

BOARD MEETING OF DECEMBER 11, 2003

Beth Anderson, Chair
C. Kent Conine, Vice-Chair



Patrick R. Gordon, Member
Vidal Gonzalez, Member
Shadrick Bogany, 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***

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

December 11, 2003

ROLL CALL

	Present	Absent
Anderson, Beth, Chair	_____	_____
Conine, C. Kent, Vice-Chair	_____	_____
Bogany, Shadrick, Member	_____	_____
Gonzalez, Vidal, Member	_____	_____
Gordon, Patrick R.	_____	_____
Salinas, Norberto, Member	_____	_____
Number Present	_____	
Number Absent		_____

_____, Presiding Officer

**BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine Street, Room 437, Austin, Texas
December 11, 2003 9:30 a.m.**

A G E N D A

**CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM**

Elizabeth Anderson
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:

ACTION ITEMS

Item 1 Presentation, Discussion and Possible Approval of Minutes of Board Meeting of November 14, 2003 Elizabeth Anderson

Item 2 Appointment of Committees of the Board by the Presiding Officer Pursuant to Section 2306.056, Texas Government Code Elizabeth Anderson

Item 3 Presentation, Discussion and Possible Approval of: Edwina Carrington

- a) 2004 State of Texas Low Income Housing Plan and Annual Report
- b) 2004 Consolidated Plan – One Year Action Plan
- c) Proposed Amended Rule on Public Comment Procedures And Topics, for Publication in the *Texas Register* for Public Comment: Proposed Amendment to Title 10, Part 1, Subchapter A, Section 1.10

Item 4 Presentation, Discussion and Possible Approval of Final 2004 Application Submission Procedures Manual for Housing Tax Credits and Housing Trust Fund Edwina Carrington

Item 5 Presentation, Discussion and Possible Approval of Programmatic Items: Shad Bogany

- a) Release of Land Use Restriction Agreement for Central Plains Center
- b) Single Family HOME Program:
 - 1) 2003 Olmstead Set Aside Awards Totaling \$469, 242
 - 2) Single Family HOME Program Awards Totaling \$6,663,261 Utilizing Deobligated Funds
 - 3) Single Family HOME Program Awards Totaling \$9,080,240 Utilizing Deobligated Funds
- c) Multi Family HOME Program:
 - 1) Award in the amount of \$999,999 for Bethel Senior Housing

Item 6 Presentation, Discussion and Possible Approval of Financial Items:

C. Kent Conine

- a) Investment Policy Update
- b) Multi Family Division:
 - 1) Bond Trustees
- c) Multi-Family Mortgage Revenue Bonds and Four Percent (4%) Housing Tax Credits:
 - 1) Proposed Issuance of Multifamily Mortgage Revenue Bonds For Parkview Townhomes, (aka Providence at Rush Creek) Arlington, Texas in an Amount not to Exceed \$16,600,000, and Issuance of Determination Notice in the Amount of \$714,733, for Housing Tax Credits for Parkview Townhomes, 03-455 with TDHCA as the Issuer
 - 2) Proposed Issuance of Multifamily Mortgage Revenue Bonds For Timber Ridge II, Houston, Texas in an Amount not to Exceed \$7,500,000, and Issuance of Determination Notice in the Amount of \$477,964, for Housing Tax Credits for Timber Ridge II, 03-456 with TDHCA as the Issuer
 - 3) Proposed Issuance of Multifamily Mortgage Revenue Bonds For Century Park Apartments, Austin, Texas in an Amount not to Exceed \$13,000,000, and Issuance of Determination Notice in the Amount of \$638,507, for Housing Tax Credits for Century Park Apartments, 03-459 with TDHCA as the Issuer

Item 7 Presentation, Discussion and Possible Approval of Housing Tax Credit Items:

Elizabeth Anderson

- a) Waiting List for Housing Tax Credits for Balance of Year 2003
- b) Issuance of Determination Notices on Tax Exempt Bond Transactions with Other Issuers:
 - 03-432 Primrose Skyline Apartments, Houston in Amount of \$882,436 Harris County Housing Finance Corp. is the Issuer
 - 03-440 Sterlingshire Apartments, Houston in Amount of \$341,421 Houston Housing Finance Corporation is the Issuer
 - 03-458 Bayou Willows, Pasadena in Amount of \$308,203 Harris County Housing Finance Corp. is the Issuer
- c) Proposed Amendments to Housing Tax Credit Projects:
 - 1) 02-147 Heatherbrook Apartments, Houston, Texas
 - 2) 03-100 Churchhill at Longview Apartments, Longview, Texas
 - 3) 03-245 Meadows Place Senior Village, Meadows Place, Texas

Item 8 Presentation, Discussion and Possible Approval of Report from the Audit Committee:

Vidal Gonzalez

- a) HUD Section 8 Rental Integrity Monitoring Review
- b) Status of Prior Audit Issues
- c) Status of Central Database

Item 9 Discussion of SB1664 Research and Information Program

Edwina Carrington

REPORT ITEMS

Executive Directors Report

Edwina Carrington

Possible Return of Credits and Settlement of Litigation Concerning Tax Credit Project No. 03-223, Suncrest Townhomes, El Paso, Texas

Approval of the 2004 Qualified Allocation Plan and Rules by the Governor

Scoring on Quantifiable Community Participation

Update on Revised Homebuyer Assistance Program Income Calculations For the HOME Program

Status of the Family Self Sufficiency Program

Federal Legislation - HR284/S595 – Housing Bond and Credit Modernization And Fairness Act

Availability of 4.99% Unassisted First Time Homebuyer Funds

Commercial Paper Program Update

EXECUTIVE SESSION

Elizabeth Anderson

Consultation with Attorney Pursuant to Sec. 551.071, Texas Government Code – Request for Extensions for Commencement of Substantial Construction for:

- 1) 02-075 Heatherwilde Estates Apartments, San Antonio
- 2) 02-107 Holly Park Apartments, Corpus Christi

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

OPEN SESSION

Elizabeth Anderson

Action in Open Session on Items Discussed in Executive Session

Item 10 Presentation, Discussion and Possible Approval of Request for Extensions for Commencement of Substantial Construction for:

Edwina Carrington

- 1) 02-075 Heatherwilde Estates Apartments, San Antonio
- 2) 02-107 Holly Park Apartments, Corpus Christi

ADJOURN

Elizabeth Anderson

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.

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Texas State Capitol Extension Auditorium, 1400 Congress, Austin, Texas 78701
November 14, 2003 8:00 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 November 14, 2003 was called to order by Vice-Chair of the Board C. Kent Conine at 8:10 a.m. It was held at the Texas State Capitol Extension Auditorium, 1400 Congress, Austin, Texas. Roll call certified a quorum was present. Elizabeth Anderson was absent.

Members present:

C. Kent Conine -- Vice Chair
Shadrick Bogany – Member
Norberto Salinas -- Member
Vidal Gonzalez -- Member
Patrick Gordon – Member (present but did not participate in discussions or voting)

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

Mr. Conine thanked Senator Todd Staples for sponsoring the Department for the use of the Auditorium for this meeting. He also recognized Beau Rothchild of the House Committee on Urban Affairs as being in attendance.

Mr. Conine introduced Mr. Patrick Gordon, Attorney, Gordon & Mott, El Paso, Texas who has recently been appointed by The Honorable Rick Perry Governor of Texas to the Board of the Texas Department of Housing and Community Affairs. Mr. Gordon is a member of the State Bar of Texas, the American Bar Association and the American Institute of CPAs. He serves on several boards, a science museum and is a merit badge counselor for the Boy Scouts of America. He received his Bachelor's degree in Finance from Texas A & M University and his Masters and Law degree with high honors from Texas Tech University. The Board members welcomed Mr. Gordon to the 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.

Mr. Conine called for public comment and the following either gave comments at this time or preferred to wait until the agenda item was presented.

Beau Rothchild, Committee Clerk for House Committee on Urban Affairs, Austin, Texas

Mr. Rothchild read a letter to the Board from the Committee on Urban Affairs Chairman Robert E. Talton which stated: "Dear Board Members, on October 7, 2003, I forwarded to Executive Director Edwina Carrington, a letter expressing my concerns as to the 2004 qualified allocation plan your staff submitted for public response. In that letter, I suggested that the proposed QAP violated both the terms as well as the intent of Senate Bill 264, the Sunset Legislation for the Texas Department of the Housing and Community Affairs during its last regular session. While I received a response from Ms. Carrington, the specific concerns I raised in my letter have never been addressed. I have reviewed the draft of the QAP placed on your website Friday of last week. I'm disappointed with the final draft and the appearance that the public input and my concerns have been ignored. I raise my concern again, that I do not believe the QAP follows the mandates in the Senate Bill 264. Thank you for your attention to this matter.

Sincerely, Robert E. Talton, State Representative."

Bill Fisher, Developer, Dallas, Texas

Mr. Fisher stated he felt the staff changes on the one-mile rule is incorrect as it was inconsistent with the clear reading of SB264 which says, "one-mile rule, three years, from the opening of the application round." He asked staff to use the wording of SB264 which is the "opening of the application round".

Paula Blake, Bryan, Texas

Ms. Blake did not give any testimony.

Cynthia Bast, Attorney, Locke Liddell, Austin, Texas

Ms. Bast was available for any questions the Board might have.

Juan J. Patlan, San Antonio, Texas

Mr. Patlan did not give any testimony.

Kenneth Fambro, KRR Construction, Duncanville, Texas

Mr. Fambro did not give any testimony.

Mike Harms, San Leanna, Texas

Mr. Harms did not give any testimony.

Mr. Conine closed public comment at 8:30 am but would allow those people who requested to speak at the time of the agenda items to do so at that time.

ACTION ITEMS

(1) Presentation, Discussion and Possible Approval of Minutes of the Board Meetings of October 9, 2003

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the Minutes of the Board Meeting of October 9, 2003.

Passed Unanimously

(2) Presentation, Discussion and Possible Approval of: d) 2004 Regional Allocation Formula

Ms. Carrington stated staff is requesting the Board to approve the 2004 Regional Allocation Formula. The Board approved this formula at the Board Meeting on August 14th for publication in the Texas Register and to receive public comments. Public comments were received from August 29 to October 24. During public comments received, it was stated that there was an anomaly in the way the urban, ex-urban and rural populations had fallen out. What was discovered was that if it did not meet the definition of urban, then all of the dollars fell into the rural category. There are many areas right outside of Houston, Dallas, San Antonio, etc. that are not considered rural because they are right next to the metro area and they do meet the ex-urban definition. Staff did make changes to correct this. Staff was also able to access HUD specific data that allowed the Department to review data that was related specifically to a place, which is a census definition, as opposed to using the larger county.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the 2004 Regional Allocation Formula.

Passed Unanimously

e) 2004 Affordable Housing Needs Score

Ms. Carrington stated the Affordable Housing Needs Score provides the Department a comparison of each county and place, and helps to identify those areas around the State that have the greatest need. The Board also approved this item to receive public comment at the August 14th meeting. Public comments were received from August 29 to October 24.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the 2004 Affordable Housing Needs Score.

Passed Unanimously

Ms. Carrington stated there were 13 public hearings held around the State on various rules of the Department and staff is asking the Board to approve seven sets of rules. There were about 250 people who attended those hearings and some of the rules did not receive many public comments.

Cindy Evans, McKinney, Texas

Ms. Evans stated she felt the signage requirement is very important. The way the QAP is worded, the developers are given a choice of sending a letter to the people who are near the property and she felt that signage is the best most effective way to make sure all of the people are aware of the incoming development. She disagreed with the language that is included about

the public who send in letters being turned over to the District Attorney if their comments are found to be misleading. She felt this was not a productive way to invite the public into this process. There has been considerable discussions held on who should be notified about a project and she felt the QAP reads that if someone is across the street or three blocks from a project, that person did not have to be notified but if there is a civil rights group or tenants advocacy group on the other side of town they had to be notified.

She was concerned with the scoring of the letters submitted on a project and the final discretion on approvals is with the Board.

Judith McLaughlin, Houston, Texas

Ms. McLaughlin stated she felt the concept and the tools required to engage the public in the allocation decision is in a state of development and refinement. In SB264, the Legislature has thrust the public into a process that does not provide any clear guidelines to address the issues. On the signage, she felt that there should be an alternative that is proposed in the 2004 QAP as one may not be able to find neighborhood organizations near a project but with a sign the organizations will find the Department and have questions, etc. The neighborhood groups and individuals need to be informed about a project early in the process and not at the last stages of a project. She felt it is a bad idea to score letters at this time but to develop this concept. TDHCA should lead the process of early notification of organizations, the education of neighborhoods on the issue of affordable housing and it should ensure a balanced exchange between the developer and the community during the application process. The QAP is the tool that affects the behaviors and roles that all the stakeholders in the process play but it will take time to define those roles. She asked the board to proceed slowly in approving anything that the public has issues.

Bobby Bowling, Tropicana Building Corp., El Paso, Texas

Mr. Bowling thanked the Department and staff for the level of specificity they've given to the handling of set asides. He discussed the issue of four bedroom units for the QAP and felt that they are needed in certain areas of Texas, especially El Paso. He stated in El Paso the units need more bedrooms and the one bedroom units do not generate much interest for renting. He suggested for Item 47(e) for ineligible building types to state "in any development proposing new construction, other than a development, new construction or rehab, composed entirely of single family dwellings, having units with four or more bedrooms" and to change that to "with more than four bedrooms". He also requested to say no more than 20% four bedrooms.

Mike Langford, Developer and Current President of TAAHP, Houston, Texas

Mr. Langford stated that SB264 has a lot of subjectivity and a lot of work needs to be done on defining certain definitions. As a developer he does not agree with the requirement on the signage issue. The notification issue is confusing and it is hard to identify the pertinent, quantifiable community organizations. He suggested the state to have a database which has all neighborhood organizations which would save time for everyone in the notification process.

Barry Palmer, Developer, Houston, Texas

Mr. Palmer stated in some properties can not be rehabbed and a Housing Authority demolishes and builds on that same site that they can use HOPE VI dollars and this was an excellent idea. Some of the smaller housing authorities in the state are attempting to do this but they do not have HOPE VI funds. He suggested that the language be expanded to include housing authorities that are tearing down and rebuilding on the same site, using their capital grant funds from HUD.

Barry Kahn, Developer, Houston, Texas

Mr. Kahn stated the threshold requirement on the neighborhood notification requirements in the QAP requires one to notify the city clerk and obtain a listing of all neighborhood groups. There are over 12,000 organizations in the City of Houston on the website. A developer is required to show proof that they have notified all the organizations or give a written explanation as to why the organization is not part of the neighborhood. This is a huge time and cost factor. He suggested a limitation on the amount of neighborhood groups to be contacted. The developer should have a choice to notify all organizations within a mile or a half mile of the proposed project or some restricted area from the site or notify everybody within the same zip code. The listing by zip code appears to be best way because that is the way the city keeps their list of organizations by zip codes. He also asked that on the part that counties of over 1 million people that the Department can not allocate two projects within a mile of one another and he suggested that this be for counties with fewer than 1 million people also.

Granger MacDonald, Developer, Kerrville, Texas

Mr. MacDonald stated that in smaller communities that they have one zip code that covers three communities and he felt a geographical distance boundary of a half mile should be in place. There are groups that one would have to notify that have no interest in housing such as the Barbershop Quarter or the Quilting Society. He felt the half mile notification would be the more reasonable. He stated on the pre-applications that are due around January 8-9, 2004 that the self-scoring requirement be eliminated this year or if you wrongly self-score, you do not have a penalty as this new QAP will be hard to interpret.

John Garvin, Executive Director, TAAHP, Austin, Texas

Mr. Garvin stated the rural option and urban option using the zip code and if they are in a quarter mile of an adjoining zip code to notifying them would work with the notification requirement. He stated putting together a statewide database can be funded with the increased bond application fees as part of the campaign to get neighborhoods involved in this process. He asked that points be given to mayors or county judges for letters of recommendations for the projects just as the QAP gives points to the state senators and state representatives.

Diana McIver, Developer, Austin, Texas

Ms. McIver complimented the Department that they added a proration of credit cap for joint ventures in the rural areas that have capacity building, and the correction needs to be made that states "if the size of the project were 76 units or less" to "less than 76 units". She asked the Board to check the legislative intent of the section to see if they meant to have the same parameters as the rest of the rules and laws that relate to locating two developments within a mile of each. She also stated there is duplication between the threshold amenities and this needs to be cleared. She stated by having a minimum score of 50 that this would solve problems and consolidate the threshold amenities into the point-scoring amenities and create a minimum score. On newspaper notifications if the developer could publish notice in a community that has a newspaper that is published at least five days a week that they be exempt from also publishing in the metropolitan paper. She felt they should not get six points for a state official elected letter if the local mayor or county judge is not getting the same number of points.

Mayor Salinas stated that letters from county commissioners and county judges are state elected officials should be included in getting the points from state elected officials.

Jeremy Mazur, Legislative Director for State Representative Bill Callegari, Austin, Texas

Mr. Mazur stated Rep. Bill Callegari sponsored SB 264 and the Representative was interested in having the points be attached to letters of support or opposition from elected officials, negative points for negative letters and positive points for positive letters. He wanted that to apply to state elected officials and also to apply that to local officials including mayors and county commissioners.

Mr. Mazur will discuss this topic with Rep. Callegari and ask him to put this intent in writing.

Mr. Conine stated that the Board could maybe add to the QAP that would allow for those particular points on letters, subject to an opinion letter maybe coming from the AGs office on the legislation and a letter from the sponsor of the bill to either the department or the AGs office, would be helpful.

(3) Presentation, Discussion and Possible Approval of Department Rules:

a) Final Housing Tax Credit Qualified Allocation Plan for 2004:

Adoption of Repeal of Title 10, Part 1, Chapter 50 – 2001 Low Income Housing Tax Credit Program Qualified Allocation Plan and Rules;

Adoption of New Title 10, Part 1, Chapter 50 – 2004:

Housing Tax Credit Program Qualified Allocation Plan and Rules

Ms. Carrington stated the Board approved the draft of the QAP on August 14 and this draft went out for public comment. The period of public comment was August 29 to October 10. This was also discussed at the 13 consolidated public hearings around the state. About 250 people attended those hearings. The Board is asked to take two actions related to the Housing Tax Credit Program. One is to repeal Title 10, Part 1 Chapter 50 and then the second action is to adopt the new Title 10, Part 1, Chapter 50.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to adopt the repeal of Title 10, Part 1, Chapter 50 – 2001 Low Income Housing Tax Credit Program Qualified Plan and Rules.

Passed Unanimously

Ms. Carrington stated staff summarized the comments received at the public hearings and those that were received by letters and by e-mail. The department then provided a response to each of the comments.

Ms. Brooke Boston, Director of Multi Family Finance Production, stated there were three technical clarifications to be made. One is under the definition for an eligible building type. The second is that for a non-profit as the Department is moving the language back to only needing to be controlling interest and it did not need to be the sole general partner. The third is under sponsor characteristics and 3 points would be added back in.

Mr. Bogany stated he would like to adopt the rule in regards to the zip code and notification and in rural areas to have a half a mile from the project.

Mr. Conine stated on the newspaper notification the developers will have an option in the metropolitan group notification.

Motion made by Norberto Salinas and seconded by Shad Bogany to amend the newspaper notification to give the developers another option in the metropolitan statistical areas.
Passed Unanimously

Motion made by Norberto Salinas and seconded by Shad Bogany on the neighborhood groups notification if one is in an urban or ex-urban area it would be by zip code and if one is in a rural area, it would be a half a mile.
Passed Unanimously

On the signage issue, the Board decided to leave it the way it is written in the QAP.

On the tearing down of old housing project in a rural community to add to the at-risk definition to say that if one included not just HOPE VI funds, but the actual capital grant funds that come from HUD to the PHA that this would resolve concerns and allow that to cover more of the rural PHAs. This would add one category of who would be eligible.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to adopt this change.
Passed Unanimously

Motion made by Norberto Salinas and seconded by Vidal Gonzalez to approve the addition of the mayor and county judge or county commissioners to the state elected officials' letters subject to an Attorney General's opinion letter.
Passed Unanimously

The HUB points will stay in the QAP.

On the scoring of the letters the Board decided to leave the wording as it is in the current draft of the QAP.

Mr. Conine stated that on the ineligible building types he felt there should not be a project with all 2 bedrooms or all 3 bedrooms and felt the mixture of ones, twos and threes providing an appropriate balance creates flexibility. He proposed the following: 60% on one bedrooms would stay at 60; two bedrooms would be at 45% and three bedrooms would be at 35%.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the building types as 60% for one bedrooms; two bedrooms at 45%; and three bedrooms at 35%.
Passed Unanimously

Ms. Boston stated staff is proposing that in the threshold section of the QAP, Sec. 49.9(F)(4)(a) to say "the applicant must certify that they will meet at least the minimum point amenities for threshold, as described in Sec. 49.9(G)(7)(d)". Under the eligible building types the proposal on the family point to lower it down to 30% and say they must have 30% of units for more than two bedrooms.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve these two proposals.
Passed Unanimously

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the adoption of new Title 10, Part 1, Chapter 50 – 2004 Housing Tax Credit Program Qualified Allocation Plan and Rules as amended.
Passed Unanimously

b) Final Housing Trust Fund Rules:

Adoption of Repeal of Title 10, Part 1, Chapter 51 – Housing Trust Fund Rules

Adoption of New Title 10, Part 1, Chapter 51 - Housing Trust Fund Rules

Ms. Carrington stated the Board approved the draft rules for comment and publication in the Texas Register on August 14. They were published in the Texas Register and the comment period was September 26 through October 10. The Department did not receive many comments on these rules. The comments and the Department's response were in the Board book.

Motion made by Norberto Salinas and seconded by Shad Bogany to repeal Title 10, Part 1, Chapter 51 – Housing Trust Fund Rules.
Passed Unanimously

Motion made by Norberto Salinas and seconded by Vidal Gonzalez to adopt the new Title 10, Part 1, Chapter 51 – Housing Trust Fund Rules.
Passed Unanimously

c) Final Real Estate Analysis Rules:

Adoption of Amendment to Title 10, Part 1, Chapter 1, Subchapter B – Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, and Property Condition Assessment Rules And Guidelines Including New Section 1.36 Property Condition Assessment Rules and Guidelines

Ms. Carrington stated staff is requesting to make an amendment to these rules. These rules were approved by the Board at the August 14 meeting to be published in the Texas Register and the public comment period was August 29 to October 10. The additions made to these rules are inclusion of language per SB 264 for alternative dispute resolution. There was a language change of transitional housing to supportive housing and expanded a definition on underwriting. There is a new section which is the property condition assessment rules and guidelines.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the adoption of Amendment to Title 10, Part 1, Chapter 1, Subchapter B – Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, and Property Condition Assessment Rules and Guidelines Including New Section 1.36 Property Condition Assessment Rules and Guidelines.
Passed Unanimously

d) Final HOME Program Rules:

Adoption of Repeal of Title 10, Part 1, Chapter 53, Section 53.59

Adoption of Amendment to Title 10, Part 1, Chapter 53 – Home Investment Partnerships Program

Ms. Carrington stated the Board approved these rules at the August 14 meeting for publication in the Texas Register and to receive public comment. Alternative dispute resolution language was added in the HOME rules.

Motion made by Norberto Salinas and seconded by Shad Bogany to repeal Title 10, Part 1 Chapter 53, Section 53.59.
Passed Unanimously

Staff requested to delete the statement in accordance with Rider 3 and published by the Department and is striking “applicants targeting households at or below 30% of the median income of the area may use the average state median family income, based on number of persons in a household”.

Motion made by Norberto Salinas and seconded by Shad Bogany to delete “applicants targeting households at or below 30% of the median income of the area may use the average state median family income, based on number of persons in a household” and to also have an open cycle for funds that are not impacted by the regional allocation formula.
Passed Unanimously

Motion made by Norberto Salinas and seconded by Shad Bogany to approve the adoption of Amendment to Title 10, Part 1, Chapter 53 – Home Investment Partnerships Program and to include the approved amendments.
Passed Unanimously

e) Final Integrated Housing Rule:

Adoption of New Title 10, Part 1, Subchapter A, Section 1.15

Ms. Carrington stated this has been a policy of the Department since December 2002 and was approved by the Board. Staff is proposing that this policy become a rule.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the adoption of new Title 10, Part 1, Subchapter A, Section 1.15.
Passed Unanimously

f) Final Portfolio Management and Compliance Rules:

Adoption of New Title 10, Part 1, Chapter 60 –Compliance Administration, Subchapter A, Compliance Monitoring and Asset Management

Ms. Carrington stated the compliance monitoring rules have been removed from the QAP and staff is proposing to have them as a separate rule. These rules were approved by the Board at the August 14 Board meeting and they were published in the Texas Register and staff received public comments from September 26 to October 10.

Motion made by Norberto Salinas and seconded by Vidal Gonzalez to approve the adoption of new Title 10, Part 1, Chapter 60-Compliance Administration, Subchapter A, Compliance Monitoring and Asset Management.
Passed Unanimously

g) Final Multi Family Bond Rules:

Withdrawal of Emergency Repeal Title 10, Part 1, Chapter 33 – Guidelines for Multifamily Housing Revenue Bond Rules

Adoption of Repeal of Title 10, Part 1, Chapter 33 – Guidelines for Multi Family Housing Revenue Bond;

Adoption of Repeal of Title 10, Part 1, Chapter 35 – Taxable Multi Family Mortgage Revenue Bond Program;

Adoption of Repeal of Title 10, Part 1, Chapter 39 – Tax-Exempt Multi Family Mortgage Revenue Bond Program;

Withdrawal of Emergency New Title 10, Part 1, Chapter 33 – Multifamily Housing Revenue Bond Rules

Adoption of New Title 10, Part 1, Chapter 33 – Multifamily Housing Revenue Bond Rules

Mr. Wittmayer stated this item involves the adoption of the repeal of three chapters which were the bond rules. In their place staff is recommending the Board adopt the new multifamily housing rules. The Board approved the emergency bond rule in August to get the rules in place for the application of the new scoring under the new legislation. The new Chapter 33 is being put in place of the previously adopted emergency Chapter 33. The addition of language on alternative dispute resolution is also recommended by staff.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to withdraw the emergency repeal Title 10, Part 1, Chapter 33- Guidelines for Multifamily Housing Revenue B Withdrawal of Emergency Repeal Title 10, Part 1, Chapter 33 – Guidelines for Multifamily Housing Revenue Bond Rules.
Passed Unanimously

Motion made by Shad Bogany and seconded by Vidal Gonzales to approve the adoption of Repeal of Title 10, Part 1, Chapter 33 – Guidelines for Multi Family Housing Revenue Bond.
Passed Unanimously

Motion made by Vidal Gonzalez and seconded by Norberto Salinas to approve the adoption of Repeal of Title 10, Part 1, Chapter 35 – Taxable Multi Family Mortgage Revenue Bond Program.
Passed Unanimously

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the adoption of Repeal of Title 10, Part 1, Chapter 39 – Tax-Exempt Multi Family Mortgage Revenue Bond Program.
Passed Unanimously

Motion made by Shad Bogany and seconded by Vidal Gonzalez to withdrawal the Emergency New Title 10, Part 1, Chapter 33 – Multifamily Housing Revenue Bond Rules.
Passed Unanimously

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the adoption of New Title 10, Part 1, Chapter 33 – Multifamily Housing Revenue Bond Rules.
Passed Unanimously

(4) Presentation, Discussion and Possible Approval of Interagency Contract with the Texas Department of Housing and Community Affairs and the Office of Rural Community Affairs on the Housing Tax Credit Set Aside

This item will be presented at a later meeting.

(5) Presentation, Discussion and Possible Approval of “Draft” 2004 Application Submission Procedures Manual for Housing Tax Credits and Housing Trust Fund

Ms. Carrington stated the Board is being asked to approve this draft as this manual will track the qualified allocation plan. Since there have been changes made to the QAP, these changes will be made in the manual also.

Motion made by Shad Bogany to approve the "Draft" 2004 Application Submission Procedures Manual for Housing Tax Credits and Housing Trust Fund.
Passed Unanimously

(6) Presentation, Discussion and Possible Approval of Programmatic Items:

a) Section 8 Program

1) Resolution No. 03-085 Authorizing Payment Standards for Section 8 Program for FY 2004

Ms. Carrington stated staff is requesting approval of the payment standards for Section 8. The payment standard identified for all of the counties is either 100% of the fair market rent or 110% of the fair market rent. Staff is asking to have the ability to go up to 120% in an area. In the past the Executive Director has had the ability to go to 120% but never has used it.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve Resolution No. 03-085 authorizing the payment standards for the Section 8 Program for FY 2004.
Passed Unanimously

2) Resolution No. 03-086 Authorizing Consolidation of Three Annual Contributions Contracts into One Annual Contributions Contract

Ms. Carrington stated the Department administers vouchers from three HUD offices and these are in Dallas, Houston and San Antonio. Staff is requesting to consolidate these three annual contribution contracts into one annual contributions contract.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve Resolution No. 03-086 authorizing the consolidation of three annual contributions contracts into one annual contributions contract with HUD for the Section 8 program.
Passed Unanimously

3) Resolution No. 03-087 Authorizing the Transfer of Thirty Section 8 Vouchers from the Texas Department of Housing and Community Affairs to the U.S. Department of Housing and Urban Development

Ms. Carrington stated Marble Falls Housing Authority has asked the Department to relinquish 30 vouchers to HUD so that HUD can allocate these vouchers to Marble Falls to assist in fully leasing some units in the Marble Falls area.

Motion made by Norberto Salinas and seconded by Shad Bogany to approve Resolution No. 03-087 to transfer thirty Section 8 vouchers from the Department to the U.S. Department of Housing and Urban Development.
Passed Unanimously

Dr. Marvin C. Griffin, President, East Austin Economic Dev. Corp., Austin, Texas

Dr. Griffin stated he was in favor of the Bethel Senior Housing project as it is needed and they have the capacity to handle such a project.

Rev. Earl Harris, Bethel Baptist Church, Crockett, Texas

Rev. Harris stated they were in a partnership with the East Austin Economic Development Corporation to make this in Bethel a reality because there are people in Crockett that are living in very poor conditions.

Marvin McPherson, Chairman, Bethel Economic Dev. Community, Crockett, Texas

Mr. McPherson stated it was an opportunity to partner with the East Austin Economic Development Corporation to make this project a reality.

Van Dyke Johnson, Executive Director, East Austin Development Corp., Austin, Texas

Mr. Johnson stated part of their mission is to partner with small rural communities to bring out capacity. He requested consistency and fairness in the application of the guidelines and rules and asked the Board to approve their appeal for funds.

b) HOME Program:

1) FY 2002-2003 Multi Family HOME Appeal for Bethel Senior Housing

Ms. Carrington stated that Bethel Seniors did follow the process for applying for funds under the HOME Multifamily CHDO round. They were not recommended for funds at the September 15 Board meeting due to financial instability. They did file their appeal to the Executive Director and the Executive Director denied the appeal. The Department has

a requirement to identify a positive cash flow over a 30 year period as required by statute and this caused the appeal to be denied.

Motion made by Norberto Salinas and seconded by Shad Bogany to grant the appeal for Bethel Senior Housing.
Passed Unanimously

2) Single Family HOME Program Awards for Disaster Relief Projects for \$13,832,000 in HOME Program Deobligated Funds

FEMA DR 1425 Awards:

2003-0382-Institute of Rural Development for \$520,000
2003-0383-Jim Wells County for \$520,000
2003-0384-Live Oak County for \$520,000
2003-0385-San Patricio County for \$520,000
2003-0386-Rural Economic Assistance League (R.E.A.L.) for \$520,000
2003-0387-Dimmit County for \$520,000
2003-0388-City of Tuscola for \$520,000
2003-0389-City of Big Wells for \$520,000
2003-0390-City of Benavides for \$520,000
2003-0391-Medina County for \$520,000
2003-0392-Karnes County for \$520,000
2003-0393-City of Robstown for \$520,000
2003-0394-City of Kenedy for \$520,000
2003-0400-LaSalle County for \$520,000
2003-0401-City of Cotulla for \$520,000
2003-0402-City of Hondo for \$520,000

FEMA DR 1434 Awards:

2003-0395-Jim Wells County for \$520,000
2003-0396-R.E.A.L. for \$520,000
2003-0404-Institute of Rural Development for \$520,000
2003-0405-Live Oak County for \$520,000
2003-0406-San Patricio County for \$520,000

FEMA DR 1439 Awards:

2003-0397-Jim Wells County for \$520,000
2003-0398-Institute of Rural Development for \$520,000
2003-0399-R.E.A.L. for \$520,000
2003-0403-San Patricio County for \$520,000

State Declared Declarations Awards:

2003-0407-Johnson County for \$520,000
2003-0408-Rusk County for \$312,000

Ms. Carrington stated staff is requesting to utilize the Single Family portion of the HOME funds for disaster relief. Under the deobligation policy for the HOME funds it has as its first priority appeals and the second priority is disasters. All of the recommended awards have a FEMA designation and the Department has also received a letter from Governor Perry on all the communities requesting disaster relief funds.

Motion made by Norberto Salinas and seconded by Shad Bogany to approve the use of the HOME deobligated funds for disaster relief awards.
Passed Unanimously

**c) Housing Trust Fund:
Request for Forgiveness of Repayment in the amount of \$168,000 in Predevelopment Loans for the Green Bridge Development Company**

Ms. Carrington stated this award was made to the Green Bridge Development Company and the purpose was to provide funds in the amount of \$250,000 to assist in the acquisition and preservation of multi family properties by providing free development services and due diligence reviews on properties under contract for purchase. The loan

contract with Green Bridge does allow the forgiveness or deferral of the loan. Green Bridge has asked for forgiveness in the amount of \$168,000 which was drawn under the contract. Staff is recommending forgiveness.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the forgiveness of the loan in the amount of \$168,000.
Passed Unanimously

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

a) Mortgage Credit Certificates:

1) Mortgage Credit Certificate Program Administrator

Mr. Byron Johnson, Director of Bond Finance, stated staff issued a RFP for someone to assist in marketing the program and for an administrator of the program. The group staff is recommending is Housing Administrators Inc.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve Housing Administrators Inc. as the MCC Administrator for the MCC program.
Passed Unanimously

2) Resolution No. 03-080 Authorizing Mortgage Credit Certificate Program for First Time Homebuyers

Mr. Johnson stated staff is requesting approval to create a MCC program. \$15,000,000 will be made available for the start of the program.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the creation of the MCC Program.
Passed Unanimously

b) Capital Fund Program Revenue Bonds (Modernization and Preservation Program)

Ms. Carrington stated this is an update only. Staff has been having meetings with housing authorities and will be coming to the Board at a later meeting for this program.

c) Resolution No. 03-081 Authorizing an Additional Series for TDHCA's Single Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes Program

Ms. Carrington stated this resolution, 03-081, would authorize the additional series for TDHCA's single family mortgage revenue refunding tax exempt commercial paper notes program. In July the Board approved an increase in the commercial paper program from \$75,000,000 to \$200,000,000. The Bond Review Board has approved this increase. Staff is requesting to create a Series C for this program to allow the Department to accommodate the remainder of the difference between the \$200,000,000 and the \$75,000,000.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve Resolution No. 03-081 for the creation of an additional series which would be Series C for the Single Family Mortgage Revenue Refunding Tax Exempt Commercial Paper Notes Program.

Passed Unanimously

Robert Greer, President, Michaels Development Company, Marlton, New Jersey

Mr. Greer stated the Michaels Company stepped into the position of general partner for 4 properties formerly owned by Century Pacific. They began the full rehabilitation of these 4 properties. Due to a conflict of interest, HUD required them to engage a second AMAP processing entity to re-underwrite all the conclusions HUD had accepted. Due to unforeseen setbacks and required duplication of activities, they are asking for an extension on the loan closing.

(8) Presentation, Discussion and Possible Approval of Housing Tax Credit Items:

a) Request for Extensions:

No. 02-019, Yale Village Apartments, Houston, Texas

No. 02-020, Kings Row Apartments, Houston, Texas

No. 02-021, Continental Terrace Apartments, Ft. Worth, Texas

No. 02-022, Castle Garden Apartments, Lubbock, Texas

Motion made by Vidal Gonzalez and seconded by Shad Bogany to approve the request for extensions for:

No. 02-019, Yale Village Apartments, Houston, Texas

No. 02-020, Kings Row Apartments, Houston, Texas

No. 02-021, Continental Terrace Apartments, Ft. Worth, Texas

No. 02-022, Castle Garden Apartments, Lubbock, Texas

Passed Unanimously

- 2) **No. 02-097, Park Manor Apartments, Waxahachie, Texas**
The deadline recommended is January 13, 2004.
- 3) **No. 02-103, Valley View Apartments, Pharr, Texas**
The deadline recommended is January 14, 2004.
- 4) **No. 02-119, Lovett Manor, Houston, Texas**
The deadline recommended is February 10, 2004.
- 5) **No. 02-131, Meadows of Oakhaven, Pleasanton, Texas**
The deadline recommended is January 30, 2004.
- 6) **No. 02-147, Heatherbrook Apartments, Houston, Texas**
The deadline recommended is February 12, 2004.

Motion made by Vidal Gonzalez and seconded by Shad Bogany to approve the extension requests as recommended.
Passed Unanimously

- b) **Issuance of Determination Notices with Other Issuers:**
03-432 Primrose Skyline Apartments, Houston in amount of \$0
Harris County Housing Finance Corp. is the Issuer
Ms. Carrington stated that Primrose Skyline has requested to postpone this request until the December board meeting.

03-433 Southern Terrace, Dallas in amount of \$1,043,740
Dallas Housing Finance Corp. is the Issuer

03-434 Preakness Ranch, Dallas in amount of \$939,661
Dallas Housing Finance Corp. is the Issuer

03-436 Northland Woods Apartments, Houston in amount of \$865,730
Harris County Housing Finance Corp. is the Issuer

03-438 Parkside Point Apartments, Houston in amount of \$792,586
Houston Housing Finance Corp. is the Issuer

03-441 Primrose at Jefferson Plaza, San Antonio in amount of \$616,285
Bexar County Housing Finance Corp. is the Issuer

03-442 Little York Parc Apartments, Houston in amount of \$883,444
Victory Street Public Utility Corp. is the Issuer
Ms. Carrington stated this project has officially withdrawn.

03-449 Little Nell Apartments, Houston in amount of \$920,281
Houston Housing Finance Corp. is the Issuer

Ms. Carrington stated the remaining six tax exempt bond finance developments all have other issuers and not the Department.

Motion made by Norberto Salinas and seconded by Shad Bogany to approve the determination notices for: 03-433, Southern Terrace, Dallas in amount of \$1,043,740; 03-434, Preakness Ranch, Dallas in amount of \$939,661; 03-436, Northland Woods Apartments, Houston in amount of \$865,730; 03-438, Parkside Point Apartments, Houston in amount of \$792,586; 03-441, Primrose at Jefferson Plaza, San Antonio in amount of \$616,285; 03-442, 03-449, Little Nell Apartments, Houston in amount of \$920,281.

Passed Unanimously

Ken Mitchell, Developer, Ben Brook, Texas

Mr. Mitchell asked the Board to remove a restriction that is causing trouble for him on the Grand Texan Apartments. The restriction limits the occupancy to all the units to senior citizens who make 50% or less of area median income. This leaves the low income seniors who are at 50%-60% out of this project. He had a letter of support from the City of McKinney on this amendment.

c) Amendments:

01-007, Grand Texan Apartments, McKinney, Texas

Ms. Carrington stated this was a forward commitment in 2001. The transaction was restructured from 230 units down to 100 units. The Department feels the election one chooses at the time they applied which was 20% at 50% is the one they have to live by. Staff is not recommending the amendment.

Motion made by Norberto Salinas and seconded by Shad Bogany to deny the amendment.
Passed Unanimously

03-220, Desert Breeze, El Paso, Texas

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the amendment.
Passed Unanimously

03-231, Montgomery Meadows, Huntsville, Texas

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the amendment.
Passed Unanimously

REPORT ITEMS

Executive Directors Report

Update on Revised Homebuyer Assistance Program Income Calculations For the HOME Program
Status of the Family Self Sufficiency Program
NCSHA Annual Conference
Federal Legislation - HR284/S595 – Housing Bond and Credit Modernization And Fairness Act
Availability of 4.99% Unassisted First Time Homebuyer Funds

The report items were not presented.

EXECUTIVE SESSION

Consultation with Attorney Pursuant to Sec. 551.071, Texas
Government Code – Matters Concerning Section 572.054,
Texas Government Code;
If permitted by law, the Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

Mr. Conine announced that no Executive Session will be held.

ADJOURN

Mr. Conine adjourned the meeting at 12:35 p.m.

Respectfully submitted,

Delores Groneck
Board Secretary

Bdminnov

BOARD MEETING

DECEMBER 11, 2003

The Presiding Officer of the Board of the Texas Department of Housing and Community Affairs will appoint members of the Board to various committees.

CENTER FOR HOUSING RESEARCH, PLANNING, AND COMMUNICATIONS

BOARD ACTION REQUEST

December 11, 2003

Action Item

2004 State of Texas Low Income Housing Plan and Annual Report.

Required Action

Approval of the *2004 State of Texas Low Income Housing Plan and Annual Report.*

Background

The *2004 State of Texas Low Income Housing Plan and Annual Report* (SLIHP or Plan) is one of three comprehensive planning documents the Texas Department of Housing and Community Affairs is required to submit annually. It serves in the following capacities: provides an overview of TDHCA housing and housing-related priorities and policies; outlines statewide housing needs; provides TDHCA's programs funding levels and performance measures; and reports on the Department's activities during the preceding fiscal year (September 1, 2002– August 31, 2003).

The Plan was made available for public comment from September 22, 2003 through October 24, 2003. Comment was accepted in writing directly to the Department or at 13 Consolidated hearings held across the state (Longview, Dallas, Wichita Falls, Lubbock, San Angelo, El Paso, Austin, San Antonio, Harlingen, Corpus Christi, Waco, Lufkin and Houston). Approximately 250 people attended these hearings.

Summary of Changes from *2003 State of Texas Low Income Housing Plan and Annual Report*

- Inclusion of Colonia Biennial Action Plan
- Activities reflect new organizational structure
- 78th Legislative Session Overview
- 2003 Department performance figures
- Regional overviews now include available funding, performance figures, anticipated allocations, 2003 Community Needs Survey information, and Regional Advisory Committee comments.

Summary of Proposed Changes from the Draft Version of the Plan

- A \$3 million set-aside for multifamily housing development activity within the HOME program.
 - Adjustments to the Regional Allocation Formula and Affordable Housing Needs Score (approved at November Board meeting).
 - Minor language revisions.
- See Attachment A for summary of comments received during the public comment period and the Department's responses.

Attachment A: Summary of Public Comment and Department Responses

SUMMARY OF PUBLIC COMMENT

The comments summarized below were received during the 13 consolidated public hearings or submitted in writing directly to the Department. They cover general programmatic issues that are directly related to the Plan. Please refer to the November 14, 2003, Board book, available from TDHCA's website at http://www.tdhca.state.tx.us/au_boardcenter.htm, for comments received regarding program-specific rules.

COMMENTS REGARDING THE HOME PROGRAM

Comment: Development Funds

Establish scoring criteria and appropriate set-asides of funds within existing programs in order to partner with the other governmental entities who have the primary responsibility of providing this type of housing (migrant farmworker). Request for grants for smaller communities to build garden homes for the elderly. If the need is there, and in cities where you could only do three to five homes anyway because of the small amount they're asking for, such as 250, I think there needs to be another look at this.

- **Department Response**

The Department believes that funding for smaller multifamily new construction should be made available to the rural areas. In response to public comment, the Department will allocate \$3 million for new construction multifamily activities through the HOME Program.

Comment: Set-Aside Descriptions

Should include 15 percent as reserved for CHDOs that are acting in the role of owner, developer, or sponsor—and not as stated reserved for CHDOs for the development of housing-sponsored or owned by the organization.

- **Department Response**

The Department will use the following wording to be consistent with HOME rules: *CHDO set-aside projects are owned, developed, or sponsored by the CHDO, and result in the development of rental units or homeownership. Development includes projects that have a construction component, either in the form of new construction or the rehabilitation of existing units.*

Comment: Set-Aside Descriptions

The Plan fails to specify anywhere the process of applying "through direct funding or loan guarantees," nor are these listed as part of the Description of Activities section. The Plan seems to indicate this is in addition to a CHDO being able to apply for Homebuyer Assistance.

- **Department Response**

Per HOME rules, neither direct funding nor loan guarantees are eligible activities, therefore are not addressed in the Plan. No change proposed.

Comment: CHDO Operating Expenses

That 75 percent of the funds available (75 percent of \$337,500) be available exclusively to CHDOs that are awarded HOME funds under the CHDO Set-Aside.

- **Department Response**

Currently all CHDO Operating Funds are available exclusively to CHDOs that are awarded HOME funds under the CHDO Set-Aside. No change proposed.

Comment: CHDO Operating Expenses

Fifteen percent of the funding is set aside for CHDOs, as is required by federal law. However, the Department sets aside an additional \$337,500 for CHDO Operating Expenses...not mandated by law. If the Department elected, it could include the CHDO operating expenses funds as part of the mandated 15 percent CHDO Set-Aside. The \$337,500 could then be allocated to the preservation and rehabilitation of multifamily housing.

- **Department Response**

The Department believes that unique needs of CHDOs justify the additional operating expenses. No change proposed.

Comment: CHDO Funds

Comments were received requesting that applicants be allowed to receive CHDO Operating Funds even if the applicant has not been awarded HOME awards for Development Activities.

- **Department Response**

The Department does not currently have the procedures in place to allocate CHDO Operating Funds for those applicants that do not receive HOME awards for specific activities. The Department will do further research over the next year to determine requirements for such a program. No change proposed.

Comment: CHDO Administrative Expenses

Would suggest the CHDOs receiving funds under the Set-Aside as owner, sponsor, or developer, be automatically awarded not only the 4 percent for administrative costs, but also be allowed to apply for CHDO Operating Funds in a separate category from those CHDOs strictly applying for operating funds. In this way, you help pay for CHDOs that are already performing services.

- **Department Response**

Currently, the Department awards 5 percent for administrative costs to CHDOs. The proposed Action Plan does not allocate CHDO Operating Funds for those applicants that do not receive HOME awards for specific activities. No change proposed.

Comment: CHDO General

The \$500,000 per applicant cap for Homebuyer Assistance under the CHDO Set-Aside be raised to \$1,000,000.

- **Department Response**

CHDOs are eligible to receive up to a total of \$1.5 million per award and are not subject to the \$500,000 cap. No change proposed.

Comment: CHDO General

Allow a CHDO receiving an award above the \$500,000 level an additional year to expend the funds.

- **Department Response**

The Department believes that 24 months is sufficient time to expend CHDO funds. No change proposed.

Comment: CHDO General

Allow a CHDO that has been certified and received HOME funds in the last three years to certify that “no material changes” have taken place that would affect the organization’s CHDO qualifications, in lieu of having to resubmit all of the organization documents time after time.

- **Department Response**

In an effort to fulfill HUD’s on-going requirements related to the qualifications of CHDOs, the Department believes that it is appropriate to require full certification for each new application/award received for CHDO funds. No change proposed.

Comment: CHDO Funds

It is our view that HOME Program requirements that restrict the release of CHDO Operating Funds to certified CHDOs upon their certification creates a negative development environment for newly established organizations.

- **Department Response**

HUD rules require that all organizations that receive CHDO funds be organized as a CHDO. No change proposed.

Comment: Capacity Building

Comment was received suggesting that the Department consider using HOME funds to establish a capacity building program. Comment encourages the Department to structure this program to target organizations that might reasonably be expected to develop as successful applicants for HOME Investment Partnerships Program funds.

- **Department Response**

The Department realizes the need for capacity building assistance, especially for those nonprofits beginning efforts to supply affordable housing in their respective communities. Although no funding will be awarded for such a program in the proposed 2004 State of Texas Consolidated Plan: One-Year Action Plan, the Department is working diligently to establish the possibility of such a program in future funding years.

Comment: Administrative Funds

Comment urges the Department to closely observe the Set-Aside of Tenant-Based Rental Assistance for individuals affected by the *Olmstead* decision and other set-asides that benefit people with disabilities. It asked that the Department seek innovative processes that will broaden the scope of people with disabilities who will request access to assistance. It has been expressed that the funding involves a meager administrative fee, coupled with a reimbursement process. As a result, many community-based organizations cannot compete for contracts.

- **Department Response**

It is the Department's desire to serve all citizens of Texas, including those of the disability population. The Department is awarding applications for Tenant-Based Rental Assistance for those persons affected by the *Olmstead* decision for the first time. Staff has worked closely with advocates of this population to ensure proper execution of this set-aside. Realizing the higher expenses incurred by taking on a program of this nature, the amount of administrative funds awarded was increased from 4 percent of the project request, to 6 percent of the project request. Staff will continue to carefully review and monitor this set-aside, however, and look for inadequacies and areas of possible improvement.

Comment: Rehabilitation Funds

The Department acknowledges that rehabilitation must be the primary eligible activity. However, in reviewing the Plan, it does not appear that rehabilitation constitutes a required component of 50 percent or more of the required funding.

It appears that only rental housing preservation and owner-occupied housing assistance have a required rehabilitation component. It is recommended that special needs housing and homebuyer assistance be revised to include a requirement that the funds be used for rehabilitation.

- **Department Response**

The Department currently allocates (less set-asides) 45 percent of HOME funding towards Owner-Occupied Rehabilitation. In addition, \$2 million is allocated specifically towards multifamily preservation, and preservation/rehabilitation activities may be undertaken through the CHDO set-aside—making rehabilitation the primary HOME-funded activity.

The consolidated planning process is designed to give participating jurisdictions the flexibility to serve the specific needs of its constituency. Through an extensive citizen participation process, and taking into account various legislative requirements, the Department believes that the activity allocations are consistent with the needs of Texas's most vulnerable populations. No change proposed.

Comment: Tenant-Based Rental Assistance

The Department certifies that "the use of HOME funds for tenant-based assistance is an essential element of the State's Consolidated Plan." However, Section 21(a)(3) of the Cranston-Gonzalez National Affordable Housing Act states as follows:

A participating jurisdiction may use funds provided under this subtitle for tenant-based rental assistance only if

1) the jurisdiction certifies that the use of funds under this subtitle for tenant-based rental assistance is an essential element of the jurisdiction's annual housing strategy for expanding the supply, affordability, and availability of decent, safe, sanitary, and affordable housing, and specifies the local market conditions that lead to the choice of this option.

...in 2003, the Department conducted a Community Needs Survey in the 13 service regions of the state requesting the local need to choose between the type of multifamily assistance needed....in 10 of the regions, the need for multifamily rental assistance program was the lowest priority. Without discarding the

Community Needs Surveys, the Department would appear to be without support for having a TBRA program.

- **Department Response**

Per §91.305 (b)(1) of the statute governing the consolidated planning process, the Department outlined the specific need for rental assistance in the 2001–2004 Consolidated Plan—refer to the Housing and Homeless Needs Assessment. Pages 12–36 outline the specific Census demographic support for the activities undertaken by the Department. Pages 37–57 outline the specific needs of special needs populations that further support the need for rental assistance.

With regard to the Community Needs Survey, it is important to note that the surveys are one of many avenues utilized by the Department to gather data/information to be used towards making HOME allocation decisions. The survey is representative of local desires and does not necessarily give an accurate assessment of need. With this in mind, the Department also analyzes Census data, as well as data from other State agencies and research institutions in determining need. No change proposed.

Note that at 20 percent, rental assistance is the lowest percentage allocated to the major HOME activities (45 percent for Owner Occupied and 35 percent for Homebuyer Assistance).

Comment: 5 Percent Disability Set-Aside

Under State law, at least 95 percent of the HOME funding must be set aside for non-participating jurisdictions, which are basically rural areas of the state. State law then states that if the funds are not allocated to non-participating jurisdictions, then the funds may be used on housing for persons with disabilities. It is recommended that the Department set aside 100 percent of its funds for non-participating jurisdictions...be available for rural disability housing as a matter of first priority. In the event that sufficient applications for the housing for persons with disabilities in rural areas were submitted, then the funding would shift to rental housing preservation.

- **Department Response**

§2306.111(c) of the Texas Government Code reads:

the department shall expend at least 95 percent of these funds for the benefit of non-participating small cities and rural areas that do not qualify to receive funds under the Cranston-Gonzalez National Affordable Housing Act directly from the United States Department of Housing and Urban Development. **All funds not set aside under this subsection shall be used for the benefit of persons with disabilities who live in areas other than small cities and rural areas.**

It specifically states that all funds not set aside under this section shall be used for the benefit of persons with disabilities who live in areas other than nonparticipating areas. The Department believes that it is currently in compliance with the language of the statute. Additionally, it has been shown that much of the disabled population and those services necessary to aid this population are located in the areas with participating jurisdiction status. No change proposed.

Comment: Contract for Deed Conversions

The Department has set aside \$2 million for Contract for Deed conversions. It appears that the Office of Rural Community Affairs and/or the Office of Colonia Initiatives has primary responsibility for colonias. It is recommended that the \$2 million be funded from the CDBG program. While the Department's appropriation bill does direct that funds for the CFD program and Colonia Model Subdivision program be spent by the Department, the funds for these programs would be more properly funded by CDBG funds.

- **Department Response**

As stated by the commenter, the Department is legislatively required to fund both the Contract for Deed Conversion and Colonia Model Subdivision programs. No change proposed.

Comment: HOME Program Funding

It is further recommended that the Homebuyer Assistance and Owner-Occupied Housing Assistance programs be combined into one program that requires a rehabilitation component and excludes down payment and closing cost assistance as an eligible activity.

- **Department Response**

The Department believes that Census data and public comment support the need for both activities. No change proposed.

Comment: Rental Housing Preservation

The funding of Rental Housing Preservation should be increased from \$2 million to \$10 million per year.

- **Department Response**

Preservation funds are currently available through other Department housing programs including the Junior Lien Bond Proceeds, Multifamily Bond, Housing Tax Credit, and Housing Trust Fund. The Department believes it is important to support additional avenues of affordable housing available through HOME Program funds. No change proposed.

Comment: Definition

In reviewing the Plan, we note that the definition of "persons with disabilities" is different from definitions found in other TDHCA documents.

- **Department Response**

The Department will review and make changes as appropriate.

Comment: Integrated Housing Policy

There should be a requirement that all applicants follow the Department's Integrated Housing Policy.

- **Department Response**

The Department's Integrated Housing Policy was adopted by the TDHCA Board as a rule in November of 2003. All Department housing programs must adhere to the new rule.

Comment: Compliance Monitoring

There is no mention of inspectors assuring that accessibility requirements are met and that the Department's Integrated Housing Policy is followed.

- **Department Response**

Per TDHCA policy, monitoring will ensure that all applicants comply with Department rules.

Comment: Housing Costs

Unfortunately, with the HOME Program, there are differences in the cost of housing and how those projects are funded in a rural county because you have—in a larger community, you have more economy for scale. And what we get in HOME funds, unfortunately, does not go as far as that money might go in a larger community because it just costs more to do business. We don't have contractors that specialize in doing a lot of new construction.

- **Department Response**
No response necessary.

Comment: Olmstead Funding

We appreciate the \$4 million and the tenant-based rental assistance for the same kind of initiative that's for the next biennium.

- **Department Response**
No response necessary.

Comment: Competitive Review

Support of an open CHDO funding cycle.

- **Department Response**
No response necessary.

COMMENTS REGARDING THE EMERGENCY SHELTER GRANTS PROGRAM

The Texas Department of Housing and Community Affairs sponsored a series of public hearings as a forum to receive public comment on the Department's proposed administration for several federally funded programs, including ESGP. Responses to ESGP administration have been summarized below.

Comment

Please consider stopping the double-dipping allowed by entitlement cities still being able to compete at the regional level. Two chances or two sources of funding is unfair to non-entitlement locations and lowers the amount of available funds in under-served areas.

- **Department Response**
Statistics indicate concentrations of homeless individuals in large urban areas; therefore, the Department does not prohibit entitlement cities or private nonprofit organizations in those areas from applying for available ESGP funds. This does not reduce the funds reserved for each of the thirteen planning regions as per the ESGP formula. In addition, the Department awards bonus points to successful applications received from non-entitlement areas.

Comment

I feel that the need for housing for the homeless/needy people in America is great and need action on a continual basis. I feel that the grant application should be short and to the point and new programs should be highly considered for funding up on request because of the over-flowing need for shelter. There are too many laws within laws that zero out the main purpose of reviving the homeless as intended. Staff people are the key to making this program work to meet the clients needed as well as just having shelter.

- **Department Response**

ESGP is a competitive grant and the Department is required to develop and consistently apply criteria by which to award funds. Each year the Department revises the ESGP application and sponsors a pre-application workshop in an attempt to clarify requirements and to assist eligible organizations (particularly new applicants) to submit responsive applications. The Department reviews and scores each application according to criteria based on the content of the application packet. In order to maintain a fair and equitable selection process, neither new applicants nor repeat applicants are favored.

Comment

More temporary shelter, rent assistance, and utility assistance are needed. Electricity has almost doubled in the last two years.

- **Department Response**

ESGP funds are one of several funding sources that may be used for these purposes.

Comment

The program should continue as it is currently operated. More funds should be made available for the project awards.

- **Department Response**

The Department awards to eligible applicants 95 percent of the annual ESGP funds awarded to the State of Texas. The remaining 5 percent is used to pay costs the State incurs to effectively administer ESGP.

Comment

The language used under the "Special Initiative" section sounds like TDHCA is trying to restrict the competition for providing statewide Technical Assistance to a pre-selected bidder, and hence eliminate competition. There are several well-qualified persons and organizations that could provide the service, including for-profit organizations and individuals. Why award only one Technical Assistance contract? Why only nonprofit providers?

- **Department Response**

Eligible applicants for ESGP funds include units of general local government and private nonprofit organizations. Any entity that applies for the Special Initiative funding must be eligible to apply for ESGP funds. Individuals and for-profit organizations are not eligible to apply for or administer ESGP funds. Through the Special Initiative Project, the Department encourages the development of applications for other HUD funds targeted to assist homeless individuals, an effort that requires establishing effective local service coalitions. Stated requirements in the application parallel this narrow focus.

COMMENTS REGARDING THE COLONIA ACTION PLAN

In an effort to solicit public comment on the Colona Action Plan, the Office of Colonia Initiatives mailed the plan to members of the Colonia Resident Advisory Committee. Representatives from the Border Field Offices also contacted the committee members to encourage comment. The comment received by the Department is summarized below.

Comment

Mr. Jose Luis Almazan, Cameron County Secondary C-RAC member, stated that education in the colonias is very important because it will educate the future residents of the area—so the same mistakes will not be done again.

- **Department Response**
No response necessary.

Check the areas so there won't be flood conditions; one of the major problems. And the existing projects continue to work.

- **Department Response**
Current legislation prevents properties from being developed in flood zones. The Department verifies conformity to the statute.

Have more trees in the new colonias along with new homes and maintain the area. Contractors with property should continue warranty deeds with vendor's lien. More programs for the youth.

- **Department Response**
This type of activity is considered eligible.

Contractors with property should continue warranty deeds with vendor's lien.

- **Department Response**
The Department concurs and does encourage this.

More programs for the youth.

- **Department Response**
The focus of TDHCA is the provision of safe, decent, and affordable housing. While the Department does not have any statutory authority to focus on youth related programs, OCI will attempt to disseminate information related to youth programs.

Comment

Mr. Dewitt Jones, Starr County C-RAC member, stated that he was for the plan and especially interested in the education part of it.

- **Department Response**
No response necessary.

Comment

Mr. Guillermo Garcia, El Paso County C-RAC member, agreed with the plan, but would like to see more self-help construction initiatives.

- **Department Response**
TDHCA currently funds several self-help construction initiatives. At this time, the Department feels the administrative capacity of nonprofit organizations currently able to undertake these initiatives are fully extended. The Department will consider future initiatives as organizational capacity increases.

The NOFA cycles should be open year round to allow better project planning.

- **Department Response**

In November 2003, the TDHCA Board approved open cycles for several colonia-related activities.

COMMENTS REGARDING THE REGIONAL ALLOCATION FORMULA

Comment

It was stated that the 2003 RAF is serving its intended purpose and it should not be changed other than to update the US Census data used in the formula as it becomes available.

- **Department Response**

The part of the RAF that allocates available funding among the state service regions remains unchanged except for adding 2000 US Census data and updating the other available funding for 2003. (Additional HUD funding for public housing authorities was added to the other available funding data set. This addition of previously unavailable data is consistent with the intent of the RAF to consider as many sources of other affordable housing funding as possible.)

The change to the formula, which divides the region's available funding into urban/exurban and rural funding pools, is in response to Senate Bill 264 of the 78th Legislature. The methodology used to distribute the funds to the urban/exurban and rural populations within the region is consistent with the method used to distribute the funds from the state level to the regional level. No change proposed.

Comment

Concern was voiced that rural areas are adversely impacted by the Regional Allocation Formula because much of the need is located in larger metropolitan areas. For example, it was stated that, "El Paso gets the bulk of the money, the way the allocation formula criteria are, because the formula is very heavily weighted on numbers of people...Well, unfortunately, in the rural communities or the frontier communities, we don't have big numbers. And so we automatically receive less funding consideration because we don't have...numbers to compete with larger communities."

- **Department Response**

The current formula attempts to split the available funds between urban/exurban and rural areas based on quantifiable measures of need. In past allocation rounds, the determination of how much funding would be available to rural areas was either not specifically defined or was based on a statewide set aside of funds. The new formula provides rural areas in each region with a specifically designated pool of money for their use. This distribution is based on an estimate of what portion of the region's affordable housing need is located in "rural" areas.

Under the Housing Trust Fund and Housing Tax Credit RAF formula, six regions have over 40 percent of the region's available funds earmarked for rural areas. Statewide, the distribution of funding is 77 percent urban/exurban and 23 percent rural (8 percent higher than the previous 15 percent rural set-aside). The HOME Program, which distributes 95 percent of its funds to non-

participating jurisdictions, shows a 32 percent urban/exurban and 68 percent rural statewide distribution pattern. No change proposed.

Comment

A comment asked why some of the regions with larger metropolitan areas showed such substantial variances in the distribution of affordable housing need, other available funding, and the resulting distribution of funds between urban/exurban and rural areas. Specifically, the proposed RAF showed an 11 percent difference between the rural funding allocation for Region 3 (Dallas) and Region 6 (Houston).

- **Department Response**

To address this concern the Department reevaluated the way the RAF calculates affordable housing need for the urban/exurban and rural areas. The 2004 methodology proposed for public comment assumed that all need outside of urban place boundaries (urban city boundaries) was rural. This assumption was problematic and contributed to an inaccurate distribution of urban/exurban and rural need.

The most conspicuous example of the inaccurate distribution lies in the funding results for Uniform State Service Region 6, where the city of Houston is located. In Harris County over 680,000 people live in unincorporated areas just outside of the Houston city limits. Most of this unincorporated population lives in an area located northwest of the Houston city limits near the Sam Houston Tollway. This population should not be considered rural given the proximity to the city of Houston and a population density similar to that of Houston. In the 2004 methodology proposed for public comment, this population was considered rural, thereby inflating the region's rural funding distribution.

To compound this issue, 93 percent of the other available funding the Housing Tax Credit and Housing Trust Fund RAF considers is place-specific. Because the estimate of urban/exurban and rural affordable housing need was not place-specific in the 2004 methodology proposed for public comment, even more of the urban/exurban allocation was adjusted to rural areas.

With the desire to remain as consistent and accurate as possible, the Department modified the affordable housing need calculation in the Regional Allocation Formula to reflect place-level (city or town) information. This revised 2004 methodology utilizes the urban/exurban and rural place designations based on the Regional Allocation Formula's definition of urban/exurban and rural.

Comment:

It was stated that the RAF needs to consider other HUD tenant-based rental assistance funding available to PHAs if it is going to consider similar funding from USDA. If such data is not considered, then the funding available to urban/exurban and rural areas would be distorted.

- **Department Response**

The Department agrees that including more sources of funds will provide a more accurate RAF model. TDHCA worked directly with HUD to obtain this information and it is included in the model.

Comment

It was suggested that USDA multifamily property transfer payments should not be included in the formula as they do not represent actual new available funding.

- **Department Response**

The Department concurs. USDA multifamily transfer payment transactions were identified and were removed from the RAF.

Comment

It was recommended that the HOME RAF methodology should be refined to separate the other available sources of funding between homeownership/owner-occupied and multifamily activities. With the need for multifamily and single family activities being closely equal and over 80 percent of the other available funding being available for owner-occupied housing, it seems misdirected for TDHCA to use 80 percent of its HOME funds for owner-occupied housing.

- **Department Response**

The RAF does not determine the percentage of HOME funds that will be used for a specific activity. As such, considering the single family funds separately from multifamily funds would have no impact on this issue. The Regional Allocation Formula distributes funds to regions with a consideration of how much money is available to the region from other sources for affordable housing activities. As the HOME Program serves both single family and multifamily activities, the Department will continue to consider single family and multifamily funds together. No change proposed.

Comment

It is recommended that the sources and uses of the other available funds be provided with the release of the Regional Allocation Formula so the public may provide a more informed response to the request for comment.

- **Department Response**

The Department concurs. While this information is included in the Plan in which the RAF is published, this information will be provided in future write-ups describing the Regional Allocation Formula.

COMMENTS REGARDING THE AFFORDABLE HOUSING NEEDS SCORE

Comment

A few comments suggested that more weight should be assigned to the poverty-related component of the AHNS—as the score does not give sufficient weight to factors that would provide housing assistance to those households with the “greatest housing need.” The AHNS should give greater priority to geographic areas having families living at or below the poverty level and where there is either an insufficient supply of housing affordable to such families or the housing stock is unaffordable, inadequate, or substandard.

- **Department Response**

Sixty-two percent of the total AHNS is based on US Census data. Persons living at or below the poverty level already represent half of these points. Persons experiencing housing cost burden and the combined measures of housing quality (overcrowding, incomplete plumbing, and incomplete kitchen facilities) each represent a third of the US Census data related points. It is

thought that the weights assigned to each of the components in the proposed AHNS results in a balanced scoring model. No change is proposed.

Comment

Concern was voiced that the difference between the high and low scores in the proposed AHNS was too great for some areas to even bother applying. For example, it was stated that, “the affordable housing needs score is 20 points for Dallas, and the rest of the points going down to three and four points. It’s just too dramatic a difference there. Also we found that there’s no way to compensate for that point score differential, because the exurban proposal in the QAP limits the developer to 100 units. I found that extremely difficult to make work on expensive tracts, or more expensive tracts in the suburbs.” This concern of the scoring differential between places was voiced for both urban and rural areas.

- **Department Response**

The Department agrees that the originally proposed AHNS did not have a range of scores that allowed for equitable competition between a variety of places within each region. It had been intended that scoring items within the program rules would offset this potential scoring gap in the AHNS. However, from a practical standpoint, the originally proposed AHNS made it much harder to determine what places in a region would score competitively. The AHNS methodology was revised to provide a set of scores that allows competitive applications to be submitted for more places in a region.

Comment

Concern was voiced that cities with the highest scores were also the ones that have repeatedly received funding.

- **Department Response**

The Department agreed with this suggestion and reinstated the five-point AHNS scoring bonus for cities that have not received an award of HOME, HTC, or HTF funding within the past two program allocations.

Comment

It was suggested that the type of population served by previous TDHCA funding awards should be considered when this data is used to adjust the AHNS. For example, while a community may have received prior funding commitments, these awards may not have specifically addressed the elderly or persons with disabilities.

- **Department Response**

The previous-TDHCA-award scoring adjustment in the AHNS is designed to ensure that TDHCA’s limited funds are distributed across a wide geographical area. For the purpose of the AHNS, it is the fact that a particular community received funds for affordable housing that another community did not have the opportunity to receive. The AHNS is not designed to determine what activities the funds should be used for or what demographic groups should be served. No change is proposed.

Comment

A suggestion was made that the AHNS should make a distinction between the need for elderly developments as opposed to family, or other categories.

- **Department Response**

The AHNS is designed to encourage developers to submit applications that will serve parts of the region that show the highest level of affordable housing need. As such, it is a macro-level analysis of need. Due to the complexity of analyzing local markets, it is thought that the determination of what type of housing is needed locally is best left to market studies and input from the members of the community. No change is proposed.

Comment

It was suggested that overcrowding should not be considered in the AHNS scoring model for applicants applying in the HOME special needs set-aside. Special needs funding that serves the elderly will help households who are normally one or two persons. These households will typically not be affected by overcrowding. More emphasis could be placed on the need associated with incomplete kitchens and incomplete plumbing.

- **Department Response**

The AHNS serves as a measure of the general need for affordable housing in an area. The factors used in the formula represent a broad segment of the population with affordable housing need as opposed to data that relates to specific population groups. The current formula places more emphasis on the measures that affect a larger portion of the population. Income and housing cost issues (as represented by poverty and housing cost burden data) are weighted much higher than the factors related to much smaller population groups (overcrowding, incomplete plumbing, and incomplete kitchen). No change is proposed.

Comment

It was suggested that TDHCA should consider including 2000 Census information on persons with disabilities in the Affordable Housing Need Score.

- **Department Response**

The AHNS serves as a general assessment of affordable housing need which helps distribute funds within the state's service regions. Currently, the AHNS does not include data that could result in funding distribution preferences based on the demographic characteristics of specific subgroups of the population. The proposed AHNS methodology, which considers the region's income, cost of housing, and condition of housing, provides an accurate measure of the region's overall housing need. No change is proposed.

Note that TDHCA is working in conjunction with Texas Council for Developmental Disabilities on a report to identify the housing needs of persons with disabilities in Texas. The 2000 US Census data on persons with disabilities will be a significant part of this report. It is possible that the AHNS may be modified for future funding allocations based on the findings of this report.

Comment

A number of comments stated that additional weight in the AHNS should be associated with an area's level of affordable housing need relative to the area's overall population. The proposed AHNS formula provides a scoring advantage to all places located in counties that have a higher percentage of the region's population. In the proposed AHNS, all communities in counties with larger metropolitan areas receive an insurmountable scoring edge over similarly sized communities in lower-population counties.

One comment suggested that this problem could be addressed by having “factors that gave equal scoring consideration to the absolute number of households that appear within a particular needs category, as well as using a percentage of how those people make up the community as a whole.”

- **Department Response**

The Department concurs with this recommendation. The formula has been revised to provide a greater scoring variation for places throughout the region’s counties. To accomplish this, the part of the score which compares an area’s affordable housing need indicator (AHNI) data to the area’s total population was changed to use place level data instead of county level data. Also, the relative weights associated with this factor and the factor that compares the county AHNI need to the region’s AHNI need were equalized. The remaining points associated with the Community Need Survey responses were not changed.

CENTER FOR HOUSING RESEARCH, PLANNING, AND COMMUNICATIONS

BOARD ACTION REQUEST

December 11, 2003

Action Item

2004 State of Texas Consolidated Plan – One-Year Action Plan.

Required Action

Approval of the 2004 State of Texas Consolidated Plan – One-Year Action Plan.

Background

Background

The *2004 State of Texas Consolidated Plan – One Year Action Plan* is submitted in compliance with 24 CFR 91 Consolidated Plan Submissions for Community Planning and Development Programs made effective on January 5, 1995.

The Plan, required by the US Department of Housing and Urban Development (HUD), describes the federal resources expected to be available for the following programs: The Community Development Block Grant (CDBG) Program, the HOME Investment Partnerships (HOME) Program, The Emergency Shelter Grants (ESG) Program, and the Housing Opportunities for Persons with AIDS (HOPWA) Program. The State's method for distributing these funds is also set out in the Plan.

The Plan serves in the following capacities:

- Describes the federal resources expected to be available for use by TDHCA, ORCA, and TDH;
- Indicates resources from private and non-federal public sources expected to be made available to address the needs identified in the Plan;
- A description of the State's method for distributing funds to local governments and non-profit organizations, and how those funds will address the priority needs and specific objectives described in the 2001-2003 State of Texas Consolidated Plan;
- A description of the geographic areas of the State in which it will direct assistance during the ensuing program year;
- Activities planned to address the needs of the homeless including emergency shelter and transitional housing; and
- Actions planned for the next year to address obstacles to meeting underserved needs, to foster and maintain affordable housing, to remove barriers to affordable housing, to evaluate and reduce lead-based paint hazards, to reduce the number of poverty level families, to develop institutional structure, and to enhance coordination between public and private housing and social service agencies and to foster public housing residents initiatives.

The Plan was made available for public comment from September 22, 2003 through October 24, 2003. Comment was accepted in writing directly to the Department or at 13 Consolidated hearings held across the state (Longview, Dallas, Wichita Falls, Lubbock, San Angelo, El Paso, Austin, San Antonio, Harlingen, Corpus Christi, Waco, Lufkin and Houston). Approximately 250 people attended these hearings.

Summary of Changes from 2003 State of Texas Consolidated Plan – One-Year Action Plan (TDHCA only).

- Updated HOME allocation information based on legislative changes from the 78th Legislative Session.

Summary of Proposed Changes from the Draft Version of the Plan (TDHCA only).

- A \$3 million set-aside for multifamily housing development activity within the HOME program.
 - Adjustments to the Regional Allocation Formula and Affordable Housing Needs Score (approved at November Board meeting).
 - Minor language revisions.
- See Attachment A for summary of comments received during the public comment period and the Department's responses.

Attachment A: Summary of Public Comment and Department Responses

SUMMARY OF PUBLIC COMMENT

The comments summarized below were received during the 13 consolidated public hearings or submitted in writing directly to the Department. They cover general programmatic issues that are directly related to the Plan. Please refer to the November 14, 2003, Board book, available from TDHCA's website at http://www.tdhca.state.tx.us/au_boardcenter.htm, for comments received regarding program-specific rules.

COMMENTS REGARDING THE HOME PROGRAM

Comment: Development Funds

Establish scoring criteria and appropriate set-asides of funds within existing programs in order to partner with the other governmental entities who have the primary responsibility of providing this type of housing (migrant farmworker). Request for grants for smaller communities to build garden homes for the elderly. If the need is there, and in cities where you could only do three to five homes anyway because of the small amount they're asking for, such as 250, I think there needs to be another look at this.

- **Department Response**

The Department believes that funding for smaller multifamily new construction should be made available to the rural areas. In response to public comment, the Department will allocate \$3 million for new construction multifamily activities through the HOME Program.

Comment: Set-Aside Descriptions

Should include 15 percent as reserved for CHDOs that are acting in the role of owner, developer, or sponsor—and not as stated reserved for CHDOs for the development of housing-sponsored or owned by the organization.

- **Department Response**

The Department will use the following wording to be consistent with HOME rules: *CHDO set-aside projects are owned, developed, or sponsored by the CHDO, and result in the development of rental units or homeownership. Development includes projects that have a construction component, either in the form of new construction or the rehabilitation of existing units.*

Comment: Set-Aside Descriptions

The Plan fails to specify anywhere the process of applying "through direct funding or loan guarantees," nor are these listed as part of the Description of Activities section. The Plan seems to indicate this is in addition to a CHDO being able to apply for Homebuyer Assistance.

- **Department Response**

Per HOME rules, neither direct funding nor loan guarantees are eligible activities, therefore are not addressed in the Plan. No change proposed.

Comment: CHDO Operating Expenses

That 75 percent of the funds available (75 percent of \$337,500) be available exclusively to CHDOs that are awarded HOME funds under the CHDO Set-Aside.

- **Department Response**

Currently all CHDO Operating Funds are available exclusively to CHDOs that are awarded HOME funds under the CHDO Set-Aside. No change proposed.

Comment: CHDO Operating Expenses

Fifteen percent of the funding is set aside for CHDOs, as is required by federal law. However, the Department sets aside an additional \$337,500 for CHDO Operating Expenses...not mandated by law. If the Department elected, it could include the CHDO operating expenses funds as part of the mandated 15 percent CHDO Set-Aside. The \$337,500 could then be allocated to the preservation and rehabilitation of multifamily housing.

- **Department Response**

The Department believes that unique needs of CHDOs justify the additional operating expenses. No change proposed.

Comment: CHDO Funds

Comments were received requesting that applicants be allowed to receive CHDO Operating Funds even if the applicant has not been awarded HOME awards for Development Activities.

- **Department Response**

The Department does not currently have the procedures in place to allocate CHDO Operating Funds for those applicants that do not receive HOME awards for specific activities. The Department will do further research over the next year to determine requirements for such a program. No change proposed.

Comment: CHDO Administrative Expenses

Would suggest the CHDOs receiving funds under the Set-Aside as owner, sponsor, or developer, be automatically awarded not only the 4 percent for administrative costs, but also be allowed to apply for CHDO Operating Funds in a separate category from those CHDOs strictly applying for operating funds. In this way, you help pay for CHDOs that are already performing services.

- **Department Response**

Currently, the Department awards 5 percent for administrative costs to CHDOs. The proposed Action Plan does not allocate CHDO Operating Funds for those applicants that do not receive HOME awards for specific activities. No change proposed.

Comment: CHDO General

The \$500,000 per applicant cap for Homebuyer Assistance under the CHDO Set-Aside be raised to \$1,000,000.

- **Department Response**

CHDOs are eligible to receive up to a total of \$1.5 million per award and are not subject to the \$500,000 cap. No change proposed.

Comment: CHDO General

Allow a CHDO receiving an award above the \$500,000 level an additional year to expend the funds.

- **Department Response**

The Department believes that 24 months is sufficient time to expend CHDO funds. No change proposed.

Comment: CHDO General

Allow a CHDO that has been certified and received HOME funds in the last three years to certify that “no material changes” have taken place that would affect the organization’s CHDO qualifications, in lieu of having to resubmit all of the organization documents time after time.

- **Department Response**

In an effort to fulfill HUD’s on-going requirements related to the qualifications of CHDOs, the Department believes that it is appropriate to require full certification for each new application/award received for CHDO funds. No change proposed.

Comment: CHDO Funds

It is our view that HOME Program requirements that restrict the release of CHDO Operating Funds to certified CHDOs upon their certification creates a negative development environment for newly established organizations.

- **Department Response**

HUD rules require that all organizations that receive CHDO funds be organized as a CHDO. No change proposed.

Comment: Capacity Building

Comment was received suggesting that the Department consider using HOME funds to establish a capacity building program. Comment encourages the Department to structure this program to target organizations that might reasonably be expected to develop as successful applicants for HOME Investment Partnerships Program funds.

- **Department Response**

The Department realizes the need for capacity building assistance, especially for those nonprofits beginning efforts to supply affordable housing in their respective communities. Although no funding will be awarded for such a program in the proposed 2004 State of Texas Consolidated Plan: One-Year Action Plan, the Department is working diligently to establish the possibility of such a program in future funding years.

Comment: Administrative Funds

Comment urges the Department to closely observe the Set-Aside of Tenant-Based Rental Assistance for individuals affected by the *Olmstead* decision and other set-asides that benefit people with disabilities. It asked that the Department seek innovative processes that will broaden the scope of people with disabilities who will request access to assistance. It has been expressed that the funding involves a meager administrative fee, coupled with a reimbursement process. As a result, many community-based organizations cannot compete for contracts.

- **Department Response**

It is the Department's desire to serve all citizens of Texas, including those of the disability population. The Department is awarding applications for Tenant-Based Rental Assistance for those persons affected by the *Olmstead* decision for the first time. Staff has worked closely with advocates of this population to ensure proper execution of this set-aside. Realizing the higher expenses incurred by taking on a program of this nature, the amount of administrative funds awarded was increased from 4 percent of the project request, to 6 percent of the project request. Staff will continue to carefully review and monitor this set-aside, however, and look for inadequacies and areas of possible improvement.

Comment: Rehabilitation Funds

The Department acknowledges that rehabilitation must be the primary eligible activity. However, in reviewing the Plan, it does not appear that rehabilitation constitutes a required component of 50 percent or more of the required funding.

It appears that only rental housing preservation and owner-occupied housing assistance have a required rehabilitation component. It is recommended that special needs housing and homebuyer assistance be revised to include a requirement that the funds be used for rehabilitation.

- **Department Response**

The Department currently allocates (less set-asides) 45 percent of HOME funding towards Owner-Occupied Rehabilitation. In addition, \$2 million is allocated specifically towards multifamily preservation, and preservation/rehabilitation activities may be undertaken through the CHDO set-aside—making rehabilitation the primary HOME-funded activity.

The consolidated planning process is designed to give participating jurisdictions the flexibility to serve the specific needs of its constituency. Through an extensive citizen participation process, and taking into account various legislative requirements, the Department believes that the activity allocations are consistent with the needs of Texas's most vulnerable populations. No change proposed.

Comment: Tenant-Based Rental Assistance

The Department certifies that "the use of HOME funds for tenant-based assistance is an essential element of the State's Consolidated Plan." However, Section 21(a)(3) of the Cranston-Gonzalez National Affordable Housing Act states as follows:

A participating jurisdiction may use funds provided under this subtitle for tenant-based rental assistance only if

1) the jurisdiction certifies that the use of funds under this subtitle for tenant-based rental assistance is an essential element of the jurisdiction's annual housing strategy for expanding the supply, affordability, and availability of decent, safe, sanitary, and affordable housing, and specifies the local market conditions that lead to the choice of this option.

...in 2003, the Department conducted a Community Needs Survey in the 13 service regions of the state requesting the local need to choose between the type of multifamily assistance needed....in 10 of the regions, the need for multifamily rental assistance program was the lowest priority. Without discarding the

Community Needs Surveys, the Department would appear to be without support for having a TBRA program.

- **Department Response**

Per §91.305 (b)(1) of the statute governing the consolidated planning process, the Department outlined the specific need for rental assistance in the 2001–2004 Consolidated Plan—refer to the Housing and Homeless Needs Assessment. Pages 12–36 outline the specific Census demographic support for the activities undertaken by the Department. Pages 37–57 outline the specific needs of special needs populations that further support the need for rental assistance.

With regard to the Community Needs Survey, it is important to note that the surveys are one of many avenues utilized by the Department to gather data/information to be used towards making HOME allocation decisions. The survey is representative of local desires and does not necessarily give an accurate assessment of need. With this in mind, the Department also analyzes Census data, as well as data from other State agencies and research institutions in determining need. No change proposed.

Note that at 20 percent, rental assistance is the lowest percentage allocated to the major HOME activities (45 percent for Owner Occupied and 35 percent for Homebuyer Assistance).

Comment: 5 Percent Disability Set-Aside

Under State law, at least 95 percent of the HOME funding must be set aside for non-participating jurisdictions, which are basically rural areas of the state. State law then states that if the funds are not allocated to non-participating jurisdictions, then the funds may be used on housing for persons with disabilities. It is recommended that the Department set aside 100 percent of its funds for non-participating jurisdictions...be available for rural disability housing as a matter of first priority. In the event that sufficient applications for the housing for persons with disabilities in rural areas were submitted, then the funding would shift to rental housing preservation.

- **Department Response**

§2306.111(c) of the Texas Government Code reads:

the department shall expend at least 95 percent of these funds for the benefit of non-participating small cities and rural areas that do not qualify to receive funds under the Cranston-Gonzalez National Affordable Housing Act directly from the United States Department of Housing and Urban Development. **All funds not set aside under this subsection shall be used for the benefit of persons with disabilities who live in areas other than small cities and rural areas.**

It specifically states that all funds not set aside under this section shall be used for the benefit of persons with disabilities who live in areas other than nonparticipating areas. The Department believes that it is currently in compliance with the language of the statute. Additionally, it has been shown that much of the disabled population and those services necessary to aid this population are located in the areas with participating jurisdiction status. No change proposed.

Comment: Contract for Deed Conversions

The Department has set aside \$2 million for Contract for Deed conversions. It appears that the Office of Rural Community Affairs and/or the Office of Colonia Initiatives has primary responsibility for colonias. It is recommended that the \$2 million be funded from the CDBG program. While the Department's appropriation bill does direct that funds for the CFD program and Colonia Model Subdivision program be spent by the Department, the funds for these programs would be more properly funded by CDBG funds.

- **Department Response**

As stated by the commenter, the Department is legislatively required to fund both the Contract for Deed Conversion and Colonia Model Subdivision programs. No change proposed.

Comment: HOME Program Funding

It is further recommended that the Homebuyer Assistance and Owner-Occupied Housing Assistance programs be combined into one program that requires a rehabilitation component and excludes down payment and closing cost assistance as an eligible activity.

- **Department Response**

The Department believes that Census data and public comment support the need for both activities. No change proposed.

Comment: Rental Housing Preservation

The funding of Rental Housing Preservation should be increased from \$2 million to \$10 million per year.

- **Department Response**

Preservation funds are currently available through other Department housing programs including the Junior Lien Bond Proceeds, Multifamily Bond, Housing Tax Credit, and Housing Trust Fund. The Department believes it is important to support additional avenues of affordable housing available through HOME Program funds. No change proposed.

Comment: Definition

In reviewing the Plan, we note that the definition of "persons with disabilities" is different from definitions found in other TDHCA documents.

- **Department Response**

The Department will review and make changes as appropriate.

Comment: Integrated Housing Policy

There should be a requirement that all applicants follow the Department's Integrated Housing Policy.

- **Department Response**

The Department's Integrated Housing Policy was adopted by the TDHCA Board as a rule in November of 2003. All Department housing programs must adhere to the new rule.

Comment: Compliance Monitoring

There is no mention of inspectors assuring that accessibility requirements are met and that the Department's Integrated Housing Policy is followed.

- **Department Response**

Per TDHCA policy, monitoring will ensure that all applicants comply with Department rules.

Comment: Housing Costs

Unfortunately, with the HOME Program, there are differences in the cost of housing and how those projects are funded in a rural county because you have—in a larger community, you have more economy for scale. And what we get in HOME funds, unfortunately, does not go as far as that money might go in a larger community because it just costs more to do business. We don't have contractors that specialize in doing a lot of new construction.

- **Department Response**
No response necessary.

Comment: Olmstead Funding

We appreciate the \$4 million and the tenant-based rental assistance for the same kind of initiative that's for the next biennium.

- **Department Response**
No response necessary.

Comment: Competitive Review

Support of an open CHDO funding cycle.

- **Department Response**
No response necessary.

COMMENTS REGARDING THE EMERGENCY SHELTER GRANTS PROGRAM

The Texas Department of Housing and Community Affairs sponsored a series of public hearings as a forum to receive public comment on the Department's proposed administration for several federally funded programs, including ESGP. Responses to ESGP administration have been summarized below.

Comment

Please consider stopping the double-dipping allowed by entitlement cities still being able to compete at the regional level. Two chances or two sources of funding is unfair to non-entitlement locations and lowers the amount of available funds in under-served areas.

- **Department Response**
Statistics indicate concentrations of homeless individuals in large urban areas; therefore, the Department does not prohibit entitlement cities or private nonprofit organizations in those areas from applying for available ESGP funds. This does not reduce the funds reserved for each of the thirteen planning regions as per the ESGP formula. In addition, the Department awards bonus points to successful applications received from non-entitlement areas.

Comment

I feel that the need for housing for the homeless/needy people in America is great and need action on a continual basis. I feel that the grant application should be short and to the point and new programs should be highly considered for funding up on request because of the over-flowing need for shelter. There are too many laws within laws that zero out the main purpose of reviving the homeless as intended. Staff people are the key to making this program work to meet the clients needed as well as just having shelter.

- **Department Response**

ESGP is a competitive grant and the Department is required to develop and consistently apply criteria by which to award funds. Each year the Department revises the ESGP application and sponsors a pre-application workshop in an attempt to clarify requirements and to assist eligible organizations (particularly new applicants) to submit responsive applications. The Department reviews and scores each application according to criteria based on the content of the application packet. In order to maintain a fair and equitable selection process, neither new applicants nor repeat applicants are favored.

Comment

More temporary shelter, rent assistance, and utility assistance are needed. Electricity has almost doubled in the last two years.

- **Department Response**

ESGP funds are one of several funding sources that may be used for these purposes.

Comment

The program should continue as it is currently operated. More funds should be made available for the project awards.

- **Department Response**

The Department awards to eligible applicants 95 percent of the annual ESGP funds awarded to the State of Texas. The remaining 5 percent is used to pay costs the State incurs to effectively administer ESGP.

Comment

The language used under the "Special Initiative" section sounds like TDHCA is trying to restrict the competition for providing statewide Technical Assistance to a pre-selected bidder, and hence eliminate competition. There are several well-qualified persons and organizations that could provide the service, including for-profit organizations and individuals. Why award only one Technical Assistance contract? Why only nonprofit providers?

- **Department Response**

Eligible applicants for ESGP funds include units of general local government and private nonprofit organizations. Any entity that applies for the Special Initiative funding must be eligible to apply for ESGP funds. Individuals and for-profit organizations are not eligible to apply for or administer ESGP funds. Through the Special Initiative Project, the Department encourages the development of applications for other HUD funds targeted to assist homeless individuals, an effort that requires establishing effective local service coalitions. Stated requirements in the application parallel this narrow focus.

COMMENTS REGARDING THE COLONIA ACTION PLAN

In an effort to solicit public comment on the Colona Action Plan, the Office of Colonia Initiatives mailed the plan to members of the Colonia Resident Advisory Committee. Representatives from the Border Field Offices also contacted the committee members to encourage comment. The comment received by the Department is summarized below.

Comment

Mr. Jose Luis Almazan, Cameron County Secondary C-RAC member, stated that education in the colonias is very important because it will educate the future residents of the area—so the same mistakes will not be done again.

- **Department Response**
No response necessary.

Check the areas so there won't be flood conditions; one of the major problems. And the existing projects continue to work.

- **Department Response**
Current legislation prevents properties from being developed in flood zones. The Department verifies conformity to the statute.

Have more trees in the new colonias along with new homes and maintain the area. Contractors with property should continue warranty deeds with vendor's lien. More programs for the youth.

- **Department Response**
This type of activity is considered eligible.

Contractors with property should continue warranty deeds with vendor's lien.

- **Department Response**
The Department concurs and does encourage this.

More programs for the youth.

- **Department Response**
The focus of TDHCA is the provision of safe, decent, and affordable housing. While the Department does not have any statutory authority to focus on youth related programs, OCI will attempt to disseminate information related to youth programs.

Comment

Mr. Dewitt Jones, Starr County C-RAC member, stated that he was for the plan and especially interested in the education part of it.

- **Department Response**
No response necessary.

Comment

Mr. Guillermo Garcia, El Paso County C-RAC member, agreed with the plan, but would like to see more self-help construction initiatives.

- **Department Response**
TDHCA currently funds several self-help construction initiatives. At this time, the Department feels the administrative capacity of nonprofit organizations currently able to undertake these initiatives are fully extended. The Department will consider future initiatives as organizational capacity increases.

The NOFA cycles should be open year round to allow better project planning.

- **Department Response**

In November 2003, the TDHCA Board approved open cycles for several colonia-related activities.

COMMENTS REGARDING THE REGIONAL ALLOCATION FORMULA

Comment

It was stated that the 2003 RAF is serving its intended purpose and it should not be changed other than to update the US Census data used in the formula as it becomes available.

- **Department Response**

The part of the RAF that allocates available funding among the state service regions remains unchanged except for adding 2000 US Census data and updating the other available funding for 2003. (Additional HUD funding for public housing authorities was added to the other available funding data set. This addition of previously unavailable data is consistent with the intent of the RAF to consider as many sources of other affordable housing funding as possible.)

The change to the formula, which divides the region's available funding into urban/exurban and rural funding pools, is in response to Senate Bill 264 of the 78th Legislature. The methodology used to distribute the funds to the urban/exurban and rural populations within the region is consistent with the method used to distribute the funds from the state level to the regional level. No change proposed.

Comment

Concern was voiced that rural areas are adversely impacted by the Regional Allocation Formula because much of the need is located in larger metropolitan areas. For example, it was stated that, "El Paso gets the bulk of the money, the way the allocation formula criteria are, because the formula is very heavily weighted on numbers of people...Well, unfortunately, in the rural communities or the frontier communities, we don't have big numbers. And so we automatically receive less funding consideration because we don't have...numbers to compete with larger communities."

- **Department Response**

The current formula attempts to split the available funds between urban/exurban and rural areas based on quantifiable measures of need. In past allocation rounds, the determination of how much funding would be available to rural areas was either not specifically defined or was based on a statewide set aside of funds. The new formula provides rural areas in each region with a specifically designated pool of money for their use. This distribution is based on an estimate of what portion of the region's affordable housing need is located in "rural" areas.

Under the Housing Trust Fund and Housing Tax Credit RAF formula, six regions have over 40 percent of the region's available funds earmarked for rural areas. Statewide, the distribution of funding is 77 percent urban/exurban and 23 percent rural (8 percent higher than the previous 15 percent rural set-aside). The HOME Program, which distributes 95 percent of its funds to non-

participating jurisdictions, shows a 32 percent urban/exurban and 68 percent rural statewide distribution pattern. No change proposed.

Comment

A comment asked why some of the regions with larger metropolitan areas showed such substantial variances in the distribution of affordable housing need, other available funding, and the resulting distribution of funds between urban/exurban and rural areas. Specifically, the proposed RAF showed an 11 percent difference between the rural funding allocation for Region 3 (Dallas) and Region 6 (Houston).

- **Department Response**

To address this concern the Department reevaluated the way the RAF calculates affordable housing need for the urban/exurban and rural areas. The 2004 methodology proposed for public comment assumed that all need outside of urban place boundaries (urban city boundaries) was rural. This assumption was problematic and contributed to an inaccurate distribution of urban/exurban and rural need.

The most conspicuous example of the inaccurate distribution lies in the funding results for Uniform State Service Region 6, where the city of Houston is located. In Harris County over 680,000 people live in unincorporated areas just outside of the Houston city limits. Most of this unincorporated population lives in an area located northwest of the Houston city limits near the Sam Houston Tollway. This population should not be considered rural given the proximity to the city of Houston and a population density similar to that of Houston. In the 2004 methodology proposed for public comment, this population was considered rural, thereby inflating the region's rural funding distribution.

To compound this issue, 93 percent of the other available funding the Housing Tax Credit and Housing Trust Fund RAF considers is place-specific. Because the estimate of urban/exurban and rural affordable housing need was not place-specific in the 2004 methodology proposed for public comment, even more of the urban/exurban allocation was adjusted to rural areas.

With the desire to remain as consistent and accurate as possible, the Department modified the affordable housing need calculation in the Regional Allocation Formula to reflect place-level (city or town) information. This revised 2004 methodology utilizes the urban/exurban and rural place designations based on the Regional Allocation Formula's definition of urban/exurban and rural.

Comment:

It was stated that the RAF needs to consider other HUD tenant-based rental assistance funding available to PHAs if it is going to consider similar funding from USDA. If such data is not considered, then the funding available to urban/exurban and rural areas would be distorted.

- **Department Response**

The Department agrees that including more sources of funds will provide a more accurate RAF model. TDHCA worked directly with HUD to obtain this information and it is included in the model.

Comment

It was suggested that USDA multifamily property transfer payments should not be included in the formula as they do not represent actual new available funding.

- **Department Response**

The Department concurs. USDA multifamily transfer payment transactions were identified and were removed from the RAF.

Comment

It was recommended that the HOME RAF methodology should be refined to separate the other available sources of funding between homeownership/owner-occupied and multifamily activities. With the need for multifamily and single family activities being closely equal and over 80 percent of the other available funding being available for owner-occupied housing, it seems misdirected for TDHCA to use 80 percent of its HOME funds for owner-occupied housing.

- **Department Response**

The RAF does not determine the percentage of HOME funds that will be used for a specific activity. As such, considering the single family funds separately from multifamily funds would have no impact on this issue. The Regional Allocation Formula distributes funds to regions with a consideration of how much money is available to the region from other sources for affordable housing activities. As the HOME Program serves both single family and multifamily activities, the Department will continue to consider single family and multifamily funds together. No change proposed.

Comment

It is recommended that the sources and uses of the other available funds be provided with the release of the Regional Allocation Formula so the public may provide a more informed response to the request for comment.

- **Department Response**

The Department concurs. While this information is included in the Plan in which the RAF is published, this information will be provided in future write-ups describing the Regional Allocation Formula.

COMMENTS REGARDING THE AFFORDABLE HOUSING NEEDS SCORE

Comment

A few comments suggested that more weight should be assigned to the poverty-related component of the AHNS—as the score does not give sufficient weight to factors that would provide housing assistance to those households with the “greatest housing need.” The AHNS should give greater priority to geographic areas having families living at or below the poverty level and where there is either an insufficient supply of housing affordable to such families or the housing stock is unaffordable, inadequate, or substandard.

