

BOARD MEETING OF MARCH 11, 2004

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

March 11, 2004

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, Room 437, Austin, Texas 78701
Thursday, March 11, 2004 1:00 p.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 February 11, 2004 | Elizabeth Anderson |
| Item 2 | Presentation and Discussion of Report from the Programs Committee:

a) HOME Program | C. Kent Conine |
| Item 3 | Presentation, Discussion and Possible Approval of Programmatic Items:

a) Proposed Amendment to Public Comment Procedures and Topics of Public Hearings And Meetings; Title 10, Part 1, Subchapter A, Section 1.10, Texas Administrative Code

b) Section 8 Program Public Housing Authority Plan for The Year 2004

c) 2004 Proposed Multifamily Bond Eligible Tenant Income Limits

d) Revised Single Family Average Area Purchase Price Limits

e) Resolution No. 04-018 Authorizing the Issuance of Single Family Mortgage Revenue Bonds, 2004 Series A and 2004 Series B and Taxable Junior Lien Single Family Mortgage Revenue Bonds, 2004 Series A (Program 61)

f) Single Family Mortgage Revenue Bond Marketing Plan

g) Recommendations for Underwriting Team for the Sale of Single Family Mortgage Revenue Bonds, 2004 Series A and 2004 Series B and Taxable Junior Lien Single Family Mortgage Revenue Bonds, 2004 Series A (Program 61) | C. Kent Conine |

- h) Proposed New Rule Regarding Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers, Title 10, Subchapter A, Section 1.15, Texas Administrative Code
 - i) Proposed Changes to Performance Measures
- Item 4 Presentation, Discussion and Possible Approval of Multi-Family Mortgage Revenue Bonds and Four Percent (4%) Housing Tax Credits with TDHCA as the Issuer: Vidal Gonzalez
- a) Proposed Issuance of Multifamily Mortgage Revenue Bonds For Chisholm Trail Apartments, Houston, Texas in an Amount Not to Exceed \$12,000,000 and Issuance of Determination Notice (Requested Amount of \$826,444 and Recommended Amount of \$826,184), for Housing Tax Credits for Chisholm Trail Apartments, 04-412, Resolution No. 04-017
 - b) Proposed Refunding of Multifamily Mortgage Revenue Bonds for Meadow Ridge Apartments, Round Rock, Texas in an Amount not to Exceed \$12,850,000, Resolution No. 04-012
- Item 5 Presentation, Discussion and Possible Approval of Report From Audit Committee: Shadrick Bogany
- a) Management's Discussion and Analysis of Department's Financial Performance for the Fiscal Year Ended August 31, 2003
 - b) Status of Prior Audit Issues
 - c) Status of Central Database
 - d) Status of Internal/External Audits
- Item 6 Presentation, Discussion and Possible Approval of Housing: Tax Credit Items: Elizabeth Anderson
- a) Issuance of Determination Notices on Tax Exempt Bond Transactions with Other Issuers:
 - 04-408 Hickory Manor Senior Community, DeSoto DeSoto Housing Finance Corporation is the Issuer (Requested amount of \$579,425 and Recommended Amount of \$579,425)
 - 04-410 The Vistas Apartments, Marble Falls Marble Falls Housing Authority is the Issuer (Requested Amount of \$298,905 and Recommended Amount of \$287,187)
 - b) Proposed Amendments to Housing Tax Credit Projects:
 - 02-022 Castle Garden, Lubbock, Texas
 - 02-027 Creekside Townhomes, Burnet, Texas
 - 03-257 Caney Run, Victoria, Texas

- c) Extensions for Commencement of Substantial Construction for:
02-131 Meadows of Oakhaven, Pleasanton, Texas

REPORT ITEMS

- Executive Directors Report Edwina Carrington
1. Request for Attorney General Opinion from Representative Talton concerning
The 2004 Qualified Allocation Plan and Private Activity Bond Program
 2. Department's Request for an Attorney General Opinion on the Issue of
Scoring Written Statements from Local Elected Officials, in Addition to
State Elected Officials, in the Housing Tax Credit Program
 3. Community Affairs Staff Appointment to National Advisory Board of the
United States Department of Energy
 4. Document of the Scope of the Ex Parte Rule
 5. Funding and Performance for the Office of Colonia Initiatives for 2003
 6. Review of Ineligibility Factors for Competitive Nine Percent (9%) Tax Credits

EXECUTIVE SESSION

Elizabeth Anderson

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

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 sign language interpreters for this meeting
should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-
800-735-2989 at least two days before the meeting so that appropriate arrangements can be
made.*

*Non-English speaking individuals who require interpreters for this meeting should contact Delores
Groneck, 512-475-3934 at least three days before the meeting so that appropriate arrangements
can be made.*

EXECUTIVE OFFICE

**BOARD ACTION REQUEST
March 11, 2004**

Action Items

Board Minutes of February 11, 2004.

Required Action

Approve with any necessary corrections the minutes of the Board Meetings.

Background

The Board is required to keep minutes of each of their meetings. Staff recommends approval of the minutes.

Mr. George Scott, Managing Partner of Deloitte & Touche stated they conducted the audits of TDHCA. They audited the financial statements for the year ending August 31, 2003 and also audited a variety of documents and interviewed individuals through the organization. During the course of the audit there were no restrictions placed on their access to information. They received outstanding cooperation and assistance from everyone at the Department. The audit was completed in accordance with generally accepted auditing standards and also government auditing standards due to the federal assistance that is provided to the Department. The financial statements are free from any material misstatement. During the audit, as one compares one financial statement to another, there were no significant changes in the application of accounting policies. There was one adjustment of about \$20 million which pertained to the change in the reserve for uncollectible accounts. There were no disagreements with management during this audit. There was a report to management that contained one comment discussing or identifying the issue of reviewing the Loan Loss Reserve calculation.

They also issued a report on the computation of unencumbered fund balances and identified no situation that needs to be reported. The report to management had a clean and unqualified opinion.

(3) Presentation, Discussion and Possible Approval of First Quarter Investment Report

Mr. Bill Dally, Chief of Agency Administration, stated this is the first quarter report for the period ending November 30, 2003. There were charts reflecting changes in the single family indenture, the RMRB, the CHMRB, the multi-family issuances and the various funds of the Department. There was a chart showing the grouping of the investment types and ranges in rates, investment types and guaranteed investment contracts. The mortgage backed securities at various investments types were also reflected on a chart.

Motion made by C. Kent Conine and seconded by Shad Bogany to accept the First Quarter Investment Report.
Passed Unanimously

(4) Presentation and Discussion of Report from Programs Committee

Mr. Conine reported that a Programs Committee was held earlier in the day along with a Board Workshop held on Feb. 10th. Presenters at the workshop discussed the various aspects of bond financing. There was a report on the 2003 performance of the programs of TDHCA and Mr. Conine asked the Board to look at this report to see what the program areas are doing. There was a projection for 2004 and the amount of volume of activity in each program. The Programs Committee will monitor this to make sure TDHCA is putting the resources in the appropriate area. The Programs Committee reviewed performance measures and will have another report to the Board with a recommendation on performance measures at the March meeting.

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

(a) Adoption of 2004 Housing Tax Credit Rural Rescue Policy

Ms. Carrington stated in March of 2003 the Board approved a Rural Rescue Policy for the 9% tax credit program. The idea was if there were properties financed by the USDA Rural Development, that many of those are going into foreclosure, have been foreclosed on or the loans are being accelerated. It was difficult for those projects to wait for the application cycle in the 9% round to apply for tax credits. The board approved the idea if one is purchasing an RD property in a time other than during the application cycle, or if there is one where the loan is being accelerated, they could apply in this off-cycle. There were no developers or developments that took advantage of this policy last year and the staff is asking that the Board adopt the policy again for this year. Last year the RD slowed down on any accelerations or foreclosures but there will be developments coming to the Department this year. Staff recommended approval of this policy.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the 2004 Housing Tax Credit Rural Rescue Policy.
Passed Unanimously

(b) Adoption of Amendment to Public Comment Procedures and Topics of Public Hearings And Meetings; Title 10, Part 1, Subchapter A, Section 1.10, Texas Administrative Code

Ms. Carrington stated staff is requesting approval of an amendment to this previously approved rule that would include the topics that the Board would consider at public hearings. This is a requirement of SB 264 and there were 10 items that were specifically stated in the legislation for the Department to include.

Motion made by Shad Bogany and seconded by C. Kent Conine to adopt the amendment to the Public Comment Procedures and Topics of Public Hearings and Meetings with no changes and to have this item as an agenda item for the March meeting for the Board to possibly amend this rule.
Passed Unanimously

(c) Amendment for Orange County under the Housing Trust Fund State Energy Conservation Office Program

Ms. Carrington stated the contract with Orange County Housing Authority is to provide SECO funds of \$162,000 to two properties owned by this housing authority. The City of Orange and the Orange County Housing Authority requested a shift in the two developments that this \$162,000 covers. There is a change in the number of units from 108 to 54 that would be assisted and a change in the dollar amount which would be reduced from \$163,000 to \$81,000. One of these units Village Oaks, is being sold to HUD so the Department will have no control over that property.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the amendment for Orange County under the Housing Trust Fund State Energy Conservation Office Program.
Passed Unanimously

(6) Presentation, Discussion and Possible Approval of Single Family Bond Program: Resolution No. 04-010 Authorizing a Restructuring of Single Family Mortgage Revenue Bonds, 2002 Series A, B, C, D (Program 57A)

Ms. Carrington stated this program was authorized by the Board in June of 2002. The interest rates ranged from 5.9% to 6.65% with an original amount of lendable proceeds of about \$100 million. The mortgage origination period on this program will terminate on September 1, 2005. The amount originated is \$21.4 million. Staff is proposing to reduce the interest rate on assisted mortgages from 6.65% to 5.59%.

Mr. Byron Johnson stated the unassisted mortgage rate would be reduced from 6.15% to 5.90% and change unassisted funds to assisted mortgage funds with 4% assistance.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve Resolution No. 04-010 authorizing a restructuring of Single Family Mortgage Revenue Bonds, 2002 Series A, B, C, and D.
Passed with 5 ayes (Mr. Bogany, Mr. Conine, Mr. Gordon, Mr. Gonzalez, Mr. Salinas and 1 no – Ms. Anderson)

(7) Presentation, Discussion and Possible Approval of Multi-Family Mortgage Revenue Bonds and Four Percent (4%) Housing Tax Credits with TDHCA as the Issuer:

(a) Proposed Issuance of Multifamily Mortgage Revenue Bonds For Providence at Bellfort Village, Houston, Texas in an Amount Not to Exceed \$13,700,000 and Issuance of Determination Notice (Requested Amount of \$739,659 and Recommended Amount of \$716,805), for Housing Tax Credits for Providence at Bellfort Village, 03-469

Ms. Carrington stated the proposal of new construction with 240 units is to be located in Houston and will consist of two and three bedrooms. The bond structure is unrated and unenhanced bonds that are going to be privately placed. It is from the 2003 bond allocation cap and was a carry-forward into 2004. The scheduled closing date is February 18. The requested amount of tax credits was \$739,650 and the recommended tax credit amount is \$716,805. A public hearing

was held and there were 101 people in opposition and 11 in support and 10 were neutral on the project. A petition against the project had 281 names on it. Congressman Chris Bell was in opposition to the transaction.

Staff is recommending the issuance of tax-exempt bonds in the amount of \$13,700,000 for this transaction which will have a second lien of \$2,300,000 which is a private loan and is not bond-funded and a credit allocation amount of \$716,805.

John Wiley Price, County Commissioner, Dallas, Texas

Commissioner Price stated he was speaking in his official capacity as county commission and as an individual. He has watched housing projects being built and he wanted to talk about the quality of housing. It is rare to see someone like Bill Fisher, who comes in a community and has foresight in building properties. Commissioner Price has seen projects built by Mr. Fisher and Provident Realty and the Commissioner supports Mr. Fisher's effort to have a planned development and Mr. Fisher deserves all of the consideration that this Board can give.

Carol Brandon, Vice President of City of Dallas Planning & Zoning Commission, Dallas, Texas

Ms. Brandon stated she serves at the pleasure of Dallas City Councilman, James L. Fontroy. She stated Provident Realty has come into District 8 and worked with the Councilman and has worked with the constituents in bringing a multifamily project in their district. She asked the Board to give consideration to this project.

Raymond Short, Houston, Texas

Mr. Short gave his speaking time to Elaine Gaskamp.

Wates McKee, Houston, Texas

Mr. McKee gave his speaking time to Elaine Gaskamp.

Shirley Mize, Houston, Texas

Ms. Mize gave her speaking time to Elaine Gaskamp.

Elida Ruiz, Houston, Texas

Ms. Ruiz gave her speaking time to Elaine Gaskamp.

Bill Fisher, Provident Realty, Dallas, Texas

Mr. Fisher stated it is important for the Board to know that developers work hard to get community support. He stated he had support from Houston City Councilman Khan, Houston area State Rep. Garnett Coleman along with letters of support from the Baptist Ministers Association of Houston and a letter of support from a nearly 1000 member Baptist Church in Houston. They went through a long process to make sure the community was aware of the development. They put signage up, held a townhall meeting prior to the TEFRA hearing and did a TEFRA hearing. He has given written offers to address concerns about safety and security on the property including rights to verify the criminal background checks and asked the neighbors to inspect the property. He has offered to purchase a site next to the school and donate it to the school district, including the construction of portable buildings. They also provided a market study and an appraisal that support both rents and indebtedness on the property. Their financing is from MA Financial.

The proposed building site has about 20,000 substandard apartments nearby that were built in the mid-70s up until 1983. 80% of the units are one bedroom units.

Cheri Hill, Houston, Texas

Ms. Hill gave her speaking time to Elaine Gaskamp.

Charles Fredrickson, Houston, Texas

Mr. Fredrickson gave his speaking time to Elaine Gaskamp.

Charles Krakosky, Houston, Texas

Mr. Krackowski gave his speaking time to Elaine Gaskamp.

Elaine Gaskamp, President, Greater Fondren Super Neighborhood, Houston, Texas

Ms. Gaskamp stated she has been on the Board of the Glenshire Neighborhood Association for 10 years. She is a licensed real estate broker and works primarily in southwest Houston. She stated this area where the proposed project of Bellfort Village is to be built has 97 multifamily apartment complexes nearby. A new development, Concord at Williamcrest with 288 units has just been completed in this area. Concord at Williamcrest has leased all of their units except 1. The rents started at \$499.00 per month. There also have been 89 new homes built in this area.

She stated there is a need for single family housing in this area and they do not need any more multifamily units. She stated there is high crime in this area and many of the other apartment complexes have vacancy rates of 15% to 20%. She stated Rep. Ron Wilson and Houston Mayor Bill White are against this project.

Marc Williams, Houston, Texas

Ms. Williams stated they have many apartment complexes in this area with high vacancy rates and do not need another complex to be built.

Mary Barr, West Airport Homeowners Association, Houston, Texas

Ms. Barr stated she worked with the Southwest Super Neighborhood 36 and they work to try to improve and keep neighborhoods pleasant, safe and a wonderful place to live. They have an overabundance of apartments with high vacancy rates so do not need any new complexes.

Lela Jones, Houston, Texas

Ms. Jones stated she lives in Braeburn Valley West and works in this school district. The school is at capacity and they can not accommodate any more children at this time.

Rev. Nathan Johnson, Pastor, Antioch Baptist Church, Houston, Texas

Rev. Johnson asked the Board to take into consideration other citizens of the community who are represented by the pastor of a church with well over 1000 members and who have been in this area for quite awhile. He believes in the work of Mr. Fisher and asked the Board to give full support to Bellfort Village for the benefit of families coming in and having a better place to live.

J. Eugene Thomas, Dallas, Texas

Mr. Thomas stated he lives in Dallas and was speaking for his daughter who lives in the community where the proposed apartment complex is being proposed to be built. His daughter is in support of this project and many others are also as they are concerned that housing is affordable and available in this area.

Rev. H. J. Johnson, Houston, Texas

Rev. Johnson stated he felt all citizens of Texas should be adequately and properly represented and felt that the people who occupy an area determine what is going to happen in that area. He is in support of the project of Mr. Fisher's and Provident has agreed to have apprenticeship programs at this complex that the young people could link up with people that are building this structure and develop skills.

Mr. Bogany stated he has driven and been in this neighborhood. He stated he knows this developer does a very nice project and the developer will probably upgrade the area, and will be the nicest apartment complex in that area. He did feel that the issue is overconcentration as there are 97 multifamily complexes in this area. The new project in this area, the Concord is dropping rents and they are starting to take subsidized housing so this reflects that they can not rent these units out with market rate units. There are signs all over this area saying "Free Rent" "\$99. and up", etc. He was concerned that those people who live in some of the other apartments are going to move and TDHCA will create another area of vacant units and then those complexes will have to lower their rents to get people to live

there. This is not a good location for new apartments and over concentration would be a detriment to this area.

Motion made by Norberto Salinas and seconded by C. Kent Conine to approve the issuance of Multifamily Mortgage Revenue Bonds for Providence at Bellfort Village, Houston, Texas in an amount not to exceed \$13,700,000 and issuance of determination notice in the recommended amount of \$716,805, for Housing Tax Credits for Providence at Bellfort Village, 03-469. Motion failed with 2 ayes (Mr. Salinas and Mr. Conine) and 4 nos (Ms. Anderson, Mr. Gordon, Mr. Bogany and Mr. Gonzalez)

Brent Stewart, Developer, Austin, Texas

Mr. Stewart was in attendance to answer any questions the Board may have on the Woodline Townhomes.

(b) Proposed Issuance of Multifamily Mortgage Revenue Bonds for Park at Woodline Townhomes, Montgomery County, in an Amount Not to Exceed \$13,800,000 and Issuance of Determination Notice (Requested Amount of \$659,796 and Recommended Amount of \$659,734), for Housing Tax Credits for Park at Woodline Townhomes, 03-473

Ms. Carrington stated this project is located in Spring, Texas and will have 252 new construction units with one, two and three bedroom units. One series of bonds will be tax exempt variable rate debt for a 5-year period and amount is \$13,800,000. The anticipated closing date of the transaction is March 4th and the tax credit allocation recommended amount is \$659,734. There was a public hearing held and only 2 people attended and both supported this project. There have been no letters of opposition or in support of the project.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the issuance of Multifamily Mortgage Revenue Bonds for Park at Woodline Townhomes, Montgomery County, in the amount not to exceed \$13,800,000 and issuance of a determination notice in the recommended amount of \$659,734, for Housing Tax Credits for Park at Woodline Townhomes, 03-473.

