TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING OF MARCH 13, 2003

Michael Jones, Chair
C. Kent Conine, Vice-Chair

Beth Anderson, Member
Shadrick Bogany, Member
Vidal Gonzalez, Member
Norberto Salinas, Member

MISSION

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine, Board Room, Fourth Floor, Austin, Texas 78701
March 13, 2003 11:00 a.m.

A G E N D A

CALL TO ORDER, ROLL CALL — Michael Jones
CERTIFICATION OF QUORUM — Chair of Board

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

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

EXECUTIVE SESSION — Michael Jones
Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - Appeal by Enclave at West Airport, Houston, Multifamily Mortgage Revenue Bonds and Low Income Housing Tax Credits, 02-464

OPEN SESSION — Michael Jones
Action in Open Session on Items Discussed in Executive Session

Item 1 Presentation, Discussion and Possible Approval of Minutes of Board Meetings of February 13, 2003 — Michael Jones

Item 2 Action on Appeal by The Enclave at West Airport, Houston, Multifamily Mortgage Revenue Bonds and Low Income Housing Tax Credits, 02-464 — Michael Jones

Item 3 Presentation, Discussion and Possible Approval of Financial Items: — C. Kent Conine

a) Loan in the Amount of $909,657 to be Made Under the Multifamily Housing Preservation Incentives Program For the Country Club Village Apartments and Other Related Matters
b) Resolution Authorizing the Extension of the Certificate Purchase Period for Residential Mortgage Revenue Bonds, Series 2002A, Residential Mortgage Revenue Refunding Bonds, Series 2002B, Residential Mortgage Revenue Refunding Bonds, Series 2002C, and Residential Mortgage Revenue Bonds, Series 2002D
c) Resolution Authorizing an Interest Rate Reduction for Certain Fannie Mae Expanded Approval Loans Made Available Through Residential Mortgage Revenue Bonds, Series 2002A, Residential Mortgage Revenue Refunding Bonds, Series 2002B, Residential Mortgage Revenue Refunding Bonds, Series 2002C and Residential Mortgage Revenue Bonds, Series 2002D and Other Related Matters (Program 57A)

Item 4	Presentation, Discussion and Possible Approval of Low Income Housing Tax Credit Items: a) Policy on Process/Procedures for USDA “Rescue Transactions” To Request a 2004 Forward Commitment of Tax Credits b) Interagency Contract Between the Texas Department of Housing and Community Affairs and the Office of Rural Community Affairs Concerning the Low Income Housing Tax Credit Program Rural Set Aside c) Additional Extension of Deadline for Commencement of Construction for: 01-144 Autumn Oaks at Corinth d) Request for Relief by King Fisher Creek Apartments, Austin, LIHTC 00-062	Michael Jones
Item 5	Presentation, Discussion and Possible Approval of Programmatic Items: a) CHDO Award Recommendations Under the HOME Program for: 20020016 Bayou Housing Partners HBA ` $ 52,500 20020003 Grayson County CDC HBA ` $357,000 20020010 Aff. Hsg. of Parker Co. HBA/OCC $170,625 b) Section 8 Program Public Housing Authority Plan for The Year 2003 and Other Related Matters c) 2003 Proposed Bond Eligible Tenant Limits	Shad Bogany
Item 6	Presentation, Discussion and Possible Approval of Report from the Audit Committee: FY 2003 Annual Internal Audit Plan Discussion of: a) External Audit – Communications with Audit Committee Letter b) External Audit - Opinion Audit on FY2002 Basic Financial Statements c) External Audit – Opinion Audit on FY2002 Revenue Bond Program Financial Statements d) External Audit – Opinion Audit of FY2002 Computation of Unencumbered Fund Balances e) External Audit – Report to Management (Management Letter) f) Internal Audit – Low Income Housing Tax Credit Inspection Fee Balances Due From/Due to Project Owners g) Status of Internal/External Audits	Vidal Gonzalez
Item 7	Presentation and Discussion of Report on TDHCA Legislation Filed Through February 28, 2003	Michael Jones
Item 8	Presentation and Discussion of Update from Community Affairs	Michael Jones
Item 9	Presentation and Discussion of Bond and Tax Credit Approval And Disapproval Factors	Michael Jones

REPORT ITEMS

Executive Directors Report — Edwina Carrington

1) Young v. Martinez, Civil Action No. P-80-8-CA, U. S. District Court Eastern District of Texas, Analysis of Impediments to Fair Housing, HUD Disapproval of FY 2003 Consolidated Action Plan; Proposed Settlement Agreement and Release
2) Heatherwilde Estates Apartments, LIHTC No. 02-075

EXECUTIVE SESSION — Michael Jones

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al. Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District;

Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - (1) 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A; (2) Young v. Martinez, Civil Action No. P-80-8-CA, U. S. District Court, Eastern District of Texas, Analysis of Impediments to Fair Housing, HUD Disapproval of FY 2003 Consolidated Action Plan; Proposed Settlement Agreement and Release; (3) Heatherwilde Estates Apartments, LIHTC No. 02-075; (4) Bond and Tax Credit Development Approval – Disapproval Factors (5) Appeal by Enclave at West Airport, Houston, Multifamily Mortgage Revenue Bonds and Low Income Housing Tax Credits, 02-464; (6) Request for Relief by Kingfisher Creek Apartments, LIHTC No. 00-062

Personnel Matters under Section 551.074, Texas Government Code

If permitted by law, the Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION Michael Jones

Action in Open Session on Items Discussed in Executive Session

ADJOURN Michael Jones
Chair of Board

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 the Board Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 and request the information.

Individuals who require auxiliary aids, services or translators for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

March 13, 2003

ROLL CALL

	Present	Absent
Jones, Michael, Chair	___________	___________
Anderson, Beth, Member	___________	___________
Bogany, Shadrick, Member	___________	___________
Conine, C. Kent, Member	___________	___________
Gonzalez, Vidal, Member	___________	___________
Salinas, Norberto, Member	___________	___________
Number Present	___________	
Number Absent		___________

_______________________, Presiding Officer

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine, Fourth Floor Boardroom, Austin, Texas 78701
February 13, 2003 10:00 a. m.

Summary of Minutes

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Board Meeting of the Texas Department of Housing and Community Affairs of February 13, 2003 was called to order by Board Chair Michael Jones at 10:10 a.m. It was held at 507 Sabine, Fourth Floor Boardroom, Austin, Texas. Roll call certified a quorum was present.

Members present:
Michael Jones -- Chair
C. Kent Conine -- Vice-Chair
Beth Anderson -- Member
Shadrick Bogany -- Member
Vidal Gonzalez -- Member
Norberto Salinas -- Member

Staff of the Texas Department of Housing and Community Affairs was also present.

Mr. Jones and the Board congratulated Mr. C. Kent Conine on his election as President of the National Association of Home Builders.

PUBLIC COMMENT

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

Mr. Jones called for public comment and the following gave comments at this time.

<u>Mae Walker, Houston, Texas</u>
Ms. Walker stated she was a 32-yr. resident of the Brentwood Subdivision located in Houston, Texas. This is a well kept community and she asked the Board to not approve the bonds for the Enclave at West Airport for Houston, Texas. There are retired professional people who take pride in their community and there is a low income project there, Palamino Apartments, and since it has been there, crime has soared and litter and trash are thrown in the neighborhoods. She stated there is a health hazard.

Mr. Jones recognized Frank White from the House Committee of Urban Affairs who was in attendance at this meeting.

<u>Margie Taylor, Houston, Texas</u>
Ms. Taylor stated she was the Deed Restriction Chairperson for the Hirom Clark Civic Club subdivision, which includes the Brentwood area and the Palamino Apartments. There are 768 houses in the Brentwood subdivision and there are elementary, middle and high schools. The elementary school is full now as it was not built to hold many students so it now has many temporary buildings. They are expecting 93 new homes to be built so they can not accommodate another project with many children. She asked the Board to not approve the Enclave bonds.

<u>Alma Lilly, Houston, Texas</u>

Ms. Lilly has been a resident of the Brentwood area for 31 years. They take pride in keeping their neighborhood and with additional people; it would be hard on them to pick up more trash, etc. She asked the Board to not approve the Enclave.

Claudette Edwards, Houston, Texas
Ms. Edwards stated she is the President of the Hirom Clark Civic Club and the current project, the Palamino, has no security and there are drugs, shoot-outs, etc. and she asked the Board to not approve the Enclave.

Celeste Baltrip, Houston, Texas
Ms. Baltrip stated there is heavy traffic in the Brentwood Subdivision and they can't handle any more traffic problems. She asked the Board to not approve the bonds for the Enclave.

John Mullaney, Sr. Vice-President, Muni-Map Midland, Houston, Texas
Mr. Mullaney stated their company was providing construction and permanent financing for the Enclave. He stated the property was economically viable and felt it will be an attractive apartment community. There is a demand and a need for this housing in the area. The developers for this project always develop properties which are an asset to the community and he asked the Board to approve the bonds for the Enclave.

Jim Washburn, Developer of the Enclave, Houston, Texas
Mr. Washburn stated he has met with the residents of the Brentwood Subdivision and they are crusaders for what they believe in and he applauded that. He stated this project could help their community and he asked the Board to approve the Enclave.

Mayor Salinas stated this is another problem with zoning. Houston does not have zoning and there was no one in favor of the project in this area. He stated he worries about putting any projects where they lack the zoning and it is hard on the Board to make the decision on whether to approve or disapprove them.

Veronica Cash, Texas Interfaith Housing, Houston, Texas
Ms. Cash stated she is a supportive services coordinator and would provide services at the Enclave. They would provide GED classes, parenting classes and resume development and she felt it would be a good project and was in favor it.

Chris Engle, Angelou Economics, Austin, Texas
Mr. Engle stated he analyzes the Austin economy and the southwest market of Austin is a good market. There is infrastructure in place and new development projects which will create jobs are there. Growth in this area is strong and incomes are about average for Austin. The Woodway Square Apartments is a high quality development that would improve the surrounding area.

Brent Stewart, Development Associate, Trammell Crow Co-Residential, Austin, Texas
Mr. Stewart asked the Board to approve the bond issuance and tax credit determination notice for the North Vista Park Townhomes. He asked for the Board's guidance and leadership in developing a written policy statement and formal rules to address the issue of neighborhood opposition which is the toughest challenge that faces their industry and TDHCA. Neighborhood opposition has become the foremost obstacle in the delivery of affordable housing in Texas. A written policy statement and a set of guidelines would define and put a framework around the opposition issues.

Ms. Anderson stated that staff is in the process of working on proposed rules for the Board's consideration and she felt Mr. Stewart's input would be helpful. She stated this Board works hard to put affordable housing on the ground.

Mr. Jones stated he felt the task force is an interesting idea.

Mr. Bogany stated the citizens said they did not want zoning in Houston. Houston is a fine city and the reason it is the largest city and been so dynamic is because it has not had the zoning. They use deed restrictions in Houston to control the neighborhoods and what's going on in the community. He was concerned that there are too many of these projects in Houston. He did not feel that values of a property decrease when an affordable housing project is built. He felt the Board should be consistent on voting for or against projects. He also stated he would like to be on a task force that Mr. Stewart mentioned.

Chris Richardson, Developer, Woodway Square Apartments, Austin, Texas
Mr. Richardson stated they were picked in the lottery and there was nothing about zoning when their number was drawn. He felt there should be a better way to allocate these funds rather than a lottery. Their property for Woodway Square is zoned and they have the financing. They have letters of support from their state representative and the City of Austin and Travis County.

Rey Ocanas, Executive Director, State Association of CDCs, Austin, Texas
Mr. Ocanas invited the Board to attend their CDC conference to be held in Austin and advised that the conference will be held in Houston next year. Ms. Carrington will be speaking at the conference and he then voiced support for the work of the agency and administration. They will be supportive of TDHCA through the legislative session in terms of making sure that if there are recommended budget cuts to the trust fund and any of the other general revenue dollars that go towards developing affordable housing in Texas, that they will assist TDHCA in trying to keep those funds.

Carlos Madrid, Vice-Chair of Bexar County Housing Authority, San Antonio, Texas
Mr. Madrid stated they will have ownership in the Heatherwilde and the Primrose Apartment projects. He thanked the Board and the staff for making funding for these two projects a reality. Economic development in the south side where these two projects will be built has been slow, but they have a big manufacturer moving in, which will provide about 2,000 jobs.

Marc Campos, Owner, Campos Communications, Houston, Texas
Mr. Campos stated he was working for Mr. Jim Washburn who has the Enclave project on the agenda. He worked with them on meeting with elected officials and their staff and informed the officials about the Washburns and the history they have in this business. They invited the elected officials to visit some of the Washburns properties and received a favorable response. The Washburns have been cleaning up the land where the project will be built as there is much trash as it is used for a dumping ground.

Barbie Wynn, Houston, Texas
Ms. Wynn stated she is a resident of Brentwood and asked the Board to not approve the Enclave. She stated there are several low income projects in this area and they do not need anymore.

Ronald McKinney, Houston, Texas
Mr. McKinney stated Harris County is the largest county in the State of Texas. This neighborhood group would like to work with the developer to find an area to relocate the development. There is increased crime and this project will put a burden on sewer systems and drainage systems that are already overtaxed. There are schools that are overcrowded and there is no room for growth to hold any more traffic. He asked the Board to not approve the Enclave.

Ms. Beth Anderson asked what the developer's company was willing to do regarding security patrols, additional enhancements to security, fencing and a limited access gate.

Mr. Washburn replied that there is money in the budget for this project for security. He also stated that enrollment in the schools has decreased 17% in the last five years.

Mr. Jones closed Public Comment at this time but will give time to the three people who requested to speak at the presentation of the agenda items.

ACTION ITEMS

(1) Presentation, Discussion and Possible Approval of Minutes of Board Meetings of December 17, 2002 and January 8, 2003

Motion made by Shad Bogany and seconded by Beth Anderson to approve the minutes of the meetings of December 17, 2002 and January 8, 2003.
Passed Unanimously

(2) Presentation, Discussion and Possible Approval of Financial Items:

(a) Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for North Vista Apartments, Houston, Texas in an Amount Not to Exceed $14,000,000 and Other Related Matters

(3)(a) Approval of Issuance of Determination Notices to Tax-Exempt Bond Transactions with TDHCA as the Issuer:

02-463 North Vista Apartments, Houston

Ms. Carrington stated staff is recommending approval of the issuance of bonds in an amount not to exceed $14,000,000 and a determination notice for tax credits in the amount of $643,239 for North Vista Apartments, Houston, Texas.

Motion made by C. Kent Conine and seconded by Beth Anderson to approve Res. No. 03-07 for North Vista Apartments for multifamily bonds to be issued in an amount not to exceed $14,000,000 and a determination notice for an allocation of $643,239 in tax credits.
Passed Unanimously

(b) Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for The Enclave @ West Airport, Houston, Texas in an Amount not to Exceed $11,000,000 and Other Related Matters

(3)(a) 02-464 The Enclave at West Airport, Houston, Texas

Ms. Carrington stated the amount of issuance of bonds that staff is recommending for the Enclave is $10,150,000 and the bonds would be unrated and unenhanced. The amount of the tax credits would be $502,188.

Motion made by C. Kent Conine and seconded by Beth Anderson to approve the issuance of multifamily mortgage revenue bonds for the Enclave for $10,150,000 and the determination notice for an allocation of $502,188 in tax credits.
Failed with 3 ayes (Anderson, Conine and Gonzalez) and 3 nas (Salinas, Bogany and Jones)

(c) Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for the Creekside Townhomes, Arlington, Texas not to Exceed $15,320,000 and Other Related Matters

(3)(a) 02-465 Creekside Townhomes (fka as The Mayfield), Arlington

Ms. Carrington stated Creekside Townhomes formerly known as the Mayfield Apartments is to be located in Arlington, Tarrant County, Texas. The multifamily mortgage revenue bonds is not to exceed $15,320,000 and the recommended tax credit allocation is $672,439 and staff is recommending this item for approval.

Motion made by C. Kent Conine and seconded by Beth Anderson to approve Creekside Townhomes, Arlington, Texas, in an amount of $15,320,000 with approval of Res. No. 03-08 and the tax credits in the amount of $672,439.
Passed Unanimously

(d) Approval of the First Quarter Investment Report

Mr. Bill Dally stated staff is asking for approval of the Investment Report for the period ending 11-30-02. He stated the portfolio decreased by $23 million to a total of $1.18 billion in carrying value. The portfolio is composed of 67% mortgage backed securities, 27% guaranteed investment contracts and investment agreements, 4% repurchase agreements and 2% other.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the investment report.

Passed Unanimously

(e) Approval of Revised Budget for FY2003 for the Texas Department of Housing and Community Affairs

Mr. Dally stated this budget is a financial piece of the overall reorganization that the department has embarked on over the last 6-7 months. The budget approved by the Board in August 2002 was for $20,572,094. There have been several decreases in this budget and the net operating budget now presented is $19,868,000. On January 23rd, the department received a letter from the Governor, Lt. Governor and Speaker asking for 7% reduction to the budget. This budget does not reflect those cuts. Staff will bring a report to the Board to show where those cost savings are going to be.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the Revised Budget for FY2003.
Passed Unanimously

(f) Presentation of Seven Percent (7%) Cost Savings Plan

Ms. Carrington stated TDHCA has identified the 7% cuts in the budget for the remainder of this fiscal year. Ms. Carrington is suspending out of state travel until further notice, unless absolutely necessary and approved by executive; capital purchases; and contracts for consultants and professional fees; hiring of new personnel suspended, except for critical areas as determined by Executive. Other administrative costs are also under review. The 7% reduction including the System Benefit Fund is $1,506,877. General revenue for the Housing Trust Fund is $753,187 and the System Benefit Fund is $753,690.

Ms. Beth Anderson asked what the fiscal impact would be if there was a real hiring freeze of the 14 open positions and was advised by staff that they would get back to her with the answers on this.

The Board had additional questions on travel costs for both in state and out of state and it may be necessary to cancel memberships in agencies to save money.

Ms. Anderson stated she was concerned as we go through this process that we be realistic about the fee incomes. She wanted to make sure that our Federal partners are in every way possible paying their full fair share of the administrative costs associated with the programs administered on their behalf.

Since this was a presentation only, there was no approval by the Board requested.

At 12:20 pm the Board took a break and returned to Open Session at 1:10 pm.

(3) Presentation, Discussion and Possible Approval of Low Income Housing Tax Credit Items:

(b) Approval of Issuance of Determination Notices to Tax-Exempt Bond Transactions with Other Issuers:

02-461 Woodway Square Apartments, Austin
Travis County HFC is the Issuer

Ms. Carrington stated this determination notice for Woodway Square Apartments, Austin with Travis County HFC as the Issuer is for a multifamily transaction. Staff is recommending a credit allocation of $658,490.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the issuance of a determination notice for Woodway Square Apartments, 02-461, for an allocation of $658,490.
Passed Unanimously

(c) Approval of Request for Correction of Deadline to Commence Substantial Construction for:
01-037 Bachon Townhomes, Wylie

Ms. Carrington stated this is to correct an administrative error as the incorrect date was requested for the extension last month. Staff should have asked for an extension to January 31, 2003.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the request for correction of the deadline to commence substantial construction for 01-037 for Bachon Townhomes, Wylie, Texas to January 31, 2003.
Passed Unanimously

(d) Approval for Additional Extension of Deadline to Commence Substantial Construction for: 01-152 Parkway Senior Apartments, Pasadena

Ms. Carrington stated the new deadline request is February 21, 2003 and staff is recommending that this extension be granted.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the extension to February 21, 2003 for 01-152 Parkway Senior Apartments, Pasadena, Texas.
Passed Unanimously

(4) Presentation and Discussion of Report from the Audit Committee:

(a) Quality Assurance Review of TDHCA Internal Auditing Division

Mr. David Gaines, Director of Internal Auditing, stated the Quality Assurance Review of the Internal Auditing Division conclusions were that the internal auditor complies with auditing standards.

(b) FDIC's 2002 Annual Review of Department's Administration Of the Affordable Housing Disposition Program

The review of the Departments under its Affordable Housing Disposition Program was very positive towards the agency and very complimentary of the efforts to date. There were no suggestions for improvement.

(c) SAO Report, *A Legislative Summary Document Regarding TDHCA*

The report prepared by the SAO was provided to members of the Legislature and oversight committees. It is a recap of different audit reports over the last few years.

(d) SAO Report, *Performance Measurement Certification Audit*

This report revealed that four of seven measures ere incorrect. Two of these measures were a result of additional information coming in after the end of the reporting period. The SAO believes that TDHCA should go back and amend the reports.

(e) Status of Prior Audit Issues

There are sixteen issues listed and seven have been implemented. Several of these relate to the HOME Program and the department continues to work with HUD concerning the settlement of those issues.

(f) Status of Review of LIHTC Inspection Fees

On the inspection fees the department billed $108,000 this week and expect to bill another $40,000.

(g) Status of Central Database Project

On the central database, the development phase of the compliance monitoring tracking system module is complete. The remaining deployment pieces relate primarily to entering tax credit data.

Motion made by C. Kent Conine and seconded by Shad Bogany to accept the Audit Committee Report.
Passed Unanimously

PUBLIC COMMENT

Barry Halla, Life Rebuilders
Mr. Halla stated they made an application, #2002002, under the HOME Program and were denied funding. Staff said Life Rebuilders applied for an activity which was not an eligible HOME activity. The project was Grace Townhomes, Ennis, Texas and this has strong community support. They applied to the HOME Program to cover gap financing. Staff did try but they could not find a way to approve as they could not find an eligible activity. He stated they have appealed the staff's decision and he asked for additional time to work this out with staff.

Michael Harms, Austin, Texas
Mr. Harms was available to answer any questions.

(5) Presentation, Discussion and Possible Approval of a Waiver of Application Requirements For Applicants Under the CHDO Set Aside and Approval of Awards Under the HOME Program:

CHDO Rental Housing Development & Homebuyer Assistance Awards:

App.#	**Applicant Name**	**Activity Funds**	**Project**	**CHDO Op/Adm.**	**Units**
2002-0004	Center for Housing & Economic Opps. Inc.	RHD	$1,194,859	$59,743	20
2002-0011	Affordable Housing of Parker County	RHD	$ 570,000	$28,500	12
2002-0007	CDC of Brownsville	HBA	$ 500,000	$25,000	50
2002-0015	Southeast Texas Hs. Partners	HBA	$ 60,000	$ 3,000	8
2002-0028	Pharr Housing Devel. Corp.	HBA	$ 200,000	$10,000	20
2002-0009	Affordable Housing of Parker County	HBA	$ 62,500	$ 3,125	10

Contract for Deed Conversion Award:

App.#	**Applicant Name**	**Activity Funds**	**Project**	**CHDO Op/Adm.**	**Units**
2002-0024	Organizacion Progressiva	CFD	$ 500,000	$20,000	20
2002-0005	Willacy County	CFD	$ 300,000	$12,000	12
2002-0019	Webb County	CFD	$ 500,000	$20,000	20

Ms. Carrington stated staff is requesting approval for six transactions under the RHD and HBA set aside that would be funded from the CHDO funds in the HOME Program. There were 24 applications submitted requesting a total of $16.2 million. The six recommendations of staff total $2,716,727. One of those six did not meet the program threshold requirements at the time of application but have since met those requirements. Staff is requesting a waiver to allow them to be in the recommended funding round. There are three recommendations under the Contract for Deed program for $1.3 million thus bringing the total amount recommended to $3,888,359.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the recommended waiver request and the awards for:

CHDO Rental Housing Development & Homebuyer Assistance Awards:

App.#	**Applicant Name**	**Activity**	**Project Funds**	**CHDO Op/Adm.**	**Units**
2002-0004	Center for Housing & Economic Opps. Inc.	RHD	$1,194,859	$59,743	20
2002-0011	Affordable Housing of Parker County	RHD	$ 570,000	$28,500	12
2002-0007	CDC of Brownsville	HBA	$ 500,000	$25,000	50
2002-0015	Southeast Texas Hs. Partners	HBA	$ 60,000	$ 3,000	8
2002-0028	Pharr Housing Devel. Corp.	HBA	$ 200,000	$10,000	20
2002-0009	Affordable Housing of	HBA	$ 62,500	$ 3,125	10

Parker County

Contract for Deed Conversion Award:

App.#	Applicant Name	Activity	Project Funds	CHDO Op/Adm.	Units
2002-0024	Organizacion Progressiva	CFD	$ 500,000	$20,000	20
2002-0005	Willacy County	CFD	$ 300,000	$12,000	12
2002-0019	Webb County	CFD	$ 500,000	$20,000	20

Passed Unanimously

(6) Presentation, Discussion and Possible Election of Officers of the Board

Mr. Jones stated the Board needs to elect a Vice-Chair, Treasurer and Secretary.

Motion made by Beth Anderson and seconded by Norberto Salinas to approve the officers of the Board who are currently in place. Amendment to the motion made by C. Kent Conine and seconded by Vidal Gonzalez to add Beth Anderson as Treasurer. This amendment was accepted by Ms. Anderson and Mr. Salinas.
Passed Unanimously

REPORT ITEMS

Executive Directors Report

1) Sunset Advisory Commission Vote on TDHCA
Ms. Carrington stated the Sunset Commission voted unanimously to extend TDHCA for another 12 years. She thanked the Board for the leadership that they have given the department during this Sunset process.

2) Status of Closeouts of HOME Projects
Ms. Carrington stated TDHCA has worked with outstanding audit findings many of which were related to the HOME Program and that as activities have been completed for the contracts, they are then closed out. There were loans since 1996 that have been closed recently.

3) Young v. Martinez, Civil Action No. P-80-8-CA, U. S. District Court Eastern District of Texas, Analysis of Impediments to Fair Housing, HUD Disapproval of FY 2003 Consolidated Action Plan
Ms. Carrington stated TDHCA received from HUD the notification that our certification to Fair Housing was not approved. TDHCA has a 45-day period to resolve these issues.

4) Heatherwilde Estates Apartments, LIHTC No. 02-075
Ms. Carrington stated Heatherwilde Estates is a 9% tax credit transaction which was awarded funds last summer. It was the highest scoring transaction in San Antonio. Since this allocation was made, there has been a substantial amount of opposition raised to this development. There was an open records request by State Rep. Ken Mercer to the State Attorney General for all the records related to the allocation of the tax credits issued by this department and staff is working through those issues.

5) Senate Finance Meeting of February 19, 2003
Ms. Carrington stated the Senate Finance Committee will meet on February 19 and TDHCA will testifying.

6) Update to Reorganization of TDHCA
Ms. Carrington stated on March 3 the department will be working in the new groups with an operating budget that reflects TDHCA working this way.

7) Staff Honors
Ms. Carrington stated Gordon Anderson, Communications Manager, has been elected as President of the Statewide Association for Communicators Directors who work with state governmental

agencies and everyone congratulated him.

EXECUTIVE SESSION

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – *Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al.* Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District;

Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - (1) 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A; (2) Young v. Martinez, Civil Action No. P-80-8-CA, U. S. District Court, Eastern District of Texas, Analysis of Impediments to Fair Housing, HUD Disapproval of FY 2003 Consolidated Action Plan; (3) Heatherwilde Estates Apartments, LIHTC No. 02-075

Personnel Matters under Section 551.074, Texas Government Code

If permitted by law, the Board may discuss any item listed on this agenda in Executive Session

Mr. Jones stated: "On this day, February 13, 2003 at a regular board meeting of the Texas Department of Housing and Community Affairs held in Austin, Texas the Board of Directors adjourned into a closed executive session as evidenced by the following: The Board of Directors began its executive session today, February 13, 2003, at 2:02 p.m. The subject matter of this executive session deliberation is as follows: Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – *Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al.* Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District; Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - (1) 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A; (2) Young v. Martinez, Civil Action No. P-80-8-CA, U. S. District Court, Eastern District of Texas, Analysis of Impediments to Fair Housing, HUD Disapproval of FY 2003 Consolidated Action Plan; (3) Heatherwilde Estates Apartments, LIHTC Development No. 02-075; Personnel Matters under Section 551.074, Texas Government Code, and if permitted by law, and discussion of any item listed on this agenda of this date.

The Board went into Executive Session at 2:02 p.m. and returned to Open Session at 2:28 p.m.

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

Mr. Jones stated: "The Board of Directors has completed its executive session of the Texas Department of Housing and Community Affairs on February 13, 2003 at 2:28 p.m. I hereby certify that this agenda of the executive session was properly authorized, pursuant to Section 551.103 of the Texas Government Code, posted in the secretary of State's Office seven days prior to the meeting, pursuant to Sec. 551.044 of the Texas Government Code; that all members of the Board of Directors were present with no exceptions. The subject matter of this executive deliberation was as follows: Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – *Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al.* Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District – Action taken – none; Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - (1) 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A; - Action taken – none; (2) Young v. Martinez, Civil Action No. P-80-8-CA, U. S. District Court, Eastern District of

Texas, Analysis of Impediments to Fair Housing, HUD Disapproval of FY 2003 Consolidated Action Plan – Action taken – none; (3) Heatherwilde Estates Apartments, LIHTC Development No. 02-075 – Action taken – none; Personnel Matters under Texas Government Code 551.074 – Action taken – none; and Discussion of any item listed on this agenda – Action taken – none. I certify that this is a true and accurate record of the proceedings pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government Code." Signed by Michael E. Jones.

ADJOURN

Motion made by Vidal Gonzalez and seconded by Norberto Salinas to adjourn the meeting.
Passed Unanimously

The meeting adjourned at 2:30 p.m.

Respectfully submitted,

Delores Groneck
Board Secretary

P/bdminfe13/dg

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

M E M O R A N D U M

March 6, 2003

TO: Chairman Jones and Board Members, and Board Appeals Committee

FROM: Chris G. Wittmayer, General Counsel

SUBJECT: Appeal by The Enclave at West Airport, Houston, Texas
Multifamily Mortgage Revenue Bonds and LIHTC, #02-464

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1. Appeal. On February 27, 2003, attorney David Dawson of Akin, Gump, Strauss, Hauer & Feld, L.L.P., delivered an appeal to the Department on behalf of Enclave Housing, Ltd. of the Board's February 13, 2003 decision not to approve mortgage revenue bonds and tax credits for The Enclave at West Airport, Houston, Texas. The appeal is enclosed. It alleges that the Board's denial was improperly based on local opposition and the absence of municipal zoning in the City of Houston.

2. Action. Enclave Housing asks that the Board grant the appeal and approve the bonds and tax credits. If the Board Appeals Committee and Board desire to consult with counsel for the Department, I will be available for an executive session.

AKIN GUMP
STRAUSS HAUER & FELD LLP
Attorneys at Law

DAVID DAWSON
512.499.6273/fax: 512.499.6290
ddawson@akingump.com

February 27, 2003

VIA MESSENGER

Ms. Edwina Carrington
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
Austin, Texas 78701

Re: The Enclave @ West Airport--File No. 02464

Dear Ms. Carrington:

Enclosed please find one original and one copy of the Appeal by Enclave Housing, LTD for filing regarding the above-referenced subject matter. Please return a file-stamped copy with our messenger.

Please call if you have any questions

Sincerely,

David Dawson

cc: Chris Wittmayer, General Counsel

Enclosures

FILE NO. 02464

IN RE	§	**BEFORE THE TEXAS**
	§	
APPLICATION OF ENCLAVE	§	**DEPARTMENT OF HOUSING**
	§	
HOUSING, LTD.	§	**AND COMMUNITY AFFAIRS**

APPEAL BY ENCLAVE HOUSING, LTD.

TO THE HONORABLE DIRECTORS:

COMES NOW Enclave Housing, Ltd. ("Enclave"), a Texas limited partnership and, pursuant to 10 Texas Administrative Code ("TAC") § 1.8, respectfully appeals the award decision made by the Board of Directors ("Board") of the Texas Department of Housing and Community Affairs ("Department" or "TDHCA") relating to Enclave's application for issuance of multifamily mortgage revenue bonds ("Bonds") and the approval of associated low income housing tax credits ("Tax Credits"), and in support of this motion, Enclave would show the following:

Background

At the Department's February 13, 2003 Board meeting relating to Enclave's proposed 200-unit multi-family housing project known as The Enclave at West Airport Apartments, to be located at 4300 West Airport Boulevard, Houston, Texas (the "Project"), the Board voted not to approve the following agenda items:

(1) Item 2, Presentation, Discussion and Possible Approval of Financial Items: b), Proposed Issuance of Multifamily Mortgage Revenue Bonds for the Enclave @ West Airport, Houston, Texas in an Amount not to Exceed $11,000,000 and Other Related Matters; and

(2) Item 3, Presentation, Discussion and Possible Approval of Low Income Housing Tax Credit Items: a), Issuance of Determination Notices to Tax-Exempt Bond Transactions with TDHCA as the Issuer, 02-464, the Enclave at West Airport, Houston.

On November 20, 2002, the Department received a volume cap allocation pursuant to the Texas Bond Review Board Private Activity Bond Allocation Program for the issuance by the Department of the Bonds for the Project. On December 9, 2002, Enclave submitted its application to the Department with respect to the Project. On January 16, 2003, a public hearing with respect to the Project was held at Hobby Elementary School, 4021 Woodmont, Houston, Texas. On February 11, 2003, the Texas Bond Review Board received a presentation from the Department with respect to the Project.

After the receipt of public comment at the February 13 meeting, the Board considered the agenda items relating to the Project. Department staff recommended approval of the agenda items. Six members of the Board were present. On motion to approve the agenda items, Board members Beth Anderson, C. Kent Conine, and Vidal Gonzalez voted in favor, and Board members Michael Jones, Shadrick Bogany, and Norberto Salinas voted against; thus the motion failed

Enclave has incurred approximately $414,000 in payment of fees and other costs related to the Project and the filing of its application with the Department as well as a substantial investment of time and resources of its personnel. Unless the Department reverses the February 13 action, Enclave will have incurred all of such fees and costs, as well as investment of time and resources

II. Department Errors

The transcript of the meeting of the Board on February 13, 2003, at which Enclave's application was considered[1] indicates that Enclave's application was effectively denied because

[1] Transcript, Texas Department of Housing and Community Affairs, Board Meeting, Thursday, February 13, 2003 (referred to hereinafter as "Transcript" or "Tr.").

the Board, acting on behalf of the Department, considered only one factor: local opposition to the Project. The Board failed to address the Department's statutory and regulatory criteria applicable to review of an application for the issuance of Bonds and Tax Credits.[2] Subsequent to that meeting, the Department has not provided Enclave a written notice stating the reasons for the Board's disapproval

Point of Error No. 1: The Board, acting on behalf of the Department, erred, prejudiced the substantial rights of Enclave, acted in violation of law, acted upon unlawful procedure, denied Enclave's constitutional rights, acted arbitrarily and capriciously, and acted in a manner characterized by abuse of discretion or clearly unwarranted exercise of discretion by engaging in improper rulemaking in the context of a pending application in adopting an application approval standard based on degree of local opposition, a standard not included in the Department's enabling statute, Texas Government Code § 2306.223, or its rules governing consideration of applications, 10 TAC chapters 33, 39, and 49.

Point of Error No. 2: The Board, acting on behalf of the Department, adopted an interpretation, based upon local opposition, of its application-review rules that was not required by the plain language of the rules and of which Enclave had no prior notice and that the Board knew was impossible for Enclave to achieve; therefore, the Board's decision was erroneous, was made upon unlawful procedure, was in excess of the statutory authority of the agency, was affected by error of law, was in violation of Enclave's

[2] See TEX. GOV'T CODE ANN. § 2306.223 (Vernon Supp. 2003); 10 TEX. ADMIN. CODE § 33.11 (Guidelines for Multifamily Housing Revenue Bond, Agency Review of Applications for Financing, Findings); 10 TEX. ADMIN. CODE § 39.8 (Tax-Exempt Multifamily Mortgage Revenue Bond Program, Department Review of Housing Sponsor Applications); 10 TEX. ADMIN. CODE § 49.4 (2002 Low Income Housing Tax Credit Program Qualified Allocation Plan and Rules, Application Submission and Review and Board Decisions).

constitutional rights to due process and equal protection, was arbitrary and capricious, and was characterized by abuse of discretion or clearly unwarranted exercise of discretion.

Point of Error No. 3: The Board, acting on behalf of the Department, adopted an interpretation, based upon local opposition, of the applicable statutory and regulatory requirements that has no rational relationship to the purposes of the rules or the statute on which the rules are based and is inconsistent with the rules and underlying statute when read as a whole; therefore, the Board's decision was erroneous, was made upon unlawful procedure, was affected by error of law, was in excess of the statutory authority of the agency, was in violation of Enclave's constitutional rights to due process and equal protection, was arbitrary and capricious, and was characterized by abuse of discretion or clearly unwarranted exercise of discretion.

Point of Error No. 4: The Board, acting on behalf of the Department, has imposed regulatory and policy standards concerning local opposition on this application without proper notice, and that are not set forth in any regulation or statute; therefore, the Board's decision was made upon unlawful procedure, was affected by error of law, was in violation of Enclave's constitutional rights to due process and equal protection, was arbitrary and capricious, was erroneous, and was characterized by abuse of discretion or clearly unwarranted exercise of discretion.

Arguments in Support of Points of Error Nos. 1 through 4

With respect to Points of Error Nos. 1 through 4, the Board, acting on behalf of the Department, did not approve Enclave's application, despite the recommendation of Department staff for issuance of the Bonds and the Tax Credits.[3] A review of the Transcript shows that the basis for this lack of approval was local opposition to Enclave's Project.

One Board member spoke and voted against the Project because residents in a neighborhood near the location of Enclave's Project appeared at the Board meeting and expressed their opposition to the Project.[4] Earlier during the public comment portion of the Board meeting, this Board member noted that public comment indicated the community did not want Enclave's Project in the neighborhood and said "Then that's their choice,"[5] indicating that community opposition was decisive. One basis for this member's opposition was his belief that the Board's decision on Enclave's Project should be consistent with previous decisions on developments that were opposed by nearby residents.[6]

Although consistency in decisionmaking is desirable when supported by statutes and regulations, statements in the Transcript indicate that the Board's action on Enclave's application is not consistent with its previous decisions. As one member of the Board pointed out, the Board has approved, in meetings prior to its consideration of Enclave's application, at least two developments despite "significant community opposition."[7] In fact, at the very meeting at which the Board failed to approve Enclave's application, the Board approved another application, one for the North Vista Apartments, which encountered public opposition at the public hearing and to

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[3] Tr. at 84 (statement of Ms. Carrington).

[4] Tr. 85 (statement of Mr. Bogany).

[5] Tr. 53 (statement of Mr. Bogany).

[6] "I have some discussion....And I'll be very brief. I feel that if we're going to be consistent, we've got residents here that says [sic] they don't want this project in their neighborhood. And they've taken the time to come up here. I think we need to be consistent, as we've done in other projects that we've denied. And I'm speaking against the project." Tr. 85 (statement of Mr. Bogany).

[7] Tr. 47-48 (statement of Ms. Anderson).

which opposition was expressed to the Board in a petition with 75 signatures, two letters, and one email.[8]

Nowhere in the statutory or regulatory criteria for approval or disapproval is local opposition *per se* mentioned for consideration as a standard to govern the Board's decision. Indeed, the Transcript makes clear that the Department does not have a current written policy statement, formal rules, or guidelines to take account of neighborhood or community opposition, although that Department staff is preparing draft rules on the issue.[9] Because local opposition is not included in the statutory and regulatory criteria for action on an application, local opposition, standing alone, should play no part in the Department's and the Board's decisionmaking process.

The decision of the Board in this case falls squarely within the proscriptions enunciated in one of the early cases interpreting the Administrative Procedures Act ("APA").[10] In that case the court made the following observation:

> The major factor that runs throughout arbitrary-capricious review cases is that parties must be able to know what is expected of them in the administrative process. We believe this notice was lacking in the present case.
>
> As we stated above, the appellee worked quite closely with the Board's staff, and, apparently, had complied with all of the staff's requirements for a permit when, to its surprise, the Board denied the permit citing additional requirements that had neither been expected by appellee nor proposed by the Board's staff. In addition, the Board found: "The adamant local opposition to the application for a proposed industrial solid waste management site evidences that the granting of a permit would be contrary to the welfare of the people in the area." Nowhere in the Act is local opposition mentioned for consideration as a standard to govern the Board's

[8] Tr. 78-83.

[9] Tr. 39-47 (statement of Brent Stewart; statement of Ms. Anderson).

[10] *See Starr County v. Starr Indus. Services, Inc.*, 584 S.W.2d 352 (Tex.Civ.App.-Austin 1979, writ ref'd n.r.e.). Although the *Starr County* decision was made in a case on judicial review of an agency decision under the Texas Administrative Procedure and Texas Register Act, the basic principle that a governmental decisionmaking body may not rely on standards that are not included in applicable statutes and regulations applies to this case.

> decision and such opposition, standing alone, should have no part in the Board's decision-making process. Yet obviously it did.[11]

Moreover, the Board's reliance on a local opposition standard in its action effectively modified its rules without undertaking appropriate regulatory procedures to amend its regulatory approval standards.

Specifically with respect to determinations on issuance of multifamily mortgage revenue bonds and approval of low income housing tax credits, the Department must take certain actions. In regard to applications for financing, the Department must consider:

> (1) whether the proposed housing development is well-planned and well-designed;
>
> (2) the comparative need for housing for eligible tenants in the area to be served by the proposed development; and
>
> (3) the ability of the housing sponsor to carry out, operate, manage, and maintain the proposed housing development.[12]

Prior to issuing bonds, the Department must find that:

> (1) the housing development is necessary to provide decent, safe, and sanitary housing at rentals or prices that eligible tenants can afford;
>
> (2) the housing sponsor will supply well-planned and well-designed housing;
>
> (3) the housing sponsor is financially responsible; and
>
> (4) the financing of the housing development will constitute a public purpose and will provide a public benefit.[13]

The Department also must follow the 2002 Qualified Allocation Plan, found in Chapter 49 of the Department's rules.

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[11] *Id.*, 584 S.W.2d at 356.

[12] 10 TEX. ADMIN. CODE § 33.11(a).

[13] *Id.* § 33.11(b); *see also id.* § 39.8(e).

The draft Resolution No. 03-06, prepared by Department staff as part of the agenda package for consideration of Enclave's application, provided findings based on the statutory and regulatory criteria, including

(1) need for housing development;

(2) findings with response to Enclave; and

(3) public purpose and benefits.

Based upon review of the Transcript, the Board took no action on any of these factors, which in fact are the statutory and regulatory criteria for finance and tax credit determinations. Therefore, the Board failed to comply with the applicable statute because it applied different criteria (neighborhood opposition)

The Board also did not comply with the applicable statute because it failed to provide a just cause justification for effectively reversing the recommendations of Department staff.[14]

Further, as required by its rules, the Department has not provided a written notice stating the reasons for the Board's disapproval or failure to act on Enclave's application.[15] This omission violates Enclave's right to due process in that Enclave must know the criteria that govern the Board's decision in order to effectively ask the Board to change its decision. Moreover, the Department has not provided rules or guidelines on the issue of local opposition so that Enclave and other developers have no notice of the factors the Board will consider in addressing this issue during its decisions on applications. This omission also violates Enclave's right to due process

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[14] TEX. GOV'T CODE ANN. § 2306.6731(a).

[15] See 10 TEX. ADMIN. CODE § 49.4(h)(1).

Fundamentally, due process requires that persons who may be affected by the actions of an administrative agency must be afforded notice of the issues of fact and law that will control the result to be reached by the administrative agency.[16] This principle is a restatement of a constitutional right that has been recognized for many years.[17] In Enclave's case, the Board refused to follow the statutory and regulatory criteria for the consideration of Enclave's application and imposed a new criterion.

In addition to due process considerations, state law directs the Department to adopt rules if the Board is to impose standards that will govern bond decisions. The APA requires formal rulemaking to occur whenever an agency implements or prescribes law or policy.[18] If the Board desires, as it did in this case, to impose a criterion relating to the degree of community or local opposition, the Department must engage in formal rule-making. In recent years, Texas courts have discouraged agencies from engaging in ad hoc rulemaking by requiring formal rule-making before a new decision-making criteria is to be imposed.[19]

Point of Error No. 5: The Board, acting on behalf of the Department, erred, prejudiced the substantial rights of Enclave, acted in violation of law, acted upon unlawful procedure, denied Enclave's constitutional rights, acted arbitrarily and capriciously, and acted in a manner characterized by abuse of discretion or clearly unwarranted exercise of discretion by engaging in improper rulemaking in the context of a pending application in adopting an application approval standard based on absence of municipal zoning, a

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[16] *Madden v. Texas Board of Chiropractic Examiners*, 663 S.W. 2d 622, 626-627 (Tex. App. -- Austin 1983, pet. ref'd n.r.e.).

[17] *See Morgan v. United States*, 304 U.S. 1, 18-19 (1938).

[18] TEX. GOV'T CODE ANN. § 2001.003 (definition of "rule"), § 2001.004; see also generally APA §§ 2001.021-2001.039.

[19] *Rodriquez v. Services Lloyds Insurance Co.*, 997 S.W. 2d 248, 255 (Tex. 1198), *Fulton v. Associated Indemnity Corporation*, 46 S.W. 3d 364, 368 (Tex. App. -- Austin 2001, pet. denied).

standard not included in the Department's enabling statute for approval of applications, Texas Government Code § 2306.223, or its rules governing consideration of applications, 10 TAC chapters 33, 39, and 49.

Point of Error No. 6: The Board, acting on behalf of the Department, adopted an interpretation, based upon the absence of municipal zoning, of its application-review rules that was not required by the plain language of the rules and of which Enclave had no prior notice and that the Board knew was impossible for Enclave to achieve; therefore, the Board's decision was erroneous, was made upon unlawful procedure, was in excess of the statutory authority of the agency, was affected by error of law, was in violation of Enclave's constitution rights to due process and equal protection, was arbitrary and capricious, and was characterized by abuse of discretion or clearly unwarranted exercise of discretion.

Point of Error No. 7: The Board, acting on behalf of the Department, adopted an interpretation, based upon the absence of municipal zoning, of the applicable statutory and regulatory requirements that has no rational relationship to the purposes of the rules or the statute on which the rules are based and were inconsistent with the rules and underlying statute when read as a whole; therefore, the Board's decision was erroneous, was made upon unlawful procedure, was affected by error of law, was in excess of the statutory authority of the agency, was in violation of Enclave's constitutional rights to due process and equal protection, was arbitrary and capricious, and was characterized by abuse of discretion or clearly unwarranted exercise of discretion.

Point of Error No. 8: The Board, acting on behalf of the Department, has imposed regulatory and policy standards concerning the absence of municipal zoning on this application without proper notice, and that are not set forth in any regulation or statute; therefore, the Board's decision was made upon unlawful procedure, was affected by error of law, was in violation of Enclave's constitutional rights to due process and equal protection, was arbitrary and capricious, was erroneous, and was characterized by abuse of discretion or clearly unwarranted exercise of discretion.

Arguments in Support of Points of Error Nos. 5 through 8

Based upon a review of the Transcript, it appears that a basis of denial of Enclave's application was the absence of zoning in the City of Houston, in addition to local opposition, neither of which is permitted.

One Board member, who said he thought his job was to listen to people who were opposed or in favor of a development,[20] was critical of the lack of zoning in the City of Houston, where Enclave's Project would be located. He observed that he would hate to put another development in Houston due to the lack of zoning.[21] That Board member supported denial of Enclave's application.[22]

The only way in which the Department and the Board is permitted by statute to consider zoning is in reviewing the application and determining the existence of zoning, protective covenants, or regulations that adequately protect the proposed housing development against detrimental future uses that could cause undue depreciation in the value of the housing

[20] Tr. 28 (statement of Mr. Salinas).
[21] Tr. 28-29 (statement of Mr. Salinas).
[22] Tr. 85 (statement of Mr. Salinas).

development.[23] The discussion in the Transcript does not indicate that the remarks about lack of zoning in Houston concerned the likelihood of undue depreciation in value, but rather that the Board believed it was difficult to consider development that the City of Houston had not reviewed.[24] That consideration is not a statutory criterion for approval or denial of a project, and lack of zoning is a factor over which Enclave has no control. Further, the staff's recommendation for approval of Enclave's applications indicates that Enclave had satisfied the zoning consideration.

The Department has not provided rules or guidelines on the absence of municipal zoning as an approval criterion; thus Enclave and other developers have no notice of the factors the Board will consider in addressing this issue during its decisions on applications. This omission also violates Enclave's right to due process.

The Department must go through formal rulemaking to adopt rules if the Board desires to impose an approval criterion relating to the absence of municipal zoning, as discussed above concerning local opposition Moreover, such a criterion, if adopted, would have to be carefully crafted. A blanket prohibition against projects in a municipality that, for example, relied on deed restrictions as opposed to municipal zoning, such as the City of Houston, would likely raise due process issues. Such a standard is precisely what at least one board member has attempted to apply to Enclave.

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[23] 10 TEX. ADMIN. CODE §§ 33.11(a)(4), 39.8(e)(11).

[24] Tr. 28 (statement of Mr. Salinas).

III. Prayer

Enclave respectfully requests that the Board grant this motion for appeal, sustain the appeal, and approve the issuance of the Bonds and Tax Credits for Enclave's Project.

Respectfully submitted,

By: Paul Seals

Paul Seals
State Bar No. 17947900
David Dawson
State Bar No. 00785810
AKIN GUMP STRAUSS HAUER & FELD, L.L.P.
300 West Sixth Street, Suite 2100
Austin, Texas 78701
Telephone: (512)499-6200
Telecopier: (512)703-1112

Attorneys for Enclave Housing, Ltd.

SCARBOROUGH Development Company, LLC
neighborhood ergonomics

March 4, 2003

Mr. MICHAEL E. JONES, Chairman
Texas Department of Housing & Community Affairs
507 Sabine Street #400
Austin TX 78711-3941

Re: Washburn Group Project – Enclave W. Airport Blvd - Houston

Attention: **Ms Robbye Meyer**

The purpose of this letter is to register our opposition to the building of this project in the Brentwood Neighborhood. The State plans to complete the extension of W. Airport and the City's interest in extending Buffalo Speedway have, together, stimulated a renewed interest in this fine neighborhood.

We already have one low-income multi-family project centrally located in the neighborhood, as well as others in the surrounding area, which are sufficient provide for the needs of this neighborhood.

We own 97.03 areas in two tracts along W. Airport that are being developed into 300 standard 60' x 100' city lots for all-brick upscale, single-family homes plus 600 up-market townhomes that will be built along both sides of a one-half-mile stretch of the new Buffalo Speedway.

Engineering has been completed and we are starting immediate construction on Section One of Brentwood Village - which consists of 94 new lots located NE of the intersection of W. Airport Blvd. & Hiram Clarke Rd, a few hundred yards west of the proposed Enclave site; the remainder of the lots in Sections Two & Three will be located a few hundred yards east of the proposed Enclave site.

There is no way that increasing the area and quantity of low-income housing by permitting the Enclave Project could be anything but detrimental to the existing Brentwood Neighborhood or to the newly emerging Brentwood Village Neighborhood.

Sincerely,

WALTER W. SCARBOROUGH, CEO

Cc: Ms Mae Walker, Vice President
Brentwood Homeowners Association
3610 Belgrade Street
Houston TX 77045

Mr. Harry W. Reed
Harry Reed & Co.
777 Post Oak Blvd.
Houston TX 77056

Mr. R. Kent McGaughy
Esme Management Co LLC
4951 Terminal Street
Bellaire TX 77401

RESOLUTION NO. 03-10

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (THE ENCLAVE AT WEST AIRPORT APARTMENTS) SERIES 2003 A-1 AND MULTIFAMILY HOUSING REVENUE BONDS (THE ENCLAVE AT WEST AIRPORT APARTMENTS) SERIES 2003 A-2; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multi-family residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (The Enclave at West Airport Apartments) Series 2003 A-1 (the "Series A-1 Bonds"), and Multifamily Housing Revenue Bonds (The Enclave at West Airport Apartments) Series 2003 A-2 (the "Series A-2 Bonds") (the Series A-1 Bonds and the Series A-2 Bonds are referred to herein, collectively, as the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Bank One, National Association, as trustee (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Enclave Housing, Ltd., a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of Texas and required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on October 17, 2001, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department and the Borrower will execute and deliver a Loan and Financing Agreement (the "Financing Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Note") in an original aggregate principal amount corresponding to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amounts equal to the interest on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, it is anticipated that the Borrower's obligations under the Note will be secured by the Deed of Trust, Security Agreement and Assignment of Rents and Leases and Financing Statement (Series A-1) and the Deed of Trust, Security Agreement and Assignment of Rents and Leases and Financing Statement (Series A-2) (collectively, the "Deeds of Trust") from the Borrower for the benefit of the Department; and

WHEREAS, the Department's interest in the Loan, including the Note and the Deeds of Trust, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note (collectively, the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Project which will be filed of record in the real property records of Harris County, Texas; and

WHEREAS, the Board has examined proposed forms of (a) the Indenture, the Financing Agreement, the Assignments, and the Regulatory Agreement (collectively, the "Issuer Documents"), all of which are attached to and comprise a part of this Resolution and (b) the Deeds of Trust; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.12, to authorize the issuance of the Bonds, the execution and delivery of the Issuer Documents, the acceptance of the Deeds of Trust and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

<u>Section 1.1--Issuance, Execution and Delivery of the Bonds</u>. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the

State of Texas for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchasers thereof.

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That the Chairman of the Governing Board or the Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of and the redemption provisions related to, the Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chairman of the Governing Board or the Executive Director of the Department of the Indenture; provided, however, that: (a)(i) the interest rate on the Series A-1 Bonds shall be (A) from the date of issuance through, and including, August 31, 2005, 7.0517% per annum, and from September 1, 2005, 6.7017% thereafter until the maturity date thereof; (ii) the aggregate principal amount of the Series A-1 Bonds shall be $8,627,500; and (iii) the final maturity of the Series A-1 Bonds shall occur on September 1, 2035; and (b)(i) the interest rate on the Series A-2 Bonds shall be (A) from the date of issuance through, and including, August 31, 2005, 10.0401% per annum, and from September 1, 2005, 8.4708% thereafter until the maturity date thereof; (ii) the aggregate principal amount of the Series A-2 Bonds shall be $1,522,500; and (iii) the final maturity of the Subordinate Bonds shall occur on September 1, 2042.

Section 1.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Indenture and to deliver the Indenture to the Trustee.

Section 1.4--Approval, Execution and Delivery of the Financing Agreement and Regulatory Agreement. That the form and substance of the Financing Agreement and the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Financing Agreement and the Regulatory Agreement and deliver the Financing Agreement and the Regulatory Agreement to the Borrower and the Trustee.

Section 1.5--Acceptance of the Deeds of Trust and Notes. That the Deeds of Trust and the Note are hereby accepted by the Department.