- **Department Response**

Sixty-two percent of the total AHNS is based on US Census data. Persons living at or below the poverty level already represent half of these points. Persons experiencing housing cost burden and the combined measures of housing quality (overcrowding, incomplete plumbing, and incomplete kitchen facilities) each represent a third of the US Census data related points. It is

thought that the weights assigned to each of the components in the proposed AHNS results in a balanced scoring model. No change is proposed.

Comment

Concern was voiced that the difference between the high and low scores in the proposed AHNS was too great for some areas to even bother applying. For example, it was stated that, “the affordable housing needs score is 20 points for Dallas, and the rest of the points going down to three and four points. It’s just too dramatic a difference there. Also we found that there’s no way to compensate for that point score differential, because the exurban proposal in the QAP limits the developer to 100 units. I found that extremely difficult to make work on expensive tracts, or more expensive tracts in the suburbs.” This concern of the scoring differential between places was voiced for both urban and rural areas.

- **Department Response**

The Department agrees that the originally proposed AHNS did not have a range of scores that allowed for equitable competition between a variety of places within each region. It had been intended that scoring items within the program rules would offset this potential scoring gap in the AHNS. However, from a practical standpoint, the originally proposed AHNS made it much harder to determine what places in a region would score competitively. The AHNS methodology was revised to provide a set of scores that allows competitive applications to be submitted for more places in a region.

Comment

Concern was voiced that cities with the highest scores were also the ones that have repeatedly received funding.

- **Department Response**

The Department agreed with this suggestion and reinstated the five-point AHNS scoring bonus for cities that have not received an award of HOME, HTC, or HTF funding within the past two program allocations.

Comment

It was suggested that the type of population served by previous TDHCA funding awards should be considered when this data is used to adjust the AHNS. For example, while a community may have received prior funding commitments, these awards may not have specifically addressed the elderly or persons with disabilities.

- **Department Response**

The previous-TDHCA-award scoring adjustment in the AHNS is designed to ensure that TDHCA’s limited funds are distributed across a wide geographical area. For the purpose of the AHNS, it is the fact that a particular community received funds for affordable housing that another community did not have the opportunity to receive. The AHNS is not designed to determine what activities the funds should be used for or what demographic groups should be served. No change is proposed.

Comment

A suggestion was made that the AHNS should make a distinction between the need for elderly developments as opposed to family, or other categories.

- **Department Response**

The AHNS is designed to encourage developers to submit applications that will serve parts of the region that show the highest level of affordable housing need. As such, it is a macro-level analysis of need. Due to the complexity of analyzing local markets, it is thought that the determination of what type of housing is needed locally is best left to market studies and input from the members of the community. No change is proposed.

Comment

It was suggested that overcrowding should not be considered in the AHNS scoring model for applicants applying in the HOME special needs set-aside. Special needs funding that serves the elderly will help households who are normally one or two persons. These households will typically not be affected by overcrowding. More emphasis could be placed on the need associated with incomplete kitchens and incomplete plumbing.

- **Department Response**

The AHNS serves as a measure of the general need for affordable housing in an area. The factors used in the formula represent a broad segment of the population with affordable housing need as opposed to data that relates to specific population groups. The current formula places more emphasis on the measures that affect a larger portion of the population. Income and housing cost issues (as represented by poverty and housing cost burden data) are weighted much higher than the factors related to much smaller population groups (overcrowding, incomplete plumbing, and incomplete kitchen). No change is proposed.

Comment

It was suggested that TDHCA should consider including 2000 Census information on persons with disabilities in the Affordable Housing Need Score.

- **Department Response**

The AHNS serves as a general assessment of affordable housing need which helps distribute funds within the state's service regions. Currently, the AHNS does not include data that could result in funding distribution preferences based on the demographic characteristics of specific subgroups of the population. The proposed AHNS methodology, which considers the region's income, cost of housing, and condition of housing, provides an accurate measure of the region's overall housing need. No change is proposed.

Note that TDHCA is working in conjunction with Texas Council for Developmental Disabilities on a report to identify the housing needs of persons with disabilities in Texas. The 2000 US Census data on persons with disabilities will be a significant part of this report. It is possible that the AHNS may be modified for future funding allocations based on the findings of this report.

Comment

A number of comments stated that additional weight in the AHNS should be associated with an area's level of affordable housing need relative to the area's overall population. The proposed AHNS formula provides a scoring advantage to all places located in counties that have a higher percentage of the region's population. In the proposed AHNS, all communities in counties with larger metropolitan areas receive an insurmountable scoring edge over similarly sized communities in lower-population counties.

One comment suggested that this problem could be addressed by having “factors that gave equal scoring consideration to the absolute number of households that appear within a particular needs category, as well as using a percentage of how those people make up the community as a whole.”

- **Department Response**

The Department concurs with this recommendation. The formula has been revised to provide a greater scoring variation for places throughout the region’s counties. To accomplish this, the part of the score which compares an area’s affordable housing need indicator (AHNI) data to the area’s total population was changed to use place level data instead of county level data. Also, the relative weights associated with this factor and the factor that compares the county AHNI need to the region’s AHNI need were equalized. The remaining points associated with the Community Need Survey responses were not changed.

CENTER FOR HOUSING RESEARCH, PLANNING, AND COMMUNICATIONS

BOARD ACTION REQUEST

December 11, 2003

Discussion Item

Proposed Amended Rule for Public Comment Procedures and Topics at Public Hearings and Meetings, for Publication in the *Texas Register* for Public Comment: Proposed Amendment to Title 10, Part 1, Subchapter A, Section 1.10.

Required Action

Approval of the amended administrative rule to be published in the Texas Register and made available for public comment.

- See Attachment A for the black-lined version of the amended rule.

Background

Per Section 4 of Senate Bill 264, passed during the 78th Texas Legislative Session, amending §2306.0661, Texas Government Code, the Board shall adopt rules governing the topics that may be considered at a public hearing. The rules must require the Department to consider the following topics in relation to a proposed housing development:

- (1) the developer market study;
- (2) the location;
- (3) the compliance history of the developer;
- (4) the financial feasibility;
- (5) the appropriateness of the development's size and configuration in relation to the housing needs of the community in which the development is located;
- (6) the development's proximity to other low income housing developments;
- (7) the availability of adequate public facilities and services;
- (8) the anticipated impact on local school districts;
- (9) zoning and other land use considerations; and
- (10) any other topics that the board by rule determines to be appropriate.

The proposed rule responds to this legislative requirement, is consistent with the 2004 QAP, and also makes technical changes to the rule.

TITLE 10 **COMMUNITY DEVELOPMENT**
PART 1 **TEXAS DEPARTMENT OF HOUSING AND**
 COMMUNITY AFFAIRS
CHAPTER 1 **ADMINISTRATION**
SUBCHAPTER A **GENERAL POLICIES AND PROCEDURES**
| **RULE §1.10** **Public Comment Procedures and Topics at Public**
 Hearings and Meetings

a) Purpose. The purpose of this section is to establish procedures for hearing public comments on issues being presented at meetings open to the public held by the Texas Department of Housing and Community Affairs and topics to be considered in accordance with Sections §2306.032 and 2306.0661 (f) of the Texas Government Code.

(b) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

| (1) Board - The ~~board~~ Governing Board ~~of directors~~ of the Department.

(2) Department - The Texas Department of Housing and Community Affairs.

(3) Meeting - A deliberation between a quorum of the board of the Department, or between a quorum of the board of the Department and another person, as defined under § 551.001(4) of the Texas Government Code.

(4) Open Meetings Act - Chapter 551, Texas Government Code.

(c) Procedures.

(1) Members of the public may give testimony at the beginning of a board meeting.

(2) Members of the public may also give testimony on any agenda item of a board meeting after the presentation made by department staff and motions made by the board. The Board may consider the staff's presentation for purposes of this rule to be staff's written presentation in the Board's meeting book and posted on the Department's website.

(3) The Department shall provide witness affirmation forms at each board meeting for the public to complete in order to give public testimony.

(d) Reasonable limits. The Department may set reasonable limits on the number, frequency and length of presentations before it, but may not unfairly discriminate among speakers for or against a particular point of view.

(1) The board may consider the following when limiting the amount of time and the frequency each member of the public is allowed to provide testimony:

(A) the number of witness affirmations received;

(B) the number of agenda items to be heard; and

(C) the time duration for the meeting.

(2) If the board limits the number of presentations, the board will limit the number of presentations equally among those speakers that are for a particular point of view and those speakers that are against a particular point of view, if practical.

(e) Topics. The Department shall consider the following topics in relation to a proposed housing development:

(A) the market study;

(B) the proposed location of the Development, including supporting broad geographic dispersion;

(C) the compliance history of the Applicant and/or Developer;

(D) the Applicant and/or Developer's efforts to engage the neighborhood;

(E) the financial feasibility of the Development;

(F) the Development's proposed size and configuration;

(G) the housing needs of the community in which the Development will be located and the needs of the community, area, region and state;

(H) the Development's proximity to other rent restricted developments, including avoiding overconcentration;

(I) the availability of adequate public and private facilities and services;

(J) the anticipated impact on local school districts, giving due consideration to the authorized land use;

(K) zoning and other land use considerations;

(L) laws relating to fair housing including affirmatively furthering fair housing;

(M) the efficient use of the tax credits;

(N) consistency with local needs, including consideration of revitalization or preservation needs;

(O) the allocation of credits among many different entities without diminishing the quality of the housing;

(P) meeting a compelling housing need;

(Q) providing integrated, affordable housing for individuals and families with different levels of income; and

(R) any matter considered by the Board to be relevant to the approval decision and in furtherance of the Department's purposes and the policies of Chapter 2306, Texas Government Code.

(ef) Inquiry made at meeting (§551.042, Texas Government Code). Members of the public may raise a subject that has not been included in the notice for the meeting; however, any discussion of the subject by the board must be limited to a proposal to place the subject on the agenda for a future meeting.

(1) The notice requirements under the Open Meetings Act do not apply to:

(A) a statement of specific factual information given in response to the inquiry; or

(B) a recitation of existing policy in response to the inquiry.

(2) Any deliberation of or decision about the subject of the inquiry shall be limited to a proposal to place the subject on the agenda for a subsequent meeting.

~~(fg)~~ This rule does not entitle a member of the public to choose the items to be discussed.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

December 11, 2003

Action Items

2004 Multifamily Application Submission Procedures Manual: In accordance with §2306.67022 of Texas Government Code, the Board is required to adopt a Qualified Allocation Plan (QAP) and corresponding manual annually. This action item is for the manual only.

Required Action

Approve the 2004 Multifamily Application Submission Procedures Manual.

Background and Recommendations

The Application Submission Procedures Manual (ASPM) is the manual that is generated annually and provided to applicants to describe the logistics for submitting and packaging their applications in accordance with our requirements. Because the next funding cycle will cover both Housing Tax Credits and Housing Trust Fund, the ASPM addresses submissions for both sources.

The ASPM was brought before the Board in November 2003 to be approved in draft form. Because some portions of the ASPM are excerpts from the QAP, the ASPM could not be finalized until the QAP was signed by the Governor. The Governor signed the QAP on December 1, 2003. The ASPM has now been finalized and any changes made by the Board to the QAP at the November Board meeting have been correspondingly made to the ASPM to ensure consistency. The ASPM is now on the agenda for final approval.



Multifamily Finance Production Division

2004 APPLICATION SUBMISSION PROCEDURES MANUAL (ASPM) for Housing Trust Fund Rental Development and Housing Tax Credits

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APPLICATION SUBMISSION PROCEDURES MANUAL

The Texas Department of Housing and Community Affairs' (the Department) Housing Tax Credit (HTC) and Housing Trust Program (HTF) Application Submission Procedures Manual (ASPM) sets forth the basic information needed for filing a Pre-Application or Application for Housing Trust Funds and/or Housing Tax Credits pursuant to the 2004 Qualified Allocation Plan and Rules (QAP) and the 2004 HTF Rental Development Notice of Funding Availability. All portions of the ASPM must be followed when filing a Pre-Application or an Application for either program. This document is meant to serve only as a brief complementary guide on how to put the Application together.

- ³ **Housing Tax Credit Authority:** The Department's 2004 tax credit authority is approximately \$38.2 million. In September 2003, the Department committed approximately \$3.7 million from that authority. The remaining available authority is approximately **\$34.5 million** which is available for allocation under the 2004 Housing Tax Credit Application Round. The requirements for submission, and the methodology for allocation of funds, are based on the 2004 Qualified Allocation Plan (QAP). It is essential that the Applicant read and understand the QAP prior to submitting an Application, as the QAP is indeed the rule that governs the HTC Program.

- ³ **Housing Trust Fund Availability:** The Department will have **\$2 million** of Housing Trust Fund resources available for rental development under the 2004 HTF Rental Development Round. All requests for funds must show that the HTF funds will be leveraged with other sources of funding. The requirements for submission and the methodology for allocation of funds are based on the 2004 HTF Rental Development Notice of Funding Availability (NOFA). It is essential that the Applicant read and understand the NOFA, as it will govern the 2004 cycle, along with the HTF Rules.

Because of significant changes to the QAP and the HTF requirements for the 2004 Application Cycle, and the competitive nature of the programs, attendance at the 2004 Application Workshops is strongly recommended. Information regarding the workshop registration, as well as all Application Materials, is detailed on the Department’s website (www.tdhca.state.tx.us).

PRE-APPLICATION AND APPLICATION SUBMISSION

A Pre-Application for a Housing Credit Allocation from the State Housing Credit Ceiling may be filed at any time during the Pre-Application Acceptance Period. An Application for a Housing Credit Allocation from the State Housing Credit Ceiling may be filed at any time during the Application Acceptance Period. The same is true for the HTF Application. For the 2003 Application Round the dates are:

	<u>Housing Tax Credit Program</u>	<u>Housing Trust Fund Program</u>
Pre-Application and Application Acceptance Period Opening Date:	Tuesday, December 2, 2003	Date of NOFA Release
Close of Pre-Application Acceptance Period:	Friday, January 9, 2004	N/A
Deadline for Submitting Required Pre-Certification Documents:	Monday, February 23, 2004	Monday, February 23, 2004
Close of Application Acceptance Period	Monday, March 1, 2004	Monday, March 1, 2004

Applications received after 5:00 P.M. on the last day of the Acceptance Period(s) **will not be accepted**. The deadline is **strictly** adhered to; therefore the Department strongly encourages you to consider traffic and travel delays when planning your submission.

FORMAT FOR SUBMITTING THE PRE-APPLICATION (HTC Only)

If an Applicant for HTC chooses to submit a Pre-Application, the complete Pre-Application for each proposed development must be submitted as described in this section. Incomplete Pre-Applications or improperly bound Pre-Applications **will not be accepted**. Pre-Applications must be presented in the order provided below.

The Applicant should ensure that all sets of documentation are clearly labeled with the:

1. Development Name
2. Owner Name
3. Contact Name
4. Contact Address
5. Contact Phone and Fax Numbers

Bound Items. The Pre-Application consists of only one volume. The volume must be bound using the yellow pressboard binders and tabs provided with the application package. If a volume’s required documentation exceeds the capacity of a binder, then purchase a similar binder and use it to subdivide the volume.

Pre-Application Threshold Criteria. The forms provided by the Department must be completed by using the version available on the TDHCA web site. If you have difficulty downloading the files from the website, staff will email you the documents. If a question does not pertain to the development, insert “N/A” in that space. **All questions and spaces must be completed.**

Tab PA1: The *HTC Pre-Application Submission Form*.

Tab PA2: The *HTC Pre-Application Self-Scoring Form*.

Tab PA3: Evidence of Site Control as described in the “List of Required Exhibits” section of the ASPM and as further described in §50.9(f)(7)(A) of the QAP.

Tab PA4: Evidence of Notifications as required by §50.9(f)(8)(B) of the QAP.

One additional copy of the entire Pre-Application **must** be submitted; Pre-Application materials ordered through the Department include an additional set of yellow pressboard binders specifically for this purpose.

Complete the *Document and Payment Receipt* and submit it with the above referenced documentation. **Do not bind the receipt in the Pre-Application. Don’t forget your Pre-Application Fee as the Department is unable to accept a Pre-Application without the fee.**

FORMAT FOR PRE-CERTIFICATION AND ACKNOWLEDGEMENT (HTC and HTF)

There are four documents that the Applicant is required to submit as part of their Application that are issued by the Department and must be requested in advance of the Application deadline.

1. **Experience Certificate.** Individuals (a person or an entity) that will be utilizing their experience to meet the experience threshold requirement must submit their evidence of experience to the Department no later than **Monday, February 23**. The required documents are explained in detail in §50.9(e)(1) of the QAP. After staff review of the documents, a Certificate of Experience will be issued by the Multifamily Finance Production Division and mailed back to the entity that requested the certificate. The Certificate must be included in the Application submission. While a form requesting the experience certificate is not required, a form has been created for this purpose entitled *2004 HTC Experience Certification* which is available on the Department’s website and facilitates the Department’s prompt issuance of the requested document.
2. **Acknowledgement of Receipt of Financial Statement and Authorization to Release Credit.** Individuals (a person or an entity) that will be required to submit a *Financial Statement and Authorization to Release Credit* form as part of the Application must submit their completed form(s) to the Department no later than **Monday, February 23**. To determine which individuals or entities need to submit these forms, refer to §50.9(e)(2) of the QAP. Upon receipt of the statements, the Real Estate Analysis Division will issue an Acknowledgement of Receipt which will be mailed back to the entity that submitted the financials. The Acknowledgement must be included in the Application submission. Note that the Acknowledgement does not make any statement about the content of the financial statement, but merely acknowledges that the document has been received.
3. **Previous Participation.** Individuals (a person or an entity) that will be required to submit a “Previous Participation and Background Certification Form” form as part of the Application must submit their completed form(s) to the Department no later than **Monday, February 23**. A completed and executed “Previous Participation and Background Certification Form” must be provided for each entity as required in §50.9(e)(3). Upon receipt of this evidence, an acknowledgement from Portfolio Management and Compliance Division will be provided to the Applicant for inclusion in the Application. Note that the Acknowledgement does not make any statement about the acceptability of the submitted forms, but merely acknowledges that the document has been received.
4. **National Previous Participation.** Individuals (a person or an entity) that will be required to submit a “National Previous Participation and Background Certification Form” form as part of the Application must submit their completed form(s) to the Department no later than **Monday, February 23**. A completed and executed “National Previous Participation and Background Certification Form” must be provided for each entity as required in §50.9(e)(4). Upon receipt of this evidence, an acknowledgement from Portfolio Management and Compliance Division will be provided to the Applicant for inclusion in the Application. **Please Note: Part E of Section 3, Subsection C of the form must be submitted to ALL out of state entities, as required.**

FORMAT FOR SUBMITTING THE APPLICATION

A complete Application for each proposed development must be submitted as described in this section. Incomplete Applications or improperly bound Applications **will not be accepted**. Applications must be presented in the order provided below.

The Applicant should ensure that all sets of documentation are clearly labeled with the:

1. Development Name
2. If an HTC Pre-Application was submitted, include the assigned TDHCA Development Number
3. Owner Name
4. Contact Name
5. Contact Address
6. Contact Phone and Fax Numbers

Bound Items. Volumes 1 through 6 must be bound using the red pressboard binders and tabs provided with the application package. If a volume's required documentation exceeds the capacity of a binder, then purchase a similar binder and use it to subdivide the volume.

1. Volume 1 - *TDHCA Uniform Housing Programs Application, HTC Application Supplement*, and exhibits as described in the "List of Required Exhibits" section of the ASPM. The application and exhibits provided by the Department must be completed by using the version available on the TDHCA web site. If you have difficulty downloading the files from the website, staff will email you the documents. If a question does not pertain to the development, insert "N/A" in that space. **All questions and spaces must be completed.**
2. Volume 2 - Site Inspection Package described in the "List of Required Exhibits" section of the ASPM.
3. Volume 3 – Supplemental Threshold Documentation
Note: The Appraisal (if applicable), Market Analysis and Environmental Site Assessment are not submitted bound within this Volume.
4. Volume 4 - Selection Documentation for Housing Tax Credit Program
5. Volume 5 - Selection Documentation for the Housing Trust Fund Program
6. Volume 6 - Bond Submission Volume for Tax Exempt Bond Developments utilizing TDHCA as an Issuer
7. One additional copy of the entire Application (Volumes 1 through 5) **must** be submitted. Application materials ordered through the Department include an additional set of red pressboard binders specifically for this purpose. **Any Social Security numbers appearing in any portion of the Application submission must be removed from this second copy prior to submission to the Department.**

Unbound Items. The following documents will not be bound in the pressboard covers provided by the Department. Please do not use three-ring binders for these unbound submissions.

8. Appraisal (if required) may be bound using the analyst's preferred format.
9. Phase I Environmental Site Assessment may be bound using the analyst's preferred format.
10. Market Analysis may be bound using the analyst's preferred format.
11. If a Rehab Development, Property Condition Assessment as required by §50.9(f)(6)(E).

12. An extra copy of Exhibit 1 of the Uniform Application (pages 1 through 29) including the depiction of the Organization Charts, bound with a binder clip or staple.
13. An extra copy of Volume II - Site Inspection Package
14. An extra copy of Tab 3F, from Volume III - Supplemental Threshold Documentation

If the Applicant has received support/opposition letters from elected officials, members of the public, or neighborhood organizations, those can be submitted at the time the Application is submitted. Please staple such documents together with a brief letter of transmittal identifying them as such. **If these documents are part of the Threshold or Selection criteria bound as Volumes 3 and 4, include copies of the documents in both the unbound transmittal and Volumes 3 and 4.**

Complete the *Document and Payment Receipt* and submit it with the above referenced documentation. **Do not bind the receipt in the application. Don't forget your Application Fee as the Department is unable to accept an Application without the fee.**

LIST OF REQUIRED EXHIBITS FOR THE APPLICATION

This section describes the specific documents that should be placed behind each tab. **You must compile the Application based on the order provided in the ASPM.** Note that this order does not necessarily follow the order that is used in the QAP! Exhibits shown in *italics* are included in the Application and Reference Manual which will be available on the Department's website.

Volume 1. Uniform Application and Qualifying Documentation. Include all of the following documents:

- Tab 1A:** The entire *TDHCA Uniform Housing Programs Application*. This includes Uniform Application Exhibits 1 through 5, which includes both the Word and Excel portions of the Application.
- Tab 1B:** Any and all attachments to the TDHCA Uniform Housing Programs Application. In the Uniform Application, there are symbols to assist in completing the form. One of the symbols is a black box that indicates that an attachment may be required. Those required attachments (if applicable to your submission) must be placed behind this tab. This **MUST** include, at a minimum, the organizational charts required under §50.9(f)(9)(A) and the financing plan required under §50.9(f)(6)(A).

Behind this tab also place the current tax assessment documentation from the taxing entities for the entire proposed site. (Required by all Applicants)

ALL DOCUMENTATION BEHIND TAB MUST BE CLEARLY LABELED!
- Tab 1C:** The *HTC Application Supplement* and *Project Completion Schedule (HTC Only)*.
- Tab 1D:** The *Confirmation of Set-Aside and Allocation Eligibility* form and any accompanying documents required by that form (**HTC Only**).
- Tab 1E:** The *Development Owner Certification* and *Consultant Certification (HTC Only)*.
- Tab 1F:** The *Applicant Credit Limit Documentation and Certification (HTC Only)*.
- Tab 1G:** The *HTC Application Self-Scoring Form (HTC Only)*.
- Tab 1H:** The *HTF Application Self Score Form (HTF Only)*

Volume 2. Site Inspection Package. Include all of the following documentation:

- Tab 2A:** Provide the current site address, project name, whether the project is existing or proposed, housing type, and owner name and contact name and phone number.
- Tab 2B:** A full, legible legal description of the site.

Tab 2C: A fold-up city map or a copy of a map clearly indicating the location of the development in relation to the entire city or town in which it is located. The map should also indicate the location of the following facilities within 2 miles of the site:

- Existing HTC or other affordable housing projects
- Retail centers
- Medical complexes
- Recreational facilities
- Educational facilities (elementary, secondary, high school, college or vocational) and libraries
- Large scale employment centers
- Public transportation stop closest to the site (if it falls within the two mile radius)

For tax exempt bond projects located in a QCT, include a census tract map clearly indicating census tract number and location of project.

Tab 2D: Copy of the site plan. Site plan must indicate adjacent street names, existing/proposed buildings, parking, ingress, egress, encroachments, flood plains, and easements.

Tab 2E: Photographs of site features (street signs, billboards, existing structures etc.) that will help staff correctly identify the site during the site inspection.

Tab 2F: Written instructions to the site from the nearest state or interstate highway.

Volume 3. Supplemental Threshold Documentation. Provide all of the following documentation (Note: Pursuant to the HTF Rule and NOFA, all HTF applications are held to the same threshold criteria as required in the 2004 QAP. All items, unless indicated, are required for both HTF and HTC Applications.

Tab 3A: Development Certification and Design Items

1. *Development Certification Form.*

2. All of the architectural drawings identified in §50.9(f)(5)(A)(i) through (iv).

3. A Boundary Survey of the proposed Development Site and of the property purchased as required in §50.9(f)(5)(B) of the QAP.

4. Rehabilitation Developments must submit photographs of the existing signage, typical building elevations and interiors, existing Development amenities, and site work. These photos should clearly document the typical areas and building components which exemplify the need for rehabilitation.

Tab 3B: Evidence of Development Costs as Required in §50.9(f)(6)

1. Provide a letter of commitment from a syndicator that, at a minimum, provides an estimate of the amount of equity dollars expected to be raised for the Development in conjunction with the amount of housing tax credits requested for allocation to the Development Owner, including pay-in schedules, syndicator consulting fees and other syndication costs. No syndication costs should be included in the Eligible Basis (**HTC Only**).

2. For Developments located in a Qualified Census Tract (QCT) as determined by the Secretary of HUD and qualifying for a 30% increase in Eligible Basis, pursuant to the Code, §42(d)(5)(C), Applicants must submit a copy of the census map clearly showing that the proposed Development is located within a QCT. Census tract numbers must be clearly marked on the map, and must be identical to the QCT number stated in the Department's Reference Manual (**HTC Only**).

3. If projected site work costs include unusual or extraordinary items or exceed \$7,500 per Unit, then the Applicant must provide a detailed cost breakdown prepared by a Third Party engineer or architect, and a letter from a certified public accountant allocating which portions of those site costs should be included in Eligible Basis and which ones may be ineligible (**HTC Only**).

Tab 3C: Evidence of Readiness to Proceed

As evidenced by at least one of the items under each of items (1) through (4):

1. Evidence of site control in the name of Development Owner as required in §50.9(f)(7)(A) of the QAP.
2. Evidence from the appropriate local municipal authority that satisfies one of clauses (i) through (iii) of §50.9(f)(7)(B).
3. Evidence of interim and permanent financing sufficient to fund the proposed Total Housing Development Cost less any other funds requested from the Department and any other sources documented in the Application as required in §50.9(f)(7)(C). Such evidence must be consistent with the sources and uses of funds represented in the Application and shall be provided in one or more of the following forms described in clauses (i) through (iv) of this subsection.
4. Provide the documents required in 50.9(f)(7)(D)(i) and either of the documents described in clauses (ii) and (iii) and satisfy the requirements of clause (iv) as applicable.

Tab 3D: Evidence of Notifications

Evidence of all of the notifications as required by §50.9(f)(8). Such notices must be prepared in accordance with “*Public Notifications*” provided as a sample exhibit with the Application. If evidence of these notifications was submitted with the Pre-Application Threshold for the same Application and satisfies the Department’s review of Pre-Application Threshold, then no additional notification is required at Application.

1. A copy of the public notice published in the most widely circulated newspaper in the area in which the proposed Development will be located as required by §50.9(f)(8)(A).
2. Evidence of notification meeting the requirements identified in §50.9(f)(8)(B)(i) to all of the individuals and entities identified in §50.9(f)(8)(B)(ii).
3. Evidence of signage on the property or the alternative, as required in §50.9(f)(8)(C).
4. If any of the Units in the Development are occupied at the time of Application, then evidence as required by §50.9(f)(8)(D).
5. A completed *Public Notifications Information Form, Public Notification Information for Neighborhood Groups, and Public Notification Information for Advocacy Groups* form.

Tab 3E: Organization Documents

Each entity shown on an organizational chart as described in §50.9(f)(9)(A) of the QAP, and as required in the Uniform Application, shall provide the following documentation, as applicable:

1. For entities that are not yet formed but are to be formed either in or outside of the state of

Texas, submit documentation required in 50.9(f)(9)(B)(i).

2. For existing entities whether formed in or outside of the state of Texas, submit documentation as required in §50.9(f)(9)(B)(ii).

3. The Applicant must provide evidence that the signer(s) of the Application have the authority to sign on behalf of the Applicant in the form of a corporate resolution or by-laws which indicate same from the sub-entity in Control of the Applicant, as required in §50.9(f)(9)(B)(iii).

Tab 3F: Precertifications

1. Evidence of each entity shown on the organizational chart that has 10% or more ownership interest in the Development Owner, Developer or Guarantor has provided a copy of the copied and executed Previous Participation and Background Certification form to the Department. Evidence must be a certification from the Department as required by §50.9(f)(9)(C).

2. Evidence that, if the Development Owner or any of its Affiliates shown on the organizational chart described in subparagraph (A) of this paragraph that have 10% or more ownership interest in the Development Owner have, or have had, ownership or Control of affordable housing, being housing that receives any form of financing and/or assistance from any Governmental Entity for the purpose of enhancing affordability to persons of low or moderate income, outside the state of Texas, that such Persons have submitted the appropriate “National Previous Participation and Background Certification Form. Evidence must be a certification from the Department as required by §50.9(f)(9)(D).

3. Evidence of an *HTC Experience Certificate* as required by §50.9(f)(9)(E) and §50.9(e)(1) of the QAP.

4. Evidence of an *Acknowledgement of Receipt of Financial Statement and Authorization to Release Credit Information* must be provided for any person with an ownership interest in the General Partner (or Managing Member), interest in the Applicant, or the Developer, or anticipated to provide guarantees to secure necessary financing, as required under §50.9(e)(2) of the QAP.

Tab 3G: Income and Operating Documentation

1. If rental assistance, an operating subsidy, an annuity, or an interest rate reduction payment is proposed to exist or continue for the Development, any related contract or other agreement securing those funds must be provided, which at a minimum identifies the source and annual amount of the funds, the number of Units receiving the funds, and the term and expiration date of the contract or other agreement as required by §50.9(f)(10)(B).

2. Occupied Developments undergoing rehabilitation must also submit the items described in §50.9(f)(10)(D)(i) through (iv).

Tab 3H: Nonprofit Documentation

1. All Applications involving a nonprofit General Partner, regardless of the Set-Aside applied under, must submit all of the documents described in §50.9(f)(11)(A)(i) and (ii).

2. Additionally, all HTC Applications applying under the Nonprofit Set-Aside, established under §50.7(b)(1) of this title, must also provide the following information with respect to the Qualified Nonprofit Organization as described in §50.9(f)(11)(B)(i) through (vi).

Tab 3I: Acquisition / Identity of Interest

Applicants applying for acquisition credits or affiliated with the seller that will be evaluated in accordance with 10 TAC §1.32(e)(1), must provide all of the documentation described in §50.9(f)(12) in subparagraphs (A) through (C). Applicants applying for acquisition credits must also provide the items described in subparagraph (D) “*Acquisition of Existing Buildings Form*”.

Tab 3J: Appraisal as required by §50.9(g)(12) and Market Analysis and Environmental Site Assessment as required by §50.9(g)(14).

Upon Application submission, the Applicant must provide evidence in the form of an executed engagement letter with the party performing each of the individual reports that the required exhibit has been commissioned to be performed and that the delivery date will be no later than March 31, 2004. Subsequently, the entire exhibit must be submitted **on or before 5:00 p.m. CST, March 31, 2004**. If the entire exhibit is not received by that time, the Application will be terminated and will be removed from consideration.

If the full report is provided unbound, then no documentation is needed behind this Tab. This Tab is only for Applicants who are submitting evidence of transmittal letters.

Tab 3K: Tax Exempt Bond HTC Applications Only - Documentation demonstrating the Project's consistency with the bond issuer's consolidated plan or other similar planning document must be provided. Consistency with the local municipality's or, if not within a municipality, the county's consolidated plan or similar planning document must also be shown in those instances where the city or county has a consolidated plan.

Volume 4. Documentation for Housing Tax Credit Selection Criteria (Not Required for Tax Exempt Bond HTC Applications or HTF Applications).

Note: If you do not wish to claim points for an item, then no documentation is needed.

Tab 4A: Development Financial Feasibility- Evidence as required by §50.9(g)(1) of the QAP.

Tab 4B Quantifiable Community Participation: Any letters provided with the Application for the purposes of receiving points for this item as required by §50.9(g)(2) must be submitted behind this tab. Please note: **Letters may also be submitted separately via mail and received not later than April 30, 2004 to be considered for points for this section.**

Tab 4C Development Location Characteristics. Evidence, not more than 6 months old from the date of the close of the Application Acceptance Period, that the subject Property is located within one of the geographical areas as required in §50.9(g)(3)(A) through (F). Additional evidence as required if requesting additional 10 points for §50.9(g)(3)(G).

Tab 4D *Proximity to Site Amenities* form. Evidence as required by §50.9(g)(4)(A).

Tab 4E *Negative Site Features* form. Evidence as required by §50.9(g)(4)(B).

Tab 4F: Support and Consistency with Local Planning. All documents must not be older than 6 months from the close of the Application Acceptance Period. Evidence as required by §50.9(g)(6)(A) through (C).

Tab 4G: *Unit Amenities and Common Amenities* Form.

Tab 4H: The Development is an existing Residential Development without maximum rent limitations or set-asides for affordable housing for which the proposed rehabilitation is part of a community revitalization plan. If maximum rent limitations had existed previously, then the restrictions must have expired at least one year prior to the date of Application to the Department. Provide evidence behind the tab.

Tab 4I: Evidence that a HUB, as certified by the Texas Building and Procurement Commission (formerly General Services Commission), has an ownership interest in and materially participates in the development and operation of the Development throughout the Compliance Period. To qualify for these points, the Applicant must submit a certification from the Texas Building and Procurement Commission (formerly General Services Commission) that the Person is a HUB at the close of the

Application Acceptance Period. Evidence will need to be supplemented, either at the time the Application is submitted or at the time a HUB certification renewal is received by the Applicant, confirming that the certification is valid through July 31, 2004 and renewable after that date.

Tab 4J: *Tenant Supportive Services Certification.*

Tab 4K: Tenant Characteristics – Populations with Special Needs. Evidence that the Development is designed solely for transitional housing for homeless persons on a non-transient basis, with supportive services designed to assist tenants in locating and retaining permanent housing as required by §50.9(g)(11).

Tab 4L: *Low Income Targeting Selection Criteria* Form and further evidence as required by §50.9(g)(12) & (13).

Tab 4M: Leveraging from Local and Private Resources. Evidence as required by §50.9(g)(14)

Tab 4N: *Length of Affordability Selection Criteria* Form.

Tab 4O: *Agreement for Provision of the Right of First Refusal* Form.

Tab 4P: *Pre-Application Certification Form*

Volume 5. Selection Documentation for the Housing Trust Fund Program. (Not Required for Tax Exempt Bond/HTC Applications or HTC Applications).

Note: If you do not wish to claim points for an item, then no documentation is needed. Additional detail on each item is provided in the NOFA.

Tab 5A: Low Income Targeting Selection Criteria. Completed *Low Income Targeting Selection Criteria form* and evidence as required in the NOFA.

Tab 5B: Development Support/ Opposition. Evidence as required by the NOFA.

Tab 5C: Support and Consistency with Local Planning. Evidence as required by the NOFA.

Tab 5D: Site Characteristics: Evidence as required by the NOFA.

Tab 5E: Development Provides Supportive Services to Tenants. Completed *Tenant Supportive Services form* and evidence as required by the NOFA.

Tab 5F: Involvement of Historically Underutilized Businesses (HUB). Evidence as required by the NOFA.

Tab 5G: Housing Needs Characteristics.

**Volume 6. Bond Submission Volume for Tax Exempt Bond Developments utilizing TDHCA as an Issuer.
(Not Required for HTC Applications or HTF Applications).**

- Tab 6A:** *Agreement to Comply with Department's Rules*
- Tab 6B:** General Contractor's Contract
- Tab 6C:** Evidence of Available Utilities
- Tab 6D:** Marketing Plan
- Tab 6E:** Management Plan
- Tab 6F:** Tenant Services Program Plan and Budget
- Tab 6G:** Tenant Selection Process and Requirements
- Tab 6H:** *Statement that the Housing Sponsor will accept tenants with Section 8 or other governmental housing assistance*
- Tab 6I:** Final Construction Plans and Specifications (*see critical path schedule for due date*)
- Tab 6J:** Final Letters of Financing Commitment (*see critical path schedule for due date*)
- Tab 6K:** Final Sources and Uses of Funds (*see critical path schedule for due date*)
- Tab 6L:** Debt Service Schedules (*see critical path schedule for due date*)

PUBLIC VIEWING OF PRE-APPLICATIONS AND APPLICATIONS

The Department will have a viewing room that will allow the public to view any Pre-Applications or Applications that have been submitted to the Department. The viewing room will be set up within approximately ten business days of the Close of the Pre-Application Acceptance Period and within approximately ten business days of the Close of the Application Acceptance Period. The viewing room will be open between the hours of 9:00 am and 4:00 pm Monday through Friday. It is recommended that an appointment be made so that adequate staff are available. Appointments can be made by contacting a HTC Program Representative at 512/475-3340.



Timeline for the 2004 Multifamily Competitive Application Cycle*

NOVEMBER 2003

Friday, November 14	Board approves Final Rules (those noted above)
Tuesday, November 18	Houston HTC and HTF Workshop
Wednesday, November 19	Dallas HTC and HTF Workshop
Thursday, November 20	Austin HTC and HTF Workshop

DECEMBER 2003

Monday, December 1	Deadline for Governor's Signature on QAP
Tuesday, December 2	Application Round Begins for HTC (Application Acceptance Period starts)
Wednesday, December 19	Release of the HTF NOFA in <i>Texas Register</i>

JANUARY 2004

Friday, January 9	Deadline for HTC Pre-Applications (no HTF submissions required)
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FEBRUARY 2004

Monday, February 2	Results of HTC Pre-Application Round Released (approx. 30 days prior to app deadline)
Monday, February 23	Due date for Pre-Submissions: Financial Acknowledgements, Experience Certifications and Previous Participation Acknowledgements

MARCH 2004

Monday, March 1	Deadline for HTC, HTF Applications to be submitted
Friday, March 14	Release log of all application submissions. Deadline for sending all notification letters of applications received.
Wednesday, March 31	Market Study, ESAs and Appraisals due into TDHCA

*At this time the competitive funds include Housing Tax Credits, Housing Trust Fund Rental Development and Multifamily HOME. There is a possibility that 2004 Multifamily HOME funds will be conducted on an open cycle basis and not follow these competitive timelines.

HTC=Housing Tax Credit Program, HTF=Housing Trust Fund Rental Development, HOME= Multifamily HOME.

APRIL 2004

Thursday, April 1 Due date for all those without zoning to submit evidence that zoning commission has approved and will recommend.

April 5-16 (not firm) Public Hearings on Applications

MAY 2004

Thursday, May 15 Corrective action deadline for Material Noncompliance Scores to be run on 6/30

JUNE 2004

June (dates uncertain) Board meeting to review staff HTC recommendations and approve a list of applications for allocations of tax credits (legislated for no later than June 30 and satisfies SB 322 requirement that all documents be released 30 days prior to July Board meeting.)

Release of Application Log.

Notify all applicants of their support/opposition (40 days prior to July board meeting)

Deadline for public comment to go to Board.

Monday, June 30

Compliance runs MNC scores again for all that look like will be recommended! We can't award credits to anyone who is in MNC on June 30.

JULY 2004

July (dates uncertain)

Board Meeting: Board approval of final commitments for HTC (legislated deadline is July 31).

Board Meeting to Approve HTF awards.

Note: All appeals must adhere to the appeal policy and timeframes. All appeals will be posted on the web after a decision is made.

Note: Within 3 days of the relevant determinations, results of each stage of the application process, including scoring and Underwriting and commitment, must be posted on web site. We do this at the end of the stage for all developments; not development by development.

Portfolio Management and Compliance Monitoring

**BOARD ACTION REQUEST
December 11, 2003**

Action Item

Consider release of Land Use Restriction Agreement on rental development operated by Central Plains Center a Texas Non-profit Corporation.

Required Action

Approve release of Land Use Restriction Agreement.

Background

The Department awarded Housing Trust Funds to Central Plains Center in 1992 to purchase thirteen single family residences to house individuals and families served by the organization. The rental units are located in seven of the nine counties serviced by the Central Plains Center. The Central Plains Center is headquartered in Plainview, Texas and their primary purpose is to provide assistance those that have a diagnosis of mental illness in the cover area.

The Housing Trust award was for \$398,850. A portion of the award was in the form of a grant, the remaining \$100,000 was a loan, with a current loan balance of approximately \$66,900.00.

The Texas Department of Mental Health rules no longer allow housing owned by Central Plains Center to be leased to persons served by the organization. While leasing to the general public is not part of the Center's mission, they have operated the units as a rental development; however, the rental income produced by the housing does not cover operational costs. Staff supports a release of the LURA for the following reasons:

- Rules no longer allow them to house persons receiving assistance from the organization,
- Operational costs have caused a reduction in assistance offered by the Center.
- Operation of rental property is not part of the mission of the Center.

The Center has a potential purchaser however the sale is contingent upon a release of the restrictions. The Center has requested a release of the LURA.

SINGLE FAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST DECEMBER 11, 2003

Action Items

Request approval of four (4) 2003 HOME Investment Partnerships (HOME) Program Award Recommendations for Tenant-Based Rental Assistance for the Olmstead Set-Aside, for total awards in the amount of \$469,242.

Required Action

Approve the HOME Program Award Recommendations.

Breakdown and Recommendations

Summary

In an effort to address the Supreme Court Olmstead Decision, related to the de-institutionalization of persons with disabilities, the Department allocated \$2 million toward those populations outlined in §531.055, Texas Government Code. In addition, Governor Rick Perry released an Executive Order on Community Based Alternatives for People with Disabilities (RP-13) requiring the Department and the Texas Health and Human Service Commission to work together to assure accessible, affordable and integrated housing for people with disabilities.

In order to insure appropriateness and affectability, Department staff worked closely with a focus group, composed of various disability advocates, in the creation of the application for this set-aside. The Notice of Funding Availability (NOFA) was published in the *Texas Register*, and was posted on the Department's website. In addition to this notification, an Olmstead publicity handout was sent to 600 entities, including nonprofits with a focus on helping persons with disabilities, housing authorities, and independent living centers advertising the funds and eligible activity under this set-aside. Department staff held application workshops in Dallas, Houston, and Austin. These workshops were well attended, with representation from thirty-five interested organizations.

The funds recommended for award will be used for Tenant-Based Rental Assistance (TBRA), including security and utility deposits, as well as, utility allowances for rental of dwelling units. Eligible Applicants included: units of general local government, public housing agencies, and nonprofits. The application deadline due date was October 31, 2003. A total of four applications were received for funding. The applicants and recommended funding are summarized below:

Application Number	Applicant	Project Funds Requested	Project Funds Recommended	Admin. Funds Recommended	Units Recommended
2003-0410	Valley Association for Independent Living	\$115,873.00	\$115,873.00	\$6,952.00	10
2003-0411	Lubbock Regional MHMR Center	\$199,680.00	\$199,680.00	\$11,981.00	20
2003-0412	Affordable Caring Housing, Inc.	\$59,700.00	\$59,700.00	\$3,582.00	5
2003-0413	Affordable Caring Housing, Inc.	\$67,428.00	\$67,428.00	\$4,046.00	5
			\$442,681.00	\$26,561.00	40

Project Costs: \$442,681.00

6% Administrative Fee: \$ 26,561.00

Total Costs: \$469,242.00

Recommendation

Staff recommends approval of four (4) applications for Tenant-Based Rental Assistance for the Olmstead Set-Aside awards utilizing 2003 HOME Investment Partnerships Program funds contingent upon compliance history review and approval by Executive. Staff also recommends and requests approval of 6% administrative funds for all applicants, based on the amount of project dollars recommended.

**2003 HOME Investment Partnerships Program Recommendations
for the Olmstead Set-Aside for Tenant Based Rental Assistance**

Application Number	Applicant	Activity	Set-Aside	Region	Project Funds Requested	Admin. Funds Requested	Score	Project Funds Rec'd	Admin. Funds Rec'd	Total Funds	Units Rec'd
2003-0410	Valley Association for Independent Living	TBRA	Olmstead	11	\$115,873.00	\$6,952.00	112	\$115,873.00	\$6,952	\$122,825.00	10
2003-0411	Lubbock Regional MHMR Center	TBRA	Olmstead	1	\$199,680.00	\$11,981.00	121.4	\$199,680.00	\$11,981	\$211,661.00	20
2003-0412	Affordable Caring Housing, Inc.	TBRA	Olmstead	6	\$59,700.00	\$2,388.00	113	\$59,700.00	\$3,582	\$63,282.00	5
2003-0413	Affordable Caring Housing, Inc.	TBRA	Olmstead	8	\$67,428.00	\$2,697.00	106	\$67,428.00	\$4,046	\$71,474.00	5
								\$442,681.00	\$26,561	\$469,242.00	40

SINGLE FAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST DECEMBER 11, 2003

Action Items

Request approval of funding recommendation increases for thirty-three (33) 2002-2003 HOME Investment Partnerships (HOME) Program Award Recommendations, for a total increase in awards in the amount of \$6,663,261.

Required Action

Approve the HOME Program Award Recommendation Increases.

Breakdown and Recommendations

Summary

The Department reserves the right to deobligate funds according to Title 10 of the Texas Administrative Code, Section 53.62(c). The Department, with approval of the Board, may elect to reassign funds following the Deobligation Policy, adopted by the Board on January 17, 2002, in the order prioritized as follows:

- (A) Successful appeals (as allowable under program rules and regulations), or
- (B) Disaster Relief (disaster declarations or documented extenuating circumstances such as imminent threat to health and safety), or
- (C) Special Needs, or
- (D) Colonias, or
- (E) Other projects/uses as determined by the Executive Director and/or Board including the next year's funding cycle for each respective program.

All successful appeals have been awarded, as have all pending Disaster Relief applications. There are currently no Colonia or Special Needs applications proposed that may utilize deobligated funds. HOME Program funds totaling \$15,743,501 have recently been deobligated by the Department. Priority (E) enables the Department to reassign these funds. A total of thirty-three (33) applications received partial funding when initially recommended to the Board in July. The Department proposes awarding \$6,663,261 in deobligated funds to fully fund all partially funded 2002-2003 HOME applications. This leaves a balance of \$9,080,240 in deobligated funds.

It is important to note any funds deobligated must be awarded, and have a fully executed contract returned, by February 26, 2004 in order to meet the contractual requirements and commitment rates established by the U.S. Department of Housing and Urban Development (HUD).

See attached spreadsheet for details of the applications being recommended.

Project Costs:	\$6,406,981.00
4% Administrative Fee:	\$ 256,280.00
Total Costs:	\$6,663,261.00

Recommendation

Staff recommends approval of thirty-three (33) award increases utilizing deobligated HOME Investment Partnerships Program funds. Staff also recommends and requests approval of 4% administrative funds for all applicants, based on the amount of project dollars recommended.

**2002-2003 HOME Investment Partnerships Program
Recommendations for Award of Partially Funded Applications with Deobligated Funds**

APP. NUMBER	APPLICANT	ACTIVITY	REG.	SET ASIDE	FUNDS REQ'D	SCORE	PROJ. FUNDS PREVIOUSLY AWARDED	ADMIN. FUNDS PREVIOUSLY AWARDED	UNITS PREVIOUSLY AWARDED	ADDITIONAL PROJ. FUNDS REC'D	ADDITIONAL ADMIN. FUNDS REC'D	ADDITIONAL UNITS REC'D
2003-0301	Caprock Community Action Association, Inc.	OCC	01	Special Needs	\$500,000.00	111	\$305,488.00	\$12,220	6	\$194,512.00	\$7,780	4
2003-0170	City of Brownwood	OCC	02	Special Needs	\$500,000.00	110	\$401,608.00	\$16,064	8	\$98,392.00	\$3,936	1
2003-0157	City of Bonham	OCC	03	General	\$330,000.00	117	\$100,006.00	\$4,000	2	\$229,994.00	\$9,200	4
2003-0250	City of Milford	OCC	03	Special Needs	\$500,000.00	110	\$210,773.00	\$8,431	4	\$289,227.00	\$11,569	5
2003-0275	City of Nevada	OCC	03	General	\$330,000.00	117	\$100,006.00	\$4,000	2	\$69,994.00	\$2,800	4
2003-0028	City of Royse City	OCC	03	Special Needs	\$163,539.00	110	\$68,952.00	\$2,758	2	\$94,587.00	\$3,783	1
2003-0034	City of Hughes Springs	HBA	04	General	\$100,000.00	96	\$30,253.00	\$1,210	3	\$69,747.00	\$2,790	7
2003-0036	City of Hughes Springs	OCC	04	Special Needs	\$275,000.00	117	\$52,284.00	\$2,091	1	\$222,716.00	\$8,909	4
2003-0254	City of Log Cabin	OCC	04	Special Needs	\$500,000.00	117	\$95,088.00	\$3,804	2	\$404,912.00	\$16,196	7
2003-0090	City of Maud	OCC	04	General	\$275,000.00	120	\$179,677.00	\$7,187	4	\$95,323.00	\$3,813	1
2003-0081	City of Naples	OCC	04	Special Needs	\$275,000.00	117	\$52,284.00	\$2,091	1	\$222,716.00	\$8,909	4
2003-0105	City of Omaha	OCC	04	Special Needs	\$275,000.00	117	\$52,284.00	\$2,091	1	\$222,716.00	\$8,909	4
2003-0123	City of Palestine	OCC	04	Special Needs	\$400,000.00	117	\$76,065.00	\$3,043	2	\$323,935.00	\$12,957	6
2003-0054	City of Redwater	OCC	04	General	\$220,000.00	120	\$143,812.00	\$5,752	3	\$76,188.00	\$3,048	1
2003-0336	City of Texarkana	OCC	04	General	\$480,440.00	120	\$313,933.00	\$12,557	6	\$166,507.00	\$6,660	3
2003-0079	City of Zavalla	OCC	05	General	\$300,000.00	94	\$41,475.00	\$1,659	1	\$258,525.00	\$10,341	5
2003-0088	City of Sealy	OCC	06	Special Needs	\$480,000.00	112	\$13,200.00	\$528	1	\$466,800.00	\$18,672	8
2003-0140	City of Cleveland	OCC	06	General	\$500,000.00	115	\$489,910.00	\$19,597	9	\$10,090.00	\$404	0
2003-0012	Travis County Housing Finance Corporation	HBA	07	General	\$300,000.00	100	\$78,318.00	\$3,133	15	\$221,682.00	\$8,867	45
2003-0310	City of Flatonia	OCC	07	Special Needs	\$300,000.00	113	\$238,180.00	\$9,527	6	\$61,820.00	\$2,473	1
2003-0154	City of Luling	OCC	07	General	\$500,000.00	115	\$128,405.00	\$5,136	3	\$371,595.00	\$14,864	7
2003-0206	City of Belton	OCC	08	Special Needs	\$500,000.00	109	\$340,023.00	\$13,601	7	\$159,977.00	\$6,399	2
2003-0277	City of Holland	OCC	08	General	\$400,000.00	118	\$348,995.00	\$13,960	7	\$51,005.00	\$2,040	1
2003-0096	City of Lott	OCC	08	General	\$480,000.00	118	\$418,871.00	\$16,755	8	\$61,129.00	\$2,445	1
2003-0134	City of Teague	OCC	08	Special Needs	\$200,000.00	109	\$136,000.00	\$5,440	3	\$64,000.00	\$2,560	1
2003-0204	City of La Coste	OCC	09	Special Needs	\$500,000.00	102	\$104,565.00	\$4,183	2	\$395,435.00	\$15,817	7
2003-0070	City of Pleasanton	OCC	09	General	\$300,000.00	106	\$78,627.00	\$3,145	2	\$221,373.00	\$8,855	4
2003-0269	City of Premont	OCC	10	Special Needs	\$500,000.00	116	\$66,560.00	\$2,662	2	\$433,440.00	\$17,338	7
2003-0040	City of Seminole	OCC	12	General	\$500,000.00	113	\$309,729.00	\$12,389	6	\$190,271.00	\$7,611	3
2003-0152	City of Socorro	HBA	13	General	\$500,000.00	102	\$188,882.00	\$7,555	19	\$311,118.00	\$12,445	22
2003-0370	Big Bend Housing Development	OCC	13	Special Needs	\$75,000.00	117	\$33,329.00	\$1,333	1	\$41,671.00	\$1,667	2
2003-0103	City of Van Horn	OCC	13	Special Needs	\$275,000.00	117	\$122,208.00	\$4,888	2	\$152,792.00	\$6,112	3
2003-0108	Culberson County	OCC	13	Special Needs	\$275,000.00	117	\$122,208.00	\$4,888	2	\$152,792.00	\$6,112	3
					\$12,008,979.00		\$5,441,998.00	\$217,681	143	\$6,406,981.00	\$256,280	178

*No one Applicant may receive more than \$500,000 per Activity. Those Applicants not receiving the full request have previous awards and the amount recommended has been adjusted not to exceed the \$500,000 Activity limit.

**OCC- Owner Occupied Assistance
HBA- Homebuyer Assistance

SINGLE FAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST DECEMBER 11, 2003

Action Items

Request approval of funding recommendation for twenty-five (25) 2002-2003 HOME Investment Partnerships (HOME) Program Award Recommendations, for a total award in the amount of \$9,080,240.

Required Action

Approve the HOME Program Award Recommendations.

Breakdown and Recommendations

Summary

The Department reserves the right to deobligate funds according to Title 10 of the Texas Administrative Code, Section 53.62(c). The Department, with approval of the Board, may elect to reassign funds following the Deobligation Policy, adopted by the Board on January 17, 2002, in the order prioritized as follows:

- (A) Successful appeals (as allowable under program rules and regulations), or
- (B) Disaster Relief (disaster declarations or documented extenuating circumstances such as imminent threat to health and safety), or
- (C) Special Needs, or
- (D) Colonias, or
- (E) Other projects/uses as determined by the Executive Director and/or Board including the next year's funding cycle for each respective program.

All successful appeals have been awarded, as have all pending Disaster Relief applications. There are currently no Colonia or Special Needs applications proposed that may utilize deobligated funds. HOME Program funds totaling \$15,743,501 have recently been deobligated by the Department. Priority (E) enables the Department to reassign these funds. After Board approval of \$6,663,261 in deobligated funds to fully fund 2002-2003 HOME applications receiving partial funding, \$9,080,240 will remain in deobligated funds.

In an effort to allocate the remaining \$9,080,240 in deobligated funds, the Department proposes awarding the next highest ranking applications on a statewide basis that did not receive a funding recommendation from the Board in July. The Department proposes this methodology since all 2002-2003 HOME funds that were subject to the Regional Allocation Formula have been awarded. A total of twenty-five (25) applications scored 111 points or higher, but did not score high enough to receive a funding recommendation in July. In order to fully fund the requests of the twenty-five applications \$9,080,240 is required; allowing the Department to allocate all remaining deobligated funds. With this approval the Department will have funded 204 of the 344 Single Family applications submitted during the 2002-2003 funding cycle, totaling \$67,758,021 in HOME Program funds.

It is important to note any funds deobligated must be awarded, and have a fully executed contract returned, by February 26, 2004 in order to meet the contractual requirements and commitment rates established by the U.S. Department of Housing and Urban Development (HUD).

See attached spreadsheet for details of the applications being recommended.

Project Costs:	\$8,731,000.00
<u>4% Administrative Fee:</u>	<u>\$ 349,240.00</u>
Total Costs:	\$9,080,240.00

Recommendation

Staff recommends approval of an additional twenty-five (25) awards utilizing deobligated HOME Investment Partnerships Program funds contingent upon compliance history review and approval by Executive. Staff also recommends and requests approval of 4% administrative funds for all applicants, based on the amount of project dollars recommended.

**2002-2003 HOME Investment Partnerships Program
Recommendations for Award of Applications with Remaining Deobligated Funds**

APP. NUMBER	APPLICANT	ACTIVITY	REG.	SET ASIDE	FUNDS REQ'D	PROJECT FUNDS REC'D	ADMIN. FUNDS REC'D	UNITS REC'D	PROJECT FUNDS REC'D BY REGION	ADMIN. FUNDS REC'D BY REGION	TOTAL FUNDS REC'D
2003-0109	City of Dawson	OCC	03	General	\$228,000.00	\$214,000.00	\$8,560.00	5	\$214,000.00	\$8,560.00	\$222,560.00
2003-0159	City of Avery	OCC	04	General	\$330,000.00	\$330,000.00	\$13,200.00	6			
2003-0130	City of Carthage	OCC	04	General	\$250,000.00	\$250,000.00	\$10,000.00	5			
2003-0147	City of Carthage	OCC	04	Special Needs	\$250,000.00	\$250,000.00	\$10,000.00	5			
2003-0175	City of Emory	OCC	04	General	\$500,000.00	\$500,000.00	\$20,000.00	9			
2003-0037	City of Hughes Springs	OCC	04	General	\$275,000.00	\$225,000.00	\$9,000.00	4			
2003-0145	City of Palestine	OCC	04	General	\$400,000.00	\$100,000.00	\$4,000.00	2			
2003-0346	City of Queen City	OCC	04	Special Needs	\$220,000.00	\$220,000.00	\$8,800.00	4			
2003-0035	City of Sulphur Springs	OCC	04	Special Needs	\$500,000.00	\$500,000.00	\$20,000.00	9			
2003-0158	Lamar County	OCC	04	General	\$200,000.00	\$200,000.00	\$8,000.00	4			
2003-0050	Morris County	OCC	04	Special Needs	\$500,000.00	\$500,000.00	\$20,000.00	9			
2003-0033	Red River County	OCC	04	Special Needs	\$495,000.00	\$495,000.00	\$19,800.00	9	\$3,570,000.00	\$142,800.00	\$3,712,800.00
2003-0313	City of Flatonia	OCC	07	General	\$300,000.00	\$200,000.00	\$8,000.00	5			
2003-0104	City of Lexington	OCC	07	Special Needs	\$220,000.00	\$220,000.00	\$8,800.00	4			
2003-0273	City of Manor	OCC	07	General	\$400,000.00	\$400,000.00	\$16,000.00	8			
2003-0279	City of Taylor	OCC	07	General	\$400,000.00	\$400,000.00	\$16,000.00	8	\$1,220,000.00	\$48,800.00	\$1,268,800.00
2003-0098	City of Blum	OCC	08	General	\$480,000.00	\$480,000.00	\$19,200.00	9			
2003-0102	City of Coolidge	OCC	08	General	\$480,000.00	\$480,000.00	\$19,200.00	9			
2003-0015	City of Temple	OCC	08	General	\$377,000.00	\$377,000.00	\$15,080.00	9	\$1,337,000.00	\$53,480.00	\$1,390,480.00
2003-0224	City of Bishop	OCC	10	General	\$500,000.00	\$500,000.00	\$20,000.00	9			
2003-0014	City of Victoria	OCC	10	Special Needs	\$440,000.00	\$440,000.00	\$17,600.00	8			
2003-0184	San Patricio County	OCC	10	General	\$500,000.00	\$500,000.00	\$20,000.00	9	\$1,440,000.00	\$57,600.00	\$1,497,600.00
2003-0161	Brewster County	OCC	13	General	\$500,000.00	\$500,000.00	\$20,000.00	9			
2003-0101	City of Van Horn	OCC	13	General	\$275,000.00	\$225,000.00	\$9,000.00	4			
2003-0106	Culberson County	OCC	13	General	\$275,000.00	\$225,000.00	\$9,000.00	4	\$950,000.00	\$38,000.00	\$988,000.00
					\$8,731,000.00	\$349,240.00	166	\$8,731,000.00	\$349,240.00	\$9,080,240.00	

*No one Applicant may receive more than \$500,000 per Activity. Those Applicants not receiving the full request have previous awards and the amount recommended has been adjusted not to exceed the \$500,000 Activity limit.

**OCC- Owner Occupied Assistance

HBA- Homebuyer Assistance

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
December 11, 2003

Action Items

Request approval of a HOME Rental Community Housing Development Organization (CHDO) award to Bethel Senior Housing.

Required Action

Approve HOME Rental CHDO award recommendation for Bethel Senior Housing.

Background and Recommendations

At the November 14, 2003 Board meeting the Board approved an appeal for Bethel Senior Housing, a 16-unit development proposing new construction sponsored by East Austin Economic Development Corporation in the City of Crockett (Region 5). The approval of the appeal makes the applicant eligible for an award of HOME CHDO funds. Therefore, staff is recommending that the applicant be awarded their original request: a loan in the amount of \$999,999 at a 0% interest rate with a 30 year amortization.

Originally, the applicant was evaluated for financial feasibility (see attached Multifamily Underwriting Analysis Report) and found to be infeasible. The Applicant filed an appeal to the Executive Director on September 15, 2003. The appeal was denied by the Executive Director on September 29, 2003 because the documentation as presented in the Application deemed the development infeasible; the proforma does not reflect a positive cash flow over the full 30 year affordability period as required by the Department's statute (Texas Government Code 2306.185) and rules (10 TAC 1.32(d)(7)). On October 6, 2003, the Applicant submitted a subsequent appeal to the Board that requested that the Application be reinstated, which was approved by the Board as noted above.

In April 2003, twenty-seven HOME Rental Community Housing Development Organization (CHDO) applications were submitted. The Multifamily Finance Production staff reviewed the applications utilizing the threshold and scoring criteria outlined in the 2003 HOME Rental Housing Development Application. Of the Applications submitted, after all appeals were heard, 10 of those (including Bethel Senior Housing) were determined to be eligible to compete for funding. Of those 10, four were found to be financially feasible and were awarded by the Board in September 2003.

If the above recommendation of \$999,999 is approved, the total CHDO funds obligated to date will be \$6,247,961 and the balance of those CHDO funds totaling \$8,871,088, will be made available through a Notice of Funding Availability that will better enable the Department to work with CHDO applicants on their applications on a non-competitive basis in an open cycle.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

DATE: July 20, 2003

PROGRAM: HOME

FILE NUMBER: 2003-0288

DEVELOPMENT NAME

Bethel Senior Housing

APPLICANT

Name: East Austin Economic Development Corp. **Type:** Non-Profit
Address: 1009 East 11th Street, Suite 103 **City:** Austin **State:** TX
Zip: 78702 **Contact:** Van Dyke Johnson **Phone:** (512) 472-1472 **Fax:** (512) 457-1237

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name: Marvin C. Griffin **(%):** N/A **Title:** President

PROPERTY LOCATION

Location: 913 West Goliad **QCT** **DDA**
City: Crockett **County:** Houston **Zip:** 75835

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$999,999	0%	30	30
Other Requested Terms: <u>HOME Loan</u>			
Proposed Use of Funds: <u>New Construction</u>		Property Type: <u>Multifamily</u>	
Set-Aside(s): <input type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> TX RD <input type="checkbox"/> Non-Profit <input type="checkbox"/> Elderly <input type="checkbox"/> At Risk			

RECOMMENDATION

NOT RECOMMENDED DUE TO THE FOLLOWING: LACK OF LONG TERM FEASIBILITY AND THE ABSENCE OF A PLAN OR CAPACITY TO ENSURE 30 YEAR OPERATION

CONDITIONS

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report prior to any Board approval;
2. Should the Board approve an award for this development, all net operating income after TDHCA approved expenses have been paid should be deposited in a reserve account controlled by the Department to fund future operating deficits.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 16 **# Rental Buildings:** 4 **# Common Area Bldgs:** 1 **# of Floors:** 1 **Age:** N/A yrs **Vacant:** N/A at / /
Net Rentable SF: 10,960 **Av Un SF:** 685 **Common Area SF:** 1,216 **Gross Bldg SF:** 12,176

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 100% brick veneer exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters

ON-SITE AMENITIES

1,216-SF community building with community room, management offices, laundry facilities, kitchen, restrooms, and storage rooms located in the middle of the property.

Uncovered Parking: 35 spaces **Carports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Bethel Senior Housing is a low density (4 units per acre) new construction development of 16 units of affordable housing located in southwest Crockett. The development is comprised of four evenly distributed medium four-plex residential buildings as follows:

- (4) Building Type A with four one-bedroom/one-bath units;

Architectural Review: The buildings are functional with varied rooflines. Each unit has a private exterior entry.

Supportive Services: The Applicant's supportive services plan indicates that EAEDC will work with residents to assure that they have the opportunity to access the following services in Houston County: Meals on Wheels, Congregate Meals, HOME Health Care, Prescriptions, Medical and Churches.

Schedule: The Applicant anticipates construction to begin in November of 2003 and to be completed in July of 2004. The development should be placed in service in August of 2004. The Applicant did not anticipate a date for substantial lease-up of the property.

SITE ISSUES

SITE DESCRIPTION

Size: 4.259 acres 185,522 square feet **Zoning/ Permitted Uses:** R3
Flood Zone Designation: Zone X **Status of Off-Sites:** Partially Improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Crockett is located in southeast Texas, approximately 42 miles west of Lufkin in Houston County. The site is an irregularly-shaped parcel located in the southwest area of Crockett, approximately 2 miles from the central business district. The site is situated on the south side of Goliad Avenue.

Adjacent Land Uses:

- **North:** wooded acreage
- **South:** wooded vacant land and single family residential
- **East:** vacant land and small warehouse building
- **West:** single family on small farm

Site Access: Access to the property is from the east or west along West Goliad. The development is to have

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

one main entry from the east or west from West Goliad. Access to State Highway 287 is approximately one mile east and Interstate Highway 45 is 30 miles west, which provides connections to all other major roads serving the Crockett area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within 2 miles of one major grocery and pharmacy store. Retail shopping, library, and a variety of other retail establishments and restaurants are within a short distance from the site. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Site Inspection Findings: The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

POPULATIONS TARGETED

Income Set-Aside: All 16 of the units (100%) will be reserved for low-income/elderly tenants.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$18,480	\$21,120	\$23,760	\$26,400	\$28,500	\$30,600

MARKET HIGHLIGHTS

A market feasibility study dated March 19, 2003 was prepared by the Center for Housing and Economic Opportunities Corporation. The market study did not contain detailed information about the market or meet the Department's Market Analysis guidelines, (the HOME NOFA went out prior to the guidelines final approval) but concluded the following:

“The 2002 Census data indicated the total population of Houston County is 23,185. A full 18.0% or 4,167 persons are over 60 years of age or older. 24.0% of the households in the Houston County are renters. 51.9% of the renters pay more than \$300 per month in gross rent...Over 53.8% of the households pay more than 30% of their income for rent. The eligibility factor for the proposed Bethel Senior Housing is a maximum of \$28,150 per year for a 2 person household. There are 2,491 householders age 55+ whose income is below \$29,999 per year and are thus income eligible for Bethel Senior Housing. There are 597 householders over age 60 whose income is \$29,999 or less who are currently renters in Houston County.”

In addition, the market analysis projects the proposed 16 units to be absorbed within 6 months. “The initial residents would come from the general population, and those currently on waiting lists for the existing apartments in Crockett. Also, referrals from Home Health agencies, churches, the Chamber of Commerce and The Crockett Senior Center will enhance the absorption rate.” (p. 5)

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum HOME rents allowed, reflecting the low fair market rent in Houston County. The Applicant did not include secondary income in the rent schedule. Estimates of vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of \$2,772 per unit is 3% higher than a TDHCA database-derived estimate of \$2,691 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$2K higher) and water, sewer, and trash (\$2K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant. It should be noted that the Applicant anticipates the development to be property tax-exempt based upon their nonprofit CHDO ownership status. This assumption was also utilized by the Underwriter. The Applicant's operating expenses represent 85% of anticipated income as presented calling into question the viability of this development to service any debt and to be able

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

to maintain a positive cash flow in the long run.

Conclusion: The Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in total estimated operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 0.29 is less than the program minimum standard of 1.10. This suggests that the maximum debt service for this project should be limited to \$8,655 by a reduction of the requested loan amount and/or a reduction in the interest rate and/or an extension of the term and/or reduction in the repayable portion of the debt in order to achieve a debt coverage ratio that is within the Department's guidelines. It should be noted that the Applicant did not include a debt service for the requested funds. When asked about the debt service, the Applicant indicated that the request was for a deferred loan, which is why no debt service is reflected in the Applicant's original proforma. It should also be noted that the Applicant's original 30 year proforma was modified such that expense growth in the latter years ceased to outpace income growth. When the TDHCA guideline of three percent growth in income and four percent growth in expenses is applied to the proforma based upon the Applicant's stabilized income and expenses, net operating income before any debt service becomes negative before year 20. Moreover, if every dollar of net operating income (assuming no debt service whatsoever) were deposited into a secured reserve account and held until operating deficits began to occur it would be doubtful that sufficient funds could be saved to cover future projected operating losses. In a situation such as this only a few mitigation tool such as budget based rents or deep pocketed sponsors exist and none appear to apply to the subject.

ACQUISITION VALUATION INFORMATION			
ASSESSED VALUE			
Land: 5.12 acres	\$51,980	Assessment for the Year of:	2003
Prorated (per acre):	\$10,152	Valuation by:	Houston County Appraisal District
Total Assessed Value (4.259 acres):	\$43,237	Tax Rate:	2.31918
EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	Option to Purchase		
Contract Expiration Date:	11/ 21/ 2003	Anticipated Closing Date:	11/ 21/ 2003
Acquisition Cost:	\$15,300	Other Terms/Conditions:	
Seller: Otis Duren	Related to Development Team Member: No		

CONSTRUCTION COST ESTIMATE EVALUATION
Acquisition Value: The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction.
Sitework Cost: The Applicant's claimed sitework costs of \$6,719 per unit are considered reasonable compared to historical sitework costs for multifamily projects.
Direct Construction Cost: The Applicant's costs are more than 5% different than the Underwriter's Marshall & Swift <i>Residential Cost Handbook</i> -derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are overstated.
Fees: The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by TDHCA guidelines when compared to the Underwriter's costs but are within the guidelines based upon their own costs.
Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. The Applicant's total development cost estimate is also within the HUD 221(d)(3) HOME subsidy limit of \$1,282,304. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown can be used to size

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

an award.

**FINANCING STRUCTURE
FINANCING STRUCTURE ANALYSIS**

Permanent Financing: Based upon the limited debt service capacity of the development as a result of higher expenses, a debt service of not more than \$7,326 per year at the proposed terms is required in order to yield an acceptable DCR of 1.30 and not unduly burden the development. However, even if the debt service were limited to this amount, the project would begin to experience a DCR below a 1.10 by year 10 and a negative cashflow by year 15 based on the Applicant's proforma and year 25 based on the Underwriter's. In either case it would deem the project infeasible for the state mandated 30 years. Without any viable mitigation via project based vouchers or another dedicated funding source, the HOME award is not recommended.

**DEVELOPMENT TEAM
IDENTITIES of INTEREST**

The Applicant, Developer, Property Manager and Supportive Services firm are all related entities. These are common relationships for rural multifamily.

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

Financial Highlights:

- The Applicant, East Austin Economic Development Corporation, submitted an audited financial statement as of December 31, 2002 reporting total assets of \$2.5M and consisting of \$26K in cash, \$22K in receivables, \$647K in senior housing, \$835K in office buildings, \$946K in housing under construction and held for resale and \$27K in machinery and equipment. Liabilities totaled \$1.5M, resulting in a fund balance of \$967K. It should be noted that the corporation's assets are tied up in long term assets with questionable equity capacity. Other than grants and other funding from the Department and the City of Austin, and the Ebenezer Baptist Church, the Applicant has no significant ongoing fundraising experience. The Applicant does not appear to possess the financial capacity to support the transaction. Moreover, the corporation's bylaws indicate that while it is incorporated to serve every within the State of Texas, it shall concentrate its efforts in areas around Austin, Bastrop, Cedar Creek, Elgin, Lockhart, Pflugerville, Round Rock and San Antonio and focus its interests and activities in the zip codes of 78744 and 78702 of the City of Austin. The nearest area of concentration, Bastrop, is over 130 miles away and its focus zip codes are approximately 150 miles away. Thus, it is difficult to see the vesting of long term permanent interest in this satellite development.

Background & Experience:

The Applicant has completed two HOME housing developments totaling 32 units since 1994.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift* based estimate by more than 5%.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The Development's 30-year proforma does not maintain a DCR in the acceptable range and net operating income does not remain positive over the projected 30-year period.
- The Applicant does not have the financial capacity to support the development for the long term.

Underwriter:

Raquel Morales

Date: July 20, 2003

Director of Real Estate Analysis:

Tom Gouris

Date: July 20, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Bethel Senior Housing, Crockett, HOME #2003-0288

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int Pd Util	Wtr, Swr, Trsh
LH = 30%	4	1	1	685	\$341	\$291	\$1,164	\$0.42	\$50.00	\$12.36
LH [50% inc]	5	1	1	685	341	\$291	1,455	0.42	\$50.00	\$12.36
LH [60% inc]	6	1	1	685	341	\$291	1,746	0.42	\$50.00	\$12.36
HH	1	1	1	685	341	\$291	291	0.42	\$50.00	\$12.36
TOTAL:	16		AVERAGE:	685	\$341	\$291	\$4,656	\$0.42	\$50.00	\$12.36

INCOME Total Net Rentable Sq Ft: **10,960**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$5.00
 Other Support Income: (describe)

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%
 Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	7.06%	\$232	0.34
Management	9.09%	299	0.44
Payroll & Payroll Tax	17.26%	567	0.83
Repairs & Maintenance	18.37%	604	0.88
Utilities	3.42%	112	0.16
Water, Sewer, & Trash	9.59%	315	0.46
Property Insurance	8.34%	274	0.40
Property Tax 2.31918	0.00%	0	0.00
Reserve for Replacements	6.09%	200	0.29
Other Expenses:	2.66%	88	0.13
TOTAL EXPENSES	81.89%	\$2,691	\$3.93
NET OPERATING INC	18.11%	\$595	\$0.87

DEBT SERVICE

HOME Amortized Loan	63.41%	\$2,083	\$3.04
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	-45.30%	(\$1,488)	(\$2.17)

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
ACQUISITION COST (site or bldg)		1.74%	\$1,050	\$1.53
Off-Sites		0.00%	0	0.00
Sitework		11.15%	6,719	9.81
Direct Construction		55.17%	33,247	48.54
Contingency	0.94%	0.62%	375	0.55
General Req'ts	6.00%	3.98%	2,398	3.50
Contractor's G & A	2.00%	1.33%	799	1.17
Contractor's Profit	6.00%	3.98%	2,398	3.50
Indirect Construction		8.38%	5,050	7.37
Ineligible Costs		0.00%	0	0.00
Developer's G & A	2.42%	2.07%	1,250	1.82
Developer's Profit	10.30%	8.82%	5,313	7.76
Interim Financing		1.03%	619	0.90
Reserves		1.74%	1,047	1.53
TOTAL COST		100.00%	\$60,264	\$87.98
Recap-Hard Construction Costs		76.22%	\$45,936	\$67.06

SOURCES OF FUNDS

HOME Amortized Loan	103.71%	\$62,500	\$91.24
HOME Term Loan	0.00%	\$0	\$0.00
LIHTC Syndication Proceeds	0.00%	\$0	\$0.00
Deferred Developer Fees	0.00%	\$0	\$0.00
Additional (excess) Funds Required	-3.71%	(\$2,236)	(\$3.26)
TOTAL SOURCES			

TDHCA	APPLICANT
\$55,872	\$55,872
960	0
0	0
\$56,832	\$55,872
(4,262)	(4,188)
0	0
\$52,570	\$51,684
3,712	\$5,500
4,781	\$3,101
9,074	\$9,150
9,659	\$8,560
1,797	\$1,500
5,042	\$7,348
4,384	\$4,595
0	\$0
3,200	\$3,200
1,400	\$1,400
\$43,050	\$44,354
\$9,519	\$7,330
\$33,333	\$0.00
0	\$0.00
0	\$0.00
(\$23,814)	\$7,330
0.29	#DIV/0!
1.30	

USS Region	5	
IREM Region	6	
Per Unit Per Month		
-7.50%	of Potential Gross Rent	
PER SQ FT	PER UNIT	% OF EGI
\$0.50	\$344	10.64%
0.28	194	6.00%
0.83	572	17.70%
0.78	535	16.56%
0.14	94	2.90%
0.67	459	14.22%
0.42	287	8.89%
0.00	0	0.00%
0.29	200	6.19%
0.13	88	2.71%
\$4.05	\$2,772	85.82%
\$0.67	\$458	14.18%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.67	\$458	14.18%

TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
\$16,800	\$16,800	\$1.53	\$1,050	1.68%
0	0	0.00	0	0.00%
107,500	107,500	9.81	6,719	10.75%
531,948	571,000	52.10	35,688	57.10%
6,000	6,000	0.55	375	0.60%
38,367	40,710	3.71	2,544	4.07%
12,789	13,570	1.24	848	1.36%
38,367	40,710	3.71	2,544	4.07%
80,800	80,800	7.37	5,050	8.08%
0	0	0.00	0	0.00%
20,000	20,000	1.82	1,250	2.00%
85,009	85,009	7.76	5,313	8.50%
9,900	9,900	0.90	619	0.99%
16,751	8,000	0.73	500	0.80%
\$964,231	\$999,999	\$91.24	\$62,500	100.00%
\$734,971	\$779,490	\$71.12	\$48,718	77.95%

RECOMMENDED

\$999,999	\$999,999	\$293,038	221(d)(3) max subsidy
0	0	706,961	\$1,282,304
0	0	0	% of Dev. Fee Deferred
0	0	0	0%
(35,768)	0	(0)	15-Yr Cumulative Cash Flow
\$964,231	\$999,999	\$999,999	\$13,548

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Bethel Senior Housing, Crockett, HOME #2003-0288

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$46.20	\$506,324
Adjustments				
Exterior Wall Finish	8.00%		\$3.70	\$40,506
Elderly	5.00%		2.31	25,316
Roofing			0.00	0
Subfloor			(2.02)	(22,139)
Floor Cover			1.92	21,043
Porches/Balconies	\$29.24	1352	3.61	39,532
Plumbing	\$615	0	0.00	0
Built-In Appliances	\$1,625	16	2.37	26,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.47	16,111
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$68.39	1,216	7.59	83,157
Other:			0.00	0
SUBTOTAL			67.14	735,851
Current Cost Multiplier	1.03		2.01	22,076
Local Multiplier	0.86		(9.40)	(103,019)
TOTAL DIRECT CONSTRUCTION COSTS			\$59.75	\$654,907
Plans, specs, survy, bld prm	3.90%		(\$2.33)	(\$25,541)
Interim Construction Interest	3.38%		(2.02)	(22,103)
Contractor's OH & Profit	11.50%		(6.87)	(75,314)
NET DIRECT CONSTRUCTION COSTS			\$48.54	\$531,948

PAYMENT COMPUTATION

Primary	\$999,999	Term	360
Int Rate	0.00%	DCR	0.29
Secondary	\$0	Term	
Int Rate	0.00%	Subtotal DCR	0.29
Additional	\$0	Term	
Int Rate		Aggregate DCR	0.29

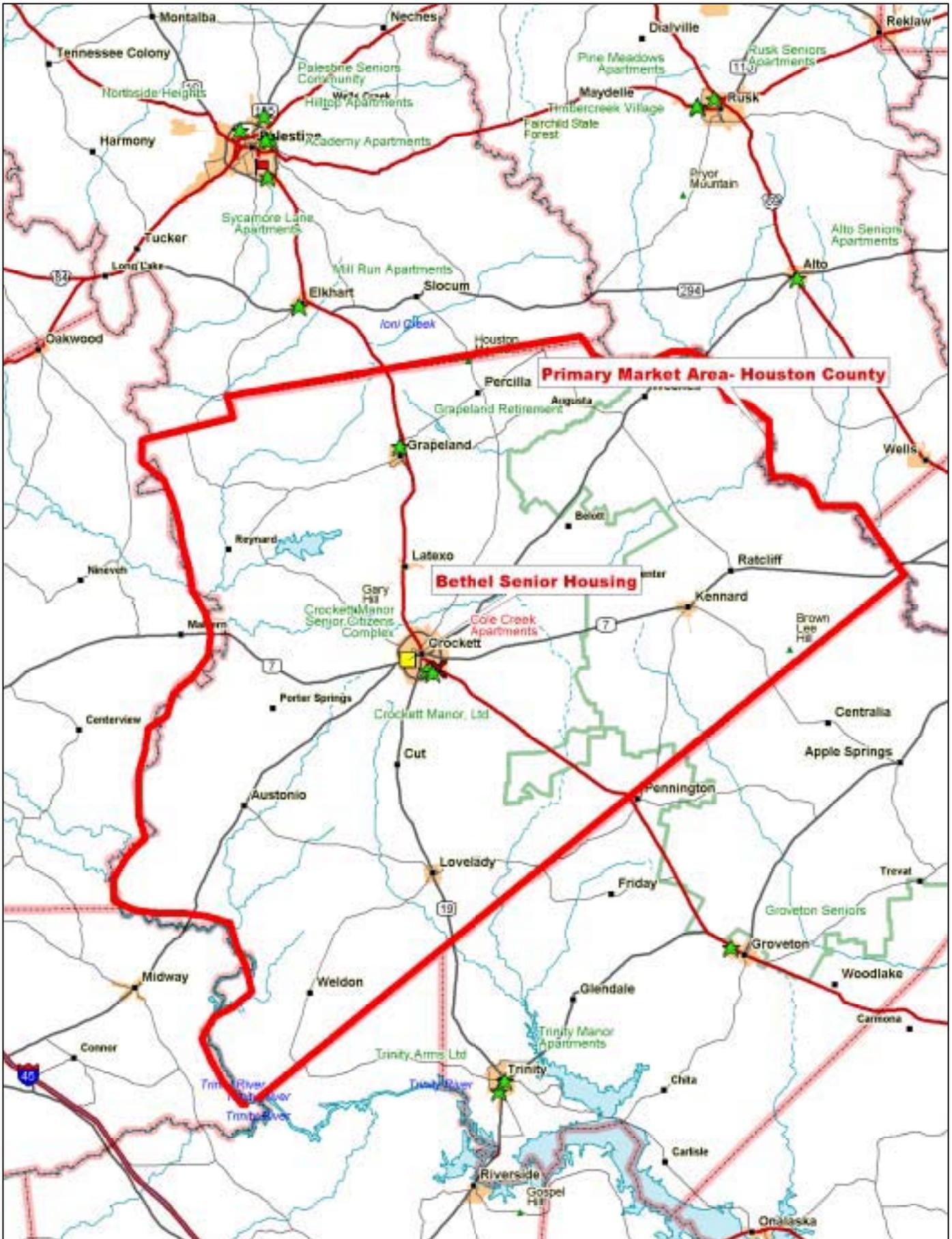
RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$7,326
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$2,193

Primary	\$293,038	Term	480
Int Rate	0.00%	DCR	1.30
Secondary	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.30
Additional	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$55,872	\$57,548	\$59,275	\$61,053	\$62,884	\$72,900	\$84,511	\$97,972	\$131,666
Secondary Income	960	989	1,018	1,049	1,080	1,253	1,452	1,683	2,262
Other Support Income: (descrip)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	56,832	58,537	60,293	62,102	63,965	74,153	85,963	99,655	133,928
Vacancy & Collection Loss	(4,262)	(4,390)	(4,522)	(4,658)	(4,797)	(5,561)	(6,447)	(7,474)	(10,045)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$52,570	\$54,147	\$55,771	\$57,444	\$59,168	\$68,591	\$79,516	\$92,181	\$123,884
EXPENSES at 4.00%									
General & Administrative	\$3,712	\$3,861	\$4,015	\$4,176	\$4,343	\$5,284	\$6,429	\$7,822	\$11,578
Management	4,781	4,924	5,072	5,224	5,381	6,238	7,231	8,383	11,266
Payroll & Payroll Tax	9,074	9,437	9,815	10,208	10,616	12,916	15,714	19,119	28,300
Repairs & Maintenance	9,659	10,045	10,447	10,865	11,299	13,748	16,726	20,350	30,123
Utilities	1,797	1,869	1,944	2,022	2,103	2,558	3,113	3,787	5,606
Water, Sewer & Trash	5,042	5,244	5,454	5,672	5,899	7,177	8,732	10,623	15,725
Insurance	4,384	4,559	4,742	4,931	5,129	6,240	7,592	9,236	13,672
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	3,200	3,328	3,461	3,600	3,744	4,555	5,541	6,742	9,980
Other	1,400	1,456	1,514	1,575	1,638	1,993	2,424	2,950	4,366
TOTAL EXPENSES	\$43,050	\$44,724	\$46,464	\$48,272	\$50,151	\$60,707	\$73,502	\$89,011	\$130,615
NET OPERATING INCOME	\$9,519	\$9,422	\$9,307	\$9,172	\$9,017	\$7,884	\$6,015	\$3,170	(\$6,732)
DEBT SERVICE									
First Lien Financing	\$7,326	\$7,326	\$7,326	\$7,326	\$7,326	\$7,326	\$7,326	\$7,326	\$7,326
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$2,193	\$2,096	\$1,981	\$1,846	\$1,691	\$558	(\$1,311)	(\$4,156)	(\$14,058)
DEBT COVERAGE RATIO	1.30	1.29	1.27	1.25	1.23	1.08	0.82	0.43	(0.92)



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BOND FINANCE DIVISION

BOARD ACTION REQUEST

December 11, 2003

Action Item

Revised Investment Policy incorporating new ethics and disclosure requirements for financial advisors and service providers.

Required Action

Approve Resolution 03-091 authorizing the revised Investment Policy incorporating new ethics and disclosure requirements for financial advisors and service providers.

Background

During the 78th Legislature, Regular Session, the Texas Legislature passed *Chapter 2263., Ethics And Disclosure Requirements For Outside Financial Advisors And Service Providers* (the "Act"). The Act, under Senate Bill 1059, requires certain actions by governing boards of state entities involved in the management and investment of state funds and adds disclosure requirements for outside financial advisors and service providers. The Act became effective September 1, 2003. According to the Act, each state governmental entity required to adopt rules under Chapter 2263, Government Code, as added by this Act, must have adopted its initial rules in time for the rules to take effect not later than January 1, 2004.

Staff included requirements of the Act in Section VIII of the Investment Policy. The Board previously approved the Investment Policy on June 12, 2003.

Recommendation

Approve Resolution 03-091 authorizing the revised Investment Policy incorporating new ethics and disclosure requirements for financial advisors and service providers.

**TEXAS DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS**

AMENDED DRAFT

INVESTMENT POLICY

December 11, 2003

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

INVESTMENT POLICY

I. POLICY

It is the policy of the Texas Department of Housing and Community Affairs (the "Department") to invest public funds in a manner which will provide by priority the following objectives:

1. safety of principal;
2. sufficient liquidity to meet Department cash flow needs;
3. a market rate of return for the risk assumed; and
4. conformation to all applicable state statutes governing the investment of public funds including the Department's enabling legislation, Texas Government Code, Section 2306, Texas Government Code, Section 2263, Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers, and specifically Texas Government Code, Section 2256, the Public Funds Investment Act (the "Act").

II. SCOPE

This investment policy applies to all investment assets of the Department. These funds are accounted for in the Department's Comprehensive Annual Financial Report and include the General Fund, Special Revenue Fund, Trust and Agency Fund, and Enterprise Fund.

This investment policy does not apply to hedges, which include but are not limited to, interest rate swaps, caps, floors, futures contracts, forward contracts, etc., that satisfy the eligibility requirements of a "qualified hedge" as defined by Section 1.148-4(h)(2) of the Internal Revenue Code.

III. PRUDENCE

Investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion and intelligence would exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety and liquidity of their capital as well as the probable income to be derived.

The standard of prudence to be used by the investment officer named herein shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. An investment officer acting in accordance with the investment policy and written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

IV. OBJECTIVES

The following are the primary objectives of investment activities in order of priority:

1. Safety. Preservation and safety of principal is the foremost objective of the investment program. Investments of the Department shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. In accordance with Section 2256.005(d) of the Act, the first priority is the suitability of the investment. The objective will be to mitigate credit risk and interest rate risk. To achieve this objective, diversification is required so that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
 - A. Credit risk is the risk of loss due to the failure of the security issuer or backer, and may be mitigated by:
 - limiting investments to the safest types of securities;
 - pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Department will do business; and
 - diversifying the investment portfolio so that potential losses on individual securities will be minimized.
 - B. Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, and may be mitigated by:
 - structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and
 - investing operating funds primarily in shorter-term securities.
2. Liquidity. The Department's investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated cash flow needs. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.
3. Yield. The Department's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow needs of the Department. Return on investment for short-term operating funds is of less importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:
 - A declining credit security could be sold early to minimize loss of principal;
 - A security swap would improve the quality, yield, or target duration in the portfolio; or
 - Liquidity needs of the portfolio require that the security be sold.

V. DELEGATION OF AUTHORITY

The Board establishes investment policy and objectives, obtains expert advice and assistance with respect to its actions as is necessary to exercise its responsibilities prudently, and monitors the actions of staff and advisors to ensure compliance with its policy. It is the Board's intention that this policy be carried out by those persons who are qualified and competent in their area of expertise.

Authority to manage the Department's investment program is granted under the provisions of Texas Government Code, Section 2306.052(b) (4) and (5) to the Director of the Department, ("Executive Director"). Responsibility for the operation of the investment program is hereby delegated by the Executive Director of the Department to the Chief of Agency Administration and the Director of Bond Finance acting in those capacities (collectively the "Investment

Officer”) who shall carry out established written procedures and internal controls for the operation of the investment program consistent with this investment policy. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Procedures should include reference to safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. Such procedures may include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer.

VI. ETHICS AND CONFLICTS OF INTEREST

1. Department employees and Board members must comply with all applicable laws, and should specifically be aware of the following statutes:
 - Texas Government Code, Section 825.211, *Certain Interests in Loans, Investments or Contracts Prohibited*
 - Texas Government Code, Section 572.051, *Standards of Conduct for Public Servants*
 - Texas Government Code, Sections 553.001-003, *Disclosure by Public Servants of Interest in Property Being Acquired by Government*
 - Texas Government Code, Section 552.352, *Distribution of Confidential Information*
 - Texas Government Code, Section 572.054, *Representation by Former Officer or Employee of Regulatory Agency Restricted*
 - Texas Penal Code, Chapter 36, *Bribery, Corrupt Influence and Gifts to Public Servants*
 - Texas Penal Code, Chapter 39, *Abuse of Office, Official Misconduct*.

The omission of any applicable statute from this list does not excuse violation of its provisions.

2. Department employees and Board members must be honest in the exercise of their duties and must not take actions which will discredit the Department.
3. Department employees and Board members should be loyal to the interest of the Department to the extent that such loyalty is not in conflict with other duties which legally have priority, and should avoid personal, employment or business relationships that create conflicts of interest.
 - Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.
 - Officers and employees shall disclose to the Executive Director any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the Department’s investment portfolio.
 - Officers and employees shall refrain from undertaking personal investment transactions with the same individuals with whom business is conducted on behalf of the Department. Specifically, no employee of the Department is to:
 - * Accept or solicit any gift, favor, or service that might reasonably tend to influence the employee in the discharge of the employee’s official duties or that the employee knows or should know is being offered him/her with the intent to influence the employee’s official conduct;
 - * Accept other employment or engage in any business or professional activity in which the employee might reasonably expect would require or induce him/her to disclose confidential information acquired by reason of his/her official position;
 - * Accept other employment or compensation which could reasonably be expected to impair the officer’s or employee’s judgment in the performance of his/her official duties;

(An employee whose employment is involved in a competitive program of the Department must immediately disclose the acceptance of another job in the same field. The disclosure must be made to either the employee's immediate supervisor or to the Executive Director. The Executive Director must be notified in all cases. Failure to make the required disclosure may result in the employee's immediate termination from the Department.)

- * Make personal investments which could reasonably be expected to create a substantial conflict between the officer's or employee's private interest and the public interest; and

(A Department employee may not purchase Department bonds in the open secondary market for municipal securities.)

- * Intentionally or knowingly solicit, accept or agree to accept any benefit for having exercised the employee's official powers or performed his/her official duties in favor of another.
4. Department employees and Board members may not use their relationship with the Department to seek or obtain personal gain beyond agreed compensation and/or any properly authorized expense reimbursement. This should not be interpreted to forbid the use of the Department as a reference or the communication to others of the fact that a relationship with the Department exists, provided that no misrepresentation is involved.
 5. Department employees and Board members who have a personal business relationship with a business organization offering to engage in an investment transaction with the Department shall file a statement disclosing that personal business interest. An individual who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Department shall file a statement disclosing that relationship. A statement required under this section must be filed with the Texas Ethics Commission and the Department's Board. For purposes of this policy, an individual has a personal business relationship with a business organization if:
 - the individual owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
 - funds received by the Investment Officer from the business organization exceed 10 percent of the individual's gross income from the previous year; or
 - the individual has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the individual.

VII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Department (in conjunction with the State Comptroller) will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by creditworthiness (\$10,000,000 minimum capital requirement and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state law.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following, as appropriate:

- audited financial statements;
- proof of National Association of Securities Dealers (NASD) certification;
- proof of state registration;
- completed broker/dealer questionnaire; and
- certification of having read the Department's investment policy and depository contracts.

An annual review of the financial condition and registration of qualified bidders will be conducted by the Investment Officer. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the Department invests.

With respect to investments provided in connection with the issuance of bonds, the above requirements will be deemed met if the investment provider is acceptable to minimum credit ratings by rating agencies and/or by the bond insurer/credit enhancer, if applicable, and if the investment meets the requirements of the applicable bond trust indenture. A broker, engaged solely to secure a qualified investment referred to in this paragraph on behalf of the Department, which will not be providing an investment instrument shall not be subject to the above requirements, and may only be engaged if approved by the Board.

VIII. ETHICS AND DISCLOSURE REQUIREMENTS FOR OUTSIDE FINANCIAL ADVISORS AND SERVICE PROVIDERS

During the 78th Legislature, Regular Session, the Texas Legislature passed *Chapter 2263., Ethics And Disclosure Requirements For Outside Financial Advisors And Service Providers* ("Chapter 2263"). Chapter 2263, under Senate Bill 1059, requires certain actions by governing boards of state entities involved in the management and investment of state funds and adds disclosure requirements for outside financial advisors and service providers. Chapter 2263 became effective September 1, 2003. Each state governmental entity required to adopt rules under Chapter 2263, Government Code, as added by this Act, must have adopted its initial rules in time for the rules to take effect not later than January 1, 2004.

Applicability. Chapter 2263 applies in connection with the management or investment of any state funds managed or invested:

- (1) under the Texas Constitution or other law, including Chapter 404, State Treasury Operations of Comptroller, and Chapter 2256, Public Funds Investment; and
- (2) by or for:
 - (A) a public retirement system as defined by Section 802.001 that provides service retirement, disability retirement, or death benefits for officers or employees of the state;
 - (B) an institution of higher education as defined by Section 61.003, Education Code; or
 - (C) another entity that is part of state government and that manages or invests state funds or for which state funds are managed or invested.

Chapter 2263 applies in connection with the management or investment of state funds without regard to whether the funds are held in the state treasury.

Chapter 2263 does not apply to or in connection with a state governmental entity that does not manage or invest state funds and for which state funds are managed or invested only by the comptroller.

Definition. With respect to this Chapter 2263, "financial advisor or service provider" includes a person or business entity who acts as a financial advisor, financial consultant, money or investment manager, or broker.

Construction With Other Law. To the extent of a conflict between Chapter 2263 and another law, the law that imposes a stricter ethics or disclosure requirement controls.

