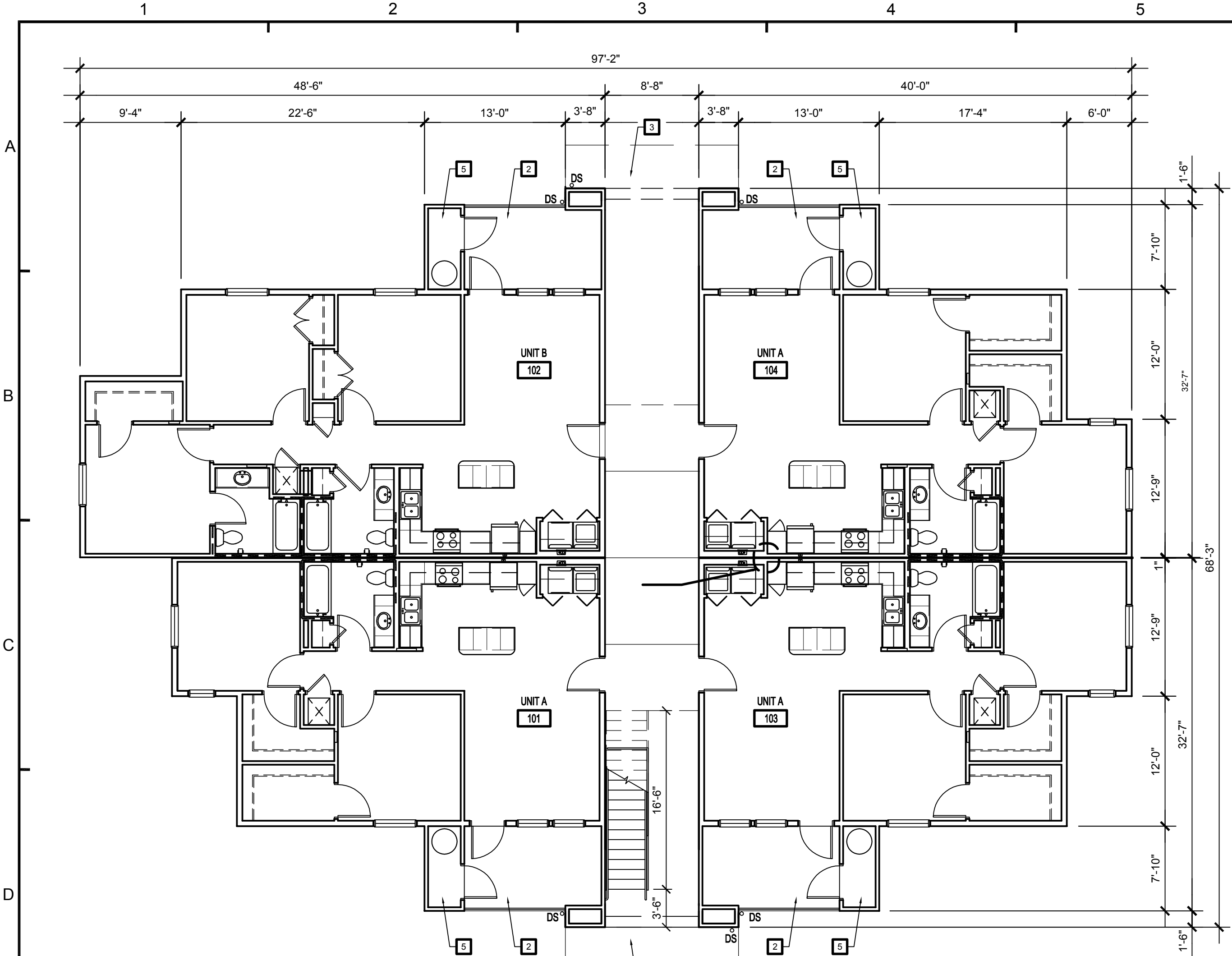
A handwritten signature in black ink, appearing to read 'Barry J. Palmer', with a large, stylized flourish at the end.

Barry J. Palmer

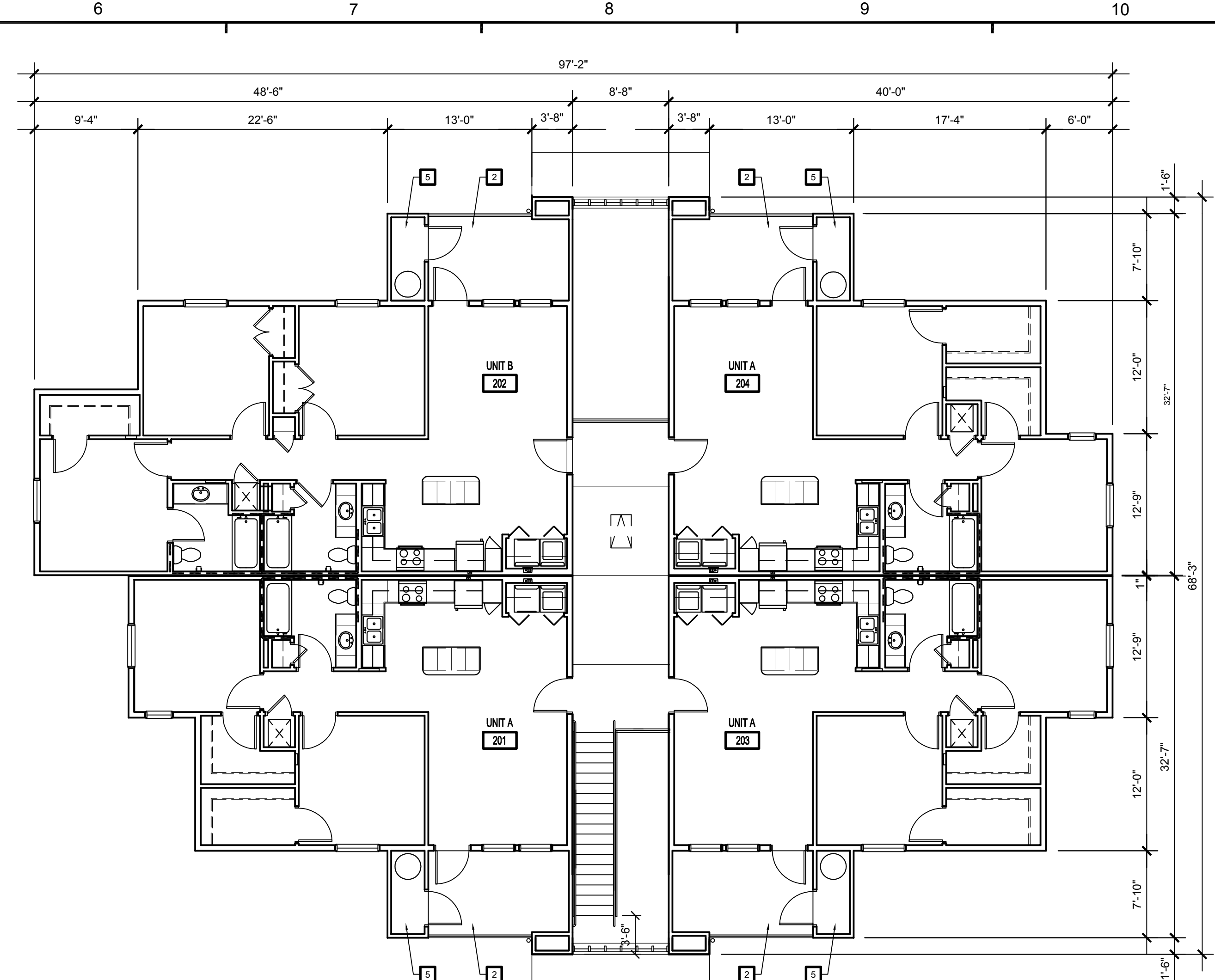
cc: Tom Gouris
Gerald W. Cichon
Sarah Anderson

| Activity ID | Activity Name | Original Duration | Start | Finish | 2014 | | | | | | | | | | | | 2015 | | | | | | | | | | | | 2016 | | | | | | | | | | | | 2017 | | |
|---|--|-------------------|-------------|-------------|--|-------------|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|-----|-----|
| | | | | | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar |
| Best Case - El Paso RAD - 96 New Best Case | | | | | 649 | 10-Feb-14 A | 07-Feb-17 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Pre Construction | | | | | 610 | 10-Feb-14 A | 14-Dec-16 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Administrative | | | | | 490 | 10-Feb-14 A | 14-Dec-16 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12510000 | Award of Tax Credits | 128 | 10-Feb-14 A | 11-Aug-14 A | Award of Tax Credits | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12510025 | NTP-Design | 2 | 12-Aug-14 A | 13-Aug-14 A | NTP-Design | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12510050 | Project Closing - 9% | 215 | 01-Oct-14 A | 02-Sep-15 | Project Closing - 9% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12510060 | Team Qualifications | 1 | 01-Oct-14 A | 01-Oct-14 A | Team Qualifications | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12510090 | Construction - Schedule | 22 | 03-Nov-14 A | 18-Nov-14 A | Construction - Schedule | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12510065 | APP: Const. - Cost Est Parimeter | 1 | 09-Feb-15 A | 20-Feb-15 A | APP: Const. - Cost Est Parimeter | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12510070 | Construction - Cost Estimate 65% | 10 | 18-Mar-15 | 31-Mar-15 | Construction - Cost Estimate 65% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12510080 | Construction - Cost Estimate 100% | 10 | 06-May-15 | 19-May-15 | Construction - Cost Estimate 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12510100 | Construction - Insurance & Bonds | 3 | 31-Aug-15 | 02-Sep-15 | Construction - Insurance & Bonds | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12510110 | Construction Contract - Executed | 1 | 03-Sep-15 | 03-Sep-15 | Construction Contract - Executed | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 20098800 | C.O. - Sell Group 1 - Bldgs 01->32 | 1 | 06-Oct-16 | 06-Oct-16* | C.O. - Sell Group 1 - Bldgs 01->32 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 20098810 | C.O. - Sell Group 2 - Bldgs 33->64 | 1 | 09-Nov-16 | 09-Nov-16* | C.O. - Sell Group 2 - Bldgs 33->64 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 20098820 | C.O. - Sell Group 3 - Bldgs 65->96 | 1 | 14-Dec-16 | 14-Dec-16* | C.O. - Sell Group 3 - Bldgs 65->96 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Concept Design - 10% | | | | | 80 | 29-Aug-14 A | 18-Dec-14 A | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 13000300 | STOP WORK - Copyright & Zoning Conflicts | 55 | 29-Aug-14 A | 14-Nov-14 A | STOP WORK - Copyright & Zoning Conflicts | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 13000520 | NTP: 10% Concept Design | 1 | 18-Dec-14 A | 18-Dec-14 A | NTP: 10% Concept Design | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Civil Design | | | | | 266 | 14-Aug-14 A | 04-Sep-15 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 13000100 | Abatement Plan | 36 | 14-Aug-14 A | 03-Oct-14 A | Abatement Plan | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 13000400 | City (Platting Only - NO Streed Dedication) | 0 | 19-Dec-14 A | 19-Dec-14 A | City (Platting Only - NO Streed Dedication) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 13000720 | 65% CIVIL Design: Review & Comments | 5 | 26-Feb-15 A | 04-Mar-15 | 65% CIVIL Design: Review & Comments | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 13001000 | 100% CIVIL Design: Expedited Review/Comments | 10 | 20-Jul-15* | 31-Jul-15 | 100% CIVIL Design: Expedited Review/Comments | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 13001700 | NTP: CIVIL | 1 | 21-Aug-15 | 21-Aug-15 | NTP: CIVIL | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 13000200 | City Permit - Demolition Permit | 1 | 04-Sep-15 | 04-Sep-15 | City Permit - Demolition Permit | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Vertical Design | | | | | 109 | 18-Mar-15 | 19-Aug-15 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 14000800 | 65% ARCH Design: REVIEW & Comments | 5 | 18-Mar-15 | 24-Mar-15 | 65% ARCH Design: REVIEW & Comments | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 14001200 | 100% ARCH Design: City REVIEW & Comments | 33 | 13-May-15 | 29-Jun-15 | 100% ARCH Design: City REVIEW & Comments | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 14001500 | NTP: ARCH (bldg. constr.) | 1 | 20-Jul-15 | 20-Jul-15 | NTP: ARCH (bldg. constr.) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 14001510 | City (Building Permits) | 1 | 19-Aug-15 | 19-Aug-15 | City (Building Permits) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Resident Relocation | | | | | 69 | 07-Jul-15 | 13-Oct-15 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 14001520 | Resident Notifications | 1 | 07-Jul-15* | 07-Jul-15 | Resident Notifications | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 14001530 | Resident Exodus | 5 | 06-Oct-15 | 13-Oct-15 | Resident Exodus | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| New Construction - Demo & Rebuild 96 Units | | | | | 351 | 06-Oct-15 | 07-Feb-17 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Abatement & Demolition | | | | | 80 | 06-Oct-15 | 25-Jan-16 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 08010000 | Appliance Removal & Joint INSpections | 13 | 06-Oct-15 | 23-Oct-15 | Appliance Removal & Joint INSpections | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 08010010 | Mobilization | 13 | 06-Oct-15 | 22-Oct-15 | Mobilization | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 08010020 | Abatement & Demolition | 67 | 23-Oct-15 | 25-Jan-16 | Abatement & Demolition | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Earthwork & Utilities | | | | | 85 | 26-Jan-16 | 25-May-16 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 08013000 | Rough GRADING - Cut->Fill | 30 | 26-Jan-16 | 08-Mar-16 | Rough GRADING - Cut->Fill | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 08014000 | SANITARY SEWER: Laterals | 30 | 09-Mar-16 | 19-Apr-16 | SANITARY SEWER: Laterals | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 08015000 | STORM SYSTEM: Lines & Structures | 30 | 23-Mar-16 | 03-May-16 | STORM SYSTEM: Lines & Structures | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 08016000 | WATER DISTR: Services | 30 | 06-Apr-16 | 17-May-16 | WATER DISTR: Services | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 08017000 | GAS DISTR: Services | 30 | 13-Apr-16 | 25-May-16 | GAS DISTR: Services | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 08018000 | SITE ELECTRIC: Secondary Conduit | 30 | 13-Apr-16 | 25-May-16 | SITE ELECTRIC: Secondary Conduit | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Krupp - 01->32 New Units | | | | | 179 | 09-Mar-16 | 21-Nov-16 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Krupp - 33->64 New Units | | | | | 186 | 21-Mar-16 | 13-Dec-16 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Krupp - 65->96 New Units | | | | | 196 | 30-Mar-16 | 09-Jan-17 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Project Completion Activities | | | | | 21 | 10-Jan-17 | 07-Feb-17 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10499020 | Complete As-Builts & OM Manuals | 15 | 10-Jan-17 | 30-Jan-17 | Complete As-Builts & OM Manuals | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10499030 | Misc Site Pickup / Correction Activities | 15 | 10-Jan-17 | 30-Jan-17 | Misc Site Pickup / Correction Activities | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10599010 | Clean Up and Demobilization | 6 | 31-Jan-17 | 07-Feb-17 | Clean Up and Demobilization | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

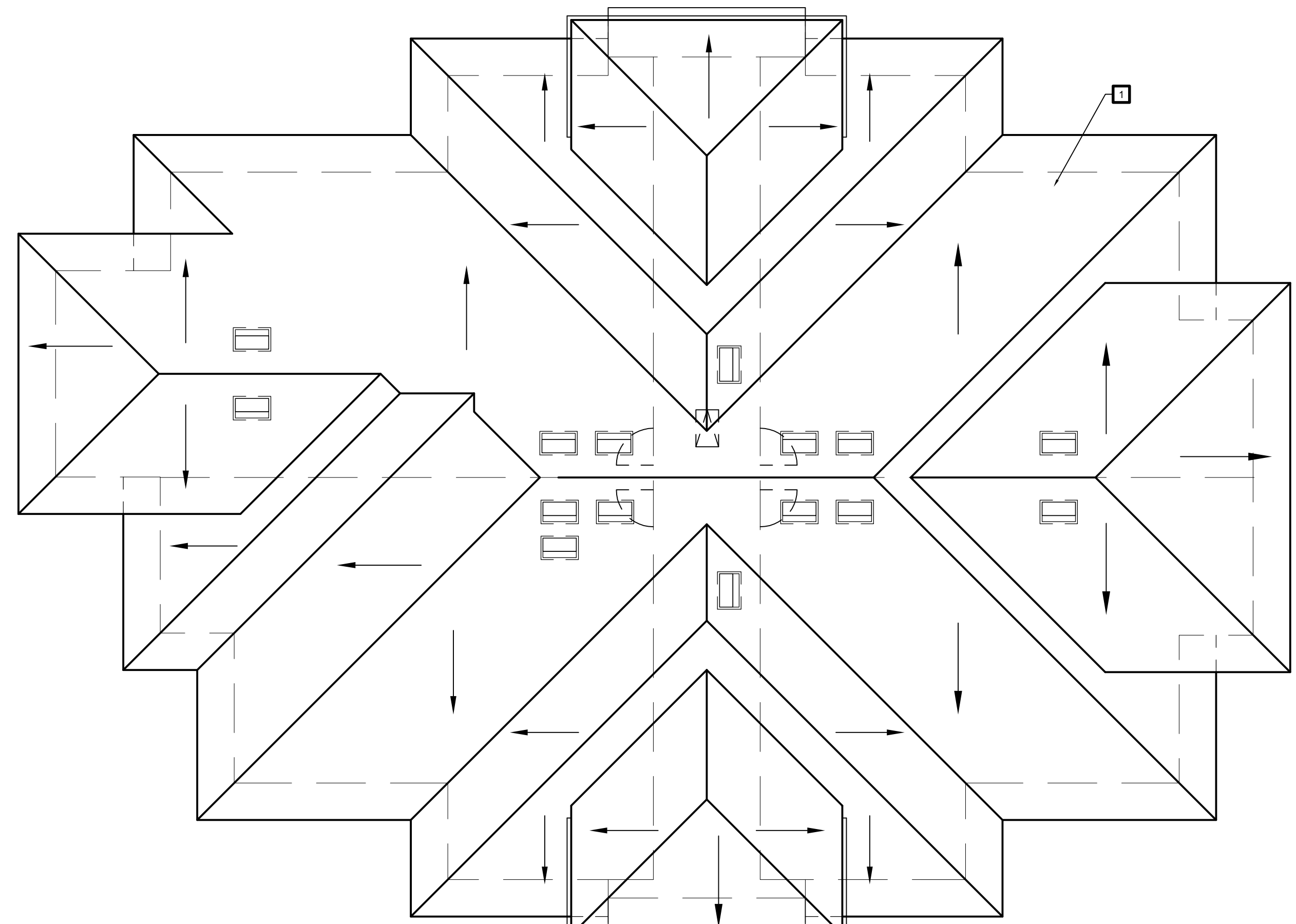




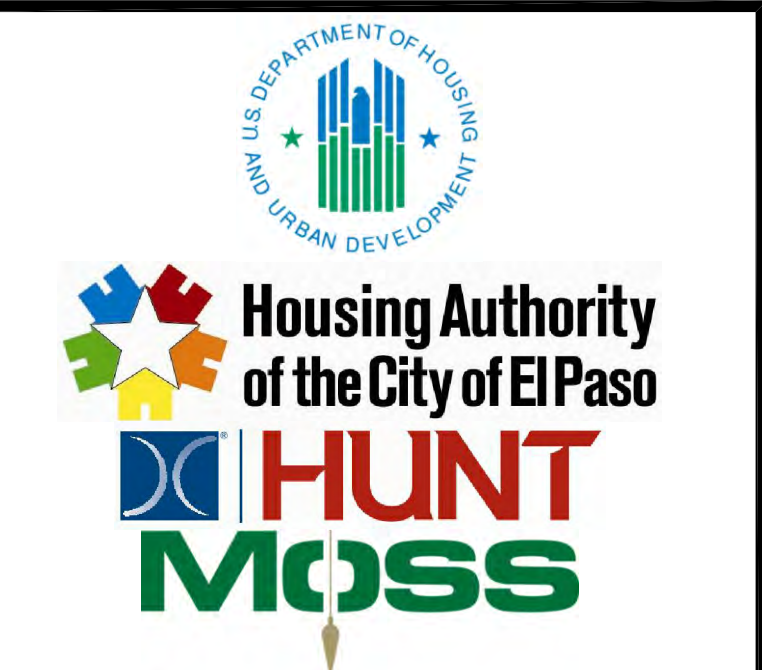
1 BLDG TYPE 2 - GROUND FLOOR PLAN
1/8" = 1'-0"



2 BLDG TYPE 2 - SECOND FLOOR PLAN
1/8" = 1'-0"



3 BLDG TYPE 2 - ROOF PLAN
1/8" = 1'-0"



- KEYED NOTES:**
- FIBERGLASS / ASPHALT ARCHITECTURAL SHINGLE ROOFING.
 - COVERED PATIOS.
 - COVERED ENTRY PORCH.
 - STUCCO FINISH ON ALL EXTERIOR EXCEPT FOR BREEZEWAY WHICH WILL HAVE FIBER CEMENT SIDING.
 - STORAGE CLOSET.

- GENERAL NOTES:**
- R-19 INSULATION AT WALLS, R-38 AT CEILINGS.
 - ALL UNITS MUST HAVE CENTRAL HEATING AND AIR-CONDITIONING 15 SER OR GREATER.
 - STORAGE CLOSET FOR EACH UNIT OF 12 SQUARE FEET OR GREATER.
 - NINE FOOT CEILINGS IN ALL AREAS.

| | |
|-------------------------------|------------|
| DATA BUILDING TYPE 2 | |
| UNIT A (2 BEDROOM) | |
| 6 UNITS AT 859 SQ FT EACH = | 5,154 S.F. |
| UNIT B (3 BEDROOM) | |
| 2 UNITS AT 1,059 SQ FT EACH = | 2,118 S.F. |
| TOTAL BUILDING TYPE 1 | |
| LIVING AREA = | 7,272 S.F. |
| OTHER AREAS | |
| COVERED BREEZEWAY AREA = | 839 S.F. |
| COVERED PATIO AREA = | 815 S.F. |
| ENCLOSED STORAGE AREA = | 230 S.F. |

- NOTES:**
- SEE SITE PLAN FOR LOCATION OF ACCESSIBLE UNITS.
 - TOTAL OF 1 BUILDING.

| | |
|-----------------------|------------|
| BUILDING AREA SUMMARY | |
| GROSS AREA SECOND FL | 4,677 S.F. |
| GROSS AREA GROUND FL | 5,023 S.F. |
| TOTAL PER BUILDING | 9,700 S.F. |
| BUILDINGS ON SITE | 1 |
| TOTAL GROSS ON SITE | 9,700 S.F. |

| | | |
|------------|-----------------|---------------|
| 05-04-2015 | LIHTC SUBMITTAL | |
| Rev. No. | Date | Issue History |

FUGLEBERG KOCH
P.L.L.C.
- A A 2 6 0 2 1 0 3 -
2555 Temple Trail, Winter Park, Fl. 32789 (407) 629-0595

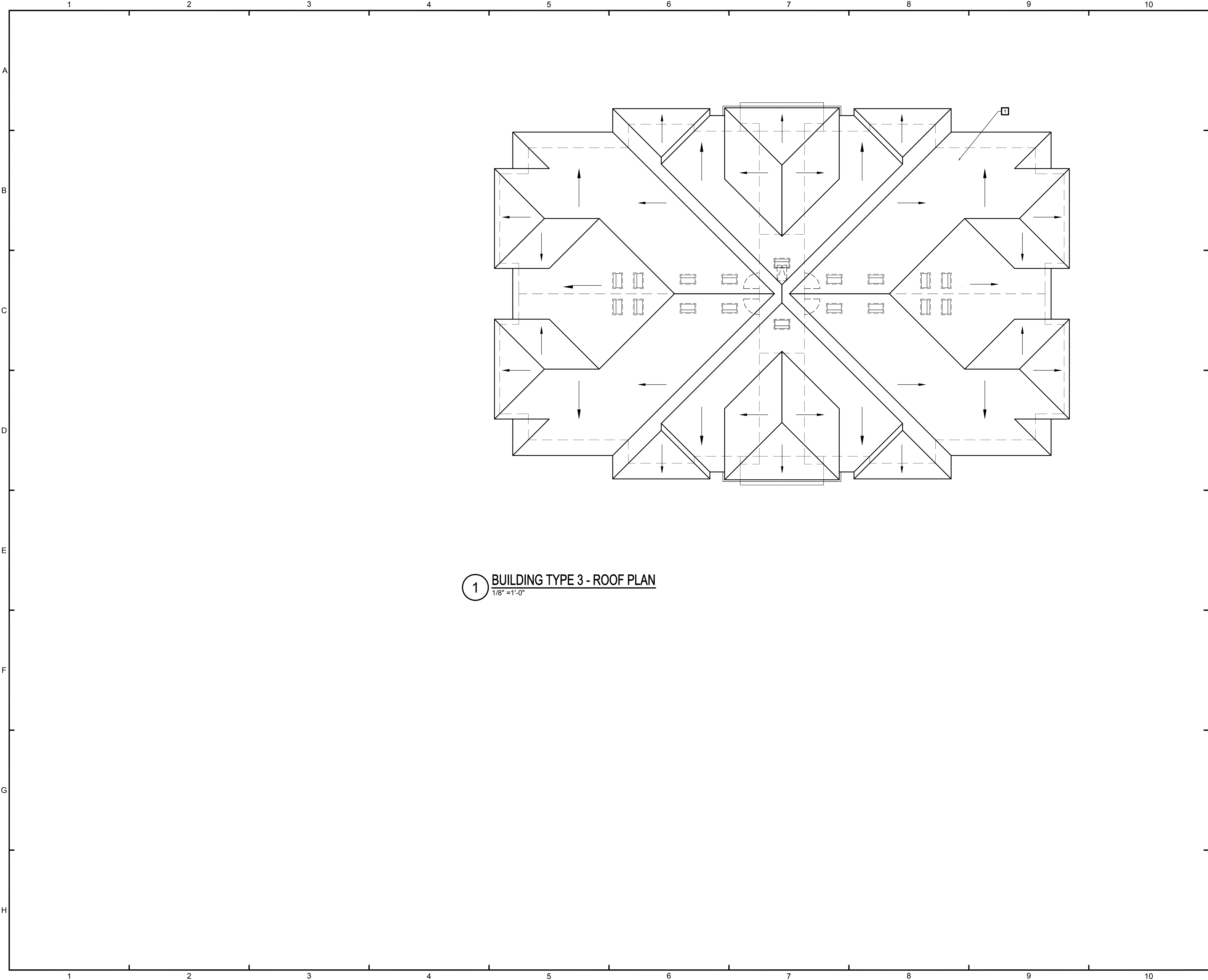
-- NOT FOR CONSTRUCTION --

HAYMON KRUPP
APARTMENTS
EL PASO, TEXAS
BUILDING TYPE 2
FLOOR PLANS
A2.02

Dr. FB
Ck. JEK
Apr. KL
Date
Proj. 5254

KENNETH LINEHAN - ARCHITECT OF RECORD
TEXAS LICENSE #19723

FILE: A202 PLOT SCALE: 1/2"=1'-0" LAST PLOT: 54/15



1 BUILDING TYPE 3 - ROOF PLAN
1/8" = 1'-0"



- KEYED NOTES:** 1
1. FIBERGLASS / ASPHALT ARCHITECTURAL SHINGLE ROOFING.
 2. COVERED PATIOS.
 3. COVERED ENTRY PORCH.
 4. STUCCO FINISH ON ALL EXTERIOR EXCEPT FOR BREEZEWAY WHICH WILL HAVE FIBER CEMENT SIDING.
 5. STORAGE CLOSET.

- GENERAL NOTES:**
1. R-19 INSULATION AT WALLS, R-38 AT CEILINGS.
 2. ALL UNITS MUST HAVE CENTRAL HEATING AND AIR-CONDITIONING 15 SER OR GREATER.
 3. STORAGE CLOSET FOR EACH UNIT OF 12 SQUARE FEET OR GREATER.
 4. NINE FOOT CEILINGS IN ALL AREAS.

| Rev. | No. | Date | Issue History |
|------|-----|------------|-----------------|
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| | | 05-04-2015 | LIHTC SUBMITTAL |

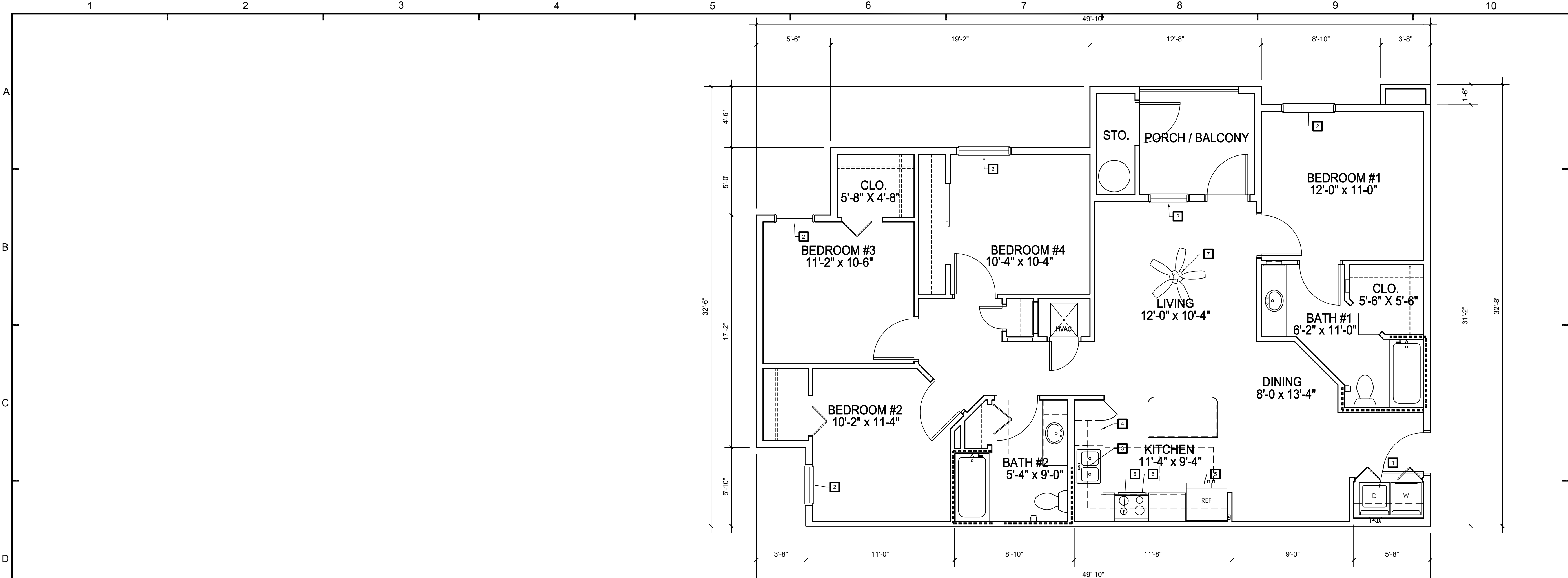
FUGLEBERG KOCH
 P.L.L.C.
 - A A 2 6 0 2 1 0 3 -
 2555 Temple Trail, Winter Park, Fl. 32789 (407) 828-0595

-- NOT FOR CONSTRUCTION --

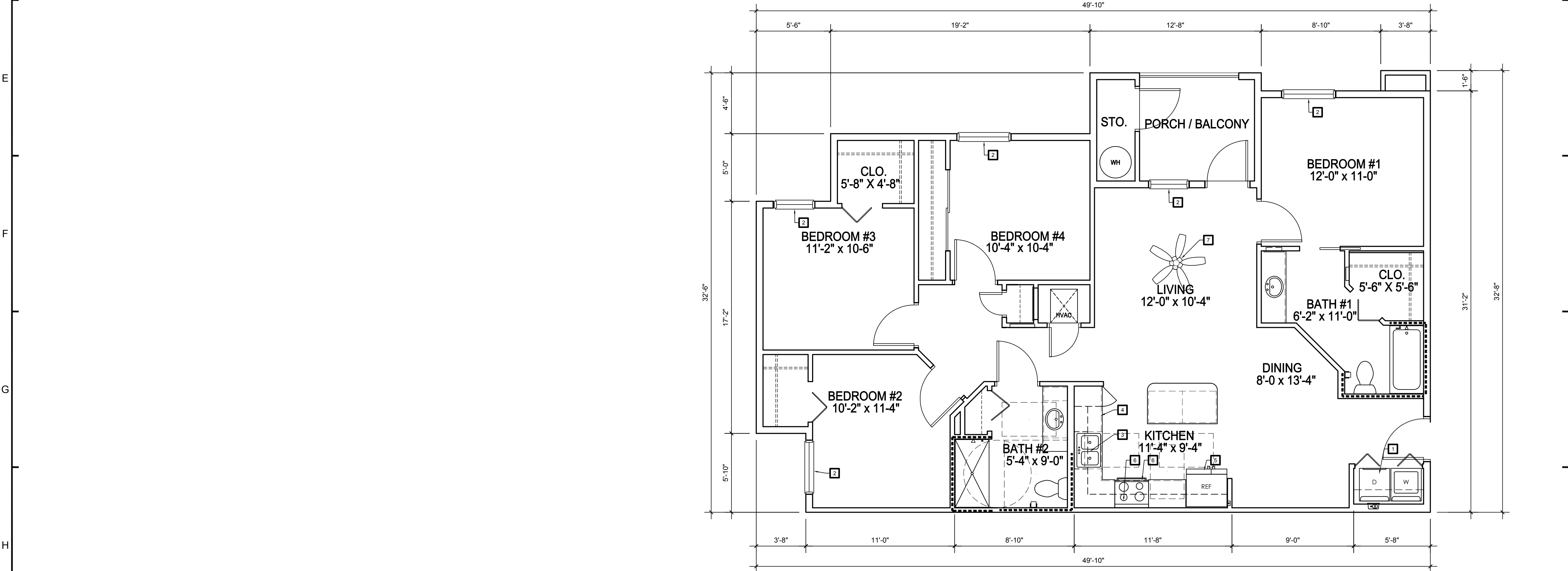
| | | |
|---|-------|--------------|
| HAYMON KRUPP APARTMENTS EL PASO, TEXAS | Dr. | FB |
| | Cd. | JEK |
| | Apr. | KL |
| | Date | - |
| | Proj. | 5254 |
| BUILDING TYPE 3 ROOF PLAN | | A2.05 |

KENNETH LINEHAN - ARCHITECT OF RECORD
TEXAS LICENSE #19723

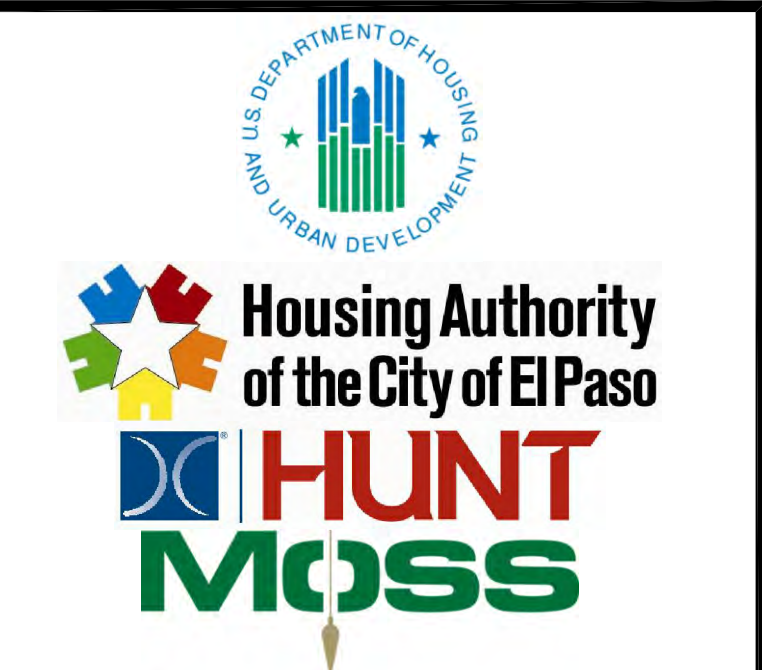
FILE: A205 PLOT SCALE: 12"=1'-0" LAST PLOT: 5/4/15



1 UNIT C - 4 BED UNIT PLAN
1/4" = 1'-0"



2 UNIT CA (ACCESSIBLE) - 4 BED UNIT PLAN
1/4" = 1'-0"



- KEYED NOTES:**
1. WASHER AND DRYER CONNECTIONS, LAUNDRY EQUIPMENT (WASHER AND DRYER) FOR EACH INDIVIDUAL UNIT INCLUDING A FRONT LOADING WASHER IN ACCESSIBLE UNITS.
 2. BLINDS OR WINDOW COVERINGS AT ALL WINDOWS.
 3. GARBAGE DISPOSAL.
 4. ENERGY-STAR DISHWASHER.
 5. ENERGY-STAR REFRIGERATOR WITH ICE MAKER.
 6. RANGE WITH SELF CLEANING OR CONTINUOUS CLEANING OVEN.
 7. ENERGY-STAR CEILING FAN.
 8. COMBINATION EXHAUST / MICROWAVE.

- GENERAL NOTES:**
1. UNITS MUST BE WIRED WITH RG-6 COAX OR BETTER AND CAT3 PHONE CABLE OR BETTER TO EACH BEDROOM, DINING ROOM AND LIVING ROOM.
 2. PROVIDE SCREENS ON ALL OPERABLE WINDOWS.
 3. EXHAUST / VENT FANS (VENTED TO THE OUTSIDE) IN BATHROOMS.
 4. AT LEAST ONE ENERGY-STAR CEILING FAN PER UNIT.
 5. ENERGY-STAR LIGHTING IN ALL UNITS, WITH COMPACT FLUORESCENT OR LED BULBS.
 6. PLUMBING FIXTURES (TOILET AND FAUCETS) MUST MEET DESIGN STANDARDS FOR FHA AND ADA 2010.
 7. ALL UNITS MUST HAVE CENTRAL HEATING AND AIR-CONDITIONING 15 SEER OR GREATER.
 8. NINE FOOT CEILINGS IN ALL AREAS.
 9. R-19 INSULATION AT WALLS, R-38 AT CEILINGS.
 10. HIGH SPEED INTERNET SERVICE AT ALL UNITS (WIRED OR WIRELESS, REQUIRED EQUIPMENT OF EITHER WILL BE PROVIDED).
 11. STORAGE ROOM OF 12 SQUARE FEET OR GREATER.
 12. COVERED ENTRIES.

| UNIT AREA SUMMARY PER HUD | |
|---------------------------|-------------|
| NET AREA HVAC | 1,269 S.F. |
| UNITS ON SITE | x8 |
| TOTAL NET ON SITE | 10,152 S.F. |
| GROSS AREA HVAC | 1,349 S.F. |
| GROSS PATIO AND STORAGE | 96 S.F. |
| GROSS UNIT TOTAL | 1,445 S.F. |
| UNITS ON SITE | x8 |
| TOTAL GROSS ON SITE | 11,560 S.F. |

| Rev. | No. | Date | Issue History |
|------|----------|------|---------------|
| 1 | 02-26-15 | | 35% REVIEW |

FUGLEBERG KOCH
P.L.L.C.
- A A 2 6 0 0 2 1 0 3 -
2555 Temple Trail, Winter Park, Fl. 32789 (407) 629-0595

-- NOT FOR CONSTRUCTION --

HAYMON KRUPP
APARTMENTS
EL PASO, TEXAS
UNIT-C
4 BEDROOM
FLOOR PLAN

Dr. KL
Cr. KL
Apr. KL
Date
Prog. 5254
A3.03

KENNETH LINEHAN - ARCHITECT OF RECORD
TEXAS LICENSE #19723



VICINITY MAP
NOT TO SCALE

10. The following matters and all terms of the documents creating or offering evidence of the matters (We must insert matters or delete this exception.)
 a. All leases, grants, exceptions or reservations of coal, lignite, oil, gas and other minerals, together with all rights, privileges, and immunities relating thereto, appearing in the Public Records whether listed in Schedule B or not. There may be leases, grants, exceptions or reservations of mineral interest that are not listed. Blanket in nature and applies.
 b. Rights of parties in possession. (Owens Title Policy)
 c. Any and all claims of right, title and interest to the land, including but not limited to any right of possession or claim for damages relating to the land which has been asserted or may be asserted, of record or not, by or on behalf of any Indian or Indian Tribe, including but not limited to the Tigua Indian Tribe of El Paso, Texas, also known as Pueblo De La Yalata del Sur, also known as the Yalata del Sur Pueblo Indian Tribe, also known as the Tigua Indian Community, including but not limited to claims appearing in Affidavit of Julian Granillo, filed for record April 16, 1993, recorded in Volume 2553, Page 1988, Real Property Records of El Paso County, Texas.
 Company reserves the insured against loss, if any, sustained by the insured under the terms of this Policy by reason of the enforcement of said rights as to the land. Company agrees to provide defense to the insured in accordance with the terms of this Policy, if suit is brought against the insured to enforce said rights as to the land. Blanket in Nature and Applies.
 d. Any encroachment, encumbrance, violation, or adverse circumstance affecting the title that would be disclosed by an accurate and complete land survey of the land. As Shown on Hereon.

g. Matters set forth on the subdivision plan, including but not limited to building set back lines and easements for public utilities, with the right to ingress and egress for service, shown on the recorded plat of said address in Volume 45, Page 32, Real Property Records, El Paso County, Texas. Said easements being a 10 foot utility easement along the southerly boundary line, a 5 foot utility easement along the southerly boundary line, a 20 foot drainage easement and maintenance road along the southerly boundary line, a ditch access easement along the southerly boundary line, a 10 foot utility easement along the northerly boundary line, and a 30 foot EPNG easement along the northerly boundary line. Blanket in Nature and Applies.

h. Title to all oil, gas and minerals of every kind and character in, on and under the insured premises, together with all rights, privileges and immunities relating thereto, heretofore reserved, or conveyed by predecessors in title to TXL OIL CORPORATION in Volume 1212, Page 143, and transferred to TEXACO, INC., in Volume 1667, Page 261, Real Property Records, El Paso County, Texas. Blanket in Nature and Applies.

i. Title to all oil, gas and minerals of every kind and character not previously conveyed in, on or under the insured premises, together with all rights, privileges and immunities relating thereto heretofore reserved, or conveyed by predecessors in title to SOT & P-LAND TRUST in Volume 209, Page 757, Real Property Records, El Paso County, Texas. Blanket in Nature and Applies.

k. Easement to EL PASO ELECTRIC COMPANY and MOUNTAIN STATES TELEPHONE AND TELEGRAPH COMPANY in Volume 602, Page 1187, Real Property Records, El Paso County, Texas, with MOUNTAIN STATES TELEPHONE AND TELEGRAPH COMPANY'S interest therein granted, sold and quit claimed to SOUTHWESTERN BELL TELEPHONE COMPANY in Volume 1231, Page 646, Real Property Records, El Paso County, Texas. As Shown on Hereon.

m. Easement to MOUNTAIN STATES TELEPHONE AND TELEGRAPH COMPANY in Volume 1102, Page 890, Real Property Records, El Paso County, Texas, with MOUNTAIN STATES TELEPHONE AND TELEGRAPH COMPANY'S interest therein granted, sold and quit claimed to SOUTHWESTERN BELL TELEPHONE COMPANY in Volume 1231, Page 646, Real Property Records, El Paso County, Texas. As Shown on Hereon.

n. Easement to EL PASO ELECTRIC COMPANY in Volume 1026, Page 341, Real Property Records, El Paso County, Texas. As Shown on Hereon.

o. Easement to EL PASO ELECTRIC COMPANY in Volume 1454, Page 1401, Real Property Records, El Paso County, Texas. As Shown on Hereon.

LEGAL DESCRIPTION

Lot 1, Block 1, SCOTSDALE UNIT 8, an addition to the City of El Paso, El Paso County, Texas, according to the plat thereof on file in Volume 45, Page 32, Real Property Records, El Paso County, Texas.

BEGINNING at a point on the Eastern right-of-way line of Lorne Road (60.00 feet wide), said point being the Southwest corner of said Tract 1E and the Northwest corner of Lot 1, Block 51, Scottdale 4, Unit Two, City of El Paso, El Paso County, Texas, from which a city monument at the centerline intersection of Lorne Road and Renfrew Drive bears West a distance of 30.00 feet and South 01°02'00" East, a distance of 138.64 feet;

THENCE North 01°02'00" West a distance of 397.87 feet along the Eastern right-of-way line of Lorne Road to the Northwest corner of Tract 1J of said Section 39.

THENCE North 81°13'30" East a distance of 744.10 feet along the boundary line between said Tracts 1E and 1J to a point;

THENCE South 02°07'00" East a distance of 330.98 feet to a point on the Westerly right-of-way line of Limerick Road (60.00 feet wide);

THENCE South 01°02'00" East a distance of 308.13 feet along the Westerly right-of-way line of Limerick Road to a point on the North boundary line of Scottdale 4, Unit 3;

THENCE West a distance of 995.00 feet along said North boundary line of Scottdale 4, Unit 3 to the Point of Beginning.

ZONING

The property is currently zoned C-1, Commercial District. Permitted use for Apartments with a minimum lot area of 1,500 sqft. per dwelling unit, and a maximum of 29 units per acre. No minimum setback, a minimum rear setback of 25 feet, a minimum side setback of 5 feet, and a maximum height of 35 feet are required.

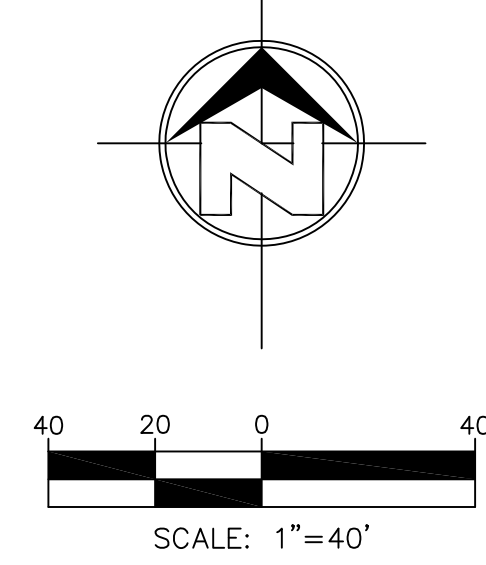
According to the Federal Emergency Management Agency flood insurance rate zoning plan 48021-4036B, dated October 15, 1982, the subject property falls outside of any flooding area. Areas determined to be outside the 0.2% annual chance flood plain, due to inherent inaccuracies of FEMA or flood insurance rate maps, this surveyor does not certify to the accuracy of locations based on such maps. This flood statement shall not create liability on the part of the surveyor.

NOTES:

- FOUND AN "X" CUT IN CONCRETE 1 FT. SOUTH OF PROPERTY LINE ON THE NW CORNER.
- DEED REFERENCE AND BASIS OF BEING FOUND IN VOL. 994, PG. 1626 DEED RECORDS OF EL PASO COUNTY.
- TITLE COMMITMENT PROVIDED BY FIRST AMERICAN TITLE INSURANCE COMPANY.
- ALL FIELD MEASUREMENTS MATCHED RECORD DIMENSIONS WITHIN THE PRECISION REQUIREMENTS OF ALTA/ACSM SPECIFICATIONS.
- THERE WERE NO OBSERVED EVIDENCE OF CURRENT EARTH MOVING WORK, BUILDING CONSTRUCTION OR BUILDING ADDITIONS.
- THERE WERE NO PROPOSED CHANGES IN STREET RIGHT OF WAY LINES, IF INFORMATION IS AVAILABLE FROM THE CONTROLLING JURISDICTION, OBSERVED EVIDENCE OF RECENT STREET OR SIDEWALK CONSTRUCTION OR REPAIRS. THIS PARCEL IS VACANT.
- THERE WAS NO OBSERVED EVIDENCE OF SITE USE AS A SOLID WASTE DUMP, SUMP OR SANITARY LANDFILL.
- ALL INFORMATION SHOWN HEREON WITH RESPECT TO UNDERGROUND CONDITIONS WAS DETERMINED BY DATA COLLECTED THROUGH SURVEY CREW OBSERVATION AND OTHER INFORMATION TAKEN FROM EXISTING PLANS AND MAPS OF RECORD. NO UNDERGROUND UTILITIES EXISTING OR ABANDONED WERE EXPOSED OR LOCATED.
- UNLESS SPECIFICALLY ACCEPTED BY SLJ ENGINEERING, INC. IN WRITING, SLJ ENGINEERING, INC. MAKES NO CLAIM, EXPRESSED OR IMPLIED, AS TO THE UNDERGROUND SITE CONDITIONS.

LEGEND

- SPRINKLER VALVES
- PHONE PEDESTAL
- GAS VALVE
- WATER VALVE
- SEWER MANHOLE
- LIGHT POST
- HYDRANT
- ELECTRIC POLE
- WATER METER
- MONUMENT
- CONCRETE
- HANDICAPPED
- TREE
- Property Line
- Easement
- Setback
- Chain link fence
- Canal
- Iron Fence
- Rock wall
- Building face
- Concrete
- Curb
- Parking
- CITY MONUMENT



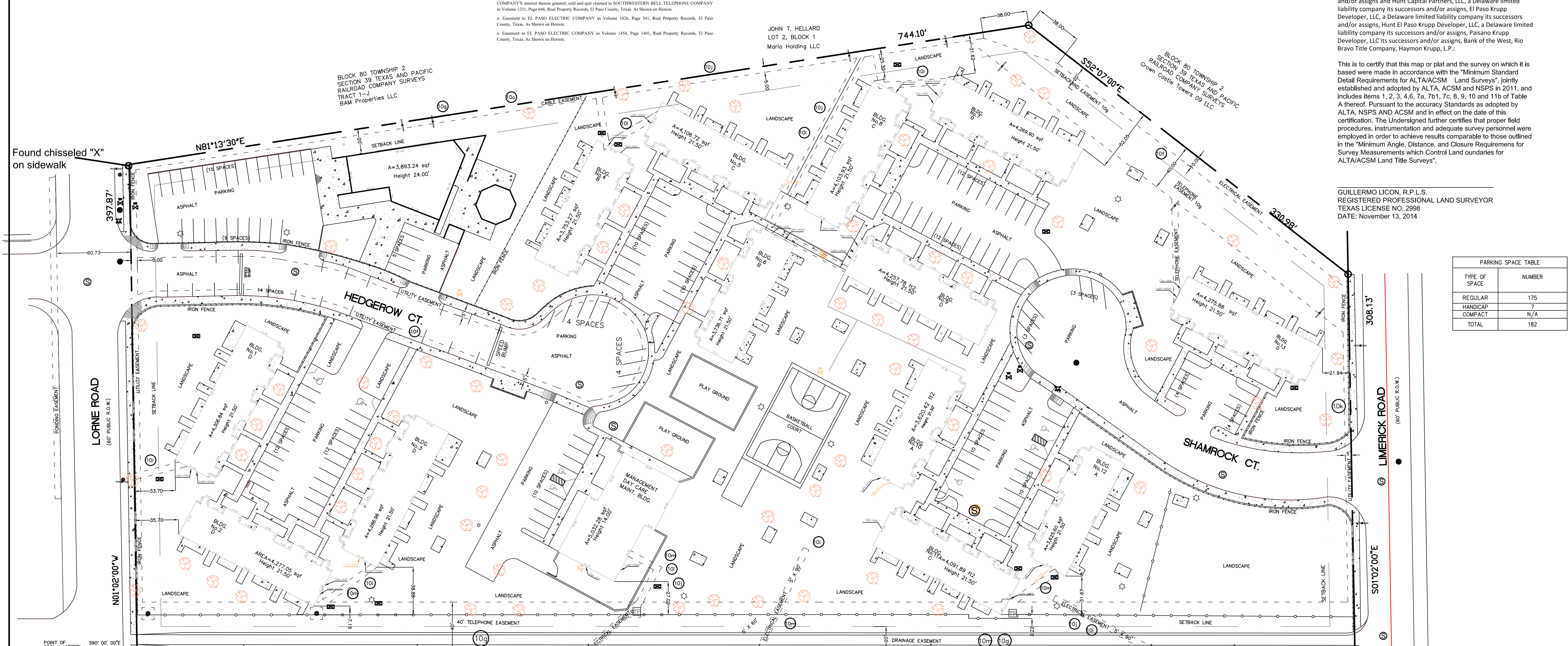
SURVEYOR'S CERTIFICATION

To: HCP-ILP LLC, a Nevada limited liability company, its successors and/or assigns and Hunt Capital Partners, LLC, a Delaware limited liability company its successors and/or assigns, El Paso Krupp Developer, LLC, a Delaware limited liability company its successors and/or assigns, Hunt El Paso Krupp Developer, LLC, a Delaware limited liability company its successors and/or assigns, Paisano Krupp Developer, LLC its successors and/or assigns, Bank of the West, Rio Bravo Title Company, Haymon Krupp, L.P.:

This is to certify that this map or plat and the survey on which it is based were made in accordance with the "Minimum Standard Detail Requirements for ALTA/ACSM Land Surveys", jointly established and adopted by ALTA, ACSM and NSPS in 2011, and includes items 1, 2, 3, 4, 6, 7a, 7b1, 7c, 8, 9, 10 and 11b of Table A thereof. Pursuant to the accuracy Standards as adopted by ALTA, NSPS AND ACSM and in effect on the date of this certification. The undersigned further certifies that proper field procedures, instrumentation and adequate survey personnel were employed in order to achieve results comparable to those outlined in the "Minimum Angle, Distance, and Closure Requirements for Survey Measurements which Control Land boundaries for ALTA/ACSM Land Title Surveys".

GUILLERMO LICON, R.P.L.S.
REGISTERED PROFESSIONAL LAND SURVEYOR
TEXAS LICENSE NO. 2998
DATE: November 13, 2014

| PARKING SPACE TABLE | |
|---------------------|--------|
| TYPE OF SPACE | NUMBER |
| REGULAR | 175 |
| HANDICAPPED | 7 |
| COMPACT | N/A |
| TOTAL | 182 |



Several single family residential lots being part of Scottdale #4, described from West to East as follows:

| | | | | | | | | | | | | |
|---|--|--|--|--|---|--|---|--|--|---|---|--|
| LOT 1 OLIVERA BELINDA L. GEO. ID. 524399905100100 | LOT 2 QUINONES JUAN GEO. ID. 524399905100300 | LOT 3 SOTO ANGELICA GEO. ID. 524399905100500 | LOT 4 MIRAMONTES PAULA & DIVA GEO. ID. 524399905100700 | LOT 5 SILVA REBECCA GEO. ID. 524399905100900 | LOT 6 LAZO MARIA GEO. ID. 524399905101100 | LOT 7 CASILLAS ISABEL GEO. ID. 524399905101300 | LOT 8 PADILLA IRMA GEO. ID. 524399905101500 | LOT 9 QUIROZ JUAN & YOLANDA GEO. ID. 524399905101700 | LOT 10 GARCIA ANTELMO & AUREA GEO. ID. 524399905101900 | LOT 11 GAYTAN OFELIA GEO. ID. 524399905102100 | LOT 12 HOLGON ALBERT GEO. ID. 524399905102300 | LOT 13 ORTIZ SILVIA GEO. ID. 524399905102500 |
|---|--|--|--|--|---|--|---|--|--|---|---|--|

REVISIONS

| DATE | BY | DESCRIPTION |
|----------|----|-------------|
| 06-11-15 | | |

BENCHMARK: 1"=40'

JOB NO.: 06-09-2818
DRAWN BY: JJA/RT
CHECKED BY: GH
DATE: 11/13/14

ALTA/ACSM LAND TITLE SURVEY
HAYMON KRUPP MEMORIAL

Lot 1, Block 1, SCOTSDALE UNIT 8, an addition to the City of El Paso, El Paso County, Texas according to the plat thereof on file in volume 45, page 32, Real Property records, El Paso County, Texas.