Section 1.6--Approval, Execution and Delivery of the Assignments. That the form and substance of the Assignments are hereby approved and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 1.7--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.8--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B - Indenture
Exhibit C - Financing Agreement
Exhibit D - Regulatory Agreement
Exhibit E - Assignments

Section 1.9--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.10--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman of the Board, Executive Director of the Department, Deputy Executive Director of the Department, Chief Financial Officer of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department, Director of Multifamily Finance of the Department, the Secretary of the Board, and the Assistant Secretary of the Board.

Section 1.11--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 2.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.3--Certification of the Minutes and Records. That the Secretary and the Assistant Secretary of the Board hereby are severally authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.4--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.5--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit H to the Regulatory Agreement and shall be annually redetermined by the Issuer, as stated in Section 5.2 (ss) of the Financing Agreement.

Section 2.6--Ratifying Other Actions. That all other actions taken by the Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

ARTICLE III
CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Findings of the Board. That in accordance with Section 2306.223 of the Act, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(iii) the Borrower is financially responsible,

(iv) the financing of the Project is a public purpose and will provide a public benefit, and

(v) the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the loan made with the proceeds of the Bonds in accordance with its terms, and

(iii) that the Borrower is not, and will not enter into a contract for the Project with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) <u>Public Purpose and Benefits</u>.

(i) that the Borrower has agreed to operate the Project in accordance with the Financing Agreement and the Regulatory Agreement, which require, among other things, that the Project be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Project is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

<u>Section 3.2--Determination of Eligible Tenants</u>. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as its deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Financing Agreement and the Regulatory Agreement.

<u>Section 3.3--Sufficiency of Mortgage Loan Interest Rate</u>. That the Board hereby finds and determines that the interest rate on the loan established pursuant to the Financing Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

<u>Section 3.4--No Gain Allowed</u>. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

<u>Section 3.5--Waiver of Rules</u>. That the Board hereby waives the rules contained in Sections 33 and 39, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

<u>Section 4.1--Limited Obligations</u>. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate created under the

Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas. Each Bond shall contain on its face a statement to the effect that the State of Texas is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State of Texas is pledged, given or loaned to such payment.

Section 4.3--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 4.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2002 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this ____ day of March, 2003.

By:___________________________________

Michael E. Jones, Chairman

[SEAL]

Attest:_________________________

Delores Groneck, Secretary

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Enclave Housing, Ltd., a Texas limited partnership

Project: The Project is a 200-unit multifamily facility to be known as The Enclave at West Airport Apartments and to be located at 4300 West Airport Boulevard, Houston, Harris County, Texas. The Project will include a total of five (5) two-story and ten (10) one/two-story residential apartment buildings with approximately 197,728 net rentable square feet and an approximate average unit size of 988 square feet. The unit mix will consist of:

48 one-bedroom/one-bath units
104 two-bedroom/two-bath units
48 three-bedroom/two-bath units

200 Total Units

Unit sizes will range from approximately 710 square feet to approximately 1195 square feet.

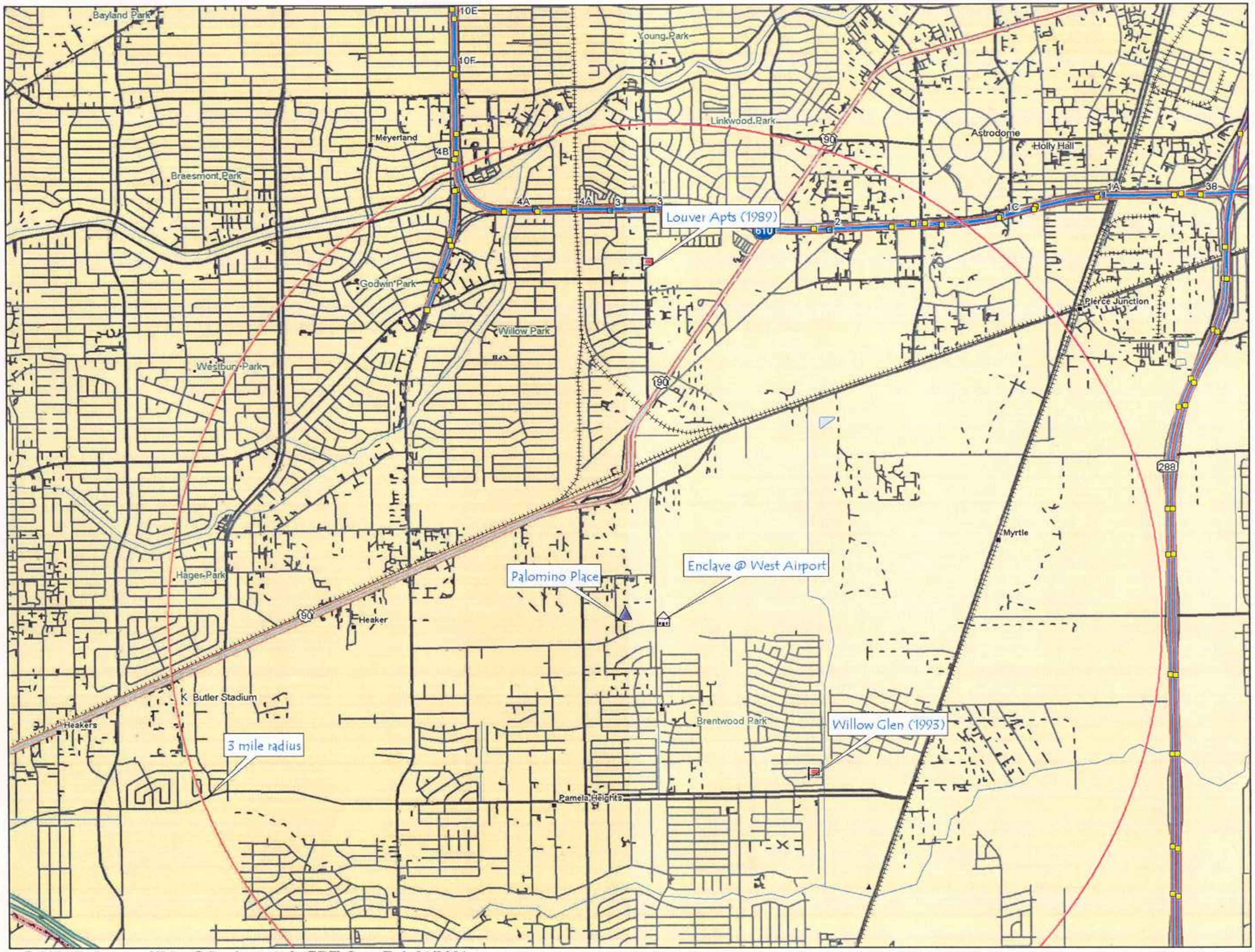
The Project will include a recreation center with offices, a business center, a fitness room, a community room, a computer room, a laundry room, kitchen facilities, and public restrooms. On-site amenities will include a swimming pool, a children's play area, playground equipment, and a picnic area. All ground units will be wheelchair accessible and adaptable and 5% of the units will be set aside for persons with special needs. 2% of the units will be for persons with visual/hearing impairments and all individual units will have washer/dryer connections. Additionally, the Project will also include 20 garages, 100 carports and 218 uncovered parking spaces.

FINANCE COMMITTEE AND BOARD APPROVAL MEMORANDUM
March 13, 2003

PROJECT:	The Enclave at West Airport Apartments, Houston, Harris County, Texas 77047
PROGRAM:	Texas Department of Housing & Community Affairs 2003 Multifamily Housing Revenue Bonds (Reservation received 11/20/2002)
ACTION REQUESTED:	For the Board to consider the Appeal made by the Applicant (Enclave Housing, Ltd.) dated February 27, 2003
Attachments:	Concentration Map - Three Mile Radius Rent Comparable Map - and Summary Restricted Rent Map – and Summary

** Preliminary - Represents Maximum Amount*

Zip Code and Primary Market



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Scale: 1 : 50,000 Zoom Level: 12-0 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 4.5°E

4,000 ft

Market Rents

RENT SUMMAR

Project Name:	Map Ref	Occ	YOC	NRU	Avg Size	Elec	Avg Rent	*AR #*
Picadilly Place	571B		1977	176	884	Tenant	$0.402	*3077*
La Peak	571B	17.4%	1968	242	836	Tenant	$0.505	*3082*
Spring Village	571B	90.0%	1961	132	1,059	Landlord	$0.587	*3083*
Ranchwood	571C		1979	224	771	Tenant	$0.623	*3508*
Silver Springs	571B	93.8%	1978	210	774	Tenant	$0.642	*3509*
Cambridge Village	571G	97.0%	1972	304	898	Tenant	$0.577	*3510*
Plumcreek (LIHTC)	534M	95.4%	1999	152	959	Tenant	$0.741	*4499*
Reed Parque TH (LIHTC)	573A	94.0%	2000	165	961	Tenant	$0.656	*4558*
Weighted average (by project)		81.3%	1979	201	893		$0.592	
Minimum		17.4%	1961	132	771		$0.402	
Maximum		97.0%	2000	304	1,059		$0.741	
Total occupied units		953						
Total operating units		1,605						

Restricted Rents Projects

RENT SUMMAR'

Project Name:	Map Ref	Occ	YOC	NRU	Avg Size	Elec	Avg Rent	*AR #*
Ridgemont Heights Apt. Homes	571Z	97.0%	1996	105	1,297	Tenant	$0.636	*3225*
Willow Glen Apt. Homes	572K	98.0%	1996	100	1,300	Tenant	$0.635	*3632*
Palamino Place	572E	96.5%	1978	272	925	Tenant	$0.662	*4298*
Bellfort Pines (LIHTC)	533T	99.0%	2002	248	801	Tenant	$0.700	*8925*
Cullen Park (LIHTC)	573D	99.6%	2002	240	1,014	Tenant	$0.651	*8926*
Weighted average (by project)		98.0%	1995	193	1,067		$0.657	
Minimum		96.5%	1978	100	801		$0.635	
Maximum		99.6%	2002	272	1,300		$0.700	
Total occupied units		947						
Total operating units		965						


FOR
SALE
16 3:04PM


16 3:04PM

Enclave Housing, Ltd.
19276 Fm 1485
New Caney, Texas 77357
281-689-2030 phone
281-689-0103 fax

March 6, 2003

Board of Directors
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
Austin, Texas 78701

Re: The Enclave @ West Airport Apartments

Dear Board of Directors:

I write on behalf of Enclave Housing, Ltd. ("Enclave") regarding the decision of the Board of Directors ("Board") of the Texas Department of Housing and Community Affairs ("TDHCA") relating to Enclave's application for issuance of multifamily mortgage revenue bonds ("Bonds") and the approval of associated low income housing tax credits ("Tax Credits") for the Enclave @ West Airport Apartments Project (the "Development") in Houston, Texas (the "City"). I hope that you will take into account the following information when reconsidering this matter.

Transaction Closing Timetable

The Development is scheduled for reconsideration by the Texas Bond Review Board ("TBRB") on March 20, 2003. Enclave's deadline for closing the bond financing under TBRB rules is March 20, 2003. We have spoken with representatives of the Office of the Attorney General, our Bond and Tax Credit purchasers, bond counsel, and other financing team members regarding this deadline and have obtained assurances that the financing can be closed on March 20, 2003. Assuming the necessary approvals are obtained from TDHCA and the Texas Bond Review Board, Enclave and its financing team are prepared to close the transaction on March 20, 2003.

Public Support

Access to safe, affordable, and attractive housing is in short supply in the City. Within the community is a large number of citizens who would welcome the opportunity to live in housing such as the Development. As evidence of this public support, attached is a petition signed by 83 members of the community. Also attached are letters from Simpson Housing Solutions, LLC, an affordable housing developer, and MuniMae Midland, the purchaser of our Bonds supporting this Project. Finally, attached are letters from the City of Ennis, Texas Inspection Services and the Ennis Chamber of Commerce attesting to the quality of our developments.

Hiram Park Civic Club Concerns

As you know, the Development is opposed by representatives of the Hiram Park Civic Club (the "Civic Club"). Claudette Edwards, the President of the Civic Club spoke in opposition to the Development at the February 13, 2003 Board meeting.

What was not disclosed to you was that Ms. Edwards is also a member of the board of directors of the Brentwood Economic Community Development Corporation ("BECDC"), a non-profit group and the development arm of the Brentwood Baptist Church. Pending before TDHCA is an application by BECDC for 9% tax credits for a 144 unit multifamily housing development (see TDHCA application #03113), referred to as Brentwood Haven Apartment Homes. It will be located on the church campus, in the heart of the Brentwood subdivision.

The fact that the president of a neighborhood group opposing our Development sits on the board of directors of a corporation seeking TDHCA approval for a competing project raises serious questions. If the Board approves the Enclave Development, it is doubtful that the Brentwood Development would meet TDHCA's concentration guidelines. Further, it is not possible to square the Civic Club's alleged concerns (discussed below) such as crime, traffic, and flooding for our Development, as these same concerns would apply to their own project.

Below is information related to several of the Civic Club's concerns:

Concentration. There are two tax credit projects within a two-mile radius of the Development. One is a single family development constructed in 1993, and the other is a 30 year old property that underwent rehabilitation using tax credit and bond financing. The Department has strict guidelines with regard to concentration of tax credit units and requires a market study early in the bond process that addresses the concentration issue. Our market analyst's calculation of the concentration ratio has been confirmed by the underwriting staff of the TDHCA. We have met <u>all</u> guidelines set before us with regard to the concentration policy. The Department has acknowledged this fact and informed our company to proceed with the transaction.

You show also know that our company was instrumental in showing the need for such restrictions when we withdrew an application for bonds from the TDHCA on another Houston transaction in 2001. In our opinion, that development was the most economically feasible of the four applications seeking funding at the same time, all of which were located within five miles of each other. That particular transaction was withdrawn at the TEFRA hearing and cost our company $230,000.

Increased Traffic. There will be no traffic through the subdivision related to this Development. The Development is located on West Airport Boulevard, a divided four lane road. It serves as access to the Brentwood Neighborhood and dead-ends at the entrance to the Development. West Airport Boulevard is to be extended to Almeda Road to the east in the Spring of 2005 Although traffic will increase once the Development is constructed, this will be after the West Airport Boulevard is extended. Further, <u>none</u> of this traffic is, or will be, directed through the subdivision.

Crime. As the Development owner and manager, we are as concerned about criminal activity as our neighbors. It is in our financial interest to immediately address criminal activity. Our management plan prohibits anyone with a criminal record from living at the Development. Further, any resident found to be harboring anyone with a criminal record, or who have visitors who otherwise jeopardize the safety of our residents or the neighborhood, will be immediately evicted. The Development site will also be gated with control gate access.

Flooding. The site is not located in or near the 100 year flood plain. We have previously provided to you a letter from the designing engineer stating that drainage must be designed and approved according the City of Houston and Harris County Flood Control Standards. On-site detention is required on this site and has been included in the plans.

School Burden. Previously submitted to you were statistics obtained from Houston Independent School District concerning enrollment for all the schools which feed Madison High School.[1] Six elementary schools in the area have experienced decreased enrollment averaging 2.6% over the last five years. The intermediate and high schools experienced increases of 3.7% and 7%, respectively, over the same time period. Hobby Elementary, the school which will be directly affected by the Development, has seen a <u>17% decrease</u> in enrollment during the last five years.

Board Questions and Concerns

Below is information relating to various questions and concerns expressed by Board members.

Planning Review. In response to Board concerns regarding site review by the City, attached is the platting approval conditions CPC 101 Form from the Houston Planning Commission stating that on February 6, 2003 the planning commission staff recommended approval of the plat as outlined by the City's development guidelines. Also attached are copies of comments from the City of Houston Code Enforcement Group who is responsible for reviewing all architectural and engineering plans with regard to the Development. We have fulfilled <u>all</u> City requirements in order to obtain the permits necessary to complete this transaction.

Further, the Development does not share any boundaries with the Brentwood Subdivision, nor would access to the Development require travel through any portion of the subdivision. The North boundary is adjacent to the Uptown Business Park and is occupied by a METRO bus facility. The East boundary is adjacent to a major drainage easement and vacant land. The West boundary is adjacent to an existing multifamily development. The best use for this site would be light industrial or multifamily. This site is not conducive to single family home ownership.

Location of Developments. In response to Board inquiry as to why bond developments such as this are not done in other parts of the state., the answer is economics. Developments of this nature are supplemented with 4% tax credits, thus they do not have the same amount of equity infusion as 9% tax credit transaction. This decrease in equity results in a corresponding increase in the amount of debt financing required make the transaction

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[1] See February 12, 2003 letter to the Board from James E. Washburn

economically feasible. Unfortunately, this higher debt can only be supported by higher rental income, which in most cases, can only be accomplished in major metropolitan areas. Thus, the bond lottery system currently in place dictates the location of where these developments can succeed.

Conclusion

Our company has devoted an extraordinary amount of time and money towards this Development in order to meet the requirements of TDHCA and obtain TDHCA staff approval. All application requirements have been made in a timely and accurate manner. Every provision outlined in the TDHCA's critical path schedule was performed according to the Department's requirements and procedures. All indications from the Department's staff led us to believe that the transaction should move forward, even after the response that was noted at the TEFRA hearing. Our efforts included the following:

- Plans and specifications for the Development, including engineering design and platting have been either completed or are in the final stages of completion.

- All bond documents have been drafted, circulated, and approved by all members of the transaction finance team.

- The Bond purchaser and Tax Credit purchasers have performed all of their due diligence.

- Numerous meetings have been held with the Civic Club, local residents, political leaders, and local consultants to discuss and educate them with regard to the Development.

- We have dedicated hundreds of man-hours and over $400,000 in out-of-pocket expenses to complete this transaction, not including the costs and expenses of this appeal. None of these expenses can be recovered if we do not receive TDHCA approval.

We have not been told why the Board declined to support this transaction. If it based on the fact that there is public opposition, please explain why the Department has approved other applications in the face of strong local opposition, and approved another transaction with public opposition at the same meeting? Please also consider the above facts when evaluating the public opposition against our Development. If it is because of the Board believes that no projects should be approved in the City until the City develops planning guidelines acceptable to TDHCA, then we should have been informed of that before we spent $400,000 and four months of time on this process. It is manifestly unjust and arbitrary to make up requirement along the way after an application has been filed with the Department.

Petition of Support

The following signatures will be presented to the Board of Directors of the Texas Department of Housing and Community Affairs and the Texas Bond Review Board to indicate our Support of the Enclave @ West Airport Apartments to be located at 4300 West Airport Boulevard.

Enclave Housing, Ltd. is proposing to construct a gated community of 200 units of affordable housing designed to appeal to residents who income qualify at 60% of the area median income for Houston. The following gross incomes would qualify for residency at the proposed development:

- One Person Family - $25,020
- Two Person Family - $28,620
- Three Person Family - $32,160
- Four Person Family - $35,760
- Five Person Family - $38,640

This property will consist of one, two and three bedroom apartments. Amenities included on site include the following:

- Perimeter Fencing with Control Access Gate
- Furnished Clubhouse
- Exercise Room
- Computer Facilities
- Swimming Pool and Deck
- Covered Parking
- Garages
- Playground and Picnic Areas
- Supportive Services from Texas Inter-Faith Management Corporation

Sign the attached to indicate your support. Please include your address and phone number so we may contact you.

I encourage the Board to re-consider its decision with respect to our Development and hope the information contained herein will help you in doing so. If you have any questions, please feel free to contact me.

Sincerely,

/s/ Charles E. Washburn

Charles E. Washburn

Cc: Edwina Carrington and Chris Wittmayer, TDHCA

Petition of Support for Enclave @ West Airport

Name	Address	Phone
Rose Andrews	13907 Santa Teresa 77045	713-551-9148
Doris Fontenot	15831 Thorngate 77053	(281) 437-3173
Nicholas Fontenot	15831 Thorngate 77053	(281) 437-3173
Judy Satterfield	5303 Heatherbrook	1-413-7750
LaKeisha B[illegible]	2600 Westridge	832-418-0078
Doris J. Buckner	2600 Westridge	713-641-2766
Sandra [illegible]	4705 Majestic	713 218 5724
[illegible] R. Williams	8900 Glencrest	(713) 644-9873
Edward Pearce	8981 S. Gessner	(713) 776-3493
Essie Henry	4901 Paradise	713-734-5741

Petition of Support for Enclave @ West Airport

Name	Address	Phone
[illegible] Dod[illegible]	7715 Ellis Dr	281-438-2821
Evelyn Jenkins	5835 Doulton St	713-731-8512
John W[illegible] SR	3719 Corder	713 747 0844
John William JR	3719 Corder	〃
Rodney Brown	5800 Bellaire Sq #247	〃
Erin G. Lane	2810 Murr Way	7137380748
Millie Jackson	3905 Lockwood	713-675-2041
Rhonda Clay	5127 Perry St	713-747-9264
Wayne C. Rose	6627 Winton	(713) 741-2289
J. Thomas	5719 W. Bellfort	832-563-6179

Petition of Support for Enclave @ West Airport

Name	Address	Phone
Shelby Molina	4639 Sidgewalk	281-416-7465
Jessica Garza	7500 Bellerive #1812	
Delphine Mgbemena	1306 Grapevine	713-413-2822
Judy Robertson	5638 Selinkey #161	713 731-0473
Rose Robertson	1306 Grapevine	713-413-2822
Maria Botanda	1701 Anderson	713-413-2561
Lorena Cruz	1701 Anderson	713-433-0024
Erika Lara	5565 Gasamer	(713)721-1315
Paula Lara	5565 Gasamer	713)721-1315
LaQuinta Jenkins	2808 Napoleon St.	713.5716995

Petition of Support for Enclave @ West Airport

Name	Address	Phone
Johnny A. Rlander	3814 Manner	281-250-9281
Marilyn Quin	5221 Anzio	713-733-3568
[illegible]	6655 Canyon Way	—
[illegible]	9475 S. Houston Pkwy #34	832-978-2659
Pam [illegible]	9475 S. Houston Pkwy #34	832-722-5155
Lynette Davis	6410 Belmark	713-7238910
Aletha Williams	3914 Grapevine	(713) 433-3052
Andrea Robertson	9211 Kilkenny Dr.	713-991-1637
[illegible] & [illegible]	14085 Dublin Apt 400 Hou, TX 77085	713-2835624
Natasha Gonzalez	2410 West Bend Houston TX 77085	(281) 438-0159

Petition of Support for Enclave @ West Airport

Name	Address	Phone
* ON WAITING LIST- PALAMINO Shawntay Williams	7315 DAISY MEADOW DR KATY, TX 77449	832-513-6478
Arasli Sanchez	2926 Fay Houston TX 77023	713 728-8582
Lourdes Gil	7522 Hemlock Houston 77012	713-269-2661
Eva Castillo	2920 Fay Houston, TX 77023	713 728-8582
Veronica Leija	11627 Sagemeadow Ln	281-922-0836
Arely Bertrand	3700 Broadway #1210 Houston, TX 77085	713 248-6799
Rushna Billimoria	12401 S. Post Oak Road	713 551 8792.
WAITING LIST TDHCA Ismael Riojas	4123 Hollybrook	281-227-8358
POWER SUITE Racquel L. McKee	9100 Fondren Rd.	713-551-8641
Sheree Williams	12440 South Dr #606	713 723-0837

Petition of Support for Enclave @ West Airport

Name	Address	Phone
Carol A. Stanley / CAROL A. STANLEY	4001 Tanglewilde #1001	(713)975-0522
JOSEPH Pinkney (HPD)	9600 [illegible] Bayou	(713) 786-4482
Roy Watkens	10490 South Wk. #408	281-564-8133
DEEDNIE DAD	4119 MAGGIE	713-733-2869
Jean Grimes	6319 Edenport	281-458-9521
Fredonda BROWN	12903 Sugar Ridge	(281) 561-7896
Tasha Wyatt James	5807 Tidewater Dr.	(713) 723-7786
Denise Carter	703 Trigate Dr.	(281)439-7815
Erica Marshall	1800 FM1092 #502	(281)208-3479 / (281)802-4595
Veronica Cush	3447 Rockhill	7134332996

Porter Aro.

Petition of Support for Enclave @ West Airport

Name	Address	Phone
Artricia Smith	14415 Windy Willow Ct	281-416 1817
Pamela [illegible]	11431 Walnut Meadow	281-444-0659
Rhonda R Conner	PO Box 14654	7-962-3635
Corey B. Eason	12401 S. Post Oak	(713) 721 · 6800
Felicia Taylor	12401 S. Post Oak	(713) 726 · 9114
Angela Rogers	12401 S. Post Oak Rd	(713) 721-3303
Kristi Abraham	6851 Ridgeway	(713) 645-9145
Barbara Howard	12401 S Post Oak Suite D	713 · 721 · 9000
Damon E. [illegible]	2732 Eastern #302	832 877 7600
Chris Biscelle	2714 E Turn #405	713-545-3672

Name	Address	Phone
Dorvis Womack	7302 Corporate DR #1103	(TDD) 713-771-9513
Brenda Clarence	7302 Corporate DR #1103	(TDD) 713 771-9513
Carol Parker	6405 W. Belfort	(713) 721-7517
[illegible] Parker	6405 W. Belfort	(713) 721-7517
Adrean Bowser	3300 Alabama F-D	(713) 995-0820
Diana Shaubach	2686 Murworth, # [illegible]	713/664-7087
Vance Sasso	4001 Cordell #17	832 746-3220
Delia Womack	4820 [illegible] #67	713-731-7330
Venus Clarke	5222 Bennington	832 275 15[illegible]
Ashley René Casey	9100 [illegible] #1505	713-270-4145

Petition of Support for Enclave @ West Airport

Name	Address	Phone
Joya Woodfork	14414 Alkay	713-433-5012
Maria Chavez	14919 Bathurst Dr	713 433 6329

Petition of Support for Enclave @ West Airport

Name	Address	Phone
Sandra Martinez	6110 West Bend Houston TX 77035	(281) 438-0659

MuniMae Midland LLC
Real Estate Finance

Two Galleria Tower
13455 Noel Road, Suite 1430
Dallas, TX 75240
tel 972-404-1118 fax 972-404-9133
www.munimaemidland.com

March 6, 2003

Board of Directors
Texas Department of Housing and Community Affairs
507 Sabine, Suite 800
Austin, Texas 78701

Dear Sir or Madam:

On February 13th, I attended the TDHCA Board meeting and spoke on behalf of the Enclave at West Airport development for which our company has committed to provide financing. As I pointed out to the Board, our company has enjoyed a long successful relationship with the Washburns and we are confident that this development will be an asset to the community.

It is MuniMae Midland's hope that this decision will be reversed at the upcoming Board meeting to be held on March 13th. Also, our company is preparing to close on the financing on March 20th, assuming the necessary approvals are given.

I was shocked and disappointed by the Board's decision not to approve this development. The concerns of our company go far beyond this particular development. In order for us to devote the resources necessary to properly evaluate and underwrite these transactions, it is critical that we feel comfortable that once a development has reached the point of being recommended by TDHCA staff to the Board, that it would be approved unless the Board determines that the staff's underwriting was deficient in some manner.

Over the years, MuniMae Midland has provided financing for thousands of affordable housing units in the State of Texas and we look forward to continuing that record in the years ahead. Hopefully, we can all continue to work together in providing much needed affordable housing to the residents of Texas.

Thank you for your consideration in this matter.

Respectfully,

John W. Mullaney

John W. Mullaney
Senior Vice President

SHS

March 5, 2003

Board of Directors
Texas Department of Housing and Community Affairs
507 Sabine, Suite 800
Austin, Texas 78701

Re: Enclave Housing, Ltd., Enclave at West Airport Apartments - Multifamily Housing Mortgage Revenue Bonds and Low Income Housing Tax Credits

Dear Board of Directors:

As the National Director of Acquisitions for Simpson Housing Solution, LLC, I am very concerned with the amount of investment by a developer before he or she can be relatively confidant in moving ahead with a Low Income Housing Tax Credit application.
This is exasperated by the short time to close a Tax Exempt Bond transaction. There is no question that we as an industry must do a better job educating the public concerning affordable housing. However, certain segments of the public, by not understanding affordable housing, or by having a bias against affordable housing seem to have the upper hand and the ability to stop quality affordable housing that is desperately needed by many citizens in the State of Texas. This must be changed!

I have known the Washburn family for many years. I am familiar with their existing projects and their proposed Enclave at West Airport project. I urge the Board of Directors of the Texas Department of Housing and Community Affairs to reconsider its recent decision to not approve this Project. Safe, well managed, attractive, and affordable projects such as the Enclave at West Airport should be encouraged.

The development community is deeply concerned about the facts surrounding this particular application and the message that it sends to other developers struggling to provide quality housing for our communities.

Sincerely,

J. Michael Sugrue
Vice President, National Director of Acquisitions

SIMPSON HOUSING SOLUTIONS, LLC
730 East Park Boulevard • Suite 100 • Plano, TX 75074 • Toll-Free 888-261-8380 • Fax 972-423-0224
www.simpsonsolutions.com

TOTAL P.02

CITY OF ENNIS, TEXAS
INSPECTION SERVICES
115 W. Brown St. P.O. Box 220
ENNIS, TEXAS 75120
972-875-1234 Fax 972-875-9086

Harold L. Markham Jr.
Building Inspector/Fire Marshal

Freddy Santos
Fire Inspector

Ricky McElhaney
Assistant Inspector

Milton Booher
Assistant Inspector

To Whom It May Concern:

The Creekside Terrace Apartments, located at 1000 East Burnett Street here in Ennis, Texas was constructed in late 1998. The construction of the apartments complied with all necessary codes and restrictions in place at that time.

This apartment complex remains to be a great asset to our community. Occupants are provided with a variety of apartment sizes from one bedroom to four bedrooms. Playgrounds are provided for the Children as well as a very nice swimming pool. Occupants also have access to a community room, which can be used for a variety of events.

Maintenance for the complex appears to be well organized. The grounds are kept looking neat with the lawn mowed and hedges and trees trimmed. Repairs for items such as water, HVAC, and the like have always been promptly completed and always in compliance with City codes.

Should there be any questions or comments please feel free to contact this office at the number listed above.

Thank You,

Ricky E. McElhaney

Ricky E. McElhaney
Building Inspector

ENNIS TEXAS
EST. 1872

ENNIS CHAMBER OF COMMERCE
P. O. Box 1177
108 Chamber of Commerce Drive
Ennis, TX 75120

Bill Sanders
President

Jeannette J. Patak
Administrative Assistant

972-878-2625
Fax 972-875-1473
www.ennis-chamber.com
Email: jen01@ix.netcom.com

January 22, 2003

To Whom It May Concern:

In 1997 Larry Washburn brought plans for an apartment complex to the City of Ennis and construction began on the Creekside Terrace Apartments, and what an asset this complex has been to the community.

Creekside Terrace provides a nice living environment with floor plans that are very attractive with one, two, three or four bedroom units. Whether you are single, a young couple starting out or a family, they provide any number of amenities to serve their tenants needs. Creekside provides you with a microwave, refrigerator, washer/dryer connections, an on-site laundry, a beautiful pool, community room and playgrounds to name only a few conveniences that caught my eye.

I am very pleased to recommend this complex to you. In addition to the attractive apartments, the maintenance of their grounds create an appealing site in the neighborhood.

If you have any questions or need any further information about this complex I would like for you to call me at 972-878-2625.

Sincerely,

Bill

Bill Sanders
President

Houston Planning Commission

Platting Approval Conditions - CPC 101 Form

CITY OF HOUSTON PLANNING & DEVELOPMENT

Agenda item: 19

Action Date: 2/6/2003

Staff Recommendation: Approve subject to the conditions listed

subject to the conditions/requirements listed below

Subdivision Name/Data/Location	County	Approval Request	Ref #	Zip Code	Key Map	City/ETJ
Enclave at West Airport Apartments	Harris	C3F	2003-0130	77045	572E	City

Total acreage:	15.01
Total number of lots:	0
Total number of multi-family units:	200
Total Reserve Acreage:	15.01

Developer: LCJ Management

Company: Bury + Partners-Houston, Inc.

Conditions and requirements for approval

047. Make minor corrections and additions as indicated on the marked file copy.

048. Tie the plat boundary to the City of Houston survey monument system OR Provide written approval from the PWE, Survey Division stating that the monument has been destroyed.

049.1. Add the following note on the plat: This survey is not tied to the official City of Houston mapping and monumentation system in compliance with ordinance no. 69-1978 because a city survey monument has not been established within 2000 feet of this property.

187.1. Provide acknowledgement and subordination of lienholders identified in title report. Reference Recordation Dedicatory Acknowledgements and Certifications for requirements. (Record.doc)

203. Provide complete Recordation Package when submitting plat for recordation. (Recd_pkg.doc)

007.2. Public Works and Engineering's review has determined that letters of water and sewer availability are needed. Contact Public Works and Engineering, Water Design and Wastewater Design Divisions.

008.1. Plat Release is required by the Storm Water Quality Engineer prior to plat approval. This plat must meet the requirements Chapter 47, Sec. XII, and include a SWQ Management Plan and purchase of a SWQ Permit, or meet one of the exemption criteria described therein. Please apply for an availability letter for this site. Plats that are required to have a SWQ Permit, are required to have an availability letter. Applications for the SWQ Permit or the exemption must be submitted to the SWQ Engineer, at Storm Water Quality Engineer, City of Houston, 611 Walker, RA-257, Houston, TX 77002. Appointments for meeting with the SWQ Engineer can be made by calling 713-837-7036. No walk-in plat releases can be done at the present time.

CITY OF HOUSTON

Code Enforcement Group

~~Management Information Systems~~

3300 Main St., Suite 300
Houston, Texas 77002
Fax Number (713)535-7905

***** FACSIMILE COVER SHEET *****

To: REID PHILLIPS
Company:
Voice #:
Fax #: (713) 97132120010

Date: THU, FEB 6, 2003

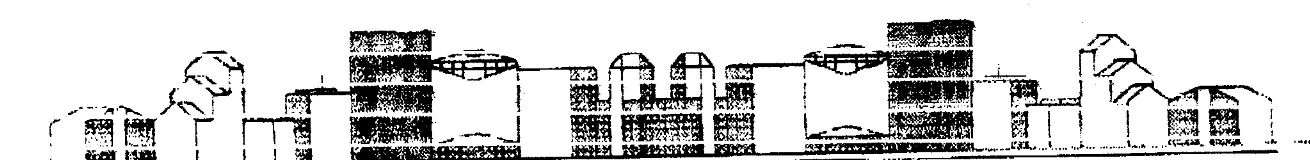
Page 1 of 2

From: BEVERLY
Company: City of Houston - Code Enforcement Group
Voice #: 7135357500
Fax #:

Fax ID: CXHB0000

Subject: REJECTION COMMENTS ON PROJECT NO. 03006297

Remarks:



This facsimile has been automatically delivered to you by the City of Houston, Code Enforcement Group

DATE: 02/06/03 CITY OF HOUSTON PAGE: 1
TIME: 15:09 CODE ENFORCEMENT PROJ # 03006297
REPORT ID: R025HOU PLAN EXAMINING CORRECTIONS
4300 W AIRPORT BLVD 77045

** CORRECTIONS SHOWN BELOW ARE TO BE MADE ON PLANS BEFORE PERMIT IS ISSUED.
** APPLICANT WILL SAVE TIME BY PLACING NUMBER OF DETAIL OR SHEET IN SPACE PROVIDED TO INDICATE LOCATION OF CORRECTION.
** THE APPROVAL OF PLANS AND SPECIFICATIONS FOR A BUILDING PERMIT DOES NOT PERMIT THE VIOLATION OF ANY SECTION OF THE BUILDING CODE OR OTHER CITY ORDINANCE OR STATE LAW.

NOTE ID: 00173610 WATER/SEWER

IMPACT FEES REQ'D-HOWEVER, IMPACT FEES CAN NOT BE ACCEPTED UNTIL ALL OTHER REQUIREMENTS ARE MET AND APPROVED BY OTHER DEPTS.CUSTOMER WILL NEED TO HAVE CONTRACTOR THAT WILL MAKE TAP FOR 6"METER TO SUBMIT BONDS AND INFO.FOR 10X20 EASEMENT AND SUBMIT A INSP.FEE OF $350.00.SANITARY SEWER EXT.REQ'D PLUS TWO ROAD BORE SAN.SWR TAPS.

NOTE ID: 00173812 TRAFFIC-01-23-2003-BILL CROUCH

*
SEE TRAFFIC'S SITE (&/OR OTHER) PLAN SHEET(S) # 03-04
FOR MOST ALL PROJECT/PLANS'S MARKUPS & COMMENTS .
BILL CROUCH @ (713)-535-7582(V) .
*
*
*
*
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*
*
*
*
*
*

NOTE ID: 00173936 HVAC COMMENTS 1-25-2002

E. ALVAREZ 713-535-7665 1-2-5-R2-A

1. CEILING PART OF FIRE-RATED ASSEMBLY REQUIRE PROTECTION WITH RADIATION CEILING DAMPERS . PROVIDE MANUF. AND MODEL NUMBERS UTILIZED , RUSKIN , PREFCO , OR EQUAL .
2. COMPLY WITH SECTION 310 HOUS. MECH. CODE - SHOW PRIMARY AND SECONDARY DRAINS + PAN DETAILS PER CODE ON PLANS .
3. COMPLY WITH SECTION 504 HOUS. MECH. CODE - CLOTHES DRYER ROOM REQUIRE MAKE-UP AIR OPENING . SHOW DETAILS PER CODE .

NOTE ID: 00174047 PLANNING P20 1/27/2003

DATE: 02/06/03 CITY OF HOUSTON PAGE: 2
TIME: 15:09 CODE ENFORCEMENT PROJ # 03006297
REPORT ID: R025HOU PLAN EXAMINING CORRECTIONS
4300 W AIRPORT BLVD 77045

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A DEVELOPMENT SITE PLAN REVIEW IS REQUIRED FOR THIS SITE, PICK UP SUBMITTAL INFORMATION AND REQUIREMENTS ASAP AT 3300 MAIN STREET ON THE FIRST FLOOR IN THE DEVELOPMENT SERVICES AREA.

NOTE ID: 00174737 ELECTRICAL COMMENTS 02/04/03

This plan was reviewed by Myrle Trammel. Phone 713 535-7545. The following items concerning electrical, laws, ordinances, codes, and policies must be corrected on the plans, these items need to be corrected prior to the issuing of a permit. Please provide a response sheet indicating the page and location of the correction.
****

1.All requirements to correct your plans are found in the National Electrical Code 2002 Ed., the 2000 International building code and 2000 International Energy Conservation Code and all relevant laws/ordinances of the City of Houston. The approval of your plans does not permit City of Houston. any other codes. Where comments refer to a number of things check each item, only one may apply to your plans. Not presumed to meet "ADA".
***Applicant will save time by placing a response sheet attached to the electrical sheets indicating the sheet number that corrections can be found.

2.Changes to plans: Corrections of other disciplines may result in additional electrical corrections not known at this time. SECTION 302, City of Houston Electrical Code.

3.In dwelling units where receptacles are installed to serve kitchen counter-top surfaces, they shall be located as per Article 210.52(C)(1 thru 5)

4.All branch circuits that that supply 125-volt, single-phase, 15 and 20 amp outlets installed in dwelling unit bedrooms shall be protected by an arc-fault circuit interrupter listed to provide protection of the entire branch circuit. Article 210.12 N.E.C. 2002.

5.Article 210.63 of the N.E.C. Requires a 125 volt, single-phase, 15 or 20 ampere-rated receptacle outlet shall be installed at an accessible location for the servicing of heating, air-conditioning, and refrigeration equipment. The receptacle shall be located on the same level and within 25 ft. of the heating, air-conditioning, and refrigeration equipment. The receptacle outlet shall not be connected to the load side of the equipment disconnecting means.

A disconnecting means is also required per Art. 440.11 & 440.14 N.E.C.

** CORRECTIONS SHOWN BELOW ARE TO BE MADE ON PLANS BEFORE PERMIT IS ISSUED.

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6.In Houston the power company does not furnish the secondary feeders from the power company transformer to the meter bank, the contractor does.

Show all conduit and wire for the secondaries.

7.Submit a copy of HL&P. Service location. Listing short circuit available at each panel board (110-9 & 10). N.E.C. with respect to Article 110-9 & 10 short circuit calculations will be required indicate method used (Point to point or IEEE) for each service panel board, load center, motor control ctr., distribution ctr., etc. The intent is to verify that all circuit breakers and fuses have adequate interrupting capacity rating and the bracing in each item of equipment in the system. If current limitting device are used, let-through current will be required to be shown on the plans as well.

8.Lighting, appliance, and power panelboards shall be individually protected on the supply side by not more than two main circuit breakers or two sets of fuses having a combined rating not greater than that of the panelboard per Article 408.16(a)(b) 2002 N.E.C.

Panel "LP" is required to have a main overcurrent protect.

9.Locate on floor plan all panels and service equipment: 384-2 showing overcurrent protection size, feeder conductor size and insulation type. Lable each item and show each item's exact location on the floor plan. Sec. 302-2

Show location of service entrance.

10.Art. 250 of the N.E.C. covers the general requirements for grounding and bonding of electrical installations. See 250-90 for "Bonding" and 250-50 for electrode system and electrode conductor.
Your plans should be clear as to the size of all grounding and bonding conductors.
Your plans should be clear as to which electrode system is being used as per Article 250-50 and 250-52(A)(1-4)

NOTE ID: 00174825 PLUMBING-STORMWATER 2-5-03

MIKE LUVCY 713-535-7541PROVIDE A RESPONSE SHEET FOR ALL CORRECTIONS***

PLUMBING--

1. PLUMBING IS TO BE DESIGNED AS PER 2000 UPC WITH CITY OF HOUSTON AMMENDMENTS.
2. DRAINAGE PATTERN FITTINGS ARE TO BE SHOWN ON RISER DIAGRAMS.
3. SIZE ALL PIPING ON RISER DIAGRAM AND PLAN VIEW DRAWINGS.

DATE: 02/06/03 CITY OF HOUSTON PAGE: 4
TIME: 15:09 CODE ENFORCEMENT PROJ # 03006297
REPORT ID: R025HOU PLAN EXAMINING CORRECTIONS
4300 W AIRPORT BLVD 77045

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STORMWATER
1. COMPLY WITH ALL REQUIREMENTS OF THE AVAILABILITY LETTER FROM STORM.
NOTE--
SPECIFIC TYPE OF ALL PIPING MATERIALS TO BE NOTED ON PLAN FOR ALL STORM AND PLUMBING PIPING.
03006297
11406297

NOTE ID: 00174897 STRUCTURAL COMMENTS 2/05/03

DREXEL MOERBE 713-535-7717
*
1. CIVIL SHEET 07 SHALL SHOW EACH FOUNDATION FINISH FLOOR ELEVATION AT 12" ABOVE THE SANITARY SEWER RIM HEIGHT SERVING THAT BUILDING.
2. PROVIDE ENGINEERED STRUCTURAL PLANS FOR GARAGES, CARPORTS, TRASH COMPACT-OR AND FENCE COLUMNS.
3. GUARDRAILS ON OPEN SIDE OF STAIRWAYS SHALL BE IN COMPLIANCE WITH THE 2000 IBC SECTION 1003.2.12.1. FOR HEIGHT MEASURED FROM EDGE OF TREAD.
4. STAIRWAY DETAILS SHALL SHOW MAXIMUM RISE OF EACH TREAD.
5. WATER AND SEWER LETTERS SHALL ADDRESS THE EIGHT MACHINE WASHATERIA IN THE CLUBHOUSE BUILDING.
6. SHOW LOCATION OF ATTIC ACCESSES SIZED IN COMPLIANCE WITH SECTION 1208. EACH AREA OF SEPARATED ATTIC SPACE SHALL BE ACCESSED.
7. EMERGENCY EGRESS WINDOWS OF SECOND FLOOR BEDROOMS SHALL HAVE A MINIMUM NET CLEAR OPENING OF 5.7 SQ. FT. (2000 IBC 1009.2)
8. PROVIDE LETTER STATING THAT TRUSS PLANS WILL BE A DEFERRED SUBMITTAL.
9. PROVIDE WALL SECTION DETAILS ILLUSTRATING THE FIRE RATED DESIGNS REQUIRED FOR TYPE OF CONSTRUCTION. DETAILS SHALL BE PROVIDED FOR SHAFT WALLS, EXTERIOR WALLS, INTERIOR LOAD BEARING WALLS AND TENANT SEPARATIONS FROM FOUNDATION TO ROOF DECK. THESE DESIGNS SHALL BE FROM AN APPROVED TESTING AGENCY.
10. PROVIDE COMPLETE HARDWARE SCHEDULE.
11. DOOR SCHEDULE SHALL INDICATE RATING OF DOORS REQUIRING FIRE RATINGS.
12. ATTACH THE COMPLETED CITY OF HOUSTON ENERGY CODE COMPLIANCE FORM FOR THIS PROJECT. ALL DETAILS PERTAINING TO THE CONSTRUCTION OF THESE BLDGS SHALL BE INCOPORATED INTO PLANS.
13. PROVIDE TDLR PROJECT NUMBER FOR COMMON BUILDINGS ON SITE.
14. ADDITIONAL CORRECTIONS MAY BE REQUIRED UPON FURTHER REVIEW.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Preservation Incentives Program
Status Summary

BACKGROUND

In February of 2002 the Department's Board approved the issuance of $10,000,000 in Taxable Junior Lien Bonds. Because the Junior Lien bonds are repaid by revenue from the senior bonds, mortgage loans made from the Junior Lien proceeds can be made with flexible terms and low interest rates. At the same board meeting, an allocation of $2,000,000 from the Junior Lien proceeds was approved for the preservation of affordable multifamily housing.

In May, the Department published a notice of available funds ("NOFA") for a Preservation Incentive Program, a pilot program funded with the $2,000,000 in Junior Lien Proceeds, and began to accept applications. Because of the nature of timing preservation transactions, the funds are being made available through an open cycle, on a first-come-first-considered basis, with fallback provisions to prioritize transactions in case of an over-subscription. To date, this approach has worked well. In July, the Board approved the first four transactions under the program, and allocated an additional $2,000,000 of Junior Lien bond proceeds to the program.

CURRENT STATUS

Below is a summary of funding activity under the program:

Fund Allocations	**Date**	**Amount**
Board Allocation (2002 Jr. Lien Proceeds)	2/21/2002	2,000,000
Board Allocation (2002 Jr. Lien Proceeds)	7/29/2002	2,000,000
Total		**$4,000,000**

Project Awards	**Date**	**Amount**
Award (Walnut Hills Apts.) Baird, Callahan Co.	7/29/2002	282,355
Award (Colony Park Apts.) Eastland, Eastland Co.	7/29/2002	633,078
Award (Briarwood Apts.)	7/29/2002	540,000
Declination by Applicant (Briarwood Apts.)	10/11/2002	(540,000)
Award (La Mirage Apts.)	7/29/2002	540,000
Declination by Applicant (La Mirage Apts.)	10/11/2002	(540,000)
Award (Cedar Ridge Apts.) Dayton, Liberty Co	11/14/2002	1,000,000
Award (Cameron Apts.) Cameron, Milam Co.	8/26/2002	852,240
Award (Country Club Village Apts.) San Antonio, Bexar County		909,657
Total		**$3,677,300**

Funds Available (Fund Allocations minus Awards and Pending Applications)	**12/27/2002**	**$322,670**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Preservation Incentives Program
Source: 2002 Junior Lien Proceeds

PROJECT INFORMATION

Project:	**Country Club Village Apartments**
Applicant:	Housing and Community Services, Inc.
Principals:	Executive Director: Ronald C. Anderson; Board of Directors: Rafael Torres, Eloise Callaway, Gloria Flores, Bob Montgomery, Eugenia A Blaskvitz, Joan Cortinas Carl Forinash, Dan Kiefer, Fay McKenzie, and Jeanette Nass.
City/County Location of Project:	San Antonio, Bexar County
Construction Date:	1978
Activity:	Acquisition
Total # Units in Project:	82 Units, Elderly
Existing Affordable Use Restrictions:	The FHA insured, Section 231 loan program designates the property as elderly housing. A Section 8 Housing Assistance Payments Contract for 100% of the units provides assistance for families and individuals of low, very low, and extremely low income residing in the apartments.
Existing Loan:	$1,090,000 (approx.) will remain outstanding at the time expected for closing. The applicant proposes to assume the outstanding debt which matures in 2019.

LOAN TERMS

Award Amount:	$909,657
Interest Rate:	2.00% beginning at amortization.
Loan Term:	15 Years. Amortization over 15 years
TDHCA Lien Position:	Subordinate to FHA insured debt.
Commitment Fee:	1% of Loan Amount
Escrows:	Provisions will be made for the escrow of taxes and insurance payments.
Prepayment:	No prepayment restrictions.
Guarantee:	Generally non-recourse. All obligations of the Borrower to indemnify the issuer, to pay certain fees and expenses, and to comply with appropriate tax covenants will be full recourse obligations against the Borrower.
Reserve and Replace Account:	Adequate reserve and replace reserves will be a requirement of funding.
Compliance Fee:	To be determined.

REGULATORY TERMS

Occupancy and Rent Restrictions:	Occupancy and rent will continue to be determined according to FHA and Section 8 requirements. The borrower will be required to renew Section 8 HAP contracts as long as such are being offered by HUD. If the Section 8 assistance terminates during TDHCA's restrictive period, then all units will be restricted to occupancy by households earning 60% of AMFI and below, rents will be restricted to 30% of 60% of AMFI. Any current residents will be considered as eligible to continue inhabiting the property.

Special Needs: 5% of the units are, or will be designed to be accessible to persons with mobility impairments. 2% of the units are or will be designed to be accessible to persons with sight or hearing impairments.

RECOMMENDATION

Staff recommend approval subject to the conditions of TDHCA's underwriting review.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS

DATE: March 3, 2003 **PROGRAM:** Multifamily Housing Preservation Incentives Program (PIP) **FILE NUMBER:** 2002-007P

DEVELOPMENT NAME

Country Club Village

APPLICANT

Name: HCS 307, LLC **Type:** ☐ For Profit ☒ Non-Profit ☐ Municipal ☐ Other

Address: 301 South Frio, Suite 480 **City:** San Antonio **State:** Texas

Zip: 78207 **Contact:** Ronald Anderson **Phone:** (210) 270-4600 **Fax:** (210) 270-4603

PRINCIPALS of the APPLICANT

Name	(%)	Title
Housing and Community Services, Inc.	100%	Developer
Ronald C. Anderson		Development Member
C.J. Johnson		Contractor/ Cost Estimator

DEVELOPER/OWNER

Name: Housing and Community Services, Inc. **Type:** ☐ For Profit ☒ Non-Profit ☐ Municipal ☐ Other

Address: 301 South Frio, Suite 480 **City:** San Antonio **State:** Texas

Zip: 78207 **Contact:** Ronald Anderson **Phone:** (210) 270-4600 **Fax:** (210) 270-4603

PROPERTY LOCATION

Location: 3500 Magic Drive

City: San Antonio **County:** Bexar **Zip:** 78229

REQUEST

Amount	Interest Rate	Amortization	Term
$910,000	0%	30 yrs	n/a

Other Requested Terms: Preservation Program funds

Proposed Use of Funds: Acquisition/ Rehab

SITE DESCRIPTION

Size: 5.1 acres 222,156 square feet **Zoning/ Permitted Uses:** B-2 - allows multi-family

Flood Zone Designation: Zone X **Status of Off-Sites:** Fully Improved

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 82 **# Rental Buildings** 12 **# Common Area Bldngs** 1 **# of Floors** ____ **Age:** 24 yrs **Vacant:** 0% at 10/ 31/ 02

Number	Bedrooms	Bathroom	Size in SF
30	1	1	473
10	1	1	653
32	1	1	715
10	2	1	768

Net Rentable SF: 51,280 **Av Un SF:** 625 **Common Area SF:** 2,423 **Gross Bldng SF** 53,703

Property Type: ☐ Multifamily ☐ SFR Rental ☒ Elderly ☐ Mixed Income ☐ Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab, 20% Hardiplank, 80% wood siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

Vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, laminated counter tops, individual water heaters.

ON-SITE AMENITIES

2,423 SF community building with activity room, management offices, kitchen, laundry facilities and perimeter fencing.

Uncovered Parking: 123 spaces **Carports:** ____ spaces **Garages:** ____ spaces

EXISTING PERMANENT FINANCING

Source: Reilly Mortgage Associates, HUD 231 Loan **Contact:** Carolyn Yates

Principal Amount: $1,125,000 **Interest Rate:** 7.5% plus .5% MIP

Additional Information: Applicant will assume loan in existence since July 1979 in an original amount of $1,490,000

Amortization: 30 yrs **Term:** 30 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

Annual Payment: $117,567 **Lien Priority:** 1st **Commitment Date** / /

OTHER PERMANENT FINANCING

Source: Enterprise Foundation **Contact:** Emily Thuss

Principal Amount: $10,000 **Interest Rate:** n/a

Additional Information: Grant, thus no repayment is required

Amortization: n/a yrs **Term:** n/a yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

Annual Payment: n/a **Lien Priority:** ____ **Commitment Date** 10/ 17/ 2002

APPLICANT EQUITY

Amount: n/a **Source:** n/a

VALUATION INFORMATION

APPRAISED VALUE

Land Only:	$444,300	**Date of Valuation:**	10/ 30/ 2002
Market Value:	$2,214,000	**Date of Valuation:**	10/ 30/ 2002
Value if operated by non-profit entity:	$2,631,900	**Date of Valuation:**	10/ 30/ 2002

Appraiser: Appraisals Unlimited, George Jordon **City:** Dallas **Phone:** (214) 320-5906

ASSESSED VALUE

Land:	499,900	**Assessment for the Year of:**	2002
Building:	1,175,100	**Valuation by:**	Bexar County Appraisal District
Building:	20,650		
Total Assessed Value:	1,695,650		

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Purchase And Sale Agreement

Contract Expiration Date: 5/ 22/ 2003 **Anticipated Closing Date:** 5/ 22/ 2003

Acquisition Cost: $ 1,850,000 **Other Terms/Conditions:** +/-$725,000 in cash plus existing balance of loan secured by deed of trust by Reilly Mortgage Associates (estimated at $1,125,000 in the contract)

Seller: CCV Apartments, Ltd. **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Country Club Village Apartments is a proposed acquisition and rehabilitation development of 82 units of affordable housing located in northwest San Antonio. The development was built in 1978 and is comprised of 12 residential buildings as follows:

- (7) Building Type/Style A with eight one-bedroom units;
- (2) Building Type/Style B with six one- bedroom units;
- (1) Building Type/Style C with four one-bedroom units;
- (1) Building Type/Style D with six two- bedroom units; and
- (1) Building Type/Style E with four two- bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site with the community building and mailboxes located near the center of the site. The 2,423-square foot community building plan includes the management office, an activity room, kitchen, and laundry facilities.