Ethics Requirements For Outside Financial Advisors Or Service Providers. The governing body of a state governmental entity by rule shall adopt standards of conduct applicable to financial advisors or service providers who are not employees of the state governmental entity, who provide financial services to the state governmental entity or advise the state governmental entity or a member of the governing body of the state governmental entity in connection with the management or investment of state funds, and who:

- (1) may reasonably be expected to receive, directly or indirectly, more than \$10,000 in compensation from the entity during a fiscal year; or
- (2) render important investment or funds management advice to the entity or a member of the governing body of the entity, as determined by the governing body.

A contract under which a financial advisor or service provider renders financial services or advice to a state governmental entity or other person as described immediately above, in regard to compensation or duties, is voidable by the state governmental entity if the financial advisor or service provider violates a standard of conduct adopted under this section.

In addition to the disclosures required by Chapter 2263 and described below, the Department will rely upon financial advisors and service providers' submission of an Acknowledgement of Receipt of Investment Policy and Certificate of Compliance with the Public Funds Investment Act forms to evidence compliance with the Department's code of conduct and procedures as related to investments.

Disclosure Requirements For Outside Financial Advisor Or Service Provider. A financial advisor or service provider described by Section 2263.004 shall disclose in writing to the administrative head of the applicable state governmental entity and to the state auditor:

- (1) any relationship the financial advisor or service provider has with any party to a transaction with the state governmental entity, other than a relationship necessary to the investment or funds management services that the financial advisor or service provider performs for the state governmental entity, if a reasonable person could expect the relationship to diminish the financial advisor's or service provider's independence of judgment in the performance of the person's responsibilities to the state governmental entity; and
- (2) all direct or indirect pecuniary interests the financial advisor or service provider has in any party to a transaction with the state governmental entity, if the transaction is connected with any financial advice or service the financial advisor or service provider provides to the state governmental entity or to a member of the governing body in connection with the management or investment of state funds.

The financial advisor or service provider shall disclose a relationship described by the immediately preceding subsections (1) or (2) without regard to whether the relationship is a direct, indirect, personal, private, commercial, or business relationship.

A financial advisor or service provider described by Section 2263.004 shall file annually a statement with the administrative head of the applicable state governmental entity and with the state auditor. The statement must disclose each relationship and pecuniary interest described by Subsection (a) or, if no relationship or pecuniary interest described by that subsection existed during the disclosure period, the statement must affirmatively state that fact.

The annual statement must be filed not later than April 15 on a form prescribed by the governmental entity, other than the state auditor, receiving the form. The statement must cover the reporting period of the previous calendar year. The state auditor shall develop and recommend a uniform form that other governmental entities receiving the form may prescribe. The Department's disclosure form is provided as Attachment E.

The financial advisor or service provider shall promptly file a new or amended statement with the administrative head of the applicable state governmental entity and with the state auditor whenever there is new information to report related to the immediately preceding subsections (1) or (2).

Public Information. Chapter 552, Government Code, controls the extent to which information contained in a statement filed under this chapter is subject to required public disclosure or excepted from required public disclosure.

IX. AUTHORIZED AND SUITABLE INVESTMENTS

General, Special Revenue and Trust and Agency Funds, all of which are on deposit with the State Treasury (specifically excluding Enterprise Funds), are invested by the Treasury pursuant to Texas Government Code, Section 404.024 and Article 5221(f), Subsection 13A(d) as amended relating to Manufactured Housing.

Enterprise Fund

1. Subject to a resolution authorizing issuance of its bonds, the Department is empowered by Texas Government Code, Section 2306.173 to invest its money in bonds, obligations or other securities: or place its money in demand or time deposits, whether or not evidenced by certificates of deposit. A guaranteed investment contract is an authorized investment for bond proceeds. All bond proceeds and revenues subject to the pledge of an Indenture shall be invested in accordance with the applicable law and the provisions of the applicable indenture including “Investment Securities” as listed in such Indenture and so defined.
2. All other enterprise funds (non-bond proceeds) shall be invested pursuant to state law. The following are permitted investments for those funds pursuant to the Act:
 - A. Obligations of, or guaranteed by governmental entities:
 - Obligations of the United States or its agencies and instrumentalities.
 - Direct obligations of this state or its agencies and instrumentalities.
 - Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, that have a market value of not less than the principal amount of the certificates.
 - Other obligations the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of this state or the United States or their respective agencies and instrumentalities.
 - Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
 - B. A Certificate of Deposit is an authorized investment under this policy if the certificate of deposit is issued by a state or national bank domiciled in this state or a savings bank domiciled in this state and is:
 - guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor;
 - secured by obligations that are described in subsection 2A above, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates and secured by collateral as described in Section XII of this policy; and
 - secured in any other manner and amount provided by law for deposits of the Department.
 - C. A “repurchase agreement” is a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations of the United States or its agencies and instrumentalities at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a

direct security repurchase agreement and a reverse security repurchase agreement. A fully collateralized repurchase agreement is an authorized investment under this policy if the repurchase agreement:

- has a defined termination date;
- is secured by collateral described in Section XII of this policy;
- requires the securities being purchased by the Department to be pledged to the Department, held in the Department's name, and deposited at the time the investment is made with the Department or with a third party selected and approved by the Department;
- is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state; and
- in the case of a reverse repurchase agreement, notwithstanding any other law other than the Act, the term of any such reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered. In addition, money received by the Department under the terms of a reverse security repurchase agreement may be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

D. Commercial Paper is an authorized investment under this policy if the commercial paper:

- has a stated maturity of 270 days or fewer from the date of its issuance; and
- is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally-recognized credit rating agencies, or one nationally-recognized credit rating agency and is fully secured, and by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

3. The following are not authorized investments pursuant to the Act:

- Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
- Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

X. DIVERSIFICATION

The Department will diversify its investments by security type and institution. With the exception of U. S. Treasury securities, mortgage-backed certificates created as a result of the Department's bond programs, and authorized pools, no more than 50% of the Department's total investment portfolio will be invested in a single security type or with a single financial institution. For purposes of this section, a banking institution and its related investment broker-dealer shall be considered separate financial institutions.

XI. PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles commensurate with the investment risk constraints and the cash flow needs. The basis used to determine whether market yields are being achieved shall be the three-month U.S. Treasury bill or other appropriate benchmark.

XII. EFFECT OF LOSS OF REQUIRED RATING

An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not meet or exceed the minimum rating. The Department shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not meet or exceed the minimum rating.

XIII. MAXIMUM MATURITIES

The Department shall limit its maximum final stated maturities to, in the case of bond proceeds, the maturity of the bonds, or for non-bond funds five (5) years unless specific authority is given to exceed that maturity by the Board. To the extent possible, the Department will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Department will not directly invest in securities maturing more than five years from the date of purchase. The Department will periodically determine what the appropriate average weighted maturity of the portfolio should be based on anticipated cash flow requirements.

Reserve funds may be invested in securities exceeding five years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds.

XIV. COLLATERALIZATION

Collateralization will be required on certificates of deposit, repurchase and reverse repurchase agreements, and savings and demand deposits if not insured by FDIC. In order to anticipate market changes and provide a level of security for all funds, the collateralization level should be at least 101% of the market value of principal and accrued interest for repurchase and reverse repurchase agreements. Collateralization of 100% will be required for overnight repurchase agreements and bank deposits in excess of FDIC insurance.

The following obligations may be used as collateral under this policy:

1. obligations of the United States or its agencies and instrumentalities;
2. direct obligations of this state or its agencies and instrumentalities;
3. collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
4. other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of this state or the United States or their respective agencies and instrumentalities; and
5. obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally-recognized investment rating firm not less than A or its equivalent.

Collateral will always be held by an independent third party with whom the Department has a current custodial agreement. A clearly marked evidence of ownership or a safekeeping receipt must be supplied to the Department and retained. The right of collateral substitution is granted subject to prior approval by the Investment Officer.

XV. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the Department will be executed by Delivery vs. Payment (DVP). This ensures that securities are deposited in the eligible financial institution prior to the release of funds. Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

XVI. INTERNAL CONTROL

The Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that:

1. the cost of a control should not exceed the benefits likely to be derived; and
2. the valuation of costs and benefits requires estimates and judgments by management.

Once every two years, the Department, in conjunction with its annual financial audit, shall have external/internal auditors perform a compliance audit of management controls on investments and adherence to the Department's established investment policies. The internal controls shall address the following points:

1. *Control of collusion.* Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. *Separation of transaction authority from accounting and record keeping.* By separating the person who authorizes or performs the transaction from the person who records or otherwise accounts for the transaction, a separation of duties is achieved.
3. *Custodial safekeeping.* Securities purchased from any bank or dealer including appropriate collateral as defined by state law shall be placed with an independent third party for custodial safekeeping.
4. *Avoidance of physical delivery securities.* Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. *Clear delegation of authority to subordinate staff members.* Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. *Written confirmation or telephone transactions for investments and wire transfers.* Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions must be supported by written communications and approved by the appropriate person, as defined by investment internal control procedures. Written communications may be via fax if on letterhead and the safekeeping institution has a list of authorized signatures.
7. *Development of a wire transfer agreement with the lead bank or third party custodian.* This agreement should outline the various controls, security provisions, and delineate responsibilities of each party making and receiving wire transfers.

The Department's external/internal auditors shall report the results of the audit performed under this section to the Office of the State Auditor not later than January 1 of each even-numbered year. The Office of the State Auditor compiles the results of reports received under this subsection and reports those results to the legislative audit committee once every two years.

XVII. REPORTING

1. Methods

Not less than quarterly, the Investment Officer shall prepare and submit to the Director and the Board of the Department a written report of investment transactions for all funds covered by this policy for the preceding reporting period; including a summary that provides a clear picture of the status of the current investment portfolio and transactions made over the previous reporting period. This report will be prepared in a manner which will allow the Department and the Board to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report must:

- A. describe in detail the investment position of the Department on the date of the report;
- B. be prepared jointly by each Investment Officer of the Department;
- C. be signed by each Investment Officer of the Department;
- D. contain a summary statement, prepared in compliance with generally accepted accounting principles for each fund that states the:
 - book value and market value of each separately invested asset at the beginning and end of the reporting period;
 - additions and changes to the market value during the period; and
 - fully accrued interest for the reporting period;
- E. state the maturity date of each separately invested asset that has a maturity date;
- F. state the fund in the Department for which each individual investment was acquired; and
- G. state the compliance of the investment portfolio of the Department as it relates to the investment strategy expressed in the Department's investment policy and relevant provisions of the policy.

The reports prepared by the Investment Officer under this policy shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the Board by that auditor.

2. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. Portfolio performance will be compared to appropriate benchmarks on a regular basis.

3. Marking to Market

A statement of the market value of the portfolio shall be issued at least quarterly. The Investment Officer will obtain market values from recognized published sources or from other qualified professionals as necessary. This will ensure that a review has been performed on the investment portfolio in terms of value and subsequent price volatility.

XVIII. INVESTMENT POLICY ADOPTION

The Department's investment policy shall be adopted by resolution of the Board.

1. Exemptions

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

2. Amendment

The policy shall be reviewed at least annually by the Board and any amendments made thereto must be approved by the Board. The Board shall adopt by written resolution a statement that it has reviewed the investment policies and strategies.

XIV. ACKNOWLEDGMENT OF RECEIPT OF INVESTMENT POLICY

A written copy of the investment policy shall be presented to any person offering to engage in an investment transaction related to Department funds. The qualified representative of the business organization shall execute a written instrument in a form acceptable to the Department and the business organization, substantially to the effect that the offering business organization has:

1. received and reviewed the investment policy of the Department; and
2. acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Department and the business organization that are not authorized by the Department's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Department's entire portfolio or requires an interpretation of subjective investment standards.

The Investment Officer of the Department may not buy any securities from a person who has not delivered to the Department an instrument complying with this investment policy. (See sample documents at Attachments C and D.)

XX. TRAINING

Each member of the Department's Board and the Investment Officer who are in office on September 1, 1996 or who assume such duties after September 1, 1996, shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties. Training under this section is provided by the Texas Higher Education Coordinating Board and must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this policy. The Investment Officer shall attend a training session not less than once in a two-year period and may receive training from any independent source approved by the Department's Board. The Investment Officer shall prepare a report on the training and deliver the report to the Board not later than the 180th day after the last day of each regular session of the legislature.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment A

STRATEGY

SECTION 1

All of the Department's funds as listed below are program / operational in nature, excluding the bond funds which are listed separately in Section 2 below. The following funds are held in the State Treasury and the Department earns interest on those balances at the then applicable rate.

- General Fund
- Trust Funds
- Agency Funds
- Proprietary Funds (excluding Revenue Bond Funds)

SECTION 2

The Department's Revenue Bond Funds, including proceeds, are invested in various investments as stipulated by the controlling bond indenture. Certain investments, controlled by indentures prior to the latest revised Public Funds Investment Act, are properly grandfathered from its provisions. Typical investments include: guaranteed investment contracts; agency mortgage-backed securities resulting from the program's loan origination; in some cases, long-term Treasury notes; and bonds used as reserves with maturities that coincide with certain long-term bond maturities.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment B

POLICY STATEMENTS AND RECOMMENDED PRACTICE

Repurchase Agreements

1. Repurchase agreements (“repos”) are the sale by a bank or dealer of government securities with the simultaneous agreement to repurchase the securities on a later date. Repos are commonly used by public entities to secure money market rates of interest.
2. The Department affirms that repurchase agreements are an integral part of its investment program.
3. The Department and its designated Investment Officer should exercise special caution in selecting parties with whom they will conduct repurchase transactions, and be able to identify the parties acting as principals to the transaction.
4. Proper collateralization practices are necessary to protect the public funds invested in repurchase agreements. Risk is significantly reduced by delivery of underlying securities through physical delivery or safekeeping with the purchaser’s custodian. Over-collateralization, commonly called haircut, or marking-to-market practices should be mandatory procedures.
5. To protect public funds the Department should work with securities dealers, banks, and their respective associations to promote improved repurchase agreement procedures through master repurchase agreements that protect purchasers’ interests, universal standards for delivery procedures, and written risk disclosures.
6. Master repurchase agreements should generally be used subject to appropriate legal and technical review. If the prototype agreement developed by the Public Securities Association is used, appropriate supplemental provisions regarding delivery, substitution, margin maintenance, margin amounts, seller representations and governing law should be included.
7. Despite contractual agreements to the contrary, receivers, bankruptcy courts and federal agencies have interfered with the liquidation of repurchase agreement collateral. Therefore, the Department should encourage Congress to eliminate statutory and regulatory obstacles to perfected security interests and liquidation of repurchase collateral in the event of default.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment C

ACKNOWLEDGMENT OF RECEIPT OF INVESTMENT POLICY

1. I am a qualified representative of _____ (the “Business Organization”).
2. The Business Organization proposes to engage in an investment transaction (the “Investments”) with the Texas Department of Housing and Community Affairs (the “Department”).
3. I acknowledge that I have received and reviewed the Department’s investment policy.
4. I acknowledge that the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the business organization and the Department that are not authorized by the Department’s investment policy.
5. The Business Organization makes no representation regarding authorization of the Investments to the extent such authorization is dependent on an analysis of the Department’s entire portfolio and which requires an interpretation of subjective investment standards.

Dated this _____ day of _____, _____.

Name: _____

Title: _____

Business Organization: _____

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment D

CERTIFICATE OF COMPLIANCE WITH PUBLIC FUNDS INVESTMENT ACT

I, _____, a qualified representative of
_____ (the "Business Organization")

hereby execute and deliver this certificate in conjunction with the proposed sale of investments to the Texas Department of Housing and Community Affairs (the "Department"). I hereby certify that:

1. I have received and thoroughly reviewed the Investment Policy of the Department, as established by the Department pursuant to Texas Government Code, Chapter 2256;
2. The Business Organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of or in any way relating to the sale of the investments to the Department by the Business Organization;
3. The Business Organization has reviewed the terms, conditions and characteristics of the investments and applicable law, and represents that the investments are authorized to be purchased with public funds under the terms of Texas Government Code, Chapter 2256; and
4. The investments comply, in all respects, with the investment policy of the Department.

Business Organization: _____

By: _____

Title: _____

Date: _____

Texas Department of Housing and Community Affairs
Attachment E
**ANNUAL DISCLOSURE STATEMENT FOR FINANCIAL ADVISORS AND SERVICE PROVIDERS
DUE NO LATER THAN APRIL 15**

INSTRUCTIONS:

- 1) THE REPORTING PERIOD COVERED BY THIS STATEMENT CONSISTS OF THE PRECEDING CALENDAR YEAR.
- 2) A NEW OR AMENDED STATEMENT MUST BE PROMPTLY FILED WITH THE PARTIES LISTED IN STEP 4 WHENEVER THERE IS NEW INFORMATION TO REPORT UNDER TEXAS GOVERNMENT CODE, SECTION 2263.005(a).
- 3) THIS STATEMENT MUST BE SUBMITTED EVEN IF YOU ANSWER "NO" TO QUESTIONS 1 AND 2 IN PART 2.
- 4) SUBMIT A COPY OF THIS STATEMENT TO THE FOLLOWING (FOR EACH GOVERNMENTAL ENTITY TO WHICH YOU PROVIDE SERVICES):
 - a. ADMINISTRATIVE HEAD OF THE STATE GOVERNMENTAL ENTITY
 - b. THE STATE AUDITOR (mail to P.O. Box 12067, Austin, TX, 78711-2067)
- 5) PROMPT FILING REQUIRES A POSTMARK DATE NO LATER THAN APRIL 15 IF THE COMPLETED FORM IS RECEIVED AT THE CORRECT ADDRESS.

PART 1: GENERAL INFORMATION

FILING TYPE (Check one) ANNUAL DISCLOSURE FOR YEAR ENDING DECEMBER 31, 20__ UPDATED DISCLOSURE

NAME OF INDIVIDUAL _____ JOB TITLE _____

NAME OF BUSINESS ENTITY _____ TYPE OF SERVICE PROVIDED _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____ PHONE _____

NAME OF STATE GOVERNMENTAL ENTITY AND/OR GOVERNING BOARD MEMBER TO WHICH YOU ARE PROVIDING SERVICES _____

PART 2: DISCLOSURES

DEFINITION: (Texas Government Code, Section 2263.002)

Financial advisor or service provider includes a person or business entity who acts as a financial advisor, financial consultant, money or investment manager, or broker.

DISCLOSURE REQUIREMENTS FOR OUTSIDE FINANCIAL ADVISOR OR SERVICE PROVIDER (Texas Government Code, Section 2263.005)

Financial advisors and service providers (see definition) must disclose information regarding certain relationships with, and direct or indirect pecuniary interests in, any party to a transaction with the state governmental entity, without regard to whether the relationships are direct, indirect, personal, private, commercial, or business relationships.

- 1) Do you or does your business entity have any relationship with any party to a transaction with the state governmental entity (other than a relationship necessary to the investment or funds management services that you or your business entity performs for the state governmental entity) for which a reasonable person could expect the relationship to diminish your or your business entity's independence of judgment in the performance of your responsibilities to the state entity?
Yes _____ No _____

If yes, please explain in detail. (Attach additional sheets as needed.)

- 2) Do you or does your business entity have any direct or indirect pecuniary interests in any party to a transaction with the state governmental entity if the transaction is connected with any financial advice or service that you or your business entity provides to the state governmental entity or to a member of the governing body in connection with the management or investment of state funds?
Yes _____ No _____

If yes, please explain in detail. (Attach additional sheets as needed.)

PART 3: SIGNATURE AND DATE

I hereby attest that all information provided above is complete and accurate. I acknowledge my or my firm's responsibility to submit promptly a new or amended disclosure statement to the parties listed in step 4 of the instructions if any of the above information changes.

Signature _____ Date _____

RESOLUTION NUMBER 03-091

RESOLUTION OF THE BOARD OF DIRECTORS AUTHORIZING REVIEW AND APPROVAL OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS' INVESTMENT POLICY, WITH CHANGES, IN COMPLIANCE WITH CHAPTERS 2306, 2256, AND 2263 OF THE TEXAS GOVERNMENT CODE

WHEREAS, the Texas Department of Housing and Community Affairs, a public and official governmental agency of the State of Texas, (the "Department") was created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended, (together with other laws of the State applicable to the Department, collectively, the "Act"); and

WHEREAS, the Governing Board desires to authorize the review of the Department's Investment Policy, with changes per Chapter 2263, Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers, and the Governing Board has found this Investment Policy to be satisfactory and in proper form and the recitals contained herein to be true, correct and complete, and in compliance with Chapter 2263, Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers, Chapter 2256, the Public Funds Investment Act, and Chapter 2306, the Texas Government Code. The Governing Board has determined to authorize the approval and delivery of such policy.

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

Section 1 – Review and Approval of the Department's Investment Policy. The Governing Board hereby authorizes and approves the Department's Investment Policy. The Governing Board has found the Investment Policy to be satisfactory and in proper form and the recitals contained therein to be true, correct and complete, and in compliance with Chapter 2263, Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers, Chapter 2256, the Public Funds Investment Act, and Chapter 2306, the Texas Government Code, and the Board has deemed to authorize the execution and delivery of such policy.

Section 2 -- Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 3 -- Open Meetings; Open Records. Written notice of the date, hour and place of the meeting of the Governing Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting, during the 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 Law, 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, Chapter 2002 and 2001, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution was posted on the Department's website and made available in hard-copy at the Department not later than seven (7) days before the meeting of the Board, as required by Section 2306.032, Texas Government Code.

PASSED AND APPROVED this 11th day of December, 2003.

Chair of the Governing Board

ATTEST:

Secretary to the Board
(SEAL)

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

December 11, 2003

Action Item

Presentation, Discussion and Possible Approval of Qualified Trustees for the Multifamily Mortgage Revenue Bond Transactions.

Requested Action

Approve the Recommended List Below.

Background

At the April 10, 2003 TDHCA Board meeting, the Board approved the Request for Qualifications (RFQ) for qualified institutions to serve as Trustees for the multifamily bond issues and/or refundings. Department staff published the RFQ in the *Texas Register*, the Bond Buyer and the Texas Market Place to solicit institutions to serve in the role of Trustee. The Department received proposals from three (3) trustee institutions. Two (2) of the institutions, noted below, are being recommended for trustee services and one (1) is not recommended. The two (2) being recommended as Trustees have strong histories and experience with trustee services. The one (1) institution not being recommended, Huntington National Bank, has limited multifamily housing experience.

The Department staff recommends the following institutions be added to the Multifamily Bond Approved Trustee List:

Institution	Role	Requested Action
Wachovia Bank	Trustee	Add to approved list
Bank of New York	Trustee	Add to approved list

There are three Trustees already on the approved list: Wells Fargo Bank Texas, N.A.; Bank One, Texas, N.A.; JP Morgan Chase Bank of Texas.

Recommendation

The Board approve the recommended Trustees to be added to the Multifamily Bond Approved Trustee list and decline the one trustee.

**Low Income Housing Tax Credit Program
Board Action Request
December 11, 2003**

Action Item

Request, review, and board determination of three (3) four percent (4%) tax credit applications with TDHCA as the issuer.

Recommendation

Staff is recommending that the board review and approve the issuance of four percent (4%) Tax Credit Determination Notices with **TDHCA** as the Issuer for tax exempt bond transactions known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Recommended Credit Allocation
\$714,733	Parkview Townhomes (aka Providence at Rush Creek)	Arlington	TDHCA	248	248	\$23,127,832	\$15,000,000	
\$477,964	Timber Ridge II Apartments	Houston	TDHCA	124	124	\$11,552,155	\$7,000,000	
\$638,507	Century Park Apartments	Austin	TDHCA	240	240	\$20,778,371	\$13,000,000	



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**REQUEST FOR BOARD APPROVAL
Multifamily Finance Production**

2003 Private Activity Multifamily Revenue Bonds

**Parkview Townhomes
Southwest quadrant of S. Cooper Street and W. Sublett Road
Arlington, Texas**

**Dove Lane Apartments Limited Partnership
248 Units**

**\$15,000,000 Tax Exempt – Series 2003A
\$1,600,000 Taxable – Series 2003B**

TABLE OF EXHIBITS

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TAB 3	HTC Profile and Board Summary
TAB 4	Sources & Uses of Funds Estimated Cost of Issuance
TAB 5	Department's Real Estate Analysis
TAB 6	Rental Restrictions Explanation Results and Analysis
TAB 7	Development Location Maps
TAB 8	TDHCA Compliance Summary Report
TAB 9	Public Input and Hearing Transcript (October 29, 2003)

**BOARD APPROVAL
MEMORANDUM
December 11, 2003**

DEVELOPMENT: Parkview Townhomes Apartments, Arlington, Tarrant County, Texas

PROGRAM: Texas Department of Housing and Community Affairs
2003 Multifamily Housing Mortgage Revenue Bonds
(Reservation received 09/05/2003)

ACTION

REQUESTED: Approve the issuance of multifamily housing mortgage revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, the Department's Enabling Act (the "Act"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.

PURPOSE: The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Chicory Court IV, LP, a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 248-unit multifamily residential rental Development located at 1200 W. Sublett Road (at the southwest quadrant of S. Cooper Street and W. Sublett Road), Arlington, Texas (the "Development"). The Bonds will be tax-exempt by virtue of the Development's qualifying as a residential rental Development.

BOND AMOUNT: \$15,000,000 Series 2003A Tax Exempt bonds (*)
\$ 1,600,000 Series 2003B Taxable bonds (*)
\$16,600,000 Total bonds

(*) The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Development and the amount for which Bond Counsel can deliver its Bond Opinion.

**ANTICIPATED
CLOSING DATE:**

The Department received a volume cap allocation for the Bonds on September 05, 2003 pursuant to the Texas Bond Review Board's 2003 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before January 03, 2004, the anticipated closing date is December 23, 2003.

BORROWER: Chicory Court IV, LP a Texas limited partnership, the general partner of which is Chicory Court GP - IV, Inc., principal of the general partner is Leon J. Backes.

**COMPLIANCE
HISTORY:**

The Compliance Status Summary completed on October 9, 2003 reveals that the principal of the general partner above has no properties being monitored by the Department.

* Preliminary - Represents Maximum Amount

ISSUANCE TEAM & ADVISORS:

Charter Municipal Mortgage Acceptance Company (“Bond Purchaser”)
Wells Fargo Bank, National Association, (“Trustee”)
Vinson & Elkins L.L.P. (“Bond Counsel”)
RBC Dain Rauscher Inc. (“Financial Advisor”)
McCall, Parkhurst & Horton, L.L.P. (Disclosure Counsel)

BOND PURCHASER:

The Bonds will be purchased by Charter Municipal Mortgage Acceptance Company. The purchaser and any subsequent purchaser will be required to sign the Department’s standard traveling investor letter.

DEVELOPMENT DESCRIPTION:

Site: The proposed affordable housing community is a 248-unit multifamily residential rental development to be constructed on approximately 17 acres of land located at the southwest corner of the intersection of W. Sublett Road and S. Cooper Street in Arlington, Tarrant County, Texas . The proposed density is 14.60 dwelling units per acre. Shopping and neighborhood amenities are located in two areas near the development. One is on Cooper and Green Oaks approximately one mile south of the site with food stores and other neighborhood convenience stores such as gasoline stations. Along Cooper to the south of the site is the local grocery store, drug store, banking facilities, doctors and dentist offices plus the local medical facility. A neighborhood park is located south of the site approximately two miles, as well as an elementary school. A high school is located west of the site on Cooper Street..

Buildings: The development will include a total of twelve (12) two and three-story, wood-framed apartment buildings containing approximately 262,080 net rentable square feet and having an average unit size of 1057 square feet. All units will have large baths and ample dining and living areas, walk in wardrobes with additional storage, private balcony or patio with additional storage , full kitchen to include energy efficient appliances including refrigerator, dishwasher and disposal, window covering and carpeting. In addition to the residential buildings, the Development will have one community building with laundry, maintenance and full kitchen facilities. There will be picnic areas, one community swimming pool and gathering areas interspersed among the buildings. The design concept is to create a village complete with walkways connecting the units, and as focus of the village, the community building. A variety of plant and tree species will be provided based on Texas drought resistant and low maintenance requirements. As much as possible, materials used will be selected based on energy conservation renewable resources. This will include Type V construction with wood framing and concrete slab on grade. Colors are chosen from a palette compatible iwht the surrounding architecture and scenery.

Units	Unit Type	Square Feet	Proposed Net Rent
98	2-Bedrooms/2-Baths	960	\$750.00
150	3-Bedrooms/2-Baths	1120	\$862.00
248	Total Units		

On-site Amenities: There will be a community building with laundry and maintenance facilities as well as picnic and playground equipment and open play areas interspersed throughout the site. The community building will be centrally located and will have office and leasing space as well as provide for community and educational meetings. The community building will contain the following spaces: manager and leasing offices, social service office, business center/community services room, television, residential kitchen, activity center, entry foyer, restrooms, telephone and vending area, laundry room, mechanical room, and maintenance shop.

SET-ASIDE UNITS:

For Bond covenant purposes, at least forty (40%) of the residential units in the development are set aside for persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in each Development will be set aside on a priority basis for persons with special needs.

(The Borrower has elected to set aside 100% of the units for tax credit purposes.)

RENT CAPS:

For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for sixty percent (60%) of the area median income.

TENANT SERVICES:

Tenant Services will be performed by New Horizons Services.

**DEPARTMENT
ORIGINATION
FEES:**

\$1,000 Pre-Application Fee (Paid).
 \$10,000 Application Fee (Paid).
 \$83,000 Issuance Fee (.50% of the bond amount paid at closing).

**DEPARTMENT
ANNUAL FEES:**

\$16,600 Bond Administration (0.10% of first year bond amount)
 \$6,200 Compliance (\$25/unit/year adjusted annually for CPI)

(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Development cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)

**ASSET OVERSIGHT
FEE:**

\$6,200 to TDHCA or assigns (\$25/unit/year adjusted annually for CPI)

TAX CREDITS:

The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to

approximately \$717,257 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of its limited partnership interests, typically 99%, to raise equity funds for the Development. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately \$5,971,000 of equity for the transaction.

BOND STRUCTURE:

The Bonds are proposed to be issued under a Trust Indenture (the "Trust Indenture") that will describe the fundamental structure of the Bonds, permitted uses of Bond proceeds and procedures for the administration, investment and disbursement of Bond proceeds and program revenues.

The Bonds will be privately placed with the Bond Purchaser, and will mature over a term of 40 years. During the construction and lease-up period, the Bonds will pay as to interest only. The loan will be secured by a first lien on the Development.

The Bonds are mortgage revenue bonds and, as such, create no potential liability for the general revenue fund or any other state fund. The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the Development financed through the issuance of the Bonds.

BOND INTEREST RATES:

The interest rate on the Tax Exempt Bonds will be 6.6% and the Taxable Bonds will be 8.50%.

**CREDIT
ENHANCEMENT:**

The bonds will be unrated with no credit enhancement.

FORM OF BONDS:

The Bonds will be issued in book entry (typewritten or lithographical) form and in denominations of \$100,000 and any amount in excess of \$100,000.

**MATURITY/SOURCES
& METHODS OF
REPAYMENT:**

The Bonds will bear interest at a fixed rate until maturity and will be payable monthly. During the construction phase, the Bonds will be payable as to interest only, from an initial deposit at closing to the Capitalized Interest Account of the Construction Fund, earnings derived from amounts held on deposit in an investment agreement, if any, and other funds deposited to the Revenue Fund specifically for capitalized interest during a portion of the construction phase. After conversion to the permanent phase, the Bonds will be paid from revenues earned from the Mortgage Loan.

**TERMS OF THE
MORTGAGE LOAN:**

The Mortgage Loan is a non-recourse obligation of the Borrower (which means, subject to certain exceptions, the Borrower is not liable

for the payment thereof beyond the amount realized from the pledged security) providing for monthly payments of interest during the construction phase and level monthly payments of principal and interest upon conversion to the permanent phase. A Deed of Trust and related documents convey the Borrower's interest in the Development to secure the payment of the Mortgage Loan.

**REDEMPTION OF
BONDS PRIOR TO
MATURITY:**

The Bonds may be subject to redemption under any of the following circumstances:

Mandatory Redemption:

- (a) (i) In whole or in part, to the extent excess funds remain on deposit in the Loan Account of the Construction Fund after the Development's Completion Date; and (ii) under certain circumstances, upon request by the Majority Owner to redeem Bonds from amounts on deposit in the Earnout Account of the Construction Fund; or
- (b) in part, if (i) the development has not achieved Stabilization within twenty-four (24) months after the earlier of (A) the date the Development achieves Completion or (B) the Completion Date or (ii) upon request by the Majority Owner to redeem Bonds from amount on deposit in the Earnout Account of the Construction Fund; or
- (c) in whole or in part, if there is damage to or destruction or condemnation of the Development, to the extent that Insurance Proceeds or a Condemnation Award in connection with the Development are deposited in the Revenue Fund and are not to be used to repair or restore the Development; or
- (d) upon the determination of Taxability if the owner of a Bond presents his Bond or Bonds for redemption on any date selected by such owner specified in a written notice delivered to the Borrower and the Issuer at least thirty (30) days' prior to such date; or
- (e) with respect to the Tax Exempt Bonds, in whole on any interest payment date on or after December 1, 2020, if the Owners of all of the Bonds elect redemption and provide not less than 180 days' written notice to the Issuer, Trustee and Borrower; or
- (f) In part, according to the dates and amounts indicated on the Mandatory Sinking Fund Schedule of Redemptions.

Optional Redemption:

The Bonds are subject to redemption, in whole, any time on or after December 1, 2020, from the proceeds of an optional prepayment of the Loan by the Borrower.

**FUNDS AND
ACCOUNTS/FUNDS
ADMINISTRATION:**

Under the Trust Indenture, the Trustee will serve as registrar and authenticating agent for the Bonds and as trustee of certain of the accounts created under the Trust Indenture (described below). The Trustee will also have responsibility for a number of loan administration and monitoring functions.

Moneys on deposit in Trust Indenture accounts are required to be invested in eligible investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will create the following Funds and Accounts:

1. Construction Fund – On the closing date, the proceeds of the Bonds shall be deposited in the Construction Fund which may consist of five (5) accounts as follows:
 - (a) Loan Account – represents a portion of the proceeds of the sale of the Bonds that will be used to pay for Development Costs;
 - (b) Insurance and Condemnation Proceeds Account - represents Condemnation Award and Insurance Proceeds allocated to restore the Development pursuant to the Loan Documents;
 - (c) Capitalized Interest Account – represents a portion of the proceeds of the Bonds and/or a portion of the initial equity contribution of the Borrower which may be transferred to the Revenue Fund from this account in order to pay interest on the Bonds until the Completion Date of the Development;
 - (d) Costs of Issuance Account – represents a portion of the proceeds of the Bonds and/or a portion of the initial equity contribution of the Borrower from which the costs of issuance are disbursed;
 - (e) Earnout Account – represents a portion of the initial equity contribution of the Borrower, the disbursements from which are to be requested in writing by the Developer and approved by the Majority Owner of the Outstanding Bonds; and
 - (f) Equity Account – represents the balance of the initial equity contribution of the Borrower.
2. Replacement Reserve Fund – Amounts which are held in reserve

to cover replacement costs and ongoing maintenance to the Development.

3. Tax and Insurance Fund – The Borrower must deposit certain moneys in the Tax and Insurance Fund to be applied to the payment of real estate taxes and insurance premiums.
4. Revenue Fund – Revenues from the Development are deposited to the Revenue Fund and disbursed to sub-accounts for payment to the various funds according to the order designated under the Trust Indenture: (1) to the payment of interest on the Bonds; (2) to the payment of the principal or redemption price, including premium, if any, on the Bonds; (3) to the payment of any required deposit in the Tax and Insurance Fund; (4) to the payment of any required deposit in the Replacement Reserve Fund; (5) to the payment of the fees of the Trustee, the Servicer, the Issuer and the Asset Oversight Agent, if any, due and owing under the Loan Documents and the Indenture; (6) to the payment of any other amounts then due and owing under the Loan Documents; and (7) the remaining balance to the Borrower.
5. Rebate Fund – Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.

The majority of the bond proceeds will be deposited into the Construction Fund and disbursed therefrom during the Construction Phase to finance the construction of the Development. Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Tax-Exempt Bond proceeds. It is currently anticipated that costs of issuance will be paid by Taxable Bond proceeds.

**DEPARTMENT
ADVISORS:**

The following advisors have been selected by the Department to perform the indicated tasks in connection with the issuance of the Bonds.

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 2003. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.
2. Bond Trustee - Wells Fargo Bank National Association (formerly Norwest Bank, N.A.) was selected as bond trustee by the Department pursuant to a request for proposals process in June 1996.

3. Financial Advisor – RBC Dain Rauscher Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.
4. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 1998.

ATTORNEY GENERAL
REVIEW OF BONDS:

No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the Bonds.

RESOLUTION NO. 03-91

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (PARKVIEW TOWNHOMES) SERIES 2003A AND TAXABLE MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (PARKVIEW TOWNHOMES) SERIES 2003B; 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 Mortgage Revenue Bonds (Parkview Townhomes) Series 2003A (the “Series 2003A Bonds”) and the Texas Department of Housing and Community Affairs Taxable Multifamily Housing Mortgage Revenue Bonds (Parkview Townhomes) Series 2003B (the “Series 2003B Bonds”, and together with the Series 2003A Bonds, the “Bonds”), pursuant to and in accordance with the terms of a Trust Indenture (the “Indenture”) by and between the Department and Wells Fargo Bank, National Association (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 Chicory Court IV, LP, 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 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 10, 2002, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Loan Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "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 principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, it is anticipated that the Note will be secured by a Deed of Trust and Security Agreement (with Power of Sale) (the "Deed of Trust") from the Borrower for the benefit of the Department and the Trustee; and

WHEREAS, the Department's interest in the Loan, including the Note and the Deed 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 Borrower and Charter Municipal Mortgage Acceptance Company, a Delaware business trust (the "Purchaser"), will execute a Bond Purchase Agreement (the "Purchase Agreement"), with respect to the sale of the Bonds; 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 Tarrant County, Texas; and

WHEREAS, the Board has determined that the Department, the Trustee and Wachovia Bank, National Association, a national banking association (the "Bank"), will enter into an Intercreditor Agreement (the "Intercreditor Agreement") that will outline the interests of the various parties with respect to the Indenture, the Loan Agreement, the Deed of Trust and the Regulatory Agreement; and

WHEREAS, the Board has determined that the Department and the Borrower will execute an Asset Oversight Agreement (the "Asset Oversight Agreement"), with respect to the Project for the purpose of monitoring the operation and maintenance of the Project; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Assignments, the Regulatory Agreement, the Purchase Agreement, the Intercreditor Agreement and the Asset Oversight Agreement, all of which are attached to and comprise a part of this Resolution; 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 1.14, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

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

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

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

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) the interest rate on the Series 2003A Bonds shall be 6.60% per annum from the date of issuance thereof until paid on the maturity date or earlier redemption or acceleration thereof and the interest rate on the Series 2003B Bonds shall be 8.50% per annum from the date of issuance thereof until paid on the maturity date or earlier redemption or acceleration thereof (subject to adjustment as provided in the Indenture; provided, however, that the default interest rate on the Bonds shall not exceed the maximum rate permitted by applicable law); (ii) the aggregate principal amount of the Series 2003A Bonds shall be \$15,000,000 and of the Series 2003B Bonds shall be \$1,600,000; and (iii) the final maturity of the Series 2003A Bonds shall occur on December 1, 2043 and of the Series 2003B Bonds shall occur on February 1, 2019.

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 Loan Agreement and Regulatory Agreement. That the form and substance of the Loan 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 Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower and the Trustee.

Section 1.5--Acceptance of the Deed of Trust and Note. That the Deed 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--Approval, Execution and Delivery of the Purchase Agreement. That the form and substance of the Purchase Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Purchase Agreement to the Borrower and the Purchaser.

Section 1.8--Approval, Execution and Delivery of the Intercreditor Agreement. That the form and substance of the Intercreditor Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and deliver the Intercreditor Agreement to the Trustee and the Bank.

Section 1.9--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.10--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 1.11--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

- Exhibit B - Indenture
- Exhibit C - Loan Agreement
- Exhibit D - Regulatory Agreement
- Exhibit E - Assignments
- Exhibit F - Purchase Agreement
- Exhibit G - Intercreditor Agreement
- Exhibit H - Asset Oversight Agreement

Section 1.12--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 1.13--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chair and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Secretary of the Board.

Section 1.14--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 or the Acting 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 or direct the Trustee 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 O

to the Loan Agreement and shall be annually redetermined by the Issuer as stated in the Loan Agreement.

Section 2.6--Ratifying Other Actions. That all other actions taken by the Executive Director or Acting 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) that 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) that the Borrower is financially responsible,

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

(v) that 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, or 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) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Project in accordance with the Loan 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.

Section 3.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as it deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the 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 Loan Agreement and the Regulatory Agreement.

Section 3.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of 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.

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

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in 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

Section 4.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate 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 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.

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PASSED AND APPROVED this 11th day of December, 2003.

By: _____
Elizabeth Anderson, Chair

Attest: _____
Delores Groneck, Secretary

[SEAL]

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Chicory Court IV, LP, a Texas limited partnership

Project: The Project is a 248-unit multifamily facility to be known as Parkview Townhomes and to be located at the southwest quadrant of S. Cooper Street and W. Sublett Road in Arlington, Tarrant County, Texas. The Project will include a total of 12 residential apartment buildings with a total of approximately 262,080 net rentable square feet and an average unit size of approximately 1,057 square feet. The unit mix will consist of:

98 two-bedroom/two-bath units
150 three-bedroom/two-bath units
248 Total Units

Unit sizes will range from approximately 960 square feet to approximately 1,120 square feet.

Common areas will include a swimming pool, a children's play area, and a community building with kitchen facilities, vending area, television and telephones.



**HOUSING TAX CREDIT PROGRAM
2003 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Parkview Townhomes (aka Providence at Rush Creek Apartments)**

TDHCA#: 03455

DEVELOPMENT AND OWNER INFORMATION			
Development Location:	Arlington	QCT: N	DDA: N TTC: N
Development Owner:	Chicory Court IV, LP		
General Partner(s):	Chicory GP IV, Inc., 100%, Contact: Saleem Jafar		
Construction Category:	New		
Set-Aside Category:	Tax Exempt Bond	Bond Issuer: TDHCA	
Development Type:	Family		
Annual Tax Credit Allocation Calculation			
Applicant Request:	\$717,257	Eligible Basis Amt:	\$714,733 Equity/Gap Amt.: \$820,567
Annual Tax Credit Allocation Recommendation:		\$714,733	
Total Tax Credit Allocation Over Ten Years:		\$ 7,147,330	

PROPERTY INFORMATION			
Unit and Building Information			
Total Units:	248	LIHTC Units:	248 % of LIHTC Units: 100
Gross Square Footage:	267,031	Net Rentable Square Footage: 262,080	
Average Square Footage/Unit:	1057		
Number of Buildings:	12		
Currently Occupied:	N		
Development Cost			
Total Cost:	\$23,127,832	Total Cost/Net Rentable Sq. Ft.: \$88.25	
Income and Expenses			
Effective Gross Income: ¹	\$2,355,176	Ttl. Expenses:	\$1,063,815 Net Operating Inc.: \$1,291,361
Estimated 1st Year DCR:	1.08		

DEVELOPMENT TEAM			
Consultant:	Not utilized	Manager:	Provident Housing Communities, LLC
Attorney:	Cherry, Howell & Landry, LLP	Architect:	Galier, Tolson and French Design Assoc.
Accountant:	Novogradac & Company	Engineer:	Jones and Carter, Inc.
Market Analyst:	Butler Burgher	Lender:	Charter MAC
Contractor:	Provident Realty Construction, LP	Syndicator:	Related Capital Company

PUBLIC COMMENT²	
From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. Kim Brimer, District 10 - NC
# in Opposition: 0	Rep. Bill Zedler, District 96 - NC
Pubic Hearing:	Mayor Robert Cluck - NC
# in Support: 7	Trey Yelvertson, Director of Neighborhood Services, City of Arlington; The City of Arlington's Consolidated Plan identified a need for affordable housing for low income households as a priority need.
# in Opposition: 0	
# Neutral: 3	

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).
2. Receipt, review, and acceptance of final approval for change of zoning to allow at least 16 multifamily units per acre submitted with the TDHCA commitment fee.
3. Receipt, review, and acceptance of documentation indicating an agreement to extend the closing date through the bond closing submitted with the TDHCA commitment fee.
4. Receipt, review, and acceptance of a breakdown of the cost to remove the existing concrete slabs and an explanation of where this cost is included in the development budget by closing of the bonds.
5. TDHCA Board acceptance of the projected redemption or resizing of taxable bonds to not more than \$1,400,000.
6. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:

Score Utilization of Set-Aside Geographic Distrib. Tax Exempt Bond. Housing Type

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager

Date

Brooke Boston, Director of Multifamily Finance Production Date

DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Score Utilization of Set-Aside Geographic Distrib. Tax Exempt Bond Housing Type

Other Comments including discretionary factors (if applicable)._____

Edwina P. Carrington, Executive Director
Chairman of Executive Award and Review Advisory Committee

Date

TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).

Chairperson Signature: _____
Elizabeth Anderson, Board Chair

Date

Parkview Townhomes Apartments

Estimated Sources & Uses of Funds

Sources of Funds

Bond Proceeds, Series 2003A Bonds (Tax-Exempt)	\$ 15,000,000
Bond Proceeds, Series 2003B Taxable	\$ 1,600,000
LIHTC Equity	5,971,000
Interest Income	86,794
Deferred Developer's Fee	1,602,866
Total Sources	\$ 24,260,660

Uses of Funds

Deposit to Mortgage Loan Fund (Construction funds)	\$ 18,738,407
Capitalized Interest (Constr. Interest)	1,402,500
Taxable Tail Interest	192,667
Developer's Overhead & Fee	2,717,574
Costs of Issuance	
Direct Bond Related	227,670
Bond Purchaser Costs	213,500
Other Transaction Costs	438,342
Real Estate Closing Costs	330,000
Total Uses	\$ 24,260,660

Estimated Costs of Issuance of the Bonds

Direct Bond Related

TDHCA Issuance Fee (.50% of Issuance)	\$ 83,000
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee (\$25 per unit)	9,920
TDHCA Bond Counsel and Direct Expenses (Note 1)	70,000
TDHCA Financial Advisor and Direct Expenses	30,000
Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1)	2,500
Trustee's Fees (Note 1)	7,000
Trustee's Counsel (Note 1)	5,000
Attorney General Transcript Fee (\$1,250 per series, max. of 2 series)	2,500
Texas Bond Review Board Application Fee	500
Texas Bond Review Board Issuance Fee (.025% of Reservation)	3,750
TEFRA Hearing Publication Expenses	2,500
Total Direct Bond Related	\$ 227,670

Bond Purchase Costs

Loan Origination Fee (Charter Mac @ 1%)	166,000
Due Diligence Cost (Charter Mac)	12,500
Bond Counsel & Expenses (Charter Mac)	35,000
Total	\$ 213,500

Other Transaction Costs

Letter of Credit Origination Fee	150,000
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Parkview Townhomes Apartments

Letter of Credit Annual Fee (2 years)	235,382
Tax Credit Determination Fee (4% annual tax cr.)	48,000
Tax Credit Application Fee (\$20/u)	4,960
Total	\$ 438,342

Real Estate Closing Costs	
Title & Recording (Const.& Perm.)	115,000
Property Taxes	50,000
Borrower's Bond Counsel	165,000
Total Real Estate Costs	\$ 330,000
Estimated Total Costs of Issuance	\$ 1,209,512

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Tax-Exempt Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower or from Taxable Bond proceeds.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

- through the bond closing submitted with the TDHCA commitment fee.
3. Receipt, review and acceptance of a breakdown of the cost to remove the existing concrete slabs and an explanation of where this cost is included in the development budget by carryover.
 4. TDHCA Board acceptance of the projected redemption or resizing of taxable bonds to not more than \$1,400,000.
 5. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	<u>248</u>	# Rental Buildings	<u>12</u>	# Common Area Bldgs	<u>1</u>	# of Floors	<u>3</u>	Age:	<u>N/A</u> yrs	Vacant:	<u>N/A</u> at / /	
Net Rentable SF:	<u>262,080</u>	Av Un SF:	<u>1,057</u>	Common Area SF:	<u>4,951</u>	Gross Bldg SF:	<u>267,031</u>					

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab, 10% stone veneer/30% cement composition siding/60% stucco exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, cable, high speed internet connection, ceiling fans, laminated counter tops, 9' ceilings

ON-SITE AMENITIES

4,951-SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, business center, children's center and classroom, central mailroom, and swimming pool are located at the main entrance to the property. In addition a fitness area, fully-equipped playground, second entrance and perimeter fencing with limited access gates are planned for the site.

Uncovered Parking:	<u>447</u>	spaces	Carports:	<u>0</u>	spaces	Garages:	<u>0</u>	spaces
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PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Providence at Rush Creek was formerly known as Parkview Townhomes. The new construction development is relatively dense with 15 units per acre. All of the units will be restricted under the Housing Tax Credit program and housed in 12 residential buildings as follows:

- Ten Building Type A with 8 two-bedroom/ two-bath units and 12 three- bedroom/ two-bath units; and
- Two Building Type B with 9 two-bedroom/ two-bath units and 15 three- bedroom/ two-bath units.

Architectural Review: The units appear to be functional and the exterior of the buildings are comparable to new construction market rate developments.

Supportive Services: The Applicant provided a sample social service agreement which details the programs offered by New Horizons Ranch and Center, Inc. Because of the Development's participation in the mortgage revenue bond program, supportive services must be made available to tenants.

Schedule: The Applicant anticipates construction to begin in January of 2004 and to be completed in January of 2005. The development should be placed in service in March of 2005 and substantially leased-up in June of 2005.

SITE ISSUES

SITE DESCRIPTION

Size:	<u>16.2</u>	acres	<u>740,520</u>	square feet	Zoning/ Permitted Uses:	<u>MF-14/16 units per acre</u>
Flood Zone Designation:	<u>Zone X</u>	Status of Off-Sites:	<u>Partially Improved</u>			

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is located in South Arlington, south of IH 20. Arlington is located between Dallas and Fort Worth in the southern section of the metroplex.

Adjacent Land Uses:

- **North:** West Sublett Road, retail, single family residential
- **South:** Mineral Springs Road, vacant land
- **East:** Mineral Springs Business Park, vacant land
- **West:** Retail, vacant land, Cooper Street

Site Access: The subject can be accessed from both Mineral Springs Road and Sublett Road. The main entrance will be located on Sublett Road. Highways and thoroughfares which connect the neighborhood to the Dallas/Fort Worth area are easily accessible.

Public Transportation: “Private vehicular transportation is the most common form utilized throughout the neighborhood. Public transportation is not provided in the City of Arlington. (p. 66, market study).”

Shopping & Services: Shopping, schools, public services, groceries and medical services are available locally in Arlington.

Special Adverse Site Characteristics:

- **Zoning:** The Applicant is in the process of applying for rezoning of the subject property to allow for multifamily construction with a density of 16 units per acre. The Applicant provided a letter from the city which indicates that as of November 18, 2003, the City Council of the City of Arlington approved the zoning/development plan request on Final Reading. It also indicates approved zoning will become effective on December 1, 2003 after a second publication. Receipt of final approval submitted with the TDHCA commitment fee is a condition of this report.
- **Site Control:** The site control document submitted indicates a contract closing date of November 30, 2003. Documentation indicating an agreement to extend the closing date through the bond closing was not provided and receipt of such is a condition of this report.

Site Inspection Findings: TDHCA staff performed a site inspection on October 29, 2003 and found the location to be acceptable.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated October 9, 2003 was prepared by Butler Burgher Environmental (BBE) and contained the following findings and recommendations:

Findings: “Five slab foundations were observed [on the subject]; two of the foundation areas appear to be loading docks; two of the foundation areas appear to be shower/washing facilities; and one area appears to be an office area;...BBE observed abandoned airline cargo containers, and abandoned truck and trailer, as well as other metal equipment on the northeast adjacent property; and, the historical review revealed that a former mobile home manufacturing and assembly facility was located at the subject property.”

Recommendations: “Based on the above findings and conclusions, BBE conducted soil and groundwater sampling during this Phase I ESA...BBE makes no further recommendations pertaining to soil/groundwater sampling based on the best available data at the time of this Phase I ESA production.

In the professional opinion of BBE, an appropriate level of inquiry has been made into the previous ownership and uses of the property consistent with good commercial and customary practice in an effort to minimize liability, and no further evidence or indication of recognized environmental conditions has been revealed...”

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. As a Priority 2 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI. All of the units (100%) will be reserved for low-income tenants and rents will be affordable at 50% or less of AMGI.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$25,740	\$29,400	\$33,120	\$36,780	\$39,720	\$42,660

MARKET HIGHLIGHTS

A market feasibility study dated October 15, 2003 was prepared by Butler Burgher and highlighted the following findings:

Definition of Primary Market Area: "...defined as East Loop 820 South and US 287 Business to the west, SH 303 to the north, SH 360 to the east, and US 287 and Cannon Road to the south... (p. 7)." The area encompasses 94 square miles which is equivalent to a 5.5-mile radius.

Population: The estimated 2003 population of the primary market area is 230,899 and is expected to increase to approximately 261,454 by 2008. Within the primary market area there were estimated to be 79,767 households in 2003.

Total Primary Market Demand for Rental Units:

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	125	4%	125	3%
Resident Turnover	3,411	96%	3,497	97%
TOTAL ANNUAL DEMAND	3,536	100%	3,621	100%

Ref: p. 75

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 19.91% which includes the subject 248 units, Cedar Point (176 units), and Arlington Villas aka Hampton Villas (280 units) (p. 75). The Underwriter calculated an inclusive capture rate of 19% based upon a slightly larger demand figure.

Market Rent Comparables: The Market Analyst surveyed six comparable apartment projects totaling 1,674 units (p. 79).

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (60%)	\$750	\$771	-\$21	\$880	-\$130
3-Bedroom (60%)	\$862	\$886	-\$24	\$1,055	-\$193

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =\$500, program max =\$600, differential = -\$100)

Primary Market Occupancy Rates: "Occupancy levels are fairly consistent across all age groups in this submarket (average 90.7%). The 1990s product has a lower occupancy rate of 90.9%, however, the two newest properties, Falcon Lakes and Spyglass, have occupancy rates of 97% and 95%, respectively (p. 70)." The occupancy rate is shown as 89.9% for two-bedroom units and 89.7% for three-bedroom units (p. 78).

Absorption Projections: "An absorption rate of 15 units/month, after completion, is reasonable for the subject, as encumbered by LIHTC, resulting in just over a 16-month absorption period to obtain stabilized physical occupancy (p. 77)."

Known Planned Development: "...only one multifamily community is under construction, Rock Ridge Ranch (in Arlington on Bardin Road), while two market properties were recently completed in the PMA...Another community has recently been approved with a site plan for 268 units... (p. 55)."

The Underwriter found the market study provided sufficient information for purposes of underwriting.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are lower than the maximum net rents allowed under HTC guidelines due to a difference in utility allowance. In each case, the Applicant's utility allowance figure is \$10 higher than the Underwriter's estimate. This \$10 difference cannot be attributed to a specific utility. It may be the Applicant is trending upward for possible increases in utility cost. It should be noted the Applicant also plans to pay for all natural gas expenses including the cost to heat water. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's per unit expense projection of \$3,802 is significantly lower than the Underwriter's estimate of \$4,290. This difference is due in large part to the Applicant's lower line-item expense figures, including the following: general and administrative (\$27K lower); payroll (\$55K lower); and repairs and maintenance (\$36K lower).

Conclusion: Because the Applicant's total annual operating expense is more than 5% lower than the Underwriter's estimate, the Underwriter's proforma is used to determine the Development's debt service capacity. The Underwriter's net operating income estimate indicates the Development can reach an initial debt coverage ratio of 1.10, the Department's minimum guideline, if the annual debt service is limited to \$1,173,646. The effect of the debt service limit on the recommended bond amount will be discussed in more detail in the conclusion to the Financing Structure Analysis section.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 16.18 acres	\$1,057,283	Assessment for the Year of:	2003
Building:	\$0	Valuation by:	Tarrant County Appraisal District
Total Assessed Value:	\$1,057,283	Tax Rate:	\$2.977277

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Commercial Contract of Sale					
Contract Expiration Date:	11/	30/	2003	Anticipated Closing Date:	12/	15/ 2003
Acquisition Cost:	\$1,550,460			Other Terms/Conditions:		
Seller:	Lucky Pup Enterprises, LLC			Related to Development Team Member:	No	

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of \$6,251 per proposed unit or \$95K per acre is assumed to be reasonable since the acquisition is an arm's-length transaction.

Site Work Cost: Although several concrete slabs currently exist on the site, the Applicant did not include a specific line item for demolition cost in the Development budget. Receipt, review and acceptance of a breakdown of the cost to remove the concrete slabs and an explanation of where this cost is included in the development budget is a condition of this report.

Direct Construction Cost: The Applicant's direct construction cost estimate is within 5% of the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted. The Applicant's hard cost contingency assumption exceeds the Department's guideline of 5% of direct construction and site work costs.

Fees: The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by HTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage of \$26,039 effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$23,987.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Conclusion: Overall, the Applicant's total Development cost budget is within 5% of the Underwriter's estimate. Therefore, the Applicant's figure will be used to determine the Development's need for permanent funding. The Applicant's eligible basis calculation, as adjusted by the Underwriter based on current guidelines, indicates the Development qualifies for \$714,733 annually in tax credits over a ten year period. This figure will be compared to the Applicant's request and the tax credits resulting from the gap in need for permanent funds with the lower of the three values used to size the recommended tax credit allocation.

FINANCING STRUCTURE

BOND FINANCING

Source: Charter Municipal Mortgage Acceptance Company **Contact:** Marnie Miller

Tax-Exempt Amount: \$15,000,000 **Interest Rate:** 6.6%, fixed

Taxable Amount: Up to \$1,600,000 **Interest Rate:** 8.5%, fixed

Additional Information: Letter of Credit during 24-month construction period, Leon J Backes as guarantor

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** LOI Firm Conditional

Annual Payment: \$1,207,426 **Lien Priority:** 1st **Commitment Date:** 08/ 06/ 2003

LIHTC SYNDICATION

Source: Related Capital Company **Contact:** Justin Ginsberg

Address: 625 Madison Avenue **City:** New York

State: NY **Zip:** 10022 **Phone:** (212) 421-5333 **Fax:** (212) 751-3550

Net Proceeds: \$5,551,000 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC):** 82¢

Commitment: LOI Firm Conditional **Date:** 08/ 07/ 2003

Additional Information:

APPLICANT EQUITY

Amount: \$1,191,667 **Source:** Deferred Developer Fee

Amount: \$155,245 **Source:** GIC Income

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The submitted sources and uses lists taxable bond financing in the amount of \$900,000 and tax-exempt bonds of \$15,000,000. The Charter Mac letter of interest indicates they are willing to provide financing based on taxable bonds of up to \$1,600,000 and tax exempt bonds of \$15,000,000. This underwriting analysis assumes the terms indicated in the Charter Mac letter accurately reflects the amount of permanent financing available to the development, or a total of \$16,600,000. It is also assumed that the portion of the permanent mortgage funded with the higher rate taxable bonds will have priority repayment.

LIHTC Syndication: The syndication proceeds listed in the submitted sources and uses is higher than that indicated in the letter from Related Capital. However, the letter clearly lists the terms for purchase of tax credits, including an adjuster equal to the initial purchase rate of \$0.82 for delivery of more or less tax credits than anticipated. Therefore, a discrepancy in the amount of tax credits awarded and the amount anticipated by Related Capital does not negatively impact this underwriting analysis.

Deferred Developer's Fees: Based on bond financing of only \$15,900,000, the Developer planned to defer 53% of its fees to fill the gap in permanent financing. The deferred fees include \$155,245 income from a Guaranteed Investment Contract (GIC).

Financing Conclusions: As stated above, the Underwriter's proforma is used to determine the Development's debt service capacity. Based on the current terms proposed for permanent financing and an annual debt service limited to \$1,173,646, it appears that the Development can support \$15,000,000 in tax-exempt bonds, but only \$1,400,000 in taxable bonds, or a total of \$16,400,000. TDHCA acceptance of such a likely resizing or mandatory redemption is a condition of this report. The final anticipated bond

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

amount still exceeds the Applicant's initial request by \$500,000.

The tax credit allocation supported by the Development's current eligible basis estimate is less than both the Applicant's request for tax credits and the gap in need. Therefore, an annual tax credit allocation of \$714,733 over ten years is recommended. The remaining gap in permanent financing may be filled by deferred fees of \$867,608, or 34% of available developer fees. Deferred fees in this amount appear to be repayable from Development cashflow within six years of stabilized operation.

**DEVELOPMENT TEAM
IDENTITIES of INTEREST**

The Applicant, Developer, General Contractor, and Property Manager are related entities. These are common relationships for HTC-funded developments.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- Provident Realty Advisors, the Co-Developer, submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$419,957 and consisting of \$156,123 in cash, \$35,522 in receivables, \$28,411 in fixed assets, and \$199,900 in other assets. Liabilities totaled \$104,363, resulting in a net worth of \$419,957.
- Leon J Backes, owner of Provident Realty Advisors and guarantor of financing for the Development, also provided a personal financial statement.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- Provident Realty Advisors has completed two (2) HTC, affordable housing developments totaling 544 units since 2002, and has developed and built other conventional housing developments.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating expenses are more than 5% outside of the Underwriter's verifiable range.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	_____	Date:	December 1, 2003
	<i>Stephen Apple</i>		
Underwriter:	_____	Date:	December 1, 2003
	<i>Lisa Vecchietti</i>		
Director of Real Estate Analysis:	_____	Date:	December 1, 2003
	<i>Tom Gouris</i>		

MULTIFAMILY COMPARATIVE ANALYSIS

Providence at Rush Creek, Arlington, HTC #03455

Type of Unit	Number	Bedrooms	No. of Baths	Size in Sf	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per Sf	Utilities	Wtr. Swr. Trsh
TC 60%	98	2	2	960	\$828	\$771	\$75,558	\$0.80	\$68.00	\$41.00
TC 60%	150	3	2	1,120	956	\$886	132,900	0.79	84.00	50.00
TOTAL:	248		AVERAGE:	1,057	\$905	\$841	\$208,458	\$0.80	\$77.68	\$46.44

INCOME Total Net Rentable Sq Ft: **262,080**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00

Other Support Income: (describe)

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

General & Administrative 3.08% \$292 0.28

Management 4.00% 380 0.36

Payroll & Payroll Tax 10.09% 958 0.91

Repairs & Maintenance 6.17% 586 0.55

Utilities 3.71% 352 0.33

Water, Sewer, & Trash 3.88% 368 0.35

Property Insurance 2.11% 201 0.19

Property Tax 2.97727 7.55% 717 0.68

Reserve for Replacements 2.11% 200 0.19

Other Expenses: 2.47% 235 0.22

TOTAL EXPENSES 45.17% \$4,290 \$4.06

NET OPERATING INC 54.83% \$5,207 \$4.93

DEBT SERVICE

First Lien Mortgage 50.54% \$4,799 \$4.54

Trustee Fee 0.15% \$14 \$0.01

TDHCA Admin. Fees 0.70% \$67 \$0.06

Asset Oversight Fees 0.16% \$15 \$0.01

NET CASH FLOW 3.43% \$326 \$0.31

INITIAL AGGREGATE DEBT COVERAGE RATIO

INITIAL BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO

RECOMMENDED BONDS-ONLY DEBT COVERAGE RATIO

CONSTRUCTION COST

Description Factor % of TOTAL PER UNIT PER SQ FT

Acquisition Cost (site or bldg) 6.69% \$6,250 \$5.91

Off-Sites 0.00% 0 0.00

Sitework 7.22% 6,750 6.39

Direct Construction 44.82% 41,879 39.63

Contingency 5.00% 2,431 2.30

General Req'ts 6.00% 2,918 2.76

Contractor's G & A 2.00% 973 0.92

Contractor's Profit 6.00% 2,918 2.76

Indirect Construction 6.58% 6,147 5.82

Ineligible Costs 5.93% 5,538 5.24

Developer's G & A 2.71% 1,877 1.78

Developer's Profit 12.29% 8,501 8.04

Interim Financing 5.53% 5,169 4.89

Reserves 2.24% 2,089 1.98

TOTAL COST 100.00% \$93,440 \$88.42

Recap-Hard Construction Costs 61.93% \$57,869 \$54.76

SOURCES OF FUNDS

Tax-Exempt Bonds 71.63% \$66,935 \$63.34

Additional Financing 0.00% \$0 \$0.00

HTC Syndication Proceeds 25.38% \$23,713 \$22.44

Deferred Developer Fees 5.81% \$5,431 \$5.14

Additional (Excess) Funds Required -2.83% (\$2,640) (\$2.50)

TOTAL SOURCES

TDHCA **APPLICANT**

\$2,501,496 \$2,433,600

44,640 44,640 \$15.00 Per Unit Per Month

0 0

\$2,546,136 \$2,478,240

(190,960) (185,868) -7.50% of Potential Gross Rent

0 0

\$2,355,176 \$2,292,372

\$72,489 \$45,500 PER SQ FT PER UNIT % OF EGI

94,207 \$92,245 0.35 \$183 372 4.02%

237,691 \$182,900 0.70 738 7.98%

145,406 \$109,748 0.42 443 4.79%

87,359 \$84,568 0.32 341 3.69%

91,264 \$94,240 0.36 380 4.11%

49,795 \$52,416 0.20 211 2.29%

177,833 \$173,600 0.66 700 7.57%

49,600 \$49,600 0.19 200 2.16%

58,170 \$58,170 0.22 235 2.54%

\$1,063,815 \$942,987 \$3.60 \$3,802 41.14%

\$1,291,361 \$1,349,385 \$5.15 \$5,441 58.86%

\$1,190,198 \$1,145,846 \$4.37 \$4,620 49.99%

\$3,500 \$0.00 \$0 0.00%

16,600 \$0.00 \$0 0.00%

3,720 \$0.00 \$0 0.00%

\$80,843 \$203,539 \$0.78 \$821 8.88%

1.07 1.18

1.07

1.10

TDHCA **APPLICANT**

\$1,550,000 \$1,550,000 PER SQ FT PER UNIT % of TOTAL

0 0 0.00 0 0.00%

1,674,001 1,674,001 6.39 6,750 7.24%

10,386,012 10,597,139 40.43 42,730 45.82%

603,001 747,428 2.85 3,014 3.23%

723,601 747,428 2.85 3,014 3.23%

241,200 249,143 0.95 1,005 1.08%

723,601 747,428 2.85 3,014 3.23%

1,524,500 1,524,500 5.82 6,147 6.59%

1,373,405 1,373,405 5.24 5,538 5.94%

465,399 527,072 2.01 2,125 2.28%

2,108,288 2,108,288 8.04 8,501 9.12%

1,282,000 1,282,000 4.89 5,169 5.54%

518,089 0 0.00 0 0.00%

\$23,173,097 \$23,127,832 \$88.25 \$93,257 100.00%

\$14,351,416 \$14,762,567 \$56.33 \$59,526 63.83%

\$16,600,000 \$15,900,000 RECOMMENDED

0 0 \$16,400,000 Developer Fee Available

5,880,921 5,880,921 0 \$2,573,687

1,346,912 1,346,912 5,860,224 % of Dev. Fee Deferred

(654,736) (1) 867,608 34%

\$23,173,097 \$23,127,832 0 15-Yr Cumulative Cash Flow

\$23,127,832 \$4,533,032

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Providence at Rush Creek, Arlington, HTC #03455

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.28	\$10,817,788
Adjustments				
Exterior Wall Finish	1.10%		\$0.45	\$118,996
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.67)	(176,467)
Floor Cover			1.92	503,194
Porches/Balconies	\$22.09	50142	4.23	1,107,503
Plumbing	\$615	744	1.75	457,560
Built-in Appliances	\$1,625	248	1.54	403,000
Stairs/Fireplaces	\$1,625	96	0.60	156,000
Floor Insulation			0.00	0
Heating/Cooling			1.47	385,258
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$56.25	4,951	1.06	278,509
Other:			0.00	0
SUBTOTAL			53.61	14,051,339
Current Cost Multiplier	1.03		1.61	421,540
Local Multiplier	0.88		(6.43)	(1,686,161)
TOTAL DIRECT CONSTRUCTION COSTS				\$48,791,218
Plans, specs, surry, bld perm	3.90%		(\$1.90)	(\$498,682)
Interim Construction Interest	3.38%		(1.65)	(431,552)
Contractor's OH & Profit	11.50%		(5.61)	(1,470,473)
NET DIRECT CONSTRUCTION COSTS				\$39,631,511

PAYMENT COMPUTATION

Primary	\$16,600,000	Term	480
Int Rate	6.67%	DCR	1.08

Secondary		Term	
Int Rate		Subtotal DCR	1.07

All-In		Term	
Rate		Aggregate DCR	1.07

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$1,173,646
Trustee Fee	3,500
TDHCA Admin. Fees Asset Oversight	20,120
NET CASH FLOW	\$94,095

Primary	\$16,400,000	Term	480
Int Rate	6.65%	DCR	1.10

Secondary		Term	
Int Rate		Subtotal DCR	1.10

All-In		Term	
Rate		Aggregate DCR	1.08

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

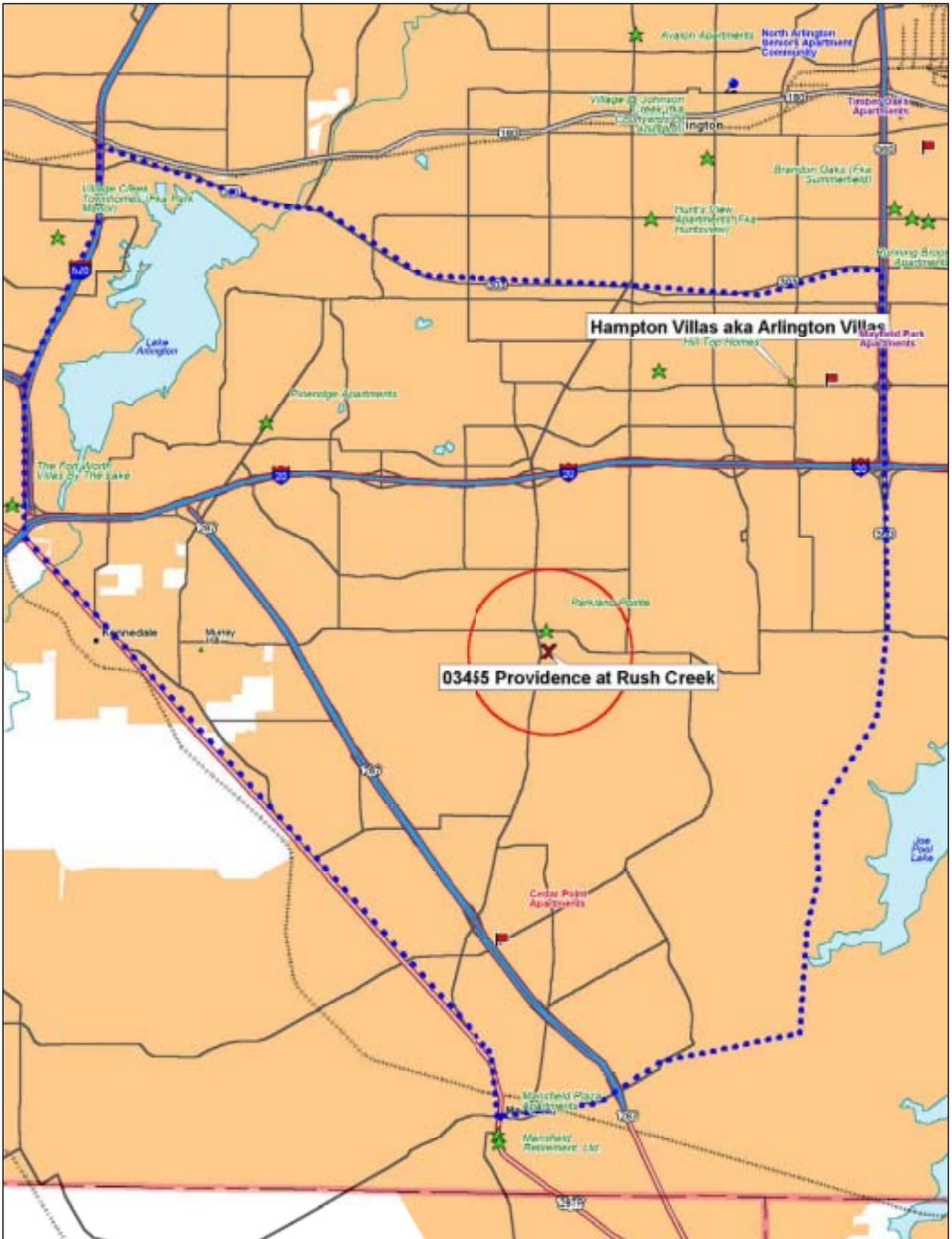
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,501,496	\$2,576,541	\$2,653,837	\$2,733,452	\$2,815,456	\$3,263,885	\$3,783,737	\$4,386,388	\$5,894,939
Secondary Income	44,640	45,979	47,359	48,779	50,243	58,245	67,522	78,277	105,197
Other Support Income: (describ)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,546,136	2,622,520	2,701,196	2,782,232	2,865,698	3,322,130	3,851,259	4,464,665	6,000,136
Vacancy & Collection Loss	(190,960)	(196,689)	(202,590)	(208,667)	(214,927)	(249,160)	(288,844)	(334,850)	(450,010)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,355,176	\$2,425,831	\$2,498,606	\$2,573,564	\$2,650,771	\$3,072,970	\$3,562,415	\$4,129,815	\$5,550,126
EXPENSES at 4.00%									
General & Administrative	\$72,489	\$75,389	\$78,405	\$81,541	\$84,802	\$103,175	\$125,528	\$152,724	\$226,069
Management	94,207	97,033	99,944	102,943	106,031	122,919	142,497	165,193	222,005
Payroll & Payroll Tax	237,691	247,199	257,087	267,370	278,065	338,309	411,604	500,779	741,276
Repairs & Maintenance	145,406	151,222	157,271	163,562	170,104	206,958	251,795	306,348	453,469
Utilities	87,359	90,854	94,488	98,267	102,198	124,339	151,278	184,053	272,443
Water, Sewer & Trash	91,264	94,915	98,711	102,660	106,766	129,897	158,040	192,279	284,621
Insurance	49,795	51,787	53,858	56,013	58,253	70,874	86,229	104,911	155,294
Property Tax	177,833	184,947	192,344	200,038	208,040	253,112	307,950	374,668	554,600
Reserve for Replacements	49,600	51,584	53,647	55,793	58,025	70,596	85,891	104,500	154,685
Other	58,170	60,497	62,917	65,433	68,051	82,794	100,732	122,555	181,412
TOTAL EXPENSES	\$1,063,815	\$1,105,425	\$1,148,672	\$1,193,620	\$1,240,335	\$1,502,973	\$1,821,544	\$2,208,010	\$3,245,874
NET OPERATING INCOME	\$1,291,361	\$1,320,406	\$1,349,934	\$1,379,945	\$1,410,436	\$1,569,997	\$1,740,871	\$1,921,805	\$2,304,252
DEBT SERVICE									
First Lien Mortgage	\$1,173,646	\$1,173,646	\$1,173,646	\$1,173,646	\$1,173,646	\$1,173,646	\$1,173,646	\$1,173,646	\$1,173,646
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees Asset Over	20,120	20,035	19,944	19,847	19,743	19,106	18,218	3,720	3,720
NET CASH FLOW	\$94,095	\$123,225	\$152,844	\$182,952	\$213,548	\$373,746	\$545,507	\$740,939	\$1,123,386
AGGREGATE DCR	1.08	1.10	1.13	1.15	1.18	1.31	1.46	1.63	1.95

LIHTC Allocation Calculation - Providence at Rush Creek, Arlington, HTC #03455

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$1,550,000	\$1,550,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,674,001	\$1,674,001	\$1,674,001	\$1,674,001
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$10,597,139	\$10,386,012	\$10,597,139	\$10,386,012
(4) Contractor Fees & General Requirements				
Contractor overhead	\$249,143	\$241,200	\$245,423	\$241,200
Contractor profit	\$747,428	\$723,601	\$736,268	\$723,601
General requirements	\$747,428	\$723,601	\$736,268	\$723,601
(5) Contingencies				
	\$747,428	\$603,001	\$613,557	\$603,001
(6) Eligible Indirect Fees				
	\$1,524,500	\$1,524,500	\$1,524,500	\$1,524,500
(7) Eligible Financing Fees				
	\$1,282,000	\$1,282,000	\$1,282,000	\$1,282,000
(8) All Ineligible Costs				
	\$1,373,405	\$1,373,405		
(9) Developer Fees			\$2,611,373	
Developer overhead	\$527,072	\$465,399		\$465,399
Developer fee	\$2,108,288	\$2,108,288		\$2,108,288
(10) Development Reserves				
		\$518,089		
TOTAL DEVELOPMENT COSTS	\$23,127,832	\$23,173,097	\$20,020,530	\$19,731,603

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$20,020,530	\$19,731,603
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$20,020,530	\$19,731,603
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$20,020,530	\$19,731,603
Applicable Percentage			3.57%	3.57%
TOTAL AMOUNT OF TAX CREDITS			\$714,733	\$704,418

Syndication Proceeds	0.8199	\$5,860,224	\$5,775,652
Total Credits (Eligible Basis Method)		\$714,733	\$704,418
Syndication Proceeds		\$5,860,224	\$5,775,652
Requested Credits		\$717,257	
Syndication Proceeds		\$5,880,919	
Gap of Syndication Proceeds Needed		\$6,727,832	
Credit Amount		\$820,549	



0345 Providence at Rush Creek

Hampton Villas aka Arlington Villas



© 2001 DeLorme. XMap® Business 1v3, GDT, Inc., Rel. 01/2001
 Zoom Level: 11-0 Datum: WGS84

Scale 1 : 100 000
 1" = 1.58 mi



RENT CAP EXPLANATION Fort Worth / Arlington MSA

AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is "**affordable**" if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

Rent Caps are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2003

MSA/County: Fort Worth/Arlington **Area Median Family Income (Annual):** \$60,300

ANNUALLY				MONTHLY							
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)			Utility Allowance by Unit Type (provided by the local PHA)	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)			
# of Persons	At or Below			Unit Type	At or Below			At or Below			
	50%	60%	80%		50%	60%	80%	50%	60%	80%	
1	\$ 21,450	\$ 25,740	\$ 34,350	Efficiency	\$ 536	\$ 643	\$ 858		\$ 536	\$ 643	\$ 858
2	24,500	29,400	39,250	1-Bedroom	574	689	920	60.00	514	629	860
3	27,600	33,120	\$ 44,150	2-Bedroom	690	828	1,103	78.00	612	750	1,025
4	30,650	36,780	\$ 49,050	3-Bedroom	796	956	1,275	94.00	702	862	1,181
5	33,100	39,720	\$ 52,950	4-Bedroom	888	1,066	1,422	121.00	767	945	1,301
6	35,550	42,660	\$ 56,900	5-Bedroom	980	1,176	1,569	137.00	859	1,055	1,448
7	38,000	45,600	\$ 60,800								
8	40,450	48,540	\$ 64,750								
FIGURE 1				FIGURE 2			FIGURE 3	FIGURE 4			

Figure 1 outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning \$30,000 per year would fall in the 60% set-aside group. A family of three earning \$25,000 would fall in the 50% set-aside group.

Figure 2 shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 60% income bracket earning \$33,120 could not pay more than \$828 for rent and utilities under the affordable definition.

- 1) \$33,120 divided by 12 = **\$2,760** monthly income; then,
- 2) **\$2,760** monthly income times 30% = **\$828** maximum total housing expense.

Figure 4 displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in **Figure 3** from the maximum total housing expense for each unit type found in **Figure 2**.

Figure 3 shows the utility allowance by unit size, as determined by the local public housing authority. The example assumes all electric units.

Parkview Townhomes

RESULTS & ANALYSIS:

Tenants in the 60% AMFI bracket will **save \$130 to \$193** per month (leaving 4.7% to 6.1% more of their monthly income for food, child care and other living expenses).

This is a monthly savings off the market rents of **14.8% to 18.3%**.

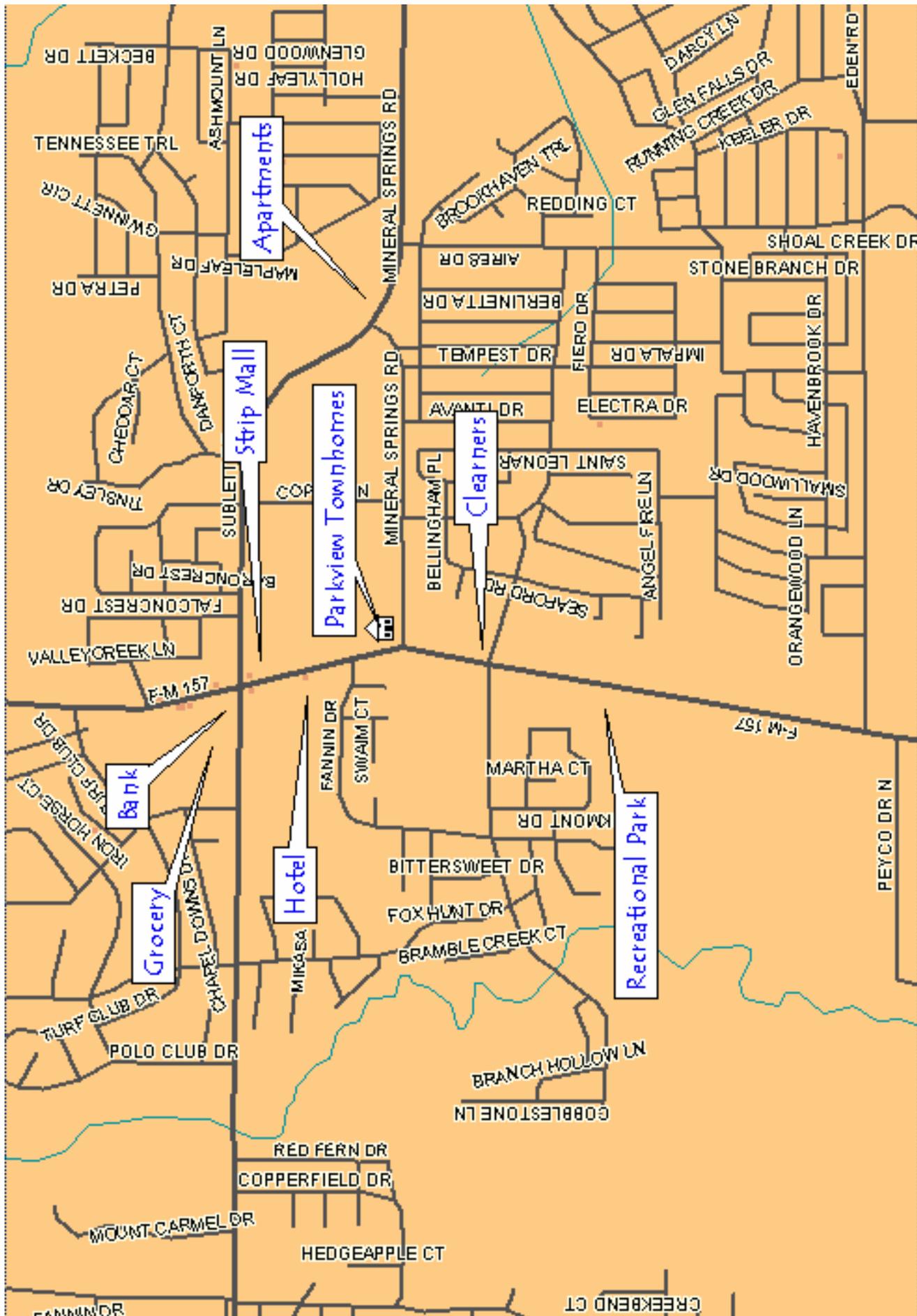
PROJECT INFORMATION

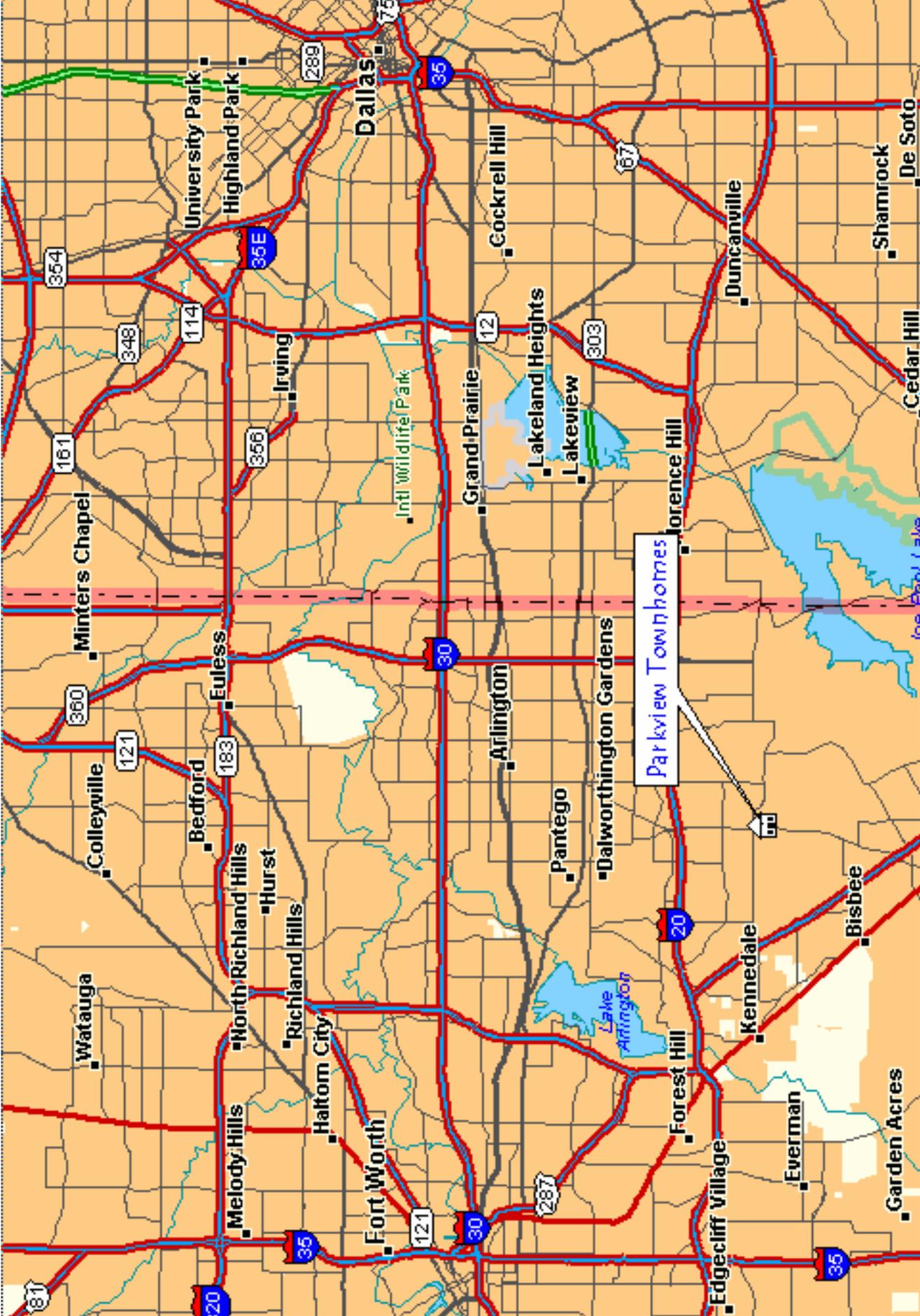
Unit Mix				
Unit Description	2-Bedroom	3-Bedroom		
Square Footage	960	1,120		
Rents if Offered at Market Rates	\$880	\$1,055		
Rent per Square Foot	\$0.92	\$0.94		

SAVINGS ANALYSIS FOR 60% AMFI GROUPING

Rent Cap for 60% AMFI Set-Aside	\$750	\$862		
Monthly Savings for Tenant	\$130	\$193		
Rent per Square Foot	\$0.78	\$0.77		
Maximum Monthly Income - 60% AMFI	\$2,760	\$3,188		
Monthly Savings as % of Monthly Income	4.7%	6.1%		
% DISCOUNT OFF MONTHLY RENT	14.8%	18.3%		

Appraisal information provided by: Butler Burgher, Inc, 8150 N. Central Expressway, Suite 801, Dallas, Texas 75206. Dated October 29, 2003.





Developer Evaluation

Project ID # **03455**

Name: **Rose Court Parkview**

City: **Arlington**

LIHTC 9% LIHTC 4% HOME BOND HTF SECO ESGP Other

No Previous Participation in Texas Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Projects in Material Noncompliance: No Yes # of Projects: 0
Total # of Projects monitored: 0 Projects grouped by score 0-9 0 10-19 0 20-29 0
Total # monitored with a score less than 30: 0 # not yet monitored or pending review: 2

Program Monitoring/Draws

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Asset Management

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Sara Carr Newsom Date y, October 10, 2003

Multifamily Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by S. Roth Date 9/25/2003

Single Family Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Community Affairs

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by EEF Date 9/26/2003

Office of Colonia Initiatives

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Real Estate Analysis (Cost Certification and Workout)

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Loan Administration

Not applicable No delinquencies found Delinquencies found
Delinquencies found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Executive Director: _____

Executed: _____

Status Summary

Project ID# 03455

Name: Rose Court Parkview

City Arlington

LIHTC 9 LIHTC 4

HOME HTF

Bond SEC

ESGP Other

Developer	Role	Disbar
Dove Lane Apartments, LP	Owner/Applicant Name	<input type="checkbox"/>
Chicory GP IV, Inc.	General Partner (.01%)	<input type="checkbox"/>
Leon J. Backes	President (100% Ownership)	<input type="checkbox"/>

Projects/Contracts Monitored by the Department

Program	Project ID	Project Name	Score
LIHTC	02474	Quail Creek Apartments	N/A
LIHTC	02475	Rose Court @ Thorntree	N/A

Out of State Response Received: N/A

Non-Compliance Reported

Completed By: Jo En Taylor

Date: 10/9/2003

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Multifamily Finance Division

Public Comment Summary

Parkview Townhomes

Public Hearing	
<i>Total Number Attended</i>	10
<i>Total Number Opposed</i>	0
<i>Total Number Supported</i>	7
<i>Total Number Neutral</i>	3
<i>Total Number that Spoke</i>	1

Letters Received	
<i>Opposition</i>	0
<i>Support</i>	0

Summary of Opposition

Response to Summary of Opposition

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

PARKVIEW TOWNHOMES

PUBLIC HEARING

Moore Elementary School
5500 Park Springs Blvd.
Arlington, Texas

October 29, 2003
6:26 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Loan Analyst

P R O C E E D I N G S

1
2 MS. MEYER: Good evening. My name is Robbye
3 Meyer, and I would like to proceed with the hearing. Let
4 the record show that it is 6:26, Wednesday, October 29,
5 and we are at the Moore Elementary School located at 5500
6 Park Springs Boulevard, in Arlington, Texas.

7 I am here to conduct the public hearing on
8 behalf of the Texas Department of Housing and Community
9 Affairs with respect to the issuance of tax-exempt
10 multifamily revenue bonds for a residential rental
11 community. This hearing is required by the Internal
12 Revenue Code. The sole purpose of this hearing is to
13 provide a reasonable opportunity for interested
14 individuals to express their views regarding the
15 development and the proposed bond issuance.

16 No decisions regarding this developing will be
17 made at this hearing. The Department's board is scheduled
18 to meet to consider this transaction on December 11. In
19 addition to providing your comments at this hearing, the
20 public is also invited to provide comment directly to the
21 board at any of their meetings. The Department's staff
22 will also accept written comments via facsimile at 512-
23 475-0764 up until 5:00 o'clock on November 28, 2003.

24 The bonds will be issued as tax-exempt

1 multifamily revenue bonds in the aggregate principal
2 amount not to exceed \$15 million in taxable bonds, if
3 necessary, in an amount to be determined and issued in one
4 or more series by the Texas Department of Housing and
5 Community Affairs. The proceeds of the bonds will be
6 loaned to Dove Lane Apartments, Limited Partnership, or a
7 related person or affiliate entity thereof) to finance a
8 portion of the cost of acquiring, constructing, and
9 equipping a multifamily rental housing community described
10 as follows: a 248-unit multifamily residential rental
11 development to be constructed on approximately 16 acres of
12 land located in the southeast quadrant of South Cooper
13 Street and Sublett Road, Arlington, Tarrant County, Texas.

14 The proposed multifamily rental housing community will be
15 initially owned and operated by the borrower (or a related
16 person or affiliate thereof).

17 There are two basic -- well, not basic, but two
18 different programs that are at work for this particular
19 issuance. One is tax-exempt bonds, and one is housing tax
20 credits. On the tax-exempt bond side, what this does --
21 it's an exemption to the bond purchaser. It's not an
22 exemption in property taxes. It is exempt for the income
23 tax on the purchaser for any income that they receive for
24 the investment on the bonds. It's not property tax

1 exemptions.

2 Because of this, since the bond purchaser does
3 not have to pay income tax on the investment, then they
4 allow for a lower rate of return. So therefore, the
5 lender in this whole process can charge a lower interest
6 rate to the mortgage that will be placed on this to the
7 developer. And this allows the developer to be allowed to
8 build a market-rate, quality development which normally
9 would not be able to be done with this type of -- with the
10 amount of money that's being received. So because of
11 this, they can build a very quality market-rate property
12 for less money.

13 The other piece of the part here is housing
14 tax credits, and this is a tax credit to the development
15 itself. It runs for ten years, and this allows the
16 developer to actually charge -- it's equity to the
17 development, and it allows them to charge the lower
18 rates, rents, to the tenant. So therefore, your tenant
19 can live in a nice, quality, market-rate property for a
20 price that they can actually afford.

21 So with the two programs together, that's
22 where the affordable housing all comes together, and
23 that's pretty much what we're trying to do. Most of the
24 developments that we deal with -- well, there is a

1 compliance period that goes along with this, and it's the
2 greater of 30 years, or as long as the bonds are
3 outstanding. And that depends on the type of financing
4 that the developer chooses to use.

5 This particular development -- again, it will
6 have 248 units. They will be -- it will be 248 units, 98
7 two-bedroom/two-bathroom units with approximate square
8 footage of 960 feet. There will be 150 three-
9 bedroom/two- bath units with an average square footage of
10 1,120 square feet. The development will consist of 14
11 three-story residential buildings and one nonresidential
12 building.

13 One hundred percent of the units will be
14 occupied by tenants at less than 60 percent of the area
15 median income. Area median income for the Fort Worth-
16 Arlington MSA, or this area, is \$60,300. Give you an
17 example, for a family of four, to qualify to live in this
18 particular development, they couldn't make more than
19 \$36,780.

20 The average two-bedroom unit maximum rent
21 would be \$750. Three-bedroom unit, maximum rent would be
22 approximately \$862. Part of the leasing criteria for
23 this particular development, the applicants must meet an
24 employment income, credit and rental history guidelines.

1 All occupants must work at least 30 hours a week, or
2 have written confirmation of disability retirement.
3 Occupancy is limited to a maximum of two persons per
4 bedroom, and applicants must pass a criminal background
5 check.

6 There are representatives of the developer
7 here, if there are any questions. If I can answer any
8 questions, I'll be glad to do that, but there are
9 representatives of the developer here if anybody has any
10 questions to ask the developer.

11 VOICE: [Inaudible.]

12 MR. FISHER: My name is Bill Fisher.

13 MS. MEYER: Repeat the question.

14 MR. FISHER: I'll just repeat your question
15 for everyone. I believe your question was, what impact
16 would the community have on the school district, and try
17 and address the number of children that would be coming
18 in into the school district.

19 Well, one of the things that I have provided
20 to planning and zoning -- I'd be happy to provide you a
21 copy -- is a study that was done by Dr. Bernard
22 Weinstein, the University of North Texas, which was
23 specific to our development and our impact on the
24 Mansfield Independent School District.

1 I want to make sure that the community knows
2 that we have met with Vernon Newsome [phonetic], who is
3 the superintendent of the Mansfield Independent School
4 District. He is aware of this development. The school
5 district's official position is they are neutral on all
6 affordable housing. As a result of our conversation with
7 him, I will tell you that he is generally pleased with
8 our approach. He wanted to make sure he knew he was
9 aware of it. He took a look at what they had planned for
10 the bond package, because they have recently passed a
11 very large bond package, acquired quite a few school
12 sites. They'll be building new schools.