CIVIL ENGINEERS AND LAND SURVEYORS
SLJ ENGINEERING, INC.
REGISTERED PROFESSIONAL LAND SURVEYOR
GUILLERMO LICON
F-1902

SHEET TITLE
ALTA/ACSM LAND TITLE SURVEY
1 OF 1



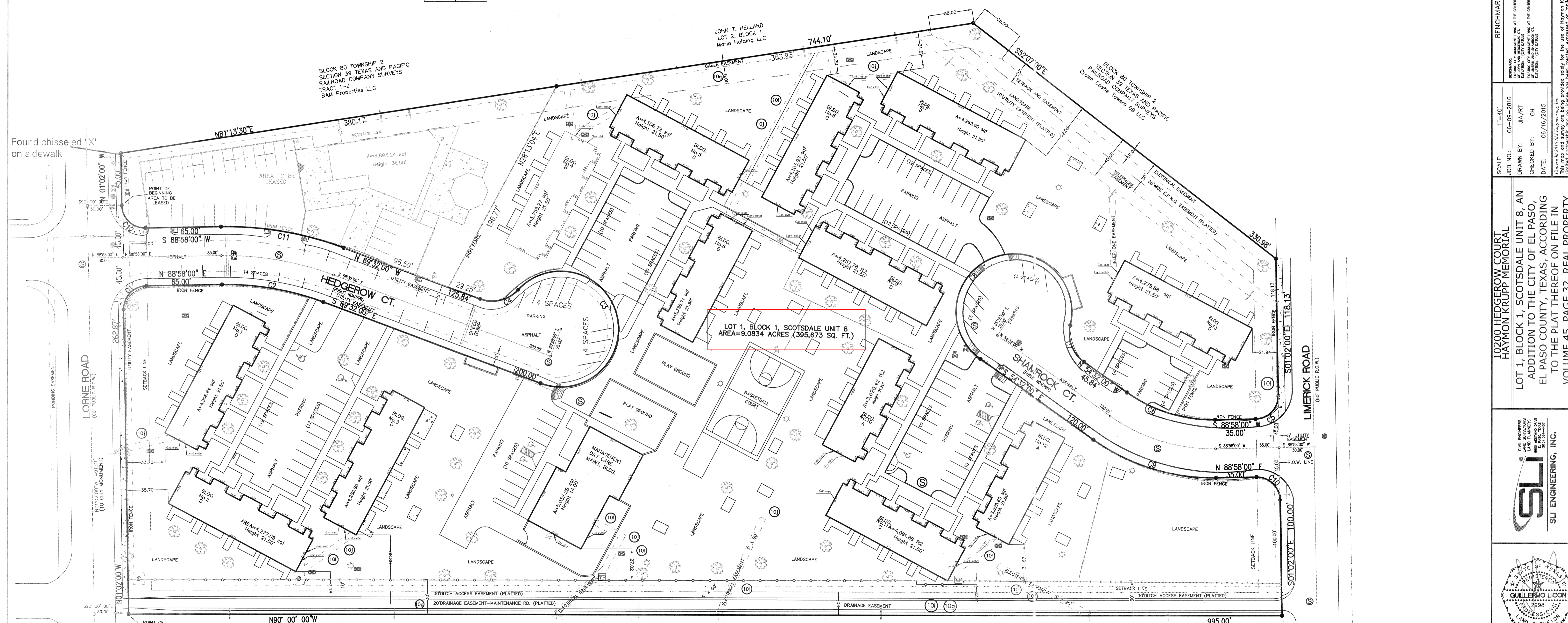
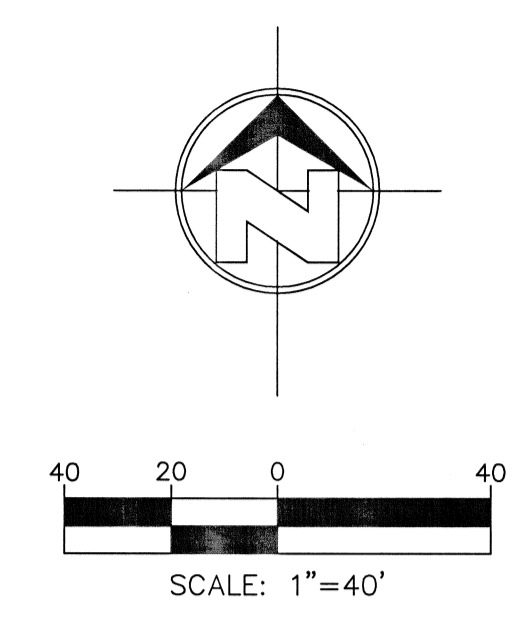
VICINITY MAP
NOT TO SCALE

| CURVE TABLE | | | | | | |
|--------------------------|---------|---------|---------|---------|-------------|------------|
| CURVE | RADIUS | LENGTH | TANGENT | CHORD | BEARING | DELTA |
| C1 | 20.00' | 31.42' | 20.00' | 28.28' | N43°58'00"E | 90°00'00" |
| C2 | 238.36' | 89.44' | 45.25' | 88.92' | S80°17'00"E | 21°30'00" |
| C3 | 50.00' | 216.40' | 74.16' | 82.92' | N13°31'16"W | 247°58'32" |
| C4 | 30.00' | 35.59' | 20.23' | 33.54' | S76°28'44"W | 67°58'32" |
| C5 | 20.00' | 31.42' | 20.00' | 28.28' | S43°58'00"W | 90°00'00" |
| C6 | 126.63' | 80.67' | 41.76' | 79.51' | N72°47'00"W | 36°30'00" |
| C7 | 30.00' | 35.59' | 20.23' | 33.54' | N20°32'44"W | 67°58'32" |
| C8 | 50.00' | 216.40' | 74.16' | 82.92' | S69°27'16"W | 247°58'32" |
| C9 | 176.63' | 112.52' | 58.24' | 110.63' | S72°47'00"E | 36°30'00" |
| C10 | 20.00' | 31.42' | 20.00' | 28.28' | S48°02'00"E | 90°00'00" |
| CURVE TABLE (CLUB HOUSE) | | | | | | |
| C11 | 288.36' | 108.20' | 54.75' | 107.57' | N80°17'04"W | 21°29'59" |
| C12 | 20.00' | 31.42' | 20.00' | 28.28' | N46°02'00"W | 90°00'00" |

| PARKING SPACE TABLE | |
|---------------------|--------|
| TYPE OF SPACE | NUMBER |
| REGULAR | 175 |
| HANDICAP | 7 |
| COMPACT | N/A |
| TOTAL | 182 |

LEGEND

- SPRINKLER VALVES
- PHONE PEDESTAL
- WATER VALVE
- SEWER MANHOLE
- LIGHT POST
- HYDRANT
- ELECTRIC POLE
- WATER METER
- MONUMENT
- CONCRETE
- HANDICAPPED
- TREE
- Property Line
- Easement
- Setback
- Chain link fence
- Canal
- Iron Fence
- Rock wall
- Building face
- Concrete
- Curb
- Parking
- CITY MONUMENT



LOT 1, BLOCK 1, SCOTSDALE UNIT 8
AREA=0.0834 ACRES (395,673 SQ. FT.)

CONCRETE CHANNEL
Several single family residential lots being part of Scotsdale #4, described from West to East as follows:

- LOT 1 OLIVERA BELINDA L. GEO. ID. S24399905100100
- LOT 2 QUINONES JUAN GEO. ID. S24399905100300
- LOT 3 SOTO ANGELICA GEO. ID. S24399905100500
- LOT 4 MIRAMONTES PAULA & DIVA GEO. ID. S24399905100700
- LOT 5 SILVA REBECA GEO. ID. S24399905100900
- LOT 6 LAZO MARIA GEO. ID. S24399905101100
- LOT 7 CASILLAS ISABEL GEO. ID. S24399905101300
- LOT 8 PADILLA IRMA GEO. ID. S24399905101500
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- LOT 10 GARCIA ANTELMO & AUREA GEO. ID. S24399905101900
- LOT 11 GAYTAN OFELIA GEO. ID. S24399905102100
- LOT 12 HOLGIN ALBERT GEO. ID. S24399905102300
- LOT 13 ORTIZ SILVIA GEO. ID. S24399905102500

| | |
|---|--------------------|
| BY | JAA |
| REVISIONS | CHANGE IN BOUNDARY |
| DATE | 06-11-15 |
| | 07-30-15 |
| | 08-04-15 |
| | 08-07-15 |
| | 08-10-15 |
| BENCHMARK: | 1"=40' |
| JOB NO.: | 06-09-2816 |
| DRAWN BY: | JJA/RT |
| CHECKED BY: | GH |
| DATE: | 06/16/2015 |
| <p>10200 HEDGEROW COURT HAYMON KRUPP MEMORIAL LOT 1, BLOCK 1, SCOTSDALE UNIT 8, AN ADDITION TO THE CITY OF EL PASO, EL PASO COUNTY, TEXAS, ACCORDING TO THE PLAT THEREOF ON FILE IN VOLUME 45, PAGE 32, REAL PROPERTY RECORDS, EL PASO COUNTY, TEXAS.</p> | |
| | |
| | |
| <p>SLI ENGINEERING, INC. F-1902</p> | |
| <p>SHEET TITLE</p> | |
| <p>ALTA/ACSM LAND TITLE SURVEY</p> | |
| <p>1 OF 2</p> | |



VICINITY MAP
NOT TO SCALE

LEGAL DESCRIPTION

All of Lot 1, Block 1, SCOTSDALE UNIT 8, an addition to the City of El Paso, El Paso County, Texas, according to the plat thereof on file in Volume 45, Page 32, Real Property Records, El Paso County, Texas.

SCHEDULE B

- a. All leases, grants, exceptions or reservations of coal, lignite, oil, gas and other minerals, together with all rights, privileges, and immunities relating thereto, appearing in the Public Records whether listed in Schedule B or not. There may be leases, grants, exceptions or reservations of mineral interest that are not listed.
- b. Rights of parties in possession. (Owners Title Policy)
- c. Any and all claims of right, title and interest to the land, including but not limited to any right of possession or claim for damages relating to the land which has been asserted or may be asserted, of record or not, by or on behalf of any Indian or Indian Tribe, including but not limited to the Tigua Indian Tribe of El Paso, Texas, also known as Pueblo De La Ysleta del Sur, also known as the Ysleta del Sur Pueblo Indian Tribe, also known as the Tigua Indian Community, including by not limited to claims appearing in Affidavit of Julian Granillo, filed for record April 16, 1993, recorded in Volume 2553, Page 1958, Real Property Records of El Paso County, Texas.

Company insures the Insured against loss, if any, sustained by the insured under the terms of this Policy by reason of the enforcement of said rights as to the land. Company agrees to provide defense to the Insured in accordance with the terms of this Policy if suit is brought against the Insured to enforce said rights as to the land.

- d. Intentionally deleted.
- e. Intentionally deleted.
- f. Intentionally deleted.

g. Matters set forth on the subdivision plat, including but not limited to building set back lines and easements for public utilities, with the right to ingress and egress for service, shown on the recorded plat of said addition in Volume 45, Page 32, Real Property Records, El Paso County, Texas. Said easements being a 10 foot utility easement along the northerly boundary line, a 5 foot utility easement along the southerly boundary line, a 20 foot drainage easement and maintenance road along the southerly boundary line, a ditch access easement along the southerly boundary line, a 10 foot utility easement along the northeasterly boundary line, and a 30 foot EPNG easement along the northeasterly boundary line, all as shown on ALTA/ACSM Land Title Survey dated November 13, 2014 revised June 11, 2015 by SLI Engineering, Inc.

h. Title to all oil, gas and minerals of every kind and character in, on and under the insured premises, together with all rights, privileges and immunities relating thereto, heretofore reserved, or conveyed by predecessors in title to TXL OIL CORPORATION in Volume 1212, Page 143; and transferred to TEXACO, INC., in Volume 1667, Page 261, Real Property Records, El Paso County, Texas.

i. Title to all oil, gas and minerals of every kind and character not previously conveyed in, on or under the insured premises, together with all rights, privileges and immunities relating thereto heretofore reserved, or conveyed by predecessors in title to T & P LAND TRUST in Volume 209, Page 757, Real Property Records, El Paso County, Texas.

j. Easement to EL PASO ELECTRIC COMPANY and MOUNTAIN STATES TELEPHONE AND TELEGRAPH COMPANY in Volume 602, Page 1187, Real Property Records, El Paso County, Texas, with MOUNTAIN STATES TELEPHONE AND TELEGRAPH COMPANY'S interest therein granted, sold and quit claimed to SOUTHWESTERN BELL TELEPHONE COMPANY in Volume 1231, Page 646, Real Property Records, El Paso County, Texas and as shown on ALTA/ACSM Land Title Survey dated November 13, 2014 revised June 11, 2015 by SLI Engineering, Inc.

k. Intentionally Deleted

l. Easement to MOUNTAIN STATES TELEPHONE AND TELEGRAPH COMPANY in Volume 1102, Page 890, Real Property Records, El Paso County, Texas, with MOUNTAIN STATES TELEPHONE AND TELEGRAPH COMPANY'S interest therein granted, sold and quit claimed to SOUTHWESTERN BELL TELEPHONE COMPANY in Volume 1231, Page 646, Real Property Records, El Paso County, Texas and as shown on ALTA/ACSM Land Title Survey dated November 13, 2014 revised June 11, 2015 by SLI Engineering, Inc.

m. Intentionally deleted.

n. Intentionally deleted.

o. 20 feet Setback line along the northerly, southerly, westerly and easterly boundary lines of subject property as shown on ALTA/ACSM Land Title Survey dated November 13, 2014 revised June 11, 2015 by SLI Engineering, Inc.

p. Encroachment of a portion of Building No. 8C onto a portion of the easement recorded in Volume 1102, Page 890 as shown on ALTA/ACSM Land Title Survey dated November 13, 2014 revised June 11, 2015 by SLI Engineering, Inc.

FOR INFORMATION PURPOSES ONLY
METES AND BOUNDS LEGAL DESCRIPTION
"FLORA GARCIA COMMUNITY CENTER"

Portion of Lot 1, Block 1, SCOTSDALE UNIT 8, an addition to the City of El Paso, El Paso County, Texas, according to the plat thereof on file in Volume 45, Page 32, Real Property Records, El Paso County, Texas.

COMMENCING at a city monument lying on the centerline intersection of Lorne Road (60' ROW) and Renfrew Drive, Thence, N 01°02'00" W, with the centerline of Lorne Road, a distance of 491.01 feet to a point, Thence, S 90°00'00" E, a distance of 30.00 feet to the TRUE POINT OF BEGINNING of this description:

- THENCE, North 01°02'00" West, a distance of 45.00 to a point for a corner;
 - THENCE, North 81°13'30" East, a distance of 380.17 feet to a point for a corner;
 - THENCE, South 28°13'04" West, a distance of 196.77 feet to a point for a corner;
 - THENCE, with the northerly right-of-way line of Hedgerow Court, the following courses:
 - THENCE, North 69°32'00" West, a distance of 96.59 feet to a point for a corner and a point for a curve;
 - 108.20 feet along the arc of a curve to the left, having a radius of 288.36 feet, a tangent of 54.75 feet, a central angle of 21°29'59" and a chord which bears North 80°17'04" West, a distance of 107.56 feet to a point for a corner;
 - THENCE, South 88°58'00" West, a distance of 65.00 feet to a point for a corner and a point for a curve;
 - 31.42 feet along the the arc of a curve to the left, having a radius of 20.00 feet, a tangent of 20.00 feet, a central angle of 90°00'00" and a chord which bears North 46°02'00" West, a distance of 28.28 feet to a point for a corner back to the TRUE POINT OF BEGINNING of this description.
- Said parcel of land containing 0.8090 of an acre (35,239 sq. ft.) of land, more or less.

NOTES:

1. FOUND AN "X" CUT IN CONCRETE 1 FT. SOUTH OF PROPERTY LINE ON THE NW CORNER.
2. DEED REFERENCE AND BASIS OF BEARING IN VOL. 994, PG. 1626 DEED RECORDS OF EL PASO COUNTY.
3. TITLE COMMITMENT PROVIDED BY FIRST AMERICAN TITLE INSURANCE COMPANY, FILE NO. 142546-JC, EFFECTIVE DATE, JULY 16, 2015.
4. ALL FIELD MEASUREMENTS MATCHED RECORD DIMENSIONS WITHIN THE PRECISION REQUIREMENTS OF ALTA/ACSM SPECIFICATIONS.
5. THERE WERE NO OBSERVED EVIDENCE OF CURRENT EARTH MOVING WORK, BUILDING CONSTRUCTION OR BUILDING ADDITIONS.
6. THERE WERE NO PROPOSED CHANGES IN STREET RIGHT OF WAY LINES, IF INFORMATION IS AVAILABLE FROM THE CONTROLLING JURISDICTION. OBSERVED EVIDENCE OF RECENT STREET OR SIDEWALK CONSTRUCTION OR REPAIRS. THIS PARCEL IS VACANT.
7. THERE WAS NO OBSERVED EVIDENCE OF SITE USE AS A SOLID WASTE DUMP, SUMP OR SANITARY LANDFILL.
8. ALL INFORMATION SHOWN HEREON WITH RESPECT TO UNDERGROUND CONDITIONS WAS DETERMINED BY DATA COLLECTED THROUGH SURVEY CREW OBSERVATION AND OTHER INFORMATION TAKEN FROM EXISTING PLANS AND MAPS OF RECORD. NO UNDERGROUND UTILITIES EXISTING OR ABANDONED WERE EXPOSED OR LOCATED.
9. UNLESS SPECIFICALLY ACCEPTED BY SLI ENGINEERING, INC. IN WRITING, SLI ENGINEERING, INC. MAKES NO CLAIM, EXPRESSED OR IMPLIED, AS TO THE UNDERGROUND SITE CONDITIONS.
10. WITH THE EXCEPTION OF THE BUILDINGS CONTAINED WITHIN THE AREA TO BE LEASED, ALL BUILDINGS WITHIN THE PROPERTY ARE TO BE DEMOLISHED.

ZONING

The property is currently zoned C-1, Commercial District, Permitted use for Apartments with a minimum lot area of 1,500 sqf. per dwelling unit, and a maximum of 29 units per acre. No minimum setback, a minimum rear setback of 25 feet, a minimum side setback of 5 feet, and a maximum height of 35 feet are required.

According to the Federal Emergency Management Agency flood insurance rate zoning plan 480214-0036B, dated October 15, 1982, the subject property falls outside of any flooding area. Areas determined to be outside the 0.2% annual chance flood plain, due to inherent inaccuracies of FEMA or flood insurance rate maps, this surveyor does not certify to the accuracy of locations based on such maps. This flood statement shall not create liability on the part of the surveyor.

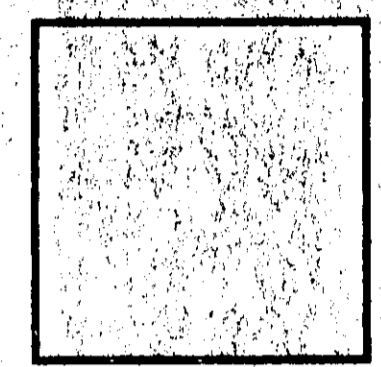
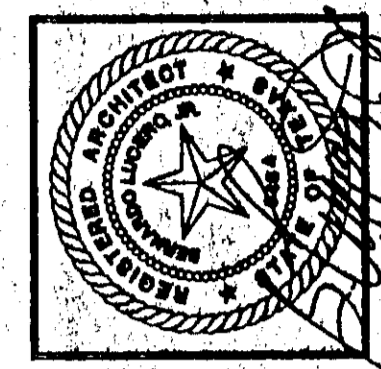
SURVEYOR'S CERTIFICATION

To: HCP-ILP LLC, a Nevada limited liability company, its successors and/or assigns and Hunt Capital Partners, LLC, a Delaware limited liability company its successors and/or assigns, El Paso Krupp Developer, LLC, a Delaware limited liability company its successors and/or assigns, Hunt El Paso Krupp Developer, LLC, a Delaware limited liability company its successors and/or assigns, Paisano Krupp Developer, LLC its successors and/or assigns, Alden Capital Partners, LLC, a Delaware limited liability company its successors and/or assigns, First American Title Insurance Company, Bank of the West, its successors and/or assigns; Rio Bravo Title Company, Haymon Krupp, L.P.:

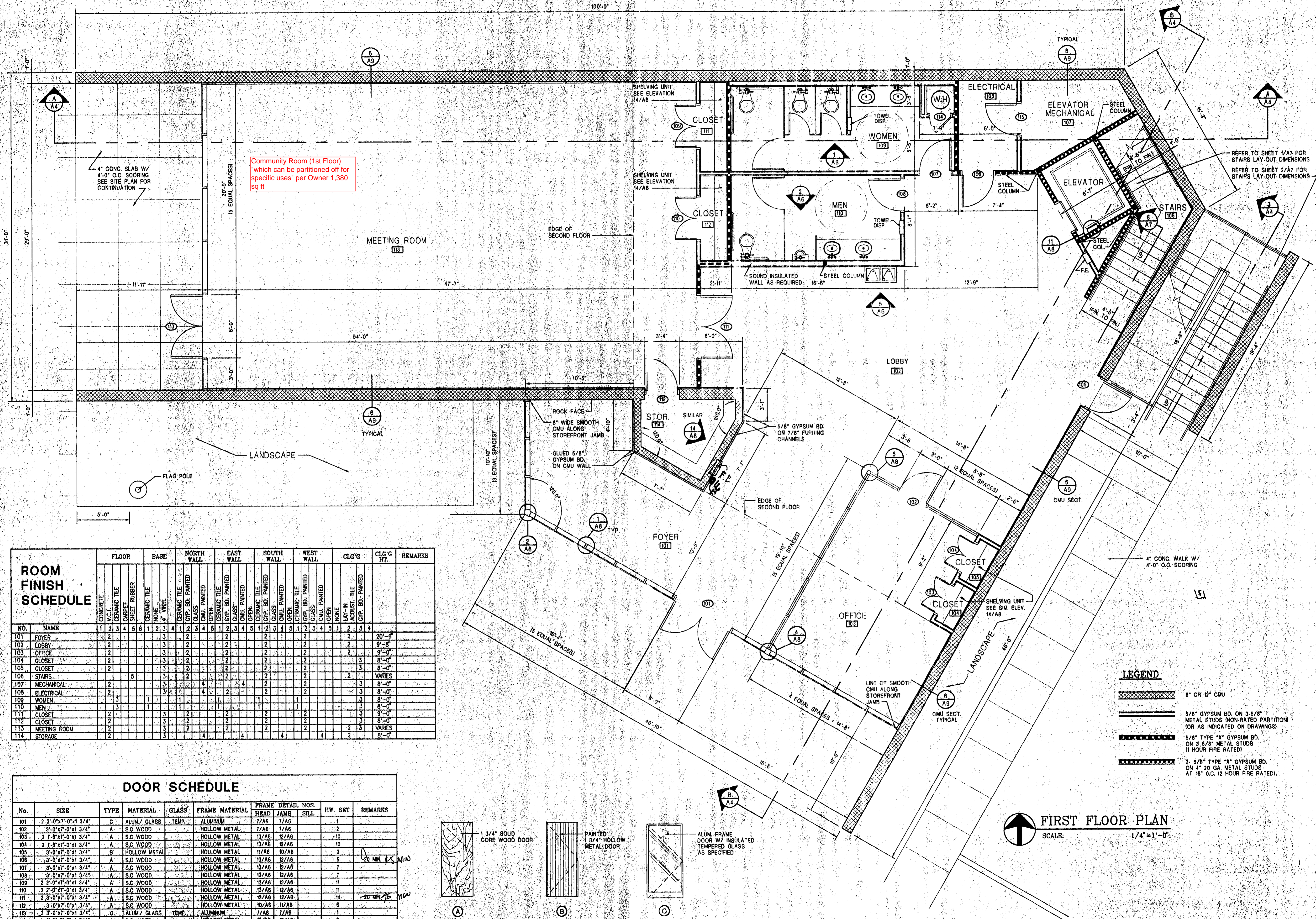
This is to certify that this map or plat and the survey on which it is based were made in accordance with the "Minimum Standard Detail Requirements for ALTA/ACSM Land Surveys", jointly established and adopted by ALTA, ACSM and NSPS in 2011, and includes items 1, 2, 3, 4, 6, 7a, 7b1, 7c, 8, 9, 10, 11b, 13, 14, 16-20(a), and 21 of Table A thereof. Pursuant to the accuracy Standards as adopted by ALTA, NSPS AND ACSM and in effect on the date of this certification. The Undersigned further certifies that proper field procedures, instrumentation and adequate survey personnel were employed in order to achieve results comparable to those outlined in the "Minimum Angle, Distance, and Closure Requirements for Survey Measurements which Control Land Boundaries for ALTA/ACSM Land Title Surveys".

GUILLERMO LICON, R.P.L.S.
REGISTERED PROFESSIONAL LAND SURVEYOR
TEXAS LICENSE NO. 2998
DATE: 8-10-15

| | | | | |
|---|--|--|--|--|
| 10300 HEDGEROW COURT HAYMON KRUPP MEMORIAL LOT 1, BLOCK 1, SCOTSDALE UNIT 8, AN ADDITION TO THE CITY OF EL PASO, EL PASO COUNTY, TEXAS, ACCORDING TO THE PLAT THEREOF ON FILE IN VOLUME 45, PAGE 32, REAL PROPERTY RECORDS, EL PASO COUNTY, TEXAS. | SCALE: 1"=40' JOB NO: 06-09-2816 DRAWN BY: JJA/RT CHECKED BY: GH DATE: 06/16/2015 | BENCHMARK: BENCHMARK: MONUMENT LINE AT THE CENTRAL INTERSECTION OF LORNE ROAD AND RENFREW DRIVE. EXISTING CITY MONUMENT LINE AT THE CENTRAL INTERSECTION OF LORNE ROAD AND RENFREW DRIVE. | REVISIONS CHANGE IN BOUNDARY UPDATED METES AND BOUNDS AS REQUESTED. JAA/MN REVISED AS PER COMMENTS RECEIVED. JAA/MN REVISED AS PER COMMENTS RECEIVED. MN | |
| | DATE 06-11-15 07-30-15 08-04-15 08-07-15 | DATE 06-11-15 07-30-15 08-04-15 08-07-15 | DATE 06-11-15 07-30-15 08-04-15 08-07-15 | DATE 06-11-15 07-30-15 08-04-15 08-07-15 |
| | BENCHMARK: BENCHMARK: MONUMENT LINE AT THE CENTRAL INTERSECTION OF LORNE ROAD AND RENFREW DRIVE. EXISTING CITY MONUMENT LINE AT THE CENTRAL INTERSECTION OF LORNE ROAD AND RENFREW DRIVE. | BENCHMARK: BENCHMARK: MONUMENT LINE AT THE CENTRAL INTERSECTION OF LORNE ROAD AND RENFREW DRIVE. EXISTING CITY MONUMENT LINE AT THE CENTRAL INTERSECTION OF LORNE ROAD AND RENFREW DRIVE. | BENCHMARK: BENCHMARK: MONUMENT LINE AT THE CENTRAL INTERSECTION OF LORNE ROAD AND RENFREW DRIVE. EXISTING CITY MONUMENT LINE AT THE CENTRAL INTERSECTION OF LORNE ROAD AND RENFREW DRIVE. | BENCHMARK: BENCHMARK: MONUMENT LINE AT THE CENTRAL INTERSECTION OF LORNE ROAD AND RENFREW DRIVE. EXISTING CITY MONUMENT LINE AT THE CENTRAL INTERSECTION OF LORNE ROAD AND RENFREW DRIVE. |
| | Copyright 2015 SLI Engineering, Inc. This map and survey are being provided solely for the use of Haymon Krupp, L.P., a Texas limited liability partnership, and its successors and/or assigns in connection with the original transaction. This transaction shall be effective within six (6) months from the date hereon July 16, 2015. | Copyright 2015 SLI Engineering, Inc. This map and survey are being provided solely for the use of Haymon Krupp, L.P., a Texas limited liability partnership, and its successors and/or assigns in connection with the original transaction. This transaction shall be effective within six (6) months from the date hereon July 16, 2015. | Copyright 2015 SLI Engineering, Inc. This map and survey are being provided solely for the use of Haymon Krupp, L.P., a Texas limited liability partnership, and its successors and/or assigns in connection with the original transaction. This transaction shall be effective within six (6) months from the date hereon July 16, 2015. | Copyright 2015 SLI Engineering, Inc. This map and survey are being provided solely for the use of Haymon Krupp, L.P., a Texas limited liability partnership, and its successors and/or assigns in connection with the original transaction. This transaction shall be effective within six (6) months from the date hereon July 16, 2015. |
| CIVIL ENGINEERS LAND PLANNING AND SURVEYING SLI ENGINEERING, INC. 10300 HEDGEROW COURT EL PASO, TEXAS 79904 (915) 84-4400 | | CIVIL ENGINEERS LAND PLANNING AND SURVEYING SLI ENGINEERING, INC. 10300 HEDGEROW COURT EL PASO, TEXAS 79904 (915) 84-4400 | | |
| SHEET TITLE ALTA/ACSM LAND TITLE SURVEY | | SHEET TITLE ALTA/ACSM LAND TITLE SURVEY | | |
| 2 OF 2 | | 2 OF 2 | | |



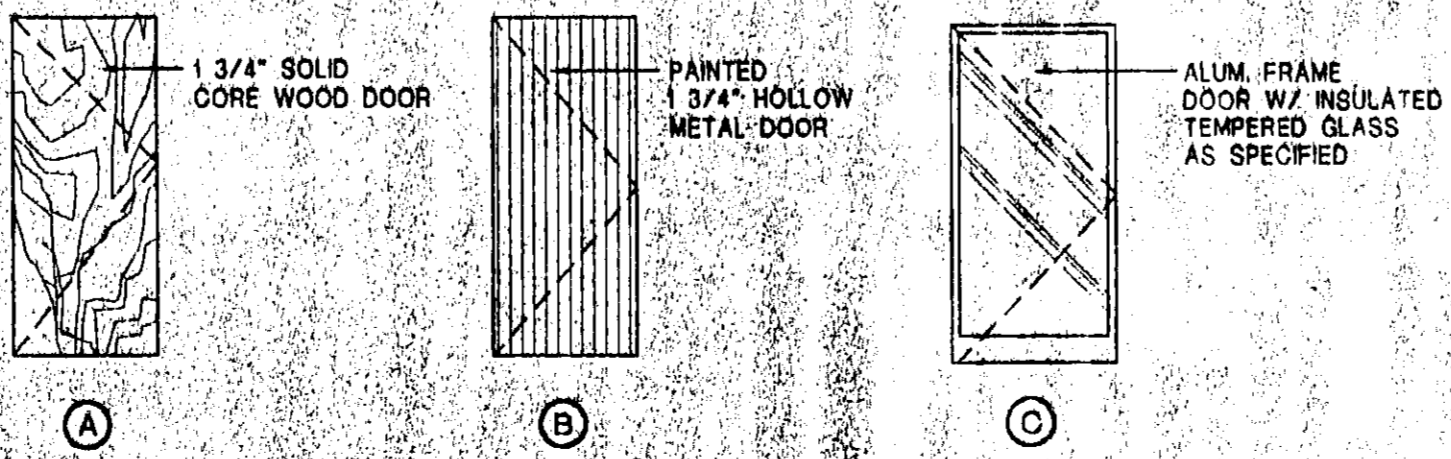
KRUPP SITGRAVES
COMMUNITY CENTER
 HOUSING AUTHORITY CITY OF EL PASO



Community Room (1st Floor)
 which can be partitioned off for
 specific uses per Owner 1,380
 sq ft

| ROOM FINISH SCHEDULE | | FLOOR | BASE | NORTH WALL | EAST WALL | SOUTH WALL | WEST WALL | CLG'G | CLG'G HT. | REMARKS |
|----------------------|--------------|-------|------|------------|-----------|------------|-----------|-------|-----------|---------|
| NO. | NAME | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | |
| 101 | FOYER | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 20'-0" | |
| 102 | LOBBY | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9'-0" | |
| 103 | OFFICE | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9'-0" | |
| 104 | CLOSET | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9'-0" | |
| 105 | CLOSET | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9'-0" | |
| 106 | STAIRS | 2 | 3 | 4 | 5 | 6 | 7 | 8 | VARIES | |
| 107 | MECHANICAL | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9'-0" | |
| 108 | ELECTRICAL | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9'-0" | |
| 109 | WOMEN | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9'-0" | |
| 110 | MEN | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9'-0" | |
| 111 | CLOSET | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9'-0" | |
| 112 | CLOSET | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9'-0" | |
| 113 | MEETING ROOM | 2 | 3 | 4 | 5 | 6 | 7 | 8 | VARIES | |
| 114 | STORAGE | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9'-0" | |

| DOOR SCHEDULE | | | | | | | | | |
|---------------|----------------------|------|--------------|-------|----------------|-------------------|---------|---------|----|
| No. | SIZE | TYPE | MATERIAL | GLASS | FRAME MATERIAL | FRAME DETAIL NOS. | HW. SET | REMARKS | |
| | | | | | | HEAD | JAMB | SILL | |
| 101 | 2'-3" x 7'-0" x 3/4" | C | ALUM / GLASS | TEMP. | ALUMINUM | 7/A6 | 7/A6 | | 1 |
| 102 | 3'-0" x 7'-0" x 3/4" | A | S.C. WOOD | | HOLLOW METAL | 7/A6 | 7/A6 | | 2 |
| 103 | 2'-1" x 7'-0" x 3/4" | A | S.C. WOOD | | HOLLOW METAL | 13/A6 | 12/A6 | | 10 |
| 104 | 2'-1" x 7'-0" x 3/4" | A | S.C. WOOD | | HOLLOW METAL | 13/A6 | 12/A6 | | 10 |
| 105 | 3'-0" x 7'-0" x 3/4" | B | HOLLOW METAL | | HOLLOW METAL | 11/A6 | 10/A6 | | 3 |
| 106 | 3'-0" x 7'-0" x 3/4" | A | S.C. WOOD | | HOLLOW METAL | 13/A6 | 12/A6 | | 5 |
| 107 | 3'-0" x 7'-0" x 3/4" | A | S.C. WOOD | | HOLLOW METAL | 13/A6 | 12/A6 | | 7 |
| 108 | 3'-0" x 7'-0" x 3/4" | A | S.C. WOOD | | HOLLOW METAL | 13/A6 | 12/A6 | | 7 |
| 109 | 2'-2" x 7'-0" x 3/4" | A | S.C. WOOD | | HOLLOW METAL | 13/A6 | 12/A6 | | 11 |
| 110 | 2'-2" x 7'-0" x 3/4" | A | S.C. WOOD | | HOLLOW METAL | 13/A6 | 12/A6 | | 11 |
| 111 | 2'-3" x 7'-0" x 3/4" | A | S.C. WOOD | | HOLLOW METAL | 13/A6 | 12/A6 | | 14 |
| 112 | 3'-0" x 7'-0" x 3/4" | A | S.C. WOOD | | HOLLOW METAL | 10/A6 | 11/A6 | | 6 |
| 113 | 2'-3" x 7'-0" x 3/4" | G | ALUM / GLASS | TEMP. | ALUMINUM | 7/A6 | 7/A6 | | 1 |
| 114 | 2'-0" x 7'-0" x 3/4" | A | S.C. WOOD | | HOLLOW METAL | 13/A6 | 12/A6 | | 8 |
| 115 | 3'-0" x 7'-0" x 3/4" | A | S.C. WOOD | | HOLLOW METAL | 13/A6 | 12/A6 | | 6 |



DOOR SCHEDULE

- LEGEND**
- 6" OR 12" CMU
 - 5/8" GYPSUM BD. ON 3-5/8" METAL STUDS (NON-RATED PARTITION) (OR AS INDICATED ON DRAWINGS)
 - 5/8" TYPE "X" GYPSUM BD. ON 3 5/8" METAL STUDS (1 HOUR FIRE RATED)
 - 2-5/8" TYPE "X" GYPSUM BD. ON 4" 20 GA. METAL STUDS AT 16" O.C. (2 HOUR FIRE RATED)

FIRST FLOOR PLAN
 SCALE: 1/4" = 1'-0"

LUCERO MELENDEZ
 ARCHITECTS
 1310 MONTANA AVE. SUITE 1
 EL PASO, TEXAS 79902
 (915)552-0086 FAX(915)552-0099

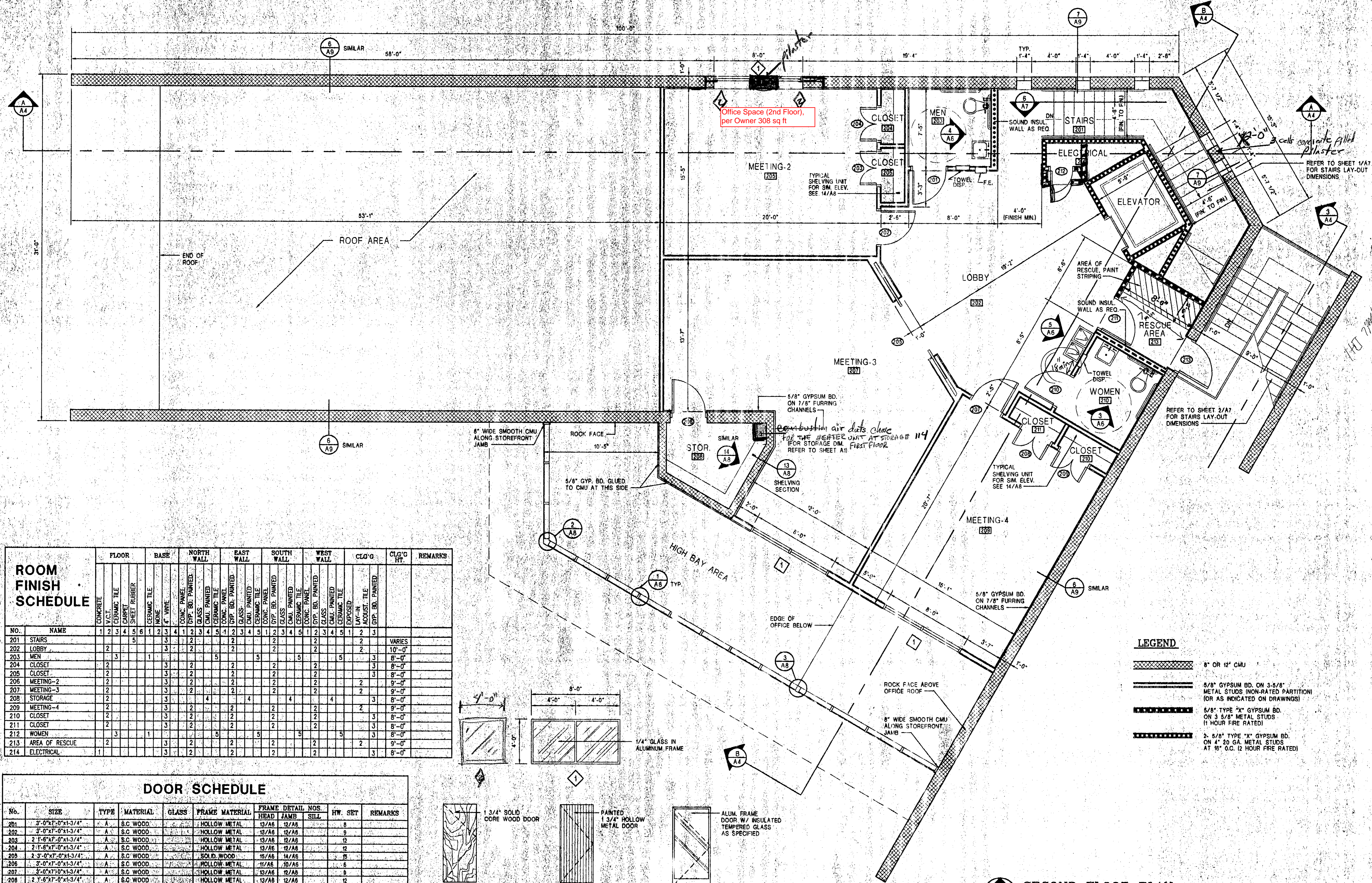


KRUPP SITGRAVES

COMMUNITY CENTER
 HOUSING AUTHORITY CITY OF EL PASO

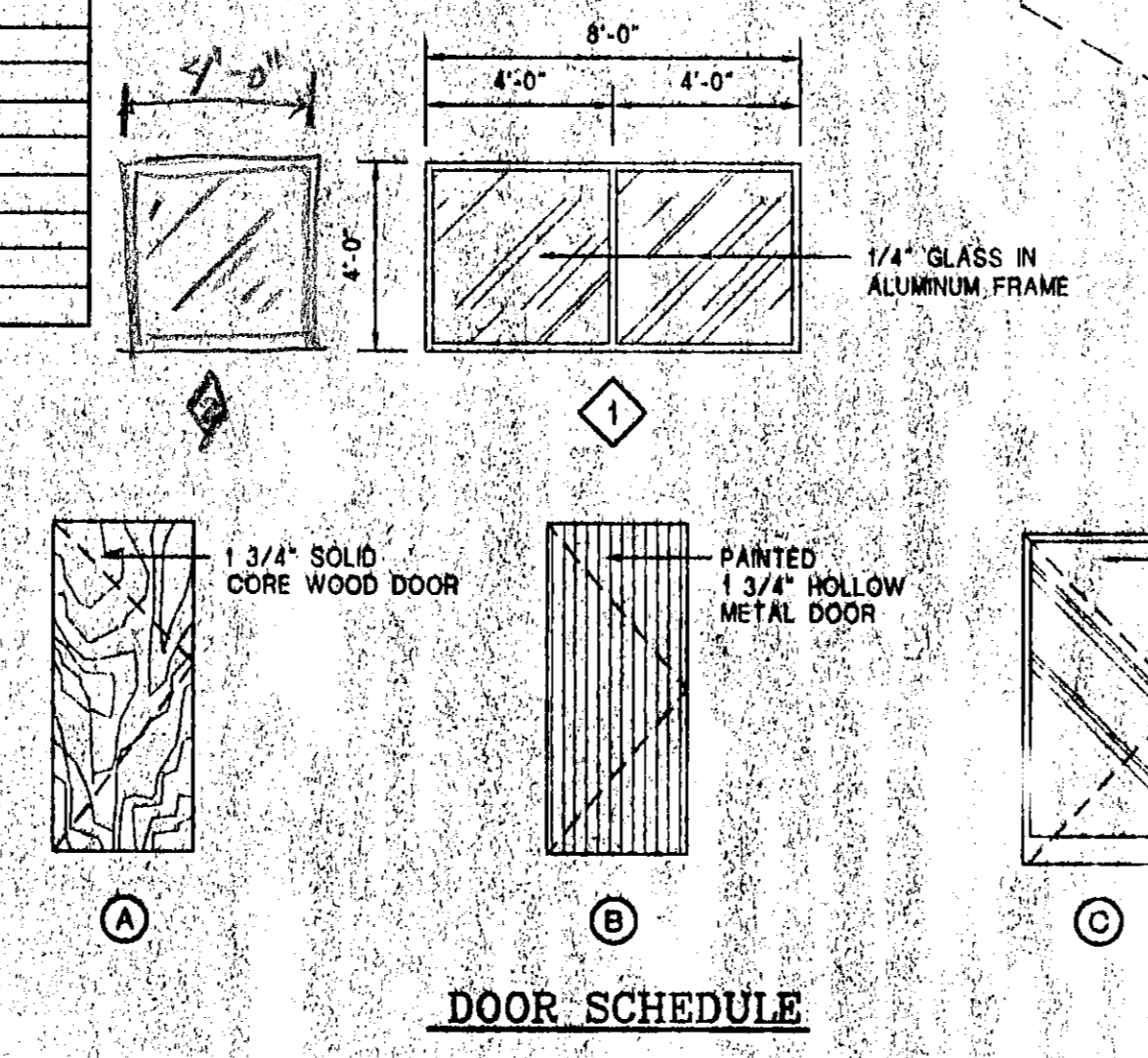
SECOND FLOOR PLAN
 DRAWN BY: ROBERT A. KRUPP
 REVISION: JL JESUS
 FILE NAME:

PROJECT NO: P09-039
 DATE: APRIL 2000
 SHEET: A3 OF 14



| ROOM FINISH SCHEDULE | | FLOOR | BASE | NORTH WALL | EAST WALL | SOUTH WALL | WEST WALL | CLO'G | CLO'G HT. | REMARKS |
|----------------------|----------------|-------|------|------------|-----------|------------|-----------|-------|-----------|---------|
| NO. | NAME | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | |
| 201 | STAIRS | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | VARIES |
| 202 | LOBBY | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 10'-0" | |
| 203 | MEN | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 8'-0" | |
| 204 | CLOSET | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 8'-0" | |
| 205 | CLOSET | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 8'-0" | |
| 206 | MEETING-2 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9'-0" | |
| 207 | MEETING-3 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9'-0" | |
| 208 | STORAGE | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 8'-0" | |
| 209 | MEETING-4 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9'-0" | |
| 210 | CLOSET | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 8'-0" | |
| 211 | CLOSET | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 8'-0" | |
| 212 | WOMEN | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 8'-0" | |
| 213 | AREA OF RESCUE | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9'-0" | |
| 214 | ELECTRICAL | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8'-0" | |

| DOOR SCHEDULE | | | | | | | | |
|---------------|-----------------------|------|--------------|-------|----------------|----------------------------------|---------|---------|
| No. | SIZE | TYPE | MATERIAL | GLASS | FRAME MATERIAL | FRAME DETAIL NOS. HEAD JAMB SILL | HW. SET | REMARKS |
| 201 | 3'-0"x7'-0"x1-3/4" | A | S.C. WOOD | | HOLLOW METAL | 13/A6 12/A6 | 8 | |
| 202 | 3'-0"x7'-0"x1-3/4" | A | S.C. WOOD | | HOLLOW METAL | 13/A6 12/A6 | 9 | |
| 203 | 2'-6"x7'-0"x1-3/4" | A | S.C. WOOD | | HOLLOW METAL | 13/A6 12/A6 | 12 | |
| 204 | 2'-6"x7'-0"x1-3/4" | A | S.C. WOOD | | HOLLOW METAL | 13/A6 12/A6 | 12 | |
| 205 | 2'-3'-0"x7'-0"x1-3/4" | A | S.C. WOOD | | SOLID WOOD | 15/A6 14/A6 | 15 | |
| 206 | 3'-0"x7'-0"x1-3/4" | A | S.C. WOOD | | HOLLOW METAL | 11/A6 10/A6 | 6 | |
| 207 | 3'-0"x7'-0"x1-3/4" | A | S.C. WOOD | | HOLLOW METAL | 13/A6 12/A6 | 8 | |
| 208 | 2'-6"x7'-0"x1-3/4" | A | S.C. WOOD | | HOLLOW METAL | 13/A6 12/A6 | 12 | |
| 209 | 2'-6"x7'-0"x1-3/4" | A | S.C. WOOD | | HOLLOW METAL | 13/A6 12/A6 | 12 | |
| 210 | 3'-0"x7'-0"x1-3/4" | A | S.C. WOOD | | HOLLOW METAL | 13/A6 12/A6 | 8 | |
| 211 | 3'-0"x7'-0"x1-3/4" | A | S.C. WOOD | | HOLLOW METAL | 13/A6 12/A6 | 13 | |
| 212 | 2'-0"x7'-0"x1-3/4" | A | S.C. WOOD | | HOLLOW METAL | 13/A6 12/A6 | 5 | |
| 213 | 3'-0"x7'-0"x1-3/4" | B | HOLLOW METAL | | HOLLOW METAL | 11/A6 10/A6 | 4 | |



LEGEND

- 8" OR 12" CMU
- 5/8" GYPSUM BD. ON 3-5/8" METAL STUDS (NON-RATED PARTITION) (OR AS INDICATED ON DRAWINGS)
- 5/8" TYPE "X" GYPSUM BD. ON 3 5/8" METAL STUDS (1 HOUR FIRE RATED)
- 2 5/8" TYPE "X" GYPSUM BD. ON 4" 20 GA. METAL STUDS AT 18" O.C. (2 HOUR FIRE RATED)

SECOND FLOOR PLAN
 SCALE: 1/4"=1'-0"

Site Work Cost Breakdown

This form must be submitted with the Development Cost Schedule as justification of Site Work costs.

Column A: The Site Work activity reflected here must match the Site Work activity reflected in the Development Cost Schedule.

Columns B and C: In determining actual construction cost, two different methods may be used:

The construction costs may be broken into labor (Column B) and materials (Column C) for the activity; **OR**

The use of unit price (Column B) and the number of units (Column C) data for the activity.

Column D: To arrive at total construction costs in Column D:

If based on labor and materials, add Column B and Column C together to arrive at total construction costs.

If based on unit price measures, Column B is multiplied by Column C to arrive at total construction costs.

Column E: Any proposed activity involving the acquisition of real property, easements, rights-of-way, etc., must have the projected costs of this acquisition for the activity.


Column F: Engineering/architectural costs must be broken out by the Site Work activity.

Column G: Figures for Column G, Total Activity Cost, are obtained by adding together Columns D, E, and F to get the total costs.

****This form must be completed by a Third-Party engineer licensed to practice in the State of Texas. His or her signature and registration seal must be on the form.****

For Site Work costs that exceed \$15,000 per Unit and are included in Eligible Basis, a CPA letter allocating which portions of those site costs should be included in Eligible Basis and which ones may be ineligible must be submitted behind this tab.

| A. Activity | B. Labor or Unit Price | C. Materials or # of Units | D. Total Construction Costs | E. Acquisition Costs | F. Engineering / Architectural Costs | G. Total Activity Costs |
|-------------------|---------------------------|-------------------------------|--------------------------------|-------------------------|---|----------------------------|
| Demolition | | | | | | \$ 1,365,900 |
| Rough grading | | | | | | \$ 152,300 |
| On-site concrete | | | | | | \$ 164,900 |
| On-site paving | | | | | | \$ 181,300 |
| On-site utilities | | | | | | \$ 467,200 |
| | | | | | | |
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| | | | | | | |
| Total | | | | | | 2,331,600 |



 Signature of Registered Engineer

Guillermo Licon, P.E.

 Printed Name
 07/27/2015

 Date



Rent Schedule (Continued)

| | | % of LI | % of Total | |
|------------------------------------|--------------------------------------|---------|------------|-----------|
| HOUSING TAX CREDITS | TC30% | 11% | 11% | 8 |
| | TC40% | | | 0 |
| | TC50% | 21% | 21% | 15 |
| | TC60% | 68% | 68% | 49 |
| | HTC LI Total | | | 72 |
| | EO | | | 0 |
| | MR | | | 0 |
| | MR Total | | | 0 |
| | Total Units | | | 72 |
| | MORTGAGE REVENUE BOND | MRB30% | | |
| MRB40% | | | | 0 |
| MRB50% | | | | 0 |
| MRB60% | | | | 0 |
| MRB LI Total | | | | 0 |
| MRBMR | | | | 0 |
| MRBMR Total | | | | 0 |
| MRB Total | | | | 0 |

| | | % of LI | % of Total | |
|-----------------------------------|---------------------|---------|-----------------------|-----------|
| HOUSING TRUST FUND | HTF30% | | | 0 |
| | HTF40% | | | 0 |
| | HTF50% | | | 0 |
| | HTF60% | | | 0 |
| | HTF80% | | | 0 |
| | HTF LI Total | | | 0 |
| | MR | | | 0 |
| | MR Total | | | 0 |
| | HTF Total | | | 0 |
| | HOME | 30% | | |
| LH/50% | | | | 0 |
| HH/60% | | | | 0 |
| HH/80% | | | | 0 |
| HOME LI Total | | | | 0 |
| EO | | | | 0 |
| MR | | | | 0 |
| MR Total | | | | 0 |
| HOME Total | | | | 0 |
| OTHER | | | Total OT Units | 96 |

| BEDROOMS | 0 | | | 0 |
|-----------------|---|--|--|----|
| | 1 | | | 0 |
| | 2 | | | 46 |
| | 3 | | | 42 |
| | 4 | | | 8 |
| | 5 | | | 0 |

| | | | |
|---------------------------|-----------|------------------------------|-----------|
| ACQUISITION + HARD | | | |
| Cost Per Sq Ft | \$ 130.39 | | |
| HARD | | | |
| Cost Per Sq Ft | \$ 130.39 | | |
| BUILDING | | | |
| Cost Per Sq Ft | \$ 80.97 | | |
| | | Total Points claimed: | 12 |

Applicants are advised to ensure that figure is not rounding down to the maximum dollar figure to support the elected points.

Utility Allowances

Applicant must attach to this form documentation from the source of the "Utility Allowance" estimate used in completing the Rent Schedule provided in the Application Packet. This exhibit must clearly indicate which utility costs are included in the estimate.

Note: If more than one entity (Sec. 8 administrator, public housing authority) is responsible for setting the utility allowance(s) in the area of the development location, then the selected utility allowance must be the one which most closely reflects the actual expenses.

If an independent utility cost evaluation is conducted it must include confirming documentation from all the relevant utility providers.