Existing Subsidies: The development has all 82 units enrolled in the HUD Section 8 program via a Housing Assistance Payments (HAP) contract. A renewal contract took effect on October 1, 2002 with contract rents as follows: $450 for the small one-bedroom, $482 for the medium one-bedroom, $500 for the large one-bedroom and $551 for the two-bedroom units. The contract is effective for one year.

Development Plan: The buildings are currently 100% occupied, and are in no significant need of renovation work. The Applicant indicated that there is no tenant relocation plan. In July 2001, HUD performed a physical inspection of the development and noted some needed maintenance items including damaged soffits and peeling paint on walls and ceilings. The report mentioned that there were no critical health and safety issues.

A structural assessment report dated November 29, 2002, and an electrical & mechanical report dated December 2, 2002, were performed by Ozuna, Briones, Cueva Consulting Engineers, Ltd. and are encompassed into one general report. Some items of issue discussed in the structural assessment report are to add handicap access ramps at the handicap parking areas, add a traffic barrier fence along Magic Drive, add security lights between the buildings, level all sidewalks, add concrete lines swales to drainage easements, and add building numbers to each building. The electrical and mechanical report indicates the need to install GFI outlets at kitchen counters and outdoors, replace or repair the furnace combustion air system, install an additional louver at top of water heater, replace some wiring, and purge hub drain at furnace closet.

A comprehensive needs assessment report was performed by C.J. Johnson, the cost estimator of the development, on December 2, 2002 and acknowledged various items of an immediate need. Those are: replace fences along porches and patios, replace all 82-patio storage doors, perform partial painting on the exterior, and replace about 50 sheets of masonite on the walls.

Supportive Services: Housing and Community Services, Inc. will be performing supportive services for the development.

Schedule: The Applicant indicated that any required repairs will be completed within 120 days of acquisition.

POPULATIONS TARGETED

The development will continue to target low-income households through its participation in the HUD Section 8 program via a Housing Assistance Payments (HAP) contract. The current section 8 rents for 32 of the 72 one-bedroom units are above the calculated 60% rent limit. However, the actual amount the tenants pay is based on their income and not necessarily on the scheduled rent. The development should be restricted to the 60% rent limit rent if the project based section 8 rents should ever be extinguished. The LURA should reflect language consistent with the Federal LIHTC 60% rent requirements which allow project based rents to exceed the rent limit rent so long as the tenant does not pay more than the rent limit rent.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$19,380	$22,200	$24,960	$27,720	$29,940	$32,160

Special Needs Set-Asides: Four units (4.9%) will be handicapped-accessible.

MARKET HIGHLIGHTS

A market study was not submitted. The property is currently leased at above 90% occupancy and therefore a market study to determine the need for such a development is moot. An appraisal dated November 6, 2002 was provided. It indicated a market rate hypothetical value of $2,214,000 with no tax exemption. If the property were being held by a non-profit, exempt from paying real estate taxes, the hypothetical value of the property would be $2,631,900.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located in the northwest area of San Antonio, approximately seven linear miles from the central business district. The site is situated on the south side of Magic Drive.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly mixed use with multi-family surrounding the site.

Site Access: Access to the property is from the east or west along Magic Drive. The development has two main entries, both from Magic Drive. Access to Interstate Highway 10 is 0.25 miles east.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: According to the appraisal the site is close to shopping and various job centers near the I-10 and Loop 401 interchange.

Site Inspection Findings: The site was inspected by a TDHCA staff member on 1/23/2003. The project was found to be in very good condition for its age, and to be in an excellent location for seniors.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report was not provided with the application. However, the engineering report performed by Ozuna, Briones, Cueva indicated that the typical floor tiles tested positive for asbestos. However, no Operations and Maintenance Plan was provided. The engineers also tested the interior paint for lead, none was detected. Receipt, review, and acceptance of an acceptable Phase I Environmental Site Assessment report by a third party environmental engineer which indicates that no issues of environmental concern exist with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis is a condition of the report.

OPERATING PROFORMA ANALYSIS

Income: All 82 of the development's units are restricted under the HUD Housing Assistance Payment, project based Section 8. A one year contract went into effect on October 1, 2002. The net rents were as follows: $450 for the small one-bedroom, $482 for the medium one-bedroom, $500 for the large one bedroom and $551 for the two-bedroom unit. However, the Applicant submitted a rent schedule utilizing rents of $450, $495, $525 and $575 respectively, with no explanation as to how they can charge a higher amount than the contracted rent. The Applicant's higher rents reflect a $14K annual increase in anticipated income. Also if the maximum 60% rents are achieved (utilizing the current local utility allowance of $24 rather than the project based utility allowance of over $61) an additional $19K in income over the Underwriter's estimate could be realized. The Applicant used $4.27 per unit per month in secondary income while the Underwriter used $5.00 per month. These amounts are within the range of 2002 actual data. The Applicant used a vacancy and collection loss of 4.96%, while the Underwriter used a more conservative 7.5% estimate, which is consistent with TDHCA Underwriting Rules and Guidelines. As a result, there is a 5.6% difference between the Underwriter's and Applicant's estimates.

Expenses: The Applicant's total operating expense estimate of $3,239 per unit is 24% higher than the Underwriter's TDHCA database-derived estimate of $2,604 per unit. Several of the Applicant's line item expenses differ significantly as compared to the Underwriter's estimates, particularly payroll (37K higher), repairs and maintenance (18K higher), management ($15K higher), and reserves of (17K lower) than the Underwriter's. The Applicant's expenses are consistent with historical operating experience for the property however they are significantly higher than TDHCA and IREM San Antonio operating expense experience. The difference in repairs and maintenance can be seen as to net out with the difference in reserve for replacement leaving payroll and management fee as the two standout expense item differences. Both of these items appear to be inflated over conventional and other Department sponsored developments which may be a result in part of the budget based rent structure. Management fees for example are well over the industry standard of 5% of EGI at nearly 8%. Thus the underwriter believes that the new owners should be able to achieve saving in the areas of payroll and management fee commensurate with other affordable developments in San Antonio. As a CHDO, the Applicant anticipates receiving a tax exemption on property taxes.

Conclusion: The Applicant's income, expense and projected net operating income are not within 5% of the Underwriter's estimate; therefore, the Underwriter's proforma will be used to determine the development's ability to service debt. The Applicant intends to assume the existing first lien mortgage loan. The remaining balance as of January 2003 is approximately $1,109,929. There are 193 payments remaining at an interest rate of 7.5%. The annual debt service is $117,710 plus .5% MIP of roughly $5K.

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Cost: The property is being purchased for $1,850,000, or $22,561 per unit, from CCV Apartments, Ltd. The transaction appears to be of arms length. The contract calls for the Applicant to pay the seller $725,000 in cash and to assume the outstanding debt of approximately $1,125,000 according to the Purchase Agreement. The outstanding debt is secured by a deed of trust on the property by Reilly Mortgage Associates, L.P. and is insured by HUD. Any difference in the outstanding balance of the debt will be absorbed by an increase or reduction in the sales price at closing according to the contract.

Sitework Cost: The Applicant is proposing $22,150, or $270 per unit, for the purpose of replacing patio fences for all the units.

Direct Construction Cost: The Applicant is proposing $56,900, or $694 per unit, in direct construction costs. This estimate is based upon a thorough needs assessments provided in the application. The comprehensive needs assessment, completed by C.J. Johnson, indicates the need to spend $40,400 in the first year of ownership. These items are included in the repairs that the Applicant anticipates making. The Applicant is also making repairs based on the Structural Assessment Report and Electrical and Mechanical Report submitted with the Application. However, some of the recommendations presented in the reports are not being addressed by the Applicant. Such items include adding handicap access ramps, adding security lighting between buildings, leveling all sidewalks, adding concrete lines to swales to drainage easements, and adding building numbers for better identification.

Fees: The Applicant's fees for contractor's general requirements, overhead and profit are all within the 6%, 2%, 6% TDHCA maximums allowable. However, the construction contingency of $10,000 is $2,095 more than the 10% TDHCA guideline for rehabilitation developments. However this is still an acceptable amount given that in absolute terms it is nominal and given that the Applicant is requesting very limited developer fee for the transaction.

Conclusion: The Underwriter's total development cost estimate is wholly dependent upon the Applicant's cost estimate and as such is by definition consistent with the Applicant's costs.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with the requested preservation loan of $910,000 at an interest rate of 0% amortized over 30 years. However, their sources and uses indicate an amount equal to $909,657. As of October 2002, there is a loan with a remaining balance of $1,118,052. The intent of Applicant is to pay the seller $750,000 in cash and assume the debt, which had 200 payments remaining as of October 2002. The loan has an interest rate of 7.5% with the term ending in June 2019. Although the Applicant provided documentation from HUD allowing the Applicant to assume the current mortgage, no documentation from Reilly Mortgage was providing allowing for the assumption. Receipt, review and acceptance of documentation from Reilly Mortgage allowing the Applicant to assume the current mortgage with all terms remaining the same is a condition of the report. The Applicant also anticipates receiving a grant from Enterprise Foundation for $10,000.

Financing Conclusions: Based on the Applicant's total rehabilitation cost estimate, the requested loan amount of $910,000 is slightly more than what is necessary for the development of the property. With the anticipated outstanding balance on the loan of $1,097,929 as of closing and the $10,000 grant from Enterprise Foundation, it appears the Applicant would only need to borrow $909,657 in Preservation funds. In the event such an amount is borrowed on the terms requested, the DCR would be 1.65, well above the 1.25 threshold the Department allows. In fact, the development could withstand an interest rate of 6.68% is amortized at the request length of 30 years to reach a DCR of 1.30. The Underwriter believes that a 15-year loan with an interest rate of 2% is a financially reasonable term in that it provides an acceptable DCR of 1.25. Since the actual loan amount to be assumed will not be known until closing, the actual loan amount may need to be adjusted if does not take place as anticipated.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are functional with varied rooflines. All units are of average size for market rate and LIHTC units and have covered patios. Each unit has a semi-private exterior entry. The units are one-story walk-up structures with veneer/wood siding exterior finish and pitched roofs.

IDENTITIES of INTEREST

The ownership entity will be HCS 307, LLC, however the application indicated that the entity has yet to be formed. Information from the Secretary of State was provided for Housing and Community Services, Inc, which will be the 100% owner of the Applicant. The Developer, Property Manager and Supportive Services firm will all be related to the Applicant. These are common relationships for LIHTC-funded developments.

APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

Financial Highlights

- The Applicant is single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- Housing and Community Services, Inc, submitted an audited financial statement as of June 30, 2002 reporting total assets of $44,672,588 and consisting of $1,239,187 in cash, $3,937,440 in restricted cash, $98,129 in receivables, $804,126 in other assets and prepaid expenses, $5,728,889 in land and improvements, $47,052,957 in property and equipment, and 14,188,140 in accumulated depreciation. Liabilities totaled $25,595,638, resulting in a net worth of $19,076,950.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- Housing and Community Services, Inc. has completed 13 affordable housing developments totaling over 1,200 units.
- Wedge Management has provided management for 26 housing developments.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated income, operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- There is evidence of asbestos on the property and no O&M Plan was provided.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.25).
- The significant financing structure changes being proposed have not been reviewed and accepted by the Applicant and lenders, and acceptable alternative structures may exist.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF A PRESERVATION INCENTIVES PROGRAM AWARD NOT TO EXCEED $909,657, STRUCTURED AS A FULLY AMMORTIZING 15-YEAR LOAN, AT 2% INTEREST, PRECEDED BY A CONSTRUCTION PERIOD OF ONE YEAR AT 0% INTEREST.

CONDITIONS

1. Receipt, review, and acceptance of an acceptable Phase I Environmental Site Assessment report by a third party environmental engineer which indicates that no issues of environmental concern exist with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis;
2. Receipt, review and acceptance of documentation from Reilly Mortgage allowing the Applicant to assume the current mortgage with all terms remaining the same;
3. Should the terms of the proposed debt be altered, the recommendations and conditions should be re-evaluated.

Underwriter:	Mark Fugina	**Date:**	March 3, 2003
Director of Credit Underwriting:	Tom Gouris	**Date:**	March 3, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Country Club Village, San Antonio, PIP file #2002-007P

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	tr, Swr, Trsh,
<60% PR	30	1	1	473	$519	$450	$13,500	$0.95	$25.84	$38.38
<60% PR	10	1	1	653	519	482	4,820	0.74	25.84	38.38
>60% PR	32	1	1	715	519	500	16,000	0.70	25.84	38.38
<60% PR	10	2	1	768	624	551	5,510	0.72	33.23	47.21
TOTAL:	82		AVERAGE:	625	$532	$486	$39,830	$0.78	$26.74	$39.46

INCOME	otal Net Rentable Sq Ft	51,280		TDHCA	APPLICANT			
POTENTIAL GROSS RENT				$477,960	$492,000			
Secondary Income		Per Unit Per Month:	$5.00	4,920	4,200	$4.27	Per Unit Per Month	
Other Support Income: (describe)				0				
POTENTIAL GROSS INCOME				$482,880	$496,200			
Vacancy & Collection Loss		% of Potential Gross Income:	-5.00%	(24,144)	(24,600)	-4.96%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$458,736	$471,600			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.87%	$272	$0.44	$22,329	$16,405	$0.32	$200	3.48%
Management	5.00%	280	0.45	22,937	37,664	0.73	459	7.99%
Payroll & Payroll Tax	14.89%	833	1.33	68,306	105,523	2.06	1,287	22.38%
Repairs & Maintenance	7.45%	417	0.67	34,185	51,929	1.01	633	11.01%
Utilities	1.08%	60	0.10	4,955	6,200	0.12	76	1.31%
Water, Sewer, & Trash	3.41%	191	0.31	15,659	19,900	0.39	243	4.22%
Property Insurance	4.25%	238	0.38	19,486	18,945	0.37	231	4.02%
Property Tax 3.043605	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements	5.36%	300	0.48	24,600	7,371	0.14	90	1.56%
Other Expenses: Security	0.36%	20	0.03	1,663	1,663	0.03	20	0.35%
TOTAL EXPENSES	46.68%	$2,611	$4.18	$214,120	$265,600	$5.18	$3,239	56.32%
NET OPERATING INC	53.32%	$2,983	$4.77	$244,616	$206,000	$4.02	$2,512	43.68%
DEBT SERVICE								
First Lien Mortgage Assumptio	25.66%	$1,435	$2.30	$117,710	$169,343	$3.30	$2,065	35.91%
TDHCA Preservation Funds	6.61%	$370	$0.59	30,333	0	$0.00	$0	0.00%
MIP	1.18%	$66	$0.11	5,392		$0.00	$0	0.00%
NET CASH FLOW	19.88%	$1,112	$1.78	$91,181	$36,657	$0.71	$447	7.77%
AGGREGATE DEBT COVERAGE RATIO				1.59	1.22			
ALTERNATIVE DEBT COVERAGE RATIO				1.27				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bl		92.15%	$22,561	$36.08	$1,850,000	$1,850,000	$36.08	$22,561	92.06%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		1.10%	270	0.43	22,150	22,150	0.43	270	1.10%
Direct Construction		2.83%	694	1.11	56,900	56,900	1.11	694	2.83%
Contingency	10.00%	0.39%	96	0.15	7,905	10,000	0.20	122	0.50%
General Req'ts	6.00%	0.24%	58	0.09	4,743	4,743	0.09	58	0.24%
Contractor's G & A	2.00%	0.08%	19	0.03	1,581	1,581	0.03	19	0.08%
Contractor's Profi	6.00%	0.24%	58	0.09	4,743	4,743	0.09	58	0.24%
Indirect Construction		2.07%	507	0.81	41,540	41,540	0.81	507	2.07%
Ineligible Costs		0.65%	159	0.25	13,000	13,000	0.25	159	0.65%
Developer's G & A	0.00%	0.00%	0	0.00	0		0.00	0	0.00%
Developer's Profi	3.58%	0.25%	61	0.10	5,000	5,000	0.10	61	0.25%
Interim Financing		0.00%	0	0.00	0		0.00	0	0.00%
Reserves		0.00%	0	0.00	0		0.00	0	0.00%
TOTAL COST		100.00%	$24,482	$39.15	$2,007,562	$2,009,657	$39.19	$24,508	100.00%
Recap-Hard Construction Costs		*4.88%*	***$1,195***	***$1.91***	***$98,022***	***$100,117***	***$1.95***	***$1,221***	*4.98%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED
First Lien Mortgage Assumptio	54.29%	$13,293	$21.26	$1,090,000	$1,090,000	$1,097,929
TDHCA Preservation Funds	45.33%	$11,098	$17.75	910,000	910,000	909,657
Enterprise Foundation Grant	0.50%	$122	$0.20	10,000	10,000	10,000
Additional cash to seller at	0.00%	$0	$0.00	0		(7,929)
Additional (excess) Funds Req	-0.12%	($30)	($0.05)	(2,438)	(343)	0
TOTAL SOURCES				$2,007,562	$2,009,657	$2,009,657

Country Club Village, San Antonio, PIP file #2002-007P

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

PAYMENT COMPUTATION

Primary	$1,490,600	Amort	480
Int Rate	7.50%	DCR	2.08

Secondary	$910,000	Amort	360
Int Rate	0.00%	Subtotal DCR	1.65

Additional	$10,000	Amort	
Int Rate		Aggregate DCR	1.59

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$117,710
Secondary Debt Service	70,245
MIP	5,392
NET CASH FLOW	$51,270

Primary	$1,097,929	Amort	193
Int Rate	7.50%	DCR	2.08

Secondary	$909,657	Amort	180
Int Rate	2.00%	Subtotal DCR	1.30

Additional		Amort	
Int Rate		Aggregate DCR	1.27

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME a 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$477,960	$492,299	$507,068	$522,280	$537,948	$623,629	$722,957	$838,106	$1,126,344
Secondary Income	4,920	5,068	5,220	5,376	5,538	6,419	7,442	8,627	11,594
Other Support Income: (d	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	482,880	497,366	512,287	527,656	543,486	630,049	730,399	846,733	1,137,938
Vacancy & Collection Los	(24,144)	(24,868)	(25,614)	(26,383)	(27,174)	(31,502)	(36,520)	(42,337)	(56,897)
Employee or Other Non-Re	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$458,736	$472,498	$486,673	$501,273	$516,311	$598,546	$693,879	$804,396	$1,081,041
EXPENSES at 4.00%									
General & Administrative	$22,329	$23,222	$24,151	$25,117	$26,121	$31,780	$38,666	$47,043	$69,635
Management	22,937	23,625	24,334	25,064	25,816	29,927	34,694	40,220	54,052
Payroll & Payroll Tax	68,306	71,038	73,880	76,835	79,908	97,221	118,284	143,910	213,023
Repairs & Maintenance	34,185	35,553	36,975	38,454	39,992	48,656	59,198	72,023	106,612
Utilities	4,955	5,153	5,359	5,574	5,797	7,053	8,581	10,440	15,453
Water, Sewer & Trash	15,659	16,285	16,937	17,614	18,319	22,288	27,116	32,991	48,835
Insurance	19,486	20,265	21,076	21,919	22,796	27,735	33,743	41,054	60,770
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	24,600	25,584	26,607	27,672	28,779	35,013	42,599	51,828	76,719
Other	1,663	1,730	1,799	1,871	1,945	2,367	2,880	3,504	5,186
TOTAL EXPENSES	$214,120	$222,455	$231,117	$240,118	$249,472	$302,040	$365,761	$443,013	$650,285
NET OPERATING INCOME	$244,616	$250,043	$255,556	$261,155	$266,839	$296,506	$328,119	$361,383	$430,757
DEBT SERVICE									
First Lien Financing	$117,710	$117,710	$117,710	$117,710	$117,710	$117,710	$117,710	$117,710	$117,710
Second Lien	70,245	70,245	70,245	70,245	70,245	70,245	70,245	70,245	70,245
Other Financing	5,392	5,392	5,392	5,392	5,392	5,392	5,392	5,392	5,392
NET CASH FLOW	$51,270	$56,697	$62,210	$67,809	$73,493	$103,160	$134,772	$168,037	$237,411
DEBT COVERAGE RATIO	1.27	1.29	1.32	1.35	1.38	1.53	1.70	1.87	2.23

Texas Department of Housing and Community Affairs

BOARD OF DIRECTOR'S MEETING
March 13, 2003

RESOLUTION AUTHORIZING THE EXTENSION OF THE CERTIFICATE PURCHASE PERIOD FOR RESIDENTIAL MORTGAGE REVENUE BONDS, SERIES 2001A, RESIDENTIAL MORTGAGE REVENUE REFUNDING BONDS, SERIES 2001B, RESIDENTIAL MORTGAGE REVENUE REFUNDING BONDS, SERIES 2001C, AND RESIDENTIAL MORTGAGE REVENUE BONDS, SERIES 2001D
(PROGRAM 57)

The mortgage loan origination period related to TDHCA's Residential Mortgage Revenue Bonds, Series 2001A/B/C/D (Program 57) will terminate on May 1, 2003. Unused proceeds bond redemptions must be made if the origination period is not extended. Staff recommends extending the certificate purchase date for Program 57 to May 1, 2004.

The original amount of lendable proceeds equaled $60,844,000. Assisted funds amounting to $830,853 and unassisted funds of $987,449 comprise the total balance of approximately $1,818,302 that remains uncommitted in the mortgage acquisition account. The interest rate on the assisted loans is 5.95%. A downpayment assistance grant of up to 4% of the mortgage amount will be available for assisted loans. Downpayment assistance was funded by premium bonds for Program 57. The interest rate for unassisted loans is 5.45%.

Staff believes that with an extended origination period and the use of downpayment assistance, all funds will be converted into mortgage loans.

RECOMMENDATION

The Board approve the attached Resolution extending the certificate purchase period for TDHCA's Program 57.

Resolution No. 03-12

RESOLUTION AUTHORIZING THE EXTENSION OF THE CERTIFICATE PURCHASE PERIODS FOR RESIDENTIAL MORTGAGE REVENUE BONDS, SERIES 2001A, RESIDENTIAL MORTGAGE REVENUE REFUNDING BONDS, SERIES 2001B, RESIDENTIAL MORTGAGE REVENUE REFUNDING BONDS, SERIES 2001C, AND RESIDENTIAL MORTGAGE REVENUE BONDS, SERIES 2001D; AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS RELATING THERETO; MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make and acquire and finance, and to enter into advance commitments to make and acquire and finance, mortgage loans and participating interests therein, secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose, among others, of obtaining funds to acquire, finance or acquire participating interests in such mortgage loans, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such single family mortgage loans or participating interests, and to mortgage, pledge or grant security interests in such mortgages or participating interests, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Department has issued its Residential Mortgage Revenue Bonds, Series 2001A in the aggregate principal amount of $52,715,000 (the "Series 2001A Bonds"), its Residential Mortgage Revenue Refunding Bonds, Series 2001B in the aggregate principal amount of $15,585,000 (the "Series 2001B Bonds"), and its Residential Mortgage Revenue Refunding Bonds, Series 2001C in the aggregate principal amount of $32,225,000 (the "Series 2001C Bonds" and together with the Series 2001A Bonds and the Series 2001B Bonds, collectively, the "Series 2001A/B/C Bonds") pursuant to the Residential Mortgage Revenue Bond Trust Indenture dated as of November 1, 1987 between the Department, as successor to the Texas Housing Agency, and Bank One, National Association, as successor trustee (the "Trustee"), as supplemented and amended (collectively, the "Residential Mortgage Indenture"), and the Twentieth Supplemental Residential Mortgage Revenue Bond Trust Indenture (the "Twentieth Supplement") dated as of October 1, 2001, with respect to the Series 2001A Bonds, the Twenty-First Supplemental Residential Mortgage Revenue Bond Trust Indenture (the "Twenty-First Supplement") dated as of October 1, 2001, with respect to the Series 2001B Bonds, and the Twenty-Second Supplemental Residential Mortgage Revenue Bond Trust Indenture (the "Twenty-Second Supplement") dated as of October 1, 2001, with respect to the Series 2001C Bonds, each between the Department and the Trustee, for the purpose, among others, of providing funds to make and acquire qualified mortgage loans (including participating interests therein) during the Certificate Purchase Period (as defined in the Twentieth Supplement and herein identified as the “2001 A/B/C Certificate Purchase Period”) for the Department’s Bond Program No. 57 (the “Program”); and

WHEREAS, the Department has also issued its Residential Mortgage Revenue Bonds, Series 2001D in the aggregate principal amount of $300,000 (the “Series 2001D Bonds”) and its Residential Mortgage Revenue Bonds, Series 2001E in the aggregate principal amount of $54,300,000 (the “Series 2001E Bonds” and together with the Series 2001D Bonds, collectively, the “Series 2001 D/E Bonds”) pursuant to the Residential Mortgage Indenture and the Twenty-Third Supplemental Residential Mortgage Revenue Bond Trust Indenture (the “Twenty-Third Supplement”) dated as of October 1, 2001, with respect to the Series 2001D Bonds and the Twenty-Fourth Supplemental Residential Mortgage Revenue Bond Trust Indenture (the “Twenty-Fourth Supplement”) dated as of October 1, 2001, with respect to the Series 2001E Bonds, each between the Department and the Trustee, for the purpose, among others, of providing funds to make and acquire qualified mortgage loans (including participating interests therein) during the Certificate Purchase Period (as defined in the Twenty-Third Supplement and herein identified as the “2001 D/E Certificate Purchase Period”) for the Program; and

WHEREAS, the Series 2001E Bonds were refunded on June 26, 2002 and are no longer outstanding; and

WHEREAS, the 2001 A/B/C Certificate Purchase Period ends on May 1, 2003, unless extended; and

WHEREAS, the 2001 D/E Certificate Purchase Period ends on May 1, 2003, unless extended; and

WHEREAS, the investment agreement pursuant to which certain proceeds of the Series 2001 A/B/C Bonds and the Series 2001 D/E Bonds are invested during the respective Certificate Purchase Periods expires with respect to such proceeds on April 29, 2003; and

WHEREAS, the Department desires to approve and authorize (i) the extension of the 2001 A/B/C Certificate Purchase Period to May 1, 2004 in accordance with the terms of the Twentieth Supplement, (ii) all actions to be taken with respect thereto, and (iii) the execution and delivery of all documents and instruments in connection therewith; and

WHEREAS, the Department desires to approve and authorize (i) the extension of the 2001 D/E Certificate Purchase Period to May 1, 2004 in accordance with the terms of the Twenty-Third Supplement, (ii) all actions to be taken with respect thereto, and (iii) the execution and delivery of all documents and instruments in connection therewith;

NOW THEREFORE BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

ARTICLE I

EXTENSION OF PROGRAM; APPROVAL OF DOCUMENTS

Section 1.1--Approval of Extension of the 2001 A/B/C Certificate Purchase Period. The extension of the 2001 A/B/C Certificate Purchase Period to May 1, 2004, or the first business day thereafter, is hereby authorized, subject to advice of any financial advisor, bond counsel or other advisor to the Department, such extension to be effectuated under and in accordance with the Residential Mortgage Indenture, the Twentieth Supplement, the Twenty-First Supplement and the Twenty-Second Supplement, and the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all documents and instruments in connection therewith and to request and deliver all certificates as may be required by the terms of the Twentieth Supplement, the Twenty-First Supplement and the Twenty-Second Supplement in connection therewith.

Section 1.2-Approval of Extension of the 2001 D/E Certificate Purchase Period. The extension of the 2001 D/E Certificate Purchase Period to May 1, 2004, or the first business day thereafter, is hereby authorized, subject to advice of any financial advisor, bond counsel or other advisor to the Department, such extension to be effectuated under and in accordance with the Residential Mortgage Indenture and the Twenty-Third Supplement, and the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all documents and instruments in connection therewith and to request and deliver all certificates as may be required by the terms of the Twenty-Third Supplement in connection therewith.

Section 1.3--Execution and Delivery of Other Documents. The authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all agreements, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.4--Authorized Representatives. The following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article I: the Chairman of the Board; the Vice Chairman of the Board; the Secretary of the Board; the Executive Director of the Department; and the Director of Bond Finance of the Department.

ARTICLE II

GENERAL PROVISIONS

Section 2.1--Purpose of Resolution. The Board has expressly determined and hereby confirms that the acquisition of mortgage loans or the purchase of Mortgage Certificates resulting from the extension of the 2001 A/B/C Certificate Purchase Period and the 2001 D/E Certificate Purchase Period will accomplish a valid public purpose of the Department by assisting individuals and families of low and very low income and families of moderate income in the State to obtain decent, safe and sanitary housing, thereby (a) helping to eliminate a shortage of such housing in rural and urban areas which contributes to the creation and persistence of substandard living conditions and is inimical to the health, welfare and prosperity of the residents and communities of the State; (b) increasing the supply of residential housing for persons and families displaced by public actions and natural disasters; and (c) assisting private enterprise in providing in sufficient quantities the construction or rehabilitation of such housing.

Section 2.2--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 2.3--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas

Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 13th day of March, 2003.

Michael E. Jones, Chairman

ATTEST:

Delores Groneck, Secretary

(SEAL)

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Texas Department of Housing and Community Affairs
BOARD OF DIRECTOR'S MEETING
March 13, 2003

RESOLUTION AUTHORIZING AN INTEREST RATE REDUCTION FOR CERTAIN FANNIE MAE EXPANDED APPROVAL LOANS MADE AVAILABLE THROUGH RESIDENTIAL MORTGAGE REVENUE BONDS, SERIES 2002A, RESIDENTIAL MORTGAGE REVENUE REFUNDING BONDS, SERIES 2002B, RESIDENTIAL MORTGAGE REVENUE REFUNDING BONDS, SERIES 2002C AND RESIDENTIAL MORTGAGE REVENUE BONDS, SERIES 2002D (PROGRAM 57A)

In June 2002, TDHCA became the first tax-exempt bond issuer to offer Fannie Mae's Expanded Approval (EA) mortgage loan products by means of mortgage revenue bonds. EA Level I and Level II loans were offered through TDHCA's Residential Mortgage Revenue Bonds, Series 2002A/B/C/D (Program 57A). Shortly after the funds were made available, mortgage interest rates fell to record lows and consequently, EA loan originations have been less than expected. Staff recommends reducing the mortgage rate for Program 57A's EA Level I and Level II loans to 6.20% and 6.50%, respectively, as reflected in the following table.

EA Level	March 2003 (New TDHCA EA Rate)	June 2002 (Old TDHCA EA Rate)	Difference
Level 1	6.20%	7.20%	(1.00%)
Level 2	6.50%	7.45%	(.95%)

A downpayment assistance grant of up to 4% of the mortgage amount will be available on TDHCA EA loans. Current market rates range from 6.375% to 6.875% for EA Level I loans and 6.75% to 7.25% for EA Level II loans.

Typical borrowers qualifying for EA mortgage loans will include consumers who may possibly pay more than fair market value for the credit quality associated with their loan due to minor credit problems in the past. TDHCA will employ EA products to reach previously underserved and overcharged borrowers by offering mortgage rates that may be as much as two percentage points lower than alternative subprime mortgage financing.

Based on conversations with lenders who specialize in EA mortgages, Staff believes that with the more competitive interest rates and the use of downpayment assistance, all available funds will be converted into mortgage loans.

RECOMMENDATION

The Board approve the attached Resolution reducing the mortgage rates for Expanded Approval loans originated through Program 57A.

Resolution No. 03-14

RESOLUTION APPROVING THE FIRST AMENDMENT TO THIRTY-SECOND SUPPLEMENTAL SINGLE FAMILY MORTGAGE REVENUE BOND TRUST INDENTURE; AUTHORIZING AND APPROVING A REDUCTION IN THE MORTGAGE RATE OF CERTAIN MORTGAGE LOANS MADE AVAILABLE THROUGH BOND PROGRAM NO. 57A; MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make and acquire and finance, and to enter into advance commitments to make and acquire and finance, mortgage loans and participating interests therein, secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose, among others, of obtaining funds to acquire, finance or acquire participating interests in such mortgage loans, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such single family mortgage loans or participating interests, and to mortgage, pledge or grant security interests in such mortgages or participating interests, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Department has issued its Single Family Mortgage Revenue Bonds, 2002 Series A in the aggregate principal amount of $38,750,000 (the "Series A Bonds") pursuant to the Single Family Mortgage Revenue Bond Trust Indenture dated as of October 1, 1980 between the Department, as successor to the Texas Housing Agency, and Bank One, National Association, as successor trustee (the "Trustee"), as supplemented and amended (collectively, the "Single Family Indenture"), and the Thirty-Second Supplemental Single Family Mortgage Revenue Bond Trust Indenture (the "Thirty-Second Supplement") dated as of June 1, 2002, with respect to the Series A Bonds, between the Department and the Trustee, for the purpose, among others, of providing funds to implement the Department's Single Family Mortgage Revenue Bond Program designated as Bond Program No. 57A (the "Program"); and

WHEREAS, the Department desires to approve and authorize (i) the amendment of the Thirty-Second Supplement in order to effect a reduction in the interest rate borne by Fannie Mae Expanded Approval Mortgage Loans, Level I to 6.20% and Level II to 6.50% under the Program and to make a corresponding increase in the mortgage rate on approximately $1,150,000 of loan funds held under the Single Family Indenture, (ii) the use of 1994A Junior Lien 0% loan funds in an amount necessary to achieve the reduction of such interest rate, (iii) all actions to be taken with respect thereto, and (iv) the execution and delivery of all documents and instruments in connection therewith; and

NOW THEREFORE BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

ARTICLE I

AUTHORIZATION OF AMENDMENT; APPROVAL OF DOCUMENTS

Section 1.1—Authorization of First Amendment to Thirty-Second Supplement. The Board hereby authorizes the execution and delivery by the authorized representatives of the Department named in this Resolution of the First Amendment to Thirty-Second Supplemental Residential Mortgage Revenue Bond Trust Indenture in substantially the form attached hereto as Exhibit "A" between the Department and the Trustee, and consented to by MBIA Insurance Corporation, to effect a reduction in the interest rate borne by Fannie Mae Expanded Approval Mortgage Loans, Level I to 6.20% and Level II to 6.50% under the Program and to make a corresponding increase in the mortgage rate on approximately $1,150,000 of loan funds held under the Single Family Indenture.

Section 1.2-0% Loan Funds. The use of 1994A Junior Lien 0% loan funds in an amount necessary to achieve the reduction of the interest rate borne by Fannie Mae Expanded Approval Mortgage Loans, Level I and Level II under the Program is hereby authorized.

Section 1.3--Execution and Delivery of Other Documents. The authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all agreements, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.4--Authorized Representatives. The following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article I: the Chairman of the Board; the Vice Chairman of the Board; the Secretary of the Board; the Executive Director of the Department; and the Director of Bond Finance of the Department.

ARTICLE II

GENERAL PROVISIONS

Section 2.1--Purpose of Resolution. The Board has expressly determined and hereby confirms that the reduction of the interest rate borne by Fannie Mae Expanded Approval Mortgage Loans, Level I and Level II under the Program will accomplish a valid public purpose of the Department by assisting individuals and families of low and very low income and families of moderate income in the State to obtain decent, safe and sanitary housing, thereby (a) helping to eliminate a shortage of such housing in rural and urban areas which contributes to the creation and persistence of substandard living conditions and is inimical to the health, welfare and prosperity of the residents and communities of the State; (b) increasing the supply of residential housing for persons and families displaced by public actions and natural disasters; and (c) assisting private enterprise in providing in sufficient quantities the construction or rehabilitation of such housing.

Section 2.2--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 2.3--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 13th day of March, 2003.

Michael E. Jones, Chairman

ATTEST:

Delores Groneck, Secretary

(SEAL)

LOW INCOME HOUSING TAX CREDIT PROGRAM

BOARD ACTION REQUEST

March 3, 2003

Action Items

Request approval of a policy that will enable developments with funding from TX-USDA-RHS that are experiencing foreclosure or loan acceleration to be submitted to the Board for recommendation for a forward commitment of low income housing tax credits from the 2004 credit ceiling.

Required Action

Approval of attached policy.

Background and Recommendations

During the 2003 QAP public comment period, TDHCA staff garnered public input on many issues. A half-day meeting was held in Temple, TX with representatives from TDHCA, Office of Rural Community Affairs (ORCA), Rural Rental Housing Association (RRHA), United States Department of Agriculture Rural Housing Services (RHS) and several rural LIHTC developers. The meeting was held to discuss pressing rural issues as they related to the LIHTC program. One recurring issue was the dilemma associated with RHS developments facing foreclosure or loan acceleration that have missed the LIHTC filing deadline, but need assistance prior to the following year's credit cycle. These developments were termed rural "rescue" developments. It was suggested at the time that these rescue developments be able to request credits any time in a calendar year and be granted a forward commitment from the following year's credits. Based on these discussions, the following language was added to the 2003 QAP:

> "The Board may utilize the forward commitment authority to allocate credits to TX-USDA-RHS Developments which are experiencing foreclosure or loan acceleration at any time during the 2003 calendar year."

This language allows TDHCA to allocate credits to a set-aside that is generally undersubscribed. By allowing these credit applications, and awards, for this type of development, the Department will better be able to meet the needs of rural low income Texans. The QAP language grants the Board the authority to enact this process; however the specific details of how these requests would be handled has not yet been determined. The attached policy outlines the steps that will be taken upon receipt of one of these requests.

Low Income Housing Tax Credit Program
Policy for Granting Forward Commitments to Rural "Rescue" Developments

I. Introduction

§49.10(c) of the 2003 Qualified Allocation Plan and Rules (QAP) states: "The Board may utilize the forward commitment authority to allocate credits to TX-USDA-RHS Developments which are experiencing foreclosure or loan acceleration at any time during the 2003 calendar year." This language was included in the QAP so that RHS developments facing foreclosure or loan acceleration or which are otherwise in danger of default and foreclosure, that missed the LIHTC filing deadline, would still have an opportunity to receive credits without a delay until the following year's credit cycle. These developments are termed rural "rescue" developments.

Because the QAP did not include the details of how these requests, and awards, would be handled, this policy provides the procedures for application, staff review and recommendation specifically for rural "rescue" developments.

II. Definitions

All definitions used in this policy are definitions found in the QAP.

III. Eligibility

Applications must:

1. be funded through RHS; and
2. must be able to provide evidence that the loan is either being foreclosed or accelerated or in imminent danger of either.

IV. Procedures for Intake and Review

1. Applications for rural rescue deals may be submitted between February 28, 2003 and October 31, 2003 and must be submitted in accordance with §49.22 of the QAP. A complete Application must be submitted at least 60 days prior to the date of the Board meeting at which the Applicant would like the Board to act on the proposed Development. Applications must include the full Application Fee of $20 per Unit as further described in §49.21(c) of the QAP. Applicants must submit documents in accordance with the procedures set out in the 2003 Application Submission Procedures Manual for Volumes I, II and III. Volume IV will not be required.

2. Applicant's do not need to participate in the Pre-Application process outlined in §49.8 of the QAP, nor will they need to submit pre-certification documents identified in §49.9(d) of the QAP.

3. Application will be reviewed to confirm that the Application is eligible under §§ 49.5 and 49.6 of the QAP and to ensure that the Application is eligible as a rural "rescue" Development as described in paragraph III of this policy.

4. Applications will be reviewed for Threshold Criteria as further described in §49.9(e) of the QAP, however they will not be required to submit, or be evaluated under any Selection Criteria outlined in §49.9(f) of the QAP. As described under §49.3(1) of the QAP, applicants will be notified of Administrative Deficiencies to ensure that a complete Application has been submitted.

5. After the Application is found to meet all Threshold Requirements, the Application will be evaluated by the Real Estate Analysis Division and the Portfolio Management and Compliance Division in accordance with §§ 49.9(c)(4) and (5).

6. Prior to the Development being recommended to the Board, RHS must provide TDHCA with a copy of the physical site inspection report performed by RHS, as provided in §49.9(c)(6) of the QAP.

7. Consistent with §49.2 of the QAP, the Office of Rural Community Affairs (ORCA) will be actively involved in the review of the application.

V. Procedures for Recommendation to the Board

Consistent with §49.9(h) of the QAP, staff will make its recommendation to the Executive Award and Review Advisory Committee ("The Committee"). The Office of Rural Community Affairs (ORCA) will be in attendance at these meetings and give feedback on the proposed recommendation. The Committee will make commitment recommendations to the Board. The Board will make its decision based on §49.10(a) of the QAP.

Any awards made to a rural "rescue" Development will be credited against the Rural Set-Aside, and more specifically the TX-USDA-RHS Set-Aside, for the 2004 Application Round. For purposes of allocating based on the regional allocation formula, any award made to a rural "rescue" Development will also be credited against the region in which each Development is located for the 2004 Application Round.

VI. Applicability

All Developments submitted under this policy are subject to all rules, definitions, policies and deadlines of TDHCA, as more specifically outlined in the Qualified Allocation Plan and Rules and the Underwriting Rules and Guidelines, except as specifically excepted above.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

M E M O R A N D U M

March 3, 2003

TO: **CHAIRMAN JONES AND MEMBERS OF THE BOARD**

FROM: **Edwina Carrington**
Executive Director

SUBJECT: **Interagency Contract Between TDHCA and ORCA**

Attached for your review is the proposed Interagency Contract between TDHCA and ORCA concerning the Low Income Housing Tax Credit Program Rural Set Aside. This Contract was approved by the Executive Committee of ORCA at their last meeting on February 7. It includes only minor changes from your previous review based in part on the Board's joint meeting with ORCA in November. It follows the language of Section 2306.6723, Texas Government Code.

INTERAGENCY CONTRACT BY AND BETWEEN
THE OFFICE OF RURAL COMMUNITY AFFAIRS AND
THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

SECTION 1. PARTIES TO THE CONTRACT

This contract and agreement is made and entered into by and between the **Office of Rural Community Affairs**, an agency of the State of Texas, hereinafter referred to as "ORCA," and the **Texas Department of Housing and Community Affairs**, an agency of the State of Texas, hereinafter referred to as "TDHCA," pursuant to the authority granted and in compliance with the provisions of the Interagency Cooperation Act, Chapter 771, Texas Government Code, and Section 2306.6723, Texas Government Code.

SECTION 2. PERIOD OF PERFORMANCE

This contract shall commence on September 1, 2002 and shall terminate on August 31, 2003, unless otherwise specifically provided by the terms of this contract.

SECTION 3. CONTRACT PERFORMANCE

A. Joint Performance. TDHCA and ORCA shall during the period of performance specified in Section 2 of this contract jointly administer any set-aside for rural areas established by TDHCA under the Low-Income Housing Tax Credit (LIHTC) program to ensure the maximum use and optimum geographic distribution of housing tax credits in rural areas and to provide for information sharing, efficient procedures, and the fulfillment of development compliance requirements in rural areas. TDHCA and ORCA shall jointly adjust the regional allocation of federal low-income housing tax credits to offset the under-utilization and over-utilization of multifamily private activity bonds and other housing resources in the different regions of the state of Texas. In addition, TDHCA and ORCA shall jointly implement an outreach and training program to promote rural area capacity building and the maximum use and dispersal of tax credits in rural areas. If the staff of TDHCA and ORCA disagree on the tax credit allocations to be recommended, and the disagreement cannot be resolved by further staff discussion, each staff may make separate allocation recommendations.

B. TDHCA Performance. TDHCA shall train ORCA staff, as needed, on site inspection requirements and LIHTC application threshold and scoring review.

C. ORCA Performance ORCA shall perform the following activities:

1. ORCA shall assist TDHCA in developing all threshold, scoring, and underwriting criteria applied to applications eligible for the LIHTC rural set-aside. Such criteria shall be approved by ORCA. Pursuant to Section 2306.6724(a) of the Texas Government Code, the TDHCA Board must adopt the qualified allocation plan ("QAP") which includes threshold and scoring criteria not later than September 30 each year. Prior to September 30 each year, the TDHCA Board and ORCA Executive Committee shall hold a joint workshop to discuss the proposed QAP. At the workshop, the ORCA Executive Committee shall provide its input on the threshold and scoring criteria applied to applications eligible for the LIHTC rural set-aside. Underwriting criteria no longer in the QAP will also be discussed at this joint workshop, or in a separate joint workshop.
2. ORCA shall participate in the site inspections of all projects proposed under the rural set-aside. ORCA staff assigned to perform such inspections shall have completed sufficient training to enable them to perform the inspections.
3. ORCA shall assign a representative to attend LIHTC public hearings relating to the Qualified Allocation Plan and other application requirements and to participate in TDHCA's executive award and review advisory committee meetings in which recommendations relating to the allocation of tax credits to rural set-aside applicants is discussed.
4. ORCA shall assist TDHCA in developing and negotiating the Memorandum of Understanding between TDHCA and the U.S. Department of Agriculture relating

to the administration of the Rural Development sub set-aside within the LIHTC rural set-aside.

<u>SECTION 5. TDHCA FUNDING OBLIGATIONS</u>

From the total amount of LIHTC application fees collected by TDHCA during the most recent allocation cycle from applicants for the rural set-aside, ORCA shall be reimbursed for any costs incurred in carrying out the requirements of this contract in an amount not to exceed 50% of the application fees received from such applicants. TDHCA's maximum amount of liability under this contract shall not exceed such amount and will be provided on a reimbursement basis. ORCA shall submit a statement to TDHCA on a monthly basis that provides a detailed description of the work performed and hours spent on such work, including the names of the employees performing the work.

SECTION 6. AMENDMENTS AND CHANGES

Any alteration, addition or deletion to the terms of this contract shall be by amendment hereto in writing and executed by both parties hereto except as may be expressly provided for in some other manner by the terms of this contract.

SECTION 7. POLITICAL ACTIVITY

None of the activities or performances rendered hereunder by TDHCA or ORCA shall involve any political activity, including but not limited to any activity to further the election or defeat of any candidate for public office, or any activity undertaken to influence the passage, defeat, or final contents of legislation.

SECTION 8. SECTARIAN ACTIVITY

None of the activities or performances rendered hereunder by TDHCA or ORCA shall support any sectarian or religious activity.

SECTION 9. ORAL AND WRITTEN AGREEMENTS

All oral or written agreements between the parties hereto relating to the subject matter of this contract that were made prior to the execution of this contract have been reduced to writing and are contained herein.

SECTION 10. TERMINATION

A. This contract may be terminated prior to the date specified in Section 2 of this contract only upon 14 days written notice from one party to the other.

B. Upon notice of termination, ORCA shall no longer be reimbursed for any costs hereunder.

WITNESS OUR HANDS EFFECTIVE
____

Signed:
____
Robt. J. "Sam" Tessen, MS
Executive Director, Office of Rural Community Affairs

Approved and accepted on behalf of the TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, an agency of the STATE OF TEXAS.

Signed:
____
Edwina P. Carrington
Executive Director, Texas Department of

Housing and Community Affairs

LOW INCOME HOUSING TAX CREDIT PROGRAM

BOARD ACTION REQUEST

March 3, 2003

Action Items

Request extension of deadline to commence substantial construction.

Required Action

Approve extension of deadline to commence substantial construction.

Background and Recommendations

Pertinent facts about the development requesting extension of the deadline to commence substantial construction are summarized below. Staff has reviewed the information and recommends approval of the request.

LIHTC Development No. 01144, Autumn Oaks of Corinth Apartments

Summary of Request: The Board granted two extensions to close the HUD construction loan and one extension for commencement of substantial construction. The applicant cannot meet the extended commencement deadline because of the City of Corinth's unusual requirement that all infrastructure be completed and all foundations poured prior to the start of any framing. Under typical code requirements, the applicant would have been able to commence framing over one foundation while other foundations were still having forms set.

Applicant:	Corinth Autumn Oaks, L.P.
General Partner:	LaSalle Equity Group, Inc. (90%), Holistic Life Care, Inc. (10%)
Principals/Contacts:	Melvin (Win) Warren, Jr.
City/County:	Corinth/Denton
Set-Aside:	General/Elderly
Type of Project:	New Construction
Units:	76 LIHTC and 52 market rate units
2001 Allocation:	$330,428
Allocation per LIHTC Unit:	$4,348
Extension Request Fee Paid:	$2,500
Type of Extension Request:	Commencement of construction
Time of Request/Fee Receipt:	Deadline for request was 2/25. E-mail of request received 2/24.
Current Deadline:	March 11, 2003
New Deadline Requested:	June 11, 2003
Prior Extensions on Project:	Construction loan closing extended from 6/14/02 to 8/13/02 Construction loan closing extended from 8/13/02 to 12/11/02 Commencement of construction extended from 11/8/02 to 3/11/03
Staff Recommendation:	Grant extension to have all foundations poured and framing underway until April 30, 2003, with any further extensions to be based on progress made and unavoidable delays, such as rain days. Note that this recommendation is for a shorter period than the requested deadline.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

M E M O R A N D U M

March 6, 2003

TO: Chairman Jones and Board Members

FROM: Chris G. Wittmayer, General Counsel

SUBJECT: Request for Relief by King Fisher Creek Apartments, LIHTC #00-062

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1. Request for Relief. By letter dated February 21, 2003, and by e-mail, attorney Cynthia Bast of Locke, Liddell & Sapp, L.L.P., requested that tax credits be restored to the King Fisher Creek Apartments development in Austin or that a 2004 forward commitment be made to the development. The request for relief is enclosed. King Fisher's request states that the development was delayed by strong neighborhood opposition and fifty-five rain days in a five-month period.

2. Background. By letter dated January 17, 2003, the Department revoked the tax credit allocation made in 2000 for the development. The development was not completed and placed in service by December 31, 2002.

3. Action. King Fisher asks the Board to grant their request for relief. Staff does not recommend that relief be granted. If the Board desires to consult with counsel for the Department on this matter, I will be available for an executive session.

Direct Number: (512) 305-4707
email: cbast@lockeliddell.com

February 24, 2003

Chris G. Wittmayer, Esq.
General Counsel
TDHCA
507 Sabine Street, Suite 900
Austin, TX 78711-3941

Re: King Fisher Creek Apartments
TDHCA File No.: 00062

Dear Chris:

Thank you for speaking with me about King Fisher Creek, Ltd. (the "Partnership") and the King Fisher Creek Apartments in Austin (the "Housing Complex"). As you know, we have been engaged to represent the Partnership in connection with TDHCA's allocation of low-income housing tax credits ("Tax Credits") to the Housing Complex. The Housing Complex is expected to be a 35-unit apartment townhome community on approximately 4.5 acres in 3 buildings.

You have received extensive information about the Housing Complex and its progress over the last three years from the Partnership. To briefly recap, the Partnership received a commitment for $225,813 of Tax Credits for the Housing Complex in July 2000. It proceeded with the development of the Housing Complex and met the carryover obligation in October 2000. The Housing Complex was accepted into the City of Austin's S.M.A.R.T. Housing program, which was intended to expedite and smooth the affordable housing development process.

As the Partnership proceeded with development of the Housing Complex, Mr. Lee Sloan of the Kensington Park Homeowners Association began to voice significant opposition to the Housing Complex. This opposition attacked the Housing Complex at every possible turn. It appeared the strategy was to derail the development of the Housing Complex and make it impossible for the Partnership to complete the construction of the Housing Complex within the deadlines of the Tax Credit program. For example, Mr. Sloan filed formal and informal appeals to platting and permitting approvals each step of the way, usually on the last possible day for such an appeal to be filed when the appeal had a time constraint. The attacks have been vicious and, at times, offensive. Interestingly, no opposition to the Housing Complex was presented in public hearings prior to the award of the Tax Credits.

Despite the opposition, the Partnership remained dedicated to the Housing Complex and its commitments with TDHCA, lenders, and investors. It met the City's expectations for the S.M.A.R.T. Housing program and obtained its final construction permits on June 28, 2002.

The Partnership knew that it was required to place its buildings in service by no later than December 31, 2002 under federal law and as allowed by TDHCA. With only 6 months available for construction of the project after the extensive delays created by the opposition, it knew that time was of the essence. It proceeded diligently but continued to meet hurdles -- this time in the form of 55 rain days in a 5-month period.

Building 1 in the Housing Complex was completed in December 2002, and the Partnership believes that it was placed in service by December 31, 2002, as required. However, Buildings 2 and 3 were, admittedly, not completed by the deadline. The Partnership has continued on with construction in furtherance of its intent to keep all of its promises, representations, and obligations to TDHCA. Building 2 was completed in January 2003, and Building 3 is now underway. The Partnership fully intends to complete the construction of the Housing Complex with 35 units in 3 buildings. With the extensive costs attributable to the additional work required during the development period, much of the increase owing to the interference of the opposition, the Partnership could meet its cost certification requirement for $225,813 of Tax Credits with Buildings 1 and 2 alone.

Because the Partnership failed to place all 3 buildings in service by December 31, 2002, Ms. Carrington circulated a letter dated January 17, 2003, revoking the Tax Credit allocation, even though evidence of having met the placed in service requirement is not required until the submittal of the cost certification. The loss of Tax Credits for the Housing Complex will place a tremendous burden on the Partnership and its lenders and investors. Without Tax Credits, the project will have a funding gap of approximately $1.7 million dollars. We cannot know what will happen to the Partnership and the Housing Complex, but it is possible that the Housing Complex will be foreclosed upon and the affordable housing units will be lost to the Austin community or it could deteriorate and become undesirable.

The purpose of this letter is to seek your assistance in making a recommendation to the TDHCA Board that the Tax Credits for the Housing Complex be restored. Section 49.5(d) of the 2000 Qualified Allocation Plan ("QAP") under which the Partnership was awarded Tax Credits states:

> The department may, at any time and without additional administrative process, determine to award credits to projects previously evaluated and awarded credits if it determines that such previously awarded credits are or may be invalid and the owner was not responsible for such invalidity. To the maximum extent feasible, the department will use credits carried forward from the prior year or recovered during the current year to make awards pursuant to . . . this section.

A similar provision exists in Section 49.17(j) of the 2003 QAP.

These QAP provisions, giving the Board certain discretion to provide an extraordinary remedy that may override the regular allocation process, are consistent with Section 42(m)(l)(A)(iv) of the Internal Revenue Code. Section 42(m)(1)(A)(iv) allows a housing finance agency to allocate Tax Credits in a manner that deviates from its QAP if "a written explanation is available to the general public for any allocation of a housing credit dollar amount which is not made in accordance with established priorities and selection criteria of the housing credit agency." In this instance, restoration of Tax Credits to the Housing Complex is specifically allowed under the 2000 and 2003 QAPs, and thus does not deviate from QAP requirements.