13 So since our resident population will impact
14 the school district really the fall of 2005, his feeling
15 at the time was they would have more than adequate
16 facilities, primarily as a result of the new construction
17 from the bond package.

18 We generally -- the UNT study -- and again,
19 I'll be happy to provide you a copy -- generally shows
20 about .75 children per household. So they're projecting
21 something in the range of 175 school-age children living
22 on our property.

23 Now, of the 175, they also project --
24 obviously, these families don't beam in from Mars -- many

1 of them already live in the district. So they estimate
2 that about half of those numbers of children already live
3 and attend school in the Mansfield Independent School
4 district, so that our net new impact to the school
5 district will be about 75 new students.

6 The Mansfield Independent School District
7 currently has about 21,000 students. They have planned
8 for 50,000 students by the year 2010. And this bond
9 package that they just passed, according to the
10 superintendent, is intended to put them in a position to
11 deal with what is, in essence, more than a doubling of
12 the current student population.

13 So to answer your question, there is school
14 capacity. It's primarily as a result of the new bond
15 package, and the timing of when our children will
16 actually attend school, and when the new schools will
17 come on board, we'll actually be in sync.

18 MS. MEYER: And just to add to that, this is a
19 for-profit developer, and there's not a tax abatement to
20 the school district. So they will be paying the full
21 taxes that are allowed -- just in case that was a
22 concern.

23 Are there any other questions?

24 VOICE: [Inaudible.]

1 MS. MEYER: In the Arlington Star Telegram?
2 It was in the -- I know it was in the Fort Worth Star
3 Telegram, and then it was in the neighborhood section
4 that goes out. I think it comes out on Thursdays. Am I
5 right? I don't remember exactly when it was. But we
6 advertised in the Fort Worth Star, and then the
7 neighborhood section for the Arlington area. And that
8 was done on September the 29th.

9 Are there any other questions? Is there
10 anybody that would like to make an actual public comment
11 for the record?

12 VOICE: [Inaudible.]

13 MS. MEYER: Do you want to make a comment for
14 that?

15 VOICE: [Inaudible.]

16 MS. MEYER: Sure. You can fax comments in,
17 and that goes -- you know, if you get home and you decide
18 you have more questions, or whatever, you're more than
19 welcome to contact me. I'm sure that Mr. Fisher will be
20 glad to give you his information. I'll give you mine
21 here in just a little bit, of how to get in touch with
22 me. And I have my business cards also, and you're
23 welcome to call me, or you can email me, you can fax me,
24 and we'll be glad to accept comment up until the 28th.

1 VOICE: Are the developers required to do
2 anything other than place the information in the
3 newspaper and get in touch with the community?

4 MS. MEYER: We also -- one thing that we do
5 request of the developers is to place a sign, and there's
6 a huge sign on this property -- I took pictures of it
7 this afternoon -- at the corner of South Cooper and
8 Sublett Road. It's a good four by eight, at least, sign.

9
10 That's one thing, and that's actually the
11 biggest draw that we get as far as notification. We
12 also -- we notify the newspaper and also the public --
13 all the legislators. We get that. A lot of the
14 legislators send things out themselves, so --

15 VOICE: What happens now after the public
16 hearing? What's the next step?

17 MS. MEYER: Well, what will happen now is we
18 get the public hearing now, and I'll take those comments,
19 and I'll take any comments that are received in between
20 now and November 28. We'll go through an underwriting
21 analysis. The developer will submit all the financial
22 information.

23 We'll get commitments from the lenders. We'll
24 get final plans and specs for the development itself.

1 All that will be compiled into different reports that
2 will be presented to our board, and also to the Bond
3 Review Board. Right now our board is scheduled for
4 December the 11th.

5 The Bond Review Board is scheduled for the
6 18th, but with the Christmas holidays, they're trying to
7 rework that date, so I'm not exactly sure. I'm going to
8 tell you the 18th, but that one may change, so you'd have
9 to check with my office or the Bond Review Board to make
10 sure which date that actually ends up on.

11 At that point, if both boards approve it, then
12 we will go to the situation where we would close the
13 bonds. But there's a lot of work. An underwriting
14 report is done by the Department. It's also done by the
15 lenders and syndicators within the deal itself. So
16 there's a lot of work on feasibility and public comment
17 that is compiled and presented to both boards.

18 VOICE: [inaudible]

19 MR. FISHER: [inaudible]

20 MS. MEYER: Now, as far as the tax credits and
21 the bond piece, it would stop as far as that was
22 concerned. And your question being is, if the board
23 denies either one of them, then it kills the application
24 at that point.

1 VOICE: [inaudible]

2 MS. MEYER: Yes. And that question -- yes,
3 they would move forward.

4 MR. FISHER: Can I address her questions?

5 MS. MEYER: Sure.

6 MR. FISHER: For the record, I'd like to
7 repeat your question. Your question was, what kind of
8 notifications, or whatever, has gone on regarding the
9 community?

10 You know, we consider our approach really to
11 be the model for developing housing in a community. This
12 is a planned development. So we have gone through the
13 city processes. The neighbors in the adjacent area have
14 been notified. Our zoning consultant has spoken with the
15 presidents, I believe, of the two active groups that
16 monitor this particular area. The Southwest Arlington
17 Action Team -- SWAAT -- and I believe there's another
18 one. What?

19 VOICE: SECA [phonetic].

20 MR. FISHER: SECA. So they're both aware of
21 that. We've met with the councilman in our area, Mr.
22 McFadden; the mayor, as well as the at-large councilman,
23 to make sure that they were aware of exactly what we are
24 doing. Planning and zoning -- held public hearings on

1 our planned development approximately ten days ago.

2 There were members of the public there.

3 The important thing about the process is,
4 first of all, yes -- the neighborhood is fully aware of
5 what we're doing. We've had a sign up about building
6 apartments there for at least six weeks. The planned
7 development sign has been up there for probably three
8 months. And then the public notices Ms. Meyer mentioned
9 for the meeting tonight has been up for at least two
10 weeks.

11 The next process for us, which will finish our
12 process, is the final approval of our planned development
13 at City Council coming up here in Arlington, which will
14 also be another public meeting.

15 Ms. Meyer, as she mentioned, has advertised
16 this meeting. We have notified all of your elected
17 officials, which is our requirement. I believe the agency
18 does the same thing. And in this development, we have
19 advertised twice in the Fort Worth Star-Telegram, and
20 four times in the Arlington Morning News -- twice in
21 early October, and then again twice, I believe, last
22 week.

23 So again, there has certainly been an effort
24 to make sure that everyone in the community was aware of

1 what we are doing. And we have certainly, I think, ended
2 up with a better development as a result of engaging the
3 community.

4 If I can call your attention to the renderings
5 over there, these renderings are what the planning and
6 zoning commission required us to build on this property.

7 And we have agreed, down to the landscaping and the
8 light fixtures that would go in the parking lot. As the
9 final little twist, they also put specific requirements
10 on -- we don't have trash dumpsters all over our
11 property. We use one central trash compactor. We pick
12 up our residents' trash. So as a result of having the
13 centralized trash compactor, they wanted to make sure
14 that they had specific criteria for the exterior finishes
15 for our trash compactor as well.

16 So the one thing I can tell you is the
17 community in our area is certainly aware of what we're
18 doing, and through this planned development process, they
19 know exactly what we are proposing to build in that
20 location.

21 MS. MEYER: Are there any other questions?
22 Any other comments? Okay, I'll give you my information
23 real quick of how to get in touch with me. And as of
24 November 1, our email system is changing, so you have to

1 get my whole name in there. It's
2 robbye.meyer@tdhca.state.tx.us. My phone number is 512-
3 475-2213. My fax number is 512-475-0764. And I'll be
4 glad to answer any questions.

5 If there's any questions of the developer that
6 I can't answer for you, I'll be glad to get you that
7 information. Mr. Fisher, I'm sure, will be glad to give
8 you his card if there's any additional information that
9 you'd like from him.

10 And if there's not any more questions or
11 comments, I'd like to adjourn the meeting. It is now
12 6:45.

13 (Whereupon, at 6:45 p.m., the meeting was
14 adjourned.)

C E R T I F I C A T E

1
2
3 IN RE: Parkview Townhomes public hearing

4 LOCATION: Arlington, Texas

5 DATE: October 29, 2003

6 I do hereby certify that the foregoing pages,
7 numbers 1 through 16, inclusive, are the true, accurate,
8 and complete transcript prepared from the verbal
9 recording made by electronic recording by Judy Farnsworth
10 before the Texas Department of Housing and Community
11 Affairs.

(Transcriber) 11/21/2003
(Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731



WWW.TDHCA.STATE.TX.US

**REQUEST FOR BOARD APPROVAL
Multifamily Finance Production**

2003 Private Activity Multifamily Revenue Bonds

**Timber Ridge II Apartments
5321 Aldine Bender Road
Houston, Texas
Timber Ridge Housing II, Ltd.
124 Units
\$7,000,000 Tax Exempt – Series 2003A
\$500,000 Taxable – Series 2003B**

TABLE OF EXHIBITS

TAB 1	TDHCA Board Presentation
TAB 2	Bond Resolution
TAB 3	HTC Profile and Board Summary
TAB 4	Sources & Uses of Funds Estimated Cost of Issuance
TAB 5	Department's Real Estate Analysis
TAB 6	Rental Restrictions Explanation Results and Analysis
TAB 7	Development Location Maps
TAB 8	TDHCA Compliance Summary Report
TAB 9	Public Input and Hearing Transcript (November 3, 2003)

**BOARD APPROVAL
MEMORANDUM
December 11, 2003**

DEVELOPMENT:

Timber Ridge II Apartments, Houston, Texas

PROGRAM:

Texas Department of Housing & Community Affairs
2003 Private-Activity Multifamily Housing Revenue Bonds
(Reservation received 09/8/03)

**ACTION
REQUESTED:**

Approve the issuance of multifamily housing mortgage revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371 of the Texas Government Code and under Chapter 2306 of the Texas Government Code, the Department's enabling legislation which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.

PURPOSE:

The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Timber Ridge Housing II, Ltd, a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 124-unit multifamily residential rental development located at 5321 Aldine Bender Road, Harris County, Texas 77032 (the "Development"). The Bonds will be tax-exempt by virtue of the Development qualifying as a residential rental development.

BOND AMOUNT:

\$7,000,000 Series A 2003 Tax Exempt Bonds, (the "Bonds") (*)
\$ 500,000 Series B 2003 Taxable Bonds
\$7,500,000 Total Bonds

(*) The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Development and the amount for which Bond Counsel can deliver its Bond Opinion.

**ANTICIPATED
CLOSING DATE:**

The Department received a volume cap allocation for the Bonds on September 8, 2003 pursuant to the Texas Bond Review Board's 2003 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before January 6, 2004, the anticipated closing date is December 23, 2003.

BORROWER:

Timber Ridge Housing II Ltd., a Texas limited partnership, the managing general partner of which is Richo Rinehart Investments, LLC, a Texas limited liability company, the President of which is Joyce Bennett.

COMPLIANCE HISTORY:

A recent Compliance Summary reveals that the principal of the general partner above has a total of six (6) properties being monitored by the Department. Three (3) of these properties have received a compliance score. All of the scores are below the material non-compliance threshold score of 30.

ISSUANCE TEAM:

GMAC Commercial Holding Capital Corp (“Bond Purchaser”)
Wells Fargo Bank Texas, NA, (“Trustee”)
Vinson & Elkins L.L.P. (“Bond Counsel”)
RBC Dain Rauscher, Inc. (“Financial Advisor”)
McCall, Parkhurst & Horton, L.L.P. (Issuer Disclosure Counsel)
Bank of America (“Letter of Credit Provider”)

BOND PURCHASER:

The Bonds will be purchased by GMAC Commercial Holding Capital Corp. The purchaser and any subsequent purchaser will be required to sign the Department’s standard traveling investor letter.

DEVELOPMENT DESCRIPTION:

Site: The proposed affordable housing community is a 124-unit multifamily residential rental development to be constructed on approximately 7.03 acres of land located along Aldine Bender road, approximately 3,500 feet west of US-59, Harris County, Texas 77032.

Buildings: The development will include a total of sixteen (16) two-story, wood-framed apartment buildings containing approximately 140,834 net rentable square feet and having an average unit size of 1,136 square feet. The units will be constructed to the standards of higher end market units and will feature wall to wall carpeting, washer/dryer connections and a full range of energy efficient appliances including a refrigerator/freezer, range/oven, dishwasher, garbage disposal, and microwave oven. Nine units will be constructed to meet the needs of those with disabilities.

Units	Unit Type	Square Feet	Proposed Net Rent
16	2-Bedrooms/2-Baths	987	\$717
28	2-Bedrooms/2-Baths	1091	\$717
12	2-Bedrooms/2-Baths	1005	\$717
4	2-Bedrooms/2-Baths	1011	\$717
4	2-Bedrooms/2-Baths	1107	\$717
27	3-Bedrooms/2-Baths	1199	\$825
27	3-Bedrooms/2-Baths	1264	\$825
3	3-Bedrooms/2-Baths	1203	\$825
3	3-Bedrooms/2-Baths	1284	\$825
124	Total Units		

On-site Amenities: There will be a community building that will contain office and leasing space, a day care facility, a computer room for tenant use, a central meeting room for educational programs such as literacy, parenting and GED classes and/or other programs that aid tenant self-improvement. Adjacent to the clubhouse will be a

swimming pool. Other amenities will include recreation areas, a children's play area and perimeter fencing.

SET-ASIDE UNITS:

For Bond covenant purposes, forty percent (40%) of the units in the Development will be restricted to occupancy by persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in the Development will be set aside on a priority basis for persons with special needs. For Tax Credit purposes, the Borrower will set-aside 100% of the units at sixty percent (60%) of the area median income.

RENT CAPS:

For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for sixty percent (60%) of the area median income.

TENANT SERVICES:

The Borrower has contracted with Education Based Housing, Inc. to provide a Tenant Services Plan based on the tenant profile upon lease-up that conforms to the Department's program guidelines.

**DEPARTMENT
ORIGINATION
FEES:**

\$1,000 Pre-Application Fee (Paid)
\$10,000 Application Fee (Paid)
\$37,500 Issuance Fee (.50% of the bond amount paid at closing)

**DEPARTMENT
ANNUAL FEES:**

\$7,500 Bond Administration (0.10% of first year bond amount)
\$3,100 Compliance (\$25/unit/year adjusted annually for CPI)

(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Development cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)

**ASSET OVERSIGHT
FEE:**

\$3,100 to TDHCA or assigns (\$25/unit/year adjusted annually for CPI)

TAX CREDITS:

The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to \$477,964 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of the limited partnership, typically 99.9%, to raise equity funds for the development. Although a tax credit sale has not been finalized, the Borrower anticipates raising no less than \$3,823,330 of equity for the transaction.

**BOND STRUCTURE &
SECURITY FOR THE
BONDS:**

The Bonds are proposed to be issued under a Trust Indenture (the "Trust Indenture") that will describe the fundamental structure of the Bonds, permitted uses of Bond proceeds and procedures for the administration, investment and disbursement of Bond proceeds and program revenues.

The Bonds will be privately placed with the Bond Purchaser. The Tax-Exempt Bonds will mature over a term of 32 and one half years and the Taxable Bonds will mature over a term of fifteen (15) years. During the construction and lease-up period, the Bonds will pay as to interest only. The Bonds will be secured by a first lien on the Development.

The Bondholder Representative will have the option to (1) change the interest payment date from a monthly payment to a semi-annual payment, (2) deposit amounts into debt service reserve funds for the purpose of paying the debt service of the Bonds, (3) convert some of the Bonds to subordinate bonds or convert subordinate bonds to senior bonds and (4) create a Registered Coupon consisting only of a portion of the interest on the Bonds to be retained by the Bondholder Representative.

During the Construction Phase, the Letter of Credit Provider will provide a Letter of Credit to the benefit of the Bond Purchaser to secure the Borrower's payment obligations during the construction phase. The Borrower's reimbursement obligations to the Letter of Credit Provider will be secured by a 2nd lien mortgage on the property and certain related obligations to the Trustee on behalf of the Bond Purchaser. Upon satisfaction of certain Conversion Requirements, the Mortgage Loan will convert from the Construction Phase to the Permanent Phase. The Bond Purchaser will return the Letter of Credit to the Letter of Credit Provider upon completion and lease up of the development.

The Bonds are mortgage revenue bonds and, as such, create no potential liability for the general revenue fund or any other state fund. The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the financing carried out through the issuance of the Bonds.

BOND INTEREST RATES: During the first twelve months the tax exempt bond interest rate will be 5.75%. After the initial twelve month period the interest rate will be fixed at 6.75%. Throughout the term of the Loan, the taxable bonds shall bear interest at a rate of 8.00.

**CREDIT
ENHANCEMENT:**

The bonds will be unrated with no credit enhancement.

FORM OF BONDS:

The Bonds will be issued and delivered in certified form to the Bond Purchaser in bond entry form and in denominations of \$100,000 and any multiple of \$1.00 in excess thereof.

**TERMS OF THE
MORTGAGE LOAN:**

The Mortgage Loan is a non-recourse obligation of the Borrower, which means, subject to certain exceptions, that the Borrower is not liable for the payment thereof beyond the amount realized from the pledged security. The Mortgage Loan provides for monthly payments

of interest during the Construction Phase and level monthly payments of principal and interest for 360 months upon conversion to the Permanent Phase.

During the Construction Phase, the Borrower will be required to make payments on the Mortgage Loan directly to the Trustee (to the extent that capitalized interest funds deposited at closing into the Mortgage Loan Fund are insufficient to make the semi-annual interest payments on the Bonds) along with all other bond and credit enhancement fees. Upon Conversion, the Borrower will be required to pay mortgage payments on the Mortgage Loan to the Loan Servicer, who will remit the principal and interest components of the mortgage payments to the Trustee. The Borrower will continue to pay certain other fees, including the Department's fees, directly to the Trustee.

Effective on the Conversion Date, which is anticipated to occur 24 months from the closing date of the Bonds with one six-month extension option, the Mortgage Loan will convert from the Construction Phase to the Permanent Phase upon satisfaction the conversion requirements set forth in the Fannie Mae credit facility. Among other things, these requirements include completion of the Project according to plans and specifications and achievement of certain occupancy thresholds.

**MATURITY/SOURCES
& METHODS OF
REPAYMENT:**

The Bonds will bear interest at the rates set forth above until maturity and will be payable monthly. During the construction phase, the Bonds will be payable as to interest only, from an initial deposit at closing to the Capitalized Interest Account of the Bond Fund, earnings derived from amounts held on deposit in an investment agreement, and other funds deposited to the Capitalized Interest Account. After conversion to the permanent phase, the Bonds will be paid from revenues earned from the Mortgage Loan.

**REDEMPTION OF
BONDS PRIOR TO
MATURITY:**

The Bonds are subject to redemption under any of the following circumstances:

Optional Redemption:

The Bonds are subject to optional redemption in whole on any day, to the extent optional prepayment of the Mortgage Loan is made pursuant to and as permitted by the terms of the Mortgage Loan Documents.

The Bonds are also subject to optional redemption in connection with a remarketing in accordance with the terms of the Indenture.

Mandatory Redemption:

- (a) The Bonds will be subject to either mandatory sinking fund redemption, or in the case of term bonds, maturity, at par plus

accrued and unpaid interest, without premium, on specified dates as specified in the Indenture (subject to change upon pricing of the Bonds).

- (b) In whole, if the Development shall have been damaged or destroyed to the extent that it is not practicable or feasible to rebuild, repair or restore the damaged or destroyed property within the period and under the conditions described in the Mortgage following such event of damage or destruction; or
- (c) In whole, if title to, or the use of, all or a substantial portion of the Development shall have been taken under the exercise of the power of eminent domain by any governmental authority with the result that the Borrower is thereby prevented from carrying on its normal operation of the Development within the period and under the conditions described in the Mortgage; or
- (d) In whole or in part, to the extent that insurance proceeds or proceeds of any condemnation award with respect to the Development are not applied to restoration of the Development in accordance with the provisions of the Mortgage; or
- (e) In whole or in part upon the acceleration of the note in the event of the occurrence of a Loan Agreement Default; or
- (f) In whole, upon receipt by the Trustee of Written Direction from the Bondholder Representative, in accordance with the Construction Phase Financing Agreement, to redeem the Bonds as a result of the occurrence of an Event of Default as defined in and under the Construction Phase Financing Agreement.
- (g) In whole, upon receipt by the Trustee of Written Direction from the Bondholder Representative, on or after the Commitment Maturity Date, if the Conversion Notice is not issued by the Bondholder Representative prior to the Commitment Maturity Date; or
- (h) In part, in the event that the Borrower or the Construction Phase Credit Facility Provider elects to make a Pre-Conversion Loan Equalization Payment and the Trustee has received Written Notice thereof and Written Direction from the Construction Phase Credit Facility Provider to redeem Bonds, in an amount equal to the amount of the Note prepaid by the Borrower.
- (i) In part, in the event and to the extent amounts remaining in the Fund allocated to the Bonds are transferred to the Bond Fund.
- (j) In part on each Bond Payment Date, commencing the first business day of the month immediately after commencement of amortization of the Loan.

(k) as otherwise provided in the Trust Indenture and the Commitment.

Purchase of Bonds in Lieu of Redemption:

Subject to certain provisions, Borrower may with the consent of the Credit Provider purchase Bonds with deposits held by the Trustee in any Fund or Account for which the purpose of such moneys is to pay principal of, premium, if any, or interest on the Bonds. The purchase price of the Bonds shall be equal to the applicable Redemption Price.

Special Purchase in Lieu of Redemption:

If the Bonds are called for redemption in whole, and not in part, as a result of either a conversion failure or certain events of default under the documents (during the period that the Letter of Credit from the Interim Lender is in effect), the Bonds may be purchased in lieu of such redemption by the Trustee for the account of the Construction Lender. The purchase price shall be equal to the principal amount of the Special Purchase Bonds plus accrued interest on the Special Purchase Bonds to the Special Purchase Date, but without premium.

**FUNDS AND
ACCOUNTS/FUNDS
ADMINISTRATION:**

Under the Trust Indenture, Wells Fargo Bank, National Association will serve as registrar and authenticating agent for the Bonds, trustee of certain of the funds created under the Trust Indenture, and will have responsibility for a number of loan administration and monitoring functions.

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will initially be issued as fully registered securities and when issued will be registered in the name of Cede & Co., as nominee for DTC. One fully registered global bond in the aggregate principal amount of each stated maturity of the Bonds will be deposited with DTC.

Moneys on deposit in Trust Indenture funds are required to be invested in Permitted Investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will create the following Funds and Accounts:

1. Bond Fund – The Trustee shall deposit moneys it receives for deposit to the Bond Fund to pay interest, principal and redemption price of the Bonds;
2. Development Fund (including the Tax-Exempt Bonds Account, Taxable Bonds Account and Capitalized Interest Account) – Funds for the acquisition and construction of the Development, to pay other Qualified Development Costs and to pay other costs related to the Development;

3. Expense Fund – an amount equal to 1/12 of the Annual Rebate Analyst Fee, the Trustee Fee and the Issuer’s Fee;
4. Costs of Issuance Fund – Funds to cover the cost of issuance of the transaction;
5. Rebate Fund – Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds;
6. Surplus Fund – excess revenues used to redeem Bonds;
7. Senior Bonds Debt Service Reserve Fund – additional security for Senior Bonds;
8. Subordinate Bonds Debt Service Reserve Fund – additional security for Subordinate Bonds;
9. Remarketing Proceeds Fund – to purchase remarketed Bonds.

Essentially, all of the Bond proceeds will be deposited into the Development Fund and disbursed therefrom during the Construction Phase to finance the construction of the Development. Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from the Tax Exempt Bond proceeds

**DEPARTMENT
ADVISORS:**

The following advisors have been selected by the Department to perform the indicated tasks in connection with the issuance of the Bonds.

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in 2003. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.
2. Bond Trustee – Wells Fargo Bank Texas, N.A. was selected as bond trustee by the Department pursuant to a request for proposals process in June 1996.
3. Financial Advisor – RBC Dain Rauscher Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.
4. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a

request for proposals process in 2003.

**ATTORNEY GENERAL
REVIEW OF BONDS:**

No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the Bonds.

RESOLUTION NO. 03-93

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (TIMBER RIDGE APARTMENTS) SERIES 2003A AND TAXABLE MULTIFAMILY HOUSING REVENUE BONDS (TIMBER RIDGE APARTMENTS) SERIES 2003B; 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 (Timber Ridge Apartments) Series 2003A (the “Series A Bonds”) and Texas Department of Housing and Community Affairs Taxable Multifamily Housing Revenue Bonds (Timber Ridge Apartments) Series 2003B (the “Series B Bonds” and together with the Series A Bonds, the “Bonds”), pursuant to and in accordance with the terms of a Trust Indenture (the “Indenture”) by and between the Department and Wells Fargo Bank, National Association (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 Timber Ridge Housing II, 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 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 10, 2002, 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 Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "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 two promissory notes (collectively, the "Note") in an original aggregate principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the fixed bond coupon rate on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, it is anticipated that the Note will be secured by a first lien Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (the "Deed of Trust") from the Borrower for the benefit of the Department and the Trustee; and

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

WHEREAS, the Board has determined that the Department shall enter into a Bond Placement Agreement (the "Purchase Agreement") with Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp., as placement agent (the "Placement Agent"), a purchaser as set forth in the Purchase Agreement (the "Purchaser") and the Borrower, with respect to the sale of the Bonds; 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; and

WHEREAS, the Board has determined that the Department and the Borrower will execute an Asset Oversight Agreement (the "Asset Oversight Agreement"), with respect to the Project for the purpose of monitoring the operation and maintenance of the Project; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Assignment, the Regulatory Agreement, the Asset Oversight Agreement and the Purchase Agreement, all of which are attached to and comprise a part of this Resolution; 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 1.13, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

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

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

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

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) (A) the interest rate on the Series A Bonds shall be the greater of (x) five and three fourths percent (5.75%) (subject to adjustment as provided in the Indenture) per annum from and including the date of issuance thereof through and including December 31, 2004 and six and three fourths percent (6.75%) (subject to adjustment as provided in the Indenture) per annum thereafter and (y) the BMA Municipal Swap Index, as published from time to time by the Bond Market Association, until paid on the maturity date or earlier redemption or acceleration thereof and (B) the interest rate on the Series B Bonds shall be eight percent (8.00%) (subject to adjustment as provided in the Indenture) per annum from and including the date of issuance thereof until paid on the maturity date or earlier redemption or acceleration thereof; (ii) the aggregate principal amount of the Series A Bonds shall be \$7,000,000 and of the Series B Bonds shall be \$500,000; (iii) the final maturity of the Series A Bonds shall occur on February 1, 2037 and the Series B Bonds shall occur on March 1, 2017; and (iv) the Chairman or Vice 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 rates on the Bonds (as determined by the Indexing Agent (as defined in the Indenture)), which determinations shall be conclusively evidenced by the execution and delivery by the Chairman or Vice Chairman of the Governing Board or the Executive Director of the Department of the Indenture and the Purchase Agreement. In no event shall the interest rate on the Series A Bonds or the Series B Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law.

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 Loan Agreement and Regulatory Agreement. That the form and substance of the Loan 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 Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower and the Trustee.

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

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

Section 1.7--Approval, Execution and Delivery of the Purchase Agreement. That the form and substance of the Purchase Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Purchase Agreement to the Placement Agent, the Borrower and the Purchaser.

Section 1.8--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.9--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.10--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

- Exhibit B - Indenture
- Exhibit C - Loan Agreement
- Exhibit D - Regulatory Agreement
- Exhibit E - Assignment
- Exhibit F - Purchase Agreement
- Exhibit G - Asset Oversight Agreement

Section 1.11--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.12--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the

Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Secretary of the Board.

Section 1.13--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 G to the Regulatory Agreement and shall be annually redetermined by the Issuer.

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) That 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) That the Borrower is financially responsible;

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

(v) That 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, or 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) Public Purpose and Benefits.

(i) That the Borrower has agreed to operate the Project in accordance with the Loan 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.

Section 3.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as it deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the 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 Loan Agreement and the Regulatory Agreement.

Section 3.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of 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.

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

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in 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

Section 4.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate 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 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.

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PASSED AND APPROVED this ____ day of December, 2003.

By: _____
Elizabeth Anderson, Chair

[SEAL]

Attest: _____
Delores Groneck, Secretary

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Timber Ridge Housing II, Ltd., a Texas limited partnership

Project: The Project is a 124-unit multifamily apartment complex to be known as Timber Ridge II Apartments and to be located at 5321 Aldine Bender Road, Houston, Texas. The Project will include a total of 16 two-story residential apartment buildings with a total of approximately 142,191 net rentable square feet and an average unit size of approximately 1,146 square feet. The unit mix will consist of:

64 two-bedroom/two-bath units

60 three-bedroom/two-bath units

124 Total Units

Unit sizes will range from approximately 985 square feet to approximately 1,320 square feet.

Common areas will include a daycare facility, furnished community room, laundry room, computer room/facilities, picnic area, swimming pool, play area, playground equipment, basketball court, perimeter fencing, limited access gate and monitored unit security.



**HOUSING TAX CREDIT PROGRAM
2003 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Timber Ridge II Apartments**

TDHCA#: 03456

DEVELOPMENT AND OWNER INFORMATION

Development Location: Houston QCT: Y DDA: N TTC: N
 Development Owner: Timber Ridge Housing II, Ltd.
 General Partner(s): Beinhorn Partners, LP, 100%, Contact: Chris Richardson
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: TDHCA
 Development Type: Family

Annual Tax Credit Allocation Calculation

Applicant Request: \$477,964 Eligible Basis Amt: \$480,665 Equity/Gap Amt.: \$488,260

Annual Tax Credit Allocation Recommendation: \$477,964

Total Tax Credit Allocation Over Ten Years: \$ 4,779,640

PROPERTY INFORMATION

Unit and Building Information

Total Units: 124 LIHTC Units: 124 % of LIHTC Units: 100
 Gross Square Footage: 145,350 Net Rentable Square Footage: 142,280
 Average Square Footage/Unit: 1147
 Number of Buildings: 16
 Currently Occupied: N

Development Cost

Total Cost: \$11,552,155 Total Cost/Net Rentable Sq. Ft.: \$81.19

Income and Expenses

Effective Gross Income:¹ \$1,086,336 Ttl. Expenses: \$477,293 Net Operating Inc.: \$609,043
 Estimated 1st Year DCR: 1.09

DEVELOPMENT TEAM

Consultant: Not utilized Manager: Orion Real Estate Services
 Attorney: Gardere, Wynne, Sewell & Riggs Architect: Mark Mucasey, IAI
 Accountant: Reznick, Fedder & Silverman Engineer: R. G. Miller
 Market Analyst: Revac, Inc. Lender: GMAC Commercial Holding Capital Corp.
 Contractor: Blazer Building, Inc. Syndicator: MMA Financial LLC

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. John Whitmire, District 15 - NC
# in Opposition: 0	Rep. Senfronia Thompson, District 141 - NC
Public Hearing:	Judge Robert Eckels - NC
# in Support: 7	David Turkel, Director, Office of Housing & Economic Development, Harris County; Consistent with the HUD approved 2003 Consolidated Plan for Harris County.
# in Opposition: 2	
# Neutral: 1	

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted..

DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:

Score Utilization of Set-Aside Geographic Distrib. Tax Exempt Bond. Housing Type

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager _____ Date Brooke Boston, Director of Multifamily Finance Production Date

DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Score Utilization of Set-Aside Geographic Distrib. Tax Exempt Bond Housing Type

Other Comments including discretionary factors (if applicable). _____

Edwina P. Carrington, Executive Director _____ Date
Chairman of Executive Award and Review Advisory Committee

TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).

Chairperson Signature: _____
Elizabeth Anderson, Board Chair _____ Date

Timber Ridge Apartments

Estimated Sources & Uses of Funds

Sources of Funds

Bond Proceeds, Series 2003A Bonds (Tax-Exempt)	\$ 7,000,000
Bond Proceeds, Series 2003 B (Taxable)	\$ 500,000
LIHTC Equity	3,967,000
Estimate Refund of Remaining Deposit (GMAC, CHCC)	15,925
Deferred Developer's Fee	371,759
Total Sources	<u>\$ 11,854,684</u>

Uses of Funds

Deposit to Mortgage Loan Fund (Construction funds)	\$ 8,891,704
Capitalized Interest (Constr. Interest)	714,375
Marketing	75,000
Developer's Fee/Overhead	1,355,760
Costs of Issuance	
Direct Bond Related	553,365
Bond Purchaser Costs	110,000
Other Transaction Costs	34,480
Real Estate Closing Costs	120,000
Total Uses	<u>\$ 11,854,684</u>

Estimated Costs of Issuance of the Bonds

Direct Bond Related

TDHCA Issuance Fee (.50% of Issuance)	\$ 37,500
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee (\$25 per unit)	3,100
TDHCA Bond Counsel and Direct Expenses (Note 1)	70,000
TDHCA Financial Advisor and Direct Expenses	30,000
Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1)	2,500
Borrower's Bond Counsel	25,000
Placement Agent	75,000
Placement Agent Counsel	25,000
Letter of Credit Bank (Origination + 31 months)	215,265
Letter of Credit Counsel	20,000
Letter of Credit Draw Fee	6,000
Trustee's Fees (Note 1)	9,000
Trustee's Counsel (Note 1)	5,500
Attorney General Transcript Fee (\$1,250 per series, max. of 2 series)	2,500
Texas Bond Review Board Application Fee	500
Texas Bond Review Board Issuance Fee (.025% of Reservation)	4,000
TEFRA Hearing Publication Expenses & Misc.	11,500
Total Direct Bond Related	<u>\$ 553,365</u>

Bond Purchase Costs

Lender Loan Origination Fee (GMAC .50%)	75,000
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Timber Ridge Apartments

Lender Counsel & Expenses (GMAC)	35,000
Total	\$ 110,000

Other Transaction Costs	
Tax Credit Syndicator Fees & Expenses	10,000
Tax Credit Determination Fee (4% annual tax cr.)	22,000
Tax Credit Application Fee (\$20/u)	2,480
Total	\$ 34,480

Real Estate Closing Costs	
Title & Recording (Const. & Perm.)	40,000
Property Taxes	80,000
Total Real Estate Costs	\$ 120,000

Estimated Total Costs of Issuance	\$ 817,845
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Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

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RECOMMENDATION

- RECOMMEND ISSUANCE OF TAX-EXEMPT BONDS IN AN AMOUNT OF NOT MORE THAN \$7,000,000, AMORTIZING OVER 40 YEARS AT AN INTEREST RATE OF 6.75%, SUBJECT TO CONDITIONS.
- RECOMMEND ISSUANCE OF TAXABLE BONDS IN AN AMOUNT OF NOT MORE THAN \$500,000, AMORTIZING OVER 40 YEARS AT AN INTEREST RATE OF 8%, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A TAX CREDIT ALLOCATION NOT TO EXCEED \$477,964 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 124 **# Rental Bgs:** 16* **# Common Area Bldgs:** 1* **# of Floors:** 2 **Age:** 0 yrs **Vacant:** N/A at / /
Net Rentable SF: 142,280 **Av Un SF:** 1,147 **Common Area SF:** 3,070 **Gross Bldg SF:** 145,350

* One rental building is attached to the community building (16 total buildings)

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 60% brick veneer/40% cement fiber siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, laminated counter tops, individual water heaters

ON-SITE AMENITIES

A 3,070-SF community building with activity/classrooms, management offices, kitchen, restrooms, computer/business center, & central mailroom, as well as a swimming pool are to be located at the entrance to & near the middle of the property. An existing warehouse on the western edge of the site will be retained & used for storage. In addition, perimeter fencing with limited access gates is also planned for the site. Tenants will be able to access the laundry & daycare facilities & other amenities in the adjacent first phase of the development.

Uncovered Parking: 112 spaces **Carports:** 0 spaces **Garages:** 124 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Timber Ridge II Apartments is a relatively dense (16.4 units per acre) new construction development of 124 units of affordable housing located in north Houston. The development adjacent to and is proposed as phase II of the 192-unit Timber Ridge Apartments (2001 9% HTC #01101). The subject is comprised of 15 evenly distributed, medium-size, two-story, garden style, walk-up residential buildings and one combination community/residential building as follows:

- Four Building Type 1 with eight two-bedroom/two-bath units;
- Four Building Type 2 with eight two-bedroom/two-bath units;
- Seven Building Type 3 with eight three-bedroom/two-bath units; and

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- One Building Type 4 with four three-bedroom/two-bath units and the community center.

Architectural Review: The building elevations are quite attractive, with pitched roofs, predominantly brick veneer exterior wall finishes, and ornamental window shutters. Each unit has an attached one-car garage with inside access. The units are well laid out, with semi-private exterior entries and adequate storage space. The combined community/residential building design is unusual for tax credit-financed properties.

Supportive Services: The Applicant intends to use Education Based Housing, Inc. to provide the following supportive services to tenants: GED classes, financial counseling, computer, adult literacy, and parenting classes, and on-site daycare, and has budgeted \$6,000 per year for these services.

Schedule: The Applicant anticipates construction to begin in March of 2004 and to be completed in May of 2005. The development should be placed in service and substantially leased-up in September of 2005.

SITE ISSUES

SITE DESCRIPTION

Size: 7.58 acres 330,184 square feet **Zoning/ Permitted Uses:** None (in county)
Flood Zone Designation: Zone X **Status of Off-Sites:** Partially improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is a rectangularly-shaped parcel located in the north area of Houston (one mile outside the city limits), approximately 13 miles from the central business district. The site is situated on the north side of Aldine-Bender Road.

Adjacent Land Uses:

- **North:** Timber Ridge Apartments (phase I)
- **South:** Aldine-Bender Road with single-family residential beyond
- **East:** Single-family residential
- **West:** Multifamily residential

Site Access: Access to the property is from the east or west along Aldine-Bender Road or from the adjacent Timber Ridge Apartments to the north. Access to State Highway 59 is 0.7 miles east, which provides connections to all other major roads serving the Houston area.

Public Transportation: Public transportation to the area is provided by the city bus system with stops on adjacent Aldine-Bender Road.

Shopping & Services: The site is within three miles of three neighborhood shopping centers and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Site Inspection Findings: TDHCA staff performed a site inspection on November 3, 2003 and found the location to be acceptable for the proposed development. The inspector noted a lack of community amenities within walking distance and observed that the area needs new construction and development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT

A Phase I Environmental Site Assessment report dated October 3, 2003 was prepared by EDC Environmental Services and contained the following findings and recommendations: "Based on our findings, this assessment revealed no evidence of recognized environmental conditions associated with the current or historical uses of the subject or adjoining properties. EDC-ES recommends no further investigation at this time." (p. 10)

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 2 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI.

MAXIMUM ELIGIBLE INCOMES

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	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$25,020	\$28,620	\$32,160	\$35,760	\$38,640	\$41,460

MARKET HIGHLIGHTS

A market feasibility study dated September 22, 2003 and a supplement thereto dated November 12, 2003 were prepared by David L. Pallante & Associates, L.L.C. and highlighted the following findings:

Definition of Primary Market Area (PMA): "...the competitive market area is considered to be represented by a five-mile radius." (p. 1)

Population: The estimated 2002 population of the PMA was 114,781 and is expected to increase by 7.3% to approximately 123,141 by 2007. Within the primary market area there were estimated to be 33,283 households in 2002.

Total Primary Market Demand for Rental Units: "...the Houston apartment market is faring well with an overall occupancy of 95.8% and compounded annual increases in rent of 3.6% since mid-year 1999." (p. 44)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY

Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	165	6%	29	2%
Resident Turnover	2,648	94%	1,166	98%
Other Sources: 10 yrs pent-up demand	0	0%	0	0%
TOTAL ANNUAL DEMAND	2,813	100%	1,195	100%

Ref: p. 51-52

Inclusive Capture Rate: The Analyst calculated an inclusive capture rate of 8.5% based on income- and household size-qualified demand of 2,813 units and the 116 unstabilized affordable units in the adjacent phase I property. (p. 54). The Analyst used an income band extending down to \$0 to include households holding tenant-based Section 8 vouchers. The Underwriter calculated an acceptable inclusive capture rate of 20% based upon a revised demand of 1,195 units derived by using only the conventional qualifying income bands.

Local Housing Authority Waiting List Information: No information provided.

Market Rent Comparables: The Market Analyst surveyed six comparable apartment projects totaling 1,070 units in the market area. "...the restricted rents represent an average discount of \$101 or 11.6% off market rents. Overall, the subject units will be affordably priced relative to the competitive market and should meet with positive market acceptance." (p. 73)

RENT ANALYSIS (net tenant-paid rents)

Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (60%)	\$717	\$717	\$0	\$800-\$845	-\$83-\$128
3-Bedroom (60%)	\$825	\$825	\$0	\$910-\$940	-\$85-\$115

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent = \$500, program max = \$600, differential = -\$100)

Primary Market Occupancy Rates: "Occupancy rates within the subject's market area (five-mile radius) are 95%. Over the past four years occupancy rates have remained fairly stable. Overall, the subject's submarket appears to be stable with stabilized occupancies anticipated over the long term." (p. 3)

Absorption Projections: "...it is estimated that within 12 months of completion (21 months from today) a

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
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Acquisition Cost: \$450,000	Other Terms/Conditions: _____
Seller: Beinhorn Partners, L.P.	Related to Development Team Member: Yes
EVIDENCE of SITE or PROPERTY CONTROL	
Type of Site Control:	Unimproved property contract (0.5909-acre phase I right-of-way tract)
Contract Expiration Date: 11/ 25/ 2003	Anticipated Closing Date: 11/ 25/ 2003
Acquisition Cost: \$10	Other Terms/Conditions: _____
Seller: Timber Ridge Housing, Ltd.	Related to Development Team Member: Yes

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The Applicant claimed a site acquisition cost of \$500,000 in the project cost schedule, although the purchase agreement lists a purchase price of \$450,000. The subject 7.58-acre site is comprised of a two-acre parcel acquired by the General Partner in June 2003 for \$290,000 and a portion of a 34.72-acre site acquired by the General Partner for Timber Ridge I in October 2001 for \$888,624. The Timber Ridge I land cost was prorated down by \$107,024 to \$781,600 at the time of the original 2001 9% HTC allocation due to the Applicant's representation that 4.1816 acres (now being used in the subject) would be reserved for future commercial use. Therefore, the Underwriter has attributed \$397,024 (\$290,000 + \$107,024) as the appropriate land cost to ensure that a windfall profit or excess developer fee is not provided to the developer as a result of the potential TDHCA funding for the project.

Sitework Cost: The Applicant's claimed sitework costs of \$6,500 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is within 1% of the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant included \$25,000 in housing consultant fees which the Underwriter included in developer fees. The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are set at the maximums allowed by TDHCA guidelines, but with the reduction in eligible basis due to the misapplication of eligible basis exceed the maximum by \$28,754.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter, is used to calculate eligible basis and determine the HTC allocation. As a result an eligible basis of \$10,327,989 is used to determine a credit allocation of \$480,665 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM to PERMANENT FINANCING

Source: GMAC Commercial Holding Capital Corporation	Contact: David Rosen
Principal Amount: \$7,000,000	Interest Rate: 5.75% during first 12 months, then 6.75%
Additional Information: Tax-exempt bond proceeds, 30-month interest-only interim phase	
Amortization: 40 yrs	Term: 30 yrs
Commitment: <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	
Annual Payment: \$546,589	Lien Priority: 1st Commitment Date: 11/ 18/ 2003

INTERIM to PERMANENT FINANCING

Source: GMAC Commercial Holding Capital Corporation	Contact: David Rosen
Principal Amount: \$500,000	Interest Rate: 8.0%
Additional Information: Taxable bond proceeds, 10-year maturity, principal paid with priority	

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Amortization: 40 yrs **Term:** 30 yrs **Commitment:** LOI Firm Conditional
Annual Payment: (Included above) **Lien Priority:** 1st **Commitment Date** 11/ 18/ 2003

TAX CREDIT SYNDICATION

Source: MMA Financial LLC **Contact:** Marie Keutmann
Address: 101 Arch Street **City:** Boston
State: MA **Zip:** 02110 **Phone:** (713) 914-9200 **Fax:** (617) 439-9978
Net Proceeds: \$3,967,000 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 83¢
Commitment LOI Firm Conditional **Date:** 10/ 20/ 2003
Additional Information: Based upon tax credit allocation of \$477,964

APPLICANT EQUITY

Amount: \$861,802 **Source:** Deferred developer fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is inconsistent with the terms reflected in the sources and uses of funds listed in the application in that the Applicant did not include the tax-exempt series and therefore understated the total debt amount by \$500,000.

HTC Syndication: The tax credit syndication commitment indicates total syndication proceeds of \$3,967,000, while the sources and uses of funds statement indicates an equity contribution of \$3,823,330.

Deferred Developer's Fees: The proposed deferred developer fees of \$861,801 amount to approximately 64% of the total eligible fees.

Financing Conclusions: The Applicant's projected net operating income is sufficient to recommend the issuance of tax-exempt bonds in the amount of \$7,000,000 and taxable bonds in the amount of \$500,000, with interest rates of 6.75% and 8%, respectively, and with amortization periods of 40 years. Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation would not exceed \$480,665 annually for ten years, resulting in syndication proceeds of approximately \$3,989,117. The Applicant's lower requested credits of \$477,964, however, will be used to determine the allocation, resulting in syndication proceeds of approximately \$3,966,704. The Underwriter reduced the recommended gap by the \$132,976 difference in the proposed acquisition price of the land due to the previously discussed identity of interest sale. Based on the underwriting analysis, the Applicant's deferred developer fee will be reduced to \$85,451, which represents approximately 6% of the eligible fee and which should be repayable from cash flow within two years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee should be available to fund those development cost overruns.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, and General Contractor are all related entities. These are common relationships for HTC-funded developments. The land seller is also related to the Applicant, however, any potential windfall from the identity of interest sale has been accounted for in the acquisition value of this report.

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

Financial Highlights:

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The General Partner, Beinhorn Partners, L.P., submitted an unaudited financial statement as of August 29, 2003 reporting total assets of \$3.8M and consisting of \$48K in cash, \$3.2M in receivables, and \$509K in real property. Liabilities totaled \$1.4M, resulting in a net worth of \$2.4M.
- Blazer Residential, Inc., the 1% general partner of the General Partner, submitted an unaudited financial statement as of August 29, 2003 reporting total assets of \$787K and consisting of \$512K in cash, \$82K

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in receivables, and \$194K in machinery, equipment, and fixtures. Liabilities totaled \$60K, resulting in a net worth of \$727K.

- Blazer Land, LLC, the Developer and 74% limited partner of the General Partner, submitted an unaudited financial statement as of August 29, 2003 reporting total assets of \$9K and consisting entirely of cash. No liabilities were reported.
- Richco Rinehart Investments, LLC, the 25% limited partner of the General Partner, submitted an unaudited financial statement as of August 29, 2003 reporting total assets of \$15K and consisting of \$4K in cash and \$11K in receivables. No liabilities were reported.
- The principals of the General Partner, H. Chris and Anne Richardson, Joyce Rinehart, Christan Fuqua, and Leslie Richardson, submitted unaudited financial statements as of August 29, 2003 and are anticipated to be guarantors of the development.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- Beinhorn Partners, LP, Richco-Rinehart Investments, LLC, Christan Fuqua, Anne Richardson, Leslie Richardson, and Joyce Rinehart listed participation in seven previous affordable housing developments totaling 1,232 units since 1999.
- Blazer Land, LLC listed participation in three previous affordable housing developments totaling 544 units since 2001.
- Blazer Residential, Inc. listed participation in 11 previous affordable housing developments totaling 2,194 units since 1977.
- Chris Richardson listed participation in 14 previous affordable housing developments totaling 5,265 units since 1977.

SUMMARY OF SALIENT RISKS AND ISSUES

- The seller of the property has an identity of interest with the Applicant.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:

Jim Anderson

Date: December 1, 2003

Director of Real Estate Analysis:

Tom Gouris

Date: December 1, 2003

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Timber Ridge II Apartments, Houston, MFB #2003-000/4% HTC #03456

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.38	\$5,887,936
Adjustments				
Exterior Wall Finish	5.20%		\$2.15	\$306,173
9'-Ft Ceilings	3.00%		1.24	176,638
Roofing			0.00	0
Subfloor			(1.01)	(143,703)
Floor Cover			1.92	273,178
Porches/Balconies	\$14.37	19,128	1.93	274,869
Plumbing	\$615	408	1.76	250,920
Built-in Appliances	\$1,625	124	1.42	201,500
Stairs	\$1,200	62	0.52	74,400
Floor Insulation			0.00	0
Heating/Cooling			1.47	209,152
Garages	\$12.63	24,800	2.20	313,100
Comm &/or Aux Bldgs	\$59.56	3,070	1.29	182,855
Other:			0.00	0
SUBTOTAL			56.28	8,007,018
Current Cost Multiplier	1.03		1.69	240,211
Local Multiplier	0.90		(5.63)	(800,702)
TOTAL DIRECT CONSTRUCTION COSTS			\$52.34	\$7,446,527
Plans, specs, survy, bld prm	3.90%		(\$2.04)	(\$290,415)
Interim Construction Interes	3.38%		(1.77)	(251,320)
Contractor's OH & Profit	11.50%		(6.02)	(856,351)
NET DIRECT CONSTRUCTION COSTS			\$42.51	\$6,048,442

PAYMENT COMPUTATION

Primary	\$7,500,000	Term	480
Int Rate	6.78%	DCR	1.09

Secondary		Term	
Int Rate		Subtotal DCR	1.08

All-In		Term	
Rate		Aggregate DCR	1.07

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	\$545,099
Trustee Fee	3,500
TDHCA Admin. Fees Asset Oversight Fee	9,360
NET CASH FLOW	\$51,084

Primary	\$7,500,000	Term	480
Int Rate	6.78%	DCR	1.12

Secondary		Term	
Int Rate		Subtotal DCR	1.11

All-In		Term	
Rate		Aggregate DCR	1.09

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,144,656	\$1,178,996	\$1,214,366	\$1,250,797	\$1,288,320	\$1,493,516	\$1,731,395	\$2,007,161	\$2,697,457
Secondary Income	29,760	30,653	31,572	32,520	33,495	38,830	45,015	52,184	70,131
Other Support Income	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,174,416	1,209,648	1,245,938	1,283,316	1,321,816	1,532,347	1,776,410	2,059,346	2,767,588
Vacancy & Collection Loss	(88,080)	(90,724)	(93,445)	(96,249)	(99,136)	(114,926)	(133,231)	(154,451)	(207,569)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,086,336	\$1,118,925	\$1,152,493	\$1,187,067	\$1,222,679	\$1,417,421	\$1,643,179	\$1,904,895	\$2,560,019
EXPENSES at 4.00%									
General & Administrative	\$37,700	\$39,208	\$40,776	\$42,407	\$44,104	\$53,659	\$65,284	\$79,428	\$117,573
Management	43,453	44,757	46,099	47,482	48,907	56,696	65,726	76,195	102,400
Payroll & Payroll Tax	108,000	112,320	116,813	121,485	126,345	153,718	187,021	227,540	336,814
Repairs & Maintenance	55,400	57,616	59,921	62,317	64,810	78,851	95,935	116,719	172,773
Utilities	26,400	27,456	28,554	29,696	30,884	37,575	45,716	55,621	82,332
Water, Sewer & Trash	34,000	35,360	36,774	38,245	39,775	48,393	58,877	71,633	106,034
Insurance	44,250	46,020	47,861	49,775	51,766	62,982	76,627	93,228	138,000
Property Tax	80,230	83,439	86,777	90,248	93,858	114,192	138,932	169,033	250,209
Reserve for Replacements	24,800	25,792	26,824	27,897	29,012	35,298	42,946	52,250	77,343
Other	23,060	23,982	24,942	25,939	26,977	32,822	39,932	48,584	71,916
TOTAL EXPENSES	\$477,293	\$495,950	\$515,341	\$535,493	\$556,438	\$674,186	\$816,997	\$990,230	\$1,455,395
NET OPERATING INCOME	\$609,043	\$622,975	\$637,152	\$651,574	\$666,241	\$743,235	\$826,182	\$914,664	\$1,104,624
DEBT SERVICE									
First Lien Financing	\$545,099	\$545,099	\$545,099	\$545,099	\$545,099	\$545,099	\$545,099	\$545,099	\$545,099
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees Asset Over	9,360	9,322	9,282	9,239	9,193	8,910	8,512	1,860	1,860
NET CASH FLOW	\$51,084	\$65,054	\$79,271	\$93,736	\$108,450	\$185,726	\$269,071	\$364,206	\$554,165
AGGREGATE DCR	1.09	1.12	1.14	1.17	1.19	1.33	1.48	1.66	2.01
BONDS & TRUSTEE FEE-ONLY DCR	1.11	1.14	1.16	1.19	1.21	1.35	1.51	1.67	2.01
BONDS-ONLY DCR	1.12	1.14	1.17	1.20	1.22	1.36	1.52	1.68	2.03

LIHTC Allocation Calculation - Timber Ridge II Apartments, Houston, MFB #2003-000/4% HTC #C

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$530,000	\$397,024		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$806,000	\$806,000	\$806,000	\$806,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$5,998,367	\$6,048,442	\$5,998,367	\$6,048,442
(4) Contractor Fees & General Requirements				
Contractor overhead	\$136,090	\$136,090	\$136,087	\$136,090
Contractor profit	\$408,260	\$408,260	\$408,260	\$408,260
General requirements	\$408,260	\$408,260	\$408,260	\$408,260
(5) Contingencies	\$100,000	\$100,000	\$100,000	\$100,000
(6) Eligible Indirect Fees	\$465,776	\$465,776	\$465,776	\$465,776
(7) Eligible Financing Fees	\$658,110	\$658,110	\$658,110	\$658,110
(8) All Ineligible Costs	\$748,388	\$748,388		
(9) Developer Fees			\$1,347,129	
Developer overhead	\$450,293	\$429,054		\$429,054
Developer fee	\$925,587	\$925,587		\$925,587
(10) Development Reserves	\$50,000	\$241,383		
TOTAL DEVELOPMENT COSTS	\$11,685,131	\$11,772,373	\$10,327,989	\$10,385,578

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$10,327,989	\$10,385,578
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$13,426,386	\$13,501,252
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$13,426,386	\$13,501,252
Applicable Percentage			3.58%	3.58%
TOTAL AMOUNT OF TAX CREDITS			\$480,665	\$483,345

Syndication Proceeds	0.8299	\$3,989,117	\$4,011,361
Total Credits (Eligible Basis Method)		\$480,665	\$483,345
Syndication Proceeds		\$3,989,117	\$4,011,361
Requested Credits		\$477,964	
Syndication Proceeds		\$3,966,704	
Gap of Syndication Proceeds Needed		\$4,052,155	
Credit Amount		\$488,260	

RENT CAP EXPLANATION

Houston MSA

AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is "**affordable**" if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

Rent Caps are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2003

MSA/County: Houston **Area Median Family Income (Annual):** \$59,100

ANNUALLY				MONTHLY							
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)			Utility Allowance by Unit Type (provided by the local PHA)	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)			
# of Persons	At or Below			Unit Type	At or Below			At or Below			
	50%	60%	80%		50%	60%	80%	50%	60%	80%	
1	\$ 20,850	\$ 25,020	33,400	Efficiency	\$ 521	\$ 625	\$ 835	\$ 51	\$ 470	\$ 574	\$ 784
2	23,850	28,620	38,150	1-Bedroom	558	670	894	69	489	601	825
3	26,800	32,160	42,900	2-Bedroom	670	804	1,072	87	583	717	985
4	29,800	35,760	47,700	3-Bedroom	775	930	1,240	105	670	825	1,135
5	32,200	38,640	51,500	4-Bedroom	863	1,036	1,382	127	736	909	1,255
6	34,550	41,460	55,300	5-Bedroom	953	1,144	1,525	144	826	1,017	1,398
7	36,950	44,340	59,100								
8	39,350	47,220	62,950								
FIGURE 1				FIGURE 2			FIGURE 3	FIGURE 4			

Figure 1 outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning \$30,000 per year would fall in the 60% set-aside group. A family of three earning \$25,000 would fall in the 50% set-aside group.

Figure 2 shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 60% income bracket earning \$32,160 could not pay more than \$804 for rent and utilities under the affordable definition.

- 1) \$32,160 divided by 12 = **\$2,680** monthly income; then,
- 2) **\$2,680** monthly income times 30% = **\$804** maximum total housing expense.

Figure 4 displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in **Figure 3** from the maximum total housing expense for each unit type found in **Figure 2**.

Figure 3 shows the utility allowance by unit size, as determined by the local public housing authority. The example assumes all electric units.

TIMBER RIDGE II APARTMENTS

RESULTS & ANALYSIS:

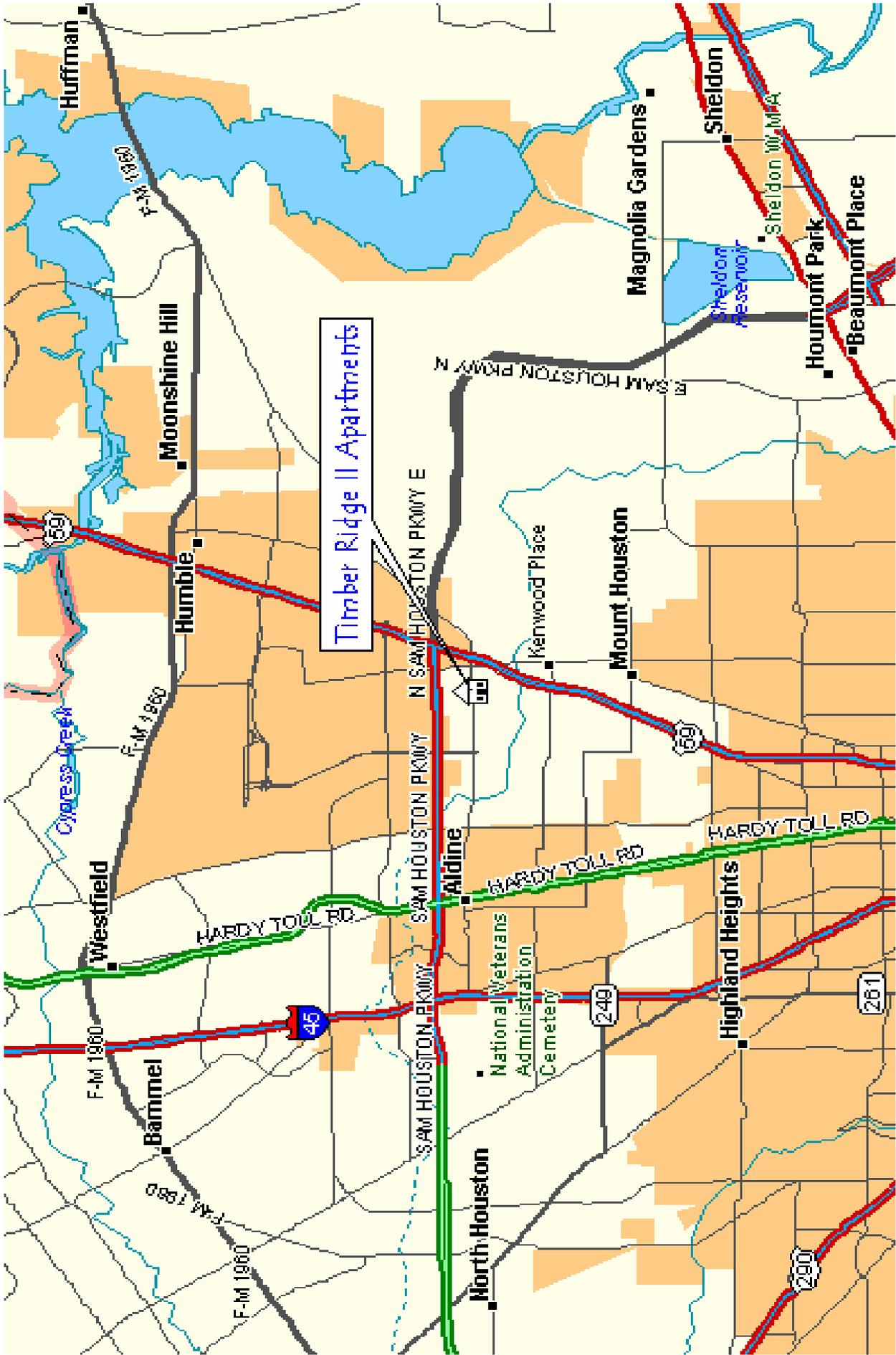
Tenants in the 60% AMFI bracket will **save \$104 to \$98** per month (leaving 3.9% to 3.2% more of their monthly income for food, child care and other living expenses).

This is a monthly savings off the market rents of **10.6% to 12.7%**.

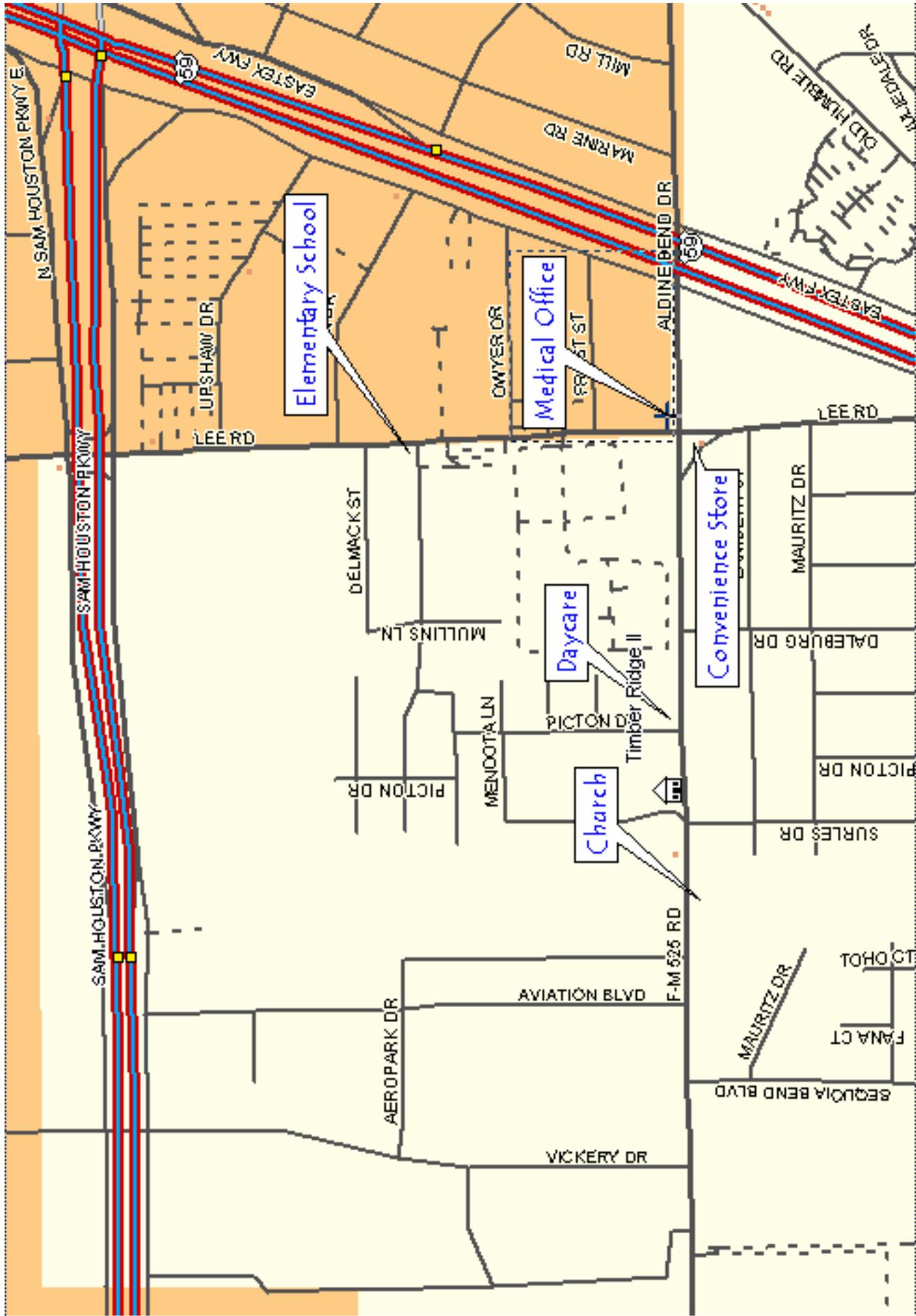
PROJECT INFORMATION				
Unit Mix				
Unit Description		2-Bedroom	3-Bedroom	
Square Footage		1,045	1,233	
Rents if Offered at Market Rates		\$821	\$923	
Rent per Square Foot		\$0.79	\$0.75	

SAVINGS ANALYSIS FOR 60% AMFI GROUPING				
Rent Cap for 60% AMFI Set-Aside		\$717	\$825	
Monthly Savings for Tenant		\$104	\$98	
Rent per square foot		\$0.69	\$0.67	
Maximum Monthly Income - 60% AMFI		\$2,680	\$3,100	
Monthly Savings as % of Monthly Income		3.9%	3.2%	
% DISCOUNT OFF MONTHLY RENT		12.7%	10.6%	

Appraisal information provided by: John E. Johnson, MAI, Bank of America Corporation, 901 Main Street, 51st Floor, Dallas, Texas 75202-3714. Dated November 10, 2003



Timber Ridge II Apartments



Elementary School

Medical Office

Daycare

Church

Convenience Store



Timber Ridge II

Developer Evaluation

Project ID # **03456**

Name: **Timber Ridge II Apartments**

City: **Houston**

LIHTC 9% LIHTC 4% HOME BOND HTF SECO ESGP Other

No Previous Participation in Texas Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Projects in Material Noncompliance: No Yes # of Projects: 0
Total # of Projects monitored: 6 Projects grouped by score 0-9 5 10-19 1 20-29 0
Total # monitored with a score less than 30: 6 # not yet monitored or pending review: 4

Program Monitoring/Draws

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Asset Management

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Sara Carr Newsom Date y, October 10, 2003

Multifamily Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by S. roth Date 9/25/2003

Single Family Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Community Affairs

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by EEF Date 9/26/2003

Office of Colonia Initiatives

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Real Estate Analysis (Cost Certification and Workout)

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Loan Administration

Not applicable No delinquencies found Delinquencies found
Delinquencies found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Executive Director: _____

Executed: _____

Status Summary

Project ID# 03456

Name: Timber Ridge II Apartments

City Houston

LIHTC 9 LIHTC 4

HOME HTF

Bond SEC

ESGP Other

Developer	Role	Disbar
Timber Ridge Housing II, Ltd.	Owner/Applicant Name	<input type="checkbox"/>
Blazer Land, LLC	General Partner (.01%)	<input type="checkbox"/>
H. Chris Richardson	President (100%)	<input type="checkbox"/>

Projects/Contracts Monitored by the Department

Program	Project ID	Project Name	Score
LIHTC	91073	Forest View Apartments	01
LIHTC	95120	Park Yellowstone Apartments	14
LIHTC	99177	Park @ Clear Creek	0
LIHTC	99011	Plum Creek Townhomes	01
LIHTC	95003	The Park @ Cliff Creek	06
LIHTC	96136	Timber Mill	0
LIHTC	01003	Villas @ Willow Springs	N/A
LIHTC	01101	Timber Ridge Apartments	N/A
LIHTC	02444	Woodway Village	N/A
LIHTC	02151	Windsor Gardens	N/A

Out of State Response Received: N/A

Non-Compliance Reported

Status Summary

Completed By: Jo En Taylor **Date:** 10/9/2003

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Division

Public Comment Summary

Timber Ridge II Apartments

Public Hearing	
<i>Total Number Attended</i>	10
<i>Total Number Opposed</i>	2
<i>Total Number Supported</i>	7
<i>Total Number Neutral</i>	1
<i>Total Number that Spoke</i>	3

Letters Received	
<i>Opposition</i>	0
<i>Support</i>	0

Summary of Opposition	
<i>1 Flooding of surrounding homes</i>	
<i>2 Water Supply</i>	

Response to Summary of Opposition	
<i>1 Developer agreed to meet with resident along with development engineer.</i>	
<i>2 Developer answered concern in the hearing transcript</i>	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS SERIES 2003
TIMBER RIDGE II

PUBLIC HEARING

Cafeteria
Francis Elementary School
14815 Lee Road
Houston, Texas

November 3, 2003
6:00 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Loan Analyst

I N D E X

<u>SPEAKER</u>	<u>PAGE</u>
Chris Richardson	9
Mary Newton	12
Jarvis Johnson	14

P R O C E E D I N G S

1
2 MS. MEYER: Good evening. My name is Robbye Meyer, and
3 I'd like to proceed with this public hearing, and let the record show
4 that it is 6:16 on Monday, November 3, and we are at the Francis
5 Elementary School located at 14815 Lee Road in Houston, Texas 77032.

6 I'm here to conduct the public hearing on behalf of the
7 Texas Department of Housing and Community Affairs with respect to an
8 issuance of tax-exempt multifamily revenue bonds for a residential
9 community.

10 This hearing is required by the Internal Revenue Code.
11 The sole purpose of this hearing is to provide a reasonable
12 opportunity for interested individuals to express their views
13 regarding the development and the proposed bond issues.

14 No decisions regarding the development will be made at
15 this hearing. The Department's board is scheduled to meet to
16 consider this transaction on December 11 of 2003. In addition to
17 providing your comments at this hearing, the public is also invited
18 to provide comment directly to the board at any of their meetings.

19 The Department staff will also accept written comments
20 via facsimile at 512-475-0764 up until five o'clock on November 28 of
21 2003.

22 The bonds will be issued as tax-exempt multifamily
23 revenue bonds in the aggregate principal amount not to exceed
24 \$7,000,000, taxable bonds, if necessary, in an amount to be

1 determined and issued in one or more series by the Texas Department
2 of Housing and Community Affairs. The proceeds of the bonds will
3 belong to Timber Housing II, Ltd. (Or a related person or affiliate
4 entity thereof), to finance a portion of the cost of acquiring,
5 constructing and equipping a multifamily rental housing community
6 described as follows: a 124 unit multifamily residential rental
7 development to be constructed on approximately 7.3 acres of land
8 located at 5321 Aldine Bender Road, Harris County, Texas. The
9 proposed multifamily rental housing community will be initially owned
10 and operated by the borrower (or a related person or affiliate
11 thereof).

12 The mission and the purpose of the Texas Department of
13 Housing and Community Affairs is to improve the quality of life for
14 Texans by building better communities.

15 Most of our developments have some type of after-school
16 care, and I notice that you all had -- some of you had made some
17 comments about children being loose in the neighborhood. But most of
18 our developments do have some type of after-school care, whether that
19 be tutoring or computer access, computer lab, or some type of after-
20 school activities.

21 This actually has a twofold advantage to single-parent
22 families. If you have a single parent that's working, if you have a
23 single-family home, the kids go home to nobody. So therefore, on a
24 multifamily development such as this, they have some place to go

1 after school. They can get their homework done, so by the time their
2 parents get home, they can spend some quality time with their
3 parents, and not just doing homework and things like that.

4 Also with these developments, there is at least a 30-
5 year compliance period with the state. They have audits on income
6 restrictions for the occupancy, physical appearance of the
7 development, and also financial audits to go along with that. And
8 that is for a period of at least 30 years, or as long as the bonds
9 are outstanding, if that is greater. They have a bond period for up
10 to 40 years, then that compliance period could be up to 40 years.

11 The federal government wanted to privatize the housing
12 industry, and they created two different programs to do that, one
13 being the tax-exempt multifamily revenue bond program, and also there
14 is one called the housing tax credit.

15 The tax-exempt bond program -- I don't want you to get
16 confused -- it's a tax exemption to the bond purchaser. It's not a
17 property tax exemption. This particular developer will be paying for
18 school taxes, the property taxes for city services or county
19 services. But it's not a tax-exemption for property taxes, just to
20 kind of ease your mind on that one.

21 On the tax-exempt bonds, it is a tax exemption to the
22 bond purchaser. Because of that, they don't have to pay income tax
23 on the income that they earn on their investment, so therefore, they
24 accept a lower rate of return. They have their investment through a

1 lender. That lender then in turn lends that money to the developer
2 to build a quality market-rate type property at a lower cost to the
3 overall development.

4 The other financial instrument is the housing tax
5 credit, as I mentioned. And this is an IRS tax credit to the
6 development, and it's much like your tax deduction that you would
7 have on your income taxes for your home. It's the same net result to
8 the IRS -- or an earned income credit for children on your tax
9 return -- it's the same net result to the IRS. And this helps the
10 developer provide the lower rent for affordable families.

11 The end result of both of those programs coming together
12 gives lower-income families, lesser fortunate individuals, a safe,
13 clean, market-rate type property, but at a price that they can
14 afford.

15 The private activity bond program, which TDHCA is an
16 issuer for -- that program is administered by the Texas Bond Review
17 Board, and we are an issuer. As of right now, the developments are
18 selected through a lottery process, and we are down the list on the
19 lottery, and this one was drawn late in the year. For the 2004 year,
20 however, the Texas Department of Housing has a scoring and ranking
21 system that they have before we enter the lottery. It's going to be
22 a little bit different for the next year. Right now it's not, but
23 just to let you know what's coming up in the future.

24 The Timber Ridge II development received what is called

1 a reservation of allocation on September 9. That allocation has 120
2 days to close this transaction, so the developer and the Texas
3 Department of Housing has 120 days to close the bonds, or to close on
4 the transaction to start construction. This reservation will expire
5 on January the 6th.

6 Affordable housing -- and I don't want you to get
7 confused with Section 8 project-based housing -- that's not what
8 affordable housing is. This is a private industry. Although under
9 fair housing you have to allow for Section 8 vouchers, however, any
10 Section 8 voucher holder has to apply under the same restrictions and
11 qualifications as any other tenant within that property.

12 This particular development, again, will be located at
13 5321 Aldine Bender Road in Houston. It will consist of 16 two-story
14 residential buildings and one nonresidential building. They have 124
15 residential units. Sixty-four of them will be two-bedroom/two-bath,
16 with an average square footage of 1,045 feet; and 60 three-
17 bedroom/two bath units with an average square footage of 1,233 feet.

18 One hundred percent of the units will serve families at
19 60 percent of the area median income. The area median income for
20 Houston is \$59,100. So to give you an example, an average family of
21 four cannot earn more than \$45,760 in order to qualify to be able to
22 live in this particular property.

23 The two-bedroom maximum unit will be approximately \$717.
24 A three-bedroom maximum rent will be approximately \$825. The

1 leasing criteria for the tenants -- they do have to meet employment
2 and income, credit and rental history guidelines for the development.

3 They have to have a gross family income -- must be at least two-and-
4 a-half times the monthly rent. Occupancy is limited to a maximum of
5 two persons per bedroom, and applicants must pass a criminal
6 background check. That includes all applicants over the age of 18.

7 I'm getting ready to start the hearing as far as the
8 public comment is concerned. If you have any questions -- I don't
9 know if you have any additional questions for the developer, or
10 anybody else that has any questions -- we have representatives from
11 the developer here, if you'd like to ask any questions of him before
12 we actually start comments.

13 Mr. Richardson, do you want to make a presentation?

14 MR. RICHARDSON: Thank you, Robbye. My name is Chris
15 Richardson with Blazer Residential. We're the developer of the
16 property. We worked hard on phase one. It's been very successful.
17 Phase one is a mixed income -- 40 percent is at market, then we have
18 60 percent and 50 percent rents like Robbye just described. Phase
19 two will be 100 percent, 60 percent. She described the rents for
20 you, so I won't go into that again.

21 But the property will be very attractive, similar to
22 what phase one is. It's got 100 percent attached garages. We kind
23 of went over the floor plan with the Newtons there just a minute ago.
24 It's got nine-foot ceilings, crown molding in the living area,

1 ceiling fans in the living room, bedrooms. Hard tile floors and
2 accent tiles in the tubs, things like that to make it a very
3 attractive rental unit, much like a home.

4 We've got real attractive architecture, and the programs
5 on-site, I think, are second to none. We've got some real good
6 teachers and things, and a licensed day care center on-site that
7 helps the kids, and helps them not get into some of the problems that
8 you've described in some of the other areas of the neighborhood.

9 So I think it's good to hear that you've not had any
10 problems with any of our residences. You back up to them there. And
11 we certainly intend to keep it that way. Our manager is here.
12 Sheila is on-site, and she cares a lot about the property and does a
13 great job with keeping things straight over there, and running a
14 tight ship. O'Ryan is the management.

15 To address one of your main concerns, the drainage: We
16 moved a lot of dirt on that site, and you said that there was water
17 standing on about seven acres of that site, actually, when we first
18 got it. We went through the Army Corps of Engineers in Harris County
19 and agreed that it would be better for that property to be not
20 preserve. It wasn't really a wetlands; it was just a slough in a cow
21 pasture that was holding mosquito type water.

22 So we've developed it and moved a lot of dirt, and I
23 understand that with the regrading of the topsoil on the phase two
24 site, we've apparently backed up some of it, and it's backing up

1 water onto your lot. So tonight was the first time I heard about
2 that. Thinking back on how things were done, I can see how that
3 happened.

4 We are contracted with R.G. Miller for our design, and
5 will be sure that we check that whole property line and have that
6 water come into our system, and it will go back to our four-acre
7 existing detention pond, because that was the way it was designed to
8 start with, was for all that water to drain into there.

9 And Harris County is very concerned, of course, with
10 flooding, and that's a major issue in all parts of Houston and Harris
11 County. So we will certainly address that and get you satisfied with
12 what we're doing. I'll be glad to meet you out there at your lot,
13 and I'll check everything up and down our property line, be sure we
14 get that alleviated.

15 If there are any other questions I can answer for you --
16 I mean, I would welcome you to come around to our community center on
17 the other phase. We'll have one similar on this phase. We hope to
18 use it almost exclusively for our education programs and the child
19 after-school programs, and things like that, because we think we can
20 operate strictly out of the office that we currently have, and get a
21 few economies by doing it that way. So that would be our game plan.

22 But it is closer to Aldine Bender, so we would open it
23 up, most likely lease out of that, and then use it -- you know, how
24 management and education-based housing and Phoenix Outreach see fit.

1 We use Phoenix Outreach. I don't know if you've seen
2 their sign there on-site. They're a local nonprofit that does a
3 great job in the day care. Then education-based housing has got the
4 education programs going in the community center.

5 So that's really about all I've got, and I'd be glad to
6 answer any other questions that you all might have.

7 VOICE: What is your water source?

8 MR. RICHARDSON: City of Houston water.

9 THE REPORETER: Could we get these people to identify
10 themselves and spell their names for us?

11 MR. RICHARDSON: This is Mr. and Ms. Newton.

12 MS. NEWTON: My name is Mary Newton, and I was wondering
13 what the water source was. Does it come off of 525?

14 MR. RICHARDSON: Part of it comes off of 525, but it
15 also comes off of Crosswinds. We had to come down Earl Park and tie
16 in at Crosswinds, and most of that is already in place. It's backed
17 up from the southern part of phase one, right there ready to tie into
18 for phase two.

19 Even though we're in the county, we can -- you know,
20 there's a lot of infrastructure out there that we're able to use, and
21 pay to use, part of the city's utilities.

22 MS. NEWTON: If I might continue, I'm not real smart
23 about bonds and taxes and all that. Is that going to affect us at
24 all?

1 MR. RICHARDSON: No, ma'am. We pay school taxes. We
2 pay all our property taxes at the same rate that you would pay. I
3 mean, we'll be adding to the tax roll. What she was describing on
4 tax-free bonds is the investor that buys the bonds doesn't have to
5 pay tax on the interest income he receives. I mean, a company will
6 purchase those bonds. They'll get interest income, but that income
7 is tax-free on those bonds.

8 MS. NEWTON: So your investors will be sought out by
9 you.

10 MR. RICHARDSON: Right. But we'll have a syndicator and
11 a lender that we've worked with before that will put all that
12 financial package together.

13 Anything else you can think of?

14 MS. NEWTON: One thing do you all have any control over
15 how many families live in a single residence?

16 MR. RICHARDSON: Yes. It's limited to four per three-
17 bedroom, and then --

18 VOICE: It's four for a two-bedroom and six for a three-
19 bedroom.

20 MR. RICHARDSON: Six for a three-bedroom. But one
21 family per unit. You know, we're audited, like she said, by the
22 state. We check the people out, both criminal background, credit
23 checks. We probably went through, to lease up the first 192, 450 to
24 500 applications to get all the leases done. Five hundred

1 applications that say they qualify, then we turn down 250 or so that
2 had some kind of credit problem or background that they didn't tell
3 us about.

4 MS. MEYER: Mr and Ms. Newton, would you like to make a
5 public comment, or are you --

6 MR. NEWTON: I'm satisfied with what he's told us.

7 MS. MEYER: You're satisfied with it?

8 Is there anybody else that would like to make an actual
9 public comment?

10 Okay. If you'll state your name for the record.

11 MR. JOHNSON: It's not a police record, is it?

12 MS. MEYER: It is public.

13 MR. JOHNSON: I'm Jarvis Johnson. I'm the executive
14 director of the Phoenix Outreach Youth Center. Phoenix Outreach has
15 had the fortunate pleasure of working with Blazer and educational-
16 based housing for the past two years now in providing child care on
17 all the different properties here in the city of Houston. There's
18 Timber Ridge, Windsor Gardens, and Plum Creek.

19 And I say this has been a very fortunate partnership,
20 because we've been able to do things that normally we would not have
21 been able to afford, a lot of the children in the particular area.

22 Phoenix Outreach is in the business of providing
23 educational opportunities to low-income families that normally would
24 not receive those kinds of educational opportunities. We set up

1 individual educational curriculums for children.

2 In addition to that, we also understand that without
3 working with the parent, we won't reach our children. And so we're
4 working with the children and the parents together.

5 We've had the pleasure of working with this
6 organization, because they have afforded us to be on their sites,
7 reaching those people who are desperately in need of that kind of
8 child care -- those kind of persons who need to go to work, but
9 also are not making a whole lot of goo-gobs of money to be able to
10 pay for the type of child care that I think all children deserve.

11 No matter what a person's income is, all children should
12 be given an equal opportunity at success. And while there is no
13 secret to success, there is a track to success, and we think that
14 track to success is education. And that's what our program is all
15 about.

16 So we are in 100 percent support of the new project
17 that's going up, and all the different projects that are out there
18 for Blazer and educational-based housing. Thank you.

19 MS. MEYER: Thank you. Is there anybody else that would
20 like to make comment?

21 (No response.)

22 MS. MEYER: Then I will adjourn the meeting, and it is
23 now 6:35.

24 (Whereupon, at 6:35 p.m, the hearing was concluded.)

C E R T I F I C A T E

1
2
3 IN RE: Public Hearing for Timber Ridge II

4 LOCATION: Houston, Texas

5 DATE: November 3, 2003

6 I do hereby certify that the foregoing pages, numbers 1
7 through 15, inclusive, are the true, accurate, and complete
8 transcript prepared from the verbal recording made by electronic
9 recording by J. Ben Bynum before the Texas Department of Housing and
10 Community Affairs.

(Transcriber) 11/21/2003
(Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731



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**REQUEST FOR BOARD APPROVAL
Multifamily Finance Production**

2003 Private Activity Multifamily Revenue Bonds

**Century Park Townhomes
3200 block of Century Park Boulevard
Austin, Texas**

**Century Park Apartments Limited Partnership
240 Units**

**\$10,400,000 Tax Exempt – Series 2004A Senior Bonds
\$2,600,000 Tax Exempt – Series 2004B Subordinate Bonds**

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**BOARD APPROVAL
MEMORANDUM
December 11 2003**

DEVELOPMENT:

Century Park Townhomes, Austin, Travis County, Texas

PROGRAM:

Texas Department of Housing & Community Affairs
2003 Multifamily Housing Revenue Bonds
(Reservation received 9/16/2003)

**ACTION
REQUESTED:**

Approve the issuance of multifamily mortgage revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371 of the Texas Government Code and under Chapter 2306 of the Texas Government Code, the Department's enabling Act (the "Act"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.

PURPOSE:

The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Century Park Apartments Limited Partnership, a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 240-unit multifamily residential rental development to be constructed on approximately 13.29 acres of land located at the 3200 Block of Century Park Blvd., Austin, Travis County, Texas 78727 (the "Development").

BOND AMOUNT:

\$ 10,400,000 Series 2004 A, Tax Exempt Senior Bonds
\$ 2,600,000 Series 2004 B, Tax Exempt Subordinate Bonds
\$ 13,000,000 Total Tax Exempt Bonds

(*)The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Development and the amount for which Bond Counsel can deliver its Bond Opinion.

**ANTICIPATED
CLOSING DATE:**

The Department received a volume cap allocation for the Bonds on September 16, 2003 pursuant to the Texas Bond Review Board's 2003 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before January 14, 2004, the anticipated closing date is January 13, 2004.

BORROWER:

Century Park Apartments Limited Partnership, a Texas limited partnership (the "Borrower"), the sole general partner of which is TCR Century Park Partners Limited Partnership, a Texas limited partnership, the sole general partner of which is TCR 2003 Housing, Inc., a Texas Corporation. The principals of TCR 2003 Housing, Inc. are Kenneth J. Valach, J. Ronald Terwilliger,

Terwilliger Partners, L.L.L.P., Christopher J. Bergmann, Scott Wise, John A. Zeledon and R. Brent Stewart.

COMPLIANCE

HISTORY:

The Compliance Status Summary completed on October 9, 2003 reveals that the principals of the general partner above have a total of ten (10) properties being monitored by the Department. Six (6) of these properties have received a compliance score. All of the scores are below the material non-compliance threshold score of 30.

ISSUANCE TEAM:

Ambac Assurance Corporation (“Credit Enhancer”)
AGI SunAmerica Inc. (“Construction Phase Credit Facility Provider”)
AGI SunAmerica Inc. (“Equity Provider”)
William R. Hough & Co. (“Subordinate Bond Purchaser”)
GMAC Commercial Holding Capital Markets Corp., d/b/a Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp. (“Underwriter”)
Wells Fargo Bank, National Association (“Trustee”)
Vinson & Elkins L.L.P. (“Bond Counsel”)
RBC Dain Rauscher Inc. (“Financial Advisor”)
McCall, Parkhurst & Horton, L.L.P. (“Disclosure Counsel”)

BOND PURCHASER:

The Senior Bonds will be publicly offered on a limited basis on or about January 13, 2004 at which time the final pricing and Bond Purchaser(s) will be determined.

The Subordinate Bonds will be privately purchased by William R. Hough & Co. The Series B (Subordinate Bonds) will have a fixed rate of interest for the term whereas the Senior Bonds will have a variable rate of interest, subject to conversion to a fixed rate in accordance with the terms of the Trust Indenture with respect to the Bonds.

DEVELOPMENT

DESCRIPTION:

The Development is a 240-unit multifamily residential rental development to be constructed on approximately 13.29 acres of land located at the 3200 block of Century Park Boulevard, Austin, Travis County, Texas 78727. The proposed site density will be 18.06 units per acre and will consist of twenty (20) (three building types) wood-framed buildings on post-tension slabs with a total of 249,344 net rentable square feet and an average unit size of 1039 square feet. There will be 8 one-bedroom flats and 232 two-story townhome units. Each of the townhome units will contain a half-bath on the ground floor and twenty percent of each unit size (based on number of units) contains a full bath and bedroom on the ground floor.

The residential building exteriors will consist of 35% masonry and 65% hardi-plank siding with wood trim. Unit amenities will include frost-free refrigerator, dishwasher, disposal, large storage

areas, washer/dryer connections, ceiling fans, energy efficient HVAC systems and pre-wiring for cable television and high-speed internet service. The property will have clubhouse, leasing, office and community room space and a laundry building.

<u>Units</u>	<u>Unit Type</u>	<u>Square Feet</u>	<u>Proposed</u>
<u>Net Rent</u>			
8	1-Bedrooms/1-Bath	684	\$642.00
16	1-Bedrooms/1.5-Baths	814	\$642.00
12	1-Bedrooms/1.5-Baths	839	\$642.00
120	2-Bedrooms/2.5-Baths	1,026	\$760.00
24	2-Bedrooms/2-Baths	1,117	\$760.00
12	2-Bedrooms/2-Baths	1,144	\$865.00
<u>48</u>	3-Bedrooms/2.5-Baths	1,166	\$870.00
240			

SET-ASIDE UNITS:

For Bond covenant purposes, at least forty (40%) of the residential units in the development are set aside for persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in each Development will be set aside on a priority basis for persons with special needs.

(The Borrower has elected to set aside 100% of the units for tax credit purposes.)

RENT CAPS:

For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for fifty percent (60%) of the area median income.

TENANT SERVICES:

Borrower will provide Tenant Services provided by Texas Inter-Faith Management Corporation Good Neighbor (TIMC). TIMC is a nonprofit organization chartered in 1997, expanding the work that Texas Inter-Faith Housing Corporation started in 1966, to help assure that all low to moderate-income individuals and families have access to quality, affordable housing.

DEPARTMENT ORIGIN

FEES:

\$1,000 Pre-Application Fee (Paid)
 \$10,000 Application Fee (Paid)
 \$65,000 Issuance Fee (.50% of the bond amount paid at closing)

DEPARTMENT ANNUAL FEES:

\$13,000 Bond Administration (0.10% per annum of the aggregate principle amount of the Bonds outstanding)

(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Development cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows)

contemplated by the Indenture)

ASSET OVERSIGHT

FEE:

\$6,000 to TDHCA or assigns (\$25/unit/year adjusted annually for CPI)

TAX CREDITS:

The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to \$640,651 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of the limited partnership, typically 99.99%, to raise equity funds for the Development. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately \$5,184,181 of equity for the transaction.

**BOND STRUCTURE &
SECURITY FOR THE
BONDS:**

The Bonds are proposed to be issued under a Trust Indenture (the "Trust Indenture") that will describe the fundamental structure of the Bonds, permitted uses of Bond proceeds and procedures for the administration, investment and disbursement of Bond proceeds and program revenues.

As stated above, the Bonds are being issued to fund a Mortgage Loan to finance the acquisition, construction, equipping and long-term financing of the Development. The Mortgage Loan will be secured by, among other things, a Deed of Trust and other security instruments on the Development. The Mortgage Loan, Deed of Trust and the other security instruments will be assigned to the Trustee and will become part of the Trust Estate securing the Bonds.

The interest rate on the Senior Bonds will bear interest at a variable rate based upon a 35-day Auction Period until converted to an Auction Period of a different duration or until the Fixed Rate Conversion Date. The Subordinate Bonds will have a fixed interest rate for the term on the bonds. The initial rate on the Senior bonds is anticipated to be 2.83% and the fixed rate on the Subordinate Bonds will be 5.75%

During both the construction period (the "Construction Phase") and permanent mortgage period (the "Permanent Phase"), Ambac will provide a Bond Insurance Policy for the Senior Bonds. This insurance provides a guaranty for the full and timely payment of the principal and interest on the Senior Bonds should the Borrower fail to make any payments under the Mortgage Loan. In such event, the Trustee will have the right to require Ambac to fund any payment(s) in default.

During the Construction Phase, the Construction Phase Credit

Facility Provider will provide a Construction Phase Credit Facility to the benefit of Ambac to cover the construction and lease-up risk. This interim credit facility will be secured by a 2nd lien mortgage on the property. According to the Intercreditor Agreement between the Construction Phase Credit Facility Provider and Ambac, the Construction Phase Credit Facility will fund any deficiencies in payments on the Senior Bonds during the construction and lease-up period. Upon satisfaction of certain stabilization requirements, the Mortgage Loan will convert from the Construction Phase to the Permanent Phase and Ambac will return the Construction Phase Credit Facility to the Construction Phase Credit Facility Provider. At this time, the Construction Phase Credit Facility Provider's Deed of Trust and security documents cease to exist.

The Subordinate Bonds do not have the benefit of the bond insurance policy or the Construction Phase Credit Facility. The Subordinate Bonds will carry term risk credit support provided by AGI SunAmerica, Inc. The Subordinate bonds will be privately placed with William R. Hough & Co. The Department expects the initial purchaser of the Subordinate Bonds to transfer the Subordinate Bonds into a custodial trust arrangement whereby beneficial interest in the Bonds will be sold in the form of trust certificates to Qualified Institutional Buyers or Accredited Investors.

The initial Subordinate Bond purchaser will be required to sign the Department's standard investor letter. Should the Bonds be transferred to a custodial trust, a slightly modified investor letter will be provided by the trust. As required by AGI SunAmerica, Inc., purchasers of the trust certificates will be Qualified Institutional Buyers or Accredited Investors.

In addition to the credit enhanced Mortgage Loan, other security for the Bonds during the Construction Phase consist of the net bond proceeds, the revenues and any other moneys received by the Trustee for payment of principal and interest on the Bonds, and amounts otherwise on deposit in the Funds and Accounts (excluding the Rebate and Cost of Issuance Funds) and any investment earnings thereon. See Funds and Accounts section, below.

The Bonds are revenue bonds and, as such, create no liability for the general revenue fund or any other state fund. The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the financing carried out through the issuance of the Bonds.

**CREDIT
ENHANCEMENT:**

Ambac's bond insurance allows for an anticipated rating of AAA/Aaa on the Senior Bonds and an anticipated initial variable interest rate of 2.83% for the tax exempt bonds. Without the credit enhancement, the Bonds would not be investment grade and would therefore command a higher interest rate from investors on similar maturity bonds.

While the Subordinate Bonds themselves are not rated, the guarantee provided by SunAmerica or AIG indirectly provides credit support for the Subordinate Bonds which allows for an interest rate of 5.75%. Without the credit support, the Subordinate Bonds would command a higher interest rate from investors – approximately 8% or higher on similar maturity bonds.

FORM OF BONDS:

The Senior Bonds will be issued in book entry form and in denominations of \$25,000 or any integral multiples thereof while bearing interest in the Auction Mode and \$5,000 or integral multiples thereof while bearing interest in the Fixed Mode.. The Subordinate Bonds will be issued in physical form and in denominations of \$5,000 or any integral multiples thereof.

MORTGAGE LOAN:

The Mortgage Loan is a non-recourse obligation of the Borrower, which means, subject to certain exceptions, that the Borrower is not liable for the payment thereof beyond the amount realized from the pledged security. The Mortgage Loan provides for monthly payments of interest during the Construction Phase and level monthly payments of principal and interest for 360 months beginning in the 36th month. The Stabilization Date is anticipated to occur within thirty-six (36) months from the closing date of the Bonds, but must occur before the Final Balancing Date which is forty-eight (48) months from closing of the Bonds. Stabilization of the Development will convert the Mortgage Loan from the Construction Phase to the Permanent Phase upon satisfaction the conversion requirements set forth in the documents. Among other things, these requirements include completion of the Development according to plans and specifications and achievement of certain occupancy and debt-coverage thresholds.

**MATURITY/SOURCES
& METHODS OF
REPAYMENT:**

Senior Bonds are anticipated to mature no later than December 1, 2027 and the Subordinate Bonds are anticipated to mature no later that May 1, 2037.

The Bonds will be payable from: (1) revenues earned from the Mortgage Loan (which during the Construction Phase will be payable as to interest only); (2) earnings derived from amounts held in Funds & Accounts (discussed below) on deposit in an

investment agreement; (3) funds deposited to the Construction Fund specifically for capitalized interest during a portion of the Construction Phase; or (4) payments made by the Ambac under the bond insurance policy.

The Bonds will be structured to have level debt service from commencement of amortization until maturity.

**REDEMPTION OF
BONDS PRIOR TO
MATURITY:**

The Bonds are subject to redemption under any of the following circumstances:

Optional Redemption:

The Senior Bonds are subject to optional redemption by the Borrower while in the Fixed Mode on or after December 1, 2015 (a preliminary date that is subject to change) without premium. The Subordinate Bonds are subject to optional redemption by the Borrower on or after December 1, 2013 without premium.