If other reductions to the tenant rent is required such as the cost of flood insurance for the tenant's contents, documentation for these reductions to gross rent should also be attached.

| Utility | Who Pays | Energy Source | 0BR | 1BR | 2BR | 3BR | 4BR | Source of Utility Allowance & Effective Date |
|-----------------------------|----------|---------------|------|------|-------|-------|-------|--|
| Heating | Tenant | Natural Gas | | | \$ 6 | \$ 7 | \$ 7 | Housing Authority of the City |
| Cooking | Tenant | Natural Gas | | | \$ 3 | \$ 3 | \$ 3 | of El Paso - 9/1/14 |
| Other Electric | Tenant | | | | \$ 26 | \$ 32 | \$ 38 | |
| Air Conditioning | Tenant | Electric | | | \$ 13 | \$ 18 | \$ 23 | |
| Water Heater | Tenant | Natural Gas | | | \$ 7 | \$ 8 | \$ 9 | |
| Water | | | | | | | | |
| Sewer | | | | | | | | |
| Trash | | | | | | | | |
| flat fee | Tenant | Electric | | | \$ 5 | \$ 5 | \$ 5 | |
| other | Tenant | Natural Gas | | | \$ 13 | \$ 13 | \$ 13 | |
| Total Paid by tenant | | | \$ - | \$ - | \$ 73 | \$ 86 | \$ 98 | |

Other (Describe)

| |
|--|
| |
| |
| |
| |
| |



**Allowances for Tenant
Furnished Utilities and other
Services**

U.S. Department of Housing and Urban
Development
Office of Public and Indian Housing

OMB Approval No. 2577-0169

| Locality: Housing Authority of the City of El Paso, TX (NEWER 1996- Present) | | Unit Type: Apartment/ Walk-Up | | | | Date (mm/dd/yyyy) 09/01/2014 | |
|---|------------------------------------|--|---------|--------------------|---------|---------------------------------|---------|
| Utility or Service | Energy Efficient | Monthly Dollar Allowances | | | | | |
| | | 0 BR | 1 BR | 2 BR | 3 BR | 4 BR | 5 BR |
| Heating | a. Natural Gas | \$4.00 | \$5.00 | \$6.00 | \$7.00 | \$7.00 | \$8.00 |
| | b. Bottle Gas/Propane | | | | | | |
| | c. Electric | \$8.00 | \$10.00 | \$12.00 | \$15.00 | \$18.00 | \$20.00 |
| | Heat Pump | \$4.00 | \$4.00 | \$5.00 | \$7.00 | \$8.00 | \$9.00 |
| | d. Oil / Other | | | | | | |
| Cooking | a. Natural Gas | \$2.00 | \$2.00 | \$3.00 | \$3.00 | \$3.00 | \$4.00 |
| | b. Bottle Gas/Propane | | | | | | |
| | c. Electric | \$5.00 | \$6.00 | \$7.00 | \$9.00 | \$10.00 | \$11.00 |
| Other Electric (Lights & Appliances) | | \$17.00 | \$19.00 | \$26.00 | \$32.00 | \$38.00 | \$44.00 |
| Air Conditioning | | \$7.00 | \$9.00 | \$13.00 | \$18.00 | \$23.00 | \$28.00 |
| Evaporative Cooling | | \$2.00 | \$3.00 | \$4.00 | \$6.00 | \$8.00 | \$9.00 |
| Water Heating | a. Natural Gas | \$4.00 | \$5.00 | \$7.00 | \$8.00 | \$9.00 | \$10.00 |
| | b. Bottle Gas/Propane | | | | | | |
| | c. Electric | \$10.00 | \$12.00 | \$17.00 | \$22.00 | \$25.00 | \$27.00 |
| | d. Oil / Other | | | | | | |
| Water | | \$13.00 | \$13.00 | \$16.00 | \$19.00 | \$23.00 | \$26.00 |
| Sewer | | \$15.00 | \$15.00 | \$18.00 | \$21.00 | \$24.00 | \$26.00 |
| Trash Collection | | \$22.00 | \$22.00 | \$22.00 | \$22.00 | \$22.00 | \$22.00 |
| Range / Microwave Tenant-purchasing/leasing | | \$12.00 | \$12.00 | \$12.00 | \$12.00 | \$12.00 | \$12.00 |
| Refrigerator Tenant-purchasing/leasing | | \$13.00 | \$13.00 | \$13.00 | \$13.00 | \$13.00 | \$13.00 |
| Other-- specify: | Monthly Electric Fee \$5.17 | \$5.00 | \$5.00 | \$5.00 | \$5.00 | \$5.00 | \$5.00 |
| | Monthly Gas Fee \$13.35 | \$13.00 | \$13.00 | \$13.00 | \$13.00 | \$13.00 | \$13.00 |
| Actual Family Allowances | | | | Utility or Service | | per month cost | |
| To be used by the family to compute allowance. Complete below for the actual unit rented. | | | | Heating | | \$ | |
| | | | | Cooking | | \$ | |
| Name of Family | | | | Other Electric | | \$ | |
| | | | | Air Conditioning | | \$ | |
| | | | | Water Heating | | \$ | |
| | | | | Water | | \$ | |
| Address of Unit | | | | Sewer | | \$ | |
| | | | | Trash Collection | | \$ | |
| | | | | Range / Microwave | | \$ | |
| | | | | Refrigerator | | \$ | |
| | | | | Other | | \$ | |
| | | | | Other | | \$ | |
| | | | | Total | | \$ | |
| Number of Bedrooms | | | | Other | | \$ | |
| | | | | Total | | \$ | |



ANNUAL OPERATING EXPENSES

| | | | |
|--|------------------------------------|----------------------------|---------------|
| General & Administrative Expenses | | | |
| Accounting | \$ | 5,259.00 | |
| Advertising | \$ | 5,522.00 | |
| Legal fees | \$ | 276.00 | |
| Leased equipment | \$ | 946.00 | |
| Postage & office supplies | \$ | 3,034.00 | |
| Telephone | \$ | 1,478.00 | |
| Other <u>training, computer services, subscriptions/fees</u> | \$ | 5,643.00 | |
| Other <u>Describe</u> | \$ | | |
| Total General & Administrative Expenses: | | | \$ 22,158.00 |
| Management Fee: | Percent of Effective Gross Income: | 6.00% | \$ 47,884.79 |
| Payroll, Payroll Tax & Employee Benefits | | | |
| Management | \$ | 63,000.00 | |
| Maintenance | \$ | 26,000.00 | |
| Other <u>taxes and benefits</u> | \$ | 35,076.00 | |
| Other <u>tenant services</u> | \$ | 1,390.00 | |
| Total Payroll, Payroll Tax & Employee Benefits: | | | \$ 125,466.00 |
| Repairs & Maintenance | | | |
| Elevator | \$ | | |
| Exterminating | \$ | 1,780.00 | |
| Grounds | \$ | | |
| Make-ready | \$ | 12,737.00 | |
| Repairs | \$ | 15,769.00 | |
| Pool | \$ | | |
| Other <u>Describe</u> | \$ | | |
| Other <u>Describe</u> | \$ | | |
| Total Repairs & Maintenance: | | | \$ 30,286.00 |
| Utilities (Enter Development Owner expense) | | | |
| Electric | \$ | 12,308.00 | |
| Natural gas | \$ | 2,052.00 | |
| Trash | \$ | 9,088.00 | |
| Water & sewer | \$ | 62,485.00 | |
| Other <u>Describe</u> | \$ | | |
| Other <u>Describe</u> | \$ | | |
| Total Utilities: | | | \$ 85,933.00 |
| Annual Property Insurance: | Rate per net rentable square foot: | \$ 0.24 | \$ 22,282.00 |
| Property Taxes: | | | |
| Published Capitalization Rate: | <u>10.00%</u> | Source: <u>El Paso CAD</u> | |
| Annual Property Taxes: | \$ | 23,330.00 | |
| Payments in Lieu of Taxes: | \$ | | |
| Other Taxes <u>Describe</u> | \$ | | |
| Other Taxes <u>Describe</u> | \$ | | |
| Total Property Taxes: | | | \$ 23,330.00 |
| Reserve for Replacements: | Annual reserves per unit: | \$ 300.00 | \$ 28,800.00 |
| Other Expenses | | | |
| Cable TV | \$ | | |
| Supportive service contract fees | \$ | | |
| TDHCA Compliance fees | \$ | 3,951.00 | |
| TDHCA Bond Administration Fees (TDHCA as Bond Issuer Only) | \$ | | |
| Security | \$ | 5,554.00 | |
| Other <u>Describe</u> | \$ | | |
| Other <u>Describe</u> | \$ | | |
| Total Other Expenses: | | | \$ 9,505.00 |
| TOTAL ANNUAL EXPENSES | Expense per unit: | \$ 4121.30 | \$ 395,644.79 |
| | Expense to Income Ratio: | 49.57% | |
| NET OPERATING INCOME (before debt service) | | | \$ 402,435.01 |
| Annual Debt Service | | | |
| <u>Bank of the West</u> | \$ | 281,866.00 | |
| <u>City of El Paso</u> | \$ | 25,296.24 | |
| <u>Describe Source</u> | \$ | | |
| <u>Describe Source</u> | \$ | | |
| TOTAL ANNUAL DEBT SERVICE | Debt Coverage Ratio: | 1.31 | \$ 307,162.24 |

NET CASH FLOW

\$ 95,272.77

15 Year Rental Housing Operating Proforma

All Programs Must Complete the following:

The pro forma should be based on the operating income and expense information for the base year (first year of stabilized occupancy using today's best estimates of rental income and expenses), and principal and interest debt service. The Department currently considers an annual growth rate of 2% for income and 3% for expenses to be reasonably conservative estimates. Written explanation for any deviations from these growth rates or for assumptions other than straight-line growth made during the proforma period should be attached to this exhibit.

| INCOME | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| POTENTIAL GROSS ANNUAL RENTAL INCOME | \$828,564 | \$845,135 | \$862,038 | \$879,279 | \$896,864 | \$990,211 | \$1,093,273 |
| Secondary Income | \$ 11,520.00 | \$ 11,750.40 | \$ 11,985.41 | \$ 12,225.12 | \$ 12,469.62 | \$ 13,767.47 | \$ 15,200.40 |
| POTENTIAL GROSS ANNUAL INCOME | \$840,084 | \$856,886 | \$874,023 | \$891,504 | \$909,334 | \$1,003,978 | \$1,108,473 |
| Provision for Vacancy & Collection Loss | \$ 42,004.20 | \$ 42,844.28 | \$ 43,701.17 | \$ 44,575.19 | \$ 45,466.70 | \$ 50,198.91 | \$ 55,423.65 |
| Rental Concessions | \$ - | | | | | | |
| EFFECTIVE GROSS ANNUAL INCOME | \$798,080 | \$814,041 | \$830,322 | \$846,929 | \$863,867 | \$953,779 | \$1,053,049 |
| EXPENSES | | | | | | | |
| General & Administrative Expenses | \$ 22,158.00 | \$22,823 | \$23,507 | \$24,213 | \$24,939 | \$28,911 | \$33,516 |
| Management Fee | \$ 47,884.79 | \$ 49,321.33 | \$ 50,800.97 | \$ 52,325.00 | \$ 53,894.75 | \$ 62,478.79 | \$ 72,430.04 |
| Payroll, Payroll Tax & Employee Benefits | \$ 125,466.00 | \$ 129,229.98 | \$ 133,106.88 | \$ 137,100.09 | \$ 141,213.09 | \$ 163,704.67 | \$ 189,778.58 |
| Repairs & Maintenance | \$ 30,286.00 | \$ 31,194.58 | \$ 32,130.42 | \$ 33,094.33 | \$ 34,087.16 | \$ 39,516.36 | \$ 45,810.29 |
| Electric & Gas Utilities | \$ 14,360.00 | \$ 14,790.80 | \$ 15,234.52 | \$ 15,691.56 | \$ 16,162.31 | \$ 18,736.54 | \$ 21,720.79 |
| Water, Sewer & Trash Utilities | \$ 71,573.00 | \$ 73,720.19 | \$ 75,931.80 | \$ 78,209.75 | \$ 80,556.04 | \$ 93,386.53 | \$ 108,260.58 |
| Annual Property Insurance Premiums | \$ 22,282.00 | \$ 22,950.46 | \$ 23,638.97 | \$ 24,348.14 | \$ 25,078.59 | \$ 29,072.96 | \$ 33,703.52 |
| Property Tax | \$ 23,330.00 | \$ 24,029.90 | \$ 24,750.80 | \$ 25,493.32 | \$ 26,258.12 | \$ 30,440.36 | \$ 35,288.72 |
| Reserve for Replacements | \$ 28,800.00 | \$ 29,664.00 | \$ 30,553.92 | \$ 31,470.54 | \$ 32,414.65 | \$ 37,577.47 | \$ 43,562.58 |
| Other Expenses: | \$ 9,505.00 | \$ 9,790.15 | \$ 10,083.85 | \$ 10,386.37 | \$ 10,697.96 | \$ 12,401.87 | \$ 14,377.17 |
| TOTAL ANNUAL EXPENSES | \$395,645 | \$407,514 | \$419,740 | \$432,332 | \$445,302 | \$516,227 | \$598,448 |
| NET OPERATING INCOME | \$402,435 | \$406,527 | \$410,583 | \$414,597 | \$418,566 | \$437,553 | \$454,601 |
| DEBT SERVICE | | | | | | | |
| First Deed of Trust Annual Loan Payment | \$281,866 | \$281,866 | \$281,866 | \$281,866 | \$281,866 | \$281,866 | \$281,866 |
| Second Deed of Trust Annual Loan Payment | 25,296 | 25,296 | 25,296 | 25,296 | 25,296 | 25,296 | 25,296 |
| Third Deed of Trust Annual Loan Payment | | | | | | | |
| Other Annual Required Payment: | | | | | | | |
| Other Annual Required Payment: | | | | | | | |
| NET CASH FLOW | \$95,273 | \$99,365 | \$103,420 | \$107,435 | \$111,403 | \$130,390 | \$147,439 |
| Debt Coverage Ratio | 1.31 | 1.32 | 1.34 | 1.35 | 1.36 | 1.42 | 1.48 |
| Other (Describe) | | | | | | | |
| Other (Describe) | | | | | | | |

By signing below I (we) are certifying that the above 15 Year pro forma, rent schedule and operating expense schedule have been reviewed and generally meet current lender underwriting parameters for the loan terms indicated in the term sheet. (Signature only required if using this pro forma for points under §11.9(e)(1) relating to Financial Feasibility)

Phone: _____

Email: _____

Signature, Authorized Representative, Construction or Permanent Lender

Printed Name

Date

Development Cost Schedule

Self Score Total: 130

This Development Cost Schedule must be consistent with the Summary Sources and Uses of Funds Statement. All Applications must complete the total development cost column and the Tax Payer Identification column. Only HTC applications must complete the Eligible Basis columns and the Requested Credit calculation below:

| TOTAL DEVELOPMENT SUMMARY | | |
|---------------------------|--------------------------------|------------|
| Total Cost | Eligible Basis (If Applicable) | |
| | Acquisition | New/Rehab. |

| |
|---------------------|
| Scratch Paper/Notes |
|---------------------|

| ACQUISITION | | | | |
|-------------------------------------|-------------|-----|-----------|----------------------------------|
| Site acquisition cost | 1,235,000 | | | |
| Existing building acquisition cost | | | | |
| Closing costs & acq. legal fees | | | | |
| Other (specify) - see footnote 1 | | | | |
| Other (specify) - see footnote 1 | | | | |
| Subtotal Acquisition Cost | \$1,235,000 | \$0 | \$0 | |
| OFF-SITES² | | | | |
| Off-site concrete | | | | |
| Storm drains & devices | | | | |
| Water & fire hydrants | | | | |
| Off-site utilities | | | | |
| Sewer lateral(s) | | | | |
| Off-site paving | | | | |
| Off-site electrical | | | | |
| Other (specify) - see footnote 1 | | | | |
| Other (specify) - see footnote 1 | | | | |
| Subtotal Off-Sites Cost | \$0 | \$0 | \$0 | |
| SITE WORK³ | | | | |
| Demolition | 1,365,900 | | | Demo includes asbestos abatement |
| Rough grading | 152,300 | | 152,300 | |
| Fine grading | | | | |
| On-site concrete | 164,900 | | 164,900 | |
| On-site electrical | | | | |
| On-site paving | 181,300 | | 181,300 | |
| On-site utilities | 467,200 | | 467,200 | |
| Decorative masonry | | | | |
| Bumper stops, striping & signs | | | | |
| Other (specify) - see footnote 1 | | | | |
| Subtotal Site Work Cost | \$2,331,600 | \$0 | \$965,700 | |
| SITE AMENITIES | | | | |
| Landscaping | 162,500 | | 162,500 | |
| Pool and decking | | | | |
| Athletic court(s), playground(s) | 50,000 | | 50,000 | |
| Fencing | 66,000 | | 66,000 | |
| Other (specify) - see footnote 1 | | | | |
| Subtotal Site Amenities Cost | \$278,500 | \$0 | \$278,500 | |
| BUILDING COSTS*: | | | | |
| Concrete | 677,962 | | 677,962 | |
| Masonry | 1,288,726 | | 1,288,726 | |
| Metals | 130,938 | | 130,938 | |
| Woods and Plastics | 1,515,168 | | 1,515,168 | |
| Thermal and Moisture Protection | 135,655 | | 135,655 | |

| | | | | | |
|--|-------|--------------|-----|--------------|-------|
| Roof Covering | | 302,132 | | 302,132 | |
| Doors and Windows | | 303,075 | | 303,075 | |
| BUILDING COSTS (Continued): | | | | | |
| Finishes | | 1,088,703 | | 1,088,703 | |
| Specialties | | 75,585 | | 75,585 | |
| Equipment | | 141,421 | | 141,421 | |
| Furnishings | | | | | |
| Special Construction | | | | | |
| Conveying Systems (Elevators) | | | | | |
| Mechanical (HVAC; Plumbing) | | 1,075,598 | | 1,075,598 | |
| Electrical | | 683,519 | | 683,519 | |
| Individually itemize costs below: | | | | | |
| Detached Community Facilities/Building | | 88,480 | | 88,480 | |
| Carports and/or Garages | | | | | |
| Lead-Based Paint Abatement | | | | | |
| Asbestos Abatement | | | | | |
| Structured Parking | | | | | |
| Commercial Space Costs | | | | | |
| Fire Alarm System and LEED Upgrades | | 115,737 | | 115,737 | |
| Subtotal Building Costs | | \$7,622,700 | \$0 | \$7,622,700 | |
| TOTAL BUILDING COSTS & SITE WORK (including site amenities) | | \$10,232,800 | \$0 | \$8,866,900 | |
| Contingency | 5.90% | \$603,465 | | 603,465 | |
| TOTAL HARD COSTS | | \$10,836,265 | \$0 | \$9,470,365 | |
| OTHER CONSTRUCTION COSTS | | | | | |
| General requirements (<6%) | 6.03% | 616,700 | | 568,222 | 6.41% |
| Field supervision (within GR limit) | | | | | |
| Contractor overhead (<2%) | 2.01% | 205,500 | | 189,407 | 2.14% |
| G & A Field (within overhead limit) | | | | | |
| Contractor profit (<6%) | 6.03% | 616,700 | | 568,222 | 6.41% |
| TOTAL CONTRACTOR FEES | | \$1,438,900 | \$0 | \$1,325,851 | |
| TOTAL CONSTRUCTION CONTRACT | | \$12,275,165 | \$0 | \$10,796,216 | |
| SOFT COSTS³ | | | | | |
| Architectural - Design fees | | 257,017 | | 257,017 | |
| Architectural - Supervision fees | | | | | |
| Engineering fees | | 76,890 | | 76,890 | |
| Real estate attorney/other legal fees | | 265,000 | | 265,000 | |
| Accounting fees | | 30,000 | | 30,000 | |
| Impact Fees | | | | | |
| Building permits & related costs | | 50,000 | | 50,000 | |
| Appraisal | | 6,000 | | 6,000 | |
| Market analysis | | 6,000 | | 6,000 | |
| Environmental assessment | | 20,642 | | 20,642 | |
| Soils report | | | | | |
| Survey | | 14,750 | | 14,750 | |
| Marketing | | 5,000 | | | |
| Partnership Hazard & liability insurance | | 100,000 | | 100,000 | |
| Real property taxes | | | | | |
| Personal property taxes | | | | | |
| Tenant relocation expenses | | 211,200 | | 211,200 | |

Financing Narrative and Summary of Sources and Uses of Funds

Describe all sources of funds and total uses of funds. Information must be consistent with the information provided throughout the Application (i.e. Financing Narrative, Term Sheets and Development Cost Schedule). Where funds such as tax credits, loan guarantees, bonds are used, only the proceeds going into the development should be identified so that "sources" match "uses."

| Financing Participants | Funding Description | Construction Period | | Lien Position | Permanent Period | | | | | Lien Position |
|------------------------------------|---------------------------------------|---------------------|-------------------|---------------|--------------------|-------------------|-----------------|------------|------------------|---------------|
| | | Loan/Equity Amount | Interest Rate (%) | | Loan/Equity Amount | Interest Rate (%) | Amort - ization | Term (Yrs) | Syndication Rate | |
| Debt | | | | | | | | | | |
| TDHCA | HOME | \$0 | 0% | | \$ - | 0% | 0 | 0 | | |
| TDHCA | NSP | \$0 | 0% | | \$ - | | 0 | 0 | | |
| TDHCA | Mortgage Revenue Bond | \$0 | 0% | | | | | | | |
| Bank of the West | Conventional Loan | \$9,800,000 | 3.50% | 1st | \$ 4,025,000 | 5.75% | 30 | 15 | | 1st |
| City of El Paso | Local Government Loan | \$500,000 | 3.00% | 4th | \$ 500,000 | 3.00% | 30 | 15 | | 4th |
| Seller's Note | Conventional Loan | \$1,111,500 | 2.50% | 3rd | \$ 1,111,500 | 2.50% | 30 | 15 | | 3rd |
| HACEP Gap Loan | Conventional Loan | \$4,507,887 | 3.00% | 2nd | \$ 4,450,010 | 3.00% | 30 | 15 | | 2nd |
| Third Party Equity | | | | | | | | | | |
| Hunt | HTC \$ 800,000 | \$ 100,000 | | | \$ 7,999,200 | | | | 1 | |
| Grant | | | | | | | | | | |
| Deferred Developer Fee | | | | | | | | | | |
| | | | | | \$ 200,037 | | | | | |
| Other | | | | | | | | | | |
| Operating Income Trapped in Escrow | | | | | \$ 56,403 | | | | | |
| Total Sources of Funds | | \$ 16,019,387 | | | \$ 18,342,150 | | | | | |
| Total Uses of Funds | | | | | \$ 18,342,150 | | | | | |

Briefly describe the complete financing plan for the Development, including the sources and uses of funds, matching funds (if applicable), and any other financing. The information must be consistent with all other documentation in this section.

[See next page for financing plan.](#)



April 27, 2015

Mr. Robin Vaughn
President
Hunt Development Group, Inc.

via e-mail to both parties

Re: Term Sheet for Construction and Term financing for Haymon Krupp located at 10200 Hedgerow Ct, El Paso TX 79925

Dear Robin:

Thank you for requesting an expression of interest from Bank of the West to finance development of Haymon Krupp. Bank of the West (“Bank”) is interested in pursuing your request to provide construction and term financing for this property (“Project”) located at 10200 Hedgerow Ct, El Paso TX 79925. The proposed loan terms would be as follows:

Construction and Term Loans

Borrower: A to-be-formed limited partnership or limited liability company, whose general partner or managing member must be Housing Authority of City of El Paso (HACEP) or a wholly owned affiliate.

Construction Loan Amount: Up to \$9,800,000 (see caveat below in “Equity” section).

Loan-to-Value: Not to exceed 80% of appraised values for real estate (as if stabilized assuming restricted rents) and the low-income housing tax credits.

Guarantee: Repayment and Completion guarantees to be provided by Hunt Development Group (HDG). Contingent liabilities of Guarantor must not affect net worth or liquidity in Bank’s judgment, from closing through to conversion to the term loan.

Construction Loan Term: 21 months with one three-month extension option.

Construction Loan Interest Rate: Variable rate of one-month LIBOR plus 2.25%.

Loan Fee: 1% for the initial term, 0.25% for the extension (both fees will be based on the full Construction Loan Amount)

Conditions to Use Extension:

- 1) Payment of extension fee;
- 2) sufficient remaining interest reserve and/or property income to pay for debt service on outstanding construction loan through term of extension;

- 3) adequate income qualified occupancy and rent payments to make takeout and income stabilization feasible within six months;
- 4) viable term loan commitment remains in place.

| | |
|--------------------------|--|
| Amortization: | Interest only payable monthly during the construction and lease-up period. 360-month amortization schedule during term period. |
| Term Loan Maturity: | 16 years after Construction Loan term has expired |
| Term Loan Fee: | 1% |
| Term Loan Interest Rate: | Federal Home Loan Bank of San Francisco Community Investment Program rate for 16-year amortizing with 21-month forward rate lock + 2.25% as of April 22, 2014 the all-in rate would be 5.75%. |
| Prepayment Costs: | Early termination of the Term Loan could result in a prepayment premium. This cost would be based on a present value calculation of the difference in payments between originally prescribed loan payments and loan payments at then-current rates for the remaining contract term. |
| Term Loan Amount: | Derived from Term Loan Interest Rate, 360-month amortization, Bank concluded Net Operating Income and a minimum DSC of 1.15 for a loan of \$4,025,000. |
| Security: | First deed of trust on the subject property, assignment of rents and leases and tax credits. |
| Loan-to Value: | Not to exceed 80% of stabilized value. Value to include real estate. |
| DSC Ratio: | Minimum of 1.15x DSC based on appraisal "as-stabilized" NOI, Term Loan Rate at time of closing and 30-year amortization period on Term Loan Amount of \$4,025,000. Use of 1.15 DSC is contingent on proof from Appraisal that proposed project rents are discounted at least 20% below market. Otherwise DSC will be 1.20. |
| Recourse: | None |
| Guarantee: | No third-party guarantee during the Term period. |
| Ground Lease: | No third party groundlease. Any groundlease between HACEP and Borrower, must have no required payments and offer standard mortgageor protections. |
| Legal Fees: | The borrower will pay Bank legal fees required to close this loan. |
| Loan Closing: | Construction Loan closing is estimated to be in October 2014. |
| Loan Takeout: | LIHTC equity to reduce Construction Loan to Term Loan Amount. |

- Loan closing: Construction Loan closing is estimated to be in August of 2015.
Time to finalize closing is 70-90 days from time appraisal is ordered.
- Equity: Total tax credit equity is approximately \$7,999,200. \$100,000 of tax credit equity must be spent before or concurrent with the first disbursement of Bank funds, as long as \$4,976,865 in HACEP equity or soft loan (debt service is dependent on adequate property cash flow, subordinate debt is funded before or concurrent with the first disbursement of Bank funds) and \$500,000 in City of El Paso HOME funds.
- Security: First deed of trust on the subject property.
- Reporting Requirements: 1) Annual financial statements from Guarantor(s);
2) Monthly rent roll and property operating statements after completion until takeout.
- Term Loan Amount: \$4,025,000 taxable mortgage supported by the rental income stream, based on 30-year amortization, assuming conversion conditions are met.
- Fees and Expenses: The Borrower will pay Bank the following fees & expenses (estimated) required to close this loan:
- i. Appraisal: \$6-8,000
 - ii. Cost Review: \$3,000
 - iii. Construction Inspections: \$700-\$1,000/monthly inspection
 - iv. Environmental Review of Phase I: \$500
 - v. Legal: \$15-25,000
 - vi. Administrative Processing: \$500
- Additional Conditions:
1. Hard Cost Contingency must be at least 5% of construction contract amount.
 2. Loan request is subject to environmental review (Phase I must meet Bank standards), appraisal, and final approval from Bank's Credit Administration.
 3. Bank, at its option, will contract with an independent engineering/consulting service to perform a detailed review of the plans, specifications, and construction costs, and to provide monthly site inspections. Borrower will pay the cost of these services, which are identical to Cost Review and Construction Inspections' costs listed in "Fees and Expenses" above.
 4. Verification and/or deposit of all project costs not funded by the Construction Loan are required prior to loan closing.
 5. Bank approval of the general contractor's financial condition, surety bonds, if any, and qualifications.
 6. Condition of title must be acceptable to Bank.
 7. Property and liability insurance must meet Bank standards.
 8. Executed partnership agreement and tax credit syndicator's financial capacity and experience must be acceptable to Bank.

9. Satisfactory review and approval of Guarantor's complete financial position and global cash flow with no material deterioration in the Guarantor's financial position presented.
10. All secondary financing to be documented with subordination documents acceptable to Bank.
11. Any documentation and/or reports deemed necessary by Bank.
12. Borrower agrees to review and consider other product offerings provided by Bank of the West product specialists, including Cash Management, Fixed Income and Capital Markets.

The above proposed terms will necessarily shift as the details of the transaction become more certain. This letter is not a contract to fund. Upon Borrower's acceptance of these proposed terms and conditions, and in order to proceed with the loan requests and initiate the appraisal process, a \$20,000 good faith deposit is required. The deposit will be credited against loan expenses at the time of funding the proposed loan commitment. If loan expenses exceed \$20,000 before closing, Bank may require Borrower to increase deposit. The Bank and HACEP reserve the right to terminate processing the loan request at any time. In the event the loan request is declined, the good faith deposit will be used to pay appraisal and loan underwriting expenses, and the balance, if any, will be refunded. In the event the loan request is withdrawn, the good faith deposit will be retained in whole by the Bank. The Bank agrees to order the appraisal upon receipt of the good faith deposit and sufficient information needed to complete that report.

Thank you for this opportunity. This letter is intended to convey our high level of interest in Anthracite Place as outlined under the basic terms and conditions described above. Please forward this letter to the appropriate person at HACEP for signature and ask that person to return to me by May 8, 2015.

Sincerely,



John Denton, Director
Community Development Finance
Bank of the West



Hunt Capital Partners, LLC
15260 Ventura Boulevard, Suite 600
Los Angeles, California 91403
Phone (818) 380-6100 Facsimile (818) 380-6101

CONFIDENTIAL

LETTER OF INTENT AGREEMENT

June 5, 2015

Gerald W. Cichon
Chief Executive Officer
Housing Authority of the City of El Paso
5300 E. Paisano Drive
El Paso, TX 79905

Robin Vaughn
President
Hunt Development Group, Inc.
4401 N. Mesa
El Paso, TX 79902

RE: Haymon Krupp Memorial, a 96-unit affordable multifamily housing development to be located at 10200 Hedgerow Court in El Paso, El Paso County, Texas and developed, constructed, owned and operated by Haymon Krupp, LP, a Texas limited partnership (the "Partnership").

Dear Mr. Cichon & Mr. Vaughn:

Thank you for providing Hunt Capital Partners, LLC ("HCP") the opportunity to partner with Hunt Development Group ("HDG") and Paisano Haymon Krupp GP LLC ("Paisano El Paso"), a Texas for profit corporation, an affiliate of Paisano Housing Redevelopment Corporation ("Paisano") and the Housing Authority of the City of El Paso ("HACEP") and present this Letter of Intent Agreement regarding the Project to you. The following sets forth our proposal of the basic business terms to be included in the Partnership Agreement (the "Partnership Agreement") by and between HCP, or its designees, as the Investor Limited Partner (the "Limited Partner" or "LP") and Paisano El Paso as General Partner (the "General Partner" or "GP"). Affiliates of Paisano and HDG will be the members of the Developer with respect to the Project.

Unless specifically detailed in this Letter of Intent Agreement, the documents used for the El Paso RAD I, LTD transaction shall be used to document this transaction. The only changes to be made to the documents shall be project specific changes. Guarantees, repurchase obligations, reps and warranties shall be the same as set forth in EL Paso RAD I, LTD.

A. BASIC INFORMATION

1. Partnership Interest to be acquired

The proposal is based upon the acquisition of a 99.99% interest in the Partnership by HCP leaving a 0.01% interest to the GP.

2. The Partnership will depreciate the building, improvements and site work on an accelerated basis.

3. Tax Credits

| | |
|---|-------------|
| Year of Tax Credit Allocation | 2014 |
| Amount of Federal Tax Credits* | \$8,000,000 |
| Percentage of Limited Partnership Interest | 99.99% |
| Tax Credits to be Acquired by the Limited Partner | \$7,999,200 |

B. TOTAL DEVELOPMENT COSTS AND SOURCES OF FUNDS

Total Costs

| | Construction | Completion | Permanent |
|--|--------------|--------------|--------------|
| | \$18,328,487 | \$18,328,487 | \$18,328,487 |

Total Sources

| | Construction | Completion | Permanent |
|------------------------------------|---------------------|---------------------|---------------------|
| Construction Loan | \$8,589,890 | \$9,798,890 | \$0 |
| Permanent Loan | \$0 | \$0 | \$4,025,000 |
| HOME Loan | \$500,000 | \$500,000 | \$500,000 |
| HACEP Gap Loan | \$4,449,622 | \$4,449,622 | \$4,449,622 |
| Acquisition Loan | \$1,111,500 | \$1,111,500 | \$1,111,500 |
| Acquisition Loan Deferred Interest | \$0 | \$0 | \$54,045 |
| LIHTC Equity | \$100,000 | \$100,000 | \$7,999,200 |
| Interim Cash Flow | \$189,120 | \$189,120 | \$189,120 |
| Retention | \$1,209,000 | \$0 | \$0 |
| Deferred Operating Reserves | \$340,000 | \$340,000 | \$0 |
| Deferred Developer Fee | \$1,839,355 | \$1,839,355 | \$0 |
| Total Sources of Funds | \$18,328,487 | \$18,328,487 | \$18,328,487 |

[Hunt Developer, LLC] ("Hunt Developer"), a Delaware limited liability company is responsible for development and delivery of the Project, and all costs related thereto, through Rental Achievement, which is defined as the achievement of (a) a DSCR of 1.15x at a minimum of 90% occupancy for each of three (3) consecutive calendar months and (b) 100% initial

Qualified Occupancy of the Project ("Rental Achievement"). In the determination of Rental Achievement and calculation of the DSCR the following assumptions shall be made: (i) the greater of the Project's actual vacancy rate or 5.0% shall be used, (ii) for all units with LIHTC restrictions rental income in excess of maximum 60% AMI Section 42 rents shall be excluded, (iii) for all units without restrictions actual rents shall be included, and (iv) operating expenses (based on a 5% management fee) shall be the greater of actual or underwritten. Any additional funds required to achieve Rental Achievement in excess of the estimated Total Development Cost of \$18,328,487 shall be considered Excess Development Costs ("EDCs") which shall be the sole and exclusive responsibility of Hunt Developer to fund; provided, however, the Hunt Developer shall be allowed to defer payment of its portion of the Development Fee (to the extent not yet paid as detailed in D below) (the "Deferred Development Fee") to cover EDCs. In the event EDCs are not eligible for additional tax credits, they will not be treated as capital contributions or otherwise be reimbursable to Hunt Developer. HCP will determine any hard or soft construction cost savings of the Project upon Rental Achievement, whereby any savings shall first be used to reduce any Deferred Development Fee and then used to pay down the HACEP Gap Loan.

C. EQUITY INVESTMENT

1. Amount of Equity Investment

LP will pay the Partnership \$1.00 per \$1.00 of Federal IRC Section 42 low income housing tax credits ("LIHTC") for total tax credit equity of \$7,999,200. Such amount assumes the LP acquires the aggregate 10-year LIHTC stream totaling \$7,999,200. Disbursements will be made pursuant to a monthly draw procedure, as further outlined in the Partnership Agreement. The total equity to be paid by LP, as stated above, will be increased or decreased based on the total amount of tax credits actually received by the Partnership, as stated on the IRS Form(s) 8609, at the rate of \$1.00 per \$1.00 of LIHTC; provided, however, that the total equity taking into account any additional tax credits shall not exceed 110% of the total equity of \$7,999,200 as set forth herein. For clarification purposes, any limit on the upward basis adjuster shall not be reduced by any downward timing adjuster under paragraph C.3. below.

Notwithstanding the foregoing, the pricing of \$1.00 per dollar of LIHTC will only be binding on HCP for a period of the earlier of the closing date of the Partnership pursuant to this agreement, or September 30, 2015. Thereafter, HCP may modify its price of \$1.00 per LIHTC to reflect market conditions in the exercise of its reasonable discretion.

Additionally, the pricing indicated herein assumes a Partnership closing by September 30, 2015, whereby the Partnership is obligated to deliver tax credits to the LP on the following schedule:

\$81,005 for 2016
\$799,920 for the years 2017 through 2025
\$718,915 for 2026

In the event the Partnership closing occurs later than September 30, 2015 the tax credit delivery schedule and pricing shall be adjusted to maintain the yield to the Limited Partner.

2. Timing of the Equity Investment

The LP will invest in the Partnership as follows:

- a. \$100,000 (1.25%) will be funded upon the latest to occur of: (a) the Limited Partner's admission into the Partnership, (b) closing and initial funding of the Construction Loan, (c) closing and initial funding of the HACEP Gap Loan and HOME Loan, (d) receipt of evidence of the availability of LIHTCs for the benefit of the Partnership, (e) issuance of a building permit or will issue letter from the city, (f) radon testing of all buildings showing results acceptable to the LP, and (g) issuance of a tax opinion acceptable to the Limited Partner. The proceeds of this capital contribution shall be used to pay HCP's legal fees and third party development costs as set forth in Section J.2 below, Project acquisition costs, Project construction costs, and a portion of the Development Fee as set forth in Section D below. Upon closing of the Partnership Agreement, and the satisfaction of items (a) through (f) of this paragraph, disbursements of the amounts to be funded pursuant to this Section C.2.a. will be made pursuant to a monthly draw procedure outlined in the Partnership Agreement.
- b. \$7,499,240 (93.75%) will be funded upon the latest to occur of: (a) lien-free completion of construction of all the improvements as evidenced by unconditional lien releases sufficient for all residential rental units to be "placed in service" pursuant to IRC Section 42, (b) the issuance of all required permanent certificates of occupancy permitting immediate occupancy of all 96 residential rental units, (c) engineer's and architect's completion certificates, (d) a date down on the title policy, (e) site inspection by the third party construction inspector verifying final completion in accordance with plans and specifications, (f) receipt of the final cost certification by the Accountant, (g) repayment of the Construction Loan (concurrently with funding of this equity installment) and funding of the Permanent Loan, (h) Rental Achievement, (i) receipt of recorded Regulatory Agreement, (j) receipt of as-built ALTA survey, (k) July 10, 2017, and (l) satisfaction of all conditions precedent to the payments set forth in paragraph 2.a of this section. The proceeds of this capital contribution shall be used to repay the Construction Loan, fund the Operating and Replacement Reserves and pay a portion of the Development Fee as set forth in Section D below.
- c. \$399,960 (5.00%) will be funded upon the latest of (a) the issuance of an IRS Form 8609 for each building in the Project, (b) October 10, 2017, and (c) satisfaction of all

conditions precedent to the payments set forth in paragraphs 2.a through b of this section. The proceeds of this capital contribution shall be used to pay Development Fee as set forth in Section D below.

3. Timing Adjustment to Equity Investment

In the event that the tax credits in any of the years 2016, or 2017 (determined separately for each year) are less than as set forth in Section C.1 above, the LP's capital shall be reduced by an amount equal to, or if all the LP's capital has been funded the GP shall make a payment to the LP equal to, the product of (a) \$0.70 and (b) the dollar amount by which the actual tax credits delivered in any of 2016, or 2017 (determined separately for each year) are less than the tax credits for 2016, or 2017 as set forth in Section C.1. above (determined separately for each year).

D. DEVELOPMENT FEE

The total development fee payable to El Paso Krupp Developer, LLC, a Delaware limited liability company (the "Developer") is \$1,939,355 ("Development Fee") and is payable as noted below. Hunt Developer is the managing member of Developer, and [Paisano Developer Entity, Inc.] ("Paisano Developer") is a member of Developer. In the event that the Developer elects to fund EDCs by deferring a portion of the Development Fee, such portion of the Development Fee will be dedicated as a permanent source in the form of a Deferred Fee Note (the "DFN"). The actual amount of DFN, if any, will be determined upon Rental Achievement, will not bear interest and shall be repayable from available cash as set forth below. In the event that any portion of the DFN remains after the earliest of the 13th anniversary of the last building being Placed in Service, or date required by the IRS, the GP will make a special contribution to the Partnership to pay such amount necessary to cover any unpaid principal due on the DFN.

The Development Fee shall be paid as follows:

1. \$100,000 upon payment of the first capital contribution.
2. \$1,439,395 upon payment of the second capital contribution.
3. \$399,960 upon payment of the third capital contribution.

E. GENERAL CONTRACTOR

The Master Contractor shall be Affordable Housing Enterprises ("AHE") who shall subcontract all of the construction work to Moss and Associates ("Moss"), successor in interest to Hunt Building Company, Ltd. ("HBC") or such other entity mutually acceptable to the partners. The construction contract shall be a guaranteed maximum price contract that provides for either a 100% payment and performance bond or a letter of credit from a bank acceptable to HCP equal to 10% of the construction contract and include provisions for 10% retainage. The development budget shall contain a hard cost owner's contingency (to be held outside the construction contract) of 5%.

F. CASH FLOW DISTRIBUTIONS

Distributions noted below relate to all net cash flow distributions. Net cash flow will be distributed annually beginning after Rental Achievement in the following order of priority:

1. To the Limited Partner, to the extent of any outstanding tax credit shortfall or adjuster payments.
2. To payment of advances made by HCP (excluding capital contributions by LP) or any of its subsidiaries.
3. To payment of the AMF to HCP.
4. To replenish the Operating Reserve.
5. To payment of the DFN.
6. To the payment of any amount outstanding on the Operating Deficit Loan with no interest accrual.
7. To the repayment of interest and principal on the HACEP Gap Loan.
8. To the repayment of interest and principal on the Acquisition Loan.
9. To the repayment of interest and principal on the HOME Loan.
10. Thereafter to the partners in accordance with their percentage interests.

G. SALE OR REFINANCE

Upon sale of the Project and repayment of underlying financing or a refinancing of the permanent loan, proceeds will be allocated in accordance with the following order of priority:

1. To the payment of expenses of the sale and/or refinance and satisfaction of the Permanent Loan plus any other third party obligations and debts.
2. To payment of an amount equal to any tax credit shortfall.
3. To payment of any accrued fees, advances made by HCP and unpaid AMFs (including interest thereon) due HCP.
4. To payment of any outstanding Operating Deficit Loans.
5. To payment of any outstanding principal and interest on the HACEP Gap Loan.
6. To payment of any outstanding principal and interest on the Acquisition Loan.
7. To payment of any outstanding principal and interest on the HOME Loan.
8. Thereafter to the partners in accordance with their percentage interests.

H. DEBT STRUCTURE

1. HCP shall arrange for construction financing provided by [Bank of the West] in the estimated principal amount of \$9,800,000 with an estimated interest rate of 3.5% with a term of at least 24 months and payable interest only until maturity (the "Construction Loan"). It is expected that the Construction Loan will be paid off with the Limited Partner's second capital contribution upon achievement of Rental Achievement. The Construction Loan shall require that 15% of Total Development Costs are funded from other sources prior to drawing on the Construction Loan.
2. Permanent non-recourse financing will be provided by [Bank of the West] in the principal amount not to exceed \$4,025,000 with an interest rate not to exceed 5.75% and term of at least 15 years and an amortization schedule of at least 30 years (the "Permanent Loan"). The Permanent Loan shall require a minimum DSCR of 1.15x and 90 days of 90% or greater occupancy prior to funding.
3. Construction and permanent financing provided by the City of El Paso in the principal amount not to exceed \$500,000 with an interest rate 3.0% and term of at least 30 years (the "HOME Loan"). The HOME Loan shall be a secured subordinate fourth mortgage on the Project. Principal and interest will be paid out of available cash flow pursuant to paragraph F.9 above.
4. Construction and permanent financing provided by HACEP in the principal amount of \$4,449,622, with an interest rate of [3.0%], and a term of at least 55 years (the "HACEP Gap Loan"). The HACEP Gap Loan shall be a secured subordinate third mortgage on the Project. Principal and interest will be paid out of available cash flow pursuant to paragraph F.8 above. HACEP shall not be permitted to call a default on the HACEP Gap Loan during the LIHTC compliance period. In the event the GP has been removed from or withdraws from the Partnership payments as set forth in Section F.8 above shall be reduced to 75% of available cash flow.
5. Construction and permanent financing provided by HACEP in the principal amount of \$1,111,500, bearing interest at a fixed rate equal to the long-term applicable federal rate as of Partnership closing, and a term of at least 55 years (the "Acquisition Loan") with interest and principal paid out of available cash flow pursuant to paragraph F.8 above. The Acquisition Loan shall be secured by a subordinate second mortgage on the Project. HACEP shall not be permitted to call a default on the Acquisition Loan during the compliance period. In the event the GP has been removed from or withdraws from the Partnership payments as set forth in Section F.8 shall be reduced to 75% of available cash flow.

I. GUARANTEES DATES OPEN

The General Partner, HDG Investments, LLC, a Texas limited partnership ("HDG Investments"), Hunt Developer, Paisano, and Paisano Developer (collectively the "Guarantors") shall provide certain guarantees, provided however HDG Investments and Hunt Developer's guarantees shall terminate upon Rental Achievement and receipt of IRS Forms 8609 for each building in the Project and Paisano's guarantees shall commence on and after Rental Achievement and receipt of IRS Forms 8609 for each building in the Project. The Guarantees and Repurchase obligations under this transaction shall be the same as those under El Paso RAD I, LTD. The Guarantees and obligations listed below are not exhaustive and are included so as to detail dates or financial limitations on certain obligations only:

1. HDG Investments and Hunt Developer as guarantors of completion of construction by December 1, 2016.
2. HDG Investments and Hunt Developer as guarantors of the obligation of the Partnership to achieve Rental Achievement by December 1, 2017 and achieve full funding of the Permanent Loan and repayment of the Construction Loan.
3. The General Partner, Paisano, and Paisano Developer as guarantors to advance to the Partnership sufficient funds for a period of 60 months following the date Rental Achievement is attained (the "Operating Deficit Guaranty Period"), to fund Operating Deficits up to a maximum of \$480,000 (the "Operating Deficit Guaranty Cap"). Any such advance will be in the form of a loan that will not bear interest and will be repaid from cash flow and/or Sale or Refinancing proceeds (an "Operating Deficit Loan" or collectively the "Operating Deficit Loans"). Prior to funding any Operating Deficit Loans, the General Partner shall be allowed to use funds in the Operating Reserve (initially funded at \$340,000) in excess of \$200,000, provided however funds drawn from the Operating Reserve shall not count against the Operating Deficit Guaranty Cap. In the event that at the end of the Operating Deficit Guaranty Period (i) the Project has not achieved a DSCR for the prior 12 month period (in aggregate) of at least 1.15x or (ii) the balance of the Operating Reserve is less than \$340,000, then the Operating Deficit Guaranty Period shall be extended for an additional 12 months (the "Extension Period"). At the end of any Extension Period(s) if (i) the Project has not achieved a DSCR of at least 1.15x for the prior 12 month period (in aggregate) or (ii) the balance of the Operating Reserve is less than \$340,000, then an additional Extension Period shall be added to the Operating Deficit Guaranty Period until (i) the Project has achieved a DSCR of at least 1.15x for the prior 12 month period (in aggregate) and (ii) the balance of the Operating Reserve is at least \$340,000. In the event the GP has been removed from or withdraws from the Partnership, payments as set forth in Section F.6 above shall be reduced to 75% of available cash flow.
4. At the option of the LP, to repurchase the LP's interests upon certain events described in the Partnership including but not limited to:

- i. failure to place the Project in service on or before the earlier of December 1, 2016, or the date required by the Agency (HDG Investments and Hunt Developer),
- ii. failure to achieve Rental Achievement by December 1, 2017 (HDG Investments and Hunt Developer),
- iii. the failure to receive IRS Form 8609 for each building in the Project by December 1, 2017 (HDG Investments and Hunt Developer), and

In addition the General Partner and Developer shall pledge to the Limited Partner their interests in the Partnership and Development Fee as additional collateral to support the guarantee obligations noted above.

Upon completion of the Project, Rental Achievement and receipt of IRS Forms 8609, the guarantees of HDG Investments and Hunt Developer shall terminate.

J. FEES AND RESERVES

1. Asset Management Fee. The Partnership will pay, subject to the availability of cash flow, an annual Asset Management Fee (“AMF”) to HCP, or its designated affiliate or agent, in the amount of \$7,500, payable on April 1st of each year, commencing on completion. The AMF will be increased annually by 1.5% starting in the year after completion. In the event there is insufficient cash flow to pay the AMF, the AMF shall accrue without interest until there is sufficient cash available to pay any accrued AMF.
2. Legal Fees and Third Party Costs. The Partnership will pay \$60,000 to reimburse HCP for its legal fees and other third party costs associated with underwriting of the Project. These fees will include, among other things, expenses associated with drafting the Partnership Agreement, reviewing and negotiating all documents and ordering of a market study.
3. Management Fee. The management agent will be EP Housing Operations and Management Enterprises and be entitled to a Property Management Fee not exceeding 6% of gross revenues per month. The management agent will be required to defer and accrue, without interest, its management fee in the event that the Project is not generating sufficient revenue to pay all of the Project's expenses and debt service, including Replacement Reserves.
4. Replacement Reserve. The Replacement Reserve will be the greater of \$300 per unit per year or what is required by the lender, paid on a monthly basis (1/12) commencing at the earlier of Permanent Loan closing and July 1, 2017, and shall be included as an expense by the LP for purposes of determining whether or not Rental Achievement has been achieved. The Replacement Reserve contribution shall be increased by 3% per annum throughout the Compliance Period.
5. Operating Reserve. GP shall establish an initial operating reserve (the “Operating Reserve”) in an amount of \$340,000 which shall be funded from the Limited Partner's second Capital

Contribution. The Operating Reserve shall be maintained from cash flow throughout the Compliance Period and not subject to release (other than to fund operating deficits in accordance with the Partnership Agreement) prior to the end of the Compliance Period. Withdrawals from and release of the Operating Reserve shall not require the consent of any lender to the Project. Upon sale of the property or purchase of the LP's interest, any funds remaining in the Operating Reserve shall be used first to pay any exit taxes due to the LP, and then distributed pursuant to Paragraph G above.

K. MISCELLANEOUS

1. Previous or Pending Equity Offers. HCP will promptly receive copies of any equity proposals that have been executed by the Partnership or GP to be able to review them for termination provisions. Should any signed proposals or agreements exist, the GP and its owners will fully indemnify HCP and the Partnership from any lawsuits or damages that may result from the termination of such agreements.
2. Exclusivity. In recognition of the time and expense to be spent by HCP in evaluating this transaction prior to closing, all partners of the Partnership and their respective principals and the Developer and its principals or consultants will deal exclusively with HCP with respect to the transaction specified in this LOI Agreement unless this LOI Agreement is terminated by mutual consent.
3. Capitalized Terms. All capitalized terms used herein but not defined will have the meanings assigned in the Partnership Agreement.
4. Non-profit Purchase Option. The purchase option shall mirror the terms of the El Paso RAD I, Ltd Purchase Option.
5. Right of First Refusal. The right of first refusal shall mirror the terms of the El Paso RAD I, Ltd. Right of First Refusal.
6. Ground Lease. The Partnership shall ground lease the land from HACEP for an upfront payment of \$1,235,000 (the "Ground Lease Payment").
7. Additional Sources. Any additional soft funds obtained by the Partnership from sources not referenced in this Letter of Intent shall be used first to pay cost overruns and second to repay a portion of the HACEP Gap Loan.
8. Replacement General Partner Incentive Management Fee. In the event that the GP has been removed from or withdraws from the Partnership, an Incentive Management Fee shall be paid to the replacement general partner in an amount equal to 25% of the available cash flow under items 6, 7, 8 in Section F above, resulting in 75% of the cash flow being available for the payment of any Operating Deficit Loans previously made, the Ground Lease and HACEP Gap Loan.

9. If the General Partner is in default under the Partnership Agreement at such time as payments are to be made under the HACEP Gap Loan, the Partnership shall hold back 50% of such amounts due until such time as the General Partner is no longer in default under the Partnership Agreement. Such held back payments shall immediately be released at such time that the General Partner is no longer in default under the Partnership Agreement.

L. CONTINGENCIES

This LOI Agreement is based on the preliminary information that you provided to HCP. HCP's obligation under this LOI Agreement is contingent upon the following:

1. Final review and approval of the transaction and related documents by HCP's Investment Committee and HCP's investor's credit committee.
2. The accuracy and verifiability of the assumptions, data provided, audited financial statements and other documentation.
3. Copy of the commitments, terms and conditions for all mortgage loans, soft loans, or grants.
4. Satisfactory review by HCP and its counsel of the Partnership Agreement, due diligence documents, financing documents and opinions.
5. Review and approval of construction plans and specifications, Phase I Environmental Report, market study, and appraisal for the Project.

M. SYNDICATION

HCP shall have the right to substitute a fund sponsored by HCP or its assignees, which may include one or more investors other than HCP, as the Investor in the Partnership. In connection therewith, the General Partner, Developer and all Guarantors shall cooperate fully with HCP and consent unconditionally to effectuate any such syndication, including, without limitation, the execution and delivery of an assignment agreement in connection with the substitution of such fund.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

By executing this letter, and in consideration of HCP's entering into this LOI Agreement, you agree, on your own behalf and on behalf of your affiliates, officers, directors, and employees, and on behalf of any other partners or joint ventures who are or will be involved in the development of the Project, not to disclose any of the terms or provisions contained in this LOI Agreement to any other person or entity. In addition, you agree that HCP may undertake credit, background and similar checks on you, your principals and your major affiliated companies.

If the above is acceptable, please cause this LOI Agreement to be executed and returned to HCP. Once received, HCP will begin its due diligence review and begin to prepare drafts of a Partnership Agreement and other related documents for distribution.

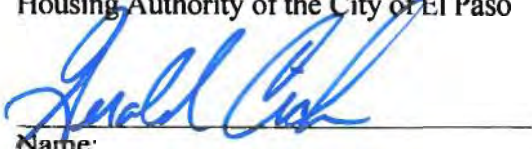
Again, thank you for your time and consideration. We look forward to working with you on this transaction.

Sincerely,

Jeff Weiss
Senior Vice President
Hunt Capital Partners, LLC

AGREED and ACCEPTED:

Housing Authority of the City of El Paso



Name:
Title:
Date:

Cc: Dana Mayo
Carl Wise
Lincoln Williamson
James Crowder
William Teschke

PROMISSORY NOTE
(HAYMON KRUPP LEASE PAYMENT)

\$1,111,500.00

As of June 26, 2015

1. PROMISE TO REPAY.

FOR VALUE RECEIVED, Haymon Krupp, LP, a Texas limited partnership (“**Maker**”), hereby agrees and promises to pay to the order of the Housing Authority of the City of El Paso, a Texas municipal housing authority (“**Payee**”), at 5300 E. Paisano Drive, El Paso, Texas 79905, or at any other place as the holder hereof may from time to time in writing designate, at the time hereinafter provided, in coin or currency, which at the time of payment shall constitute legal tender of the United States of America, the principal sum of One Million One Hundred Eleven Thousand Five Hundred and No/100 Dollars (\$1,111,500.00), or so much thereof as may be advanced in lawful money of the United States, with interest accruing as provided herein.

2. INTEREST ACCRUAL.

This Note shall bear interest at the rate of 2.3% percent per annum until maturity. Interest on this Note shall not exceed the maximum rate of interest permitted to be charged or contracted for by applicable law (“**Highest Lawful Rate**”).

3. PAYMENT TERMS.

All unpaid principal and all accrued and unpaid interest remaining outstanding shall be due and payable on June 26, 2090 (the “**Maturity Date**”).

4. DEFAULT; ACCELERATION.

If a default shall occur in the payment of this Note, which default continues ten days past delivery of written notice of default from the Payee to the Maker, such default shall constitute an “**Event of Default**”, and the entire debt represented by this Note, consisting of the outstanding principal balance and all accrued interest thereon, shall, at the option of the holder hereof, become immediately due and payable, anything herein to the contrary notwithstanding, time being of the essence hereof. Payee’s rights under this paragraph shall be in addition to any other rights or remedies it may have at law or in equity, to enforce Maker’s obligations. During the continuance of any default, interest shall accrue on the outstanding balance of this Note at a rate equal to eight (8%) percent per annum (“**Default Rate**”).

5. PREPAYMENT.

THE AMOUNTS DUE UNDER THIS NOTE MAY BE PREPAID WITHOUT NOTICE, PENALTY OR FEE AT ANY TIME.

6. APPLICATION OF PAYMENTS.

Each payment made on this Note shall be credited first to accrued, unpaid interest and the remainder to principal.

7. WAIVER.

Maker and all guarantors and endorsers hereof, if any, hereby severally waive presentment for payment, protest and demand, notice of protest, demand and dishonor, and non-payment of this Note, and except as provided herein, waive notice of default, notice of acceleration, and notice of intent to accelerate, and hereby consent that the holder hereof may extend the time of payment or otherwise modify the terms of payment of any part or the whole of the debt evidenced by this Note, at the request of any other person liable hereon, and such consent shall not alter nor diminish the liability of any person.