Passed Unanimously

(c) Proposed Refunding of Multifamily Mortgage Revenue Bonds for Meadow Ridge Apartments, Round Rock, Texas in an Amount not to Exceed \$12,950,000

Ms. Carrington stated this is a refunding of an issue of private activity bonds that were issued in 1997. The original bond issuance amount was \$13,575,000 and there are \$12,950,000 in bonds that are still outstanding on this transaction. The current structure is Fannie Mae guaranty with a rating of AAA. There has been a default on the bonds by the general partner and Fannie Mae has stepped in to make those payments so there is not a default to the bondholder but a default to the guarantor in this transaction. The restructuring would be lowering the interest rate. Meadow Ridge Apartments is located in Round Rock and there has been a substantial amount of overbuilding in Round Rock and the market is very soft. The underwriting report of TDHCA states that the project is "not recommended due to lack of anticipated flow to support the proposed restructure in five but should the Board approve the refunding it should be conditioned with the five items listed". From this underwriting standpoint, staff is not recommending approval to the Board but from a business standpoint, TDHCA would not be in a worse position by approving this restructuring and would be getting a letter of credit that is rated AAA from Fannie Mae.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the refunding for Meadow Ridge Apartments, Round Rock, Texas in an amount not to exceed \$12,950,000.

Motion made by C. Kent Conine and seconded by Beth Anderson to table this item until the March Board Meeting.

Motion withdrawn by Mr. Conine in order for the Board to hold further discussions on this item.

Mr. Bogany stated that if there is a difference of opinion from the underwriting report and what the Executive Director feels that this should be in the Board packet for the Board to review.

Motion made by C. Kent Conine and seconded by Beth Anderson to table this item until the March Board Meeting.

Passed with 4 ayes (Ms. Anderson, Mr. Conine, Mr. Gordon and Mr. Salinas) and 2 nos (Mr. Bogany and Mr. Gonzalez)

- (d) **Housing Preservation Incentives Program:**
(1) **Approve Recommendations to Transfer Funds from the Below Market Interest Rate (BMIR) Program to Multifamily Finance Production and Increase the Existing Notice of Funding Availability For the Housing Preservation Incentives Demonstration Program By \$1,079,722**

Ms. Carrington stated staff is requesting approval to transfer funds from the Below Market Interest Program to the Multifamily Finance Production to increase the existing NOFA for the preservation program. Staff would be transferring \$1,079,722 and the amount available under the NOFA would be \$2,900,181.50.

Motion made by Shad Bogany and seconded by Patrick Gordon to approve the transfer of funds from the Below Market Interest Rate Program to Multifamily Finance Production and increase the existing Notice of Funding Availability for the Housing Preservation Incentives Demonstration Program by \$1,079,722.

Passed Unanimously

- (2) **Approve the Funding of the Sherwood Apartments in Edinburg, Texas in the Amount of \$825,000**

Ms. Carrington stated staff is requesting approval to use preservation funds in the amount of \$825,000 for the Sherwood Apartments in Edinburg, Texas. By approving this transaction TDHCA is preserving a federal subsidy that is provided to this development and to the applicant. This is an existing property with 56 family units. It was constructed in 1997 and has two housing assistant payment contracts. The Section 8 contracts cover 100% of the units.

Ron Anderson, San Antonio, Texas

Mr. Anderson stated this property is vulnerable because the original developer managed it for the life of the property and it could be sold readily and the subsidy would go away. Edinburg does need subsidized housing so they are trying to preserve this project.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the funding for the Sherwood Apartments, Edinburg, Texas in the amount of \$825,000.

Passed Unanimously

- (8) **Presentation, Discussion and Possible Approval of Housing Tax Credit Items:**
(a) **Issuance of Determination Notices on Tax Exempt Bond Transactions with Other Issuers: 03-474 Mayfair Park Apartments, Houston, Texas (Requested Amount of \$643,947 and Recommended Amount of \$629,049) Houston Housing Finance Corporation is the Issuer**

Ms. Carrington stated Mayfair Park Apartments is a credit allocation only and staff is recommending the credit allocation of \$629,049. This project has one, two and three bedrooms.

Motion made by Vidal Gonzalez and seconded by C. Kent Conine to approve the issuance of a determination notice for 03-474, Mayfair Park Apartments, Houston in the recommended amount of \$629,049 with the Houston Housing Finance Corporation as the issuer.

Passed Unanimously

- (b) **Proposed Amendments to Housing Tax Credit Projects: 03-162 Pinnacle Point Apartments, Victoria, Texas**

Ms. Carrington stated the developer is requesting a material change in the tax credit 2003 allocation amount as the City of Victoria where the project is to be built has requested a site plan change. As a result of that request staff determined that there would be a reduction in the amount of credits committed to this development. The changes would not have affected the applicant's receipt of an award and would not have impacted their ability to receive the award. The tax credit reduction amount is \$7,458 less than the original award.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the amendment for 03-162 Pinnacle Point Apartments, Victoria, Texas.
Passed Unanimously

Carl Parker, Itex Properties, Port Arthur, Texas

Senator Parker requested a contingent modification for Pebble Creek, Crystal Creek and Cedar Ridge. Because these projects are subsidized by Section 8 and if Section 8 is not renewed for some reason, they requested a 60% cap change.

03-261 Pebble Creek Apartments, Port Arthur, Texas

03-262 Crystal Creek Apartments, Port Arthur, Texas

03-263 Cedar Ridge Apartments, Port Arthur, Texas

Ms. Carrington stated these awards were from the 2003 allocation and all three were in the at risk category. Staff is recommending that these projects do have the flexibility to go up to the 60% rents and income if the Section 8 should not be renewed.

Ike Akbari, Developer, Pt. Arthur, Texas

Mr. Akbari stated he is also the owner of these projects and he does not anticipate the Section 8 contract expiring but just projecting what would happen if the contract did expire.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the amendments for 03-261 Pebble Creek Apartments, 03-262 Crystal Creek Apartments and 03-263 Cedar Ridge, Port Arthur, Texas.

Passed with 5 ayes (Ms. Anderson, Mr. Bogany, Mr. Gonzalez, Mr. Gordon and Mr. Salinas) and 1 no (Mr. Conine)

(c) **Waiver of Ineligibility Concerning Four Bedroom Units for 2003 Forward Commitments for Housing Tax Credits for:**

03-007 Bexar Creek, San Antonio, Texas

03-003 Mission del Valle Townhomes, Socorro, Texas

03-004 Arbor Woods, Dallas, Texas

Ms. Carrington stated this item was tabled at the January Board Meeting and these were developments that applied in the 2002 round of tax credits and were granted forward commitments into 2003. Three did have four 4-bedroom units in their design. They have closed on their land and do not have to close the construction loan and move forward until June 2004.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the waiver of ineligibility concerning the four bedroom units for 2003 forward commitments for 03-007 Bexar Creek, San Antonio; 03-003 Mission del Valle Townhomes, Socorro, Texas; and 03-004 Arbor Woods, Dallas, Texas.

Passed Unanimously

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

Mr. Greer stated he was requesting the date of closing for Yale Village, Kings Row, Continental Terrace and Castle Gardens be extended from January 30 to March 31, 2004 and that the date of commencement of substantial construction be extended to June 30, 2004. He stated HUD did not process any documents in December and January and they were not given authorization to issue firm commitments.

(d) Extensions for Commencement of Construction Loan Closing and Substantial Construction for:

02-019 Yale Village Apartments, Houston, Texas

02-020 Kings Row Apartments, Houston, Texas

02-021 Continental Terrace Apartments, Fort Worth, Texas

02-022 Castle Gardens Apartments, Lubbock, Texas

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the extension for commencement of construction loan closing and substantial construction for 02-019, Yale Village Apartments in Houston; 02-020 Kings Row Apartments in Houston; 02-021 Continental Terrace Apartments in Ft. Worth; and 02-022 Castle Gardens Apartments in Lubbock, Texas.

Passed Unanimously

Printice Gary, Partner, Carlton Construction Company, Houston, Texas

Mr. Gary requested an extension for the Refugio Street Apartments in San Antonio, Texas, due to satisfy the many stakeholders in the San Antonio community.

(e) Extensions for Commencement of Substantial Construction:

02-086 Refugio Street Apartments, San Antonio, Texas

Motion made by Norberto Salinas and seconded by Shad Bogany to approve the extension for commencement of substantial construction for 02-086 for Refugio Street Apartments, San Antonio, Texas.

Passed Unanimously

REPORT ITEMS

Executive Directors Report

Update on Response to Public Comment from Ability Resources, Inc. at the December Board Meeting

Ms. Carrington stated staff is continuing to have discussions with Mr. Sewell of Ability Resources Inc. and will hold those discussions until a resolution is worked out on how to handle those transactions.

Request for Attorney General Opinion from Representative Talton concerning the 2004 Qualified Allocation Plan and Private Activity Bond Program

Ms. Carrington stated Representative Talton requested an opinion from the Attorney General on the 2004 Qualified Allocation Plan and the deadline for comments to the Attorney Generals office is February 23, 2004. TDHCA will have a response to this request.

Mr. Conine asked that the response be furnished to the Board members for review before it is sent to the Attorney Generals office.

EXECUTIVE SESSION

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

Ms. Anderson stated there would be no Executive Session held.

ADJOURN

Motion made by C. Kent Conine and seconded by Shad Bogany to adjourn the meeting.

The meeting adjourned at 12:50 p.m.

Respectfully submitted,

Delores Groneck
Board Secretary

Bdminfeb

PROGRAMS COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine, Room 437, Austin, Texas 78701
Thursday, March 11, 2004 8:30 a.m.

A G E N D A

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

C. Kent Conine
Committee Chair

PUBLIC COMMENT

The Programs 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.

The Programs Committee of 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 Programs Committee Meeting of February 11, 2004 | C. Kent Conine |
| Item 2 | Overview of the HOME Program | Edwina Carrington |
| Item 3 | Discussion of Calendar of Items to be Discussed at Future Programs Committee Meetings (i.e. Preservation, HOME Program, Draft Bond Rule, Draft Qualified Allocation Plan, etc.) | Edwina Carrington |

EXECUTIVE SESSION

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

C. Kent Conine

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

C. Kent Conine

ADJOURN

C. Kent Conine

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 sign language interpreters for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.

Non-English speaking individuals who require interpreters for this meeting should contact Delores Groneck, 512-475-3934 at least three days before the meeting so that appropriate arrangements can be made.

Ms. Carrington stated on the junior lien proceeds that go into preservation the Department does this through an open cycle and there is about \$300,000 left in this program.

(3) Presentation, Discussion and Possible Approval of Suggested Changes To Performance Measures

Ms. Carrington stated the Department is reviewing performance measures for the next biennium. These measures are reported to the Legislative Budget Board and the Governors Office of Budget and Planning. These measures are completed on a quarterly basis and are used as a monitoring tool by the LBB, Governors Office and the Legislature. TDHCA would like to reflect both the legislative and organization changes in the Department and ensure that these changes are institutionalized. TDHCA wants to make the performance measures more meaningful for long-term planning and wants to deliver more accurate information regarding the Department's performance. Staff has changed the way the performance measures have been structured and organized from a funding source to focusing on the activities.

Ms. Carrington stated it is important for the LBB, the Governors and the Legislature to have a big picture as TDHCA advances multifamily housing, finances single family housing and provides services for the very low income through the Community affairs programs. The main categories in the performance measures are Affordable Housing, Technical Assistance, Poor and Homeless, Ensure Compliance and Manufactured Housing. Under each category is a description of how each category is funded and what is accomplished in each category.

The Committee requested that the performance measures be on the Programs Committee agenda for March 2004 and the Committee will have a recommendation to the full Board. The Committee also stated they will also review the Down Payment Assistance Program and the HOME Program at the March 2004 meeting which will be a longer meeting.

Mr. Gonzalez asked for information on the Poor and Homeless and if the percentages were figures previously served or a goal for the department to attain. Ms. Sarah Anderson will get more information to him.

EXECUTIVE SESSION

If permitted by law, the Committee 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 there will be no Executive Session held.

ADJOURN

The meeting adjourned at 8:50 a.m.

Respectfully submitted,

Delores Groneck
Board Secretary

pcminfeb

CENTER FOR HOUSING RESEARCH, PLANNING, AND COMMUNICATIONS

**Programs Committee
March 11, 2004**

Discussion Item

In order to facilitate the Programs Committee discussion of the Home Investment Partnerships Program (HOME), the following information from the *2004 Consolidated Plan – One-Year Action Plan* is provided for your review:

- Overview
- Applicable Federal and State Regulations
- Eligible Applicants
- Planning Process and Public Participation
- Historical Overview of Program Activities¹
- Estimated PY 2004 Beneficiaries
- Current Activities
- Set Asides
- Fund Distribution
- Competitive Review of Applications
- Selection Process
- Match Requirements
- De-obligated HOME Program Funds

In addition you will find the following attachments:

- Attachment A: Local Participating Jurisdictions
- Attachment B:
 - HOME Program Activity History for 1997-2004 (Based on Consolidated Plan – One-Year Action Plan Targets)
 - 2002-2003 Performance Broken down by:
 - Funds awarded by activity
 - Total contracts awarded per activity
 - Funds awarded by set aside

¹ Historical targets compiled from previous One-Year Action Plans.

HOME INVESTMENT PARTNERSHIPS PROGRAM

OVERVIEW

The HOME Program, established by Congress in 1990 through Title II of the Cranston-Gonzalez National Affordable Housing Act, provides multi-year housing strategies for "participating jurisdictions" (PJs) to strengthen public-private partnerships and provide more affordable housing via block grants. PJs are units of government so designated by the U.S. Department of Housing and Urban Development (HUD). In general, many of the larger cities and counties in Texas are PJs in their own right. TDHCA receives a statewide block grant of HOME funds for areas of the state which have not received a separate PJ status from HUD. See Attachment A for the list of Texas PJs.

The purpose of the State of Texas Home Investment Partnerships (HOME) Program is to expand the supply of decent, safe, and affordable housing for extremely low, very low, and low-income households and to alleviate the problems of excessive rent burdens, homelessness, and deteriorating housing stock. HOME strives to meet both the short-term goal of increasing the supply and the availability of affordable housing and the long-term goal of building partnerships between State and local governments and private and nonprofit organizations in order to strengthen their capacity to meet the housing needs of low, very low, and extremely low-income Texans. The Department provides technical assistance through application and implementation workshops to all recipients of HOME funds in order to ensure that all participants meet and follow the State implementation guidelines and federal regulations.

TDHCA will receive approximately \$45,000,000 from HUD for Program Year 2004.

APPLICABLE FEDERAL AND STATE REGULATIONS

HOME funds will be distributed in accordance with the eligible activities and eligible costs listed in 24 CFR 92.205 - 92.209 and 10 TAC Chapter 53. All local administrators will be required to execute certifications that the program will be administered according to federal HOME regulations and State HOME Rules.

ELIGIBLE APPLICANTS

- Units of General Local Government
- Nonprofit and For-profit Organizations
- Community Housing Development Organizations (CHDOs)
- Public Housing Agencies (PHAs)

THE PLANNING PROCESS AND PUBLIC PARTICIPATION

The Department determines the activities that will be undertaken through the HUD prescribed Consolidated Planning process, which includes an analysis of needs data such as Census and a TDHCA conducted community needs survey, substantial public input, and implementation of state priorities.

Each year the Department produces a draft version of a funding plan taking into account input that is given throughout the year from public hearings and forums, application and implementation workshops, TDHCA Board of Directors meetings, and TDHCA sponsored working groups. The draft is then released and made available for public comment for a minimum of 30 days. During that time public hearings are held across the state – one in each of the 13 Uniform State Service Regions. During the public comment period, citizens and organizations are encouraged to attend the hearings or send written comment on the Plan via mail, email, or fax. All public comment is reviewed, summarized, and responded to by staff. This "reasoned response" document is included in the appendix of the final allocation plan and is made available to the Board prior to the meeting where the Plan will receive final approval.

The planning process is intended to give each participating jurisdiction the flexibility to design the program according to its identified needs. Traditionally the HOME Program has been the main funding source used by the Department to address pilot programs and other legislative initiatives such as Rider 3, Contract for Deed Conversions, and the Governor's Executive Order regarding the Olmstead initiative to name a few.

HISTORICAL OVERVIEW OF PROGRAM ACTIVITIES

See Attachment B for a historical overview of activities funded by the HOME program from 1997-2004. these figures are based on targets that are set through the Consolidated Plan – One-Year Action Plans. Actual award amounts may vary depending on the type of applications submitted to the Department. Charts detailing funding information for 2002-2003 are also included in Attachment B.

ESTIMATED PY 2004 BENEFICIARIES

The Department estimates that it will assist approximately 2,300 low, very low, or extremely low-income households. These figures are based on targets for performance measures as reported to the Legislative Budget Board.

CURRENT ACTIVITIES

Allocation of PY 2004 funds

Total estimated HOME Allocation for PY 2004	\$45,000,000
Less Administration Funds (10% of Allocation)	\$ 4,500,000
Less CHDO Project Funds Set Aside (15% of Allocation)	\$ 6,750,000 ¹
Less CHDO Operating Expenses Set Aside (5% of CHDO Set Aside)	\$ 337,500
Less Set Aside for Persons with Disabilities (5% of Allocation)	\$ 2,250,000 ²
Less Set Aside for Olmstead Populations	\$ 2,000,000
Less Set Aside for Contract for Deed Conversions	\$ 2,000,000
Less Set Aside for Rental Housing Preservation Program	\$ 2,000,000
Less Set-Aside for Rental Housing Development Program	\$ 3,000,000
Remaining Project Funds subject to Regional Allocation	<u>\$22,162,500</u>

¹ \$1,000,000 will be reserved from this set aside for the Colonia Model Subdivision Program. If sufficient applications are not received for this activity, the remaining funds will be used for other CHDO eligible activities.