Mandatory Redemption:

- (1) The Senior Bonds and the Subordinate Bonds will be subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, without any premium, plus accrued and unpaid interest, on specified dates of redemption starting June 1, 2007 for the Senior Bonds (a preliminary date that is subject to change), and starting May 1, 2007 for the Subordinate Bonds. The Subordinate Bonds will only be redeemed to the extent that sufficient funds are available for such redemption and any insufficient amount for a period will be added to the installment due in the next succeeding period.
- (2) The Bonds are subject to special mandatory redemption:
 - (a) in part to the extent that funds remain in the Construction Fund that are not required to pay costs of the Development;
 - (b) in whole or in part to the extent that insurance or condemnation proceeds, if any, are not applied to the rebuilding of the Development;
 - (c) in whole or in part upon the occurrence of certain events of default under the documents;
 - (d) in whole with respect to the Senior Bonds at the direction of Ambac if stabilization of the Development does not occur;
 - (e) in whole with respect to the Subordinate Bonds at the direction of the Construction Phase Credit Facility Provider if stabilization of the Development

- does not occur; or
- (f) in part, within 60 days of the Stabilization Date, to satisfy stabilization requirements.

Special Purchase in Lieu of Redemption:

If the Bonds are called for redemption in whole, and not in part, as a result of casualty or condemnation failure to achieve stabilization or the occurrence of certain events of default under the documents (during the period that the Construction Phase Credit Facility from the Construction Phase Credit Facility Provider is in effect), the Bonds may be purchased in lieu of such redemption by the Trustee for the account of a designated purchaser selected by the Construction Phase Credit Facility Provider. Upon this special purchase, the Bonds would not benefit from the bond insurance and would not be transferable to any other third-party owner without the approval of the Department or receipt of an investment grade rating.

**FUNDS AND
ACCOUNTS/FUNDS
ADMINISTRATION:**

Under the Trust Indenture, Wells Fargo Bank, National Association (the "Trustee") will serve as registrar and authenticating agent for the Bonds, trustee of certain of the funds created under the Trust Indenture (described below), and will have responsibility for a number of loan administration and monitoring functions.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Senior Bonds. The Senior Bonds will initially be issued as fully registered securities and when issued will be registered in the name of Cede & Co., as nominee for DTC. One fully registered global bond in the aggregate principal amount of each stated maturity of the Senior Bonds will be deposited with DTC. The Subordinate Bonds will be physical bonds.

Moneys on deposit in Trust Indenture funds are required to be invested in eligible investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will create up to eight (8) funds with the following general purposes:

- 1) Revenue Fund (containing an Administrative Fees Account)
– Used as the repository for most revenues and payments paid to the Trustee. The Administrative Fees Account is used to administer various ongoing administrative fees and expenses such as the Credit Enhancement fee, Trustee fee, Asset Oversight Agent's fee, and Issuer fee;
- 2) Bond Fund (containing an Interest Account, Principal

Account, Redemption Account and Subordinate Bond Account) – Used to receive, hold and payout bond interest and principal;

- 3) Rebate Fund - Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds;
- 4) Mortgage Recovery Fund – A fund used for receipt and disbursement of insurance or condemnation proceeds, if any, or proceeds realized from a foreclosure upon the occurrence of an event of default;
- 5) Servicing Fund (containing a Real Estate Tax and Insurance Account and Replacement Reserve Account) – A fund used in the servicing of the mortgage loans as a repository of certain payments made by the Borrower for on-going Development related costs and expenses;
- 6) Costs of Issuance Fund – A temporary fund into which amounts for the payment of the costs of issuance are deposited and disbursed by the Trustee;
- 7) Construction Fund (containing a Bond Proceeds Account (with a Capitalized Interest Subaccount therein) and a Borrower Equity Account (with a Capitalized Interest Subaccount therein))- The Trustee shall deposit net bond proceeds and disburse for the purpose of paying the costs of the Development and paying interest on the Bonds during the Construction Phase; and
- 8) Bonds Purchase Fund – remarketing proceeds received upon remarketing of the Senior Bonds will be deposited and used to pay purchase price of Senior Bonds to former owners thereof.

Essentially, all of the bond proceeds will be deposited into the Construction Fund and disbursed therefrom during the Construction Phase (over 18 to 36 months) to finance the construction of the Development. Although costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds, it is currently expected that all costs of issuance will be paid by an equity contribution of the Borrower (see Exhibit 3).

**DEPARTMENT
ADVISORS:**

The following advisors have been selected by the Department to perform the indicated tasks in connection with the issuance of the Bonds.

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 2003. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.
2. Bond Trustee – Wells Fargo Bank, National Association was selected as bond trustee by the Department pursuant to a request for proposals process in June 1996.
 1. Financial Advisor – RBC Dain Rauscher Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.
 2. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 2003.

**ATTORNEY GENERAL
REVIEW OF BONDS:**

No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the Bonds.

RESOLUTION NO. 03-90

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE SENIOR BONDS (CENTURY PARK TOWNHOMES) 2004 SERIES A, AND MULTIFAMILY HOUSING REVENUE SUBORDINATE BONDS (CENTURY PARK TOWNHOMES) 2004 SERIES B; 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 Senior Bonds (Century Park Townhomes) 2004 Series A (the "Senior Bonds") and Multifamily Housing Revenue Subordinate Bonds (Century Park Townhomes) 2004 Series B (the "Subordinate Bonds") (the Senior Bonds and the Subordinate 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 Wells Fargo Bank, National Association (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 Century Park Apartments Limited Partnership, 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 10, 2002, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Loan Agreement (the “Loan Agreement”) pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the “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 its two promissory notes (collectively, the “Notes”) in an original aggregate principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount (together with other available funds) equal to the interest on the respective series of Bonds and to pay other costs described in the Agreement; and

WHEREAS, it is anticipated that credit enhancement for the Senior Bonds will be provided for initially by a Financial Guaranty Insurance Policy issued by Ambac Assurance Corporation; and

WHEREAS, it is anticipated that the Notes will each be secured by a separate Deed of Trust (with Security Agreement and Assignment of Rents) (collectively, the “Deeds of Trust”) and a separate Assignment of Leases and Rents (collectively, the “Assignments of Leases and Rents”) from the Borrower for the benefit of the Department; and

WHEREAS, the Department’s interest in the Loan, including the Notes 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 for each of the Notes (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 Travis County, Texas; and

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the “Purchase Agreement”) with the Borrower, GMAC Commercial Holding Capital Markets Corp., d/b/a Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp. (the “Underwriter”) and William R. Hough & Co. (the “Purchaser”) and any other party to the Purchase Agreement as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Underwriter or another party will purchase all or their respective portion of the Senior Bonds and the Purchaser will purchase the Subordinate Bonds from the Department and the Department will sell the Senior Bonds to the Underwriter or another party and sell the Subordinate Bonds to the Purchaser; and

WHEREAS, the Board has been presented with a draft of, has considered and desires to ratify, approve, confirm and authorize the use and distribution in the public offering of the Senior Bonds of a Preliminary Official Statement (the "Preliminary Official Statement") and to authorize the authorized representatives of the Department to deem the Preliminary Official Statement "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission and to approve the making of such changes in the Preliminary Official Statement as may be required to provide a final Official Statement (the "Official Statement") for use in the public offering and sale of the Senior Bonds; and

WHEREAS, in connection with the preparation of the Preliminary Official Statement and the Official Statement, the Department has furnished the information to the Underwriter set forth in such offering documents concerning the Department under the captions "The Issuer" and "No Litigation – The Issuer" (as it relates to the Department), and the Board now desires to authorize the use of such information in the Preliminary Official Statement and the Official Statement; and

WHEREAS, the Board has determined that the Department and the Borrower will execute an Asset Oversight Agreement (the "Asset Oversight Agreement"), with respect to the Project for the purpose of monitoring the operation and maintenance of the Project; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Assignments, the Regulatory Agreement, the Asset Oversight Agreement, the Preliminary Official Statement and the Purchase Agreement, all of which are attached to and comprise a part of this Resolution; 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 1.14, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

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

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1--Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State 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. (a) That the Chair or Vice 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 rates, principal amount and maturity of, the redemption provisions related to, and the price at which the Department will sell to the Underwriter or another party to the Purchase Agreement, the Senior Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chair or Vice Chairman of the Governing Board or the Executive Director of the Department of the Indenture and the Purchase Agreement; provided, however, that: (i) the Senior Bonds shall bear interest at the rates determined from time to time in accordance with the provisions of the Indenture; provided that, in no event shall the interest rate (including any default interest rate) on the Senior Bonds exceed the maximum interest rate permitted by applicable law; and provided further that, the initial interest rate on the Senior Bonds shall not exceed 6.5% per annum, (ii) the aggregate principal amount of the Senior Bonds shall not exceed \$12,000,000; (iii) the final maturity of the Senior Bonds shall occur not later than December 1, 2037; (iv) the fee paid to the Underwriter in connection with the marketing of the Senior Bonds shall not exceed the amount approved by the Texas Bond Review Board; and (v) the price at which the Senior Bonds are sold to the Underwriter or the initial purchasers thereof shall not exceed the principal amount thereof; provided, further, that the aggregate principal amount of the Bonds shall not exceed \$15,000,000; and

(b) That: (i) the interest rate on the Subordinate Bonds shall be 5.75% per annum (subject to adjustment to a default rate as provided in the Indenture); provided that, in no event shall the interest rate (including any default interest rate) on the Subordinate Bonds exceed the maximum interest rate permitted by applicable law; (ii) the aggregate principal amount of the Subordinate Bonds shall be 25% of the aggregate principal amount of the Senior Bonds plus amounts necessary to meet the denomination requirements of the Indenture; (iii) the final maturity of the Subordinate Bonds shall occur on May 1, 2037; (iv) the price at which the Subordinate Bonds are sold to the Purchaser shall not exceed the principal amount thereof; and (v) the Subordinate Bonds shall be subject to redemption prior to maturity as set forth in the Indenture; provided that, the mandatory sinking redemption schedule shall be structured so that semiannual principal and interest payments in respect of the Subordinate Bonds shall be substantially level.

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 Loan Agreement and Regulatory Agreement. That the form and substance of the Loan 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 Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower and the Trustee.

Section 1.5--Acceptance of the Deeds of Trust, Assignments of Leases and Rents and Notes. That the Deeds of Trust, Assignments of Leases and Rents and the Notes 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--Approval, Execution, Use and Distribution of the Preliminary Official Statement and the Official Statement. That the form and substance of the Preliminary Official Statement and its use and distribution by the Underwriter in accordance with the terms, conditions and limitations contained therein are approved, ratified, confirmed and authorized hereby; that the Chair of the Governing Board and the Executive Director of the Department are hereby severally authorized to deem the Preliminary Official Statement "final" for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934; that the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such changes in the Preliminary Official Statement as may be required to provide a final Official Statement for the Senior Bonds; 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 Preliminary Official Statement and the Official Statement; and that the distribution and circulation of the Official Statement by the Underwriter hereby is authorized and approved, subject to the terms, conditions and limitations contained therein, and further subject to such amendments or additions thereto as may be required by the Purchase Agreement and as may be approved by the Executive Director of the Department and the Department's counsel.

Section 1.8--Approval, Execution and Delivery of the Purchase Agreement. That the form and substance of the Purchase Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Purchase Agreement to the Borrower, the Underwriter, the Purchaser and any additional party to the Purchase Agreement as appropriate.

Section 1.9--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.10--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 1.11--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

- Exhibit B - Indenture
- Exhibit C - Loan Agreement
- Exhibit D - Regulatory Agreement
- Exhibit E - Assignments
- Exhibit F - Preliminary Official Statement
- Exhibit G - Purchase Agreement
- Exhibit H - Asset Oversight Agreement

Section 1.12--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 1.13--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chair and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Secretary to the Board.

Section 1.14--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 of the Department; and (b) the delivery by the Borrower of evidence satisfactory to the Department staff that tenant 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--Purchaser. That the initial purchaser of the Subordinate Bonds shall be William R. Hough & Co.

Section 2.6--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 G to the Regulatory Agreement and shall be annually redetermined by the Borrower and reviewed by the Department, as stated in Section 7.15 of the Loan Agreement..

Section 2.7--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) That 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) That the Borrower is financially responsible;
 - (iv) That the financing of the Project is a public purpose and will provide a public benefit; and
 - (v) That 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, or 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) Public Purpose and Benefits.

(i) That the Borrower has agreed to operate the Project in accordance with the Loan 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.

Section 3.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as it deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the 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 Loan Agreement and the Regulatory Agreement.

Section 3.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of 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.

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

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in 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

Section 4.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate 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 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

[EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED this 11th day of December, 2003.

By: _____
Elizabeth Anderson, Chair

[SEAL]

Attest: _____
Delores Groneck, Secretary

EXHIBIT A

DESCRIPTION OF
PROJECT AND OWNER

Owner: Century Park Apartments Limited Partnership, a Texas limited partnership

Project: The Project is a 240-unit multifamily facility to be known as Century Park Townhomes and to be located at 2900 Century Park Boulevard, Austin, Texas 78727. It will consist of 20 two-story residential apartment buildings with approximately 248,188 net rentable square feet. The unit mix will consist of:

8 one-bedroom/one-bath units
28 one-bedroom/one and one-half bath units
36 two-bedroom/two-bath units
120 two-bedroom/two and one-half bath units
48 three-bedroom/two and one-half bath units

240 Total Units

Unit sizes will range from approximately 684 square feet to approximately 1,166 square feet.

Common areas will include a swimming pool, community center, central laundry facilities, picnic area and a play area with playground equipment.



**HOUSING TAX CREDIT PROGRAM
2003 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Century Park Apartments**

TDHCA#: 03459

DEVELOPMENT AND OWNER INFORMATION

Development Location: Austin QCT: N DDA: N TTC: N
 Development Owner: Century Park Apartments LP
 General Partner(s): TCR Century Park Partners LP, 100%, Contact: R. Brent Stewart
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: TDHCA
 Development Type: Family

Annual Tax Credit Allocation Calculation

Applicant Request: \$638,507 Eligible Basis Amt: \$638,507 Equity/Gap Amt.: \$924,581
 8,507

Annual Tax Credit Allocation Recommendation: \$638,507

Total Tax Credit Allocation Over Ten Years: \$ 6,385,070

PROPERTY INFORMATION

Unit and Building Information

Total Units: 240 LIHTC Units: 240 % of LIHTC Units: 100
 Gross Square Footage: 252,026 Net Rentable Square Footage: 248,188
 Average Square Footage/Unit: 1034
 Number of Buildings: 20
 Currently Occupied: N

Development Cost

Total Cost: \$20,778,371 Total Cost/Net Rentable Sq. Ft.: \$83.72

Income and Expenses

Effective Gross Income:¹ \$2,350,381 Ttl. Expenses: \$1,052,514 Net Operating Inc.: \$1,297,867
 Estimated 1st Year DCR: 1.30

DEVELOPMENT TEAM

Consultant: Not utilized Manager: South Central RS, Inc.
 Attorney: Joness, Day, Reavis & Pogue Architect: Chiles Architects, Inc.
 Accountant: Reznick, Fedder & Silverman Engineer: Urban Design Group
 Market Analyst: Capitol Market Research, Inc. Lender: Sun America/Ambac
 Contractor: TCR Century Park Construction LP Syndicator: SunAmerica

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. Gonzalo Barrientos, District 14 - NC
# in Opposition: 0	Rep. Jack Stick, District 50 - NC
Public Hearing:	Mayor Will Wynn - NC
# in Support: 4	Paul Hilgers, Director, Neighborhood Housing and Community Development
# in Opposition: 0	Department, City of Austin; Consistent with the local Consolidated Plan.
# Neutral: 0	

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).
2. Receipt, review, and acceptance of a rent restriction on 20 units at 50% of AMI rent level.
3. Receipt, review, and acceptance of documentation evidencing the removal of the debris identified in the Phase I ESA prior to cost certification.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:

Score Utilization of Set-Aside Geographic Distrib. Tax Exempt Bond. Housing Type

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager

Date

Brooke Boston, Director of Multifamily Finance Production Date

DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Score Utilization of Set-Aside Geographic Distrib. Tax Exempt Bond Housing Type

Other Comments including discretionary factors (if applicable)._____

Edwina P. Carrington, Executive Director
Chairman of Executive Award and Review Advisory Committee

Date

TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).

Chairperson Signature: _____

Elizabeth Anderson, Board Chair

Date

Century Park Apartments

Estimated Sources & Uses of Funds

Sources of Funds

Series 2004 A Tax-Exempt Bond Proceeds	\$ 10,400,000
Series 2004 B Tax-Exempt Bond Proceeds	\$ 2,600,000
Tax Credit Proceeds	4,964,682
GIC Earnings from Bond Proceeds	58,771
Net Operating Income Prior to Stabilization	428,566
Deferred Developer's Fee/Contractor Overhead	2,326,364
Total Sources	\$ 20,778,383

Uses of Funds

Deposit to Mortgage Loan Fund (Construction funds)	\$ 16,089,035
Capitalized Interest	900,746
Rent Up Reserves	272,237
Developer's Overhead & Fee	2,326,354
Costs of Issuance	
Direct Bond Related	533,250
Bond Purchaser Costs	406,420
Other Transaction Costs	60,341
Real Estate Closing Costs	190,000
Total Uses	\$ 20,778,383

Estimated Costs of Issuance of the Bonds

Direct Bond Related

TDHCA Issuance Fee (0.50% of Issuance)	\$ 85,000
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee (\$25 per unit)	6,000
TDHCA Bond Counsel and Direct Expenses (Note 1)	85,000
TDHCA Financial Advisor and Direct Expenses	36,000
Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1)	5,000
Borrower's Bond Counsel	70,000
Underwriter/Placement Agent Fee (0.92%)	130,000
Underwriter/Placement Agent Council	30,000
Trustee's Fees (Note 1)	6,000
Trustee's Counsel (Note 1)	5,000
Attorney General Transcript Fee (\$1,250 per series, max. of 2 series)	5,000
Texas Bond Review Board Application Fee	500
Texas Bond Review Board Issuance Fee (.025% of Issuance)	3,750
Rating Agency Fee	25,000
TEFRA Hearing Publication Expenses	2,500
Auction Agent Upfront Fees	5,000
Auction Agent Counsel	2,500
Miscellaneous/Contingency	20,000
Total Direct Bond Related	\$ 533,250

Century Park Apartments

Bond Purchase Costs	
AMBAC Counsel & Expenses	40,000
AMBAC Initial Premium	127,920
SunAmerica Interim Credit Facility Origination Fee (0.50% of Issuance)	65,000
SunAmerica Construction Facility Fee (2 yrs)	130,000
SunAmerica Bond Counsel & Expenses (Interim Credit Facility)	36,000
Miscellaneous	7,500
Total	\$ 406,420

Other Transaction Costs	
Subordinate Bond Purchaser Fee	26,000
Subordinate Bond Counsel Fee	5,000
Tax Credit Determination Fee (4% annual tax cr.)	24,541
Tax Credit Application Fee (\$20/u)	4,800
Total	\$ 60,341

Real Estate Closing Costs	
Title & Recording (Const.& Perm.)	90,000
Property Taxes	100,000
Total Real Estate Costs	\$ 190,000

Estimated Total Costs of Issuance	\$ 1,190,011
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Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

CONDITIONS

1. Receipt, review, and acceptance of a rent restriction on 20 units at the 50% of AMI rent level.
2. Receipt, review, and acceptance of documentation evidencing the removal of the debris identified in the Phase I ESA prior to cost certification.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	<u>240</u>	# Rental Buildings	<u>20</u>	# Common Area Bldgs	<u>2</u>	# of Floors	<u>2</u>	Age:	<u>N/A</u> yrs
Net Rentable SF:	<u>248,188</u>	Av Un SF:	<u>1,034</u>	Common Area SF:	<u>3,838</u>	Gross Bldg SF:	<u>252,026</u>		

STRUCTURAL MATERIALS

A wood frame structure on a post-tensioned concrete slab on grade, 30% masonry/brick veneer/70% Hardiplank siding exterior wall covering, drywall interior wall surfaces, and composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters and cable.

ON-SITE AMENITIES

A 3,375-SF community building with activity room, management offices, fitness, kitchen, restrooms, central mailroom, swimming pool, equipped children's play area is located near the entrance of the property. In addition perimeter fencing with limited access gates is also planned for the site along with a 463 SF laundry facilities.

Uncovered Parking: 406 spaces **Carports:** 100 spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Century Park is a relatively dense (18 units per acre) new construction development of 240 units of affordable housing located in north Austin. The development is comprised of 20 sporadically distributed medium garden style walk-up low-rise residential buildings as follows:

- (6) Building Type I with two one-bedroom/ one&½-bath units, eight two- bedroom/ two&½-bath units, two two- bedroom/ two-bath units;
- (12) Building Type II with six two-bedroom/ two&½-bath units, two two- bedroom/ two-bath units, four three- bedroom/ two&½-bath units;
- (2) Building Type III with four one-bedroom/ one-bath units, eight one- bedroom/ one&½-bath units;

Architectural Review: The building elevations and unit floor plans are attractive and functional.

Supportive Services: Texas Inter-Faith Management Corporation will provide supportive services that will consist of: personal growth opportunities, family skills development, education services, fun & freedom activities and neighborhood advancement programs. The services will be optional and the cost of the services in included in the rent.

Schedule: The Applicant anticipates construction to begin in January of 2004 and to be completed in February of 2005. The development should be placed in service in March of 2006 and substantially leased-up in March of 2006.

SITE ISSUES

SITE DESCRIPTION

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Size: 13.29 acres 578,912 square feet **Zoning/ Permitted Uses:** MF3-CO
Flood Zone Designation: Zone X **Status of Off-Sites:** Partially Improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located in the north central area of Austin, approximately a quarter of a mile east of North Burnet Road. The site is situated on the north side of Century Park Boulevard.

Adjacent Land Uses:

- **North:** Texas Construction Services and single family residential
- **South:** Single family residential
- **East:** Undeveloped and vacant
- **West:** Undeveloped and vacant

Site Access: Access to the property is from the east or west along Century Park Boulevard or the north or south from Ida Ridge Drive. The development is to have one main entry off of Century Park Boulevard. Access to Burnet Road is less than a mile west, which provides connections to all other major roads serving the Austin area.

Public Transportation: Public transportation to the area is provided by Capital Metro Bus service and is located at Wells Branch and Burnet Road approximately 0.39 miles northwest of the site.

Shopping & Services: The site is within two mile of three major grocery stores, several shopping centers and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Site Inspection Findings: TDHCA staff performed a site inspection on November 25, 2003 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated October, 2003 was prepared by Horizon Environmental Services, Inc. and contained the following findings and recommendations:

Findings: Based upon a review of regulatory literature, historical information, and a site reconnaissance, the subject site was found to have a low probability for environmental risk or liability from hazardous materials and substances and Horizon recommends no additional investigations, studies, or sampling efforts for any hazardous substances or materials.

Recommendations: Debris was observed on the subject site that consisted of tires, brush, fencing materials, and batteries. All debris on the subject site should be disposed of properly. This report is also conditioned on such removal by cost certification.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All 240 of the units (100% of the total) will be reserved for low-income tenants. Twenty of the units (8%) will be reserved for households earning 50% or less of AMGI, 220 units (92%) will be reserved for households earning 60% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$29,880	\$34,140	\$38,400	\$42,660	\$46,080	\$49,500

MARKET HIGHLIGHTS

A market feasibility study dated October 14, 2003 was prepared by Capitol Market Research and highlighted the following findings:

Definition of Primary Market Area: “The market area defined for this project is most appropriately

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

defined as the north central Austin submarket, delineated generally by the Williamson county boundary and Pecan Street to the north, Dessau Lane on the east, 2000 US Census boundaries to the west, and Kramer Lane on the south.” (p. 19)

Population: The estimated 2000 population of the market area was 79,407 and is expected to increase by 10% to approximately 87,469 by 2005. Within the primary market area there were estimated to be 32,678 households in 2000.

Total Primary Market Demand for Rental Units: “Between 1990 and 2000 the subject market area captured 7.19% of the increase in population in the Austin MSA.....resulting in an estimated new multifamily housing demand that averages 432 units per year.” (p. 25).

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	114	5%	72	3%
Resident Turnover	2,317	95%	2,288	97%
TOTAL ANNUAL DEMAND	2,431	100%	2,360	100%

Ref: p. 26

Inclusive Capture Rate: “Currently there are 16,385 apartment units in the North Central Market area. Of these, 360 unit development know as Silver Springs with income restrictions or comparably priced to the units with income restrictions. Silver Springs, located at 12151 N IH-35, was completed in 1997 and is currently occupied at 92%; therefore, the concentration capture rate for the subject market area is 9.87%.” (p. 27 & 58).

Market Rent Comparables: The Market Analyst surveyed six comparable apartment projects totaling 1,840 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (50%) 684 sf	\$609	\$608	+\$1	\$619	-\$10
1-Bedroom (60%) 684 sf	\$642	\$742	-\$100	\$619	+\$23
1-Bedroom (50%) 814 sf	\$609	\$608	+\$1	\$735	-\$126
1-Bedroom (60%) 814 sf	\$722	\$742	-\$20	\$735	-\$13
1-Bedroom (50%) 839 sf	\$609	\$608	+\$1	\$769	-\$160
1-Bedroom (60%) 839 sf	\$742	\$742	\$0	\$769	-\$27
2-Bedroom (50%)1,026sf	\$726	\$726	\$0	\$881	-\$155
2-Bedroom (60%)1,026sf	\$810	\$886	-\$76	\$881	-\$71
2-Bedroom (50%)1,117sf	\$726	\$726	\$0	\$925	-\$199
2-Bedroom (60%)1,117sf	\$868	\$886	-\$18	\$925	-\$57
2-Bedroom (50%)1,144sf	\$726	\$726	\$0	\$940	-\$214
2-Bedroom (60%)1,144sf	\$872	\$886	-\$14	\$940	-\$68
3-Bedroom (50%)1,166sf	\$837	\$837	\$0	\$997	-\$160
3-Bedroom (60%)1,166sf	\$897	\$1,022	-\$125	\$997	-\$100

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =\$500, program max =\$600, differential = -\$100) (p. 52 of the addendum)

Primary Market Occupancy Rates: “Occupancy rates in the north central Austin market area approached stabilization in 1996 at approximately 94.3%. Since that time, the occupancy rate for existing projects increased to a high of 97.6% in 2000, and was last reported at 90.1% in September 2003.” (p. 29)

Absorption Projections: “Based on market conditions anticipated in the area and the proposed development program, the subject should be able to achieve an absorption rate of at least 20 units per month.” (p. 59)

The Underwriter found the market study to be informative enough to complete this analysis.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
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OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are significantly lower than the maximum rents allowed under HTC guidelines, reflecting the state of the subject market. However the Applicant estimated rents that were lower than the market study information suggests that the market could support in all cases except the one bedroom/one bath unit at 60%. This amounts to a significant \$153K under projection of gross income by the Applicant compared to the Underwriters estimate. Even with the Underwriter's estimates based upon the market study, an additional \$35K of annual income is possible if the maximum HTC rents could be achieved. The Applicant has also indicated that 20 units will be leased at the 50% rent level rather than the 60% level, and the Underwriter has underwritten the development with this assumption. If these 20 units are not rent restricted at 50% an additional \$38K in income could be achieved. Since the Applicant has submitted the rent schedule with these 50% units and they have been underwritten with assumption, it is recommended that they be rent restricted as such.

Expenses: The Applicant's total expense estimate of \$4,178 per unit is within 5% of a TDHCA database-derived estimate of \$4,385 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$30K lower), water, sewer, and trash (\$34K lower), property tax (\$28K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them with the Applicant.

Conclusion: The Applicant's estimated income and total estimated operating expense is inconsistent with the Underwriter's expectations and consequently the Applicant's net operating income not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in net operating income and several operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.34 exceeds the program maximum standard of 1.30. This suggests that the project could support additional debt service of \$21,850 annually. This results in an additional potential \$296,662 in serviceable debt, and may reduce the need for other funds. The Applicants proposed financing structure is intended to minimize the properties debt burden in order to secure a lower interest rate and strengthen the lenders loan to value ratio. The Applicant has projected a significant amount of deferred developer fee which if substituted for debt would quickly reduce the DCR to below the 1.30 threshold. Therefore the \$296,662 it will be evaluated as additional deferred developer fee.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: (13.29) acres	\$1,013,099	Assessment for the Year of:	2003
Tax Rate:	2.6337	Valuation by:	Travis County Appraisal District

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest Money Contract					
Contract Expiration Date:	3/	31/	2004	Anticipated Closing Date:	12/	31/ 2003
Acquisition Cost:	\$1,473,541			Other Terms/Conditions:	Earnest Money - \$7,500	
Seller:	ACP II, Ltd.			Related to Development Team Member:	No	

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The acquisition price at \$110K per acre or just over \$6K per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of \$7,500 per unit are at the maximum safe harbor limit allowed for sitework without requiring a more detailed substantiation.

Direct Construction Cost: The Applicant's costs are 7% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

source of funds for the development however this source of funds is generally evaluated by the department as a risk of the developer and incorporated as additional deferred fee. As a result the Underwriter anticipates a total deferral of \$2,611,636 in fees including the potential \$285,281 deferral of related party contractor fees.. Due to the low debt structure proposed, this total amount of deferral is projected to be repayable from cash flow in less than seven years.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Property Manager firms are all related entities. These are common relationships for LIHTC-funded developments.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- Terwilliger Partners, LLLP submitted an unaudited financial statement as of June 30, 2002 reporting total assets of \$7.0M and no liabilities resulting in a net worth of \$7.0M.
- J. Ronald Terwilliger, Christopher J. Bergmann and Kenneth J. Valach are anticipated to be guarantors of the development. They submitted unaudited financial statements as of June 30, 2002. The financial statements provided are significant in detail and only produced once per year and as such are the most current available at the time of application.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- J. Ronald Terwilliger has completed 18 multi-family developments totaling 3,966 units since 1992.
- Kenneth J. Valach has completed 14 multi-family developments totaling 2,906 units since 1999.
- Christopher J. Bergmann, the Developer, has completed 14 multi-family developments totaling 2,906 units since 1999.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated income, operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift* based estimate by more than 5%.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:

Carl Hoover

Date: December 2, 2003

Director of Real Estate Analysis:

Tom Gouris

Date: December 2, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Century Park, Austin, HTC #03459, MFB 2003-0114

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int Pd Unit	Wfr. Swr. Trsf.
TC (50%)	1	1	1	684	\$666	\$608	\$608	\$0.89	\$58.00	\$40.00
<TC (60%)	7	1	1	684	800	619	4,333	0.90	58.00	40.00
TC (50%)	1	1	1.5	814	666	608	608	0.75	58.00	40.00
<TC (60%)	15	1	1.5	814	800	735	11,025	0.90	58.00	40.00
TC (50%)	1	1	1.5	839	666	608	608	0.72	58.00	40.00
TC (60%)	11	1	1.5	839	800	742	8,162	0.88	58.00	40.00
TC (50%)	10	2	2.5	1,026	800	726	7,260	0.71	74.00	46.00
<TC (60%)	110	2	2.5	1,026	960	881	96,910	0.86	74.00	46.00
TC (50%)	2	2	2	1,117	800	726	1,452	0.65	74.00	46.00
TC (60%)	22	2	2	1,117	960	886	19,492	0.79	74.00	46.00
TC (50%)	1	2	2	1,144	800	726	726	0.63	74.00	46.00
TC (60%)	11	2	2	1,144	960	886	9,746	0.77	74.00	46.00
TC (50%)	4	3	2.5	1,166	924	837	3,348	0.72	87.00	70.00
<TC (60%)	44	3	2.5	1,166	1,109	997	43,868	0.86	87.00	70.00
TOTAL:	240		AVERAGE:	1,034	\$952	\$867	\$208,146	\$0.84	\$74.20	\$49.90

INCOME		Total Net Rentable Sq Ft:	248,188	TDHCA	APPLICANT	USS Region	7		
POTENTIAL GROSS RENT				\$2,497,752	\$2,344,332	IREM Region	Austin		
Secondary Income	Per Unit Per Month:	\$15.00		43,200	43,200	Per Unit Per Month			
Other Support Income: (describe)				0					
POTENTIAL GROSS INCOME				\$2,540,952	\$2,387,532				
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(190,571)	(179,064)	% of Potential Gross Rent			
Employee or Other Non-Rental Units or Concessions				0					
EFFECTIVE GROSS INCOME				\$2,350,381	\$2,208,468				
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI	
General & Administrative	4.01%	\$393	0.38	\$94,204	\$64,200	\$0.26	\$268	2.91%	
Management	5.00%	490	0.47	117,519	\$110,424	0.44	460	5.00%	
Payroll & Payroll Tax	9.32%	913	0.88	\$219,064	\$204,720	0.82	853	9.27%	
Repairs & Maintenance	4.21%	412	0.40	98,987	\$90,720	0.37	378	4.11%	
Utilities	2.32%	227	0.22	54,492	\$45,600	0.18	190	2.06%	
Water, Sewer, & Trash	4.73%	463	0.45	111,168	\$76,800	0.31	320	3.48%	
Property Insurance	2.01%	196	0.19	47,156	\$60,000	0.24	250	2.72%	
Property Tax	2.6337	9.01%	882	0.85	211,749	\$240,000	0.97	1,000	10.87%
Reserve for Replacements	2.04%	200	0.19	48,000	\$60,000	0.24	250	2.72%	
Other Expenses: Compl.Fees, Supp	2.13%	209	0.20	50,174	\$50,174	0.20	209	2.27%	
TOTAL EXPENSES	44.78%	\$4,385	\$4.24	\$1,052,514	\$1,002,638	\$4.04	\$4,178	45.40%	
NET OPERATING INC	55.22%	\$5,408	\$5.23	\$1,297,867	\$1,205,830	\$4.86	\$5,024	54.60%	

DEBT SERVICE				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
First Lien Mortgage	40.74%	\$3,989	\$3.86	\$957,477	\$964,004	\$3.88	\$4,017	43.65%
Trustee Fee	0.15%	\$15	\$0.01	\$3,500		\$0.00	\$0	0.00%
TDHCA Admin. Fees	0.55%	\$54	\$0.05	13,000		\$0.00	\$0	0.00%
Asset Oversight Fees	0.15%	\$15	\$0.01	3,600		\$0.00	\$0	0.00%
NET CASH FLOW	13.78%	\$1,349	\$1.30	\$323,790	\$241,826	\$0.97	\$1,008	10.95%
INITIAL AGGREGATE DEBT COVERAGE RATIO				1.33	1.25			
INITIAL BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO				1.34				
RECOMMENDED DEBT COVERAGE RATIO				1.30				

CONSTRUCTION COST				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
Acquisition Cost (site or bldg)	6.79%	\$6,140	\$5.94	\$1,473,541	\$1,473,541	\$5.94	\$6,140	7.09%
Off-Sites	0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework	8.29%	7,500	7.25	1,800,001	1,800,001	7.25	7,500	8.66%
Direct Construction	49.07%	44,376	42.91	10,650,129	9,953,432	40.10	41,473	47.90%
Contingency	3.00%	1,557	1.51	373,759	373,759	1.51	1,557	1.80%
General Req'ts	5.66%	2,938	2.84	705,206	705,206	2.84	2,938	3.39%
Contractor's G & A	1.89%	979	0.95	235,069	235,069	0.95	979	1.13%
Contractor's Profit	5.66%	2,938	2.84	705,206	705,206	2.84	2,938	3.39%
Indirect Construction	3.92%	3,546	3.43	850,976	850,976	3.43	3,546	4.10%
Ineligible Costs	5.74%	5,196	5.02	1,246,957	1,246,957	5.02	5,196	6.00%
Developer's G & A	1.36%	915	0.88	219,610	0	0.00	0	0.00%
Developer's Profit	13.00%	8,778	8.49	2,106,744	2,326,354	9.37	9,693	11.20%
Interim Financing	4.08%	3,689	3.57	885,380	885,380	3.57	3,689	4.26%
Reserves	2.09%	1,886	1.82	452,725	222,490	0.90	927	1.07%
TOTAL COST	100.00%	\$90,439	\$87.46	\$21,705,302	\$20,778,371	\$83.72	\$86,577	100.00%
Recap-Hard Construction Costs	66.66%	\$60,289	\$58.30	\$14,469,370	\$13,772,673	\$55.49	\$57,386	66.28%

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED	
Tax-Exempt Bonds	59.89%	\$54,167	\$52.38	\$13,000,000	\$13,000,000	13,000,000	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	296,662	\$2,326,354
HTC Syndication Proceeds	23.80%	\$21,528	\$20.82	5,166,833	5,166,833	5,166,735	% of Dev. Fee Deferred
GIC Earnings				285,186	285,186		100%
Deferred Developer Fees	10.72%	\$9,693	\$9.37	2,326,354	2,326,354	2,314,974	112%
Additional (Excess) Funds Required	4.27%	\$3,862	\$3.73	926,929	(2)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$21,705,302	\$20,778,371	\$20,778,371	\$7,672,704

MULTIFAMILY COMPARATIVE ANALYSIS (continued)
 Century Park, Austin, HTC #03459, MFB 2003-0114

DIRECT CONSTRUCTION COST ESTIMATE
 Residential Cost Handbook
 Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$47.11	\$11,692,137
Adjustments				
Exterior Wall Finish	2.80%		\$1.32	\$327,380
9' Ceilings	3.00%		1.41	350,764
Roofing			0.00	0
Subfloor			(1.12)	(276,730)
Floor Cover			2.43	603,097
Porches/Balconies	\$15.83	14250	0.91	225,578
Plumbing	\$700	524	1.48	366,800
Built-In Appliances	\$2,100	240	2.03	504,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.47	364,836
Garages/Carports	\$7.83	23,823	0.75	186,534
Comm &/or Aux Bldgs	\$58.46	3,838	0.90	224,366
Other:			0.00	0
SUBTOTAL			58.70	14,568,761
Current Cost Multiplier	1.04		2.35	582,750
Local Multiplier	0.86		(8.22)	(2,039,627)
TOTAL DIRECT CONSTRUCTION COSTS			\$52.83	\$13,111,885
Plans, specs, survy, bid prm	3.90%		(\$2.06)	(\$511,364)
Interim Construction Interest	3.38%		(1.78)	(442,526)
Contractor's OH & Profit	11.50%		(6.08)	(1,507,867)
NET DIRECT CONSTRUCTION COSTS			\$42.91	\$10,650,129

PAYMENT COMPUTATION

Primary	\$13,000,000	Term	360
Int Rate	6.22%	DCR	1.36

Secondary		Term	
Int Rate		Subtotal DCR	1.34

All-In		Term	
Rate		Aggregate DCR	1.33

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$979,327
Trustee Fee	3,500
TDHCA Admin. Fees Asset Oversight	16,600
NET CASH FLOW	\$298,440

Primary	\$13,296,662	Term	360
Int Rate	6.22%	DCR	1.33

Secondary		Term	
Int Rate		Subtotal DCR	1.32

All-In		Term	
Rate		Aggregate DCR	1.30

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

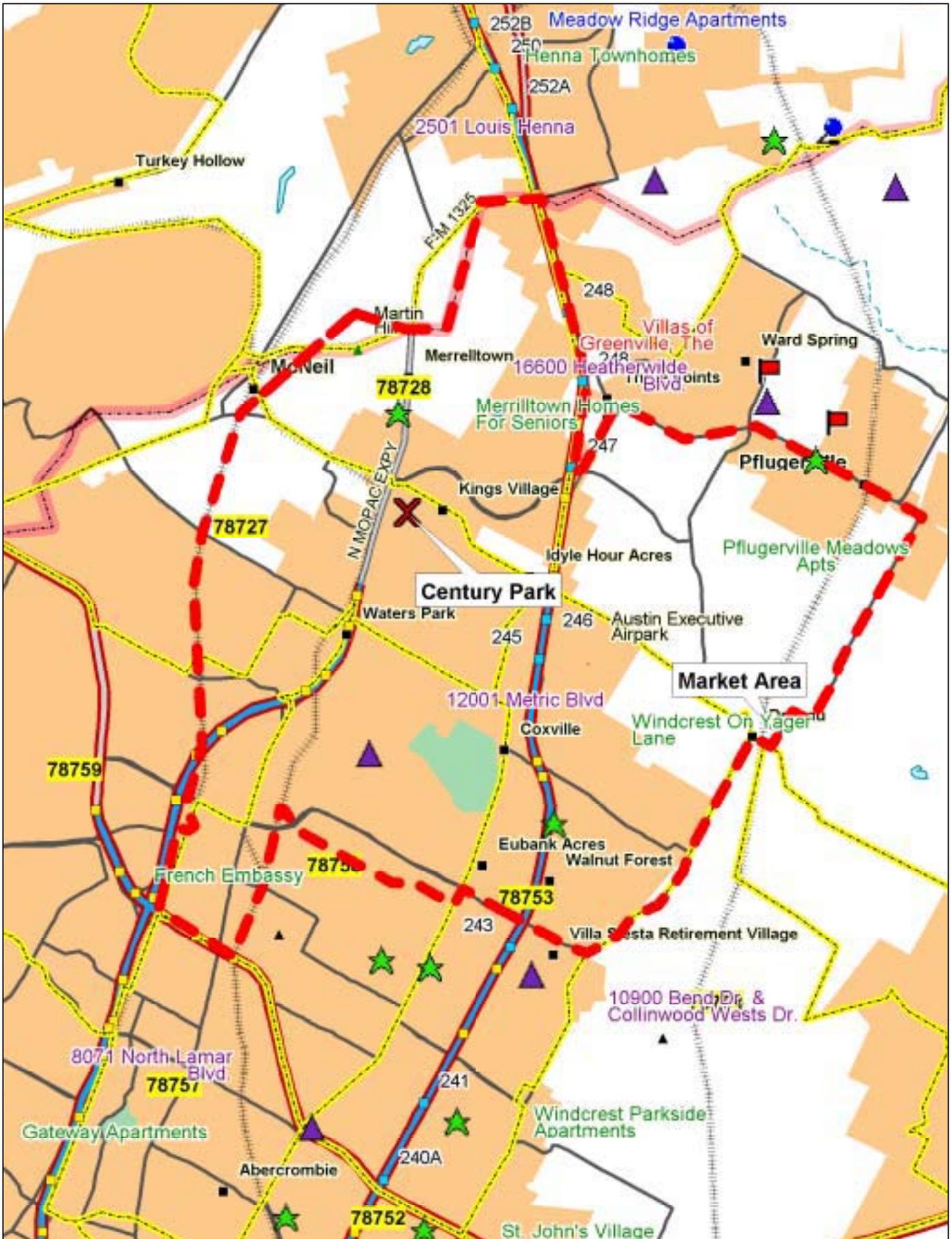
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,497,752	\$2,572,685	\$2,649,865	\$2,729,361	\$2,811,242	\$3,259,000	\$3,778,074	\$4,379,823	\$5,886,116
Secondary Income	43,200	44,496	45,831	47,206	48,622	56,366	65,344	75,751	101,804
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,540,952	2,617,181	2,695,696	2,776,567	2,859,864	3,315,366	3,843,418	4,455,575	5,987,920
Vacancy & Collection Loss	(190,571)	(196,289)	(202,177)	(208,243)	(214,490)	(248,652)	(288,256)	(334,168)	(449,094)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,350,381	\$2,420,892	\$2,493,519	\$2,568,324	\$2,645,374	\$3,066,714	\$3,555,162	\$4,121,407	\$5,538,826
EXPENSES at 4.00%									
General & Administrative	\$94,204	\$97,972	\$101,891	\$105,967	\$110,206	\$134,082	\$163,131	\$198,474	\$293,790
Management	117,519	121,045	124,676	128,416	132,269	153,336	177,758	206,070	276,941
Payroll & Payroll Tax	219,064	227,827	236,940	246,418	256,274	311,797	379,349	461,535	683,185
Repairs & Maintenance	98,987	102,946	107,064	111,347	115,801	140,889	171,413	208,550	308,705
Utilities	54,492	56,672	58,939	61,297	63,748	77,560	94,363	114,807	169,943
Water, Sewer & Trash	111,168	115,615	120,239	125,049	130,051	158,227	192,507	234,214	346,694
Insurance	47,156	49,042	51,004	53,044	55,166	67,117	81,658	99,350	147,062
Property Tax	211,749	220,219	229,028	238,189	247,717	301,386	366,682	446,124	660,373
Reserve for Replacements	48,000	49,920	51,917	53,993	56,153	68,319	83,120	101,129	149,695
Other	50,174	52,181	54,268	56,439	58,696	71,413	86,885	105,709	156,475
TOTAL EXPENSES	\$1,052,514	\$1,093,439	\$1,135,966	\$1,180,158	\$1,226,081	\$1,484,125	\$1,796,867	\$2,175,964	\$3,192,865
NET OPERATING INCOME	\$1,297,867	\$1,327,453	\$1,357,552	\$1,388,166	\$1,419,294	\$1,582,589	\$1,758,295	\$1,945,443	\$2,345,961
DEBT SERVICE									
First Lien Mortgage	\$979,327	\$979,327	\$979,327	\$979,327	\$979,327	\$979,327	\$979,327	\$979,327	\$979,327
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees Asset Over	16,600	16,740	16,573	16,396	16,207	15,066	13,510	3,600	3,600
NET CASH FLOW	\$298,440	\$327,886	\$358,152	\$388,943	\$420,260	\$584,696	\$761,958	\$959,016	\$1,359,534
AGGREGATE DCR	1.30	1.33	1.36	1.39	1.42	1.59	1.76	1.97	2.38

LIHTC Allocation Calculation - Century Park, Austin, HTC #03459, MFB 2003-0114

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$1,473,541	\$1,473,541		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,800,001	\$1,800,001	\$1,800,001	\$1,800,001
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$9,953,432	\$10,650,129	\$9,953,432	\$10,650,129
(4) Contractor Fees & General Requirements				
Contractor overhead	\$235,069	\$235,069	\$235,069	\$235,069
Contractor profit	\$705,206	\$705,206	\$705,206	\$705,206
General requirements	\$705,206	\$705,206	\$705,206	\$705,206
(5) Contingencies	\$373,759	\$373,759	\$373,759	\$373,759
(6) Eligible Indirect Fees	\$850,976	\$850,976	\$850,976	\$850,976
(7) Eligible Financing Fees	\$885,380	\$885,380	\$885,380	\$885,380
(8) All Ineligible Costs	\$1,246,957	\$1,246,957		
(9) Developer Fees				
Developer overhead		\$219,610		\$219,610
Developer fee	\$2,326,354	\$2,106,744	\$2,326,354	\$2,106,744
(10) Development Reserves	\$222,490	\$452,725		
TOTAL DEVELOPMENT COSTS	\$20,778,371	\$21,705,302	\$17,835,383	\$18,532,080

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$17,835,383	\$18,532,080
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$17,835,383	\$18,532,080
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$17,835,383	\$18,532,080
Applicable Percentage			3.58%	3.58%
TOTAL AMOUNT OF TAX CREDITS			\$638,507	\$663,448

Syndication Proceeds	0.8092	\$5,166,732	\$5,368,559
Total Credits (Eligible Basis Method)		\$638,507	\$663,448
Syndication Proceeds		\$5,166,732	\$5,368,559
Requested Credits		\$638,507	
Syndication Proceeds		\$5,166,735	
Gap of Syndication Proceeds Needed		\$7,481,709	
Credit Amount		\$924,592	



© 2001 DeLorme. XMap® Business 1v3, GDT, Inc., Rel. 01/2001
 Zoom Level: 11-3 Datum: WGS84

Scale 1 : 81 250
 1" = 28 mi



RENT CAP EXPLANATION

Austin/San Marcos MSA

AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is "**affordable**" if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

Rent Caps are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2003

MSA/County: Austin **Area Median Family Income (Annual):** \$66,900

ANNUALLY				MONTHLY							
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)			Utility Allowance by Unit Type <small>(provided by the local PHA)</small>	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)			
# of Persons	At or Below			Unit Type	At or Below			At or Below			
	50%	60%	80%		50%	60%	80%	50%	60%	80%	
1	\$ 24,900	\$ 29,880	\$ 38,100	Efficiency	\$ 622	\$ 747	\$ 952	\$ 45.00	\$ 577	\$ 702	\$ 907
2	28,450	34,140	43,500	1-Bedroom	666	800	1,020	65.00	601	735	955
3	32,000	38,400	48,950	2-Bedroom	800	960	1,223	88.00	712	872	1,135
4	35,550	42,660	54,400	3-Bedroom	924	1,109	1,414	110.00	814	999	1,304
5	38,400	46,080	58,750	4-Bedroom	1,031	1,237	1,577	145.00	886	1,092	1,432
6	41,250	49,500	63,100	5-Bedroom	1,138	1,365	1,740	164.00	993	1,220	1,595
7	44,100	52,920	67,450								
8	46,950	56,340	71,800								
FIGURE 1				FIGURE 2			FIGURE 3	FIGURE 4			

Figure 1 outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning \$33,000 per year would fall in the 60% set-aside group. A family of three earning \$28,000 would fall in the 50% set-aside group.

Figure 2 shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 60% income bracket earning \$38,400 could not pay more than \$960 for rent and utilities under the affordable definition.

- 1) \$38,400 divided by 12 = **\$3,200** monthly income; then,
- 2) **\$3,200** monthly income times 30% = **\$960** maximum total housing expense.

Figure 4 displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in **Figure 3** from the maximum total housing expense for each unit type found in **Figure 2**.

Figure 3 shows the utility allowance by unit size, as determined by the local public housing authority. The example assumes all electric units.

CENTURY PARK TOWNHOMES

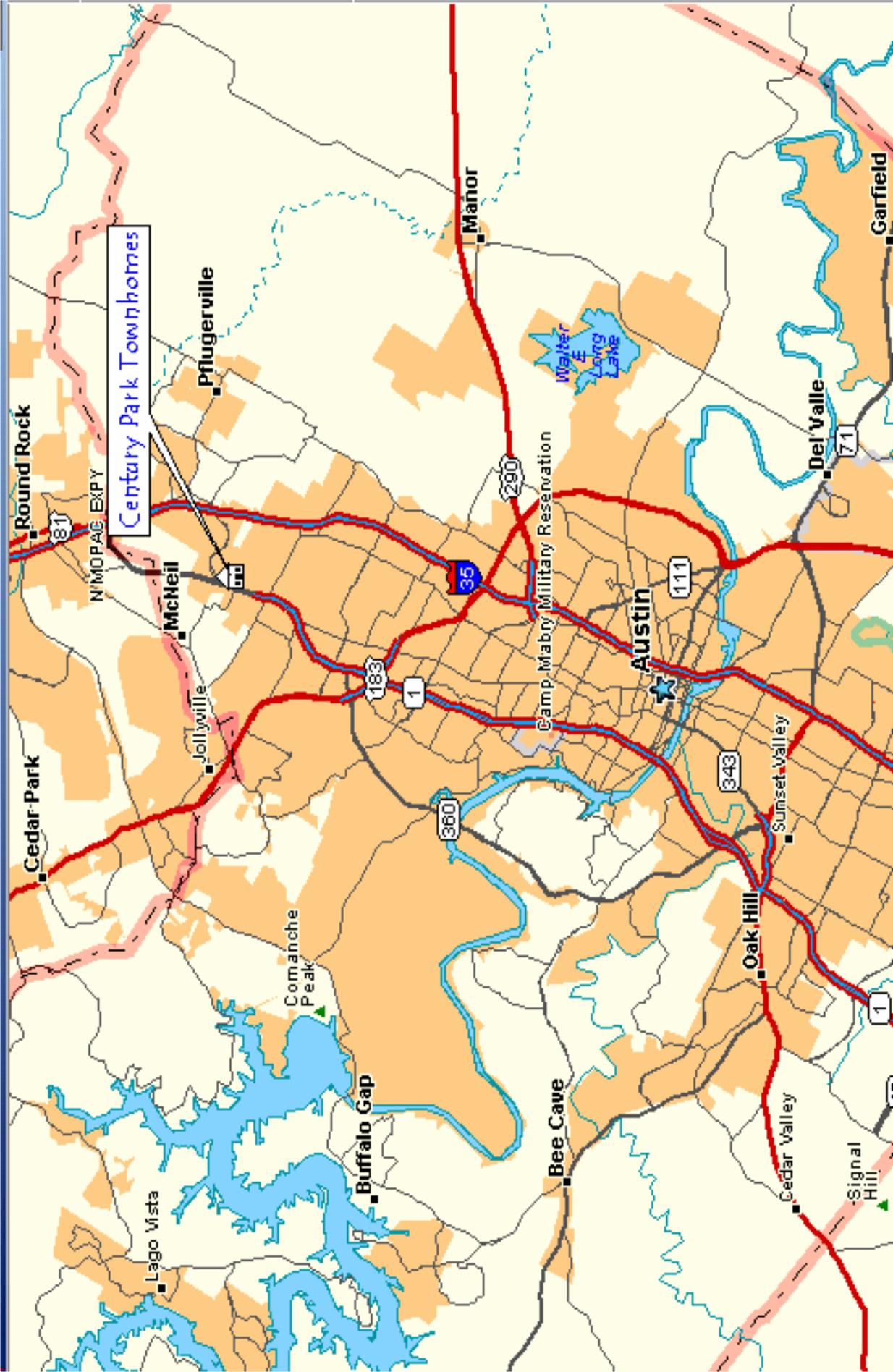
RESULTS & ANALYSIS:

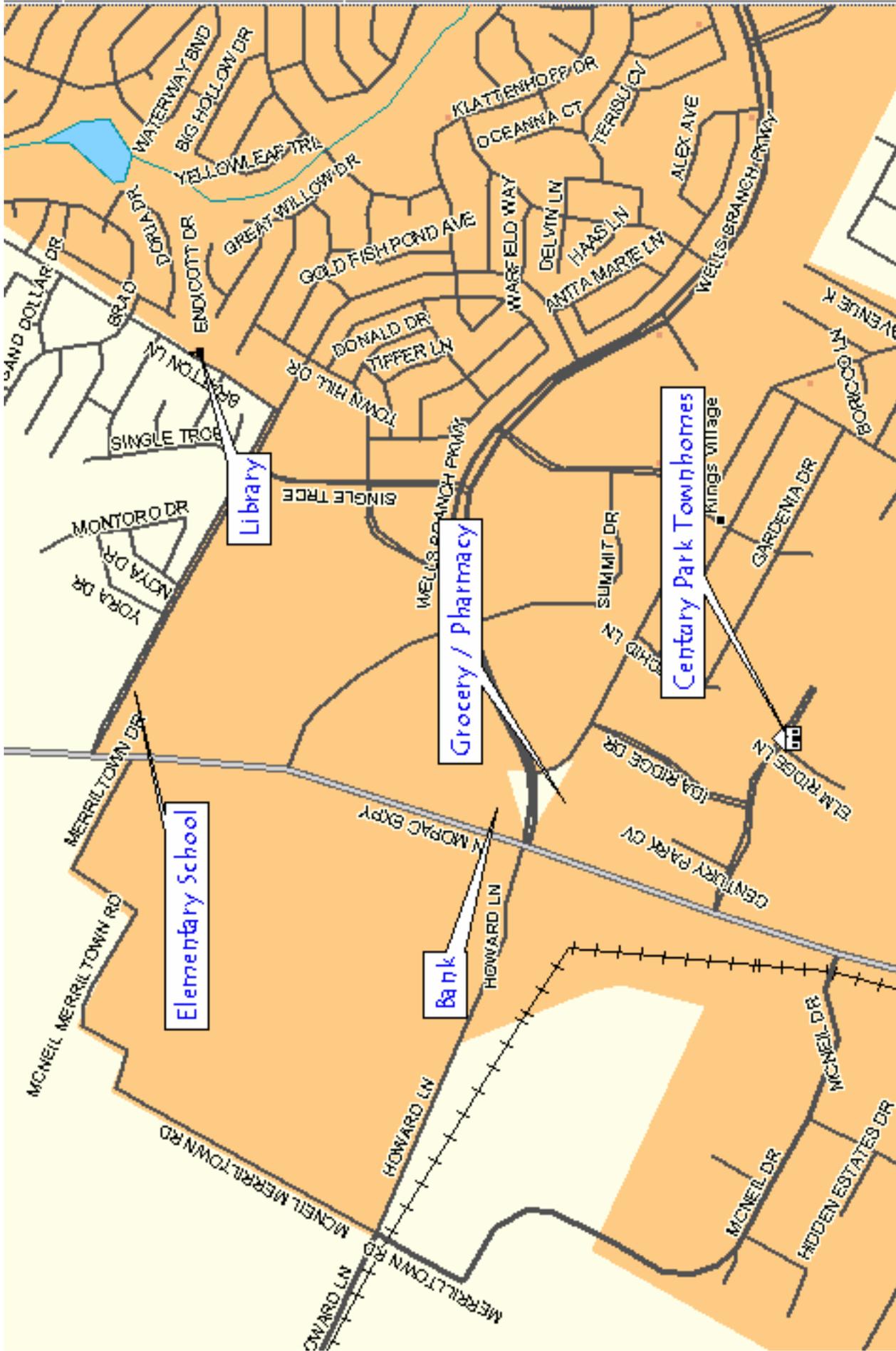
Tenants in the 60% AMFI bracket will **save \$11** per month (leaving 0.3% more of their monthly income for food, child care and other living expenses).
 This is a monthly savings off the market rents of **1.1%**.

PROJECT INFORMATION				
Unit Mix				
Unit Description	1-Bedroom	2-Bedroom	3-Bedroom	
Square Footage	893	1,055	1,166	
Rents if Offered at Market Rates	\$692	\$837	\$1,010	
Rent per Square Foot	\$0.77	\$0.79	\$0.87	

SAVINGS ANALYSIS FOR 60% AMFI GROUPING				
Rent Cap for 60% AMFI Set-Aside	\$735	\$872	\$999	
Monthly Savings for Tenant	(\$43)	(\$35)	\$11	
Rent per Square Foot	\$0.82	\$0.83	\$0.86	
Maximum Monthly Income - 60% AMFI	\$2,845	\$3,200	\$3,698	
Monthly Savings as % of Monthly Income	-1.5%	-1.1%	0.3%	
% DISCOUNT OFF MONTHLY RENT	-6.2%	-4.2%	1.1%	

Appraisal Information provided by: Butler Burgher, Inc, 905 Congress Avenue, Austin, Texas 78701. Dated October 30, 2003.





Library

Grocery / Pharmacy

Elementary School

Bank

Century Park Townhomes

Developer Evaluation

Project ID # **03459**

Name: **Century Park Apartments**

City:

LIHTC 9% LIHTC 4% HOME BOND HTF SECO ESGP Other

No Previous Participation in Texas Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Projects in Material Noncompliance: No Yes # of Projects: 0
Total # of Projects monitored: 5 Projects grouped by score 0-9 5 10-19 0 20-29 0
Total # monitored with a score less than 30: 5 # not yet monitored or pending review: 7

Program Monitoring/Draws

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Asset Management

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Sara Carr Newsom Date y, October 10, 2003

Multifamily Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by S. Roth Date 9/25/2003

Single Family Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Community Affairs

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by EEF Date 9/26/2003

Office of Colonia Initiatives

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Real Estate Analysis (Cost Certification and Workout)

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Loan Administration

Not applicable No delinquencies found Delinquencies found
Delinquencies found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Executive Director: _____

Executed: _____

Status Summary

Project ID# 03459

Name: Century Park Apartments

City

LIHTC 9 LIHTC 4

HOME HTF

Bond SEC

ESGP Other

Developer	Role	Disbar
Century Park Apartments LP	Owner/Applicant Name	<input type="checkbox"/>
TCR Century Park Partners LP	General Partner (.01%)	<input type="checkbox"/>
TCR 2003 Housing, Inc.	Corporate General Partner (<input type="checkbox"/>
J. Ronald Terwilliger	Director/V. President (51%	<input type="checkbox"/>
Kenneth J. Valach	Director/President/Sec/Tre	<input type="checkbox"/>
Christopher J. Bergmann	Vice President	<input type="checkbox"/>
Scott C. Wise	Vice President	<input type="checkbox"/>
John Zeledon	Vice President	<input type="checkbox"/>
R. Brent Stewart	Vice President	<input type="checkbox"/>

Projects/Contracts Monitored by the Department

Program	Project ID	Project Name	Score
LIHTC/BO	99003T/MF026	Mayfield Apartments	N/A
LIHTC/BO	03401/20031	West Virginia Apartments	N/A
LIHTC	02463	Park @ North Vista Townhomes	N/A
BOND	MF065	North Vista Apartments	N/A
LIHTC/BO	00036T/MF033	Highland Meadow Village	01
LIHTC	96188	The Oaks @ Georgetown	0
LIHTC/BO	00037T/MF037	Collingham Park	N/A
LIHTC	00058	Windfern II Townhomes	N/A

Status Summary

LIHTC/BO	01452/MF047	Parks @ Fallbrook	N/A
LIHTC	99161	Parkview Gardens Townhomes	0
LIHTC	99017T	The Park @ Fort Bend	04
LIHTC	99018T	Collinwood Village Apartments	01

Out of State Response Received: Yes

Non-Compliance Reported No

Completed By: Jo En Taylor

Date: 10/9/2003

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Division

Public Comment Summary

Century Park Townhomes

Public Hearing	
<i>Total Number Attended</i>	4
<i>Total Number Opposed</i>	0
<i>Total Number Supported</i>	4
<i>Total Number Neutral</i>	0
<i>Total Number that Spoke</i>	0

Letters Received	
<i>Opposition</i>	0
<i>Support</i>	0

Summary of Opposition

Response to Summary of Opposition

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS SERIES 2003
CENTURY PARK TOWNHOMES

PUBLIC HEARING

Wells Branch Elementary School
14650 Merriltown Drive
Austin, Texas

November 13, 2003
7:00 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Bond Administrator

P R O C E E D I N G S

1
2 MS. MEYER: Good evening. My name is Robbye Meyer. I
3 would like to proceed with the public hearing. Let the record show
4 that it is 7:03 p.m. on Thursday, November 13, 2003, and we are at
5 the Wells Branch Elementary School, located at 14650 Merriltown
6 Drive, Austin, Texas 78728.

7 I'm here to conduct a public hearing on behalf of the
8 Texas Department of Housing and Community Affairs with respect to an
9 issuance of tax-exempt multifamily revenue bonds for a residential
10 rental community. This hearing is required by the Internal Revenue
11 Code. The sole purpose of this hearing is to provide a reasonable
12 opportunity for interested individuals to express their views
13 regarding the development and proposed bond issuance.

14 No decisions regarding this development will be made at
15 this hearing. The Department's board is scheduled to meet to
16 consider the transaction on December 11, 2003. In addition to
17 providing your comments at this hearing, the public is also invited
18 to provide comment directly to the board at any of their meetings.
19 Department staff will also accept written comments from the public
20 via facsimile at 512-475-0764, up until 5:00 on November 28.

21 The bonds will be issued as tax-exempt multifamily
22 revenue bonds in the aggregate principal amount not to exceed \$15
23 million in taxable bonds, if necessary, in an amount to be determined
24 and issued in one or more series by the Texas Department of Housing

1 and Community Affairs.

2 The proceeds of the bonds will be loaned to Century Park
3 Apartments Limited Partnership, or a related person or affiliate
4 entity thereof, to finance a portion of the cost of acquiring,
5 constructing, and equipping a multifamily rental housing community
6 described as follows: a 240-unit multifamily residential rental
7 development to be constructed on approximately 13.29 acres of land
8 located at the 3200 block of Century Park Boulevard, Austin, Travis
9 County, Texas.

10 The proposed multifamily rental housing community will
11 be initially owned and operated by the borrower, or related person,
12 or affiliate thereof.

13 Let the record show that there are representatives from
14 the developer here. Would you like to speak?

15 MR. STEWART: No.

16 MS. MEYER: Seeing that there are no comments to be
17 made, and there are no other attendees, I will adjourn the meeting.

18 It is now 7:05 p.m.

19 (Whereupon, at 7:05 p.m., the meeting was concluded.)

C E R T I F I C A T E

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IN RE: Century Park Townhomes public hearing
LOCATION: Austin, Texas
DATE: November 13, 2003

I do hereby certify that the foregoing pages, numbers 1 through 4, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas Department of Housing and Community Affairs.

(Transcriber) 11/28/2003
(Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

December 11, 2003

Action Items

Request approval of a final waiting list for the 2003 Housing Tax Credit Program. The list will represent those applications that will be offered credits in the event that credits are returned to the Department prior to December 31, 2003.

Required Action

Approve a final waiting list for 2003 Housing Tax Credits.

Background and Recommendations

Staff is recommending that the Board approve the following prioritization of the Waiting List so that as credits become available between December 11 and December 31, 2003, staff will be able to allocate from the prioritized list without further Board approval.

In July 2003, the Board approved \$38,098,599 in credits to 68 developments; at that time the Board approved a Waiting List with the stipulation that any development being awarded credits off the waiting list still be approved by the Board. In September, the Board also allocated \$687,641 in national pool credits and unused credits to Reserve II at Las Brisas. That development was originally underwritten to receive \$822,062 and upon approval it was indicated that any additional returned credits would first go to fully funding that development. In late October, Northline Point Apartments (#03153) from Region 6 returned its allocation of \$347,203. The balance needed for Reserve II was issued in the amount of \$134,421 from that returned credits. No other credits have been returned. At this time, the current balance of credits available is \$214,200 which is targeted for Region 6.

The Waiting List is structured around the concept that 2003 credits that are returned from a given region, should go back to that region. The first development in each region will be offered the available credits. However, any development receiving credits must be able to submit a Carryover Allocation package for the offered credit amount on or before December 25, 2003, for execution by the Department on or before December 31, 2003. In the event that the credit amount returned is insufficient to fund the full credit recommendation on the next Waiting List development, the applicant will be given an option to restructure their development (still meeting all scoring requirements) to fit within the credits available, or to decline the credits. If the first applicant on the list is unable to meet that carryover deadline or unable to restructure their deal to the credit amount available, the next development in the region will be selected. The Department will not be offering to "fill" a partial allocation with a forward commitment from 2004 so the application must be able to scale the development to a size that works with the credits available. Once the developments on the waiting list for a region have been contacted and have declined the returned credits (or when regions have no waiting list), the Department will then contact other waiting list applicants in other regions, based on score statewide, until an applicant is located that will be able to meet the carryover requirements. (Note that the Department will not continue to go further down into the original region to developments not on this approved waiting list.) In the event that credits are rescinded or returned from an allocation year other than 2003 (2002 or earlier), the waiting list will be evaluated statewide and the highest scoring application (regardless of region or set-aside) will be offered the credits.

Because all eligible developments in the At-Risk and TxRD Set-Asides have been awarded, credits being returned from those pools will return to the region in which they were allocated. All other set-asides, except Rural, are allocated well above the minimum set-aside amount. For this reason, a waiting list is only recommended for the rural set-aside and for each region.

All developments not yet underwritten must still be found to be Acceptable, or Acceptable with Conditions, by the Real Estate Analysis Division. Credit amounts and conditions are still subject to change and if the credit amount has not been underwritten at the time the Commitment Notice is issued, it will be adjusted at the time the Carryover Allocation Agreement is executed by the Department. Allocations remain subject to review by the Compliance Division to ensure no issues of Material Non-Compliance exist.

A. Rural Set-Aside

Project Name	Project #	Credit Amount	Set Aside
Victoria Place Phase II	03235	\$362,988	Rural
Bluffview Villas	03164	\$448,245	Rural, Elderly

B. Credits by Region

All Waiting List recommendations within regions are based on score. The top developments, in order of priority, by region, are:

Region 1

No Waiting List recommendation is made for Region 1 since all eligible and feasible applications received an award.

Region 2

No Waiting List recommendation is made for Region 2 since all eligible and feasible applications received an award.

Region 3

Project Name	Project #	Credit Amount	Score	Set Aside
Frazier Fellowship	03097	\$452,374	100	General
Coughtrey Estates	03084	888,026	97	General/Elderly

Region 4

Project Name	Project #	Credit Amount	Score	Set Aside
Waterford Place	03195	\$369,494	90	General
Victoria Place Phase II	03235	\$362,988	80	Rural

Region 5

Project Name	Project #	Credit Amount	Score	Set Aside
Timber Village	03117	\$578,303	87	Rural/General

Region 6

Project Name	Project #	Credit Amount	Score	Set Aside
Alta Reed Apartments	03108	1,200,000	99	General
Sunset Plaza	03130	\$575,723	99	Non-Profit/General
Samaritan Village Apartments	03129	\$422,499	99	Non-Profit/General

These three developments had an identical score. Staff used the first evaluation factor of serving more low-income families for fewer credits to determine their order of prioritization. Alta Reed development utilizes only \$6,000 in credits per low-income unit, while Sunset Plaza utilizes approximately \$6,397 in credits per low-income unit and Samaritan Village utilizes \$7,545 in credits per low-income unit.

Region 7

No Waiting List recommendation is made for Region 7 since no recommendations are made for the region.

Region 8

Project Name	Project #	Credit Amount	Score	Set Aside
Nolan Creek Trails	03019	\$634,816	81	General
Bluffview Villas	03164	\$488,245	55	Rural, Elderly

Region 9

Project Name	Project #	Credit Amount	Score	Set Aside
The Villas at Costa Verde	03031	\$1,122,531	92	General
Ryan Crossing Villas	03138	\$907,828	80	General

Region 10

No Waiting List recommendation is made for Region 10 since all eligible and feasible applications received an award.

Region 11

No Waiting List recommendation is made for Region 11 since all eligible and feasible applications received an award.

Region 12

No Waiting List recommendation is made for Region 12 since all eligible and feasible applications received an award.

Region 13

Project Name	Project #	Credit Amount	Score	Set Aside
Diana Palms	03024	\$211,474	107	General
Tropicana Palms*	03022	\$660,083	106	General
Capistrano Palms*	03023	\$660,083	106	General

*These two developments had an identical score. They have identical costs per low-income unit. Because they are owned by the same Applicant, the Applicant will have the option of selecting the development they will proceed with if the funds become available, after the funding of Diana Palms.

**Housing Tax Credit Program
Board Action Request
December 11, 2003**

Action Item

Request review and board determination of three (3) four percent (4%) tax credit applications with other issuers for tax exempt bond transactions.

Recommendation

Staff is recommending board approval of staff recommendations for the issuance of eight (8) four percent (4%) Tax Credit Determination Notices with **other issuers** for tax exempt bond transactions known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Recommended Credit Allocation
03432	Primrose Skyline	Houston	Harris County HFC	280	280	\$22,033,389	\$11,993,431	\$882,436
03440	Sterlingshire Apartments	Houston	Houston HFC	200	200	\$10,312,604	\$6,070,749	\$341,421
03458	Bayou Willows Apartments	Pasadena	Harris County HFC	212	212	\$10,459,158	\$7,475,000	\$308,203



**HOUSING TAX CREDIT PROGRAM
2003 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Primrose Skyline Apartments**

TDHCA#: 03432

DEVELOPMENT AND OWNER INFORMATION

Development Location: Houston QCT: Y DDA: N TTC: N
 Development Owner: Primrose Houston 7 Housing, LP
 General Partner(s): Primrose Houston 7 Development, LLC, 100%, Contact: Brian Potashnik
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Harris County HFC
 Development Type: Family

Annual Tax Credit Allocation Calculation

Applicant Request: \$886,885 Eligible Basis Amt: \$882,436 Equity/Gap Amt.: \$1,082,705
Annual Tax Credit Allocation Recommendation: \$882,436
 Total Tax Credit Allocation Over Ten Years: \$ 8,824,360

PROPERTY INFORMATION

Unit and Building Information

Total Units: 280 LIHTC Units: 280 % of LIHTC Units: 100
 Gross Square Footage: 256,130 Net Rentable Square Footage: 250,650
 Average Square Footage/Unit: 895
 Number of Buildings: 6
 Currently Occupied: N

Development Cost

Total Cost: \$23,033,389 Total Cost/Net Rentable Sq. Ft.: \$91.89

Income and Expenses

Effective Gross Income:¹ \$1,923,230 Ttl. Expenses: \$968,727 Net Operating Inc.: \$954,503
 Estimated 1st Year DCR: 1.06

DEVELOPMENT TEAM

Consultant: Not Utilized Manager: Southwest Housing Management
 Attorney: Shackelford, Melton & McKinley Architect: Beeler Guest Owens
 Accountant: Reznick, Fedder & Silverman Engineer: Kimley-Horn & Assoc.
 Market Analyst: Butler Burgher Lender: Newman Capital
 Contractor: Affordable Housing Construction Syndicator: MMA Financial, LLC

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 1 # in Opposition: 0	Sen. Mario Gallegos, District 6 - S Rep. Kevin Bailey, District 140 - NC U S Congressman Gene Green, District 29 - S Mayor Lee P. Brown - NC Daisy A. Stiner, Director, City of Houston, Housing & Community Development Department; Consistent with the City of Houston's Consolidated Plan.

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).
2. Receipt, review, and acceptance of an executed loan agreement for the City of Houston loan.
3. Receipt, review, and acceptance of an executed CHDO property tax exemption or abatement.
4. Receipt, review, and acceptance of a sources and uses of funds statement consistent with the total development cost.
5. Receipt, review, and acceptance of evidence of the previous participation of Southeast Texas Housing Partners, Inc. in providing affordable housing.
6. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:

Score Utilization of Set-Aside Geographic Distrib. Tax Exempt Bond. Housing Type

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager

Date

Brooke Boston, Director of Multifamily Finance Production Date

DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Score Utilization of Set-Aside Geographic Distrib. Tax Exempt Bond Housing Type

Other Comments including discretionary factors (if applicable)._____

Edwina P. Carrington, Executive Director

Date

Chairman of Executive Award and Review Advisory Committee

TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).

Chairperson Signature: _____
Elizabeth Anderson, Board Chair

Date

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS ADDENDUM**

DATE: December 3, 2003 **PROGRAM:** 4% HTC **FILE NUMBER:** 03432

DEVELOPMENT NAME

Primrose Skyline Apartments

APPLICANT

Name: Primrose Houston 7 Housing, L.P. **Type:** For-profit
Address: 5910 North Central Expressway, Suite 1145 **City:** Dallas **State:** TX
Zip: 75206 **Contact:** Dru Childre **Phone:** (214) 891-1402 **Fax:** (891) 987-4032

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	<u>Primrose Houston 7 Development, L.L.C.</u>	(%):	<u>0.01</u>	Title:	<u>Managing General Partner</u>
Name:	<u>Southeast Texas Housing Partners, Inc.</u>	(%):	<u>N/A</u>	Title:	<u>Non-profit CHDO, 100% owner of G.P.</u>
Name:	<u>Southwest Housing Development Company, Inc.</u>	(%):	<u>N/A</u>	Title:	<u>Developer</u>
Name:	<u>Brian Potashnik</u>	(%):	<u>N/A</u>	Title:	<u>Owner of Developer</u>

PROPERTY LOCATION

Location: 5000 & 5100 blocks of Airline Drive **QCT** **DDA**
City: Houston **County:** Harris **Zip:** 77022

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$886,885	N/A	N/A	N/A
Other Requested Terms: <u>Annual ten-year allocation of low-income housing tax credits</u>			
Proposed Use of Funds: <u>New construction</u>		Property Type: <u>Multifamily</u>	

RECOMMENDATION

RECOMMEND APPROVAL OF A TAX CREDIT ALLOCATION NOT TO EXCEED \$882,436 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS/DEFICIENCIES

1. Receipt, review, and acceptance of an executed loan agreement for the City of Houston loan;
2. Receipt, review, and acceptance of an executed CHDO property tax exemption or abatement;
3. Receipt, review, and acceptance of a sources and uses of funds statement consistent with the total development cost;
4. Receipt, review, and acceptance of evidence of the previous participation of Southeast Texas Housing Partners, Inc. in providing affordable housing; and
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS ADDENDUM**

ADDENDUM

Background: The original underwriting analysis report dated November 5, 2003 recommended that tax credits not be allocated to the proposed development because the development's projected cumulative cash flow was insufficient to repay the required amount of deferred developer and related general contractor fees within 15 years. The Underwriter's negative recommendation was based on the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived direct construction cost estimate exceeding the Applicant's by \$1,229,961 or 10.7%. This cost differential resulted in the Underwriter's costs being used to determine the total funding requirement and a funding gap which could not be filled with repayable developer and contractor fees. Subsequent to the publication of the original report the Applicant provided construction cost data on other elderly properties which they have completed or are currently under construction to substantiate the Applicant's cost estimates.

Analysis: The Applicant provided the following construction cost information as substantiation for their construction cost estimate:

- Cost certifications from three recently completed elderly properties (The Oaks at Hampton in Dallas, Bluffview in Denton, and Parks at Westmoreland (aka Primrose at Parkhill) in DeSoto). Although these properties are not in Houston and feature two-story residential buildings while the subject is a three-story design, they are also elevator-served elderly developments.
- A list of hard bids for an essentially identical property currently under development in Houston (Primrose Northview).

A review of the cost certification data indicates that the actual direct construction costs were from 2% to 4.4%, or an average of 3.6%, lower than TDHCA's Marshall & Swift-based estimates. The bid tracking document for the Northview development appeared to be predominantly complete; nonetheless, it reflected direct costs that were 3.1% less than the Underwriter's estimate. Therefore, the Underwriter regards this differential to be reasonably typical of the Applicant's direct construction costs and has reduced the original Marshall & Swift cost estimate by 3.6%. Although the Underwriter's direct construction cost estimate is still 7.3% greater than the Applicant's estimate, this adjustment has resulted in the Applicant's total development cost now being within 5% of the Underwriter's estimate, and therefore the Applicant's total development cost estimate is used to determine the total sources of funds requirement. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter, can now be used to calculate eligible basis and determine the HTC allocation. The original underwriting report reflected the Applicant's overstated eligible contractor and developer fees and contingency by \$200,927 based upon the Department's limits and the Applicant's other eligible costs. As a result an eligible basis of \$18,855,477 is used to determine a credit allocation of \$882,436 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

(NOTE: The Applicant also provided operating expense data to substantiate the Applicant's lower expense estimate, but the Underwriter did not find this information to be sufficiently compelling to warrant a revision of the original report's expense estimates.)

Conclusion: Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed \$882,436 annually for ten years, resulting in syndication proceeds of approximately \$7,367,833. Based on the underwriting analysis, the Applicant's deferred developer fee will be \$1,672,125, which represents approximately 68% of the eligible fee and which should be repayable from cash flow within 15 years.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount

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unpaid past ten years would be removed from eligible basis.

- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:

Jim Anderson

Date: December 3, 2003

Director of Real Estate Analysis:

Tom Gouris

Date: December 3, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Primrose Skyline Apartments, Houston, 4% HTC #03432 ADDENDUM

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int Pd Unit	Wtr, Swr, Trsn
TC (50%)	84	1	1	750	\$558	\$526	\$44,184	\$0.70	\$32.00	\$39.31
TC (50%)	138	2	1	950	670	630	86,940	0.66	40.00	45.31
TC (50%)	58	2	2	975	670	630	36,540	0.65	40.00	45.31
TOTAL:	280		AVERAGE:	895	\$636	\$599	\$167,664	\$0.67	\$37.60	\$43.51

INCOME				TDHCA		APPLICANT				
Total Net Rentable Sq Ft: 250,650								USS Region	6	
POTENTIAL GROSS RENT								IREM Region	Houston	
Secondary Income		Per Unit Per Month:	\$20.00	67,200	67,200	\$20.00	Per Unit Per Month			
Other Support Income:				0	0					
POTENTIAL GROSS INCOME										
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(155,938)	(103,956)	-5.00%	of Potential Gross Rent			
Employee or Other Non-Rental Units or Concessions				0	0					
EFFECTIVE GROSS INCOME										
			2.7%	\$1,923,230	\$1,975,212					
EXPENSES				% OF EGI	PER UNIT	PER SQ FT	PER SQ FT	PER UNIT	% OF EGI	
General & Administrative		5.41%	\$372	0.42	\$104,125	\$67,200	\$0.27	\$240	3.40%	
Management		5.00%	343	0.38	96,162	69,132	0.28	247	3.50%	
Payroll & Payroll Tax		13.87%	953	1.06	266,804	225,553	0.90	806	11.42%	
Repairs & Maintenance		7.53%	517	0.58	144,838	116,800	0.47	417	5.91%	
Utilities		1.68%	115	0.13	32,216	29,400	0.12	105	1.49%	
Water, Sewer, & Trash		5.52%	379	0.42	106,255	106,400	0.42	380	5.39%	
Property Insurance		2.57%	177	0.20	49,512	66,722	0.27	238	3.38%	
Property Tax	2.9626	3.23%	222	0.25	62,215	94,031	0.38	336	4.76%	
Reserve for Replacements		2.91%	200	0.22	56,000	56,000	0.22	200	2.84%	
Other: spt svcs, compl fees, sec		2.63%	181	0.20	50,600	50,600	0.20	181	2.56%	
TOTAL EXPENSES	-9%	50.37%	\$3,460	\$3.86	\$968,727	\$881,838	\$3.52	\$3,149	44.65%	
NET OPERATING INC	15%	49.63%	\$3,409	\$3.81	\$954,504	\$1,093,374	\$4.36	\$3,905	55.35%	
DEBT SERVICE										
First Lien Mortgage (Newman)		49.51%	\$3,400	\$3.80	\$952,097	\$952,097	\$3.80	\$3,400	48.20%	
City of Houston Loan		0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%	
Additional Financing		0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%	
NET CASH FLOW		0.13%	\$9	\$0.01	\$2,407	\$141,277	\$0.56	\$505	7.15%	
AGGREGATE BOND-ONLY DEBT COVERAGE RATIO					1.00	1.15				
RECOMMENDED DEBT COVERAGE RATIO					1.10					

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
Acquisition Cost (site or bldg)		6.27%	\$5,189	\$5.80	\$1,452,958	\$1,452,958	\$5.80	\$5,189	6.59%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.90%	6,541	7.31	1,831,491	1,831,491	7.31	6,541	8.31%
Direct Construction	-7.3%	47.94%	39,690	44.34	11,113,146	10,298,199	41.09	36,779	46.74%
Contingency	5.00%	2.79%	2,312	2.58	647,232	743,808	2.97	2,656	3.38%
General Req'ts	5.75%	3.21%	2,656	2.97	743,808	743,808	2.97	2,656	3.38%
Contractor's G & A	1.92%	1.07%	885	0.99	247,936	247,936	0.99	885	1.13%
Contractor's Profit	5.75%	3.21%	2,656	2.97	743,808	743,808	2.97	2,656	3.38%
Indirect Construction		4.20%	3,473	3.88	972,500	972,500	3.88	3,473	4.41%
Ineligible Costs		6.57%	5,443	6.08	1,524,027	1,524,027	6.08	5,443	6.92%
Developer's G & A	1.38%	1.03%	850	0.95	238,028	0	0.00	0	0.00%
Developer's Profit	13.00%	9.70%	8,027	8.97	2,247,590	2,485,618	9.92	8,877	11.28%
Interim Financing		4.27%	3,533	3.95	989,236	989,236	3.95	3,533	4.49%
Reserves		1.85%	1,534	1.71	429,516	0	0.00	0	0.00%
TOTAL COST	-4.95%	100.00%	\$82,790	\$92.48	\$23,181,276	\$22,033,389	\$87.91	\$78,691	100.00%
Recap-Hard Construction Costs		66.12%	\$54,741	\$61.15	\$15,327,421	\$14,609,050	\$58.28	\$52,175	66.30%

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage (Newman)	56.73%	\$46,964	\$52.46	\$13,150,000	\$13,150,000	\$11,993,431	Developer Fee Available
City of Houston Loan	2.16%	\$1,786	\$1.99	500,000	500,000	1,000,000	\$2,459,410
LIHTC Syndication Proceeds	30.76%	\$25,467	\$28.45	7,130,696	7,130,696	7,367,833	% of Dev. Fee Deferred
GIC Income				75,076	75,076	0	68%
Deferred Developer Fees	4.55%	\$3,770	\$4.21	1,055,611	1,055,611	1,672,125	
Additional (excess) Funds Req'd	5.48%	\$4,535	\$5.07	1,269,893	122,006	(0)	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$23,181,276	\$22,033,389	\$22,033,389	\$2,840,456

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Primrose Skyline Apartments, Houston, 4% HTC #03432 ADDENDUM

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$40.31	\$10,102,638
Adjustments				
Exterior Wall Finish	2.00%		\$0.81	\$202,053
Elderly	5.00%		2.02	505,132
Roofing			0.00	0
Subfloor			(0.67)	(168,771)
Floor Cover			1.92	481,248
Porches/Balconies	\$16.24	24,984	1.62	405,823
Plumbing	\$615	(106)	(0.26)	(65,190)
Built-in Appliances	\$1,625	280	1.82	455,000
Stairs	\$1,625	24	0.16	39,000
9-Ft Ceilings	3.00%		1.21	303,079
Heating/Cooling			1.47	368,456
Elevators	\$48,575	6	1.16	291,450
Comm &/or Aux Bldgs	\$55.70	5,480	1.22	305,244
Other: Corridors	\$31.07	60,312	7.48	1,873,638
SUBTOTAL			60.24	15,098,799
Current Cost Multiplier	1.04		2.41	603,952
Local Multiplier	0.90		(6.02)	(1,509,880)
TOTAL DIRECT CONSTRUCTION COSTS			\$56.62	\$14,192,872
Plans, specs, survy, bid prm	3.90%		(\$2.21)	(\$553,522)
Interim Construction Interes	3.38%		(1.91)	(479,009)
Contractor's OH & Profit	11.50%		(6.51)	(1,632,180)
NET DIRECT CONSTRUCTION COSTS			\$45.99	\$11,528,160
NET DIR CONSTR COSTS MINUS 3.6% COST CERT FACTOR				\$11,113,146

PAYMENT COMPUTATION

Primary	\$13,150,000	Amort	480
Int Rate	6.75%	DCR	1.00
Secondary	\$500,000	Amort	180
Int Rate	1.00%	Subtotal DCR	1.00
Additional	\$7,130,696	Amort	
Int Rate		Aggregate DCR	1.00

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$868,358
Secondary Debt Service	35,910
Additional Debt Service	0
NET CASH FLOW	\$50,236

Primary	\$11,993,431	Amort	480
Int Rate	6.75%	DCR	1.10
Secondary	\$500,000	Amort	180
Int Rate	1.00%	Subtotal DCR	1.06
Additional	\$7,130,696	Amort	0
Int Rate	0.00%	Aggregate DCR	1.06

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,011,968	\$2,072,327	\$2,134,497	\$2,198,532	\$2,264,488	\$2,625,162	\$3,043,282	\$3,527,998	\$4,741,334
Secondary Income	67,200	69,216	71,292	73,431	75,634	87,681	101,646	117,836	158,361
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,079,168	2,141,543	2,205,789	2,271,963	2,340,122	2,712,843	3,144,928	3,645,834	4,899,696
Vacancy & Collection Loss	(155,938)	(160,616)	(165,434)	(170,397)	(175,509)	(203,463)	(235,870)	(273,438)	(367,477)
Employee or Other Non-Rental I	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,923,230	\$1,980,927	\$2,040,355	\$2,101,566	\$2,164,613	\$2,509,379	\$2,909,059	\$3,372,396	\$4,532,218
EXPENSES at 4.00%									
General & Administrative	\$104,125	\$108,290	\$112,622	\$117,127	\$121,812	\$148,203	\$180,311	\$219,376	\$324,730
Management	96,162	99,046	102,018	105,078	108,231	125,469	145,453	168,620	226,611
Payroll & Payroll Tax	266,804	277,477	288,576	300,119	312,123	379,746	462,019	562,117	832,070
Repairs & Maintenance	144,838	150,631	156,656	162,923	169,440	206,149	250,812	305,151	451,698
Utilities	32,216	33,504	34,844	36,238	37,688	45,853	55,787	67,874	100,469
Water, Sewer & Trash	106,255	110,506	114,926	119,523	124,304	151,235	184,000	223,864	331,373
Insurance	49,512	51,493	53,553	55,695	57,922	70,472	85,739	104,315	154,412
Property Tax	62,215	64,703	67,291	69,983	72,782	88,551	107,736	131,077	194,026
Reserve for Replacements	56,000	58,240	60,570	62,992	65,512	79,705	96,974	117,984	174,644
Other	50,600	52,624	54,729	56,918	59,195	72,020	87,623	106,607	157,804
TOTAL EXPENSES	\$968,727	\$1,006,514	\$1,045,784	\$1,086,596	\$1,129,009	\$1,367,401	\$1,656,454	\$2,006,983	\$2,947,838
NET OPERATING INCOME	\$954,504	\$974,413	\$994,571	\$1,014,970	\$1,035,604	\$1,141,978	\$1,252,605	\$1,365,413	\$1,584,381
DEBT SERVICE									
First Lien Financing	\$868,358	\$868,358	\$868,358	\$868,358	\$868,358	\$868,358	\$868,358	\$868,358	\$868,358
Second Lien	35,910	35,910	35,910	35,910	35,910	35,910	35,910	35,910	35,910
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$50,236	\$70,145	\$90,303	\$110,702	\$131,336	\$237,710	\$348,337	\$461,145	\$680,113
DEBT COVERAGE RATIO	1.06	1.08	1.10	1.12	1.15	1.26	1.39	1.51	1.75

LIHTC Allocation Calculation - Primrose Skyline Apartments, Houston, 4% HTC #03432 ADDENDU

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$1,452,958	\$1,452,958		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,831,491	\$1,831,491	\$1,831,491	\$1,831,491
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$10,298,199	\$11,113,146	\$10,298,199	\$11,113,146
(4) Contractor Fees & General Requirements				
Contractor overhead	\$247,936	\$247,936	\$242,594	\$247,936
Contractor profit	\$743,808	\$743,808	\$727,781	\$743,808
General requirements	\$743,808	\$743,808	\$727,781	\$743,808
(5) Contingencies	\$743,808	\$647,232	\$606,485	\$647,232
(6) Eligible Indirect Fees	\$972,500	\$972,500	\$972,500	\$972,500
(7) Eligible Financing Fees	\$989,236	\$989,236	\$989,236	\$989,236
(8) All Ineligible Costs	\$1,524,027	\$1,524,027		
(9) Developer Fees			\$2,459,410	
Developer overhead		\$238,028		\$238,028
Developer fee	\$2,485,618	\$2,247,590		\$2,247,590
(10) Development Reserves		\$429,516		
TOTAL DEVELOPMENT COSTS	\$22,033,389	\$23,181,276	\$18,855,477	\$19,774,775

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$18,855,477	\$19,774,775
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$24,512,120	\$25,707,207
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$24,512,120	\$25,707,207
Applicable Percentage		3.60%	3.60%
TOTAL AMOUNT OF TAX CREDITS		\$882,436	\$925,459

Syndication Proceeds	0.8349	\$7,367,833	\$7,727,052
Total Credits (Eligible Basis Method)		\$882,436	\$925,459
Syndication Proceeds		\$7,367,833	\$7,727,052
Requested Credits		\$886,885	
Syndication Proceeds		\$7,404,977	
Gap of Syndication Proceeds Needed		\$9,039,958	
Credit Amount		\$1,082,705	

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: November 5, 2003 **PROGRAM:** 4% HTC **FILE NUMBER:** 03432

DEVELOPMENT NAME

Primrose Skyline Apartments

APPLICANT

Name:	<u>Primrose Houston 7 Housing, L.P.</u>	Type:	<u>For-profit</u>
Address:	<u>5910 North Central Expressway, Suite 1145</u>	City:	<u>Dallas</u> State: <u>TX</u>
Zip:	<u>75206</u>	Contact:	<u>Dru Childre</u> Phone: <u>(214) 891-1402</u> Fax: <u>(891) 987-4032</u>

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	<u>Primrose Houston 7 Development, L.L.C.</u>	(%):	<u>0.01</u>	Title:	<u>Managing General Partner</u>
Name:	<u>Southeast Texas Housing Partners, Inc.</u>	(%):	<u>N/A</u>	Title:	<u>Non-profit CHDO, 100% owner of G.P.</u>
Name:	<u>Southwest Housing Development Company, Inc.</u>	(%):	<u>N/A</u>	Title:	<u>Developer</u>
Name:	<u>Brian Potashnik</u>	(%):	<u>N/A</u>	Title:	<u>Owner of Developer</u>

PROPERTY LOCATION

Location: 5000 & 5100 blocks of Airline Drive **QCT** **DDA**
City: Houston **County:** Harris **Zip:** 77022

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$886,885	N/A	N/A	N/A
Other Requested Terms: <u>Annual ten-year allocation of low-income housing tax credits</u>			
Proposed Use of Funds: <u>New construction</u>		Property Type: <u>Multifamily</u>	

RECOMMENDATION

NOT RECOMMENDED DUE TO THE FOLLOWING: THE DEVELOPMENT'S PROJECTED CUMULATIVE CASH FLOW IS INSUFFICIENT TO REPAY THE REQUIRED AMOUNT OF DEFERRED DEVELOPER AND GENERAL CONTRACTOR FEES WITHIN 15 YEARS.

CONDITIONS/DEFICIENCIES

1. Any tax credit allocation should not exceed \$882,436 annually for ten years;
2. Receipt, review, and acceptance of an executed loan agreement for the City of Houston loan;
3. Receipt, review, and acceptance of an executed CHDO property tax exemption or abatement;
4. Receipt, review, and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing;
5. Receipt, review, and acceptance of a sources and uses of funds statement consistent with the total development cost;
6. Receipt, review, and acceptance of evidence of the previous participation of Southeast Texas Housing Partners, Inc. in providing affordable housing; and
7. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 280 **# Rental Buildings:** 6 **# Common Area Bldgs:** 1 **# of Floors:** 3 **Age:** 0 yrs **Vacant:** N/A at / /
Net Rentable SF: 250,650 **Av Un SF:** 895 **Common Area SF:** 5,480 **Gross Bldg SF:** 256,130

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 75% stucco/25% stone veneer exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, central gas boiler water heating system

ON-SITE AMENITIES

A 5,444-SF community building with activity room, management offices, laundry & maintenance facilities, kitchen, restrooms, & computer/business center, along with a central mailroom & swimming pool are to be located near the entrance to the property. In addition, perimeter fencing with limited access gates are also planned for the site

Uncovered Parking: 230 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Primrose Skyline Apartments is a relatively dense (29 units per acre) new construction development of 280 units of affordable elderly housing northwest Houston. The development is to be comprised of six large, evenly distributed, three-story, elevator-served residential buildings as follows:

- Three Building Type A with 12 one-bedroom/one-bath units, 30 two-bedroom/one-bath units, and 12 two-bedroom/two-bath units;
- Two Building Type B with 12 one-bedroom/one-bath units, 18 two-bedroom/one-bath units, and six two-bedroom/two-bath units; and
- One Building Type C with 24 one-bedroom/one-bath units, 12 two-bedroom/one-bath units, and ten two-bedroom/two-bath units.

Architectural Review: The residential buildings are attractive and functional, with pitched roofs and stucco and stone veneer exterior wall finishes. The units are accessed from enclosed interior corridors, and are well laid out and feature walk-in closets for all bedrooms and patios or balconies with exterior storage closets. Although the buildings are elevator-served, there is only a single elevator per building; when the single elevator is inoperative or being serviced the second and third floor residents must use the stairs.

Supportive Services: The Applicant intends to use the related service provider Housing Services of Texas to provide services at no cost to tenants, and has included \$21,000 in the operating budget for these services.

Schedule: The Applicant anticipates construction to begin in January of 2004 and to be completed in June of 2004. The development should be substantially leased-up in July of 2004 and placed in service in August of 2004.

SITE ISSUES

SITE DESCRIPTION

Size: 9.77 acres 425,581 square feet **Zoning/ Permitted Uses:** No zoning in Houston

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Flood Zone Designation: Zone X **Status of Off-Sites:** Partially improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is a trapezoidally-shaped parcel located in the northwest area of Houston, approximately nine miles from the central business district. The site is situated on the west side of Airline Drive and the south side of East Burress Street.

Adjacent Land Uses:

- **North:** East Burress Street and a gas station with commercial beyond
- **South:** vacant land followed by a restaurant and service station
- **East:** Airline Drive with commercial and multifamily residential beyond
- **West:** a concrete-lined drainage ditch with industrial (City of Houston Public Works facility) beyond

Site Access: Access to the property is from the east or west along East Burress Street or the north or south from Airline Drive. The development is to have two entries from Airline Drive and one from Burress Street. Access to Interstate Highway 45 is one-quarter mile west, which provides connections to all other major roads serving the Houston area.

Public Transportation: Public bus transportation to the area is provided by the Metropolitan Transit Authority of Harris County, with the nearest stop within one-half mile.