Quite simply, the QAP provisions and the Internal Revenue Code allow the Board to grant relief in extraordinary situations. We believe that the events associated with the Housing Complex are extraordinary and merit such relief. The Partnership failed to meet a critical deadline. However, its failure to do so was a direct result of circumstances that were out of its control. The opposition group did everything within its power to slow and stop development of the Housing Complex by interfering with the City's zoning, planning, and permitting process, as well as TDHCA's administration of deadlines and requirements. The Partnership tried to work with the association but was unable to do so. Thus, the Partnership was put into a situation whereby it could only react -- it reacted and responded to each barrier imposed as quickly as possible. But its progress and ability to complete the Housing Complex on time were fettered nonetheless.

The Partnership and its lenders and investors are committed to providing decent quality affordable housing for Austin via the Housing Complex. They will complete the Housing Complex and are committed to keeping their promises, representations, and obligations to TDHCA. Construction on the Housing Complex has continued and is expected to be completed, despite the fact that it became apparent that the Housing Complex would not meet TDHCA's placement in service deadline. The Partnership has taken a considerable risk in moving forward, knowing that the entire Tax Credit allocation could be lost. If the Tax Credit allocation is restored as requested in this letter, the Partnership expects that the Housing Complex will be providing affordable housing to Austin residents by April 2003. All three buildings will commence occupancy at the same time due to the pace of construction occurring on the site, though Buildings 1 and 2 are ready for certificates of occupancy at this time.

We understand that Section 42(h)(3)(C) of the Internal Revenue Code establishes the state housing credit ceiling for TDHCA, and that, under the Code's calculation, Tax Credits returned from the Partnership may become a part of TDHCA's state housing credit ceiling for 2003. Section 49.7(a) of the 2003 QAP requires that the state housing credit ceiling be distributed in accordance with the regional allocation formula. If the $225,813 of Tax Credits are added to the 2003 pool and spread among the various regions, they would have little impact on TDHCA's ability to fund a project in any particular region. If the Tax Credits for the Housing Complex are to be restored, we understand that the regional allocation formula dictates that no Tax Credits are available in Region 7 (Austin) in 2003. However, we believe the Board has the authority to allocate the returned Tax Credits back to the Partnership, despite the regional allocation formula, under Section 49.17(j) of the 2003 QAP. Section 49.17(j) permits the Board to utilize an extraordinary remedy. If the Board had to do so within the confines of the regional allocation formula and other provisions of the 2003 QAP, then the remedy in Section 49.17(j) could be worthless. Further, the Board has the power, under Section 42(m)(l)(A)(iv) of the Internal Revenue Code, to allocate Tax Credits in a manner inconsistent with the 2003 QAP. The restoration of the Tax Credits is specifically allowed by the QAP and thus is not inconsistent, but it would deviate from the QAP's standard allocation system. These provisions, working together, give the Board the ability to restore the Tax Credits for the Housing Complex with a 2003 allocation.

Alternatively, the Board has the discretion to issue forward commitments of 2004 Tax Credits under Section 49.10(c) of the 2003 QAP. This Section states that "The Board will utilize its discretion in determining the amount of credits to be allocated as forward commitments and the reasons for those commitments in meeting compelling housing needs." Combining the authority granted to the Board under Section 49.17(j) of the 2003 QAP with the Board's ability to issue forward commitments for Tax Credits gives the Board another option for restoring Tax Credits to the Housing Complex.

We also understand that the Partnership is asking the Board to do something unusual. This is an extraordinary situation requiring extraordinary relief, and that is just what the QAP provisions are intended to do. The QAP provisions are not intended to rescue developers from their own inability to perform. They are intended to ensure that affordable housing is not jeopardized when a developer runs into circumstances beyond its control. We believe the Board can utilize the applicable provisions in the QAP and the Internal Revenue Code without setting a precedent that would open the door for any troubled property to seek relief. In fact, by way of example, the South Carolina State Housing Finance and Development Authority (the "South Carolina Authority") has done just that. In October 2002, the South Carolina Authority imposed Section 42(m)(l)(A)(iv) of the Internal Revenue Code to extend a deadline in its QAP for projects to have their footings in place by a certain date because of the impact of inclement weather. In doing so, it expressly stated in its public notice "in no way should the Authority's allocating of housing credits in this manner be interpreted as being precedent setting and a normal means of obtaining an allocation of housing credits."

We hope you will agree that the Partnership and the Housing Complex are worthy of restoration of their Tax Credits. Please consider this request with TDHCA staff and let us know whether staff can make such a recommendation to the Board. Our goal is to have this question heard at the March Board meeting.

If you need any additional information to consider this request, please let me know.

Thank you for the time that you and the staff have devoted to this challenging issue.

Sincerely,

Cynthia L. Bast

cc: Thomas J. McMullen, Jr.
King Fisher Creek, Ltd.
(*via email*)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING
MARCH 13, 2003

PRESENTATION, DISCUSSION AND POSSIBLE APPROVAL OF HOME INVESTMENT PARTNERSHIPS PROGRAM APPLICATIONS FOR 2002 COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS

The Texas Department of Housing and Community Affairs announced the availability of approximately $8.3 million for the 2002 Community Housing Development Organization (CHDO) funding cycle. The application submission date was November 18, 2002. Twenty-four (24) applications were submitted for funding consideration totaling approximately $16.2 million. The HOME Program staff recommended funding for six (6) of the projects at the February Board meeting. At that time, staff requested and received approval to work with some of the remaining applicants so that funding considerations could be made. The HOME Program staff is recommending funding an additional three (3) projects totaling $580,125.

Recommendation

The Board approve the Community Housing Development Organizations (CHDO) applications recommended for funding on the attached spreadsheet.

	2002 HOME CHDO Recommendations				
App #	**Applicant Name**	**Activity**	**Total Project Funds Recommended**	**CHDO Operating $ Recommended**	**Un**
	Homebuyer Assistance				
20020016	Bayou Housing Partners, Inc.	HBA	$ 50,000.00	$ 2,500.00	1
20020003	Grayson County CDC	HBA	$ 340,000.00	$ 17,000.00	4
	Total for HBA		**$ 390,000.00**	**$ 19,500.00**	
	Homebuyer with rehab Assistance				
20020010	Affordable Housing of Parker County	HBA/OCC	$162,500.00	$ 8,125.00	5
	Total for HBA/rehab		**$ 162,500.00**	**$ 8,125.00**	
	Total recommendation		**$ 552,500.00**	**$ 27,625.00**	

SECTION 8 PROGRAM

BOARD ACTION REQUEST
March 13, 2003

Action Item

Approval of 2003 Public Housing Agency (PHA) Plan.

Required Action

Approve the proposed PHA Plan for the Department's Section 8 Program.

Background

24 CFR 903.3 requires the Texas Department of Housing and Community Affairs to maintain an Annual Public Housing Agency (PHA) Plan. Section 511 of the Quality Housing and Work Responsibility Act of 1993 created the Public Housing Agency Plans. The Annual Plan provides details about the Agency's immediate operations, program participants, and programs and services, and the Agency's strategy for addressing the needs of the community in the upcoming fiscal year.

Staff Recommendation

Staff recommends that the Board approve the 2002 Public Housing Agency (PHA) Plan which is due to HUD on April 17, 2003.

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

PHA Plans

5 Year Plan for Fiscal Years 2000 - 2004
Annual Plan for Fiscal Year 2003

NOTE: THIS PHA PLANS TEMPLATE (HUD 50075) IS TO BE COMPLETED IN ACCORDANCE WITH INSTRUCTIONS LOCATED IN APPLICABLE PIH NOTICES

PHA Plan
Agency Identification

PHA Name: Texas Department of Housing and Community Affairs

PHA Number: TX901; TX902; TX903

PHA Fiscal Year Beginning: 07/03

Public Access to Information

Information regarding any activities outlined in this plan can be obtained by contacting: (select all that apply)

- ☒ Main administrative office of the PHA
- ☐ PHA development management offices
- ☐ PHA local offices

Display Locations For PHA Plans and Supporting Documents

The PHA Plans (including attachments) are available for public inspection at: (select all that apply)

- ☒ Main administrative office of the PHA
- ☐ PHA development management offices
- ☐ PHA local offices
- ☐ Main administrative office of the local government
- ☐ Main administrative office of the County government
- XX Main administrative office of the State government
- ☐ Public library
- **XX** PHA website
- Other (list below)

PHA Plan Supporting Documents are available for inspection at: (select all that apply)

- ☒ Main business office of the PHA
- ☐ PHA development management offices
- ☐ Other (list below)

Annual PHA Plan
PHA Fiscal Year 2003
[24 CFR Part 903.7]

i. Annual Plan Type:

Select which type of Annual Plan the PHA will submit.

☐ **Standard Plan**

Streamlined Plan:

☐ **High Performing PHA**

☐ *Small Agency (<250 Public Housing Units)*

☒ **Administering Section 8 Only**

☐ **Troubled Agency Plan**

ii. Executive Summary of the Annual PHA Plan

[24 CFR Part 903.7 9 (r)]

Provide a brief overview of the information in the Annual Plan, including highlights of major initiatives and discretionary policies the PHA has included in the Annual Plan.

The Department will continue to work for the maximum utilization of its Section 8 vouchers. The Department will continue to work with various Public Housing Authorities, Lenders, Builders, the U. S. Department of Agriculture, Rural Development Program and HUD, to implement a demonstration project for Section 8 Homeownership. The Department will also continue to address the Supreme Court Olmstead Decision by allocating a $2,000,000 set-aside for the Tenant Based Rental Assistance Program (TBRA) to help persons with disabilities with rental subsidies and security deposits. The Department will continue to make efforts to collaborate with other programs to improve the living conditions of Section 8 residents through programs such as the Temporary Assistance to Needy Families (TANF) Program.

iii. Annual Plan Table of Contents [24 CFR Part 903.7 9 (r)]

Provide a table of contents for the Annual Plan, including attachments, and a list of supporting documents available for public inspection.

Table of Contents

Attachments

Indicate which attachments are provided by selecting all that apply. Provide the attachment's name (A, B, etc.) in the space to the left of the name of the attachment. Note: If the attachment is provided as a **SEPARATE** file submission from the PHA Plans file, provide the file name in parentheses in the space to the right of the title.

Required Attachments:
- [ ] Admissions Policy for Deconcentration
- [ ] FY 2000 Capital Fund Program Annual Statement
- [ ] Most recent board-approved operating budget (Required Attachment for PHAs that are troubled or at risk of being designated troubled ONLY)

Optional Attachments:
- **XX** PHA Management Organizational Chart
- [ ] FY 2000 Capital Fund Program 5 Year Action Plan
- [ ] Public Housing Drug Elimination Program (PHDEP) Plan
- [ ] Comments of Resident Advisory Board or Boards (must be attached if not included in PHA Plan text)
- [ ] Other (List below, providing each attachment name)

Supporting Documents Available for Review

Indicate which documents are available for public review by placing a mark in the "Applicable & On Display" column in the appropriate rows. All listed documents must be on display if applicable to the program activities conducted by the PHA.

List of Supporting Documents Available for Review

Applicable & On Display	**Supporting Document**	**Applicable Plan Component**
X	PHA Plan Certifications of Compliance with the PHA Plans and Related Regulations	5 Year and Annual Plans

List of Supporting Documents Available for Review

Applicable & On Display	Supporting Document	Applicable Plan Component
X	State/Local Government Certification of Consistency with the Consolidated Plan	5 Year and Annual Plans
X	Fair Housing Documentation: Records reflecting that the PHA has examined its programs or proposed programs, identified any impediments to fair housing choice in those programs, addressed or is addressing those impediments in a reasonable fashion in view of the resources available, and worked or is working with local jurisdictions to implement any of the jurisdictions' initiatives to affirmatively further fair housing that require the PHA's involvement.	5 Year and Annual Plans
X	Consolidated Plan for the jurisdiction/s in which the PHA is located (which includes the Analysis of Impediments to Fair Housing Choice (AI))) and any additional backup data to support statement of housing needs in the jurisdiction	Annual Plan: Housing Needs
N/A	Most recent board-approved operating budget for the public housing program	Annual Plan: Financial Resources;
N/A	Public Housing Admissions and (Continued) Occupancy Policy (A&O), which includes the Tenant Selection and Assignment Plan [TSAP]	Annual Plan: Eligibility, Selection, and Admissions Policies
X	Section 8 Administrative Plan	Annual Plan: Eligibility, Selection, and Admissions Policies

List of Supporting Documents Available for Review		
Applicable & On Display	**Supporting Document**	**Applicable Plan Component**
N/A	Public Housing Deconcentration and Income Mixing Documentation: 1. PHA board certifications of compliance with deconcentration requirements (section 16(a) of the US Housing Act of 1937, as implemented in the 2/18/*99 Quality Housing and Work Responsibility Act Initial Guidance; Notice* and any further HUD guidance) and 2. Documentation of the required deconcentration and income mixing analysis	Annual Plan: Eligibility, Selection, and Admissions Policies
N/A	Public housing rent determination policies, including the methodology for setting public housing flat rents ☐ check here if included in the public housing A & O Policy	Annual Plan: Rent Determination
N/A	Schedule of flat rents offered at each public housing development ☐ check here if included in the public housing A & O Policy	Annual Plan: Rent Determination
X	Section 8 rent determination (payment standard) policies XX check here if included in Section 8 Administrative Plan	Annual Plan: Rent Determination
N/A	Public housing management and maintenance policy documents, including policies for the prevention or eradication of pest infestation (including cockroach infestation)	Annual Plan: Operations and Maintenance

List of Supporting Documents Available for Review		
Applicable & On Display	**Supporting Document**	**Applicable Plan Component**
N/A	Public housing grievance procedures ☐ check here if included in the public housing A & O Policy	Annual Plan: Grievance Procedures
X	Section 8 informal review and hearing procedures XX check here if included in Section 8 Administrative Plan	Annual Plan: Grievance Procedures
N/A	The HUD-approved Capital Fund/Comprehensive Grant Program Annual Statement (HUD 52837) for the active grant year	Annual Plan: Capital Needs
N/A	Most recent CIAP Budget/Progress Report (HUD 52825) for any active CIAP grant	Annual Plan: Capital Needs
N/A	Most recent, approved 5 Year Action Plan for the Capital Fund/Comprehensive Grant Program, if not included as an attachment (provided at PHA option)	Annual Plan: Capital Needs
N/A	Approved HOPE VI applications or, if more recent, approved or submitted HOPE VI Revitalization Plans or any other approved proposal for development of public housing	Annual Plan: Capital Needs
N/A	Approved or submitted applications for demolition and/or disposition of public housing	Annual Plan: Demolition and Disposition
N/A	Approved or submitted applications for designation of public housing (Designated Housing Plans)	Annual Plan: Designation of Public Housing
N/A	Approved or submitted assessments of reasonable revitalization of public housing and approved or submitted conversion plans prepared pursuant to section 202 of the 1996 HUD Appropriations Act	Annual Plan: Conversion of Public Housing
N/A	Approved or submitted public housing homeownership programs/plans	Annual Plan: Homeownership

List of Supporting Documents Available for Review		
Applicable & On Display	**Supporting Document**	**Applicable Plan Component**
N/A	Policies governing any Section 8 Homeownership program ☐ check here if included in the Section 8 Administrative Plan	Annual Plan: Homeownership
N/A	Any cooperative agreement between the PHA and the TANF agency	Annual Plan: Community Service & Self-Sufficiency
X	FSS Action Plan/s for public housing and/or Section 8**(The Dept. is waiting for response from Ft. Worth & San Antonio HUD Offices.)**	Annual Plan: Community Service & Self-Sufficiency
X	Most recent self-sufficiency (ED/SS, TOP or ROSS or other resident services grant) grant program reports **(The Dept. is waiting on responses from Ft. Worth & San Antonio HUD Offices.)**	Annual Plan: Community Service & Self-Sufficiency
N/A	The most recent Public Housing Drug Elimination Program (PHEDEP) semi-annual performance report for any open grant and most recently submitted PHDEP application (PHDEP Plan)	Annual Plan: Safety and Crime Prevention
X	The most recent fiscal year audit of the PHA conducted under section 5(h)(2) of the U.S. Housing Act of 1937 (42 U. S.C. 1437c(h)), the results of that audit and the PHA's response to any findings	Annual Plan: Annual Audit
N/A	Troubled PHAs: MOA/Recovery Plan	Troubled PHAs
N/A	Other supporting documents (optional) (list individually; use as many lines as necessary)	(specify as needed)

1. Statement of Housing Needs

[24 CFR Part 903.7 9 (a)]

A. Housing Needs of Families in the Jurisdiction/s Served by the PHA **

Based upon the information contained in the Consolidated Plan/s applicable to the jurisdiction, and/or other data available to the PHA, provide a statement of the housing needs in the jurisdiction by completing the following table. In the "Overall" Needs column, provide the estimated number of renter families that have housing needs. For the remaining characteristics, rate the impact of that factor on the housing needs for each family type, from 1 to 5, with 1 being "no impact" and 5 being "severe impact." Use N/A to indicate that no information is available upon which the PHA can make this assessment.

Houston District - Housing Needs of Families in the Jurisdiction by Family Type							
Family Type	Overall	Afford-ability	Supply	Quality	Access-ibility	***Size***	Loca-tion
Income <= 30% of AMI	3,778	N/A	N/A	N/A	N/A	N/A	N/A
Income >30% but <=50% of AMI	2,763	N/A	N/A	N/A	N/A	N/A	N/A
Income >50% but <80% of AMI	3,613	N/A	N/A	N/A	N/A	N/A	N/A
Elderly	5,594	N/A	N/A	N/A	N/A	N/A	N/A
Families with Disabilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Wh-13,769	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Blk-4,540	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Hisp-3,321	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Other-71	N/A	N/A	N/A	N/A	N/A	N/A

Dallas - Housing Needs of Families in the Jurisdiction by Family Type							
Family Type	Overall	Afford-ability	Supply	Quality	Access-ibility	***Size***	Loca-tion
Income <= 30% of AMI	7,360	N/A	N/A	N/A	N/A	N/A	N/A
Income >30% but <=50% of AMI	6,459	N/A	N/A	N/A	N/A	N/A	N/A
Income >50% but <80% of AMI	9,409	N/A	N/A	N/A	N/A	N/A	N/A
Elderly	16,308	N/A	N/A	N/A	N/A	N/A	N/A
Families with Disabilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Dallas - Housing Needs of Families in the Jurisdiction by Family Type							
Family Type	Overall	Afford-ability	Supply	Quality	Access-ibility	***Size***	Loca-tion
Race/Ethnicity	Wh-52,663	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Blk-4,480	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Hisp-3,548	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Other-447	N/A	N/A	N/A	N/A	N/A	N/A

San Antonio - Housing Needs of Families in the Jurisdiction by Family Type							
Family Type	Overall	Afford-ability	Supply	Quality	Access-ibility	***Size***	Loca-tion
Income <= 30% of AMI	3,591	N/A	N/A	N/A	N/A	N/A	N/A
Income >30% but <=50% of AMI	3,359	N/A	N/A	N/A	N/A	N/A	N/A
Income >50% but <80% of AMI	4,169	N/A	N/A	N/A	N/A	N/A	N/A
Elderly	7,290	N/A	N/A	N/A	N/A	N/A	N/A
Families with Disabilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Wh-14,945	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Blk-130	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Hisp-9,386	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Other-169	N/A	N/A	N/A	N/A	N/A	N/A

What sources of information did the PHA use to conduct this analysis? (Check all that apply; all materials must be made available for public inspection.)

☒ Consolidated Plan of the Jurisdiction/s
Indicate year: 2001

☒ U.S. Census data: the Comprehensive Housing Affordability Strategy ("CHAS") dataset
☐ American Housing Survey data
Indicate year:
☐ Other housing market study
Indicate year:
☐ Other sources: (list and indicate year of information)

****The Department still shows last year's data, which is the most up-to-date and consistent information available at this time.**

B. Housing Needs of Families on the Public Housing and Section 8 Tenant- Based Assistance Waiting Lists

State the housing needs of the families on the PHA's waiting list/s**. Complete one table for each type of PHA-wide waiting list administered by the PHA.** PHAs may provide separate tables for site-based or sub-jurisdictional public housing waiting lists at their option.

Housing Needs of Families on the Waiting List			
Waiting list type: (select one) ☒ Section 8 tenant-based assistance ☐ Public Housing ☐ Combined Section 8 and Public Housing ☐ Public Housing Site-Based or sub-jurisdictional waiting list (optional) If used, identify which development/subjurisdiction:			
	# of families	% of total families	Annual Turnover
Waiting list total	**610**	*	*
Extremely low income <=30% AMI	N/A	N/A	N/A
Very low income (>30% but <=50% AMI)	N/A	N/A	N/A
Low income (>50% but <80% AMI)	N/A	N/A	N/A
Families with children	**476**	**78%**	N/A
Elderly families	N/A **	N/A	N/A
Families with Disabilities	N/A **	N/A	N/A
Race/ethnicity	White/Hispanic-**212**	**35%**	N/A

Housing Needs of Families on the Waiting List			
Race/ethnicity	White/Non-Hispanic-**159**	**26%**	N/A
Race/ethnicity	Black/Non-Hispanic-**239**	**39%**	N/A
Race/ethnicity	Other-		N/A
Characteristics by Bedroom Size (Public Housing Only)	***(Noted above: No demographics in data base. TDHCA is still working on central data base.**	****(Noted above: Information on elderly and disabled families still not in Department data base**	
1BR	N/A	N/A	N/A
2 BR	N/A	N/A	N/A
3 BR	N/A	N/A	N/A
4 BR	N/A	N/A	N/A
5 BR	N/A	N/A	N/A
5+ BR	N/A	N/A	N/A

Is the waiting list closed (select one)? ☒ No ☐ Yes
If yes:

How long has it been closed (# of months)? **N/A**

Various areas closed and opened.

Does the PHA expect to reopen the list in the PHA Plan year? ☐ No **X** Yes

Does the PHA permit specific categories of families onto the waiting list, even if generally closed? ☒ No ☐ Yes

C. Strategy for Addressing Needs

Provide a brief description of the PHA's strategy for addressing the housing needs of families in the jurisdiction and on the waiting list **IN THE UPCOMING YEAR**, and the Agency's reasons for choosing this strategy.

(1) Strategies

Need: Shortage of affordable housing for all eligible populations

Strategy 1. Maximize the number of affordable units available to the PHA within its current resources by:

Select all that apply

☐ Employ effective maintenance and management policies to minimize the number of public housing units off-line

- ☐ Reduce turnover time for vacated public housing units
- ☐ Reduce time to renovate public housing units
- ☐ Seek replacement of public housing units lost to the inventory through mixed finance development
- ☐ Seek replacement of public housing units lost to the inventory through section 8 replacement housing resources
- ☒ Maintain or increase section 8 lease-up rates by establishing payment standards that will enable families to rent throughout the jurisdiction
- ☐ Undertake measures to ensure access to affordable housing among families assisted by the PHA, regardless of unit size required
- ☒ Maintain or increase section 8 lease-up rates by marketing the program to owners, particularly those outside of areas of minority and poverty concentration
- ☒ Maintain or increase section 8 lease-up rates by effectively screening Section 8 applicants to increase owner acceptance of program
- ☒ Participate in the Consolidated Plan development process to ensure coordination with broader community strategies
- ☐ Other (list below)

Strategy 2: Increase the number of affordable housing units by:
Select all that apply

- ☒ Apply for additional section 8 units should they become available
- ☒ Leverage affordable housing resources in the community through the creation of mixed - finance housing
- ☒ Pursue housing resources other than public housing or Section 8 tenant-based assistance.
- ☐ Other: (list below)

Need: Specific Family Types: Families at or below 30% of median

Strategy 1: Target available assistance to families at or below 30 % of AMI
Select all that apply

- ☐ Exceed HUD federal targeting requirements for families at or below 30% of AMI in public housing
- ☐ Exceed HUD federal targeting requirements for families at or below 30% of AMI in tenant-based section 8 assistance
- ☐ Employ admissions preferences aimed at families with economic hardships
- ☐ Adopt rent policies to support and encourage work
- ☒ Other: (list below)

Housing Assistance – In addition to the Department's own efforts to address the affordable housing needs of extremely low income Texans, the 77th Texas Legislature passed an appropriations rider to TDHCA's enabling legislation that requires the housing finance division to "adopt an annual goal to apply a minimum

of $30,000,000 of the division's total housing funds toward housing assistance for individuals and families earning less than the following:

- **1 person household: $13,000**
- **2 person household: $16,000**
- **3 person household: $17,000**
- **4 person household: $19,000**
- **5 person household: $21,000**

Need: Specific Family Types: Families at or below 50% of median

Strategy 1: Target available assistance to families at or below 50% of AMI
Select all that apply

☐ Employ admissions preferences aimed at families who are working
☐ Adopt rent policies to support and encourage work
☐ Other: (list below)

Need: Specific Family Types: The Elderly

Strategy 1: Target available assistance to the elderly:
Select all that apply

☐ Seek designation of public housing for the elderly
XX Apply for special-purpose vouchers targeted to the elderly, should they become available
Other: (list below)

Need: Specific Family Types: Families with Disabilities

Strategy 1: Target available assistance to Families with Disabilities:
Select all that apply

☐ Seek designation of public housing for families with disabilities

☐ Carry out the modifications needed in public housing based on the section 504 Needs Assessment for Public Housing

XX Apply for special-purpose vouchers targeted to families with disabilities, should they become available
(TDHCA applied for Mainstream vouchers in 2002, but did not receive any. We intend to apply again next year.)

XX Affirmatively market to local non-profit agencies that assist families with disabilities

XX Other: (list below)

TDHCA applied for and received 35 Project Access Housing Choice Vouchers from HUD to be used to assist persons with disabilities transition from nursing homes in to the community by providing access to affordable housing and necessary supportive services.

Need: Specific Family Types: Races or ethnicities with disproportionate housing needs

Strategy 1: Increase awareness of PHA resources among families of races and ethnicities with disproportionate needs:

Select if applicable

- ☐ Affirmatively market to races/ethnicities shown to have disproportionate housing needs
- ☐ Other: (list below)

Strategy 2: Conduct activities to affirmatively further fair housing

Select all that apply

- ☒ Counsel section 8 tenants as to location of units outside of areas of poverty or minority concentration and assist them to locate those units
- ☒ Market the section 8 program to owners outside of areas of poverty /minority concentrations
- ☐ Other: (list below)

Other Housing Needs & Strategies: (list needs and strategies below)

(2) Reasons for Selecting Strategies

Of the factors listed below, select all that influenced the PHA's selection of the strategies it will pursue:

- ☒ Funding constraints
- ☒ Staffing constraints
- ☒ Limited availability of sites for assisted housing
- ☒ Extent to which particular housing needs are met by other organizations in the community
- ☐ Evidence of housing needs as demonstrated in the Consolidated Plan and other information available to the PHA
- ☒ Influence of the housing market on PHA programs
- ☐ Community priorities regarding housing assistance

☒ Results of consultation with local or state government
☐ Results of consultation with residents and the Resident Advisory Board
☐ Results of consultation with advocacy groups
☐ Other: (list below)

2. Statement of Financial Resources

[24 CFR Part 903.7 9 (b)]
List the financial resources that are anticipated to be available to the PHA for the support of Federal public housing and tenant-based Section 8 assistance programs administered by the PHA during the Plan year. Note: the table assumes that Federal public housing or tenant based Section 8 assistance grant funds are expended on eligible purposes; therefore, uses of these funds need not be stated. For other funds, indicate the use for those funds as one of the following categories: public housing operations, public housing capital improvements, public housing safety/security, public housing supportive services, Section 8 tenant-based assistance, Section 8 supportive services or other.

Financial Resources: Planned Sources and Uses		
Sources	**Planned $**	**Planned Uses**
1. **Federal Grants (FY 2000 grants)**	**N/A**	
a) Public Housing Operating Fund	**N/A**	
b) Public Housing Capital Fund	**N/A**	
c) HOPE VI Revitalization	**N/A**	
d) HOPE VI Demolition	**N/A**	
e) Annual Contributions for Section 8 Tenant-Based Assistance	**Dallas 3,199,774** **Houston 6,730,977** **SanAntonio 1,319,279** **$11,250,030**	
f) Public Housing Drug Elimination Program (including any Technical Assistance funds)	**N/A**	
g) Resident Opportunity and Self-Sufficiency Grants	**N/A**	
h) Community Development Block Grant	**N/A**	
i) HOME	**N/A**	
Other Federal Grants (list below)	**Proj. Access $150,000**	**Persons w/disabilities - Olmstead**
2. Prior Year Federal Grants (unobligated funds only) (list below)	**N/A**	

Financial Resources: Planned Sources and Uses		
Sources	**Planned $**	**Planned Uses**
3. Public Housing Dwelling Rental Income	**N/A**	
4. Other income (list below)	**N/A**	
4. Non-federal sources (list below)	**N/A**	
Total resources	**$11,400,030**	

3. PHA Policies Governing Eligibility, Selection, and Admissions

[24 CFR Part 903.7 9 (c)]

A. Public Housing *N/A to Agency

Exemptions: PHAs that do not administer public housing are not required to complete subcomponent 3A.

(1) Eligibility

a. When does the PHA verify eligibility for admission to public housing? (select all that apply)

☐ When families are within a certain number of being offered a unit: (state number)
☐ When families are within a certain time of being offered a unit: (state time)
☐ Other: (describe)

b. Which non-income (screening) factors does the PHA use to establish eligibility for admission to public housing (select all that apply)?

☐ Criminal or Drug-related activity
☐ Rental history
☐ Housekeeping
☐ Other (describe)

c. ☐ Yes ☐ No: Does the PHA request criminal records from local law enforcement agencies for screening purposes?

d. ☐ Yes ☐ No: Does the PHA request criminal records from State law enforcement agencies for screening purposes?

e. ☐ Yes ☐ No: Does the PHA access FBI criminal records from the FBI for screening purposes? (either directly or through an NCIC-authorized source)

(2)Waiting List Organization

a. Which methods does the PHA plan to use to organize its public housing waiting list (select all that apply)

☐ Community-wide list
☐ Sub-jurisdictional lists
☐ Site-based waiting lists
☐ Other (describe)

b. Where may interested persons apply for admission to public housing?

☐ PHA main administrative office
☐ PHA development site management office
☐ Other (list below)

c. If the PHA plans to operate one or more site-based waiting lists in the coming year, answer each of the following questions; if not, skip to subsection **(3) Assignment**

1. How many site-based waiting lists will the PHA operate in the coming year?

2. ☐ Yes ☐ No: Are any or all of the PHA's site-based waiting lists new for the upcoming year (that is, they are not part of a previously-HUD-approved site based waiting list plan)?
   If yes, how many lists?

3. ☐ Yes ☐ No: May families be on more than one list simultaneously
   If yes, how many lists?

4. Where can interested persons obtain more information about and sign up to be on the site-based waiting lists (select all that apply)?

   ☐ PHA main administrative office
   ☐ All PHA development management offices
   ☐ Management offices at developments with site-based waiting lists
   ☐ At the development to which they would like to apply
   ☐ Other (list below)

(3) Assignment

a. How many vacant unit choices are applicants ordinarily given before they fall to the bottom of or are removed from the waiting list? (select one)
☐ One
☐ Two
☐ Three or More

b. ☐ Yes ☐ No: Is this policy consistent across all waiting list types?

c. If answer to b is no, list variations for any other than the primary public housing waiting list/s for the PHA:

(4) Admissions Preferences

a. Income targeting:
☐ Yes ☐ No: Does the PHA plan to exceed the federal targeting requirements by targeting more than 40% of all new admissions to public housing to families at or below 30% of median area income?

b. Transfer policies:
In what circumstances will transfers take precedence over new admissions? (list below)
☐ Emergencies
☐ Overhoused
☐ Underhoused
☐ Medical justification
☐ Administrative reasons determined by the PHA (e.g., to permit modernization work)
☐ Resident choice: (state circumstances below)
☐ Other: (list below)

c. Preferences
1. ☐ Yes ☐ No: Has the PHA established preferences for admission to public housing (other than date and time of application)? (If "no" is selected, skip to subsection **(5) Occupancy**)

2. Which of the following admission preferences does the PHA plan to employ in the coming year? (select all that apply from either former Federal preferences or other preferences)

Former Federal preferences:

☐ Involuntary Displacement (Disaster, Government Action, Action of Housing Owner, Inaccessibility, Property Disposition)
☐ Victims of domestic violence
☐ Substandard housing
☐ Homelessness
☐ High rent burden (rent is > 50 percent of income)

Other preferences: (select below)
☐ Working families and those unable to work because of age or disability
☐ Veterans and veterans' families
☐ Residents who live and/or work in the jurisdiction
☐ Those enrolled currently in educational, training, or upward mobility programs
☐ Households that contribute to meeting income goals (broad range of incomes)
☐ Households that contribute to meeting income requirements (targeting)
☐ Those previously enrolled in educational, training, or upward mobility programs
☐ Victims of reprisals or hate crimes
☐ Other preference(s) (list below)

3. If the PHA will employ admissions preferences, please prioritize by placing a "1" in the space that represents your first priority, a "2" in the box representing your second priority, and so on. If you give equal weight to one or more of these choices (either through an absolute hierarchy or through a point system), place the same number next to each. That means you can use "1" more than once, "2" more than once, etc.

Date and Time

Former Federal preferences:
Involuntary Displacement (Disaster, Government Action, Action of Housing Owner, Inaccessibility, Property Disposition)
Victims of domestic violence
Substandard housing
Homelessness
High rent burden

Other preferences (select all that apply)
☐ Working families and those unable to work because of age or disability
☐ Veterans and veterans' families
☐ Residents who live and/or work in the jurisdiction
☐ Those enrolled currently in educational, training, or upward mobility programs
☐ Households that contribute to meeting income goals (broad range of incomes)
☐ Households that contribute to meeting income requirements (targeting)
☐ Those previously enrolled in educational, training, or upward mobility programs
☐ Victims of reprisals or hate crimes
☐ Other preference(s) (list below)

4. Relationship of preferences to income targeting requirements:

☐ The PHA applies preferences within income tiers

☐ Not applicable: the pool of applicant families ensures that the PHA will meet income targeting requirements

(5) Occupancy

a. What reference materials can applicants and residents use to obtain information about the rules of occupancy of public housing (select all that apply)

☐ The PHA-resident lease

☐ The PHA's Admissions and (Continued) Occupancy policy

☐ PHA briefing seminars or written materials

☐ Other source (list)

b. How often must residents notify the PHA of changes in family composition? (select all that apply)

☐ At an annual reexamination and lease renewal

☐ Any time family composition changes

☐ At family request for revision

☐ Other (list)

(6) Deconcentration and Income Mixing

a. ☐ Yes ☐ No: Did the PHA's analysis of its family (general occupancy) developments to determine concentrations of poverty indicate the need for measures to promote deconcentration of poverty or income mixing?

b. ☐ Yes ☐ No: Did the PHA adopt any changes to its **admissions policies** based on the results of the required analysis of the need to promote deconcentration of poverty or to assure income mixing?

c. If the answer to b was yes, what changes were adopted? (select all that apply)

☐ Adoption of site-based waiting lists
If selected, list targeted developments below:

☐ Employing waiting list “skipping” to achieve deconcentration of poverty or income mixing goals at targeted developments
If selected, list targeted developments below:

☐ Employing new admission preferences at targeted developments
If selected, list targeted developments below:

☐ Other (list policies and developments targeted below)

d. ☐ Yes ☐ No: Did the PHA adopt any changes to **other** policies based on the results of the required analysis of the need for deconcentration of poverty and income mixing?

e. If the answer to d was yes, how would you describe these changes? (select all that apply)

☐ Additional affirmative marketing
☐ Actions to improve the marketability of certain developments
☐ Adoption or adjustment of ceiling rents for certain developments
☐ Adoption of rent incentives to encourage deconcentration of poverty and income-mixing
☐ Other (list below)

f. Based on the results of the required analysis, in which developments will the PHA make special efforts to attract or retain higher-income families? (select all that apply)
☐ Not applicable: results of analysis did not indicate a need for such efforts
☐ List (any applicable) developments below:

g. Based on the results of the required analysis, in which developments will the PHA make special efforts to assure access for lower-income families? (select all that apply)
☐ Not applicable: results of analysis did not indicate a need for such efforts
☐ List (any applicable) developments below:

B. Section 8

Exemptions: PHAs that do not administer section 8 are not required to complete sub-component 3B.
Unless otherwise specified, all questions in this section apply only to the tenant-based section 8 assistance program (vouchers, and until completely merged into the voucher program, certificates).

(1) Eligibility

a. What is the extent of screening conducted by the PHA? (select all that apply)
☒ Criminal or drug-related activity only to the extent required by law or regulation

☐ Criminal and drug-related activity, more extensively than required by law or regulation
☐ More general screening than criminal and drug-related activity (list factors below)
☐ Other (list below)

b. ☒ Yes ☐ No: Does the PHA request criminal records from local law enforcement agencies for screening purposes?

c. ☒ Yes ☐ No: Does the PHA request criminal records from State law enforcement agencies for screening purposes?

d. ☐ Yes ☒ No: Does the PHA access FBI criminal records from the FBI for screening purposes? (either directly or through an NCIC-authorized source)

e. Indicate what kinds of information you share with prospective landlords? (select all that apply)
☐ Criminal or drug-related activity
☐ Other (describe below)

(2) Waiting List Organization

a. With which of the following program waiting lists is the section 8 tenant-based assistance waiting list merged? (select all that apply)
☒ None
☐ Federal public housing
☐ Federal moderate rehabilitation
☐ Federal project-based certificate program
☐ Other federal or local program (list below)

b. Where may interested persons apply for admission to section 8 tenant-based assistance? (select all that apply)
☐ PHA main administrative office
☒ Other (list below)

Local level through HAP Local Operators who contract with TDHCA.

(3) Search Time

a. ☒ Yes ☐ No: Does the PHA give extensions on standard 60-day period to search for a unit?

If yes, state circumstances below:

TDHCA gives extensions if:
Safe, decent and sanitary housing is unavailable, or
An applicant shows concerted effort to find suitable unit and is unsuccessful, or
An applicant can't find a unit because of tenant's rental history.

<u>(4) Admissions Preferences</u>

a. Income targeting

☐ Yes ☒ No: Does the PHA plan to exceed the federal targeting requirements by targeting more than 75% of all new admissions to the section 8 program to families at or below 30% of median area income?

b. Preferences

1. ☐ Yes ☒ No: Has the PHA established preferences for admission to section 8 tenant-based assistance? (other than date and time of application) (if no, skip to subcomponent **(5) Special purpose section 8 assistance programs**)

2. Which of the following admission preferences does the PHA plan to employ in the coming year? (select all that apply from either former Federal preferences or other preferences)
   N/A

Former Federal preferences

☐ Involuntary Displacement (Disaster, Government Action, Action of Housing Owner, Inaccessibility, Property Disposition)
☐ Victims of domestic violence
☐ Substandard housing
☐ Homelessness
☐ High rent burden (rent is > 50 percent of income)

Other preferences (select all that apply)

☐ Working families and those unable to work because of age or disability
☐ Veterans and veterans' families
☐ Residents who live and/or work in your jurisdiction
☐ Those enrolled currently in educational, training, or upward mobility programs
☐ Households that contribute to meeting income goals (broad range of incomes)
☐ Households that contribute to meeting income requirements (targeting)
☐ Those previously enrolled in educational, training, or upward mobility programs
☐ Victims of reprisals or hate crimes
☐ Other preference(s) (list below)

3. If the PHA will employ admissions preferences, please prioritize by placing a “1” in the space that represents your first priority, a “2” in the box representing your second priority, and so on. If you give equal weight to one or more of these choices (either through an absolute hierarchy or through a point system), place the same number next to each. That means you can use “1” more than once, “2” more than once, etc.

Date and Time

Former Federal preferences

Involuntary Displacement (Disaster, Government Action, Action of Housing Owner, Inaccessibility, Property Disposition)
Victims of domestic violence
Substandard housing
Homelessness
High rent burden

Other preferences (select all that apply)

- ☐ Working families and those unable to work because of age or disability
- ☐ Veterans and veterans’ families
- ☐ Residents who live and/or work in your jurisdiction
- ☐ Those enrolled currently in educational, training, or upward mobility programs
- ☐ Households that contribute to meeting income goals (broad range of incomes)
- ☐ Households that contribute to meeting income requirements (targeting)
- ☐ Those previously enrolled in educational, training, or upward mobility programs
- ☐ Victims of reprisals or hate crimes
- ☐ Other preference(s) (list below)

4. Among applicants on the waiting list with equal preference status, how are applicants selected? (select one)

- ☐ Date and time of application
- ☐ Drawing (lottery) or other random choice technique

5. If the PHA plans to employ preferences for “residents who live and/or work in the jurisdiction” (select one)

- ☐ This preference has previously been reviewed and approved by HUD
- ☐ The PHA requests approval for this preference through this PHA Plan

6. Relationship of preferences to income targeting requirements: (select one)

- ☐ The PHA applies preferences within income tiers

☐ Not applicable: the pool of applicant families ensures that the PHA will meet income targeting requirements

(5) Special Purpose Section 8 Assistance Programs

a. In which documents or other reference materials are the policies governing eligibility, selection, and admissions to any special-purpose section 8 program administered by the PHA contained? (select all that apply)

XX The Section 8 Administrative Plan
☐ Briefing sessions and written materials
☐ Other (list below)

b. How does the PHA announce the availability of any special-purpose section 8 programs to the public? ****See other below**

☐ Through published notices
Other (list below) ****TDHCA has only one special purpose program awarded by the Fort Worth HUD Office (Opt-Out) which required the department to use HUD-targeted assistance for the families living in the units.**

4. PHA Rent Determination Policies

[24 CFR Part 903.7 9 (d)]

A. Public Housing *N/A to Agency

Exemptions: PHAs that do not administer public housing are not required to complete sub-component 4A.

(1) Income Based Rent Policies

Describe the PHA's income based rent setting policy/ies for public housing using, including discretionary (that is, not required by statute or regulation) income disregards and exclusions, in the appropriate spaces below.

a. Use of discretionary policies: (select one)

☐ The PHA will not employ any discretionary rent-setting policies for income based rent in public housing. Income-based rents are set at the higher of 30% of adjusted monthly income, 10% of unadjusted monthly income, the welfare rent, or minimum rent (less HUD mandatory deductions and exclusions). (If selected, skip to sub-component (2))

---or---

☐ The PHA employs discretionary policies for determining income based rent (If selected, continue to question b.)

b. Minimum Rent

1. What amount best reflects the PHA's minimum rent? (select one)

☐ $0
☐ $1-$25
☐ $26-$50

2. ☐ Yes ☐ No: Has the PHA adopted any discretionary minimum rent hardship exemption policies?

3. If yes to question 2, list these policies below**:**

c. Rents set at less than 30% than adjusted income

1. ☐ Yes ☐ No: Does the PHA plan to charge rents at a fixed amount or percentage less than 30% of adjusted income?

2. If yes to above, list the amounts or percentages charged and the circumstances under which these will be used below:

d. Which of the discretionary (optional) deductions and/or exclusions policies does the PHA plan to employ (select all that apply)

☐ For the earned income of a previously unemployed household member
☐ For increases in earned income
☐ Fixed amount (other than general rent-setting policy)
If yes, state amount/s and circumstances below:

☐ Fixed percentage (other than general rent-setting policy)
If yes, state percentage/s and circumstances below:

☐ For household heads
☐ For other family members
☐ For transportation expenses
☐ For the non-reimbursed medical expenses of non-disabled or non-elderly families
☐ Other (describe below)

e. Ceiling rents

1. Do you have ceiling rents? (rents set at a level lower than 30% of adjusted income) (select one)

☐ Yes for all developments
☐ Yes but only for some developments
☐ No

2. For which kinds of developments are ceiling rents in place? (select all that apply)

☐ For all developments
☐ For all general occupancy developments (not elderly or disabled or elderly only)
☐ For specified general occupancy developments
☐ For certain parts of developments; e.g., the high-rise portion
☐ For certain size units; e.g., larger bedroom sizes
☐ Other (list below)

3. Select the space or spaces that best describe how you arrive at ceiling rents (select all that apply)

☐ Market comparability study
☐ Fair market rents (FMR)
☐ 95^{th} percentile rents
☐ 75 percent of operating costs
☐ 100 percent of operating costs for general occupancy (family) developments
☐ Operating costs plus debt service
☐ The "rental value" of the unit
☐ Other (list below)

f. Rent re-determinations:

1. Between income reexaminations, how often must tenants report changes in income or family composition to the PHA such that the changes result in an adjustment to rent? (select all that apply)

☐ Never
☐ At family option
☐ Any time the family experiences an income increase
☐ Any time a family experiences an income increase above a threshold amount or percentage: (if selected, specify threshold)_____
☐ Other (list below)

g. ☐ Yes ☐ No: Does the PHA plan to implement individual savings accounts for residents (ISAs) as an alternative to the required 12 month disallowance of earned income and phasing in of rent increases in the next year?

(2) Flat Rents

1. In setting the market-based flat rents, what sources of information did the PHA use to establish comparability? (select all that apply.)

☐ The section 8 rent reasonableness study of comparable housing
☐ Survey of rents listed in local newspaper
☐ Survey of similar unassisted units in the neighborhood
☐ Other (list/describe below)

B. Section 8 Tenant-Based Assistance

Exemptions: PHAs that do not administer Section 8 tenant-based assistance are not required to complete sub-component 4B. **Unless otherwise specified, all questions in this section apply only to the tenant-based section 8 assistance program (vouchers, and until completely merged into the voucher program, certificates).**

(1) Payment Standards

Describe the voucher payment standards and policies.

a. What is the PHA's payment standard? (select the category that best describes your standard)

☐ At or above 90% but below100% of FMR
☒ 100% of FMR
X Above 100% but at or below 110% of FMR*****
☐ Above 110% of FMR (if HUD approved; describe circumstances below)

***Per board resolution some areas were raised to 110%**

b. If the payment standard is lower than FMR, why has the PHA selected this standard? (select all that apply)

☐ FMRs are adequate to ensure success among assisted families in the PHA's segment of the FMR area
☐ The PHA has chosen to serve additional families by lowering the payment standard

☐ Reflects market or submarket
☐ Other (list below)

c. If the payment standard is higher than FMR, why has the PHA chosen this level? (select all that apply)
☐ FMRs are not adequate to ensure success among assisted families in the PHA's segment of the FMR area
☐ Reflects market or submarket
☐ To increase housing options for families
☐ Other (list below)

d. How often are payment standards reevaluated for adequacy? (select one)
☒ Annually
☐ Other (list below)

e. What factors will the PHA consider in its assessment of the adequacy of its payment standard? (select all that apply)
☒ Success rates of assisted families
☒ Rent burdens of assisted families
☐ Other (list below)

(2) Minimum Rent

a. What amount best reflects the PHA's minimum rent? (select one)
☐ $0
☒ $1-$25
☐ $26-$50

b. ☐ Yes XX No: Has the PHA adopted any discretionary minimum rent hardship exemption policies? (if yes, list below)

5. Operations and Management
[24 CFR Part 903.7 9 (e)]

Exemptions from Component 5: High performing and small PHAs are not required to complete this section. Section 8 only PHAs must complete parts A, B, and C(2)

A. PHA Management Structure

Describe the PHA's management structure and organization.

(select one)

☒ An organization chart showing the PHA's management structure and organization is attached.

☐ A brief description of the management structure and organization of the PHA follows:

B. HUD Programs Under PHA Management

_ List Federal programs administered by the PHA, number of families served at the beginning of the upcoming fiscal year, and expected turnover in each. (Use "NA" to indicate that the PHA does not operate any of the programs listed below.)

Program Name	**Units or Families Served at Year Beginning**	**Expected Turnover**
Public Housing	N/A	N/A
Section 8 Vouchers	**2,071**	N/A
Section 8 Certificates	N/A	N/A
Section 8 Mod Rehab	N/A	N/A
Special Purpose Section 8 Certificates/Vouchers (list individually)	N/A	N/A
Public Housing Drug Elimination Program (PHDEP)	N/A	N/A
Other Federal Programs(list individually)	N/A	N/A

C. Management and Maintenance Policies

List the PHA's public housing management and maintenance policy documents, manuals and handbooks that contain the Agency's rules, standards, and policies that govern maintenance and management of public housing, including a description of any measures necessary for the prevention or eradication of pest infestation (which includes cockroach infestation) and the policies governing Section 8 management.

(1) Public Housing Maintenance and Management: (list below)

(2) Section 8 Management: (list below)

Refer to Administrative Plan

6. PHA Grievance Procedures
[24 CFR Part 903.7 9 (f)]

Exemptions from component 6: High performing PHAs are not required to complete component 6. Section 8-Only PHAs are exempt from sub-component 6A.

A. Public Housing ***N/A to Agency**

1. ☐ Yes ☐ No: Has the PHA established any written grievance procedures in addition to federal requirements found at 24 CFR Part 966, Subpart B, for residents of public housing?

If yes, list additions to federal requirements below:

2. Which PHA office should residents or applicants to public housing contact to initiate the PHA grievance process? (select all that apply)

☐ PHA main administrative office
☐ PHA development management offices
☐ Other (list below)

B. Section 8 Tenant-Based Assistance

1. ☐ Yes ☒ No: Has the PHA established informal review procedures for applicants to the Section 8 tenant-based assistance program and informal hearing procedures for families assisted by the Section 8 tenant-based assistance program in addition to federal requirements found at 24 CFR 982?

If yes, list additions to federal requirements below:

2. Which PHA office should applicants or assisted families contact to initiate the informal review and informal hearing processes? (select all that apply)

☒ PHA main administrative office
☐ Other (list below)

7. Capital Improvement Needs * N/A to Agency
[24 CFR Part 903.7 9 (g)]

Exemptions from Component 7: Section 8 only PHAs are not required to complete this component and may skip to Component 8.

A. Capital Fund Activities

Exemptions from sub-component 7A: PHAs that will not participate in the Capital Fund Program may skip to component 7B. All other PHAs must complete 7A as instructed.

(1) Capital Fund Program Annual Statement

Using parts I, II, and III of the Annual Statement for the Capital Fund Program (CFP), identify capital activities the PHA is proposing for the upcoming year to ensure long-term physical and social viability of its public housing developments. This statement can be completed by using the CFP Annual Statement tables provided in the table library at the end of the PHA Plan template **OR**, at the PHA's option, by completing and attaching a properly updated HUD-52837.

Select one:

☐ The Capital Fund Program Annual Statement is provided as an attachment to the PHA Plan at Attachment (state name)

-or-

☐ The Capital Fund Program Annual Statement is provided below: (if selected, copy the CFP Annual Statement from the Table Library and insert here)

(2) Optional 5-Year Action Plan

Agencies are encouraged to include a 5-Year Action Plan covering capital work items. This statement can be completed by using the 5 Year Action Plan table provided in the table library at the end of the PHA Plan template **OR** by completing and attaching a properly updated HUD-52834.

a. ☐ Yes ☐ No: Is the PHA providing an optional 5-Year Action Plan for the Capital Fund? (if no, skip to sub-component 7B)

b. If yes to question a, select one:

☐ The Capital Fund Program 5-Year Action Plan is provided as an attachment to the PHA Plan at Attachment (state name

-or-

☐ The Capital Fund Program 5-Year Action Plan is provided below: (if selected, copy the CFP optional 5 Year Action Plan from the Table Library and insert here)

B. HOPE VI and Public Housing Development and Replacement Activities (Non-Capital Fund) *N/A to Agency

Applicability of sub-component 7B: All PHAs administering public housing. Identify any approved HOPE VI and/or public housing development or replacement activities not described in the Capital Fund Program Annual Statement.

☐ Yes ☐ No: a) Has the PHA received a HOPE VI revitalization grant? (if no, skip to question c; if yes, provide responses to question b for each grant, copying and completing as many times as necessary)
b) Status of HOPE VI revitalization grant (complete one set of questions for each grant)

1. Development name:
2. Development (project) number:
3. Status of grant: (select the statement that best describes the current status)
   - ☐ Revitalization Plan under development
   - ☐ Revitalization Plan submitted, pending approval
   - ☐ Revitalization Plan approved
   - ☐ Activities pursuant to an approved Revitalization Plan underway

☐ Yes ☐ No: c) Does the PHA plan to apply for a HOPE VI Revitalization grant in the Plan year?
If yes, list development name/s below:

☐ Yes ☐ No: d) Will the PHA be engaging in any mixed-finance development activities for public housing in the Plan year?
If yes, list developments or activities below:

☐ Yes ☐ No: e) Will the PHA be conducting any other public housing development or replacement activities not discussed in the Capital Fund Program Annual Statement?
If yes, list developments or activities below:

<u>8. Demolition and Disposition</u> *N/A to Agency

[24 CFR Part 903.7 9 (h)]

Applicability of component 8: Section 8 only PHAs are not required to complete this section.

1. ☐ Yes ☐ No: Does the PHA plan to conduct any demolition or disposition activities (pursuant to section 18 of the U.S. Housing Act of 1937 (42 U.S.C. 1437p)) in the plan Fiscal Year? (If “No”, skip to component 9; if “yes”, complete one activity description for each development.)

2. Activity Description

☐ Yes ☐ No: Has the PHA provided the activities description information in the **optional** Public Housing Asset Management Table? (If "yes", skip to component 9. If "No", complete the Activity Description table below.)

Demolition/Disposition Activity Description
1a. Development name: 1b. Development (project) number:
2. Activity type: Demolition ☐ Disposition ☐
3. Application status (select one) Approved ☐ Submitted, pending approval ☐ Planned application ☐
4. Date application approved, submitted, or planned for submission: <u>(DD/MM/YY)</u>
5. Number of units affected: 6. Coverage of action (select one) ☐ Part of the development ☐ Total development
7. Timeline for activity: a. Actual or projected start date of activity: b. Projected end date of activity:

<u>9. Designation of Public Housing for Occupancy by Elderly Families or Families with Disabilities or Elderly Families and Families with Disabilities</u> *N/A to Agency

[24 CFR Part 903.7 9 (i)]

Exemptions from Component 9; Section 8 only PHAs are not required to complete this section.

1. ☐ Yes ☐ No: Has the PHA designated or applied for approval to designate or does the PHA plan to apply to designate any public housing for occupancy only by the elderly families or only by families with disabilities, or by elderly families and families with disabilities or will apply for designation for occupancy by only elderly families or only families with disabilities, or by elderly families and families with disabilities as provided by section 7 of the U.S. Housing Act of 1937 (42 U.S.C. 1437e) in the upcoming fiscal year? (If "No", skip to component 10. If "yes", complete one activity description for each development, unless the PHA is eligible to complete a streamlined submission; PHAs

completing streamlined submissions may skip to component 10.)