8. COSTS OF COLLECTION; ATTORNEYS' FEES.

Maker agrees to pay all costs of collection, including reasonable attorneys' fees, if the principal of this Note or interest hereon is not paid at the Maturity Date or earlier acceleration of maturity.

9. USURY LIMITATIONS.

No provision of this Note shall require the payment or permit the collection of interest in excess of the Highest Lawful Rate. If any excess of interest in such respect is herein or in any other instrument provided for, or shall be adjudicated to be so provided for herein or in any other instrument, the provisions of this paragraph shall govern and neither Maker nor any guarantor or endorser of this Note nor their respective heirs, personal representatives, successors, or assigns shall be obligated to pay such interest to the extent it is in excess of the Highest Lawful Rate. Any fees or other sums that under applicable law are deemed to constitute interest shall be treated as interest and taken into account in calculating the Highest Lawful Rate and all such fees or other sums so deemed interest shall be amortized, prorated, allocated and spread in equal parts over the full stated term of the loan evidenced hereby.

If the maturity of this Note is accelerated for any reason before the due date stated, or in the event of any prepayment by Maker, or in any other event, earned interest may never exceed the Highest Lawful Rate, computed from the date or dates of disbursement of the loan evidenced hereby until payment, and any unearned interest otherwise payable hereunder that is in excess of the Highest Lawful Rate shall be canceled automatically as of the date of the acceleration, prepayment, or other event, and if previously paid, shall at the option of the holder of this Note be either refunded to Maker or credited on the principal of this Note, provided that, if the holder elects to credit the unearned interest on the principal of this Note, and such unearned interest exceeds the principal balance, the excess shall be refunded to Maker. Any interest computation under this Note shall be at not more than the Highest Lawful Rate upon the portion of the face amount hereof representing principal that remains unpaid from time to time, it being the

intention of the parties hereto to conform strictly to the laws applicable to the loan evidenced by this Note, and should it be held that interest payable under this is in excess of the Highest Lawful Rate, the interest chargeable hereunder shall be reduced to the maximum amount permitted by law.

10. SEVERABILITY.

In case any of the provisions of this Note shall for any reason be held to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provision hereof and this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

11. GOVERNING LAW.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND THE LAWS OF THE UNITED STATES APPLICABLE TO TRANSACTIONS IN TEXAS.

12. JURISDICTION AND VENUE.

ALL ACTS CONTEMPLATED BY THIS NOTE SHALL BE PERFORMABLE IN EL PASO COUNTY, TEXAS, AND ALL SUMS PAYABLE UNDER THIS NOTE SHALL BE PAYABLE IN EL PASO COUNTY, TEXAS. PAYEE AND MAKER HEREBY CONFIRM AND AGREE THAT ALL LEGAL ACTIONS INVOLVING THE VALIDITY OR ENFORCEMENT OF THIS NOTE SHALL HAVE EXCLUSIVE JURISDICTION AND VENUE IN EL PASO COUNTY, TEXAS.

13. HEADINGS.

The headings of the paragraphs of this Note are inserted for convenience only and shall not be deemed to constitute a part hereof.

14. SUCCESSORS AND ASSIGNS.

This Note and all of the covenants, promises and agreements contained herein shall be binding upon and shall inure to the benefit of Maker and Payee and their respective executors, administrators, successors and assigns.

15. FINAL AGREEMENT.

THIS NOTE AND THE OTHER LOAN DOCUMENTS EXECUTED IN CONNECTION WITH THE DISBURSEMENT OF FUNDS EVIDENCED BY THIS NOTE, REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL

AGREEMENTS BETWEEN THE PARTIES.

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EXECUTED to be effective as of the date first written above.

MAKER:

HAYMON KRUPP, LP,
a Texas limited partnership

By: Paisano Haymon Krupp GP, LLC,
a Texas limited liability company,
its general partner

By: Paisano Housing Redevelopment
Corporation,
a Texas nonprofit corporation,
its sole member

By: 

Gerald W. Cichon
Secretary



July 28, 2015

Paisano Housing Redevelopment Corporation
5300 E. Paisano
El Paso, TX 79905

RE: Haymon Krupp Housing Tax Credit Application

To Whom it May Concern:

The Housing Authority of the City of El Paso commits to funding the gap in the development financing for the Haymon Krupp Development. At this time, the gap is estimated to be approximately \$4,450,010 during the permanent period and will be at an interest rate of 3.00%, with a 15 year term and 30 year amortization schedule.

Sincerely,

A handwritten signature in black ink, appearing to read "Satish Bhaskar", is written over a horizontal line.

Satish Bhaskar
Chief Financial Officer





DEVELOPMENT IDENTIFICATION

TDHCA Application #: 14127 Program(s): 9% HTC

Haymon Krupp

Address/Location: 10200 Hedgerow Ct.

City: El Paso County: El Paso Zip: 79925

Population: General Program Set-Aside: At-Risk Area: Urban

Activity: Reconstruction Building Type: Garden (Up to 4-story) Region: 13

Analysis Purpose: Amendment/Pre-Construction

ALLOCATION

| TDHCA Program | PREVIOUS ALLOCATION | | | | RECOMMENDATION * | | | | |
|----------------|---------------------|---------------|-------|------|------------------|---------------|-------|------|------|
| | Amount | Interest Rate | Amort | Term | Amount | Interest Rate | Amort | Term | Lien |
| LIHTC (Annual) | \$800,000 | | | | \$800,000 | | | | |

* While the current development plan technically meets all the individual requirements of the REA Underwriting Rules and Guidelines, a confluence of serious concerns and not fully mitigated risks suggest the development may have difficulty in achieving the December 31, 2016, deadline required by the Carryover Allocation Agreement to Place in Service 100% of the units.

Applicant's amendment request should only be approved subject to:

- Consideration of the potential reduction of the \$5.6M HACEP gap and Seller loans to \$3,309,332 by the exclusion of Developer Fee
- Construction Contract Execution by October 26, 2015
- Loan Closing by November 15, 2015
- Completion of Tenant Relocation by November 15, 2015
- Commencement of Abatement and Demolition by November 15, 2015
- Documentation of HUD approval of new Section 8 rents as represented in the Application

ORIGINAL CONDITIONS

- 1 Receipt and acceptance by Commitment:
 - a: Firm commitment from HACEP to provide \$2.2M in the form of a grant with no expectation of repayment.
Status: Cleared
Update: With the amendment requested in Aug 2015, this proposed source has changed to \$5.6M of gap funding in the form of cash flow debt.
 - Firm commitment from City of El Paso for \$500K HOME/CDBG loan with minimum 15-year term, minimum 30-year amortization, and maximum 3% interest rate; and specifying any income or rent restrictions that will be imposed by this funding.
Status: Cleared
- 2 Receipt and acceptance by Carryover:

Certification of the property tax exemption status of the property from El Paso CAD.

Status: Cleared
- 3 Receipt and acceptance by 10% test:

Documentation of HUD approval of RAD rents as represented in the Application.

Status: This condition was not met due to a denial of the RAD conversion application by HUD. Applicant has revised the rent structure to replace the RAD units with project-based Section 8.
- 4 Receipt and acceptance by Cost Certification:
 - a: If gap funding is provided by Applicant or HACEP, Certification from a tax attorney confirming that the source of the funding is not federal funds for the purpose of IRC§42 (and therefore does not need to be deducted from eligible basis).
Status: Pending
 - b: Certification of the property tax exemption status of the property from El Paso CAD.
Status: Pending
 - c: Documentation clearing environmental issues contained in the ESA report, specifically:
 - i: AMEC recommends evaluation of soil and/or groundwater quality beneath the site to determine whether the identified off site UST facility has impacted the subject site."
 - ii: Any recommendations regarding testing for identification of asbestos-containing materials, lead-based paint, and lead in water were followed, and, if found, that appropriate abatement procedures were followed for the demolition, removal and/or elimination of any such materials or identified sources.
Status: Pending
 - d: Documentation of HUD approval of Section 8 rents as represented in the Amendment request.
Status: Pending
 - e: Documentation from a CPA to support inclusion of relocation expense in the cost schedule.
Status: Pending
- 5 Should any terms of the proposed capital structure change, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

SET-ASIDES

| TDHCA SET-ASIDES for HTC LURA | | |
|-------------------------------|------------|-----------------|
| Income Limit | Rent Limit | Number of Units |
| 30% of AMI | 30% of AMI | 8 |
| 50% of AMI | 50% of AMI | 15 |
| 60% of AMI | 60% of AMI | 49 |

DEAL SUMMARY

Haymon Krupp is an existing public Housing development made up of 96 units built in 1975. The 96 units will be demolished and then reconstructed – it will be a one for one replacement of the unit mix. The site is approximately 9.3 acres per the updated survey.

An Amendment Request dated August 31, 2015, was received by the Department and noted several substantial changes to the development plan. The first notable change is the elimination of the anticipated RAD subsidy and conversion. Applicant was notified on June 30, 2015, by HUD that a RAD transaction would not be permissible with the retention of Section 9 public housing subsidy. As a result, the 72 units that were previously designated as RAD conversions have been changed to the Housing Authority's allotment of Housing Choice Vouchers which will be set aside as Project-Based Vouchers. The Housing Choice Vouchers have a higher payment standard which provides 29% more Effective Gross Income than original underwriting.

Seventy-two units (75% of the total) will be supported by the project-based Section 8 vouchers; the remaining 24 units (25% of the total) will remain Public Housing Units.

All 24 Public Housing Units and 48 of the 72 Section 8 units will be HTC-restricted; the remaining 24 Section 8 units will not have HTC restrictions.

The second most notable change is a complete re-design of the site, unit and building plans. This change occurred as a result of poor planning on the part of the original Architect who failed to meet City open space or accessibility requirements with the plans submitted at application. The Current plan retains the low-rise concept also required by the zoning's 35-foot height limitation by using a maximum of two-stories, however the one-story wings shown in the Original Plan were eliminated. Since all buildings are now two story, the number of residential buildings are reduced from 16 to 12. In order to achieve the new building designs, unit designs were changed from townhomes to flats, but otherwise the unit mix was not changed and unit square footages were maintained or slightly increased. The traffic pattern was also simplified in order to reduce pavement and add to open space.

Despite the claimed improvements in building efficiency, Applicant reports substantial increases in cost (\$720K increase in site work and \$2.4M increase in vertical building cost).

The following outlines all material changes that occurred under 10 TAC §10.405(a)(4) and any other significant underwriting changes:

- * Elimination of the anticipated RAD subsidy and conversion.
 - The 72 eliminated RAD units will now be covered by Section 8 Project-Based Choice Vouchers.
 - Applicant's EGI has increased ~29% (\$180K) and NOI has increased ~74% (\$171K).
 - Applicant's DCR is 1.31 (up from 1.17), but is based on \$5.6M in non-amortizing loans from HACEP.
- * Radically modified site and architectural plans:
 - Number of residential buildings reduced from 16 to 12.
 - Building type changed from 2-story townhomes to 2-story garden walk-ups.
 - Slight increases to the total square footage of each unit type.
 - A reconfigured network of drives and parking areas.
- * Forty-four percent increase in site work costs (\$720K), 47% increase in building costs (\$2.4M) and 51% increase in TDC (\$6.2M).
 - Other notable cost changes include a 33% increase (\$684K) in developer fee and a 69% increase (\$955K) in financing costs.

* Modifications to the financing parties and loan terms, including the syndicator and syndication rates.

- Bank of the West has replaced PNC and will provide a \$4.03M (up from \$2.27M) first lien mortgage and a \$9.8M (up from \$5.3M) bridge loan.
- Hunt (now Alden Torch Financial) has replaced PNC as limited partner and will provide \$7.9M in equity based on a \$1.00 syndication rate (up from \$0.90).
- HACEP has replaced the previously anticipated \$2.2M grant with a \$4.5M cashflow loan and a \$1.1M Seller's Note. Repayment of these notes at this level is a concern the Underwriter has addressed in the finance section below.

RISK PROFILE

| STRENGTHS/MITIGATING FACTORS | WEAKNESSES/RISKS |
|---|--|
| <ul style="list-style-type: none"> ▫ The Housing Authority of the City of El Paso has significant capacity to fund any shortfall or gap in financing | <ul style="list-style-type: none"> ▫ Underwriter has serious concerns regarding Applicant's timeline and ability to meet PIS deadlines |
| <ul style="list-style-type: none"> ▫ Developer and Co-Developer have extensive HTC experience | <ul style="list-style-type: none"> ▫ Applicant's ability to meet schedule could be impacted by extensive current development activity - 13 separate properties being rehabilitated under \$231M tax exempt bond portfolio |
| <ul style="list-style-type: none"> ▫ | <ul style="list-style-type: none"> ▫ As presented, the \$4.5M HACEP gap funding is not supported by a traditional amortizing schedule |

DEVELOPMENT TEAM

PRIMARY CONTACTS

| | |
|---|---|
| <p>Name: <u>Juan A. Olvera</u></p> <p>Phone: <u>(915) 849-3813</u></p> <p>Relationship: <u>GP/Developer</u></p> | <p>Name: <u>Alyssa Carpenter</u></p> <p>Phone: <u>(512) 789-1295</u></p> <p>Relationship: <u>Consultant</u></p> |
|---|---|

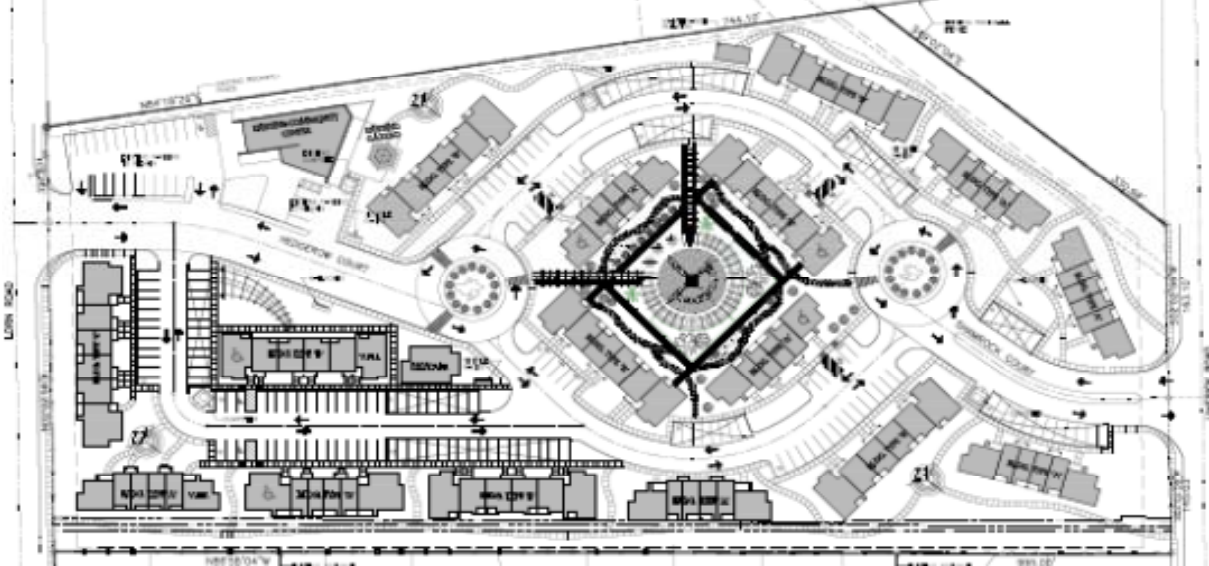
DEVELOPMENT SUMMARY

CURRENT SITE PLAN



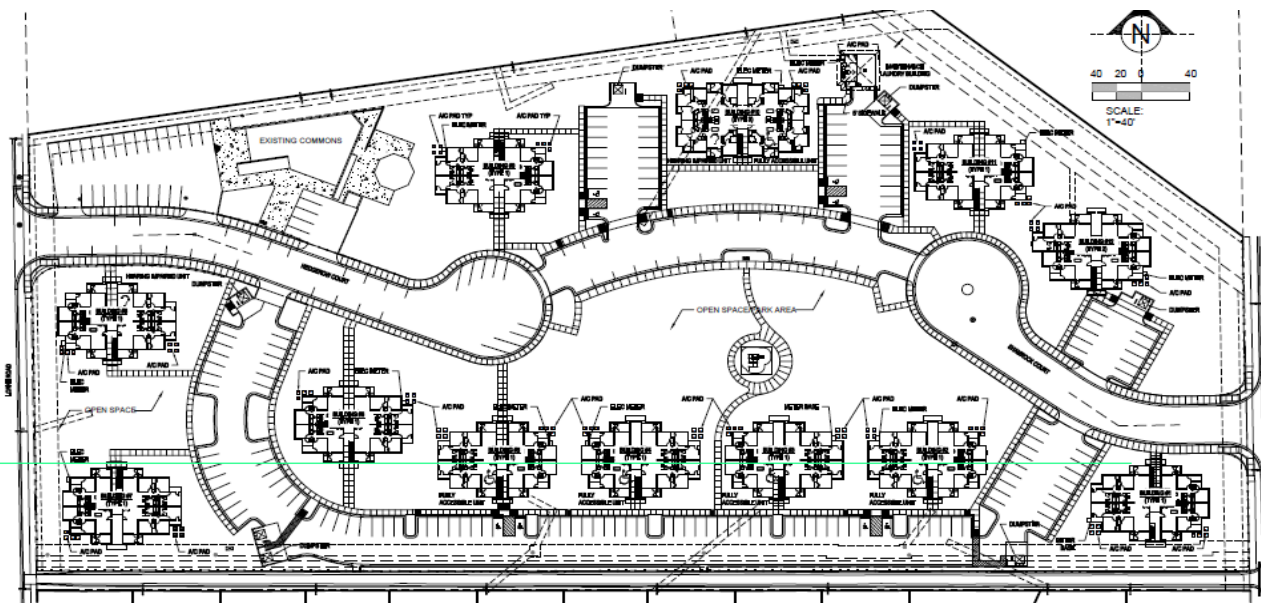
Disclaimer: This map is not a survey. Boundaries, distances and scale are approximate only.

ORIGINAL SITE PLAN



Disclaimer: This map is not a survey. Boundaries, distances and scale are approximate only.

REVISED SITE PLAN



Disclaimer: This map is not a survey. Boundaries, distances and scale are approximate only.

ORIGINAL BUILDING ELEVATION



Twenty-four units will continue to be public housing-assisted. These units are subject to an Annual Contributions Contract with HUD. Tenants pay up to 30% of household income toward rent, and HUD provides a subsidy up to the operating expenses for the units.

Total income from the public housing units is generally limited to the operating expenses for those units.

The remaining 72 units will operate under a long-term project-based Section 8 contract.

The pro forma indicates minimal operating risk, with break-even rent that is \$51 below the average collected rent (7% lower). Break-even occupancy of 88% allows for 12 vacant units.

Applicant's total expenses have increased by a nominal 2% (\$8K), with the most notable change being a 30% increase (\$22K) in the water, sewer, trash estimate. Applicant claims this updated estimate to be derived from the most current expense data from another property, Eastside Crossings TDHCA #12152, a 188 unit property. Actual data from Eastside Crossing has not been provided to the Underwriter; however, utilizing the Applicant's higher WST estimate of \$746/unit would result in a DCR of 1.06x, further deteriorating the ability to repay the \$1.1M Seller note.

Applicant's pro forma assumes a 50% tax exemption. However, the Applicant's attorneys believe there is a strong case that the property will be eligible for further tax exemption (up to 100%) since the landlord is the Housing Authority. With a full tax exemption debt coverage would increase to 1.48x; however, for the purposes of this analysis, the Underwriter has also amortized the \$1.1M Seller note (described in more detail in the financing section below), which reduces the DCR to 1.21x if no property taxes are required.

DEVELOPMENT COST RE-EVALUATION

| SUMMARY- AS UNDERWRITTEN (TDHCA's Costs) | | | | | |
|--|--------------|------------------------|---------------------|----------------------------|--------------------|
| Acquisition | \$122,036/ac | \$12,865/unit | \$1,946,900 | Contractor Fee | \$1,368,201 |
| Off-site + Site Work | | \$19,773/unit | \$1,898,200 | Developer Fee | \$0 |
| Building Cost | \$77.23/sf | \$75,742/unit | \$7,271,200 | Soft Cost | \$2,432,630 |
| Contingency | 6.58% | \$6,286/unit | \$603,465 | Reserves | \$312,956 |
| Total Development Cost | | \$164,933/unit | \$15,833,552 | Rehabilitation Cost | N/A |
| Qualified for Basis Boost? | | High Opportunity Index | | | |

Site Work:

Applicant's site work cost is 46% higher than at original application (increase from \$1.8M to \$2.6M). Increases are attributed to substantially higher than anticipated costs for asbestos abatement and demolition, utility infrastructure, and additional detention requirements.

Building Cost:

Applicant's building cost is 47% higher than at original application (increase from \$5.2M to \$7.6M). Applicant states that their original cost schedule was based on another development from two years earlier, and the estimates were therefore out of date. Applicant also states that the original architect did not fully account for current cost of labor and materials, code compliance cost factors, and that the project will be "the equivalent of LEED Silver" (although there will be no effort to achieve LEED certification).

Twelve typical 2-story garden buildings with average articulation, 9 foot ceilings and 4/12 roof pitches. Applicant's projected building cost (\$81 psf) is 4.8% higher than third party estimate (\$77 psf) used by the Underwriter.

Soft Costs and Financing Cost:

Applicant's soft costs and financing costs increased 130%, from a total of \$1.0M to \$2.4M. Applicant indicates that the previous costs were underestimated because they were based on figures from an earlier development and are not relevant to current prices.

Prime differences include the addition of \$397,600 in performance bonds, \$85K increase in tax credit fees and higher construction loan origination fees and attorneys and closing fees due to the significantly larger construction loan.

Applicant's eligible interim interest is overstated by \$97K.

Soft Cost includes \$211K relocation expense. Referencing the IRS Audit Technique Guide (Sept 2014 revision), it is questionable whether relocation cost is includable in capitalized cost, and if so, whether it is eligible for tax credits. Applicant will need to provide documentation from a CPA at Cost Cert to support inclusion of this cost in the cost schedule."

Developer Fee:

Applicant's developer fee increased 50% as a function of other increased costs. This contributes to the increase in the gap financing Applicant is providing. As proposed, Applicant is getting a \$2M developer fee, but contributing a \$4.5M gap loan.

For analysis purposes, the Underwriter has excluded the developer fee and reduced the gap funds to \$2.1M.

Comments:

The original building costs were in part based on a comparable property recently completed by the Developer (TDHCA #12152 Eastside Crossing). However, due to the complete re-design of the site, coupled with several incorrectly costed and missing items from the original budget on the part of the previous Architect, total development costs have increased 51% (\$6.2M) since original underwriting.

Credit Allocation Supported by Costs:

| Total Development Cost | Adjusted Eligible Cost | Credit Allocation Supported by Eligible Basis |
|------------------------|------------------------|---|
| \$15,833,552 | \$12,405,135 | \$964,600 |

UNDERWRITTEN CAPITALIZATION

| INTERIM SOURCES | | | | | |
|------------------|-------------------|---------------------|----------------------|-----|--|
| Funding Source | Description | Amount | Rate | LTC | |
| Bank of the West | Conventional Loan | \$9,800,000 | 2.44% | 61% | |
| City of El Paso | Loan | \$500,000 | 3.00% | 3% | |
| Seller's Note | Conventional Loan | \$1,111,500 | 2.50% | 7% | |
| Hunt | HTC | \$100,000 | \$1.00 | 1% | |
| HACEP Gap Loan | Conventional Loan | \$4,507,887 | 3.00% | 28% | |
| | | \$16,019,387 | Total Sources | | |

PERMANENT SOURCES

| Debt Source | PROPOSED | | | | UNDERWRITTEN | | | | |
|------------------------------------|---------------------|---------------|-------|------|--------------------|---------------|-------|------|-----|
| | Amount | Interest Rate | Amort | Term | Amount | Interest Rate | Amort | Term | LTC |
| Bank of the West | \$4,025,000 | 5.75% | 30 | 15 | \$4,025,000 | 5.75% | 30 | 15 | 25% |
| City of El Paso | \$500,000 | 3.00% | 30 | 15 | \$500,000 | 0.00% | 30 | 15 | 3% |
| Seller's Note | \$1,111,500 | 2.30% | 30 | 15 | \$1,111,500 | 2.30% | 30 | 15 | 7% |
| HACEP Gap Loan | \$4,450,010 | 3.00% | 30 | 15 | \$2,197,852 | 3.00% | 0 | 15 | 14% |
| Operating Income Trapped in Escrow | \$56,403 | 0.00% | N/A | | \$0 | 0.00% | N/A | | 0% |
| Total | \$10,142,913 | | | | \$7,934,352 | | | | |

Comments:

Bank of the West has replaced PNC and will provide a \$4.03M (up from \$2.27M) first lien mortgage amortized at 5.75% over 30 years and a 15 year term.

As stated in the Carryover Memo dated December 29, 2014, the \$500K City of El Paso HOME funds will be structured as an 80% repayable loan at 0% interest and a 20% forgivable deferred payment loan. The \$100K forgivable portion of the HOME funds will continue to be deducted from eligible basis.

HACEP has committed to provide \$4.5M in gap funding (up from \$2.2M) and a \$1.1M Seller's Note, both loans payable subject to available cashflow. However, for the purposes of this underwriting analysis, the Underwriter has included the hard debt service for the Seller Note in order to bring the DCR down to an acceptable range within Department guidelines. Additionally, in order to mitigate concerns regarding the repayability of the \$4.5M gap loan and lessen any further risk associated with the PIS timing issues described previously, the Underwriter has also removed Developer fee from the total costs and reduced this loan by the amount of the resulting gap. With the HACEP gap loan reduced to \$2,197,852, the long term financial feasibility of the development is greatly improved.

| Equity & Deferred Fees | PROPOSED | | | UNDERWRITTEN | | | |
|------------------------|--------------------|--------|-------|---------------------|----------------------|------|-------|
| | Amount | Rate | % Def | Amount | Rate | % TC | % Def |
| Hunt | \$7,999,200 | \$1.00 | | \$7,999,200 | \$1.00 | 51% | |
| Total | \$8,199,237 | | | \$7,999,200 | | | |
| | | | | \$15,933,552 | Total Sources | | |

Comments:

The Applicant self limited the amount of credits to be less than the potential eligible amount. In addition the Applicant is providing significant funds in the form of debt at favorable financing terms to facilitate this development. As long as the Applicant is willing and able to fund additional gap, any reduction in syndication rate that could occur could be offset for the development to remain feasible.

CONCLUSIONS

Recommended Financing Structure:

| Gap Analysis: | |
|----------------------------|--------------|
| Total Development Cost | \$15,833,552 |
| Permanent Sources | \$7,934,352 |
| Gap in Permanent Financing | \$7,899,200 |

| Possible Tax Credit Allocations: | Equity Proceeds | Annual Credits |
|---|------------------------|-----------------------|
| Determined by Eligible Basis | \$9,645,031 | \$964,600 |
| Needed to Fill Gap in Financing | \$7,999,200 | \$800,000 |
| Previous Allocation | \$7,999,200 | \$800,000 |

| RECOMMENDATION: | | |
|------------------------|------------------------|-----------------------|
| | Equity Proceeds | Annual Credits |
| Tax Credit Allocation | \$7,999,200 | \$800,000 |

Comments:

Credit allocation is limited to the previous award of \$800,000 as requested by Applicant.

Underwriter: Diamond Unique Thompson
Manager of Real Estate Analysis: Thomas Cavanagh
Director of Real Estate Analysis: Brent Stewart

UNIT MIX/RENT SCHEDULE
Haymon Krupp, El Paso, 9% HTC #14127

| LOCATION DATA | |
|-----------------|----------------------|
| CITY: | El Paso |
| COUNTY: | El Paso |
| PROGRAM REGION: | 13 |
| PIS Date: | On or After 2/1/2014 |
| IREM REGION: | El Paso |

| UNIT DISTRIBUTION | | | | | |
|-------------------|-----------|---------------|--------------|-----------|---------------|
| # Beds | # Units | % Total | Income | # Units | % Total |
| Eff | - | 0.0% | 30% | 8 | 8.3% |
| 1 | - | 0.0% | 40% | - | 0.0% |
| 2 | 46 | 47.9% | 50% | 15 | 15.6% |
| 3 | 42 | 43.8% | 60% | 49 | 51.0% |
| 4 | 8 | 8.3% | non-HTC | 24 | 25.0% |
| TOTAL | 96 | 100.0% | TOTAL | 96 | 100.0% |

| Applicable Programs |
|------------------------|
| 9% Housing Tax Credits |

| Pro Forma ASSUMPTIONS | |
|-----------------------|--------|
| Revenue Growth | 2.00% |
| Expense Growth | 3.00% |
| Basis Adjust | 130% |
| Applicable Fraction | 75% |
| APP % Acquisition | 3.42% |
| APP % Construction | 8.04% |
| Average Unit Size | 981 sf |

| | | |
|-----------|----|-------|
| PHU | 24 | 25.0% |
| Seciton 8 | 72 | 75.0% |

| UNIT MIX / MONTHLY RENT SCHEDULE | | | | | | | | | | | | | | | | | | | | | |
|----------------------------------|------------|-----------|------------|-----------|--------|---------|---------------|-------------------------|---------------|----------------------|-----------------------------|---------------|-------------------|--------------------|-----------------------|---------------|---------------|--------------|--------------|---------------|--------------|
| HTC | | PHA & RAD | | UNIT MIX | | | | APPLICABLE PROGRAM RENT | | | APPLICANT'S PRO FORMA RENTS | | | | TDHCA PRO FORMA RENTS | | | | MARKET RENTS | | |
| Type | Gross Rent | Type | Gross Rent | # Units | # Beds | # Baths | NRA | Gross Rent | Utility Allow | Max Net Program Rent | Delta to Max | Rent psf | Net Rent per Unit | Total Monthly Rent | Total Monthly Rent | Rent per Unit | Rent psf | Delta to Max | Underwritten | Mrkt Analyst | |
| TC 30% | \$354 | PHA | | 4 | 2 | 1 | 859 | \$173 | \$73 | \$100 | \$279 | \$0.44 | \$379 | \$1,516 | \$400 | \$100 | \$0.12 | \$0 | \$855 | \$1.00 | 855 |
| TC 50% | \$590 | PHA | | 6 | 2 | 1 | 859 | \$173 | \$73 | \$100 | \$279 | \$0.44 | \$379 | \$2,274 | \$600 | \$100 | \$0.12 | \$0 | \$855 | \$1.00 | 855 |
| TC 60% | \$708 | PHA | | 7 | 2 | 1 | 859 | \$173 | \$73 | \$100 | \$279 | \$0.44 | \$379 | \$2,653 | \$700 | \$100 | \$0.12 | \$0 | \$855 | \$1.00 | 855 |
| TC 60% | \$708 | Section 8 | | 12 | 2 | 1 | 859 | \$747 | \$73 | \$674 | \$0 | \$0.78 | \$674 | \$8,088 | \$8,088 | \$674 | \$0.78 | \$0 | \$855 | \$1.00 | 855 |
| | | Section 8 | | 17 | 2 | 1 | 859 | \$747 | \$73 | \$674 | \$0 | \$0.78 | \$674 | \$11,458 | \$11,458 | \$674 | \$0.78 | \$0 | \$855 | \$1.00 | 855 |
| TC 30% | \$408 | PHA | | 3 | 3 | 2 | 1,059 | \$186 | \$86 | \$100 | \$279 | \$0.36 | \$379 | \$1,137 | \$300 | \$100 | \$0.09 | \$0 | \$1,030 | \$0.97 | 1030 |
| TC 50% | \$681 | PHA | | 2 | 3 | 2 | 1,059 | \$186 | \$86 | \$100 | \$279 | \$0.36 | \$379 | \$758 | \$200 | \$100 | \$0.09 | \$0 | \$1,030 | \$0.97 | 1030 |
| TC 50% | \$681 | Section 8 | | 5 | 3 | 2 | 1,059 | \$1,005 | \$86 | \$919 | \$0 | \$0.87 | \$919 | \$4,595 | \$4,595 | \$919 | \$0.87 | \$0 | \$1,030 | \$0.97 | 1030 |
| TC 60% | \$817 | Section 8 | | 27 | 3 | 2 | 1,059 | \$1,005 | \$86 | \$919 | \$0 | \$0.87 | \$919 | \$24,813 | \$24,813 | \$919 | \$0.87 | \$0 | \$1,030 | \$0.97 | 1030 |
| | | Section 8 | | 5 | 3 | 2 | 1,059 | \$1,005 | \$86 | \$919 | \$0 | \$0.87 | \$919 | \$4,595 | \$4,595 | \$919 | \$0.87 | \$0 | \$1,030 | \$0.97 | 1030 |
| TC 30% | \$456 | PHA | | 1 | 4 | 2 | 1,269 | \$198 | \$98 | \$100 | \$279 | \$0.30 | \$379 | \$379 | \$100 | \$100 | \$0.08 | \$0 | \$1,190 | \$0.94 | 1190 |
| TC 50% | \$760 | PHA | | 1 | 4 | 2 | 1,269 | \$198 | \$98 | \$100 | \$279 | \$0.30 | \$379 | \$379 | \$100 | \$100 | \$0.08 | \$0 | \$1,190 | \$0.94 | 1190 |
| TC 50% | \$760 | Section 8 | | 1 | 4 | 2 | 1,269 | \$1,165 | \$98 | \$1,067 | \$0 | \$0.84 | \$1,067 | \$1,067 | \$1,067 | \$1,067 | \$0.84 | \$0 | \$1,190 | \$0.94 | 1190 |
| TC 60% | \$912 | Section 8 | | 3 | 4 | 2 | 1,269 | \$1,165 | \$98 | \$1,067 | \$0 | \$0.84 | \$1,067 | \$3,201 | \$3,201 | \$1,067 | \$0.84 | \$0 | \$1,190 | \$0.94 | 1190 |
| | | Section 8 | | 2 | 4 | 2 | 1,269 | \$1,165 | \$98 | \$1,067 | \$0 | \$0.84 | \$1,067 | \$2,134 | \$2,134 | \$1,067 | \$0.84 | \$0 | \$1,190 | \$0.94 | 1190 |
| TOTALS/AVERAGES: | | | | 96 | | | 94,144 | | | | \$70 | \$0.73 | \$719 | \$69,047 | \$62,351 | \$649 | \$0.66 | \$0 | \$959 | \$0.98 | \$959 |

| | | |
|-------------------------------------|------------------|------------------|
| ANNUAL POTENTIAL GROSS RENT: | \$828,564 | \$748,212 |
|-------------------------------------|------------------|------------------|

STABILIZED PRO FORMA

Haymon Krupp, El Paso, 9% HTC #14127

STABILIZED FIRST YEAR PRO FORMA

| | COMPARABLES | | APPLICANT | | | | PRIOR REPORT | | TDHCA | | | | VARIANCE | | |
|--|-----------------------------|-------------------|-----------|---------------|---------------|------------------|-------------------|------------------|------------------|-------------------|----------------|---------------|---------------|-----------------|-------------------|
| | Database | El Paso | % EGI | Per SF | Per Unit | Amount | Applicant | TDHCA | Amount | Per Unit | Per SF | % EGI | % | \$ | |
| | POTENTIAL GROSS RENT | | | | \$0.73 | \$719 | \$828,564 | \$645,624 | \$608,328 | \$748,212 | \$649 | \$0.66 | | 10.7% | \$80,352 |
| late, application, pet fees, retained sec. dep | | | | | \$10.00 | \$11,520 | 23,040 | | | | | | | | |
| Total Secondary Income | | | | | \$10.00 | | | 23,040 | \$11,520 | \$10.00 | | | 0.0% | \$0 | |
| POTENTIAL GROSS INCOME | | \$ - | | | | \$840,084 | \$668,664 | \$631,368 | \$759,732 | | | | 10.6% | \$80,352 | |
| Vacancy & Collection Loss | | | | | 5.0% PGI | (42,004) | (50,150) | (31,568) | (37,987) | 5.0% PGI | | | 10.6% | (4,018) | |
| PHU Subsidy | | | | | | - | 0 | 68,098 | \$70,083 | | | | -100.0% | (70,083) | |
| EFFECTIVE GROSS INCOME | | \$ - | | | | \$8,313 | \$798,080 | \$618,514 | \$667,897 | \$791,829 | \$8,248 | | 0.8% | \$6,251 | |
| General & Administrative | \$31,568 | \$329/Unit | 36,196 | 2.78% | \$0.24 | \$231 | \$22,158 | \$33,300 | \$31,407 | \$31,568 | \$329 | \$0.34 | 3.99% | -29.8% | (9,410) |
| Management | \$38,187 | 5.7% EGI | 27,393 | 6.00% | \$0.51 | \$499 | \$47,885 | \$30,926 | \$33,395 | \$39,591 | \$412 | \$0.42 | 5.00% | 20.9% | 8,293 |
| Payroll & Payroll Tax | \$115,203 | \$1,200/Unit | 87,470 | 15.72% | \$1.33 | \$1,307 | \$125,466 | \$121,672 | \$121,672 | \$125,466 | \$1,307 | \$1.33 | 15.85% | 0.0% | - |
| Repairs & Maintenance | \$34,026 | \$354/Unit | 30,643 | 3.79% | \$0.32 | \$315 | \$30,286 | \$56,500 | \$52,800 | \$52,800 | \$550 | \$0.56 | 6.67% | -42.6% | (22,514) |
| Electric/Gas | \$31,386 | \$327/Unit | 19,158 | 1.80% | \$0.15 | \$150 | \$14,360 | \$20,800 | \$19,158 | \$19,158 | \$200 | \$0.20 | 2.42% | -25.0% | (4,798) |
| Water, Sewer, & Trash | \$35,567 | \$370/Unit | 39,893 | 8.97% | \$0.76 | \$746 | \$71,573 | \$49,900 | \$39,893 | \$39,893 | \$416 | \$0.42 | 5.04% | 79.4% | 31,680 |
| Property Insurance | \$21,244 | \$0.23 /sf | 15,713 | 2.79% | \$0.24 | \$232 | \$22,282 | \$20,504 | \$21,135 | \$21,244 | \$221 | \$0.23 | 2.68% | 4.9% | 1,038 |
| Property Tax 2.8103 | \$52,611 | \$548/Unit | 55,216 | 2.92% | \$0.25 | \$243 | \$23,330 | \$22,750 | \$37,250 | \$37,250 | \$388 | \$0.40 | 4.70% | -37.4% | (13,920) |
| Reserve for Replacements | \$24,758 | \$258/Unit | 15,003 | 3.61% | \$0.31 | \$300 | \$28,800 | \$24,000 | \$24,000 | \$28,800 | \$300 | \$0.31 | 3.64% | 0.0% | - |
| Supportive services | | | 2,304 | 0.00% | \$0.00 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0.00 | \$0.00 | 0.00% | 0.0% | - |
| TDHCA Compliance fees | | | - | 0.48% | \$0.04 | \$40 | \$3,840 | \$2,920 | \$2,880 | \$2,880 | \$30 | \$0.03 | 0.36% | 33.3% | 960 |
| Security | | | 2,395 | 0.70% | \$0.06 | \$58 | \$5,554 | \$4,000 | \$4,000 | \$5,554 | \$58 | \$0.06 | 0.70% | 0.0% | - |
| TOTAL EXPENSES | | \$ 331,385 | | 49.56% | \$4.20 | \$4,120 | \$ 395,534 | \$387,272 | \$387,590 | \$ 404,205 | \$4,210 | \$4.29 | 51.05% | -2.1% | \$ (8,671) |
| NET OPERATING INCOME ("NOI") | | | | 50.44% | \$4.28 | \$4,193 | \$402,546 | \$231,242 | \$280,307 | \$387,624 | \$4,038 | \$4.12 | 48.95% | 3.8% | \$ 14,922 |

| | | | | | | | | | | | | | | |
|------------------------------|--|--|--|--|--|--------------|--|----------------|----------------|--|--------------|--|--|--|
| CONTROLLABLE EXPENSES | | | | | | \$2,748/Unit | | \$282,172/Unit | \$264,930/Unit | | \$2,801/Unit | | | |
|------------------------------|--|--|--|--|--|--------------|--|----------------|----------------|--|--------------|--|--|--|

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Haymon Krupp, El Paso, 9% HTC #14127

| DEBT / GRANT SOURCES | | | | | | | | | | | | | | | | | | |
|---|-----|----------------|----------|-----------|-----------------------------------|-------|------|-------------|--------------------|-------------|--------------------------------------|-------------|---------------------------|-----------------------------|---------|------------|-----------|----------------------|
| APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE | | | | | | | | | Prior Underwriting | | AS UNDERWRITTEN DEBT/GRANT STRUCTURE | | | | | | | |
| DEBT (Must Pay) | MIP | Cumulative DCR | | Pmt | Rate | Amort | Term | Principal | Prior Underwriting | | Principal | Term | Amort | Rate | Pmt | Cumulative | | |
| | | UW | App | | | | | | Applicant | TDHCA | | | | | | DCR | LTC | |
| Bank of the West | | 1.38 | 1.43 | 281,866 | 5.75% | 30 | 15 | \$4,025,000 | \$2,269,240 | \$2,569,240 | \$4,025,000 | 15 | 30 | 5.75% | 281,866 | 1.43 | 25.4% | |
| City of El Paso | | 1.26 | 1.31 | 25,296 | 3.00% | 30 | 15 | \$500,000 | \$500,000 | \$400,000 | \$400,000 | 15 | 30 | 0.00% | 13,333 | 1.36 | 2.5% | |
| Seller's Note | | 1.26 | 1.31 | | 2.30% | 30 | 15 | \$1,111,500 | | | \$1,111,500 | 15 | 30 | 2.30% | 51,325 | 1.16 | 7.0% | |
| CASH FLOW DEBT/GRANTS | | | | | | | | | | | | | | | | | | |
| HACEP Gap Loan | | 1.26 | 1.31 | | 3.00% | 30 | 15 | \$4,450,010 | \$2,200,000 | \$2,200,000 | \$2,197,852 | 15 | 0 | 3.00% | | 1.16 | 13.9% | |
| City of El Paso (Forgivable) | | 1.26 | 1.31 | | 0.00% | 0 | 0 | \$0 | | \$100,000 | \$100,000 | 0 | 0 | 0.00% | | 1.16 | 0.6% | |
| Operating Income Trapped in Escrow | | 1.26 | 1.31 | | 0.00% | 0 | 0 | \$56,403 | | | | 0 | 0 | 0.00% | | 1.16 | 0.0% | |
| | | | | \$307,162 | TOTAL DEBT / GRANT SOURCES | | | | \$10,142,913 | \$4,969,240 | \$5,269,240 | \$7,834,352 | TOTAL DEBT SERVICE | | | | \$346,524 | 49.5% |
| NET CASH FLOW | | \$80,462 | \$95,384 | | | | | | | | | | | NET OPERATING INCOME | | \$402,546 | \$56,022 | NET CASH FLOW |

| EQUITY SOURCES | | | | | | | | | | | | | | |
|---------------------------------------|-------------------------|--------|----------------|--------------|--------------|--------------------|--------------|----------------------------------|--------------|---------------|--------|-------------------------|---------------------------------------|----------------------|
| APPLICANT'S PROPOSED EQUITY STRUCTURE | | | | | | Prior Underwriting | | AS UNDERWRITTEN EQUITY STRUCTURE | | | | | | |
| EQUITY / DEFERRED FEES | DESCRIPTION | % Cost | Annual Credit | Credit Price | Amount | Prior Underwriting | | Amount | Credit Price | Annual Credit | % Cost | Annual Credits per Unit | | |
| | | | | | | Applicant | TDHCA | | | | | | | Total Developer Fee: |
| Hunt | LIHTC Equity | 50.5% | \$800,000 | 1.00 | \$7,999,200 | \$7,199,280 | \$7,199,280 | \$7,999,200 | \$0.9999 | \$800,000 | 50.5% | \$83,325 | | |
| Deferred Developer Fee | Deferred Developer Fees | 1.3% | (10% Deferred) | | \$200,037 | \$0 | \$354,881 | | #DIV/0! | | 0.0% | | | |
| Additional (Excess) Funds Req'd | | 0.0% | | | \$0 | \$0 | \$0 | \$0 | | | 0.0% | | | |
| TOTAL EQUITY SOURCES | | 51.8% | | | \$8,199,237 | \$7,199,280 | \$7,554,161 | \$7,999,200 | | | 50.5% | | 15-Year Cash Flow: \$1,309,684 | |
| TOTAL CAPITALIZATION | | | | | \$18,342,150 | \$12,168,520 | \$12,823,401 | \$15,833,552 | | | | | 15-Year Cash Flow after Deferred Fee: | \$1,309,684 |

| DEVELOPMENT COST / ITEMIZED BASIS | | | | | | | | | | | | | |
|---|----------------|------------------|-----------------|------------------|--------------------|--------------|--------------------------|------------------|------------------|--------------|-------------|---------------|-------------|
| APPLICANT COST / BASIS ITEMS | | | | | Prior Underwriting | | TDHCA COST / BASIS ITEMS | | | | | COST VARIANCE | |
| | Eligible Basis | | Total Costs | | Prior Underwriting | | Total Costs | Eligible Basis | | | | | |
| | Acquisition | New Const. Rehab | | | Applicant | TDHCA | | New Const. Rehab | Acquisition | | | | |
| Land Acquisition | | | \$12,865 / Unit | \$1,235,000 | \$1,235,000 | \$1,235,000 | \$1,235,000 | \$12,865 / Unit | | | | 0.0% | \$0 |
| Building Acquisition | \$0 | | \$ / Unit | \$0 | \$0 | \$0 | \$0 | \$ / Unit | | \$0 | | 0.0% | \$0 |
| Asbestos Abatement | | | | \$711,900 | \$380,000 | \$380,000 | \$711,900 | | | | | | \$0 |
| Off-Sites | | | \$ / Unit | \$0 | \$0 | \$0 | \$0 | \$ / Unit | | | | 0.0% | \$0 |
| Site Work | | \$965,700 | \$16,872 / Unit | \$1,619,700 | \$898,963 | \$898,963 | \$1,619,700 | \$16,872 / Unit | \$965,700 | | | 0.0% | \$0 |
| Site Amenities | | \$278,500 | \$2,901 / Unit | \$278,500 | \$513,750 | \$513,750 | \$278,500 | \$2,901 / Unit | \$278,500 | | | 0.0% | \$0 |
| Building Costs | | \$7,622,700 | \$80.97 /sf | \$79,403/Unit | \$7,622,700 | \$5,178,412 | \$5,833,293 | \$7,271,200 | \$75,742/Unit | \$77.23 /sf | \$7,271,200 | 4.8% | \$351,500 |
| Contingency | | \$603,465 | 6.81% | 6.34% | \$603,465 | \$348,556 | \$348,556 | \$603,465 | 6.58% | 7.09% | \$603,465 | 0.0% | \$0 |
| Contractor's Fees | | \$1,325,851 | 14.00% | 14.21% | \$1,438,900 | \$975,959 | \$975,959 | \$1,368,201 | 14.00% | 14.00% | \$1,276,641 | 5.2% | \$70,699 |
| Soft Costs | 0 | \$1,037,499 | | \$10,859 / Unit | \$1,042,499 | \$624,700 | \$624,700 | \$1,042,499 | \$10,859 / Unit | | \$1,037,499 | 0.0% | \$0 |
| Developer's Fees | \$0 | \$1,935,000 | 15.00% | 14.43% | \$2,059,355 | \$1,375,000 | \$1,375,000 | \$0 | 0.00% | 0.00% | \$0 | 0.0% | \$2,059,355 |
| Financing | 0 | \$1,069,478 | | \$14,481 / Unit | \$1,390,131 | \$435,180 | \$435,180 | \$1,390,131 | \$14,481 / Unit | | \$972,130 | 0.0% | \$0 |
| Reserves | | | | \$3,542 / Unit | \$340,000 | \$203,000 | \$203,000 | \$312,956 | \$3,260 / Unit | | | 8.6% | \$27,044 |
| UNADJUSTED BASIS / COST | | \$0 | \$14,838,193 | \$191,064 / Unit | \$18,342,150 | \$12,168,520 | \$12,823,401 | \$15,833,552 | \$164,933 / Unit | \$12,405,135 | \$0 | 15.8% | \$2,508,598 |
| Acquisition Cost | \$0 | | | | \$0 | | | | | | | | |
| Contingency | | \$0 | | | | | | | | | | | |
| Contractor's Fee | | \$0 | | | | | | | | | | | |
| Interim Interest | | (\$97,348) | | | | | | | | | | | |
| Developer's Fee | \$0 | (\$14,123) | | | \$0 | | | | | | | | |
| Reserves | | | | | \$0 | | | | | | | | |
| ADJUSTED BASIS / COST | | \$0 | \$14,726,722 | \$191,064/unit | \$18,342,150 | \$12,168,520 | \$12,823,401 | \$15,833,552 | \$164,933/unit | \$12,405,135 | \$0 | 15.8% | \$2,508,598 |
| TOTAL UNDERWRITTEN COSTS (Applicant's Uses are not within 5% of TDHCA Estimate): | | | | | | \$15,833,552 | | | | | | | |

CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS

Haymon Krupp, El Paso, 9% HTC #14127

| CREDIT CALCULATION ON QUALIFIED BASIS | | | | |
|---------------------------------------|-------------|-----------------------------|-------------|-----------------------------|
| | Applicant | | TDHCA | |
| | Acquisition | Construction Rehabilitation | Acquisition | Construction Rehabilitation |
| ADJUSTED BASIS | \$0 | \$14,726,722 | \$0 | \$12,405,135 |
| Deduction of Federal Grants | \$0 | \$100,000 | \$0 | \$100,000 |
| TOTAL ELIGIBLE BASIS | \$0 | \$14,626,722 | \$0 | \$12,305,135 |
| High Cost Area Adjustment | | 130% | | 130% |
| TOTAL ADJUSTED BASIS | \$0 | \$19,014,738 | \$0 | \$15,996,676 |
| Applicable Fraction | 75.00% | 75.00% | 75.00% | 75.00% |
| TOTAL QUALIFIED BASIS | \$0 | \$14,261,054 | \$0 | \$11,997,507 |
| Applicable Percentage | 0.00% | 8.04% | 3.42% | 8.04% |
| ANNUAL CREDIT ON BASIS | \$0 | \$1,146,589 | \$0 | \$964,600 |
| CREDITS ON QUALIFIED BASIS | \$1,146,589 | | \$964,600 | |

| BUILDING COST ESTIMATE | | | | |
|-----------------------------------|-------------|---------------|--------------|--------------------|
| CATEGORY | FACTOR | UNITS/SF | PER SF | AMOUNT |
| Base Cost: | Multifamily | 94,144 SF | \$64.64 | 6,085,471 |
| Adjustments | | | | |
| Exterior Wall Finish | 0.00% | | 0.00 | \$0 |
| | 0.00% | | 0.00 | 0 |
| 9 ft. ceilings | 3.00% | | 1.94 | 182,564 |
| Roofing | | | (0.25) | (23,536) |
| Subfloor | | | (0.83) | (78,140) |
| Floor Cover | | | 6.55 | 617,020 |
| Breezeways | \$26.11 | 14,141 | 3.92 | 369,224 |
| Balconies | \$26.11 | 12,207 | 3.39 | 318,728 |
| Plumbing Fixtures | \$970 | 150 | 1.55 | 145,500 |
| Rough-ins | \$475 | 192 | 0.97 | 91,200 |
| Built-In Appliances | \$1,790 | 96 | 1.83 | 171,840 |
| Exterior Stairs | \$2,175 | 12 | 0.28 | 26,100 |
| Heating/Cooling | | | 2.11 | 198,644 |
| Enclosed Corridors | \$48.43 | 0 | 0.00 | 0 |
| Carports | \$11.30 | 19,200 | 2.30 | 216,960 |
| Garages | | 0 | 0.00 | 0 |
| Comm &/or Aux Bldgs | \$103.36 | 740 | 0.81 | 76,486 |
| Elevators | | 0 | 0.00 | 0 |
| Other: | | | 0.00 | 0 |
| Fire Sprinklers | \$2.30 | 109,025 | 2.66 | 250,758 |
| SUBTOTAL | | | 91.87 | 8,648,819 |
| Current Cost Multiplier | 0.99 | | (0.92) | (86,488) |
| Local Multiplier | 0.91 | | (8.27) | (778,394) |
| TOTAL BUILDING COSTS | | | 82.68 | \$7,783,937 |
| Plans, specs, survey, bldg permit | 3.90% | | (3.22) | (\$303,574) |
| Contractor's OH & Profit | 11.50% | | (9.51) | (895,153) |
| NET BUILDING COSTS | | \$68,596/unit | \$69.95/sf | \$6,585,211 |

ANNUAL CREDIT CALCULATION BASED ON TDHCA BASIS

| Method | Annual Credits | Proceeds |
|-------------------|----------------|-------------|
| Eligible Basis | \$964,600 | \$9,645,031 |
| Gap | \$800,000 | \$7,999,200 |
| Applicant Request | \$800,000 | \$7,999,200 |

FINAL ANNUAL LIHTC ALLOCATION

| Method | Gap | Variance to Request |
|------------------------------|--------------------|---------------------|
| Credits | \$800,000 | (\$0) |
| Total Equity Proceeds | | |
| | \$7,999,200 | (\$0) |

Development Cost/SF

| | Application | Underwritten |
|------------------------------|-------------|--------------|
| Acquisition & Hard Costs | 89.01 | 131.46 |
| Hard Costs | 89.01 | 118.34 |
| Building Costs | 59.64 | 77.23 |
| Total Points Claimed: | 0 | |

30-Year Long-Term Pro Forma

Haymon Krupp, El Paso, 9% HTC #14127

| | Growth Rate | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 | Year 20 | Year 25 | Year 30 |
|---------------------------------------|----------------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|-------------|-------------|-------------|
| EFFECTIVE GROSS INCOME | 2.00% | \$798,080 | \$814,041 | \$830,322 | \$846,929 | \$863,867 | \$953,779 | \$1,053,049 | \$1,162,652 | \$1,283,661 | \$1,417,266 |
| TOTAL EXPENSES | 3.00% | \$395,534 | \$406,921 | \$418,640 | \$430,701 | \$443,114 | \$510,830 | \$589,033 | \$679,364 | \$783,719 | \$904,294 |
| NET OPERATING INCOME ("NOI") | | \$402,546 | \$407,120 | \$411,682 | \$416,227 | \$420,753 | \$442,949 | \$464,016 | \$483,288 | \$499,943 | \$512,972 |
| MUST -PAY DEBT SERVICE | | | | | | | | | | | |
| Bank of the West | | \$281,866 | \$281,866 | \$281,866 | \$281,866 | \$281,866 | \$281,866 | \$281,866 | \$281,866 | \$281,866 | \$281,866 |
| City of El Paso | | \$13,333 | \$13,333 | \$13,333 | \$13,333 | \$13,333 | \$13,333 | \$13,333 | \$13,333 | \$13,333 | \$13,333 |
| Seller's Note | | \$51,325 | \$51,325 | \$51,325 | \$51,325 | \$51,325 | \$51,325 | \$51,325 | \$51,325 | \$51,325 | \$51,325 |
| TOTAL DEBT SERVICE | | \$346,524 | \$346,524 | \$346,524 | \$346,524 | \$346,524 | \$346,524 | \$346,524 | \$346,524 | \$346,524 | \$346,524 |
| NET CASH FLOW | | \$56,022 | \$60,597 | \$65,158 | \$69,704 | \$74,229 | \$96,426 | \$117,492 | \$136,764 | \$153,419 | \$166,448 |
| CUMULATIVE NET CASH FLOW | | \$56,022 | \$116,619 | \$181,777 | \$251,481 | \$325,710 | \$763,782 | \$1,309,684 | \$1,955,830 | \$2,690,849 | \$3,498,710 |
| DEBT COVERAGE RATIO | | | | | | | | | | | |
| | | 1.16 | 1.17 | 1.19 | 1.20 | 1.21 | 1.28 | 1.34 | 1.39 | 1.44 | 1.48 |
| EXPENSE/INCOME RATIO | | | | | | | | | | | |
| | | 49.6% | 50.0% | 50.4% | 50.9% | 51.3% | 53.6% | 55.9% | 58.4% | 61.1% | 63.8% |
| Deferred Developer Fee Balance | | | | | | | | | | | |
| | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Residual Cash Flow | | | | | | | | | | | |
| | | 56,022 | 60,597 | 65,158 | 69,704 | 74,229 | 96,426 | 117,492 | 136,764 | 153,419 | 166,448 |

Addendum to Underwriting Report

TDHCA Application #: **14127** Program(s): **9% HTC**

Haymon Krupp

Address/Location: 10200 Hedgerow Ct.