Shopping & Services: The site is within one mile of a grocery/pharmacy, two shopping centers and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Site Inspection Findings: TDHCA staff performed a site inspection on October 22, 2003 and found the location to be acceptable for the proposed development. The inspector noted the site was within walking distance of a supermarket and a Houston Community College campus.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated April 28, 2003 was prepared by Rone Engineers, Ltd. and contained the following findings and recommendations: "...no evidence of recognized environmental conditions in connection with the property has been identified. No additional investigative activities are recommended." (p. 21)

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside although as a Priority 1 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$25,020	\$28,620	\$32,160	\$35,760	\$38,640	\$41,460

MARKET HIGHLIGHTS

A market feasibility study dated September 19, 2003, 2003 was prepared by Apartment MarketData Research Services, LLC and highlighted the following findings:

Definition of Primary Market Area: "For this analysis we utilized a primary market area comprising a 4.25-mile radius surrounding the subject site. In all, this trade area encompasses 56.71 square miles." (p. 29)

Population: The estimated 2002 total population of the primary market area was 249,118 and is expected to increase by 2.9% to approximately 256,449 by 2007. The estimated 2002 senior (age 55+) population of the primary market area was 43,372 and is expected to increase by 3.8% to approximately 45,032 by 2007. Within the primary market area there were estimated to be 28,915 senior households in 2002, using the Analyst's estimated senior household size of 1.5 persons..

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Total Primary Market Demand for Rental Units: "...this study has proven a need for an average of an additional 17 senior rental units per year within the submarket (2003-2007). These figures suggest that if the demand for this project was based solely on the forecasted growth of senior households, the project would not be feasible based on the household growth methodology. However, evidence suggests that LIHTC projects tend to derive most of their demand from households already living in the area. The turnover demand calculation...found 1,618 senior renter households that are income-qualified. Because this project is an infill site situated within an obviously low-income area of the city, and much of the housing is in disrepair, we believe that most of the residents choosing to move to Primrose Skyline will be moving out of existing substandard housing." (cover letter, p. 2)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	2	<1%	14	<1%
Resident Turnover	1,618	>99%	1,172	>99%
Other Sources	0	0%	0	0%
TOTAL ANNUAL DEMAND	1,620	100%	1,186	100%

Ref: p. 44

Inclusive Capture Rate: The Analyst calculated an inclusive capture rate of 17.3%, which is well within the TDHCA maximum guideline of 100% for elderly developments. (p. 45) The Underwriter calculated an inclusive capture rate of 23.6% based upon a revised demand estimate of 1,186 units.

Local Housing Authority Waiting List Information: No information provided.

Market Rent Comparables: The Market Analyst surveyed eight comparable apartment projects totaling 1,937 units in the market area. "The competitive market supply in this submarket is limited to other 'affordable' family projects. The construction of market rate units within this submarket has been limited over the past decade due to low economic rents. There are no other 'affordable' age-restricted projects within five miles of the subject." (p. 105)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (50%)	\$526	\$526	\$0	\$590	-\$94
2-Bedroom (50%)	\$630	\$630	\$0	\$670	-\$40
2-Bedroom (60%)	\$630	\$630	\$0	\$680	-\$50

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =\$500, program max =\$600, differential = -\$100)

Primary Market Occupancy Rates: "The current occupancy rate of the market area is 93.5% as a result of solid demand. Demand for new rental apartment units is considered to be growing." (p. 84)

Absorption Projections: "In estimating an absorption period for Primrose Skyline, we looked for other 'affordable' senior housing projects within the PMA. Finding none, we then looked to other parts of Houston for senior projects with similar neighborhood dynamics. Six projects were available for review, but the closest one in age (1999) is situated in a very different neighborhood. Thus we do not believe it or the other senior projects provide a basis upon which to forecast an absorption period for the subject. Our best guess is that Primrose Skyline would lease at a rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction [resulting in a 12-month absorption period]." (p. 81)

Known Planned Development: No information provided.

Effect on Existing Housing Stock: "The project should not have a detrimental effect on any existing family

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[sic] projects, as occupancies are strong throughout north central Houston, especially at affordable housing communities. Additionally, the closest ‘affordable’ senior projects are more than five miles from the site.” (p. 82)

The Underwriter found the market study to provide sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s rent projections are the maximum rents allowed under LIHTC guidelines, and are achievable according to the Market Analyst. The Applicant used a secondary income estimate of \$20/unit/month which, although higher than the TDHCA maximum guideline of \$15, is consistent with the TDHCA database for Houston properties. The Applicant utilized a lower vacancy and collection loss rate of 5% and submitted documentation from six Southwest Housing elderly properties in the Dallas area which indicated an aggregate vacancy and collection loss rate of 3%, but as this data was for a different market the Underwriter used the TDHCA guideline of 7.5%. The Applicant stated that the property will furnish hot water from a central gas boiler system, and rents and expenses were calculated accordingly. The net effect of these differences is that the Underwriter’s effective gross income estimate is \$52K or 2.7% lower than the Applicant’s estimate.

Expenses: The Applicant’s total expense estimate of \$3,149 per unit is 9% lower than the Underwriter’s database-derived estimate of \$3,460 per unit for comparably-sized developments. The Applicant’s budget shows many line item estimates that deviate significantly when compared to the database averages, particularly general and administrative (\$37K lower), payroll (\$41K lower), repairs and maintenance (\$28K lower, insurance (\$17K higher), and property tax (\$32K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant. In the original application the Applicant’s (related) management fee was based on 5% of effective gross income, but during the underwriting process the Applicant reduced the fee to 3.5% to offset increases in other expense line items. The Underwriter has used the TDHCA underwriting guideline of 5%. The Applicant appears to be eligible for a CHDO property tax exemption and provided evidence of application for same, but no confirmation of the exemption or abatement has been submitted as of the date of this report. The Underwriter’s tax estimate is therefore based on an abatement of 75% of the full estimated taxes, based on discussion with the Harris County Appraisal District. Receipt, review, and acceptance of a CHDO property tax exemption or abatement is a condition of this report.

Conclusion: The Applicant’s total estimated operating expense is inconsistent with the Underwriter’s expectations and the Applicant’s net operating income (NOI) is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. The Applicant’s most recent income and operating expense estimates result in a debt coverage ratio (DCR) of 1.08, which would indicate a lack of financial feasibility based on the projected debt amount. Due primarily to the difference in estimated operating expenses, the Underwriter’s estimated DCR of 1.0 is significantly less than the TDHCA minimum standard of 1.10. Therefore, it is likely that a mandatory redemption of \$1.52M in bonds may be required at conversion to permanent to reduce the amount of required debt service.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 9.7755 acres	\$248,030	Assessment for the Year of:	2003
Building:	\$62,830	Valuation by:	Harris County Appraisal District
Total Assessed Value:	\$405,046	Tax Rate:	2.44907

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Commercial contract – unimproved property					
Contract Expiration Date:	12/	12/	2003	Anticipated Closing Date:	12/	12/ 2003
Acquisition Cost:	\$1,383,139			Other Terms/Conditions:	\$60,000 earnest money	

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INTERIM to PERMANENT FINANCING			
Source:	City of Houston Housing & Economic Development Department (Affordable Housing Program)		Contact: Daisy Stiner
Principal Amount:	\$500,000*	Interest Rate:	Proposed as 1%
Additional Information:	Application made on 9/30/2003 for soft second loan of \$1,000,000, *\$500K conservatively included by Applicant, possible loan approval not expected until December 2003		
Amortization:	15 yrs	Term:	15 yrs
Annual Payment:	\$35,910 (cash flow)	Lien Priority:	2nd
Commitment:	<input checked="" type="checkbox"/> None <input type="checkbox"/> Firm <input type="checkbox"/> Conditional		
Application Date	9/ 30/ 2003		

HTC SYNDICATION			
Source:	MMA Financial		Contact: Andrew Goldberg
Address:	101 Arch Street		City: Boston
State:	MA	Zip: 02110	Phone: (617) 790-4704
			Fax: (617) 790-4439
Net Proceeds:	\$7,130,696	Net Syndication Rate (per \$1.00 of 10-yr LIHTC)	83.5¢
Commitment	<input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	Date:	10/ 9/ 2003
Additional Information:	Proposal indicates proceeds of \$7,205,000 based on credits of 862,934		

APPLICANT EQUITY	
Amount:	\$1,055,611
Source:	Deferred developer fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application.

City of Houston Loan: The Applicant has submitted an application under to the City of Houston's Housing and Community Development Program's Affordable Housing Program for a soft second loan of \$1,000,000, to be repaid from cash flow. The proposed terms are a term and amortization period of 15 years at an interest rate of 1%. The loan application is currently under review with possible approval by the Houston City Council not expected before early December. Due to the possibility of a reduced award the Applicant has included only \$500,000 in the sources of funds. Receipt, review, and acceptance of an executed loan commitment for this source of funds is a condition of this report.

Guaranteed Investment Contract (GIC) Income: The Applicant included \$75,076 in income from invested bond proceeds during the construction phase.

HTC Syndication: The syndication agreement is inconsistent with the sources and uses of funds statement in that the commitment lists a capital contribution of \$7,205,000 based on credits of \$862,934

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$1,055,611 amount to approximately 44% of the total eligible fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed \$882,436 annually for ten years, resulting in syndication proceeds of approximately \$7,367,833. Due to the difference in estimated net operating income as discussed above, the Underwriter's bonds-only debt coverage ratio (DCR) of 1.0 is less than the program minimum standard of 1.10. This suggests that the bond amount is likely to be adjusted downward by mandatory redemption at conversion to permanent to allow for a debt service amount of no more than approximately \$868K annually. Utilizing the Underwriter's materially higher total development costs and assuming the City of Houston loan is funded at the full requested amount of \$1,000,000, to compensate for the reduction in first lien loan funds the Applicant's deferred developer fee would need to be increased to \$3,255,776, which amounts to 100% of the total eligible developer's fee and 45% of the related eligible general contractor's fees. This amount is not projected to be repayable within 15 years, however, and therefore the proposed development must be characterized as infeasible and cannot be recommended for funding. Due to the anticipated repayment of

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deferred fees, it would also appear unlikely that little or no cash flow would be available to service the City of Houston subordinate loan if it were fully funded.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Property Manager are all related entities. These are common relationships for LIHTC-funded developments.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- Southeast Texas Housing Partners, Inc., the nonprofit CHDO owner of the General Partner, submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$42,909 and consisting of \$40,409 in cash and \$2,500 in receivables. Liabilities totaled \$76,659, resulting in net assets of (\$33,750).
- The Developer and anticipated guarantor, Southwest Housing Development Company, Inc., submitted an audited financial statement as of December 31, 2002 reporting total assets of \$15.8M and consisting of \$2.2M in cash, \$7M in receivables, and \$1.3M in development in progress. Liabilities totaled \$6.1M, resulting in a net equity of \$9.7M.
- Brian Potashnik, the principal of the Developer/General Partner, submitted an unaudited financial statement as of December 31, 2002 and is anticipated to be guarantor of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Southeast Texas Housing Partners, Inc. has not provided information on their previous affordable housing experience and receipt of same is a condition of this report.
- Brian Potashnik, the owner of the General Partner and principal of the Developer and General Contractor, listed participation in 12 previous HTC housing developments totaling 3,034 units since 2001.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- The Applicant's total development costs differ from the Underwriter's verifiable estimate by more than 5%.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:

Jim Anderson

Date: November 5, 2003

Director of Real Estate Analysis:

Tom Gouris

Date: November 5, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Primrose Skyline Apartments, Houston, 4% HTC #03432

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int Pd Unit	Wtr, Swr, Trsh
TC (50%)	84	1	1	750	\$558	\$526	\$44,184	\$0.70	\$32.00	\$39.31
TC (50%)	138	2	1	950	670	630	86,940	0.66	40.00	45.31
TC (50%)	58	2	2	975	670	630	36,540	0.65	40.00	45.31
TOTAL:	280		AVERAGE:	895	\$636	\$599	\$167,664	\$0.67	\$37.60	\$43.51

INCOME				TDHCA		APPLICANT			
Total Net Rentable Sq Ft: <u>250,650</u>								USS Region	6
POTENTIAL GROSS RENT				\$2,011,968	\$2,011,968			IREM Region	Houston
Secondary Income		Per Unit Per Month:	\$20.00	67,200	67,200	\$20.00		Per Unit Per Month	
Other Support Income:				0	0				
POTENTIAL GROSS INCOME				\$2,079,168	\$2,079,168				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(155,938)	(103,956)	-5.00%		of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0				
EFFECTIVE GROSS INCOME				\$1,923,230	\$1,975,212				
EXPENSES									
	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI	
General & Administrative	5.41%	\$372	0.42	\$104,125	\$67,200	\$0.27	\$240	3.40%	
Management	5.00%	343	0.38	96,162	69,132	0.28	247	3.50%	
Payroll & Payroll Tax	13.87%	953	1.06	266,804	225,553	0.90	806	11.42%	
Repairs & Maintenance	7.53%	517	0.58	144,838	116,800	0.47	417	5.91%	
Utilities	1.68%	115	0.13	32,216	29,400	0.12	105	1.49%	
Water, Sewer, & Trash	5.52%	379	0.42	106,255	106,400	0.42	380	5.39%	
Property Insurance	2.57%	177	0.20	49,512	66,722	0.27	238	3.38%	
Property Tax	2.9626	222	0.25	62,215	94,031	0.38	336	4.76%	
Reserve for Replacements	2.91%	200	0.22	56,000	56,000	0.22	200	2.84%	
Other: spt svcs, compl fees, sec	2.63%	181	0.20	50,600	50,600	0.20	181	2.56%	
TOTAL EXPENSES	-9%	50.37%	\$3,460	\$3.86	\$968,727	\$881,838	\$3.52	\$3,149	44.65%
NET OPERATING INC	15%	49.63%	\$3,409	\$3.81	\$954,504	\$1,093,374	\$4.36	\$3,905	55.35%
DEBT SERVICE									
First Lien Mortgage (Newman)	49.51%	\$3,400	\$3.80	\$952,097	\$952,097	\$3.80	\$3,400	48.20%	
City of Houston Loan	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%	
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%	
NET CASH FLOW	0.13%	\$9	\$0.01	\$2,407	\$141,277	\$0.56	\$505	7.15%	
AGGREGATE BOND-ONLY DEBT COVERAGE RATIO				1.00	1.15				
RECOMMENDED DEBT COVERAGE RATIO				1.10					

CONSTRUCTION COST					TDHCA		APPLICANT			
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% of TOTAL	
Acquisition Cost (site or bldg)		6.15%	\$5,189	\$5.80	\$1,452,958	\$1,452,958	\$5.80	\$5,189	6.59%	
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%	
Sitework		7.75%	6,541	7.31	1,831,491	1,831,491	7.31	6,541	8.31%	
Direct Construction	-10.7%	48.81%	41,172	45.99	11,528,160	10,298,199	41.09	36,779	46.74%	
Contingency	5.00%	2.83%	2,386	2.67	667,983	743,808	2.97	2,656	3.38%	
General Req'ts	5.57%	3.15%	2,656	2.97	743,808	743,808	2.97	2,656	3.38%	
Contractor's G & A	1.86%	1.05%	885	0.99	247,936	247,936	0.99	885	1.13%	
Contractor's Profit	5.57%	3.15%	2,656	2.97	743,808	743,808	2.97	2,656	3.38%	
Indirect Construction		4.12%	3,473	3.88	972,500	972,500	3.88	3,473	4.41%	
Ineligible Costs		6.45%	5,443	6.08	1,524,027	1,524,027	6.08	5,443	6.92%	
Developer's G & A	1.02%	0.77%	648	0.72	181,378	0	0.00	0	0.00%	
Developer's Profit	13.00%	9.76%	8,229	9.19	2,304,240	2,485,618	9.92	8,877	11.28%	
Interim Financing		4.19%	3,533	3.95	989,236	989,236	3.95	3,533	4.49%	
Reserves		1.82%	1,534	1.71	429,516	0	0.00	0	0.00%	
TOTAL COST	-6.71%	100.00%	\$84,347	\$94.22	\$23,617,040	\$22,033,389	\$87.91	\$78,691	100.00%	
Recap-Hard Construction Costs		66.74%	\$56,297	\$62.89	\$15,763,185	\$14,609,050	\$58.28	\$52,175	66.30%	

SOURCES OF FUNDS				TDHCA		APPLICANT		RECOMMENDED	
First Lien Mortgage (Newman)	55.68%	\$46,964	\$52.46	\$13,150,000	\$13,150,000	\$11,993,431		Developer Fee Available	
City of Houston Loan	2.12%	\$1,786	\$1.99	500,000	500,000	1,000,000		\$2,485,618	
LIHTC Syndication Proceeds	30.19%	\$25,467	\$28.45	7,130,696	7,130,696	7,367,833		% of Dev. Fee Deferred	
GIC Income				75,076	75,076	0			
Deferred Developer Fees	4.47%	\$3,770	\$4.21	1,055,611	1,055,611	3,255,776		131%	
Additional (excess) Funds Req'd	7.22%	\$6,092	\$6.80	1,705,657	122,006	(0)		15-Yr Cumulative Cash Flow	
TOTAL SOURCES				\$23,617,040	\$22,033,389	\$23,617,040		\$2,840,456	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Primrose Skyline Apartments, Houston, 4% HTC #03432

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$40.31	\$10,102,638
Adjustments				
Exterior Wall Finish	2.00%		\$0.81	\$202,053
Elderly	5.00%		2.02	505,132
Roofing			0.00	0
Subfloor			(0.67)	(168,771)
Floor Cover			1.92	481,248
Porches/Balconies	\$16.24	24,984	1.92	405,823
Plumbing	\$615	(106)	(0.26)	(65,190)
Built-In Appliances	\$1,625	280	1.82	455,000
Stairs	\$1,625	24	0.16	39,000
9-Ft Ceilings	3.00%		1.21	303,079
Heating/Cooling			1.47	368,456
Elevators	\$48,575	6	1.16	291,450
Comm &/or Aux Bldgs	\$55.70	5,480	1.22	305,244
Other: Corridors	\$31.07	60,312	7.48	1,873,638
SUBTOTAL			60.24	15,098,799
Current Cost Multiplier	1.04		2.41	603,952
Local Multiplier	0.90		(6.02)	(1,509,880)
TOTAL DIRECT CONSTRUCTION COSTS			\$56.62	\$14,192,872
Plans, specs, survy, bld prm	3.90%		(\$2.21)	(\$553,522)
Interim Construction Interest	3.38%		(1.91)	(479,009)
Contractor's OH & Profit	11.50%		(6.51)	(1,632,180)
NET DIRECT CONSTRUCTION COSTS			\$45.99	\$11,528,160

PAYMENT COMPUTATION

Primary	\$13,150,000	Amort	480
Int Rate	6.75%	DCR	1.00
Secondary	\$500,000	Amort	180
Int Rate	1.00%	Subtotal DCR	1.00
Additional	\$7,130,696	Amort	
Int Rate		Aggregate DCR	1.00

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$868,358
Secondary Debt Service	35,910
Additional Debt Service	0
NET CASH FLOW	\$50,236

Primary	\$11,993,431	Amort	480
Int Rate	6.75%	DCR	1.10
Secondary	\$500,000	Amort	180
Int Rate	1.00%	Subtotal DCR	1.06
Additional	\$7,130,696	Amort	0
Int Rate	0.00%	Aggregate DCR	1.06

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OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

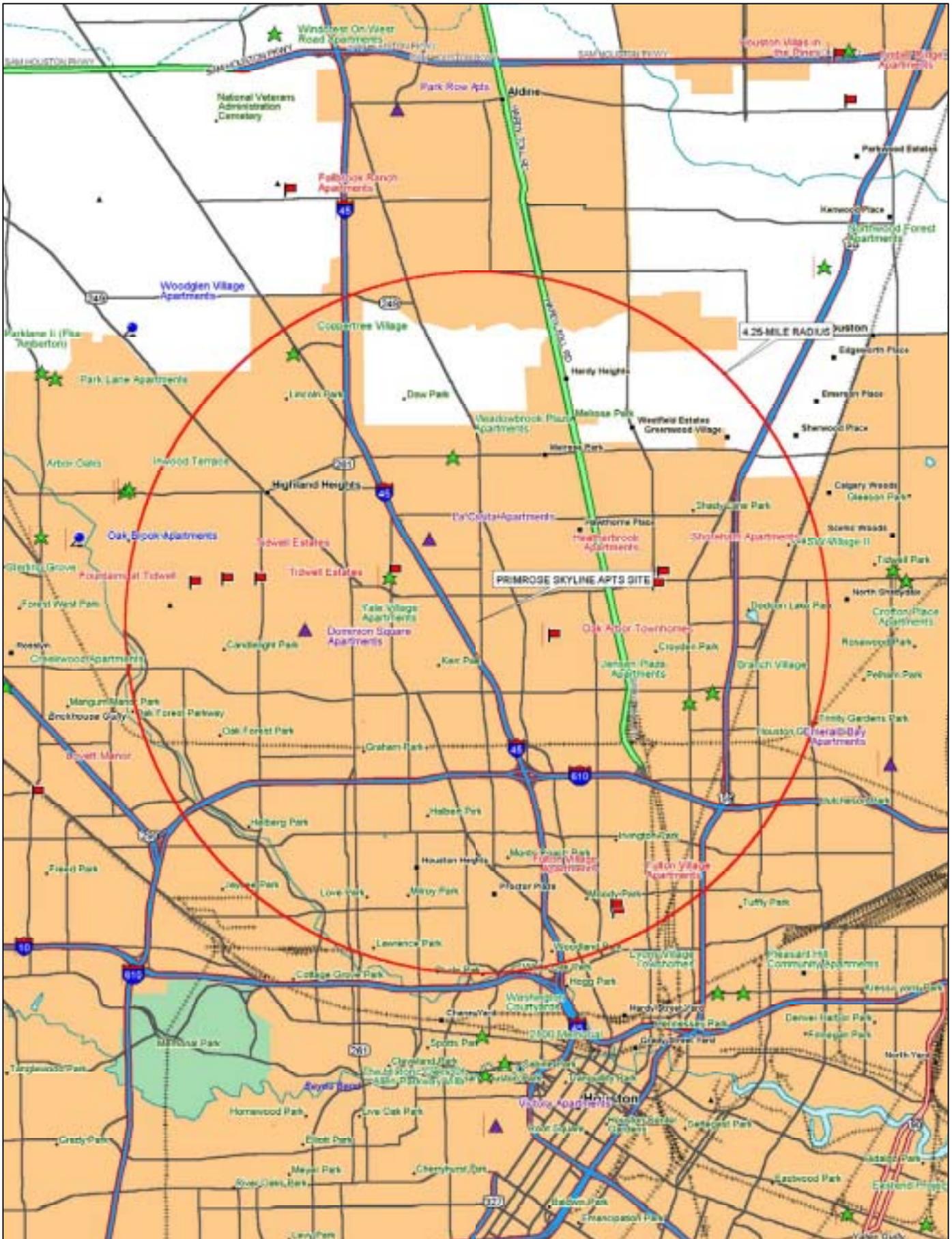
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,011,968	\$2,072,327	\$2,134,497	\$2,198,532	\$2,264,488	\$2,625,162	\$3,043,282	\$3,527,998	\$4,741,334
Secondary Income	67,200	69,216	71,292	73,431	75,634	87,681	101,646	117,836	158,361
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,079,168	2,141,543	2,205,789	2,271,963	2,340,122	2,712,843	3,144,928	3,645,834	4,899,696
Vacancy & Collection Loss	(155,938)	(160,616)	(165,434)	(170,397)	(175,509)	(203,463)	(235,870)	(273,438)	(367,477)
Employee or Other Non-Rental t	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,923,230	\$1,980,927	\$2,040,355	\$2,101,566	\$2,164,613	\$2,509,379	\$2,909,059	\$3,372,396	\$4,532,218
EXPENSES at 4.00%									
General & Administrative	\$104,125	\$108,290	\$112,622	\$117,127	\$121,812	\$148,203	\$180,311	\$219,376	\$324,730
Management	96,162	99,046	102,018	105,078	108,231	125,469	145,453	168,620	226,611
Payroll & Payroll Tax	266,804	277,477	288,576	300,119	312,123	379,746	462,019	562,117	832,070
Repairs & Maintenance	144,838	150,631	156,656	162,923	169,440	206,149	250,812	305,151	451,698
Utilities	32,216	33,504	34,844	36,238	37,688	45,853	55,787	67,874	100,469
Water, Sewer & Trash	106,255	110,506	114,926	119,523	124,304	151,235	184,000	223,864	331,373
Insurance	49,512	51,493	53,553	55,695	57,922	70,472	85,739	104,315	154,412
Property Tax	62,215	64,703	67,291	69,983	72,782	88,551	107,736	131,077	194,026
Reserve for Replacements	56,000	58,240	60,570	62,992	65,512	79,705	96,974	117,984	174,644
Other	50,600	52,624	54,729	56,918	59,195	72,020	87,623	106,607	157,804
TOTAL EXPENSES	\$968,727	\$1,006,514	\$1,045,784	\$1,086,596	\$1,129,009	\$1,367,401	\$1,656,454	\$2,006,983	\$2,947,838
NET OPERATING INCOME	\$954,504	\$974,413	\$994,571	\$1,014,970	\$1,035,604	\$1,141,978	\$1,252,605	\$1,365,413	\$1,584,381
DEBT SERVICE									
First Lien Financing	\$868,358	\$868,358	\$868,358	\$868,358	\$868,358	\$868,358	\$868,358	\$868,358	\$868,358
Second Lien	35,910	35,910	35,910	35,910	35,910	35,910	35,910	35,910	35,910
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$50,236	\$70,145	\$90,303	\$110,702	\$131,336	\$237,710	\$348,337	\$461,145	\$680,113
DEBT COVERAGE RATIO	1.06	1.08	1.10	1.12	1.15	1.26	1.39	1.51	1.75

LIHTC Allocation Calculation - Primrose Skyline Apartments, Houston, 4% HTC #03432

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$1,452,958	\$1,452,958		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,831,491	\$1,831,491	\$1,831,491	\$1,831,491
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$10,298,199	\$11,528,160	\$10,298,199	\$11,528,160
(4) Contractor Fees & General Requirements				
Contractor overhead	\$247,936	\$247,936	\$242,594	\$247,936
Contractor profit	\$743,808	\$743,808	\$727,781	\$743,808
General requirements	\$743,808	\$743,808	\$727,781	\$743,808
(5) Contingencies	\$743,808	\$667,983	\$606,485	\$667,983
(6) Eligible Indirect Fees	\$972,500	\$972,500	\$972,500	\$972,500
(7) Eligible Financing Fees	\$989,236	\$989,236	\$989,236	\$989,236
(8) All Ineligible Costs	\$1,524,027	\$1,524,027		
(9) Developer Fees			\$2,459,410	
Developer overhead		\$181,378		\$181,378
Developer fee	\$2,485,618	\$2,304,240		\$2,304,240
(10) Development Reserves		\$429,516		
TOTAL DEVELOPMENT COSTS	\$22,033,389	\$23,617,040	\$18,855,477	\$20,210,539

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$18,855,477	\$20,210,539
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$24,512,120	\$26,273,701
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$24,512,120	\$26,273,701
Applicable Percentage		3.60%	3.60%
TOTAL AMOUNT OF TAX CREDITS		\$882,436	\$945,853

Syndication Proceeds	0.8349	\$7,367,833	\$7,897,328
Total Credits (Eligible Basis Method)		\$882,436	\$945,853
Syndication Proceeds		\$7,367,833	\$7,897,328
Requested Credits		\$886,885	
Syndication Proceeds		\$7,404,977	
Gap of Syndication Proceeds Needed			\$10,623,609
Credit Amount			\$1,272,377



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 Zoom Level: 11-0 Datum: WGS84

Scale 1 : 100 000
 1" = 1.58 mi





**HOUSING TAX CREDIT PROGRAM
2003 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Sterlingshire Apartments**

TDHCA#: 03440

DEVELOPMENT AND OWNER INFORMATION

Development Location: Houston QCT: Y DDA: N TTC: N
 Development Owner: Sterlingshire, Ltd.
 General Partner(s): Sterlingshire, LLC, 100%, Contact: Robert K. Kelly
 Construction Category: Acquis/Rehab
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Houston HFC
 Development Type: Family

Annual Tax Credit Allocation Calculation

Applicant Request: \$341,421 Eligible Basis Amt: \$352,309 Equity/Gap Amt.: \$523,738

Annual Tax Credit Allocation Recommendation: \$341,421

Total Tax Credit Allocation Over Ten Years: \$ 3,414,210

PROPERTY INFORMATION

Unit and Building Information

Total Units: 200 LIHTC Units: 200 % of LIHTC Units: 100
 Gross Square Footage: 166,618 Net Rentable Square Footage: 158,784
 Average Square Footage/Unit: 794
 Number of Buildings: 22
 Currently Occupied: Y

Development Cost

Total Cost: \$10,312,604 Total Cost/Net Rentable Sq. Ft.: \$64.95

Income and Expenses

Effective Gross Income:¹ \$1,382,230 Ttl. Expenses: \$784,555 Net Operating Inc.: \$597,675
 Estimated 1st Year DCR: 1.12

DEVELOPMENT TEAM

Consultant: Not Utilized Manager: HBC Property Management, LP
 Attorney: Locke, Liddell & Sapp Architect: Dimension Architects
 Accountant: Bob Woolley, CPA Engineer: Not Utilized
 Market Analyst: CB Richard Ellis, Inc. Lender: Midland Mortgage Investment Corp.
 Contractor: Hunt Building Company, Ltd. Syndicator: MMA Financial, LLC

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. Mario Gallegos, District 6 - NC
# in Opposition: 0	Rep. Senfronia Thompson, District 141 - NC
	Mayor Lee P. Brown - NC
	Daisy A. Stiner, Director, City of Houston, Housing & Community Development Department; Consistent with the City of Houston's Consolidated Plan.

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).
2. Receipt, review, and acceptance of documentation from the lender and tax credit syndicator that evidences their acceptance of a likelihood of at least \$192,000 in operating and investment income during the construction phase.
3. Receipt, review, and acceptance of a renewed 34-unit HAP contract or a statement of the Applicant's other intentions regarding the HAP-contracted units.
4. Receipt, review, and acceptance of a copy of the release of lien on the property or an updated title commitment showing clear title prior to the initial closing on the property.
5. Receipt, review, and acceptance of an asbestos abatement plan designed by a Texas-licensed asbestos consultant.
6. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:

Score Utilization of Set-Aside Geographic Distrib. Tax Exempt Bond. Housing Type

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager

Date

Brooke Boston, Director of Multifamily Finance Production Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Score Utilization of Set-Aside Geographic Distrib. Tax Exempt Bond Housing Type

Other Comments including discretionary factors (if applicable)._____

Edwina P. Carrington, Executive Director
Chairman of Executive Award and Review Advisory Committee

Date

TDHCA Board of Director's Approval and description of discretionary factors (if applicable).

Chairperson Signature: _____
Elizabeth Anderson, Board Chair

Date

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: December 1, 2003 **PROGRAM:** 4% HTC **FILE NUMBER:** 03440

DEVELOPMENT NAME

Sterlingshire Apartments

APPLICANT

Name:	<u>Sterlingshire, Ltd.</u>	Type:	<u>For Profit</u>
Address:	<u>4401 North Mesa</u>	City:	<u>El Paso</u> State: <u>TX</u>
Zip:	<u>79902</u>	Contact:	<u>Robert Kelly</u> Phone: <u>(915) 533-1122</u> Fax: <u>(915) 533-1172</u>

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	<u>Sterlingshire, Ltd.</u>	(%):	<u>.01</u>	Title:	<u>Managing General Partner</u>
Name:	<u>TWC Housing, LLC</u>	(%):	<u>N/A</u>	Title:	<u>100% owner of MGP</u>
Name:	<u>Hunt ELP, Ltd.</u>	(%):	<u>N/A</u>	Title:	<u>100% owner of TWC Housing, LLC</u>
Name:	<u>HB GP, LLC</u>	(%):	<u>N/A</u>	Title:	<u>GP of Hunt ELP, Ltd.</u>
Name:	<u>Hunt Building Corporation</u>	(%):	<u>N/A</u>	Title:	<u>LP of Hunt ELP, Ltd.</u>
Name:	<u>W.L. Hunt</u>	(%):	<u>N/A</u>	Title:	<u>95.7265% owner of HB GP & Hunt Building Corporation</u>
Name:	<u>M.L. Hunt</u>	(%):	<u>N/A</u>	Title:	<u>4.2735% owner of HBGP & Hunt Building Corporation</u>
Name:	<u>Blunn Creek Developers, Ltd.</u>	(%):	<u>N/A</u>	Title:	<u>Developer</u>

PROPERTY LOCATION

Location: 9002 Sterlingshire Street **QCT** **DDA**
City: Houston **County:** Harris **Zip:** 77078

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$341,421	N/A	N/A	N/A
Other Requested Terms:	<u>Annual ten-year allocation of low-income housing tax credits</u>		
Proposed Use of Funds:	<u>Acquisition & rehabilitation</u>	Property Type:	<u>Multifamily</u>

RECOMMENDATION

RECOMMEND APPROVAL OF A TAX CREDIT ALLOCATION NOT TO EXCEED \$341,421 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of documentation from the lender and tax credit syndicator that evidences their acceptance of the likelihood of at least \$192,000 in operating and investment income

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

during the construction phase;

2. Receipt, review, and acceptance of a renewed 34-unit HAP contract or a statement of the Applicant's other intentions regarding the HAP-contracted units;
3. Receipt, review, and acceptance of a copy of the release of lien on the property or an updated title commitment showing clear title prior to the initial closing on the property;
4. Receipt, review, and acceptance of an asbestos abatement plan designed by a Texas-licensed asbestos consultant;
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 200 **# Rental Buildings:** 22 **# Common Area Bldgs:** 3 **# of Floors:** 2 **Age:** 33 yrs **Vacant:** 11% at 10/ 21/ 2003
Net Rentable SF: 158,784 **Av Un SF:** 794 **Common Area SF:** 7,834 **Gross Bldg SF:** 166,618

STRUCTURAL MATERIALS

Wood frame on a reinforced concrete slab on grade, 85% masonry/brick veneer/15% wood siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, refrigerator, tile tub/shower, laminated counter tops

ON-SITE AMENITIES

A 6,032-SF community building with activity rooms, management offices, maintenance facilities, kitchen, restrooms, & central mailroom is located at the western end of the property. Two 901-SF laundry & maintenance buildings are located in the middle & at the eastern end of the property. In addition, a basketball court & equipped children's play area will be built near the community building.

Uncovered Parking: 328 spaces **Carpports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Sterlingshire Apartments is a relatively dense (13.1 units per acre) acquisition and rehabilitation development of 200 units of affordable housing located in northeast Houston. The development was built in 1971 and is comprised of 22 fairly evenly distributed two-story, medium-size, garden style, walk-up residential buildings as follows:

- Two Building Type A with 12 one-bedroom/one-bath units;
- Six Building Type A1 with eight one-bedroom/one-bath units;
- Two Building Type B with 12 two-bedroom/one-bath units;
- Four Building Type B1 with eight two-bedroom/one-bath units;
- Two Building Type B2 with 12 two-bedroom/one-bath units; and
- Six Building Type C with eight three-bedroom/two-bath units.

Existing Subsidies: The property currently operates under two HUD Section 8 project-based Housing Assistance Payment (HAP) contracts for 163 units. The contract covering 129 units was renewed on May 1, 2002 for three years, and the contract covering the other 34 units expired on October 31, 2003. The Applicant has initially indicated their intention to continue the HAP contracts for all 163 units. The remaining 37 units are covered by a Section 236 contract which expires in June, 2011 and which provides for gradually declining interest reduction payments of approximately \$129K per year (currently). Receipt, review, and acceptance of a renewed 34-unit HAP contract or a statement of the Applicant's other intentions is a condition of this report.

Development Plan: The Applicant intends to perform a phased rehabilitation in which existing tenants of two buildings at a time will be moved to other apartments or an extended stay hotel for approximately three weeks during the rehabilitation work. The Applicant has budgeted \$220,000 for relocation-associated expenses.

Architectural Review: The buildings are typical of 1970s-era design, with simple pitched roofs, mixed brick veneer and wood siding exterior wall finish, and minimal architectural ornamentation. The units have covered exterior entries which are shared with another unit. Average unit size is fairly small (794 SF).

Supportive Services: The Applicant has contracted with a related firm, HBC Property Managers Limited Partnership, to provide the following supportive services to tenants: summer and after school youth

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MULTIFAMILY UNDERWRITING ANALYSIS**

programs, resident support group meetings, adult quality of life education, and information and referral services for other local service providers. These services will be provided at no cost to tenants. The Applicant has agreed to pay \$1,000 per month for these support services.

Schedule: The Applicant anticipates construction to begin in February of 2004 and to be completed in January of 2005. The development should be placed in service in May of 2004 and substantially leased-up in March of 2005.

SITE ISSUES			
SITE DESCRIPTION			
Size:	15.2127	acres	662,665 square feet
Flood Zone Designation:	Zone X	Status of Off-Sites:	Fully improved
		Zoning/ Permitted Uses:	No zoning in Houston

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an approximately rectangularly-shaped parcel located in the northeast area of Houston, approximately eight miles from the central business district. The site is situated on the south side of Sterlingshire Road and is bisected by Balsam Road.

Adjacent Land Uses:

- **North:** Sterlingshire Road with single-family residential beyond
- **South:** Undeveloped land and single-family residential
- **East:** Single-family residential
- **West:** Undeveloped land with multifamily residential beyond

Site Access: Access to the property is from the east or west along Sterlingshire Road or the north from Balsam Road. The development has one entry from Sterlingshire Road and two from Balsam Road. Access to U.S. Highways 59 and 90, Interstate Highway 610, and Beltway 8 is approximately three miles away, which provides connections to all other major roads serving the Houston area.

Public Transportation: Public transportation to the area is provided by the METRO city bus system with a stop one-quarter mile northwest on Sterlingshire Road.

Shopping & Services: The site is within one-half mile of a major grocery/pharmacy located in a neighborhood shopping centers, and a variety of other retail establishments and restaurants as well as schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics: The title commitment lists two water and wastewater charge liens and a mechanic's lien that must be cleared by the closing. Receipt, review, and acceptance of documentation verifying the resolution of these issues is a condition of this report.

Site Inspection Findings: TDHCA staff performed a site inspection on September 24, 2003 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated October 20, 2003 was prepared by Construction & Environmental Consultants, Inc. (CECI) and contained the following findings and recommendations:

Findings:

- **“ON-SITE RECOGNIZED ENVIRONMENTAL CONDITIONS:** Potential PCB contamination due to leaking electrical transformers was identified on the site. Additionally, potential site soil and groundwater contamination may have occurred due to the offsite illegal dumping [described below].
- **OFF-SITE RECOGNIZED ENVIRONMENTAL CONDITIONS:** Illegal dumping was observed at the dead end of Balsam Street; although the owner of the property reported that this was a public street, the proximity to the subject site and the visible spill of potentially harmful fuels onto the street and surrounding areas represent an environmental concern.” (p. 3)

Conclusions and Recommendations: “On the basis of our observations and available information obtained

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MULTIFAMILY UNDERWRITING ANALYSIS**

during our assessment, CECI identified recognized environmental conditions at the subject site or adjacent properties. Further environmental assessment is recommended at this time.” (p. 3)

A lead-based paint inspection report dated October 17, 2003 was prepared by Construction & Environmental Consultants, Inc. and contained the following findings: “...the inspector concluded that lead-based paint above the regulatory limit was not detected on any interior painted surfaces, including those in uninspected units. The inspectors had also concluded that no lead-based paint above the regulatory limit was detected on all the exterior painted surfaces.” (p. 2)

A preliminary asbestos survey report dated October 17, 2003 was also prepared by Construction & Environmental Consultants, Inc. and contained the following findings and recommendations: “The results of the analytical testing indicate the presence of asbestos fibers in excess of one percent in the following materials:

1. Black mastic under 12” floor tile (office). Estimated square footage of floor tile and black mastic: 6,500 s.f.
2. Ceiling texture. Estimated square footage of ceiling texture: 133,076 s.f.”

The black mastic is categorized as Category I non-friable materials...The floor tile was in good condition at the time of the inspection. The ceiling tile is a miscellaneous material and is considered friable. About 15% of the material observed in the 200 apartments was damaged. Proper handling and disposal of these materials should be done by trained and licensed personnel...Should the proposed remodeling or demolition work disturb the asbestos-containing material, a Texas Licensed Abatement Contractor should be utilized to abate these asbestos-containing building materials. If the quantities to be abated or disturbed exceed 160 s.f. or 260 ln. ft., an asbestos abatement plan must be designed by a Texas Licensed Asbestos Consultant and project management/air monitoring will be required for this abatement.” (p. 2) The Applicant has budgeted \$18,000 for asbestos abatement and stated a commitment to “...follow any recommendations in the Phase II if tax credits are allocated”. Receipt, review, and acceptance of an asbestos abatement plan designed by a Texas-licensed asbestos consultant is a condition of this report.

A Phase II ESA report dated November 21, 2003 was also prepared by Construction & Environmental Consultants, Inc. and contained the following findings and recommendations: “The purpose of our study was to determine if the illegal dumping, fuel spills, and PCB soil contamination in the property had affected the soils and the surface groundwater...The laboratory results indicated concentration levels below the laboratory detection levels for benzene, toluene, ethylbenzene, xylenes, total petroleum hydrocarbons, and polychlorinated biphenyls. Based on the analytical results obtained, we conclude that the potential for environmental impact is low at this time.” (p. 3)

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 1 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI, though all of the units may lease to residents earning up to 60% of the AMFI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$25,020	\$28,620	\$32,160	\$35,760	\$38,640	\$41,460

MARKET HIGHLIGHTS

A market feasibility study dated October 21, 2003 was prepared by CB Richard Ellis, Inc. and highlighted

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the following findings:

Definition of Primary Market Area (PMA): “The market area for the subject is comprised of an area in the northeast sector of Houston, east of U.S. Highway 59, north of Highway 90 and Loop 610, west of Beltway 8, and south of Mt. Houston Road...The secondary market would be comprised of further outlying areas to the north outside the city limits, as well as adjoining areas to the east with some potential for Section 8 voucher holders within the city that would not normally have enough income to qualify for residence at the subject property as an LIHTC property.” (p. 3)

Population: The estimated 2003 population of the PMA was 58,931 and is expected to increase by 2.5% to approximately 60,397 by 2008. Within the primary market area there were estimated to be 18,949 households in 2003. (p. 12)

Total Primary Market Demand for Rental Units: “The competitive supply is very limited in the newer and renovated product.” (p. 28)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	7	1%	7	1%
Resident Turnover	845	96%	946	99%
Other Sources: public housing tenants	30	3%	0	0%
TOTAL ANNUAL DEMAND	882	100%	951	100%

Ref: p. 37

Inclusive Capture Rate: The Analyst calculated an inclusive capture rate of 22.7%. The Underwriter calculated a rate of 21% based upon a slightly higher estimated demand of 951 units. The inclusive capture rate is not a relevant calculation in this case as the property is already 89% leased.

Local Housing Authority Waiting List Information: No information provided.

Market Rent Comparables: The Market Analyst surveyed five comparable market rent apartment properties totaling 696 units and five comparable HTC properties totaling 1,102 units in the market area. “The initial rents proposed by the developer are slightly lower than the market rents. Considering the income levels in the vicinity, the developer’s rents would likely appeal to a lower income level, and income levels in the vicinity indicate that there are a greater number of households in the next lower income brackets versus the higher brackets.” (p. 39).”

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (<50%)	\$460	\$504	-\$44	\$465	-\$5
2-Bedroom (<50%)	\$565	\$596	-\$31	\$565	\$0
3-Bedroom (<50%)	\$660	\$695	-\$35	\$660	\$0

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =\$500, program max =\$600, differential = -\$100)

Primary Market Occupancy Rates: “the comparable properties surveyed reported occupancy rates of 88% to 96%, with a weighted average of 92.3%.” (p. 27).”

Absorption Projections: No information provided.

Known Planned Development: “We are aware of no other projects that are proposed for the PMA or the submarket that will pose direct competition.” (p. 27)

Effect on Existing Housing Stock: “The subject [rehabilitation] will have minimal effect on the market,

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and will open up the property to a greater pool of possible renters. Based on other conversions in the area, it should have average appeal and good acceptance to the lower income households in the vicinity. It is likely that as an LIHTC property, the appeal to a greater segment of the market than the Section 8 and Section 236 tenants it has previously been directed towards would be plausible. This is certainly indicated by the occupancy levels of other similar product versus that of the subject over the last two years.” (p. 39)

The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s rents are projected Section 8 rents which the Applicant anticipates being approved by the HAP contract administrator based on a recently submitted rent comparability study report. These rents, although unapproved at the time of this report, are \$31-\$44 lower than the maximum rents allowed under HTC guidelines and coincide with the Market Analyst’s estimated market rents. There is the potential for additional income (approximately \$149K) if the Applicant chooses not to renew the HAP contracts and is able to increase rents to the maximum tax credit rents, although the market study information suggests that the market would not currently support rents at the rent limit maximums. The Underwriter used the utility allowances from the current HAP contracts, which are from \$19-\$30 higher than the Houston allowances. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. The Underwriter included the amount of the current Section 236 interest reduction payment (\$127,930) as additional support income in anticipation that this subsidy would be maintained for the remaining seven and a half years as proposed. The Applicant’s effective gross income estimate is identical to the Underwriter’s.

Expenses: The Applicant’s estimate of total operating expense is 2.4% lower than the Underwriter’s TDHCA database-derived estimate, an acceptable deviation. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$33K lower), payroll (\$57K lower), utilities (\$23K higher), insurance (\$25K higher), and property tax (\$14K higher). The Underwriter considered historical operating information provided for the property provided by the Applicant. Historical operating expenses were significantly higher than current projected expenses, particularly in repairs and maintenance.

Conclusion: The Applicant’s estimated income is consistent with the Underwriter’s expectations and total operating expenses are within 5% of the Underwriter’s database-derived estimate. Therefore, the Applicant’s NOI should be used to evaluate debt service capacity. Due primarily to the difference in estimated expenses, the Underwriter’s estimated debt coverage ratio (DCR) of 1.09 is slightly less than the program minimum standard of 1.10. As the Applicant’s income and expense estimates are acceptable and the Underwriter’s proforma indicates a DCR of 1.11 by the third year of operation (with steady improvement throughout the remainder of the 30-year period), the Applicant’s DCR estimates are acceptable.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 15.241 acres	\$830,000	Date of Valuation:	10/	16/	2003
Existing Building(s): “as is”	\$5,095,000	Date of Valuation:	10/	16/	2003
Total Development: “as is”	\$5,925,000	Date of Valuation:	10/	16/	2003
Appraiser: Pacific Southwest Valuation	City: Dallas	Phone:	(214)	987-1032	

APPRAISED ANALYSIS/CONCLUSIONS

Analysis: The Appraiser used three comparable adjusted land sales to estimate the land valuation. The adjustments appeared well-reasoned and appropriate.

Conclusion: The Appraiser’s concluded value is reasonable as presented.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

ASSESSED VALUE			
Land: 15.241 acres	\$730,290	Assessment for the Year of:	2003
Buildings:	\$986,950	Valuation by:	Harris County Appraisal District
Total Assessed Value:	\$1,717,240	Tax Rate:	3.04567
EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	Real estate contract		
Contract Expiration Date:	12/ 23/ 2003	Anticipated Closing Date:	12/ 22/ 2003
Acquisition Cost:	\$5,333,485	Other Terms/Conditions:	\$95,000 earnest money
Seller:	San Antonio Government Holdings II, L.P.	Related to Development Team Member:	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The acquisition cost of \$5,434,490 is substantiated by the appraisal value of \$5,925,000, and is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant claimed eligible basis based upon the building value percentage from the appraisal applied to the contract price. The appraisal concluded the "as-is" market value of the property to be \$5,925,000 of which \$830,000 is attributed to the land value. The value of the existing buildings is \$5,095,000, or 86% of the total value of the subject property. The Applicant claimed \$4,604,490 or 85% of the total acquisition price.

Sitework Cost: Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated eligible sitework costs of \$1,274 per unit, which is consistent with the estimate in the proposed work writeup.

Direct Construction Cost: The proposed work write-up is detailed and generally consistent with the Applicant's cost breakdown. Line item costs appear reasonable and the direct construction cost of \$1,236,922 (\$6,185/unit) is therefore regarded as reasonable as submitted.

Interim Financing Fees: The Applicant claimed more than one full year of fully drawn construction loan interest, and therefore the Underwriter reduced the Applicant's eligible interim financing fees by \$17,757 to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate. The Applicant included \$7,019 in existing permanent financing costs in eligible basis by prorating the estimated construction term (15 months) by the total loan term (420 months) to arrive at a factor of 3.58%.

Fees: The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by TDHCA guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by \$6,768 with the overage effectively moved to ineligible costs.

Reserves: The Applicant included less than full lease-up/operating reserves and is claiming a significant amount of lease-up/operating income despite having units down during rehabilitation. This uncertainty is a significant concern with regard to the potential for over \$500K in additional operating income as a source of funds for the development.

Conclusion: Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the tax credit allocation. As a result an eligible basis of \$8,739,855 is used to determine a credit allocation of \$352,309 from this method. This is \$10,888 more than requested due to the Applicant's use of a lower applicable percentage of 3.41% rather than the 3.60% underwriting rate used for applications received in August 2003. The resulting syndication proceeds based on the Applicant's request will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

FINANCING STRUCTURE	
INTERIM to PERMANENT FINANCING	
Source: Midland Mortgage Investment Corporation	Contact: Richard Monfred
Principal Amount: \$5,182,077	Interest Rate: Estimated & underwritten at 7.20%
Additional Information: Commitment in amount of \$7.0M	
Amortization: 35 yrs	Term: 35 yrs
Commitment: <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	
Annual Payment: \$406,025	Lien Priority: 1st Commitment Date 10/ 28/ 2003
INTERIM to PERMANENT FINANCING	
Source: Stern Brothers & Company	Contact: Terrence Finn
Principal Amount: \$888,672	Interest Rate: Various coupon rates from 4.125% to 4.375%
Additional Information: Tax-exempt fixed rate bonds secured by HUD interest reduction payment (IRP), commitment in amount of \$950,000	
Amortization: 9 yrs	Term: 9 yrs
Commitment: <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	
Annual Payment: Approximately \$129K (per IRP contract)	Lien Priority: 2nd Commitment Date 11/ 3/ 2003
TAX CREDIT SYNDICATION	
Source: MMA Financial, LLC	Contact: Ryan Luxon
Address: Two Galleria Towers, 13455 Noel Road, Suite 1430	City: Dallas
State: TX	Zip: 75240
Phone: (972) 404-1118	Fax: (972) 404-9133
Net Proceeds: \$2,576,000	Net Syndication Rate (per \$1.00 of 10-yr LIHTC) 81¢
Commitment <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional Date: 10/ 23/ 2003	
Additional Information: Commitment in amount of \$2,576,000 based on credits of 320,000, upward adjuster at same net syndication rate	
APPLICANT EQUITY	
Amount: \$915,519	Source: Deferred developer fee
FINANCING STRUCTURE ANALYSIS	
<u>Permanent Financing:</u>	
<ul style="list-style-type: none"> The MMA Financial permanent financing commitment is in the amount of \$7,000,000, although the Applicant has included only \$5,182,077 in the sources and uses of funds statement and the development does not appear to be able to significantly more debt. The Stern Brothers & Company permanent financing commitment is in the amount of \$950,000, although the Applicant has included only \$888,672 in the sources and uses of funds statement. 	
<u>HTC Syndication:</u> The tax credit syndication commitment is inconsistent with the terms reflected in the sources and uses of funds listed in the application in that the syndication proceeds amount in the commitment is \$2,576,000 based on credits of \$320,000, although the commitment includes an upward adjuster with the same credit price as the original commitment.	
<u>Operations & Investment Income:</u> The Applicant has forecast \$534,022 in net rental income and \$23,735 in interest income from escrowed construction funds during the construction period. The Underwriter acknowledges that income will be realized from these sources but has not made a projection due to the significant uncertainties involved and has instead included this source in deferred developer fee.	
<u>Deferred Developer's Fees:</u> The proposed deferred developer's fees of \$915,519 amount to approximately	

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

85% of the total eligible fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation would not exceed \$352,309 annually for ten years, resulting in syndication proceeds of approximately \$2,853,421. The Applicant's lower requested credits of \$341,421, however, will be used to determine the allocation, resulting in syndication proceeds of approximately \$2,765,234. Based on the underwriting analysis, this leaves a funding gap of \$1,476,621, of which \$1,285,564 can be filled with a 100% deferral of developer and related general contractor fees. These fees are projected to be repayable within 15 years. This still leaves a funding gap of \$191,058 in sourced funds which will have to come from net operating income and investment income during rehabilitation or from other sources. While this is a significant funding shortfall, it is possible that the lender and syndicator will accept such risk due to the capacity of the borrower; therefore, it is a condition of this report that the Applicant provide documentation from the lender and tax credit syndicator that evidences their acceptance of the likelihood of at least \$192,000 in operating and investment income during the construction phase.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, Property Manager and Supportive Services firm are all related entities. These are common relationships for HTC-funded developments.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- TWC Housing, LLC, the 100% owner of the General Partner, submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$6.9M and consisting of \$4.7M in investments in unconsolidated subsidiaries and \$2.2M in receivables. Liabilities totaled \$2.2M, resulting in net equity of \$4.7M.
- HB GP, LLC, the 1% general partner of TWC Housing, LLC, submitted an unaudited financial statement as of December 31, 2002 reporting total assets of \$466K and consisting entirely of investments in unconsolidated subsidiaries. No liabilities were reported.
- Hunt Building Corporation, the 99% limited partner of TWC Housing, LLC, submitted an audited financial statement as of December 31, 2002 reporting total assets of \$410M and consisting of \$25M in cash, \$32M in receivables, \$10M in other current assets, \$398M in real property, \$12M in equipment, machinery, and fixtures, \$33M in escrowed and restricted funds, \$91M in business interests, and \$23M in other non-current assets. Liabilities totaled \$327M, resulting in net equity of \$83M.
- The Developer, Blunn Developers, Ltd., submitted an unaudited financial statement as of September 30, 2003 reporting total assets of \$13.7M and consisting of \$5.7M in investments in unconsolidated subsidiaries and \$8M in receivables. No liabilities were reported.
- Woody L. Hunt and M.L. Hunt, owners of HB GP, LLC, submitted unaudited financial statements as of December 31, 2002 and are anticipated to be guarantors of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Hunt Building Corporation and its owners and subsidiaries listed participation in 19 previous HTC housing developments totaling 3,478 units since 1970.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

SUMMARY OF SALIENT RISKS AND ISSUES

- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Significant environmental/location risks exist regarding the presence of asbestos-containing materials in the residential buildings.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:

Jim Anderson

Date: December 1, 2003

Director of Real Estate Analysis:

Tom Gouris

Date: December 1, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Sterlingshire Apartments, Houston, 4% HTC #03440

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
HAP	49	1	1	602	\$558	\$460	\$22,540	\$0.76	\$54.00	\$28.31
HAP	9	1	1	602	558	460	4,140	0.76	54.00	28.31
236	14	1	1	602	558	460	6,440	0.76	54.00	28.31
HAP	44	2	2	810	670	565	24,860	0.70	74.00	32.31
HAP	23	2	2	810	670	565	12,995	0.70	74.00	32.31
236	13	2	2	810	670	565	7,345	0.70	74.00	32.31
HAP	36	3	2	1,055	775	660	23,760	0.63	80.00	37.31
HAP	2	3	2	1,055	775	660	1,320	0.63	80.00	37.31
236	10	3	2	1,055	775	660	6,600	0.63	80.00	37.31
TOTAL:	200		AVERAGE:	794	\$655	\$550	\$110,000	\$0.69	\$68.24	\$32.07

INCOME

Total Net Rentable Sq Ft: **158,784**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00
 Other Support Income: Interest Reduction Payments

TDHCA	APPLICANT
\$1,320,000	\$1,320,000
36,000	36,000
127,930	127,930

USS Region 6
 IREM Region Houston
 Per Unit Per Month

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%
 Employee or Other Non-Rental Units or Concessions

TDHCA	APPLICANT
\$1,483,930	\$1,483,930
(101,700)	(101,700)
0	0

-7.50% of Potential Gross Rent

EFFECTIVE GROSS INCOME

TDHCA	APPLICANT
\$1,382,230	\$1,382,230

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.06%	\$350	0.44
Management	4.20%	290	0.37
Payroll & Payroll Tax	13.00%	898	1.13
Repairs & Maintenance	7.06%	488	0.61
Utilities	3.02%	209	0.26
Water, Sewer, & Trash	5.17%	358	0.45
Property Insurance	2.41%	167	0.21
Property Tax 3.04567	11.02%	761	0.96
Reserve for Replacements	3.62%	250	0.31
Other: spt svcs, security	3.62%	250	0.32

TDHCA	APPLICANT
\$69,927	\$36,635
58,054	58,711
179,631	122,454
97,547	103,399
41,763	64,479
71,509	79,163
33,339	58,343
152,284	166,322
50,000	49,992
50,057	45,057

PER SQ FT	PER UNIT	% OF EGI
\$0.23	\$183	2.65%
0.37	294	4.25%
0.77	612	8.86%
0.65	517	7.48%
0.41	322	4.66%
0.50	396	5.73%
0.37	292	4.22%
1.05	832	12.03%
0.31	250	3.62%
0.28	225	3.26%

TOTAL EXPENSES

NET OPERATING INC

DEBT SERVICE

	% OF EGI	PER UNIT	PER SQ FT
First Lien Mortgage	29.37%	\$2,030	\$2.56
Second Lien Mortgage	9.07%	\$627	\$0.79
Additional Financing	0.00%	\$0	\$0.00

TDHCA	APPLICANT
\$804,109	\$784,555
\$578,121	\$597,675
\$406,025	\$406,025
125,409	129,142
0	0
\$46,686	\$62,508

PER SQ FT	PER UNIT	% OF EGI
\$4.94	\$3,923	56.76%
\$3.76	\$2,988	43.24%
\$2.56	\$2,030	29.37%
\$0.81	\$646	9.34%
\$0.00	\$0	0.00%
\$0.39	\$313	4.52%

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

1.09	1.12
	1.12

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		51.78%	\$27,172	\$34.23
Off-Sites		0.00%	0	0.00
Sitework		2.43%	1,274	1.60
Direct Construction		11.79%	6,185	7.79
Contingency	4.02%	0.57%	300	0.38
General Req'ts	6.00%	0.85%	447	0.56
Contractor's G & A	2.00%	0.28%	149	0.19
Contractor's Profit	6.00%	0.85%	447	0.56
Indirect Construction		6.10%	3,200	4.03
Ineligible Costs		6.01%	3,151	3.97
Developer's G & A	1.05%	0.77%	403	0.51
Developer's Profit	13.00%	9.49%	4,981	6.27
Interim Financing		6.27%	3,291	4.15
Reserves		2.80%	1,472	1.85
TOTAL COST		100.00%	\$52,472	\$66.09
Recap-Hard Construction Costs		16.78%	\$8,802	\$11.09

TDHCA	APPLICANT
\$5,434,490	\$5,434,490
0	0
254,733	254,733
1,236,922	1,236,922
60,000	60,000
89,499	92,400
29,833	30,800
89,499	92,400
639,970	639,970
630,206	630,206
80,526	0
996,206	1,076,732
658,176	658,176
294,358	105,775
\$10,494,419	\$10,312,604
\$1,760,487	\$1,767,255

PER SQ FT	PER UNIT	% of TOTAL
\$34.23	\$27,172	52.70%
0.00	0	0.00%
1.60	1,274	2.47%
7.79	6,185	11.99%
0.38	300	0.58%
0.58	462	0.90%
0.19	154	0.30%
0.58	462	0.90%
4.03	3,200	6.21%
3.97	3,151	6.11%
0.00	0	0.00%
6.78	5,384	10.44%
4.15	3,291	6.38%
0.67	529	1.03%
\$64.95	\$51,563	100.00%
\$11.13	\$8,836	17.14%

SOURCES OF FUNDS

	% OF EGI	PER UNIT	PER SQ FT
First Lien Mortgage	49.38%	\$25,910	\$32.64
Second Lien Mortgage	8.47%	\$4,443	\$5.60
HTC Syndication Proceeds	26.38%	\$13,843	\$17.44
Operations & Investment Income			
Deferred Developer Fees	8.72%	\$4,578	\$5.77
Additional (excess) Funds Required	1.73%	\$909	\$1.15
TOTAL SOURCES			

TDHCA	APPLICANT
\$5,182,077	\$5,182,077
888,672	888,672
2,768,579	2,768,579
557,757	557,757
915,519	915,519
181,815	0
\$10,494,419	\$10,312,604

RECOMMENDED	
\$5,182,077	Developer Fee Available
888,672	\$1,076,732
2,765,234	% of Dev. Fee Deferred
0	
1,285,564	119%
191,058	15-Yr Cumulative Cash Flow
\$10,312,604	\$1,595,003

MULTIFAMILY COMPARATIVE ANALYSIS (continued)
Sterlingshire Apartments, Houston, 4% HTC #03440

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
 Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$1.00	\$158,784
Adjustments				
Exterior Wall Finish			\$0.00	\$0
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(2.02)	(320,744)
Floor Cover			1.92	304,865
Porches/Balconies	\$29.24		0.00	0
Plumbing	\$615		0.00	0
Built-In Appliances	\$1,625	200	2.05	325,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.47	233,412
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs			0.00	0
Other:			0.00	0
SUBTOTAL			4.42	701,318
Current Cost Multiplier	1.04		0.18	28,053
Local Multiplier			(4.42)	(701,318)
TOTAL DIRECT CONSTRUCTION COSTS			\$0.18	\$28,053
Plans, specs, survy, bid pm	3.90%		(\$0.01)	(\$1,094)
Interim Construction Interest	3.38%		(0.01)	(947)
Contractor's OH & Profit	11.50%		(0.02)	(3,226)
NET DIRECT CONSTRUCTION COSTS			\$0.14	\$22,786

PAYMENT COMPUTATION

Primary	\$5,182,077	Amort	420
Int Rate	7.20%	DCR	1.42

Secondary	\$888,672	Amort	108
Int Rate	5.50%	Subtotal DCR	1.09

Additional	\$2,768,579	Amort	
Int Rate		Aggregate DCR	1.09

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NO

Primary Debt Service	\$406,025
Secondary Debt Service	125,409
Additional Debt Service	0
NET CASH FLOW	\$66,241

Primary	\$5,182,077	Amort	420
Int Rate	7.20%	DCR	1.47

Secondary	\$888,672	Amort	108
Int Rate	5.50%	Subtotal DCR	1.12

Additional	\$2,768,579	Amort	0
Int Rate	0.00%	Aggregate DCR	1.12

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

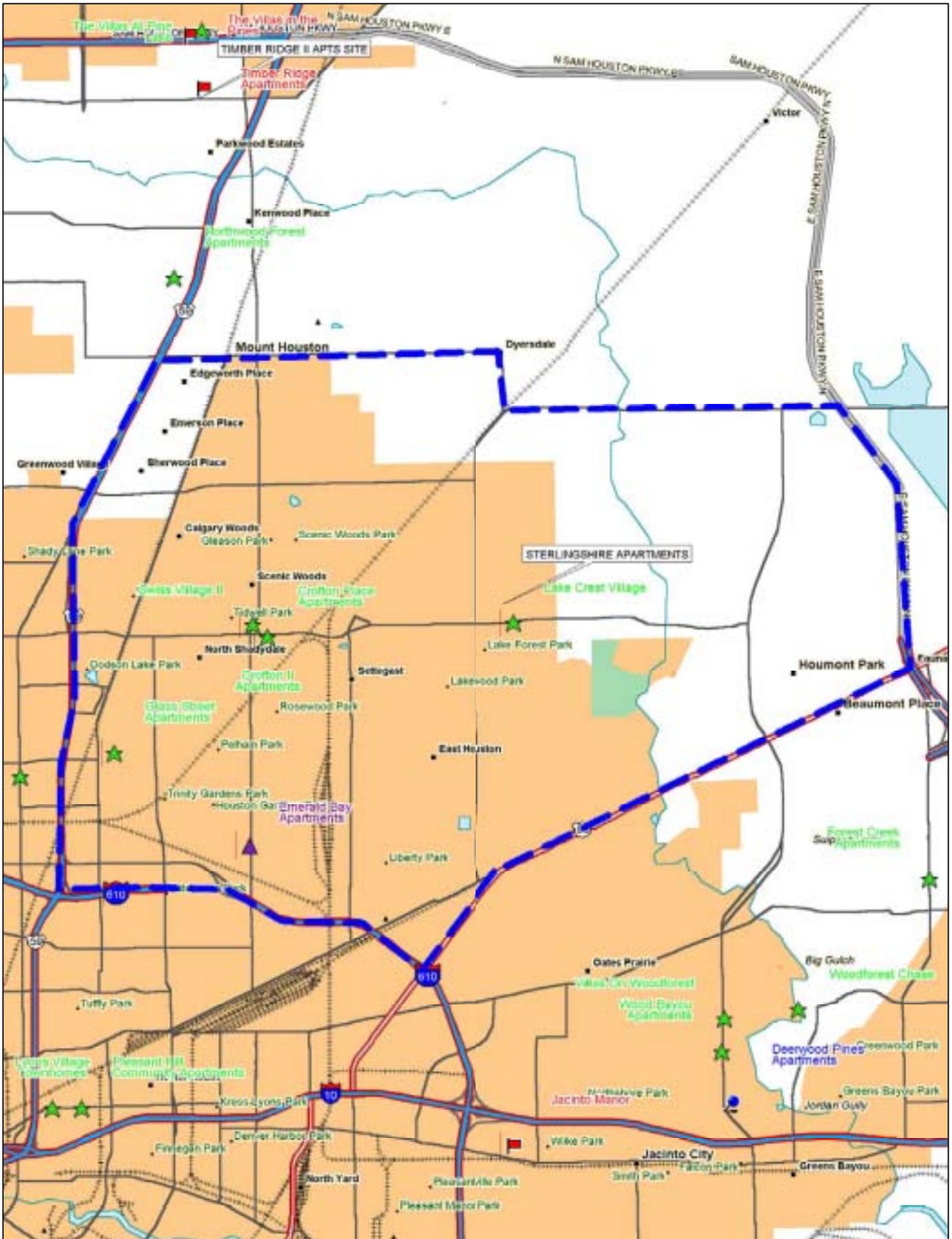
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,320,000	\$1,359,600	\$1,400,388	\$1,442,400	\$1,485,672	\$1,722,301	\$1,996,618	\$2,314,628	\$3,110,666
Secondary Income	36,000	37,080	38,192	39,338	40,518	46,972	54,453	63,126	84,836
Other Support Income	127,930	128,663	128,042	127,370	126,645	0	0	0	0
POTENTIAL GROSS INCOME	1,483,930	1,525,343	1,566,622	1,609,108	1,652,835	1,769,272	2,051,072	2,377,754	3,195,503
Vacancy & Collection Loss	(101,700)	(114,401)	(117,497)	(120,683)	(123,963)	(132,695)	(153,830)	(178,332)	(239,663)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,382,230	\$1,410,942	\$1,449,126	\$1,488,425	\$1,528,872	\$1,636,577	\$1,897,241	\$2,199,423	\$2,955,840
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$36,635	\$38,100	\$39,624	\$41,209	\$42,858	\$52,143	\$63,440	\$77,184	\$114,252
Management	58,711	59,931	61,552	63,222	64,940	69,515	80,586	93,422	125,551
Payroll & Payroll Tax	122,454	127,352	132,446	137,744	143,254	174,290	212,051	257,992	381,891
Repairs & Maintenance	103,399	107,535	111,836	116,310	120,962	147,169	179,054	217,846	322,465
Utilities	64,479	67,058	69,740	72,530	75,431	91,774	111,657	135,848	201,088
Water, Sewer & Trash	79,163	82,330	85,623	89,048	92,610	112,674	137,085	166,785	246,882
Insurance	58,343	60,677	63,104	65,628	68,253	83,040	101,031	122,920	181,951
Property Tax	166,322	172,975	179,894	187,090	194,573	236,728	288,016	350,415	518,700
Reserve for Replacements	49,992	51,992	54,071	56,234	58,484	71,154	86,570	105,326	155,908
Other	45,057	46,859	48,734	50,683	52,710	64,130	78,024	94,928	140,517
TOTAL EXPENSES	\$784,555	\$814,808	\$846,625	\$879,697	\$914,075	\$1,102,617	\$1,337,513	\$1,622,666	\$2,389,205
NET OPERATING INCOME	\$597,675	\$596,134	\$602,500	\$608,727	\$614,798	\$533,960	\$559,728	\$576,757	\$566,635
DEBT SERVICE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
First Lien Financing	\$406,025	\$406,025	\$406,025	\$406,025	\$406,025	\$406,025	\$406,025	\$406,025	\$406,025
Second Lien	125,409	125,409	125,409	125,409	125,409	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$66,241	\$64,700	\$71,066	\$77,293	\$83,363	\$127,935	\$153,703	\$170,732	\$160,610
DEBT COVERAGE RATIO	1.12	1.12	1.13	1.15	1.16	1.32	1.38	1.42	1.40

LIHTC Allocation Calculation - Sterlingshire Apartments, Houston, 4% HTC #03440

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	\$830,000	\$830,000				
Purchase of buildings	\$4,604,490	\$4,604,490	\$4,604,490	\$4,604,490		
(2) Rehabilitation/New Construction Cost						
On-site work	\$254,733	\$254,733			\$254,733	\$254,733
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	\$1,236,922	\$1,236,922			\$1,236,922	\$1,236,922
(4) Contractor Fees & General Requirements						
Contractor overhead	\$30,800	\$29,833			\$29,833	\$29,833
Contractor profit	\$92,400	\$89,499			\$89,499	\$89,499
General requirements	\$92,400	\$89,499			\$89,499	\$89,499
(5) Contingencies	\$60,000	\$60,000			\$60,000	\$60,000
(6) Eligible Indirect Fees	\$639,970	\$639,970			\$639,970	\$639,970
(7) Eligible Financing Fees	\$658,176	\$658,176			\$658,176	\$658,176
(8) All Ineligible Costs	\$630,206	\$630,206				
(9) Developer Fees						
Developer overhead		\$80,526		\$48,385		\$32,141
Developer fee	\$1,076,732	\$996,206	\$646,969	\$598,584	\$429,763	\$397,622
(10) Development Reserves	\$105,775	\$294,358				
TOTAL DEVELOPMENT COSTS	\$10,312,604	\$10,494,419	\$5,251,459	\$5,251,459	\$3,488,396	\$3,488,396

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$5,251,459	\$5,251,459	\$3,488,396	\$3,488,396
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$5,251,459	\$5,251,459	\$4,534,914	\$4,534,914
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$5,251,459	\$5,251,459	\$4,534,914	\$4,534,914
Applicable Percentage			3.60%	3.60%	3.60%	3.60%
TOTAL AMOUNT OF TAX CREDITS			\$189,053	\$189,053	\$163,257	\$163,257

Syndication Proceeds	0.8099	\$1,531,172	\$1,531,172	\$1,322,249	\$1,322,249
Total Credits (Eligible Basis Method)				\$352,309	\$352,309
Syndication Proceeds				\$2,853,421	\$2,853,421
Requested Credits				\$341,421	
Syndication Proceeds				\$2,765,234	
Gap of Syndication Proceeds Needed				\$4,241,855	
Credit Amount				\$523,738	



© 2001 DeLorme. XMap® Business 1v3, GDT, Inc., Rel. 01/2001
 Zoom Level: 11-2 Datum: WGS84

Scale 1 : 87 500
 1" = 0.38 mi





**HOUSING TAX CREDIT PROGRAM
2003 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Bayou Willows Apartments**

TDHCA#: 03458

DEVELOPMENT AND OWNER INFORMATION

Development Location: Pasadena QCT: N DDA: N TTC: N
 Development Owner: FDI-BW 2003, Ltd.
 General Partner(s): Fieser Pasadena Investments, Inc., 100%, Contact: James W. Feiser
 Construction Category: Acquis/Rehab
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Harris County HFC
 Development Type: Family

Annual Tax Credit Allocation Calculation

Applicant Request: \$311,656 Eligible Basis Amt: \$308,203 Equity/Gap Amt.: \$368,573

Annual Tax Credit Allocation Recommendation: \$308,203

Total Tax Credit Allocation Over Ten Years: \$ 3,082,030

PROPERTY INFORMATION

Unit and Building Information

Total Units: 212 LIHTC Units: 212 % of LIHTC Units: 100
 Gross Square Footage: 192,735 Net Rentable Square Footage: 190,000
 Average Square Footage/Unit: 896
 Number of Buildings: 20
 Currently Occupied: Y

Development Cost

Total Cost: \$10,459,158 Total Cost/Net Rentable Sq. Ft.: \$55.05

Income and Expenses

Effective Gross Income:¹ \$1,569,073 Ttl. Expenses: \$912,475 Net Operating Inc.: \$656,598
 Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant: Not utilized Manager: Wilmic Ventures, Inc.
 Attorney: Wilson, Cribbs, Goren & Flaum Architect: David J. Albright
 Accountant: Marshall & Shafer, PC Engineer: Not Utilized
 Market Analyst: Gerald A. Teel Co. Lender: Newman Capital
 Contractor: National Urban Construction, Inc. Syndicator: Paramount Financial Group, Inc.

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. Mike Jackson, District 11 - NC
# in Opposition: 0	Rep. Robert Talton, District 144 - NC
	Mayor John Manlove - NC
	Miles G. Arena, Community Development Administrator; City of Pasadena;
	Consistent with the local Consolidated Plan.

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).
2. Receipt, review, and acceptance at the time of cost certification of evidence that the recommendations made by the Phase I ESA regarding management of asbestos containing materials and repairing or replacing any leaking transformers have been implemented, prior to cost certification.
3. Receipt, review, and acceptance of an amendment to the appraisal indicating the value of the land only prior to bond closing and potential reduction in the credit amount based upon a land value in excess of the Applicant's estimated land value.
4. Receipt, review, and acceptance of an opinion of a third party CPA regarding the eligibility of the proposed demolition costs prior to bond closing.
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:

Score Utilization of Set-Aside Geographic Distrib. Tax Exempt Bond. Housing Type

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager

Date

Brooke Boston, Director of Multifamily Finance Production Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Score Utilization of Set-Aside Geographic Distrib. Tax Exempt Bond Housing Type

Other Comments including discretionary factors (if applicable)._____

Edwina P. Carrington, Executive Director
Chairman of Executive Award and Review Advisory Committee

Date

TDHCA Board of Director's Approval and description of discretionary factors (if applicable).

Chairperson Signature: _____
Elizabeth Anderson, Board Chair

Date

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: December 2, 2003 **PROGRAM:** 4% HTC **FILE NUMBER:** 03458

DEVELOPMENT NAME

Bayou Willows

APPLICANT

Name: FDI-BW 2003, LTD. **Type:** For Profit
Address: 26735 Stockdick School road **City:** Katy **State:** TX
Zip: 77493 **Contact:** James W. Fieser **Phone:** (281) 371-7320 **Fax:** (281) 371-2470

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name: Fieser Pasadena Investments, Inc. **(%):** 0.01 **Title:** Managing General Partner
Name: James W. Fieser **(%):** 100.00 of MGP **Title:**

PROPERTY LOCATION

Location: 4102 Young **QCT** **DDA**
City: Pasadena **County:** Harris **Zip:** 77504

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$311,656	N/A	N/A	N/A
Other Requested Terms: Annual ten-year allocation of housing tax credits			
Proposed Use of Funds: Acquisition/ Rehab		Property Type: Multifamily	

RECOMMENDATION

RECOMMEND APPROVAL OF TAX CREDITS NOT TO EXCEED \$308,203 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance at the time of cost certification of evidence that the recommendations made by the Phase I ESA regarding management of asbestos containing materials and repairing or replacing any leaking transformers have been implemented, prior to cost certification;
2. Receipt, review, and acceptance of an amendment to the appraisal indicating the value of the land only prior to bond closing and potential reduction in the credit amount based upon a land value in excess of the Applicant's estimated land value,
3. Receipt, review, and acceptance of an opinion of a third party CPA regarding the eligibility of the proposed demolition costs prior to bond closing; and
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 212 **# Rental Buildings:** 20 **# Common Area Bldngs:** 1 **# of Floors:** 2 **Age:** 25 yrs **Vacant:** 11% at 08/ 27/ 2003
Net Rentable SF: 190,000 **Av Un SF:** 896 **Common Area SF:** 2,735 **Gross Bldg SF:** 192,735

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade beams, brick veneer exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, refrigerator, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops

ON-SITE AMENITIES

A 2,735 s.f. community building includes management offices, public restrooms & laundry facilities. A swimming pool and equipped children's play area, and a basketball court are located on the property. Perimeter fencing with limited access gates also surround the site.

Uncovered Parking: 466 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The Bayou Willows is a relatively dense (21 units per acre) acquisition and rehabilitation development of 212 units of affordable housing located in Pasadena. The development was built in 1978 and is comprised of 20 evenly distributed medium-sized garden style walk-up low-rise residential buildings.

Development Plan: The Applicant proposes to purchase the subject property and to make numerous repairs and renovations thereto. The largest direct construction items will be updating the HVAC systems, making numerous accessibility modifications, repairing the roofs, and making various carpentry repairs. The Applicant indicates that it does not foresee having to relocate any of the residents in order to make the scheduled repairs.

Architectural Review: The apartment buildings are two-story structures with gabled roofs and a tan brick veneer, and are marked by very little ornamentation apart from the wooden railings outside the balconies and patios of each unit. Each of the units appears to have an adequate amount of space in each of the bedrooms and living areas. While the kitchens seem to be a little bit shy on work space, and the bathrooms have a minimal amount of counter space, each of the units has a generous amount of storage space, with a closet in each bedroom, three small coat closets off of the living rooms and hallways, nooks which are likely intended for washers and dryers, and an outside closet on each porch or balcony.

Supportive Services: The management agreement between the Applicant and the management agent contains a section for the provision of supportive services. Some of the potential services identified in the agreement include development of employment skills, provision of transportation for the elderly and disabled, assistance providing clothing and school supplies for children, and rental assistance for qualified households.

Schedule: The Applicant anticipates renovations to begin in February of 2004 and to be completed in February of 2005. The development should be placed in service in October of 2005.

SITE ISSUES

SITE DESCRIPTION

Size: 9.988 acres 435,077 square feet **Zoning/ Permitted Uses:** Multifamily
Flood Zone Designation: Zone X **Status of Off-Sites:** Fully Improved

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Pasadena is located just southeast of Houston in Harris County. The site is a rectangularly-shaped parcel located in the south area of the city, approximately three miles from the central business district. The site is situated on the west side of Young Street.

Adjacent Land Uses:

- **North:** Vincent Miller Intermediate School
- **South:** Fairmont Apartments, Single family residential beyond
- **East:** Fairmont Townhomes across Young Street
- **West:** Adella Young Elementary School, Single family residential beyond

Site Access: Access to the property is from the east along Young road, from which the development has one main entrance. Access to Interstate Highway 45 is within three miles southwest of the site, which provides connections to all other major roads serving the Houston area.

Public Transportation: According to the market study, the Houston METRO public transportation system does not bus services through the subject neighborhood.

Shopping & Services: The TDHCA site inspection and the market study both indicate that the site is within close proximity to major shopping centers, schools, churches and medical facilities.

Site Inspection Findings: TDHCA staff performed a site inspection on October 22, 2003 and found the development to be acceptable for the proposed activities.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated October 22, 2003 was prepared by HBC Terracon. Because there are currently residential structures standing on the site, the environmental analyst was engaged to assess the potential for the presence of asbestos containing materials, radon, lead in drinking water, and lead based paint, in addition to the standard Phase I ESA examination.

Findings:

- **Asbestos-Containing Materials (ACM):** It is noted that the asbestos sampling was limited and not sufficient to constitute a complete asbestos survey, and hence all suspect building materials are required to be assumed to be asbestos containing materials until shown otherwise through laboratory analysis. Of the thirty samples taken, six were identified as containing asbestos. All six samples were of sheet flooring.
- **Radon:** Radon levels were found to fall below regulatory levels.
- **Lead in Drinking Water:** Lead content was found to be below regulatory levels
- **Lead-Based Paint (LBP):** None of the samples taken in the lead based paint survey revealed lead content exceeding regulatory requirements.
- **Floodplain:** The site is not located within a flood plain.
- **PCBs:** Evidence of a release of fluid from a pad-mounted transformer was identified near one of the apartments. No information with regard to PCB content of the transformer fluids was observed.

Recommendations: The environmental analyst recommends Reliant Energy, the owner of the transformer be contacted to repair or replace the leaking transformer. It is also recommended that either a thorough asbestos survey be performed to evaluate suspect building materials at the site or all suspect building materials at the site be presumed to contain asbestos, and that a management plan prepared by a licensed professional be adopted to govern any work performed on presumed or confirmed asbestos containing materials.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside although as a Priority 2 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$25,020	\$28,620	\$32,160	\$35,760	\$38,640	\$41,460

MARKET HIGHLIGHTS

A market feasibility study dated October 27, 2003 was prepared by Butler Burgher, Inc. and highlighted the following findings:

Definition of Primary Market Area: “The subject’s primary market area (PMA) was determined to be that area bounded by IH 610 from the northwest to north to SH 225 to the north, Loop 8 to the east and southeast, and IH 45 from the southeast to northwest (p. 51).”

Population: The estimated 2000 population of the PMA was 187,027 and is expected to increase by 1.18% annually to approximately 204,624 by 2008. Within the primary market area there were estimated to be 60,100 households in 2000.

Total Primary Market Demand for Rental Units:

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	Market Analyst	
	Units of Demand	% of Total Demand
Household Growth	130	1.44%
Resident Turnover	8,868	98.86%
TOTAL ANNUAL DEMAND	8,998	100%

Ref: p. 4

Inclusive Capture Rate: The number of units in the project divided by the total targeted renter demand result in a capture rate of 2.36% (p. 68). The calculation of an inclusive capture rate in this instance is relatively meaningless due to the properties current 89% occupancy and Applicant’s intended maintenance of the existing tenant base after the rehabilitation.

Market Rent Comparables: The market analyst surveyed five comparable apartment projects totaling 1,196 units in the market area (p. 72).

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (60%)	\$525	\$605	-\$80	\$525	\$0
2-Bedroom (60%)	\$639	\$706	-\$67	\$635	+\$4
2-Bedroom (60%)	\$730	\$706	+\$24	\$740	-\$10
3-Bedroom (60%)	\$829	\$797	+\$32	\$880	+\$51

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent = \$500, program max = \$600, differential = -\$100) It should also be noted that the Appraisal conducted by the same firm estimated slightly higher market rents for the subject at \$545, \$655, \$760, and \$910 respectively for the four unit sizes in ascending order.

Primary Market Occupancy Rates: “TRAC reflects 87.3% occupancy for 22,407 units in 3rd Quarter 2003 in SE4 Pasadena/Deer Park Mall. The surveyed units reflect a higher, 90% figure (p. 71).”

Absorption Projections: “As the project is an existing property, absorption should occur at a faster pace than new construction (p. 70).” The market analyst does not give a specific time projection.

Known Planned Development: The Market Analyst tacitly indicates that there are no other planned developments known for the Primary Market Area.

The Underwriter found the market study to contain an adequate amount of information.

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s rent projections vary from the Underwriter’s due to the Applicant’s use of lower utility allowances resulting in rents that are over the maximum rent limit, and the applicant’s use of rents for some units which were below the market rents as indicated by the appraisal (though within the rents

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

indicated in the market study conducted by the same firm). The resulting difference however is insignificant, being less than \$6,000 in total. Estimates of secondary income and vacancy and collection losses are consistent with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of \$3,937 per unit is approximately 8.5% less than the Underwriter's estimate of \$4,304 per unit based on the property's historic expenses (\$5,409 per unit) and data from the appraisal and from TDHCA's database of expenses for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$67K lower), and payroll (\$35K lower).

Conclusion: The Applicant's total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in projected expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.03 is significantly less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project is likely to be limited to \$598,727 by a reduction of the loan amount, a reduction in the interest rate, or an extension of the term.

ACQUISITION VALUATION INFORMATION					
APPRAISED VALUE					
Total Development: "as is"	\$6,200,000	Date of Valuation:	10/ 27/	2003	
Appraiser: B. Diane Butler	City: Austin	Phone:	(512) 391-0850		
APPRAISED ANALYSIS/CONCLUSIONS					
Analysis & Conclusion: The appraisal, dated October 27, 2003 was performed for TDHCA and GMAC Commercial Mortgage Corporation. Employing the replacement cost approach, the sales comparison approach and the income capitalization approach, the appraiser estimated a value "as is" of \$6,200,000, and a value as improved of \$8,300,000. In none of the methods employed did the Appraiser specifically distinguish between the value of the total development and the value of the land only. Moreover, the only reference to the land value include in the appraisal is the calculation of property taxes which erroneously utilized a low unsourced assessed value of \$291,900. As this is an important factor in the calculation of eligible basis for tax credits (See cost evaluation below), submission of an amendment to the appraisal indicating the value of the land only is a requirement of this report.					
ASSESSED VALUE					
Land: 9.988 acres	\$871,200	Assessment for the Year of:	2000		
Building:	\$4,435,690	Valuation by:	Harris County Appraisal District		
Total Assessed Value:	\$5,306,890	Tax Rate:	\$3.03148		
EVIDENCE of SITE or PROPERTY CONTROL					
Type of Site Control:	Purchase And Sale Agreement				
Contract Expiration Date:	12/ 30/	2003	Anticipated Closing Date:	12/ 30/	2003
Acquisition Cost:	\$6,200,000		Other Terms/Conditions:		
Seller: Pasadena 212, Ltd.	Related to Development Team Member:				No

CONSTRUCTION COST ESTIMATE EVALUATION	
Acquisition Value: As the appraisal did not specifically distinguish between the value of the land only, and the value of the improvements thereon, the Applicant claimed eligible basis based upon the total value of the development from the appraisal, minus a land value of \$871,200 determined by the Harris County property tax assessment. The Underwriter adjusted the amount of the purchase price attributable to land value to \$1,017,816, based on the proportion of the tax-assessed value of the land to the assessed value of the improvements as applied to the total acquisition price. While the total costs remain the same, this results in a	

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

decrease of the estimated eligible basis of \$146,616. Should the Appraiser provide a land value of more than \$871,200 a downward adjustment to the eligible basis would be required. If no land value is ultimately provided, the proportional value based on the assessed value should be used and the credit amount should be reduced accordingly.

Sitework & Direct Construction Costs: Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of \$689 per unit, which is consistent with the estimate in the proposed work writeup. The Applicant included \$14,700 in demolition costs in the calculation of eligible basis, which typically in new construction developments are not eligible. Demolition within a building or to remaining improvements could be considered eligible if they are part of the repair and is typically a determination made by the independent auditor at cost certification. Therefore, it is a condition of this report that a certification from a third party CPA is provided that confirms the likely eligibility of the proposed demolition costs. Direct construction costs together with sitework costs total approximately \$7,100 per unit.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are set at the maximums allowed by TDHCA guidelines, but if a reduction in eligible basis due to the overstatement of building value and eligible basis discussed above is ultimately determined, a reduction in the eligible developer fee would also be required.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the HTC allocation. As a result an eligible basis of \$8,633,130 is used to determine a credit allocation of \$308,203 is determined based upon an underwriting applicable percentage of 3.57% for an October 2003 application submission versus the 3.61% utilized by the Applicant. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE									
INTERIM CONSTRUCTION FINANCING									
Source:	Newman Capital				Contact:	Jerry Wright			
Principal Amount:	\$7,875,000			Interest Rate:	5.75% for tax-exempt bond; 8.00% for taxable bonds.				
Additional Information:	\$7,475,000 tax exempt bonds; \$400,000 taxable bonds.								
Amortization:	N/A	yrs	Term:	2	yrs	Commitment:	<input checked="" type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input type="checkbox"/> Conditional
PERMANENT FINANCING									
Source:	Newman Capital				Contact:	Jerry Wright			
Principal Amount:	\$7,875,000			Interest Rate:	125 b.p. over MMD 30-year muni. housing bond index for tax-exempt bond; 8.00% for taxable bonds.				
Additional Information:	\$7,475,000 tax exempt bonds; \$400,000 taxable bonds. 7.50% interest used for underwriting.								
Amortization:	35	yrs	Term:	32	yrs	Commitment:	<input checked="" type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input type="checkbox"/> Conditional
Annual Payment:	\$638,889			Lien Priority:	1st		Commitment Date	10/ 10/ 2003	
LIHTC SYNDICATION									
Source:	Paramount Financial Group, Inc.				Contact:	Dale Cook			
Address:	150 E. Main				City:	Fredericksburg			
State:	TX	Zip:	78624	Phone:	(830) 997-6960	Fax:	(830) 997-5939		
Net Proceeds:	\$2,527,798			Net Syndication Rate (per \$1.00 of 10-yr HTC)	83¢				
Commitment	<input type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional	Date:	10/ 21/ 2003				

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Additional Information: _____

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application. Harris County HFC will issue the tax-exempt bonds. Newman Capital's Preliminary Term Sheet calls for the issuance of \$7,475,000 in tax exempt bonds and \$400,000 in taxable bonds bearing interest of at least 6.75% and 8.00% respectively. The interest rate for the tax exempt bonds will be based on a spread over a municipal bond index with 6.75% as a floor, and is yet subject to pricing. The commitment letter from Paramount Financial Group, the tax credit syndicator, however, mentions 7.50% as the interest rate of the taxable bonds, implying this as the rate at which the transaction has been underwritten. The Underwriter consequently used 7.50% as the interest rate for the tax-exempt bonds. At 6.75% for the tax exempt bonds, the debt service (together with the taxable bonds) would be approximately \$501,504; at 7.50%, it would be \$638,889; the applicant used \$607,035. Hence, while the Underwriter's estimate of expenses indicate that it might be necessary to reduce the amount of debt service in one way or another, it should be noted that there may be quite a bit of latitude in structuring the transaction, based on the information made available to date.

HTC Syndication: The commitment letter from Paramount Financial Group, Inc. offers to acquire a 99.99% interest in the limited partnership with an equity investment of \$2,527,798. This amount differs both from the Applicant's sources of funds schedule, and from the Underwriter's estimate of potential equity due to differences in the respective assumptions of eligible basis, and the applicable percentage.

Deferred Developer's Fees: While the Applicant did not anticipate that it would be necessary to defer any portion of the Developer's fee, the Underwriter estimates that it may be necessary to defer as much as \$501,075 of the Developer's fee.

Financing Conclusions: Depending on the pricing of the primary debt, the Underwriter estimates that it may be necessary to reduce the debt amount by as much as \$475,000 due to the Underwriter's estimate that the property's operating expenses would exceed the Applicant's estimates by approximately 8.5%, reducing the project's capacity to service debt. While the Underwriter was able to affirm the preponderance of the Applicant's estimate of project costs, some items were noted which could possibly lead to a reduction of the Applicant's eligible basis. Together with a lower applicable percentage, this resulted in an estimate of potential syndication proceeds \$26,075 lower than the Applicant's. These two factors result in a gap of funds of approximately \$501,075, which would have to be covered by deferring such an amount of the Developer's fee. This represents approximately 45% of the Developer's fee, and it is estimated could be repaid approximately by the sixth year of project operations.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant and the Developer are related entities. The General Contractor, Property Manager and Supportive Services firm are related entities. These are common relationships for HTC-funded developments.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The principal of the General Partner, James W. Fieser, and the principal of the General Contractor, Donald Sowell, submitted unaudited financial statements as of February, 2003 and are named as guarantors of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The principal of the General Partner, James W. Fieser has completed two HTC housing developments totaling 64 units since 1999, and currently has five other transactions, totaling 267 units, under development.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- Potential environmental risks have been identified regarding the presence of asbestos containing materials, and transformers located on the site which were noted to have leaks.