² \$500,000 will be reserved from this set aside for the Texas Home of Your Own Program.

Homebuyer Assistance

Down payment and closing cost assistance is provided to homebuyers for the acquisition of affordable single-family housing. This activity may also be used for the following:

- Construction costs associated with architectural barrier removal in assisting homebuyers with disabilities by modifying a home purchased with HOME assistance to meet their accessibility needs.
- Acquisition and rehabilitation costs associated with contract for deed conversions to serve Colonia residents.
- Construction costs associated with the rehabilitation of a home purchased with HOME assistance.

Eligible homebuyers may receive loans up to \$10,000 per household for down payment and closing costs, depending on the location of the property, in the form of a 2nd or 3rd lien, zero-interest, deferred-forgivable 10-year loan. Eligible homebuyers with disabilities may receive loans up to \$15,000 for down payment and closing costs, regardless of the location of the property, in the form of a deferred-forgivable loan. The Homebuyer Assistance loans are to be repaid at the time of resale of the property, refinance of the first lien, or repayment of the first lien, if any of these occurs before the end of the 10-year term. The amount of recapture will be based on the pro-rata share of the remaining term since one-tenth of the amount of the loan will be forgiven each year.

At the completion of the assistance, all properties must meet the State of Texas Minimum Construction Standards or the Colonia Housing Standards, if located in a colonia, and local building codes. Compliance with the basic access standards in new construction, established by §2306.514, Texas Government Code, is also required for any applicants utilizing federal or State money administered by the Department in the construction of single family homes.

For PY 2004 funds, this activity will comprise 35% of the HOME allocation that will be available through the Regional Allocation Formula process – approximately \$7,756,875.

Owner-Occupied Housing Assistance

Rehabilitation or reconstruction cost assistance, in the form of grants, is provided to homeowners for the repair or reconstruction of their existing homes. The homes must be the principal residence of the homeowner.

At the completion of the assistance, all properties must meet the State of Texas Minimum Construction Standards and local building codes. If a home is reconstructed, the applicant must also ensure compliance with the universal design features in new construction, established by §2306.514, Texas Government Code, required for any applicants utilizing federal or state money administered by the Department in the construction of single family homes.

This activity will comprise 45% of the HOME allocation that will be available through the Regional Allocation Formula process – approximately \$9,973,125.

Tenant Based Rental Assistance

Rental subsidy and security and utility deposit assistance is provided to tenants, in accordance with written tenant selection policies, for a period not to exceed two years. TBRA allows the assisted tenant to live in and move to any dwelling unit with a right to continued assistance with the condition that assisted families participate in a Self-Sufficiency Program.

This activity will comprise 20% of the HOME allocation that will be available through the Regional Allocation Formula process – approximately \$4,432,500.

SET ASIDES

Reasons for the various set asides are included in parenthesis.

CHDO (Federal Requirement)

A minimum of 15 percent of the annual HOME allocation, approximately \$6,750,000 (plus \$337,500 in operating expenses) is reserved for CHDOs. CHDO set-aside projects are owned, developed, or sponsored by the CHDO, and result in the development of rental units or homeownership. Development includes projects that have a construction component, either in the form of new construction or the rehabilitation of existing units. If the CHDO owns the project in partnership, it or its wholly-owned for-profit or nonprofit subsidiary must be the managing general partner. These organizations can apply for multifamily rental housing acquisition, rehabilitation, or new construction, as well as for the acquisition, rehabilitation, or new construction of single family housing (through direct funding or loan guarantees). CHDOs can also apply for homebuyer assistance if their organization is the owner, developer, or sponsor of the single family housing project. In order to provide adequate funding per project this activity will not be subject to the Regional Allocation Formula for PY 2004.

Rental Housing Development

Awards provided solely to CHDOs for the acquisition, rehabilitation, or new construction of affordable rental housing units. Owners are required to make the units available to low, very low, and extremely low-income families and must meet long-term rent restrictions. A standard underwriting review will be performed on applications under this activity. The Department will determine based on the underwriting review whether the award will be made as a loan or grant. Owners of rental units assisted with HOME funds must comply with initial and long-term income restrictions and must keep the units affordable for a minimum period required by HUD. Housing assisted with HOME funds must, upon completion, meet all applicable local codes and the Texas Minimum Construction Standards and comply with Section 504. Additionally, the owner and/or all future owners of a HOME-assisted rental project must maintain all units in full compliance with local codes, the Texas Minimum Construction Standards, as may be amended from time to time, and the 504 requirements, for the full required period of affordability. The Department's Real Estate Analysis Division recommends terms of the loans provided under this activity.

In an effort to promote integrated housing, large projects (50 or more units) may set aside no more than 18% of the units of a multifamily development for people with disabilities. Similarly, in small projects (less than 50 units) no more than 36% of the units of a multifamily development may be set aside for people with disabilities. Note that these percentages refer to the units that are to be solely restricted for persons with disabilities. The policy does not prohibit a property from having a higher percentage of occupants that are disabled, it simply requires that a property neither market entirely, not limit occupation to, persons with disabilities or other special needs populations. Elderly properties are exempt from this policy.

CHDO Operating Expenses

This allowable cost is for the reimbursement of operating expenses incurred by a CHDO. Up to 50 percent or \$50,000 of the CHDO's total annual operating expenses, whichever is greater, may be provided to CHDO applicants receiving HOME funds for the cost of operating their organization.

Rental Housing Preservation (State Priority/Board Policy)

Awards for eligible applicants are to be used for the acquisition and/or rehabilitation (including barrier removal activities) for the preservation of existing affordable or subsidized rental housing.

Eligible applicants include non-profit organizations, CHDOs, units of general local government, for-profit housing development organizations, sole proprietors and public housing authorities.

Owners are required to make the units available to low, very low, and extremely low income families and must meet long-term rent restrictions. A standard underwriting review will be performed on applications under this activity. The Department will determine based on the underwriting review whether the award will be made as a loan or grant. Owners of rental units assisted with HOME funds must comply with initial and long-term income restrictions and must keep the units affordable for a minimum period required by HUD. Housing assisted with HOME funds must, upon completion, meet all applicable local codes and the Texas Minimum Construction Standards. Additionally, the owner and/or all future owners of a HOME-assisted rental project must maintain all units in full compliance with local codes, the Texas Minimum Construction Standards, as may be amended from time to time, and the 504 requirements, for the full required period of affordability. Terms of the loans provided under this activity are recommended by the Department's Underwriting Section. All multifamily units created or retrofitted through this program must comply with Section 504. These funds will not be subject to the Regional Allocation Formula.

In an effort to promote integrated housing, large projects (50 or more units) may set aside no more than 18% of the units of a multifamily development for people with disabilities. Similarly, in small projects (less than 50 units) no more than 36% of the units of a multifamily development may be set aside for people with disabilities.

Rental Housing Development (Public Comment/Staff Recommendation/Board Policy)

Awards for eligible applicants are to be used for the development of multifamily rental housing.

Eligible applicants include non-profit organizations, CHDOs, units of general local government, for-profit housing development organizations, sole proprietors and public housing authorities.

Owners are required to make the units available to low, very low, and extremely low income families and must meet long-term rent restrictions. A standard underwriting review will be performed on applications under this activity. The Department will determine based on the underwriting review whether the award will be made as a loan or grant. Owners of rental units assisted with HOME funds must comply with initial and long-term income restrictions and must keep the units affordable for a minimum period required by HUD. Housing assisted with HOME funds must, upon completion, meet all applicable local codes and the Texas Minimum Construction Standards. Additionally, the owner and/or all future owners of a HOME-assisted rental project must maintain all units in full compliance with local codes, the Texas Minimum Construction Standards, as may be amended from time to time, and the 504 requirements, for the full required period of affordability. Terms of the loans provided under this activity are recommended by the Department's Underwriting Section. These funds will not be subject to the Regional Allocation Formula.

In an effort to promote integrated housing, large projects (50 or more units) may set aside no more than 18% of the units of a multifamily development for people with disabilities. Similarly, in small projects (less than 50 units) no more than 36% of the units of a multifamily development may be set aside for people with disabilities.

Contract for Deed Conversions (State Requirement)

In 2003, the 78th Legislature passed Appropriations Rider 10 to TDHCA's appropriation, which requires the Department to spend no less than \$4 million per biennium on contract for deed conversions for families that reside in a colonia and earn 60 percent or less of the Applicable Area Median Family Income (AMFI). Furthermore, the Department should convert no less than 400 contracts for deeds into traditional notes and deeds of trust by August 31, 2004. The intent of this program is to help colonia residents become property owners by converting their contracts for deeds into traditional mortgages. Households served under this initiative must be permanent legal residents of this country and must not earn more than 60 percent of AMFI. The properties proposed for this initiative must be located in a colonia as identified by the Texas Water Development Board colonia list or meet the Department's definition of a Colonia.

To assist the Department in meeting this mandate, \$2,000,000 in HOME program funds will be targeted to assist households described under this initiative. These funds will not be subject to the Regional Allocation Formula.

Colonia Model Subdivision Loan Program (State Requirement)

Per Subchapter GG of Chapter 2306, Texas Government Code created the intent of this program is to provide low interest rate or possibly interest-free loans to promote the development of new, high-quality, residential subdivisions, that provide alternatives to substandard colonias, and housing options affordable to individuals and families of extremely low and very low income who would otherwise move into substandard colonias. The Department will only make loans to CHDOs certified by the Department and for the types of activities and costs described under the previous section regarding CHDO Predevelopment Loans.

To assist the Department in meeting this mandate, \$1,000,000 in HOME program funds will be targeted to assist households described under this initiative. These funds will not be subject to the Regional Allocation Formula.

Persons with Disabilities (State Requirement)

A minimum of 5 percent of the annual HOME allocation is reserved for applicants serving persons with disabilities – approximately \$2,250,000. Eligible applicants include nonprofits, units of general local government, and PHAs with documented histories of working with special needs populations. Eligible activities include homebuyer assistance, owner occupied housing assistance, and tenant based rental assistance. These funds will not be subject to the Regional Allocation Formula.

A minimum of \$500,000 will be reserved under this set aside for the Texas Home of Your Own (HOYO) Program for homebuyer assistance. The program coordinates existing homeownership services, which streamlines the process homebuyers must follow. HOYO combines homebuyer counseling, down payment assistance, and architectural barrier removal.

All housing related applications intended to serve persons with disabilities must adhere to the Department's Integrated Housing Rule.

Olmstead Population (Governor's Executive Order RP-13/Staff Recommendation/Board Policy)

In an effort to address the Supreme Court Olmstead Decision (related to the de-institutionalization of persons with disabilities), for PY 2004 TDHCA will allocate \$2,000,000 towards those populations outlined in §531.055, Texas Government Code.² These funds will be used for tenant based rental assistance, including security deposits. These funds will not be subject to the Regional Allocation Formula.

²Institutional housing meaning: (a) an ICF-MR, as defined by Section 531.002, Health and Safety Code, (b) a nursing facility; (c) a state hospital, state school, or state center maintained and managed by the Texas Department of Mental Health and Mental Retardation; or (d) an institution for the mentally retarded licensed or operated by the Department of Protective and Regulatory

Administrative Expenses

This allowable cost is for the reimbursement of costs associated with the administration of the HOME Program. Up to 4 percent of project dollars awarded may be provided to applicants receiving HOME funds for the cost of administering the program. For-profit organizations are not eligible to receive this fee. The Department retains the balance of the fee to cover the internal cost of administering the statewide program. The Department may utilize these funds for construction and 504 inspection costs as needed.

FUND DISTRIBUTION

Regional Allocation Formula (RAF)

Section 2306.111, Texas Government Code mandates the Department to allocate housing funds awarded in the HOME, Housing Trust Fund and Low Income Housing Tax Credit Program to each Uniform State Service Region using a formula, developed by the Department.

Project funds, with the exception of the CHDO Set Aside, Set Asides for Persons with Disabilities, Olmstead Populations, Contract for Deed Conversions, Colonia Model Subdivisions, Rental Housing Preservation, and Rental Housing Development will be awarded based on the Regional Allocation Formula utilizing the following percentage per region.

Region	Reference City	Funding Available to the Region	Overall Regional Funding Distribution	Funding Available to Urban/ Exurban Areas	Funding Available to Rural Areas	% of Funding Available to Urban/ Exurban Areas	% of Funding Available to Rural Areas
1	Plainview	\$1,350,462	6.1%	\$-	\$1,350,462	0.0%	100.0%
2	Brownwood	\$1,099,989	5.0%	\$15,706	\$1,084,283	1.4%	98.6%
3	Carrollton	\$3,863,801	17.4%	\$2,757,243	\$1,106,558	71.4%	28.6%
4	Texarkana	\$2,774,549	12.5%	\$598,939	\$2,175,610	21.6%	78.4%
5	Lufkin	\$1,497,124	6.8%	\$145,081	\$1,352,043	9.7%	90.3%
6	League City	\$1,586,233	7.2%	\$686,441	\$899,792	43.3%	56.7%
7	Round Rock	\$1,443,461	6.5%	\$764,150	\$679,311	52.9%	47.1%
8	Temple	\$1,114,795	5.0%	\$513,617	\$601,178	46.1%	53.9%
9	New Braunfels	\$1,255,071	5.7%	\$30,833	\$1,224,238	2.5%	97.5%
10	Victoria	\$1,779,084	8.0%	\$394,470	\$1,384,614	22.2%	77.8%
11	Del Rio	\$2,451,189	11.1%	\$360,711	\$2,090,478	14.7%	85.3%
12	Midland	\$1,222,856	5.5%	\$568,719	\$654,137	46.5%	53.5%
13	Socorro	\$723,886	3.3%	\$299,332	\$424,554	41.4%	58.6%
	Total	\$22,162,500	100.0%	\$7,135,240	\$15,027,260	32.2%	67.8%

Section 2306.111, Texas Government Code also mandates that the Department is to allocate no less than 95 percent of the HOME Program Funds to applicants which serve households located in a non-participating jurisdiction (non-PJ). In addition, five percent of the HOME Program Funds are to be allocated to applicants serving person with disabilities. HOME Program Funds under this 5 percent set-aside may be used to serve households in participating jurisdictions.

Special Needs Populations

Services. Note that SB 367, from the 77th Legislative Session, expanded the state's definition of the Olmstead Population to include not only those individuals who had been served in a state mental health facility for twelve months, but also those individuals who had three inpatient hospitalizations within a 180-day period to a TDMHMR facility (State hospital) to be presumed at imminent risk of institutionalization.

The Department intends to allocate a minimum of 20 percent of the annual HOME allocation to applicants serving persons with special needs. Eligible applicants include nonprofits, units of general local government, and PHAs with documented histories of working with special needs populations. Eligible activities include homebuyer assistance, owner occupied housing assistance, and tenant based rental assistance. Additional scoring criteria has been established under each of the eligible activities to assist the Department in reaching its goal.

All housing related applications intended to serve persons with disabilities must adhere to the Department's Integrated Housing Rule.

COMPETITIVE REVIEW OF APPLICATIONS

With the exception of the CHDO, Persons with Disabilities, Olmstead Populations, Contract for Deed Conversions, Rental Housing Preservation, and Rental Housing Development set asides, HOME project funds will be awarded through regional competitions as per State of Texas HOME Program Rules, 10 TAC Sections 53.50-53.63. General Selection Criteria is listed in the State of Texas HOME Program Rules, 10 TAC Sections 53.50-53.63 and forms the basis for the State's development of scoring criteria for each activity. Scoring criteria will include the implementation of various bills, riders, and agency goals, which will be defined in the application process. The Department will conduct the review and scoring of all applications, by region where applicable, and make recommendations for funding. It is anticipated that the CHDO, Olmstead Populations, Contract for Deed Conversions, Rental Housing Preservation, and Rental Housing Development set asides will be awarded through an open funding cycle. If this funding structure encounters proposed changes, the Department will submit notification in the *Texas Register* and send a mail-out to the Center for Housing Research, Planning, and Communications' notification list recipients.

SELECTION PROCESS

All applications for funds received are reviewed for threshold requirements regarding application documentation and compliance with Department requirements on previously awarded contracts. Qualifying applications are then ranked using scoring criteria that reflects the Department's housing priorities and then applicants are funded only if the score exceeds the minimum score established in the State of Texas HOME Program rules. The highest scoring applicant per activity will be recommended up to the limit of funds available per activity and region, with priority given to applicants serving special needs populations. Should an activity not have enough qualified applicants, the funds will be redirected to the next activity in the region that had a higher number of qualified applicants.

MATCH REQUIREMENTS

The Department will provide matching contributions from several sources for HOME funds drawn down from the State's HOME Investment Trust Funds Treasury account within the fiscal year. The State sources include the following:

- a) Loans originated from the proceeds of single-family mortgage revenue bonds issued by the State. TDHCA will apply no more than 25 percent of bond proceeds to meet its annual match requirement.
- b) Match contributions from the State's Housing Trust Fund to affordable housing projects that are not HOME-assisted, but that meet the requirements as specified in 24 CFR 92.219(b)(2).
- c) Eligible match contributions from State recipients, as specified in 24 CFR 92.220.

Additionally, the Department will continue to carry forward match credit.

DEOBLIGATED HOME PROGRAM FUNDS

When administrators have not been successful expending the HOME funds within their contract period, the Department deobligates the funds and pools the dollars to award applicants according to the Department's Deobligation Policy. The Department's Deobligation Policy allows for awards from deobligated funds only for the following categories: Appeals from Applicants that are approved by the Department's Board, Disaster Relief Applicants, Special Needs Applicants, Applicants serving the

Colonias, and for other eligible uses as determined by TDHCA's Board of Directors, or the Executive Director, at the Board's direction.

ATTACHMENT A: LOCAL PARTICIPATING JURISDICTIONS

A Participating Jurisdiction (PJ) is a state or local government that has been designated by the U.S. Department of Housing and Urban Development to administer federal HOME funds. Most large cities and populated counties are PJs and such departments administer various housing programs.