2. Activity Description

☐ Yes ☐ No: Has the PHA provided all required activity description information for this component in the **optional** Public Housing Asset Management Table? If "yes", skip to component 10. If "No", complete the Activity Description table below.

Designation of Public Housing Activity Description
1a. Development name: 1b. Development (project) number:
2. Designation type: Occupancy by only the elderly ☐ Occupancy by families with disabilities ☐ Occupancy by only elderly families and families with disabilities ☐
3. Application status (select one) Approved; included in the PHA's Designation Plan ☐ Submitted, pending approval ☐ Planned application ☐
4. Date this designation approved, submitted, or planned for submission: <u>(DD/MM/YY)</u>
5. If approved, will this designation constitute a (select one) ☐ New Designation Plan ☐ Revision of a previously-approved Designation Plan?
6. Number of units affected: 7. Coverage of action (select one) ☐ Part of the development ☐ Total development

<u>10. Conversion of Public Housing to Tenant-Based Assistance</u> *N/A to Agency

[24 CFR Part 903.7 9 (j)]

Exemptions from Component 10; Section 8 only PHAs are not required to complete this section.

A. Assessments of Reasonable Revitalization Pursuant to section 202 of the HUD FY 1996 HUD Appropriations Act

1. ☐ Yes ☐ No: Have any of the PHA's developments or portions of developments been identified by HUD or the PHA as covered under section 202 of the HUD FY 1996 HUD Appropriations Act? (If "No", skip to component 11; if "yes", complete one activity description for each identified development, unless eligible to complete a streamlined submission. PHAs

completing streamlined submissions may skip to component 11.)

2. Activity Description

☐ Yes ☐ No: Has the PHA provided all required activity description information for this component in the **optional** Public Housing Asset Management Table? If "yes", skip to component 11. If "No", complete the Activity Description table below.

Conversion of Public Housing Activity Description
1a. Development name: 1b. Development (project) number:
2. What is the status of the required assessment? ☐ Assessment underway ☐ Assessment results submitted to HUD ☐ Assessment results approved by HUD (if marked, proceed to next question) ☐ Other (explain below)
3. ☐ Yes ☐ No: Is a Conversion Plan required? (If yes, go to block 4; if no, go to block 5.)
4. Status of Conversion Plan (select the statement that best describes the current status) ☐ Conversion Plan in development ☐ Conversion Plan submitted to HUD on: (DD/MM/YYYY) ☐ Conversion Plan approved by HUD on: (DD/MM/YYYY) ☐ Activities pursuant to HUD-approved Conversion Plan underway
5. Description of how requirements of Section 202 are being satisfied by means other than conversion (select one) ☐ Units addressed in a pending or approved demolition application (date submitted or approved: ☐ Units addressed in a pending or approved HOPE VI demolition application (date submitted or approved:) ☐ Units addressed in a pending or approved HOPE VI Revitalization Plan (date submitted or approved:) ☐ Requirements no longer applicable: vacancy rates are less than 10 percent ☐ Requirements no longer applicable: site now has less than 300 units ☐ Other: (describe below)

B. Reserved for Conversions pursuant to Section 22 of the U.S. Housing Act of 1937

C. Reserved for Conversions pursuant to Section 33 of the U.S. Housing Act of 1937

11. Homeownership Programs Administered by the PHA

[24 CFR Part 903.7 9 (k)]

A. Public Housing ***N/A to Agency**

Exemptions from Component 11A: Section 8 only PHAs are not required to complete 11A.

1. ☐ Yes ☐ No: Does the PHA administer any homeownership programs administered by the PHA under an approved section 5(h) homeownership program (42 U.S.C. 1437c(h)), or an approved HOPE I program (42 U.S.C. 1437aaa) or has the PHA applied or plan to apply to administer any homeownership programs under section 5(h), the HOPE I program, or section 32 of the U.S. Housing Act of 1937 (42 U.S.C. 1437z-4). (If "No", skip to component 11B; if "yes", complete one activity description for each applicable program/plan, unless eligible to complete a streamlined submission due to **small PHA** or **high performing PHA** status. PHAs completing streamlined submissions may skip to component 11B.)

2. Activity Description

☐ Yes ☐ No: Has the PHA provided all required activity description information for this component in the **optional** Public Housing Asset Management Table? (If "yes", skip to component 12. If "No", complete the Activity Description table below.)

Public Housing Homeownership Activity Description **(Complete one for each development affected)**
1a. Development name: 1b. Development (project) number:
2. Federal Program authority: ☐ HOPE I ☐ 5(h) ☐ Turnkey III ☐ Section 32 of the USHA of 1937 (effective 10/1/99)
3. Application status: (select one) ☐ Approved; included in the PHA's Homeownership Plan/Program ☐ Submitted, pending approval ☐ Planned application

4. Date Homeownership Plan/Program approved, submitted, or planned for submission: (DD/MM/YYYY)
5. Number of units affected: 6. Coverage of action: (select one) ☐ Part of the development ☐ Total development

B. Section 8 Tenant Based Assistance **

1. Yes ☐ No: Does the PHA plan to administer a Section 8 Homeownership program pursuant to Section 8(y) of the U.S.H.A. of 1937, as implemented by 24 CFR part 982 ? (If "No", skip to component 12; if "yes", describe each program using the table below (copy and complete questions for each program identified), unless the PHA is eligible to complete a streamlined submission due to high performer status. **High performing PHAs** may skip to component 12.)

****TDHCA has been working with various Public Housing Authorities, lenders, builders, the U. S. Department of Agriculture, Rural Development Program and HUD, to implement a demonstration project for Section 8 Homeownership.**

2. Program Description:

a. Size of Program

☐ Yes ☐ No: Will the PHA limit the number of families participating in the section 8 homeownership option?

If the answer to the question above was yes, which statement best describes the number of participants? (select one)

☐ 25 or fewer participants
☐ 26 - 50 participants
☐ 51 to 100 participants
☐ more than 100 participants

b. PHA-established eligibility criteria

☐ Yes ☐ No: Will the PHA's program have eligibility criteria for participation in its Section 8 Homeownership Option program in addition to HUD criteria?
If yes, list criteria below:

12. PHA Community Service and Self-sufficiency Programs
[24 CFR Part 903.7 9 (l)]
Exemptions from Component 12: High performing and small PHAs are not required to complete this component. Section 8-Only PHAs are not required to complete sub-component C.

A. PHA Coordination with the Welfare (TANF) Agency

1. Cooperative agreements:

☐ Yes ☒ No: Has the PHA has entered into a cooperative agreement with the TANF Agency, to share information and/or target supportive services (as contemplated by section 12(d)(7) of the Housing Act of 1937)?

If yes, what was the date that agreement was signed? DD/MM/YY

2. Other coordination efforts between the PHA and TANF agency (select all that apply)

☐ Client referrals
☐ Information sharing regarding mutual clients (for rent determinations and otherwise)
☐ Coordinate the provision of specific social and self-sufficiency services and programs to eligible families
☐ Jointly administer programs
☐ Partner to administer a HUD Welfare-to-Work voucher program
☐ Joint administration of other demonstration program
☐ Other (describe)

B. Services and programs offered to residents and participants

(1) General

a. Self-Sufficiency Policies ****(see below)**
Which, if any of the following discretionary policies will the PHA employ to enhance the economic and social self-sufficiency of assisted families in the following areas? (select all that apply)

☐ Public housing rent determination policies
☐ Public housing admissions policies
☐ Section 8 admissions policies
☐ Preference in admission to section 8 for certain public housing families
☐ Preferences for families working or engaging in training or education programs for non-housing programs operated or coordinated by the PHA
☐ Preference/eligibility for public housing homeownership option participation
☐ Preference/eligibility for section 8 homeownership option participation

☐ Other policies (list below)

****TDHCA has submitted letters requesting an exception to the San Antonio and Fort Worth HUD offices. Additionally, a draft of the FSS Action Plan was submitted to the Fort Worth office requesting implementation of the program in Brazoria County to serve as our model in fulfilling the FFS Program of the mandatory size for all three (3) HUD service regions. Presently awaiting HUD response.**

b. Economic and Social self-sufficiency programs

☐ Yes ☐ No: Does the PHA coordinate, promote or provide any programs to enhance the economic and social self-sufficiency of residents? (If "yes", complete the following table; if "no" skip to sub-component 2, Family Self Sufficiency Programs. The position of the table may be altered to facilitate its use.)

Services and Programs				
Program Name & Description (including location, if appropriate)	Estimated Size	Allocation Method (waiting list/random selection/specific criteria/other)	Access (development office / PHA main office / other provider name)	Eligibility (public housing or section 8 participants or both)

<u>(2) Family Self Sufficiency program/s</u>

a. Participation Description

Family Self Sufficiency (FSS) Participation

Program	Required Number of Participants (start of FY 2000 Estimate)	Actual Number of Participants (As of: DD/MM/YY)
Public Housing		
Section 8		

b. ☐ Yes ☐ No: If the PHA is not maintaining the minimum program size required by HUD, does the most recent FSS Action Plan address the steps the PHA plans to take to achieve at least the minimum program size?
If no, list steps the PHA will take below:

C. Welfare Benefit Reductions

1. The PHA is complying with the statutory requirements of section 12(d) of the U.S. Housing Act of 1937 (relating to the treatment of income changes resulting from welfare program requirements) by: (select all that apply)

- ☐ Adopting appropriate changes to the PHA's public housing rent determination policies and train staff to carry out those policies
- ☐ Informing residents of new policy on admission and reexamination
- ☐ Actively notifying residents of new policy at times in addition to admission and reexamination.
- ☐ Establishing or pursuing a cooperative agreement with all appropriate TANF agencies regarding the exchange of information and coordination of services
- ☐ Establishing a protocol for exchange of information with all appropriate TANF agencies
- ☐ Other: (list below)

D. Reserved for Community Service Requirement pursuant to section 12(c) of the U.S. Housing Act of 1937

13. PHA Safety and Crime Prevention Measures *N/A to Agency

[24 CFR Part 903.7 9 (m)]

Exemptions from Component 13: High performing and small PHAs not participating in PHDEP and Section 8 Only PHAs may skip to component 15. High Performing and small PHAs that are participating in PHDEP and are submitting a PHDEP Plan with this PHA Plan may skip to sub-component D.

A. Need for measures to ensure the safety of public housing residents

1. Describe the need for measures to ensure the safety of public housing residents (select all that apply)

- ☐ High incidence of violent and/or drug-related crime in some or all of the PHA's developments
- ☐ High incidence of violent and/or drug-related crime in the areas surrounding or adjacent to the PHA's developments
- ☐ Residents fearful for their safety and/or the safety of their children
- ☐ Observed lower-level crime, vandalism and/or graffiti
- ☐ People on waiting list unwilling to move into one or more developments due to perceived and/or actual levels of violent and/or drug-related crime
- ☐ Other (describe below)

2. What information or data did the PHA used to determine the need for PHA actions to improve safety of residents (select all that apply).

- ☐ Safety and security survey of residents
- ☐ Analysis of crime statistics over time for crimes committed "in and around" public housing authority
- ☐ Analysis of cost trends over time for repair of vandalism and removal of graffiti
- ☐ Resident reports
- ☐ PHA employee reports
- ☐ Police reports
- ☐ Demonstrable, quantifiable success with previous or ongoing anticrime/anti drug programs
- ☐ Other (describe below)

3. Which developments are most affected? (list below)

B. Crime and Drug Prevention activities the PHA has undertaken or plans to undertake in the next PHA fiscal year

1. List the crime prevention activities the PHA has undertaken or plans to undertake: (select all that apply)

- ☐ Contracting with outside and/or resident organizations for the provision of crime- and/or drug-prevention activities
- ☐ Crime Prevention Through Environmental Design
- ☐ Activities targeted to at-risk youth, adults, or seniors
- ☐ Volunteer Resident Patrol/Block Watchers Program
- ☐ Other (describe below)

2. Which developments are most affected? (list below)

C. Coordination between PHA and the police

1. Describe the coordination between the PHA and the appropriate police precincts for carrying out crime prevention measures and activities: (select all that apply)

- ☐ Police involvement in development, implementation, and/or ongoing evaluation of drug-elimination plan
- ☐ Police provide crime data to housing authority staff for analysis and action
- ☐ Police have established a physical presence on housing authority property (e.g., community policing office, officer in residence)
- ☐ Police regularly testify in and otherwise support eviction cases
- ☐ Police regularly meet with the PHA management and residents
- ☐ Agreement between PHA and local law enforcement agency for provision of above-baseline law enforcement services
- ☐ Other activities (list below)

2. Which developments are most affected? (list below)

D. Additional information as required by PHDEP/PHDEP Plan

PHAs eligible for FY 2000 PHDEP funds must provide a PHDEP Plan meeting specified requirements prior to receipt of PHDEP funds.

☐ Yes ☐ No: Is the PHA eligible to participate in the PHDEP in the fiscal year covered by this PHA Plan?

☐ Yes ☐ No: Has the PHA included the PHDEP Plan for FY 2000 in this PHA Plan?

☐ Yes ☐ No: This PHDEP Plan is an Attachment. (Attachment Filename: ___)

14. RESERVED FOR PET POLICY

[24 CFR Part 903.7 9 (n)]

15. Civil Rights Certifications

[24 CFR Part 903.7 9 (o)]

Civil rights certifications are included in the PHA Plan Certifications of Compliance with the PHA Plans and Related Regulations.

16. Fiscal Audit

[24 CFR Part 903.7 9 (p)]

1. ☒ Yes ☐ No: Is the PHA required to have an audit conducted under section 5(h)(2) of the U.S. Housing Act of 1937 (42 U S.C. 1437c(h))? (If no, skip to component 17.)
2. ☒ Yes ☐ No: Was the most recent fiscal audit submitted to HUD?
3. ☒ Yes ☐ No: Were there any findings as the result of that audit?
4. Yes XX No: If there were any findings, do any remain unresolved? If yes, how many unresolved findings remain?
5. Yes ☐ No: Have responses to any unresolved findings been submitted to HUD? If not, when are they due (state below)?

17. PHA Asset Management *N/A to Agency

[24 CFR Part 903.7 9 (q)]

Exemptions from component 17: Section 8 Only PHAs are not required to complete this component. High performing and small PHAs are not required to complete this component.

1. ☐ Yes ☐ No: Is the PHA engaging in any activities that will contribute to the long-term asset management of its public housing stock, including how the Agency will plan for long-term operating, capital investment, rehabilitation, modernization, disposition, and other needs that have **not** been addressed elsewhere in this PHA Plan?

2. What types of asset management activities will the PHA undertake? (select all that apply)

☐ Not applicable
☐ Private management
☐ Development-based accounting
☐ Comprehensive stock assessment
☐ Other: (list below)

3. ☐ Yes ☐ No: Has the PHA included descriptions of asset management activities in the **optional** Public Housing Asset Management Table?

18. Other Information

[24 CFR Part 903.7 9 (r)]

A. Resident Advisory Board Recommendations

1. **X** Yes ☐ No: Did the PHA receive any comments on the PHA Plan from the Resident Advisory Board/s? ***Notice of 2003 public hearings was mailed to all tenants with active contracts in December 2002.**

2. If yes, the comments are: (if comments were received, the PHA **MUST** select one)

☐ Attached at Attachment (File name)

X Provided below:

Only 2 comments received:

OK

Section 8 is of great help for people in need.

3. In what manner did the PHA address those comments? (select all that apply)

X Considered comments, but determined that no changes to the PHA Plan were necessary.

☐ The PHA changed portions of the PHA Plan in response to comments
List changes below:

☐ Other: (list below)

B. Description of Election process for Residents on the PHA Board

1. ☐ Yes ☒ No: Does the PHA meet the exemption criteria provided section 2(b)(2) of the U.S. Housing Act of 1937? (If no, continue to question 2; if yes, skip to sub-component C.)

2. ☐ Yes ☐ No: Was the resident who serves on the PHA Board elected by the residents? (If yes, continue to question 3; if no, skip to sub-component C.)**

****As of the date of this plan, the Governor of Texas has not appointed a Section 8 resident to the Board of Directors of the Texas Department of Housing and Community Affairs. The Appointments Office of the Governor continues to explore this issue.**

3. Description of Resident Election Process

a. Nomination of candidates for place on the ballot: (select all that apply)

☐ Candidates were nominated by resident and assisted family organizations

☐ Candidates could be nominated by any adult recipient of PHA assistance

☐ Self-nomination: Candidates registered with the PHA and requested a place on ballot

☐ Other: (describe)

b. Eligible candidates: (select one)

☐ Any recipient of PHA assistance

☐ Any head of household receiving PHA assistance

☐ Any adult recipient of PHA assistance

☐ Any adult member of a resident or assisted family organization

☐ Other (list)

c. Eligible voters: (select all that apply)

☐ All adult recipients of PHA assistance (public housing and section 8 tenant-based assistance)
☐ Representatives of all PHA resident and assisted family organizations
☐ Other (list)

C. Statement of Consistency with the Consolidated Plan

For each applicable Consolidated Plan, make the following statement (copy questions as many times as necessary).

1. Consolidated Plan jurisdiction: (provide name here)
   State of Texas Consolidated Plan

2. The PHA has taken the following steps to ensure consistency of this PHA Plan with the Consolidated Plan for the jurisdiction: (select all that apply)

☒ The PHA has based its statement of needs of families in the jurisdiction on the needs expressed in the Consolidated Plan/s.
☒ The PHA has participated in any consultation process organized and offered by the Consolidated Plan agency in the development of the Consolidated Plan.
☒ The PHA has consulted with the Consolidated Plan agency during the development of this PHA Plan.
☒ Activities to be undertaken by the PHA in the coming year are consistent with the initiatives contained in the Consolidated Plan. (list below)

☐ Other: (list below)

3. The Consolidated Plan of the jurisdiction supports the PHA Plan with the following actions and commitments: (describe below)

A.	PHA Goal:	Expand the supply of assisted housing
	TDHCA:	By applying for additional vouchers should they become available
B.	PHA Goal:	Improve the quality of assisted housing
	TDHCA:	By improving voucher management

D. Other Information Required by HUD

Use this section to provide any additional information requested by HUD.

Significant Amendments or Modifications

- **Changes to rent or admissions policies or organization of the waiting list;**
- **Addition of new activities not presently in the plan;**

TDHCA will submit a revised plan that has met full public process requirements. The amendment or modification may not be implemented until approved by HUD.

Attachments

Use this section to provide any additional attachments referenced in the Plans.

5-Year Plan Mission and Goals
PROGRESS STATEMENT

The mission of the Texas Department of Housing and Community Affairs (TDHCA) is to help Texans achieve an improved quality of life through the development of better communities. TDHCA offers opportunities for rental housing to lower-income families by utilizing existing housing. The Department also provides a mechanism for low-income families to obtain housing in non-impacted areas, thus avoiding concentration of assisted housing.

TDHCA management has met with several PHAs to explore ways to develop and provide additional housing and/or services to potential and current Section 8 tenants. Also, management has been working with various PHAs, lenders and builders across the state of Texas to determine how best to utilize Section 8 vouchers to support homeownership for very low-income families.

TDHCA is addressing the Supreme Court Olmstead Decision by allocating funds to help individuals with disabilities move from institutions to conventional housing. Funds in the amount of $2,000,000 has been set-aside for the Tenant Based Rental Assistance Program (TBRA). TBRA helps households with rental subsidies and security deposits.

TDHCA will continue exploring ways to make additional safe, sanitary and decent housing available in some of the smaller areas which does not have adequate housing stock. Program staff continues to strive to improve overall performance and compliance with requirements of the law, regulations and other directives. The Department will continue to make efforts to collaborate with other programs that will improve the living conditions of Section 8 residents and maximize utilization of the vouchers.

PHA Plan
Table Library

Component 7
Capital Fund Program Annual Statement
Parts I, II, and II

Annual Statement
Capital Fund Program (CFP) Part I: Summary

Capital Fund Grant Number FFY of Grant Approval: (MM/YYYY)

☐ Original Annual Statement

Line No.	Summary by Development Account	Total Estimated Cost
1	Total Non-CGP Funds	
2	1406 Operations	
3	1408 Management Improvements	
4	1410 Administration	
5	1411 Audit	
6	1415 Liquidated Damages	
7	1430 Fees and Costs	
8	1440 Site Acquisition	
9	1450 Site Improvement	
10	1460 Dwelling Structures	
11	1465.1 Dwelling Equipment-Nonexpendable	
12	1470 Nondwelling Structures	
13	1475 Nondwelling Equipment	
14	1485 Demolition	
15	1490 Replacement Reserve	
16	1492 Moving to Work Demonstration	
17	1495.1 Relocation Costs	
18	1498 Mod Used for Development	
19	1502 Contingency	
20	**Amount of Annual Grant (Sum of lines 2-19)**	
21	Amount of line 20 Related to LBP Activities	
22	Amount of line 20 Related to Section 504 Compliance	
23	Amount of line 20 Related to Security	
24	Amount of line 20 Related to Energy Conservation Measures	

Annual Statement
Capital Fund Program (CFP) Part II: Supporting Table

Development Number/Name HA-Wide Activities	General Description of Major Work Categories	Development Account Number	Total Estimated Cost

Annual Statement
Capital Fund Program (CFP) Part III: Implementation Schedule

Development Number/Name HA-Wide Activities	All Funds Obligated (Quarter Ending Date)	All Funds Expended (Quarter Ending Date)

Optional Table for 5-Year Action Plan for Capital Fund (Component 7)

Complete one table for each development in which work is planned in the next 5 PHA fiscal years. Complete a table for any PHA-wide physical or management improvements planned in the next 5 PHA fiscal year. Copy this table as many times as necessary. Note: PHAs need not include information from Year One of the 5-Year cycle, because this information is included in the Capital Fund Program Annual Statement.

<table>
<tr><th colspan="4">Optional 5-Year Action Plan Tables</th><th></th></tr>
<tr><th>Development Number</th><th>Development Name
(or indicate PHA wide)</th><th>Number Vacant Units</th><th colspan="2">% Vacancies
in Development</th></tr>
<tr><td></td><td></td><td></td><td colspan="2"></td></tr>
<tr><th colspan="3">Description of Needed Physical Improvements or Management Improvements</th><th>Estimated Cost</th><th>Planned Start Date
(HA Fiscal Year)</th></tr>
<tr><td colspan="3"></td><td></td><td></td></tr>
<tr><td colspan="3">Total estimated cost over next 5 years</td><td></td><td></td></tr>
</table>

Optional Public Housing Asset Management Table

See Technical Guidance for instructions on the use of this table, including information to be provided.

Public Housing Asset Management								
opment fication		Activity Description						
	Number and Type of units	Capital Fund Program Parts II and III *Component 7a*	Development Activities *Component 7b*	Demolition / disposition *Component 8*	Designated housing *Component 9*	Conversion *Component 10*	Home-ownership *Component 11a*	

Approval of the 2003 Mortgage Revenue Bond Maximum Income Limits

To preserve the tax-exempt nature of the bonds, bond financed properties are required to lease at least twenty percent of the total units on the property to low-income individuals and families earning 50%, 60%, or 80% of Area Median Income (AMI).

Pre-1986 tax code requires the owner to lease a minimum of twenty percent of the units to Low-income (LI) households whose income is 80% or less of AMI. Current code requires the owner to elect a minimum set-aside of 20% of the units for households earning 50% or less of AMI or 40% of the units at 60% of AMI. HUD annually issues the limits for the Low Income households; therefore, no board action is necessary.

In addition to the federal requirements, regulatory documents also require that 100% of the residents be Eligible, i.e. qualify under an eligible income limit. For the earlier bond issues, the financing documents contain language that requires the Board to review the income limits for Eligible Tenants annually. A 1991 Board resolution requires the Board to make the Eligibility determination each year.

The Department calculates eligibility limits for two groups, households comprised of one individual, and households with two or more members. In 1992, the Board established 110% and 140% of the Dallas AMI as the “Eligible Tenant” income levels for these 2 groups. Therefore using the established calculations the one-person eligible limit is 110% of the Dallas AMI, and the limit for two or more member households is 140% of the Dallas AMI.

The Eligible Tenant income levels affect all projects except those financed with bond series dating 1997 and beyond. For bond series issued starting in 1997 the Eligible limits adjusts automatically when HUD releases its annual income and rent limit adjustments. The documents set the maximum Eligible limits at 140% of AMI; therefore, no Board action is required.

RECOMMENDATION:

Staff recommends the Board approve the eligibility limits as evidence on the attachment titled 2003 Proposed Multi-Family Mortgage Revenue Bond Maximum Income Limits

Proposed 2003 Multi-Family Mortgage Revenue Bond
Maximum Income Limits

Income Limit Adjustment for all Tenants

Annually the Board of TDHCA reviews the limits for those applicable projects to determine whether or not to increase the eligibility limit for properties financed with tax-exempt bonds. The proposed income levels for 2003 are as follows:

	Move-in Limit	125% Renewal
A. Tenant is a person who occupies a unit in the Development alone.	$71, 500	$89,375
B. For a household comprised of two or more members	$91,000	$113,750

Recommendation

Staff recommends the Board approve these limits as the eligibility limits for 2003.

AUDIT COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine, Board Room, Fourth Floor, Austin, Texas 78701
March 13, 2003 8:30 a.m.

A G E N D A

CALL TO ORDER, ROLL CALL **CERTIFICATION OF QUORUM**	Vidal Gonzalez Chair

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

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

Item 1	Presentation, Discussion and Possible Approval of Minutes of Audit Committee Meeting of February 13, 2003	Vidal Gonzalez
Item 2	Presentation, Discussion and Possible Approval of FY2003 Annual Internal Audit Plan	David Gaines
Item 3	Presentation and Discussion of Reports: a) Internal Audit – Communications with Audit Committee Letter b) External Audit - Opinion Audit on FY2002 Basic Financial Statements c) External Audit – Opinion Audit on FY2002 Revenue Bond Program Financial Statements d) External Audit – Opinion Audit of FY2002 Computation of Unencumbered Fund Balances e) External Audit – Report to Management (Management Letter) f) Internal Audit – Low Income Housing Tax Credit Inspection Fee Balances Due From/Due to Project Owners g) Status of Internal/External Audits	David Gaines

ADJOURN	Vidal Gonzalez Chair

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact the Board Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 and request the information.

Individuals who require auxiliary aids, services or translators for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.

AUDIT COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine Street, Room 437, Austin, Texas 78701
February 13, 2003 8:30 a.m.

Summary of Minutes

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM
The Audit Committee Meeting of the Texas Department of Housing and Community Affairs of February 13, 2003 was called to order by Chair Vidal Gonzalez at 8:33 a.m. It was held at the Texas Department of Housing and Community Affairs Boardroom, Austin, Texas. Roll call certified a quorum was present.

Members present:
Vidal Gonzalez -- Chair
Elizabeth Anderson - Member
Shad Bogany – Member

Staff of the Texas Department of Housing and Community Affairs was also present.

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

Mr. Gonzalez called for public comment and no one wished to give comments at this time but would comment at the presentation of the agenda items.

REPORT ITEMS
(1) Presentation, Discussion and Possible Approval of Minutes of Audit Committee Meetings of October 10, 2002 and November 14, 2002
Motion made by Beth Anderson and seconded by Shad Bogany to approve the minutes of the Audit Committee Meetings of October 10, 2002 and November 14, 2002.
Passed Unanimously

Mr. David Gaines, Director of Internal Auditing, introduced a new employee in the Internal Auditing Division and she is Kelly Crawford and everyone welcomed her to the department.

(2) Presentation and Discussion of Reports:
a) Quality Assurance Review of TDHCA Internal Auditing Division
Mr. Gaines stated this is an independent review of the Department's internal audit function that is required by the Texas Internal Auditing Act and Professional Standards.

<u>Catherine Melvin, CPA, Director of Internal Audit, Texas Dept. of Protective & Regulatory Services</u>
Ms. Melvin stated this is a mandatory requirement of all internal audit areas, to have a peer review. The purpose of the review is to ensure compliance. She reported that the TDHCA Internal Audit function fully complies with all requirements and is highly regarded at TDHCA. This division performs valuable assistance to management and the Board and this division maintains a strong agency presence, fully supported by the Board. She suggested TDHCA update its Internal Audit Charter and suggested a Board review of Internal Audit resources periodically.

b) FDIC's 2002 Annual Review of Department's Administration of the Affordable Housing Disposition Program
Mr. Gaines stated this review relates to the department ensuring that the owners of Affordable Housing Disposition Program properties satisfactorily live up to the commitments defined in their related land use restriction agreements. This report concludes that TDHCA continues to provide

an exceptional work product.

c) SAO Report, *A Legislative Summary Document Regarding TDHCA*

Mr. Gaines stated this was prepared by the SAO for legislative members, Sunset staff and oversight committees of TDHCA. The audits listed several years of audits. The SAO concluded that the department had reasonable processes in place for estimating revenues and legislative appropriations requested. They did express concerns that the department did not have written procedures for estimating expenditures. TDHCA continues to negotiate with HUD on its required corrective action relating to several issues.

d) SAO Report, *Performance Measurement Certification Audit*

Mr. Gaines stated this report is an audit by the SAO on the performance measures at 14 different agencies.

Victoria Harris, Audit Manager, SAO, Austin, Texas

Ms. Harris stated the objectives of the audit were to determine whether or not TDHCA is accurately reporting its key performance measures results into the automated budget database. There are definitions and designations for performance measures results. One is certify – which means when the results were calculated, they were accurate and control systems are expected. To be accurate, the agency must be within a plus-or-minus 5% variance of the recalculated results. The effective control system should provide assurance that the information is properly collected, calculated and correctly report. The department's reliability percentage rate was 43%. None of the seven audit measures were both accurate and had effective controls in place. Three measures were certified and are considered reliable. Four of the seven selected measures can not be relied upon. These were designated as inaccurate.

They also found the department did not have adequate control systems in place to reasonable assure the accuracy of reported results for any of these auditing measures. The department has agreed to implement all recommendations and make sure all measures are both accurate and have effective controls in place.

e) Status of Prior Audit Issues

Mr. Gaines stated there are sixteen issues being reported. Seven are being reported as implemented; eight have been reported as in the process of implementation and one issue is delayed. Of the eight issues in the process of implementation, six of those related to the HOME Program. TDHCA continues to work with HUD.

Ms. Anderson stated she was concerned that TDHCA develops creative ways to have effective programs in the Colonias, including contract for deed. This may mean tighter coordination with the Water Development Board or whatever it takes, but she wants an effective program in the Colonias.

f) Status of LIHTC Inspection Fees

Mr. Gaines stated the tax credit division continues to investigate project-based details, supporting balances due from and due to project owners. There is about $203,000 in fees due from project owners. During the last week 56 projects were billed for $108,000 and TDHCA expects to bill about $40,000 shortly.

g) Status Report on Central Database Project

Mr. David Gaines stated the majority of the work that has been performed is for the Compliance Monitoring Tracking System and Fund Allocation Contract Module. The development phase of the Compliance Monitoring Tracking System is complete. Tax credit data that was not entered in the past now has to be captured in an automated data format. He stated if appropriated funds don't materialize for resources for the database, the department intends to continue developing the system with the resources it has on staff.

ADJOURN

Motion made by Beth Anderson and seconded by Shad Bogany to adjourn the meeting.

Passed Unanimously

The meeting adjourned at 9:50 a.m.

Respectfully submitted,

Board Secretary
p:dg/auminnv

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
PROPOSED INTERNAL AUDIT PLAN
FISCAL YEAR 2003

PROJECT	GENERAL OBJECTIVES
Planned Internal Audits/Other Audit Functions	
TDHCA Fees Review	To assess the effectiveness of the Department's controls over the fee collection process to ensure that authorized fees are collected and properly accounted for.
Manufactured Housing Fees Review	To assess the effectiveness of Manufactured Housing's controls over the fee collection process to ensure that authorized fees are collected and properly accounted for.
Review of the Draw Process	To determine that draws are properly accounted for, adequately supported, and in compliance with Department standards.
Peer Review	To conduct Peer Review pursuant to Texas Government Code §2107.007 as arranged through the State Agency Internal Audit Forum (SAIAF) QAR program to fulfill obligation of reciprocation for Peer Review received by TDHCA in the 2002 Fiscal Year.
Follow-up on Prior Audit Issues	To track the status of prior audit issues for management/board report purposes and to ascertain that appropriate action is taken on reported audit findings.
Other Projects	
To serve as non-voting Chair of the Central Database Steering Committee charged with directing and monitoring the development of the Department's Central Database.	
To develop an annual audit plan for FY 2004 pursuant to the Texas Internal Auditing Act.	
To prepare an annual internal auditing report for FY 2003 pursuant to the Texas Internal Auditing Act.	
To coordinate and assist external auditors.	

December 20, 2002

The Audit Committee of Board of Trustees
Texas Department of Housing and Community Affairs

We have audited the consolidated financial statements of the Texas Department of Housing and Community Affairs (the "Department") for the year ended August 31, 2002, and have issued our report thereon dated December 20, 2002.

Our professional standards require that we communicate with you concerning certain matters that may be of interest to you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Department is responsible. We have prepared the following comments to assist you in fulfilling that obligation

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITES STATES OF AMERICA AND *GOVERNMENT AUDITING STANDARDS* ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES

Our responsibility under auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and *Government Auditing Standards* issued by the Comptroller General of the United States has been described to you in our engagement letter. As described in that letter, those standards require, among other things, that we obtain an understanding of the Department's internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. We have issued a separate report to you, dated December 20, 2002, containing our comments on the Department's internal control.

SIGNIFICANT ACCOUNTING POLICIES

The Department's significant accounting policies are set forth in Note 1 to the Department's 2002 basic financial statements. During the year ended August 31, 2002, the Department adopted the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," GASB Statement No. 37, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures." The effect of the implementation of these standards is discussed in Note 1 to the basic financial statements.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Department's 2002 financial statements include the allowance for doubtful accounts and accumulated depreciation.

AUDIT ADJUSTMENTS

Our audit was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. In addition, we are obligated by generally accepted auditing standards to inform you of any adjustments arising from the audit that could, in our judgment, either individually or the aggregate, have a significant effect on the Department's financial reporting process. There were no significant audit adjustments in 2002.

In addition, we are obligated by generally accepted auditing standards to inform you about uncorrected misstatements (regardless of whether they have a significant effect on the financial reporting process) aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. There are no such uncorrected misstatements, as all misstatements detected in our audit have been corrected by management.

OTHER INFORMATION IN THE FINANCIAL STATEMENTS

When audited financial statements are included in documents containing other information such as the schedules included with the basic financial statements, generally accepted auditing standards require that we read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We have read the other information in the schedules and have inquired as to the methods of measurement and presentation of such information. If we had noted a material inconsistency, or if we had obtained any knowledge of a material misstatement of fact in the other information, we would have discussed this matter with management.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Department's 2002 financial statements. We received the full cooperation of management during our audit.

CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2002.

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION

Throughout the year, routine discussions regarding the application of accounting principles or auditing standards were held with management in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions were not held in connection with our retention as auditors.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of the Department's management and staff and had unrestricted access to the Department's senior management in the performance of our audit.

MANAGEMENT ADVISORY SERVICES

The Department did not engage us to perform any management advisory services during 2002.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the Department and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss this report with you further at your convenience.

Yours truly,

Deloitte + Touche LLP

External Audit - Opinion Audit on FY 2002 Basic Financial Statements

See Path:
http://tdhca.state.tx.us/pdf/03-BasicFinancialStatements-030116.pdf

Texas Department of Housing and Community Affairs - Revenue Bond Program

Financial Statements
Year Ended August 31, 2002, and
Independent Auditors' Report

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS - REVENUE BOND PROGRAM

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

The Honorable Rick Perry, Governor, and the Board of Directors
Texas Department of Housing and Community Affairs

We have audited the accompanying statement of net assets of Texas Department of Housing and Community Affairs - Revenue Bond Program (the "Program") as of August 31, 2002, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended and supporting schedules 3 through 6 (supplementary information on pages 29 to 45). These financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these financial statements and supporting schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Revenue Bond Program of the Texas Department of Housing and Community Affairs (the "Department") and are not intended to present fairly the financial position of the Department or the results of its operations and the cash flows of its proprietary fund in conformity with accounting principles generally accepted in the United States of America.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Texas Department of Housing and Community Affairs - Revenue Bond Program at August 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, schedules 3 through 6 (supplementary information on pages 29 to 45) present fairly, in all material respects, the information set forth therein.

As described in Note 1 to the basic financial statements, in fiscal year 2002, the Department adopted Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures.*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information by bond program, included as Schedules 1 and 2, listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. These schedules are also the responsibility of the Program's management. Such schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly presented in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

November 20, 2002

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS - REVENUE BOND PROGRAM

STATEMENT OF NET ASSETS
AUGUST 31, 2002

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents (Notes 2 and 3):	
Cash on hand	$ 200
Cash in bank	21,135
Cash in state treasury	129,423
Cash equivalents	9,859,161
Restricted assets:	
Cash and cash equivalents (Notes 2 and 3):	
Cash in bank	1,166,285
Cash equivalents	78,502,078
Short-term investments	77,843,671
Loans and contracts (Notes 3 and 4)	7,808,841
Interest receivable	9,985,608
Consumable inventories	10,201
Other current assets	259,850
Total current assets	185,586,453
NONCURRENT ASSETS:	
Other receivables (Note 1)	1,000,000
Capital assets:	
Nondepreciable - other capital assets	3,273
Depreciable:	
Furniture and equipment	1,317,061
Less accumulated depreciation	(940,514)
Restricted assets:	
Investments	1,057,738,391
Loans and contracts (Notes 3 and 4)	601,335,148
Other noncurrent assets:	
Deferred issuance cost, net (Note 6)	12,418,092
Real estate owned, net (Note 5)	489,799
Total noncurrent assets	1,673,361,250
TOTAL ASSETS	$ 1,858,947,703

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS - REVENUE BOND PROGRAM

STATEMENT OF NET ASSETS
AUGUST 31, 2002

LIABILITIES

CURRENT LIABILITIES:	
Payables:	
Accounts payable	$ 580,082
Accrued bond interest payable	22,630,680
Due to other funds	292,378
Due to other agencies	7,472
Deferred revenues	5,962,312
Employees' compensable leave	360,430
Notes and loans payable	12,100,000
Revenue bonds payable (Note 6)	10,134,573
Other current liabilities	2,129,575
Total current liabilities	54,197,502
NONCURRENT LIABILITIES:	
Employees' compensable leave	103,939
Revenue bonds payable (Note 6)	1,596,664,399
Other noncurrent liabilities	103,210,019
Total noncurrent liabilities	1,699,978,357
TOTAL LIABILITIES	$ 1,754,175,859
NET ASSETS:	
Invested in capital assets	$ 379,820
Restricted	93,532,618
Unrestricted	10,859,406
TOTAL NET ASSETS	$ 104,771,844

See accompanying notes to the financial statements. (Concluded)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS - REVENUE BOND PROGRAM

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS YEAR ENDED AUGUST 31, 2002

OPERATING REVENUES:	
Interest and investment income	$ 102,207,695
Net increase in fair value of investments	24,642,250
Other operating revenues	3,458,597
Total operating revenues	130,308,542
OPERATING EXPENSES:	
Salaries and wages	3,285,919
Payroll-related costs	1,079,441
Professional fees and services	379,592
Travel	72,848
Materials and supplies	213,104
Communications and utilities	90,406
Repairs and maintenance	182,024
Rentals and leases	528,574
Printing and reproduction	34,625
Depreciation and amortization	650,190
Interest	94,647,042
Other operating expenses	3,531,167
Total operating expenses	104,694,932
OPERATING INCOME	25,613,610
NON-OPERATING REVENUES (EXPENSES) - Gain on sale of investments	749,726
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS	26,363,336
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS:	
Extraordinary items	(1,857,920)
Transfers in	1,141,095
Total other revenues, expenses, gains, losses, and transfers	(716,825)
CHANGE IN NET ASSETS	25,646,511
NET ASSETS, SEPTEMBER 1, 2001	79,338,812
RESTATEMENTS (Note 11)	(213,479)
NET ASSETS, SEPTEMBER 1, 2001, AS RESTATED	79,125,333
NET ASSETS, AUGUST 31, 2002	$ 104,771,844

See accompanying notes to the financial statements.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS - REVENUE BOND PROGRAM

STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:	
Proceeds from loan programs	$ 51,532,446
Proceeds from other revenues	1,651,430
Payments to suppliers for goods/services	(5,858,785)
Payments to employees	(3,848,574)
Payments for loans provided	(117,364,894)
Net cash used in operating activities	(73,888,377)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Proceeds from debt issuance	423,379,610
Payments for other costs of debt	(3,659,491)
Transfers to other funds	(4,495)
Proceeds from other funds	1,141,095
Payments of principal on debt	(254,895,135)
Payments of interest	(93,620,429)
Net cash provided by noncapital financing activities	72,341,155
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES - Payments for additions to fixed assets	(377,960)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	580,008,900
Proceeds from interest and investment income	65,588,728
Payments to acquire investments	(686,185,992)
Net cash used in investing activities	(40,588,364)
DECREASE IN CASH AND CASH EQUIVALENTS	(42,513,546)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	132,191,828
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 89,678,282

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS - REVENUE BOND PROGRAM

STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2002

CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS/ RESTRICTED CASH AND CASH EQUIVALENTS AND SHORT-TERM TERM INVESTMENTS	$ 167,521,953
SHORT-TERM INVESTMENTS NOT CONSIDERED CASH EQUIVALENTS	(77,843,671)
CASH AND CASH EQUIVALENTS, AUGUST 31, 2002	$ 89,678,282
RECONCILIATION OF CASH FROM OPERATING ACTIVITIES TO OPERATING INCOME:	
Operating income	$ 25,613,610
Adjustments to reconcile operating income to net cash used in operating activities:	
Amortization and depreciation	650,190
Provision for estimated losses	840,310
Operating income and cash flow categories - classification differences	1,432,535
Changes in assets and liabilities:	
Decrease in accrued interest receivable	(859,853)
Decrease in loans	(85,312,141)
Increase in property owned	(358,429)
Decrease in mortgage loan acquisition costs	(410,325)
Decrease in deferred revenues	(732,835)
Decrease in other assets and liabilities, net	(15,342,674)
Decrease in accrued interest payable	591,235
NET CASH USED IN OPERATING ACTIVITIES	$ (73,888,377)

During 2002, loans totaling $207,818 were foreclosed, and the related properties acquired were transferred to real estate owned.

See accompanying notes to the financial statements. (Concluded)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS - REVENUE BOND PROGRAM

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2002

1. GENERAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES

General Statement - The Texas Department of Housing and Community Affairs (the "Department"), was created effective September 1, 1991, by an act of the 72nd Texas Legislature, pursuant to Senate Bill 546 (codified as Article 4413 (501), Texas Revised Civil Statutes) (the "Department Act"), passed by the Texas Legislature on May 24, 1991, and signed by the Governor of the State of Texas. Effective September 1, 1991, the Department was established to assist local governments in helping residents overcome financial, social, and environmental problems; to address low- to moderate-income housing needs; to contribute to the preservation and redevelopment of neighborhoods and communities; to assist the Governor and the Legislature in coordinating federal and state programs affecting local governments; and to continually inform the State and the public about the needs of local government. The Department was created by merging two former agencies: the Texas Housing Agency and the Texas Department of Community Affairs.

The accompanying financial statements represent the financial status of the Revenue Bond Program (the "Program"), which is included in the enterprise fund of the Department and are not intended to present the financial position of the Department or its results of operations or cash flows. The Department is governed by a Governing Board composed of seven members appointed by the Governor with advice and consent of the Senate. The Department is administered by an Executive Director appointed by the Governor with advice and consent of the Senate. The Department is authorized to issue tax-exempt or taxable bonds, notes, or other obligations to finance or refinance multifamily housing developments and single-family residential housing. Bonds and notes of the Department do not constitute a debt of the State or any political subdivision thereof. The Department Act specifically provides for the assumption by the Department of the outstanding indebtedness of the former agencies. The Department is required to continue to carry out all covenants with respect to any bonds outstanding, including the payments of any bonds from the sources provided in the proceedings authorizing such bonds. For financial reporting purposes, the Department is an agency of the State and is included in its reporting entity.

The Program operates several bond programs under separate trust indentures, as follows:

- *Single-Family Bond Program ("Single-Family")* - These bonds are limited obligations of the Department. Bond proceeds were used to originate below-market rate loans for eligible low- and moderate-income residents who were purchasing a residence. These bonds were issued pursuant to a Single-Family Mortgage Revenue Bond Trust Indenture, dated October 1, 1980, and indentures supplemental thereto, and are secured on an equal and ratable basis by the trust estate established by such trust indentures.

- *Residential Mortgage Revenue Bond Program ("RMRB")* - Eight series (three of which have been refunded) of these bonds have been issued pursuant to the RMRB master indenture and seven separate Series Supplements, and are secured on an equal and ratable basis by the trust estates established by such trust indentures. Proceeds from the 1987 A Bonds were used to purchase single-family loans, while proceeds from the remaining RMRB bond issues were used to purchase pass-through certificates created through the origination of single-family loans.

- *Collateralized Home Mortgage Revenue Bond Program ("CHMRB")* - The Department issued six series of bonds pursuant to the CHMRB Trust Indenture with separate supplements for each series. The bonds are secured on an equal and ratable basis. Proceeds from the bonds are being used to purchase pass-through certificates created through the funding of loans made to finance the purchase by eligible borrowers of new and existing single-family residences in the state.

- *Multifamily Housing Revenue Bond Programs ("Multifamily")* - These bonds were issued pursuant to separate trust indentures and are secured by individual trust estates, which are not on an equal and ratable basis with each other. The bonds are limited obligations of the Department and are payable solely from the payments received from the assets and guarantors, which secure the individual trust indentures. Under these programs, the proceeds were either provided to nonprofit and for-profit developers of multifamily properties to construct or rehabilitate rental housing or used to refund other multifamily bonds issued for the same purposes.

- *Collateralized Home Mortgage Revenue Bond Program - Series 1994 and 1995 ("COBs")* - On November 1, 1994, the Department issued Single-Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bond Program), Series 1994, in the amount of $84,140,000. This bond program was issued as a Private Placement Memorandum with Federal National Mortgage Association ("FNMA"). The Series 1994 and 1995 COBs were issued to provide funds for the purchase of mortgage-backed, pass-through certificates backed by qualifying FHA-insured, VA-guaranteed, FMHA-guaranteed mortgage loans, or conventional mortgage loans acceptable for pooling by FNMA, made to eligible borrowers for single-family residences.

- *Commercial Paper Notes* - By resolution adopted November 10, 1994, the Department's Board has authorized the issuance of two series of commercial paper notes: its Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series A, and its Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series B (collectively, the "Notes"). Pursuant to the resolution, the Department is authorized to issue the Notes in an aggregate principal amount not to exceed $75,000,000 outstanding. Proceeds of the initial issuance of the Notes and of future issues not issued to refund outstanding Notes will be used to redeem certain of the Department's single-family mortgage revenue bonds (the "Refunded Bonds"), which are subject to redemption as a result of the receipt by the Department of prepayments of the related underlying mortgage loans. Such prepayments may, at a future date, be recycled into new mortgage loans by the Department. The Notes are being issued in anticipation of the issuance of refunding bonds that will refund the Notes.

- *Housing Trust Fund* - The Department Act provided for a transfer of a portion of the unencumbered fund balance from the bond programs for use in the Housing Trust Fund. The Housing Trust Fund will be used to provide assistance for low- and very-low-income persons and families in financing, acquiring, rehabilitating, and developing affordable, decent, and safe housing. The Housing Trust Fund will be made available to local units of government, public housing authorities, the Department, community housing development organizations, and nonprofit organizations, as well as eligible low- and very-low-income individuals and families.

- *Continuance Subject to Review* - Under the Texas Sunset Act, the Department will be abolished effective September 1, 2003, unless it is continued in existence as provided in the Texas Sunset Act. If abolished, the Department may continue in existence until September 1, 2004, to close out its operations.

Implementation of New Accounting Principles - For fiscal year 2002, the Department has implemented GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for*

State and Local Governments; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Disclosures*.

Significant Accounting Policies - The significant accounting policies of the Fund are as follows:

a. *Fund Accounting* - The Program's financial statements have been prepared on the basis of the governmental proprietary fund concept as set forth by the Governmental Accounting Standards Board ("GASB"). The governmental proprietary fund concept provides that financial activities operated similarly to private business enterprises and financed through fees and charges assessed primarily to users of the services are presented as a proprietary fund. Proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the liability is incurred. The Program has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989, as allowed by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

b *Investments* - The Program follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB Statement No. 31 requires certain types of investments to be reported at fair value on the balance sheet. The Program utilizes established quoted market prices for determining the fair value of its debt securities in reserve funds. Fair value of the Program's securitized mortgage loans ("GNMA/FNMA") has been estimated by each bond issue's trustee using a pricing service.

   The Program has reported all investment securities at fair value as of August 31, 2002, with the exception of certain money market investments and nonparticipating interest-earning investment contracts, which are reported at amortized cost (historical cost adjusted for amortization of premiums and accretion of discounts), provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors (see Note 2).

   In accordance with GASB Statement No. 31, changes in the fair value of investments are reported in the statement of revenues, expenses, and changes in net assets as net increase in fair value of investments.

c. *Mortgage-Backed Securities* - The Program's portfolio of mortgage-backed securities consists of pools of mortgage loans exchanged for mortgage-backed securities or mortgage pass-through certificates.

d. *Note Receivable* - The note receivable represents a long-term receivable from a third party. It is due and payable in 2005.

e. *Loans Receivable* - Loans receivable are carried at the unpaid principal balance outstanding less the allowance for estimated loan losses and deferred commitment fees. Interest on loans is credited to income as earned. Loans are generally placed on nonaccrual status when the Department becomes aware that the borrower has entered bankruptcy proceedings or when the loans are 90 days past due as to either principal or interest or when payment in full of principal and interest is not expected. Deferred commitment fees are recognized using the interest method over the estimated lives of the single-family loans and the contractual lives, adjusted for actual repayments, of the multifamily loans.

f. *Real Estate Owned* - Properties acquired through foreclosure are carried at the unpaid principal balance on the related property plus accrued interest and reimbursable expenses through the date of foreclosure, less any sales proceeds, reimbursements received from mortgage insurers, and an allowance for estimated losses on such properties. After foreclosure, foreclosed assets are carried at lower of cost or fair value minus selling costs.

   Interest on real estate owned is credited to income as earned based on a calculation of interest recoverable in accordance with the Department's agreements with its mortgage insurers.

g. *Allowance for Estimated Losses on Loans and Foreclosed Properties* - The allowance for estimated losses on loans is available for future chargeoffs on single-family and multifamily loans. The allowance for estimated losses on real estate owned is available for future chargeoffs on foreclosed single-family loans.

   All losses are charged to the allowance when the loss actually occurs or when a determination is made that a loss is likely to occur. Periodically, management estimates the likely level of future losses to determine whether the allowances for estimated losses are adequate to absorb anticipated losses in the existing loan and real estate owned portfolios. Based on these estimates, a provision for estimated losses on loans and real estate owned is made to the allowances in order to adjust the allowances to levels estimated to be adequate to absorb reasonably foreseeable losses.

   While management uses available information to recognize losses in the loan and real estate owned portfolios, future adjustments may be necessary based on changes in economic conditions. However, it is the judgment of management that the allowances are currently adequate to absorb reasonably foreseeable losses in the existing loan and real estate owned portfolios.

h. *Commitment Fees* - Commitment fees received in connection with the origination of loans are deferred and recognized using the interest method over the estimated life of the related loans and mortgage-backed securities, or if the commitment expires unexercised, it is credited to income upon expiration of the commitment.

i. *Deferred Issuance Costs* - Deferred issuance costs on bonds are amortized using the interest method over the contractual life of the bonds to which they relate. Prepayments on the bonds result in the proportionate amortization during the current year of the remaining balance of deferred issuance costs.

j. *Discounts and Premiums on Debt* - Discounts and premiums on debt are recognized using the interest method over the life of the bonds or collateralized mortgage obligations to which they relate. Prepayments on the bonds result in the proportionate amortization during the current year of the remaining balance of discounts and premiums on debt.

k. *Restricted Net Assets* - The net assets of the Program are restricted for various purposes of the bond trust indentures.

l. *Invested in Capital Assets* - This component of net assets consists of capital assets, net of accumulated depreciation.

m. *Cash Flows* - For purposes of reporting cash flows, cash and cash equivalents consist of cash and short-term investments with a maturity at the date of purchase of three months or less, which are highly liquid and are readily exchanged for cash at amounts equal to their stated value.

n. *Interfund Transactions* - The Program has transactions between and with other funds of the Department. Quasi-external transactions are charges for services rendered by one fund to another, and they are accounted for as revenue or expense. All other interfund transactions are reported as transfers.

o. *Gain/Loss on Refundings of Debt* - Any gain/loss on refunding of bonds is deferred and amortized as a component of interest expense using the interest method.

p. *Loss on Early Extinguishment of Debt* - Any loss on extinguishment of debt prior to its stated maturity is recorded in the period the debt is retired.

q. *Estimates* - In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheet and the reported revenues and expenses for the period. Actual results could differ significantly from those estimates. Management judgments and accounting estimates are made in the evaluation of the allowance for estimated losses on loans and real estate owned and in determination of the assumptions with respect to prepayments on loans and mortgage-backed securities in the recognition of deferred commitment fees to income.

2. CASH AND CASH EQUIVALENTS, INVESTMENTS, AND MORTGAGE-BACKED SECURITIES

At August 31, 2002, the Program had cash and cash equivalents, investments, and mortgage-backed securities as follows (in thousands):

	Fair Value
Cash and cash equivalents:	
Cash	$ 1,317
Money market accounts	370
Mutual funds	27,755
Guaranteed investment contracts	12,450
Repurchase agreements	33,018
U.S. Treasury securities	14,768
	$ 89,678
Investments:	
Guaranteed investment contracts	$ 323,156
U.S. Treasury securities	6,701
Mortgage-backed securities	805,725
	$ 1,135,582

At August 31, 2002, the Program's bank deposits amounted to $1,187,420, with bank balances of $1,187,420. The entire amount was in a depository fully collateralized by securities held with a Trustee in the Department's name or covered by Federal Deposit Insurance Corporation ("FDIC") insurance coverage. Collateralized cash held by and in the name of paying agents, trustees, and depositories amounted to zero. At August 31, 2002, the Program's cash and deposits in the State Treasury amounted to $129,423. This amount was fully collateralized by securities held with a trustee in the State's name, as reported to the Department of Comptroller of Public Accounts of the State of Texas.