Underwriter:

Stephen Apple

Date: December 2, 2003

Director of Real Estate Analysis:

Tom Gouris

Date: December 2, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Bayou Willows, Pasadena, HTC #03458

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 60%	64	1	1	680	\$670	\$545	\$34,880	\$0.80	\$64.89	\$38.42
TC 60%	76	2	1	880	804	\$655	49,780	0.74	98.48	41.95
TC 60%	40	2	2	1,030	804	\$706	28,221	0.68	98.48	41.95
TC 60%	32	3	2	1,200	930	\$797	25,509	0.66	132.84	49.01
TOTAL:	212	AVERAGE:		896	\$783	\$653	\$138,390	\$0.73	\$93.53	\$41.95

INCOME

Total Net Rentable Sq Ft: 190,000

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$14.00
 Other Support Income:

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%
 Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.60%	\$414	0.46
Management	5.00%	370	0.41
Payroll & Payroll Tax	12.88%	953	1.06
Repairs & Maintenance	4.64%	343	0.38
Utilities	3.87%	286	0.32
Water, Sewer, & Trash	6.80%	503	0.56
Property Insurance	4.24%	314	0.35
Property Tax 3.03148	10.24%	758	0.85
Reserve for Replacements	4.05%	300	0.33
Compliance Fees, Security	0.84%	62	0.07

TOTAL EXPENSES

NET OPERATING INC

DEBT SERVICE

Primary Loan

Additional Financing

Additional Financing

NET CASH FLOW

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		59.40%	\$29,245	\$32.63
Off-Sites		0.00%	0	0.00
Sitework		1.40%	689	0.77
Direct Construction		13.02%	6,411	7.15
Contingency	10.00%	1.44%	710	0.79
General Req'ts	6.00%	0.87%	426	0.48
Contractor's G & A	2.00%	0.29%	142	0.16
Contractor's Profit	6.00%	0.87%	426	0.48
Indirect Construction		1.09%	537	0.60
Ineligible Costs		4.39%	2,161	2.41
Developer's G & A	2.76%	1.95%	959	1.07
Developer's Profit	12.24%	8.63%	4,249	4.74
Interim Financing		1.90%	934	1.04
Reserves		4.76%	2,343	2.61
TOTAL COST		100.00%	\$49,232	\$54.93

Recap-Hard Construction Costs

SOURCES OF FUNDS

Tax Exempt	71.62%	\$35,259	\$39.34
Taxable Bonds	3.83%	\$1,887	\$2.11
HTC Syndication Proceeds	24.76%	\$12,189	\$13.60
Deferred Developer Fees	0.00%	\$0	\$0.00
Additional (excess) Funds Required	-0.21%	(\$104)	(\$0.12)
TOTAL SOURCES			

TDHCA	APPLICANT
\$1,660,679	\$1,654,704
35,616	35,616
0	0
\$1,696,295	\$1,690,320
(127,222)	(126,780)
0	0
\$1,569,073	\$1,563,540
\$87,803	\$20,647
78,454	78,054
202,129	166,971
72,777	90,591
60,672	72,220
106,721	130,310
66,500	84,780
160,668	124,815
63,600	53,000
13,150	13,150
\$912,475	\$834,538
\$656,598	\$729,002
\$638,888	\$607,035
0	0
0	0
\$17,710	\$121,967
1.03	1.20
1.10	

PER SQ FT	PER UNIT	% OF EGI
\$0.11	\$97	1.32%
0.41	368	4.99%
0.88	788	10.68%
0.48	427	5.79%
0.38	341	4.62%
0.69	615	8.33%
0.45	400	5.42%
0.66	589	7.98%
0.28	250	3.39%
0.07	62	0.84%
\$4.39	\$3,937	53.37%
\$3.84	\$3,439	46.63%
\$3.19	\$2,863	38.82%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.64	\$575	7.80%

PER SQ FT	PER UNIT	% of TOTAL
\$32.63	\$29,245	59.28%
0.00	0	0.00%
0.77	689	1.40%
7.15	6,411	13.00%
0.79	710	1.44%
0.48	426	0.86%
0.16	142	0.29%
0.48	426	0.86%
0.60	537	1.09%
2.41	2,161	4.38%
1.19	1,062	2.15%
4.74	4,249	8.61%
1.04	934	1.89%
2.61	2,343	4.75%
\$55.05	\$49,336	100.00%
\$9.82	\$8,804	17.85%

RECOMMENDED

\$7,475,000	\$7,475,000
400,000	400,000
2,584,158	2,584,158
0	0
(21,993)	0
\$10,437,165	\$10,459,158

\$7,400,000	Developer Fee Available
0	\$1,104,068
2,558,083	% of Dev. Fee Deferred
501,075	45%
0	15-Yr Cumulative Cash Flow
\$10,459,158	\$1,986,048.11

MULTIFAMILY COMPARATIVE ANALYSIS (continued)
Bayou Willows, Pasadena, HTC #03458

PAYMENT COMPUTATION

Primary Loan	\$7,875,000	Amort	420
Int Rate	7.53%	DCR	1.03

Additional Fin.	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.03

Additional Fin.	\$0	Amort	0
Int Rate	0.0000%	Aggregate DCR	1.03

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$598,727
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$57,871

Primary Loan	\$7,400,000	Amort	420
Int Rate	7.50%	DCR	1.10

Additional Fin.	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional Fin.	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,660,679	\$1,710,499	\$1,761,814	\$1,814,669	\$1,869,109	\$2,166,809	\$2,511,926	\$2,912,011	\$3,913,499
Secondary Income	35,616	36,684	37,785	38,919	40,086	46,471	53,872	62,453	83,931
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,696,295	1,747,184	1,799,599	1,853,587	1,909,195	2,213,280	2,565,798	2,974,464	3,997,430
Vacancy & Collection Loss	(127,222)	(131,039)	(134,970)	(139,019)	(143,190)	(165,996)	(192,435)	(223,085)	(299,807)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,569,073	\$1,616,145	\$1,664,629	\$1,714,568	\$1,766,005	\$2,047,284	\$2,373,364	\$2,751,379	\$3,697,623
EXPENSES at 4.00%									
General & Administrative	\$87,803	\$91,316	\$94,968	\$98,767	\$102,718	\$124,972	\$152,047	\$184,988	\$273,828
Management	78,454	80,807	83,231	85,728	88,300	102,364	118,668	137,569	184,881
Payroll & Payroll Tax	202,129	210,214	218,623	227,368	236,462	287,693	350,022	425,855	630,370
Repairs & Maintenance	72,777	75,688	78,716	81,865	85,139	103,585	126,027	153,331	226,967
Utilities	60,672	63,099	65,623	68,248	70,978	86,355	105,065	127,827	189,215
Water, Sewer & Trash	106,721	110,990	115,429	120,046	124,848	151,897	184,806	224,845	332,825
Insurance	66,500	69,160	71,926	74,803	77,796	94,650	115,156	140,105	207,390
Property Tax	160,668	167,095	173,779	180,730	187,959	228,681	278,226	338,504	501,069
Reserve for Replacements	63,600	66,144	68,790	71,541	74,403	90,523	110,135	133,996	198,346
Other	13,150	13,676	14,223	14,792	15,384	18,717	22,772	27,705	41,010
TOTAL EXPENSES	\$912,475	\$948,189	\$985,309	\$1,023,889	\$1,063,987	\$1,289,436	\$1,562,923	\$1,894,726	\$2,785,902
NET OPERATING INCOME	\$656,598	\$667,956	\$679,321	\$690,680	\$702,018	\$757,848	\$810,441	\$856,653	\$911,721
DEBT SERVICE									
First Lien Financing	\$598,727	\$598,727	\$598,727	\$598,727	\$598,727	\$598,727	\$598,727	\$598,727	\$598,727
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$57,871	\$69,228	\$80,593	\$91,952	\$103,291	\$159,120	\$211,713	\$257,926	\$312,993
DEBT COVERAGE RATIO	1.10	1.12	1.13	1.15	1.17	1.27	1.35	1.43	1.52

LIHTC Allocation Calculation - Bayou Willows, Pasadena, HTC #03458

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	\$871,200	\$1,017,816				
Purchase of buildings	\$5,328,800	\$5,182,184	\$5,328,800	\$5,182,184		
(2) Rehabilitation/New Construction Cost						
On-site work	\$145,984	\$145,984			\$145,984	\$145,984
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	\$1,359,216	\$1,359,216			\$1,359,216	\$1,359,216
(4) Contractor Fees & General Requirements						
Contractor overhead	\$30,104	\$30,104			\$30,104	\$30,104
Contractor profit	\$90,312	\$90,312			\$90,312	\$90,312
General requirements	\$90,312	\$90,312			\$90,312	\$90,312
(5) Contingencies	\$150,520	\$150,520			\$150,520	\$150,520
(6) Eligible Indirect Fees	\$113,822	\$113,822			\$113,822	\$113,822
(7) Eligible Financing Fees	\$198,000	\$198,000			\$198,000	\$198,000
(8) All Ineligible Costs	\$472,781	\$472,781				
(9) Developer Fees			\$799,320	\$777,328	\$326,741	\$326,741
Developer overhead	\$225,212	\$203,219				
Developer fee	\$900,849	\$900,849				
(10) Development Reserves	\$496,746	\$496,746				
TOTAL DEVELOPMENT COSTS	\$10,473,858	\$10,451,865	\$6,128,120	\$5,959,511	\$2,505,011	\$2,505,011

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			\$6,128,120	\$5,959,511	\$2,505,011	\$2,505,011
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$6,128,120	\$5,959,511	\$2,505,011	\$2,505,011
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$6,128,120	\$5,959,511	\$2,505,011	\$2,505,011
Applicable Percentage			3.57%	3.57%	3.57%	3.57%
TOTAL AMOUNT OF TAX CREDITS			\$218,774	\$212,755	\$89,429	\$89,429

Syndication Proceeds	0.8300	\$1,815,823	\$1,765,863	\$742,260	\$742,260
Total Credits (Eligible Basis Method)				\$308,203	\$302,183
Syndication Proceeds				\$2,558,083	\$2,508,122
Requested Credits				\$311,565	
Syndication Proceeds				\$2,585,990	
Gap of Syndication Proceeds Needed				\$3,059,158	
Credit Amount				\$368,573	



© 2001 DeLorme. XMap® Business 1v3, GDT, Inc., Rel. 01/2001
 Zoom Level: 11-0 Datum: WGS84

Scale 1 : 100 000
 1" = 1.58 mi



TN
 *
 MN
 4.4°E

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

December 11, 2003

Action Item

Requests for amendments to Housing Tax Credit (HTC) applications.

Requested Action

Approve or deny requests for amendments.

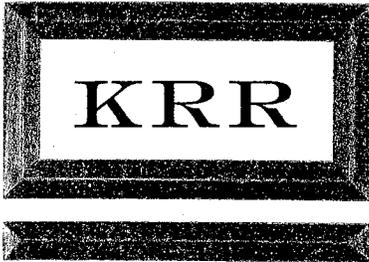
Background and Recommendations

Pertinent facts about the subject developments and staff recommendations are summarized below.

HTC Development No. 02147, Heatherbrook Apartments

Summary of Request: Applicant was required to change the site plan to obtain City approval for storm water improvements. Buildings were originally all two-stories. Under the amended plans, there are two two-story buildings and seven three-story buildings. Gross building area also increased.

Governing QAP:	2002 QAP, Section 49.7(k)
Applicant:	Houston Heatherbrook, L.P.
General Partner:	KRR Construction, Inc.
Principals/Interested Parties:	Joseph Kemp
Syndicator:	JER Hudson Housing Capital
Construction Lender:	JPMorgan Chase
Permanent Lender:	GMAC Commercial Mortgage
City/County:	Houston/Harris
Set-Aside:	General/Family
Type of Development:	New Construction
Units:	140 HTC units and 36 market mate units
2002 Allocation:	\$1,084,340
Allocation per HTC Unit:	\$7,745
Other Funding:	NA
Prior Board Actions:	Approved allocation 7/29/02 Approved extension for commencement of construction 11/14/03
Underwriting Reevaluation:	Underwriting review is in progress.
Staff Recommendation:	The proposed change would not have altered the recommended allocation of credits. Therefore, staff recommends granting the amendment as requested, subject to any conditions stated in the Underwriting Addendum.



CONSTRUCTION, INC.

1818 CEDARDALE RD., LANCASTER, TEXAS 75134
(972) 224-1096 FAX (972) 224-6098

NOV 10 AM 11:18

NOV 10 AM 11:18

KENNETH FAMBRO
fambro@krrcompanies.com
(972) 224-1096

November 6, 2003

Mr. Ben Sheppard
Multifamily Finance Production
Texas Department of Housing
and Community Affairs
507 Sabine, Suite 400
Austin, Texas 78701

Re: Heatherbrook Apartments, Houston, Texas (TDHCA #02147)
Application Amendment – Site Plan Change

Dear Mr. Sheppard:

On behalf of Houston Heatherbrook Limited Partnership (“Project Owner”), I request approval for site plan modification.

A change in site plan was necessary in order to comply with the storm water detention facility requirements of the City of Houston. Additionally, since the site is a former pecan orchard, the new site plan design was able to save a good number of existing trees. In an attempt to retain both the number of units and unit square footage, the building types were changed from all two story to a mix of two (2) two story and seven (7) three story buildings. The actual Gross Building Area has increased from 204,376 sq. ft. to 222,624 sq. ft.

Please feel free to contact me if there are any comments or questions concerning this request. Thank you in advance for your assistance with this matter.

Sincerely,

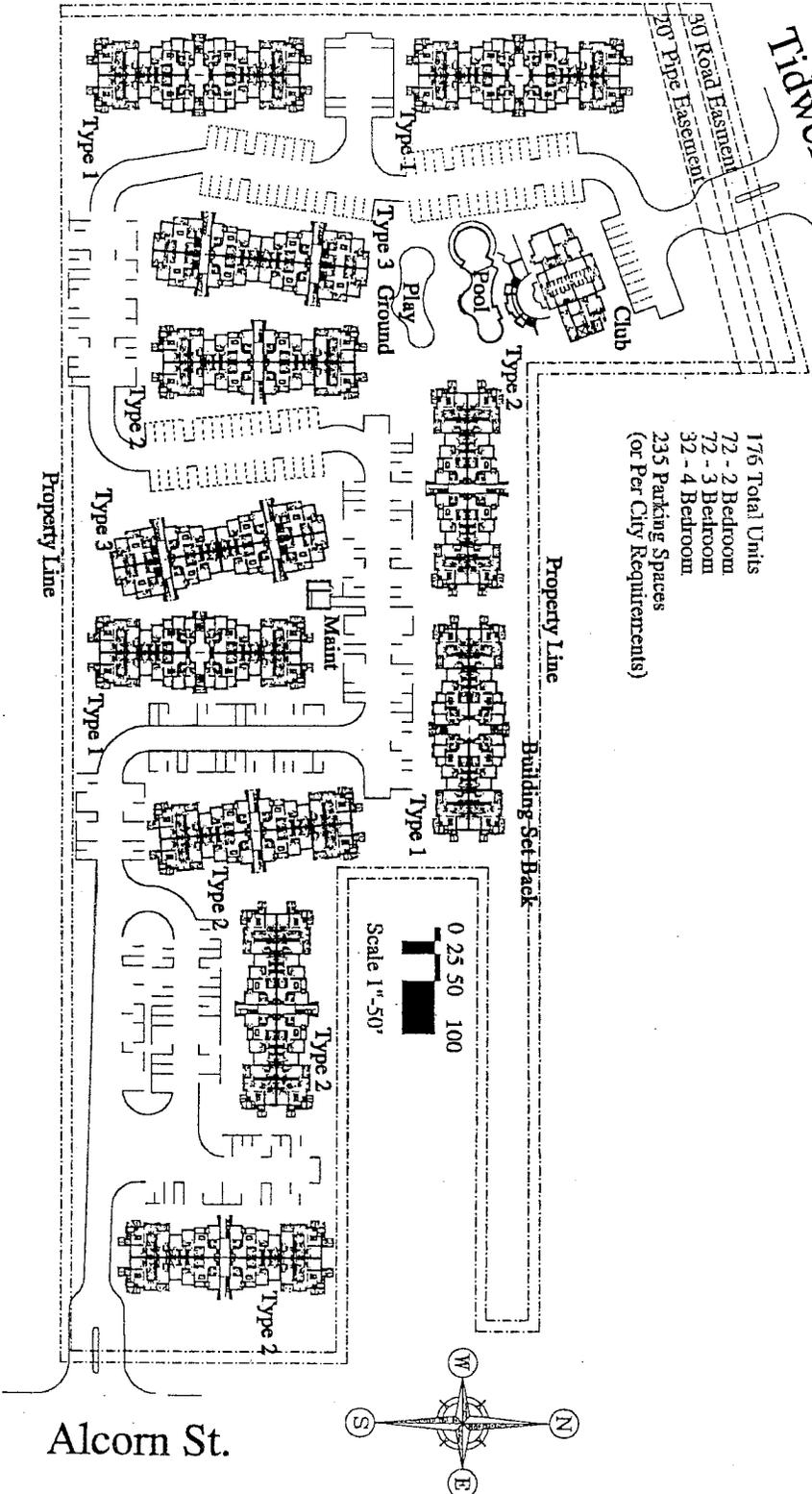
Kenneth W. Fambro, II
Vice President

APPLICATION

Heatherbrook Apartments

Houston, Texas

- 176 Total Units
- 72 - 2 Bedroom
- 72 - 3 Bedroom
- 32 - 4 Bedroom
- 235 Parking Spaces
(or Per City Requirements)



architectural
 ARCHITECTURE, INC.
 808 WASH ST. SUITE 140
 PIANO, TEXAS 75075
 1, 872, 509, 0086 / 1, 972, 509, 0022
 poliscia@architectural-inc.com

01 Site Plan
 SCALE: 1/8" = 1'-0"

HTC Development No. 03100, Churchill at Longview Apartments

Summary of Request: At the time of closing, the applicant was required by the land seller to cut a 0.4354 acre tract from the southeast corner of the tract originally proposed for development in the application. At the same time, the owner gained 1.3154 acres at the northern (rear) boundary of the site. Therefore, the site increased from 10.6 acres at application to 11.48 acres.

Governing QAP:	2003 QAP, Section 49.18(c)
Applicant:	Churchill at Longview, L.P.
General Partner:	LCBH GP,LLC, managing GP Churchill Residential, Inc., Co-GP LifeNet Community Behavioral Healthcare, 100% owner of LCBH GP, LLC
Principals/Interested Parties:	Brad Forslund (50% owner of Co-GP), Tony Sisk (50% owner of Co-GP)
Syndicator:	SunAmerica Affordable Housing Partners, Inc.
Construction Lender:	SunAmerica Affordable Housing Partners, Inc.
Permanent Lender:	SunAmerica Affordable Housing Partners, Inc.
City/County:	Longview/Gregg
Set-Aside:	General/Family
Type of Development:	New Construction
Units:	160 HTC units
2002 Allocation:	\$1,150,000
Allocation per HTC Unit:	\$7,188
Other Funding:	NA
Prior Board Actions:	Approved allocation 7/30/03
Underwriting Reevaluation:	Underwriting review is in progress.
Staff Recommendation:	Grant amendment as requested subject to any conditions stated in the Underwriting Addendum.

CHURCHILL RESIDENTIAL, INC.

NOV 4 AM 11:34

November 3, 2003

Mr. Ben Sheppard
TDHCA- LIHTC Program
507 Sabine, Suite 300
Austin, Texas 78701

via FedEx and fax (512)475-0764

RE: TDHCA # 3100 Churchill at Longview

Dear Mr. Sheppard:

We are requesting approval of the change in acreage of the Subject site.

The original application included the contract for 10.6 acres at a purchase price of \$346,000. The contract also allowed for the adjustment of the purchase price and acreage based upon the final survey using \$0.75 psf.

The final survey resulted in 11.48 acres (enclosed), however the Seller did not increase the purchase price. The difference in acreage was due to a notch-out requested by the Seller at the southeast corner (0.4354 acres). The overall width of the site remained the same at 400'. The depth of the site increased from 1,100 to approx. 1,300'. The Seller was willing to give us the additional acreage at no cost, because they requested the notch-out. In addition, after a swap of equal additional acreage the remaining land located between the back of the subject site and the Seller's rear property line was essentially unusable to the Seller. We incorporated the additional acreage into the site plan in a form of greenspace.

There have been no changes to the unit mix, square footage, number of buildings etc.

The land was closed on October 28, 2003 and carryover was made on October 31, 2003.

Enclosed is the application amendment fee of \$2,500.

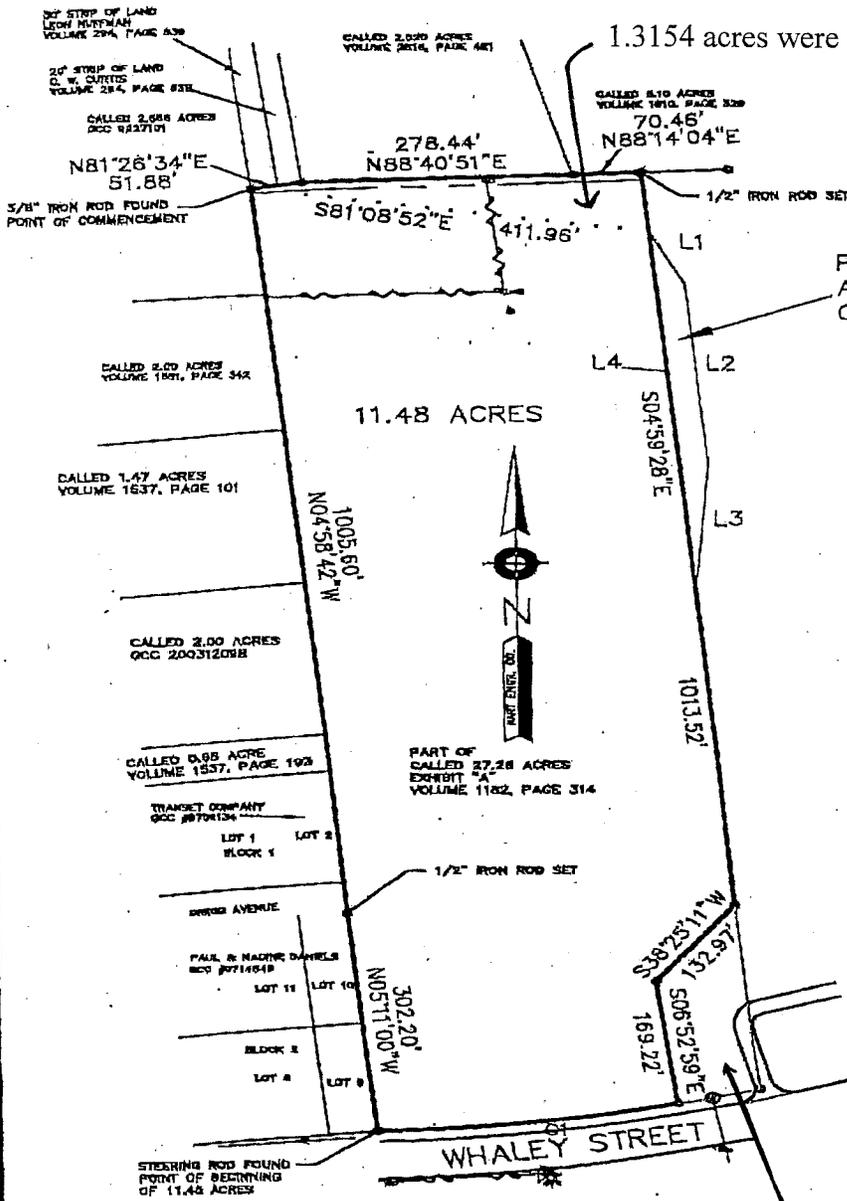
Please call with any questions you may have at (214)720-0430.

Sincerely,



Brad Forslund
President

Enclosure



1.3154 acres were added to the rear of the site since application

ALEX JORDAN SURVEY, A-262
CITY OF LONGVIEW
GREGG COUNTY, TEXAS

PROPOSED CONSTRUCTION
AND SLOPE EASEMENT
0.2583 ACRE

DESCRIPTION OF 0.2583 ACRE OF LAND
(CONSTRUCTION AND SLOPE EASEMENT)

Being 0.2583 acre of land located in the Alex Jordan Survey, Abstract 262, City of Longview, Gregg County, Texas, said 0.2583 acre of land being a portion of a called 27.28 acre tract of land described by deed recorded in Volume 1182, Page 314, Deed Records, Gregg County, Texas. Said 0.2583 acre of land being more particularly described as follows:

Commencing at a 3/8" iron rod found for the northwest corner of 27.28 acre tract, same being the southwest corner of a 30 feet strip of land conveyed to Leon Huffman described by deed recorded in Volume 294, Page 639, Deed Records, Gregg County, Texas; THENCE S81°08'52"E, a distance of 411.95 feet across the 27.28 acre tract to a point for the northernmost corner of and POINT OF BEGINNING of the herein described tract, said point being on the east boundary line of a 11.48 acre tract also surveyed at this time and being S04°59'28"E, a distance of 80.00 feet from the northeast corner of same;

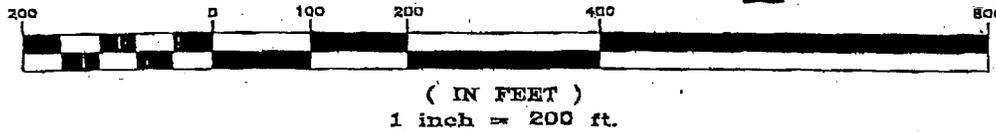
THENCE S26°47'33"E, a distance of 80.78 feet to a point for corner;

THENCE S04°59'28"E, a distance of 250.00 feet to a point for corner;

THENCE S04°44'12"W, a distance of 177.55 feet to a point for corner, said point being on the east boundary line of said 11.48 acre tract;

THENCE N04°59'28"W, a distance of 500.00 feet along the east boundary line of 11.48 acre tract to the POINT OF BEGINNING and containing 0.2583 acre of land.

0.4354 acres taken from the southeast corner since application



LINE	DIRECTION	DISTANCE
L1	S26°47'33"E	80.78'
L2	S04°59'28"E	250.00'
L3	S04°44'12"W	177.55'
L4	N04°59'28"W	500.00'

10.6000 acres as proposed at application
 0.4354 acres taken from the southeast corner since application
 1.3154 acres added to the rear of the site
 11.4800 acres is final size proposed

CONSTRUCTION AND SLOPE EASEMENT
0.2583 ACRES

PREPARED BY
HART
 Surveying & Mapping Company

P.O. Box 5828
 418 W. CENTER ST.
 LONGVIEW, TX 75604
 800-798-0798
 FAX 798-0888
 DATE 9-20-03

DRAWN BY	CHECKED BY	APPROVED BY	SCALE	SEE NO.	PROD. PLAN
LL	LL	LL	1" = 50'	14073	0247

HTC Development No. 03245, Meadows Place Senior Village Apartments

Summary of Request: Applicant increased common area from 31,499 to 36,917 square feet, an increase of 17%. Net rentable area decreased from 131,050 to 129,417 square feet, a decrease of 1.2%. Although the building footprints on the site plan have not changed, the two buildings have been changed from a three-story building and a four-story building to two three-story buildings.

Governing QAP:	2003 QAP, Section 49.18(c)
Applicant:	Meadows Place Village, L.P.
General Partner:	Chaparral Group, Inc.
Principals/Interested Parties:	Rae, Stephen and Al Fairfield
Syndicator:	MuniMae Midland
Construction Lender:	Southwest Bank of Texas
Permanent Lender:	Fort Bend County-HOME
City/County:	Meadows Place/Fort Bend
Set-Aside:	General/Elderly
Type of Development:	New Construction
Units:	145 HTC units and 37 market rate units
2002 Allocation:	\$675,605
Allocation per HTC Unit:	\$4,659
Other Funding:	HOME – see permanent lender above
Prior Board Actions:	Approved allocation 7/30/03
Underwriting Reevaluation:	Underwriting review is in progress.
Staff Recommendation:	The proposed change would not have altered the recommended allocation of credits. Therefore, staff recommends granting the amendment as requested, subject to any conditions stated in the Underwriting Addendum.

Chaparral Group, Inc.

November 14, 2003

Ben Shepard
Texas Department of Housing
& Community Development
507 Sabine
Austin, TX 78701

**RE: Meadows Place Senior Village
TDHCA #03245**

Dear Mr. Shepard:

We respectfully request your approval for a change we have made in the plans of this project, for which 2003 Tax Credits were awarded.

We have changed, from one two-story building and one four-story building, to two three-story buildings. This accommodates several situations:

1. The City of Meadows Place prefers a three-story building structure instead of a four-story building structure. We do not expect this to cause any additional changes based on the following reasons (see letter-*will be provided under separate cover on Monday, 11-17-03 via e-mail*):
2. We are improving the project and balancing the two buildings to accommodate two groups of tenants desiring 50-60 apartments each.
3. We have one elevator per building, each serving 64-units (well below the departments ceiling of 90-units per elevator).
 - a. We have a deaf group who all want to be in one building with at least 60 apartments to themselves.
 - b. We have a blind group who all want to be in one building with at least 50 apartments to themselves.

Both buildings have like footprints, so moving one floor from one building to another does not affect the site plan, utility, slab or roof expenses, merely moving the costs of like interior space within the project from one building to another but not changing their components.

- The building cost and income is not changed, we simply take a slice out of one building and move it to another building. The square footage of NRA and Gross remains unchanged.
- The Foundation Cost is the same.
- The Roof Cost is the same.
- The Exterior Walls Cost is the same.
- The Interior Finishing Cost is the same
- The Project Income remains the same.
- The Project Operating Expenses remain the same.
- We had one elevator in each building in our original application and that remains the same.

Please find enclosed Architectural Plans, which includes a current copy of the Unit Mix and Building and Elevation plans. Also, enclosed is a current copy of the revised Site Plan for your review.

We have compared the Tax Restricted NRA on the application to the final number on the plans:

	<u>SF NRA</u>	<u>Percent Change</u>
Application	99,455	
Plans	97,228	97.76%
Reduction	2,227	2.24%
TOTAL		100%

We have increased the overall common area by 5,418SF, from 31,499SF to 36,917SF.

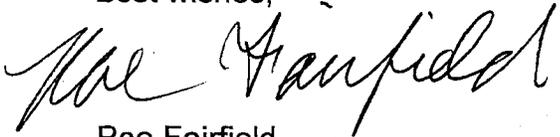
The projected net rentable area of 129,417 is within 1.2% of the 131,050 in the application. However, this slight variance will not affect total costs since:

- a. The small square footage variance does not affect the core cost areas of site work, amenities, MEP systems, etc.; and

- b. Any residual is offset by the additional costs imposed by the City of Meadows Place in the form of brick/wrought iron perimeter fencing and the relocation and screening of meters and utilities.

We are committed to satisfy the requirements requested by TDHCA and look forward to talking with you soon.

Best wishes,

A handwritten signature in black ink, appearing to read "Rae Fairfield". The signature is written in a cursive, flowing style.

Rae Fairfield
President
Chaparral Group, Inc.

AUDIT COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine, Room 437, Austin, Texas 78701
December 11, 2003 8:00 am

A G E N D A

**CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM**

Vidal Gonzalez, Chair

PUBLIC COMMENT

The Audit Committee of the Board of the Texas Department of Housing and Community Affairs will solicit Public Comment at the beginning of the meeting and will also provide for Public Comment on each agenda item after the presentation made by department staff and motions made by the Committee.

ACTION ITEMS

Item 1 Presentation, Discussion and Possible Approval of Minutes of Audit Committee Meeting of October 9, 2003 Vidal Gonzalez

REPORT ITEMS

Item 2 Presentation and discussion of:

- | | | |
|----|--|--------------|
| a) | HUD Section 8 Rental Integrity Monitoring Review | David Gaines |
| b) | Status of Prior Audit Issues | David Gaines |
| c) | Status of Central Database | David Gaines |

EXECUTIVE SESSION

If permitted by Law, the Committee may discuss any item listed on the agenda in Executive Session

Vidal Gonzalez

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

Vidal Gonzalez

ADJOURN

Vidal Gonzalez

Individuals who require auxiliary aids or services for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3100 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
October 9, 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 October 9, 2003 was called to order by Chair Vidal Gonzalez at 8:50 a.m. It was held at the Texas Department of Housing and Community Affairs Boardroom, Austin, Texas. Roll call certified a quorum was present. Shad Bogany was absent.

Members present:

Vidal Gonzalez -- Chair

Elizabeth Anderson - Member

C. Kent Conine – Alternate 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.

ACTION ITEMS

(1) Presentation, Discussion and Possible Approval of Minutes of Audit Committee Meeting of July 29, 2003

Motion made by Beth Anderson and seconded by C. Kent Conine to approve the minutes of the July 29, 2003 Audit Committee Meeting.

Passed Unanimously

(2) Presentation, Discussion and Possible Approval of Fiscal Year 2004 Annual Audit Plan

Mr. Gaines stated the Texas Internal Auditing Act requires that an annual plan be developed based upon risk assessment processes. The division uses nine different risk factors, and applies each one of those factors to the auditable unit. The first two projects are carryover projects from last year which are: (1) the review of the draw processes and to determine if the draws are properly accounted for, adequately supported, and in compliance with the department standards. This project is being carried over because last year more time was expended than anticipated in developing and understanding of the processes; (2) an internal auditing division fulfilling its obligations under the state agency internal audit forum. It is TDHCA's turn to reciprocate and conduct a peer review of another agency. Other projects planned are a review of the department subrecipient monitoring function to determine whether adequate monitoring procedures are in place that will add reassurances that the subrecipients of the high risk programs are complying with the high risk requirements. The final audit project planned is to follow up on prior audit issues.

Motion made by C. Kent Conine and seconded by Beth Anderson to approve the FY 2004 Annual Audit Plan.

Passed Unanimously

Ms. Anderson requested when an audit is received by the department, that this audit be reviewed for any immediate follow-up necessary with the grantees.

REPORT ITEMS

(3) Presentation and discussion of:

(a) Fiscal Year 2003 Annual Internal Audit Report

Mr. Gaines stated this is the annual internal auditing report of the internal auditing division. This is a required report prescribed by the State Auditors Office and is required to be distributed to the Governors Office, the LBB, the SAO, and the Sunset Advisory Commission.

Ms. Anderson stated she wanted to be on record that the department should be very cautious about building point to point interfaces between systems. Mr. Gaines will keep the Audit Committee advised on the progress of the interfaces between systems.

(b) Internal Auditing Report on Manufactured Housing Division – Controls Over Fee Collections

Mr. Gaines stated this report relates to fee collections for the Manufactured Housing Division and they found that fees are properly authorized, supported and collected. Management has established controls to ensure its cash receiving processes are effective in safeguarding cash receipts from the point of receipt until they are submitted to the departments accounting division for deposit.

(c) Internal Auditing Report on Housing Tax Credit Program – Controls Over Construction of Housing Tax Credit Developments

Mr. Gaines stated this is a report that relates to the housing tax credit developments. Controls to provide reasonable assurance that developments actually delivered under the program conform to the construction specifications relied on by management and the departments Governing Board in its award decisions. This report was issued prior to the reorganization taking place and some issues have been addressed and some are in the process of being addressed as a result of that reorganization. Improvements are necessary in the design of the control systems during the construction phase of housing tax credit developments. These improvements are the need to expand the independent construction inspectors' contract performance statements to include consideration and verification of development. The oversight of the contract inspectors needs to be formalized. Management has taken action of several issues.

Ms. Anderson stated it is important for the Board to know if there are developers who are trying to operate in Texas who are having trouble keeping their commitments to us.

(d) HUD - Rental Integrity Monitoring Review of Section 8 Housing Choice Voucher Program

Mr. Gaines stated this report was released by HUD and is described as a focused and detailed assessment of the department's income and tenant determinations. TDHCA Section 8 staff did receive compliments from HUD which stated they commend the staff's knowledge of the program and their efforts in maintaining well-organized tenant files and communicating an appreciation for the openness to the suggestions and recommendations. This report discusses systemic issues and HUD defines those as corrective actions required of the department that the recalls are resolved and all related files are corrected. These issues are: 1) lack of verification of public assistance and other income; 2) data problems and the application used by the Section 8 improperly displays the lesser of the payment standard of gross rent in a particular field that HUD captures; 3) the department is not reporting food stamp income or excluding it in a particular field, which causes the total amount of income to be improperly reported; and 4) the department is not properly verifying immigration eligibility; 5) concern that the department's conducting a strong criminal background check to certify tenants and that this documentation are to be put in a locked file; 6) there is a need for increased quality control relating to file documentation.

Copies of documentation provided to HUD on the RIM will be provided to all board members.

(e) HUD – Monitoring Report of Emergency Shelter Grant Program

Mr. Gaines stated this is a report on the Emergency Shelter Grant Program and the results of the review are no findings or concerns. The State of Texas' performance in implementing the Emergency Shelter Grant Program is excellent.

(f) Prior Audit Issues

September 2000 HUD Section 8 Management Review

Mr. Gaines stated there are 17 issues reported as implemented and are considered by management as implemented for some time. In the June 2003 report, the SAO reported that continued corrective actions needed to be taking place on six of the seven issues being followed up on due to various exceptions noted relating to their issues in their final review. Management has agreed to enhance its quality and control review procedures to provide further assurance in minimizing the related areas. The remaining issue relates to the department establishing a family self

sufficiency program. HUD has approved the departments request for an extension for the FSS program outside of the Houston area and the department continues to work with HUD on an action plan for within the Houston area.

Ms. Anderson suggested the department should have an internal deadline to complete the Family Self Sufficiency Plan as this is an important part of being a PHA.

A report is to be given at the next Board meeting on this Family Self Sufficiency Plan. Staff will also send a copy of report to all board members

November 2001 HUD Monitoring Visits of HOME Program

Mr. Gaines stated the department continues to work on all outstanding issues and the most significant event is that the department sent a letter to TSAHC and a response has been received. The department is not satisfied with that response and is in the process of providing a follow up letter.

A copy of these letters will be sent to all Board members.

June 2003 State Auditor's Report, Selected Assistance Programs

Mr. Gaines stated this item relates to the current status of the issues resulting from the recent SAO report of the Community Affairs Program. Five of the twelve issues have been reported as implemented.

Other Miscellaneous Prior Audit Issues (Section 8 Program Specific Audits, Controls over Single Family Loans Audit, and Statewide Federal Single Audit)

Mr. Gaines stated three of these have been reported as implemented and the remaining issue relates to the need for the department to implement the policies relating to and procedures relating to review of delinquent loans advanced collection efforts. The Loan Administration is working to generate the necessary management reports, and there is a draft SOP on how this will operate.

Mr. Conine stated the department should be actively involved in monitoring all single family loans, whether they are mortgage revenue bond programs, down payment assistance programs, etc. If counseling needs to take place or some assistance needs to take place for those first time homebuyers, the department should be able to catch this as quickly as possible before a house goes into foreclosure. He asked management to see if the department can get to this level as quickly as possible.

(g) Status of Central Database

Mr. Gaines stated the contract system is substantially complete and full implementation of the module is expected in November. The Department will be able to account for the HOME funds from HUD, the original source, to individual funds, to individual draws, as the funds are disbursed, including the accounting of allocations to regions, activities, set-asides to the contract level. Tracking will be by program and state year.

Ms. Anderson commended people on the IS steering committee who have been providing support for this project and also Curtis and Walt and their team in the IS department. The department's IS team designed and wrote this contract module and it is ready to go into production. Curtis Howe, IS Director, stated the contractor did participate in the design of the contract system but the IS staff did develop the entire system.

Mr. Gaines reported that on the peer review our Internal Auditing Division is highly regarded and received a 3 which is the highest score possible.

EXECUTIVE SESSION

If permitted by Law, the Committee may discuss any item listed on the agenda in Executive Session

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

There was no Executive Session held.

ADJOURN

Motion made by C. Kent Conine and seconded by Beth Anderson to adjourn the meeting.
Passed Unanimously

The meeting adjourned at 9:50 a.m.

Respectfully submitted,

Board Secretary

p.dg/auminoc

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

**HUD Section 8
Rental Integrity Monitoring Review**



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Fort Worth Regional Office, Region VI
Office of Public Housing
801 Cherry Street
Post Office Box 2905
Fort Worth, Texas 76113-2905

August 28, 2003

Eddie Fariss, Executive Director
Texas Department of Housing
and Community Affairs
PO Box 13941
Austin, TX 78711

RECEIVED
SEP 04 2003
COMMUNITY AFFAIRS

Dear Mr. Fariss:

Enclosed is the report of our recent Rental Integrity Monitoring (RIM) review of the Texas Department of Housing and Community Affairs (TDHCA) Section 8 Housing Choice Voucher (HCV) program. The review was conducted by Robin Barton, Charles Eldridge and Eva Weathers of this office, as well as Antonio Mosqueda of the Houston Office of Public Housing and Greg Kraus of the San Antonio Office of Public Housing during the week of July 27 through July 29, 2003.

A RIM review is a focused and detailed assessment of public housing agency income and rent determinations in the Low Rent Public Housing and HCV programs. RIM reviews also afford HUD the opportunity to provide guidance and technical assistance to PHAs on strengthening income and rent policies and procedures, reducing the potential for future errors.

The enclosed report, with attachments, documents the results of the RIM review. The PHA RIM Review Summary Report lists systemic errors. Systemic errors are those found in 30 percent or more of the files and also errors made regularly in a given situation or category. The TDHCA has four systemic errors:

1. Lack of verification of public assistance and other income. This error was found in 11 of the 35 files reviewed, which is 33 percent.
2. Improper transfer of data from file to MTCS. This error was found in 27 of the 35 files reviewed, which is 77 percent.
3. Failure to record and exclude food stamp income. This error was found in 3 of the 35 files. We consider this to be systemic because of the consistent error made in this category.
4. Lack of required INS data. This error was found in 2 of the 35 files. We consider this to be systemic because of the consistent error made in this category.

In addition to the systemic RIM errors, the Housing Authority also had a finding concerning criminal background checks.

The Tenant File Error Reports document a number of specific tenant file errors and discrepancies. For each error, discrepancy and area of concern, we include a discussion of the issue and the response we are seeking, including clarification and possible corrective actions. The response should address the form HUD-50058 in effect at the time of the review.

Once the Housing Authority has submitted all the necessary documentation to allow HUD to complete the rent calculations, we will be able to determine if the tenant has overpaid or underpaid the rent amount.

In cases where the tenant was found to be overpaying rent, the Housing Authority must reimburse the family for any overpayment. Reimbursement to a tenant who has overpaid rent is a legitimate program expense and should be added to the Housing Assistance Payments due to the Housing Authority.

In cases where the tenant has underpaid rent due to the Housing Authority error, the tenant's rent must be corrected prospectively, and the Housing Authority must reimburse the program from its administrative fees for the disallowed program expense.

Please utilize the deficiencies found on the enclosed Rental Integrity Monitoring (RIM) Review report to develop a quality control process for correcting all of the systemic errors identified. Systemic errors must be corrected in all Section 8 tenant files.

We commend the staff's knowledge of the HCV program and their efforts in maintaining well-organized tenant files. We appreciated their cooperation and helpful attitude during the review, as well as their openness to our suggestions and recommendations.

We are asking that you submit a review response to this office within 30 days of the date of this letter. This response should address each of the issues discussed in the review, provide the requested documentation and, where appropriate, indicate the corrective actions taken or planned. If you have any questions or wish to discuss the review report and the issues addressed in the report, please contact Robin Barton at (817) 978-5706.

Sincerely,



Roman R. Palomares
Acting Director
Office of Public

Enclosures

Rental Integrity Monitoring (RIM) Review Report

TDHCA
PHA No. TX901
July 27 – 29, 2003

REVIEW SUMMARY

During the week of July 27 through 29, 2003, the Fort Worth Office of Public Housing conducted a Rental Integrity Monitoring (RIM) review at TDHCA. This report details the results and conclusions of the RIM review.

RENTAL INTEGRITY MONITORING OVERVIEW

RIM reviews are one strategy in a larger, HUD-wide initiative designed to reduce income and rent errors in the administration of federally assisted housing programs – known as the Rental Housing Integrity Improvement Project (RHIP). RHIP supports the Presidential mandate that requires federal agencies to reduce costly program errors.

The purpose of a RIM review is to assess whether and to what extent a public housing agency (PHA) is accurately, thoroughly and clearly determining family income and rent in the Low Rent Public Housing and Section 8 Housing Choice Voucher (HCV) programs, in compliance with statutory, regulatory and HUD administrative requirements. In addition to identifying and correcting existing errors in income and rent determinations, RIM reviews afford HUD the opportunity to provide guidance and technical assistance to PHAs on strengthening income and rent policies and procedures, reducing future errors.

While the focus of a RIM review – PHA income and rent determinations – can be detailed, the scope of the review is not especially broad. Many aspects of PHA management are not within the scope of a RIM review.

- Any aspect of PHA program management that falls outside of the umbrella of the *occupancy management* function is not an element of the RIM review. This would include general PHA organization, management and personnel policies and practices, budgeting and financial management decisions, maintenance of PHA buildings, units and systems, housing quality standards inspections of Section 8 HCV units, modernization and capital improvement programs, resident services and specialized grant programs, among others.
- In addition, there are several aspects of the *occupancy management* function itself that are not included in the RIM review. This would include PHA application and waiting list management policies and procedures, program participant selection and the use of selection preferences, ongoing lease enforcement activities, grievances, among others.

The primary activity in a RIM review is the review of a sample of tenant files drawn from participants in both the Low Rent Public Housing and Section 8 HCV programs, managed by a PHA. Tenant file records represent the critical pieces of source documentation for PHA income and rent determinations. The results of this review of a sampling of tenant files are used to support all HUD determinations and conclusions with regard to PHA income and rent performance.

The RIM review also involves interviews and discussions with PHA management and staff regarding all aspects of income and rent determinations, as well as a review of relevant PHA policies, procedures, systems and materials that support the income and rent determination process.

**Rental Integrity Monitoring (RIM)
Review Report**

TDHCA
PHA No. TX901
July 27 – 29, 2003

REVIEW RESULTS

The results of a RIM review may generally be divided into four categories:

- **Findings**
- **Concerns**
- **Tenant File Errors**
- **Recommendations**

The RIM review report for TDHCA contains five findings. **Findings** are defined as conditions that are not in compliance with statutory, regulatory, handbook or other explicit HUD requirements, and which require corrective action by the PHA.

The RIM review report includes concerns. **Concerns** are defined as deficiencies in performance that are not based on compliance with an explicit statutory, regulatory, handbook or other HUD requirement but which, nevertheless, require appropriate corrective actions by the PHA. For purposes of the RIM review report for, we have used the category of **concerns** to identify areas where PHA policies, actions and determinations may be unclear or inconclusive. In many instances, due to the limited scope and duration of the review, a definitive conclusion on PHA performance could not be reached. In these areas, we have outlined the nature of our questions and concerns and, as corrective actions, have asked the PHA to research the issue further and provide additional clarification to this office.

Also addressed in the report are specific **tenant file errors**. **Tenant file errors** are drawn from the results of the tenant file sample review and generally reflect isolated errors, mistakes or areas of uncertainty that are specific to the circumstances of a particular tenant family. Such errors do, however, require corrective actions or clarification, as appropriate, by the PHA.

Finally, the report offers **recommendations** for improvements in existing policies and procedures related to income and rent determination.

**Rental Integrity Monitoring (RIM)
Review Report**

**TDHCA
PHA No. TX901
July 27 – 29, 2003**

Findings

1. Inadequate third party verification of asset, public assistance, Social Security and child support income.

Several of the files reviewed either had inadequate verification of asset, public assistance, Social Security and/or child support income, or there was no verification at all on file. As stated in 24 CFR §960.259 and 24 CFR §982.516, the PHA must obtain and document in the family file Third Party Verification of reported family income, value of assets, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income and income-based rent. Only when third party verification is not available, are other forms of verification acceptable. The types of verification in order of preference are listed below. The Housing Authority's Administrative Plan sets forth the procedures required by the regulation. However, in many cases these procedures are not followed. The Housing Authority does not follow the hierarchy established by the Administrative Plan and does not document the steps taken to secure the required verification.

Failure to properly document all aspects of income and rent causes the Housing Authority to lose funds by under charging families for rent and also causes families to pay more than thirty percent of their adjusted income.

Generally, verification of information supplied by an applicant or tenant family should follow a basic hierarchy for reliability and veracity, from the most reliable to the least reliable:

1st: Third-party, written verification: Independent, third party, written verification should be used whenever possible because it generally provides the most reliable data.

Documentation should come directly from the third-party (employer, social service agency, welfare provider, etc.), by mail, fax, or some other reliable means. This includes information obtained via electronic means, computer matching, and other forms of up-front verification.

2nd: Third-party, oral verification: Where written verification is impossible or not timely, oral verification directly with the third-party (via phone or interview) may also be used.

A written record of this contact should be prepared by the PHA, including date/time of contact, name and source of information, PHA staff person, summary of information provided and the rationale for using oral verification. Where written verification was not timely, the PHA should follow-up with the third-party to obtain written verification as soon as possible.

3rd: Document Review: Tenant file documentation may include a record of documents reviewed by PHA staff which support the family's statements.

If possible, original copies (not photocopies) of supporting documents should be reviewed, though the PHA should photocopy the document (unless prohibited by law) and place it in the applicant's file. PHA staff reviewing the document(s) should prepare a summary of the information and sign/date this summary. This summary should include the rationale for using document review as verification and again, if possible, the PHA should follow-up with the third-party to obtain written verification later.

Rental Integrity Monitoring (RIM) Review Report

TDHCA
PHA No. TX901
July 27 – 29, 2003

4th: Family Declaration or Certification: Only when all other forms of verification are impossible, the PHA could obtain a notarized statement or signed affidavit from the family, attesting to the accuracy of the information provided. The applicant's file should be clearly documented to show why other forms of verification were impossible. This type of documentation should rarely be used and should not be used merely for the convenience of the applicant or the PHA, or where the applicant cannot provide the necessary information.

This approach is supported by HUD guidance in Notice PIH 2001-15 (HA): Improving Income Integrity in Public and Assisted Housing, issued May 2, 2001, in support of the RHIP initiative. Notice PIH 2001-15 (HA) states:

*A PHA must obtain and document in the family file **third party verification** of reported family income, value of assets, expenses related to deductions from annual income and other factors that affect the determination of adjusted income and income-based rent. If this information is not available, the PHA must document in the file the reason(s) [24 CFR §960.259(c) and §982.516(a)(2)].*

A PHA may use several methods to verify the income of a resident family. A PHA may require and check documents and information supplied by the family, however, to be considered third party verification the documentation must come directly to the PHA from the provider.

Section 8 HCV regulations provide additional support in 24 CFR §982.516(f), *Accuracy of family income data*, which states, "The PHA must establish procedures that are appropriate and necessary to assure that income data provided by applicant or participant families is complete and accurate."

Reliable third-party verification should come directly from the third-party source, not as a "pass-through" coming from the family. Only when the more direct and reliable sources of verification are unavailable should the PHA rely solely on documentation provided directly by the family, and then only with clear documentation in the tenant's file of why direct third-party verification was not used.

Corrective Action:

The Housing Authority must properly verify all sources of income, assets and deductions by obtaining third party verification. In order to close this finding, provide a brief narrative on how the Housing Authority plans to ensure proper documentation of all aspects of income and rent related factors.

2. The Housing Authority's software program does not accurately display payment standard on the form HUD-50058.

The Housing Authority's software displays the lesser of payment standard or gross rent on line 12j of form HUD-50058. While this does not cause a miscalculation of the Housing Assistance Payment or family rent to owner, it reports inaccurate data to HUD. The data reported to MTCS is not complete as required by 24 CFR 908 and Chapter 19, page 19-2 of the Housing Choice Voucher Program Guidebook.

**Rental Integrity Monitoring (RIM)
Review Report**

**TDHCA
PHA No. TX901
July 27 – 29, 2003**

Corrective Action: Since this finding is a systemic deficiency, the Housing Authority must revise form HUD-50058 data to accurately reflect payment standard. Please provide our office with a corrective action plan on the Housing Authority plans to correct the error and the expected completion date.

3. The Housing Authority does not report food stamp income or exclude it on form HUD-50058

The Housing Authority has not reported food stamp income or excluded the amount on form HUD-50058. Staff indicated at the time of the review that they were not aware that this was required. While this error does not impact the amount of housing assistance paid, it does cause the total amount of income to be reported inaccurately. The data reported to MTCS is not accurate as required by 24 CFR 908 and Chapter 19, page 19-2 of the Housing Choice Voucher Program Guidebook.

Corrective Action: Since this finding is a systemic deficiency, the Housing Authority must revise form HUD-50058 data to accurately reflect total income and exclusions. Please provide our office with a corrective action plan on the Housing Authority plans to correct the error and the expected completion date.

4. The Housing Authority has not verified immigration eligibility

Two of the 35 files reviewed belonged to families with non-citizen family members. Neither file contains eligibility verification as required by 24 CFR 5.512. This could result in providing housing assistance for individuals not entitled to it. The primary method of verification of immigration status is through the INS automated system, Systematic Alien Verification for Entitlements (SAVE). If the SAVE system does not verify eligible immigration status, the secondary method of verification is a manual search by the INS of its records to determine an individuals' immigration status.

Corrective Action: The Housing Authority must verify eligibility status for all non-citizens. Please provide our office with a corrective action plan on the Housing Authority plans to correct the error and the expected completion date.

5. The Housing Authority is maintaining criminal background checks.

Although the Housing Authority files the criminal background checks in a separate locked file drawer and not in tenant files, 24 CFR 5.903 (g) requires the criminal record to be destroyed once the purpose for which the record was requested has been accomplished.

An applicant or tenant may seek relief against the Housing Authority if the information is negligently or knowingly disclosed by bringing a civil action for damages and such other relief as may be appropriate.

Corrective Action:

The Housing Authority must remove and destroy all criminal background checks. All future criminal background checks must be destroyed once all actions are completed including any grievance hearings. Please provide assurance that this has been done.

**Rental Integrity Monitoring (RIM)
Review Report**

**TDHCA
PHA No. TX901
July 27 – 29, 2003**

CONCERNS

Various discrepancies and inconsistencies in tenant file documentation indicate the need for increased quality control on the income and rent determination process.

Based on the results of the tenant file sample review, we noted instances of errors and discrepancies in file documentation as well as with final income/rent calculations. Specific discrepancies and inconsistencies are outlined in the **Tenant File Sample Errors** portion of this report.

The tenant file record should typically demonstrate a clear connection or flow of events from the information provided by the family in the application or reexamination stage (as recorded on application and reexamination materials used by the PHA), the documentation obtained by the PHA to verify the family's circumstances, and the figures and amounts actually used by the PHA in calculating income and rent. Where conflicting or unclear information is provided, the file record should demonstrate the rationale for the PHA's conclusions, either based on PHA policy or some reasonable approach.

Corrective Action:

As a strategy for improving income integrity, Notice PIH 2001-15 (HA) offers a number of suggestions, including:

Develop PHA internal quality control system (i.e., supervisory review systems). Quality control systems need not be very elaborate to be effective. The most frequently implemented quality control is to have a supervisor or the most knowledgeable occupancy person rework a sample of cases performed by other staff. In situations where there are only one or two occupancy persons or where there is no experienced staff, the PHA is encouraged to review a few cases with another PHA with experienced staff or HUD Field Office staff.

The nature of the discrepancies and inconsistencies noted in the tenant files suggest that greater attention to internal quality control of the income and rent determination process would be effective in "catching" these issues and correcting them before they (potentially) result in income/rent errors.

Please provide a response indicating status of PHA efforts to strengthen the quality control system, including the implementation of any new initiatives for quality control, as well as timeframes for implementation.

TENANT FILE SAMPLE ERRORS

The RIM review included a review of a sample of 35 tenant files drawn from participants in the TDHCA program. The results of the file sample review were used to support conclusions in all areas of the RIM review.

The file sample review also indicated a number of errors, mistakes or areas of uncertainty that are specific to the circumstances of particular tenant families. Tenant file errors are outlined in the enclosed Tenant File Error Reports.

**Rental Integrity Monitoring (RIM)
Review Report**

**TDHCA
PHA No. TX901
July 27 – 29, 2003**

For each family where tenant file errors were noted, the summaries identify the family, and offer a discussion of the issues noted in that particular tenant file. The summaries include a table, which offers a comparison between the amounts used by the PHA under key income and rent categories and the amounts determined by HUD, based on file documentation, for these same categories. The summaries also note the specific **corrective action(s)** that are necessary to address the identified deficiencies.

We are requesting that the PHA review each tenant file where errors have been identified and provide copies of the missing verifications and corrected HUD-50058s. The corrections should address the form HUD-50058 in effect at the time of the review. A chart is included to assist you in this process.

RECOMMENDATION

The Housing Authority requires that the Local Operator provide third party written verification of wage income. After receiving the documentation, Housing Authority staff calls the employer to receive verbal verification of the information on the forms. While this practice ensures that the data provided is accurate, it also causes additional work for the caseworker. If the information provided is clearly third party written verification and clarification is not necessary to accurately calculate income, we recommend that this practice not continue.



WWW.TDHCA.STATE.TX.US

October 9, 2003

GEORGE W. BUSH
GOVERNOR

DEBRA P. CARRINGTON
EXECUTIVE DIRECTOR

BOARD MEMBERS
Michael E. Jones, *Chair*
Elizabeth Anderson
Ladrick Bogany
Kent Conine
Lidia Gonzalez
Orberto Salinas

Mr. Roman Palomares
Acting Director
U.S. Department of Housing
and Urban Development
Texas State Office, Southwest
Office of Public Housing
P. O. Box 2905
Fort Worth, TX 76113-2905

RE: RENTAL INTEGRITY MONITORING (RIM) REVIEW
July 27 – 29, 2003

Dear Mr. Palomares:

The Texas Department of Housing and Community Affairs (the Department) would like to thank Ms. Robin Barton and the review team for the valuable technical assistance and courtesy extended during the Rental Integrity Monitoring (RIM) review conducted on July 27-29, 2003. Below are management's responses to the findings and concerns noted in your letter dated August 28, 2003. Also attached is the response to the specific tenant file errors noted in your letter.

Findings:

- 1. Inadequate third party verification of asset, public assistance, Social Security and child support income.**

The Department currently has access to the Texas Workforce Commission, the Tenant Assessment Sub System (TASS), The Work Number, and the Child Support Interactive System with the Attorney General's office for third party verification. The Local Operator will give the tenant the income verification form. The income source will complete, sign, and fax the information directly to the Local Operator (LO). HUD approved the use of faxed verifications from an employer or other income sources. The Department will require Local Operators to work with the Regional Coordinators to utilize the Department's online

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electronic reporting systems. When third-party verification is not available, the tenant's file will be documented with the reason it was not used. The Department is in the process of adding a section to our Administrative Plan on the methods of verification and the order of acceptability for the tenant file to be properly documented.

2. Software program does not accurately display standard on the form HUD-50058.

As of August 4, 2003, the Department's Information Systems staff completed this modification. Program staff is now inputting the appropriate Payment Standard on line 12j of form HUD 50058.

The Department understands that this is a systemic deficiency and all files must be corrected. The Department requests that HUD allow us to correct contracts as they come up for recertification.

3. The Housing Authority does not report food stamp income or exclude it on form HUD 50058.

The form HUD 50058 did not have to be revised. Program staff is now including and excluding food stamp information in Section 7 of the HUD 50058 when calculating tenant eligibility.

The Department understands that this is a systemic deficiency and all files must be corrected. The Department requests that HUD allow us to correct contracts as they come up for recertification.

4. The Housing Authority has not verified immigration eligibility.

As of September 25, 2003, the Department set up and is using the Immigration and Naturalization Service (INS) automated system, Systematic Alien Verification for Entitlements (SAVE). Persons claiming eligible immigration status must present appropriate immigration documents, which will be verified utilizing this system.

5. The Housing Authority is maintaining criminal background checks.

The Department has removed and destroyed the criminal background checks that were locked in a separate file. All criminal background checks will be destroyed after eligibility has been determined.

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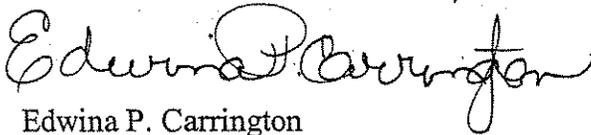
Concerns:

Various discrepancies and inconsistencies in tenant file documentation indicate the need for increased quality control on the income and rent determination process.

Response: In August 2003, the Department expanded and began using the SEMAP quality control checklist to include a more detailed review of the contract package. The Regional Coordinator will review and sign off on each section. The Program Coordinator or Manager will review the same sections and sign off.

If you have any questions or need additional information, please contact Ms. Willie Faye Hurd, Section 8 Program Manager, at (512) 475-3892.

Sincerely



Edwina P. Carrington
Executive Director

wfh

Encl.: (31)

cc: Ruth Cedillo, Deputy Executive Director
Eddie Fariss, Director, Community Affairs Division
Willie Faye Hurd, Manager, Section 8 Program

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

PRIOR AUDIT ISSUES

Summary Report of Prior Audit Issues
(Except those prior audit issues previously reported as
implemented or otherwise resolved.)

TDHCA / TSAHC Correspondence
November 2001 HUD HOME Program Monitoring Visit
September 2, 2003 through December 3, 2003

Texas Department of Housing and Community Affairs - Summary Report of Prior Audit Issues (except those prior audit issues previously reported as implemented or otherwise resolved)

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
187	09/19/00 HUD	Section 8 Management Review Review conducted week of August 7, 2000 - To ensure compliance with statutory and regulatory requirements.	Dx	01/03/01	
			Dx	03/04/01	
	Dx	04/18/01	NR		
	Dx	11/28/01	NR		
	Pxx	04/25/02	08/31/02		
	Px	07/31/02	12/31/02		
	Px	08/30/02	12/31/02		
	Px	10/25/02	12/31/02		
	Dx	12/12/02	NR		
	Px	05/06/03	NR		
<p>Division: Community Affairs - Section 8</p> <p>Issue: Finding No. 17: Contract of Participation and Establishment of Escrow Account, Documentation could not Be Provided to Support Implementation of a Family Self-Sufficiency (FSS) Program (Repeat Finding).</p> <p>Status: 11/21/03 - An action plan was submitted to HUD this week (November 19, 2003) through the Executive Office. Status is classified as Action Delayed, pending response from HUD.</p> <p>9/17/03 – As of 7/10/03 HUD approved the Department’s request for an exception to the FSS program outside the Houston area. The approval of this request addresses the HUD August 2000 finding and the SAO report that the Department submit an FSS plan or obtain an exemption. Staff is working with the Fort Worth HUD office to submit an FSS Action Plan for the Houston area (Brazoria County).</p> <p>06/30/03 - Per SAO report #03-041 dated June 2003, status is as follows: The auditors recommended that the Department submit a Section 8 family self-sufficiency plan or obtain an exemption from this requirement.</p> <p>05/06/03 - Communications from HUD dated 4/25/03 indicate that the response pending from HUD regarding the adequacy of the FFS Action Plan submitted (see 12/12/02 status) was overlooked and that the issue would be considered soon. Management is also considering whether community action agencies (CAAs) could provide FSS services to Section 8 voucher holders on behalf of the Department. A target date for these considerations has not been established due to anticipated time delays in coordinating and obtaining information/responses from the CAAs.</p> <p>12/12/02 - Letters requesting an exception of the FSS Program have been submitted to the San Antonio and Forth Worth offices of HUD. However, 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 FSS Program of the mandatory size for all three (3) HUD service regions. Further action is pending responses by HUD.</p>			Pxx	06/30/03	NR
Px	09/17/03	NR			
Dx	11/21/03	NR			

Ref. #	<u>Report Date</u>		<u>Report Name</u>		<u>Status</u>		<u>Target</u>
	<u>Auditors</u>		<u>Audit Scope</u>		<u>Codes*</u>	<u>Date</u>	<u>Date</u>
253	11/16/01		Monitoring Visit - HOME Program - M-00/01-SG-48-0100		Px	04/22/02	08/01/02
	HUD		On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001.		Dx	07/26/02	
Division: Portfolio Management & Compliance					Dx	09/23/02	NR
Issue: (Finding 1A) - The state is not providing adequate monitoring and oversight of the processing and construction activities in accordance with the applicable requirements. (Finding 1B) - Additionally, the properties assisted by several of the HOME activities through HOME awards by one of the Department's subrecipients, the Texas State Affordable Housing Corporation, have insufficient or no documentation that they are in compliance with applicable standards and code requirements.					Px	10/28/02	06/30/03
<p>Remaining Corrective Actions:</p> <p>(Finding 1A) - HUD letter dated 08/01/03 indicates that the finding remains open and that the Department must further clarify and provide specific written assurances regarding some of the finding's elements, including (1) adding an Inspection component to the Department's Monitoring Plan that defines the qualifications for inspectors, when inspections should be done and emphasizing the need for inspections to ensure quality of work performed, and (2) that, as part of its technical assistance and formal monitoring visits, the Department will conduct physical onsite inspections at a selected number of properties and these inspections should be comprehensive enough to assure that (2a) the initial inspection addresses all deficiencies for which corrective action is needed, (2b) the work write-ups are clear, concise and complete and adequately identify the work required to bring the properties into compliance with the State's property standards, (2c) the awarded bids are cost-reasonable, (2d) all changes to the initial bid are covered by written change-orders, (2e) that all required work has been completed in accordance with the State's construction standards and (2f) a determination is made that the properties are or are not in full compliance with the state's property standards. Additionally, The State should develop and set the standards for its subrecipients to monitor their lower-tier subcontracts.</p> <p>(Finding 1B): HUD letter dated 08/01/03 indicates that the finding remains open and that the Department must provide estimated timeframes for completion of the (1) inspections by Department staff of units with deficiencies and (2) completion of construction to correct the deficiencies identified by the inspections. The Department was reminded that for any unit that is not or cannot be brought into compliance, the full amount of the subsidy provided must be repaid to HUD from nonfederal funds.</p> <p>HUD letter dated 2/27/03 - For any claims by homeowners or homebuyers resulting from the survey to 1,112 homewoners, the Department must conduct an on-site inspection by a qualified person to review for compliance with standards. If documentation is not available, the Department must complete a full write-up of the condition of the house and determine if the claimed deficiency existed at the time of the activity completion. If standards were not met, the Department must take required corrective actions to bring the house into standards. The Department shall provide an appeals process for any claim by homebuyers or homeowners that is denied.</p> <p>Status: FINDING 1A: 12/03/03: Department staff believes that its response to be provided no later than 12/31/03 will sufficiently address the remaining corrective actions identified by HUD in its 08/01/03 letter.</p> <p>08/01/03: HUD letter dated 08/01/03 identifies remaining corrective actions.</p> <p>07/15/03: TDHCA letter to HUD dated 07/15/03 - Informed HUD that the Department has enhanced and implemented oversight and monitoring processes to ensure that all subrecipients and lower tier organizations are accountable for contract activities along with, for HUD's approval, a detailed description of processes and procedures for carrying out inspection and construction activities, including assurances that construction monitoring is provided by qualified persons.</p> <p>FINDING 1B: 12/03/03: Department staff believes that its response to be provided no later than 12/31/03 will sufficiently address the the remaining corrective actions identified by HUD in its 08/01/03 letter.</p>					Px	01/31/02	NR
					Px	03/31/03	5/31/03
					Px	04/29/03	NR
					Pxx	06/20/03	NR
					Px	07/15/03	NR
					Pxx	08/01/03	NR
					Px	09/02/03	12/31/03
					Px	12/03/03	12/31/03

<i>Ref. #</i>	<i>Report Date</i> <i>Auditors</i>	<i>Report Name</i> <i>Audit Scope</i>	<i>Status</i>		<i>Target</i> <i>Date</i>
			<i>Codes*</i>	<i>Date</i>	

12/03/03: The Department met with TSAHC staff on 12/02/03 to review the status of corrective actions. Based on the documentation provided, the Department assessed a reduced total disallowed cost amount of \$155,474.27 of which \$102,117.44 relates to this issue. The disallowed costs relates to 10 beneficiaries that responded to TSAHC for which corrective actions were not taken. TDHCA issued a demand letter dated 12/3/02 for the disallowed costs and had assurances from TSAHC that the disallowed costs would be repaid the same day. The letter also requires that TSAHC accept beneficiary responses through 12/15/03 that could result in further disallowed costs for which TSAHC will provide a check on 12/16/03.

11/19/03: TDHCA letter dated 11/19/03 extended TSAHC's response date from 11/26/03 to 12/2/03, at which time the Department will review the status of corrective actions and reduce the amount of disallowed costs if submitted documentation is acceptable. The Department will provide TSAHC with the revised amount of disallowed costs, if applicable, the same date and expect payment from TSAHC by 12/3/02 to avoid legal action.

11/10/03 - TDHCA letter dated 11/10/03 informed TSAHC that it was necessary to demand immediate repayment of remaining questions costs of \$423,825.99 (\$254,300.21 for this issue) since TDHCA had not received notification that correspondence had been sent to the 33 beneficiaries, pursuant to the 10/10/03 letter to TSAHC. TSAHC was informed that payment must be remitted to TDHCA by close of business on 11/26/03 to avoid legal action.

10/10/03 - TDHCA letter dated 10/10/03 informed TSAHC that its 10/01/03 letter did not provide the Department adequate assurance that TSAHC initiated corrective actions by the previously imposed due date of 10/03/03. However, TDHCA agreed to grant TSAHC's request for an extension to 11/15/03 to correct the issue or repay the funds provided that TSAHC submitted validation by 10/17/03 to TDHCA that appropriate correspondence has been sent to the 33 beneficiaries to schedule and conduct inspections.

10/01/03: TSAHC letter dated 10/01/03 informed TDHCA of its plans to resolve the issue and requested an extension until November 15, 2003 to clear the issue.

09/02/03: The TDHCA letter to TSAHC dated 09/02/03 was forwarded to HUD, assuring HUD that the Department continues to take every effort to resolve outstanding findings. The letter informed TSAHC that the 1,112 surveys required by HUD were sent, that 212 beneficiaries responded and that the comments received indicate that 33 project sites require inspection. TSAHC was informed to take corrective action or refund \$254,300 with a 10/03/03 due date.

08/01/03: HUD letter dated 08/01/03 identifies remaining corrective actions.

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
254	11/16/01	Monitoring Visit - HOME Program - M-00/01-SG-48-0100	Px	04/22/02	08/01/02
	HUD	On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001.	Px	07/26/02	12/31/02
Division: Portfolio Management & Compliance			Px	10/02/02	NR
Issue: (Finding 2.) One of the Department's subrecipient's (the Texas State Affordable Housing Corporation) third-party lenders (HOME, Inc.) (1) disbursed both HOME and FHA Title 1 Home Improvement Loan funds to pay a contractor, in full, to reconstruct a house that was never completed and, (2) issued checks against the FHA Title 1 Home Improvement Loan which subsequently were returned due to insufficient funds, as well as disbursing HOME funds to pay the same contractor for rehabilitation work on a second project, which was never completed.			Px	10/28/02	06/30/03
Remaining Corrective Actions - HUD letter dated 08/01/03 indicates that the finding remains open and that the Department must continue its efforts to inspect the remaining 17 units assisted. The Department needs to provide the estimated timeframe for the completion of both the remaining inspections and the construction to correct the identified deficiencies. HUD also is requiring that additional assistance be made available for the housing unit that failed inspection for the many infractions noted, as discussed further in the 07/15/03 status below.			Px	01/31/03	NR
Status: 12/03/03: Department staff believes that its response to be provided no later than 12/31/03 will sufficiently address the the remaining corrective actions identified by HUD in its 08/01/03 letter.			Px	03/31/03	5/31/03
12/03/03: The Department met with TSAHC staff on 12/02/03 to review the status of corrective actions. Based on the documentation provided, the Department assessed a reduced total disallowed cost amount of \$155,474.27 of which \$44,122.40 relates to this issue. The disallowed costs relates to 8 beneficiaries that responded to TSAHC or that TDHCA had previously determined that additional work was required for which corrective actions were not taken. TDHCA issued a demand letter dated 12/3/02 for the disallowed costs and had assurances from TSAHC that the disallowed costs would be repaid the same day. The letter required that TSAHC accept beneficiary responses through 12/15/03 that could result in further disallowed costs for which TSAHC will provide a check on 12/16/03. The letter also recognized 2 beneficiaries with minor inspection deficiencies that required additional work. The Department agreed not to disallow the costs associated with these two beneficiaries provided that TSAHC corrected the deficiencies by December 15, 2003.			Px	04/29/03	NR
11/19/03: TDHCA letter dated 11/19/03 extended TSAHC's response date from 11/26/03 to 12/2/03, at which time the Department will review the status of corrective actions and reduce the amount of disallowed costs if submitted documentation is acceptable. The Department will provide TSAHC with the revised amount of disallowed costs, if applicable, the same date and expect payment from TSAHC by 12/3/02 to avoid legal action.			Pxx	06/20/03	NR
11/10/03 - TDHCA letter dated 11/10/03 informed TSAHC that it was necessary to demand immediate repayment of remaining questions costs of \$423,825.99 (\$97660.80 for this issue) since TDHCA had not received notification that correspondence had been sent to the 33 beneficiaries, pursuant to the 10/10/03 letter to TSAHC. TSAHC was informed that payment must be remitted to TDHCA by close of business on 11/26/03 to avoid legal action.			Px	07/15/03	NR
10/10/03 - TDHCA letter dated 10/10/03 informed TSAHC that its 10/01/03 letter did not provide the Department adequate assurance that TSAHC initiated corrective actions by the previously imposed due date of 10/03/03. However, TDHCA agreed to grant TSAHC's request for an extension to 11/15/03 to correct the issue or repay the funds provided that TSAHC submitted to TDHCA by 10/17/03 validation that (1) appropriate correspondence has been sent to the 12 beneficiaries that have not responded to previous attempts to conduct inspections and (2) the six beneficiaries have been notified that a construction contractor will be contacting them in the near future to complete a work write-up and/or to correct the noted deficiencies.			Pxx	08/01/03	NR
10/01/03: TSAHC letter dated 10/01/03 informed TDHCA of its plans to resolve the issue and requested an extension until November 15, 2003 to clear the issue.			Px	09/02/03	12/31/03
09/02/03: The TDHCA letter to TSAHC dated 09/02/03 requiring corrective action or refund of \$97,661 with a 10/03/03 due date was forwarded to HUD, assuring HUD that the Department continues to take every effort to resolve outstanding findings. The letter informed TSAHC that the			Px	12/03/03	12/31/03

<i>Ref. #</i>	<i>Report Date</i> <i>Auditors</i>	<i>Report Name</i> <i>Audit Scope</i>	<i>Status</i>		<i>Target</i> <i>Date</i>
			<i>Codes*</i>	<i>Date</i>	
		Department had completed 11 inspections of which 6 units require additional work to bring them up to standard and that attempts were made to contact the 16 remaining units for inspection (4 beneficiaries did not authorize inspections and 12 beneficiaries have not responded to contact attempts).			
		08/01/03: HUD letter dated 08/01/03 identifies remaining corrective actions.			
		07/15/03: TDHCA letter dated 07/15/03 informed HUD that the Department had determined that 27 loans were actually disbursed and of the 27 units requiring inspection that eight (8) have been completed; two (2) did not indicate problems and refused access; and that it made numerous unsuccessful attempts to contact the remaining 17 beneficiaries to schedule inspections.			

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
256	11/16/01	Monitoring Visit - HOME Program - M-00/01-SG-48-0100	Px	04/22/02	08/01/02
	HUD	On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001.	Ix	07/26/02	
			Px	10/28/02	NR
			Ix	01/31/03	
			Px	03/31/03	05/31/03
			Px	04/29/03	NR
			Pxx	06/20/03	NR
			Px	07/15/03	NR
			Pxx	08/01/03	NR
			Px	09/02/03	12/31/03
			Px	12/03/03	12/31/03

Division: Portfolio Management & Compliance

Issue: (Finding 4.) Under the contract-for-deed conversion program (CFD) delivered by one of the Department's subrecipients (the Texas State Affordable Housing Corporation), vacant lots were purchased for which the construction of housing units was not started within 12 months of the purchase of the land, contrary to HOME rules. Additionally, based on the state's monitoring checklist for one of the recipients of the CFD assistance, it could not be determined if the applicant was income eligible.

Remaining Corrective Actions: HUD letter dated 08/01/03 indicates that the finding remains open and that the Department must continue to contact the remaining six (6) beneficiaries to schedule inspections on their properties and to continue its efforts to provide adequate housing for Mr. Cortez (discussed further at 07/15/03 Status below). HUD also reminded the Department that it must ensure that houses which do not meet standards be repaired or reconstructed, or repayment will be made from nonfederal funds.

Status: 12/03/03: Department staff believes that its response to be provided no later than 12/31/03 will sufficiently address the the remaining corrective actions identified by HUD in its 08/01/03 letter.

12/03/03: The Department met with TSAHC staff on 12/02/03 to review the status of corrective actions. Based on the documentation provided, the Department assessed a reduced total disallowed cost amount of \$155,474.27 of which \$9,244.43 relates to this issue. The disallowed costs relates 1 beneficiary for which TDHCA had determined that additional work was necessary and for which corrective actions have not been taken. TDHCA issued a demand letter dated 12/3/02 for the disallowed costs and had assurances from TSAHC that the disallowed costs would be repaid the same day. The letter also requires that TSAHC accept beneficiary responses through 12/15/03 that could result in further disallowed costs for which TSAHC will provide a check on 12/16/03.

11/19/03: TDHCA letter dated 11/19/03 extended TSAHC's response date from 11/26/03 to 12/2/03, at which time the Department will review the status of corrective actions and reduce the amount of disallowed costs if submitted documentation is acceptable. The Department will provide TSAHC with the revised amount of disallowed costs, if applicable, the same date and expect payment from TSAHC by 12/3/02 to avoid legal action.

11/10/03 - TDHCA letter dated 11/10/03 informed TSAHC that it was necessary to demand immediate repayment of remaining questions costs of \$423,825.99 (\$71,864.98 for this issue) since TDHCA had not received notification that correspondence had been sent to the 33 beneficiaries, pursuant to the 10/10/03 letter to TSAHC. TSAHC was informed that payment must be remitted to TDHCA by close of business on 11/26/03 to avoid legal action.

10/10/03 - TDHCA letter dated 10/10/03 informed TSAHC that its 10/01/03 letter did not provide the Department adequate assurance that TSAHC initiated corrective actions by the previously imposed due date of 10/03/03. However, TDHCA agreed to grant TSAHC's request for an extension to 11/15/03 provided that TSAHC submitted to TDHCA by 10/17/03 validation that (1) appropriate correspondence has been sent to the five beneficiaries that have not responded to previous attempts to conduct inspections and (2) the two beneficiaries have been notified that a construction contractor will be contacting them in the near future to complete a work write-up and/or to correct the noted deficiencies.

10/01/03: TSAHC letter dated 10/01/03 informed TDHCA of its plans to resolve the issue and requested an extension until November 15, 2003 to clear the issue.

09/02/03: The TDHCA letter to TSAHC dated 09/02/03 requiring corrective action or refund of \$71,865 with a 10/03/03 due date was forwarded to HUD, assuring HUD that the Department continues to take every effort to resolve outstanding findings. The letter informed TSAHC that the Department had completed inspections of two of the 11 units receiving assistance (which did not pass inspection), that four assisted beneficiaries did not authorize inspections and that the remaining five beneficiaries have not responded to contact attempts.

<i>Ref. #</i>	<i>Report Date</i> <i>Auditors</i>	<i>Report Name</i> <i>Audit Scope</i>	<i>Status</i>		<i>Target</i> <i>Date</i>
			<i>Codes*</i>	<i>Date</i>	
	08/01/03:	HUD letter dated 08/01/03 identifies remaining corrective actions.			
	07/15/03:	TDHCA letter to HUD dated 07/15/03 - Informed HUD that of the 11 units requiring inspection that one inspection has been completed; that four beneficiaries indicated no problems; and that numerous unsuccessful attempts have been made to contact the remaining six beneficiaries to schedule inspections. The inspection conducted at the home of Mr. Francisco Cortez concluded that the home did not pass inspection. The original structure that received HOME assistance passed final inspection on November 28, 1998. Mr. Cortez has since constructed a block wall around the mobile home and tore down the original home. The Department has concluded that the original structure must have been substandard resulting in the demolition of the original unit. The current structure does not meet standards. The Department will question costs related to TSAHC's assistance to the unit. Also, the Department will determine how to assist Mr. Cortez in the provision of adequate housing and will continue attempts to contact the six (6) beneficiaries that have not been responsive.			
	07/26/02:	TDHCA Letter to HUD dated 07/26/02 - TDHCA Compliance Monitors conducted a review of all related project files and found that 3 of the lots purchased are currently vacant lots. Total Questioned Costs associated with these three lots are \$45,352.79, which has been reimbursed from the subrecipient. The remaining 11 applicants reviewed were income eligible as evidenced by support documentation in the file.			

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
260	11/16/01	Monitoring Visit - HOME Program - M-00/01-SG-48-0100	Px	04/22/02	08/01/02
	HUD	On-site monitoring of the State of Texas' affordable housing programs on August 20-24, and September 6-7, 2001.	Px	06/27/02	01/31/03
			Px	10/02/02	NR
			Px	10/28/02	NR
			Px	12/13/02	07/31/03
			Px	03/31/03	08/31/03
			Px	04/29/03	NR
			Pxx	06/20/03	NR
			Px	07/15/03	NR
			Pxx	08/01/03	NR
			Px	09/02/03	12/31/03
			Px	11/21/03	12/31/03

Division: Portfolio Management & Compliance

Issue: (Finding 8A.) Instances were noted where there was no documentation that newly-constructed units (single-family and multi-family) financed by the Department with HOME funds awarded to one of its subrecipients (the Texas State Affordable Housing Corporation) are in compliance with the current edition of the Model Energy Code (MEC) published by the Council of American Building Officials. (Finding 8B.) Additionally, it was noted that one of TSAHC's HOME funded apartment complexes (the Keystone Apartment complex Weslaco) is not in compliance with Section 504 (handicapped accessibility) relative to units that are accessible for persons with visual and/or hearing impairments.

Remaining Corrective Actions relate to Finding 8A and include (1) reviewing all applicable files from 1998 through present to verify compliance with MEC and 504 requirements. HUD letter dated 08/01/03 indicates that the finding remains open and that the Department must provide its final results regarding its efforts to obtain the documentation necessary to certify compliance with the MEC by December 31, 2003.

Status: FINDING 8A:

11/21/03: Department staff believes that its response to be provided no later than 12/31/03 will sufficiently address the the remaining corrective actions identified by HUD in its 08/01/03 letter.

11/10/03 - TDHCA letter dated 11/10/03 informed TSAHC that this issue is cleared based on documentation that all applicable units were in compliance with the Model Energy Code information submitted with its 10/01/03 letter, subject to final resolution and approval by the HUD.

09/02/03: The TDHCA letter to TSAHC dated 09/02/03 requiring corrective action or refund of \$390,398 with a 10/03/03 due date was forwarded to HUD assuring HUD that the Department continues to take every effort to resolve outstanding findings.

08/01/03: HUD letter dated 08/01/03 identifies remaining corrective actions.

04/30/03: TDHCA letter to HUD dated 4/22/03 - (Finding 8A.) - 154 units of 269 new construction projects have now been documented for compliance with the MEC.

12/13/02: TDHCA letter dated 12/31/02 to HUD reported that 269 properties are subject to the MEC requirements and that 62 of the properties have been vdocumented for cocompliance with the MEC.

FINDING 8B:

08/01/03: HUD letter dated 8/1/03 cleared this portion of the finding based on information provided by the Department that TDHCA has received documentation that the Keystone Apartment complex is now in compliance with Section 504 requirements and on the Department's assurance that procedures are in place to ensure future compliance with Section 504.

07/15/03: TDHCA letter to HUD dated 07/15/03 - The Keystone apartment complex is now in compliance with Section 504 for visual and/or hearing impairment accessibility and 10 additional units have been retrofitted for mobility and sensory impairment accessibility. The Department assures HUD that processes are in place to ensure future compliance.

<i>Ref. #</i>	<i>Report Date</i> <i>Auditors</i>	<i>Report Name</i> <i>Audit Scope</i>	<i>Status</i>		<i>Target Date</i>
			<i>Codes*</i>	<i>Date</i>	
266	01/07/02	Controls Over Single Family Loans; Report No. 1.05	Px	04/22/02	07/01/02
	IA	Controls over single family loans serviced by the Department.	Px	07/22/02	11/01/02
<i>Division:</i> Multiple			Px	11/05/02	02/01/03
<i>Issue:</i> The Department should develop and implement formal policies and procedures for the periodic review of delinquent program loans, related collection efforts and specific criterion to be met for writing-off loan balances.			Px	01/28/03	06/01/03
<i>Status:</i> 11/21/03 - All involved divisions are now following the approved Standard Operating Procedure for the Single Family Special Loan Portfolio.			Px	03/28/03	06/01/03
09/22/03 - Loan Servicing has trained Asset Management staff on utilization of the MITAS servicing system to generate delinquency reports and loan level detail of delinquent loans. Loan Servicing continues to coordinate efforts with OCI staff to work with delinquent Single Family Special Loan Portfolio Borrowers. Draft policies have been completed and will be finalized with OCI and Single Family Production by October 3, 2003.			Px	05/06/03	06/01/03
			Px	09/22/03	10/03/03
			Ix	11/21/03	

Ref. #	<u>Report Date</u>	<u>Report Name</u>	<u>Status</u>		<u>Target</u>
	<u>Auditors</u>	<u>Audit Scope</u>	<u>Codes*</u>	<u>Date</u>	<u>Date</u>
306	06/30/03	Selected Assistance Programs at the Department	Px	06/25/03	01/01/04
	SAO	The Community Affairs programs' activities at the Department and five subgrantees during fiscal years 2001/2002.	Px	09/17/03	10/31/03
			Px	11/21/03	02/29/04

Division: Community Affairs - WAP

Issue: Chapter 1-A: The Department did not ensure that subgrantees (1) provided weatherization services to only eligible multi-family dwellings, (2) did not exceed the maximum they can spend to weatherize a multi-family dwelling, and (3) fulfilled a variety of other WAP multi-family requirements, including the need to (3a) have applicants fully complete or sign WAP applications, (3b) for authorized individuals to sign final inspection forms, (3c) for utility billing histories to be obtained with only appropriate authorization, and (3d) for contracts with the owners of two multi-family dwellings specify that the owners did not inappropriately raise their rents.

Recommendation - The Department should (1) determine the multi-family dwellings that received WAP services in fiscal years 2001 and 2002 that were not eligible for these services and recover the amounts, (2) develop, communicate, and enforce policies and procedures to ensure (2a) each building has at least the required percentage of income-eligible units, (2b) subgrantees do not spend more than the maximum amounts allowable per unit, and (2c) subgrantees have appropriately ensured that, before the weatherization work begins, that the applicant and the multi-family dwelling unit are eligible and required documentation is completed, (3) ensure that multi-family dwelling owners provide the required assurance that rent does not increase as a result of receiving weatherization services, and (4) require that WAP subgrantees provide the Department with monthly status updates on (4a) how much they have spent from all federal and state sources to weatherize each multi-family dwelling and (4b) what percent of the work on each dwelling has been finished in order to track the amount of program funds that have been spent to weatherize multi-family and single-family dwellings.

Status: 11/21/03 - A Multi-family Issuance dated October 31, 2003 on weatherizing multi-family structures to provide additional guidance on weatherizing multi-family buildings has been issued to the WAP Subrecipients. Additionally, the monitoring instrument has been modified to incorporate issues addressed in the Multifamily Issuance and is in the process of management review.

Energy Assistance is in the process of reviewing the 10% randomly selected sample referred to in the 09/17/03 status update to determine income eligibility for each building weatherized. Completion of the review is pending receipt of complete supporting documentation for four of the WAP subrecipients.

Modifications to Easy Audit to track multi-family units expenditures were developed. Development bugs were detected during joint testing/training meetings, which are in the process of being corrected. The target date has been extended to 2/29/04 to allow time for corrections to be made to Easy Audit, the related necessary testing of Easy Audit, and time for necessary training to the affected subrecipients on the enhanced Easy Audit software.

While the Department appreciates the value of expenditure information by building to allow for on-going assessment of performance, it has decided that there is not sufficient benefit to warrant enhancements to Easy Audit and the Department's systems to implement the portion of the SAO recommendations referred to as (4a) and (4b) above. Although the systems currently capture the amounts spent from all funding sources to weatherize each multifamily unit, which suffices for Federal compliance purposes, the systems do not capture amounts spent from all funding sources to weatherize each multifamily building or single family residence. Compliance requirements relating to this type of data, such as maximum expenditures per building, are verified in connection with field monitoring visits. The Department can measure performance based on overall expenditure rates and number of units completed.

09/17/03 - An addendum to the monitoring instrument is in place to record all documents reviewed.

EA staff have identified all multifamily projects/buildings weatherized in SFY 2000, 2001, & 2002 required to meet the 66% rule. Energy Assistance has randomly selected 10% of the units determined income eligible for each building weatherized to review the income documentation maintained in the client files and is in the process of collecting the documentation from the applicable Agencies. Should any units be determined ineligible, the 10% sample will be expanded and the cost of any units disallowed will require reimbursement. The income verification should be completed in October, 2003.

Ref. #	<u>Report Date</u>	<u>Report Name</u>	<u>Status</u>		<u>Target</u>
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Expenditures on multi-family units will be tracked by modification to the Easy Audit by a web-based application.

07/30/03 - TDHCA is in the process of analyzing the conditions noted by the SAO and will recoup all WAP funds determined to be disallowed. Additionally, (1) modifications to the monitoring instrument will require identification of all onsite documentation reviewed, which must be complete and found in client files at the time of the on-site review, (2) documentation subject to monitoring will be copied and returned to TDHCA for quality control review prior to developing the monitoring report, and (3) modification to the monitoring instrument and a new WAP Policy Issuance will ensure subgrantees do not exceed the maximum cost per unit.

06/25/03 - The Department agrees with and will implement the recommendations and is currently in in the process of modifying the EASY Audit, anticipated for completion by 10/01/03, which will address many of these issues. The Department is also developing an issuance, which has been provided to subgrantees for review and comment, on weatherizing multi-family structures to provide additional guidance on weatherizing multi-family buildings.

307	06/30/03	Selected Assistance Programs at the Department	Px	06/25/03	01/01/04
	SAO	The Community Affairs programs' activities at the Department and five subgrantees during fiscal years 2001/2002.	Px	09/17/03	11/01/03
			Px	11/21/03	01/01/04

Division: Multiple

Issue: Chapter 1-B: WAP, CEAP and CSBG subgrantees annualize 30 days of income to estimate annual income and determine income eligibility for services, which is allowable under federal regulations; however, using only 30 days of income allows applicants to receive services even when their annual household incomes exceed the program's income eligibility thresholds.

Recommendation - The Department should obtain information for household income for a period that is longer than 30 days to determine an applicant's income eligibility.

Status: 11/21/03 - The Community Affairs Division issued a policy issuance dated 11/20/03 for CSBG, CEAP and WAP contractors requiring changing annualization of income from 30 days to 90 days prior to the date of intake application, effective for the new program year (1/1/04).

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
313	06/30/03	Selected Assistance Programs at the Department	Ix	06/25/03	
	SAO	The Community Affairs programs' activities at the Department and five subgrantees during fiscal years 2001/2002.	Px	09/17/03	
			Dx	11/21/03	NR

Division: Community Affairs - Section 8

Issue: Chapter 2-C: The Department has not fully corrected several Section 8 noncompliance issues identified in two separate reviews conducted in 2000. In general, noncompliance continues relating to (1) waiting list administration, (2) determination of rent reasonableness, (3) documentation of required information, (4) use of correct lease addendum forms, (5) implementation of a family self-sufficiency program, (6) annual re-examination of family income, and (7) supervisory and review processes.

Recommendation - The Department should (1) ensure that local operators complete all required elements on Section 8 waiting lists, (2) ensure that Section 8 files contain notification letters informing applicants that vouchers may be available to them, (3) ensure that Section 8 rent reasonableness is adequately tested and documented, (4) ensure that old versions of the Section 8 lease addendum form are not readily available to staff or local operators, and conduct sufficient reviews of Section 8 files to detect the use of incorrect or obsolete forms, (5) submit a Section 8 family self-sufficiency plan or obtain an exemption from this requirement, (6) implement an annual file review to re-examine family income for each Section 8 participant as recommended by the external auditor, and (7) determine why documents are not in Section 8 files, despite the Department's supervisory review process and, if necessary, consider a second level of review to ensure that tenant files contain all required documents.

Status: 11/21/03 - An action plan was submitted to HUD this week (November 19, 2003) through the Executive Office. Status classified as Action Delayed, pending response from HUD.

09/17/03 - On letter dated 07/10/03 regarding recommendation (5), HUD approved the Department's request for an exception to the Family Self-Sufficiency (FSS) program outside the Houston area. Staff is working with the Fort Worth HUD office to submit an FSS Action Plan for the Houston area (Brazoria County).

06/25/03 - The Department (1) now maintains the waiting lists for all program operators and ensures that all required elements on Section 8 waiting lists are complete, (2) revised the contract review process to ensure that Section 8 rent reasonableness is adequately tested and documented, (3) developed a quality control checklist form to ensure that Section 8 tenant files contain all required documents, (4) disposed of all old versions of the Section 8 lease addendum and reviewed Section 8 files to ensure that they do not include incorrect or obsolete forms, (5) submitted a Section 8 family self-sufficiency exception request to the HUD office, which is pending response from HUD (the Department is exploring alternatives in the event HUD does not approve the exemption request), (6) implemented an annual file review to re-examine family income for each Section 8 participant, and (7) developed and currently is using a quality control checklist form to ensure that Section 8 tenant files contain all required documents, including notification letters informing applicants that vouchers may be available to them. The Regional Coordinator will complete this form for new admissions, annual renewals, interim rent adjustments, and moves to other units, and will place the form in the contract file for final review and approval by the Section 8 Coordinator/Manager.

Ref. #	<u>Report Date</u>	<u>Report Name</u>	<u>Status</u>		<u>Target</u>
	<u>Auditors</u>	<u>Audit Scope</u>	<u>Codes*</u>	<u>Date</u>	<u>Date</u>
314	06/30/03	Selected Assistance Programs at the Department	Px	06/25/03	10/01/03
	SAO	The Community Affairs programs' activities at the Department and five subgrantees during fiscal years 2001/2002.	Px	09/17/03	01/31/04
			Px	11/21/03	02/29/04

Division: Community Affairs - WAP

Issue: Chapter 3-A: The Department requires its WAP subgrantees to use a specific energy audit software called Easy Audit, but it has not made cost-effective decisions regarding this software. The software cost \$232,000 to develop and another \$240,000 to upgrade and the Department elected to require the use of this software rather than an energy audit software application that the U.S. Department of Energy (DOE) developed and makes available to states at no charge. Additionally, the Department does not own the source code for this software effectively limiting itself to a sole-source contract for any future upgrades to this software.

Easy Audit also has weaknesses that limit its reliability and effectiveness and could lead to incorrect decisions regarding program eligibility determination. For example: (1) DOE approved the Department's use of Easy Audit, but with several restrictions that limit the use of Easy Audit to single-family dwellings and small multi-family dwellings. (2) DOE has identified several inaccuracies in the way Easy Audit computes several values, which could lead to incorrect decisions regarding which weatherization services, if any, should be performed. (3) The audit also identified other vulnerabilities and it is unclear whether the Easy Audit upgrade will address these weaknesses. These weakness include: (3A) The Department cannot ensure that the dwellings the subgrantees weatherized were eligible to receive weatherization services because (3Ai) electronic versions of the energy audit files that Easy Audit produces are not always accessible and (3Aii) the hard copies of these files do not display all the information necessary to determine which weatherization measures to provide, and (3B) Easy Audit uses default numbers for some costs and efficiency ratios that could lead to incorrect decisions regarding program eligibility determination and whether to perform certain weatherization services.

Recommendation - The Department should conduct and document a thorough cost-benefit analysis to determine which energy audit software – the free federal software or Easy Audit – is the best and most cost-effective energy audit software to use in the WAP program. This analysis should consider the costs associated with the addressing all federal restrictions on the Department's use of Easy Audit, as well as (1) upgrading Easy Audit to ensure that (1a) electronic energy audit files are accessible or (1b) the hard copy printouts display enough of the data that subgrantees input so that monitors can verify that subgrantees input the right prices and costs into the software, (2) removing cost and efficiency ratio default numbers from Easy Audit, and (3) adding edit checks to Easy Audit to verify that the cost and efficiency ratios entered are within acceptable ranges.

Status: 11/21/03 - Dual-purpose testing/training on the new EASY Audit was conducted by/for staff and four subrecipients the week of September 22, 2003. Technical bugs detected during the testing are being corrected. The target date has been extended to 2/29/04 to allow time for corrections to be made to Easy Audit, the related necessary testing of Easy Audit, and time for necessary training to the affected subrecipients on the enhanced Easy Audit software.

09/17/03 - The CRN contract for the EASY audit modification has been amended to track actual cost allocated on the BWR (Building Weatherization Report), prevent the exceeding of maximum amounts, and show when leveraged funds are used in conjunction with DOE funds to install a measure.

07/30/03 - The proposed modification of EASY Audit to a web based format will resolve the issue of the existence of audits and the maintenance of a back up disc, access to audit files, and display of audit data.

06/25/03 - The Department believes that it conducted a thorough cost-benefit analysis to determine which energy audit software was the best and most cost-effective energy audit software to use in the WAP program. In 1997, EASY Audit II was approved for multi-family and mobile home weatherization. The Department is currently working to convert EASY Audit II to EASY Audit III, which will be a web-based application and will address the audit recommendations relating to client application and eligibility determination process for single- and multi-family units, tracking expenditures, removing input defaults, and installing acceptable ranges of response for efficiency of appliances and acceptable R-values for various measures.

Ref. #	<u>Report Date</u>	<u>Report Name</u>	<u>Status</u>		<u>Target</u>
	<u>Auditors</u>	<u>Audit Scope</u>	<u>Codes*</u>	<u>Date</u>	<u>Date</u>
315	06/30/03	Selected Assistance Programs at the Department	Px	06/25/03	01/01/04
	SAO	The Community Affairs programs' activities at the Department and five subgrantees during fiscal years 2001/2002.	Px	09/17/03	01/31/04
			Px	11/24/03	01/31/04

Division: Multiple

Issue: Chapter 3-B: IT weaknesses limit the Department's ability to rely on the data in its information systems. Some contract signatures are missing from contracts stored electronically, the Department lacks an alternative site agreement, information is not consistently updated in certain information systems (accounting system - CSAS vs. program system - Genesis), and information in the Emergency Shelter Grant Program's monitoring tracking system is not accurate (data erroneously specified that the Department had conducted four ESGP monitoring visits that it had not actually conducted).

Recommendation - The Department should (1) ensure that it has valid contracts with subgrantees by restoring missing electronic contract signatures or by obtaining ratifying signatures for its current contracts, monitor the maintenance of these signatures and ensure that this problem will not recur in the new central database system and test the maintenance of these signatures before the new central database system is considered complete, (2) enter into an alternative site agreement through which it would have the necessary hardware on which to run its applications in the event of a disaster, and (3) ensure that decisions are made based on accurate information, e.g. the Department should duplicate in Genesis any changes it makes in CSAS, implement a reconciliation process between Genesis and CSAS and ensure that the information in its ESGP monitoring tracking system is accurate.

Status: RECOMMENDATION (1) - Electronic Signatures
 11/24/03 - ISD has met with EA and CS and is currently developing a filter report that will identify active contracts that have no electronic signature in place. ISD anticipates a 12/5/03 target date. EA and CS will contact those Subrecipients with missing signatures to obtain signatures as required. EA and CS anticipate a 1/31/04 target date for completion.

For older, non-active contracts, ISD will insert a marker record to note that it is a closed contract that has been noted to have a missing signature (ISD anticipates a 1/31/04 target date). It was decided that it would not be practical to try to obtain signatures for closed contracts.

RECOMMENDATION (2) - Alternative Site Agreement
 11/24/03 - ISD is reassessing its waiver request from WTDROC State Data Center (09/17/03 status). ISD has received a quote from Northrop Grumman on the use of the state data center. ISD will make a decision on whether to go forward with the waiver request or to use the state data center by January 10, 2004. This issue should be fully resolved by February 29, 2004.