PJ	Funding
ABILENE	\$644,789
AMARILLO	\$1,049,913
ARLINGTON	\$1,585,398
AUSTIN	\$4,679,983
BEAUMONT	\$839,328
BROWNSVILLE	\$1,352,753
BRYAN	\$500,388
COLLEGE STATION	\$755,095
CORPUS CHRISTI	\$1,848,127
DALLAS	\$8,952,836
DENTON	\$620,722
EL PASO	\$4,159,539
FORT WORTH	\$3,342,272
GALVESTON	\$616,711
GARLAND	\$882,448
GRAND PRAIRIE	\$596,655
HARLINGEN	\$424,177
HOUSTON	\$14,700,782
IRVING	\$1,167,238
KILLEEN	\$511,419
LAREDO	\$1,444,006
LONGVIEW	\$444,232
LUBBOCK	\$1,308,630
MC ALLEN	\$692,922
ODESSA	\$516,433
ORANGE	\$766,125
PASADENA	\$849,356
PLANO	\$521,447
PORT ARTHUR	\$501,391
SAN ANGELO	\$480,333
SAN ANTONIO	\$7,315,294
TYLER	\$560,555
WACO	\$1,087,016
WICHITA FALLS	\$574,594
BEXAR COUNTY	\$682,894
BRAZORIA COUNTY	\$735,039
DALLAS COUNTY	\$696,933
FORT BEND COUNTY	\$584,622
HARRIS COUNTY	\$3,878,760
HIDALGO COUNTY	\$3,096,590
MONTGOMERY COUNTY	\$546,516
ARRANT COUNTY	\$1,411,917
Washington Consortium: (<i>Counties served: Brazos, Burtleson, Grimes, Leon, Madison, Robertson, Washington</i>)	\$570,583

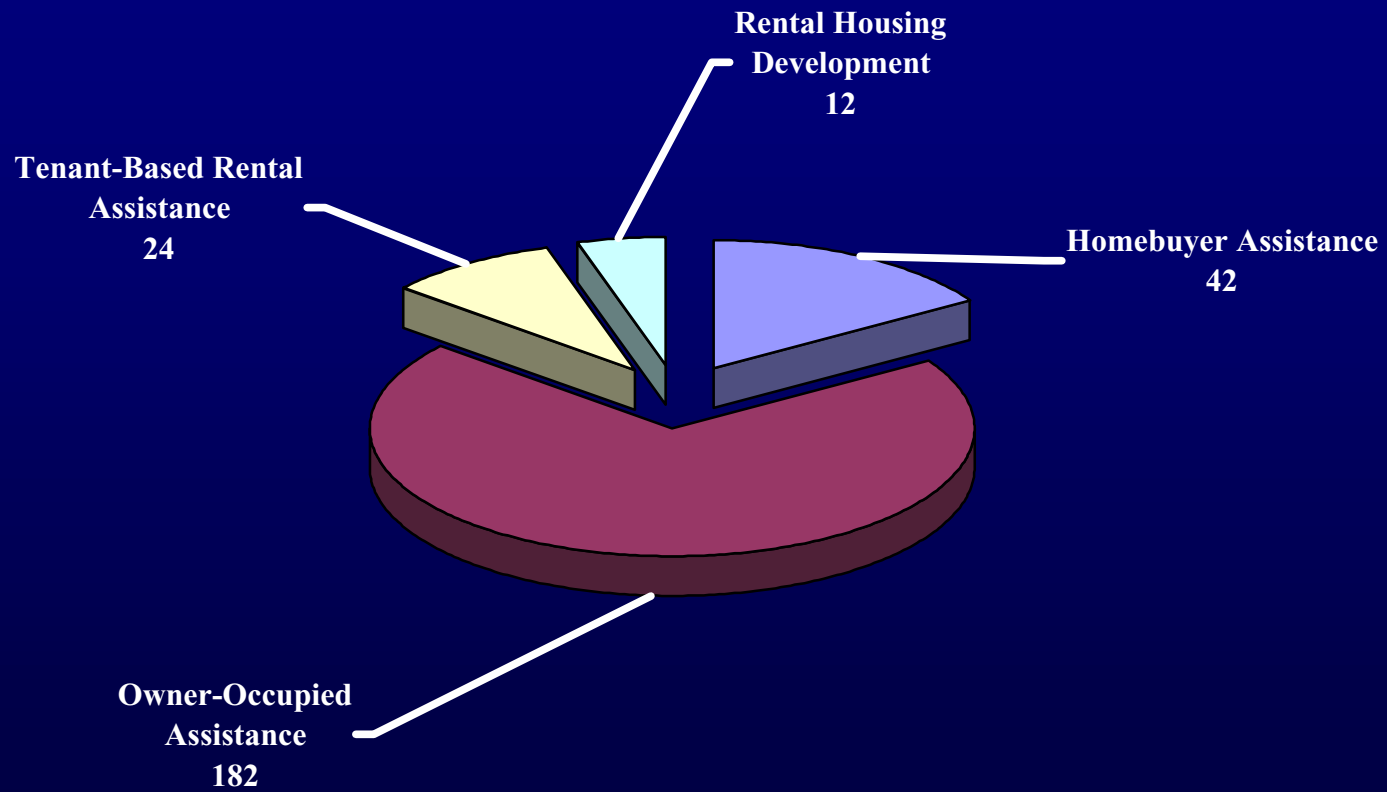
	Owner Occupied	Home-buyer Assist.	Rental Asst.	MF Rental Dev.	Rental Housing Preservation	Single Family Dev.	Interim Const. Loans	Dem. Fund	Contract for Deed Conversions	HOYO	Olmstead
1997	15%	15%	5%	20%	CHDO		15%	30%			
1998	15%	20%	7%	20%	CHDO		10%	28%			
1999	35%	20%	5%	30%	CHDO	4%		6%			
2000	40%	20%	8%	27%	CHDO			5%	\$ 2,000,000		
2001	40%	30%	20%	CHDO	CHDO			10%	\$ 2,000,000		
2002*	50%	30%	20%	CHDO	\$ 2,000,000	CHDO			\$ 2,000,000	\$ 500,000	
2003*	50%	30%	20%	CHDO	\$ 2,000,000	CHDO			\$ 2,000,000	\$ 500,000	\$ 2,000,000
2004	45%	35%	20%	\$ 3,000,000	\$ 2,000,000	CHDO			\$ 2,000,000	\$ 500,000	\$ 2,000,000

Other

1997	
1998	SABR
1999	
2000	Bootstrap (\$2M), Builder Incentive, Youthworks
2001	
2002*	Colonia Model Subdivision
2003*	Colonia Model Subdivision
2004	Colonia Model Subdivision

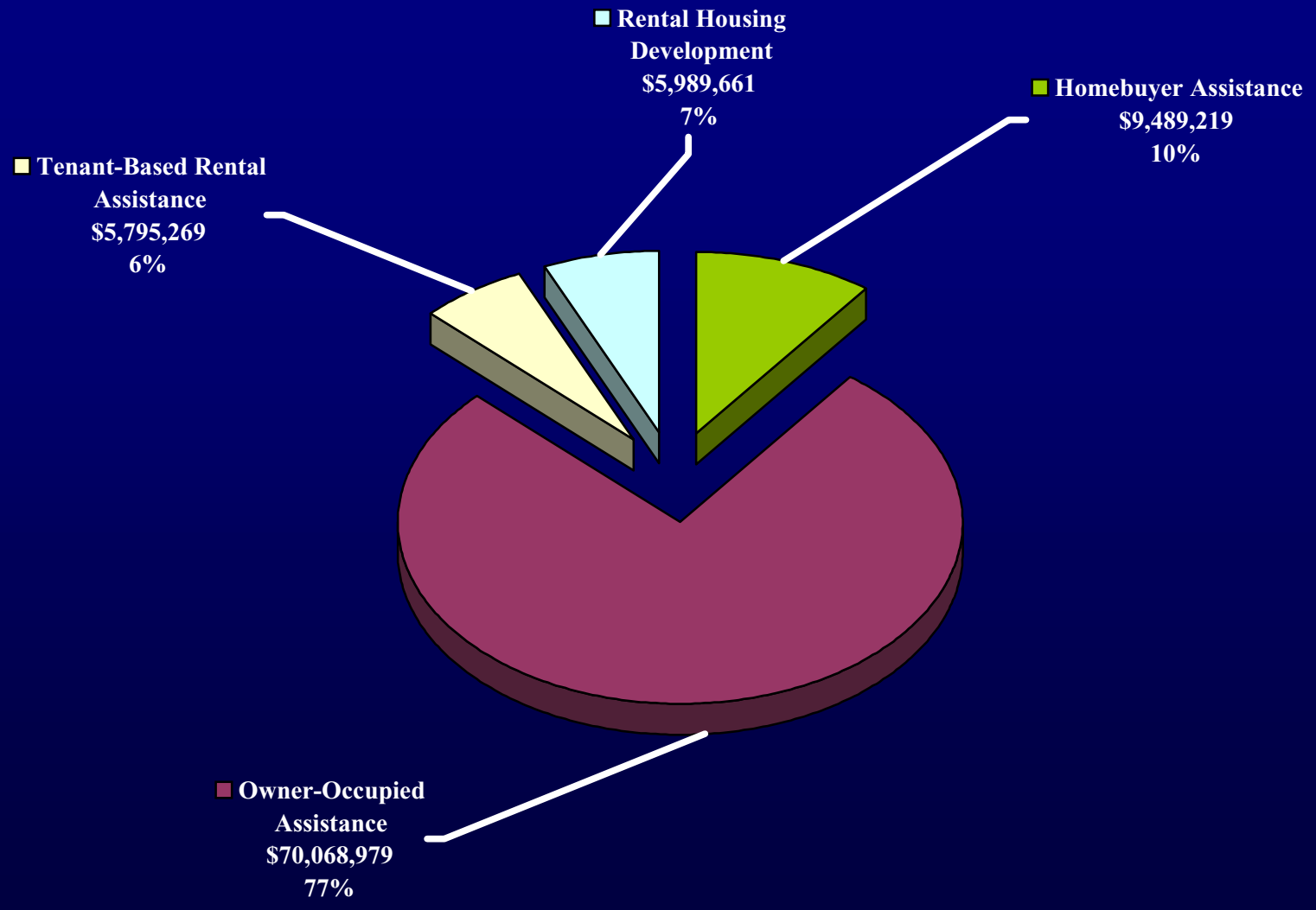
*Double funding cycle

2002-2003 HOME Program- Total Contracts Awarded per Activity



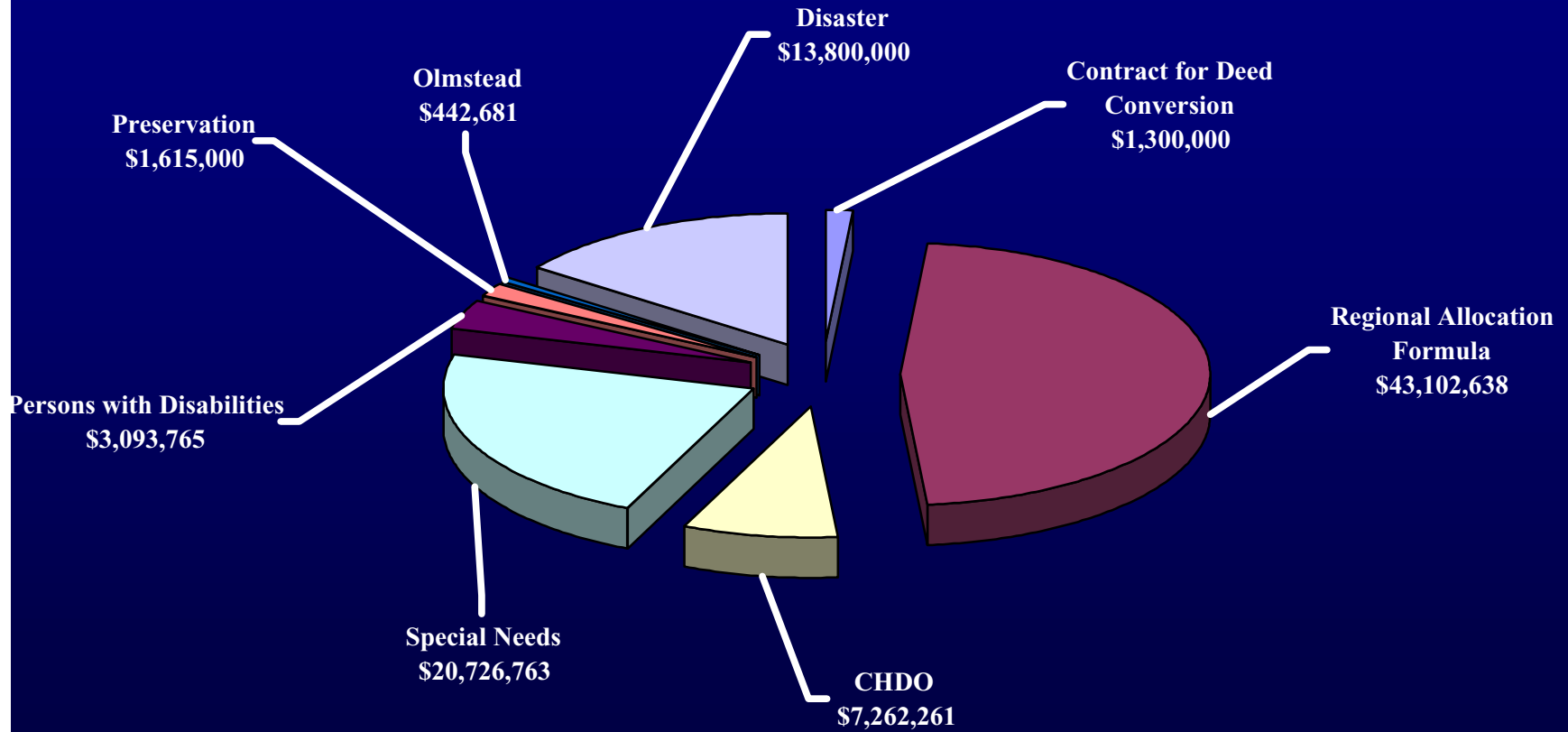
Total Contracts Awarded: 260

2002-2003 HOME Program Funds Awarded per Activity



Total HOME Program Funds Awarded:
\$91,343,128

2002-2003 HOME Program - Funds Awarded per Set Aside



CENTER FOR HOUSING RESEARCH, PLANNING, AND COMMUNICATIONS

BOARD ACTION REQUEST

March 11, 2004

Discussion Item

Amendment to Rule for Public Comment Procedures and Topics at Public Hearings and Meetings, Title 10, Part 1, Subchapter A, Section 1.10.

Required Action

Discussion of amendments to the Rule for Public Comment Procedures and Topics at Public Hearings and Meetings.

- See Attachment A for the a black-lined version of the rule as approved by the Board at the February 11, 2004 meeting, with proposed amendments.

Note: In the event that the Board chooses to make the proposed changes, the rule will have to be put out for a 30 day public comment period and will be brought back to the Board for final approval.

Background

Per Section 4 of Senate Bill 264, passed during the 78th Texas Legislative Session, amending §2306.0661, Texas Government Code, the Board was to adopt rules governing the topics that may be considered at a public hearing.

The proposed rule was published in the Texas Register and made available on the Department's web site on January 9th. The public comment period was from January 9th until February 9th 2004. The Department did not receive any comments regarding the proposed rule. The Board gave final approval of the rule at the February 11, 2004 meeting.

At the February Board meeting it was also discussed that the Board would like the opportunity to make additional changes to the rule, which will require the rule to be amended. Below are the specific items under Section (e) "topics in relation to a proposed housing development" that the Board would like to add to the rule:

- 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; or
- Other good cause as determined by the Board.

**Attachment A – Proposed Public Comment Procedures and Topics at
Public Hearings and Meetings Rule**

<u>TITLE 10</u>	COMMUNITY DEVELOPMENT
<u>PART 1</u>	TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
<u>CHAPTER 1</u>	ADMINISTRATION
<u>SUBCHAPTER A</u>	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 Governing Board 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:

(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 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; or

(11) other good cause as determined by the Board.

~~(10) any other topics that the board by rule determines to be appropriate.~~

(f) 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.

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

**COMMUNITY AFFAIRS DIVISION
SECTION 8 PROGRAM**

**BOARD ACTION REQUEST
March 11, 2004**

Action Item

Approval of Section 8 2004 Public Housing Agency (PHA) Plan.

Required Action

Staff recommends approval of the proposed 2004 PHA Plan for the Department's Section 8 Program written in compliance with 42 U.S.C. 1437(c)(1). This plan is due to HUD on April 17, 2004.

Background

42 U.S.C. 1437(c)(1) requires all Public Housing Agencies to maintain an Annual Public Housing Agency Plan. This amendment to the United States Code was made by Section 511 of the Quality Housing and Work Responsibility Act of 1998, which is applicable to the TDHCA in its capacity as administrator of the Section 8 program. The Annual Plan provides details about the Agency's immediate operations, programs, participants in those programs, services, and the Agency's strategy for addressing the needs of the community in the upcoming fiscal year. This year's plan covers the fifth year of the five year plan that is currently in effect.

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

“FINAL 2004 ANNUAL PLAN”

PHA Plans

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

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

**PHA Plan
Agency Identification**

PHA Name: Texas Department of Housing and Community Affairs

PHA Number: TX901; TX902; TX903

PHA Fiscal Year Beginning: (07/2004)

Public Access to Information

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

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

Display Locations For PHA Plans and Supporting Documents

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

- Main administrative office of the PHA
- PHA development management offices
- PHA local offices
- Main administrative office of the local government
- Main administrative office of the County government
- Main administrative office of the State government
- Public library
- PHA website **(2004 Plan will be posted upon approval)***
- Other (list below)

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

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

Annual PHA Plan
PHA Fiscal Year 2004
 [24 CFR Part 903.7]

i. Annual Plan Type:

Select which type of Annual Plan the PHA will submit.