The types of investments in which the Department may invest are restricted by the provisions of the master bond indentures. The indentures generally allow for investments in direct obligations of or guaranteed by the U.S. government, obligations, debentures, notes, or other evidences of indebtedness issued or guaranteed by agencies or intermediaries of the U.S. government, obligations issued by public agencies or municipalities, obligations and general obligations of or guaranteed by the State, demand deposits, interest-bearing time deposits or certificates of deposit, repurchase agreements in U.S. government securities, direct or general obligations of any state within the territorial U.S., investment agreements with any bank or financial institution, commercial paper, and guaranteed investment contracts. Certain trust indentures restrict the Department from investing in certain of the aforementioned investments.

All investments are registered or are securities held by the Department or its agent in the Department's name (Category 1), except for $330,918,050 of investment agreements/contracts at August 31, 2002, which are unsecured. Additionally, the Department held uncategorized investments of approximately $27,755,000 in constant-dollar money market mutual funds that are not subject to collateralization. The Department considers these investment agreements/contracts to be Category 3. Under an agreement with the Department, the counterparty must maintain a rating on long-term, unsecured, unsubordinated debt obligations at "AAA" by Standard & Poor's, "Aaa" by Moody's, and/or other comparable high rating during the term of the agreement/contract. Should the rating fall below the requirement, the counterparty shall either substitute an acceptable replacement guarantor, deliver collateral, or repay the principal of and accrued but unpaid interest on the investment. A summary of investments by type at August 31, 2002, is as follows (in thousands):

	Fair Value
Repurchase and other investment agreements	$ 368,624
Pass-through certificates	805,725
Other U.S. government securities	21,469
Mutual funds*	27,755
Total investments	$ 1,223,573

*These constant-dollar money market mutual funds are not subject to categorization.

Repurchase agreements and other qualified investment agreements with a carrying amount of $381,780,030 at August 31, 2002, are generally secured by U.S. government obligations or other marketable securities with market values in excess of the cost. At August 31, 2002, the agreements were with the following counterparties (amounts in thousands):

Counterparty	
AEGON	$ 6,946
AIG Matched Funding Corporation	4,798
American International Group	41,900
Assured Return Management	9
Bank of America	112
Bayerishone Landesbk	56,602
Berkshire Hathaway	2,617
CDC Funding Corporation	115,754
Citicorp	3,039
Core States Bank	427
Financial Guaranty Insurance Corporation	46,174
FSA Capital Management	11,278
Greenwich	33,010
HSBC Bank USA	13,225
Lehman Brothers	1,042
MBIA Investment	399
Pacific Life Insurance	3,266
Protective Life	1,482
Scott Fetzer Financial	1,000
Societe Generale	3,477
Transamerica Life	15,530
Trinity Funding Company	1,849
Westdeutsche Bank	4,688
	$ 368,624

3. RESTRICTED ASSETS

Cash in bank, cash equivalents, short-term investments, loans and contracts, interest receivable and investments (which includes mortgage-backed securities) totaling $1,517,236, are restricted by the trust indentures of the related bonds and collateralized mortgage obligations. The trust indentures of the Department also require the establishing of funds and accounts for the segregation of assets and restricting the use of bond proceeds and other funds in connection with each bond program. Such restricted assets, primarily investments, are as follows at August 31, 2002 (in thousands):

Program	Mortgage and Debt Service Reserve	Unspent Bond Proceeds	Revenue Fund	Self-Insurance	Rebate Fund
Single-family	$ 1,440	$ 100,255	$ 41,304	$ 1,500	$ 516
RMRB		75,076	17,949	401	269
CHMRB			1,283		
Multifamily	7,157	65,843	1,534		
93 SF CHMRB			1,030		7
94/95 SF CHMRB			1,478		20
Commercial Paper					82
Total	$ 8,597	$ 241,174	$ 64,578	$ 1,901	$ 894

Additionally, deferred issuance costs and real estate owned totaling $12,418 and $490, respectively, are also restricted.

4. LOANS RECEIVABLE

Loans receivable as of August 31, 2002, consisted of the following (in thousands):

Single-family loans	$ 100,962
Multifamily loans	509,662
RMRB (1987 Series A) single-family loans	3,965
Miscellaneous loans	1,024
Total loans	615,613
Deferred commitment fees, net of accumulated amortization of $38,112 in 2002	(2,465)
Allowance for estimated loan losses	(4,004)
Total	$ 609,144

All of the loans made directly by the Department are secured by real estate properties located in the state.

Single-family loans are collateralized by first-lien mortgages on the applicable real estate and (i) are federally insured or guaranteed, or (ii) are insured by a private mortgage insurer approved by the Department for the amount by which the loan exceeds 80% of the original appraised value.

Certain properties acquired through foreclosure are covered by mortgage pool insurance. The mortgage pool insurance covers the unpaid principal balance of the loan at the ultimate date of sale, delinquent interest up to the claim settlement date, and certain other expenses.

The single-family trust indenture requires the Department to obtain and maintain mortgage pool insurance on loans collateralizing each series of bonds issued under that trust indenture. Except with respect to four series, the requirement has been satisfied by purchasing and maintaining a mortgage pool insurance policy for each bond series. For loans collateralizing the other four series of bonds, the Department has entered into Mortgage Pool Self-insurance Fund Agreements ("Agreements") with the trustee. The funding requirements of these Agreements have been met as of August 31, 2002.

Multifamily mortgage and lender loans are collateralized by first-lien mortgages on the applicable housing developments, letters of credit, guarantees provided by third parties, and collateralized mortgage obligations issued by federally chartered, privately owned corporations.

The activity in the allowance for estimated loan losses is as follows (in thousands):

Balance at beginning of year	$ 3,609
Provision for estimated losses on loans	395
Balance at end of year	$ 4,004

5. REAL ESTATE OWNED

Real estate owned for the Program was as follows (in thousands):

Real estate owned	$ 502
Allowance for estimated losses	(12)
Real estate owned, net	$ 490

The activity in the allowance for estimated losses follows (in thousands):

Balance at beginning of year	$ 31
Amounts charged off	(54)
Provision for losses on real estate owned	11
Balance at end of year	$ (12)

The provision for loss on real estate owned was recorded to adjust real estate owned to the estimated fair value less estimated costs of disposal.

6. BONDS PAYABLE

Bonds payable activity for the year ended August 31, 2002, consisted of the following (in thousands):

	Original Face Amount	Balance September 1, 2001	Additions/ Accretions	Maturities/ Prepayments	Balance August 31, 2002	Final Maturity Date	Amounts Due Within One Year
Single-family:							
1991 Series A 4.8% to 7.15%	$ 81,605	$ 17,060	$ -	$ 3,455	$ 13,605	2012	
1994 Series A/B - 8.1% to 9.5%	60,995	5,000		5,000		2016	
1994 Series A - 7%	34,393	6,811	310	7,121		2015	
1995 Series A - 4.15% to 6.15%	85,760	73,725		6,965	66,760	2027	
1995 Series B - 4.95% to 5.4%	9,605	735		735		2008	
1995 Series C - 6.44% to 7.76%	71,760	36,890		4,295	32,595	2017	
1996 Series A - 4.5% to 6.3%	15,000	9,975			9,975	2028	
1996 Series B - 5.5% to 6%	42,140	22,945		7,480	15,465	2017	
1996 Series D - 5.45% to 6.25%	70,760	61,425		4,605	56,820	2028	
1996 Series E - 3.9% to 6%	98,730	60,965		9,130	51,835	2017	$2,250
1997 Series A - 5.25% to 5.80%	44,465	43,575		710	42,865	2029	
1997 Series B - 5.45%	9,510	9,510			9,510	2019	
1997 Series C - 6.80%	25,525	21,155		5,845	15,310	2029	
1997 Series D - 5.65% to 5.70%	44,795	44,795		3,040	41,755	2029	
1997 Series E - 4.50% to 5.00%	20,295	4,975		4,975		2016	
1997 Series F - 6.77%	20,000	16,525		2,845	13,680	2029	
2002 Series A - 7.01%	10,000		10,000		10,000	2026	
2002 Series A - 5.45% to 5.55%	38,750		38,750		38,750	2034	
2002 Series B - 5.35% to 5.55%	52,695		52,695		52,695	2033	
2002 Series C - 2.80% to 5.20%	12,950		12,950		12,950	2017	
2002 Series D - 2.0% to 4.5%	13,605		13,605		13,605	2012	
Total principal amount		436,066	$128,310	$66,201	498,175		$2,250
Unamortized premium		144			1,579		
Unamortized discount and losses on refundings		(4,812)			(4,373)		
Total single-family		$ 431,398			$495,381		

	Original Face Amount	Balance September 1, 2001	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2002	Final Maturity Date	Amounts Due Within One year
RMRB:							
1988 Series A - 6.5% to 7.6%	$ 40,920	$ 31,535	$ -	$ 31,535	$ -	2018	
1989 Series A - 6.6% to 7.6%	44,000	2,285		2,245	40	2016	
1989 Series B - 7.85%	45,000	2,560		2,515	45	2018	
1998 Series A - 4.05% to 5.35%	102,055	97,485		6,860	90,625	2031	$1,840
1998 Series B - 5.30%	14,300	13,955		395	13,560	2022	
1999 Series A - 4.80% to 5.50%	25,615	19,495		3,125	16,370	2021	
1999 Series B-1 - 6.32% to 5.50%	52,260	51,010		1,490	49,520	2032	
1999 Series C - 5.05% to 6.25%	12,150	12,150			12,150	2024	95
1999 Series D - 4.30% to 6.25%	26,355	22,110		9,570	12,540	2021	450
2000 Series A - 5.10% to 6.30%	50,000	49,775		3,565	46,210	2031	525
2000 Series B - 5.70%	82,975	82,960		1,005	81,955	2033	
2000 Series C - 5.85% to 5.82%	13,675	13,670		245	13,425	2025	
2000 Series D - 4.55% to 5.85%	18,265	18,265		450	17,815	2020	410
2000 Series E - 7.45%	10,000	10,000		785	9,215	2033	
2001 Series A - 3.15% to 5.70%	52,715		52,715		52,715	2033	
2001 Series B - 5.0% to 5.25%	15,585		15,585		15,585	2022	
2001 Series C - 2.55% to 4.63%	32,225		32,225		32,225	2015	1,795
2001 Series D - 5.35%	300		300		300	2033	
2001 Series E - 2.2%	54,300		54,300	54,300		2034	
Total principal amount		427,255	$155,125	$118,085	464,295		$5,115
Unamortized premium		1,876			2,996		
Unamortized discount and loss on refundings		(1,990)			(2,514)		
Total RMRB		$427,141			$464,777		
CHMRB:							
1991 Series A - 5.25% to 6.95%	36,000	$ 14,460		$ 14,460	$ -	2023	
1992 Series C - linked rate averaging 6.90%	72,700	70,500		12,200	58,300	2024	
Total principal		84,960		$ 26,660	58,300		
Plus unamortized premium		1,868			1,415		
Total CHMRB		$ 86,828			$ 59,715		
SF MRB CHMRB:							
1993 Series A - 5.85%	$ 11,695	$ 6,440		$ 855	$ 5,585	2025	
1993 Series B - 6.62%	15,000	8,185		1,425	6,760	2025	
1993 Series C - 6.68%	15,000	8,785		1,050	7,735	2025	
1993 Series D - 6.76%	8,000	4,165		725	3,440	2025	
1993 Series E - 6.85%	8,780	3,390		330	3,060	2025	
1994 Series A - 6.85%	35,395	24,310		3,450	20,860	2026	
1994 Series B - 6.4%	33,385	22,415		3,085	19,330	2026	
1994 Series C - 6.25%	15,360	11,365		1,380	9,985	2026	
1995 MRRB Series A - 6.26%	5,825	1,310		630	680	2015	
Total SF MRB CHMRB		$ 90,365		$ 12,930	$ 77,435		

	Original Face Amount	Balance September 1, 2001	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2002	Final Maturity Date	Amounts Due Within One Year
Multifamily:							
1984 Series (Allied Bank Private Placement - Summer Bend at Las Colinas) - variable rate currently at 8%	$10,000	$ 8,180	$ -	$ 60	$ 8,120	2022	
1987 Series (South Texas Rental Housing) - 9.5%	1,400	1,016		52	964	2012	$ 58
1993 Series A and B Refunding (High Point III Development/ Remington Hill Development)	26,370	12,490			12,490	2023	
1993 Residential Rental (National Center) - 3.3% to 5.89%	16,775	14,830		335	14,495	2024	350
1996 Series A and B (Brighton's Mark) - 6.13%	9,748	8,075			8,075	2026	
1996 Series A and B (Marks of Las Colinas) - 5.56%	14,870	14,870			14,870	2026	
1996 Series A and B (Braxton's Mark) - 5.81%	14,274	14,274			14,274	2026	
1996 Series A, B, C, and D (Dallas-Fort Worth) - 6% to 10%	22,150	20,890		335	20,555	2026	355
1996 Series A, B, C, and D (Harbors and Plumtree) - 5.9% to 10%	13,050	12,230		195	12,035	2026	210
1996 Series A and B (NHP Foundation) - 5.50% to 6.4%	27,560	25,915		440	25,475	2027	460
1997 Series (Meadow Ridge) 5.05% to 5.55%	13,575	13,420		290	13,130	2030	180
1998 Series (Pebble Brook) - 4.95% to 5.60%	10,900	10,835		135	10,700	2030	145
1998 Series A, B, and C (Residence Oaks) - 5.98% to 7.18%	8,200	8,148		106	8,042	2030	113
1998 Series (Volente) - 5.00% to 5.63%	10,850	10,785		155	10,630	2031	140
1998 Series (Dallas - Oxford Rfdg.) - 7.25%	10,300	10,300			10,300	2018	
1998 Series (Greens) - 5.2% to 6.03%	13,500	13,430		150	13,280	2030	165
1999 Series (Mayfield) - 5.7% to 7.25%	11,445	11,445		150	11,295	2031	158
1999 Series (Woodglen Village) - 7.38% to 8.25%	10,660	10,660		7	10,653	2039	45
2000 Series (Timber Point) - variable rate	8,100	8,100			8,100	2032	100
2000 Series (Oaks @ Hampton) - 7.20% to 9.00%	10,060	10,060		19	10,041	2040	48
2000 Series (Deerwood) - 5.25% to 6.40%	6,435	6,435			6,435	2032	40
2000 Series (Creek Point) - variable rate	7,200	7,200			7,200	2032	
2000 Series A/B (Parks @ Westmoreland - 7.20% to 9.00%	9,990	9,990		4	9,986	2040	47
2000 Series (Honeycreek) - 7.63% to 8.15%	20,485	20,485			20,485	2035	
2000 MF Series A-C (Highland Meadow Apts) - 6.75% to 8%	13,500	13,500			13,500	2033	
2000 MF Series A/B (Greenbridge) - 7.4% to 10%	20,085	20,085			20,085	2040	38
2000 MF Series A-C (Collingham Park) - 6.72% to 7.72%	13,500	13,500			13,500	2,033	
2000 MF Series A/B (Williams Run) - 7.65% to 9.25%	12,850	12,818		51	12,767	2040	56

	Original Face Amount	Balance September 1, 2001	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2002	Final Maturity Date	Amounts Due Within One Year
2000 MF Series A/B (Red Hills Villas) - 8.4% to 9.5%	$10,300	$ 10,300	$ -	$ -	$ 10,300	2040	$ 28
2001 MF Series (Bluffview Senior Apts) - 7.65%	10,700	10,700			10,700	2041	14
2001 MF Series (Knollwood Villas Apts) - 7.65%	13,750	13,750			13,750	2041	18
2001 MF Series (Skyway Villas) - 6.0% - 6.5%	13,250	13,250			13,250	2034	2
2001 MF Series A/B (Cobb Park) - 6.77%	7,785	7,785			7,785	2041	
2001 MF Series A (Greens Road Apts) - 5.3% to 5.4%	8,375		8,375		8,375	2034	
2001 MF Series A (Meridian Apts) - 5.45% to 6.85%	14,310		14,310		14,310	2034	
2001 MF Series A (Wildwood Apts) - 5.45% to 6.75%	14,365		14,365		14,365	2034	
2001 MF Series A-C (Fallbrook Apts) - 6.06% to 6.78%	14,700		14,700		14,700	2034	
2001 MF Series A (Oak Hollow Apts) - 7.0% to 7.9%	8,625		8,625		8,625	2041	
2001 MF Series A/B (Hillside Apts) - 7.0% to 9.25%	12,900		12,900		12,900	2041	
2002 MF Series A (Millstone Apts) - 5.35% to 5.86%	12,700		12,700		12,700	2035	
2002 MF Series A (Sugar Creek Apts) - 6.0%	11,950		11,950		11,950	2042	
2002 MF Series A (West Oaks Apts) - 7.15% to 7.5%	10,150		10,150		10,150	2042	
2002 MF Series A (Park Meadows Apts) - 6.53%	4,600		4,600		4,600	2034	
Total principal amount		399,751	$ 112,675	$ 2,484	509,942		$ 2,770
Unamortized discount		(104)			(451)		
Total multifamily		399,647			509,491		
Total		$1,435,397			$1,606,799		

Proceeds from the issuance of bonds under the single-family and RMRB Series 1987A programs were used to acquire loans. Proceeds from the issuance of bonds under CHMRB and remaining RMRB programs were used to acquire pass-through certificates backed by mortgage loans. Pass-through certificates were purchased with proceeds from the multifamily 1985 Series G. Proceeds from the remaining multifamily bond issues were used to finance mortgage loans.

Interest on bonds is payable periodically, except for capital appreciation bonds, on which interest is compounded semiannually and payable at maturity or upon redemption.

The single-family, RMRB, and CHMRB bonds are collateralized by the revenues and assets pledged under the trust indentures, primarily single-family mortgage loans, mortgage-backed securities, and investments. The multifamily bonds are collateralized by varying methods, including, but not limited to, the mortgage loans on the applicable housing developments, certificates of deposit, letters of credit, guarantees provided by third parties, and collateralized mortgage obligations issued by federally chartered, privately owned corporations.

The trust indentures contain positive and negative covenants. Events of default include failure to make timely payment of both principal and interest on any outstanding bond; failure to make timely payment of any other monies required to be paid to the trustee; and nonperformance or nonobservance of any other covenants, agreements, or conditions contained in the indentures. Management believes that it is in compliance with the covenants of the indentures.

On October 30, 2001, the Department issued series 2001 ABCDE Residential Mortgage Revenue Bonds. Series 2002C was issued for the primary purpose of refunding and redeeming the 1998 A Residential Mortgage Revenue bonds and partially refunding the 1989 A Residential Mortgage Revenue Bonds. This refunding transaction resulted in a deferred loss of $894,145, which will be amortized for recognition purposes over the life of the new debt per GASB Statement No. 23. During the current period, $82,611 of the deferral amount has been recognized as period bond interest expense within the Program. This transaction also gave rise to an $8,716,386 economic gain.

Bond contractual maturities (principal only) at August 31, 2002, are as follows (in thousands):

Description	2003	2004	2005	2006	2007	2008 to 2012	2013 to 2017
Single-family	$ 2,250	$ 3,430	$ 11,065	$ 5,210	$ 6,145	$ 41,250	$ 87,140
RMRB	5,115	6,825	19,170	7,000	7,345	39,765	23,630
CHMRB							680
Multifamily	2,771	3,206	4,503	4,929	5,252	34,347	45,993
Total	$ 10,136	$ 13,461	$ 34,738	$ 17,139	$ 18,742	$ 115,362	$ 157,443

Description	2018 to 2022	2023 to 2027	2028 to 2032	2033 to 2037	2038 to 2042	Total
Single-family	$ 58,295	$ 80,970	$ 190,215	$ 12,205	$ -	$ 498,175
RMRB	99,555	28,650	177,555	49,685		464,295
CHMRB		135,055				135,735
Multifamily	66,993	139,214	86,096	61,111	55,527	509,942
Total	$ 224,843	$ 383,889	$ 453,866	$ 123,001	$ 55,527	$ 1,608,147

Actual maturities will differ from contractual maturities since the Department has the right to call or prepay obligations with or without call or prepayment penalties as the related loans and mortgage-backed securities mature or prepay.

Bond maturities (principal and interest) at August 31, 2002, are as follows (in thousands):

Description	2003	2004	2005	2006	2007	2008 to 2012	2013 to 2017
Single-family	$ 31,727	$ 32,769	$ 39,998	$ 33,696	$ 34,352	$ 174,095	$ 204,719
RMRB	30,786	32,260	44,196	31,128	31,157	153,468	128,331
CHMRB	9,035	9,035	9,035	9,035	9,035	45,175	45,776
Multifamily	43,644	43,801	44,769	44,799	45,033	223,401	218,989
Total	$ 115,192	$ 117,865	$ 137,998	$ 118,658	$ 119,577	$ 596,139	$ 597,815

Description	2018 to 2022	2023 to 2027	2028 to 2032	2033 to 2037	2038 to 2042	Total
Single-family	$ 147,971	$ 160,295	$ 212,426	$ 12,601	$ -	$ 1,084,649
RMRB	188,561	98,055	230,452	50,745		1,019,139
CHMRB	44,960	158,901				339,987
Multifamily	215,905	248,787	149,698	91,832	67,224	1,437,882
Total	$ 597,397	$ 666,038	$ 592,576	$ 155,178	$ 67,224	$ 3,881,657

Deferred issuance costs at August 31, 2002 and 2001, consist of the following (in thousands):

Deferred issuance costs	$ 29,482
Less accumulated amortization	(17,064)
	$ 12,418

7. EMPLOYEE BENEFITS

Plan Description - The Department contributes to the Employees Retirement System of Texas (the "System"), a cost-sharing, multiple-employer, defined benefit plan. The Department has implemented GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, which standardizes financial reporting for pensions by state and local government employers. The System provides service retirement, disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Subtitle B, which is subject to amendment by the Texas Legislature. The System's annual financial report and other required disclosure information are available by writing the Employees Retirement System of Texas, P.O. Box 13207, Austin, Texas, 78711-3207 or by calling (512) 476-6431.

Funding Policy - Under provisions in State law, plan members are required to contribute 6% of their annual covered salary, and the Department contributes an amount equal to 6% of the Department's covered payroll. The Department and the employees' contributions to the System for the years ending August 31, 2002, 2001, and 2000 were $891,391, $788,309, and $849,652, respectively, equal to the required contributions for each year.

8. SEGMENT FINANCIAL DATA

Segment financial data of the Program's direct-debt activities at August 31, 2002, and for the year then ended are follows (in thousands):

	Single-Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds	Single-Family CHMRB Series 1993 Funds	Single-Family CHMRB 1994 and 1995 Funds	Combined Totals
CONDENSED STATEMENT OF NET ASSETS:						
Restricted assets:						
Current assets	$ 38,071	$ 36,542	$ 777	$ 1,186	$ 1,043	$ 77,618
Other assets	536,942	459,717	61,646	27,297	53,567	1,139,169
Total assets	575,013	496,259	62,423	28,482	54,610	1,216,787
Liabilities:						
Current liabilities	19,515	12,556	971	145	294	33,481
Long-term liabilities	493,131	460,885	59,715	26,580	50,855	1,091,165
Total liabilities	512,645	473,441	60,686	26,725	51,149	1,124,646
NET ASSETS - Restricted net assets	$ 62,367	$ 22,818	$ 1,738	$ 1,757	$ 3,461	$ 92,141
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS:						
Operating revenues:						
Interest and investment income	$ 30,017	$ 30,187	$ 5,208	$ 1,954	$ 3,834	$ 71,200
Net increase (decrease) in fair value	10,256	12,857	(58)	522	1,066	24,642
Other operating revenues	938	634	304			1,876
Operating expenses	27,654	28,930	5,114	1,878	3,600	67,176
Depreciation and amortization	248	231	19	10	12	520
Operating income	13,309	14,516	321	589	1,288	30,023
Non-operating revenues (expenses) - other non-operating revenues (expenses)	168	21	561			750
Special and extraordinary items	(1,071)	(436)	(283)	(30)	(38)	(1,858)
Transfers out	(1,139)	(419)	(592)	(46)	(115)	(2,311)
Change in net assets	11,268	13,681	8	513	1,134	26,604
Net assets, September 1, 2001	51,100	9,137	1,730	1,244	2,327	65,537
Net assets, August 31, 2002	$ 62,367	$ 22,818	$ 1,738	$ 1,757	$ 3,461	$ 92,141
CONDENSED STATEMENT OF CASH FLOWS:						
Net cash provided by (used in):						
Operating activities	$ 28,571	$ 1,744	$ (504)	$ (14)	$ (22)	$ 29,775
Noncapital financing activities	34,924	8,584	(32,710)	(6,318)	(12,286)	(7,805)
Investing activities	(83,396)	(36,136)	32,603	6,004	12,799	(68,126)
Cash and cash equivalents, September 1, 2001	49,916	30,661	1,054	1,366	272	83,269
Cash and cash equivalents, August 31, 2002	$ 30,015	$ 4,853	$ 443	$ 1,038	$ 764	$ 37,113

9. COMMITMENTS AND CONTINGENCIES

The Department is a defendant in legal actions arising from transactions and activities conducted in the ordinary course of business. Management, after consultation with legal counsel, believes that the aggregate liabilities, if any, will not be material to the financial statements.

10. RISK FINANCING AND RELATED INSURANCE ISSUES

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; efforts and omissions; and natural disasters. It is the Department's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. The Department assumes substantially all risks associated with the performance of its duties. Currently, there is no purchase of commercial insurance, nor is the Department involved in any risk pools with other government entities, except the Department carried Public Official Liabilities Insurance coverage in the amount of $10,000,000, errors and omissions insurance of $300,000 related to loan servicing for others, and a $300,000 public employee fidelity bond. This coverage was allowed to lapse effective January 31, 2002.

11. RESTATEMENT OF FUND BALANCES/RETAINED EARNINGS

During the 2002 fiscal year, two adjustments were made that required the restatement of the amounts in fund equity, as shown and discussed below:

Fund equity at August 31, 2001	$ 79,338,812
Restatements:	
Changes in threshold for capitalization of capital assets, net	(191,063)
Correction of error in the financial statements of a prior period	(22,416)
Net restatements	(213,479)
Net assets at September 1, 2001, as restated	$ 79,125,333

12. SUBSEQUENT EVENTS

On September 5, 2002, the Department issued $14,600,000 in multifamily revenue bonds (Clarkridge Villas Apartments), made up as follows:

$14,600,000	MF 2002 Series A

On November 8, 2002, the Department issued $11,920,000 in multifamily revenue bonds (Hickory Trace Apartments), made up as follows:

$11,920,000	MF 2002 Series A

On November 13, 2002, the Department issued $12,500,000 in multifamily revenue bonds (Green Crest Apartments), made up as follows:

$12,500,000	MF 2002 Series A

On November 15, 2002, the Department issued $16,970,000 in multifamily revenue bonds (Ironwood Crossing), made up as follows:

$16,970,000	MF 2002 Series A

On December 5, 2002, the Department issued $9,100,000 in a multifamily revenue bonds (Woodway Village) made up as follows:

$9,100,000	MF 2002 Series A

The multifamily bonds were issued for the primary purpose of financing the acquisition, construction, and equipping of multifamily residential rental developments. Clarkridge Villas Apartments will be located in Dallas; Green Crest Apartments will be located in Houston; Hickory Trace Apartments will be located in Dallas; Ironwood Crossing will be located in Fort Worth; and Woodway Village Apartments will be located in Austin.

On December 18, 2002, the Department issued $116,965,000 in single-family mortgage revenue bonds made up as follows:

$42,310,000	RMRB Series 2002A (AMT)
$74,655,000	RMRB Series 2002B

The Series 2002A and 2002B were issued for the primary purpose of providing funds for the purchase of mortgage-backed, pass-through certificates backed by qualifying FHA-insured or VA- and RHS-guaranteed mortgage loans, or conventional mortgage loans made to eligible borrowers for single-family residences located in the State of Texas.

* * * * * *

SUPPLEMENTAL SCHEDULE - STATEMENT OF NET ASSETS INFORMATION BY INDIVIDUAL ACTIVITY
AUGUST 31, 2002

ASSETS	Single-Family Program	RMRB Program	CHMRB Program	Multifamily Program	1993 CHMRB Program	1994/1995 CHMRB Program	Commercial Paper Program	Operating Fund	Total
Current Assets:									
Cash and Cash Equivalents:									
Cash on Hand	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 200	$ 200
Cash in Bank								21,135	21,135
Cash in State Treasury								129,423	129,423
Cash Equivalents								9,859,161	9,859,161
Restricted Assets:									
Cash and Cash Equivalents:									
Cash in Bank	986,076	85,874		92,812		1,523			1,166,285
Cash Equivalents	29,029,047	4,767,362	442,727	30,280,914	1,037,872	762,058	12,182,098		78,502,078
Short-term Investments		28,160,521		49,683,150					77,843,671
Loans and Contracts	5,200,963	130,331		2,477,547					7,808,841
Interest Receivable	2,841,660	3,397,492	334,587	2,933,530	147,663	279,217	36,245	15,214	9,985,608
Receivable:									
Interest Receivable									
Consumable Inventories								10,201	10,201
Other Current Assets	12,893			178,035		(3)		68,925	259,850
Total Current Assets	38,070,639	36,541,580	777,314	85,645,988	1,185,535	1,042,795	12,218,343	10,104,259	185,586,453
Noncurrent Assets:									
Other Receivables								1,000,000	1,000,000
Capital Assets:									
Nondepreciable:									
Other Capital Assets								3,273	3,273
Depreciable:									
Furniture and Equipment								1,317,061	1,317,061
Less Accumulated Depreciation								(940,514)	(940,514)
Restricted Assets:									
Investments	440,261,284	451,158,534	61,126,266	24,807,178	27,083,850	53,301,279			1,057,738,391
Loans and Contracts	90,318,841	3,752,920		506,239,157				1,024,230	601,335,148
Other Noncurrent Assets:									
Deferred Issuance Cost, net	5,930,973	4,746,865	519,557	738,882	212,989	265,852		2,974	12,418,092
Real Estate Owned, net	430,921	58,878							489,799
Total Noncurrent Assets	536,942,019	459,717,197	61,645,823	531,785,217	27,296,839	53,567,131	-	2,407,024	1,673,361,250
Total Assets	$ 575,012,658	$ 496,258,777	$ 62,423,137	$ 617,431,205	$ 28,482,374	$ 54,609,926	$ 12,218,343	$ 12,511,283	$ 1,858,947,703

(Continued)

SUPPLEMENTAL SCHEDULE - STATEMENT OF NET ASSETS INFORMATION BY INDIVIDUAL ACTIVITY
AUGUST 31, 2002

LIABILITIES	Single-Family Program	RMRB Program	CHMRB Program	Multifamily Program	1993 CHMRB Program	1994/1995 CHMRB Program	Commercial Paper Program	Operating Fund	Total
Current Liabilities:									
Payables:									
Accounts Payable	$ 86,735	$ 44,031	$ 1,137	$ 691	$ -	$ -	$ -	$ 447,488	$ 580,082
Accrued Bond Interest Payable	13,240,406	4,291,515	33,062	4,617,041	144,429	277,722	26,505		22,630,680
Due to Other Funds								292,378	292,378
Due to Other Agencies								7,472	7,472
Deferred Revenues	2,571,005	2,454,657	936,650						5,962,312
Employee's Compensable Leave								360,430	360,430
Notes and Loans Payable							12,100,000		12,100,000
Revenue Bonds Payable	2,250,000	5,115,000		2,769,573					10,134,573
Other Current Liabilities	1,366,387	651,085			742	16,332	82,098	12,931	2,129,575
Total Current Liabilities	19,514,533	12,556,288	970,849	7,387,305	145,171	294,054	12,208,603	1,120,699	54,197,502
Noncurrent Liabilities:									
Employee's Compensable Leave								103,939	103,939
Revenue Bonds Payable	493,130,889	459,662,370	59,714,689	506,721,451	26,580,000	50,855,000			1,596,664,399
Other Noncurrent Liabilities		1,222,396		101,940,204				47,419	103,210,019
Total Noncurrent Liabilities	493,130,889	460,884,766	59,714,689	608,661,655	26,580,000	50,855,000	-	151,358	1,699,978,357
Total Liabilities	$ 512,645,422	$ 473,441,054	$ 60,685,538	$ 616,048,960	$ 26,725,171	$ 51,149,054	$ 12,208,603	$ 1,272,057	$ 1,754,175,859
NET ASSETS									
Invested in Capital Assets, net of related debt	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 379,820	$ 379,820
Restricted	62,367,236	22,817,723	1,737,599	1,382,245	1,757,203	3,460,872	9,740		93,532,618
Unrestricted								10,859,406	10,859,406
Total Net Assets	$ 62,367,236	$ 22,817,723	$ 1,737,599	$ 1,382,245	$ 1,757,203	$ 3,460,872	$ 9,740	$ 11,239,226	$ 104,771,844

See accompanying independent auditors' report.

(Concluded)

SUPPLEMENTAL SCHEDULE - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS INFORMATION BY INDIVIDUAL ACTIVITY
YEAR ENDED AUGUST 31, 2002

	Single-Family Program	RMRB Program	CHMRB Program	Multifamily Program	1993 CHMRB Program	1994/1995 CHMRB Program	Commercial Paper Program	Operating Fund	Total
OPERATING REVENUES:									
Interest and Investment Income	$30,017,462	$30,186,643	$5,208,331	$30,503,974	$1,953,581	$3,834,001	$201,760	$ 301,943	$ 102,207,695
Net Increase (Decrease) in Fair Value	10,255,856	12,856,766	(58,243)		522,302	1,065,569			24,642,250
Other Operating Revenues	937,787	634,321	303,835	717,623				865,031	3,458,597
Total Operating Revenues	41,211,105	43,677,730	5,453,923	31,221,597	2,475,883	4,899,570	201,760	1,166,974	130,308,542
OPERATING EXPENSES:									
Salaries and Wages								3,285,919	3,285,919
Payroll Related Costs								1,079,441	1,079,441
Professional Fees and Services	11,000	9,600	14,000		5,000	3,500	41,719	294,773	379,592
Travel								72,848	72,848
Materials and Supplies								213,104	213,104
Communications and Utilities								90,406	90,406
Repairs and Maintenance								182,024	182,024
Rentals and Leases								528,574	528,574
Printing and Reproduction								34,625	34,625
Depreciation and Amortization	247,749	231,342	19,023	14,963	9,670	11,748		115,695	650,190
Interest	25,935,991	27,609,278	4,988,668	30,482,074	1,863,570	3,578,416	189,045		94,647,042
Claims and Losses									
Other Operating Expenses	1,707,140	1,311,563	110,836	464	9,014	18,250	4,656	369,244	3,531,167
Total Operating Expenses	27,901,880	29,161,783	5,132,527	30,497,501	1,887,254	3,611,914	235,420	6,266,653	104,694,932
Operating Income (Loss)	13,309,225	14,515,947	321,396	724,096	588,629	1,287,656	(33,660)	(5,099,679)	25,613,610
NON-OPERATING REVENUES (EXPENSES):									
Gain (Loss) on Sale of Investments	168,168	20,511	561,047						749,726
Total Non-Operating Revenues (Expenses)	168,168	20,511	561,047						749,726
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	13,477,393	14,536,458	882,443	724,096	588,629	1,287,656	(33,660)	(5,099,679)	26,363,336
OTHER REVENUES, EXPENSES, GAINS LOSSES AND TRANSFERS:									
Extraordinary Items	(1,070,758)	(436,115)	(282,726)		(30,083)	(38,238)			(1,857,920)
Transfers In (Out)	(1,139,002)	(419,232)	(591,730)	(675,007)	(45,646)	(115,475)	28,374	4,098,813	1,141,095
CHANGE IN NET ASSETS	11,267,633	13,681,111	7,987	49,089	512,900	1,133,943	(5,286)	(1,000,866)	25,646,511
Net Assets, September 1, 2001	51,099,603	9,136,612	1,729,612	1,355,572	1,244,303	2,326,929	15,026	12,431,155	79,338,812
Restatements				(22,416)				(191,063)	(213,479)
Net Assets, September 1, 2001, as Restated	51,099,603	9,136,612	1,729,612	1,333,156	1,244,303	2,326,929	15,026	12,240,092	79,125,333
NET ASSETS, AUGUST 31, 2002	$62,367,236	$22,817,723	$1,737,599	$ 1,382,245	$1,757,203	$3,460,872	$ 9,740	$11,239,226	$ 104,771,844

See accompanying independent auditors' report.

MISCELLANEOUS BOND INFORMATION
AUGUST 31, 2002
(Amounts in Thousands)

Description of Issue	Original Principal Bonds Issued to Date	Range of Interest	Rates	Schedule Maturities First Year	Last Year	First Call Date
1991 Single Family Series A	$ 81,605	4.80%	7.15%	1992	2012	09/01/2001
1994 Jr Lien Mtg Rev Bonds Series A	5,000	8.10%	8.10%	2015	2015	09/01/2004
1994 Jr Lien Mtg Rev Bonds Series A (CABs)	38,991	7.00%	7.00%	2015	2015	09/01/2004
1994 Jr Lien Mtg Rev Bonds Series B	55,995	9.50%	9.50%	2016	2016	09/01/2004
1995 Single Family Series A	85,760	4.15%	6.15%	1997	2027	09/01/2005
1995 Single Family Series B	9,605	4.95%	5.40%	2004	2008	09/01/2005
1995 Single Family Series C	71,760	6.44%	7.76%	2006	2017	09/01/2005
1996 Single Family Series A	15,000	4.50%	6.30%	2001	2028	09/01/2006
1996 Single Family Series B	42,140	5.50%	6.00%	2011	2017	09/01/2006
1996 Single Family Series C	2,000	8.30%	8.30%	2015	2017	09/01/2006
1996 Single Family Series D	70,760	5.45%	6.25%	2021	2028	09/01/2006
1996 Single Family Series E	98,730	3.90%	6.00%	1997	2017	09/01/2006
1997 Single Family Series A	44,465	5.25%	5.80%	2013	2029	09/01/2007
1997 Single Family Series B	9,510	5.45%	5.45%	2019	2019	09/01/2007
1997 Single Family Series C	25,525	6.80%	6.80%	2029	2029	09/01/2007
1997 Single Family Series D	44,795	5.65%	5.70%	2029	2029	09/01/2007
1997 Single Family Series E	20,295	4.50%	5.00%	2007	2016	09/01/2007
1997 Single Family Series F	20,000	6.77%	6.77%	2029	2029	09/01/2007
2002 Single Family Series A Junior Lien	10,000	7.01%	7.01%	2025	2026	09/01/2012
2002 Single Family Series A	38,750	5.45%	5.55%	2023	2034	03/01/2012
2002 Single Family Series B	52,695	5.35%	5.55%	2033	2033	03/01/2012
2002 Single Family Series C	12,950	2.80%	5.20%	2004	2017	03/01/2012
2002 Single Family Series D	13,605	2.00%	4.50%	2003	2012	03/01/2012
1988 RMRB Series A	40,920	6.50%	7.60%	1990	2018	07/01/2000
1989 RMRB Series A	44,000	6.60%	7.60%	1991	2016	07/01/1999
1989 RMRB Series B	45,000	7.85%	7.85%	2018	2018	07/01/2004
1998 RMRB Series A	102,055	4.05%	5.35%	2002	2031	01/01/2009
1998 RMRB Series B	14,300	5.30%	5.30%	2022	2022	01/01/2009
1999 RMRB Series A	25,615	4.80%	5.50%	2018	2021	01/01/2009
1999 RMRB Series B-1	52,260	6.32%	7.10%	2021	2032	07/01/2009
1999 RMRB Series B-2 (COBs)	50,000	3.90%	3.90%	2033	2033	05/01/2000
1999 RMRB Series C	12,150	5.05%	6.25%	2003	2024	07/01/2009
1999 RMRB Series D	26,355	4.30%	6.25%	2000	2021	07/01/2009
2000 RMRB Series A	50,000	5.10%	6.30%	2003	2031	07/01/2010
2000 RMRB Series B	82,975	5.70%	5.70%	2005	2033	07/01/2010
2000 RMRB Series C	13,675	5.82%	5.85%	2011	2025	07/01/2010
2000 RMRB Series D	18,265	4.55%	5.85%	2003	2020	07/01/2010
2000 RMRB Series E	10,000	7.45%	7.45%	2033	2033	07/01/2010
2001 RMRB Series A	52,715	3.15%	5.70%	2004	2033	07/01/2011
2001 RMRB Series B	15,585	5.00%	5.25%	2011	2022	07/01/2011
2001 RMRB Series C	32,225	2.55%	4.63%	2003	2015	07/01/2011
2001 RMRB Series D	300	5.35%	5.35%	2008	2033	07/01/2011
2001 RMRB Series E	54,300	2.20%	2.20%	2034	2034	07/01/2002
1990 Coll Home Mtg Rev Bds Series A	46,600	6.30%	7.35%	1993	2011	07/01/2000
1990 Coll Home Mtg Rev Bds Series B	93,445	7.80%	7.80%	2023	2023	07/01/2000
1991 Coll Home Mtg Rev Bds Series A	36,000	5.25%	6.95%	1994	2023	01/01/2002
1992 Coll Home Mtg Rev Bds Series A	29,500	3.48%	10.13%	2023	2023	05/04/1995
1992 Coll Home Mtg Rev Bds Series B	30,000	3.48%	10.27%	2023	2023	05/04/1995
1992 Coll Home Mtg Rev Bds Series C	72,700	3.48%	10.27%	2024	2024	05/04/1995
1993 SF MRB CHMRB Series A	11,695	5.85%	5.85%	2025	2025	11/01/2004
1993 SF MRB CHMRB Series B	15,000	6.62%	6.62%	2025	2025	11/01/2004
1993 SF MRB CHMRB Series C	15,000	6.68%	6.68%	2025	2025	11/01/2004
1993 SF MRB CHMRB Series D	8,000	6.76%	6.76%	2025	2025	11/01/2004
1993 SF MRB CHMRB Series E	8,780	6.85%	6.85%	2025	2025	11/01/2004
1994 SF MRB CHMRB Series A	35,395	6.85%	6.85%	2026	2026	02/22/2005
1994 SF MRB CHMRB Series B	33,385	6.40%	6.40%	2026	2026	04/26/2005
1994 SF MRB CHMRB Series C	15,360	6.25%	6.25%	2026	2026	06/27/2005
1995 SF MRRB CHMRB Series A	5,825	6.26%	6.26%	2015	2015	02/22/2005
1995 SF MRRB CHMRB Series B	2,030	5.70%	5.70%	2010	2010	04/26/2005
TOTAL SINGLE FAMILY BONDS	2,071,346					

(Continued)

MISCELLANEOUS BOND INFORMATION
AUGUST 31, 2002
(Amounts in Thousands)

Description of Issue	Original Principal Bonds Issued to Date	Range of Interest	Rates	Schedule Maturities First Year	Last Year	First Call Date
1984 MF Private Placement (Summerbend)	$ 10,100	(a)		1985	2022	09/01/1986
1987 South Texas Rental Housing	1,400	9.50%	9.50%	1988	2012	02/01/1988
1993 MF Series A&B(RemHill/HighPt Ref)	26,370	(Weekly rates)		2023	2023	02/01/2000
1993 Res Ren Project Revenue Bonds	16,775	3.30%	5.80%	1994	2024	01/01/2004
1996 MF Series A/B (Brighton's Mark)	10,174	6.13%	6.13%	2026	2026	01/01/2003
1996 MF Series A/B (Las Colinas)	15,469	5.65%	5.65%	2026	2026	01/01/2003
1996 MF Series A/B (Braxton's Mark)	14,867	5.81%	5.81%	2026	2026	01/01/2003
1996 MF Series A-D (DFW Pool)	22,150	6.00%	10.00%	1997	2026	07/01/2006
1996 MF Series A-D (Harbors/Plumtree)	13,050	5.90%	10.00%	1997	2026	07/01/2006
1996 MF Series A/B (NHP Foundation)	27,560	5.50%	6.40%	1997	2027	07/01/2007
1997 MF Series (Meadow Ridge)	13,575	5.05%	5.55%	2001	2030	02/01/2001
1998 MF Series (Pebble Brook)	10,900	4.95%	5.60%	2001	2030	06/01/2001
1998 MF Series A-C (Residence Oaks)	8,200	5.98%	7.18%	2001	2030	05/01/2001
1998 MF Series (Volente Project)	10,850	5.00%	5.63%	2001	2031	07/01/2001
1998 MF Series (Dallas Oxford Refndg)	10,300	7.25%	7.25%	2018	2018	01/01/2004
1998 MF Series (Greens of Hickory Trial)	13,500	5.20%	6.03%	2001	2030	09/01/2008
1999 MF Series (Mayfield)	11,445	5.70%	7.25%	2001	2031	05/01/2002
1999 MF Series (Woodglen Village)	10,660	7.38%	8.25%	2002	2039	12/01/2016
2000 MF Series (Timber Point Apts)	8,100	(variable rate)		2003	2032	07/01/2000 (b)
2000 MF Series (Oaks at Hampton)	10,060	7.20%	9.00%	2002	2040	03/01/2017 (c)
2000 MF Series (Deerwood Apts)	6,435	5.25%	6.40%	2003	2032	06/01/2010
2000 MF Series (Creek Point Apts)	7,200	(variable rate)		2004	2032	07/01/2000 (b)
2000 MF Series A/B (Parks @ Westmoreland)	9,990	7.20%	9.00%	2002	2040	07/01/2017 (c)
2000 MF Series (Honeycreek)	20,485	7.63%	8.15%	2004	2035	06/30/2007
2000 MF Series A-C (Highland Meadow Apts)	13,500	6.75%	8.00%	2004	2033	05/01/2019
2000 MF Series A/B (Greenbridge)	20,085	7.40%	10.00%	2003	2035	03/01/2014
2000 MF Series A-C (Collingham Park)	13,500	6.72%	7.72%	2004	2041	05/01/2019
2000 MF Series A/B (Williams Run)	12,850	7.65%	9.25%	2002	2041	01/01/2011
2000 MF Series A/B (Red Hills Villas)	10,300	8.40%	9.50%	2003	2041	12/01/2017
2001 MF Series (Bluffview Senior Apts)	10,700	7.65%	7.65%	2003	2041	05/01/2018
2001 MF Series (Knollwood Villas Apts)	13,750	7.65%	7.65%	2003	2041	05/01/2018
2001 MF Series (Skyway Villas)	13,250	6.00%	6.50%	2005	2035	12/01/2011
2001 MF Series A/B (Cobb Park)	7,785	6.77%	6.77%	2003	2041	07/01/2018
2001 MF Series (Greens Road Apts.)	8,375	5.30%	5.40%	2004	2034	12/01/2011
2001 MF Series A/B (Meridian Apts.)	14,310	5.45%	6.85%	2004	2034	12/01/2011
2001 MF Series A/B (Wildwood Apts.)	14,365	5.45%	6.75%	2004	2034	12/01/2011
2001 MF Series A-C (Fallbrook Apts.)	14,700	6.06%	6.78%	2005	2034	01/01/2012
2001 MF Series (Oak Hollow Apts.)	8,625	7.00%	7.90%	2003	2041	11/01/2018
2001 MF Series A/B (Hillside Apts.)	12,900	7.00%	9.25%	2003	2041	11/01/2018
2002 MF Series (Millstone Apts.)	12,700	5.35%	5.86%	2005	2035	06/01/2012
2002 MF Series (Sugar Creek Apts.)	11,950	6.00%	6.00%	2004	2042	01/01/2016
2002 MF Series (West Oaks Apts.)	10,150	7.15%	7.50%	2004	2042	12/01/2018
2002 MF Series (Park Meadows Apts.)	4,600	6.53%	6.53%	2004	2034	05/01/2012
TOTAL MULTIFAMILY BONDS	538,010					
TOTAL BONDS ISSUED	$2,609,356					

(Concluded)

NOTES TO SCHEDULE 3
AUGUST 31, 2002

FOOTNOTES:

a. Variable rate equal to 80% of the trustee bank's prime rate, subject to a maximum (15%) and minimum (8%) yield.

b. Redemption of bonds prior to maturity can occur on each interest payment date next succeeding the date of a prepayment.

c. The taxable bonds shall be subject to redemption prior to maturity in whole or any part on any interest payment date after the completion date from the proceeds of an optional prepayment of the loan by the borrower.

CHANGES IN BOND INDEBTEDNESS
AUGUST 31, 2002

Description of Issue	Bonds Outstanding September 1, 2001	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding August 31, 2002	Amounts Due Within One Year
1991 Single Family Series A	$ 17,060,000	$ -	$ 955,000	$ 2,500,000	$ 13,605,000	$ -
1994 Jr Lien Mtg Rev Bonds Series A	5,000,000			5,000,000	-	
1994 Jr Lien Mtg Rev Bonds Series A (CABs)	6,811,312	309,557		7,120,869	-	
1995 Single Family Series A	73,725,000		60,000	6,905,000	66,760,000	
1995 Single Family Series B	735,000			735,000	-	
1995 Single Family Series C	36,890,000			4,295,000	32,595,000	
1996 Single Family Series A	9,975,000				9,975,000	
1996 Single Family Series B	22,945,000			7,480,000	15,465,000	
1996 Single Family Series D	61,425,000			4,605,000	56,820,000	
1996 Single Family Series E	60,965,000		2,380,000	6,750,000	51,835,000	2,250,000
1997 Single Family Series A	43,575,000			710,000	42,865,000	
1997 Single Family Series B	9,510,000				9,510,000	
1997 Single Family Series C	21,155,000			5,845,000	15,310,000	
1997 Single Family Series D	44,795,000			3,040,000	41,755,000	
1997 Single Family Series E	4,975,000			4,975,000	-	
1997 Single Family Series F	16,525,000			2,845,000	13,680,000	
2002 Single Family Series A Junior Lien		10,000,000			10,000,000	
2002 Single Family Series A		38,750,000			38,750,000	
2002 Single Family Series B		52,695,000			52,695,000	
2002 Single Family Series C		12,950,000			12,950,000	
2002 Single Family Series D		13,605,000			13,605,000	
1988 RMRB Series A	31,535,000			31,535,000	-	
1989 RMRB Series A	2,285,000			2,245,000	40,000	
1989 RMRB Series B	2,560,000			2,515,000	45,000	
1998 RMRB Series A	97,485,000		900,000	5,960,000	90,625,000	1,840,000
1998 RMRB Series B	13,955,000			395,000	13,560,000	
1999 RMRB Series A	19,495,000			3,125,000	16,370,000	
1999 RMRB Series B-1	51,010,000			1,490,000	49,520,000	
1999 RMRB Series C	12,150,000				12,150,000	95,000
1999 RMRB Series D	22,110,000		600,000	8,970,000	12,540,000	450,000
2000 RMRB Series A	49,775,000			3,565,000	46,210,000	525,000
2000 RMRB Series B	82,960,000			1,005,000	81,955,000	
2000 RMRB Series C	13,670,000			245,000	13,425,000	
2000 RMRB Series D	18,265,000			450,000	17,815,000	410,000
2000 RMRB Series E	10,000,000			785,000	9,215,000	
2001 RMRB Series A		52,715,000			52,715,000	
2001 RMRB Series B		15,585,000			15,585,000	
2001 RMRB Series C		32,225,000			32,225,000	1,795,000
2001 RMRB Series D		300,000			300,000	
2001 RMRB Series E		54,300,000		54,300,000	-	
1991 Coll Home Mtg Rev Bds Series A	14,460,000		120,000	14,340,000	-	
1992 Coll Home Mtg Rev Bds Series C	70,500,000			12,200,000	58,300,000	
1993 SF MRB CHMRB Series A	6,440,000			855,000	5,585,000	
1993 SF MRB CHMRB Series B	8,185,000			1,425,000	6,760,000	
1993 SF MRB CHMRB Series C	8,785,000			1,050,000	7,735,000	
1993 SF MRB CHMRB Series D	4,165,000			725,000	3,440,000	
1993 SF MRB CHMRB Series E	3,390,000			330,000	3,060,000	
1994 SF MRB CHMRB Series A	24,310,000			3,450,000	20,860,000	
1994 SF MRB CHMRB Series B	22,415,000			3,085,000	19,330,000	
1994 SF MRB CHMRB Series C	11,365,000			1,380,000	9,985,000	
1995 SF MRRB CHMRB Series A	1,310,000			630,000	680,000	
Total Single Family Bonds	1,038,646,312	283,434,557	5,015,000	218,860,869	1,098,205,000	7,365,000

(Continued)

CHANGES IN BOND INDEBTEDNESS
AUGUST 31, 2002

Description of Issue	Bonds Outstanding September 1, 2001	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding August 31, 2002	Amounts Due Within One Year
1984 MF Private Placement (Summerbend)	$ 8,180,000	$ -	$ 60,000	$ -	$ 8,120,000	$ -
1987 MF Series (South Texas Rental Housing)	1,016,381		52,471		963,910	57,678
1993 MF Series A&B (Rem Hill/High Pt)	12,490,000				12,490,000	
1993 MF Res Ren Project Revenue Bonds (NCHM	14,830,000		335,000		14,495,000	350,000
1996 MF Series A&B (Brighton's Mark)	8,075,000				8,075,000	
1996 MF Series A&B (Marks of Las Colinas)	14,869,512				14,869,512	
1996 MF Series A&B (Braxton's Mark)	14,273,700				14,273,700	
1996 MF Series A-D (Dallas-Ft Worth Pool)	20,890,000		335,000		20,555,000	355,000
1996 MF Series A-D (Harbors/Plumtree)	12,230,000		195,000		12,035,000	210,000
1996 MF Series A&B (NHP Foundation)	25,915,000		440,000		25,475,000	460,000
1997 MF Series (Meadow Ridge Apartments)	13,420,000		165,000	125,000	13,130,000	180,000
1998 MF Series (Pebble Brook Apartments)	10,835,000		135,000		10,700,000	145,000
1998 MF Series A-C (Residence at the Oaks)	8,148,000		106,000		8,042,000	113,000
1998 MF Series (Volente Project)	10,785,000		130,000	25,000	10,630,000	140,000
1998 MF Series (Dallas-Oxford Rfdg)	10,300,000				10,300,000	
1998 MF Series A&B (Greens of Hickory Trail)	13,430,000		150,000		13,280,000	165,000
1999 MF Series A-C (Mayfield)	11,445,000		150,000		11,295,000	158,000
1999 MF Series (Woodglen Village)	10,660,000		7,276		10,652,724	45,581
2000 MF Series (Timber Point Apts)	8,100,000				8,100,000	100,000
2000 MF Series (Oaks @ Hampton)	10,060,000		18,638		10,041,362	47,680
2000 MF Series (Deerwood Apts)	6,435,000				6,435,000	40,000
2000 MF Series (Creek Point Apts)	7,200,000				7,200,000	
2000 MF Series A/B (Parks @ Westmoreland)	9,990,000		3,709		9,986,291	46,738
2000 MF Series (Honeycreek)	20,485,000				20,485,000	
2000 MF Series A-C (Highland Meadow Apts)	13,500,000				13,500,000	
2000 MF Series A/B (Greenbridge)	20,085,000				20,085,000	37,914
2000 MF Series A-C (Collingham Park)	13,500,000				13,500,000	
2000 MF Series A/B (Williams Run)	12,818,416		51,172		12,767,244	56,109
2000 MF Series A/B (Red Hills Villas)	10,300,000				10,300,000	27,858
2001 MF Series (Bluffview Senior Apts)	10,700,000				10,700,000	13,887
2001 MF Series (Knollwood Villas Apts)	13,750,000				13,750,000	17,845
2001 MF Series (Skyway Villas)	13,250,000				13,250,000	
2001 MF Series A/B (Cobb Park)	7,785,000				7,785,000	2,283
2001 MF Series (Greens Road Apts.)		8,375,000			8,375,000	
2001 MF Series (Meridian Apts.)		14,310,000			14,310,000	
2001 MF Series (Wildwood Apts.)		14,365,000			14,365,000	
2001 MF Series A-C (Fallbrook Apts.)		14,700,000			14,700,000	
2001 MF Series (Oak Hollow Apts.)		8,625,000			8,625,000	
2001 MF Series A/B (Hillside Apts.)		12,900,000			12,900,000	
2002 MF Series (Millstone Apts.)		12,700,000			12,700,000	
2002 MF Series (Sugar Creek Apts.)		11,950,000			11,950,000	
2002 MF Series (West Oaks Apts.)		10,150,000			10,150,000	
2002 MF Series (Park Meadows Apts.)		4,600,000			4,600,000	
Total Multifamily Bonds	399,751,009	112,675,000	2,334,266	150,000	509,941,743	2,769,573
TOTAL BONDS OUTSTANDING	$1,438,397,321	$396,109,557	$7,349,266	$219,010,869	$1,608,146,743	$10,134,573

FOOTNOTES:

(a) Bond Accretions

(b) Bonds Outstanding balance at 8/31/02 does not include unamortized premium or discounts.