City: El Paso County: El Paso Zip: 79925

| APPLICATION HISTORY | |
|---------------------|------------------------------|
| Report Date | PURPOSE |
| 12/29/14 | Carryover Memo |
| 08/11/14 | Appeal Addendum |
| 07/23/14 | Original Underwriting Report |

ALLOCATION

| TDHCA Program | Previous Allocation | | | | RECOMMENDATION | | | | |
|----------------|---------------------|---------------|-------|------|----------------|---------------|-------|------|------|
| | Amount | Interest Rate | Amort | Term | Amount | Interest Rate | Amort | Term | Lien |
| LIHTC (Annual) | \$800,000 | | | | \$800,000 | | | | |

CONDITIONS STATUS

- Receipt and acceptance by Commitment:
 - Firm commitment from HACEP to provide \$2.2M in the form of a grant with no expectation of repayment.
Status: Applicant provided letter dated September 9, 2014 from HACEP confirming the \$2.2M grant with no expectation of repayment. **Condition has been cleared.**
 - Firm commitment from City of El Paso for \$500K HOME/CDBG loan with minimum 15-year term, minimum 30-year amortization, and maximum 3% interest rate; and specifying any income or rent restrictions that will be imposed by this funding.
Status: Applicant provided letter dated September 11, 2014 from City of El Paso confirming approval of \$500K in HOME/CDBG funds at the terms and rate described above. **Condition has been cleared.**

Update: Email dated November 24, 2014 from City of El Paso specifies 15 HOME-restricted units (12 < 60% AMI and 3 < 50% AMI). The email also states that the \$500K HOME funds will be structured as an 80% repayable loan at 0% interest and a 20% forgivable deferred payment loan.

Applicant has been informed that any HOME funds provided to the Applicant as a forgivable loan must be deducted from eligible basis, and could result in a reduction to the credit allocation.
- Receipt and acceptance by Carryover:
 - Certification of the property tax exemption status of the property from El Paso CAD.
Status: Applicant provided letter dated September 3, 2014 from El Paso CAD indicating preliminary determination that the property would qualify for a tax exemption under Texas Property Tax Code 11.1825. **Condition has been cleared.**
- Receipt and acceptance by 10% test:
 - Documentation of HUD approval of RAD rents as represented in the Application.
Status: Pending

4 Receipt and acceptance by Cost Certification:

a: Certification from a tax attorney confirming that the source of the \$2.2M received from HACEP is not federal funds for the purpose of IRC§42 (and therefore does not need to be deducted from eligible basis).

Status: Pending

b: Certification of the property tax exemption status of the property from El Paso CAD.

Status: Pending

c: Documentation clearing environmental issues contained in the ESA report, specifically:

* Any recommendations from the ESA provider have been implemented.

ii: AMEC recommends evaluation of soil and/or groundwater quality beneath the site to determine whether the identified off site UST facility has impacted the subject site."

iii: Any recommendations regarding testing for identification of asbestos-containing materials, lead-based paint, and lead in water were followed, and, if found, that appropriate abatement procedures were followed for the demolition, removal and/or elimination of any such materials or identified sources.

Status: Pending

5 Should any terms of the proposed capital structure change, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

Status: Pending

ANALYSIS

Sources of Funds

Email dated November 24, 2014 from City of El Paso states that the \$500K HOME funds will be structured as an 80% repayable loan at 0% interest and a 20% forgivable deferred payment loan. With only \$400K repayable at 0%, debt coverage increases to 1.51x. To maintain the maximum 1.35x DCR, the underwriting analysis would assume a \$300K increase in the senior loan to \$2.57M.

The \$100K of forgivable HOME funds would be deducted from eligible basis. In the current analysis, based on the Underwriter's higher cost estimate, the adjusted eligible basis would support a tax credit allocation of \$813K. Therefore, the \$800K award, based on the Applicant's request, would remain unchanged.

If the analysis were based on the Applicant's lower estimate of total development cost, the deduction of forgivable HOME funds from eligible basis would reduce the credit allocation.

Comments / Recommendation

No change in credit allocation is recommended at this time.

At Cost Certification, if any of the HOME funds are structured as grants or forgivable loans, or if actual development cost is lower than underwritten, a reduction to the credit allocation may be warranted.

Underwriter: Diamond Unique Thompson

Manager of Real Estate Analysis: Thomas Cavanagh

Director of Real Estate Analysis: Brent Stewart

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS
Haymon Krupp, El Paso, 9% HTC #14127

| DEBT / GRANT SOURCES | | | | | | | | | | | | | | | |
|---|-----|----------------|----------|------------------|-----------------------------------|-------|------|--------------------|--------------------------------------|-----------------------------|-------|-----------|------------------|----------------------|-------|
| APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE | | | | | | | | | AS UNDERWRITTEN DEBT/GRANT STRUCTURE | | | | | | |
| DEBT (Must Pay) | MIP | Cumulative DCR | | Pmt | Rate | Amort | Term | Principal | Principal | Term | Amort | Rate | Pmt | Cumulative | |
| | | UW | App | | | | | | | | | | | DCR | LTC |
| PNC | | 1.63 | 1.34 | 172,118 | 6.50% | 30 | 30 | \$2,269,240 | 2,569,240 | 30 | 30 | 6.50% | 194,872 | 1.44 | 20.0% |
| City of El Paso HOME Loan | | 1.42 | 1.17 | 25,296 | 3.00% | 30 | 15 | \$500,000 | \$400,000 | 15 | 30 | 0.00% | 13,333 | 1.35 | 3.1% |
| CASH FLOW DEBT/GRANTS | | | | | | | | | | | | | | | |
| Housing Authority of El Paso | | 1.42 | 1.17 | | 0.00% | 0 | 0 | \$2,200,000 | \$2,200,000 | 0 | 0 | 0.00% | | 1.35 | 17.2% |
| City of El Paso - Forgivable HOME Lo | | 1.42 | 1.17 | | 0.00% | 0 | 0 | \$0 | \$100,000 | 0 | 0 | 0.00% | | 1.35 | 0.8% |
| | | | | \$197,414 | TOTAL DEBT / GRANT SOURCES | | | \$4,969,240 | \$5,269,240 | TOTAL DEBT SERVICE | | | \$208,205 | 41.1% | |
| NET CASH FLOW | | \$82,893 | \$33,828 | | | | | | | NET OPERATING INCOME | | \$280,307 | \$72,102 | NET CASH FLOW | |

| EQUITY SOURCES | | | | | | | | | | | | |
|---------------------------------------|-------------------------|--------|---------------|--------------|--------------|----------------------------------|----------------|---------------|--------|-------------------------|---------------------------------------|-------------|
| APPLICANT'S PROPOSED EQUITY STRUCTURE | | | | | | AS UNDERWRITTEN EQUITY STRUCTURE | | | | | | |
| EQUITY / DEFERRED FEES | DESCRIPTION | % Cost | Annual Credit | Credit Price | Amount | Amount | Credit Price | Annual Credit | % Cost | Annual Credits per Unit | | |
| | | | | | | | | | | | | PNC |
| Deferred Developer Fee | Deferred Developer Fees | 0.0% | (0% Deferred) | | \$0 | \$354,881 | (26% Deferred) | | 2.8% | Total Developer Fee: | \$1,375,000 | |
| Additional (Excess) Funds Req'd | | 0.0% | | | \$0 | \$0 | | | 0.0% | | | |
| TOTAL EQUITY SOURCES | | 56.1% | | | \$7,199,280 | \$7,554,161 | | | 58.9% | 15-Year Cash Flow: | \$1,373,194 | |
| TOTAL CAPITALIZATION | | | | | \$12,168,520 | \$12,823,401 | | | | | 15-Year Cash Flow after Deferred Fee: | \$1,018,313 |

| DEVELOPMENT COST / ITEMIZED BASIS | | | | | | | | | | | | |
|---|-----|------------------|--------------------|----------------|------------------|--------------------------|---------------------|------------------|---------------------|---------------|--------------|--------------------|
| APPLICANT COST / BASIS ITEMS | | | | | | TDHCA COST / BASIS ITEMS | | | | COST VARIANCE | | |
| Eligible Basis | | New Const. Rehab | Total Costs | | | Total Costs | | | Eligible Basis | | % | \$ |
| Acquisition | | | | | | | | New Const. Rehab | Acquisition | | | |
| Land Acquisition | | | \$12,865 / Unit | \$1,235,000 | \$1,235,000 | \$12,865 / Unit | | | | 0.0% | \$0 | |
| Building Acquisition | \$0 | | \$ / Unit | \$0 | \$0 | \$ / Unit | | \$0 | | 0.0% | \$0 | |
| Asbestos Abatement | | | | \$380,000 | \$380,000 | | | | | | \$0 | |
| Off-Sites | | | \$ / Unit | \$0 | \$0 | \$ / Unit | | | | 0.0% | \$0 | |
| Site Work | | \$638,921 | \$9,364 / Unit | \$898,963 | \$898,963 | \$9,364 / Unit | | \$638,921 | | 0.0% | \$0 | |
| Site Amenities | | \$513,750 | \$5,352 / Unit | \$513,750 | \$513,750 | \$5,352 / Unit | | \$513,750 | | 0.0% | \$0 | |
| Building Costs | | \$5,178,412 | \$55.56 /sf | \$53,942/Unit | \$5,178,412 | \$5,833,293 | \$60.763/Unit | \$62.59 /sf | \$5,833,293 | | -11.2% | (\$654,881) |
| Contingency | | \$348,556 | 5.51% | 5.29% | \$348,556 | \$348,556 | 4.81% | 4.99% | \$348,556 | | 0.0% | \$0 |
| Contractor's Fees | | \$975,959 | 14.61% | 14.06% | \$975,959 | \$975,959 | 12.85% | 13.31% | \$975,959 | | 0.0% | \$0 |
| Soft Costs | 0 | \$514,700 | | \$6,507 / Unit | \$624,700 | \$624,700 | \$6,507 / Unit | | \$514,700 | \$0 | 0.0% | \$0 |
| Developer's Fees | \$0 | \$1,335,000 | 15.63% | 14.98% | \$1,375,000 | \$1,375,000 | 14.54% | 13.87% | \$1,274,923 | \$0 | 0.0% | \$0 |
| Financing | 0 | \$370,000 | | \$4,533 / Unit | \$435,180 | \$435,180 | \$4,533 / Unit | | \$370,000 | \$0 | 0.0% | \$0 |
| Reserves | | | | \$2,115 / Unit | \$203,000 | \$203,000 | \$2,115 / Unit | | | | 0.0% | \$0 |
| UNADJUSTED BASIS / COST | | \$0 | \$9,875,298 | | \$126,755 / Unit | \$12,168,520 | \$12,823,401 | \$133,577 / Unit | \$10,470,103 | \$0 | -5.1% | (\$654,881) |
| Acquisition Cost | \$0 | | | | \$0 | | | | | | | |
| Contingency | | \$0 | | | | | | | | | | |
| Contractor's Fee | | (\$40,810) | | | | | | | | | | |
| Interim Interest | | \$0 | | | | | | | | | | |
| Developer's Fee | \$0 | (\$60,077) | | | \$0 | | | | | | | |
| Reserves | | | | | \$0 | | | | | | | |
| ADJUSTED BASIS / COST | | \$0 | \$9,774,412 | | \$126,755/unit | \$12,168,520 | \$12,823,401 | \$133,577/unit | \$10,470,103 | \$0 | -5.1% | (\$654,881) |
| TOTAL UNDERWRITTEN COSTS (Applicant's Uses are not within 5% of TDHCA Estimate): | | | | | | \$12,823,401 | | | | | | |

CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS

Haymon Krupp, El Paso, 9% HTC #14127

| CREDIT CALCULATION ON QUALIFIED BASIS | | | | |
|---------------------------------------|-------------|-----------------------------|-------------|-----------------------------|
| | Applicant | | TDHCA | |
| | Acquisition | Construction Rehabilitation | Acquisition | Construction Rehabilitation |
| ADJUSTED BASIS | \$0 | \$9,774,412 | \$0 | \$10,470,103 |
| Deduction of Federal Grants | \$0 | \$100,000 | \$0 | \$100,000 |
| TOTAL ELIGIBLE BASIS | \$0 | \$9,674,412 | \$0 | \$10,370,103 |
| High Cost Area Adjustment | | 130% | | 130% |
| TOTAL ADJUSTED BASIS | \$0 | \$12,576,736 | \$0 | \$13,481,133 |
| Applicable Fraction | 75.00% | 75.00% | 75.00% | 75.00% |
| TOTAL QUALIFIED BASIS | \$0 | \$9,432,552 | \$0 | \$10,110,850 |
| Applicable Percentage | 0.00% | 8.04% | 3.42% | 8.04% |
| ANNUAL CREDIT ON BASIS | \$0 | \$758,377 | \$0 | \$812,912 |
| CREDITS ON QUALIFIED BASIS | \$758,377 | | \$812,912 | |

| ANNUAL CREDIT CALCULATION BASED ON TDHCA BASIS | | |
|--|----------------|-------------|
| Method | Annual Credits | Proceeds |
| Eligible Basis | \$812,912 | \$7,315,479 |
| Gap | \$839,435 | \$7,554,161 |
| Applicant Request | \$800,000 | \$7,199,280 |

| FINAL ANNUAL LIHTC ALLOCATION | | Variance to Request |
|-------------------------------|--------------------|---------------------|
| Method | Applicant Request | |
| Credits | \$800,000 | \$0 |
| Total Equity Proceeds | | |
| | \$7,199,280 | \$0 |

| | Development Cost/SF | |
|------------------------------|---------------------|--------------|
| | Application | Underwritten |
| Acquisition & Hard Costs | 89.01 | 105.21 |
| Hard Costs | 89.01 | 91.96 |
| Building Costs | 59.64 | 62.59 |
| Total Points Claimed: | 0 | |

| BUILDING COST ESTIMATE | | | | |
|------------------------------------|----------|---------------|--------------|--------------------|
| CATEGORY | FACTOR | UNITS/SF | PER SF | AMOUNT |
| Base Cost: | Townhome | 93,200 SF | \$64.37 | 5,999,530 |
| Adjustments | | | | |
| Exterior Wall Finish | 0.00% | | 0.00 | \$0 |
| | 0.00% | | 0.00 | 0 |
| 9 ft. ceilings | 3.00% | | 1.93 | 179,986 |
| Roofing | | | (0.25) | (23,300) |
| Subfloor | | | (0.78) | (72,230) |
| Floor Cover | | | 6.20 | 578,026 |
| Breezeways | \$0.00 | 0 | 0.00 | 0 |
| Balconies | \$23.10 | 7,611 | 1.89 | 175,819 |
| Plumbing Fixtures | \$1,125 | 54 | 0.65 | 60,750 |
| Rough-ins | \$495 | 96 | 0.51 | 47,520 |
| Built-In Appliances | \$2,325 | 96 | 2.39 | 223,200 |
| Exterior Stairs | \$2,125 | 0 | 0.00 | 0 |
| Heating/Cooling | | | 2.06 | 191,992 |
| Enclosed Corridors | \$48.16 | 0 | 0.00 | 0 |
| Carports | \$11.30 | 19,200 | 2.33 | 216,960 |
| Garages | | 0 | 0.00 | 0 |
| Comm &/or Aux Bldgs | \$88.30 | 1,915 | 1.81 | 169,101 |
| Elevators | | 0 | 0.00 | 0 |
| Other: | | | 0.00 | 0 |
| Fire Sprinklers | \$0.00 | 95,115 | 0.00 | 0 |
| SUBTOTAL | | | 83.13 | 7,747,354 |
| Current Cost Multiplier | 1.02 | | 1.66 | 154,947 |
| Local Multiplier | 0.87 | | (10.81) | (1,007,156) |
| TOTAL BUILDING COSTS | | | 73.98 | \$6,895,145 |
| Plans, specs, survey, bldg permits | 3.90% | | (2.89) | (\$268,911) |
| Contractor's OH & Profit | 11.50% | | (8.51) | (792,942) |
| NET BUILDING COSTS | | \$60,763/unit | \$62.59/sf | \$5,833,293 |

Addendum to Underwriting Report

TDHCA Application #: **14127** Program(s): **9% HTC**

Haymon Krupp

Address/Location: 10200 Hedgerow Ct.

City: El Paso County: El Paso Zip: 79925

| APPLICATION HISTORY | |
|---------------------|-----------------------------|
| Report Date | PURPOSE |
| 08/11/14 | Appeal Addendum |
| 07/23/14 | Initial Underwriting Report |

ALLOCATION

| TDHCA Program | Previous Allocation | | | | RECOMMENDATION | | | | |
|----------------|---------------------|---------------|-------|------|----------------|---------------|-------|------|------|
| | Amount | Interest Rate | Amort | Term | Amount | Interest Rate | Amort | Term | Lien |
| LIHTC (Annual) | \$800,000 | | | | \$800,000 | | | | |

ANALYSIS

In a July 23, 2014 underwriting report REA recommended an allocation of \$800,000 in annual tax credits to application 14127 Haymon Krupp (amount requested by Applicant). The Applicant appealed the recommendation on July 28, 2014. The appeal states that cost for asbestos abatement was incorrectly included in eligible basis, and that the credit award should be reduced by the amount related to these ineligible costs.

Development Cost

The Applicant correctly states that the cost for asbestos abatement from ineligible buildings that will be demolished is not eligible for tax credits. REA should have excluded this cost from the eligible basis in the Applicant's development cost schedule.

REA also did not consider the cost of asbestos abatement in the underwriting estimate for total development cost.

The Underwriter has reviewed the overall cost analysis for the application. The \$380,000 cost for asbestos abatement (as stated by the Applicant) has been deducted from eligible cost in the Applicant's cost schedule. This causes the Applicant's stated amounts for eligible contractor fee and developer fee to exceed the limits. After adjusting contractor fee and developer fee to the eligible limits, the Applicant's eligible cost is reduced to \$9,774,412 (from \$10,255,298 in the original report).

The \$380,000 cost for asbestos abatement has been added to the Underwriter's cost estimate. This increases the Underwriter's Total Development Cost to \$12,823,401 (from \$12,443,401 in the original report).

Operating Pro Forma

The original underwriting analysis applied a 7.5% vacancy/collection factor to Potential Gross Income. REA rules allow this to be reduced to 5% in certain circumstances, including when a substantial number of the units are supported by rental assistance or otherwise subsidized. Since all of the subject units will be subsidized (75% RAD and 25% Public Housing), REA would typically utilize the lower assumption.

The vacancy/collection factor has been adjusted to 5.0% in the revised analysis. This increases the Underwriter's net operating income to \$485K (from \$456K in the original report).

Conclusion

As a result of the revised cost analysis, the Applicant's Total Development Cost is 5.11% lower than the Underwriter's estimate. Therefore, per REA rules, the recommended financing structure is based on the Underwriter's estimate.

The proposed \$2,269,240 senior loan from PNC and the \$500,000 loan from City of El Paso result in a 1.42 times debt coverage ratio; this exceeds the underwriting guidelines. The recommended capital structure assumes a \$140,000 increase in the senior loan to \$2,409,240 to maintain the maximum 1.35x debt coverage.

The Underwriter recommends an allocation of \$800,000 in annual credits, as requested by the Applicant. This provides \$7,199,280 in equity proceeds.

The recommended capital structure indicates the need to defer \$514,881 of the developer fee. This amount can be repaid within 7 years of stabilized operation.

Underwriter: Diamond Thompson

Manager of Real Estate Analysis: Thomas Cavanagh

Director of Real Estate Analysis: Brent Stewart

UNIT MIX/RENT SCHEDULE

Haymon Krupp, El Paso, 9% HTC #14127

| LOCATION DATA | |
|-----------------|----------------------|
| CITY: | El Paso |
| COUNTY: | El Paso |
| PROGRAM REGION: | 13 |
| PIS Date: | On or After 2/1/2014 |
| IREM REGION: | El Paso |

| UNIT DISTRIBUTION | | | | | |
|-------------------|-----------|---------------|--------------|-----------|---------------|
| # Beds | # Units | % Total | Income | # Units | % Total |
| Eff | - | 0.0% | 30% | 8 | 8.3% |
| 1 | - | 0.0% | 40% | - | 0.0% |
| 2 | 46 | 47.9% | 50% | 15 | 15.6% |
| 3 | 42 | 43.8% | 60% | 49 | 51.0% |
| 4 | 8 | 8.3% | MR | - | 0.0% |
| TOTAL | 96 | 100.0% | TOTAL | 96 | 100.0% |

| Applicable Programs |
|------------------------|
| 9% Housing Tax Credits |

| Pro Forma ASSUMPTIONS | |
|-----------------------|--------|
| Revenue Growth | 2.00% |
| Expense Growth | 3.00% |
| Basis Adjust | 130% |
| Applicable Fraction | 75% |
| APP % Acquisition | 3.42% |
| APP % Construction | 8.04% |
| Average Unit Size | 971 sf |

| | | |
|-----|----|-------|
| PHU | 24 | 25.0% |
| RAD | 72 | 75.0% |

UNIT MIX / MONTHLY RENT SCHEDULE

| HTC | | PHA & RAD | | UNIT MIX | | | | APPLICABLE PROGRAM RENT | | | APPLICANT'S PRO FORMA RENTS | | | | TDHCA PRO FORMA RENTS | | | | MARKET RENTS | | | |
|-------------------------|------------|-----------|------------|-----------|--------|---------|-------|-------------------------|---------------|----------------------|-----------------------------|-------------|-------------------|--------------------|-----------------------|-----------------|--------------|---------------|--------------|--------------|---------------|---------------|
| Type | Gross Rent | Type | Gross Rent | # Units | # Beds | # Baths | NRA | Gross Rent | Utility Allow | Max Net Program Rent | Delta to Max | Rent psf | Net Rent per Unit | Total Monthly Rent | Total Monthly Rent | Rent per Unit | Rent psf | Delta to Max | Underwritten | Mrkt Analyst | | |
| | | PHA | \$222 | 17 | 2 | 1 | 850 | \$100 | \$0 | \$100 | \$122 | \$0.26 | \$222 | \$3,774 | \$1,700 | \$100 | \$0.12 | \$0 | \$855 | \$1.01 | 855 | |
| TC 30% | \$339 | RAD | \$523 | 4 | 2 | 1 | 850 | \$523 | \$0 | \$523 | \$0 | \$0.62 | \$523 | \$2,092 | \$2,092 | \$523 | \$0.62 | \$0 | \$855 | \$1.01 | 855 | |
| TC 50% | \$565 | RAD | \$523 | 6 | 2 | 1 | 850 | \$523 | \$0 | \$523 | \$0 | \$0.62 | \$523 | \$3,138 | \$3,138 | \$523 | \$0.62 | \$0 | \$855 | \$1.01 | 855 | |
| TC 60% | \$678 | RAD | \$523 | 19 | 2 | 1 | 850 | \$523 | \$0 | \$523 | \$0 | \$0.62 | \$523 | \$9,937 | \$9,937 | \$523 | \$0.62 | \$0 | \$855 | \$1.01 | 855 | |
| | | PHA | \$242 | 5 | 3 | 2 | 1,050 | \$100 | \$0 | \$100 | \$142 | \$0.23 | \$242 | \$1,210 | \$500 | \$100 | \$0.10 | \$0 | \$1,030 | \$0.98 | 1030 | |
| TC 30% | \$391 | RAD | \$751 | 3 | 3 | 2 | 1,050 | \$751 | \$0 | \$751 | \$0 | \$0.72 | \$751 | \$2,253 | \$2,253 | \$751 | \$0.72 | \$0 | \$1,030 | \$0.98 | 1030 | |
| TC 50% | \$653 | RAD | \$751 | 7 | 3 | 2 | 1,050 | \$751 | \$0 | \$751 | \$0 | \$0.72 | \$751 | \$5,257 | \$5,257 | \$751 | \$0.72 | \$0 | \$1,030 | \$0.98 | 1030 | |
| TC 60% | \$783 | RAD | \$751 | 27 | 3 | 2 | 1,050 | \$751 | \$0 | \$751 | \$0 | \$0.72 | \$751 | \$20,277 | \$20,277 | \$751 | \$0.72 | \$0 | \$1,030 | \$0.98 | 1030 | |
| | | PHA | \$262 | 2 | 4 | 2 | 1,250 | \$100 | \$0 | \$100 | \$162 | \$0.21 | \$262 | \$524 | \$200 | \$100 | \$0.08 | \$0 | \$1,190 | \$0.95 | 1190 | |
| TC 30% | \$437 | RAD | \$890 | 1 | 4 | 2 | 1,250 | \$890 | \$0 | \$890 | \$0 | \$0.71 | \$890 | \$890 | \$890 | \$890 | \$0.71 | \$0 | \$1,190 | \$0.95 | 1190 | |
| TC 50% | \$728 | RAD | \$890 | 2 | 4 | 2 | 1,250 | \$890 | \$0 | \$890 | \$0 | \$0.71 | \$890 | \$1,780 | \$1,780 | \$890 | \$0.71 | \$0 | \$1,190 | \$0.95 | 1190 | |
| TC 60% | \$874 | RAD | \$890 | 3 | 4 | 2 | 1,250 | \$890 | \$0 | \$890 | \$0 | \$0.71 | \$890 | \$2,670 | \$2,670 | \$890 | \$0.71 | \$0 | \$1,190 | \$0.95 | 1190 | |
| TOTALS/AVERAGES: | | | | 96 | | | | 93,200 | | | | \$32 | \$0.58 | \$560 | \$53,802 | \$50,694 | \$528 | \$0.54 | \$0 | \$959 | \$0.99 | \$0.99 |

| | | |
|-------------------------------------|------------------|------------------|
| ANNUAL POTENTIAL GROSS RENT: | \$645,624 | \$608,328 |
|-------------------------------------|------------------|------------------|

STABILIZED PRO FORMA

Haymon Krupp, El Paso, 9% HTC #14127

| STABILIZED FIRST YEAR PRO FORMA | | | | | | | | | | | | | |
|--|-------------|--------------|--------------|--------|----------|--------------|------------|-----------|--------------|--------|----------|-------------|----------|
| | COMPARABLES | | APPLICANT | | | | TDHCA | | | | VARIANCE | | |
| | Database | El Paso | % EGI | Per SF | Per Unit | Amount | Amount | Per Unit | Per SF | % EGI | % | \$ | |
| POTENTIAL GROSS RENT | | | | \$0.58 | \$560 | \$645,624 | \$608,328 | \$528 | \$0.54 | | 6.1% | \$37,296 | |
| late, application, pet fees, retained sec. dep | | | | | \$20.00 | \$23,040 | | | | | | | |
| Total Secondary Income | | | | | \$20.00 | | \$23,040 | \$20.00 | | | 0.0% | \$0 | |
| POTENTIAL GROSS INCOME | | \$ - | | | | \$668,664 | \$631,368 | | | | 5.9% | \$37,296 | |
| Vacancy & Collection Loss | | | | | 7.5% PGI | (50,150) | (31,568) | 5.0% PGI | | | 58.9% | (18,581) | |
| PHU Subsidy | | | | | | - | \$68,098 | | | | -100.0% | (68,098) | |
| EFFECTIVE GROSS INCOME | | \$ - | | | \$6,443 | \$618,514 | \$667,897 | \$6,957 | | | -7.4% | (\$49,383) | |
| General & Administrative | \$31,407 | \$327/Unit | 36,196 | 5.38% | \$0.36 | \$347 | \$33,300 | \$31,407 | \$327 | \$0.34 | 4.70% | 6.0% | 1,893 |
| Management | \$37,990 | 5.7% EGI | 27,393 | 5.00% | \$0.33 | \$322 | \$30,926 | \$33,395 | \$348 | \$0.36 | 5.00% | -7.4% | (2,469) |
| Payroll & Payroll Tax | \$115,203 | \$1,200/Unit | 87,470 | 19.67% | \$1.31 | \$1,267 | \$121,672 | \$121,672 | \$1,267 | \$1.31 | 18.22% | 0.0% | - |
| Repairs & Maintenance | \$34,026 | \$354/Unit | 30,643 | 9.13% | \$0.61 | \$589 | \$56,500 | \$52,800 | \$550 | \$0.57 | 7.91% | 7.0% | 3,700 |
| Electric/Gas | \$31,213 | \$325/Unit | 19,158 | 3.36% | \$0.22 | \$217 | \$20,800 | \$19,158 | \$200 | \$0.21 | 2.87% | 8.6% | 1,642 |
| Water, Sewer, & Trash | \$35,383 | \$369/Unit | 39,893 | 8.07% | \$0.54 | \$520 | \$49,900 | \$39,893 | \$416 | \$0.43 | 5.97% | 25.1% | 10,007 |
| Property Insurance | \$21,135 | \$0.23 /sf | 15,713 | 3.32% | \$0.22 | \$214 | \$20,504 | \$21,135 | \$220 | \$0.23 | 3.16% | -3.0% | (631) |
| Property Tax 2.8103 | \$52,344 | \$545/Unit | 55,216 | 3.68% | \$0.24 | \$237 | \$22,750 | \$37,250 | \$388 | \$0.40 | 5.58% | -38.9% | (14,500) |
| Reserve for Replacements | \$24,632 | \$257/Unit | 15,003 | 3.88% | \$0.26 | \$250 | \$24,000 | \$24,000 | \$250 | \$0.26 | 3.59% | 0.0% | - |
| Supportive services | | | 2,304 | 0.00% | \$0.00 | \$0 | \$0 | \$0 | \$0 | \$0.00 | 0.00% | 0.0% | - |
| TDHCA Compliance fees | | | - | 0.47% | \$0.03 | \$30 | \$2,920 | \$2,880 | \$30 | \$0.03 | 0.43% | 1.4% | 40 |
| Security | | | 2,395 | 0.65% | \$0.04 | \$42 | \$4,000 | \$4,000 | \$42 | \$0.04 | 0.60% | 0.0% | - |
| TOTAL EXPENSES | | \$ 331,385 | 62.61% | \$4.16 | \$4,034 | \$ 387,272 | \$ 387,590 | \$4,037 | \$4.16 | 58.03% | -0.1% | \$ (318) | |
| NET OPERATING INCOME ("NOI") | | | 37.39% | \$2.48 | \$2,409 | \$231,242 | \$280,307 | \$2,920 | \$3.01 | 41.97% | -17.5% | \$ (49,065) | |
| CONTROLLABLE EXPENSES | | \$2,575/Unit | \$2,223/Unit | | | \$2,939/Unit | | | \$2,760/Unit | | | | |

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS
Haymon Krupp, El Paso, 9% HTC #14127

| DEBT / GRANT SOURCES | | | | | | | | | | | | | | | |
|---|-----|----------------|----------|------------------|-----------------------------------|-------|------|--------------------------------------|--------------------|---------------------------|-------|-----------|------------------|----------------------|-------|
| APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE | | | | | | | | AS UNDERWRITTEN DEBT/GRANT STRUCTURE | | | | | | | |
| DEBT (Must Pay) | MIP | Cumulative DCR | | Pmt | Rate | Amort | Term | Principal | Principal | Term | Amort | Rate | Pmt | Cumulative | |
| | | UW | App | | | | | | | | | | | DCR | LTC |
| PNC | | 1.63 | 1.34 | 172,118 | 6.50% | 30 | 30 | \$2,269,240 | 2,409,240 | 30 | 30 | 6.50% | 182,736 | 1.53 | 18.8% |
| City of El Paso | | 1.42 | 1.17 | 25,296 | 3.00% | 30 | 15 | \$500,000 | \$500,000 | 15 | 30 | 3.00% | 25,296 | 1.35 | 3.9% |
| CASH FLOW | | | | | | | | | | | | | | | |
| Housing Authority of El Paso | | 1.42 | 1.17 | | 0.00% | 0 | 0 | \$2,200,000 | \$2,200,000 | 0 | 0 | 0.00% | | 1.35 | 17.2% |
| | | | | \$197,414 | TOTAL DEBT / GRANT SOURCES | | | \$4,969,240 | \$5,109,240 | TOTAL DEBT SERVICE | | | \$208,033 | 39.8% | |
| NET CASH FLOW | | \$82,893 | \$33,828 | | | | | NET OPERATING INCOME | | | | \$280,307 | \$72,274 | NET CASH FLOW | |

| EQUITY SOURCES | | | | | | | | | | | |
|---------------------------------------|-------------------------|--------------|---------------|--------------|---------------------|----------------------------------|----------------|---------------|--------------|---|--|
| APPLICANT'S PROPOSED EQUITY STRUCTURE | | | | | | AS UNDERWRITTEN EQUITY STRUCTURE | | | | | |
| FEES | DESCRIPTION | % Cost | Annual Credit | Credit Price | Amount | Amount | Credit Price | Annual Credit | % Cost | Annual Credits per Unit | |
| PNC | LIHTC Equity | 56.1% | \$800,000 | 0.90 | \$7,199,280 | \$7,199,280 | \$0.8999 | \$800,000 | 56.1% | \$74,993 | |
| Deferred Developer Fee | Deferred Developer Fees | 0.0% | (0% Deferred) | | \$0 | \$514,881 | (37% Deferred) | | 4.0% | Total Developer Fee: \$1,375,000 | |
| Additional (Excess) Funds Req'd | | 0.0% | | | \$0 | \$0 | | | 0.0% | | |
| TOTAL EQUITY SOURCES | | 56.1% | | | \$7,199,280 | \$7,714,161 | | | 60.2% | 15-Year Cash Flow: \$1,375,786 | |
| TOTAL CAPITALIZATION | | | | | \$12,168,520 | \$12,823,401 | | | | | 15-Year Cash Flow after Deferred Fee: \$860,905 |

| DEVELOPMENT COST / ITEMIZED BASIS | | | | | | | | | | | | | |
|---|------------------|-----------------|--------------------|------------------|---------------------|--------------------------|------------------|---------------------|-------------|------------------|--------------------|---------------|-------------|
| APPLICANT COST / BASIS ITEMS | | | | | | TDHCA COST / BASIS ITEMS | | | | | | COST VARIANCE | |
| Eligible Basis | | Total Costs | | | | Total Costs | | | | Eligible Basis | | % | \$ |
| Acquisition | New Const. Rehab | | | | | | | | | New Const. Rehab | Acquisition | | |
| Land Acquisition | | \$12,865 / Unit | \$1,235,000 | \$1,235,000 | \$12,865 / Unit | | | | | | | 0.0% | \$0 |
| Building Acquisition | \$0 | \$ / Unit | \$0 | \$0 | \$ / Unit | | | | | | \$0 | 0.0% | \$0 |
| Asbestos Abatement | | | \$380,000 | \$380,000 | | | | | | | | | \$0 |
| Off-Sites | | \$ / Unit | \$0 | \$0 | \$ / Unit | | | | | | | 0.0% | \$0 |
| Site Work | \$638,921 | \$9,364 / Unit | \$898,963 | \$898,963 | \$9,364 / Unit | \$638,921 | | | | | | 0.0% | \$0 |
| Site Amenities | \$513,750 | \$5,352 / Unit | \$513,750 | \$513,750 | \$5,352 / Unit | \$513,750 | | | | | | 0.0% | \$0 |
| Building Costs | \$5,178,412 | \$55.56 /sf | \$53,942/Unit | \$5,178,412 | \$5,833,293 | \$60,763/Unit | \$62.59 /sf | \$5,833,293 | | | | -11.2% | (\$654,881) |
| Contingency | \$348,556 | 5.51% | 5.29% | \$348,556 | \$348,556 | 4.81% | 4.99% | \$348,556 | | | | 0.0% | \$0 |
| Contractor's Fees | \$975,959 | 14.61% | 14.06% | \$975,959 | \$975,959 | 12.85% | 13.31% | \$975,959 | | | | 0.0% | \$0 |
| Soft Costs | 0 | \$514,700 | \$6,507 / Unit | \$624,700 | \$624,700 | \$6,507 / Unit | | \$514,700 | | \$0 | | 0.0% | \$0 |
| Developer's Fees | \$0 | \$1,335,000 | 15.63% | 14.98% | \$1,375,000 | \$1,375,000 | 14.54% | 13.87% | \$1,274,923 | \$0 | | 0.0% | \$0 |
| Financing | 0 | \$370,000 | \$4,533 / Unit | \$435,180 | \$435,180 | \$4,533 / Unit | | \$370,000 | | \$0 | | 0.0% | \$0 |
| Reserves | | | \$2,115 / Unit | \$203,000 | \$203,000 | \$2,115 / Unit | | | | | | 0.0% | \$0 |
| UNADJUSTED BASIS / COST | | \$0 | \$9,875,298 | \$126,755 / Unit | \$12,168,520 | \$12,823,401 | \$133,577 / Unit | \$10,470,103 | \$0 | -5.1% | (\$654,881) | | |
| Acquisition Cost | \$0 | | | \$0 | | | | | | | | | |
| Contingency | | \$0 | | | | | | | | | | | |
| Contractor's Fee | | (\$40,810) | | | | | | | | | | | |
| Interim Interest | | \$0 | | | | | | | | | | | |
| Developer's Fee | \$0 | (\$60,077) | | \$0 | | | | | | | | | |
| Reserves | | | | \$0 | | | | | | | | | |
| ADJUSTED BASIS / COST | | \$0 | \$9,774,412 | \$126,755/unit | \$12,168,520 | \$12,823,401 | \$133,577/unit | \$10,470,103 | \$0 | -5.1% | (\$654,881) | | |
| TOTAL UNDERWRITTEN COSTS (Applicant's Uses are not within 5% of TDHCA Estimate): | | | | | \$12,823,401 | | | | | | | | |

CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS
Haymon Krupp, El Paso, 9% HTC #14127

| CREDIT CALCULATION ON QUALIFIED BASIS | | | | |
|---------------------------------------|-------------|-----------------------------|-------------|-----------------------------|
| | Applicant | | TDHCA | |
| | Acquisition | Construction Rehabilitation | Acquisition | Construction Rehabilitation |
| ADJUSTED BASIS | \$0 | \$9,774,412 | \$0 | \$10,470,103 |
| Deduction of Federal G | \$0 | \$0 | \$0 | \$0 |
| TOTAL ELIGIBLE BASIS | \$0 | \$9,774,412 | \$0 | \$10,470,103 |
| High Cost Area Adjustm | | 130% | | 130% |
| TOTAL ADJUSTED BAS | \$0 | \$12,706,736 | \$0 | \$13,611,133 |
| Applicable Fraction | 75.00% | 75.00% | 75.00% | 75.00% |
| TOTAL QUALIFIED BAS | \$0 | \$9,530,052 | \$0 | \$10,208,350 |
| Applicable Percentage | 0.00% | 8.04% | 3.42% | 8.04% |
| ANNUAL CREDIT ON B | \$0 | \$766,216 | \$0 | \$820,751 |
| CREDITS ON QUALIFIE | \$766,216 | | \$820,751 | |

| BUILDING COST ESTIMATE | | | | |
|------------------------------------|---------|---------------|--------------|--------------------|
| CATEGORY | FACTOR | UNITS/SF | PER SF | AMOUNT |
| Base Cost: Townhome | | 93,200 SF | \$64.37 | 5,999,530 |
| Adjustments | | | | |
| Exterior Wall Finish | 0.00% | | 0.00 | \$0 |
| | 0.00% | | 0.00 | 0 |
| 9 ft. ceilings | 3.00% | | 1.93 | 179,986 |
| Roofing | | | (0.25) | (23,300) |
| Subfloor | | | (0.78) | (72,230) |
| Floor Cover | | | 6.20 | 578,026 |
| Breezeways | \$0.00 | 0 | 0.00 | 0 |
| Balconies | \$23.10 | 7,611 | 1.89 | 175,819 |
| Plumbing Fixtures | \$1,125 | 54 | 0.65 | 60,750 |
| Rough-ins | \$495 | 96 | 0.51 | 47,520 |
| Built-In Appliances | \$2,325 | 96 | 2.39 | 223,200 |
| Exterior Stairs | \$2,125 | 0 | 0.00 | 0 |
| Heating/Cooling | | | 2.06 | 191,992 |
| Enclosed Corridors | \$48.16 | 0 | 0.00 | 0 |
| Carports | \$11.30 | 19,200 | 2.33 | 216,960 |
| Garages | | 0 | 0.00 | 0 |
| Comm &/or Aux Bldgs | \$88.30 | 1,915 | 1.81 | 169,101 |
| Elevators | | 0 | 0.00 | 0 |
| Other: | | | 0.00 | 0 |
| Fire Sprinklers | \$0.00 | 95,115 | 0.00 | 0 |
| SUBTOTAL | | | 83.13 | 7,747,354 |
| Current Cost Multiplier | 1.02 | | 1.66 | 154,947 |
| Local Multiplier | 0.87 | | (10.81) | (1,007,156) |
| TOTAL BUILDING COSTS | | | 73.98 | \$6,895,145 |
| Plans, specs, survey, bldg permits | 3.90% | | (2.89) | (268,911) |
| Contractor's OH & Profit | 11.50% | | (8.51) | (792,942) |
| NET BUILDING COSTS | | \$60,763/unit | \$62.59/sf | \$5,833,293 |

| ANNUAL CREDIT CALCULATION BASED ON TDHCA BASIS | | |
|--|----------------|-------------|
| Method | Annual Credits | Proceeds |
| Eligible Basis | \$820,751 | \$7,386,023 |
| Gap | \$857,215 | \$7,714,161 |
| Applicant Request 8.04% | \$800,000 | \$7,199,280 |

| FINAL ANNUAL LIHTC ALLOCATION | | | Variance to Request |
|-------------------------------|--------------------|-----|---------------------|
| Method | Applicant Request | | |
| Credits | \$800,000 | \$0 | |
| Total Equity Proceeds | | | |
| | \$7,199,280 | \$0 | |

| Development Cost/SF | | |
|------------------------------|-------------|--------------|
| | Application | Underwritten |
| Acquisition & Hard Co | 89.01 | 105.21 |
| Hard Costs | 89.01 | 91.96 |
| Building Costs | 59.64 | 62.59 |
| Total Points Claimed: | 0 | |

30-Year Long-Term Pro Forma

Haymon Krupp, El Paso, 9% HTC #14127

| | Growth Rate | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | Year 15 | Year 20 | Year 25 | Year 30 |
|-------------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|-------------|-------------|-------------|
| EFFECTIVE GROSS INCOME | 2.00% | \$667,897 | \$682,152 | \$696,718 | \$711,604 | \$726,816 | \$742,362 | \$758,248 | \$774,484 | \$791,076 | \$808,034 | \$898,592 | \$999,605 | \$1,112,323 | \$1,238,155 |
| TOTAL EXPENSES | 3.00% | \$387,590 | \$398,929 | \$410,602 | \$422,619 | \$434,991 | \$447,727 | \$460,840 | \$474,340 | \$488,238 | \$502,546 | \$580,682 | \$671,064 | \$775,622 | \$896,592 |
| NET OPERATING INCOME ("NOI") | | \$280,307 | \$283,223 | \$286,117 | \$288,985 | \$291,825 | \$294,634 | \$297,408 | \$300,144 | \$302,839 | \$305,488 | \$317,911 | \$328,541 | \$336,700 | \$341,563 |
| MUST -PAY DEBT SERVICE | | | | | | | | | | | | | | | |
| PNC | | \$182,736 | \$182,736 | \$182,736 | \$182,736 | \$182,736 | \$182,736 | \$182,736 | \$182,736 | \$182,736 | \$182,736 | \$182,736 | \$182,736 | \$182,736 | \$182,736 |
| City of El Paso | | \$25,296 | \$25,296 | \$25,296 | \$25,296 | \$25,296 | \$25,296 | \$25,296 | \$25,296 | \$25,296 | \$25,296 | \$25,296 | \$25,296 | \$25,296 | \$25,296 |
| TOTAL DEBT SERVICE | | \$208,033 | \$208,033 | \$208,033 | \$208,033 | \$208,033 | \$208,033 | \$208,033 | \$208,033 | \$208,033 | \$208,033 | \$208,033 | \$208,033 | \$208,033 | \$208,033 |
| NET CASH FLOW | | \$72,274 | \$75,190 | \$78,084 | \$80,953 | \$83,793 | \$86,601 | \$89,376 | \$92,112 | \$94,806 | \$97,455 | \$109,878 | \$120,508 | \$128,668 | \$133,530 |
| CUMULATIVE NET CASH FLOW | | \$72,274 | \$147,465 | \$225,549 | \$306,501 | \$390,294 | \$476,895 | \$566,271 | \$658,383 | \$753,189 | \$850,644 | \$1,375,786 | \$1,957,909 | \$2,586,070 | \$3,245,501 |
| | | | | | | | | | | | | | | | |
| DEBT COVERAGE RATIO | | 1.35 | 1.36 | 1.38 | 1.39 | 1.40 | 1.42 | 1.43 | 1.44 | 1.46 | 1.47 | 1.53 | 1.58 | 1.62 | 1.64 |
| EXPENSE/INCOME RATIO | | 58.0% | 58.5% | 58.9% | 59.4% | 59.8% | 60.3% | 60.8% | 61.2% | 61.7% | 62.2% | 64.6% | 67.1% | 69.7% | 72.4% |
| | | | | | | | | | | | | | | | |
| Deferred Developer Fee Balance | | \$442,607 | \$367,417 | \$289,332 | \$208,380 | \$124,587 | \$37,986 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Residual Cash Flow | | 0 | 0 | 0 | 0 | 0 | 0 | 51,390 | 92,112 | 94,806 | 97,455 | 109,878 | 120,508 | 128,668 | 133,530 |



DEVELOPMENT IDENTIFICATION

TDHCA Application #: 14127 Program(s): 9% HTC

Haymon Krupp

Address/Location: 10200 Hedgerow Ct.

City: El Paso County: El Paso Zip: 79925

Population: General Program Set-Aside: At-Risk Area: Urban

Activity: Reconstruction Building Type: Townhome Region: 13

Analysis Purpose: New Application - Initial Underwriting

ALLOCATION

| TDHCA Program | REQUEST | | | | RECOMMENDATION | | | | |
|----------------|-----------|---------------|-------|------|----------------|---------------|-------|------|------|
| | Amount | Interest Rate | Amort | Term | Amount | Interest Rate | Amort | Term | Lien |
| LIHTC (Annual) | \$800,000 | | | | \$800,000 | | | | |

CONDITIONS

- 1 Receipt and acceptance by Commitment:
 - a: Firm commitment from HACEP to provide \$2.2M in the form of a grant with no expectation of repayment.
 - b: Firm commitment from City of El Paso for \$500K HOME/CDBG loan with minimum 15-year term, minimum 30-year amortization, and maximum 3% interest rate; and specifying any income or rent restrictions that will be imposed by this funding.
- 2 Receipt and acceptance by Carryover:
 - Certification of the property tax exemption status of the property from El Paso CAD.
- 3 Receipt and acceptance by 10% test:
 - Documentation of HUD approval of RAD rents as represented in the Application.
- 4 Receipt and acceptance by Cost Certification:
 - a: Certification from a tax attorney confirming that the source of the \$2.2M received from HACEP is not federal funds for the purpose of IRC§42 (and therefore does not need to be deducted from eligible basis).
 - b: Certification of the property tax exemption status of the property from El Paso CAD.
 - c: Documentation clearing environmental issues contained in the ESA report, specifically:
 - i: AMEC recommends evaluation of soil and/or groundwater quality beneath the site to determine whether the identified off site UST facility has impacted the subject site."

- ii: Any recommendations regarding testing for identification of asbestos-containing materials, lead-based paint, and lead in water were followed, and, if found, that appropriate abatement procedures were followed for the demolition, removal and/or elimination of any such materials or identified sources.

5 Should any terms of the proposed capital structure change, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

SET-ASIDES

| TDHCA SET-ASIDES for HTC LURA | | |
|-------------------------------|------------|-----------------|
| Income Limit | Rent Limit | Number of Units |
| 30% of AMI | 30% of AMI | 8 |
| 50% of AMI | 50% of AMI | 15 |
| 60% of AMI | 60% of AMI | 49 |

DEAL SUMMARY

Haymon Krupp is an existing public Housing development made up of 96 units built in 1975. The 96 units will be demolished and then reconstructed – it will be a one for one replacement including the unit mix. The site is approximately 10.118 acres. The application is in the At-Risk set aside and is a Section 8 development utilizing the RAD program. 75% of the units will be LIHTC financed using RAD rents and the remaining 25% will remain mixed financed and will continue to be supported by public housing operating subsidy.

RISK PROFILE

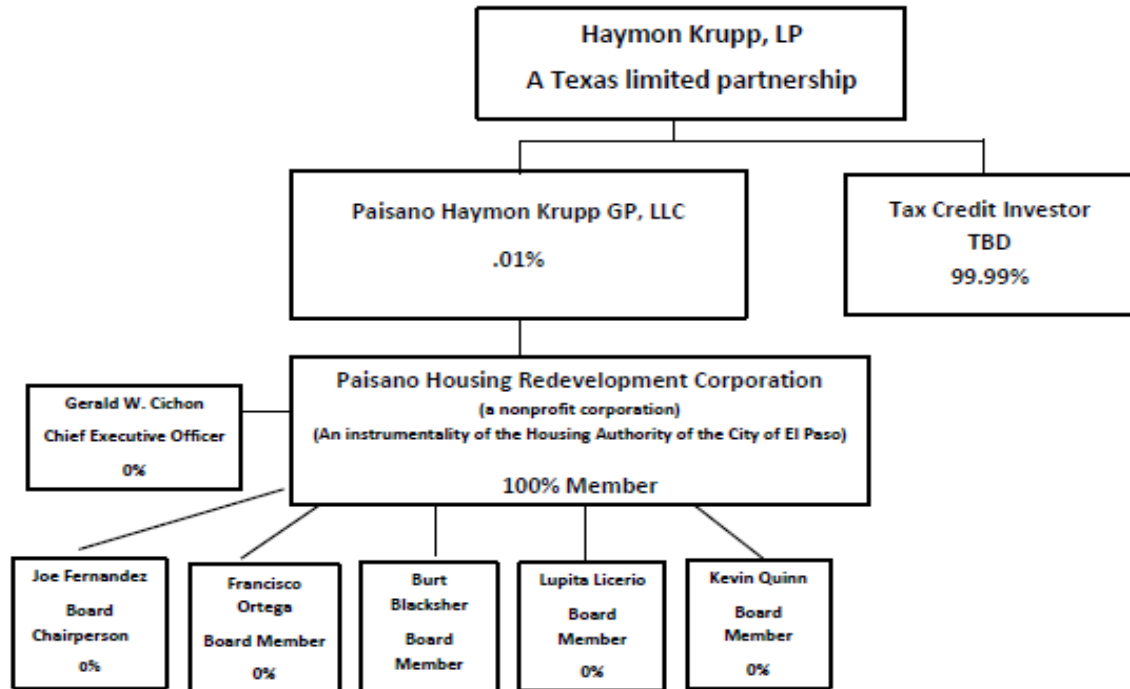
| STRENGTHS/MITIGATING FACTORS | WEAKNESSES/RISKS |
|--|---|
| <ul style="list-style-type: none"> ▫ The Housing Authority of the City of El Paso is providing a \$2.2M grant | <ul style="list-style-type: none"> ▫ Development is dependent on Housing Authority of the City of El Paso \$2.2M grant |
| <ul style="list-style-type: none"> ▫ Development will be receiving Public Housing Operating Subsidies on 24 units | <ul style="list-style-type: none"> ▫ Feasibility is dependent on Public Housing Operating Subsidies |
| <ul style="list-style-type: none"> ▫ 72 units converting to RAD program | <ul style="list-style-type: none"> ▫ Dependent on approval and successful implementation of new RAD program |
| <ul style="list-style-type: none"> ▫ Developer has extensive HTC experience | <ul style="list-style-type: none"> ▫ |

DEVELOPMENT TEAM

PRIMARY CONTACTS

| | |
|--|--|
| Name: <u>Juan A. Olvera</u> Phone: <u>(915) 849-3813</u> Relationship: <u>GP/Developer</u> | Name: <u>Alyssa Carpenter</u> Phone: <u>(512) 789-1295</u> Relationship: <u>Consultant</u> |
|--|--|

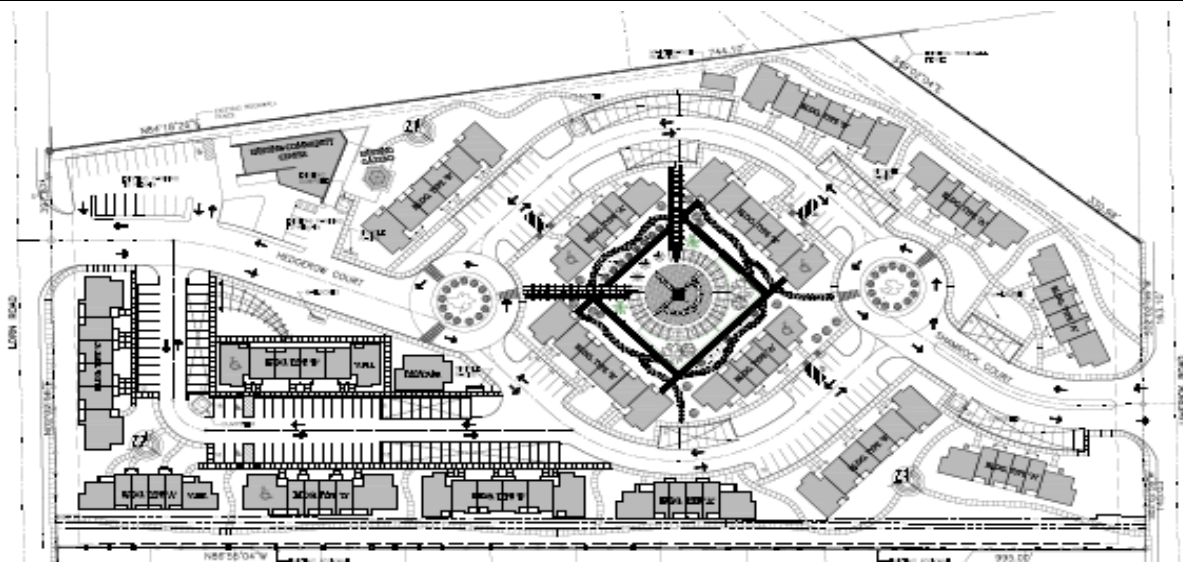
OWNERSHIP STRUCTURE



o The Applicant and Developer are related entities.