Standard Plan

Streamlined Plan:

- High Performing PHA**
- Small Agency (<250 Public Housing Units)**
- Administering Section 8 Only**

Troubled Agency Plan

ii. Executive Summary of the Annual PHA Plan

[24 CFR Part 903.7 9 (r)]

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

The Department will continue to work for the maximum utilization of its Section 8 vouchers. The Department will continue to work with various Public Housing Authorities, Lenders, Builders, the U. S. Department of Agriculture, Rural Development Program and HUD, to implement a demonstration project for Section 8 Homeownership. The Department will also continue to address the Supreme Court Olmstead Decision by allocating a \$2,000,000 set-aside for the HOME Tenant Based Rental Assistance Program (TBRA) to help persons with disabilities with rental subsidies and security deposits. The Department will continue to administer its 35 Project Access vouchers to serve the disability community impacted by the Olmstead Decision. The Department will continue to make efforts to collaborate with other programs to improve the living conditions of Section 8 residents through programs such as the Temporary Assistance to Needy Families (TANF) Program and the Department will continue working closely with the State's local PHAs to address the affordable housing needs of the citizens of Texas.

iii. Annual Plan Table of Contents

[24 CFR Part 903.7 9 (r)]

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

Table of Contents

	<u>Page #</u>
Annual Plan	
i. Annual Plan	1
ii. Executive Summary	1
iii. Table of Contents	1
1. Statement of Housing Needs	5
2. Statement of Financial Resources	12
3. Policies on Eligibility, Selection and Admissions	14

4. Rent Determination Policies	25
5. Operations and Management Policies	29
6. Grievance Procedures	30
7. Civil Rights Certifications (included with PHA Plan Certifications)	42
8. Audit	42
9. Other Information	43

Attachments

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

Required Attachments:

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

Optional Attachments:

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

Supporting Documents Available for Review

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

List of Supporting Documents Available for Review		
Applicable & On Display	Supporting Document	Applicable Plan Component
X	PHA Plan Certifications of Compliance with the PHA Plans and Related Regulations	5 Year and Annual Plans
X	State/Local Government Certification of Consistency with the Consolidated Plan	5 Year and Annual Plans
X	Fair Housing Documentation: Records reflecting that the PHA has examined its programs or proposed programs, identified any impediments to fair housing choice in those programs, addressed or is addressing those impediments in a reasonable fashion in view of the resources available, and worked or is working with local jurisdictions to implement any of the jurisdictions’ initiatives to affirmatively further fair housing that require	5 Year and Annual Plans

List of Supporting Documents Available for Review		
Applicable & On Display	Supporting Document	Applicable Plan Component
	the PHA's involvement.	
X	Consolidated Plan for the jurisdiction/s in which the PHA is located (which includes the Analysis of Impediments to Fair Housing Choice (AI)) and any additional backup data to support statement of housing needs in the jurisdiction	Annual Plan: Housing Needs
N/A	Most recent board-approved operating budget for the public housing program	Annual Plan: Financial Resources;
N/A	Public Housing Admissions and (Continued) Occupancy Policy (A&O), which includes the Tenant Selection and Assignment Plan [TSAP]	Annual Plan: Eligibility, Selection, and Admissions Policies
X	Section 8 Administrative Plan	Annual Plan: Eligibility, Selection, and Admissions Policies
N/A	Public Housing Deconcentration and Income Mixing Documentation: 1. PHA board certifications of compliance with deconcentration requirements (section 16(a) of the US Housing Act of 1937, as implemented in the 2/18/99 <i>Quality Housing and Work Responsibility Act Initial Guidance; Notice</i> and any further HUD guidance) and 2. Documentation of the required deconcentration and income mixing analysis	Annual Plan: Eligibility, Selection, and Admissions Policies
N/A	Public housing rent determination policies, including the methodology for setting public housing flat rents <input type="checkbox"/> check here if included in the public housing A & O Policy	Annual Plan: Rent Determination
N/A	Schedule of flat rents offered at each public housing development <input type="checkbox"/> check here if included in the public housing A & O Policy	Annual Plan: Rent Determination
X	Section 8 rent determination (payment standard) policies <input checked="" type="checkbox"/> check here if included in Section 8 Administrative Plan	Annual Plan: Rent Determination
N/A	Public housing management and maintenance policy documents, including policies for the prevention or eradication of pest infestation (including cockroach infestation)	Annual Plan: Operations and Maintenance
N/A	Public housing grievance procedures <input type="checkbox"/> check here if included in the public housing A & O Policy	Annual Plan: Grievance Procedures
X	Section 8 informal review and hearing procedures <input checked="" type="checkbox"/> check here if included in Section 8 Administrative Plan	Annual Plan: Grievance Procedures
N/A	The HUD-approved Capital Fund/Comprehensive Grant Program Annual Statement (HUD 52837) for the active grant year	Annual Plan: Capital Needs
N/A	Most recent CIAP Budget/Progress Report (HUD 52825) for	Annual Plan: Capital Needs

List of Supporting Documents Available for Review		
Applicable & On Display	Supporting Document	Applicable Plan Component
	any active CIAP grant	
N/A	Most recent, approved 5 Year Action Plan for the Capital Fund/Comprehensive Grant Program, if not included as an attachment (provided at PHA option)	Annual Plan: Capital Needs
N/A	Approved HOPE VI applications or, if more recent, approved or submitted HOPE VI Revitalization Plans or any other approved proposal for development of public housing	Annual Plan: Capital Needs
N/A	Approved or submitted applications for demolition and/or disposition of public housing	Annual Plan: Demolition and Disposition
N/A	Approved or submitted applications for designation of public housing (Designated Housing Plans)	Annual Plan: Designation of Public Housing
N/A	Approved or submitted assessments of reasonable revitalization of public housing and approved or submitted conversion plans prepared pursuant to section 202 of the 1996 HUD Appropriations Act	Annual Plan: Conversion of Public Housing
N/A	Approved or submitted public housing homeownership programs/plans	Annual Plan: Homeownership
N/A	Policies governing any Section 8 Homeownership program <input type="checkbox"/> check here if included in the Section 8 Administrative Plan	Annual Plan: Homeownership
N/A	Any cooperative agreement between the PHA and the TANF agency	Annual Plan: Community Service & Self-Sufficiency
X	FSS Action Plan/s for public housing and/or Section 8(FSS Action Plan for Brazoria County approved in January 2004)	Annual Plan: Community Service & Self-Sufficiency
N/A	Most recent self-sufficiency (ED/SS, TOP or ROSS or other resident services grant) grant program reports	Annual Plan: Community Service & Self-Sufficiency
N/A	The most recent Public Housing Drug Elimination Program (PHEDEP) semi-annual performance report for any open grant and most recently submitted PHDEP application (PHDEP Plan)	Annual Plan: Safety and Crime Prevention
X	The most recent fiscal year audit of the PHA conducted under section 5(h)(2) of the U.S. Housing Act of 1937 (42 U. S.C. 1437c(h)), the results of that audit and the PHA's response to any findings	Annual Plan: Annual Audit
N/A	Troubled PHAs: MOA/Recovery Plan	Troubled PHAs
N/A	Other supporting documents (optional) (list individually; use as many lines as necessary)	(specify as needed)

1. Statement of Housing Needs

[24 CFR Part 903.7 9 (a)]

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

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

Houston District - Housing Needs of Families in the Jurisdiction by Family Type							
Family Type	Overall	Afford-ability	Supply	Quality	Access-ibility	Size	Loca-tion
Income <= 30% of AMI	21,492	N/A	N/A	N/A	N/A	N/A	N/A
Income >30% but <=50% of AMI	18,293	N/A	N/A	N/A	N/A	N/A	N/A
Income >50% but <80% of AMI	26,383	N/A	N/A	N/A	N/A	N/A	N/A
Elderly	30,597	N/A	N/A	N/A	N/A	N/A	N/A
Individuals with Disabilities	92,574	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Wh-306,306	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Blk-63,419	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Hisp-87,135	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Other-55,599	N/A	N/A	N/A	N/A	N/A	N/A

TDHCA Houston District:

Cities

Sealy
 Alvin, Angleton, Brazoria, Sweeny
 Clute, Freeport & West Columbia
 Anahuac
 Columbus, Eagle Lake, Weimer
 Dickinson, Hitchcock, League City
 Kemah & county
 Hearne
 Hempstead, Waller, Prairie View
 El Campo, Wharton

Counties

Austin
 Brazoria
 Brazoria
 Chambers
 Colorado
 Galveston
 Galveston
 Robertson
 Waller
 Wharton

Dallas - Housing Needs of Families in the Jurisdiction by Family Type							
Family Type	Overall	Afford-ability	Supply	Quality	Access-ibility	Size	Loca-tion
Income <= 30% of AMI	7,194	N/A	N/A	N/A	N/A	N/A	N/A
Income >30% but <=50% of AMI	6,517	N/A	N/A	N/A	N/A	N/A	N/A
Income >50% but <80% of AMI	9,883	N/A	N/A	N/A	N/A	N/A	N/A
Elderly	14,458	N/A	N/A	N/A	N/A	N/A	N/A
Individuals with Disabilities	39,665	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Wh-103,186	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Blk-17,317	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Hisp-28,339	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Other-17,009	N/A	N/A	N/A	N/A	N/A	N/A

TDHCA Dallas (Ft Worth) Jurisdiction:

Cities

Clifton, China Spring & County
Comanche, DeLeon, Gustine
Ozona
Pilot Point, Sanger
Ennis, Italy, Waxahachie
Dublin
Marlin, Rosebud & County
Fairfield, Teague & County
Alvarado, Keene
Kosse
Mason
McGregor
Menard
Blooming Grove, Kerens
El Dorado

Counties

Bosque
Comanche
Crockett
Denton
Ellis
Erath
Falls
Freestone
Johnson
Limestone
Mason
McLennan
Menard
Navarro
Schleicher

San Antonio - Housing Needs of Families in the Jurisdiction by Family Type							
Family Type	Overall	Afford-ability	Supply	Quality	Access-ibility	Size	Loca-tion
Income <= 30% of AMI	21,175	N/A	N/A	N/A	N/A	N/A	N/A
Income >30% but <=50% of AMI	18,856	N/A	N/A	N/A	N/A	N/A	N/A
Income >50% but <80% of AMI	27,405	N/A	N/A	N/A	N/A	N/A	N/A
Elderly	36,521	N/A	N/A	N/A	N/A	N/A	N/A
Families with Disabilities	96,583	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Wh-333,374	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Blk-19,780	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Hisp-236,250	N/A	N/A	N/A	N/A	N/A	N/A
Race/Ethnicity	Other-98,067	N/A	N/A	N/A	N/A	N/A	N/A

San Antonio TDHCA Jurisdiction:

Cities

Rockport
Lytle
Bertram, Marble Falls
Luling, Lockhart, & County
Marion
County
Kerrville
Giddings, Lexington & County
George West
Llano
Hondo, Natalia
County

Counties

Aransas
Atacosa
Burnet
Caldwell
Guadalupe
Jim Wells
Kerr
Lee
Live Oak
Llano
Medina
Nueces

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

Consolidated Plan of the Jurisdiction/s

Indicate year:

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

2000 U. S. Census

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

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

Housing Needs of Families on the Waiting List			
Waiting list type: (select one)			
<input checked="" type="checkbox"/> Section 8 tenant-based assistance			
<input type="checkbox"/> Public Housing			
<input type="checkbox"/> Combined Section 8 and Public Housing			
<input type="checkbox"/> Public Housing Site-Based or sub-jurisdictional waiting list (optional)			
If used, identify which development/subjurisdiction:			
	# of families	% of total families	Annual Turnover
Waiting list total	861	*	*
Extremely low income <=30% AMI	N/A	N/A	N/A
Very low income (>30% but <=50% AMI)	N/A	N/A	N/A
Low income (>50% but <80% AMI)	N/A	N/A	N/A
Families with children	655	76%	N/A
Elderly families	N/A **	N/A	N/A
Families with Disabilities	N/A **	N/A	N/A

Housing Needs of Families on the Waiting List			
Race/ethnicity	White/Hispanic-257	30%	N/A
Race/ethnicity	White/Non-Hispanic-304	35%	N/A
Race/ethnicity	Black/Non-Hispanic-297	34%	N/A
Race/ethnicity	Other-3	1%	N/A
***This waiting list figure is a composite of several statewide jurisdictional waiting lists.			
Characteristics by Bedroom Size (Public Housing Only)	*(Noted above: No demographics in data base. TDHCA is still working on central data base.	** (Noted above: Information on elderly and disabled families still not in Department data base	
1BR	N/A	N/A	N/A
2 BR	N/A	N/A	N/A
3 BR	N/A	N/A	N/A
4 BR	N/A	N/A	N/A
5 BR	N/A	N/A	N/A
5+ BR	N/A	N/A	N/A
Is the waiting list closed (select one)? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes			
If yes:			
How long has it been closed (# of months)? <u>N/A</u>			
Various areas closed and opened.			
Does the PHA expect to reopen the list in the PHA Plan year? <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes			
Does the PHA permit specific categories of families onto the waiting list, even if generally closed? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes			

C. Strategy for Addressing Needs

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

(1) Strategies

Need: Shortage of affordable housing for all eligible populations

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

Select all that apply

- Employ effective maintenance and management policies to minimize the number of public housing units off-line
- Reduce turnover time for vacated public housing units
- Reduce time to renovate public housing units

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

Strategy 2: Increase the number of affordable housing units by:

Select all that apply

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

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

Strategy 1: Target available assistance to families at or below 30 % of AMI

Select all that apply

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

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

Strategy 1: Target available assistance to families at or below 50% of AMI

Select all that apply

- Employ admissions preferences aimed at families who are working

- Adopt rent policies to support and encourage work
 Other: (list below)

Housing Assistance – In addition to the Department’s own efforts to address the affordable housing needs of extremely low income Texans, the 78th Texas Legislature passed an appropriations rider to TDHCA’s enabling legislation that requires the housing finance division to “adopt an annual goal to apply a minimum of \$30,000,000 of the division’s total housing funds toward housing assistance for individuals and families earning less than the following:

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

Need: Specific Family Types: The Elderly

Strategy 1: Target available assistance to the elderly:

Select all that apply

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

Need: Specific Family Types: Families with Disabilities

Strategy 1: Target available assistance to Families with Disabilities:

Select all that apply

- Seek designation of public housing for families with disabilities
 Carry out the modifications needed in public housing based on the section 504 Needs Assessment for Public Housing
 Apply for special-purpose vouchers targeted to families with disabilities, should they become available
 Affirmatively market to local non-profit agencies that assist families with disabilities
 Other: (list below)

TDHCA administers 35 Project Access Housing Choice Vouchers that are being utilized to assist persons with disabilities to transition from nursing homes to the community by providing access to affordable housing and necessary supportive services. TDHCA will continue administration of these vouchers to serve the Olmstead population.

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

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

Select if applicable

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

Strategy 2: Conduct activities to affirmatively further fair housing

Select all that apply

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

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

(2) Reasons for Selecting Strategies

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

- Funding constraints
- Staffing constraints
- Limited availability of sites for assisted housing
- Extent to which particular housing needs are met by other organizations in the community
- Evidence of housing needs as demonstrated in the Consolidated Plan and other information available to the PHA
- Influence of the housing market on PHA programs
- Community priorities regarding housing assistance
- Results of consultation with local or state government
- Results of consultation with residents and the Resident Advisory Board
- Results of consultation with advocacy groups
- Other: (list below)

2. Statement of Financial Resources

[24 CFR Part 903.7 9 (b)]

List the financial resources that are anticipated to be available to the PHA for the support of Federal public housing and tenant-based Section 8 assistance programs administered by the PHA during the Plan year. Note: the table assumes that Federal public housing or tenant based Section 8 assistance

grant funds are expended on eligible purposes; therefore, uses of these funds need not be stated. For other funds, indicate the use for those funds as one of the following categories: public housing operations, public housing capital improvements, public housing safety/security, public housing supportive services, Section 8 tenant-based assistance, Section 8 supportive services or other.