Bonds Outstanding per schedule	$1,608,146,743
Unamortized (Discount)/Premium:	
Single-Family	1,578,446
RMRB	2,996,596
CHMRB	1,414,689
Multifamily	(450,720)
Unamortized Deferred Gain/(Loss) on Refunding:	
Single-Family	(4,372,557)
RMRB	(2,514,225)
Bonds Outstanding per Exhibit I	$1,606,798,971

(Concluded)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) -
REVENUE BOND PROGRAM

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AUGUST 31, 2002
(Amounts in Thousands)

Description		2003	2004	2005	2006	2007
1991 Single Family, Series A	Principal	$ -	$ -	$ 6,085	$ -	$ -
1991 Single Family, Series A	Interest	957	957	745	532	532
1994 JR Lien MTG REV Bonds, Series A	Principal					
1994 JR Lien MTG Rev Bonds, Series A	Interest	26	28	30	32	34
1995 Single Family, Series A	Principal					
1995 Single Family, Series A	Interest	4,039	4,039	4,039	4,039	4,039
1995 Single Family, Series B	Principal					
1995 Single Family, Series B	Interest					
1995 Single Family, Series C	Principal					720
1995 Single Family, Series C	Interest	2,463	2,463	2,463	2,463	2,436
1996 Single Family, Series A	Principal					
1996 Single Family, Series A	Interest	628	628	628	628	628
1996 Single Family, Series B	Principal					
1996 Single Family, Series B	Interest	928	928	928	928	928
1996 Single Family, Series D	Principal					
1996 Single Family, Series D	Interest	3,493	3,493	3,493	3,493	3,493
1996 Single Family, Series E	Principal	2,250	2,360	2,450	2,580	2,675
1996 Single Family, Series E	Interest	2,866	2,748	2,623	2,488	2,346
1997 Single Family, Series A	Principal					
1997 Single Family, Series A	Interest	2,416	2,416	2,416	2,416	2,416
1997 Single Family, Series B	Principal					
1997 Single Family, Series B	Interest	518	518	518	518	518
1997 Single Family, Series C	Principal					
1997 Single Family, Series C	Interest	1,041	1,041	1,041	1,041	1,041
1997 Single Family, Series D	Principal					
1997 Single Family, Series D	Interest	2,370	2,370	2,370	2,370	2,370
1997 Single Family, Series E	Principal					
1997 Single Family, Series E	Interest					
1997 Single Family, Series F	Principal					
1997 Single Family, Series F	Interest	926	926	926	926	926
2002 Single Family Series A Junior Lien	Principal					
2002 Single Family Series A Junior Lien	Interest	701	701	701	701	701
2002 Single Family Series A	Principal					
2002 Single Family Series A	Interest	2,133	2,133	2,133	2,133	2,133
2002 Single Family Series B	Principal			880	925	980
2002 Single Family Series B	Interest	2,855	2,855	2,826	2,777	2,726
2002 Single Family Series C	Principal			435	460	485
2002 Single Family Series C	Interest	620	620	608	593	575
2002 Single Family Series D	Principal		1,070	1,215	1,245	1,285
2002 Single Family Series D	Interest	497	475	445	408	365
Total Single Family Bonds		$ 31,727	$ 32,769	$ 39,998	$ 33,696	$ 34,352

2008-12	2013-17	2018-22	2023-27	2028-32	2033-37	2038-42	Total Required
$ 6,145	$ 1,375	$ -	$ -	$ -	$ -	$ -	$ 13,605
490							4,213
							-
210	135						495
	8,155	9,400	49,205				66,760
20,195	19,297	15,412	13,617				88,716
							-
							-
8,770	19,925	3,180					32,595
10,381	5,573						28,242
				9,975			9,975
3,140	3,140	3,140	3,140	628			16,328
	15,465						15,465
4,640	4,176						13,456
		7,300		49,520			56,820
17,465	17,465	16,868	15,475	2,739			87,477
10,430	16,135	12,955					51,835
9,529	7,333						29,933
	12,690			30,175			42,865
12,080	9,416	8,750	8,750	3,500			54,576
		9,510					9,510
2,590	2,590	777					8,547
				15,310			15,310
5,205	5,205	5,205	5,205	2,082			28,107
				41,755			41,755
11,850	11,850	11,850	11,850	4,150			63,400
							-
							-
				13,680			13,680
4,630	4,630	4,630	4,630	1,852			25,002
			10,000				10,000
3,505	3,505	3,505	2,278				16,298
		10,115	13,535	10,205	4,895		38,750
10,665	10,665	9,342	5,788	2,706	187		50,018
5,850	4,005	4,920	8,230	19,595	7,310		52,695
12,747	11,403	10,197	8,592	4,554	209		61,741
2,885	7,770	915					12,950
2,523	1,196						6,735
7,170	1,620						13,605
1,000							3,190
$ 174,095	$ 204,719	$ 147,971	$ 160,295	$ 212,426	$ 12,601	$ -	$ 1,084,649

(Continued)

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AUGUST 31, 2002
(Amounts in Thousands)

Description		2003	2004	2005	2006	2007
1988 Residential MTG Revenue Bonds, Series A	Principal	$ -	$ -	$ -	$ -	$ -
1988 Residential MTG Revenue Bonds, Series A	Interest					
1989 Residential MTG Revenue Bonds, Series A	Principal					
1989 Residential MTG Revenue Bonds, Series A	Interest	3	3	3	3	3
1989 Residential MTG Revenue Bonds, Series B	Principal					
1989 Residential MTG Revenue Bonds, Series B	Interest	4	4	4	4	4
1998 Residential MTG Revenue Bonds, Series A	Principal	1,840	1,910	1,985	2,080	2,165
1998 Residential MTG Revenue Bonds, Series A	Interest	4,502	4,424	4,341	4,252	4,157
1998 Residential MTG Revenue Bonds, Series B	Principal					
1998 Residential MTG Revenue Bonds, Series B	Interest	719	719	719	719	719
1999 Residential MTG Revenue Bonds, Series A	Principal					
1999 Residential MTG Revenue Bonds, Series A	Interest	823	823	823	823	823
1999 Residential MTG Revenue Bonds, Series B-1	Principal					
1999 Residential MTG Revenue Bonds, Series B-1	Interest	3,264	3,264	3,264	3,264	3,264
1999 Residential MTG Revenue Bonds, Series C	Principal	95	110	125	125	140
1999 Residential MTG Revenue Bonds, Series C	Interest	748	743	738	731	724
1999 Residential MTG Revenue Bonds, Series D	Principal	450	475	505		
1999 Residential MTG Revenue Bonds, Series D	Interest	730	707	681	659	659
2000 Residential MTG Revenue Bonds, Series A	Principal	525	545	580	615	655
2000 Residential MTG Revenue Bonds, Series A	Interest	2,804	2,776	2,747	2,715	2,681
2000 Residential MTG Revenue Bonds, Series B	Principal			12,000		
2000 Residential MTG Revenue Bonds, Series B	Interest	4,761	4,761	4,645	4,063	4,063
2000 Residential MTG Revenue Bonds, Series C	Principal					
2000 Residential MTG Revenue Bonds, Series C	Interest	784	784	784	784	784
2000 Residential MTG Revenue Bonds, Series D	Principal	410	885	950	1,005	1,060
2000 Residential MTG Revenue Bonds, Series D	Interest	922	890	847	800	751
2000 Residential MTG Revenue Bonds, Series E	Principal					
2000 Residential MTG Revenue Bonds, Series E	Interest	687	687	687	687	687
2001 Residential MTG Revenue Bonds, Series A	Principal		820	875	935	995
2001 Residential MTG Revenue Bonds, Series A	Interest	2,850	2,836	2,795	2,750	2,703
2001 Residential MTG Revenue Bonds, Series B	Principal					
2001 Residential MTG Revenue Bonds, Series B	Interest	802	802	802	802	802
2001 Residential MTG Revenue Bonds, Series C	Principal	1,795	2,080	2,150	2,240	2,330
2001 Residential MTG Revenue Bonds, Series C	Interest	1,252	1,196	1,130	1,056	972
2001 Residential MTG Revenue Bonds, Series D	Principal					
2001 Residential MTG Revenue Bonds, Series D	Interest	16	16	16	16	16
2001 Residential MTG Revenue Bonds, Series E	Principal					
2001 Residential MTG Revenue Bonds, Series E	Interest					
Total Residential MTG Revenue Bonds		$ 30,786	$ 32,260	$ 44,196	$ 31,128	$ 31,157

2008-12	2013-17	2018-22	2023-27	2028-32	2033-37	2038-42	Total Required
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
							-
	40						40
15	9						39
		45					45
20	20	3					63
7,140		16,270		57,235			90,625
19,352	18,800	15,237	14,525	7,715			97,305
		13,560					13,560
3,595	3,595	3,240					14,025
		16,370					16,370
4,115	4,115	1,411					13,756
		17,260		32,260			49,520
16,320	16,320	14,891	10,195	9,855			83,901
945	505		10,105				12,150
3,480	3,201	3,160	1,158				14,683
4,450	1,660	5,000					12,540
3,251	1,588	879					9,154
1,410		8,350		33,530			46,210
12,988	12,900	11,063	10,310	7,643			68,627
				34,330	35,625		81,955
20,315	20,315	20,315	20,315	19,976	677		124,206
		9,750	3,675				13,425
3,920	3,920	2,685	499				14,944
6,475	5,035	1,995					17,815
2,857	1,033	273					8,373
					9,215		9,215
3,435	3,435	3,435	3,435	3,435	229		20,839
4,085	2,245	3,000	14,820	20,120	4,820		52,715
12,733	11,978	11,240	8,933	4,254	153		63,225
1,870	5,810	7,905					15,585
3,927	2,877	1,125					11,939
13,345	8,285						32,225
3,305	534						9,445
45	50	50	50	80	25		300
75	61	49	35	19	1		320
							-
							-
$ 153,468	$ 128,331	$ 188,561	$ 98,055	$ 230,452	$ 50,745	$ -	$ 1,019,139

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) -
REVENUE BOND PROGRAM

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AUGUST 31, 2002
(Amounts in Thousands)

Description		2003	2004	2005	2006	2007
1991 Coll Home Mtg Rev Bonds, Series A	Principal	$ -	$ -	$ -	$ -	$ -
1991 Coll Home Mtg Rev Bonds, Series A	Interest					
1992 Coll Home Mtg Rev Bonds, Series B	Principal					
1992 Coll Home Mtg Rev Bonds, Series B	Interest					
1992 Coll Home Mtg Rev Bonds, Series C	Principal					
1992 Coll Home Mtg Rev Bonds, Series C	Interest	3,967	3,967	3,967	3,967	3,967
Total Coll Home Mtg Revenue Bonds		$ 3,967	$ 3,967	$ 3,967	$ 3,967	$ 3,967
1993 Sf MRB CHMRB, Series A	Principal					
1993 Sf MRB CHMRB, Series A	Interest	327	327	327	327	327
1993 Sf MRB CHMRB, Series B	Principal					
1993 Sf MRB CHMRB, Series B	Interest	448	448	448	448	448
1993 Sf MRB CHMRB, Series C	Principal					
1993 Sf MRB CHMRB, Series C	Interest	517	517	517	517	517
1993 Sf MRB CHMRB, Series D	Principal					
1993 Sf MRB CHMRB, Series D	Interest	233	233	233	233	233
1993 Sf MRB CHMRB, Series E	Principal					
1993 Sf MRB CHMRB, Series E	Interest	210	210	210	210	210
Total Single Family MRB CHMRB		$ 1,735	$ 1,735	$ 1,735	$ 1,735	$ 1,735
1994 Sf MRB CHMRB, Series A	Principal					
1994 Sf MRB CHMRB, Series A	Interest	1,429	1,429	1,429	1,429	1,429
1994 Sf MRB CHMRB, Series B	Principal					
1994 Sf MRB CHMRB, Series B	Interest	1,237	1,237	1,237	1,237	1,237
1994 Sf MRB CHMRB, Series C	Principal					
1994 Sf MRB CHMRB, Series C	Interest	624	624	624	624	624
Total Single Family MRB CHMRB		$ 3,290	$ 3,290	$ 3,290	$ 3,290	$ 3,290
1995 Sf MRRB CHMRB, Series A	Principal					
1995 Sf MRRB CHMRB, Series A	Interest	43	43	43	43	43
Total Single Family MRB CHMRB		$ 43	$ 43	$ 43	$ 43	$ 43
1984 Mf Private Placement (Summerbend)	Principal					
1984 Mf Private Placement (Summerbend)	Interest	735	735	735	735	735
1987 Mf Series (South Texas Rental Housing)	Principal	58	63	70	77	84
1987 Mf Series (South Texas Rental Housing)	Interest	89	83	77	70	63
1993 Mf Series A&B (Rem Hill/High Pt)	Principal					
1993 Mf Series A&B (Rem Hill/High Pt)	Interest	500	500	500	500	500
1993 Mf Res Ren Project Revenue Bonds (Nchm)	Principal	350				
1993 Mf Res Ren Project Revenue Bonds (Nchm)	Interest	826	813	813	813	813
1996 Mf Series A&B (Brighton'S Mark)	Principal					
1996 Mf Series A&B (Brighton'S Mark)	Interest	495	495	495	495	495
1996 Mf Series A&B (Marks Of Las Colinas)	Principal					
1996 Mf Series A&B (Marks Of Las Colinas)	Interest	840	840	840	840	840
1996 Mf Series A&B (Braxton'S Mark)	Principal					
1996 Mf Series A&B (Braxton'S Mark)	Interest	829	829	829	829	829

2008-12	2013-17	2018-22	2023-27	2028-32	2033-37	2038-42	Total Required
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
							-
							-
							-
			58,300				58,300
19,835	19,835	19,835	7,934				87,274
$ 19,835	$ 19,835	$ 19,835	$ 66,234	$ -	$ -	$ -	$ 145,574
			5,585				5,585
1,635	1,635	1,635	1,035				7,575
			6,760				6,760
2,240	2,240	2,240	1,419				10,379
			7,735				7,735
2,585	2,585	2,585	1,637				11,977
			3,440				3,440
1,165	1,165	1,165	738				5,398
			3,060				3,060
1,050	1,050	1,050	665				4,865
$ 8,675	$ 8,675	$ 8,675	$ 32,074	$ -	$ -	$ -	$ 66,774
			20,860				20,860
7,145	7,145	7,145	4,525				33,105
			19,330				19,330
6,185	6,185	6,185	3,917				28,657
			9,985				9,985
3,120	3,120	3,120	1,976				14,456
$ 16,450	$ 16,450	$ 16,450	$ 60,593	$ -	$ -	$ -	$ 126,393
	680						680
215	136						566
$ 215	$ 816	$ -	$ -	$ -	$ -	$ -	$ 1,246
			8,120				8,120
3,675	3,675	3,675	253				14,953
565	47						964
170	1						553
			12,490				12,490
2,500	2,500	2,500	491				10,491
2,095	3,440		8,610				14,495
3,593	2,887	2,495	753				13,806
			8,075				8,075
2,475	2,475	2,475	1,980				11,880
			14,870				14,870
4,200	4,200	4,200	3,363				20,163
			14,274				14,274
4,145	4,145	4,145	3,324				19,904

(Continued)

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AUGUST 31, 2002
(Amounts in Thousands)

Description		2003	2004	2005	2006	2007
1996 Mf Series A-D (Dallas-Ft Worth Pool)	Principal	$ 355	$ 385	$ 405	$ 435	$ 460
1996 Mf Series A-D (Dallas-Ft Worth Pool)	Interest	1,432	1,409	1,384	1,357	1,328
1996 Mf Series A-D (Harbors/Plumtree)	Principal	210	225	240	255	275
1996 Mf Series A-D (Harbors/Plumtree)	Interest	835	821	807	791	774
1996 Mf Series A&B (Nhp Foundation)	Principal	460	490	525	545	585
1996 Mf Series A&B (Nhp Foundation)	Interest	1,603	1,577	1,550	1,519	1,485
1997 Mf Series (Meadow Ridge Apartments)	Principal	180	190	200	215	225
1997 Mf Series (Meadow Ridge Apartments)	Interest	720	711	701	691	680
1998 Mf Series (Pebble Brook Apartments)	Principal	145	150	160	170	180
1998 Mf Series (Pebble Brook Apartments)	Interest	585	577	570	562	553
1998 Mf Series A-C (Residence At The Oaks)	Principal	113	118	128	134	141
1998 Mf Series A-C (Residence At The Oaks)	Interest	479	472	464	457	448
1998 Mf Series (Volente Project)	Principal	140	150	160	165	175
1998 Mf Series (Volente Project)	Interest	586	579	571	563	555
1998 Mf Series (Dallas-Oxford Rfdg)	Principal					
1998 Mf Series (Dallas-Oxford Rfdg)	Interest	747	747	747	747	747
1998 Mf Series A&B (Greens Of Hickory Trail)	Principal	165	175	185	210	220
1998 Mf Series A&B (Greens Of Hickory Trail)	Interest	713	703	692	681	668
1999 Mf Series A-C (Mayfield)	Principal	158	167	177	187	199
1999 Mf Series A-C (Mayfield)	Interest	640	630	620	607	599
1999 Mf Series (Woodglen Village)	Principal	46	49	53	57	61
1999 Mf Series (Woodglen Village)	Interest	784	781	777	773	769
2000 Mf Series (Timber Point Apts)	Principal	100	100	100	100	100
2000 Mf Series (Timber Point Apts)	Interest	4,371	4,322	4,268	4,214	4,493
2000 Mf Series A&B (Oaks At Hampton)	Principal	48	52	57	62	68
2000 Mf Series A&B (Oaks At Hampton)	Interest	730	726	721	715	710
2000 Mf Series (Deerwood Apts)	Principal	40	75	75	85	85
2000 Mf Series (Deerwood Apts)	Interest	403	400	396	392	387
2000 Mf Series (Creek Point Apts)	Principal		100	100	100	100
2000 Mf Series (Creek Point Apts)	Interest	3,691	3,644	3,605	3,563	3,511
2000 Mf Series (Parks At Westmoreland)	Principal	47	51	56	61	67
2000 Mf Series (Parks At Westmoreland)	Interest	849	845	840	835	829
2000 Mf Series (Honey Creek)	Principal		9	113	122	131
2000 Mf Series (Honey Creek)	Interest	1,562	1,562	1,557	1,548	1,539
2000 A/C Mf Series (Highland Meadows)	Principal		145	155	165	177
2000 A/C Mf Series (Highland Meadows)	Interest	921	914	902	889	875
2000 A&B Mf Series (Greenbridge)	Principal	38	75	83	92	119
2000 A&B Mf Series (Greenbridge)	Interest	1,494	1,487	1,479	1,469	1,459
2000 A/C Mf Series (Collingham Park)	Principal		72	151	162	172
2000 A/C Mf Series (Collingham Park)	Interest	915	913	902	890	877
2000 A&B Mf Series (Williams Run)	Principal	56	67	67	73	78
2000 A&B Mf Series (Williams Run)	Interest	976	970	965	959	953
2000 A&B Mf Series (Red Hills Villas)	Principal	28	40	44	49	54
2000 A&B Mf Series (Red Hills Villas)	Interest	869	865	861	857	852
2001A Mf Series (Bluffview Sr. Apts.)	Principal	14	44	47	51	55
2001A Mf Series (Bluffview Sr. Apts.)	Interest	920	917	913	909	905

2008-12	2013-17	2018-22	2023-27	2028-32	2033-37	2038-42	Total Required
$ 2,840	$ 3,975	$ 5,600	$ 6,100	$	$	$	$ 20,555
6,102	4,948	3,312	1,015				22,287
1,680	2,335	3,255	3,560				12,035
3,554	2,883	1,932	596				12,993
3,520	4,810	6,380	8,160				25,475
6,816	5,532	3,763	1,325				25,170
1,245	1,885	450		8,540			13,130
3,224	2,787	2,387	2,370	1,382			15,653
1,080	1,475	2,020	2,775	2,545			10,700
2,616	2,281	1,809	1,160	294			11,007
848	202			6,358			8,042
2,099	1,911	1,905	1,905	1,240			11,380
1,060	1,475	2,000	2,770	2,535			10,630
2,620	2,273	1,796	1,135	269			10,947
		10,300					10,300
3,735	3,735	1,241					12,446
1,360	1,880	2,555	3,440	3,090			13,280
3,116	2,665	2,100	1,331	330			12,999
1,177	1,563	2,075	2,753	2,839			11,295
2,806	2,418	1,902	1,220	337			11,779
383	554	799	1,154	1,667	2,409	3,421	10,653
3,765	3,595	3,348	2,993	2,480	1,739	467	22,271
700	1,000	1,400	1,900	2,600			8,100
19,360	17,435	14,250	9,789	3,544			86,046
446	645	924	1,323	1,895	2,713	1,808	10,041
3,443	3,244	2,966	2,567	1,995	1,176	175	19,168
530		1,305			4,240		6,435
1,856	1,770	1,604	1,355	1,355	139		10,057
600	900	1,200	1,700	2,400			7,200
16,694	14,814	12,161	8,420	3,127			73,230
435	627	898	1,286	1,840	2,633	1,985	9,986
4,042	3,816	3,498	3,039	2,384	1,446	257	22,680
830	1,213	1,775	2,595	3,793	9,904		20,485
7,519	7,130	6,565	5,740	4,533	1,829		41,084
1,087	1,518	2,123	2,968	4,152	1,010		13,500
4,176	3,723	3,111	2,254	1,056	46		18,867
680	997	1,442	2,086	3,016	4,360	7,097	20,085
7,155	6,844	6,398	5,750	4,814	3,461	1,206	43,016
1,123	1,548	2,094	2,852	3,908	1,418		13,500
4,376	4,030	3,371	2,477	1,253	72		20,076
496	726	1,063	1,558	2,279	3,338	2,966	12,767
4,662	4,432	4,093	3,595	2,868	1,803	375	26,651
355	522	755	1,092	1,579	2,283	3,499	10,300
4,171	3,986	3,721	3,339	2,786	1,987	709	25,003
346	507	741	1,081	1,580	2,307	3,927	10,700
4,442	4,261	3,996	3,610	3,045	2,224	904	27,046

(Continued)

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AUGUST 31, 2002
(Amounts in Thousands)

Description		2003	2004	2005	2006	2007
2001A Mf Series (Knollwood Villas Apts)	Principal	$ 18	$ 56	$ 61	$ 66	$ 71
2001A Mf Series (Knollwood Villas Apts)	Interest	1,183	1,182	1,179	1,174	1,168
2001A Mf Series (Skyway Villas)	Principal			135	185	195
2001A Mf Series (Skyway Villas)	Interest	737	737	734	725	715
2001A Mf Series (Cobb Park)	Principal	2	29	32	35	38
2001A Mf Series (Cobb Park)	Interest	619	617	614	611	608
2001 Mf Series (Greens Road Apts.)	Principal			100	105	110
2001 Mf Series (Greens Road Apts.)	Interest	449	449	446	441	435
2001 Mf Series (Meridian Apts.)	Principal			150	165	175
2001 Mf Series (Meridian Apts.)	Interest	838	838	833	822	811
2001 Mf Series (Wildwood Apts.)	Principal			245	170	175
2001 Mf Series (Wildwood Apts.)	Interest	827	827	818	807	796
2001 A/C Mf Series (Fallbrook Apts.)	Principal			86	180	193
2001 A/C Mf Series (Fallbrook Apts.)	Interest	899	899	898	887	875
2001 Mf Series (Oak Hollow Apts.)	Principal		30	43	46	49
2001 Mf Series (Oak Hollow Apts.)	Interest	681	680	677	673	670
2001 A/B Mf Series (Hillside Apts.)	Principal		39	57	63	69
2001 A/B Mf Series (Hillside Apts.)	Interest	1,024	1,023	1,018	1,012	1,006
2002 Mf Series (Millstone Apts.)	Principal			80	165	180
2002 Mf Series (Millstone Apts.)	Interest	699	699	698	690	680
2002 Mf Series (Sugar Creek Apts.)	Principal		30	65	70	70
2002 Mf Series (Sugar Creek Apts.)	Interest	717	717	714	710	705
2002 Mf Series (West Oaks Apts.)	Principal		30	48	52	56
2002 Mf Series (West Oaks Apts.)	Interest	761	760	757	753	749
2002 Mf Series (Park Meadows Apts.)	Principal			50	55	60
2002 Mf Series (Park Meadows Apts.)	Interest	300	300	299	295	292
Total Multifamily Bonds		$ 43,644	$ 43,801	$ 44,769	$ 44,799	$ 45,033
Total		$ 115,192	$ 117,865	$ 137,998	$ 118,658	$ 119,577
Less Interest		105,056	104,404	103,260	101,519	100,835
Total Principal		$ 10,136	$ 13,461	$ 34,738	$ 17,139	$ 18,742

Notes: The actual maturity of any class of bonds may be shorter than its stated maturity as a result of prepayments on the mortgage certificates or loans. No assurance can be given as to the rates of prepayments that actually will occur. Interest does not include accretions on capital appreciation bonds or amortization of premium/discount on bonds.

2008-12	2013-17	2018-22	2023-27	2028-32	2033-37	2038-42	Total Required
$ 447	$ 652	$ 951	$ 1,390	$ 2,031	$ 2,966	$ 5,041	$ 13,750
5,743	5,529	5,213	4,755	4,083	3,102	1,361	35,672
1,140	1,500	1,965	2,595	3,435	2,100		13,250
3,408	3,050	2,573	1,938	1,094	149		15,860
255	375	531	785	1,135	1,642	2,926	7,785
2,973	2,846	2,666	2,410	2,032	1,490	635	18,121
685	930	1,255	1,705	2,330	1,155		8,375
2,074	1,861	1,573	1,182	642	63		9,615
1,065	1,515	2,115	2,870	3,855	2,400		14,310
3,859	3,434	2,848	2,143	1,218	168		17,812
1,090	1,530	2,110	2,845	3,805	2,395		14,365
3,778	3,355	2,804	2,124	1,208	167		17,511
1,180	1,604	2,163	2,916	3,929	2,449		14,700
4,154	3,725	3,160	2,395	1,366	190		19,448
306	433	614	872	1,235	1,749	3,248	8,625
3,282	3,138	2,931	2,641	2,228	1,643	756	20,000
447	636	904	1,281	1,815	2,574	5,015	12,900
4,923	4,708	4,407	3,979	3,372	2,511	1,192	30,175
1,085	1,410	1,840	2,410	3,170	2,360		12,700
3,234	2,896	2,455	1,876	1,106	198		15,231
460	575					10,680	11,950
3,452	3,289	3,205	3,205	3,205	3,205	2,778	25,902
346	494	706	1,008	1,440	2,056	3,914	10,150
3,674	3,517	3,295	2,976	2,520	1,870	882	22,514
360	495	685	945	1,300	650		4,600
1,393	1,252	1,063	800	436	43		6,473
$ 223,401	$ 218,989	$ 215,905	$ 248,787	$ 149,698	$ 91,832	$ 67,224	$ 1,437,882
$ 596,139	$ 597,815	$ 597,397	$ 666,038	$ 592,576	$ 155,178	$ 67,224	$ 3,881,657
480,777	440,372	372,554	282,149	138,710	32,177	11,697	2,273,510
$ 115,362	$ 157,443	$ 224,843	$ 383,889	$ 453,866	$ 123,001	$ 55,527	$ 1,608,147

(Concluded)

ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE - REVENUE BONDS
AUGUST 31, 2002
(Amounts in Thousands)

	Pledge and Other Sources Related Expenditures for Fiscal Year 2002						
Description of Issue	Operating Revenues	Interest Earned on Investments	Other Pledged Revenues	Total Pledged Sources	Other Sources	Operating Expenses and Expenditures	Net Available for Debt Service
Single-Family:							
Series 82A, 83A, 84A/B, 85A, 85B/C, 86A, 86B, 87A, 87B, 91A, 94A/B, 95A/B, 95C, 96A-C, 96D/E, 97A-C, 97D-F, 2002A-D	$ 9,851	$ 20,805	$ 62,806	$ 93,462	$ 298	$ 1,966	$ 91,794
Residential Mortgage Revenue: Series 88A, 89A/B, 98A/B, 99A, 99B/C/D, 2000A-E, 2001A-E	599	29,769	116,585	146,953	453	1,553	145,853
Coll. Home Mortgage Revenue: Series 91A, 92A-C	304	5,208	26,540	32,052		144	31,908
SF MRB CHMRB Series 93A-E		1,954	4,385	6,339		24	6,315
SF MRB CHMRB Series 94A-C		3,621	7,915	11,536		33	11,503
SF MRRB CHMRB Series 95A		213	630	843		1	842
Total Single Family	10,754	61,570	218,861	291,185	751	3,719	288,215
Multifamily:							
84 MF Priv Placement (Summerbend)	441			441	33	1	473
87 MF Series (South Texas)	94	22		116			116
93 MF Series A/B (Remington Hill / High Pt)	189			189	44	5	228
93 MF Series (NCHMP)	840			840	48		888
96 MF Series A/B (Brighton's/Las Colinas)	1,364			1,364	29	6	1,387
96 MF Series A/B (Braxton's Mark)	848			848	18	3	863
96 MF Series A-D (DFW Pool)	1,457			1,457			1,457
96 MF Series A-D (Harbors/Plumtree)	845			845	30		875
96 MF Series A/B (NHP Foundation)	1,624			1,624	64		1,688
97 MF Series (Meadow Ridge)	732		125	857	20		877
98 MF Series (Pebble Brook)	590			590	27		617
98 MF Series A-C (Residence Oaks)	485			485	20		505
98 MF Series (Volente)	594		25	619	27		646
98 MF Series (Greens-Hickory Tr.	718			718	13		731
98 MF Series (Dallas-Oxford)/rfdg	747			747	26		773
99 MF Series (Woodglen)	786			786	11		797
99 MF Series (Mayfield Apts.)	651			651	11		662
00 MF Series (Timber Pt Apts)	136			136	8		144
00 MF Series (Oaks at Hampton)	733			733	22		755
00 MF Series (Deerwood Apts)	403			403	6		409
00 MF Series (Creek Pt Apts)	121			121	7		128
00 MF Series A/B (Parks Westmoreld)	727			727	20		747
00 MF Series (Honey Creek)	1,562			1,562	20		1,582
00 MF Series A-C (Highland Meadows)	921			921	14		935
00 MF Series A/B (Greenbridge)	1,495			1,495	20		1,515
00 MF Series A-C (Collingham Pk)	915			915	14		929
00 MF Series A/B (Williams Run)	981			981	16		997
00 MF Series A/B (Red Hills Villa)	804			804	10		814
01 MF Series (Bluffview Apt)	911			911	11		922
01 MF Series (Knollwood Villa)	1,171			1,171	14		1,185
01 MF Series (Skyway Villa)	737			737	13		750
01 MF Series A/B (Cobb Park Apt)	619			619	8		627
01 MF Series (Greens Road Apt)	440			440	8		448
01 MF Series A/B (Meridian Apt)	810			810	14		824
01 MF Series A/B (Wildwood Branch)	802			802	14		816
01 MF Series A-C (Fallbrook Apt)	625			625	10		635
01 MF Series (Oak Hollow Apt)	479			479	6		485
01 MF Series A/B (Hillside Apt)	720			720	4		724
01 MF Series (Millstone Apt)	410			410	7		417
02 MF Series (Sugarcreek Apt)	424			424	7		431
02 MF Series (West Oaks Apt)	444			444	6		450
02 MF Series (Park Meadows Apts)	105			105	2		107
Total Multifamily	30,500	22	150	30,672	702	15	31,359
TOTAL	$ 41,254	$ 61,592	$ 219,011	$ 321,857	$ 1,453	$ 3,734	$ 319,574

(Continued)

ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE - REVENUE BONDS
AUGUST 31, 2002
(Amounts in Thousands)

	Debt Service			Interest and Sinking Fund		Reserve Fund	
Description of Issue	Principal	Interest	Refunded or Extinguished	Minimum	Actual	Minimum	Actual
Single-Family:							
Series 82A, 83A, 84A/B, 85A, 85B/C, 86A, 86B, 87A, 87B, 91A, 94A/B, 95A/B, 95C, 96A-C, 96D/E, 97A-C, 97D-F, 2002A-D	$ 3,395	$ 25,936	$ 62,806	n/a	n/a	$ 2,533	$ 2,738
Residential Mortgage Revenue:				n/a	n/a		
Series 88A, 89A/B, 98A/B 99A, 99B/C/D, 2000A-E, 2001A-	1,500	27,609	116,585	n/a	n/a	5	5
Coll. Home Mortgage Revenue:				n/a	n/a		
Series 91A, 92A-C	120	4,989	26,540	n/a	n/a	n/a	n/a
SF MRB CHMRB Series 93A-E		1,864	4,385	n/a	n/a	n/a	n/a
SF MRB CHMRB Series 94A-C		3,518	7,915	n/a	n/a	n/a	n/a
SF MRRB CHMRB Series 95A		60	630	n/a	n/a	n/a	n/a
Total Single-Family	5,015	63,976	218,861			2,538	2,743
Multifamily:							
84 MF Priv Placement (Summerbend)	60	440		n/a	n/a	n/a	n/a
87 MR Series (South Texas)	52	94		n/a	n/a	964	1,038
93 MF Series A/B (Remington Hill / High Pt.)		184		n/a	n/a	n/a	n/a
93 MF Series (NCHMP)	335	840		n/a	n/a	n/a	n/a
96 MF Series A/B (Brighton's/Las Colinas)		1,357		n/a	n/a	n/a	n/a
96 MF Series A/B (Braxton's Mark)		843		n/a	n/a	n/a	n/a
96 MF Series A-D (DFW Pool)	335	1,457		n/a	n/a	n/a	n/a
96 MF Series A-D (Harbors/Plumtree)	195	845		n/a	n/a	n/a	n/a
96 MF Series A/B (NHP Foundation)	440	1,624		n/a	n/a	n/a	n/a
97 MF Series (Meadow Ridge)	165	732	125	n/a	n/a	n/a	n/a
98 MF Series (Pebble Brook)	135	590		n/a	n/a	n/a	n/a
98 MF Series A-C (Residence Oaks)	106	485		n/a	n/a	n/a	n/a
98 MF Series (Volente)	130	594	25	n/a	n/a	n/a	n/a
98 MF Series (Dallas-Oxford rfdg)		747		n/a	n/a	n/a	n/a
98 MF Series (Greens-Hickory Tr.	150	718		n/a	n/a	n/a	n/a
99 MF Series (Mayfield Apts)	150	651		n/a	n/a	n/a	n/a
99 MF Series (Woodglen)	7	786		n/a	n/a	n/a	n/a
00 MF Series (Timber Pt Apts)		136		n/a	n/a	n/a	n/a
00 MF Series (Oaks at Hampton)	19	733		n/a	n/a	n/a	n/a
00 MF Series (Deerwood Apts)		403		n/a	n/a	n/a	n/a
00 MF Series (Creek Pt Apts)		121		n/a	n/a	n/a	n/a
00 MF Series A/B (Parks Westmoreld)	4	727		n/a	n/a	n/a	n/a
00 MF Series (Honey Creek)		1,562		n/a	n/a	n/a	n/a
00 MF Series A-C (Highland Meadows)		921		n/a	n/a	n/a	n/a
00 MF Series A/B (Greenbridge)		1,495		n/a	n/a	n/a	n/a
00 MF Series A-C (Collingham Pk)		915		n/a	n/a	n/a	n/a
00 MF Series A/B (Williams Run)	51	981		n/a	n/a	n/a	n/a
00 MF Series A/B (Red Hills Villa)		804		n/a	n/a	n/a	n/a
01 MF Series (Bluffview Apt)		911		n/a	n/a	n/a	n/a
01 MF Series (Knollwood Villa)		1,171		n/a	n/a	n/a	n/a
01 MF Series (Skyway Villa)		737		n/a	n/a	n/a	n/a
01 MF Series A/B (Cobb Park Apt)		619		n/a	n/a	n/a	n/a
01 MF Series (Greens Road Apt)		440		n/a	n/a	n/a	n/a
01 MF Series A/B (Meridian Apt)		810		n/a	n/a	n/a	n/a
01 MF Series A/B (Wildwood Branch)		802		n/a	n/a	n/a	n/a
01 MF Series A-C (Fallbrook Apt)		625		n/a	n/a	n/a	n/a
01 MF Series (Oak Hollow Apt)		479		n/a	n/a	n/a	n/a
01 MF Series A/B (Hillside Apt)		720		n/a	n/a	n/a	n/a
01 MF Series (Millstone Apt)		410		n/a	n/a	n/a	n/a
02 MF Series (Sugarcreek Apt)		424		n/a	n/a	n/a	n/a
02 MF Series (West Oaks Apt)		444		n/a	n/a	n/a	n/a
02 MF Series (Park Meadows Apts)		105		n/a	n/a	n/a	n/a
Total Multifamily	2,334	30,482	150			964	1,038
TOTAL	$ 7,349	$ 94,458	$ 219,011			$ 3,502	$ 3,781

(Concluded)

Texas Department of Housing and Community Affairs - Housing Finance Division

Computation of Unencumbered Fund Balances
August 31, 2002, and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Governing Board of the
Texas Department of Housing and Community Affairs:

We have audited the accompanying Computation of Unencumbered Fund Balances (the "Computation") of the Texas Department of Housing and Community Affairs - Housing Finance Division (the "Division") as of August 31, 2002. The Computation is the responsibility of Division management. Our responsibility is to express an opinion based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Computation is free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Computation. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Computation. We believe that our audit provides a reasonable basis for our opinion.

The Computation is presented on the basis of criteria described in Note 2 for compliance with the provisions of Chapter 2306, Texas Government Code, Sections 2306.204 and 2306.205. The Computation is not intended to present unencumbered fund balances in accordance with accounting principles generally accepted in the United States of America. Unencumbered fund balances determined under the basis of presentation described in Note 2 may materially differ from those determined under accounting principles generally accepted in the United States of America.

In our opinion, the aforementioned Computation presents fairly, in all material respects, the unencumbered fund balances of the Division as of August 31, 2002, in conformity with the criteria specified by management of the Division for compliance with the computations described in the Texas Government Code, Sections 2306.204 and 2306.205, as set forth in Note 2 to the Computation.

This report is intended solely for the information and use of the Division's management and the Governing Board in accordance with the Texas Government Code, Sections 2306.204 and 2306.205, and is not intended to be and should not be used by anyone other than these specific parties.

Deloitte + Touche LLP

November 20, 2002

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HOUSING FINANCE DIVISION

COMPUTATION OF UNENCUMBERED FUND BALANCES
AUGUST 31, 2002 (Dollars in Thousands)

	SFMRB Program	RMRB Program	CHMRB Program	M/F Program	1993 SF CHMRB Program	1994/1995 SF CHMRB Program	Commercial Paper Program	Operating Fund	
BOND LIABILITIES (Note 2):									
Bonds payable/commercial paper notes payable	$498,175	$464,295	$58,300	$509,942	$26,580	$50,855	$12,100	$ -	
Accrued interest payable on bonds	13,240	4,292	33	4,617	144	278	27		
Total	$511,415	$468,587	$58,333	$514,559	$26,724	$51,133	$12,127	$ -	
ASSET TEST RATIO (Note 2)	102.00 %	102.00 %	102.00 %	100.00 %	100.00 %	100.00 %	100.00 %	0.00 %	
QUALIFYING ASSETS (Note 2):									
Cash and temporary investments	$ 30,015	$ 4,853	$ 443	$ 30,374	$ 1,038	$ 764	$12,182	$10,010	
Investments at fair value	156,179	95,797	2,414	74,490		813			
Mortgage-backed securities at fair value	284,082	383,522	58,713		27,084	52,488			
Less fair value adjustment	(8,899)	(9,822)	(2,369)		(1,266)	(2,525)			
Unamortized premium/discount	330	2,186	452	(4)	228	446			
Loans/notes receivable, net	96,966	3,957		509,662				1,024	
Real estate owned, net	431	59							
Accrued interest receivable	2,842	3,398	335	2,934	148	279	36	15	
Subtotal	561,946	483,950	59,988	617,456	27,232	52,265	12,218	11,049	
LESS RESTRICTIONS (Note 2):									
Self-insurance fund	1,500	401							
Operating reserve fund	3,018	474	41	336	15	34	11	33	
Debt service fund	2,739	94		1,038				13	
Rebate payable	522	1,405			3	15	82		
Due to lenders/other departments				101,940				300	
Housing assistance programs	17,423	6,679							
Board/department restricted contingency reserve								9,989	
Amounts reserved for special redemptions subsequent to August 31, 2002	3,910								
Subtotal	29,112	9,053	41	103,314	18	49	93	10,335	
Total qualifying assets less restrictions	532,834	474,897	59,947	514,142	27,214	52,216	12,125	714	
LESS ASSET TEST REQUIREMENT (Note 2)	521,643	477,959	59,500	514,559	26,724	51,133	12,127		
AMOUNT NEEDED TO MEET ASSET TEST REQUIREMENT		3,062		417			2	(714)	TOTAL
UNENCUMBERED FUND BALANCES	$ 11,191	$ -	$ 447	$ -	$ 490	$ 1,083	$ -	$ -	$13,211

See accompanying independent auditors' report and accompanying notes to the Computation.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS - HOUSING FINANCE DIVISION

NOTES TO THE COMPUTATION OF UNENCUMBERED FUND BALANCES AUGUST 31, 2002 (IN THOUSANDS)

1. BACKGROUND OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

General Statement - The Texas Department of Housing and Community Affairs (the "Department"), was created effective September 1, 1991, by an act of the 72nd Texas Legislature, pursuant to Senate Bill 546 (subsequently codified as Chapter 2306, Texas Government Code) (the "Department Act"), passed by the Texas Legislature on May 24, 1991, and signed by the Governor of the State of Texas. Effective September 1, 1991, the Department was established to assist local governments in helping residents overcome financial, social, and environmental problems; to address low- to moderate-income housing needs; to contribute to the preservation and redevelopment of neighborhoods and communities; to assist the Governor and the Legislature in coordinating federal and state programs affecting local governments; and to continually inform the State and the public about the needs of local government. The Department was created by merging two former agencies: the Texas Housing Agency and the Texas Department of Community Affairs.

The Department is governed by a Governing Board composed of seven members appointed by the Governor with advice and consent of the Senate. The Department is administered by an Executive Director to be employed by the Board with the approval of the Governor. The Department is authorized to issue tax-exempt or taxable bonds, notes, or other obligations to finance or refinance multifamily housing developments and single-family residential housing. Bonds and notes of the Department do not constitute a debt of the State or any political subdivision thereof. The Department Act specifically provides for the assumption by the Department of the outstanding indebtedness of the former agencies. The Housing Finance Division (the "Division") of the Department is required to continue to carry out all covenants with respect to any bonds outstanding, including the payments of any bonds from the sources provided in the proceedings authorizing such bonds. The Department Act requires a portion of the unencumbered fund balances, as defined, of the Division of the Department to be transferred to the Housing Trust Fund from the bond programs should certain conditions be met.

The Division operates several bond programs under separate trust indentures, as follows:

- *General - Single-Family* - Since 1979, the year of creation of the Texas Housing Agency (the "Agency"), a predecessor to the Department, through August 31, 2002, the Agency or the Department has issued 24 series of Residential Mortgage Revenue Bonds, 31 series of Single-Family Mortgage Revenue Bonds, 3 series of Junior Lien Single-Family Mortgage Revenue Refunding Bonds, 10 series of GNMA/FNMA Collateralized Home Mortgage Revenue Bonds, 11 series of Collateralized Home Mortgage Revenue Bonds, and 2 series of Government National Mortgage Association ("GNMA") Collateralized Home Mortgage Revenue Bonds. As of August 31, 2002, the outstanding principal amount of bonded indebtedness of the Department for single-family housing purposes was $1,098,205.

- *General - Multifamily* - The Department and the Agency have issued 114 multifamily housing revenue bonds, which have been issued pursuant to separate trust indentures and are secured by individual trust estates, which are separate and distinct from each other. As of August 31, 2002, 75 series were outstanding, with an aggregate outstanding principal amount of $509,942.

- *Single-Family Mortgage Revenue Bonds ("SFMRBs")* - The Department has issued 31 series of Single-Family Mortgage Revenue and Refunding Bonds under a Single-Family Mortgage Revenue Bond Trust Indenture, dated as of October 1, 1980, and 35 indentures supplemental thereto, which are secured on an equal and ratable basis by the trust estate established by the SFMRB Indenture. As of August 31, 2002, 16 series were outstanding, with an aggregate outstanding principal amount totaling $488,175.

- *Junior Lien Bonds* - The Department has issued three series of its Junior Lien Single-Family Mortgage Revenue Refunding Bonds (the "Junior Lien Bonds") pursuant to a Junior Lien Trust Indenture, as supplemented by the First Supplemental Junior Lien Trust Indenture and the Second Supplemental Junior Lien Trust Indenture, each dated as of May 1, 1994, and the Third Supplemental Junior Lien Trust Indenture dated as of March 27, 2002, by and between the Department and Bank One, Texas, NA, as trustee. The Junior Lien Bonds are secured on an equal and ratable basis with each other and on a subordinated basis to the SFMRBs by the trust estate held under the SFMRB Indenture. As of August 31, 2002, one series is outstanding, with an aggregate outstanding principal of $10,000.

- *Residential Mortgage Revenue Bonds ("RMRBs")* - As of August 31, 2002, the Department has issued 24 series of Residential Mortgage Revenue and Refunding Bonds pursuant to the Residential Mortgage Revenue Bond Trust Indenture and 24 separate Series Supplements, which are secured on an equal and ratable basis by the trust estate established by the RMRB Indenture. As of August 31, 2002, 17 series were outstanding, with an aggregate outstanding principal amount of $464,295.

- *Collateralized Home Mortgage Revenue Bonds ("CHMRBs")* - The Department has issued 11 series of Collateralized Home Mortgage Revenue Bonds pursuant to the Collateralized Home Mortgage Revenue Bond Master Indenture and 6 separate Series Supplements, which are secured on an equal and ratable basis by the trust estate established by such trust indentures. As of August 31, 2002, two series of CHMRBs were outstanding, with an aggregate outstanding principal amount of $58,300.

- *Single-Family Collateralized Home Mortgage Revenue Bonds - 1993 ("SFCHMRB - 1993")* - The Department has issued five series of Single-Family Mortgage Revenue Bonds under a GNMA/FNMA Collateralized Home Mortgage Revenue Bond Trust Indenture dated as of November 1, 1993, amended as of February 1, 1995, by and between the Department and Bank One, Texas, NA, as trustee. As of August 31, 2002, five series of the SFCHMRB - 1993s were outstanding, with an aggregate outstanding principal amount of $26,580.

- *Single-Family Collateralized Home Mortgage Revenue Bonds - 1994 ("SFCHMRB - 1994")* - The Department has issued three series of Single-Family Mortgage Revenue Bonds in 1994 and 1995 under a GNMA/FNMA Collateralized Home Mortgage Revenue Bond Master Trust Indenture dated as of November 1, 1994, supplemented by a First Supplemental GNMA/FNMA Collateralized Home Mortgage Revenue Bond Trust Indenture dated as of November 1, 1994, as amended as of February 1, 1995, by and between the Department and Bank One, Texas, NA, as trustee. As of August 31, 2002, three series of the SFCHMRB - 1994s were outstanding, with an aggregate outstanding principal amount of $50,175.

- *Single-Family Collateralized Home Mortgage Revenue Bonds - 1995 ("SFCHMRB - 1995")* - The Department has issued two series of single family mortgage revenue refunding bonds in 1995 for the purpose of refunding certain notes that previously refunded certain bonds outstanding, under a GNMA/FNMA Collateralized Home Mortgage Revenue Bond Master Trust Indenture, First Supplemental GNMA/FNMA Collateralized Home Mortgage Revenue Bond Trust Indenture, and Second Supplemental GNMA/FNMA Collateralized Home Mortgage Revenue Bond Trust Indenture, each dated as of November 1, 1994, each amended as of February 1, 1995, and each by and between the Department and Bank One, Texas, NA, as trustee. As of August 31, 2002, one series of SFCHMRB – 1995s was outstanding, with an aggregate outstanding principal amount of $680.

- *Housing Trust Fund* - The Department Act provided for a transfer of a portion of the unencumbered fund balance from the bond programs for use in the Housing Trust Fund. The fund will be used to provide assistance for low- and very-low-income persons and families in financing, acquiring, rehabilitating, and developing affordable, decent, and safe housing. The fund will be made available to local units of government, public housing authorities, the Department, community housing development organizations, and nonprofit organizations, as well as eligible low- and very-low-income individuals and families.

- *Commercial Paper Notes* - By resolution adopted November 10, 1994, the Department's Governing Board has authorized the issuance of two series of commercial paper notes, its Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series A, and its Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series B (the "Notes"). Pursuant to the resolution, the Department is authorized to issue the Notes in an aggregate principal amount not to exceed $75,000 outstanding. Proceeds of the initial issuance of the Notes and of future issues not issued to refund outstanding Notes will be used to redeem certain of the Department's single-family mortgage revenue bonds, which are subject to redemption as a result of the receipt by the Department of prepayments of the related underlying mortgage loans. Such prepayments may, at a future date, be recycled into new mortgage loans by the Department. The Notes are being issued in anticipation of the issuance of refunding bonds that will refund the Notes.

2. BASIS OF PRESENTATION

Management of the Department has determined the following criteria and definitions should be used in the computation of unencumbered fund balances specified by the Department Act, Texas Government Code, Sections 2306.204 and 2306.205. These criteria and definitions were determined based on the requirements of the bond trust indentures, the Department Governing Board's designated purposes, and financial advisors' recommendations for credit rating purposes.

Definition of Unencumbered Fund Balance - The bond trust indentures of the Department include certain restrictions and encumbrances on Department assets for the benefit, protection, and security of the owners of the outstanding Department bonds. In addition, the Department's financial advisor has recommended that additional restrictions be maintained in the determination of unencumbered fund balance for ensuring the maintenance of parity over the immediate future.

The unencumbered fund balances of the Department represent qualifying assets less restrictions in excess of a percentage (the "Asset Test Ratio") of the total bond liabilities specified in the respective bond trust indentures. Unencumbered fund balances cannot be less than zero.

Generally, the unencumbered fund balances cannot be distributed or utilized except when certain conditions have been met within the bond trust indentures, including filing of a statement of projected revenues that projects that anticipated cash flows will be sufficient to pay Department expenses of the Division - Revenue Bond Enterprise Fund and aggregate debt service through the maturity of the bonds and to maintain all other reserve fund requirements of the respective bond trust indentures.

Total Bond Liabilities - The following represents the amounts included in determination of total bond liabilities:

- The bonds and commercial paper notes payable represent the contractual balance of bonds and commercial paper notes outstanding at August 31, 2002. Where the bonds are concerned, the amount includes accreted interest on Capital Appreciation Bonds and excludes unamortized bond premiums or discounts.

- Accrued interest on bonds and commercial paper notes payable represents contractual interest due on outstanding balances at August 31, 2002.

Asset Test Ratio - This represents the ratio in excess of total bond liabilities considered necessary by the respective bond trust indentures.

Asset Test Requirement - This represents the encumbered qualifying assets considered necessary by the respective bond trust indentures. These amounts are calculated by multiplying the total bond liabilities by the Asset Test Ratio for the related programs.

Qualifying Assets - Qualifying assets exclude deferred issuance costs, deferred commitment fees, other assets, and the interfund receivables (payables). The following is a summary of amounts considered to be qualifying assets in determination of unencumbered fund balance by the respective bond trust indentures and the Bond Rating Agencies:

- Cash, cash equivalents, and investments are included at fair value.

- Fair value adjustment represents the adjustment to eliminate the unrealized gain or loss in investments marked to fair value, since these funds are not currently available.

- Mortgage-backed securities are included at fair value. Deferred commitment fees are excluded.

- Unamortized premium/discount represents adjustment to value investments at par.

- Loans are included at their current contractual balances outstanding, net of the estimated allowance for estimated loan losses. Deferred commitment fees are excluded.

- Real estate owned is included at the carrying amount, net of the estimated allowance for estimated losses.

- Accrued interest receivable is included at the contractual balances of accrued interest on investments, mortgage-backed securities, and loans.

Restrictions - The restrictions represent amounts to be deducted from qualifying assets for amounts required by the respective bond trust indentures, other Governing Board-designated purposes, or recommendations by the Department's financial advisors in the determination of unencumbered fund balance. The restrictions consist of the following:

- Self-insurance fund represents a required fund within the single-family and RMRB programs that is restricted for losses on self-insured loan pool programs.