DEVELOPMENT SUMMARY

SITE PLAN



| Parking | No Fee | | Tenant-Paid | | Total | |
|----------------------|------------|-----------------|-------------|-----------|------------|-----------------|
| | Count | Ratio | Count | Ratio | Count | Ratio |
| Open Surface | 96 | 1.0/unit | 0 | -- | 96 | 1.0/unit |
| Carport | 96 | 1.0/unit | 0 | -- | 96 | 1.0/unit |
| Garage | 0 | -- | 0 | -- | 0 | -- |
| Total Parking | 192 | 2.0/unit | 0 | -- | 192 | 2.0/unit |

This facility is therefore considered to be a REC since there is a significant potential that if the USTs remain on this adjoining property they could have or will impact the site. Based on the results and conclusions of the Phase I ESA, AMEC recommends evaluation of soil and/or groundwater quality beneath the site to determine whether the identified off site UST facility has impacted the subject site."

- "...unless a current compressive asbestos survey is available of the structures to be affected by renovation or demolition activities, one would need to be performed at the subject site. The asbestos survey must be performed in accordance with Texas Department of State Health Services (TDSHS) asbestos requirements for public buildings."
- "...unless a current survey is available, an LBP survey of the structures to be affected by renovation or demolition activities would need to be performed at the subject site. The LBP survey must be performed by individuals licensed by the TDSHS in accordance with US Housing and Urban Development (HUD) standards."
- "...unless a current lead in drinking water survey is available, the drinking water would need to be sampled via testing at the subject site. The drinking water testing must be done in accordance with current EPA or HUD standards."

MARKET ANALYSIS

Provider: Valbridge Property Advisors Date: 3/11/2014
 Contact: Tim N. Treadway Phone: 713.467.5858

Primary Market Area (PMA): 30 sq. miles 3 mile equivalent radius

The PMA covers three zip codes in eastern El Paso stretching north beyond the El Paso International Airport with the southern border being the state line.

| ELIGIBLE HOUSEHOLDS BY INCOME | | | | | | | | |
|-------------------------------|------------|----------|------------|-----|------------|----------|------------|----------|
| El Paso County Income Limits | | | | | | | | |
| HH size | 30% of AMI | | 40% of AMI | | 50% of AMI | | 60% of AMI | |
| | min | max | min | max | min | max | min | max |
| 1 | --- | --- | --- | --- | --- | --- | --- | --- |
| 2 | \$0 | \$12,060 | --- | --- | \$0 | \$20,100 | \$0 | \$24,120 |
| 3 | \$0 | \$13,560 | --- | --- | \$0 | \$22,600 | \$0 | \$27,120 |
| 4 | \$0 | \$15,060 | --- | --- | \$0 | \$25,100 | \$0 | \$30,120 |
| 5 | \$0 | \$16,290 | --- | --- | \$0 | \$27,150 | \$0 | \$32,580 |
| 6 | \$0 | \$17,490 | --- | --- | \$0 | \$29,150 | \$0 | \$34,980 |

Primary Market Occupancy Rates:

Rent-restricted developments are 95% occupied. The subject property is currently at 95% occupancy.

Comments:

75% of the units will be covered by a RAD voucher contract, and 25% will remain public housing. All households below the maximum income level are eligible tenants. This results in Gross Demand for 8,980 units, and a Gross Capture Rate of 1.1% for the development's 96 rentable units.

OPERATING PRO FORMA

| SUMMARY- AS UNDERWRITTEN (TDHCA's Pro forma) | | | | | |
|--|-----------|----------------|-------|------------------------|---------|
| NOI: | \$265,122 | Avg. Rent: | \$528 | Expense Ratio: | 59.3% |
| Debt Service: | \$197,414 | B/E Rent: | \$465 | Controllable Expenses: | \$2,760 |
| Net Cash Flow: | \$67,708 | UW Occupancy: | 92.5% | Property Taxes/Unit: | \$388 |
| Aggregate DCR: | 1.34 | B/E Occupancy: | 81.8% | Program Rent Year: | 2014 |

Twenty-four units will continue to be public housing-assisted. These units are subject to an Annual Contributions Contract with HUD. Tenants pay up to 30% of household income toward rent, and HUD provides a subsidy up to the operating expenses for the units.

Total income from the public housing units should be equal to the operating expenses for those units. Applicant's rent schedule shows rents of \$222/\$242/\$262 for the PHU's, but the Applicant's pro forma indicates \$336/unit average operating expense. Total income is therefore understated. The Underwriter's pro forma assumes \$100 average tenant rent, and calculates an operating subsidy that covers the difference between the tenant rent and the average operating expenses for all the PHU's. As a result, the Underwriter's Effective Gross Income is \$33K higher.

The remaining 72 units will operate under HUD's new Rental Assistance Demonstration (RAD) program, allowing the conversion of these public housing units to long-term project-based Section 8 contracts.

The proposed RAD Contract Rents are net contract rent amounts provided in the RAD documentation from HUD. No utility allowance values are specified.

The pro forma indicates minimal operating risk, with break-even rent that is \$64 below the average collected rent (12% lower). Break-even occupancy of 82% allows for 17 vacant units.

Applicant has several current applications. 14129 Westfall Baines proposes a similar structure to the subject, with 25% Public Housing and 75% RAD. Underwritten operating expenses at the subject (\$4,029/unit) are higher than at Westfall (\$3,413). The significant variances are in payroll and property tax. Haymon Krupp is a smaller development (96 units vs 148), making payroll less efficient on a per unit basis. Also, Haymon Krupp has a significantly different unit mix, with no one-BR units, 42 three-BR units, and 8 four-BR units. The high concentration of larger units results in higher relative income, and therefore increases the calculated property tax expense.

Applicant's pro forma assumes a 50% tax exemption. However, the Applicant's attorneys believe there is a strong case that the property will be eligible for further tax exemption (up to 100%) since the landlord is the Housing Authority. With a full tax exemption debt coverage would increase to 1.49x; the tax credit allocation would be reduced due to the additional debt capacity.

ACQUISITION INFORMATION

APPRAISED VALUE

Appraiser: Wilkinson, Pendergras & Beard, LP Date: 2/13/2014

Land as Vacant: 10.1 acres \$1,235,000 Per Unit: \$12,865

SITE CONTROL

Type: Ground Lease Acreage: 10.12
 Acquisition Cost: \$1,235,000 Contract Expiration: N/A
 Cost Per Unit: \$12,865
 Seller: Housing Authority of the City of El Paso
 Related-Party Seller/Identity of Interest: Yes

Comments:

Ground Lease: \$100 per yr for 75 yrs. The lease rate is to be \$1,235,000, to reflect the appraised value of the land. It is to be paid in a single installment at the closing of the partnership.

DEVELOPMENT COST EVALUATION

| SUMMARY- AS UNDERWRITTEN (Applicant's Costs) | | | | | |
|--|------------------------|---------------------|-------------|----------------------------|-------------|
| Acquisition | \$122,036/ac | \$12,865/unit | \$1,235,000 | Contractor Fee | \$975,959 |
| Off-site + Site Work | | \$14,716/unit | \$1,412,713 | Developer Fee | \$1,375,000 |
| Building Cost | \$59.64/sf | \$57,900/unit | \$5,558,412 | Soft Cost | \$1,059,880 |
| Contingency | 5.00% | \$3,631/unit | \$348,556 | Reserves | \$203,000 |
| Total Development Cost | \$126,755/unit | \$12,168,520 | | Rehabilitation Cost | N/A |
| Qualified for Basis Boost? | High Opportunity Index | | | | |

Building Cost:

Sixteen townhome-style 1 & 2-story buildings with some differentiating features contribute to slightly higher than typical per unit cost. Applicant's building costs are 4.7% or \$275K lower than the REA estimate, but sufficient contingency and available developer fee for deferral exists for cost overruns.

Comments:

Applicant states that fire sprinklers are not required by local building code, so the cost for sprinklers was not included in the underwriting estimate.

Credit Allocation Supported by Costs:

| Total Development Cost | Adjusted Eligible Cost | Credit Allocation Supported by Eligible Basis |
|------------------------|------------------------|---|
| \$12,168,520 | \$10,255,298 | \$803,913 |

UNDERWRITTEN CAPITALIZATION

| INTERIM SOURCES | | | | |
|------------------------------|-------------------|---------------------|----------------------|-----|
| Funding Source | Description | Amount | Rate | LTC |
| PNC | Conventional Loan | \$2,269,240 | 4.00% | 19% |
| City of El Paso | Loan | \$500,000 | 3.00% | 4% |
| PNC | Bridge Loan | \$5,349,813 | 4.00% | 45% |
| PNC | HTC | \$1,439,856 | \$0.90 | 12% |
| Housing Authority of El Paso | Grant | \$2,200,000 | | 19% |
| | | \$11,758,909 | Total Sources | |

PERMANENT SOURCES

| Debt Source | PROPOSED | | | | UNDERWRITTEN | | | | |
|------------------------------|--------------------|---------------|-------|------|--------------------|---------------|-------|------|-----|
| | Amount | Interest Rate | Amort | Term | Amount | Interest Rate | Amort | Term | LTC |
| PNC | \$2,269,240 | 6.50% | 30 | 30 | \$2,269,240 | 6.50% | 30 | 30 | 19% |
| City of El Paso | \$500,000 | 3.00% | 30 | 15 | \$500,000 | 3.00% | 30 | 15 | 4% |
| Housing Authority of El Paso | \$2,200,000 | Grant | | | \$2,200,000 | Grant | | | 18% |
| Total | \$4,969,240 | | | | \$4,969,240 | | | | |

| Equity & Deferred Fees | PROPOSED | | | UNDERWRITTEN | | | |
|------------------------|--------------------|--------|-------|---------------------|----------------------|------|-------|
| | Amount | Rate | % Def | Amount | Rate | % TC | % Def |
| PNC | \$7,199,280 | \$0.90 | | \$7,199,280 | \$0.90 | 59% | |
| Total | \$7,199,280 | | | \$7,199,280 | | | |
| | | | | \$12,168,520 | Total Sources | | |

Comments:

All else equal, any increase in the credit price would result in the allocation being limited by the need for funds; the price could fall to \$0.74 and the project would remain feasible.

CONCLUSIONS

Recommended Financing Structure:

| Gap Analysis: | |
|----------------------------|--------------|
| Total Development Cost | \$12,168,520 |
| Permanent Sources | \$4,969,240 |
| Gap in Permanent Financing | \$7,199,280 |

| Possible Tax Credit Allocations: | Equity Proceeds | Annual Credits |
|----------------------------------|-----------------|----------------|
| Determined by Eligible Basis | \$7,234,492 | \$803,913 |
| Needed to Fill Gap in Financing | \$7,199,280 | \$800,000 |
| Requested by Applicant | \$7,199,280 | \$800,000 |

| RECOMMENDATION: | | |
|------------------------|-----------------|----------------|
| | Equity Proceeds | Annual Credits |
| Tax Credit Allocation | \$7,199,280 | \$800,000 |
| Deferred Developer Fee | \$0 | |

Underwriter: Diamond Unique Thompson

Manager of Real Estate Analysis: Thomas Cavanagh

Director of Real Estate Analysis: Brent Stewart

UNIT MIX/RENT SCHEDULE
Haymon Krupp, El Paso, 9% HTC #14127

| LOCATION DATA | |
|-----------------|----------------------|
| CITY: | El Paso |
| COUNTY: | El Paso |
| PROGRAM REGION: | 13 |
| PIS Date: | On or After 2/1/2014 |
| IREM REGION: | El Paso |

| UNIT DISTRIBUTION | | | | | |
|-------------------|-----------|---------------|--------------|-----------|---------------|
| # Beds | # Units | % Total | Income | # Units | % Total |
| Eff | - | 0.0% | 30% | 8 | 8.3% |
| 1 | - | 0.0% | 40% | - | 0.0% |
| 2 | 46 | 47.9% | 50% | 15 | 15.6% |
| 3 | 42 | 43.8% | 60% | 49 | 51.0% |
| 4 | 8 | 8.3% | MR | - | 0.0% |
| TOTAL | 96 | 100.0% | TOTAL | 96 | 100.0% |

| Applicable Programs |
|------------------------|
| 9% Housing Tax Credits |
| |
| |
| |
| |
| |

| Pro Forma ASSUMPTIONS | |
|-----------------------|--------|
| Revenue Growth | 2.00% |
| Expense Growth | 3.00% |
| Basis Adjust | 130% |
| Applicable Fraction | 75% |
| APP % Acquisition | 3.42% |
| APP % Construction | 8.04% |
| Average Unit Size | 971 sf |

| | | |
|-----|----|-------|
| PHU | 24 | 25.0% |
| RAD | 72 | 75.0% |

UNIT MIX / MONTHLY RENT SCHEDULE

| HTC | | PHA & RAD | | UNIT MIX | | | | APPLICABLE PROGRAM RENT | | | APPLICANT'S PRO FORMA RENTS | | | | TDHCA PRO FORMA RENTS | | | | MARKET RENTS | | |
|-------------------------|------------|-----------|------------|-----------|--------|---------|---------------|-------------------------|---------------|----------------------|-----------------------------|---------------|-------------------|--------------------|-----------------------|---------------|---------------|--------------|--------------|---------------|---------------|
| Type | Gross Rent | Type | Gross Rent | # Units | # Beds | # Baths | NRA | Gross Rent | Utility Allow | Max Net Program Rent | Delta to Max | Rent psf | Net Rent per Unit | Total Monthly Rent | Total Monthly Rent | Rent per Unit | Rent psf | Delta to Max | Underwritten | Mrkt Analyst | |
| | | PHA | \$222 | 17 | 2 | 1 | 850 | \$100 | \$0 | \$100 | \$122 | \$0.26 | \$222 | \$3,774 | \$1,700 | \$100 | \$0.12 | \$0 | \$855 | \$1.01 | 855 |
| TC 30% | \$339 | RAD | \$523 | 4 | 2 | 1 | 850 | \$523 | \$0 | \$523 | \$0 | \$0.62 | \$523 | \$2,092 | \$2,092 | \$523 | \$0.62 | \$0 | \$855 | \$1.01 | 855 |
| TC 50% | \$565 | RAD | \$523 | 6 | 2 | 1 | 850 | \$523 | \$0 | \$523 | \$0 | \$0.62 | \$523 | \$3,138 | \$3,138 | \$523 | \$0.62 | \$0 | \$855 | \$1.01 | 855 |
| TC 60% | \$678 | RAD | \$523 | 19 | 2 | 1 | 850 | \$523 | \$0 | \$523 | \$0 | \$0.62 | \$523 | \$9,937 | \$9,937 | \$523 | \$0.62 | \$0 | \$855 | \$1.01 | 855 |
| | | PHA | \$242 | 5 | 3 | 2 | 1,050 | \$100 | \$0 | \$100 | \$142 | \$0.23 | \$242 | \$1,210 | \$500 | \$100 | \$0.10 | \$0 | \$1,030 | \$0.98 | 1030 |
| TC 30% | \$391 | RAD | \$751 | 3 | 3 | 2 | 1,050 | \$751 | \$0 | \$751 | \$0 | \$0.72 | \$751 | \$2,253 | \$2,253 | \$751 | \$0.72 | \$0 | \$1,030 | \$0.98 | 1030 |
| TC 50% | \$653 | RAD | \$751 | 7 | 3 | 2 | 1,050 | \$751 | \$0 | \$751 | \$0 | \$0.72 | \$751 | \$5,257 | \$5,257 | \$751 | \$0.72 | \$0 | \$1,030 | \$0.98 | 1030 |
| TC 60% | \$783 | RAD | \$751 | 27 | 3 | 2 | 1,050 | \$751 | \$0 | \$751 | \$0 | \$0.72 | \$751 | \$20,277 | \$20,277 | \$751 | \$0.72 | \$0 | \$1,030 | \$0.98 | 1030 |
| | | PHA | \$262 | 2 | 4 | 2 | 1,250 | \$100 | \$0 | \$100 | \$162 | \$0.21 | \$262 | \$524 | \$200 | \$100 | \$0.08 | \$0 | \$1,190 | \$0.95 | 1190 |
| TC 30% | \$437 | RAD | \$890 | 1 | 4 | 2 | 1,250 | \$890 | \$0 | \$890 | \$0 | \$0.71 | \$890 | \$890 | \$890 | \$890 | \$0.71 | \$0 | \$1,190 | \$0.95 | 1190 |
| TC 50% | \$728 | RAD | \$890 | 2 | 4 | 2 | 1,250 | \$890 | \$0 | \$890 | \$0 | \$0.71 | \$890 | \$1,780 | \$1,780 | \$890 | \$0.71 | \$0 | \$1,190 | \$0.95 | 1190 |
| TC 60% | \$874 | RAD | \$890 | 3 | 4 | 2 | 1,250 | \$890 | \$0 | \$890 | \$0 | \$0.71 | \$890 | \$2,670 | \$2,670 | \$890 | \$0.71 | \$0 | \$1,190 | \$0.95 | 1190 |
| TOTALS/AVERAGES: | | | | 96 | | | 93,200 | | | | \$32 | \$0.58 | \$560 | \$53,802 | \$50,694 | \$528 | \$0.54 | \$0 | \$959 | \$0.99 | \$0.99 |

| | | |
|-------------------------------------|------------------|------------------|
| ANNUAL POTENTIAL GROSS RENT: | \$645,624 | \$608,328 |
|-------------------------------------|------------------|------------------|

STABILIZED PRO FORMA

Haymon Krupp, El Paso, 9% HTC #14127

| STABILIZED FIRST YEAR PRO FORMA | | | | | | | | | | | | | |
|--|-------------|--------------|--------------|--------|----------|--------------|------------|-----------|--------------|--------|----------|-------------|----------|
| | COMPARABLES | | APPLICANT | | | | TDHCA | | | | VARIANCE | | |
| | Database | El Paso | % EGI | Per SF | Per Unit | Amount | Amount | Per Unit | Per SF | % EGI | % | \$ | |
| POTENTIAL GROSS RENT | | | | \$0.58 | \$560 | \$645,624 | \$608,328 | \$528 | \$0.54 | | 6.1% | \$37,296 | |
| late, application, pet fees, retained sec. dep | | | | | \$20.00 | \$23,040 | | | | | | | |
| Total Secondary Income | | | | | \$20.00 | | \$23,040 | \$20.00 | | | 0.0% | \$0 | |
| POTENTIAL GROSS INCOME | | \$ - | | | | \$668,664 | \$631,368 | | | | 5.9% | \$37,296 | |
| Vacancy & Collection Loss | | | | | 7.5% PGI | (50,150) | (47,353) | 7.5% PGI | | | 5.9% | (2,797) | |
| PHU Subsidy | | | | | | - | \$67,898 | | | | -100.0% | (67,898) | |
| EFFECTIVE GROSS INCOME | | \$ - | | | \$6,443 | \$618,514 | \$651,913 | \$6,791 | | | -5.1% | (\$33,399) | |
| General & Administrative | \$31,407 | \$327/Unit | 36,196 | 5.38% | \$0.36 | \$347 | \$33,300 | \$31,407 | \$327 | \$0.34 | 4.82% | 6.0% | 1,893 |
| Management | \$37,990 | 5.7% EGI | 27,393 | 5.00% | \$0.33 | \$322 | \$30,926 | \$32,596 | \$340 | \$0.35 | 5.00% | -5.1% | (1,670) |
| Payroll & Payroll Tax | \$115,203 | \$1,200/Unit | 87,470 | 19.67% | \$1.31 | \$1,267 | \$121,672 | \$121,672 | \$1,267 | \$1.31 | 18.66% | 0.0% | - |
| Repairs & Maintenance | \$34,026 | \$354/Unit | 30,643 | 9.13% | \$0.61 | \$589 | \$56,500 | \$52,800 | \$550 | \$0.57 | 8.10% | 7.0% | 3,700 |
| Electric/Gas | \$31,213 | \$325/Unit | 19,158 | 3.36% | \$0.22 | \$217 | \$20,800 | \$19,158 | \$200 | \$0.21 | 2.94% | 8.6% | 1,642 |
| Water, Sewer, & Trash | \$35,383 | \$369/Unit | 39,893 | 8.07% | \$0.54 | \$520 | \$49,900 | \$39,893 | \$416 | \$0.43 | 6.12% | 25.1% | 10,007 |
| Property Insurance | \$21,135 | \$0.23 /sf | 15,713 | 3.32% | \$0.22 | \$214 | \$20,504 | \$21,135 | \$220 | \$0.23 | 3.24% | -3.0% | (631) |
| Property Tax 2.8103 | \$52,344 | \$545/Unit | 55,216 | 3.68% | \$0.24 | \$237 | \$22,750 | \$37,250 | \$388 | \$0.40 | 5.71% | -38.9% | (14,500) |
| Reserve for Replacements | \$24,632 | \$257/Unit | 15,003 | 3.88% | \$0.26 | \$250 | \$24,000 | \$24,000 | \$250 | \$0.26 | 3.68% | 0.0% | - |
| Supportive services | | | 2,304 | 0.00% | \$0.00 | \$0 | \$0 | \$0 | \$0 | \$0.00 | 0.00% | 0.0% | - |
| TDHCA Compliance fees | | | - | 0.47% | \$0.03 | \$30 | \$2,920 | \$2,880 | \$30 | \$0.03 | 0.44% | 1.4% | 40 |
| Security | | | 2,395 | 0.65% | \$0.04 | \$42 | \$4,000 | \$4,000 | \$42 | \$0.04 | 0.61% | 0.0% | - |
| TOTAL EXPENSES | | \$ 331,385 | 62.61% | \$4.16 | \$4,034 | \$ 387,272 | \$ 386,791 | \$4,029 | \$4.15 | 59.33% | 0.1% | \$ 481 | |
| NET OPERATING INCOME ("NOI") | | | 37.39% | \$2.48 | \$2,409 | \$231,242 | \$265,122 | \$2,762 | \$2.84 | 40.67% | -12.8% | \$ (33,880) | |
| CONTROLLABLE EXPENSES | | \$2,575/Unit | \$2,223/Unit | | | \$2,939/Unit | | | \$2,760/Unit | | | | |

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS
Haymon Krupp, El Paso, 9% HTC #14127

| DEBT / GRANT SOURCES | | | | | | | | | | | | | | | |
|---|-----|----------------|------|------------------|-----------------------------------|-------|------|--------------------------------------|--------------------|---------------------------|-------|-------|------------------|--------------|-------|
| APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE | | | | | | | | AS UNDERWRITTEN DEBT/GRANT STRUCTURE | | | | | | | |
| DEBT (Must Pay) | MIP | Cumulative DCR | | Pmt | Rate | Amort | Term | Principal | Principal | Term | Amort | Rate | Pmt | Cumulative | |
| | | UW | App | | | | | | | | | | | DCR | LTC |
| PNC | | 1.54 | 1.34 | 172,118 | 6.50% | 30 | 30 | \$2,269,240 | 2,269,240 | 30 | 30 | 6.50% | 172,118 | 1.54 | 18.6% |
| City of El Paso | | 1.34 | 1.17 | 25,296 | 3.00% | 30 | 15 | \$500,000 | \$500,000 | 15 | 30 | 3.00% | 25,296 | 1.34 | 4.1% |
| CASH FLOW DEBT/GRANTS | | | | | | | | | | | | | | | |
| Housing Authority of El Paso | | 1.34 | 1.17 | | 0.00% | 0 | 0 | \$2,200,000 | \$2,200,000 | 0 | 0 | 0.00% | | 1.34 | 18.1% |
| | | | | \$197,414 | TOTAL DEBT / GRANT SOURCES | | | \$4,969,240 | \$4,969,240 | TOTAL DEBT SERVICE | | | \$197,414 | 40.8% | |

| | | | | | | | | | |
|----------------------|----------|----------|-----------------------------|--|--|--|-----------|----------|----------------------|
| NET CASH FLOW | \$67,708 | \$33,828 | NET OPERATING INCOME | | | | \$265,122 | \$67,708 | NET CASH FLOW |
|----------------------|----------|----------|-----------------------------|--|--|--|-----------|----------|----------------------|

| EQUITY SOURCES | | | | | | | | | | | | |
|---------------------------------------|-------------------------|--------|---------------|--------------|-------------|----------------------------------|---------------|---------------|--------|---|--|--------------------|
| APPLICANT'S PROPOSED EQUITY STRUCTURE | | | | | | AS UNDERWRITTEN EQUITY STRUCTURE | | | | | | |
| FEES | DESCRIPTION | % Cost | Annual Credit | Credit Price | Amount | Amount | Credit Price | Annual Credit | % Cost | Annual Credits per Unit | | |
| PNC | LIHTC Equity | 59.2% | \$800,000 | 0.90 | \$7,199,280 | \$7,199,280 | \$0.8999 | \$800,000 | 59.2% | \$74,993 | | |
| Deferred Developer Fee | Deferred Developer Fees | 0.0% | (0% Deferred) | | \$0 | | (0% Deferred) | | 0.0% | Total Developer Fee: \$1,375,000 | | |
| Additional (Excess) Funds Req'd | | 0.0% | | | \$0 | \$0 | | | 0.0% | | | |
| TOTAL EQUITY SOURCES | | 59.2% | | | \$7,199,280 | \$7,199,280 | | | 59.2% | 15-Year Cash Flow: | | \$1,272,470 |

| | | | | | | | | | |
|-----------------------------|--|--|---------------------|---------------------|--|--|--|--|--------------------|
| TOTAL CAPITALIZATION | | | \$12,168,520 | \$12,168,520 | | | 15-Year Cash Flow after Deferred Fee: | | \$1,272,470 |
|-----------------------------|--|--|---------------------|---------------------|--|--|--|--|--------------------|

| DEVELOPMENT COST / ITEMIZED BASIS | | | | | | | | | | | | |
|---|----------------|------------------|---------------------|------------------|---------------------|--------------------------|------------------|---------------------|-------------|--------------|--------------------|----|
| APPLICANT COST / BASIS ITEMS | | | | | | TDHCA COST / BASIS ITEMS | | | | | COST VARIANCE | |
| | Eligible Basis | | Total Costs | | | Eligible Basis | | Total Costs | | | % | \$ |
| | Acquisition | New Const. Rehab | | | | New Const. Rehab | Acquisition | | | | | |
| Land Acquisition | | | \$12,865 / Unit | \$1,235,000 | \$1,235,000 | \$12,865 / Unit | | | | 0.0% | \$0 | |
| Building Acquisition | \$0 | | \$ / Unit | \$0 | \$0 | \$ / Unit | | \$0 | | 0.0% | \$0 | |
| Off-Sites | | | \$ / Unit | \$0 | \$0 | \$ / Unit | | | | 0.0% | \$0 | |
| Site Work | | \$638,921 | \$9,364 / Unit | \$898,963 | \$898,963 | \$9,364 / Unit | \$638,921 | | | 0.0% | \$0 | |
| Site Amenities | | \$513,750 | \$5,352 / Unit | \$513,750 | \$513,750 | \$5,352 / Unit | \$513,750 | | | 0.0% | \$0 | |
| Building Costs | | \$5,558,412 | \$59.64 /sf | \$57,900/Unit | \$5,558,412 | \$5,833,293 | \$60,763/Unit | \$62.59 /sf | \$5,833,293 | -4.7% | (\$274,881) | |
| Contingency | | \$348,556 | 5.19% | 5.00% | \$348,556 | \$348,556 | 4.81% | 4.99% | \$348,556 | 0.0% | \$0 | |
| Contractor's Fees | | \$975,959 | 13.82% | 13.33% | \$975,959 | \$975,959 | 12.85% | 13.31% | \$975,959 | 0.0% | \$0 | |
| Soft Costs | 0 | \$514,700 | \$6,507 / Unit | \$624,700 | \$624,700 | \$6,507 / Unit | \$514,700 | \$0 | \$0 | 0.0% | \$0 | |
| Developer's Fees | \$0 | \$1,335,000 | 14.97% | 14.98% | \$1,375,000 | \$1,375,000 | 14.54% | 14.52% | \$1,335,000 | \$0 | \$0 | |
| Financing | 0 | \$370,000 | \$4,533 / Unit | \$435,180 | \$435,180 | \$4,533 / Unit | \$370,000 | \$0 | \$0 | 0.0% | \$0 | |
| Reserves | | | \$2,115 / Unit | \$203,000 | \$203,000 | \$2,115 / Unit | | | | 0.0% | \$0 | |
| UNADJUSTED BASIS / COST | | \$0 | \$10,255,298 | \$126,755 / Unit | \$12,168,520 | \$12,443,401 | \$129,619 / Unit | \$10,530,179 | \$0 | -2.2% | (\$274,881) | |
| Acquisition Cost | \$0 | | | \$0 | | | | | | | | |
| Contingency | | \$0 | | | | | | | | | | |
| Contractor's Fee | | \$0 | | | | | | | | | | |
| Interim Interest | | \$0 | | | | | | | | | | |
| Developer's Fee | \$0 | \$0 | | \$0 | | | | | | | | |
| Reserves | | | | \$0 | | | | | | | | |
| ADJUSTED BASIS / COST | | \$0 | \$10,255,298 | \$126,755/unit | \$12,168,520 | \$12,443,401 | \$129,619/unit | \$10,530,179 | \$0 | -2.2% | (\$274,881) | |
| TOTAL UNDERWRITTEN COSTS (Applicant's Uses are within 5% of TDHCA Estimate): | | | | | \$12,168,520 | | | | | | | |

CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS

Haymon Krupp, El Paso, 9% HTC #14127

| | CREDIT CALCULATION ON QUALIFIED BASIS | | | |
|------------------------------|---------------------------------------|-----------------------------|-------------|-----------------------------|
| | Applicant | | TDHCA | |
| | Acquisition | Construction Rehabilitation | Acquisition | Construction Rehabilitation |
| ADJUSTED BASIS | \$0 | \$10,255,298 | \$0 | \$10,530,179 |
| Deduction of Federal Gra | \$0 | \$0 | \$0 | \$0 |
| TOTAL ELIGIBLE BASIS | \$0 | \$10,255,298 | \$0 | \$10,530,179 |
| High Cost Area Adjustme | | 130% | | 130% |
| TOTAL ADJUSTED BASIS | \$0 | \$13,331,888 | \$0 | \$13,689,233 |
| Applicable Fraction | 75.00% | 75.00% | 75.00% | 75.00% |
| TOTAL QUALIFIED BASIS | \$0 | \$9,998,916 | \$0 | \$10,266,925 |
| Applicable Percentage | 0.00% | 8.04% | 3.42% | 8.04% |
| ANNUAL CREDIT ON BAS | \$0 | \$803,913 | \$0 | \$825,461 |
| CREDITS ON QUALIFIED | \$803,913 | | \$825,461 | |

| BUILDING COST ESTIMATE | | | | |
|------------------------------------|----------|---------------|--------------|--------------------|
| CATEGORY | FACTOR | UNITS/SF | PER SF | AMOUNT |
| Base Cost: | Townhome | 93,200 SF | \$64.37 | 5,999,530 |
| Adjustments | | | | |
| Exterior Wall Finish | 0.00% | | 0.00 | \$0 |
| | 0.00% | | 0.00 | 0 |
| 9 ft. ceilings | 3.00% | | 1.93 | 179,986 |
| Roofing | | | (0.25) | (23,300) |
| Subfloor | | | (0.78) | (72,230) |
| Floor Cover | | | 6.20 | 578,026 |
| Breezeways | \$0.00 | 0 | 0.00 | 0 |
| Balconies | \$23.10 | 7,611 | 1.89 | 175,819 |
| Plumbing Fixtures | \$1,125 | 54 | 0.65 | 60,750 |
| Rough-ins | \$495 | 96 | 0.51 | 47,520 |
| Built-In Appliances | \$2,325 | 96 | 2.39 | 223,200 |
| Exterior Stairs | \$2,125 | 0 | 0.00 | 0 |
| Heating/Cooling | | | 2.06 | 191,992 |
| Enclosed Corridors | \$48.16 | 0 | 0.00 | 0 |
| Carports | \$11.30 | 19,200 | 2.33 | 216,960 |
| Garages | | 0 | 0.00 | 0 |
| Comm &/or Aux Bldgs | \$88.30 | 1,915 | 1.81 | 169,101 |
| Elevators | | 0 | 0.00 | 0 |
| Other: | | | 0.00 | 0 |
| Fire Sprinklers | \$0.00 | 95,115 | 0.00 | 0 |
| SUBTOTAL | | | 83.13 | 7,747,354 |
| Current Cost Multiplier | 1.02 | | 1.66 | 154,947 |
| Local Multiplier | 0.87 | | (10.81) | (1,007,156) |
| TOTAL BUILDING COSTS | | | 73.98 | \$6,895,145 |
| Plans, specs, survey, bldg permits | 3.90% | | (2.89) | (\$268,911) |
| Contractor's OH & Profit | 11.50% | | (8.51) | (792,942) |
| NET BUILDING COSTS | | \$60,763/unit | \$62.59/sf | \$5,833,293 |

| CALCULATION BASED ON APPLICANT BASIS | | |
|--------------------------------------|----------------|-------------|
| Method | Annual Credits | Proceeds |
| Eligible Basis | \$803,913 | \$7,234,492 |
| Gap | \$800,000 | \$7,199,280 |
| Applicant Request 18.04 | \$800,000 | \$7,199,280 |

| LIHTC ALLOCATION | | Variance to Request |
|------------------------------|--------------------|---------------------|
| Method | Applicant Request | |
| Credits | \$800,000 | \$0 |
| Total Equity Proceeds | | |
| | \$7,199,280 | \$0 |

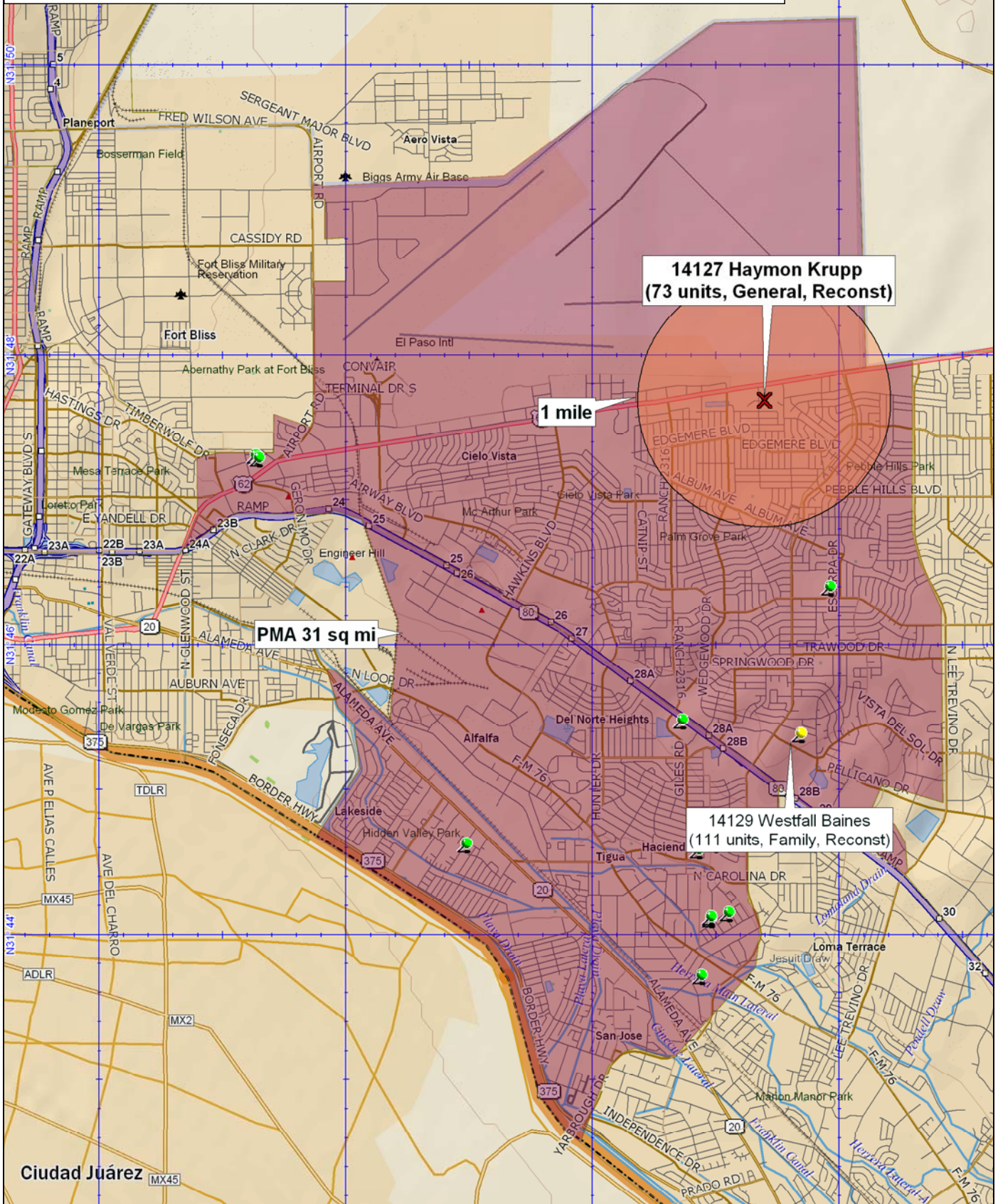
| | Development Cost/SF | |
|------------------------------|---------------------|--------------|
| | Application | Underwritten |
| Acquisition & Hard Costs | 89.01 | 105.21 |
| Hard Costs | 89.01 | 91.96 |
| Building Costs | 59.64 | 62.59 |
| Total Points Claimed: | 0 | |

30-Year Long-Term Pro Forma

Haymon Krupp, El Paso, 9% HTC #14127

| | Growth F | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 | Year 20 | Year 25 | Year 30 |
|-------------------------------------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|-------------|-------------|-------------|
| EFFECTIVE GROSS INCOME | 2.00% | \$651,913 | \$665,848 | \$680,089 | \$694,642 | \$709,514 | \$788,932 | \$877,502 | \$976,319 | \$1,086,613 | \$1,209,770 |
| TOTAL EXPENSES | 3.00% | \$386,791 | \$398,113 | \$409,770 | \$421,771 | \$434,126 | \$501,591 | \$579,627 | \$669,899 | \$774,337 | \$895,173 |
| NET OPERATING INCOME ("NOI") | | \$265,122 | \$267,735 | \$270,318 | \$272,871 | \$275,389 | \$287,341 | \$297,875 | \$306,419 | \$312,277 | \$314,597 |
| MUST -PAY DEBT SERVICE | | | | | | | | | | | |
| PNC | | \$172,118 | \$172,118 | \$172,118 | \$172,118 | \$172,118 | \$172,118 | \$172,118 | \$172,118 | \$172,118 | \$172,118 |
| City of El Paso | | \$25,296 | \$25,296 | \$25,296 | \$25,296 | \$25,296 | \$25,296 | \$25,296 | \$25,296 | \$25,296 | \$25,296 |
| TOTAL DEBT SERVICE | | \$197,414 | \$197,414 | \$197,414 | \$197,414 | \$197,414 | \$197,414 | \$197,414 | \$197,414 | \$197,414 | \$197,414 |
| NET CASH FLOW | | \$67,708 | \$70,321 | \$72,905 | \$75,457 | \$77,975 | \$89,927 | \$100,461 | \$109,006 | \$114,863 | \$117,183 |
| CUMULATIVE NET CASH FLOW | | \$67,708 | \$138,029 | \$210,934 | \$286,391 | \$364,365 | \$790,562 | \$1,272,470 | \$1,801,333 | \$2,365,165 | \$2,948,045 |
| DEBT COVERAGE RATIO | | 1.34 | 1.36 | 1.37 | 1.38 | 1.39 | 1.46 | 1.51 | 1.55 | 1.58 | 1.59 |
| EXPENSE/INCOME RATIO | | 59.3% | 59.8% | 60.3% | 60.7% | 61.2% | 63.6% | 66.1% | 68.6% | 71.3% | 74.0% |
| Deferred Developer Fee Balance | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Residual Cash Flow | | 67,708 | 70,321 | 72,905 | 75,457 | 77,975 | 89,927 | 100,461 | 109,006 | 114,863 | 117,183 |

14127 Haymon Krupp PMA Map



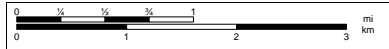
**14127 Haymon Krupp
(73 units, General, Reconst)**

1 mile

PMA 31 sq mi

**14129 Westfall Baines
(111 units, Family, Reconst)**

Scale 1 : 68,750



Data use subject to license.

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14127 Haymon Krupp



1" = 1.09 mi

Data Zoom 11-5
printed: 7/23/14

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
OCTOBER 15, 2015

Presentation, Discussion, and Possible Action regarding a material amendment to the Housing Tax Credit (“HTC”) application for Tays (#14130)

RECOMMENDED ACTION

WHEREAS, Tays received an award of 9% Housing Tax Credits in 2014 to demolish and re-construct 198 multifamily units in El Paso;

WHEREAS, the Development Owner is now requesting material alterations to the Development’s site plan and architectural design and changes in development costs and financing;

WHEREAS, Board approval is required for any change that would materially alter a Development and shall re-evaluate a Development that undergoes a substantial change as directed in Texas Government Code §2306.6712 and 10 TAC §10.405(a) and the Owner has complied with the amendment requirements therein;

WHEREAS, the Development Owner indicates that the development costs have increased by \$7.2M or 37%, the first lien debt has increased by \$5.7M or over 200%, and related party loans from the Housing Authority of the City of El Paso to support the transaction have increased by \$152K or 10%; and

WHEREAS, the changes do not impact scoring items in the tax credit application; however, concerns exist regarding the delayed timing of construction and the ultimate ability to place all units in service by December 31, 2016, as required;

NOW, therefore, it is hereby

RESOLVED, that the requested application amendment is granted subject to meeting the deadline of loan closing by December 1, 2015, completion of tenant relocation by January 15, 2016, and submission of a waiver request by the Development Owner no later than October 1, 2016, of the Department’s requirement that all Units be placed in service by December 31, 2016 as long as the federal requirement for placement in service is still met and the Executive Director

and his designees are each authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

Tays was approved during the 2014 competitive 9% Housing Tax Credit cycle under the At Risk set aside. Originally a public housing development of 359 units that was constructed in 1941, its application proposed the re-development of only a portion of the original Tays development (5.55 acres), which would include demolition of 81 existing units on the 5.55 acre tract and new construction of 198 units (which was considered one for one replacement at the time of application due to a second phase demolition of 117 units on another portion of the site, outside of the 5.55 acres contemplated in the 9% application). The applicant received its award under the At Risk set aside based on its status as a Development proposing to rehabilitate or reconstruct housing units that are owned by a public housing authority and receive assistance under Section 9, United States Housing Act of 1937, as allowed under §2306.6702 of Texas Government Code. The Development Owner originally proposed that 75% of units would be financed with HTC and HUD Rental Assistance Demonstration (“RAD”) program funds and that 25% of units would remain supported by a public housing operating subsidy. On August 18, 2015, the Owner, Tays, LP (Housing Authority of the City of El Paso), through their Consultants (Janna Cormier and Sarah Anderson), submitted a material amendment request for several substantial, material changes to the original application based on changed circumstances. One of the changes involved the source of operating income as a result of HUD’s denial of its application for the RAD conversion program. The Development Owner has further advised the Department that in reliance on incorrect professional architectural advice from a non-affiliate applicant consultant, it applied for tax credits and the application reflected an application site plan which it has now determined must be significantly reconfigured in order to meet local requirements. This was corrected and a new proposed site plan has been developed using a new architect. The changes, including reducing the number of buildings from seven to four, are sufficiently extensive to constitute material amendment under Tex. Gov’t Code §2306.6712. Accordingly, the Development Owner has made request for a material amendment which requires approval by the Texas Department of Housing and Community Affairs’ (“TDHCA”) Governing Board (“Board”). A copy of the request is attached hereto and incorporated herein by reference for all purposes.

Because the Development Owner acted in reliance on a non-affiliated professional third party, they have indicated that the necessary changes were not reasonably foreseeable or preventable. Staff has confirmed that the changes would not result in a change to the application’s competitive score. The application will presumably remain financially feasible if only because it will occur under the umbrella of the Housing Authority of the City of El Paso (“HACEP”), and HACEP has the financial resources to ensure that as long as the Development Owner retains the tax credit award the development can be accomplished. The Development Owner contends that the changes would not alter the development in a negative manner. From the perspective of developing the number of units originally proposed, requested amendment meets the statutory criteria for approval.

However, the staff has identified other significant concerns that it believes require disclosure to and consideration by the Board. The development must be placed in service by December 31, 2016, in order to claim its tax credits. If this were simply construction of 198 new units this would be less of a concern, but this Application entails relocating households from existing units, carrying out demolition and abatement, and then constructing the units under significantly changed plans. The

Development Owner provided a timeline (attached) that reflects anticipated temporary certificates of occupancy (“TCO”) by December 30, 2016; however, the notes included in the timeline reflect only up to 108 units receiving TCOs, and there are 198 total units in this development. The timeline further reflects several key dates including executed construction contract, approval from HUD of disposition and demolition and resident relocation, all of which appear now to be at least 30 days behind this schedule. Real Estate Analysis staff has requested a copy of the construction contract but, to date, has not been provided with this requested information. While the contract for construction has not been finalized at this juncture, we understand that intense efforts are underway to finalize this.

The timeline reflects and the Owner has confirmed that at least one unit in each of the tax credit buildings (three of the four buildings) will be placed in service by the December 31, 2016 statutory deadline. There are differences between Internal Revenue Service (“IRS”) placement in service requirements, which can be met with a single unit in service, and the Department’s carryover requirements, which require all units. While presumably the IRS requirement can be met, how the Development Owner will meet the Department’s requirements is less clear. The Development Owner’s own timeline is already showing that they are behind their most recent schedule indicating heightened concern over timely completion. The owner has agreed that should a request be necessary in the future to waive the Department’s requirement in favor of the federal requirement that such a request shall be made by October 1, 2016.

Additional changes submitted included material alterations to the Development’s site plan and architectural design, immaterial changes in acreage, and changes in development costs and financing. The Owner’s General Partner, Paisano Tays GP, LLC, has as its sole member the Paisano Housing Redevelopment Corporation, an instrumentality of the Housing Authority of the City of El Paso. Carleton Development, Ltd., recently, through an amendment approved administratively in May 2015, entered as a 36% Co-Developer to assist Paisano Housing Redevelopment Corporation with this Development at the request of the syndicator, who has changed to Hunt Capital Partners (which has now become Alden Torch Financial Services), with Carelton coming in as the guarantor.

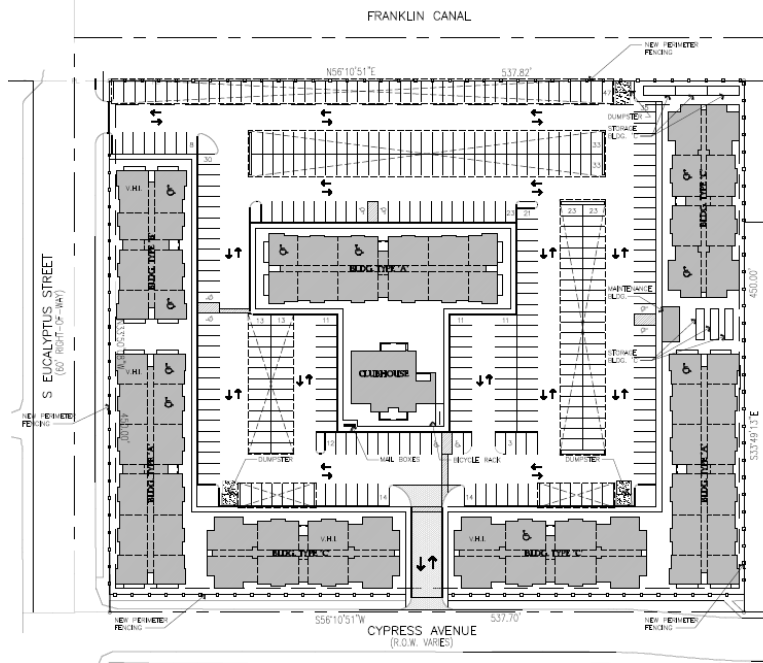
Site Plan and Architectural Design Changes

The letter submitted by the Development Owner addressed several site plan and architectural design changes that were described as necessary in order to meet the 40% open space requirements of the City of El Paso’s zoning ordinances and to allow for City detention requirements that the site retain 100% of the “design rainfall.” According to the owner, to meet these requirements, the development team reduced and modified the shape of the building footprints, decreased the number of buildings (from 7 to 4), and reduced the amount of paved surface areas.

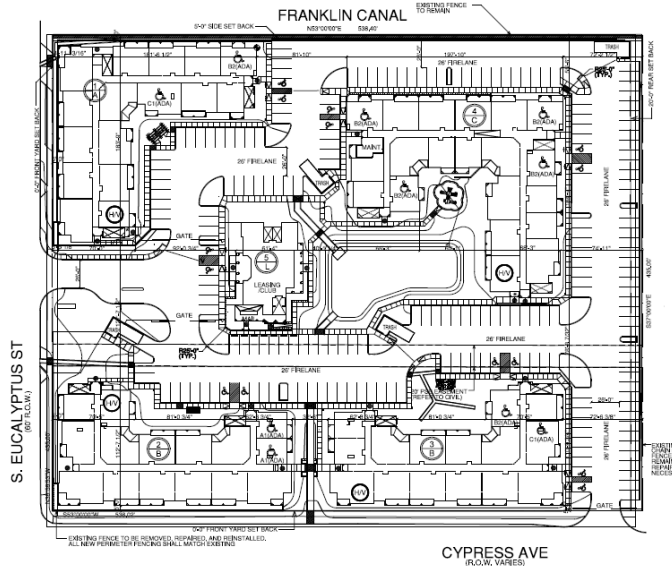
Revised architectural plans were also submitted, proposing increases in unit square footages, and secondary unit plans for each bedroom type (1 bedrooms changed from 650 square feet to two designs, one at 651 and one at 665 square feet, 2 bedrooms changed from 850 square feet to two designs, one at 852 and one at 988 square feet, 3 bedrooms changed from 1,050 square feet to two designs, one at 1,064 and one at 1,073 square feet) and changing the number of building stories from 3 to 2. No changes in the total number of units, set asides, or unit mix were made (with the exception of the 148 RAD and HTC designated units being changed to 148 Section 8 and HTC supported units). Both the revised site plan and architectural designs resulted in significant modifications, which are considered material under 10 TAC §10.405(a)(4)(A) and 10 TAC §10.405(a)(4)(E).

The Owner also decided to eliminate the 199 carports planned at Application, slightly increased the planned community building (from 3,180 to 3,407 square feet), and decreased the maintenance building (from 450 to 389 square feet). The changes in the community and maintenance buildings resulted in an overall increase in common area of 166 square feet, which is considered immaterial.

Site Plan at Application



Site Plan at Amendment



Changes in Acreage

The Owner's revised site plan included a revised acreage amount of 5.376 acres, which showed a discrepancy from the 5.555 acres reflected on the original site plan submitted at the time of Application. The Owner submitted a survey dated March 15, 2015 showing the revised acreage. According to the Owner, the discrepancy is due to a widened Right of Way (ROW) that the Owner believes occurred sometime after the 1939 site survey (indicating a 60' ROW for Eucalyptus Street) was produced. Based on the new ALTA survey, a 82.97' ROW exists for Eucalyptus Street, which the Owner stated seems to suggest that the ROW was widened by taking acreage from the Tays site at some point after the original 1939 site survey was completed. The change results in a reduction of 3.22%, which is considered nominal and does not, by itself, require Board approval.

Changes in Development Costs and Financing

As directed by Texas Government Code §2306.6712(b), Department staff assigned to underwrite applications were required to evaluate the amendment requested and provide an analysis. The Owner submitted significantly revised development costs and financing information at the time of the amendment, including changes in planned subsidy, cost estimates for planned work, changes in the financing parties and loan terms, and changes in the syndicator and syndication rates.

According to the Owner, the Housing Authority's RAD conversion application has been denied on the basis that the Housing Authority was seeking to maintain the Public Housing Authority subsidy for 25% of the Development's units, which it was required to do under its tax credit reservation for the At Risk Set Aside. The Owner's letter states that the notification of the rejection was done by HUD via phone call and that the Owner is currently waiting for the demolition/disposition letter for the changes to the PHA units. The letter submitted with the original application was a HUD letter approving a Portfolio Award under the RAD dated December 16, 2013, and required the Public Housing Authority to submit acceptable RAD Applications for the referenced projects within 365 days. A Commitment to enter into a Housing Assistance Payment (CHAP) was not provided at the time of application. The Owner has proposed that the RAD subsidy will be replaced by Section 8 subsidy that the Housing Authority will convert to project based subsidy from its Housing Choice Voucher allotment. This has not yet been verified as approved by HUD in a demolition/disposition letter; however, according to the Development Owner such approval is imminent. Further delays in receiving this letter could further negatively impact the already tight development timeline.

The additional changes in development costs and financing have been re-evaluated by the Department's Real Estate Analysis Division and while they have been found to fit within the Department's underwriting box for financial feasibility, a confluence of concerns exists particularly with the magnitude of the changes proposed and the timelines provided to call into question the ultimate viability of the Development.

Staff Concerns – Construction Delays & Placed In Service Deadlines

Because the Owner requested an extension to the 10% Test in July, staff requested an update from the Owner regarding its status of review with the State Historical Preservation Office, which during the environmental clearance process discovered an interest in the site due to its construction date and history. These delays have also delayed HUD's approvals and the Owner's ability to purchase materials and commence construction, which have subsequently delayed the Owner's 10% Test and closing date. At the time the request for an extension to the 10% Test was submitted (on June 30, 2015), the Owner stated that approvals were expected and that construction was scheduled to begin

in September 2015. However, a timeline for environmental review, tenant relocation, demolition, and construction was provided showing a construction start date of January 12, 2016.

The timeline submitted shows a projected HUD Environmental Clearance and Approval of Demolition and Disposition date of October 1, 2015, after which tenant notifications will be prepared and sent, which will begin a HUD required 90 day tenant notice period. After the 90 day notice period concludes, tenant relocation, according to the timeline, will occur between January 5, 2016 and January 11, 2016; a comment was provided in the timeline stating that January 5, 2016 represents the earliest possible move date for the tenants and that the timing is under discussion. However, the Owner's consultant recently amended the deadline by which tenant relocation would be completed to January 15, 2016. The construction start date is shown in the timeline to begin on the day following the projected completion of the tenant relocation, January 12, 2016, and shows a projected overall construction completion date of January 6, 2017. Tax credit unit delivery is shown on the timeline as occurring in a staggered formation between the four buildings to be constructed, the first of which is projected to be placed in service by September 30, 2016, and the last of which is projected to be placed in service by December 28, 2016; however, this schedule does not encompass delivery of all 198 units. Temporary Certificates of Occupancy are shown as projected for receipt by December 30, 2016, leaving the Development no room for delays of any kind on any of its projected completion dates. The Owner also indicated that all of the tax credit units would be housed in three of the four buildings and, therefore, for IRS deadline purposes only three of the four buildings consisting of 150 units would have to meet the December 31, 2016 deadline. Staff believes the timeline submitted by the Owner demonstrates an area of concern for the Placed in Service deadline for the Development, as the Development is required by its Carryover Allocation Agreement to place all units and all buildings in service by no later than December 31, 2016. While the IRS requires only one unit to be completed and certified by the local authority or registered architect as ready for occupancy to place each newly constructed building "in service", TDHCA will require the Owner to request a waiver for good cause in the event that all units are not certified as ready for occupancy in each building. The Owner has not requested an amendment to the Carryover Allocation Agreement at this time; however, has agreed that if such a request is necessary it will be done by October 2016.