Financial Resources: Planned Sources and Uses		
Sources	Planned \$	Planned Uses
1. Federal Grants (FY 2000 grants)	N/A	
a) Public Housing Operating Fund	N/A	
b) Public Housing Capital Fund	N/A	
c) HOPE VI Revitalization	N/A	
d) HOPE VI Demolition	N/A	
e) Annual Contributions for Section 8 Tenant-Based Assistance	Ft.Worth 3,392,316 Houston 5,424,120 SanAntonio 1,224,048 \$10,040,484	
f) Public Housing Drug Elimination Program (including any Technical Assistance funds)	N/A	
g) Resident Opportunity and Self-Sufficiency Grants	N/A	
h) Community Development Block Grant	N/A	
i) HOME	N/A	
Other Federal Grants (list below)	N/A	
2. Prior Year Federal Grants (unobligated funds only) (list below)	N/A	
3. Public Housing Dwelling Rental Income	N/A	
4. Other income (list below)	N/A	
4. Non-federal sources (list below)	N/A	
Total resources	\$10,040,484	

Financial Resources: Planned Sources and Uses		
Sources	Planned \$	Planned Uses

3. PHA Policies Governing Eligibility, Selection, and Admissions

[24 CFR Part 903.7 9 (c)]

A. Public Housing *N/A To Agency

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

(1) Eligibility

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

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

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

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

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

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

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

(2) Waiting List Organization

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

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

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

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

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

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

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

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

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

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

(3) Assignment

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

- One
- Two
- Three or More

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

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

(4) Admissions Preferences

a. Income targeting:

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

b. Transfer policies:

In what circumstances will transfers take precedence over new admissions? (list below)

- Emergencies
 Overhoused
 Underhoused
 Medical justification
 Administrative reasons determined by the PHA (e.g., to permit modernization work)
 Resident choice: (state circumstances below)
 Other: (list below)

c. Preferences

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

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

Former Federal preferences:

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

Other preferences: (select below)

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

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

Date and Time

Former Federal preferences:

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

Other preferences (select all that apply)

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

4. Relationship of preferences to income targeting requirements:

- The PHA applies preferences within income tiers
- Not applicable: the pool of applicant families ensures that the PHA will meet income targeting requirements

(5) Occupancy

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

- The PHA-resident lease
- The PHA’s Admissions and (Continued) Occupancy policy
- PHA briefing seminars or written materials
- Other source (list)

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

- At an annual reexamination and lease renewal
- Any time family composition changes

- At family request for revision
- Other (list)

(6) Deconcentration and Income Mixing

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

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

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

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

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

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

Other (list policies and developments targeted below)

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

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

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

f. Based on the results of the required analysis, in which developments will the PHA make special efforts to attract or retain higher-income families? (select all that apply)

- Not applicable: results of analysis did not indicate a need for such efforts
- List (any applicable) developments below:

g. Based on the results of the required analysis, in which developments will the PHA make special efforts to assure access for lower-income families? (select all that apply)

- Not applicable: results of analysis did not indicate a need for such efforts
 List (any applicable) developments below:

B. Section 8

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

(1) Eligibility

- a. What is the extent of screening conducted by the PHA? (select all that apply)
- Criminal or drug-related activity only to the extent required by law or regulation
 Criminal and drug-related activity, more extensively than required by law or regulation
 More general screening than criminal and drug-related activity (list factors below)
 Other (list below)
- b. Yes No: Does the PHA request criminal records from local law enforcement agencies for screening purposes?
- c. Yes No: Does the PHA request criminal records from State law enforcement agencies for screening purposes?
- d. Yes No: Does the PHA access FBI criminal records from the FBI for screening purposes? (either directly or through an NCIC-authorized source)
- e. Indicate what kinds of information you share with prospective landlords? (select all that apply)
- Criminal or drug-related activity
 Other (describe below)

(2) Waiting List Organization

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

b. Where may interested persons apply for admission to section 8 tenant-based assistance? (select all that apply)

- PHA main administrative office
 Other (list below)

LOCAL OPERATOR LIST

LOCATION	LOCAL OPERATOR	OPERATOR 'S PHONE #	ADDRESS	APPLICATION HOURS
Alton	City gave up program	(512) 475-3938 Regional Coordinator	507 Sabine Austin, Tx 78701	No Local Operator
Alvarado	Sharon Vass	(817) 790-3351	104 W. College Alvarado, Tx 76009	Monday-Friday 8:00-5:00 pm
Alvin	Margaret Dixon	(979) 864-1427	313 W. Mulberry Angleton, Tx 77515	Mon-Friday 8:00-5:00pm
Anahuac	Jessica Laskoskie	(409) 267-8306	P.O. Box 489 Anahuac ,Tx 77514	Tuesdays & Thursday 1:30-4:30pm
Angleton	Margaret Dixon	(979) 864-1427	313 W. Mulberry Angleton, Tx 77515	Monday-Friday 8:00-5:00pm
Bertram	Dorothy Johnson	(830) 693-3109	P.O. Box 703 Marble Falls, Tx 78654	Monday-Friday 8:00-5:00pm
Blooming Grove	Linda Bray	(903) 695-2711	P.O. Box 237 Blooming Grove, Tx 76633	Monday-Friday 8:00-4:00pm
Bosque CO.	Luci Bishop	(254) 836-4796	538 County Rd 3570 China Springs, Tx 76633	Monday-Friday By Appt
Brazoria	Margaret Dixon	(979) 864-1427	313 W. Mulberry Angleton, Tx 77515	Monday-Friday 8:00-5:00pm
Caldwell CO.	Frank Cantu	(512) 392-1161	P.O. Box 748 San Marcos, Tx 78667	Mon-Friday 8:00-5:00pm
Clute	Margaret Dixon	(979)864-1427	313 W. Mulberry Angleton, Tx 77515	Monday-Friday 8:00-5:00pm
Colorado CO.	Jennifer Braneff	(979) 540-2984	165 W. Austin Giddings, Tx 78942	Monday -Friday 8:00-5:00pm
Comanche CO.	Dolly Rhodes	(254) 879-2931	4732 Hwy 1496 Dublin, Tx 76446	Wednesday & Fridays 1:00-5:00pm
Crockett CO.		(512) 475-3885 Regional Coordinator	507 Sabine Austin, Tx 78701	No Local Operator
Dublin HA	Dee Zachary	(254) 445-2165	201 E .May Dublin, Tx 76446	Monday-Friday 9:00-12:00pm 1:00-3:00
El Campo HA	Charlene Smith	(979) 543-7143	1303 Delta El Campo, Tx 77437	Wednesdays 8:00-5:00pm
El Dorado		(512) 475-3885 Regional Coordinator	507 Sabine Austin, Tx 78701	No Local Operator
Ennis	Vickie McCoy	(972) 875-1234	P.O. Box 220 Ennis, Texas 75119I	Monday-Friday 8:00-5:00pm

Fairfield	Portia Lindsey	(254) 739-5733	415 W. 4 th Ave Teague, Tx 75860	Monday-Wednesday 9:00-12:00pm
Falls CO.	Carlene Mack	(254) 883-6550	P.O. Box 231 Marlin, Tx 76661	Thursdays 1:00-4:30pm
Freeport	Margaret Dixon	(979) 864-1427	313 W. Mulberry Angleton, Tx 77515	Monday-Friday 8:00-5:00pm
Freestone CO.		(512) 475-3885 Regional Coordinator	507 Sabine Austin, Tx 78701	No Local Operator
Galveston CO.	Glenda Cagen	(409) 935-8002	714 Bayou Dr La Marque, Tx 77568	Monday & Tuesdays 8:30-5:00pm
George West	Jacquelyn Harborth	(361) 449-1556	P.O. Box 2250 George West, Tx 78022	Tuesday 1:00-4:00 pm
Giddings	Jennifer Braneff	(979) 540-2984	165 West Austin St Giddings, Tx 78942	Monday-Friday 8:00-5:00 pm
Hearne	Tonya LaPrairie	(979) 775-4244	P.O. Box Drawer 4128 Bryan, Tx 77805	Monday -Friday 8:00-5:00pm
Hempstead	Angela Williams	(979) 826-7695	646 9 th St Hempstead, Tx 77445	Monday-Friday 8:00-5:00pm
Hondo	Shannon Muniz	(830) 741-6130	804 Harper Hondo, Tx 78861	Monday-Thursday 8:00-5:00pm
Italy	Karen Mathiowetz	(972) 483-7329	P.O.Box 840 Italy, Tx 76651	Monday -Wednesday 8:00-5:00pm
Jim Wells CO.	Elda Gonzales	(361) 664-3453	P.O. Box 1407 Alice, Tx 78333	Wednesday 9:00-12:00pm
Keene	Dian Wilmart	(817) 202-8110	P.O. Box 257 Keene, Tx 76059	Monday-Friday 10:00-5:00pm
Kerens	Cindy Scott	(903) 396-2971	P.O. Box 160 Kerens, Tx 75144	Monday-Friday 7:30-4:30pm
Kerrville	Comelia Rue	(830) 896-2124	200 B Guadalupe Pla Kerrville, Tx 78028	Monday, Wed, Fri 8:00-12pm & 1-5pm
Kosse	Carlene Mack	(254) 803-5748	P.O.Box 231 Marlin, Tx 76661	Thursdays 1:00pm-4:30pm
Lee	Jennifer Braneff	(979) 540-2984	165 W. Austin Giddings, Tx 78942	Monday-Friday 8:00am-5:00pm
Lexington	Jennifer Braneff	(979) 540-2984	165 W. Austin Giddings, Tx 78942	Monday-Friday 8:00am-5:00pm
Llano	Tiffany Saylor	(915) 247-4931	1110 Berry St Llano, Tx 78643	Monday-Friday 9:00-3:00pm
Lytle	Elda Perez	(830) 709-3692	P.O. Box 39 Lytle, Tx 78052	Tues & Wed 9:00-12:00pm
Marble Falls	Dorothy Johnson	(830) 693-3109	P.O. Box 703 Marble Falls, Tx 78654	Monday-Friday 8:00-5:00pm
Marion	Ernest Leal	(830) 379-3022	300 Laurel Lane New Braunfels, Tx 78155	Monday-Friday 8:30-4:30pm
Marlin	Carlene Mack	(254) 883-6550	P.O. Box 231 Marlin, Tx 76661	Thursdays 1:00pm-4:30pm

Mart	<i>Carlene Mack</i>	<i>(254) 883-6550</i>	<i>P.O. Box 231 Marlin, Tx 76661</i>	<i>Thursdays 1:00pm-4:30pm</i>
Mason	<i>Dorothy Brannies</i>	<i>(915) 347-5853</i>	<i>P.O. Box B Mason, Tx 76856</i>	<i>Monday-Friday Appt Only</i>
McGregor	<i>Sandy Tijerina</i>	<i>(254) 840-2806</i>	<i>P.O. Box 192 McGregor, Tx 76656</i>	<i>Monday-Friday 8:00-5:00pm</i>
Menard		<i>(512) 475-3885 Regional Coordinator</i>	<i>507 Sabine Austin, Tx 78701</i>	<i>No Local Operator</i>
Natalia	<i>Shannon Muniz</i>	<i>(830) 741-6130</i>	<i>205 A E Court St Seguin, Tx 78155</i>	<i>Monday-Friday Appt Only</i>
Needville	<i>City gave up program</i>	<i>(512) 475-3130 Regional Coordinator</i>	<i>507 Sabine Austin, Tx 78664</i>	<i>No Local Operator</i>
Nueces Co	<i>Diane Flores</i>	<i>(361) 387-1527</i>	<i>998 Ruben Chavez Robstown, Tx 78380</i>	<i>Monday-Friday 8:00-5:00pm</i>
Pilot Point	<i>Jan Sieber</i>	<i>(940) 686-2193</i>	<i>P.O. Box 457 Pilot Point, Tx 76258</i>	<i>Monday-Friday Appt Only</i>
Prairie View	<i>Angela Williams</i>	<i>(979) 826-7695</i>	<i>646 9th Street Hempstead, Tx 77445</i>	<i>Monday-Friday 8:00-5:00pm</i>
Rockport	<i>City gave up program</i>	<i>(512) 475-3938 Regional Coordinator</i>	<i>507 Sabine Austin, Tx 78701</i>	<i>No Local Operator</i>
Rosebud	<i>Carlene Mack</i>	<i>(254) 883-6550</i>	<i>P.O. Box 231 Marlin, Tx 76661</i>	<i>Thursdays 1:00-4:30pm</i>
Sanger	<i>Samantha Renz</i>	<i>(940) 458-7930</i>	<i>P.O. Box 578 Sanger, Tx 76266</i>	<i>Monday-Friday 8:00-5:00pm</i>
Sealy	<i>Jennifer Braneff</i>	<i>(979)540-2984</i>	<i>165 W.Austin Giddings, Tx 78942</i>	<i>Monday -Friday 8:00-5:00pm</i>
Sweeny	<i>Reatta Minshew</i>	<i>(979)548-3321</i>	<i>P.O. Box 248 Sweeny, Tx 77480</i>	<i>Monday & Wed 9:00-12:00pm</i>
Teague		<i>(512) 475-3885 Regional Coordinator</i>	<i>507 Sabine Austin, Tx 78701</i>	<i>No Local Operator</i>
Waller	<i>Angela Williams</i>	<i>(979) 826-7695</i>	<i>646 9th St Hempstead, Tx</i>	<i>Monday -Friday 8:00-5:00pm</i>
Waxahachie	<i>Felicia Warner</i>	<i>(972)937-7330</i>	<i>P.O.Box 173 Waxahachie, Tx 75165</i>	<i>Wednesdays 9:00-5:00pm</i>
Weimar	<i>Jennifer Braneff</i>	<i>(979) 540-2984</i>	<i>165 W. Austin Giddings, Tx 78942</i>	<i>Monday-Friday 8:00-5:00pm</i>
West Columbia	<i>Margaret Dixon</i>	<i>(979) 864-1427</i>	<i>313 West Mulberry Angleton, Tx 77515</i>	<i>Monday-Friday 8:00-5:00pm</i>
Wharton	<i>Jo Knezek</i>	<i>(979) 532-4811</i>	<i>1924 North Fulton Wharton, Tx 77488</i>	<i>Monday-Friday 8:00-5:00pm</i>

(3) Search Time

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

If yes, state circumstances below:

TDHCA gives extensions if:

Safe, decent and sanitary housing is unavailable; or

An applicant shows concerted effort to find suitable unit and is unsuccessful; or an applicant can't find a unit because of rental history.

(4) Admissions Preferences

- a. Income targeting

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

- b. Preferences

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

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

Former Federal preferences

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

Other preferences (select all that apply)

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

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

Date and Time

Former Federal preferences

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

Other preferences (select all that apply)

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

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

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

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

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

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

- The PHA applies preferences within income tiers
 Not applicable: the pool of applicant families ensures that the PHA will meet income targeting requirements

(5) Special Purpose Section 8 Assistance Programs

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

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

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

- Through published notices
- Other (list below)
Website

4. PHA Rent Determination Policies

[24 CFR Part 903.7 9 (d)]

A. Public Housing *N/A to Agency

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

(1) Income Based Rent Policies

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

a. Use of discretionary policies: (select one)

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

---or---

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

b. Minimum Rent

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

- \$0
- \$1-\$25
- \$26-\$50

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

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

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

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

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

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

For the earned income of a previously unemployed household member

For increases in earned income

Fixed amount (other than general rent-setting policy)

If yes, state amount/s and circumstances below:

Fixed percentage (other than general rent-setting policy)

If yes, state percentage/s and circumstances below:

For household heads

For other family members

For transportation expenses

For the non-reimbursed medical expenses of non-disabled or non-elderly families

Other (describe below)

e. Ceiling rents

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

Yes for all developments

Yes but only for some developments

No

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

For all developments

For all general occupancy developments (not elderly or disabled or elderly only)

For specified general occupancy developments

For certain parts of developments; e.g., the high-rise portion

- For certain size units; e.g., larger bedroom sizes
- Other (list below)

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

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

f. Rent re-determinations:

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

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

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

(2) Flat Rents

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

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

B. Section 8 Tenant-Based Assistance

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

(1) Payment Standards

Describe the voucher payment standards and policies.

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

- At or above 90% but below 100% of FMR
 - 100% of FMR
 - Above 100% but at or below 110% of FMR*
 - Above 110% of FMR (if HUD approved; describe circumstances below)
- *Per board resolution most areas were raised to 110%**

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

- FMRs are adequate to ensure success among assisted families in the PHA's segment of the FMR area
- The PHA has chosen to serve additional families by lowering the payment standard
- Reflects market or submarket
- Other (list below)

c. If the payment standard is higher than FMR, why has the PHA chosen this level? (select all that apply)

- FMRs are not adequate to ensure success among assisted families in the PHA's segment of the FMR area
- Reflects market or submarket
- To increase housing options for families
- Other (list below)

d. How often are payment standards reevaluated for adequacy? (select one)

- Annually
- Other (list below)

e. What factors will the PHA consider in its assessment of the adequacy of its payment standard? (select all that apply)

- Success rates of assisted families
- Rent burdens of assisted families
- Other (list below)

(2) Minimum Rent

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

- \$0
- \$1-\$25
- \$26-\$50

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

5. Operations and Management

[24 CFR Part 903.7 9 (e)]

Exemptions from Component 5: High performing and small PHAs are not required to complete this section. Section 8 only PHAs must complete parts A, B, and C(2)

A. PHA Management Structure

Describe the PHA's management structure and organization.

An organization chart showing the PHA's management structure and organization is attached.

- A brief description of the management structure and organization of the PHA follows:

B. HUD Programs Under PHA Management

List Federal programs administered by the PHA, number of families served at the beginning of the upcoming fiscal year, and expected turnover in each. (Use "NA" to indicate that the PHA does not operate any of the programs listed below.)

Program Name	Units or Families Served at Year Beginning	Expected Turnover
Public Housing	N/A	N/A
Section 8 Vouchers	2,130*	79
Section 8 Certificates	N/A	N/A
Section 8 Mod Rehab	N/A	N/A
Special Purpose Section 8 Certificates/Vouchers (list individually)	N/A	N/A
Public Housing Drug Elimination Program (PHDEP)	N/A	N/A
Other Federal Programs(list individually)	N/A	N/A

***Includes 35 Project Access Vouchers**

C. Management and Maintenance Policies

List the PHA's public housing management and maintenance policy documents, manuals and handbooks that contain the Agency's rules, standards, and policies that govern maintenance and management of public housing, including a description of any measures necessary for the prevention or eradication of pest infestation (which includes cockroach infestation) and the policies governing Section 8 management.

(1) Public Housing Maintenance and Management: (list below)

(2) Section 8 Management: (list below)

Refer to Administrative Plan

6. PHA Grievance Procedures

[24 CFR Part 903.7 9 (f)]

Exemptions from component 6: High performing PHAs are not required to complete component 6. Section 8-Only PHAs are exempt from sub-component 6A.

A. Public Housing ***N/A to Agency**

1. Yes No: Has the PHA established any written grievance procedures in addition to federal requirements found at 24 CFR Part 966, Subpart B, for residents of public housing?

If yes, list additions to federal requirements below:

2. Which PHA office should residents or applicants to public housing contact to initiate the PHA grievance process? (select all that apply)

- PHA main administrative office
- PHA development management offices
- Other (list below)

B. Section 8 Tenant-Based Assistance

1. Yes No: Has the PHA established informal review procedures for applicants to the Section 8 tenant-based assistance program and informal hearing procedures for families assisted by the Section 8 tenant-based assistance program in addition to federal requirements found at 24 CFR 982?

If yes, list additions to federal requirements below:

2. Which PHA office should applicants or assisted families contact to initiate the informal review and informal hearing processes? (select all that apply)

- PHA main administrative office
- Other (list below)

7. Capital Improvement Needs *N/A to Agency

[24 CFR Part 903.7 9 (g)]

Exemptions from Component 7: Section 8 only PHAs are not required to complete this component and may skip to Component 8.

A. Capital Fund Activities

Exemptions from sub-component 7A: PHAs that will not participate in the Capital Fund Program may skip to component 7B. All other PHAs must complete 7A as instructed.

(1) Capital Fund Program Annual Statement

Using parts I, II, and III of the Annual Statement for the Capital Fund Program (CFP), identify capital activities the PHA is proposing for the upcoming year to ensure long-term physical and social viability of its public housing developments. This statement can be completed by using the CFP Annual Statement tables provided in the table library at the end of the PHA Plan template **OR**, at the PHA's option, by completing and attaching a properly updated HUD-52837.