- Operating reserve fund represents a restriction of approximately six months' operating expenses of the related bond programs. The single-family operating reserve also includes an estimate for 2002 cost of issuance.

- Debt service fund represents qualifying assets restricted for debt service requirements by the respective bond trust indentures.

- Rebate payable represents a restriction for amounts calculated to be payable under the rebate rules of the U.S. Treasury.

- Amounts due to lenders/other funds represents qualifying assets that are due to lenders under the bond trust indentures, as well as due to other Department funds, and are not available for any other purposes.

- Amounts reserved for Housing Assistance Programs represent amounts that are restricted for certain Department programs as designated by the Governing Board and respective bond trust indentures and therefore are not available for any other purpose as of August 31, 2002.

- Board/Department-restricted contingency reserve represents funds designated for a specific purpose by either Board action or management decision.

- Amounts reserved for special redemptions subsequent to August 31, 2002, represent amounts calculated for the redemption of bonds (debt service) according to provisions stipulated in each bond series' respective supplemental indenture.

A summary of the restrictions within the Housing Assistance Programs follows:

	Single-Family Program
Mortgage/housing development:	
Down Payment Assistance Program	$ 1,324
REO Foreclosure Expense for Special Loan Programs	40
1991 Series A:	
Self-help/HCA&IL Prog	258
Down Payment Assistance Prog	
1994 Series A Jr. Lien Mortgage Loan Revenue (designated for future DPAP)	1,532
1994 Series A Jr. Lien Acquisition:	
Mortgage Loan Rate Buydown Prog	810
1994 Series B Jr. Lien Acquisition:	
Colonias border for multifamily projects	
Contract for Deed Conversion Program	75
Mortgage Loan Rate Buydown Prog	
Colonias border for HCA&IL Prog	
1996 Series A-C Special Mortgage Loan Fund	1,332
1996 Series D&E Special Mortgage Loan Fund	2,581
1997 Series D-F Special Mortgage Loan Fund	689
2002 Jr. Lien Acquisition Fund Account	7,172
2002 A-C Servicing Release Premium Fund (designated for future COI)	3
2002 Down Payment Assistance Program	1,607
	$ 17,423

	RMRB Program
1998 A/B RMRB Special Mortgage Loan Fund	$ 915
1999 B-D RMRB Down Payment Assistance Prog	9
2000 B-E Servicing Release Premium Fund (designated for future COI)	704
2000 A RMRB Down Payment Assistance Program	17
2001 A-C RMRB Servicing Release Premium Fund (designated for future COI)	337
2001 DE RMRB Servicing Release Premium Fund (designated for future COI)	3
2001 Down Payment Assistance Program	618
2001 ABC Special Mortgage Loan Fund (designated for P59)	3,950
2001 DE Special Mortgage Loan Fund (designated for P59)	126
	$ 6,679

As of August 31, 2002, the following additional restrictions existed:

	Operating Fund
Pending Arbitrage Computation	
Residual-CMO Defeasance	$ 611
90 CHMRB /Colonias K for D	560
90 CHMRB /Colinias K for D - Interest	21
90 CHMRB/Colonias K for D (SB 867 Reserve)	518
91 CHMRB Residual/Bootstrap FY03	587
Arkansas Development Finance Authority/Below Market Interest Rate Program	1,984
MF/Section 8 - Restructuring Program	71
Bond Programs/COI	127
Colonias project/bond contingency reserve	2,361
Future operating and general contingencies	2,476
M/F bond issuance fees reserved for HTF and/or other program use	673
	$9,989

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Texas Department of Housing & Community Affairs

Report to Management
Year Ended August 31, 2002

Board of Directors
Texas Department of Housing & Community Affairs

In planning and performing our audit of the basic financial statements of the Texas Department of Housing & Community Affairs ("TDHCA") for the year ended August 31, 2002 (on which we have issued our report dated November 20, 2002), we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on TDHCA's internal control. Our consideration of the internal control would not necessarily disclose all matters in TDHCA's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A description of the responsibility of management for establishing and maintaining the internal control, and the objectives of and inherent limitations in such a structure, is set forth in the attached Appendix and should be read in conjunction with this report. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving TDHCA's internal control and its operations that we consider to be material weaknesses as defined above.

The recommendations included in the Exhibit concern administrative and operating matters that resulted from our observations during our audit and are not based on a special study.

This report is intended for the information and use of the Board of Directors and is not intended to be and should not be used by anyone other than those specified parties. We would be pleased to discuss these observations with you and to assist you in implementing them.

Deloitte + Touche LLP

December 20, 2002

EXHIBIT

ADMINISTRATIVE AND OPERATING MATTERS

INSURANCE COVERAGE

Observation

During the year ended August 31, 2002, the insurance policy for Director's and Officer's (D&O) insurance lapsed. The decision regarding renewal was discussed with Executive and the Legal Department and a decision to not renew was reached after considering the cost of premiums compared to the historical benefits.

Recommendation

Reconsider the status of the D&O insurance policy. Options to reduce monthly premiums may be to discuss alternatives with insurance representatives for lowering the risk factors associated with TDHCA directors and officers. Also, TDHCA may be able to obtain lower premiums through alternate insurance carriers or lowering coverage benefits.

Management Response

The State Office of Risk Management (SORM) currently has oversight regarding all insurance policies entered into by State agencies including D&O coverage. The Department is required to send all policies for SORM's review before bidding and/or renewing a policy. SORM is responsible for evaluating the necessity of a policy and for seeking out competitive prices if the coverage is deemed necessary. TDHCA was recently notified that SORM offers a statewide Director's & Officer's (Public Officials) program. We will be reviewing this program to determine if it will meet our needs. Should what they offer not meet our needs, TDHCA will confer with SORM representatives to discuss policy options.

LOANS

Observation

The loan loss reserve for regular loans is currently calculated based on a flat dollar reserve amount ($2,790) per loan delinquent over 90 days. The flat amount was based on a reserve methodology proposed by external auditors several years ago in association with their audit of TDHCA. The basis for this reserve amount has not been documented.

Recommendation

Analyze historical loan losses (for TDHCA or for similar agencies throughout the US) for regular loans and design a reserve methodology that is based on actual loss experience. Maintain documentation of the calculation methodology as part of the accounting records of the organization.

Management Response

The Department has analyzed historical loan losses for the last 5 fiscal years and has determined the average loan loss to be $392. For fiscal year 2003, the Department will use a reserve amount of $400 per loan delinquent over 90 days. The per loan reserve amount will be adjusted annually based the preceding 5 year historical loan loss average.

UPDATE OF PRIOR YEAR COMMENTS

TEXAS HOUSING TRUST FUND

Observation

The accounting for the Texas Housing Trust Fund is split between the governmental and proprietary funds of TDHCA. It has evolved in this manner because the funding for this program comes from the legislature in the form of appropriations, which are recorded in the general fund. Expenditures are recorded in the general fund when loans are made from this funding source. The loans made with these funds are long-term mortgage loans; therefore, the related receivable is recorded in an enterprise fund. No transaction is recorded to reflect the funds moving from the general fund to the enterprise fund.

Recommendation

Consider alternatives for accounting for the Texas Housing Trust Fund so that all transactions could be accounted for in one fund. Alternatively, consider recording an operating transfer from the general fund to the enterprise fund to reflect the movement of the funding for the loans so that an accounting trail exists.

Management Response

Financial Services has evaluated the Housing Trust Fund Loan portfolio and identified those loans funded with General Revenue funds. A receivable has been recorded in the General Fund to account for these loans within it's originating fund. This transaction transferred the receivable of these loans from the Proprietary Fund into the General Fund.

DOWN PAYMENT ASSISTANCE PROGRAM LOANS

Observation

TDHCA provides down payment assistance to potential homeowners utilizing federal HOME Program funds. The HOME Program grant directs TDHCA to provide down payment assistance but does not specify the method of administering the funds.

Generally, the Down Payment Assistance Program ("DPAP") is administered as follows:

- TDHCA enters into subrecipient agreements with administrators (subrecipients). The administrators work with lenders or builders to identify individuals in need of the DPAP. Information on potential homeowners and properties they wish to purchase is forwarded to TDHCA's HOME Program by the administrators. Based on the HOME Program staff validating the sufficiency of the documentation, the draw request is approved. The HOME Program staff routes relevant information to the Accounting staff to process the payment of HOME funds to finance the DPAP. HOME Program expenditures are recorded by the Accounting staff as payment occurs.

- The agreements with administrators dictate whether the DPAP should be considered a loan by the administrators and, by agreement, assigned to TDHCA. In instances of loans, the administrators are responsible for ensuring the signed loan notes are obtained at loan closing and forwarding the relevant loan documentation (loan note, title transfer, etc.) to TDHCA for processing by Loan Administration. However, the administrators do not consistently provide the relevant loan documentation to TDHCA.

- As loan documentation is received by TDHCA, it is routed to Loan Administration, whereby staff ensures all documents are complete; if documents are completed, the loans are recorded in their loan servicing system, which serves as the basis of support for posting loan receivables to the financial records. However, if the administrators do not route the relevant loan documentation or if specific loan documents are missing information, a loan is not recorded by Loan Administration staff, thus creating a discrepancy between the draws approved by HOME and the loan servicing system. Additionally, loans receivable in the financial records will be understated by the amount of the loans not posted to the loan servicing system.

Recommendation

Implement policies to ensure that DPAP transactions are processed in their entirety. Procedures should be developed to ensure that relevant loan documentation is received from the administrators and that the HOME Program's, Loan Administration's, and Accounting's records are in agreement and reconciled on a regular basis.

Management Response

HOME staff prepares monthly reports showing all HBA loans funded through the HOME Program. Based on the information received, Loan Servicing sets up the loan on the MITAS system with the document tracking set up to show loan documents to be received. This process helps ensure that program records are in agreement with loan servicing records. Other processes provide reasonable assurance between the loan servicing records and accounting records.

RECORDING OF ACCOUNTS PAYABLE

Observation

TDHCA does not accrue for invoices received subsequent to one month after year-end that relate to the preceding fiscal year. The ledgers are closed one month after year-end. For goods received or services rendered during the preceding fiscal year, invoices received after the one month cutoff may be improperly recorded as subsequent-year expenditures. As a result, accounts payable and the related expenditures may be understated at year-end.

Recommendation

Consider alternatives for cutoff procedures for invoices received subsequent to year-end. In order to efficiently manage this process, a threshold of $100,000 could be set so that only large-dollar invoices received after September 30 would be reviewed for consideration of recording as accruals.

Management Response

The Division of Financial Administration implemented a new policy that gave consideration to the accrual of invoices greater than $100,000 received subsequent to thirty days after fiscal year end to accurately reflect expenditures.

INFORMATION SYSTEMS STRUCTURE

Observation

TDHCA's existing financial information systems structure currently lacks an enterprisewide, integrated scope to support TDHCA's financial management needs. The structure includes the utilization of two separate databases for managing programmatic financial data: the Client Server Accounting System ("CSAS") for general ledger, accounts payable, and purchasing management, and the Uniform Statewide Accounting System ("USAS") for statewide financial management and financial reporting.

TDHCA's financial information systems structure consists of the following systems:

- Programmatic financial data is maintained primarily within separate databases. These databases include a range of information; most important from a financial perspective is loan and grant status data. Data entry within these databases is primarily performed by programmatic personnel. This source data is compiled through multiple reports (including spreadsheets) and utilized by Finance personnel to populate CSAS for general accounting and financial reporting for loans. These databases are currently being standardized and centralized in a common database to provide increased integration of programmatic data. TDHCA has also developed programs to facilitate uploading of entries into CSAS within project/grant management areas.

- In 1997, TDHCA began implementation of five modules (general ledger, purchasing, budget, asset management, and accounts payable) of the PeopleSoft financial suite as part of the State's ISAS software project. This project was initiated by the State Comptroller in order to provide state agencies and universities with a common internal financial and administrative management system, according to an audit report on ISAS implementation prepared by the State Auditor's Office in January 2001. CSAS is the name used by TDHCA to refer to its PeopleSoft financial suite.

- Full implementation of all five modules has not been completed by TDHCA. Rather, TDHCA uses the general ledger and accounts payable modules of CSAS, with partial use of the purchasing module. TDHCA's experience with this implementation has been described in the above-referenced State Auditor's Office report.

- Ultimately, financial data from TDHCA is interfaced into the State's USAS system for statewide financial reporting. In addition to interfacing data from CSAS to USAS, Finance personnel access USAS directly to enter accounting transactions, in some cases. TDHCA personnel also receive downloaded reports from USAS for financial reporting purposes. TDHCA has stated that it plans to generate financial statements directly from CSAS beginning in 2002, at which time implementation of CSAS will be considered complete.

The utilization of these multiple financial systems has contributed to significant manual processing, reporting, and data interface by TDHCA personnel. This can result in both inefficient use of personnel resources and compromised data integrity due to the multiple data entry points required for financial processing. In addition, TDHCA continues to pay support and licensing fees for CSAS modules that are not currently being utilized.

Recommendation

TDHCA has undertaken a number of steps to enhance the use of CSAS for financial management, and we recommend continued action to develop a fully integrated financial management system. The goal of this effort should be to provide a financial management systems structure that minimizes manual entry requirements, strengthens integration of data and processes, and improves financial reporting capabilities. It appears that TDHCA's use of CSAS, while not as complete as originally envisioned at the beginning of implementation, can provide such an integrated tool if the system is used and financial management activities are conducted strategically.

In addition, as part of the ongoing centralized database project, TDHCA should ensure that financial reporting requirements are sufficiently identified and addressed. This will help to reduce the amount of manual reporting and data entry by Finance personnel, thereby increasing the efficiency and effectiveness of financial reporting processes.

Management Response

TDHCA considers CSAS to be its official system of record, which allows for elimination of duplicate systems and manual entry through the phasing out of its FOXPRO financial Management Database. In 2002, TDHCA completed its development of CSAS financial statements. TDHCA has vastly improved PeopleSoft features related to procurement, purchase order, matching and reporting. Future plans include E-Procurement and interfaces with the Department's central database in Fiscal Year 2003.

NEW ACCOUNTING STANDARD

Observation

In June 1999, the Governmental Accounting Standards Board ("GASB") issued its Statement No. 34 ("GASB 34"), "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." This statement will require significant changes to the way that TDHCA collects information about transactions, records certain transactions in its ledgers, and reports its financial information in accordance with accounting principles generally accepted in the United States of America.

GASB 34 changes the framework of financial reporting for state and local governments and represents an important change in the history of accounting and financial reporting for state and local governments. A partial list of the requirements of this new standard follows:

- Management's Discussion and Analysis ("MD&A") - similar to what is required by public companies when reporting to the Securities and Exchange Commission

- Government-wide financial statements on a full accrual basis

- Statement of activities on a "cost-of-service" basis

- Separately reporting only major funds (as defined in the statement)
- New definitions of fund types
- Depreciating all fixed assets
- Budget comparisons, including original and amended budgets, as required supplemental information

Several of these changes may require significant research and preparation on the part of TDHCA prior to implementation.

Recommendation

Obtain an understanding of the provisions of GASB 34. Management should determine a plan of action with regard to implementation of this statement. The plan might include such things as redefining the funds used by the organization, the availability of data (for example, the cost of fixed assets), the ability of the organization to collect and summarize the necessary data (for example, direct and indirect costs of activities for reporting on the statement of activities), the expected timeline for gathering this information, and the resources available or to be procured to achieve that timeline. Should additional resources be determined to be necessary, appropriate funding and budget adjustments should be pursued.

Management Response

The accounting and finance staff completed its "Basic Financial Statements" which incorporated the Governmental Accounting Standards Board – Statement #34 (GASB 34). Deloitte & Touche completed their fieldwork and concluded TDHCA's financials to be in compliance with GASB 34 requirements per their audit report issued December 20, 2002.

APPENDIX

MANAGEMENT'S RESPONSIBILITY FOR AND THE OBJECTIVES AND LIMITATIONS OF THE INTERNAL CONTROL

The following comments concerning management's responsibility for internal control and the objectives of and the inherent limitations in the internal control are adapted from the Statements on Auditing Standards of the American Institute of Certified Public Accountants.

Management's Responsibility

Management is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control, policies, and procedures.

Objectives

The objectives of internal control are to provide management with reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

Limitations

Because of inherent limitations in any internal control, errors or fraud nevertheless may occur and not be detected. Also, projection of any evaluation of the internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

March 4, 2003

Members of the Texas Department of Housing and
Community Affairs Audit Committee:

Mr. Vidal Gonzalez, Chair
Ms. Elizabeth Anderson, Member
Mr. Shadrick Bogany, Member

Re: Low Income Housing Tax Credit Construction Inspection Fees Due From/Due to Project Owners; Report No. 3.04

We have performed the procedures enumerated below, which were agreed to by the Board of Directors, the Executive Director, and management of the Low Income Housing Tax Credits program (LIHTC) and the Financial Services Division of Texas Department of Housing and Community Affairs (Department), solely to assist you with respect to the evaluation of amounts due from project owners of LIHTC projects. Amounts due from the project owners result from the Department's policy to contract with independent inspectors to conduct construction inspections of projects that receive LIHTC allocations from the Department. The Department pays the independent inspectors for services rendered and the project owners reimburse the Department for those services, when billed.

This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Executive Summary

A subsidiary ledger that identifies payments to inspectors and reimbursement from project owners, by specific project, has been prepared and reconciled to the accounting records. As of September 30, 2002, Net Inspection Fees Due from Project Owners for construction inspections conducted prior to September 1, 2002, totaled $100,126. The net balance consists of $203,238 Due From Project Owners and $103,112 Due to Project Owners.

Management reported on February 20, 2003 that it had billed an additional $152,402 of the $203,238 Due From Project Owners. Management continues to assess the documentation supporting the remaining $50,836 Due From Project Owners and the $103,112 Due to Project

Owners. Based on the assessment of the documentation, management intends to bill the balance of amounts due from project owners and reimburse amounts due to project owners in those instances where it is considered appropriate.

Effective September 1, 2002, the Financial Services Division (FSD) assumed responsibility for maintaining detailed subsidiary records supporting the balances due to and due from project owners for LIHTC construction inspections and is administering the related billings. Management reported that related transactions since September 1, 2002 have been fully accounted for in the subsidiary records by the FSD and are in agreement with the accounting records.

Procedures Applied - The following procedures were applied during the engagement:

Reviewed LIHTC Reconciliation of its Billing and Collection Records (subsidiary records) with the Department's Accounting Records

- We reviewed LIHTC's reconciliation, and related procedures, of its subsidiary records to the Department's accounting records to determine the completeness and accuracy of LIHTC's billing and collection records.

  Results:

  - The LIHTC division did not have procedures in place to reconcile its subsidiary records with the accounting records. While the LIHTC division tried to reconcile its subsidiary records with the accounting records in late fiscal year 2002, the reconciliation was not adequate. Significant unidentified differences in amounts were noted between the subsidiary records and the accounting records. It was also noted that LIHTC did not maintain complete documentation supporting postings to the subsidiary records for projects' billings and receipts collections. As a result, the completeness and accuracy of LIHTC's subsidiary records could not be relied upon.

    Accordingly, we recommended to Management that a subsidiary ledger be prepared that could be relied upon that, at a minimum, agrees to postings and balances in the accounting records and identifies payments to inspectors and reimbursements from project owners, by specific project. We recommended that documentation be accumulated to support all subsidiary ledger postings.

  - Construction inspection fees paid by the Department and the related reimbursements from the project owners were recorded in the accounting records as expenditures and as credits against expenditures, respectively. Expenditure accounts are closed to fund balance accounts at the end of each year which precludes an ongoing accounting of balances due from project owners until final collection.

    We recommended that construction inspection fees paid by the Department and related reimbursements from project owners be recorded in the accounting records as an asset account to allow for carryover of account balances between years.

The following procedures were applied to determine the accuracy of the subsidiary records created pursuant to the recommendations referred to above.

Reviewed Completeness and Accuracy of LIHTC Inspection Fees Paid by the Department and Project Owner Reimbursements Collected by the Department

- We compared subsidiary ledger totals to accounting record totals to ensure agreement between the two sets of records. Totals were cumulative from September 1, 1998[1] through August 31, 2002. We also compared reimbursement amounts in September 2002, which related to inspection fees billed to project owners through August 31, 2002.

  Results – No differences in totals were noted between the subsidiary records and accounting records. Totals and the resulting net balance due from project owners were recorded as follows:

  Net Inspection Fees Due From Project Owners:

Payments made to Inspectors (9/1/98 – 8/31/02)	$ 779,151
Less Reimbursements from Project Owners (9/1/98 – 8/31/02)	353,903
Net Inspection Fees Due From Project Owners at August 31, 2002	**$ 425,248**
Less Reimbursements from Project Owners (September 2002)	325,122[2]
Net Inspection Fees Due from Project Owners at September 30, 2002	**$ 100,126**

Compared Subsidiary Record Postings of LIHTC Inspection Fees Paid by Project to Reimbursements Collected by Project

- We compared the subsidiary record's individual project inspection fees paid by the Department through August 31, 2002 with the project reimbursements collected by the Department through September 30, 2002 to identify outstanding balances by project at September 30, 2002.

[1] The Department first contracted with construction inspectors during fiscal year 1999, beginning September 1, 1998, pursuant to LIHTC construction inspection requirements specified by the General Appropriations Act, Seventy-fifth Legislature, Regular Session.

[2] The significant collections in September 2002 were the result of an August 2002 billing; the first billing since April 2001.

Results - The subsidiary records reported Net Inspection Fees Due from Project Owners at September 30, 2002 of $100,126, consisting of the following:

Inspection Fees Paid in Excess of Amounts Reimbursed – 109 projects	$ 203,238[1]
Reimbursements in Excess of Inspection Fees Paid – 63 projects	103,112[2]
Net Inspection Fees Due From Project Owners at September 30, 2002	$ 100,126

The subsidiary records also included 91 projects that had a zero balance due.

Tested LIHTC Inspection Invoices Paid by the Department to Supporting Invoices

- We selected a random sample of 30 (16.5%) purchase vouchers representing 125 individual LIHTC project inspections totaling $207,231, or 26.6 percent of the total inspection fees paid by the Department through August 31, 2002. We reviewed the supporting invoices to determine if the LIHTC construction inspection expenditures were properly recorded in the accounting and subsidiary records for each project.

  Results - We found no exceptions as a result of our testing procedures. Although management and staff provided documentation supporting the sample items, it was noted that they are still in the process of reviewing documentation to support the subsidiary records. Management and staff need to continue documenting all recorded transactions comprising outstanding balances for amount due from and due to project owners to ensure billings to project owners are properly supported and refunds to project owners are warranted.

1 Detail documentation supporting Inspection Fees Paid in Excess of Amounts Reimbursed of $203,238 needs to be investigated to ensure that fees paid and reimbursement amounts have been properly applied to the appropriate projects. Remaining balances may represent amounts Due From Project Owners, which the Department should bill and pursue collection. *Note: Management reported on February 20, 2002 that it has billed an additional $152,402 of the $203,238 balance.*

2 Detail documentation supporting the Reimbursements in Excess of Inspection Fees Paid of $103,112 needs to be investigated to ensure that fees paid and reimbursement amounts have been properly applied to the appropriate projects. Remaining balances may represent amounts Due To Project Owners, which the Department should reimburse to project owners.

Management reports that overpayments by project owners result primarily from a formula based billing approach initially used by the Department that resulted in billing amounts to the project owners that exceeded the actual inspection fees paid by the Department. Based upon tests performed, discussed on the following pages, these overpayments represent a substantial portion of the $103,112.

Tested LIHTC Inspection Fee Reimbursements Collected From Project Owners to Supporting Documentation

- We selected a random sample of 21 (16.3%) deposit vouchers representing 89 individual project inspection fee reimbursements by owners totaling $ 263,877, or 38.9 percent of total reimbursements collected by the Department through September 30, 2002. We reviewed documentation supporting the sample items to determine if the reimbursement collections were properly recorded in the accounting and subsidiary ledger records for each project.

  Results - We found no exceptions as a result of our testing procedures. Although management and staff provided documentation supporting the sample items, it was noted that they are still in the process of reviewing documentation to support the subsidiary records. Management and staff need to continue documenting all recorded transactions comprising outstanding balances for amount due from and due to project owners to ensure billings to project owners are properly supported and refunds to project owners are warranted.

Conducted Periodic Interviews with Management and Staff

- We interviewed management and staff to gain an understanding of plans to administer the accounting, billing and collection of LIHTC construction inspection fees to ensure complete, accurate and timely accounting and billing procedures.

  Results – Effective September 1, 2002, the Financial Services Division (FSD) assumed responsibility for maintaining detailed subsidiary records supporting the balances due to and due from project owners for LIHTC construction inspections and is administering the related billings. Management reported that related transactions since September 1, 2002 have been fully accounted for in the subsidiary records by the FSD and are in agreement with the accounting records. Once all project balances as of August 31, 2002 have been fully supported and documented, the FSD will record any remaining balances due from and due to project owners to the subsidiary records and billing system that it is now administering and to the accounting records as assets or liabilities.

We were not engaged to and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. If we had been engaged to perform additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Board of Directors, the Executive Director, and management of the LIHTC program and the Financial Services Division of the Texas Department of Housing and Community Affairs and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Sincerely,

David Gaines, CPA, CISA
Director of Internal Auditing

Assigned to this engagement:

Sam J. Ramsey, CIA, CFE

cc: Mr. Michael E. Jones, Chair TDHCA Governing Board
Ms. Edwina P. Carrington, Executive Director
Ms. Ruth Cedillo, Deputy Executive Director
Mr. William Dally, Chief of Agency Administration
Ms. Brooke Boston, Director or Multifamily Finance Production
Ms. Suzanne Phillips, Director of Portfolio Management and Compliance
Mr. David Cervantes, Director of Financial Administration

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
STATUS OF INTERNAL/EXTERNAL AUDITS
February 28, 2003

SUMMARY STATUSOF INTERNAL/EXTERNAL AUDITS			
Internal Audits/Reviews	**Scope**	**Stage of Completion**	**Anticipated/Actual Report Release Date**
Constructions Inspection Fees Receivable	To express and opinion regarding the fairness of the amounts reported as Construction Fees receivable/payable.	Complete	March 2003
TDHCA Fees Review	To assess the effectiveness of the Department's controls over the fee collection process to ensure that authorized fees are collected and properly accounted for.	Planning	May-June 2003
Manufactured Housing Fee Review	To assess the effectiveness of Manufactured Housing's controls over the fee collection process to ensure that authorized fees are collected and properly accounted for.	Planning	May-June 2003
LIHTC - Review of Controls over LIHTC Project Deliverables	To determine whether controls are in place to provide reasonable assurance that conditions that resulted in awards (scoring criterion), as they relate to the construction period, are fulfilled by the applicant.	Fieldwork / Reporting	May 2003
External Audits/Reviews	**Scope**	**Stage of Completion**	**Anticipated/Actual Report Release Date**
Dir. of Internal Audit at TX Dept. of Protective & Regulatory Services	Quality control review of the Department's Internal Auditing Function to determine compliance with the Texas Internal Auditing Act and applicable professional standards and to identify opportunities for improvement	Complete	January 2003
KPMG	Statewide Financial Single – Federal Potion FYE 8/31/02	Complete	February 2003

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
STATUS OF INTERNAL/EXTERNAL AUDITS
February 28, 2003

SUMMARY STATUSOF INTERNAL/EXTERNAL AUDITS			
External Audits/Reviews	**Scope**	**Stage of Completion**	**Anticipated/Actual Report Release Date**
State Auditor's Office	Review the funding and expenditure transactions of the Community Services Block Grant (Poverty Assistance) and Energy Assistance programs (including Weatherization) to ensure that: • Funds are disbursed in alignment with state outcome measures. • Available funds are maximized to support service delivery. Review the service delivery methods and procedures for the Section 8 program to determine if the Department has a feasible action plan to address increasing demands for Section 8 services and to resolve federal non-compliance issues.	Reporting	March 2003
State Auditor's Office	To review accounting and budget data to determine whether (1) the informatison in the Department's LAR and USAS provide a reasonable depiction of the true financial position, (2) the Department has adopted operating budges within legislative appropriations, (3) financial information, including unexpended balances, payables, encumbrances, transfers and carry-forward, appear reasonable and (4) any unusual revenue or expenditure activity has been identified.	Complete	January 2003
Deloitte and Touche	• Basic Financial Statements – FY 2002	Complete	December 2002
	• Revenue Bond Enterprise Fund Audit – FY 2002	Complete	November 2002
	• Report to Management – FY 2002	Complete	December 2002
	• Computation of Unencumbered Fund Balance – FY 2002	Complete	November 2002

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

M E M O R A N D U M

TO: **TDHCA Board of Directors**

FROM: **Anne O. Paddock**
Deputy General Counsel

DATE: **March 3, 2003**

SUBJECT: **TDHCA-Related Bills Filed Through February 28, 2003**

The following is a summary of bills filed in the 78th Legislature through February 28, 2003. Bills which amend TDHCA's enabling statute, otherwise directly affect the agency, or are of major interest are covered in this memorandum. Copies of bills will be available through the Governmental Affairs Division or you may refer to the following Internet site: http://www.capitol.state.tx.us

SENATE BILLS

SB 60 by Zaffirini, which relates to the provision of public mental health and related services by more than one state agency, including TDHCA, was filed on November 12, 2002 and was referred to the Senate Health and Human Services Committee on January 27, 2003.

The bill adds Subchapter K to Chapter 531 of the Government Code to create a systems of care executive council and a systems of care policy team. The executive council is composed of 21 members, including the Commissioners of Health and Human Services and Education, and 12 members appointed by the Commissioner of HHS who must be the administrative head of a "systems of care agency." Such agencies include TDHCA, each health and human services agency, the Health and Human Services Commission, the Texas Council on Offenders with Mental Impairments, TEA, the Texas Juvenile Probation Commission, TWC, and TYC. The systems of care policy team is composed of, among others, one or more members of the senior staff of each systems of care agency appointed by the executive council each of whom must also be a member of the family of a person with mental illness.

The duties of the executive council include approving and overseeing the implementation of program and fiscal policies developed by the policy team, ensuring that systems of care agencies have adequate administrative support to provide systems of care services, overseeing the distribution of funding for such services, and issuing a biennial report to the Governor, the Senate, and the House of Representatives. The policy team, on the other hand, is required to develop policies for integrating the services provided to persons who need the services of more than one systems of care agency and procedures for distributing the funds, among other things. The Health and Human Services Commission is charged with providing administrative support to the executive council and policy team. The bill also establishes locally based teams.

In addition, the bill amends Sec. 531.055 to require the systems of care agencies to enter into a memorandum of understanding to establish a system to coordinate the provision of services to persons needing multiagency services. The MOU must be adopted by each agency on or before September 1, 2004. Each systems of care agency is required to conduct a biennial review of the MOU.

Effective Date: September 1, 2003.

SB 148 by Barrientos, which requires the governing bodies of state agencies to create subcommittees on strategic planning, auditing, and operations, was filed on December 11, 2002 and was referred to the Senate Government Organization Committee on January 29, 2003.

The bill adds Section 2056.012 to the Government Code to require the governing body of each state agency to appoint subcommittees of its members to review audits of the agency, the agency's strategic planning, and a third subcommittee to review the agency's operations. The bill provides that the presiding officer of the governing body is prohibited from serving on the audit committee.

Effective Date: Immediately*

SB 264 by Lucio (Same as HB 676 by Dunnam), which relates to the continuation of the Texas Department of Housing and Community Affairs, was filed on February 10, 2003 and was referred to the Senate Government Organization Committee on February 17, 2003.

The bill amends Section 2306.022 of the Government Code to extend TDHCA's existence from September 1, 2003 until September 1, 2015.

Effective Date: September 1, 2003

SB 303 by Brimer (Same as HB 637 by Jesse Jones), which regulates industrial housing in municipalities, was filed on January 28, 2003 and was referred to the Senate Intergovernmental Relations Committee on February 5, 2003.

The bill adds Section 1202.253 to the Occupations Code to authorize municipalities to adopt regulations regarding the location of industrialized housing in the municipality. The bill provides that the regulation may include a prohibition against locating such housing in a residential area.

Effective Date: Immediately*

SB 395 by Shapleigh, which authorizes certain border counties to regulate land development, was filed on February 6, 2003 and was referred to the Senate International Relations and Trade Committee on February 12, 2003.

The bill adds Chapter 236 to the Local Government Code to authorize commissioners courts to regulate land development in counties with populations of 650,000 or more that include territory located within 50 miles of an international border in order to prevent the proliferation of colonias. The county commissioners court may adopt orders to regulate maximum density, the size of buildings that may be located on a lot, and the location of buildings on a lot as well as building codes to promote safe and uniform building, plumbing, and electrical standards. The bill provides that if a county adopts a residential building code, it must adopt the International Residential Code as it existed on May 1, 2003 and apply the code to all construction and repair of residential structures in the unincorporated area of the county.

The bill provides for injunctive relief to prevent the threatened violation of an order adopted under the chapter and authorizes criminal class C misdemeanor charges to be filed for violations or an order. An exception is provided, however, if TDHCA classifies a household as a low-income household. If so classified, a penalty may not be imposed against the owner-occupant unless the county makes housing rehabilitation assistance available to the owner-occupant in an amount sufficient to cure the violation.

Effective Date: Immediately*

<u>SB 535 by Lucio,</u> which authorizes certain border counties to regulate land development, was filed on February 18, 2003 and was referred to the Senate International Trade and Relations Committee on February 24, 2003.

The bill adds Chapter 236 to the Local Government Code to authorize the commissioners court of a county with territory located within 50 miles of the Texas/Mexico border to regulate residential land development to prevent the proliferation of colonias by adopting regulations relating to maximum densities, the number of structures that may be located on a lot, and the location of structures on a lot; and adopting building codes. The bill also provides for injunctive relief to prevent a violation or threatened violation and imposes a penalty punishable as a class C misdemeanor for a violation of an order adopted under Chapter 236. The bill provides, however, that if TDHCA classifies a household as a low-income household, a penalty may not be assessed against the owner-occupant of a residential dwelling for a building standards violation related to the dwelling unless the county makes sufficient rehabilitation assistance available to cure the violation. The assistance must be in the form of a grant or loan and on payment terms that do not cause the housing expenses of the owner-occupant to exceed 30% of net income.

Effective Date: Immediately*

<u>SB 654 by Shapleigh,</u> which, among other things, requires TDHCA, TDED, and the Finance Commission to jointly prepare a biennial strategic plan relating to access to capital in unserved and underserved areas of Texas, was filed on February 21, 2003 and was referred to the Senate State Affairs Committee on February 27, 2003.

The bill adds Chapter 278 to the Finance Code to require TDHCA, the Texas Department of Economic Development, and the Texas Finance Commission to jointly prepare by November 1 of each even-numbered year a biennial strategic plan relating to access to capital in unserved and underserved areas of Texas. The bill requires the strategic plan to be submitted to the Lieutenant Governor, the Speaker of the House, and the presiding officers of the Senate Business and Commerce and House Business and Industry Committees. The plan, among other things, must define and identify unserved and underserved areas with regard to housing ownership, small business loans, the availability of venture capital, and lending options as well as develop specific plans for increasing investment in such areas, and enlist private financial institutions to use the strategic plan to set institutional targets. The three agencies must also create and maintain an

Internet site through the Texas Online portal that includes a list of traditional and nontraditional sources of loans that can be searched by a borrower based on the borrower's financial characteristics, advice on how to enhance credit scores, information on how to compare mortgage loans, and information regarding lending practices of specific lenders.

The bill also adds Chapter 279 to the Tax Code to authorize lenders to implement an annual community reinvestment strategic plan in order to be eligible to receive a tax credit for achieving community reinvestment through qualifying expenditures. The tax credit would be in an amount not to exceed 15% of the amount of franchise tax due. The plan must be developed in accordance with rules adopted by the Finance Commission using information received from TDHCA and TDED.

In addition, the bill adds Chapter 397 to the Finance Code, "Disclosure of Information to Consumers in Certain Home Loan Contracts" to require private lenders to disclose, as specified in the bill, the borrower's credit score to the borrower and to provide penalties for violations.

The bill requires TDED to administer a community investment program in which TDED makes grants or interest-free loans to eligible institutions that use the funds to make community development loans in distressed areas. The bill amends Section 2306.101 of the Government Code to require TDHCA to determine not earlier than the 90th day before the end of each fiscal year, the amount of each appropriation or other funds intended for the administration of community reinvestment or community development programs that will remain unexpended or unobligated at the end of the fiscal year and to distribute such amount to a community development center, community development financial institution, or other entity that agrees to use the amount for the appropriated purpose. TDED is required to make the same distribution.

Finally, the bill adds Section 1372.0262, "Recommended Allocation for Housing Finance Corporations," to the statute governing the allocation of private activity bonds. The bill provides that beginning September 1, 2004, a local housing finance corporation is required to "attempt to allocate" not less than 40% of its total single-family mortgage revenue bond loan volume to meet the credit needs of borrowers in underserved "economic and geographic submarkets" as defined in TDHCA's statute and as indicated in TDHCA's market study results provided to the Bond Review Board. The bill requires a HFC to report annually to TDHCA and to the BRB on its performance in meeting this goal. The bill makes a similar corresponding change to Section 394.027 of the Local Government Code.

Effective Date: September 1, 2003

SB 735 by Lindsay, which relates to local government officials serving on state boards, was filed on February 27, 2003 .

The bill adds Section 574.005 to the Government Code to permit, despite the general prohibition on dual office holding, a local elected or appointed official to serve on the governing body of a state agency as long as the individual does not receive compensation for service on the state agency board.

Effective Date: Immediately*

SB 740 by Van de Putte (Same as HB 1052 by Villarreal), which imposes certain assessments on residential developments, was filed on February 27, 2003.

The bill adds Chapter 47 to the Education Code to authorize the Commissioner of Education to assess an impact fee against the developer of a residential development if the Commissioner determines that the development is likely to significantly increase student enrollment in a school district. The Commissioner may instead receive a percentage of the real property acreage within the residential development site if the Commissioner determines that the development warrants the construction of a new school to accommodate increased student enrollment. The Commissioner is only required to make these determinations if so requested by a school district.

The bill also prohibits a county or municipality from granting final plat approval to a residential development unless the developer presents evidence of having paid the assessment or transferred real property to the school district.

Effective Date: September 1, 2003

SB 773 by Van de Putte, which enacts the Homebuilder Registration Act and creates the Texas Homebuilder Commission, was filed on February 28, 2003.

The bill regulates new single-family home construction by the creation of a nine-member Texas Homebuilder Commission. The bill requires homebuilders, to which the bill applies, to obtain by March 1, 2004 a certificate of registration in order to act as a homebuilder. The bill provides that it does not apply to a "governmental entity or public official engaged in official duties" but there is not an exemption for homebuilders who receive assistance from governmental entities to construct the homes. The bill also provides the new Commission with the authority to adopt building standards, to handle complaints and conduct dispute resolution, and to discipline registrants. The bill also includes notices that must be included in contracts between homebuilders and homeowners and establishes criminal and civil penalties for violations of the Act.

Effective Date: September 1, 2003

HOUSE BILLS

HB 132 by Burnam, which requires a study of housing needs of persons with disabilities, was filed on November 12, 2002 and was referred to the House Urban Affairs Committee on February 10, 2003.

The bill requires the Commissioner of Health and Human Services to conduct a study and prepare a report on the housing arrangements and needs of persons with disabilities. HHS is authorized to consider information from such groups as private nonprofit organizations and state agencies, including TDHCA. The report must be submitted to the Governor, the Lt. Governor, and the Speaker not later than November 1, 2004 and, among other things, must include characteristics of the housing in which persons with disabilities live as well as a description of unmet housing needs

Effective Date: Immediately*

HB 398 by Mowery, which establishes an approval process for certain housing project sites proposed by public housing authorities, was filed on January 13, 2003 and was referred to the House Urban Affairs Committee on February 10, 2003.

The bill amends Chapter 392 of the Local Government Code to prohibit a public housing authority from acquiring existing multifamily rental housing for use as a housing project (as well as the construction of a housing project) unless a public hearing is held before the site is approved. The governing bodies of any political subdivision that require a permit of any part of the housing project and the municipality or county in which the housing project is to be located are required to send a representative to the public meeting. The bill also requires the PHA to obtain written approval of the proposed site from each of such governing bodies before authorizing the acquisition of the multifamily rental housing or the construction of a housing project.

Effective Date: September 1, 2003

HB 428 by Calegari, which repeals the requirement for written community support for a LIHTC application, was filed on January 15, 2003 and was referred to the House Urban Affairs Committee on February 10, 2003.

The bill repeals Section 2306.6710(b)(H) of the Government Code to remove the requirement for TDHCA to evaluate the level community support for a LIHTC application based on written statements of support from local and state elected officials who are from the areas in which the proposed development would be located.

The bill provides that the change would only apply to a LIHTC application filed on or after the effective date of the bill.

Effective Date: September 1, 2003

HB 637 by Jesse Jones (Same as SB 303 by Brimer), which relates to municipal regulation of industrialized housing, was filed on January 30, 2003 and was referred to the House Urban Affairs Committee on February 12, 2003.

Please refer to the summary of SB 303 above.

HB 649 by Keefer, which expands an interagency work group on rural issues and creates another, was filed on February 3, 2003 and was referred to the House Land and Resource Management Committee on February 12, 2003.

The bill amends Section 487.054(a) of the Government Code to expand the membership of the committee that was created last session to advise ORCA annually on rural issues. In addition to the executive director of TDHCA and the agency heads of eleven other state agencies, the bill adds ten additional state agencies to the committee as well as the executive director of ORCA.

The bill also adds Section 487.0541 to the Government Code to create an interagency work group to meet at the call of ORCA. The interagency work group is composed of a representative appointed by the executive head from each of the state agencies on the annual committee. The work group is charged with developing a process to allow agencies to work together on rural issues, discussing and coordinating programs and services offered to rural communities and residents of rural communities, and developing regulatory and legislative recommendations that would eliminate duplication and combine program services.

Effective Date: September 1, 2003

HB 676 by Dunnam (Same as SB 264 by Lucio), which relates to the continuation of the Texas Department of Housing and Community Affairs, was filed on February 4, 2003 and was referred to the House Urban Affairs Committee on February 12, 2003.

The bill amends Section 2306.022 of the Government Code to extend TDHCA's existence from September 1, 2003 until September 1, 2015.

Effective Date: September 1, 2003

HB 827 by Yvonne Davis, which applies the sunset review process to certain tax exemptions, was filed on February 11, 2003 and was referred to the House Ways and Means Committee on February 18, 2003.

The bill amends Chapter 325, the Sunset Act, to require the Sunset Advisory Commission to periodically evaluate certain exemptions from state taxes and property taxes, including the CHDO property tax exemption provided for in Section 11.182 of the Tax Code. If not continued in existence, the exemption would be repealed on December 31 of the year in which the Commission presents its report and evaluation to the Legislature. The Commission is required to adopt a schedule whereby each exemption is evaluated every six years and to report to the Governor and the Legislature each session the evaluations and recommendations completed at that point.

Effective Date: Immediately*

HB 1044 by Riddle, which relates to property tax exemptions for CHDOs, was filed on February 18, 2003 and was referred to the House Local Ways and Means Committee on February 24, 2003.

The bill amends Section 11.182 of the Tax Code to alter the eligibility for CHDO property tax exemptions. The bill provides that a CHDO may not receive a property tax exemption for a tax year beginning on or after January 1, 2004 unless the organization received an exemption for the property for 2003. The bill also adds Section 11.1825 to establish a partial exemption for CHDOs constructing or rehabilitating low-income housing that has not previously been exempt. A CHDO that is eligible to receive a full tax exemption under Section 11.182 may apply for this partial exemption in subsequent years by meeting the requirements of Section 11.1825 and by submitting any other information the chief tax appraiser may require.

The bill provides that for a CHDO to receive the property tax exemption under Section 11.1825, for the three previous years the CHDO must have been exempt from federal income taxation under Section 501(c)(3), have had as its purpose providing low-income housing, and at least one-third of its members of the board must have resided in Texas. The bill provides exceptions to these requirements for certain forms of general and limited partnerships. In any event to be eligible for the exemption, among other things, the housing rehabilitated on the property to be exempt must rent to families and individuals whose median income is not more than 60% of the state median income as determined by TDHCA and at least 60% of the dwelling units must be reserved for such individuals and families if the project is in a county in which the median income as determined by TDHCA is less than $45,000 or at least 50% of the dwelling units must be reserved for such individuals and families if the project is located in a county in which the median is $45,000 or more. The bill provides that the monthly rent may not exceed 30% of the monthly income of the individual or family renting the unit. The bill also requires that the CHDO give a preference to public school teachers and administrators, county or municipal peace officers, and persons serving on active duty in the armed forces of the United States in renting at least 3% of the units. The rent for such units must also be at least 10% less than the rent charged for comparable units.

Section 11.1825 provides that a CHDO may not receive an exemption for housing to be constructed on the property if the construction was completed before January 1, 2004. The construction of the property on which a housing project is to be rehabilitated must have been originally constructed at least 10 years before the date the rehabilitation began, the person from whom the CHDO acquired the project must have owned it for at least five years, and the organization must provide documentation that it has spent at least $6,000 for each dwelling unit in the project on rehabilitation costs.

The bill provides the following property tax exemptions under Section 11.1825: For a school district, 50% of the appraised value of the property; for a taxing unit other than a school district, 75% of the appraised value if at least 75% of the units are reserved for individuals and families whose income is not more than 60% of the state median; and 65% of the appraised value if 75% or less of the units are so reserved.

The bill adds Section 11.1826 to the Tax Code, “Monitoring Compliance with Low-Income and Moderate-Income Housing Exemptions” to require TDHCA to conduct an “audit” of each housing project on a list provided to TDHCA by the chief tax appraiser not later than July 25 each year to determine whether the project is in “material compliance with the requirements of the low-income housing tax credit program under Subchapter DD, Chapter 2306, Government Code.” The audit is required to be conducted before the second anniversary of the date TDHCA received the list. TDHCA is required to adopt by rule guidelines for conducting such compliance audits and is entitled to receive a fee for such audits “to the extent the department does not already impose a compliance audit fee in connection with the low income housing tax credit program.” The amount of the fee is computed by multiplying $25 by the number of dwelling units in the project. The bill provides that if TDHCA determines that a CHDO housing project “is in material noncompliance with the requirements of the low income housing tax credit program,” TDHCA is required to notify the CHDO of the results of the audit and order the organization to bring the project into compliance within 90 days. If the project fails to do so, TDHCA is required to assess a specified administrative penalty under Section 2306.6023. The penalty is payable to the tax assessor-collector. Finally, Section 11.1826 requires TDHCA to consider the noncompliance for purposes of scoring an application submitted by the CHDO “under any program administered by the department.” This requirement only applies if the project “remains in material noncompliance with the requirements of the program.”

The bill also adds Section 23.215 to the Tax Code relating to a different appraisal method for real property owned by a CHDO that on January 1, 2004 was rented to a low or moderate income family or individual, that was financed under the LIHTC program, that does not receive an exemption under Section 11.182 or 11.1825, and the owner for which has not entered into an agreement with a taxing unit to make payments in lieu of taxes on the property.

Effective Date: January 1, 2004

HB 1052 by Villarreal (Same as SB 740 by Van de Putte), which imposes certain assessments on residential developments, was filed on February 18, 2003 and was referred to the House Land and Resource Management Committee on February 24, 2003.

Please refer to the summary of SB 740 by Van de Putte above.

HB 1205 by Dukes, which relates to certain home loans made by private lenders and to consumer counseling in connection with such loans, was filed on February 24, 2003 and was referred to the House Financial Institutions Committee on February 27, 2003.

The bill relates to home loans made by licensed banks or savings associations and, among other things, prohibits such a lender from making a high-cost home loan without first receiving certification from a counselor approved by TDHCA, HUD, or a regulatory agency that has jurisdiction over the lender that the borrower has received counseling on the advisability of the loan transaction.

Effective Date: September 1, 2003

HB 1207 by Kuempel, which relates to municipal zoning, was filed on February 24, 2003 and was referred to the House Urban Affairs Committee on February 27, 2003.

The bill adds Section 211.0031 to the Local Government Code to authorize a municipality, as part of its zoning regulations, to regulate the appearance or architectural style of buildings, including the type of building materials that may be used or the amount of masonry that must be contained on the exterior of the structure, as well as the appearance of yards, courts, or open spaces, including the types or quantities of plants or landscaping materials required.

Effective Date: September 1, 2003

HB 1247 by Ritter, which relates to the creation of a fire fighter and police officer home loan program at TSAHC and allocates a portion of the state private activity bond ceiling, was filed on February 24, 2003 and was referred to the House Urban Affairs Committee on February 27, 2003.

The bill adds Section 2306.563 to the Government Code to require TSAHC to establish by September 1, 2004 a program to provide eligible fire fighters and police officers with low-interest home mortgage loans in accordance with the bill. The program expires September 1, 2014. The bill provides that if the Legislature finds before January 1, 2005 that TSAHC should be abolished under the sunset review process, the program must be administered by TDHCA.

The bill adds Section 1372.0222 to the Government Code to allocate $25 million each year to TSAHC out of the state ceiling that is available exclusively for issuers of qualified mortgage bonds under §1372.022 for the purpose of issuing such bonds for the home loan program established under Section 2306.563. The bill adds Section 2306.563(h) to authorize TSAHC, in addition to such funds, to accept funding from TDHCA's Housing Trust Fund and federal "block" grants.

Effective Date: Immediately*

<u>HB 1495 by Solomons,</u> which enacts the Homebuilder Registration Act and creates the Texas Homebuilder Commission, was filed on February 28, 2003.

This bill is substantially similar to SB 773 by Van de Putte above, but not identical.

<u>HJR 50 by Wohlgemuth,</u> which proposes a constitutional amendment to allow the Governor to remove state officers who were appointed by a Governor, was filed on February 18, 2003 and was referred to the House State Affairs Committee on February 24, 2003.

The joint resolution would add Section 12A to Article IV of the Texas Constitution to authorize a Governor to remove a gubernatorial appointee without regard to whether the officer was appointed by the Governor who removes the officer or by a previous Governor. The appointee may be removed with or without cause and without a trial or other proceeding. The joint resolution repeals Art. 15, Sec. 9 of the Texas Constitution relating to the removal of officers by the Governor.

The proposed constitutional amendment would be submitted to the voters at an election to be held November 4, 2003.

*If the requirements for emergency passage are met.

SYSTEM BENEFIT FUND
(SBF)

Program Summary

- **SYSTEM BENEFIT FUND** was established by the Texas Legislature in 1999 in Senate Bill 7 for the benefit of Texas' low-income utility customers. Other programs under that bill established a utility rate discount for low-income consumers, and provided a protection against loss of property tax revenue as a result of the beginning of electric competition.

- **PURPOSE** is to provide assistance to low-income residential electric consumers to reduce their electric energy consumption so that they may afford to pay for the energy used to heat and cool their homes.

- **FUNDS** are allocated to thirty-one (31) agencies that the Department contracts with to deliver weatherization services in the five (5) electric utility service areas (transmission and distribution service areas) that are participating in competition.

- **ALLOCATION** formula is determined by the Public Utility Commission. Funds are provided by the participating electric utility customers based on the amount of kilowatt hours used each month. Currently, five transmission and distribution service providers contribute to the System Benefit Fund.

- **SERVICES** include a weatherization program that works in tandem with the federally funded weatherization program and includes the installation of energy efficient measures such as attic, wall and floor insulation, caulking, weather stripping, and patching to reduce air infiltration, and repair or replacement of energy inefficient heating and cooling systems in the homes of low-income persons. A second program replaces energy inefficient refrigerators in low income homes with highly energy efficient, Energy Star rated, refrigerators. The third program provides energy efficient light bulbs, compact fluorescent lights, and water savers, i.e. low flow shower heads and facet aerators to low income households.

- **CLIENT ELIGIBILTY** requires a household income not to exceed 125% of the federal poverty guidelines, or be a recipient of food stamps or a state operated medical assistance program and be a customer of a participating electric utility.

Presentation and Discussion of Bond and Tax Credit Approval And Disapproval Factors

REPORT ITEMS

Executive Directors Report Edwina Carrington

1) Young v. Martinez, Civil Action No. P-80-8-CA, U. S. District Court Eastern District of Texas, Analysis of Impediments to Fair Housing, HUD Disapproval of FY 2003 Consolidated Action Plan; Proposed Settlement Agreement and Release

TDHCA received from HUD the notification that our certification to Fair Housing was not approved. TDHCA has a 45-day period to resolve these issues.

4) Heatherwilde Estates Apartments, LIHTC No. 02-075

Heatherwilde Estates is a 9% tax credit transaction which was awarded funds last summer. It was the highest scoring transaction in San Antonio. Since this allocation was made, there has been a substantial amount of opposition raised to this development. There was an open records request by State Rep. Ken Mercer to the State Attorney General for all the records related to the allocation of the tax credits issued by this department and staff is working through those issues.

EXECUTIVE SESSION Michael Jones

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al. Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District;

Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - (1) 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A; (2) Young v. Martinez, Civil Action No. P-80-8-CA, U. S. District Court, Eastern District of Texas, Analysis of Impediments to Fair Housing, HUD Disapproval of FY 2003 Consolidated Action Plan, Proposed Settlement Agreement and Release; (3) Heatherwilde Estates Apartments, LIHTC No. 02-075; (4) Bond and Tax Credit Development Approval – Disapproval Factors (5) Appeal by Enclave at West Airport, Houston, Multifamily Mortgage Revenue Bonds and Low Income Housing Tax Credits, 02-464; (6) Appeal by Kingfisher Creek Apartments, LIHTC No. 00-062

Personnel Matters under Section 551.074, Texas Government Code

If permitted by law, the Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION Michael Jones

Action in Open Session on Items Discussed in Executive Session

ADJOURN Michael Jones
Chair of Board

BOARD APPEALS COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine, Board Room, Fourth Floor, Austin, Texas 78701
March 13, 2003 10:00 a.m.

A G E N D A

CALL TO ORDER, ROLL CALL **CERTIFICATION OF QUORUM**	Beth Anderson Chair

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

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

EXECUTIVE SESSION Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - Appeal by Enclave at West Airport, Houston, Multifamily Mortgage Revenue Bonds and Low Income Housing Tax Credits, 02-464	Beth Anderson
OPEN SESSION Action in Open Session on Items Discussed in Executive Session	Beth Anderson

ACTION ITEMS

Item 1	Consideration of Appeal by The Enclave at West Airport, Houston Multifamily Mortgage Revenue Bonds and Low Income Housing Tax Credits, 02-464	Beth Anderson

ADJOURN	Beth Anderson Chair

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact the Board Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 and request the information.

Individuals who require auxiliary aids, services or translators for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.