09/17/03 - ISD is considering a waiver to exempt the agency from using the West Texas Disaster Recovery Operations Center (WTDROC). WTDROC is the mandated off-site disaster recovery solution, managed by Northrop Grumman. TDHCA is eligible for this waiver because WTDROC costs are prohibitive. We are in the process of arranging to use the Austin Disaster Recovery Operations Center, also managed by Northrop Grumman. This is a cold site solution for use by state agencies and is within our budget requirements. The ADROC solution does not include hardware; however, we are currently researching hardware insurance plan options that will provide specified hardware and delivery to the cold site within a set time period. Once we have completed these actions and have addressed some logistical considerations, we believe that the agency will be in compliance.

06/25/03 - The Department is in general agreement with and will implement the recommendations where reasonable; however, due to significant decreases in TDHCA's capital budget for fiscal years 2004-2005, the costs of having a dedicated, alternative site agreement are prohibitive. Despite the capital budget reduction, TDHCA has set aside \$15,000 each year to increase its disaster preparedness for fiscal years 2004-2005, including the agency's plans to acquire, at a minimum, an insurance policy to ensure a set turnaround time on selected network hardware. As an additional compensating control, TDHCA also maintains a business continuity plan in preparation for the effects of a disaster and to comply with TAC, Title 1, Section 202.6. Additionally, using its offsite backup tapes, TDHCA has the ability to restore mission-critical systems, according to the priority sequence defined in the agency business continuity plan. The agency will continue to explore options for securing an alternative site agreement, as well as identifying funding for such an agreement; however, it is possible that TDHCA will not be able to fully satisfy this audit finding in the next biennium.

Ref. #	<u>Report Date</u>	<u>Report Name</u>	<u>Status</u>		<u>Target</u>
	<u>Auditors</u>	<u>Audit Scope</u>	<u>Codes*</u>	<u>Date</u>	<u>Date</u>

RECOMMENDATION (3) - Ensure Accurate Information

11/24/03:

ISD has met with and educated all relevant parties regarding the automated interface available between CSAS and Genesis. Currently, only CSBG interfaces with Genesis; the rest of the programs are manual. It has been determined that ISD will develop reports to assist with the reconciliation process when they receive the reporting requirements from Accounting and CA. Accounting has held a meeting with CA and developed a reconciliation process and also identified reporting requirements. The written reconciliation process and reporting requirements will be forwarded to ISD. Target date for implementation of the reconciliation process: January 31, 2004.

Community Services has implemented its electronic ESGP monitoring tracking system. Ongoing quality controls is being performed by the Project Manager for Monitoring/Evaluation and ESGP program offices.

09/17/03 - Community Services is updating its electronic ESGP monitoring tracking system to eliminate inaccurate information regarding monitoring visits.

06/25/03 - The Department will take steps to ensure that the Client Service Accounting System is in agreement with and reconciled to the Genesis Energy Assistance/Community Services contract and payment systems, status updates have not provided any further information in this respect.

316	06/30/03	Selected Assistance Programs at the Department	Px	06/25/03	10/31/03
	SAO	The Community Affairs programs' activities at the Department and five subgrantees during fiscal years 2001/2002.	Px	09/17/03	10/31/03
			Px	11/24/03	01/16/04

Division: Multiple

Issue: Chapter 3-C: The Department requires subgrantees to maintain complete and accurate financial and performance data. However, it does not monitor subgrantees' controls or provide subgrantees with technical assistance regarding the adequacy of controls over information that they maintain electronically.

Recommendation - The Department should (1) provide subgrantees with technical assistance regarding IT system controls to ensure that subgrantees maintain the integrity of and adequately safeguard information, and (2) monitor IT controls at subgrantees to ensure that they maintain the integrity of and adequately safeguard information.

Status: 11/24/03 - Information Services Division has posted technical assistance to the agency's web page regarding IT Security Practices and Guidelines for reference by Subrecipients. Also, ISD has developed a questionnaire for use by Community Affairs monitoring staff that will assist them in monitoring information technology in the field. This information will be included in a Policy Issuance to be published by Community Affairs by 12/31/04. ISD will provide training to the monitoring staff to prepare them for the monitoring of IT security practices no later than 1/16/04.

09/17/03 - ISD and Community Affairs have completed a draft audit questionnaire with supporting technical assistance on IT system controls. The draft audit questionnaire will be finalized and distributed to Community Affairs subgrantees in October 2003. The audit questionnaire and supporting technical assistance will be posted to the agency's website, also in October 2003.

06/25/03 - After a specified date for compliance with the IT practices, TDHCA program monitors will include an audit on IT practices as a standard aspect of their site visits.

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
317	06/30/03	Selected Assistance Programs at the Department	Px	06/25/03	11/01/03
	SAO	The Community Affairs programs' activities at the Department and five subgrantees during fiscal years 2001/2002.	Px	09/17/03	01/31/04
			lx	11/21/03	n/a

Division: Community Affairs - WAP

Issue: Chapter 4-A: The Department does not ensure that WAP subgrantees target weatherization services to the priority populations that the U.S. Department of Energy has established. In addition, although the Department's annual state weatherization plan specifies that it will give priority to the federal priority populations, its contracts with subgrantees do not list two priority populations - high residential energy users and households with a high energy burdens. Subgrantees submit monthly reports on priority populations served; however, the Department does not monitor to ensure that its subgrantees are indeed targeting priority populations and this information does not ensure that subgrantees have actually targeted the priority populations.

Recommendation - The Department should (1) ensure that priority populations are given priority to WAP services, and (2) ensure that the priority populations specified in its contracts with WAP subgrantees are consistent with the priority populations established by the federal government.

Status: 11/21/03 - The weatherization contracts (both DOE and LIHEAP) have been amended to add all priority populations to the contract boilerplates, which will be used for all future contracts.

09/17/03 - Revisions to the EASY audit require assigning points to priority populations so that a monitor can track which priority clients are served, and when.

320	08/28/03	HUD Rental Integrity Monitoring Review of Section 8 Program	Px	10/09/03	
	HUD	A focused and detailed assessment of public housing agency income and rent determinations in the Low Rent Public Housing and Section 8 Housing Choice Voucher programs.	Px	11/21/03	12/31/03

Division: Community Affairs - Section 8

Issue: Properly verify all sources of income, assets and deductions by obtaining third party verification.

Status: 11/21/03 - Third party confirmation is being used to verify income (10/09/03 status). The Department continues to complement the Administrative Plan (10/09/03 status).

10/09/03 - The Department currently has access to the Texas Workforce Commission, the Tenant Assessment Sub System (TASS), The Work Number, and the Child Support Interactive System with the Attorney General's office for third party verification. The Department will work with Local Operators to properly verify income. When third-party verification is not available, the tenant's file will be documented with the reason it was not used. The Department is in the process of adding a section to our Administrative Plan on the methods of verification and the order of acceptability for the tenant file to be properly documented.

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target Date
			Codes*	Date	
321	08/28/03	HUD Rental Integrity Monitoring Review of Section 8 Program	Dx	10/09/03	
	HUD	A focused and detailed assessment of public housing agency income and rent determinations in the Low Rent Public Housing and Section 8 Housing Choice Voucher programs.	Dx	11/21/03	

Division: Community Affairs - Section 8

Issue: Revise form HUD-50058 data to accurately reflect payment standard. The incorrect data resulted from a systemic deficiency with the way the Department's software displays data. While this does not cause a miscalculation of the Housing Assistance Payment or family rent to owner, it reports inaccurate data to HUD. Provide HUD with a corrective action plan to correct the error and the expected completion date.

Status: 11/21/03 - Corrective action taken going forward (10/19/03 status). HUD has not responded to the Department's request to correct contracts as they come up for recertification (10/09/03 status). Status is classified as Action Delayed, pending response from HUD.

10/09/03 - As of August 4, 2003, the Department's Information Systems staff completed this modification. Program staff is now inputting the appropriate Payment Standard on line 12j of form HUD 50058. The Department recognizes that all files must be corrected since this is a systemic deficiency and requests that HUD allows it to correct contracts as they come up for recertification.

322	08/28/03	HUD Rental Integrity Monitoring Review of Section 8 Program	Dx	10/09/03	
	HUD	A focused and detailed assessment of public housing agency income and rent determinations in the Low Rent Public Housing and Section 8 Housing Choice Voucher programs.	Dx	11/21/03	

Division: Community Affairs - Section 8

Issue: The Department has a systemic deficiency whereby food stamp income is not reported or excluded on form HUD50058. While this error does not impact the amount of housing assistance paid, it does cause the total amount of income to be reported inaccurately. Revise form HUD-50058 data to accurately reflect total income and exclusions. Provide HUD with a corrective action plan to correct the error and the expected completion date.

Status: 11/21/03 - Corrective action taken going forward (10/19/03 status). HUD has not responded to the Department's request to correct contracts as they come up for recertification (10/09/03 status). Status is classified as Action Delayed, pending response from HUD.

10/09/03 - The form HUD 50058 did not have to be revised. Program staff is now including and excluding food stamp information in Section 7 of the HUD 50058 when calculating tenant eligibility. The Department recognizes that all files must be corrected since this is a systemic deficiency and requests that HUD allows it to correct contracts as they come up for recertification.

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target Date
			Codes*	Date	
323	08/28/03	HUD Rental Integrity Monitoring Review of Section 8 Program	Ix	10/09/03	
	HUD	A focused and detailed assessment of public housing agency income and rent determinations in the Low Rent Public Housing and Section 8 Housing Choice Voucher programs.	Ixx	11/21/03	

Division: Community Affairs - Section 8

Issue: Verify eligibility status for all non-citizens. Provide HUD with a corrective action plan to correct the error and the expected completion date.

Status: 11/21/03 - Internal Audit observed its use of the SAVE software (10/09/03 status) on Friday, November 21, 2003 to determine a person's eligibility immigration status; the query resulted in a successful determination of eligibility.

10/09/03 - As of September 25, 2003, the Department set up and is using the Immigration and Naturalization Service (INS) automated system, Systematic Alien Verification for Entitlements (SAVE). Persons claiming eligible immigration status must present appropriate immigration documents, which will be verified utilizing this system.

324	08/28/03	HUD Rental Integrity Monitoring Review of Section 8 Program	Ix	10/09/03	
	HUD	A focused and detailed assessment of public housing agency income and rent determinations in the Low Rent Public Housing and Section 8 Housing Choice Voucher programs.			

Division: Community Affairs - Section 8

Issue: Remove and destroy all criminal background check data. All future criminal background checks must be destroyed once all actions are completed including any grievance hearings. Provide assurance that this has been done.

Status: 10/09/03 - The Department has removed and destroyed the criminal background checks that were locked in a separate file. All criminal background checks will be destroyed after eligibility has been determined.

325	08/28/03	HUD Rental Integrity Monitoring Review of Section 8 Program	Ix	10/09/03	
	HUD	A focused and detailed assessment of public housing agency income and rent determinations in the Low Rent Public Housing and Section 8 Housing Choice Voucher programs.			

Division: Community Affairs - Section 8

Issue: Develop an internal quality control system for the income and rent determination process. Provide HUD a response indicating the status of implementation of any new quality control initiatives including timeframes for implementation.

Status: 10/09/03 - In August 2003, the Department expanded and began using the SEMAP quality control checklist to include a more detailed review of the contract package. The Regional Coordinator will review and sign off on each section. The Program Coordinator or Manager will review the same sections and sign off.

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
329	08/29/03 IA	Construction of Housing Tax Credit Developments Controls in place prior to the effective date of the Department's reorganization, March 1, 2003, over the construction of HTC developments providing reasonable assurance that the developments actually delivered under the program conform to the specifications relied upon by the Board in its award decisions.	Ix	08/29/03	

Division: Multifamily Finance Production

Issue: Program management had not designed formal policies and procedures to provide reasonable assurance during the construction phase of adequate delivery of HTC development "brick and mortar" specifications such as the number of units being constructed, unit sizes, number of bedrooms/bathrooms and development amenities considered and approved by the Board in making the tax credit awards. HTC should have adequate controls in place to ensure that the development specifications relied upon by the Board in making tax credit awards will be delivered as expected. In addition, Texas Government Code, Sec. 2306.6719, as passed by the 77th Legislature, requires monitoring a tax credit development during its construction or rehabilitation and during its operation for compliance with any conditions imposed by the Department or the Board in connection with the allocation of housing tax credits and appropriate state and federal law. HTC should establish procedures to monitor or oversee the contract inspectors to ensure that contract terms are being satisfactorily fulfilled and that the inspections conducted are of high quality. Deficiencies noted by construction inspections should be adequately resolved prior to final inspection and issuance of IRS Form 8609.

Status: 08/29/03 - Steps for the 2003 awards are in place and will be implemented when the 2003 awarded developments reach this stage of development.

330	08/29/03 IA	Construction of Housing Tax Credit Developments Controls in place prior to the effective date of the Department's reorganization, March 1, 2003, over the construction of HTC developments providing reasonable assurance that the developments actually delivered under the program conform to the specifications relied upon by the Board in its award decisions.	Px Px	08/29/03 11/25/03	03/01/04
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Division: Multifamily Finance Production

Issue: All requirements and information needs relating to the tax credit program should be thoroughly identified and considered in the requirement definition of the fully integrated management information system currently in development by the Department. All tax credit related functional areas, including housing tax credit production, underwriting, compliance and asset management staff should work together with the development team to ensure that the system's requirements adequately define all functional and informational needs of the program. Informational needs of other users such as other program areas that may contract with the same parties that apply for or receive tax credits, executive management, the Board and oversight agencies, including the U.S. Treasury and Internal Revenue Service, should also be considered in the requirement definition.

Status: 11/21/03 - The Department decided in October 2003 that the best strategy was to develop a multifamily module for the Central Database rather than the HTC module referred to in the 08/29/03 status. The multifamily requirements and design (see 08/29/03 status) are expected to be completed by 3/31/04.

08/29/03 - The Compliance Monitoring Tracking System, backed by TDHCA's Central Database, now handles the long-term monitoring requirements for the HTC portfolio, including automated compliance testing of online compliance report information submitted on a regular schedule or prior to an onsite visit. Long-term monitoring requirements are initiated after application, award, and other setup processes have been completed. On August 4, 2003, the Central Database Project Steering Committee prioritized remaining Central Database modules and set the HTC module, the Department's long-term solution, as the next module to be developed after the TDHCA Contract System (for HOME, HTF, and Preservation contracts) is rolled out in October 2003. The Department's tax credit related functional areas and Information Systems staff will work together to ensure that the system's requirements and design for the HTC module meets the needs of the tax credits program. The Department's goal is to have a fully integrated and functional HTC system in place for the 2005 application cycle.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

PRIOR AUDIT ISSUES

**TDHCA / TSAHC Correspondence
November 2001 HUD HOME Program Monitoring Visit
September 2, 2003 through December 3, 2003**



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RICK PERRY
Governor

December 3, 2003

EDWINA P. CARRINGTON
Executive Director

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C. Kent Conine
Vidal Gonzalez
Norberto Salinas

Mr. David Long, Vice President
Texas State Affordable Housing Corporation
1005 Congress Ave., Suite 500,
Austin Texas 78701

Re: HOME Contract Nos. 535002 CFD; 536269 OCC; 536267 HBA
Disallowed Costs related to HUD Monitoring Report M-00/01-SG-48-0100

Dear Mr. Long:

The Texas Department of Housing and Community Affairs (TDHCA) and the Texas State Affordable Housing Corporation (TSAHC) conducted a meeting on December 2, 2003 as a follow-up to a meeting that occurred November 19, 2003 to discuss disallowed costs associated with the above noted HUD Monitoring Report. As discussed during the meeting held yesterday, remaining disallowed costs are as follow:

<i>Finding</i>	<i>Issue</i>	<i>Disallowed Cost Summary</i>	<i>Disallowed Costs</i>
1 (B)	<p>HUD stated that there was insufficient or no documentation that properties assisted under the Homebuyer (HBA), Owner-Occupied Housing Assistance (OCC), and Contract for Deed Conversion (CFD) programs were in compliance with the state's housing rehabilitation (property) standards and code requirements and, as applicable, local code requirements at the time of assistance.</p> <p>Surveys were sent to 1,112 households to verify compliance with housing standards. Of the 212 beneficiaries that responded, TDHCA determined that TSAHC was required to contact 33 beneficiaries to schedule inspections.</p>	<p>Disallowed costs include subsidy provided to 10 beneficiaries. These beneficiaries responded to TSAHC's correspondence dated November 19 and 20, 2003. TSAHC did not conduct inspections or correct deficiencies within the required time frame.</p> <p>The remaining 23 beneficiaries have not responded as of the date of this letter. TSAHC will continue to accept responses until December 15, 2003. Additional disallowed costs may be identified at that time.</p>	<p>\$102,117.44</p> <p><i>Attachment A</i></p>

<i>Finding</i>	<i>Issue</i>	<i>Disallowed Cost Summary</i>	<i>Disallowed Costs</i>
2 (B)	<p>HUD stated that the Department has not indicated whether assistance provided through HOME, Inc. to a total of 27 households under the OCC program brought the housing sites up to required construction standards.</p> <p>Of the 27 units, TDHCA conducted 11 inspections and identified 6 units that required additional work to bring them up to standards. Additionally, 12 beneficiaries did not respond to contact attempts and 4 beneficiaries did not authorize inspections.</p> <p>TSAHC was required to correct deficiencies noted for the 6 units, or repay the full subsidy amount provided to those beneficiaries and was required to attempt to schedule inspections with the 12 remaining beneficiaries.</p>	<p>Disallowed costs include subsidy provided to 8 beneficiaries. These beneficiaries responded to TSAHC's correspondence dated November 5, 19, and 20, 2003 or TDHCA previously determined that additional work was required. TSAHC did not conduct inspections or correct deficiencies within the required time frame.</p> <p>Of the remaining 10 beneficiaries, 8 have not responded as of the date of this letter. TSAHC will continue to accept responses until December 15, 2003. Additional disallowed costs may be identified at that time.</p> <p>Additionally, 2 beneficiaries were included in Attachment B but do not have associated disallowed costs. TSAHC agreed to correct deficiencies noted by TDHCA's inspections no later than December 15, 2003.</p>	<p>\$44,112.40</p> <p>Attachment B</p>
4	<p>HUD stated that the Department has not indicated whether assistance provided to 11 properties under the CFD program brought the houses up to applicable Colonia construction standards.</p> <p>Of the 11 properties, 1 unit was inspected by TDHCA and deficiencies were noted, 4 beneficiaries did not authorize inspections, and 6 beneficiaries did not respond to contact attempts.</p> <p>TSAHC was required to correct deficiencies noted for the unit or repay the subsidy amount provided and was required to attempt to schedule inspections with the 6 remaining beneficiaries.</p>	<p>Disallowed costs include the subsidy provided to 1 beneficiary. TDHCA previously determined that additional work was needed to ensure that minimum standards were met. TSAHC did not correct the deficiencies within the required time frame.</p> <p>The remaining 6 beneficiaries have not responded to correspondence dated November 5, 19, and 20, 2003 as of the date of this letter. TSAHC will continue to accept responses until December 15, 2003. Additional disallowed costs may be identified at that time.</p>	<p>\$9,244.43</p> <p>Attachment C</p>
		Total Disallowed Costs:	\$155,474.27

No later than close of business today, December 3, 2003, TSAHC is required to submit a check in the amount of \$155,474.27 for disallowed costs as outlined above to avoid legal action.

In addition:

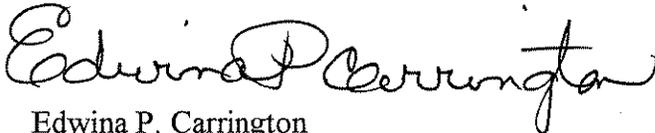
- 1) TSAHC will continue to accept responses from beneficiaries until December 15, 2003. This will provide additional response time for those beneficiaries that may have received correspondence during the recent holidays.
- 2) TSAHC will provide documentation of corrective action for the two beneficiaries noted in Finding 2 prior to December 15, 2003.

Should additional responses be received or corrective actions not be completed by December 15, 2003, TDHCA will increase the disallowed cost amount accordingly.

On December 15, 2003, TSAHC will provide TDHCA with additional responses and verification that corrective actions have been completed, as agreed upon December 2, 2003. If applicable, TDHCA will assess additional disallowed costs and require that TSAHC repay those costs no later than December 16, 2003. Once final payment is received, TDHCA will notify TSAHC of the status of outstanding issues associated with the above findings.

Should you have any questions, please contact me or Suzanne Phillips, Portfolio Management and Compliance Division Director, at (512) 475-3881.

Sincerely,



Edwina P. Carrington
Executive Director

cc: Katie Worsham, CPD Director
Art Zavala, CPD Program Manager
Melodee Humbert, Affordable Housing Specialist
Ruth Cedillo, Deputy Executive Director
Suzanne Phillips, TDHCA Portfolio Management and Compliance Director
Anne Paddock, Deputy General Counsel
William Dally, TDHCA Chief of Agency Administration
David Gaines, TDHCA Internal Audit

TEXAS STATE AFFORDABLE HOUSING CORP. Contract No. 536267 Homebuyer Assistance Owner-Occupied Housing Assistance

ACTIVITY NO	PROJECT NO	GRANTEE NAME	ADDRESS	CITY	STATE	ZIP CODE	ASSISTANCE	ISSUE	RESPONDENT COMMENTS
0000007579	3706802450	ANDREA GRANT	213 APPALOOSA	COPPERAS COVE	TX	76522	\$7,500.00	16, 17	Previous residents informed me that water heater was not working. I informed the gentleman performing the inspections; he said that water heater was fine. A week after moving in I had to pay to have the water heater fixed. The toilet in the 1 st bathroom had to be replaced. Previous owner stated that it kept overflowing. Inspector found nothing wrong with plumbing. There is a large crack going across the floor in the last bedroom that was hidden under the carpet. The neighbor informed me of the crack so I lifted the carpet and there is a large crack.
0000007424	3706802282	ARNOLDO RIOJAS	925 LIGUSTRUM DRIVE	CORPUS CHRISTI	TX	78408	\$7,350.00	4, 5, 6,	No comment.
0000007431	3706802290	CAROL CONYERS	13039 LIMA DRIVE	HOUSTON	TX	77099	\$4,848.00	4, 6	Foundation problem, crack in ceiling in living room, doors not closing completely.
0000007173	3706802011	CORRINE FELTON	2775 CITATION DR	DEL VALLE	TX	78617	\$5,000.00	4, 5, 7, 10, 16,	No comment.
0000006640	3706801433	ERVIN WEGWERTH	601 HOLLYHOCK STREET	RICHWOOD	TX	77531	\$5,200.00	4	Foundation cracked, no one notified.
0000006898	3706801720	JORGE FAZ	11819 FAWN DRIVE	LAREDO	TX	78045	\$9,925.00	1, 4, 15	I notified the contractor (Armadillo); I notified HUD and the insurance six months after buying the house. Nothing was ever done. The house has flooded and I continue to have problems with it.
0000007297	3706802143	KAREN SUE KAHLER	9316 SASSAFRAS DR	DALLAS	TX	75217	\$4,794.44	7, 8, 16	Yes, Choice Homes sent people out who told us we would have to hire our own structural engineer if we felt the floors sloped. Nothing has been done to back up Choice's ten year warranty which was to cover structural problems the whole ten years. We were told we have to pay \$750.00 additional to receive the warranty assistance!
0000007609	3706802480	MANUEL CHACON	154 ASPEN	EL PASO	TX	79915	\$25,000.00	4, 5, 6, 7, 8, 16	The house was sinking. Mr. Velarde, the Contractor and the ladies where the loan was made were notified.

TEXAS STATE AFFORDABLE HOUSING CORP. Contract No. 536267 Homebuyer Assistance Owner-Occupied Housing Assistance

0000007635 3706802507 MARIA 204 OSCAR EL PASO TX 79927 \$7,500.00 4,5,8,10
 VASQUEZ ALVAREZ COURT

At closing they gave me a sheet where I was to write down all the problems with the house. I also wrote a letter to Lower Valley Housing, the supervisor Eric Hanson and they neither responded to my letter nor repaired the house. My biggest comment is that these houses are very badly constructed. The walls are loose, the garage floor is uneven and collects with water when it rains. There are several other things wrong with this house. I have tired of talking to Mr. Hanson, he will not respond to complaints, if I knew how I would take legal action against him. If possible I ask that you come visit us, we would appreciate it.

0000007729 3706802614 TOMAS 893 W. RAYMOND RAYMONDVILLE TX 78580 \$25,000.00 4, 5, 8, 10, 12, 15, 17
 ELIZONDO

Cardenas Construction – the owner of the company, the leveling company, action – none. Tomas is still dealing with the water heater problem, the leaking bathroom sink and kitchen sink, and the water pipes. The floor tiles keep coming off. Mr. Elizondo is using his own money to repair.

Total Count: 10

Total Provided: \$102,117.44

TEXAS STATE AFFORDABLE HOUSING CORP. Contract No. 536269 Owner-Occupied Assistance

ACTIVITY NO	PROJECT NO	GRANTEE NAME	ADDRESS	CITY	STATE	ZIP CODE	ASSISTANCE	INSPECTION ATTEMPT NOTES
0000005876	3706800634	Aucencio Gonzalez	820 MARTINEZ	ROBSTOWN	TX	78380	\$4,986.41	Initial correspondence sent 6/8. Response not received as of 7/15.
0000005867	3706800624	Daniel Brady	913 CYPRESS	JOURDANTON	TX	78026	\$7,565.26	Initial correspondence sent 6/8. Response not received as of 7/15.
0000005956	3706800717	Emilio Rubio	ROUTE 1 BOX 20B	LAREDO	TX	78046	\$7,081.88	Initial correspondence sent 6/8. Response not received as of 7/15. Border field office staff attempted to locate the property however the address could not be located (rural route number). The post office would not provide the physical address of route numbers.
0000005902	3706800662	Guadalupe Armendariz	9964 MOROCCO CIRCLE	EL PASO	TX	79927	\$0.00	Letter sent 5/6. Phoned 5/14 & 5/29 and left message with no response. Contacted beneficiary on 6/9 and scheduled inspection. Inspection conducted 6/10. Inspector (Anibal Olague, Border Field Staff) noted that the doors were not operable (could not be
0000006086	3706800849	Guadalupe Dominguez	PO BOX 218	LASARA	TX	78561	\$3,382.49	Initial correspondence sent 6/8. Response not received as of 7/15.
0000006165	3706800931	Jose E. Flores	12818 UNTERMYER ROAD	EL PASO	TX	79927	\$0.00	Letter sent 5/6. Beneficiary responded 5/14 via phone. Inspection conducted 5/22. Inspector (Anibal Olague, Border Field Staff) noted that the kitchen did not have a GFIC outlet and as a result does not comply with the National Electric Code.
0000005877	3706800635	Magda Pena	208 E. GUERRA STREET	RIO GRANDE CITY	TX	78582	\$5,143.65	Inspection attempted 5/7 by Jennifer Molinari, Ysencia Ayala, and Sandy Mauro. Beneficiary was not home. Son was home but would not allow entry. Left message. Called afternoon of 5/7, and again 5/12. Inspection finally occurred 8/20. Some deficiencies were noted with the home and may have to be addressed. For example, wiring was incorrectly installed, the attic opening on the ceiling was not closed.
0000006089	3706800853	Raul Ponce, jr	ROUTE 1 BOX 280 #64	SAN JUAN	TX	78589	\$8,131.35	Inspection conducted 5/8 by Elvira Aleman, Yesenia Ayala, Sandy Mauro, Jennifer Molinari, and Sara Newsom. The house did not pass inspection for the windows. Beneficiaries were unhappy with the contractor and attempted to sue however the contractor file

TEXAS STATE AFFORDABLE HOUSING CORP. Contract No 536269 Owner-Occupied Assistance

0000006304 3706801080 Samuel Cano SAN JUAN TX 78589
 RT 3 BOX 168
 \$5,954.89 Inspection conducted 5/8 by Jennifer Molinari, Yesenia Ayala, and Sandy Mauro. The house did not pass inspection with respect to debris around the housing site, the electrical system, plumbing system, and windows. The house, which was under construction

0000006138 3706800904 Sara Vasquez 1531 BRYAN STREET EAGLE PASS TX 78852
 \$1,866.47 Initial correspondence sent 6/8. Response not received as of 7/15.

Total Count: 10

Total

Provided:

\$44,112.40

TEXAS STATE AFFORDABLE HOUSING CORP. Contract No 535002 Contract for Deed Conversion

<u>ACT. NO.</u>	<u>PROJECT N O</u>	<u>GRANTEE NAME</u>	<u>ADDRESS</u>	<u>CITY</u>	<u>STATE</u>	<u>ZIP CODE</u>	<u>ASSISTANCE</u>	<u>INSPECTION ATTEMPT NOTES</u>
0000007010	3706801838	Francisco Cortez	5107 ALLISON STREET	EDINBURG	TX	78539	\$9,244.43	Inspection completed by Yesenia Ayala, Border Field Officer on 5/6. Inspection concluded that the home did not pass the inspection. The structure originally on the lot was a mobile home. The beneficiary built a block wall around the structure, and tore

Total Count: 7

Total Provided: \$9,244.43



TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

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November 19, 2003

RICK PERRY
Governor

EDWINA P. CARRINGTON
Executive Director

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C. Kent Conine
Vidal Gonzalez
Norberto Salinas

Mr. David Long, Vice President
Texas State Affordable Housing Corporation
1005 Congress Ave., Suite 500,
Austin Texas 78701

Re: Disallowed Costs related to HUD Monitoring Report M-00/01-SG-48-0100

Dear Mr. Long:

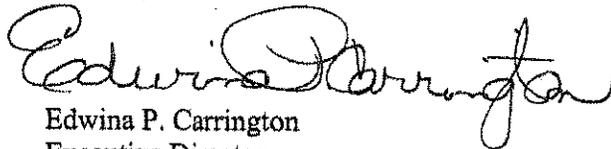
The purpose of this correspondence is to summarize the agreement reached this morning during a meeting between the Texas State Affordable Housing Corporation (TSAHC) and the Texas Department of Housing and Community Affairs (Department).

As discussed during the meeting, it is the Department's understanding that TSAHC is in the process of initiating corrective actions associated with Finding numbers 1(B), 2, and 4 and is attempting to complete such actions.

As a result, the Department agreed to extend TSAHC's response date to December 2, 2003. On that date, the Department will review the status of the corrective actions and may reduce the amount of disallowed costs, currently in the amount of \$423,825.99, provided acceptable documentation is received.

On December 2, 2003 the Department will provide TSAHC with the revised amount of disallowed costs, if applicable, and will expect that no later than December 3, 2003, TSAHC will provide a check in that amount to avoid legal action.

Sincerely,



Edwina P. Carrington
Executive Director

cc: Katie Worsham, CPD Director
Art Zavala, CPD Program Manager
Melodee Humbert, Affordable Housing Specialist
Ruth Cedillo, Deputy Executive Director
Suzanne Phillips, TDHCA Portfolio Management and Compliance Director
Anne Paddock, Deputy General Counsel
William Dally, TDHCA Chief of Agency Administration
David Gaines, TDHCA Internal Audit

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November 10, 2003

RICK PERRY
Governor

EDWINA P. CARRINGTON
Executive Director

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Vidal Gonzalez
Norberto Salinas

Mr. David Long
Vice President
Texas State Affordable Housing Corporation
1005 Congress Avenue, Suite 500
Austin, Texas 78701

MAILED VIA CERTIFIED MAIL

Re: Questioned Costs Related to HUD Monitoring Report M-00/01-SG-48-0100

Dear Mr. *David* Long:

First, I am pleased to inform you that Finding 8(A) of the above-referenced Monitoring Report, related to Model Energy Code requirements, is hereby cleared, subject to final resolution and approval by the U.S. Department of Housing and Urban Development.

Second, I regret that I have no choice but to demand the immediate repayment of the remaining questioned costs which are now considered disallowed. As stated in my October 10, 2003 letter to you, the Texas Department of Housing and Community Affairs' (TDHCA) agreement to extend the due date for the final report of the Texas State Affordable Housing Corporation (TSAHC) was contingent on the completion of certain actions by TSAHC on or before October 20, 2003. Since TDHCA has not received documentation that such actions were completed, the amount owed for Findings 1(B), 2(B), and 4 is now due. Please remit a check in the amount of **\$423,825.99** made payable to the Texas Department of Housing and Community Affairs by close of business on Wednesday, November 26, 2003 to avoid legal action.

Sincerely,

Edwina P. Carrington
Executive Director

cc: Katie Worsham, CPD Director
Art Zavala, CPD Program Manager
Melodee Humbert, Affordable Housing Specialist ✓
Ruth Cedillo, Deputy Executive Director
Suzanne Phillips, TDHCA Portfolio Management and Compliance Director
Sandy Mauro, Manager, Portfolio Management
Anne Paddock, Deputy General Counsel



RICK PERRY
 Governor

October 10, 2003

EDWINA P. CARRINGTON
 Executive Director

Mr. David Long, Vice President
 Texas State Affordable Housing Corporation
 1005 Congress Ave., Suite 500,
 Austin Texas 78701

BOARD MEMBERS
 Michael E. Jones, *Chair*
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 Vidal Gonzalez
 Norberto Salinas

Re: Questioned Costs related to HUD Monitoring Report *M-00/01-SG-48-0100*

Dear Mr. Long:

The Texas Department of Housing and Community Affairs (Department) is in receipt of the Texas State Affordable Housing Corporation's (TSAHC) response dated October 2, 2003 related to questioned costs associated with remaining issues identified in the U.S. Department of Housing and Urban Development's (HUD) monitoring report. TSAHC was requested to respond to the Department no later than October 3, 2003 by submitting corrective action documentation associated with each finding or reimburse the Department in an amount equal to questioned costs indicated in the report.

A review of TSAHC's response does not assure the Department that TSAHC initiated corrective actions to Finding numbers 1(B), 2, and 4 during the time frame provided by the Department. Additionally, TSAHC's response to Finding 1(B) indicating that in the event a property inspection report is not available, TSAHC would attempt to contact the borrowers to conduct an inspection is not an acceptable resolution. TSAHC is required to contact each of the 33 beneficiaries to schedule and conduct inspections as previously required. Once complete, TSAHC is required to either correct noted deficiencies or repay the full amount of subsidy provided to those beneficiaries.

The Department acknowledges that beneficiaries identified in Finding 2 were assisted through a 3rd party agreement with Home Inc. and that project files were acquired from Home Inc. as a result of legal action; however it is the responsibility of TSAHC and the Department to ensure that each HOME assisted unit is completed in compliance with all Federal laws and regulations, and other program requirements. Accordingly, compliance with minimum quality construction standards must be achieved and verified regardless of the removal of project files or inability of Home Inc. to complete activities as agreed.

Regarding Finding 8(A) related to documentation of compliance with Model Energy Code (MEC) requirements for 269 newly constructed housing units; TSAHC has provided acceptable documentation that all 269 units are now documented as compliant. The Department commends TSAHC for its efforts to fully and satisfactorily address this issue. No further action related to this matter is required.

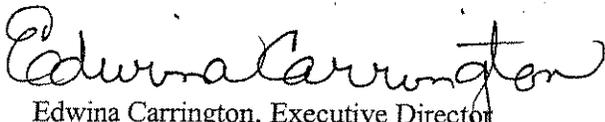
In response to TSAHC's request for an extension to November 15, 2003 to submit a formal response to the report, the Department will agree to extend the completion of activities to November 15, 2003 provided the following occurs no later than 7 working days from the date of this letter:

- Submit validation that correspondence has been sent to the 33 beneficiaries identified under Finding 1(B) to request an inspection or to notify the beneficiaries that a construction contractor will be in contact in the near future to complete a work write-up and/or to correct noted deficiencies;
- Submit validation that correspondence has been sent to the 12 beneficiaries identified under Finding 2 and the 5 beneficiaries identified under Finding 4 that have not responded to previous attempts to conduct inspections;
- Submit validation that correspondence has been sent to the 6 beneficiaries identified under Finding 2 and the 2 beneficiaries identified under Finding 4 to notify the beneficiaries that a construction contractor will be in contact in the near future to complete a work write-up and/or to correct noted deficiencies;

Once validation has been received, the Department will extend the response date to November 15, 2003 and TSAHC will be required to complete construction activities for those units that require rehabilitation activities or repay the appropriate subsidy amounts no later than November 15, 2003. As previously noted, TSAHC may incorporate a combination of corrective actions for each finding including correction of noted deficiencies or repayment of the subsidy provided. Failure to complete the activities as described above will result in disallowed costs and further sanctions imposed by the Department.

The Department thanks you for your timely response to the report. Should you have any questions, please contact me or Suzanne Phillips, Portfolio Management and Compliance Director, at (512) 475-3881.

Sincerely,



Edwina Carrington, Executive Director
Texas Department of Housing and Community Affairs

cc: Katie Worsham, CPD Director
Art Zavala, CPD Program Manager
Melodee Humbert, Affordable Housing Specialist
Ruth Cedillo, Deputy Executive Director
Suzanne Phillips, TDHCA Portfolio Management and Compliance Director
Anne Paddock, Deputy General Counsel
William Dally, TDHCA Chief of Agency Administration
David Gaines, TDHCA Internal Audit



October 1, 2003

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

RECEIVED
OCT 02 2003
EXECUTIVE

Re: HOME Contracts - no. 535002, no. 536267, no. 536269

Dear Ms. Carrington:

Thank you for your correspondence dated September 2, 2003 regarding questions costs related to the above referenced HOME Contracts as specified in the U.S Department of Housing and Urban Development Monitoring Report dated August 1, 2003.

As you are aware, TSAHC has been coordinating with the Texas Department of Housing and Community Affairs to clear these issues and is committed to continuing its efforts to ensure a timely resolution to this matter. While we will make every effort to resolve these issues by October 3, 2003, please accept this letter as a status update regarding the findings specific to the HOME Program contracts referenced above.

Finding No. 1(b): HUD stated that there was insufficient or no documentation in the files that the properties assisted under the Homebuyer Assistance (HBA) and Owner-Occupied Housing Assistance (OCC) programs were in compliance with the state's housing rehabilitation (property) standards and code requirements and, as applicable, local code requirements at the time of assistance.

Comments: TDHCA has initiated a survey of 1,112 subject households to verify compliance with housing standards. TDHCA received 212 responses and comments received indicate that 33 project sites may require inspections.

Required Action: TSAHC is required to contact the 33 beneficiaries to schedule inspections. Once complete, TSAHC is required to either correct deficiencies noted in the inspections that existed at the time of assistance to bring the housing sites up to TMCS or CHS as applicable, or repay the full amount of subsidy provided to those beneficiaries.

Response: TSAHC will also review the individual project files to determine whether or not a property inspection was completed prior to the loan being closed to ensure initial compliance with applicable standards. Should a property inspection report not be available in the project file,

TSAHC will make additional attempts to contact the borrowers in an effort to determine their satisfaction with the construction activities completed.

Based on borrower responses, TSAHC will work with a qualified inspector/contractor to determine the cost and timeframe to complete the noted deficiencies. Once the final cost estimate and timeframe to complete these activities has been determined, TSAHC will coordinate with TDHCA to assess the most appropriate resolution to this finding.

Finding No. 2(b): HUD stated that the Department has not indicated whether assistance provided through HOME, Inc. to a total of 27 households under the OCC program brought the housing sites up to required construction standards.

Comments: Of the 27 units, TDHCA completed 11 inspections, 4 beneficiaries did not authorize inspections, and 12 beneficiaries have not responded to contact attempts. Of the 11 inspections that occurred, TDHCA identified 6 units that may require additional work to bring them up to standards.

Required Action: TSAHC is required to either correct deficiencies noted by TDHCA's inspection of the 6 units, or repay the full amount of subsidy provided to those beneficiaries.

Response: TSAHC will make effort to contact and coordinate with the borrowers to determine the scope of the deficiencies noted by the inspections completed by TDHCA. TSAHC will work with a qualified inspector/contractor to determine the cost and timeframe to complete the noted deficiencies. Once the final cost estimate and timeframe to complete these activities has been determined, TSAHC will coordinate with TDHCA to assess the most appropriate resolution to this finding.

It should be noted that these files were acquired from HOME, Inc. by HUD during legal action initiated by HUD. TSAHC was not provided any notification and/or access to the files prior to these files being acquired by HUD and subsequently transferred to Countrywide Home Loans for servicing. At the request of TDHCA, TSAHC coordinated with FNMA, Dallas and its servicer, Countrywide Home Loans, to obtain copies of the 32 files initially set up in IDIS. After research each of the initial project set-ups that were referenced in the monitoring letter it was determined that only 27 loans were actually funded. As per correspondence from FNMA, copies of the 27 files were made and subsequently forwarded to TDHCA by TSAHC.

Finding No. 4: HUD stated that the Department has not indicated whether assistance provided to 11 properties under the CFD program brought the houses up to applicable Colonia Construction Standards.

Comments: Of the 11 properties, 2 units were inspected by TDHCA, 4 units did not authorize inspections and 5 beneficiaries have not responded to previous contact attempts. Additional work may be required to bring the inspected units up to standards.

Required Action: TSAHC is required to either correct the deficiencies noted by TDHCA's inspections or repay the full amount of the subsidy provided. TSAHC must continue its efforts to contact the remaining 5 beneficiaries to schedule inspections on their properties. Additional work may be required to bring the inspected units up to standards.

Response: TSAHC will continue attempts to contact the remaining 5 beneficiaries and upon authorization by borrower, conduct property inspections to determine whether additional work is

required to bring the inspected units up to standards. TSAHC will also contact the borrowers of the two units to remedy the deficiencies identified by TDHCA's inspections.

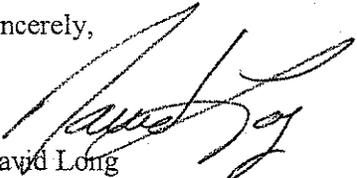
Finding No. 8 (a): There is no documentation that 269 newly-constructed housing units were in compliance with the Model Energy Code (MEC) requirements. TSAHC previously provided acceptable documentation that 154 of the 269 units were in compliance. TSAHC is required to provide acceptable documentation for review of the remaining units.

Response: TSAHC has submitted documentation, Minimum Property Standards and Building Code Affidavit, executed by the property inspector for all 269 units to the Department certifying compliance with Model Energy Code requirements.

TSAHC appreciates the support TDHCA continues to afford the process to resolve these issues. TSAHC will make every effort to respond to TDHCA's request in a timely manner. Based on the scope of the remaining activities and anticipated timeframe to complete all borrower contacts and inspections, TSAHC would respectfully request additional time to conduct these activities and therefore recommends the deadline for submission of a formal response be extended to November 15, 2003. Your consideration of this request is greatly appreciated.

Should you have any questions please feel free to contact me at (512) 477-3555, ext. 402.

Sincerely,



David Long
Vice President

Cc: Melinda Smith, Chief Financial Officer
Kent Smith, General Counsel, Jackson Walker, L.L.P.
Dawn Moore, TSAHC Board Chair

David Garza



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Rick Perry
GOVERNOR

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EXECUTIVE DIRECTOR

BOARD MEMBERS
Michael E. Jones, *Chair*
Elizabeth Anderson
Shadrick Bogany
C. Kent Conine
Vidal Gonzalez
Norberto Salinas

September 2, 2003

Mr. David Long
Texas State Affordable Housing Corporation
1715 West 35th Street
Austin, Texas 78703

Re: HOME Contract Nos. 535002 CFD; 536269 OCC; 536267 HBA
Questioned Costs related to HUD Monitoring Report M-00/01-SG-48-0100

Dear Mr. Long:

The Texas Department of Housing and Community Affairs (Department) is in the process of responding to remaining issues identified in the U.S. Department of Housing and Urban Development's (HUD) monitoring report dated August 1, 2003 related to the Home Investment Partnerships Program (HOME).

As you are aware, findings identified in the report involve implementation of the Texas State Affordable Housing Corporation's (TSAHC) HOME contract awards. Outstanding findings related to these awards and questioned costs related to these issues follow.

<i>Finding</i>	<i>Issue</i>	<i>TSAHC Corrective Actions</i>	<i>*Questioned Costs</i>
1 (B)	<p>HUD stated that there was insufficient or no documentation that properties assisted under the Homebuyer (HBA), Owner-Occupied Housing Assistance (OCC), and Contract for Deed Conversion (CFD) programs were in compliance with the state's housing rehabilitation (property) standards and code requirements and, as applicable, local code requirements at the time of assistance.</p> <p>Surveys were sent to 1,112 households to verify compliance with housing standards. 212 beneficiaries responded and comments received indicate that 33 project sites may require inspections.</p>	<p>Questioned costs include the total amount of subsidies provided to the 33 beneficiaries identified in Attachment A.</p> <p>TSAHC is required to contact the 33 beneficiaries to schedule inspections. Once complete, TSAHC is required to either correct deficiencies noted in the inspections that existed at the time of assistance to bring the housing sites up to TMCS or CHS as applicable, or repay the full amount of subsidy provided to those beneficiaries.</p>	<p>Questioned costs: \$254,300.21</p> <p><i>Attachment A</i></p>

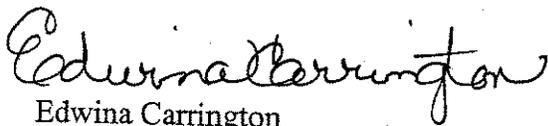
<i>Finding</i>	<i>Issue</i>	<i>TSAHC Corrective Actions</i>	<i>*Questioned Costs</i>
2 (B)	<p>HUD stated that the Department has not indicated whether assistance provided through HOME, Inc. to a total of 27 households under the OCC program brought the housing sites up to required construction standards.</p> <p>Of the 27 units, TDHCA completed 11 inspections, 4 beneficiaries did not authorize inspections, and 12 beneficiaries have not responded to contact attempts. Of the 11 inspections that occurred, TDHCA identified 6 units that may require additional work to bring them up to standards.</p>	<p>Questioned costs include the amount of subsidy provided to the 6 units with noted deficiencies and to the 12 beneficiaries that have not responded to contact attempts (cannot be documented as in compliance with standards) for a total of 18 units.</p> <p>TSAHC is required to either correct deficiencies noted by TDHCA's inspection of the 6 units, or repay the full amount of subsidy provided to those beneficiaries.</p> <p>Regarding the unsuccessful contact attempts, TSAHC is required to attempt contact with the 12 beneficiaries to schedule inspections. If a response is not received or a beneficiary does not authorize an inspection, no further action will be required contingent on acceptable documentation of the contact attempts. If a response is received authorizing an inspection, TSAHC will be required to conduct an inspection and correct any noted deficiencies that existed at the time of assistance to bring the housing sites up to TMCS or CHS as applicable, or repay the full amount of subsidy provided.</p>	<p>Questioned costs: \$97,660.80</p> <p><i>Attachment B</i></p>
4	<p>HUD stated that the Department has not indicated whether assistance provided to 11 properties under the CFD program brought the houses up to applicable Colonia construction standards.</p> <p>Of the 11 properties, 2 units were inspected, 4 did not authorize inspections and 5 beneficiaries have not responded to contact attempts. Additional work may be required to bring the inspected units up to standards.</p>	<p>Questioned costs include the amount of subsidy provided to the 2 units inspected by TDHCA with identified deficiencies and to the 5 beneficiaries that have not responded to contact attempts (cannot be documented as in compliance with standards) for a total of 7 units.</p> <p>TSAHC is required to either correct deficiencies noted by TDHCA's inspection or repay the full amount of subsidy provided.</p> <p>Regarding the unsuccessful contact attempts, TSAHC is required to attempt contact with the 5 beneficiaries to schedule inspections. If a response is not received or a beneficiary does not authorize an inspection, no further action will be required contingent on acceptable documentation of the contact attempts. If a response is received authorizing an inspection, TSAHC will be required to correct any noted deficiencies that existed at the time of assistance to bring the housing sites up to TMCS or CHS as applicable, or repay the full amount of subsidy provided.</p>	<p>Questioned costs: \$71,864.98</p> <p><i>Attachment C</i></p>

<i>Finding</i>	<i>Issue</i>	<i>TSAHC Corrective Actions</i>	<i>*Questioned Costs</i>
8 (A)	HUD indicated that according to correspondence received from the Department, there was no documentation that 269 newly constructed housing units were in compliance with Model Energy Code (MEC) requirements. Since that date, TSAHC provided acceptable documentation that 154 of the 269 units are in compliance and represented that an additional 63 have been documented as compliant; however the documentation has not been submitted for review. Once the documentation is received and approved, a total of 52 units will remain that require documentation of compliance.	Compliance with energy efficiency standards is statutory. HOME implementing regulations indicate that compliance with MEC requirements is the energy efficiency standard. TSAHC is required to submit acceptable documentation for the 63 units as represented by TSAHC to verify compliance. Regarding the additional 52 units, TSAHC must obtain and provide documentation of compliance to the Department. For those units that are not documented, the State may require that the full amount of the subsidy provided be repaid from nonfederal funding sources.	Questioned costs: \$390,398.00 <i>Attachment D</i>
		Total Questioned Costs:	\$814,233.99

No later than October 3, 2003, TSAHC must reimburse the Department in an amount equal to questioned costs indicated in the table above and corresponding attachments or submit corrective action documentation associated with each finding including the status of inspection attempts, results of completed inspections, and completion of construction activities to correct noted deficiencies. TSAHC's response to each finding may include a combination of corrective actions. For example, TSAHC may correct deficiencies noted by inspections for some units and elect to repay the subsidy provided for other units identified in the finding. Failure to respond may result in further sanctions imposed by the Department.

Should you have any questions, please contact me or Sandy Mauro, Manager of Portfolio Management, at (512) 475-1449.

Sincerely,



Edwina Carrington
Executive Director

cc: Katie Worsham, CPD Director
Art Zavala, CPD Program Manager
Melodee Humbert, Affordable Housing Specialist
Ruth Cedillo, Deputy Executive Director
Suzanne Phillips, TDHCA Portfolio Management and Compliance Director
Anne Paddock, Deputy General Counsel
William Dally, TDHCA Chief of Agency Administration
David Gaines, TDHCA Internal Audit

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

STATUS OF CENTRAL DATABASE

November 20, 2003

Summary Project Plan / Status

**Central Database Project
Status of Funds**

**Compliance Monitoring and Tracking System Enhancements
Status of Funds**

TDHCA Central Database
Summary Project Plan/Status
As of November 20, 2003

ID	Task Name	Start	Finish	% Comp	Q4 '03			Q1 '04			Q2 '04			Q3 '04		
					S	O	N	D	J	F	M	A	M	J	J	A
52																
53	COMPLETED/ACCOMPLISHED	Thu 11/1/01	Wed 10/2/02	100%												
54	Software Dev Environ Infrastructure & Arch Ping	Thu 11/1/01	Thu 2/28/02	100%												
55	Main Menu and Login Process	Mon 12/3/01	Thu 1/31/02	100%												
56	LIHTC Microsoft Outlook Contact Log Solution	Mon 12/3/01	Thu 1/31/02	100%												
57	Housing Sponsor Report	Mon 12/3/01	Thu 1/31/02	100%												
58	HRC Information Clearinghouse	Mon 12/3/01	Fri 6/28/02	100%												
59	Data Migration and Population	Mon 12/3/01	Wed 10/2/02	100%												
60	HRC Information Clearinghouse	Mon 12/3/01	Fri 5/31/02	100%												
61	Housing Sponsor Report	Mon 12/3/01	Fri 1/4/02	100%												
62	LIHTC Portfolio	Thu 3/28/02	Tue 4/23/02	100%												
63	Multi-Family BOND Portfolio (Tax Bond)	Wed 5/1/02	Wed 10/2/02	100%												
64	Software Architecture	Fri 3/1/02	Fri 6/28/02	100%												
65	Housing Sponsor Report - Historical	Tue 3/19/02	Thu 5/16/02	100%												

Project: Central Database
 Save Date: Wed 12/3/03

Module Duration

Rollled-up Task

Progress

* If asterisked (*), the detailed plans identifying tasks and resources are pending. Accordingly, start and finish dates have not been identified.

**TDHCA Central Database
Summary Project Plan/Status
As of November 20, 2003**

1 COMPL. MONITORING & TRACKING SYSTEM (CMTS)

CMTS was Phase I of the Central Database Project. The goal of Phase I was to develop a fully integrated system to address the compliance monitoring needs for all multifamily housing programs. The system was designed to provide full integration and reporting, provide automated compliance functions for the LIHTC, AHDP, HOME, HTF, and Tax Exempt Bond programs during the affordability period, allow remote property managers to access and update tenant information through the Internet, and improve productivity through the use of a sound business process design, a graphical user interface, and improved access to data.

Capital expenditures for AIMS Contract: \$309,038 (\$262,955 paid in FY 01; \$46,083 paid in FY 02)

Capital Expenditures for External Property Owner's Interface: \$8,375 (contract services)

Capital Expenditures for Functional Planning and Deployment: \$12,900 (contract services)

Capital Expenditures for FY 03 Post Implementation Enhancements (\$44,355)

7 CONTRACT SYSTEM

Note: Subsequent to the date of the Status Report, November, 20, 2003, the Contract System was moved into production (go-live) on December 2, 2003 for internal users and December 3, 2003 for external users.

The Fund Allocation portion of this module will allow each of the program areas to distribute and track funds from the original fund source (HUD, General Revenue, and others) to programs, regions, and activities (Rental Housing Development, Owner Occupied, SECO, and others) and specific setasides (CHDO, Special Needs, and others). The tracking of the funds includes source of the funds and expiration dates (Federal and State) for each of the source types to the contract level. Program Income, Deobligated Funds and Administration Funds will also be tracked at a detail level from source to final use. Balances will be automatically maintained in each of the funds.

A history of all transactions against any of the funds will be maintained. The transaction history will contain the type of transaction, date, amount, by whom and comments.

The Contract and Draw portion of this module is inclusive of budgets and draws. This segment of the module will provide the ability for the program areas to set up a contract in the system; associate the contract to organizations and persons involved in the development and execution of the contract; track the use of leveraging and matching funds for individual contracts; provide the ability to create contract activities associated with the contract; create and maintain the budget including balances as funds get drawn, deobligated or refunded; track the application of program income to contracts and maintain the balances of deobligated funds to ensure deobligated funds are used immediately upon availability; and provide the ability to track the receipt of Program Income as well as tracking the program income proceeds at the contract level.

The System will also provide the ability for the subrecipients to create and manage their own detail budget online. Management of the budget by the subrecipient will include the transfer of funds between budget items but not changes to the overall budget, which requires a formal amendment. Balances will be maintained by the system as funds are drawn, refunded etc.

The initial release of this module will accommodate the functional needs of the HOME and Housing Trust Fund programs. While the timelines planned incorporate the design work for the Energy Assistance (EA) and Community Services (CS) programs, the development, testing and acceptance of work for these programs is not anticipated until subsequent releases not currently scheduled. Additionally, any functionality offered by the Contract System applicable to the LIHTC, OCI and Bond programs will not be fully designed, developed, tested and accepted until consideration of those program modules.

* If asterisked (*), the detailed plans identifying tasks and resources are pending. Accordingly, start and finish dates have not been identified.

**TDHCA Central Database
Summary Project Plan/Status
As of November 20, 2003**

Capital Expenditures: \$210,095 (contract services)

Post-Contract System Module

After the Contract System is implemented, project members intend to perform a post-implementation evaluation to identify opportunities to improve the Department's information systems development process. Particular attention will be given to the roles and responsibilities of various team members and the composition of the Central Database Steering Committee, the Functional User Team and the Technical Team.

8 Development

11/20/03:

Project Progress and Delays - The TDHCA Contract System's implementation date has been extended one month, to December 1, 2003, since the last report to the Board (September 20, 2003 status reported at the October 2003 Board meeting). The previously reported go-live date of November 3, 2003 was contingent on completing User Acceptance Testing of both data and functionality by October 23.

During testing, the team made a collective decision to delay implementation because of problems identified with two system functionality components (Program Income and Project Completion Reports) and several remaining data conversion issues, mainly involving active TBRA contract activities.

The team resolved these problems between October 24 and November 7, and Portfolio Management staff tested again on November 7 and 10. On the morning of November 10, Portfolio Management and ISD assessed the results of testing and made the decision to announce the cutover dates (Nov 20 - 30, five business days) and go-live date of December 1 to HOME Online users and the agency.

9/20/03:

Project Progress and Delays - The following is a summary of the TDHCA Contract System's project progress and delays since the last status report (April 30, 2003) reported to the Audit Committee on May 15, 2003. The report had a target date of June 18, 2003 for implementation.

Target implementation has been extended by Five and one-half (4 1/2) Months to November 3, 2003 - The target implementation date for this module has been extended by 4 1/2 months. The most significant delays have resulted from (a.) approved change requests - 12 weeks, (b.) the complexity of converting data from multiple sources - 3 weeks, (c.) longer than anticipated time frame required to complete certain key components of the system - 3 weeks, and (d.) coordinating and managing staff priorities and availability during award cycles - 2 weeks, and are explained further below.

(a.) The Central Database Steering Committee considered 14 change requests at its 9/24/03 meeting (subsequent to the 9/20/03 date of this report). The results were as follows:

- 7 and 1/2 approved for first release of the system (one was subsequently withdrawn)
- 3 approved for the second release of the system
- 3 and 1/2 withdrawn by the submitter

The additional time associated with these change requests was estimated at approximately two weeks and has been factored into the 11/3/03 target date for completion. The Committee believed that the change requests were reasonable for efficiency reasons and to ensure that the system would function according to program rules.

(b.) The Central Database Steering Committee considered 32 change requests at its 7/22/03 meeting, which resulted from the first official phase of user acceptance tests (UAT) conducted from June 30 through July 11 and focused on testing external user functionality. The results of the Committee meeting were as follows:

* If asterisked (*), the detailed plans identifying tasks and resources are pending. Accordingly, start and finish dates have not been identified.

**TDHCA Central Database
Summary Project Plan/Status
As of November 20, 2003**

- 26 approved for first release of the system
- 4 approved for the second release of the system
- 1 disapproved
- 1 delayed/not discussed

The additional time associated with these change requests was estimated at approximately 10 weeks. The Committee believed that the change requests were necessary to ensure that external users would use the system correctly and to ensure that the system would function according to program rules.

(c.) The Department is focused on completing and testing data conversion, which has extended implementation date by approximately 3 weeks. Additionally, this is an area of risk that could impact the November 3, 2003 implementation date. The following factors have contributed to the complexity of and time required completing the data conversion strategy:

- TDHCA decided not to use data from PeopleSoft, which caused migration scripts to be adjusted,
- Tasks related to the LIHTC data load involving the DBA have been higher than anticipated, and
- Contract System code changes brought about by change requests have impacted data conversion.

(d.) In early June 2003, the Technical Team identified the need to extend the targeted date for completion by three weeks. The extension resulted from a longer than anticipated time frame required to complete certain key components of the system, including a) automated obligation/de-obligation transitions, particularly considerations relating to program income, b) draw functionality, and c) the user administration module.

1/31/03 - The 4/30/2003 delivery of the Fund Allocation/Contract module has been extended to 6/18/03 over the last two months because, during that time frame, it has been necessary to devote a larger percentage of the technical team's time than originally estimated to CMTS enhancements. We originally planned to spend 10% of the technical team's time on CMTS work during these months. However, the work required for the successful deployment of the Affordable Housing Disposition Program (AHDP) functionality of CMTS accounted for about 40% of the technical team's time. The CDB Steering Committee and management has taken the necessary steps to address and handle such overages in the future.

The AHDP deployment is needed in support of AHDP and the external contractor (MDSI) who is running this program on TDHCA's behalf. The cost for TDHCA's new contract with MDSI (which began on September 1, 2002) was reduced by approximately \$100,000 based upon the availability of a web-based replacement of the AHDP legacy software application. Percentage complete shows additional tasks and assignments as needed to complete this software module.

11/30/02 - The Development coding phase of the project has been extended from 12/4/02, previously reported as of 10/31/02, to 4/30/03. The primary reason for the extension of the project is a better understanding of the necessary tasks by the Project Team that has resulted from a clearer definition of the system design. While the development coding phase of the project has been extended, it is not anticipated to have a significant impact in the overall timeline delivery of the system due to ongoing testing and acceptance by the users throughout the course of development.

11 CMTS ENHANCEMENTS CONTRACTED SERVICES

The CMTS Enhancements relate to added functionality, including single audit, program monitoring, 8609 inspections, and screen and report enhancements. Further deliverables include multifamily needs analysis, business process improvement, and design specifications for entering and maintaining multifamily post-award data.

12 Program Monitoring

Contract services related to developing and documenting the specifications necessary to incorporate Single Audit, program monitoring, and 8609 and construction inspections.

* If asterisked (*), the detailed plans identifying tasks and resources are pending. Accordingly, start and finish dates have not been identified.

**TDHCA Central Database
Summary Project Plan/Status
As of November 20, 2003**

- 13 Enhanced Compliance Testing**
Contract services for automated testing performance improvements and regulatory changes for multifamily properties during the affordability period.
- 14 HTC/CMTS Process Improvements**
Contract services related to:
- analysis of the Housing Tax Credit (HTC) Microsoft Access database currently in use to determine the best recommended process for transferring application and award information to CMTS and to provide specification, as necessary.
 - analysis of business processes to design business rules for handling and processing HTC records until the Multifamily Production module is developed. Deliverables will include recommended processes for a smooth transition of paper and electronic records from Multifamily Production to the Portfolio Monitoring and Compliance Division, including the necessary quality control points and measures.
- 15 CMTS Reports**
Contract services to complete the analysis and design of in-house management reports for CMTS and risk assessment reports from the Central Database. The reports are for management tracking information and to implement an expanded risk management program required by Senate Bill 322 and will offer comprehensive information collected by CMTS or the Contract System. The contractor will collect reporting requirements from TDHCA staff and define the specifications for the views, which will be provided to the Information Systems Division for further consideration.
- 17 POST IMPLEMENTATION REVIEW**
The post implementation review will involve all individuals associated with the development of the CMTS and Contract Systems with the goal of identifying opportunities to improve the development process, including the technical and functional aspects, and the governance procedures. The Project Charter will be revisited and modified as necessary to ensure that the composition and the roles and responsibilities of the following are well defined:
- * the steering committee,
 - * the project sponsor,
 - * the project manager,
 - * the project team leaders, and
 - * the project team members.
- The project charter will be enhanced, as necessary, to clearly define project management and reporting tools and reports, the frequency of reporting, to whom reports are to be provided, and responsibilities associated with preparing, reviewing and approving the reports. Accountability will be clearly established with approval points at well defined milestones.
- 19 PRIORITIZATION OF MODULES TO BE DEVELOPED**
08/04/03 - The Central Database Steering Committee met on 8/4/03 and prioritized the remaining modules. Factors considered in the prioritization included the following:
- The need for global performance measures.
 - The current Community Affairs' program systems are mature and can continue to function.
 - Time necessary for post-implementation enhancements for the TDHCA Contract System (including "Phase 2" HOME enhancement change requests and HTF enhancements, the remaining Program Module, and fixes on bugs as they are identified with system usage).
 - Delay the Application Module - Single and Multi-family staff will need to continue to use Genesis to enter applications; however, contracts will be entered and maintained in the new TDHCA Contract System. General consensus was to delay the Application module until after the remaining program modules are incorporated in the Contract system.

**TDHCA Central Database
Summary Project Plan/Status
As of November 20, 2003**

The remaining modules were prioritized as follows:

- The Program Module, HTF enhancements, other HOME post-implementation enhancements were prioritized at the 8/4/03 meeting and, subsequently, at the 9/24/03 Steering Committee, it was agreed that associated needs and work will be reassessed prior to proceeding.
- LIHTC Module (including Cost Certification). Note - Management decided in October 2003 that the best strategy was to develop a Multifamily Module for all of the Department's multifamily programs rather than separate modules for each of the programs. See the discussion of the Multifamily Module for more information.
- OCI Module. The Department will determine if OCI contracts can be incorporated into the Contract System with a limited amount of design work and programming changes. If so, the priority of this component will be bumped up. OCI, Compliance, and ISD staff will participate in this meeting.
- Community Services/Energy Assistance Module
- Section 8 Module

The remaining modules and other enhancements were not prioritized because the development and implementation time associated with the modules prioritized above is significant. The prioritization of the remaining modules and enhancements will be assessed as the time to apply resources to those modules and enhancements approaches. The Department will have a better appreciation for the prioritized needs of the Department and the resources available to apply at that time. The remaining modules and enhancements to prioritize are the:

- Application Module,
- Asset Management Module,
- Construction Monitoring Module,
- Credit Underwriting and Cost Certification Module,
- Bond Finance Module,
- Program Module,
- Contract System - HTF enhancements, and
- Contract System - HOME enhancements.

20 * MULTIFAMILY MODULE

11/20/03 - In October 2003, Management decided the best strategy was to develop a Multifamily Module that would suffice for each of the Department's multifamily programs rather than separate modules for each of the programs.

The major program in the Multifamily Module will be the Housing Tax Credit Program. The program is the primary means of directing private capital towards the creation of affordable rental housing. The tax credits provide developers of low income rental housing with a benefit that is used to offset a portion of their federal tax liability in exchange for the production of affordable rental housing. The value associated with the tax credits allows residences in HTC developments to be leased to qualified families at below market rate rents.

In addition to the application, scoring, tracking, cost certification functionality and other features the HTC component of the Central Database will provide the ability to:

- track credit allotments to the state
- track the allotment of credits to the individual setasides and subsequent allocation to projects and their respective buildings
- track the allocation of credits to the properties

* If asterisked (*), the detailed plans identifying tasks and resources are pending. Accordingly, start and finish dates have not been identified.

**TDHCA Central Database
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- identify applicable fraction for each of the buildings receiving tax credits
- identify the purpose of the allocation (acquisition, rehab, new construction)
- capture the necessary information to issue 8609s
- capture the necessary information to effectively manage the cost certification process
- automatically assign the applicable PV rate and provide the ability to lock in the rate
- track the tax credit from initial allocation, carryover to final issuance

Capital Expenditures: \$2,600 (contract services)

23 * OCI MODULE

The OCI module will be able to track its programs (Texas Bootstrap Loan Program, Contract for Deed Conversion Loan Programs, Builder Incentive Partnership Program, Contract for Deed Conversion Loan Guarantee Program, Colonia Self-Help Center Program and Colonia Consumer Education Programs) through the Database. This will enable the creation of various reports regarding the colonias and these programs. There will also be a capability to search on the Database for other funding activities in the colonias by other programs within the Agency.

Plans include determining whether the OCI contracts can be incorporated into the Contract System with a limited amount of design work and programming changes.

26 * COMMUNITY SERVICES/ENERGY ASSISTANCE MODULE

The Community Services/Energy Assistance Module will extend the Contract System functionality of the TDHCA Contract System to the CS and EA programs. The module will allow funds to be tracked from source through award and contract closeout for the following fund sources: General Revenue, US Dept. of Health and Human Services, HUD, HHS Community Food and Nutrition Program, ENTERP, DOE, and Investor Owned Utilities. The module will incorporate the contract and program rules of the CS and EA program activity types: ESG, CSBG, CFNP, ENTERP, Weatherization, LIHEAP-WAP, SBF, and IOU. Monthly reporting functions for program activity types will be incorporated. The module will also allow for the tracking of budgets, draws, and expenditures. Existing historical and financial data will be converted to the new database as appropriate.

29 * SECTION 8 MODULE

The Section 8 module will consist of 4 major components. They are Family Reports, Contracts, Payments and Contract Tracking. The Family Reporting System (i.e., application system) is modeled after HUD's automated Form 50058 application process which is used to collect, store and generate reports on families who participate in the Section 8 rental subsidy program. Once a family's application has been submitted and processed by HUD, it is ready to become a contract in TDHCA's Section 8 program. The Contract System is almost an exact mirror of the Family Reporting System except that it abstracts the information to a higher level and presents it in a more summarized form to agency users. A contract then provides the Section 8 Payment System with the information it needs to process payments for local operators, landlords and tenants. This system then feeds the information to Accounting's CSAS System which, in turn, gives accounting the information they need to produce their monthly checks for the aforementioned groups. Lastly, the Section 8 Contract Tracking System is used to help the program area "keep track" of which contracts have received their payments and/or have reimbursed the agency for the services rendered.

34 * APPLICATION MODULE

Provide the ability to create and store application guidelines, threshold information, scoring criteria and templates to be used in the application scoring process. The system will allow the applicant to enter and submit the application online and submit any supporting documentation via hardcopy and electronic means. Where possible, automated scoring will be invoked but regardless, all scoring will be performed in the system and summarized automatically. As application flows through the process, updates to fund balances are automatically updated to reflect applications that have not met minimum thresholds.

* If asterisked (*), the detailed plans identifying tasks and resources are pending. Accordingly, start and finish dates have not been identified.

**TDHCA Central Database
Summary Project Plan/Status
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Capital Expenditures: \$5,000 (contract services)

- 40 * **CREDIT UNDERWRITING**
This module will provide the ability to capture and track underwriting details and apply pre-established thresholds and tolerances to determine eligibility or compliance with established standards.
- 43 * **CONSTRUCTION & PROGRAM MONITORING MODULE**
This module will coordinate and manage the monitoring activities performed at projects, subrecipients, etc. The system will provide the ability to capture pertinent information regarding the monitoring activity and consolidate the results of all monitoring activities at the entity in a common location.
- 46 * **BOND FINANCE MODULE**
The Bond Finance module will capture all relevant commercial paper, single family and multifamily bond data and information for retrieval and reporting purposes. The Bond Finance module will provide this data and information in a readily accessible manner through user defined reports to provide information to other state agencies. Financial concerns, such as rating agencies, bond insurers, investors, investment banks, etc. also will use these reports. The Bond Finance module will consolidate current report preparation processes, thereby increasing Bond Finance's efficiency and productivity with the issuance of new bonds and the management of outstanding bonds.
- 49 * **PROGRAM MODULE**
Provide the ability to store online program level information. The information to be stored includes: Program name, the type of program (multi family or single family), program activities with each activity's specific strategies, targets (income targets, geographic, special needs, non-profit participation etc.) and requirements.
Provide the ability to map back to the original program targets the actual results as contracts are awarded to provide a visual summary of the actual results as they occur.
- Capital Expenditures: \$3,250 (contract services)
- 8/31/03 - The 11% reported is rolled forward from the last status report to the Department's Governing Board, April 30, 2003, and relates to requirement and design work that has been completed.
- 53 * **COMPLETED/ACCOMPLISHED**
Capital Expenditures Not Associated with Individual Milestones:
Java Training, \$7,640
Server Hardware, \$42,987
Software and Misc., \$4,620
- 54 * **Software Dev Environ Infrastructure & Arch Ping**
The software development environment was restructured and a more refined process that accommodated both existing and new programming languages, databases and standards were put into place. This includes the development of a project charter, the creation of a detailed project plan, selection of a source code control tool, the addition of a modified QA process that involves more user participation, the creation of web and graphical user interface standards, Java coding standards, database naming convention standards, Java software development platform standard, and software change control, management and deployment process improvements.

Capital Expenditures: \$11,700 (contract services)

* If asterisked (*), the detailed plans identifying tasks and resources are pending. Accordingly, start and finish dates have not been identified.

**TDHCA Central Database
Summary Project Plan/Status
As of November 20, 2003**

- 55 Main Menu and Login Process**
The Central Database Main Menu for navigation through the system. The Login Process entailed developing the interface and preliminary security mechanisms for internal users. This also included development of a standardized interface stylesheet for use in the application.
Capital Expenditures: \$14,000 (contract services)
- 56 LIHTC Microsoft Outlook Contact Log Solution**
Provided an immediate Microsoft Outlook solution to a SB322 item where oral (phone) or written communication can be logged for the LIHTC program. This is the short-term solution to the SB322 item. The longer-term solution will be in the form of the LIHTC Contact Log.
- 57 Housing Sponsor Report**
The Housing Sponsor Report is used by the property owners and property managers to report property and unit information into the Central Database. The Housing Sponsor Report is required to be submitted to TDHCA on an annual basis for any properties where program participation was involved.
Capital Expenditures: \$650 (contract services)
- 58 HRC Information Clearinghouse**
The Housing Resource Center Information Clearinghouse provides the citizens of Texas easy access to information on homebuyer assistance, rental housing assistance, home repair, and other community services throughout the state. A brief description of several programs offered by TDHCA and other state and federal programs, including hyperlinks, is also available.
Capital Expenditures: \$51,034 (contract services)
- 59 Data Migration and Population**
Capital Expenditures: \$22,885 (contract services)
- 64 Software Architecture**
The software infrastructure required for current and future projects which included the design, technical design and software development of data access routines, object model development and user interface framework.
Capital Expenditures: \$18,750 (contract services)
- 65 Housing Sponsor Report - Historical**
The Housing Sponsor Report - Historical information is used to query for property and unit information that has been provided in prior Housing Sponsor Report reporting years. The Housing Sponsor Report is required to be submitted to TDHCA on an annual basis for any properties where program participation was involved. This portion of the system is specific to historical information as previously reported by prior Housing Sponsor Reports entered by property owners and property managers.

* If asterisked (*), the detailed plans identifying tasks and resources are pending. Accordingly, start and finish dates have not been identified.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Central Database Project
Status of Funds as of November 20, 2003

Description	Total
Appropriated Funds FY 2004-2005:	<u>260,000</u> ¹
Less:	
Obligations as of 11/20/03	<u>- 0 -</u> ²
Unexpended /Unobligated Balances as of 11/20/03	<u>\$ 260,000</u>
Appropriated Funds FY 2000-2003:	\$ 760,955
Less:	
Expenditures thru 9/30/03:	769,601
Employee Training - Advanced Java Programming training and Graphical User Interface and Presentation. (\$7,640); Design and development of Compliance Monitoring and Tracking System. (\$262,677); Computer Programmer Services - Finalization of Compliance Monitoring System. (\$46,083); Post-implementation - Compliance Monitoring Tracking System (\$44,355); Computer Programming Services - One Systems Analyst for gathering program information needs, functional and system requirements and specifications. Two Programmers for software development. (\$361,239); Computer Equipment – Sun Server Hardware, Disk Drives, Processors, Memory (RAM) and required upgrades. (\$42,987); Computer Software - Software database tools. (\$4,270); Miscellaneous - US Postal Service FIPS Database Annual Subscription. (\$350)	
Lapsed Funds	<u>278</u>
Deficit Balance as of August 31, 2003	<u>- 8,924</u> ³
Other Sources of Funds for Fiscal Year Ended August 31, 2003	<u>8,924</u>
Adjusted Balance at August 31, 2003	<u>- 0 -</u>

¹ Funds appropriated for the FY 2004-2005 biennium of \$260,000 amount to \$135,000 and \$125,000 for FY 2004 and FY 2005, respectively. Appropriated funds for the FY 2004-2005 biennium are planned to be used for contract programming services on the central database project. These funds will not be obligated until after the Multifamily module system requirements and design specifications are finalized, reviewed, and approved.

² There are no funds obligated as of November 20, 2003.

³ The deficit balance at August 31, 2003 is the result of the Department extending contract programming services for one month to complete key Contract System functionality and to address unanticipated changes to the System. The deficit was financed with funds appropriated to Normal Growth for the appropriation year ending August 31, 2003, described as "Other Sources of Funds for Fiscal Year Ended August 31, 2003."

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Compliance Monitoring and Tracking System Enhancements
Status of Funds as of November 20, 2003

Description	Total
Appropriated Funds FY 2004-2005:	245,000 ¹
Less:	
Business Data Architect (\$5,600); Programmer/Data Analyst (\$5,200)	10,800
Balance as of November 20, 2003	234,200
Obligations as of 11/20/03	121,450 ²
Unexpended /Unobligated Balances as of 11/20/03	\$ 112,750

¹ Funds appropriated for the FY 2004-2005 biennium of \$245,000 amount to \$135,000 and \$110,000 for FY 2004 and FY 2005, respectively. These funds will be used for contract services relating to analysis and design work through technical documentation for enhancements to the Compliance Monitoring & Tracking System (CMTS) functionality, including single audit, program monitoring, 8609 inspections, screen enhancements and report boilerplates. Further deliverables include multifamily needs analysis, business process improvement, and design specifications for entering and maintaining multifamily post-award data.

² This amount is the balance of a consulting services contract in the amount of \$132,250. The contract was for analysis and design work being performed in connection with enhanced CMTS functionality referred to in Note 1.

CENTER FOR HOUSING RESEARCH, PLANNING, AND COMMUNICATIONS

BOARD ACTION REQUEST

December 11, 2003

Discussion Item

Affordable Housing Research and Information Program

Required Action

Acceptance of public input and general discussion related to the Affordable Housing Research and Information Program

Background

Senate Bill 1664 from the 78th Texas Legislative Session provides the resources to establish an Affordable Housing Research and Information Program in which the Department shall contract for:

- periodic market studies to determine the need for housing;
- research to determine the effect of affordable housing developments on property values, social conditions, and quality of life in surrounding neighborhoods;
- research in affordable housing design and development approaches that enhance community acceptance and improve the quality of life; and
- public education and outreach efforts.

With 186 applications turned in for the 2004 Bond Lottery, approximately \$744,000 will be available to fund the Research and Information Program.

Throughout the summer/fall, TDHCA has interacted with the public through various trade association conferences and consolidated public hearings to solicit suggestions from the public regarding how the Department should prioritize the research and information funding.

- See Attachment A for a summary of comments received to date.

The Department is using this public forum to solicit additional input before developing its plan related to the FY 2004 monies and moving forward with contracting for services.

Note: Because there was no contingency rider associated with this funding, TDHCA is working with the Bond Review Board to receive a budget execution to transfer the funds to TDHCA.

Appendix A: Comments Submitted to Date

- Informational materials for local governments, neighborhood organizations, and local residents regarding affordable housing.
- Research studies on the impact of affordable housing on local communities including:
 - property values
 - traffic
 - crime
 - local schools
 - community and economic development
 - environmental impact of multifamily housing
 - inventory of existing research on the impact of affordable housing
- General research related to affordable housing:
 - critical assessments of the efficiency and effectiveness of public expenditures for subsidized housing
 - long-term studies of subsidized housing maintenance
 - affects of subsidized housing on people's ability to move off of welfare
 - impact of the provision of affordable housing to residents of affordable housing
 - educational effect on children of subsidized housing
 - profiles of who needs subsidized housing
 - profiles of who gets subsidized housing
 - the match or mismatch of existing subsidized housing programs serving families at different income levels
 - success stories of economic and racial integration promoted through subsidized housing
 - the range of economic needs of subsidized housing families
 - how does the public want provision of subsidized housing linked to program recipient initiatives?
 - the benefits of economically and racially integrated communities
 - tax benefits of subsidized housing
 - overall social benefits of subsidized housing
 - best practices of “fair share” requirements
 - Smart Growth policies
- Public Perception of Affordable Housing Survey/Focus Groups:
 - what the public thinks
 - what ideas the public finds persuasive
 - extent of voter support for subsidized housing
- Market studies to identify/quantify the specific needs of the markets that have traditionally been over saturated.

- Statewide Registry of Neighborhood Organizations
- Administering Agency and Local Interaction:
 - How local Housing Finance Agencies (HFAs) and other states interact with and inform local communities prior to awarding of funds.
 - Information other HFAs and states provide with respect to the specifics of a development once an award is made.

In addition to the activities outlined above, it has been suggested that the Department convene an oversight committee made up of housing and research professionals to assist in the review of proposals and advise on the appropriateness of research methodologies to ensure the quality of services the Department receives.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

December 11, 2003

Action Items

Requests for extensions regarding commencement of substantial construction.

Required Action

Approve or deny the requests for extensions associated with 2002 commitments.

Background

Pertinent facts about the developments requesting extensions are given below. The requests were accompanied by a mandatory \$2,500 extension request fee for each type of extension requested.

HTC Development No. 02075, Heatherwilde Estates Apartments

Summary of Request: Development required the construction of a sewer line through an abandoned railroad easement which was to be a part of the subject site. Although the processing of documentation to accomplish the abandonment had begun in 1998, the necessary filings had never been completed by the Corp of Engineers. It was necessary to complete the required filings before construction could begin.

Applicant:	Heatherwilde Estates Housing, L.P.
General Partner:	Heatherwilde Estates Development LLC
Principals/Interested Parties:	Housing Authority of Bexar County (99.99% owner of GP), B&L Housing Development Corp. (0.01% owner of GP), Leroy Leopold owner of B&L Housing Development Corp.
Syndicator:	Wachovia Securities
Construction Lender:	JPMorganChase
Permanent Lender:	JPMorganChase
City/County:	San Antonio/Bexar
Set-Aside:	General/Family
Type of Development:	New Construction
Units:	140 HTC units, 36 market rate units
2002 Allocation:	\$1,068,403
Allocation per HTC Unit:	\$7,631
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Commencement of substantial construction
Note on Time of Request:	Extension requested late
Current Deadline:	November 14, 2003
New Deadline Requested:	March 1, 2004
New Deadline Recommended:	None
Prior Extensions:	Carryover extended from 10/11/02 to 11/30/02
Reason for Extension Request:	See summary above

Staff Recommendation: **The 2002 QAP requires that applicants submit extension requests 10 days prior to the actual deadline. In this case the deadline was November 14, 2003. The extension request was not received until November 18, after the 10 day extension period had ended. Because the extension was not timely filed, staff recommends denying the request. Denial of the request will cause a rescission of the credits.**

B & L Housing Development

801 Beckleymeade Ave., Suite 1116, Dallas Texas 75232

November 17, 2003

Mr. Ben Shepherd
Texas Department of Housing and Community Affairs
507 Sabine Street, Suite 400
Austin, TX 78711-3941

RE: Heatherwilde Estates Tax Credit Application, #02075

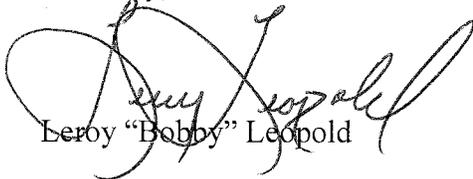
Dear Mr. Shepherd,

This letter is to clarify our discussion the other day. We had discussed the November 14, 2003 deadline to have commenced substantial construction on the Heatherwilde Estates development per the department requirements.

While we had anticipated starting construction in September, however due to a problem with an easement abandonment by the Army Corps of Engineers we were unable to finalize permits and start construction until just a few weeks ago. While we expect to meet the requirements by the end of February, we did not meet the requirements as of November 14th.

In light of the above facts including solid support for the project, we ask that you grant our request for an extension of the deadline for commencement of substantial to March 1, 2004.

Sincerely,



Leroy "Bobby" Leopold

RECEIVED

NOV 18 2003

LIHTC

RECEIVED
DEC 03 2003
EXECUTIVE

MEMO

To: Mr. Michael Jones, Chairman, and Board Members
Texas Department of Housing and Community Affairs

From: Mr. Dario Chapa, Chairman
Housing Authority of Bexar County

Date: December 3, 2003

Subject: Heatherwilde Estates Extension, TDHCA # 02075

Dear Chairman Jones and TDHCA Board Members:

In considering the extension for Heatherwilde Estates, TDHCA #02075, I would respectfully request that you take into account the accomplishments of Heatherwilde Estates, LP.

- We have made carryover
- We have closed and funded the construction loan
- We started preparing the property on September 12, 2003 (which is known as a "dirt permit")
- San Antonio has a lengthy new tree ordinance, which we preserved some 2,500 trees that are indigenous to San Antonio
- As of November 12, 2003, received a unanimous vote to waive our impact fees from the Urban Affairs Committee, which is an AD HOC of City Council
- Released full, stamped drawings to begin utility work (11/12/03)
- Unanimous approval of the plat [the platting process was extended due to the City wanting us to put in a septic system and we felt that the long term viability would be to have city sewer service (11/26/03)]
- By Friday, December 5th, we will receive full permits to begin our slabs

We respectfully request a positive outcome at the December 11th TDHCA Board Meeting. This development is in close proximity to the Toyota Plant and the auxiliary plant being considered at Kelly USA.

With regards.

SOUTHWEST COMMUNITY ASSOCIATION (SWCA)

[Founded: 1984; in the area bounded by Loop 410 on the west, Old Pearsall Rd on the north, Military Dr on the east, and the Union Pacific railroad tracks on the south.]

POB 27102
San Antonio, TX 78227
Nov 12, 2003

Executive Director, TX Dept of Housing & Community Affairs
PO Box 13941
Austin, TX 78711-3941

Ms. Carrington:

REF: Heatherwilde Estates project. TDHCA# 02075.

WE AGAIN URGE YOU, YOUR STAFF, AND THE TDHCA BOARD NOT TO GRANT ANY MORE EXTENSIONS WHICH MAY BE REQUESTED ON THIS PROJECT!

As of today, there are still problems with the developer getting all of the permits needed for this project. Construction has not started. We've heard that the developer may AGAIN be asking for another extension to a previously established state deadline. We again ask that any such extension NOT be granted.

During the approval processes for this project, the developer fervently pledged to pay their fair share and be good neighbors to the existing community. Yet they continue to seek waivers to things such as utility fees and charges necessary for this development; thus again putting much of the burden of paying for *their* development on the backs of the current residential ratepayers/taxpayers. Southwest Housing Development is a for-profit corporation that is likely to make at least a \$28M profit from this project. They should be paying all of the project's costs.

Additionally, they've made no effort to be a good neighbor to the existing community. In fact, it's just the opposite. We continue to find out about more of their proposed tax-exempt multi-family affordable housing projects in our area. As usual, their efforts to get approvals for these projects are done totally without community notification, consideration, or input. We think that is arrogant and we feel we are being targeted and harassed precisely because we are an area of concentrated poverty and little influence.

Ms. Carrington, over the past 16 months, our association has contacted you and your agency many times. Yet all of our requests and pleadings seem to fall on deaf ears. While we struggle to build a better community, we find our tax dollars coming back down through a beauracracy that appears unconcerned and uncaring about the results its decisions have on existing communities. Instead, it appears more concerned with how much money it can pass on to developers - making the false assumption that a bigger number, the more good is being achieved.

Ms. Carrington, I encourage you, some of your staff, and the TDHCA Board to come down and visit our area. See our situation for yourselves. I will be most happy to personally give you a tour of our area and have you meet with current residents & homeowners. I encourage you to get out from behind your desk and meet the people you impact the most - - hard-working, tax-paying, rate-paying existing residents. If you will, the best timeframe for me would be during the weeks of 8 - 19 Dec 03 or 5 - 23 Jan 04. I look forward to hearing from you to set up a visit. Thank you.

Working To Restore Pride
In Our Area,



CAROLE ABITZ
Vice-President & Zoning Chair
(210) 623-4965
"caroleab@hotmail.com"

RECEIVED
NOV 17 2003
EXECUTIVE

HTC Development No. 02107, Holly Park Apartments

Summary of Request: The site is cleared and the applicant is now setting sewer lines off-site and storm water lines on-site. Delay has been caused by rain and a utility easement problem. Applicant documents 22 days of rain during the week or on weekends and 54 days when the site was too wet to be worked. Photos show that the site does not drain adequately, and water pools persist substantially beyond the rain days. The utility easement that the sewer line must use to reach the site contained a cable line installed in contravention of the City's permit. The City must resolve the problem before the sewer line can be run into the subject site.

Applicant:	H-K Housing Partners, Ltd.
General Partner:	KPE Development LLC
Principals/Interested Parties:	Kelly Elizondo
Syndicator:	Columbia Housing-PNC Institutional Fund IV Limited Partnership
Construction Lender:	PNC Bank, N.A.
Permanent Lender:	PNC Bank, N.A.
City/County:	Corpus Christi/Nueces
Set-Aside:	General/Family
Type of Development:	New Construction
Units:	172 HTC units
2002 Allocation:	\$888,921
Allocation per HTC Unit:	\$5,168
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Commencement of substantial construction
Note on Time of Request:	Extension requested late
Current Deadline:	November 14, 2003
New Deadline Requested:	March 31, 2004
New Deadline Recommended:	None
Prior Extensions:	None
Reason for Extension Request:	See summary above

Staff Recommendation: **The 2002 QAP requires that applicants submit extension requests 10 days prior to the actual deadline. In this case the deadline was November 14, 2003. The extension request was not received until November 5, after the 10 day extension period had ended. Because the extension was not timely filed, staff recommends denying the request. Denial of the request will cause a rescission of the credits.**

KPE D E V E L O P M E N T

October 30, 2003

Ben Sheppard
TDHCA
507 Sabine
Suite 400
Austin, TX 78711-3941

Re: Holly Park TDHCA 02107

Dear Ben:

We are asking for an extension to the "commencement of substantial construction" on the above mentioned property. We have experienced unusual rains in the Corpus Christi area which was the cause for delay. We have had almost twenty inches of rain on our site since July. As you know we have closed on our construction loan and started on the site work as shown on the enclosed photographs. We have installed the sanitary sewer and are about 20% complete on storm sewer. We can finish the storm sewer and water supply lines with three weeks of good weather. I have attached a chart which identifies the inclement weather days we have experienced since construction loan closing.

Please extend the date to at least March 31, 2004 to be sure we can comply without asking for a second extension. The \$2,500 fee is enclosed.

Thank you for your help in this matter.

Sincerely,



Ezequiel P. Elizondo

Cc: Richard J. Mertz
Bob Sherman

RECEIVED

NOV 05 2003

LIHTC

NOV 5 PM 2:50

INCLEMENT WEATHER RECORD—Holly Park Apartments

2003

Thursday July 3--rain
Monday July 7--rain
Tuesday July 8--rain
Wednesday July 9--too wet
Thursday July 10--too wet
Friday July 11--too wet
Monday July 14--too wet
Tuesday July 15--Hurricane Claudette *assume rain*
Wednesday July 16--rain
Thursday July 17--too wet
Friday July 18--too wet
Monday July 21--too wet
Tuesday July 22--too wet
Thursday August 14--rain
Friday August 15--too wet
Monday August 25--too wet rained Saturday August 23
Wednesday September 3--rained out at noon ½ day
Thursday September 4--rain
Friday September 5--too wet
Monday September 8--too wet
Tuesday September 9--too wet
Wednesday September 10--too wet
Friday September 12--rain
Monday September 15--too wet
Tuesday September 16--rain
Wednesday September 17-rain
Thursday September 18--rain
Friday September 19--too wet
Monday September 22--too wet (rained all weekend)
Tuesday September 23--too wet
Wednesday September 24--too wet
Thursday September 25--too wet
Friday September 26--too wet
Monday October 6--rained out at noon ½ day
Tuesday October 7--rain
Wednesday October 8--rain
Thursday October 9--rain
Friday October 10--rain
Monday October 13--rain
Tuesday October 14--too wet
Wednesday October 15--too wet
Thursday October 16--too wet

Friday October 17—too wet
Monday October 20—too wet
Tuesday October 21—too wet
Wednesday October 22—too wet
Thursday October 23—too wet
Monday October 27—too wet (rained about 2" Friday October 24 night
Tuesday October 28—too wet
Wednesday October 29—too wet
Thursday October 30—too wet
Friday October 31—too wet
Monday November 3—too wet
Tuesday November 4—too wet

HOLLY PARK APARTMENT PROJECT CONSTRUCTION SCHEDULE

Resume site work November 13, 2003 through September 30, 2004

Revised November 10, 2003

THIS SCHEDULE IS SUBJECT TO CHANGE DEPENDING ON WEATHER
CONDITIONS

Site Work—November 13, 2003 to January 7, 2004(initial utilities and pads)—ongoing
thru April 1, 2004
Electrician—December 1, 2003 to September 30, 2004 (thru out duration of project)
Foundation— December 3, 2003(start initial pads) to May 11, 2004
Plumber—December 8, 2003 to September 30, 2004, 2004 (thru out duration of project)
Termite treatment—December 11, 2003 to May 11, 2004 Treat around outside by
September 15, 2004
Framer—December 17, 2003 to June 16, 2004
Windows—January 7, 2004
Exterior doors—January 26, 2004
Painter—(Exterior prior to roofing)—January 15, 2004 Ongoing thru out project
Roofer—roofing material—January 5, 2004 to July 13, 2004
Roofing labor—January 5, 2004 to July 20, 2004
Electrical labor ongoing
Plumbing labor ongoing
HVAC installation—January 7, 2004 to September 15, 2004
Insulator—January 20, 2004 to July 25, 2004
Sheetrock—material—January 23, 2004 to July 30, 2004
Labor—January 28, 2004 to August 9, 2004
Brick—material—January 30, 2004 to August 10, 2004
Labor—February 2, 2004 to August 15, 2004
Interior doors—February 9, 2004 to August 1, 2004
Trim—February 9, 2004 to August 20, 2004
Painter— (interior of units)—February 18, 2004 to September 27, 2004
Cabinets—February 23, 2004 to September 4, 2004
Ceramic Tile—bathrooms/vinyl flooring—March 1, 2004 to September 11, 2004
Appliances—March 4, 2004 to September 14, 2004
Window blinds—March 4, 2004—September 20, 2004
Flooring—March 18, 2004 to September 20, 2004, 2004
Landscape—March 22, 2004 to September 27, 2004

HOLLY PARK APARTMENT PROJECT WEEKLY/MONTHLY SCHEDULE
REVISED DUE TO INCLEMENT WEATHER
November 10, 2003

November 9 thru 15

Site work-- resume laying storm water lines

November 16 thru 22

Site work-- finish storm water lines

Site work—begin laying water and gas lines

November 23 thru 29

Site work—finish water and gas lines

November 30 thru December 6

Reshape building pads beginning with B43, B42, B41, B01, B02, B44, B03, B04, B05, B39, and B40 and continue throughout project

Begin foundation on B43

December 7 thru December 13

Begin foundation on B42

Pour foundation B43

December 14 thru December 20

Begin foundations on B41 and B01

Pour foundation on B42

December 21 thru December 27

Begin foundation on B02

Pour foundation on B41

December 28 thru January 3

Begin foundation on B44 (Office/club)

January 4 thru January 10

Begin foundations for B03, B04 and B05

Pour foundations B01 and B02

January 11 thru January 17

Begin foundations for B39 and B40

Pour foundations for B44, B03 and B04

January 18 thru January 24
Begin work on trash compactor site
Begin foundations for B6 and B7
Pour foundations B5 and B39

January 25 thru January 31
Begin foundations on B36 and B8
Pour foundations B40 and B6

February 1 thru February 7
Begin foundations on B9 and B34
Pour foundations B7 and B36

February 8 thru February 14
Begin foundations B35 and B10
Pour foundations B8 and B9

February 15 thru February 21
Begin swimming pool
Begin foundations for B11 and B33
Pour foundations for B34 and B35

February 22 thru February 28
Begin foundations for B32 and B12
Pour foundations B10 and B11

February 29 thru March 6
Begin foundations for B13 and B31
Pour B33 and B32

March 7 thru March 13
Begin foundations B14 and B29
Pour foundations for B12 and B13

March 14 thru March 20
Building B43 and B42 completed
Begin mail kiosk
Begin foundations for B30 and B15
Pour foundations for B31 and B14

March 21 thru March 27
Building B41 and B01 completed
Begin playground
Begin playcourt
Begin foundations for B16 and B17
Pour foundations for B29 and B28

March 28 thru April 2

Buildings B02 and B44 (office/club) completed

Begin foundations for B18 and B19

Pour foundations for B15 and B16

April 4 thru May 1

Buildings B03, B04, B05, B39, B40, B6, B7, and B36 completed

Begin foundations for B28, B24, B20, B21, B22, B23, B25 and B26

Pour foundations for B17, B18, B19, B28, B24, B20, B21, and B22

May 2 thru June 5

Buildings B8, B9, B34, B35, B10, B11 and B33 completed

Begin foundations for B27, B37 and B38

Pour foundations for B23, B25, B26, B27, B37, and B38

June 6 thru July 3

Buildings B32, B12, B13, B31, and B14

July 4 thru July 31

Buildings B29, B30, B15, B16, B17, B18 and B19 completed

August 1 thru September 4

Buildings B28, B24, B20, B21, B22, B23 and B25 completed

September 5 thru September 30

Buildings B26, B27, B37 and B38 completed

Executive Directors Report

Update on Revised Homebuyer Assistance Program Income Calculations
For the HOME Program
Status of the Family Self Sufficiency Program
NCSHA Annual Conference
Federal Legislation - HR284/S595 – Housing Bond and Credit Modernization
And Fairness Act
Availability of 4.99% Unassisted First Time Homebuyer Funds

EXECUTIVE SESSION

Consultation with Attorney Pursuant to Sec. 551.071, Texas
Government Code – Matters Concerning Section 572.054,
Texas Government Code;

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

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

ADJOURN

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact 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.