Select one:

The Capital Fund Program Annual Statement is provided as an attachment to the PHA Plan at Attachment (state name)

-or-

The Capital Fund Program Annual Statement is provided below: (if selected, copy the CFP Annual Statement from the Table Library and insert here)

(2) Optional 5-Year Action Plan

Agencies are encouraged to include a 5-Year Action Plan covering capital work items. This statement can be completed by using the 5 Year Action Plan table provided in the table library at the end of the PHA Plan template **OR** by completing and attaching a properly updated HUD-52834.

a. Yes No: Is the PHA providing an optional 5-Year Action Plan for the Capital Fund? (if no, skip to sub-component 7B)

b. If yes to question a, select one:

The Capital Fund Program 5-Year Action Plan is provided as an attachment to the PHA Plan at Attachment (state name)

-or-

The Capital Fund Program 5-Year Action Plan is provided below: (if selected, copy the CFP optional 5 Year Action Plan from the Table Library and insert here)

B. HOPE VI and Public Housing Development and Replacement Activities (Non-Capital Fund) *N/A to Agency

Applicability of sub-component 7B: All PHAs administering public housing. Identify any approved HOPE VI and/or public housing development or replacement activities not described in the Capital Fund Program Annual Statement.

- Yes No: a) Has the PHA received a HOPE VI revitalization grant? (if no, skip to question c; if yes, provide responses to question b for each grant, copying and completing as many times as necessary)
- b) Status of HOPE VI revitalization grant (complete one set of questions for each grant)

1. Development name:
2. Development (project) number:
3. Status of grant: (select the statement that best describes the current status)

- Revitalization Plan under development
- Revitalization Plan submitted, pending approval
- Revitalization Plan approved
- Activities pursuant to an approved Revitalization Plan underway

- Yes No: c) Does the PHA plan to apply for a HOPE VI Revitalization grant in the Plan year?
- If yes, list development name/s below:

- Yes No: d) Will the PHA be engaging in any mixed-finance development activities for public housing in the Plan year?
- If yes, list developments or activities below:

- Yes No: e) Will the PHA be conducting any other public housing development or replacement activities not discussed in the Capital Fund Program Annual Statement?
- If yes, list developments or activities below:

8. Demolition and Disposition *N/A to Agency

[24 CFR Part 903.7 9 (h)]

Applicability of component 8: Section 8 only PHAs are not required to complete this section.

1. Yes No: Does the PHA plan to conduct any demolition or disposition activities (pursuant to section 18 of the U.S. Housing Act of 1937 (42 U.S.C. 1437p)) in the plan Fiscal Year? (If “No”, skip to component 9; if “yes”, complete one activity description for each development.)

2. Activity Description

- Yes No: Has the PHA provided the activities description information in the **optional** Public Housing Asset Management Table? (If

“yes”, skip to component 9. If “No”, complete the Activity Description table below.)

Demolition/Disposition Activity Description	
1a. Development name:	
1b. Development (project) number:	
2. Activity type: Demolition <input type="checkbox"/>	
Disposition <input type="checkbox"/>	
3. Application status (select one)	
Approved <input type="checkbox"/>	
Submitted, pending approval <input type="checkbox"/>	
Planned application <input type="checkbox"/>	
4. Date application approved, submitted, or planned for submission: (DD/MM/YY)	
5. Number of units affected:	
6. Coverage of action (select one)	
<input type="checkbox"/> Part of the development	
<input type="checkbox"/> Total development	
7. Timeline for activity:	
a. Actual or projected start date of activity:	
b. Projected end date of activity:	

9. Designation of Public Housing for Occupancy by Elderly Families or Families with Disabilities or Elderly Families and Families with Disabilities *N/A to Agency

[24 CFR Part 903.7 9 (i)]

Exemptions from Component 9; Section 8 only PHAs are not required to complete this section.

1. Yes No: Has the PHA designated or applied for approval to designate or does the PHA plan to apply to designate any public housing for occupancy only by the elderly families or only by families with disabilities, or by elderly families and families with disabilities or will apply for designation for occupancy by only elderly families or only families with disabilities, or by elderly families and families with disabilities as provided by section 7 of the U.S. Housing Act of 1937 (42 U.S.C. 1437e) in the upcoming fiscal year? (If “No”, skip to component 10. If “yes”, complete one activity description for each development, unless the PHA is eligible to complete a streamlined submission; PHAs completing streamlined submissions may skip to component 10.)

2. Activity Description

Yes No: Has the PHA provided all required activity description information for this component in the **optional** Public Housing

Asset Management Table? If “yes”, skip to component 10. If “No”, complete the Activity Description table below.

Designation of Public Housing Activity Description	
1a. Development name:	
1b. Development (project) number:	
2. Designation type:	Occupancy by only the elderly <input type="checkbox"/> Occupancy by families with disabilities <input type="checkbox"/> Occupancy by only elderly families and families with disabilities <input type="checkbox"/>
3. Application status (select one)	Approved; included in the PHA’s Designation Plan <input type="checkbox"/> Submitted, pending approval <input type="checkbox"/> Planned application <input type="checkbox"/>
4. Date this designation approved, submitted, or planned for submission: (DD/MM/YY)	
5. If approved, will this designation constitute a (select one)	<input type="checkbox"/> New Designation Plan <input type="checkbox"/> Revision of a previously-approved Designation Plan?
6. Number of units affected:	
7. Coverage of action (select one)	<input type="checkbox"/> Part of the development <input type="checkbox"/> Total development

10. Conversion of Public Housing to Tenant-Based Assistance

[24 CFR Part 903.7 9 (j)] *N/A to Agency
 Exemptions from Component 10; Section 8 only PHAs are not required to complete this section.

A. Assessments of Reasonable Revitalization Pursuant to section 202 of the HUD FY 1996 HUD Appropriations Act

1. Yes No: Have any of the PHA’s developments or portions of developments been identified by HUD or the PHA as covered under section 202 of the HUD FY 1996 HUD Appropriations Act? (If “No”, skip to component 11; if “yes”, complete one activity description for each identified development, unless eligible to complete a streamlined submission. PHAs completing streamlined submissions may skip to component 11.)

2. Activity Description
 Yes No: Has the PHA provided all required activity description information for this component in the **optional** Public Housing Asset Management Table? If “yes”, skip to component 11. If “No”, complete the Activity Description table below.

Conversion of Public Housing Activity Description	
1a. Development name:	
1b. Development (project) number:	
2. What is the status of the required assessment?	<input type="checkbox"/> Assessment underway <input type="checkbox"/> Assessment results submitted to HUD <input type="checkbox"/> Assessment results approved by HUD (if marked, proceed to next question) <input type="checkbox"/> Other (explain below)
3. <input type="checkbox"/> Yes <input type="checkbox"/> No: Is a Conversion Plan required? (If yes, go to block 4; if no, go to block 5.)	
4. Status of Conversion Plan (select the statement that best describes the current status)	<input type="checkbox"/> Conversion Plan in development <input type="checkbox"/> Conversion Plan submitted to HUD on: (DD/MM/YYYY) <input type="checkbox"/> Conversion Plan approved by HUD on: (DD/MM/YYYY) <input type="checkbox"/> Activities pursuant to HUD-approved Conversion Plan underway
5. Description of how requirements of Section 202 are being satisfied by means other than conversion (select one)	<input type="checkbox"/> Units addressed in a pending or approved demolition application (date submitted or approved: <input type="checkbox"/> Units addressed in a pending or approved HOPE VI demolition application (date submitted or approved:) <input type="checkbox"/> Units addressed in a pending or approved HOPE VI Revitalization Plan (date submitted or approved:) <input type="checkbox"/> Requirements no longer applicable: vacancy rates are less than 10 percent <input type="checkbox"/> Requirements no longer applicable: site now has less than 300 units <input type="checkbox"/> Other: (describe below)

B. Reserved for Conversions pursuant to Section 22 of the U.S. Housing Act of 1937

C. Reserved for Conversions pursuant to Section 33 of the U.S. Housing Act of 1937

11. Homeownership Programs Administered by the PHA

[24 CFR Part 903.7 9 (k)]

A. Public Housing *N/A to Agency

Exemptions from Component 11A: Section 8 only PHAs are not required to complete 11A.

1. Yes No: Does the PHA administer any homeownership programs administered by the PHA under an approved section 5(h) homeownership program (42 U.S.C. 1437c(h)), or an approved HOPE I program (42 U.S.C. 1437aaa) or has the PHA applied or plan to apply to administer any homeownership programs under section 5(h), the HOPE I program, or section 32 of the U.S. Housing Act of 1937 (42 U.S.C. 1437z-4). (If “No”, skip to component 11B; if “yes”, complete one activity description for each applicable program/plan, unless eligible to complete a streamlined submission due to **small PHA** or **high performing PHA** status. PHAs completing streamlined submissions may skip to component 11B.)

2. Activity Description

- Yes No: Has the PHA provided all required activity description information for this component in the **optional** Public Housing Asset Management Table? (If “yes”, skip to component 12. If “No”, complete the Activity Description table below.)

Public Housing Homeownership Activity Description (Complete one for each development affected)
1a. Development name: 1b. Development (project) number:
2. Federal Program authority: <input type="checkbox"/> HOPE I <input type="checkbox"/> 5(h) <input type="checkbox"/> Turnkey III <input type="checkbox"/> Section 32 of the USHA of 1937 (effective 10/1/99)
3. Application status: (select one) <input type="checkbox"/> Approved; included in the PHA’s Homeownership Plan/Program <input type="checkbox"/> Submitted, pending approval <input type="checkbox"/> Planned application
4. Date Homeownership Plan/Program approved, submitted, or planned for submission: (DD/MM/YYYY)
5. Number of units affected: 6. Coverage of action: (select one) <input type="checkbox"/> Part of the development <input type="checkbox"/> Total development

B. Section 8 Tenant Based Assistance **

1. Yes No: Does the PHA plan to administer a Section 8 Homeownership program pursuant to Section 8(y) of the U.S.H.A. of 1937, as implemented by 24 CFR part 982 ? (If “No”, skip to component

12; if “yes”, describe each program using the table below (copy and complete questions for each program identified), unless the PHA is eligible to complete a streamlined submission due to high performer status. **High performing PHAs** may skip to component 12.)

****TDHCA has been working with various Public Housing Authorities, lenders, builders, the U. S. Department of Agriculture, Rural Development Program and HUD, to implement a demonstration project for Section 8 Homeownership.**

2. Program Description:

a. Size of Program

Yes No: Will the PHA limit the number of families participating in the section 8 homeownership option?

If the answer to the question above was yes, which statement best describes the number of participants? (select one)

- 25 or fewer participants
- 26 - 50 participants
- 51 to 100 participants
- more than 100 participants

b. PHA-established eligibility criteria

Yes No: Will the PHA’s program have eligibility criteria for participation in its Section 8 Homeownership Option program in addition to HUD criteria?

If yes, list criteria below:

12. PHA Community Service and Self-sufficiency Programs

[24 CFR Part 903.7 9 (l)]

Exemptions from Component 12: High performing and small PHAs are not required to complete this component. Section 8-Only PHAs are not required to complete sub-component C.

A. PHA Coordination with the Welfare (TANF) Agency

1. Cooperative agreements:

Yes * No: Has the PHA has entered into a cooperative agreement with the TANF Agency, to share information and/or target supportive services (as contemplated by section 12(d)(7) of the Housing Act of 1937)?

If yes, what was the date that agreement was signed? DD/MM/YY

***Program staff continues to work with DHS staff to explore the possibility and cost of automated interface or a direct contact person.**

2. Other coordination efforts between the PHA and TANF agency (select all that apply)

- Client referrals
- Information sharing regarding mutual clients (for rent determinations and otherwise)
- Coordinate the provision of specific social and self-sufficiency services and programs to eligible families
- Jointly administer programs
- Partner to administer a HUD Welfare-to-Work voucher program
- Joint administration of other demonstration program
- Other (describe)

B. Services and programs offered to residents and participants

(1) General

a. Self-Sufficiency Policies **** (see below)**

Which, if any of the following discretionary policies will the PHA employ to enhance the economic and social self-sufficiency of assisted families in the following areas? (select all that apply)

- Public housing rent determination policies
- Public housing admissions policies
- Section 8 admissions policies
- Preference in admission to section 8 for certain public housing families
- Preferences for families working or engaging in training or education programs for non-housing programs operated or coordinated by the PHA
- Preference/eligibility for public housing homeownership option participation
- Preference/eligibility for section 8 homeownership option participation
- Other policies (list below)

****TDHCA was approved for an exception outside of the Houston area in June 2003. The FSS Action Plan was approved by Fort Worth HUD on January 12, 2004. Implementation of the plan will begin April 1, 2004 with the Brazoria county area serving as a model to fulfill the FSSP requirements for the three (3) service areas, i.e., Houston, Fort Worth and San Antonio.**

b. Economic and Social self-sufficiency programs

- Yes No: Does the PHA coordinate, promote or provide any programs to enhance the economic and social self-sufficiency of residents? (If “yes”, complete the following table; if “no” skip to sub-component 2, Family Self Sufficiency Programs. The position of the table may be altered to facilitate its use.)

Services and Programs				
Program Name & Description	Estimated	Allocation	Access	Eligibility

(including location, if appropriate)	Size	Method (waiting list/random selection/specific criteria/other)	(development office / PHA main office / other provider name)	(public housing or section 8 participants or both)

(2) Family Self Sufficiency program/s

a. Participation Description

Family Self Sufficiency (FSS) Participation		
Program	Required Number of Participants (start of FY 2000 Estimate)	Actual Number of Participants (As of: DD/MM/YY)
Public Housing		
Section 8	Houston 42	0

- b. Yes No: If the PHA is not maintaining the minimum program size required by HUD, does the most recent FSS Action Plan address the steps the PHA plans to take to achieve at least the minimum program size?
 If no, list steps the PHA will take below:

C. Welfare Benefit Reductions

1. The PHA is complying with the statutory requirements of section 12(d) of the U.S. Housing Act of 1937 (relating to the treatment of income changes resulting from welfare program requirements) by: (select all that apply)

- Adopting appropriate changes to the PHA’s public housing rent determination policies and train staff to carry out those policies
- Informing residents of new policy on admission and reexamination
- Actively notifying residents of new policy at times in addition to admission and reexamination.
- Establishing or pursuing a cooperative agreement with all appropriate TANF agencies regarding the exchange of information and coordination of services
- Establishing a protocol for exchange of information with all appropriate TANF agencies

Other: (list below)

D. Reserved for Community Service Requirement pursuant to section 12(c) of the U.S. Housing Act of 1937

13. PHA Safety and Crime Prevention Measures *N/A to Agency

[24 CFR Part 903.7 9 (m)]

Exemptions from Component 13: High performing and small PHAs not participating in PHDEP and Section 8 Only PHAs may skip to component 15. High Performing and small PHAs that are participating in PHDEP and are submitting a PHDEP Plan with this PHA Plan may skip to sub-component D.

A. Need for measures to ensure the safety of public housing residents

1. Describe the need for measures to ensure the safety of public housing residents
(select all that apply)

- High incidence of violent and/or drug-related crime in some or all of the PHA's developments
- High incidence of violent and/or drug-related crime in the areas surrounding or adjacent to the PHA's developments
- Residents fearful for their safety and/or the safety of their children
- Observed lower-level crime, vandalism and/or graffiti
- People on waiting list unwilling to move into one or more developments due to perceived and/or actual levels of violent and/or drug-related crime
- Other (describe below)

2. What information or data did the PHA used to determine the need for PHA actions to improve safety of residents (select all that apply).

- Safety and security survey of residents
- Analysis of crime statistics over time for crimes committed "in and around" public housing authority
- Analysis of cost trends over time for repair of vandalism and removal of graffiti
- Resident reports
- PHA employee reports
- Police reports
- Demonstrable, quantifiable success with previous or ongoing anticrime/anti drug programs
- Other (describe below)

3. Which developments are most affected? (list below)

B. Crime and Drug Prevention activities the PHA has undertaken or plans to undertake in the next PHA fiscal year

1. List the crime prevention activities the PHA has undertaken or plans to undertake: (select all that apply)

- Contracting with outside and/or resident organizations for the provision of crime- and/or drug-prevention activities
- Crime Prevention Through Environmental Design
- Activities targeted to at-risk youth, adults, or seniors
- Volunteer Resident Patrol/Block Watchers Program
- Other (describe below)

2. Which developments are most affected? (list below)

C. Coordination between PHA and the police

1. Describe the coordination between the PHA and the appropriate police precincts for carrying out crime prevention measures and activities: (select all that apply)

- Police involvement in development, implementation, and/or ongoing evaluation of drug-elimination plan
- Police provide crime data to housing authority staff for analysis and action
- Police have established a physical presence on housing authority property (e.g., community policing office, officer in residence)
- Police regularly testify in and otherwise support eviction cases
- Police regularly meet with the PHA management and residents
- Agreement between PHA and local law enforcement agency for provision of above-baseline law enforcement services
- Other activities (list below)

2. Which developments are most affected? (list below)

D. Additional information as required by PHDEP/PHDEP Plan

PHAs eligible for FY 2000 PHDEP funds must provide a PHDEP Plan meeting specified requirements prior to receipt of PHDEP funds.

- Yes No: Is the PHA eligible to participate in the PHDEP in the fiscal year covered by this PHA Plan?
- Yes No: Has the PHA included the PHDEP Plan for FY 2000 in this PHA Plan?
- Yes No: This PHDEP Plan is an Attachment. (Attachment Filename: ____)

14. RESERVED FOR PET POLICY

[24 CFR Part 903.7 9 (n)]

15. Civil Rights Certifications

[24 CFR Part 903.7 9 (o)]

Civil rights certifications are included in the PHA Plan Certifications of Compliance with the PHA Plans and Related Regulations.

16. Fiscal Audit

[24 CFR Part 903.7 9 (p)]

1. Yes No: Is the PHA required to have an audit conducted under section 5(h)(2) of the U.S. Housing Act of 1937 (42 U.S.C. 1437c(h))?
(If no, skip to component 17.)
2. Yes No: Was the most recent fiscal audit submitted to HUD?
3. Yes No: Were there any findings as the result of that audit?
4. Yes No: If there were any findings, do any remain unresolved?
If yes, how many unresolved findings remain? _____
5. Yes No: Have responses to any unresolved findings been submitted to HUD?
If not, when are they due (state below)?