Staff recommends approval of the amendment request subject to meeting the Owner's updated best case timelines. Specifically, December 1, 2015 as the deadline for loan closing and January 15, 2016 as the deadline for completion of tenant relocation, and October 1, 2016 as the deadline to request a waiver of the Department's "all units" placed in service requirement, if necessary.

BOARD ACTION REQUEST

ASSET MANAGEMENT

OCTOBER 15, 2015

Presentation, Discussion, and Possible Action to approve a material amendment to the Housing Tax Credit (“HTC”) Application for Masters Ranch Apartments (13417)

RECOMMENDED ACTION

WHEREAS, Masters Ranch Apartments received an award of 4% Housing Tax Credits in 2013 to construct 252 new multifamily units in San Antonio;

WHEREAS, the HTC application for the Development proposed that 100% of the units would be income restricted to 60% of the area median income level;

WHEREAS, the Applicant is now requesting approval to be released from the commitment to restrict 100% of the units to serve low income tenants as approved by this Board and convert 15 units to market rate;

WHEREAS, Board approval is required for any other modification to a Development considered significant by the Board as directed in §2306.6712 and 10 TAC §10.405(a)(4)(I); and

WHEREAS, 10 TAC §10.405(a)(7)(A) requires that any affirmative recommendation to the Board for a change such as that requested by the Development Owner is contingent upon concurrence from Department staff that the Unit adjustment is necessary for the continued feasibility of the Development;

NOW, therefore, it is hereby

RESOLVED, that the requested material application amendment for Masters Ranch Apartments is denied as presented to this meeting and the Executive Director and his designees are hereby, authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

Masters Ranch Apartments was submitted in 2013 and proposed the construction of 252 new multifamily units in San Antonio. The 4% HTC Application proposed all 252 units would serve income qualified tenants at or below 60% of the area median income level and was underwritten and determined by TDHCA staff to be feasible as proposed in the Application. The Board approved the Application and the Department issued a 2013 Determination Notice approving an annual allocation of 4% housing tax credits in the amount of \$808,526. The Determination Notice reflects that it is subject to the Development Owner’s full compliance with the Department’s rules and terms of the Application, including the implementation of all representations and covenants made by the Development Owner, whether express or implied, and specifically all pledges made regarding the construction and operation of the Development.

In a letter dated March 10, 2015, the Development Owner (City of San Antonio) through its Developer (Mike Hogan) notified the Department of a modification to the Application that was made subsequent to the Board's approval and in response to a local council woman's request. Specifically, the letter states that in order to secure neighborhood support, the City of San Antonio councilwoman from District 3 required that 15 units be converted from low income units to market rate units. In August 2014 staff was initially made aware of a proposed change based on a phone call received from the local HUD office. Staff contacted the Development Owner regarding the proposed change and indicated that should the transaction close with the inclusion of market rate units, the Department could not opine on whether the Determination Notice that was issued was a valid Notice on which to close and that such assurance would need to come from the other financing parties, specifically the investor and their counsel. In February 2015 when closing was imminent, at the request of the Development Owner's counsel, staff confirmed that while the Determination Notice does not specify the number of low income units at the property, staff had been made aware of discussions that may involve a change to the number of low income units. Staff further advised that should the number of low income units be reduced from what was represented in the Application, in order for the Department to issue Forms 8609, an amendment would need to be approved by the Board.

Pursuant to 10 TAC §10.405(a)(7)(A), amendments involving the reduction in the total number of low income units must be accompanied by evidence to support the amendment. Additionally, written confirmation from the lender and the syndicator that the Development is infeasible without the adjustment in Units must be provided to the Department. To date no such evidence or confirmation has been presented to the Department. The Development Owner explained in further conversations with staff that the feasibility of the property lies solely on local initiatives to provide mixed income affordable housing. The Development Owner provided revised financial application exhibits with the amendment letter as a result of the change in unit mix. Real Estate Analysis re-evaluated the transaction and concluded that conversion of 15 units from low income to market rate provides a minimal amount of additional rental income. While the development remains feasible with the unit adjustment, a slightly lower credit amount is recommended as a result of the revisions identified.

Staff has carefully reviewed and considered the request submitted by the Development Owner, and believes that the Development remains feasible as originally proposed with all units rent restricted to serve income qualified tenants at or below 60% of the area median income level. Evidence or documentation to suggest otherwise has not been provided to the Department; therefore, staff does not concur that the unit adjustment is necessary for the continued feasibility of the Development.

Staff recommends denial of the amendment request.



March 10, 2015

A Hogan Properties Company
www.HomeSpringRP.com

Multifamily Finance
Texas Department of Housing & Community Affairs
221 East 11th Street
Austin, Texas 78701-2410

Re: Masters Ranch Apartments
TDHCA #13417

Request for Amendment to Application

Masters SA Apartments, LP, has filed an application with TDHCA and was approved by the Board to receive an allocation of 4% tax credits for Masters Ranch Apartments, TDHCA #13417. Subsequent thereto, the unit rentals were modified slightly in response to the City of San Antonio Councilwoman Rebecca Viagran (District 3) in order to receive her political support to go along with the neighborhood support.

Councilwoman Viagran requested that we convert 15 of the 252 units to market units with no income restrictions. In doing so, there was NO change in the unit mix or building types that was submitted in original application. The same number, type, and size of each floor plan as designed and proposed, remain precisely the same. Thus, there is minor economic impact to the rent structure as the 15 market rate units or potential income.

We anticipate the closing of the Bonds the week of March 16th. The HUD d4 is rate locked at 3.35%. We have included a revised **Rent Schedule** that reflects current LIHTC rents, current utility cost allowances, plus the 15 market rate units. The **Annual Operating Expenses** schedule reflects expenses per the TDHCA underwriting, except the Reserve for Replacement has been increased to \$350 per the HUD financing.

On the **15 Year Rental Housing Operating Pro Forma**, the debt service has decreased due to the actual interest rate on the HUD loan of \$19,233,500 at 3.35% plus .45 MIP vs the 4.65% in the TDHCA underwriting, resulting in an initial 1.26 DSC.

There is NO increase in the amount of tax credits requested over and above the \$808,526 in tax credits requested and recommended. We hope this revision can be resolved at the administrative level and receive support for TDHCA Board action. Thank you for your consideration of this amendment.

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael A. Hogan".

Michael A Hogan
Masters SA Apartments, LP

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Attachments:

Revised Rent Schedule

Revised Annual Operating Expenses Schedule

Revised 15 Year Rental Housing Operating Pro Forma


15 Year Rental Housing Operating Pro Forma

All Programs Must Complete the following:

The pro forma should be based on the operating income and expense information for the base year (first year of stabilized occupancy using today's best estimates of market rents, restricted rents, rental income and expenses), and principal and interest debt service. The Department uses an annual growth rate of 2% for income and 3% for expenses. Written explanation for any deviations from these growth rates or for assumptions other than straight-line growth made during the proforma period should be attached to this exhibit.

| INCOME | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| POTENTIAL GROSS ANNUAL RENTAL INCOME | \$2,199,324 | \$2,243,310 | \$2,288,177 | \$2,333,940 | \$2,380,619 | \$2,628,396 | \$2,901,961 |
| Secondary Income | \$ 48,720 | \$ 49,694 | \$ 50,668 | \$ 51,702 | \$ 52,736 | \$ 58,225 | \$ 64,285 |
| POTENTIAL GROSS ANNUAL INCOME | \$2,248,044 | \$2,293,005 | \$2,338,865 | \$2,385,642 | \$2,433,355 | \$2,686,621 | \$2,966,246 |
| Provision for Vacancy & Collection Loss | (\$168,603) | (\$171,975) | (\$175,415) | (\$178,923) | (\$182,502) | (\$201,497) | (\$222,468) |
| Rental Concessions | \$0 | | | | | | |
| EFFECTIVE GROSS ANNUAL INCOME | \$2,079,441 | \$2,121,030 | \$2,163,450 | \$2,206,719 | \$2,250,853 | \$2,485,124 | \$2,743,778 |
| EXPENSES | | | | | | | |
| General & Administrative Expenses | \$93,653 | \$96,463 | \$99,356 | \$102,337 | \$105,407 | \$122,196 | \$141,659 |
| Management Fee | \$ 84,961 | \$ 87,510 | \$ 90,135 | \$ 92,839 | \$ 95,624 | \$ 110,855 | \$ 128,511 |
| Payroll, Payroll Tax & Employee Benefits | \$ 289,881 | \$ 298,577 | \$ 307,535 | \$ 316,761 | \$ 326,264 | \$ 378,229 | \$ 438,471 |
| Repairs & Maintenance | \$ 89,343 | \$ 92,023 | \$ 94,784 | \$ 97,628 | \$ 100,556 | \$ 116,572 | \$ 135,139 |
| Electric & Gas Utilities | \$ 27,291 | \$ 28,110 | \$ 28,953 | \$ 29,822 | \$ 30,716 | \$ 35,609 | \$ 41,280 |
| Water, Sewer & Trash Utilities | \$ 135,161 | \$ 139,216 | \$ 143,392 | \$ 147,694 | \$ 152,125 | \$ 176,354 | \$ 204,443 |
| Annual Property Insurance Premiums | \$ 46,032 | \$ 47,413 | \$ 48,835 | \$ 50,300 | \$ 51,809 | \$ 60,061 | \$ 69,628 |
| Property Tax | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Reserve for Replacements | \$ 88,200 | \$ 90,846 | \$ 93,571 | \$ 96,379 | \$ 99,270 | \$ 115,081 | \$ 133,410 |
| Other Expenses | \$ 15,532 | \$ 15,998 | \$ 16,478 | \$ 16,972 | \$ 17,481 | \$ 20,266 | \$ 23,494 |
| TOTAL ANNUAL EXPENSES | \$870,054 | \$896,156 | \$923,040 | \$950,731 | \$979,253 | \$1,135,223 | \$1,316,035 |
| NET OPERATING INCOME | \$1,209,387 | \$1,224,874 | \$1,240,410 | \$1,255,988 | \$1,271,600 | \$1,349,901 | \$1,427,743 |
| DEBT SERVICE | | | | | | | |
| First Deed of Trust Annual Loan Payment | \$960,127 | \$960,127 | \$960,127 | \$960,127 | \$960,127 | \$960,127 | \$960,127 |
| Second Deed of Trust Annual Loan Payment | | | | | | | |
| Third Deed of Trust Annual Loan Payment | | | | | | | |
| Other Annual Required Payment | | | | | | | |
| Other Annual Required Payment | | | | | | | |
| NET CASH FLOW | \$249,260 | \$264,747 | \$280,283 | \$295,861 | \$311,473 | \$389,774 | \$467,616 |
| Debt Coverage Ratio | 1.26 | 1.28 | 1.29 | 1.31 | 1.32 | 1.41 | 1.49 |
| Other (Describe) | | | | | | | |
| Other (Describe) | | | | | | | |

By signing below I (we) are certifying that the above 15 Year pro forma, rent schedule and operating expense schedule have been reviewed and generally meet current lender underwriting parameters for the loan terms indicated in the term sheet. (Signature only required if using this pro forma for points under §11.9(e)(3) relating to Financial Feasibility)


 Signature, Authorized Representative, Construction or

Michael A. Hogan
 Printed Name

Phone: 210-682-1500
 Email: mhogan@hoganre.com
 2/24/2015
 Date

| | | | | |
|---|---------|------------------------------|-----------------|-----------|
| Non Rental Income | 6.11 | per unit/month for: | Covered parking | 1,540 |
| + TOTAL NONRENTAL INCOM | \$16.11 | per unit/month | | 4,060 |
| = POTENTIAL GROSS MONTHLY INCOME | | | | 187,337 |
| - Provision for Vacancy & Collection Loss | | % of Potential Gross Income: | 7.50% | (14,050) |
| - Rental Concessions (enter as a negative number) | | Enter as a negative value | | |
| = EFFECTIVE GROSS MONTHLY INCOME | | | | 173,287 |
| x 12 = EFFECTIVE GROSS ANNUAL INCOME | | | | 2,079,441 |

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Rent Schedule (Continued)

| | | % of LI | % of Total | |
|--------------------------------------|---------------------|---------|------------|------------|
| HOUSING TAX CREDITS | TC30% | | | 0 |
| | TC40% | | | 0 |
| | TC50% | | | 0 |
| | TC60% | 100% | 94% | 237 |
| | HTC LI Total | | | 237 |
| | EO | | | 0 |
| | MR | | | 15 |
| | MR Total | | | 15 |
| Total Units | | | | 252 |
| MORTGAGE REVENUE BOND | MRB30% | | | 0 |
| | MRB40% | | | 0 |
| | MRB50% | | | 0 |
| | MRB60% | | | 0 |
| | MRB LI Total | | | 0 |
| | MRBMR | | | 0 |
| | MRBMR Total | | | 0 |
| | MRB Total | | | 0 |

| | | % of LI | % of Total | |
|-----------------------------------|-----------------------|---------|------------|-----------|
| HOUSING TRUST FUND | HTF30% | | | 0 |
| | HTF40% | | | 0 |
| | HTF50% | | | 0 |
| | HTF60% | | | 0 |
| | HTF80% | | | 0 |
| | HTF LI Total | | | 0 |
| | MR | | | 0 |
| | MR Total | | | 0 |
| HTF Total | | | | 0 |
| HOME | 30% | | | 0 |
| | LH/50% | 21% | 21% | 3 |
| | HH/60% | 79% | 79% | 11 |
| | HH/80% | | | 0 |
| | HOME LI Total | | | 14 |
| | EO | | | 0 |
| | MR | | | 0 |
| MR Total | | | 0 | |
| HOME Total | | | | 14 |
| OTHER | Total OT Units | | | 0 |

| | | | | |
|-----------------|---|--|--|-----|
| BEDROOMS | 0 | | | 0 |
| | 1 | | | 76 |
| | 2 | | | 120 |
| | 3 | | | 56 |
| | 4 | | | 0 |
| | 5 | | | 0 |

| | | |
|---------------------------|----------|------------------------------|
| ACQUISITION + HARD | | Total Points claimed: |
| Cost Per Sq Ft | \$ 72.17 | |
| HARD | | 12 |
| Cost Per Sq Ft | \$ 72.17 | |
| BUILDING | | |
| Cost Per Sq Ft | \$ 47.79 | |

Applicants are advised to ensure that figure is not rounding down to the maximum dollar figure to support the elected points.

ANNUAL OPERATING EXPENSES

| | | | |
|--|---|----------------|-------------------|
| General & Administrative Expenses | | | |
| Accounting | \$ | 18,564 | |
| Advertising | \$ | 48,261 | |
| Legal fees | \$ | 3,560 | |
| Leased equipment | \$ | 0 | |
| Postage & office supplies | \$ | 12,640 | |
| Telephone | \$ | 10,628 | |
| Other | \$ | | |
| Other | \$ | | |
| Total General & Administrative Expenses: | | | \$ 93,653 |
| Management Fee: | Percent of Effective Gross Income: | 4.09% | \$ 84,961 |
| Payroll, Payroll Tax & Employee Benefits | | | |
| Management | \$ | 90,855 | |
| Maintenance | \$ | 154,250 | |
| Other | \$ | 44,776 | |
| Other | \$ | | |
| Total Payroll, Payroll Tax & Employee Benefits: | | | \$ 289,881 |
| Repairs & Maintenance | | | |
| Elevator | \$ | | |
| Exterminating | \$ | 2,763 | |
| Grounds | \$ | 26,152 | |
| Make-ready | \$ | 15,178 | |
| Repairs | \$ | 38,860 | |
| Pool | \$ | 6,390 | |
| Other | \$ | | |
| Other | \$ | | |
| Total Repairs & Maintenance: | | | \$ 89,343 |
| Utilities (Enter Only Property Paid Expense) | | | |
| Electric | \$ | 27,291 | |
| Natural gas | \$ | | |
| Trash | \$ | 0 | |
| Water/Sewer | \$ | 135,161 | |
| Other | \$ | | |
| Other | \$ | | |
| Total Utilities: | | | \$ 162,452 |
| Annual Property Insurance: | Rate per net rentable square foot: | \$ 0.19 | \$ 46,032 |
| Property Taxes: | | | |
| Published Capitalization Rate: _____ | Source: _____ | | |
| Annual Property Taxes | \$ | | |
| Payments In Lieu of Taxes | \$ | | |
| Total Property Taxes: | | | \$ - |
| Reserve for Replacements: | Annual reserves per unit: | \$ 350 | \$ 88,200 |
| Other Expenses | | | |

| | | | |
|--|---------------------------------|---------|--------------|
| Cable TV | \$ | | |
| Supportive Services (Staffing/Contracted Services) | \$ | 3,640 | |
| TDHCA Compliance fees | \$ | 10,080 | |
| TDHCA Bond Administration Fees (TDHCA as Bond Issuer <u>Only</u>) | \$ | | |
| Security | \$ | 1,812 | |
| Other | \$ | | |
| Other | \$ | | |
| Total Other Expenses: | | | \$ 15,532 |
| TOTAL ANNUAL EXPENSES | Expense per unit: | \$ 3453 | \$ 870,054 |
| | Expense to Income Ratio: | 41.84% | |
| NET OPERATING INCOME (before debt service) | | | \$ 1,209,387 |
| Annual Debt Service | | | |
| DESCRIBE | \$ | 960,127 | |
| | \$ | | |
| | \$ | | |
| | \$ | | |
| TOTAL ANNUAL DEBT SERVICE | Debt Coverage Ratio: | 1.26 | \$ 960,127 |
| NET CASH FLOW | | | \$ 249,260 |

Project Sources & Uses

Total Sources:

| | |
|-----------------------------------|---------------------|
| First Mortgage HUD 221 d4 | \$19,235,800 |
| HOME Funds | \$1,467,158 |
| Sale Of LIHTC-Percentage Purchase | \$7,431,510 |
| Developer Equity | \$2,295,863 |
| <u>Total Sources:</u> | \$30,430,331 |

Total Uses:

| | |
|--|---------------------|
| Land and Direct Construction Costs | \$21,132,932 |
| Indirect Costs (design, fees, insurance, legal, etc. | \$4,739,170 |
| Financing Costs | \$3,068,701 |
| Reserves | \$1,489,528 |
| <u>Total Uses:</u> | \$30,430,331 |



HUNT MORTGAGE GROUP

EXHIBIT A

Mr. Michael A. Hogan
1618 Lockhill-Selma
San Antonio, TX 78213

Re: Masters Ranch Apartments
Project No. 115-35715
FHA-Insured Mortgage Loan Commitment pursuant to Section 221(d)(4) of the
National Housing Act

Dear Sirs:

In accordance with the Financing Commitment dated December 2, 2014, between Centerline Mortgage Capital Inc., a wholly-owned subsidiary of Hunt Mortgage Group, LLC ("Lender" or "Centerline") and Masters SA Apartments, LP ("Borrower") (hereinafter, the "Financing Commitment") and the Borrower's authorization provided hereunder by this Rate Lock Authorization, Centerline is pleased to offer the rate, terms and conditions for the Mortgage Loan as follows:

| | |
|----------------------------------|---|
| Section of National Housing Act: | 221(d)(4) |
| FHA Commitment Date: | November 26, 2014 |
| Insured Mortgage Amount: | \$19,235,800.00 (±5%; and only as approved by FHA) |
| Permanent Loan Term: | 40 years (480 months) after commencement of amortization |
| *Permanent Interest Rate: | 3.35% |
| Construction Loan Term: | 15 months plus 2 following Initial Endorsement or Early Start Date |
| *Construction Interest Rate: | 3.35% |
| Financing Fee: | \$384,716.00 |
| Permanent Placement Fee: | \$673,253.00 |
| *Discount: | N/A |

*Initial Endorsement Date: Initial Endorsement must occur on or before March 31st, 2015 (the "Initial Endorsement Date") and in the event that Initial Endorsement does not occur on or before the Initial Endorsement Date, this Commitment shall expire and be null and void and of no further force and effect; provided, however, the Initial Endorsement Date may be extended through April 30th, 2015 by payment of an extension fee (the "Monthly Initial Endorsement Extension Fee") equal to one quarter of one percent (0.25%) of the Insured Mortgage Amount.

The Initial Endorsement may be further extended to May 31st, 2015 by payment of an additional extension fee equal to one quarter of one percent (0.25%) of the Insured Mortgage Amount.

Should Initial Endorsement not occur on or before May 31st, 2015 this Financing Commitment shall expire.

*Final Endorsement Date: Final Endorsement must occur on or before the first day of the 18th month following the month in which Initial Endorsement occurs.

*Monthly Final Endorsement Extension Fee: One twelfth of one percent (0.0833 %) of the Insured Mortgage Amount per month (or any portion thereof) for the first Three (3) months following Final Endorsement Date; One Eighth of one percent (0.125%) of the Insured Mortgage Amount per month (or any portion thereof) for the next Three (3) months; One Quarter of one percent (0.25%) of the Insured Mortgage Amount per month (or any portion thereof) thereafter until Final Endorsement occurs.

Commencement of Amortization: The first day of the 20th month following the month in which the Mortgage is dated or such other date as FHA may approve in connection with an Early Start of Construction.

*Prepayment: Prepayment is prohibited prior to that date which is 0 years following the date for commencement of amortization as set forth in the Note. Thereafter, the outstanding principal balance of the Mortgage Loan may be prepaid in whole or in part on the last



day of any calendar month provided that the Lender is given at least thirty days prior written notice of such prepayment and any such prepayment is accompanied by a prepayment premium equal to ten percent (10%) of the amount of such prepayment in the first year following the anniversary of the commencement of amortization; which premium will decline, by one percent (1%) each subsequent anniversary of the commencement of amortization until reaching zero percent (0%) prepayment premium after the tenth anniversary of the commencement of amortization. Thereafter, the outstanding principal balance of the Mortgage Loan may be prepaid in whole or in part on the last day of any calendar month provided that the Lender is given at least thirty days prior written notice of such prepayment.

All other terms and conditions of the Financing Commitment, remain in full force and effect and shall not be deemed to have been modified or extended except as specifically set forth above.

Please complete the below wire instructions for return of the GFD:

Bank Name: Frost National Bank

ABA No: 114000093


Account Name: Hogan Properties Company, Inc.

Account Number: 20-0074373



Sincerely,

CENTERLINE MORTGAGE CAPITAL INC.

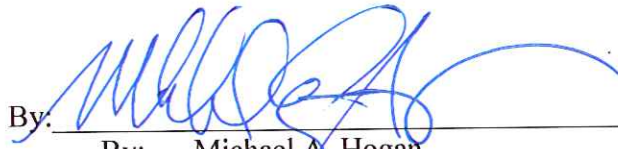
By: 
Name: David Casden
Title: Senior VP

Dated this 13th day of February, 2015.

Borrower:

Masters SA Apartments, LP

By: Masters Living GP, LLC
a Texas limited liability company
its general partner

By: 
By: Michael A. Hogan
its: Manager

DEVELOPMENT IDENTIFICATION

TDHCA Application #: 13417 Program(s): 4% LIHTC

Masters Ranch Apartments

Address/Location: 3435 E. Southcross Boulevard

City: San Antonio County: Bexar Zip: 78223

Population: Family Program Set-Aside: General Area: Urban

Activity: New Construction Building Type: Garden (Up to 3-story) Region: 9

APPLICATION HISTORY

| Report Date | PURPOSE |
|-------------|---|
| 04/22/15 | Revised unit mix and increased development cost |

ALLOCATION

| TDHCA Program | PREVIOUS ALLOCATION | | | | RECOMMENDATION | | | | |
|----------------|---------------------|---------------|-------|------|----------------|---------------|-------|------|------|
| | Amount | Interest Rate | Amort | Term | Amount | Interest Rate | Amort | Term | Lien |
| LIHTC (Annual) | \$808,526 | | | | \$799,087 | | | | |

Analysis

Applicant submitted revised exhibits. The unit mix changed from 100% restricted to include 237 HTC units and 15 market units; operating expenses were revised to reflect underwriting by third party financing partners; development cost schedule indicates increased acquisition and construction costs; and the sources of funds exhibit reflects changes to the capital structure to finance the increased cost.

Operating Pro Forma

The rent schedule includes updated HTC and HOME rents, and 15 market units with rent premiums ranging from \$196 to \$308 above the 60% HTC rent. Underwriting analysis indicates the development remains feasible (with 1.23x DCR) if the market units only achieve the 60% rent.

Applicant submitted increased operating expenses from \$3,353/unit to \$3,742/unit, stating that these reflect the equity provider's underwriting. REA estimate increased from \$3,480/unit to \$3,591. The only significant change is reserve for replacement increased to \$356/unit as specified in the Partnership Agreement.

Applicant's NOI (\$1,290,206) produces 1.29x aggregate debt coverage.

Development Cost:

Settlement statement documents that the acquisition cost increased from \$1,000,000 to \$1,245,000.

Total site work increased from \$2.8M to \$3.3M (equal to \$13K/unit).

At original underwriting, Applicant's proposed building cost was \$13.0M, while the REA estimate was \$14.4M. The executed construction contract schedule of values documents \$15.0M. Applicant's revised cost schedule indicates \$15.3M, with \$331K additional cost for furnishings, fixtures, and equipment.

Total Development Cost increased by \$3.1M to \$30.4M.

Sources of Funds:

Senior debt increased from \$17.6M to \$19.2M, amortized over 40 years at 3.35% interest plus MIP.

City of San Antonio is providing \$1.5M in HOME funds at 0.0% over 40 years. (The loan had been previously underwritten at 2.0%.)

Credit price increased from \$0.90 to \$0.93. The Partnership Agreement states that the Forecasted Tax Credit amount (\$7,990,870 total credits) will provide \$7.4M in equity.

Applicant will defer \$2.3M (72%) of the developer fee, repayable within 7 years.

Conclusion:

The market rate units provides a minimal amount of additional income. The increased development cost is financed by \$1.7M additional debt (at a reduced interest rate), \$120K additional equity (due to increased price), and \$1.1M of additional deferred fee.

The current analysis supports an annual credit allocation of \$799,087 as specified in the Partnership Agreement.

| | |
|-----------------------------------|------------------------|
| Underwriter: | <u>Greg Kazak</u> |
| Manager of Real Estate Analysis: | <u>Thomas Cavanagh</u> |
| Director of Real Estate Analysis: | <u>Brent Stewart</u> |

UNIT MIX/RENT SCHEDULE

Masters Ranch Apartments, San Antonio, 4% LIHTC #13417

| LOCATION DATA | |
|-----------------|-----------------|
| CITY: | San Antonio |
| COUNTY: | Bexar |
| PROGRAM REGION: | 9 |
| PIS Date: | After 1/18/2013 |
| IREM REGION: | San Antonio |

| UNIT DISTRIBUTION | | | | | |
|-------------------|------------|---------------|--------------|------------|---------------|
| # Beds | # Units | % Total | Income | # Units | % Total |
| Eff | 5 | 2.0% | 30% | | |
| 1 | 71 | 28.2% | 40% | | |
| 2 | 120 | 47.6% | LH/50% | 3 | 1.2% |
| 3 | 56 | 22.2% | TC60% | 234 | 92.9% |
| 4 | | | MR | 15 | 6.0% |
| TOTAL | 252 | 100.0% | TOTAL | 252 | 100.0% |

| Applicable Programs |
|------------------------|
| 4% Housing Tax Credits |
| HOME |

| Pro Forma ASSUMPTIONS | |
|-----------------------|--------|
| Revenue Growth | 2.00% |
| Expense Growth | 3.00% |
| Basis Adjustment | 100% |
| Applicable Fraction | 94% |
| APP % Acquisition | |
| APP % Construction | 3.32% |
| Average Unit Size | 961 sf |

UNIT MIX / MONTHLY RENT SCHEDULE

| HTC | | HOME (Rent/Inc) | | Unit Mix | | | | APPLICABLE PROGRAM RENT | | | APPLICANT'S PRO FORMA RENTS | | | | TDHCA PRO FORMA RENTS | | | | MARKET RENTS | | |
|-------------------------------------|------------|-----------------|------------|------------|--------|---------|----------------|-------------------------|---------------------------|----------------------|-----------------------------|---------------|-------------------|--------------------|-----------------------|---------------|---------------|----------------------|----------------|---------------|-------------------------|
| Type | Gross Rent | Type | Gross Rent | # Units | # Beds | # Baths | NRA | Gross Rent | Tenant Pd UA's (Verified) | Max Net Program Rent | Delta to Max Program | Rent per NRA | Net Rent per Unit | Total Monthly Rent | Total Monthly Rent | Rent per Unit | Rent per NRA | Delta to Max Program | Market Rent | Rent per NRA | TDHCA Savings to Market |
| TC60% | \$700 | 0 | | 32 | 1 | 1 | 745 | \$700 | \$60 | \$640 | \$0 | \$0.86 | \$640 | \$20,480 | \$20,480 | \$640 | \$0.86 | \$0 | \$890 | 1.19 | \$250 |
| TC60% | \$700 | LH/50% | \$575 | 1 | 1 | 1 | 745 | \$575 | \$60 | \$515 | \$33 | \$0.74 | \$548 | \$548 | \$515 | \$515 | \$0.69 | \$0 | \$890 | 1.19 | \$375 |
| TC60% | \$700 | HH/60% | \$683 | 3 | 1 | 1 | 745 | \$683 | \$60 | \$623 | \$17 | \$0.86 | \$640 | \$1,920 | \$1,869 | \$623 | \$0.84 | \$0 | \$890 | 1.19 | \$267 |
| TC60% | \$700 | 0 | | 24 | 1 | 1 | 751 | \$700 | \$60 | \$640 | \$0 | \$0.85 | \$640 | \$15,360 | \$15,360 | \$640 | \$0.85 | \$0 | \$894 | 1.19 | \$254 |
| TC60% | \$700 | 0 | | 11 | 1 | 1 | 760 | \$700 | \$60 | \$640 | \$0 | \$0.84 | \$640 | \$7,040 | \$7,040 | \$640 | \$0.84 | \$0 | \$899 | 1.18 | \$259 |
| MR | | 0 | | 5 | 0 | 0 | 760 | \$0 | \$0 | | NA | \$1.10 | \$836 | \$4,180 | \$4,180 | \$836 | \$1.10 | NA | \$836 | 1.10 | \$0 |
| TC60% | \$840 | 0 | | 107 | 2 | 2 | 990 | \$840 | \$72 | \$768 | \$0 | \$0.78 | \$768 | \$82,176 | \$82,176 | \$768 | \$0.78 | \$0 | \$1,058 | 1.07 | \$290 |
| TC60% | \$840 | LH/50% | \$690 | 1 | 2 | 2 | 990 | \$690 | \$72 | \$618 | \$39 | \$0.66 | \$657 | \$657 | \$618 | \$618 | \$0.62 | \$0 | \$1,058 | 1.07 | \$440 |
| TC60% | \$840 | HH/60% | \$857 | 5 | 2 | 2 | 990 | \$840 | \$72 | \$768 | \$0 | \$0.78 | \$768 | \$3,840 | \$3,840 | \$768 | \$0.78 | \$0 | \$1,058 | 1.07 | \$290 |
| MR | | 0 | | 7 | 2 | 2 | 990 | \$0 | \$71 | | NA | \$1.09 | \$1,076 | \$7,532 | \$7,406 | \$1,058 | \$1.07 | NA | \$1,058 | 1.07 | \$0 |
| TC60% | \$970 | 0 | | 49 | 3 | 2 | 1,187 | \$970 | \$84 | \$886 | \$0 | \$0.75 | \$886 | \$43,414 | \$43,414 | \$886 | \$0.75 | \$0 | \$1,217 | 1.03 | \$331 |
| TC60% | \$970 | LH/50% | \$797 | 1 | 3 | 2 | 1,187 | \$797 | \$84 | \$713 | \$45 | \$0.64 | \$758 | \$758 | \$713 | \$713 | \$0.60 | \$0 | \$1,217 | 1.03 | \$504 |
| TC60% | \$970 | HH/60% | \$1,002 | 3 | 3 | 2 | 1,187 | \$970 | \$84 | \$886 | \$0 | \$0.75 | \$886 | \$2,658 | \$2,658 | \$886 | \$0.75 | \$0 | \$1,217 | 1.03 | \$331 |
| MR | | 0 | | 3 | 3 | 2 | 1,187 | \$0 | \$84 | | NA | \$0.94 | \$1,120 | \$3,360 | \$3,360 | \$1,120 | \$0.94 | NA | \$1,120 | 0.94 | \$0 |
| TOTALS/AVERAGES: | | | | 252 | | | 242,276 | | | | \$1 | \$0.80 | \$770 | \$193,923 | \$193,629 | \$768 | \$0.80 | \$0 | \$1,041 | \$1.08 | \$273 |
| ANNUAL POTENTIAL GROSS RENT: | | | | | | | | | | | | | | \$2,327,076 | \$2,323,548 | | | | | | |

STABILIZED PRO FORMA

Masters Ranch Apartments, San Antonio, 4% LIHTC #13417

STABILIZED FIRST YEAR PRO FORMA

| | COMPARABLES | | APPLICANT | | | | Original Underwriting | | TDHCA | | | | VARIANCE | |
|--------------------------------------|-----------------------------|-------|-----------|--------|----------|-------------|-----------------------|-------------|-------------|-------------|--------|--------|----------|------------|
| | Database | Other | % EGI | Per SF | Per Unit | Amount | Applicant | TDHCA | Amount | Per Unit | Per SF | % EGI | % | \$ |
| | POTENTIAL GROSS RENT | | | | \$0.80 | \$770 | \$2,327,076 | \$2,247,252 | \$2,247,252 | \$2,323,548 | \$768 | \$0.80 | | -0.2% |
| Laundry / Fees | | | | | \$20.63 | \$62,385 | 16,632 | | | | | | | |
| Telephone/Cable | | | | | \$2.10 | \$6,350 | 13,608 | | | | | | | |
| Covered Parking | | | | | \$6.11 | \$18,480 | 10,080 | | | | | | | |
| Underwriter's Total Secondary Income | | | | | \$28.84 | | | 40,320 | \$60,480 | \$20.00 | | | -44.2% | (\$26,736) |
| POTENTIAL GROSS INCOME | | \$ - | | | | \$2,414,292 | \$2,287,572 | \$2,287,572 | \$2,384,028 | | | | -1.3% | (\$30,264) |
| Vacancy & Collection Loss | | | | | 7.5% PGI | (181,072) | (171,568) | (171,568) | (178,802) | 7.5% PGI | | | -1.3% | 2,270 |
| Non-Rental Units/Concessions | | | | | | - | | | | | | | 0.0% | - |
| EFFECTIVE GROSS INCOME | | \$ - | | | | \$2,233,220 | \$2,116,004 | \$2,116,004 | \$2,205,226 | | | | -1.3% | (\$27,994) |

| | | | | | | | | | | | | | | | |
|--|-----------|--------------|-----------|--------|--------|---------|-------------|-------------|-------------|-------------|---------|--------|--------|--------|-----------|
| General & Administrative | \$100,055 | \$397/Unit | \$83,905 | 4.12% | \$0.38 | \$365 | \$91,944 | \$93,653 | \$83,905 | \$83,905 | \$333 | \$0.35 | 3.80% | 9.6% | 8,039 |
| Management | \$91,355 | 4.7% EGI | \$90,402 | 4.00% | \$0.37 | \$354 | \$89,330 | \$84,961 | \$84,640 | \$88,209 | \$350 | \$0.36 | 4.00% | 1.3% | 1,121 |
| Payroll & Payroll Tax | \$272,117 | \$1,080/Unit | \$274,376 | 13.74% | \$1.27 | \$1,217 | \$306,749 | \$289,881 | \$272,117 | \$272,117 | \$1,080 | \$1.12 | 12.34% | 12.7% | 34,632 |
| Repairs & Maintenance | \$149,275 | \$592/Unit | \$99,424 | 5.40% | \$0.50 | \$479 | \$120,648 | \$89,343 | \$138,600 | \$138,600 | \$550 | \$0.57 | 6.29% | -13.0% | (17,952) |
| Electric/Gas | \$66,044 | \$262/Unit | \$30,039 | 1.81% | \$0.17 | \$160 | \$40,325 | \$27,291 | \$30,039 | \$30,039 | \$119 | \$0.12 | 1.36% | 34.2% | 10,286 |
| Water, Sewer, & Trash | \$140,991 | \$559/Unit | \$172,019 | 5.77% | \$0.53 | \$512 | \$128,938 | \$135,161 | \$140,991 | \$140,991 | \$559 | \$0.58 | 6.39% | -8.5% | (12,053) |
| Property Insurance | \$57,973 | \$0.24 /sf | \$48,044 | 2.68% | \$0.25 | \$237 | \$59,801 | \$46,032 | \$48,044 | \$48,044 | \$191 | \$0.20 | 2.18% | 24.5% | 11,757 |
| Property Tax 3.988911 | \$131,862 | \$523/Unit | \$121,117 | 0.00% | \$0.00 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0.00 | 0.00% | 0.0% | - |
| Reserve for Replacements | \$61,913 | \$246/Unit | \$51,529 | 4.02% | \$0.37 | \$356 | \$89,747 | \$63,000 | \$63,000 | \$89,712 | \$356 | \$0.37 | 4.07% | 0.0% | 35 |
| Cable TV | | | \$1 | 0.00% | \$0.00 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0.00 | 0.00% | 0.0% | - |
| Supportive service contract fees | | | \$103 | 0.16% | \$0.02 | \$14 | \$3,640 | \$3,640 | \$3,640 | \$3,640 | \$14 | \$0.02 | 0.17% | 0.0% | - |
| TDHCA Compliance fees | | | \$0 | 0.45% | \$0.04 | \$40 | \$10,080 | \$10,080 | \$10,080 | \$9,480 | \$38 | \$0.04 | 0.43% | 6.3% | 600 |
| TDHCA Bond Administration Fees (TDHCA as Bond) | | | \$0 | 0.00% | \$0.00 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0.00 | 0.00% | 0.0% | - |
| Security | | | \$62 | 0.08% | \$0.01 | \$7 | \$1,812 | \$1,812 | \$1,812 | \$1,812 | \$7 | \$0.01 | 0.08% | 0.0% | - |
| Marketing | | | \$0 | 0.00% | \$0.00 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0.00 | 0.00% | 0.0% | - |
| TOTAL EXPENSES | | \$ 971,227 | | 42.23% | \$3.89 | \$3,742 | \$ 943,014 | \$844,854 | \$876,868 | \$ 906,549 | \$3,597 | \$3.74 | 41.11% | 4.0% | \$ 36,465 |
| NET OPERATING INCOME ("NOI") | | | | 57.77% | \$5.33 | \$5,120 | \$1,290,206 | \$1,271,150 | \$1,239,136 | \$1,298,677 | \$5,153 | \$5.36 | 58.89% | -0.7% | (\$8,471) |

| | | | | | | | | | | |
|------------------------------|--------------|--------------|--|--------------|--|--------------|--------------|--|--------------|--|
| CONTROLLABLE EXPENSES | \$2,891/Unit | \$2,618/Unit | | \$2,733/Unit | | \$2,521/Unit | \$2,641/Unit | | \$2,641/Unit | |
|------------------------------|--------------|--------------|--|--------------|--|--------------|--------------|--|--------------|--|

LONG TERM OPERATING PRO FORMA

| | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 25 | YEAR 30 | YEAR 35 | YEAR 40 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| EFFECTIVE GROSS INCOME | \$2,233,220 | \$2,277,884 | \$2,323,442 | \$2,369,911 | \$2,417,309 | \$2,668,904 | \$2,946,686 | \$3,253,379 | \$3,591,994 | \$3,965,851 | \$4,378,620 | \$4,834,351 |
| LESS: TOTAL EXPENSES | 943,014 | 970,411 | 998,612 | 1,027,641 | 1,057,523 | 1,220,622 | 1,409,143 | 1,627,077 | 1,879,046 | 2,170,398 | 2,507,331 | 2,897,017 |
| NET OPERATING INCOME | \$1,290,206 | \$1,307,473 | \$1,324,829 | \$1,342,269 | \$1,359,786 | \$1,448,283 | \$1,537,543 | \$1,626,302 | \$1,712,948 | \$1,795,453 | \$1,871,289 | \$1,937,334 |
| LESS: DEBT SERVICE | 996,806 | 996,806 | 996,806 | 996,806 | 996,806 | 996,806 | 996,806 | 996,806 | 996,806 | 996,806 | 996,806 | 996,806 |
| NET CASH FLOW | \$293,399 | \$310,667 | \$328,023 | \$345,463 | \$362,980 | \$451,476 | \$540,737 | \$629,496 | \$716,142 | \$798,646 | \$874,483 | \$940,527 |
| CUMULATIVE NET CASH FLOW | \$293,399 | \$604,066 | \$932,089 | \$1,277,552 | \$1,640,532 | \$3,720,400 | \$6,245,487 | \$9,215,944 | \$12,624,579 | \$16,454,924 | \$20,678,910 | \$25,254,084 |
| DEFERRED DEVELOPER FEE BALANCE | \$2,002,465 | \$1,691,798 | \$1,363,775 | \$1,018,312 | \$655,332 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| DCR ON UNDERWRITTEN DEBT (Must-Pay) | 1.29 | 1.31 | 1.33 | 1.35 | 1.36 | 1.45 | 1.54 | 1.63 | 1.72 | 1.80 | 1.88 | 1.94 |
| EXPENSE/EGI RATIO | 42.23% | 42.60% | 42.98% | 43.36% | 43.75% | 45.73% | 47.82% | 50.01% | 52.31% | 54.73% | 57.26% | 59.93% |

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Masters Ranch Apartments, San Antonio, 4% LIHTC #13417

| DEBT / GRANT SOURCES | | | | | | | | | | | | | | | | | |
|---|-------|----------------|-----------|------------------|-------|-------|------|---------------------|--------------------------------------|---------------------|---------------------|------|-------|-----------------------------|------------------|------------|----------------------|
| APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE | | | | | | | | | AS UNDERWRITTEN DEBT/GRANT STRUCTURE | | | | | | | | |
| DEBT (Must Pay) | MIP | Cumulative DCR | | Pmt | Rate | Amort | Term | Principal | Original Underwriting | | Principal | Term | Amort | Rate | Pmt | Cumulative | |
| | | UW | App | | | | | | Applicant | TDHCA | | | | | | DCR | LTC |
| Centerline Capital Group | 0.45% | 1.35 | 1.34 | \$960,127 | 3.35% | 40 | 40 | \$19,235,800 | \$17,577,600 | \$17,577,600 | \$19,235,800 | 40 | 40 | 3.35% | 960,127 | 1.34 | 63.2% |
| San Antonio HOME Funds | | 1.30 | 1.29 | \$36,679 | 0.00% | 40 | 40 | \$1,467,158 | \$1,467,000 | \$1,467,000 | \$1,467,158 | 40 | 40 | 0.00% | 36,679 | 1.29 | 4.8% |
| TOTAL DEBT / GRANT SOURCES | | | | \$996,806 | | | | \$20,702,958 | \$19,044,600 | \$19,044,600 | \$20,702,958 | | | | \$996,806 | | 68.0% |
| NET CASH FLOW | | \$301,870 | \$293,399 | | | | | | | | | | | NET OPERATING INCOME | \$1,290,206 | \$293,399 | NET CASH FLOW |

| EQUITY SOURCES | | | | | | | | | | | | | | | | |
|---------------------------------------|-------------------------|--------|----------------|--------------|-------------|-----------------------|----------------------------------|---------------------|---------------------|---------------|--------------|-------------------------|--------------------------------------|--------------------|--|--|
| APPLICANT'S PROPOSED EQUITY STRUCTURE | | | | | | | AS UNDERWRITTEN EQUITY STRUCTURE | | | | | | | | | |
| EQUITY / DEFERRED FEES | DESCRIPTION | % Cost | Annual Credit | Credit Price | Amount | Original Underwriting | | Amount | Credit Price | Annual Credit | % Cost | Annual Credits per Unit | Cumulative | | | |
| | | | | | | Applicant | TDHCA | | | | | | DCR | LTC | | |
| PNC - Equity | LIHTC Equity | 24.4% | \$799,087 | 0.93 | \$7,431,510 | \$7,162,885 | \$7,309,847 | \$7,431,510 | \$0.93 | \$799,087 | 24.4% | \$29,490 | | | | |
| Home Springs Realty Partners | Deferred Developer Fees | 7.5% | (72% Deferred) | | \$2,295,864 | \$1,170,151 | \$1,023,189 | \$2,295,864 | (72% Deferred) | | 7.5% | | Total Developer Fee: | \$3,200,000 | | |
| Additional (Excess) Funds Req'd | | 0.0% | | | \$0 | \$0 | \$0 | \$0 | | | 0.0% | | 15-Year Cash Flow: | \$6,245,487 | | |
| TOTAL EQUITY SOURCES | | | | 32.0% | | \$9,727,374 | \$8,333,036 | \$8,333,036 | \$9,727,374 | | 32.0% | | Cash Flow after Deferred Fee: | \$3,949,623 | | |
| TOTAL CAPITALIZATION | | | | | | \$30,430,332 | \$27,377,636 | \$27,377,636 | \$30,430,332 | | | | | | | |

| DEVELOPMENT COST / ITEMIZED BASIS | | | | | | | | | | | | | | |
|---|------------------|-----------------|-----------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|-------------------------|---------------------|-------------|---------------|------------------|-----|
| APPLICANT COST / BASIS ITEMS | | | | | | TDHCA COST / BASIS ITEMS | | | | | | COST VARIANCE | | |
| Eligible Basis | | Total Costs | Original Underwriting | | Total Costs | Eligible Basis | | % | \$ | | | | | |
| Acquisition | New Const. Rehab | | Applicant | TDHCA | | New Const. Rehab | Acquisition | | | | | | | |
| Land Acquisition | | \$4,940 / Unit | \$1,245,000 | \$1,000,000 | \$1,000,000 | \$1,245,000 | \$4,940 / Unit | | 0.0% | \$0 | | | | |
| Building Acquisition (Existing Clubhouse Facility) | \$0 | \$ / Unit | \$0 | \$0 | \$0 | \$0 | \$ / Unit | \$0 | 0.0% | \$0 | | | | |
| Off-Sites | \$0 | \$ / Unit | \$0 | \$0 | \$0 | \$0 | \$ / Unit | \$0 | 0.0% | \$0 | | | | |
| Sitework | \$2,674,348 | \$10,612 / Unit | \$2,674,348 | \$2,173,216 | \$2,173,216 | \$2,674,348 | \$10,612 / Unit | \$2,674,348 | 0.0% | \$0 | | | | |
| Site Amenities | \$671,472 | \$2,665 / Unit | \$671,472 | \$617,804 | \$617,804 | \$671,472 | \$2,665 / Unit | \$671,472 | 0.0% | \$0 | | | | |
| Building Costs | \$15,314,087 | \$63.43 /sf | \$60,978/Unit | \$15,366,447 | \$13,044,014 | \$14,406,568 | 15,035,431 | \$59,664/Unit | \$62.06 /sf | \$15,004,715 | 2.2% | \$331,016 | | |
| Contingency | \$590,119 | 3.16% | 3.15% | \$590,119 | \$484,552 | \$484,552 | \$590,119 | 3.21% | 3.22% | \$590,119 | 0.0% | \$0 | | |
| Contractor's Fees | \$1,175,665 | 6.11% | 6.09% | \$1,175,665 | \$2,114,901 | \$2,114,901 | \$1,175,665 | 6.20% | 6.21% | \$1,175,665 | 0.0% | \$0 | | |
| Indirect Construction | 0 | \$949,051 | \$3,766 / Unit | \$949,051 | \$839,742 | \$839,742 | \$949,051 | \$3,766 / Unit | | \$949,051 | \$0 | 0.0% | \$0 | |
| Developer's Fees | \$0 | \$3,200,000 | 13.55% | 13.52% | \$3,200,000 | \$2,900,000 | \$2,900,000 | \$3,200,000 | 13.71% | 13.73% | \$3,200,000 | \$0 | 0.0% | \$0 |
| Financing | 0 | \$2,242,703 | \$12,177 / Unit | \$3,068,702 | \$2,797,199 | \$2,797,199 | \$3,068,702 | \$12,177 / Unit | | \$2,242,703 | \$0 | 0.0% | \$0 | |
| Reserves | | \$5,911 / Unit | \$1,489,528 | \$1,406,208 | \$1,406,208 | \$1,489,528 | \$5,911 / Unit | | | | \$0 | 0.0% | \$0 | |
| UNADJUSTED BASIS / COST | | \$0 | \$26,817,445 | \$120,755 / Unit | \$30,430,332 | \$27,377,636 | \$28,740,190 | \$30,099,316 | \$119,442 / Unit | \$26,508,073 | \$0 | 1.1% | \$331,016 | |
| Acquisition Cost for Identity of Interest Seller | | | \$0 | \$0 | | | | | | | | | | |
| Contingency | | \$0 | | | | | | | | | | | | |
| Contractor's Fee | | \$0 | | | | | | | | | | | | |
| Interim Interest | | \$0 | | | | | | | | | | | | |
| Developer's Fee | \$0 | \$0 | | \$0 | \$0 | | | | | | | | | |
| ADJUSTED BASIS / COST | | \$0 | \$26,817,445 | \$120,755/unit | \$30,430,332 | \$27,377,636 | \$28,740,190 | \$30,099,316 | \$119,442/unit | \$26,508,073 | \$0 | 1.1% | \$331,016 | |
| TOTAL UNDERWRITTEN COSTS (Applicant's Uses are within 5% of TDHCA Estimate): | | | | | | \$30,430,332 | | | | | | | | |

CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS

Masters Ranch Apartments, San Antonio, 4% LIHTC #13417

| CREDIT CALCULATION ON QUALIFIED BASIS | | | | |
|---------------------------------------|-------------|-----------------------------|-------------|-----------------------------|
| | Applicant | | TDHCA | |
| | Acquisition | Construction Rehabilitation | Acquisition | Construction Rehabilitation |
| ADJUSTED BASIS | \$0 | \$26,817,445 | \$0 | \$26,508,073 |
| Deduction of Federal Grants | \$0 | \$0 | \$0 | \$0 |
| TOTAL ELIGIBLE BASIS | \$0 | \$26,817,445 | \$0 | \$26,508,073 |
| High Cost Area Adjustment | | 100% | | 100% |
| TOTAL ADJUSTED BASIS | \$0 | \$26,817,445 | \$0 | \$26,508,073 |
| Applicable Fraction | 94.05% | 94.05% | 94.05% | 94.05% |
| TOTAL QUALIFIED BASIS | \$0 | \$25,221,169 | \$0 | \$24,930,212 |
| Applicable Percentage | 3.24% | 3.32% | 0.00% | 3.32% |
| ANNUAL CREDIT ON BASIS | \$0 | \$837,343 | \$0 | \$827,683 |
| CREDITS ON QUALIFIED BASIS | \$837,343 | | \$827,683 | |

| ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS | | |
|---|----------------|-------------|
| Method | Annual Credits | Proceeds |
| Eligible Basis | \$837,343 | \$7,787,289 |
| Gap | \$1,045,954 | \$9,727,374 |
| Request | \$799,087 | \$7,431,510 |

| LIHTC ALLOCATION | | Variance to Request |
|-----------------------|-------------|------------------------|
| Method | Request | |
| Credits | \$799,087 | \$0 |
| Total Equity Proceeds | \$7,431,510 | \$0 |

| 50% Test for Bond Financing for 4% Tax Credits | | | | | |
|--|---------------------|---------------------|--|-------------|-------------|
| Tax-Exempt Bond Amount | \$18,000,000 | | Percent Financed by Tax-Exempt Bonds | Applicant | TDHCA |
| Aggregate Basis Limit for 50% Test | \$36,000,000 | | | | |
| | <u>Applicant</u> | <u>TDHCA</u> | amount aggregate basis can increase before 50% test fails | \$7,885,195 | \$8,216,211 |
| Land Cost | \$1,245,000 | \$1,245,000 | | | |
| Depreciable Bldg Cost | \$26,869,805 | \$26,538,789 | | | |
| Aggregate Basis for 50% Test | \$28,114,805 | \$27,783,789 | | 28.0% | 29.6% |

| DIRECT CONSTRUCTION COST ESTIMATE | | | | | |
|--|------------------------|---------------|--------------|---|---------|
| CATEGORY | FACTOR | UNITS/SF | PER SF | AMOUNT | |
| Base Cost: | Garden (Up to 3-story) | 242,276 SF | \$59.52 | 14,420,984 | |
| Adjustments | | | | | |
| Exterior Wall Finish | 2.40% | | 1.43 | \$346,104 | |
| | 0.00% | | 0.00 | 0 | |
| 9 ft. ceilings | 3.30% | | 1.96 | 475,892 | |
| Roofing | | | 0.50 | 121,138 | |
| Subfloor | | | (0.12) | (28,266) | |
| Floor Cover | | | 2.68 | 649,300 | |
| Breezeways | \$25.02 | 24,054 | 2.48 | 601,917 | |
| Balconies | \$25.53 | 31,840 | 3.36 | 864,000 <small>erty tax exemption</small> | |
| Plumbing Fixtures | \$940 | 360 | 1.40 | 338,400 | |
| Rough-ins | \$465 | 504 | 0.97 | 234,360 | |
| Built-In Appliances | \$1,750 | 252 | 1.82 | 441,000 | |
| Exterior Stairs | \$2,125 | 84 | 0.74 | 178,500 | |
| Heating/Cooling | | | 2.06 | 499,089 | |
| Enclosed Corridors | \$44.03 | 0 | 0.00 | 0 | |
| Carports | \$5.65 | 20,520 | 0.48 | 115,938 | |
| Garages | | 0 | 0.00 | 0 | |
| Comm &/or Aux Bldgs | \$56.60 | 6,184 | 1.44 | 350,000 | |
| Elevators | | 0 | 0.00 | 0 | |
| Other: | Mail Bldg. | \$25.02 | 314 | 0.03 | 7,857 |
| Other: | Pool Cabana | \$32.06 | 606 | 0.08 | 19,431 |
| Other: | Fire Sprinklers | \$1.65 | 272,514 | 1.86 | 449,648 |
| SUBTOTAL | | | 82.69 | 20,034,164 | |
| Current Cost Multiplier | 0.98 | | (1.65) | (400,683) | |
| Local Multiplier | 0.87 | | (10.75) | (2,604,441) | |
| TOTAL DIRECT CONSTRUCTION COSTS | | | 70.29 | \$17,029,040 | |
| Plans, specs, survey, bldg permits | 3.90% | | (2.74) | (\$664,133) | |
| Contractor's OH & Profit | 11.50% | | (8.08) | (1,958,340) | |
| NET DIRECT CONSTRUCTION COSTS | | \$57,169/unit | \$59.46/sf | \$14,406,568 | |



DEVELOPMENT IDENTIFICATION

TDHCA Application #: **13417** Program(s): **4% LIHTC**

Masters Ranch Apartments

Address/Location: 3435 E. Southcross Boulevard
 City: San Antonio County: Bexar Zip: 78223
 Population: Family Program Set-Aside: General Area: Urban
 Activity: New Construction Building Type: Garden (Up to 3-story) Region: 9
 Analysis Purpose: New Application - Initial Underwriting

ALLOCATION

| TDHCA Program | REQUEST | | | | RECOMMENDATION | | | | |
|----------------|-----------|---------------|-------|------|----------------|---------------|-------|------|------|
| | Amount | Interest Rate | Amort | Term | Amount | Interest Rate | Amort | Term | Lien |
| LIHTC (Annual) | \$808,526 | | | | \$808,526 | | | | |

CONDITIONS

Should any terms of the proposed capital structure change, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

SET-ASIDES

| TDHCA SET-ASIDES for HTC LURA | | |
|-------------------------------|------------|-----------------|
| Income Limit | Rent Limit | Number of Units |
| 60% of AMI | 60% of AMI | 252 |

RISK PROFILE

| STRENGTHS/MITIGATING FACTORS | |
|------------------------------|---|
| ▫ | Income restricted units in PMA at 99% occupancy |
| ▫ | Subject would be newest affordable project in PMA since prior to 2009 |
| ▫ | Subject's location on Golf Course should enhance leasing |
| ▫ | Developer experience |

| WEAKNESSES/RISKS | |
|------------------|--|
| ▫ | Unit capture rates on all 60% units (which are 99% of total units) |
| ▫ | Ingress/egress less convenient to units on northern half of site |
| ▫ | Feasibility dependant on property tax exemption |
| ▫ | |

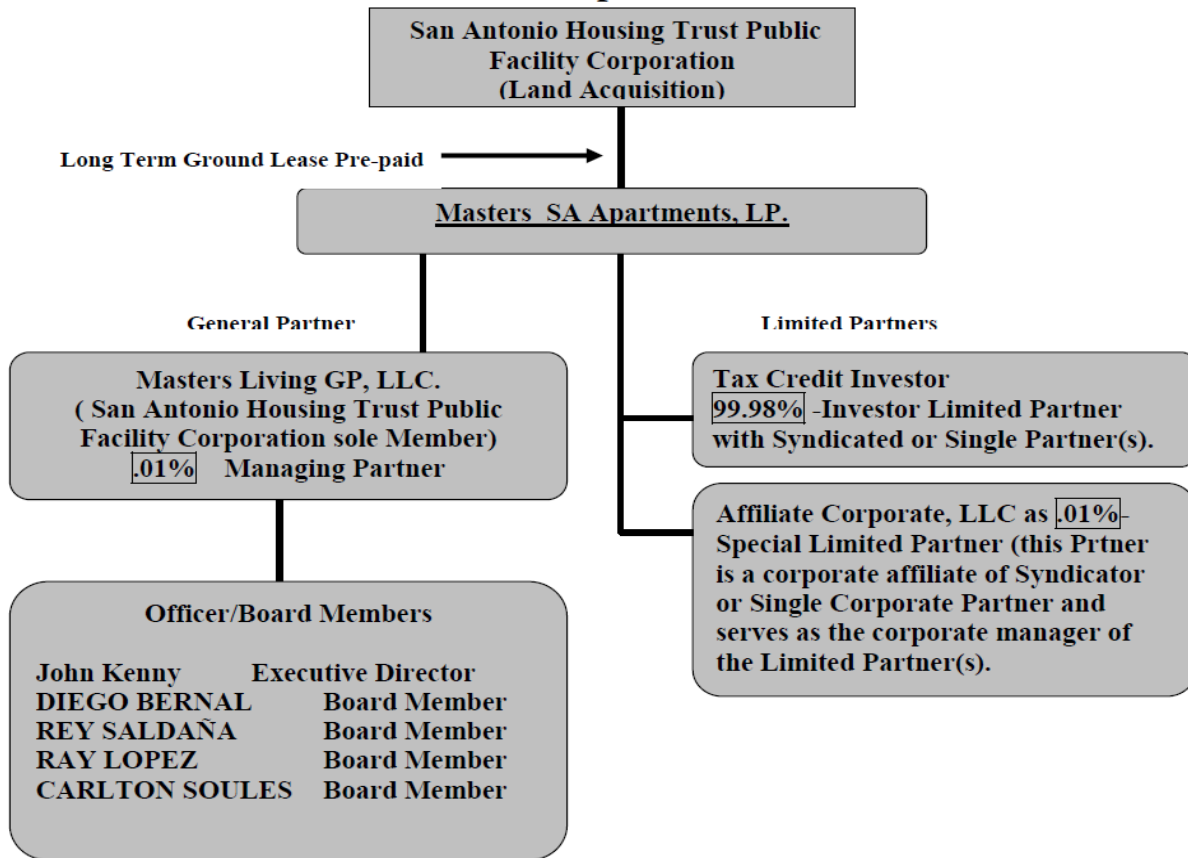
DEVELOPMENT TEAM

PRIMARY CONTACTS

Name: Stephen Poppoon
spoppoon@hoganre.com
 Phone: (210) 573-0178
 Relationship: Developer

Name: Michael A. Hogan
mhogan@hoganre.com
 Phone: (210) 682-1500
 Relationship: Developer

OWNERSHIP STRUCTURE

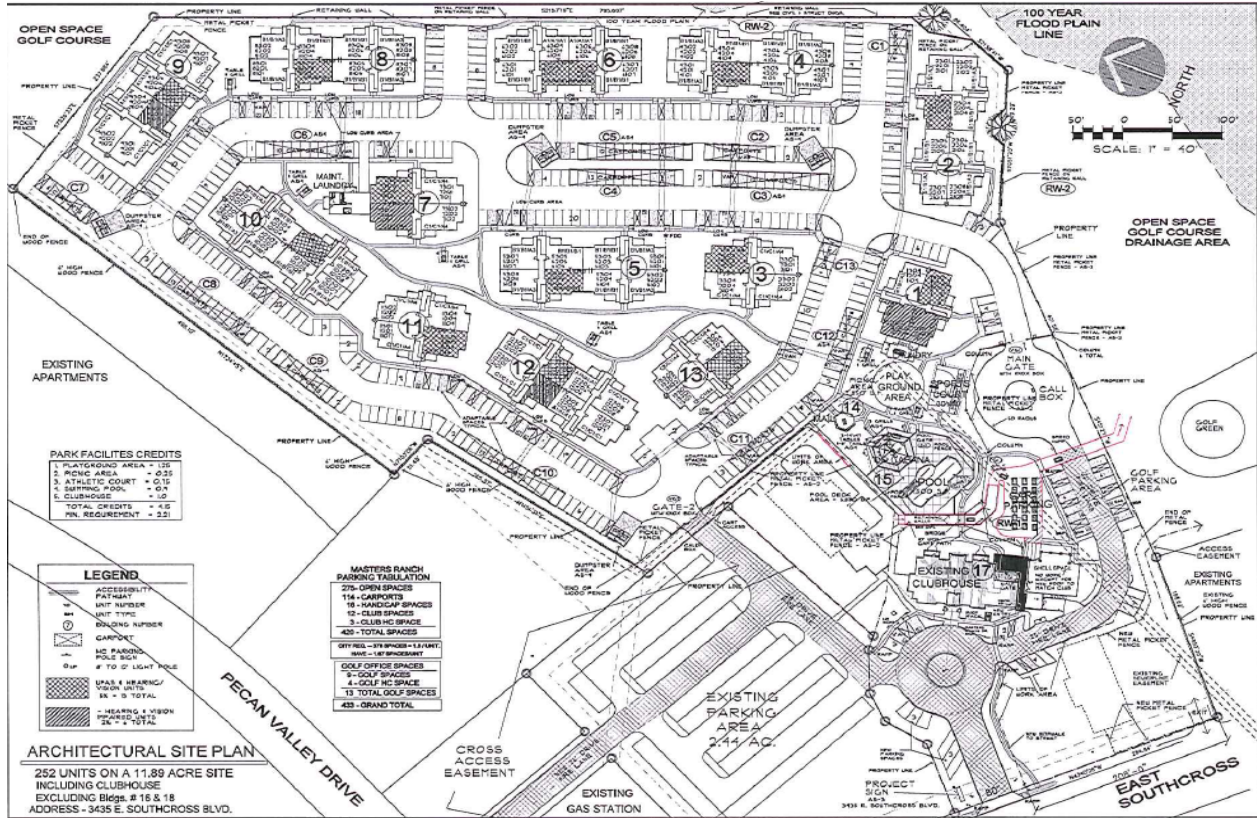


Related-Party Seller/Identity of Interest: No

- Applicant, Developer and Property Manager are related entities.

DEVELOPMENT SUMMARY

SITE PLAN



Comments:

Site is currently part of the Pecan Valley Golf Course and includes an existing club building. Contiguous golf cart and maintenance buildings associated with the golf course will be sold to another entity and are not part of the development. Plat has already been approved and building permits are being processed.

Topography is gently rolling with any gradient tending to the east. Surface water runoff flows into a storm drainage system along the parking/drive areas, eventually ending up in Salado Creek east of subject. No detention pond is required. A fee is paid to the City in lieu of on-site detention.

Primary access is from existing entrance off of E. Southcross Blvd., with secondary entry from Pecan Valley Drive via a cross access easement connecting to site. Lot design is dictated by irregular site. City parking requirement for project is 378 free spaces (1.5/unit). Plan reflects 420 spaces, which exceeds requirement (114 carports & 306 open for a ratio of 1.6/unit). Applicant intends to rent 42 of the carports, leaving 378 free spaces to meet QAP parking requirement.

BUILDING CONFIGURATION

| Building Type | I | II | III | IV | V | | | | | Total Buildings | |
|--------------------|-----------|------------|-----------|-----------|-----------|--|--|--|--|------------------------|----------------|
| Floors/Stories | 3 | 3 | 3 | 3 | 3 | | | | | 13 | |
| Number of Bldgs | 1 | 5 | 1 | 2 | 4 | | | | | 13 | |
| Units per Bldg | 24 | 24 | 12 | 24 | 12 | | | | | 252 | |
| Total Units | 24 | 120 | 12 | 48 | 48 | | | | | 252 | |
| | | | | | | | | | | Net Rentable SF | 242,276 |
| | | | | | | | | | | Common Area SF | 6,184 |

TYPICAL ELEVATION



GENERAL INFORMATION

Total Size: 11.925 acres Scattered Site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: MF-33 Re-Zoning Required? Yes No N/A
 Density: 21.1 units/acre Utilities at Site? Yes No
 Title Issues? Yes No

Surrounding Uses:

- North:** Southside Lions Park / vacant land.
- South:** Multifamily / E. Southcross Blvd. / Social Security Administration.
- East:** Pecan Valley Golf Course.
- West:** Pecan Valley Apartments.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Astex Environmental Services, Inc. Date: 6/24/2013
 Recognized Environmental Conditions (RECs) and Other Concerns:
 • None.

MARKET ANALYSIS

Provider: Apartment MarketData, LLC Date: 7/15/2013
 Contact: Darrell G. Jack Phone: (201) 530-0040
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 32 sq. miles 3 mile equivalent radius
 The Primary Market Area is defined by 24 census tracts in SE San Antonio, Bexar County. The approximate borders are Loop 410 to the south and east; US-87 and I-10 to the north; and Pleasanton Road to the west.

ELIGIBLE HOUSEHOLDS BY INCOME

Bexar County Income Limits

| HH size | 30% of AMI | | 40% of AMI | | 50% of AMI | | 60% of AMI | |
|---------|------------|-----|------------|-----|------------|----------|------------|----------|
| | min | max | min | max | min | max | min | max |
| 1 | --- | --- | --- | --- | \$19,543 | \$21,500 | \$23,657 | \$25,800 |
| 2 | --- | --- | --- | --- | \$19,543 | \$24,550 | \$23,657 | \$29,460 |
| 3 | --- | --- | --- | --- | \$23,486 | \$27,600 | \$28,389 | \$33,120 |
| 4 | --- | --- | --- | --- | \$27,086 | \$30,650 | \$32,811 | \$36,780 |
| 5 | --- | --- | --- | --- | \$27,086 | \$33,150 | \$32,811 | \$39,780 |
| 6 | --- | --- | --- | --- | --- | --- | --- | --- |

| AFFORDABLE HOUSING INVENTORY in PRIMARY MARKET AREA | | | | | |
|--|-----------------------|-------|-------------------|------------|-------------|
| File # | Development | Type | Target Population | Comp Units | Total Units |
| Proposed, Under Construction, and Unstabilized Comparable Developments | | | | | |
| 0 | None | | | 0 | |
| Other Affordable Developments in PMA since 2009 | | | | | |
| 10020 | LaPosada del Rey Apts | rehab | family | n/a | 145 |
| Stabilized Affordable Developments in PMA (pre-2009) | | | | | |
| Total Properties (pre-2009) | | 9 | Total Units | | 1,619 |

Proposed, Under Construction, and Unstabilized Comparable Supply:
There are no other new construction comparables in the PMA.

| OVERALL DEMAND ANALYSIS | | | | |
|--|----------------|--|-------------|--|
| | Market Analyst | | Underwriter | |
| Total Households in the Primary Market Area | 36,247 | | 36,247 | |
| Potential Demand from the Primary Market Area | 4,205 | | 4,217 | |
| Potential Demand from Other Sources | 0 | | 0 | |
| GROSS DEMAND | 4,205 | | 4,217 | |
| Subject Affordable Units | 252 | | 252 | |
| Unstabilized Comparable Units | 0 | | 0 | |
| RELEVANT SUPPLY | 252 | | 252 | |
| Relevant Supply ÷ Gross Demand = GROSS CAPTURE RATE | 6.0% | | 6.0% | |

Demand Analysis:

Maximum Gross Capture Rate for urban developments targeting family households is 10%; the analysis indicates sufficient demand to support the proposed development. The Gross Capture Rate is acceptable; however, individual capture rates per unit on 60% units (99% of total) are considerably higher as reflected in the following chart.

| UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE | | | | | | | | |
|--|----------------|---------------|------------|-------------------|-------------|---------------|------------|-------------------|
| Unit Type | Market Analyst | | | | Underwriter | | | |
| | Demand | Subject Units | Comp Units | Unit Capture Rate | Demand | Subject Units | Comp Units | Unit Capture Rate |
| 1 BR/50% | 565 | 2 | 0 | 0.4% | 285 | 1 | 0 | 0.4% |
| 1 BR/60% | 657 | 74 | 0 | 11.3% | 284 | 75 | 0 | 26.4% |
| 2 BR/50% | 416 | 1 | 0 | 0.2% | 362 | 1 | 0 | 0.3% |
| 2 BR/60% | 333 | 119 | 0 | 35.7% | 284 | 119 | 0 | 41.9% |
| 3 BR/50% | 309 | 1 | 0 | 0.3% | 219 | 1 | 0 | 0.5% |
| 3 BR/60% | 278 | 55 | 0 | 19.8% | 182 | 55 | 0 | 30.2% |

Primary Market Occupancy Rates:

Overall occupancy is 99% for rent restricted units. (p. 114) This demonstrates some mitigation for the calculated individual unit capture rates on the 60% units.

Absorption Projections:

Market Analyst states that the most recent affordable project completed in the PMA is TDHCA #060426 - Costa Almadena, a 176 unit HTC family property built in 2007, that took only seven months to reach a stabilized occupancy of 90%. (p. 12)

Market Impact:

"The level of rent being charged is 28% and 42% lower than the adjusted rents charged at market rate comparables within the PMA." (p. 15) The additional 252 units will have no detrimental effect on the supply and demand in the PMA.

Comments:

PMA encompasses Brooks City-Base which employs 2,255 civilians and has 1,315 military personnel. (p. 102) It was formerly Brooks Air Force Base, a United States Air Force facility that was closed on 9/30/2011. In 2002, Brooks Air Force Base was renamed Brooks City-Base when the property was conveyed to the Brooks Development Authority as part of a unique project between local, state, and federal government. The Brooks Development Authority is now the owner and operator of the property, and is redeveloping it as a science, business, and technology center.

OPERATING PRO FORMA

| SUMMARY- AS UNDERWRITTEN (Applicant's Pro forma) | | | | | |
|--|-------------|----------------|-------|------------------------|---------|
| NOI: | \$1,271,150 | Avg. Rent: | \$743 | Expense Ratio: | 39.9% |
| Debt Service: | \$1,101,110 | B/E Rent: | \$700 | Controllable Expenses: | \$2,521 |
| Net Cash Flow: | \$170,040 | Occupancy: | 92.5% | Property Taxes/Unit: | \$0 |
| Aggregate DCR: | 1.15:1 | B/E Occupancy: | 85.1% | Program Rent Year: | 2013 |

Financing sources include a \$1,467,000 HOME loan from The City of San Antonio that has received final approval. Use of those funds will result in additional income and rent restrictions, which Applicant has included in their assumptions.

Average rent with 1 month concession drops below break-even by \$19, but the need for concessions is diminished by subject's unit mix being 100% restricted, offering a combined 29% discount to indicated market rents.

Breakeven occupancy occurs with 38 units vacant (underwritten at 19).

Applicant anticipates an exemption from property tax because the land will be owned by the San Antonio Housing Trust Public Facility Corporation with a 75 year Ground Lease to project owner. Without the exemption, the property is financially infeasible.

Property tax exemption and 60% rents result in low expense ratio.

Project exhibits feasibility throughout 40 year term of permanent debt.

Number of Revisions: 2 Date of Last Applicant Revision: 11/21/2013

ACQUISITION INFORMATION

SITE CONTROL

Type: Unimproved Property Contract Acreage: 11.925

Total Contract Price: \$1,760,000

less unrelated maintenance bldgs: \$760,000

Net Acquisition Cost: \$1,000,000

Cost Per Unit: \$3,968

Seller: PVG 2008, LLC

Contract Expiration: 30 Days after Procurement of Financing
Related to Development Team? Yes No

Buyer: Masters SA Apartments, LP

Comments:

For the purchase price of \$1M at closing, ownership of the subject land will be conveyed to the San Antonio Housing Trust Public Facility Corporation, who will then lease it to Masters SA Apartments, LP for the prepaid amount of \$1M under a 75 year Ground Lease. This ownership structure will provide tax exempt status for the project. The existing golf cart and maintenance buildings that are not part of this project will be sold for \$760K to a separate foundation that is supporting the Valor Club Golf Course development.

DEVELOPMENT COST EVALUATION

SUMMARY- AS UNDERWRITTEN (Applicant's Costs)

| | | | | | |
|-------------------------------|-------------|---------------------|-----------------------|----------------|-------------|
| Acquisition | \$83,857/ac | \$3,968/unit | \$1,000,000 | Contractor Fee | \$2,114,901 |
| Offsite + Sitework | | \$11,075/unit | \$2,791,020 | Developer Fee | \$2,900,000 |
| Building Cost | \$53.84/sf | \$51,762/unit | \$13,044,014 | Soft Cost | \$3,636,941 |
| Contingency | 3.06% | \$1,923/unit | \$484,552 | Reserves | \$1,406,208 |
| Total Development Cost | | \$27,377,636 | \$108,641/unit | | |

Offsite

None.

Sitework

Certified \$8.6K per unit for typical grading, utility, concrete and paving costs. Amenity cost of \$2.5K per unit was not included in certification but contains typical costs of landscaping, pool, playground, sport court and fencing. Inclusion of these items would increase total site work to \$11.1K per unit.

Building Cost:

Applicant's Building Cost estimate is 11% (\$7/sf) lower than underwriting estimate. Applicant provided a Contractor cost estimate, which is very comparable to 10150 Woodlawn Ranch, Applicant's 252 unit project in San Antonio of nearly identical design completed in December 2012. Underwriting estimate does not account for economies of scale achieved due to large development and by repeatedly building the same product. Applicant has built 5 tax credit properties ranging from 228 to 280 units, all having the same design and amenities. Project would remain feasible using REA's higher Building Cost estimate.

Ineligible Costs:

Ineligible Costs include 42 carports that will be offered to tenants for an additional fee.

Contingency & Fees:

Budgeted contingency low at 3% however \$2.8M of developer fee remains available for deferral to cover any cost overruns.

Conclusion:

\$25,982,387 total eligible cost would support a tax credit allocation of \$862,615.

COST SCHEDULE Number of Revisions: 3 Date of Last Applicant Revision: 11/18/2013

UNDERWRITTEN CAPITALIZATION

Applicant Revisions: 3 Last Update: 11/22/2013

INTERIM SOURCES

| Funding Source | Description | Amount | Rate | LTC |
|------------------------------|------------------------|--------------|--------|-----|
| Centerline Capital Group | 221(d)(4) Loan | \$17,577,600 | 5.10% | 64% |
| San Antonio HOME Funds | Local Government | \$1,467,000 | 2.00% | 5% |
| PNC Bridge Loan | Conventional Loan | \$3,911,535 | 2.75% | 14% |
| PNC - Equity | HTC | \$3,251,350 | \$0.91 | 12% |
| Home Springs Realty Partners | Deferred Developer Fee | \$1,170,151 | 0.00% | 4% |

| | |
|---------------------|----------------------|
| \$27,377,636 | Total Sources |
|---------------------|----------------------|

Comments:

Proposed financing structure includes \$14M in tax-exempt bonds issued by San Antonio Housing Trust Public Facility Corporation, which meets the 50% Test. The term of the bonds has yet to be negotiated but will end up being between 18 and 30 months, as needed for construction. The 4% credits generate \$7.3M of equity funds.

Simultaneously with the bond closing, Applicant will execute a taxable FHA 221(d)4 loan for \$17.6M. Upon issuance, the bond proceeds will be deposited with the trustee and drawn to pay for construction of the project. With each draw of bond proceeds, a corresponding draw from the FHA loan will be deposited with the trustee. At all times, the bonds will be 100% cash collateralized with the funds on deposit with the trustee. At completion/stabilization, the cash collateral held by the trustee will be used to retire the bonds leaving the \$17.6M FHA taxable loan and the \$1.5M HOME loan as the only permanent debt.

Any project cost not paid for with bond proceeds will be paid for with LIHTC equity and/or draws on the FHA loan outside of the bond transaction.

PERMANENT SOURCES

| Debt Source | PROPOSED | | | | UNDERWRITTEN | | | | |
|--------------------|---------------------|---------------|-------|------|---------------------|---------------|-------|------|-----|
| | Amount | Interest Rate | Amort | Term | Amount | Interest Rate | Amort | Term | LTC |
| Centerline Capital | \$17,577,600 | 4.65% | 40 | 40 | \$17,577,600 | 4.65% | 40 | 40 | 64% |
| San Antonio HOME | \$1,467,000 | 2.00% | 40 | 40 | \$1,467,000 | 2.00% | 40 | 40 | 5% |
| Total | \$19,044,600 | | | | \$19,044,600 | | | | |

| Equity & Deferred Fees | PROPOSED | | | UNDERWRITTEN | | | |
|------------------------------|--------------------|--------|-------|---------------------|----------------------|------|-------|
| | Amount | Rate | % Def | Amount | Rate | % TC | % Def |
| PNC - Equity | \$7,162,885 | \$0.91 | | \$7,309,847 | \$0.90 | 27% | |
| Home Springs Realty Partners | \$1,170,151 | | 40% | \$1,023,189 | | 4% | 35% |
| Total | \$8,333,036 | | | \$8,333,036 | | | |
| | | | | \$27,377,636 | Total Sources | | |

Comments:

As the bonds are not permanent debt, the above reflects the anticipated FHA and HOME loan terms. HOME loan has been approved and is pending document execution. Firm application for the FHA loan has not yet occurred.

CONCLUSIONS

Recommended Financing Structure:

Adjusted total development cost less permanent loan sources totaling \$19,044,600 indicates the need for \$8,333,036 in gap funds. This would require a tax credit allocation of \$921,699 at the credit price of \$0.905.

The three possible tax credit allocations are:

- Allocation determined by eligible basis: **\$808,526**
- Allocation limited by gap in financing: **\$921,699**
- Allocation requested by the Applicant: **\$808,526**

A tax credit allocation of \$808,526 (based on Applicant's eligible basis) is recommended. At the credit price of \$0.905, this allocation provides \$7,309,847 in total equity proceeds. Credit pricing would have to exceed \$1.26 before the allocation would be reduced by the gap in financing.

The underwritten capital structure indicates the need to defer \$1,023,189 (35%) of the developer fee. This amount can be repaid from cash flow within 5 years of stabilized operations.

Underwriter: Gregg Kazak

Manager of Real Estate Analysis: Thomas Cavanagh

Director of Real Estate Analysis: Brent Stewart

UNIT MIX/RENT SCHEDULE

Masters Ranch Apartments, San Antonio, 4% LIHTC #13417

| LOCATION DATA | |
|-----------------|-----------------|
| CITY: | San Antonio |
| COUNTY: | Bexar |
| PROGRAM REGION: | 9 |
| PIS Date: | After 1/18/2013 |
| IREM REGION: | San Antonio |

| UNIT DISTRIBUTION | | | | | |
|-------------------|------------|---------------|--------------|------------|---------------|
| # Beds | # Units | % Total | Income | # Units | % Total |
| Eff | | | 30% | | |
| 1 | 76 | 30.2% | 40% | | |
| 2 | 120 | 47.6% | LH/50% | 3 | 1.2% |
| 3 | 56 | 22.2% | TC60% | 249 | 98.8% |
| 4 | | | MR | | |
| TOTAL | 252 | 100.0% | TOTAL | 252 | 100.0% |

| Applicable Programs |
|------------------------|
| 4% Housing Tax Credits |
| HOME |

| Pro Forma ASSUMPTIONS | |
|-----------------------|--------|
| Revenue Growth | 2.00% |
| Expense Growth | 3.00% |
| Basis Adjustment | 100% |
| Applicable Fraction | 100% |
| APP % Acquisition | |
| APP % Construction | 3.32% |
| Average Unit Size | 961 sf |

| UNIT MIX / MONTHLY RENT SCHEDULE | | | | | | | | | | | | | | | | | | | | | |
|-------------------------------------|------------|-----------------|------------|------------|--------|---------|----------------|-------------------------|---------------------------|----------------------|-----------------------------|---------------|-------------------|--------------------|-----------------------|---------------|---------------|----------------------|----------------|---------------|-------------------------|
| HTC | | HOME (Rent/Inc) | | Unit Mix | | | | APPLICABLE PROGRAM RENT | | | APPLICANT'S PRO FORMA RENTS | | | | TDHCA PRO FORMA RENTS | | | | MARKET RENTS | | |
| Type | Gross Rent | Type | Gross Rent | # Units | # Beds | # Baths | NRA | Gross Rent | Tenant Pd UA's (Verified) | Max Net Program Rent | Delta to Max Program | Rent per NRA | Net Rent per Unit | Total Monthly Rent | Total Monthly Rent | Rent per Unit | Rent per NRA | Delta to Max Program | Market Rent | Rent per NRA | TDHCA Savings to Market |
| TC60% | \$690 | 0 | | 31 | 1 | 1 | 745 | \$690 | \$59 | \$631 | \$0 | \$0.85 | \$631 | \$19,561 | \$19,561 | \$631 | \$0.85 | \$0 | \$890 | 1.19 | \$259 |
| TC60% | \$690 | LH/50% | \$575 | 1 | 1 | 1 | 745 | \$575 | \$59 | \$516 | \$0 | \$0.69 | \$516 | \$516 | \$516 | \$516 | \$0.69 | \$0 | \$890 | 1.19 | \$374 |
| TC60% | \$690 | HH/60% | \$693 | 4 | 1 | 1 | 745 | \$690 | \$59 | \$631 | \$0 | \$0.85 | \$631 | \$2,524 | \$2,524 | \$631 | \$0.85 | \$0 | \$890 | 1.19 | \$259 |
| TC60% | \$690 | 0 | | 24 | 1 | 1 | 751 | \$690 | \$59 | \$631 | \$0 | \$0.84 | \$631 | \$15,144 | \$15,144 | \$631 | \$0.84 | \$0 | \$894 | 1.19 | \$263 |
| TC60% | \$690 | 0 | | 16 | 1 | 1 | 760 | \$690 | \$59 | \$631 | \$0 | \$0.83 | \$631 | \$10,096 | \$10,096 | \$631 | \$0.83 | \$0 | \$899 | 1.18 | \$268 |
| TC60% | \$828 | 0 | | 115 | 2 | 2 | 990 | \$828 | \$71 | \$757 | \$0 | \$0.76 | \$757 | \$87,055 | \$87,055 | \$757 | \$0.76 | \$0 | \$1,058 | 1.07 | \$301 |
| TC60% | \$828 | LH/50% | \$690 | 1 | 2 | 2 | 990 | \$690 | \$71 | \$619 | \$0 | \$0.63 | \$619 | \$619 | \$619 | \$619 | \$0.63 | \$0 | \$1,058 | 1.07 | \$439 |
| TC60% | \$828 | HH/60% | \$870 | 4 | 2 | 2 | 990 | \$828 | \$71 | \$757 | \$0 | \$0.76 | \$757 | \$3,028 | \$3,028 | \$757 | \$0.76 | \$0 | \$1,058 | 1.07 | \$301 |
| TC60% | \$957 | 0 | | 52 | 3 | 2 | 1,187 | \$957 | \$84 | \$873 | \$0 | \$0.74 | \$873 | \$45,396 | \$45,396 | \$873 | \$0.74 | \$0 | \$1,217 | 1.03 | \$344 |
| TC60% | \$957 | LH/50% | \$797 | 1 | 3 | 2 | 1,187 | \$797 | \$84 | \$713 | \$0 | \$0.60 | \$713 | \$713 | \$713 | \$713 | \$0.60 | \$0 | \$1,217 | 1.03 | \$504 |
| TC60% | \$957 | HH/60% | \$1,002 | 3 | 3 | 2 | 1,187 | \$957 | \$84 | \$873 | \$0 | \$0.74 | \$873 | \$2,619 | \$2,619 | \$873 | \$0.74 | \$0 | \$1,217 | 1.03 | \$344 |
| TOTALS/AVERAGES: | | | | 252 | | | 242,276 | | | | \$0 | \$0.77 | \$743 | \$187,271 | \$187,271 | \$743 | \$0.77 | \$0 | \$1,044 | \$1.09 | \$300 |
| ANNUAL POTENTIAL GROSS RENT: | | | | | | | | | | | | | | \$2,247,252 | \$2,247,252 | | | | | | |

STABILIZED PRO FORMA

Masters Ranch Apartments, San Antonio, 4% LIHTC #13417

STABILIZED FIRST YEAR PRO FORMA

| | COMPARABLES | | APPLICANT | | | | TDHCA | | | | VARIANCE | |
|--------------------------------------|-----------------------------|-------|-----------|--------|----------|-------------|-------------|-------------|--------|--------|----------|----------|
| | Database | Other | % EGI | Per SF | Per Unit | Amount | Amount | Per Unit | Per SF | % EGI | % | \$ |
| | POTENTIAL GROSS RENT | | | | \$0.77 | \$743 | \$2,247,252 | \$2,247,252 | \$743 | \$0.77 | | 0.0% |
| Laundry | | | | | \$5.50 | \$16,632 | | | | | 0.0% | (16,632) |
| Telephone/Cable | | | | | \$4.50 | \$13,608 | | | | | 0.0% | (13,608) |
| Covered Parking | | | | | \$3.33 | \$10,080 | | | | | 0.0% | (10,080) |
| Underwriter's Total Secondary Income | | | | | | | \$40,320 | \$13.33 | | | 100.0% | 40,320 |
| POTENTIAL GROSS INCOME | | \$ - | | | | \$2,287,572 | \$2,287,572 | | | | 0.0% | \$0 |
| Vacancy & Collection Loss | | | | | 7.5% PGI | (171,568) | (171,568) | 7.5% PGI | | | 0.0% | - |
| Non-Rental Units/Concessions | | | | | | - | | | | | 0.0% | - |
| EFFECTIVE GROSS INCOME | | \$ - | | | | \$2,116,004 | \$2,116,004 | | | | 0.0% | \$0 |

| | | | | | | | | | | | | | |
|--|-----------|--------------|-------------------|---------------|---------------|----------------|--------------------|--------------------|----------------|---------------|---------------|--------------|--------------------|
| General & Administrative | \$100,055 | \$397/Unit | \$83,905 | 4.43% | \$0.39 | \$372 | \$93,653 | \$83,905 | \$333 | \$0.35 | 3.97% | 11.6% | 9,748 |
| Management | \$91,355 | 4.7% EGI | \$90,402 | 4.02% | \$0.35 | \$337 | \$84,961 | \$84,640 | \$336 | \$0.35 | 4.00% | 0.4% | 321 |
| Payroll & Payroll Tax | \$272,117 | \$1,080/Unit | \$274,376 | 13.70% | \$1.20 | \$1,150 | \$289,881 | \$272,117 | \$1,080 | \$1.12 | 12.86% | 6.5% | 17,764 |
| Repairs & Maintenance | \$149,275 | \$592/Unit | \$99,424 | 4.22% | \$0.37 | \$355 | \$89,343 | \$138,600 | \$550 | \$0.57 | 6.55% | -35.5% | (49,257) |
| Electric/Gas | \$66,044 | \$262/Unit | \$30,039 | 1.29% | \$0.11 | \$108 | \$27,291 | \$30,039 | \$119 | \$0.12 | 1.42% | -9.1% | (2,748) |
| Water, Sewer, & Trash | \$140,991 | \$559/Unit | \$172,019 | 6.39% | \$0.56 | \$536 | \$135,161 | \$140,991 | \$559 | \$0.58 | 6.66% | -4.1% | (5,830) |
| Property Insurance | \$57,973 | \$0.24 /sf | \$48,044 | 2.18% | \$0.19 | \$183 | \$46,032 | \$48,044 | \$191 | \$0.20 | 2.27% | -4.2% | (2,012) |
| Property Tax 3.988911 | \$131,862 | \$523/Unit | \$121,117 | 0.00% | \$0.00 | \$0 | \$0 | \$0 | \$0 | \$0.00 | 0.00% | 0.0% | - |
| Reserve for Replacements | \$61,913 | \$246/Unit | \$51,529 | 2.98% | \$0.26 | \$250 | \$63,000 | \$63,000 | \$250 | \$0.26 | 2.98% | 0.0% | - |
| Cable TV | | | \$1 | 0.00% | \$0.00 | \$0 | \$0 | \$0 | \$0 | \$0.00 | 0.00% | 0.0% | - |
| Supportive service contract fees | | | \$103 | 0.17% | \$0.02 | \$14 | \$3,640 | \$3,640 | \$14 | \$0.02 | 0.17% | 0.0% | - |
| TDHCA Compliance fees | | | \$0 | 0.48% | \$0.04 | \$40 | \$10,080 | \$10,080 | \$40 | \$0.04 | 0.48% | 0.0% | - |
| TDHCA Bond Administration Fees (TDHCA as Bond) | | | \$0 | 0.00% | \$0.00 | \$0 | \$0 | \$0 | \$0 | \$0.00 | 0.00% | 0.0% | - |
| Security | | | \$62 | 0.09% | \$0.01 | \$7 | \$1,812 | \$1,812 | \$7 | \$0.01 | 0.09% | 0.0% | - |
| Marketing | | | \$0 | 0.00% | \$0.00 | \$0 | \$0 | \$0 | \$0 | \$0.00 | 0.00% | 0.0% | - |
| TOTAL EXPENSES | | | \$ 971,227 | 39.93% | \$3.49 | \$3,353 | \$ 844,854 | \$ 876,868 | \$3,480 | \$3.62 | 41.44% | -3.7% | \$ (32,014) |
| NET OPERATING INCOME ("NOI") | | | | 60.07% | \$5.25 | \$5,044 | \$1,271,150 | \$1,239,136 | \$4,917 | \$5.11 | 58.56% | 2.6% | \$32,014 |

| | | | | | | |
|------------------------------|--------------|--------------|--|--------------|--|--------------|
| CONTROLLABLE EXPENSES | \$2,891/Unit | \$2,618/Unit | | \$2,521/Unit | | \$2,641/Unit |
|------------------------------|--------------|--------------|--|--------------|--|--------------|

LONG TERM OPERATING PRO FORMA

| | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 25 | YEAR 30 | YEAR 35 | YEAR 40 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| EFFECTIVE GROSS INCOME | \$2,116,004 | \$2,158,324 | \$2,201,491 | \$2,245,520 | \$2,290,431 | \$2,528,821 | \$2,792,022 | \$3,082,618 | \$3,403,460 | \$3,757,695 | \$4,148,799 | \$4,580,609 |
| LESS: TOTAL EXPENSES | 844,854 | 869,350 | 894,564 | 920,517 | 947,231 | 1,093,024 | 1,261,511 | 1,456,249 | 1,681,360 | 1,941,615 | 2,242,537 | 2,590,521 |
| NET OPERATING INCOME | \$1,271,150 | \$1,288,974 | \$1,306,927 | \$1,325,004 | \$1,343,200 | \$1,435,797 | \$1,530,512 | \$1,626,369 | \$1,722,099 | \$1,816,079 | \$1,906,262 | \$1,990,088 |
| LESS: DEBT SERVICE | 1,101,110 | 1,101,110 | 1,101,110 | 1,101,110 | 1,101,110 | 1,101,110 | 1,101,110 | 1,101,110 | 1,101,110 | 1,101,110 | 1,101,110 | 1,101,110 |
| NET CASH FLOW | \$170,040 | \$187,864 | \$205,816 | \$223,893 | \$242,090 | \$334,686 | \$429,401 | \$525,259 | \$620,989 | \$714,969 | \$805,151 | \$888,978 |
| CUMULATIVE NET CASH FLOW | \$170,040 | \$357,903 | \$563,720 | \$787,613 | \$1,029,703 | \$2,516,930 | \$4,473,835 | \$6,908,188 | \$9,822,019 | \$13,209,980 | \$17,057,362 | \$21,337,726 |
| DEFERRED DEVELOPER FEE BALANCE | \$853,150 | \$665,286 | \$459,470 | \$235,576 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| DCR ON UNDERWRITTEN DEBT (Must-Pay) | 1.15 | 1.17 | 1.19 | 1.20 | 1.22 | 1.30 | 1.39 | 1.48 | 1.56 | 1.65 | 1.73 | 1.81 |
| EXPENSE/EGI RATIO | 39.93% | 40.28% | 40.63% | 40.99% | 41.36% | 43.22% | 45.18% | 47.24% | 49.40% | 51.67% | 54.05% | 56.55% |

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Masters Ranch Apartments, San Antonio, 4% LIHTC #13417

DEBT / GRANT SOURCES

| | | APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE | | | | | | | AS UNDERWRITTEN DEBT/GRANT STRUCTURE | | | | | | |
|-----------------------------------|-------|---|------|--------------------|-------|-------|------|---------------------|--------------------------------------|------|-------|-------|--------------------|------------|--------------|
| | | Cumulative DCR | | Pmt | Rate | Amort | Term | Principal | Principal | Term | Amort | Rate | Pmt | Cumulative | |
| DEBT (Must Pay) | MIP | UW | App | | | | | | | | | | | DCR | LTC |
| Centerline Capital Group | 0.45% | 1.18 | 1.21 | \$1,047,801 | 4.65% | 40 | 40 | \$17,577,600 | \$17,577,600 | 40 | 40 | 4.65% | 1,047,801 | 1.21 | 64.2% |
| San Antonio HOME Funds | | 1.13 | 1.15 | \$53,309 | 2.00% | 40 | 40 | \$1,467,000 | \$1,467,000 | 40 | 40 | 2.00% | 53,309 | 1.15 | 5.4% |
| TOTAL DEBT / GRANT SOURCES | | | | \$1,101,110 | | | | \$19,044,600 | \$19,044,600 | | | | \$1,101,110 | | 69.6% |

| | | | | | | | |
|----------------------|-----------|-----------|--|-----------------------------|-------------|-----------|----------------------|
| NET CASH FLOW | \$138,025 | \$170,040 | | NET OPERATING INCOME | \$1,271,150 | \$170,040 | NET CASH FLOW |
|----------------------|-----------|-----------|--|-----------------------------|-------------|-----------|----------------------|

EQUITY SOURCES

| | | APPLICANT'S PROPOSED EQUITY STRUCTURE | | | | | AS UNDERWRITTEN EQUITY STRUCTURE | | | | |
|---------------------------------|-------------------------|---------------------------------------|----------------|--------------|--------------------|--------------------|----------------------------------|---------------|--------------|-------------------------|--|
| EQUITY / DEFERRED FEES | DESCRIPTION | % Cost | Annual Credit | Credit Price | Amount | Amount | Credit Price | Annual Credit | % Cost | Annual Credits per Unit | |
| PNC - Equity | LIHTC Equity | 26.2% | \$791,479 | 0.91 | \$7,162,885 | \$7,309,847 | \$0.90 | \$808,526 | 26.7% | \$29,007 | |
| Home Springs Realty Partners | Deferred Developer Fees | 4.3% | (40% Deferred) | | \$1,170,151 | \$1,023,189 | (35% Deferred) | | 3.7% | | Total Developer Fee: \$2,900,000 |
| Additional (Excess) Funds Req'd | | 0.0% | | | \$0 | \$0 | | | 0.0% | | 15-Year Cash Flow: \$4,473,835 |
| TOTAL EQUITY SOURCES | | 30.4% | | | \$8,333,036 | \$8,333,036 | | | 30.4% | | Cash Flow after Deferred Fee: \$3,450,645 |

| | | | | | | | |
|-----------------------------|--|--|--|---------------------|---------------------|--|--|
| TOTAL CAPITALIZATION | | | | \$27,377,636 | \$27,377,636 | | |
|-----------------------------|--|--|--|---------------------|---------------------|--|--|

DEVELOPMENT COST / ITEMIZED BASIS

| | APPLICANT COST / BASIS ITEMS | | | | | | | | | | TDHCA COST / BASIS ITEMS | | | | COST VARIANCE | |
|---|------------------------------|---------------------|----------------|-------------------------|---------------------|---------------------|-------------------------|-------------|---------------------|------------|--------------------------|----------------------|--|--|---------------|--|
| | Eligible Basis | | Total Costs | Total Costs | Eligible Basis | | % | \$ | | | | | | | | |
| | Acquisition | New Const. Rehab | | | New Const. Rehab | Acquisition | | | | | | | | | | |
| | | | | | | | | | | | | | | | | |
| Land Acquisition | | | \$3,968 / Unit | \$1,000,000 | \$1,000,000 | \$3,968 / Unit | | | 0.0% | \$0 | | | | | | |
| Building Acquisition (Existing Clubhouse Facility) | \$0 | | \$ / Unit | \$0 | \$0 | \$ / Unit | \$0 | | 0.0% | \$0 | | | | | | |
| Off-Sites | | \$0 | \$ / Unit | \$0 | \$0 | \$ / Unit | \$0 | | 0.0% | \$0 | | | | | | |
| Sitework | | \$2,173,216 | \$8,624 / Unit | \$2,173,216 | \$2,173,216 | \$8,624 / Unit | \$2,173,216 | | 0.0% | \$0 | | | | | | |
| Site Amenities | | \$617,804 | \$2,452 / Unit | \$617,804 | \$617,804 | \$2,452 / Unit | \$617,804 | | 0.0% | \$0 | | | | | | |
| Building Costs | | \$13,016,209 | \$53.84 /sf | \$51,762/Unit | \$13,044,014 | \$14,406,568 | \$57,169/Unit | \$59.46 /sf | \$14,375,852 | -9.5% | (\$1,362,554) | | | | | |
| Contingency | | \$484,552 | 3.07% | 3.06% | \$484,552 | \$484,552 | 2.82% | 2.82% | \$484,552 | 0.0% | \$0 | | | | | |
| Contractor's Fees | | \$2,114,901 | 12.98% | 12.96% | \$2,114,901 | \$2,114,901 | 11.96% | 11.98% | \$2,114,901 | 0.0% | \$0 | | | | | |
| Indirect Construction | 0 | \$839,742 | | \$3,332 / Unit | \$839,742 | \$839,742 | \$3,332 / Unit | | \$839,742 | \$0 | 0.0% | \$0 | | | | |
| Developer's Fees | \$0 | \$2,900,000 | 13.52% | 13.50% | \$2,900,000 | \$2,900,000 | 12.70% | 12.71% | \$2,900,000 | \$0 | 0.0% | \$0 | | | | |
| Financing | 0 | \$2,206,782 | | \$11,100 / Unit | \$2,797,199 | \$2,797,199 | \$11,100 / Unit | | \$2,206,782 | \$0 | 0.0% | \$0 | | | | |
| Reserves | | | | \$5,580 / Unit | \$1,406,208 | \$1,406,208 | \$5,580 / Unit | | | | 0.0% | \$0 | | | | |
| UNADJUSTED BASIS / COST | \$0 | \$24,353,206 | | \$108,641 / Unit | \$27,377,636 | \$28,740,190 | \$114,048 / Unit | | \$25,712,849 | \$0 | -4.7% | (\$1,362,554) | | | | |
| Acquisition Cost for Identity of Interest Seller | | | | | \$0 | | | | | | | | | | | |
| Contingency | | \$0 | | | | | | | | | | | | | | |
| Contractor's Fee | | \$0 | | | | | | | | | | | | | | |
| Interim Interest | | \$0 | | | | | | | | | | | | | | |
| Developer's Fee | \$0 | \$0 | | | \$0 | | | | | | | | | | | |
| ADJUSTED BASIS / COST | \$0 | \$24,353,206 | | \$108,641/unit | \$27,377,636 | \$28,740,190 | \$114,048/unit | | \$25,712,849 | \$0 | -4.7% | (\$1,362,554) | | | | |
| TOTAL UNDERWRITTEN COSTS (Applicant's Uses are within 5% of TDHCA Estimate): | | | | | \$27,377,636 | | | | | | | | | | | |

CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS
Masters Ranch Apartments, San Antonio, 4% LIHTC #13417

| CREDIT CALCULATION ON QUALIFIED BASIS | | | | |
|---------------------------------------|-------------|-----------------------------|-------------|-----------------------------|
| | Applicant | | TDHCA | |
| | Acquisition | Construction Rehabilitation | Acquisition | Construction Rehabilitation |
| ADJUSTED BASIS | \$0 | \$24,353,206 | \$0 | \$25,712,849 |
| Deduction of Federal Grants | \$0 | \$0 | \$0 | \$0 |
| TOTAL ELIGIBLE BASIS | \$0 | \$24,353,206 | \$0 | \$25,712,849 |
| High Cost Area Adjustment | | 100% | | 100% |
| TOTAL ADJUSTED BASIS | \$0 | \$24,353,206 | \$0 | \$25,712,849 |
| Applicable Fraction | 100.00% | 100.00% | 100.00% | 100.00% |
| TOTAL QUALIFIED BASIS | \$0 | \$24,353,206 | \$0 | \$25,712,849 |
| Applicable Percentage | 3.24% | 3.32% | 0.00% | 3.32% |
| ANNUAL CREDIT ON BASIS | \$0 | \$808,526 | \$0 | \$853,667 |
| CREDITS ON QUALIFIED BASIS | \$808,526 | | \$853,667 | |

| DIRECT CONSTRUCTION COST ESTIMATE | | | | |
|--|---------|---------------|--------------|---------------------|
| CATEGORY | FACTOR | UNITS/SF | PER SF | AMOUNT |
| Base Cost: Garden (Up to 3-story) | | 242,276 SF | \$59.52 | 14,420,984 |
| Adjustments | | | | |
| Exterior Wall Finish | 2.40% | | 1.43 | \$346,104 |
| | 0.00% | | 0.00 | 0 |
| 9 ft. ceilings | 3.30% | | 1.96 | 475,892 |
| Roofing | | | 0.50 | 121,138 |
| Subfloor | | | (0.12) | (28,266) |
| Floor Cover | | | 2.68 | 649,300 |
| Breezeways | \$25.02 | 24,054 | 2.48 | 601,917 |
| Balconies | \$25.53 | 31,840 | 3.36 | 858,336 |
| Plumbing Fixtures | \$940 | 360 | 1.40 | 338,400 |
| Rough-ins | \$465 | 504 | 0.97 | 234,360 |
| Built-In Appliances | \$1,750 | 252 | 1.82 | 441,000 |
| Exterior Stairs | \$2,125 | 84 | 0.74 | 178,500 |
| Heating/Cooling | | | 2.06 | 499,089 |
| Enclosed Corridors | \$44.03 | 0 | 0.00 | 0 |
| Carports | \$5.65 | 20,520 | 0.48 | 115,938 |
| Garages | | 0 | 0.00 | 0 |
| Comm &/or Aux Bldgs | \$56.60 | 6,184 | 1.44 | 350,000 |
| Elevators | | 0 | 0.00 | 0 |
| Other: Mail Bldg. | \$25.02 | 314 | 0.03 | 7,857 |
| Other: Pool Cabana | \$32.06 | 606 | 0.08 | 19,431 |
| Other: Fire Sprinklers | \$1.65 | 272,514 | 1.86 | 449,648 |
| SUBTOTAL | | | 82.69 | 20,034,164 |
| Current Cost Multiplier | 0.98 | | (1.65) | (400,683) |
| Local Multiplier | 0.87 | | (10.75) | (2,604,441) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | 70.29 | \$17,029,040 |
| Plans, specs, survey, bldg permits | 3.90% | | (2.74) | (\$664,133) |
| Contractor's OH & Profit | 11.50% | | (8.08) | (1,958,340) |
| NET DIRECT CONSTRUCTION COSTS | | \$57,169/unit | \$59.46/sf | \$14,406,568 |

| ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS | | |
|--|----------------|-------------|
| Method | Annual Credits | Proceeds |
| Eligible Basis | \$808,526 | \$7,309,847 |
| Gap | \$921,699 | \$8,333,036 |
| Request Adjusted for App % | \$808,526 | \$7,309,847 |
| Request | \$789,044 | \$7,133,707 |

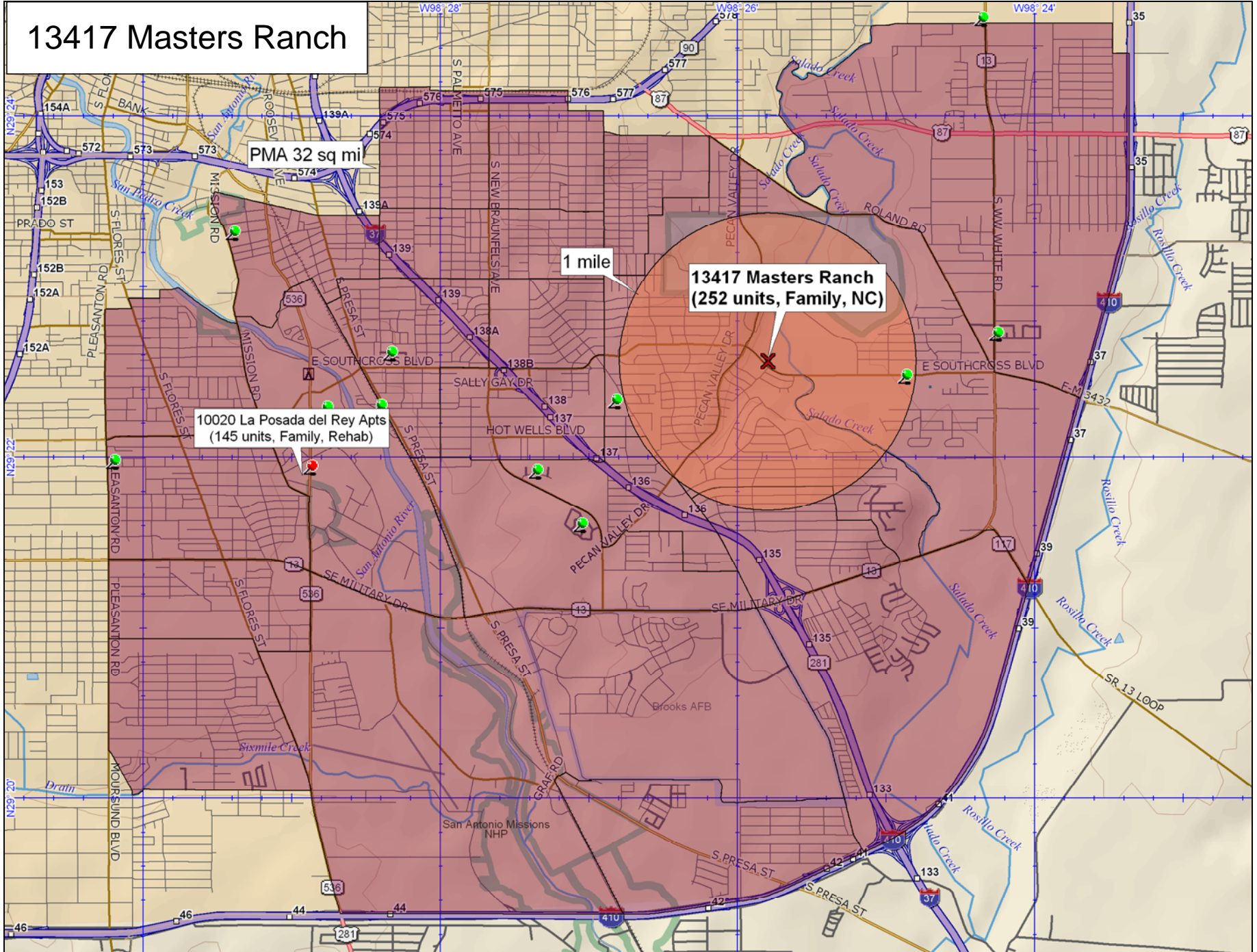
| FINAL ANNUAL LIHTC ALLOCATION | | |
|-------------------------------|-------------|---------------------|
| Method | Request | Variance to Request |
| Credits | \$808,526 | \$0 |
| Total Equity Proceeds | \$7,309,847 | \$0 |

| 50% Test for Bond Financing for 4% Tax Credits | | | | | |
|--|---------------------|---------------------|---|-------------|-------------|
| Tax-Exempt Bond Amount | \$14,000,000 | | Percent Financed by Tax-Exempt Bonds | Applicant | TDHCA |
| Aggregate Basis Limit for 50% Test | \$28,000,000 | | | 55.2% | 52.3% |
| | Applicant | TDHCA | | | |
| Land Cost | \$1,000,000 | \$1,000,000 | | | |
| Depreciable Bldg Cost | \$24,381,011 | \$25,743,565 | | | |
| Aggregate Basis for 50% Test | \$25,381,011 | \$26,743,565 | | | |
| | | | amount aggregate basis can increase before 50% test fails | \$2,618,989 | \$1,256,435 |
| | | | | 10.3% | 4.7% |

| Building Cost/SF | | | |
|---|------------------|---|-------------------|
| Development Category | New Construction | Category Building Cost/SF (Mean) | \$62.03 /sf |
| NRA | 242,276 | Calculated Building Cost/SF ⁽³⁾ | \$53.84 /sf |
| Elevator Served Enclosed Corridors ⁽¹⁾ | 0 | Building Cost Variance (\$) | \$8.19 /sf |
| Common Area ⁽²⁾ | 0 | Variance to Mean (%) | 13.2% |
| Total SF for QAP Calculation | 242,276 | Building Cost/SF reported in Application ⁽³⁾ | \$0.00 /sf |
| | | Variance to Mean based on Application | 100.0% |

(1) Supportive Housing, Qualified Elderly or 4-Story Development

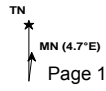
13417 Masters Ranch



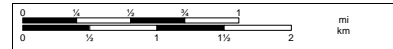
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Scale 1 : 56,250



1" = 4,687.5 ft Date: 12/4/13