17. PHA Asset Management *N/A to Agency

[24 CFR Part 903.7 9 (q)]

Exemptions from component 17: Section 8 Only PHAs are not required to complete this component. High performing and small PHAs are not required to complete this component.

1. Yes No: Is the PHA engaging in any activities that will contribute to the long-term asset management of its public housing stock, including how the Agency will plan for long-term operating, capital investment, rehabilitation, modernization, disposition, and other needs that have **not** been addressed elsewhere in this PHA Plan?
2. What types of asset management activities will the PHA undertake? (select all that apply)
 - Not applicable
 - Private management
 - Development-based accounting
 - Comprehensive stock assessment
 - Other: (list below)
3. Yes No: Has the PHA included descriptions of asset management activities in the **optional** Public Housing Asset Management Table?

18. Other Information [24 CFR Part 903.7 9 (r)]

A. Resident Advisory Board Recommendations

1. Yes No: Did the PHA receive any comments on the PHA Plan from the Resident Advisory Board/s? ***Notice of 2004 public hearing was mailed to active tenants in December 2003.**

2. If yes, the comments are: (if comments were received, the PHA **MUST** select one)

Attached at Attachment (File name)

Provided below:

Only 8 comments received acknowledging how the program is helping needy families and thanking the department for a good job.

3. In what manner did the PHA address those comments? (select all that apply)

Considered comments, but determined that no changes to the PHA Plan were necessary.

The PHA changed portions of the PHA Plan in response to comments
List changes below:

Other: (list below)

B. Description of Election process for Residents on the PHA Board

1. Yes No: Does the PHA meet the exemption criteria provided section 2(b)(2) of the U.S. Housing Act of 1937? (If no, continue to question 2; if yes, skip to sub-component C.)

2. Yes No: Was the resident who serves on the PHA Board elected by the residents? (If yes, continue to question 3; if no, skip to sub-component C.)

****As of the date of this plan, the Governor of Texas has not appointed a Section 8 resident to the Board of Directors of the Texas Department of Housing and Community Affairs. The Appointments Office of the Governor continues to explore this issue.**

3. Description of Resident Election Process

a. Nomination of candidates for place on the ballot: (select all that apply)

Candidates were nominated by resident and assisted family organizations

Candidates could be nominated by any adult recipient of PHA assistance

Self-nomination: Candidates registered with the PHA and requested a place on ballot

Other: (describe)

b. Eligible candidates: (select one)

- Any recipient of PHA assistance
- Any head of household receiving PHA assistance
- Any adult recipient of PHA assistance
- Any adult member of a resident or assisted family organization
- Other (list)

c. Eligible voters: (select all that apply)

- All adult recipients of PHA assistance (public housing and section 8 tenant-based assistance)
- Representatives of all PHA resident and assisted family organizations
- Other (list)

C. Statement of Consistency with the Consolidated Plan

For each applicable Consolidated Plan, make the following statement (copy questions as many times as necessary).

1. Consolidated Plan jurisdiction: (provide name here)

State of Texas Consolidated Plan

2. The PHA has taken the following steps to ensure consistency of this PHA Plan with the Consolidated Plan for the jurisdiction: (select all that apply)

- The PHA has based its statement of needs of families in the jurisdiction on the needs expressed in the Consolidated Plan/s.
- The PHA has participated in any consultation process organized and offered by the Consolidated Plan agency in the development of the Consolidated Plan.
- The PHA has consulted with the Consolidated Plan agency during the development of this PHA Plan.
- Activities to be undertaken by the PHA in the coming year are consistent with the initiatives contained in the Consolidated Plan. (list below)
- Other: (list below)

3. The Consolidated Plan of the jurisdiction supports the PHA Plan with the following actions and commitments: (describe below)

- A. PHA Goal: Expand the supply of assisted housing
 TDHCA: By applying for additional vouchers should they become available
- B. PHA Goal: Improve the quality of assisted housing
 TDHCA: By improving voucher management

D. Other Information Required by HUD

Use this section to provide any additional information requested by HUD.

Significant Amendments or Modifications

- **Changes to rent or admissions policies or organization of the waiting list;**
- **Addition of new activities not presently in the plan;**

TDHCA will submit a revised plan that has met full public process requirements. The amendment or modification may not be implemented until approved by HUD.

Attachments

Use this section to provide any additional attachments referenced in the Plans.

5-Year Plan Mission and Goals PROGRESS STATEMENT

The mission of the Texas Department of Housing and Community Affairs (TDHCA) is to help Texans achieve an improved quality of life through the development of better communities. TDHCA offers opportunities for rental housing to lower-income families by utilizing existing housing. The Department also provides a mechanism for low-income families to obtain housing in non-impacted areas, thus avoiding concentration of assisted housing.

TDHCA management has met with several PHAs to explore ways to develop and provide additional housing and/or services to potential and current Section 8 tenants. Also, management has been working with various PHAs, lenders and builders across the state of Texas to determine how best to utilize Section 8 vouchers to support homeownership for very low-income families.

TDHCA is addressing the Supreme Court Olmstead Decision by allocating funds to help persons with disabilities move from institutions to conventional housing. Funds in the amount of \$2,000,000 has been set-aside for the HOME Tenant Based Rental Assistance Program (TBRA). TBRA helps households with rental subsidies and security deposits. TDHCA also administers 35 Project Access vouchers to assist persons with disabilities transition from nursing homes to community by providing access to affordable housing and necessary supportive services. TDHCA will continue administration of these vouchers to serve the Olmstead population.

TDHCA will continue exploring ways to make additional safe, sanitary and decent housing available in some of the smaller areas which does not have adequate housing stock. Program staff continues to strive to improve overall performance and compliance with requirements of the law, regulations and other directives. The Department will continue to make efforts to collaborate with other programs that will improve the living conditions of Section 8 residents and maximize utilization of the vouchers. The Department will also continue to work closely with the State's local PHAs to address the affordable housing needs of the citizens of Texas.

PHA Plan Table Library

Component 7 Capital Fund Program Annual Statement Parts I, II, and II

Annual Statement Capital Fund Program (CFP) Part I: Summary

Capital Fund Grant Number FFY of Grant Approval: (MM/YYYY)

Original Annual Statement

Line No.	Summary by Development Account	Total Estimated Cost
1	Total Non-CGP Funds	
2	1406 Operations	
3	1408 Management Improvements	
4	1410 Administration	
5	1411 Audit	
6	1415 Liquidated Damages	
7	1430 Fees and Costs	
8	1440 Site Acquisition	
9	1450 Site Improvement	
10	1460 Dwelling Structures	
11	1465.1 Dwelling Equipment-Nonexpendable	
12	1470 Nondwelling Structures	
13	1475 Nondwelling Equipment	
14	1485 Demolition	
15	1490 Replacement Reserve	
16	1492 Moving to Work Demonstration	
17	1495.1 Relocation Costs	
18	1498 Mod Used for Development	
19	1502 Contingency	
20	Amount of Annual Grant (Sum of lines 2-19)	
21	Amount of line 20 Related to LBP Activities	
22	Amount of line 20 Related to Section 504 Compliance	
23	Amount of line 20 Related to Security	
24	Amount of line 20 Related to Energy Conservation Measures	

Annual Statement
Capital Fund Program (CFP) Part II: Supporting Table

Development Number/Name HA-Wide Activities	General Description of Major Work Categories	Development Account Number	Total Estimated Cost

**Annual Statement
Capital Fund Program (CFP) Part III: Implementation Schedule**

Development Number/Name HA-Wide Activities	All Funds Obligated (Quarter Ending Date)	All Funds Expended (Quarter Ending Date)

Optional Table for 5-Year Action Plan for Capital Fund (Component 7)

Complete one table for each development in which work is planned in the next 5 PHA fiscal years. Complete a table for any PHA-wide physical or management improvements planned in the next 5 PHA fiscal year. Copy this table as many times as necessary. Note: PHAs need not include information from Year One of the 5-Year cycle, because this information is included in the Capital Fund Program Annual Statement.

Optional 5-Year Action Plan Tables				
Development Number	Development Name (or indicate PHA wide)	Number Vacant Units	% Vacancies in Development	
Description of Needed Physical Improvements or Management Improvements			Estimated Cost	Planned Start Date (HA Fiscal Year)
Total estimated cost over next 5 years				

PORTFOLIO MANAGEMENT AND COMPLIANCE DIVISION

**BOARD ACTION REQUEST
MARCH 11, 2004**

Action Item

Approval of the 2004 Multifamily Mortgage Revenue Bond Maximum Eligible Tenant Income Limits for following projects where the bonds were issued prior to 1986:

Brighton's Mark	4808 Haverwood Lane	Dallas	75287
Presidio Park	3950 N. Story	Irving	75038
Springhouse	1220 Jupiter Rd	Dallas	75238
Summer Bend	1301 Meadowcreek Dr.	Dallas	75038
Summers Crossing	1500 Preston Rd	Plano	75093
Summers Meadows	6000 Ohio Drive	Plano	75093
Remington Hill	5701 Overton Ridge Blvd	FtWorth	76132
Champion Valley Ranch	10201 N. Macarthur Blvd	Irving	75063
Granada	213 E. Tom Landry	Mission	78752

Required Action

Staff recommends the Board approve the eligibility limits as evidenced on the attachment titled "2004 Multi-Family Mortgage Revenue Bond Maximum Income Limits"

Background

To preserve the tax-exempt nature of the bonds, at least twenty percent of the units must be leased to low-income individuals and families earning 50%, 60% or 80% of Area Median Income (AMI), depending upon the year of issuance. *In addition to the federal requirements, regulatory documents for Bond financed properties require that 100% of the residents be Eligible, i.e. qualify under an eligible income limit.*

Pre-1986 tax code requires at least twenty percent of the units to be set aside for Low-income (LI) households whose income is 80% or less of AMI. On an annual basis, HUD provides the income limits for the federally mandated set aside units, thus the Board/Department is not required to take action to adjust the set aside limits.

However, since the Maximum Eligible Tenant Income limits are imposed by the State and its Bond documents, the Board must annually review and approve the limits associated with the non-set aside units for the pre-1986 bond projects.

A 1991 Board resolution requires the Board to make the Eligibility determination at the first meeting after the first of March, each year.

The Department calculates eligibility limits for two groups: those households comprised of one individual and households with two or more members. Therefore, using the established calculations the one-person eligible limit is 110% of the Dallas AMI, and limit for two or more member households is 140% of the Dallas AMI.

NOTE: The Eligible Tenant income levels affect all projects except those financed with bond series dating 1997 and forward. For bond series issued starting in 1997, the Eligible limits adjust automatically when HUD releases its annual income and rent limit adjustments. TDHCA documents set the maximum Eligible limits at 140% of AMI; therefore, no Board action is required for those projects.

Proposed 2004 Multi-Family Mortgage Revenue Bond
Maximum Income Limits

Income Limit Adjustment for all Tenants

Annually the Board of TDHCA reviews the limits for those applicable projects to determine whether or not to increase the eligibility limit for properties financed with tax-exempt bonds. The proposed income levels for 2004 are as follows:

	Move-in Limit	125% Renewal
A. Tenant is a person who occupies a unit in the Development alone.	\$71,610	\$89,512
B. For a household comprised of two or more members	\$91,140	\$113,925

**SINGLE FAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
MARCH 11, 2004**

Action Item

Revised Single Family Average Purchase Price Limits

Required Action

The Board approve the revised single family average purchase price limits for use in conjunction with the Single Family Qualified Mortgage Revenue Bond and Qualified Mortgage Credit Certificate Programs as identified on the attached list.

Background

In accordance with Revenue Procedure 2004-18 issued by the Internal Revenue Service on February 10, 2004, issuers of Single Family Qualified Mortgage Revenue Bonds and Qualified Mortgage Credit Certificates may impose limitations on the income of mortgagors for whom financing is provided. Average area purchase price limits were last published in Revenue Procedure 94-55 in 1994 and were based on housing price estimates calculated by the U.S. Department of Housing and Urban Development from mortgage data collected by the Federal Housing Finance Board (FHFB). The average purchase price limits contained in the latest revenue procedure are based on the annual loan limits set by the Federal Housing Administration (FHA) on FHA-insured mortgages. The Treasury Department and the Internal Revenue Service have determined that FHA loan limits provide a reasonable basis for determining average purchase price limits. To determine the appropriate limit for a non-targeted area under the qualified mortgage revenue bond and qualified mortgage credit certificate program, 90% of the average area purchase price is calculated to obtain the maximum acquisition cost in a non-targeted area. To determine the appropriate limit for a targeted area, 110% of the average area purchase price is calculated to obtain the maximum acquisition cost in a targeted area. The 90% and 110% calculations applicable to the qualified mortgage revenue bond and qualified mortgage credit certificate program are attached. Because FHA loan limits do not differentiate between new and existing residences, the revenue procedure sets forth a single average purchase price that may be used for both new and existing residences. The revenue procedure also reflects the Office of Management and Budget's (OMB) current definitions for the state's metropolitan statistical areas (MSAs).

Issuers may rely on this revenue procedure to determine average area purchase price limits for commitments to provide financing or issue mortgage credit certificates that are made beginning on February 10, 2004 and end on the date as of which the limits are rendered obsolete.

AVERAGE AREA PURCHASE PRICES

MAXIMUM ACQUISITION COST IN NON-TARGETED AREAS
(90% of Average Area Purchase Price)

Austin-Round Rock MSA (1)	\$210,375
Dallas-Fort Worth-Arlington MSA (2)	202,387
Henderson County	202,387
Hutchinson County	202,387
San Angelo MSA (3)	202,387
all other areas (4)	189,682

MAXIMUM ACQUISITION COST IN TARGETED AREAS
(110% of Average Area Purchase Price)

Austin-Round Rock (1)	\$257,125
Dallas-Fort Worth-Arlington MSA (2)	247,362
Henderson County	247,362
Hutchinson County	247,362
San Angelo MSA (3)	247,362
all other areas (4)	231,833

- (1) Bastrop, Caldwell, Hays, Travis and Williamson Counties
- (2) Collin, Dallas, Delta, Denton, Ellis, Hunt, Johnson, Kaufman, Parker, Rockwall, Tarrant and Wise Counties
- (3) Irion and Tom Green Counties
- (4) All counties not listed above

BOND FINANCE DIVISION

BOARD ACTION REQUEST

March 11, 2004

Action Items

Approve Single Family Mortgage Revenue Bonds, 2004 Series A and Series B and Taxable Junior Lien Single Family Mortgage Revenue Bonds, 2004 Series A (Program 61).

Series	Amount *	Lien
2004 Series A	\$127,000,000	Senior
2004 Series B	\$ 53,000 000	Senior
2004 Series A	\$ 7,500,000	Junior
Total	\$187,500,000	

* Preliminary, subject to change.

Required Action

Approve Resolution 04-018 authorizing the issuance of Single Family Mortgage Revenue Bonds, 2004 Series A and 2004 Series B and Taxable Junior Lien Single Family Mortgage Revenue Bonds, 2004 Series A (Program 61).

Background

TDHCA issued over \$100 million of its Single Family Tax-Exempt Commercial Paper, Series C Notes in December 2003 for purposes of managing its 2003 volume cap. *The guaranteed investment contract associated (GIC) with the Series commercial paper issuance expires in May 2004.* The Bond Finance Division initiated structuring of TDHCA's Program 61 single family mortgage revenue bond issue in January 2004 due to market conditions. Program 61 must close in April 2004.

In order to comply with certain 2003 and 2004 legislative set-aside (reservation) requirements for very low income borrowers, Bond Finance recommends that \$100 million of Program 61's proceeds provide downpayment assistance. Bond Finance anticipates that the subsequent transactions in 2004 will not encompass downpayment assistance and will not be affected by costs associated with funding downpayment assistance. In addition, the demand for assisted funds remains relatively inelastic when assisted mortgage rates exist within a certain relevant range indexed to market mortgage rates.

This plan of finance, in conjunction with the previously approved restructuring of older programs, allows TDHCA to obtain historically low interest rates and take advantage of a possible increase in long-term interest rates in 2004 and/or 2005. Simultaneously, TDHCA has hedged against level or declining interest rates by converting unassisted funds to assisted funds and strategically issuing assisted funds. Also, TDHCA will have available a continuous source of competitive-priced mortgage funds offering assisted and unassisted interest rates consistent

across all outstanding programs. This plan also permits TDHCA to issue all of its 2003 and 2004 volume in 2004.

Interest rates are at 40-year historical lows. To take advantage of these historical lows and create a marketable and competitive mortgage product for first-time homebuyers, Bond Finance recommends issuing a portion of the transaction, approximately \$50 million, in the form of *variable rate demand bonds*. To reduce interest rate exposure associated with variable interest rates that change according to market conditions, Bond Finance recommends implementing a hedge referred to as an *interest rate swap*. An interest rate swap is a contractual agreement whereby two parties, called counterparties, agree to exchange periodic interest payments. Through an interest rate swap agreement, TDHCA will pay a highly credit-rated counterparty a fixed interest rate. The highly credit-rated counterparty accordingly will pay TDHCA a variable interest rate similar to the variable interest rate due on the variable rate demand bonds. An interest rate swap is a derivative security.

The new mortgages may be assisted and unassisted low rate mortgages with interest rates of approximately 5.65% and 4.99% respectively. Without issuing variable rate bonds, TDHCA would attain mortgage rates of approximately 6.00% for assisted mortgages and 5.40% for unassisted mortgages. The mortgages will be securitized. TDHCA may issue taxable junior lien single family mortgage revenue bonds or incorporate premium bonds into the bond structure for purposes of providing downpayment assistance. The final decision will be based on the final percentage of assisted versus unassisted mortgages. The mortgages will be marketed to very low, low and moderate income residents of Texas. If authorized, the bonds will be sold in March and the bond closing will occur approximately four weeks subsequent to the bond pricing.

Also, in conjunction with the April 2004 transaction, TDHCA will offer "recapture-able" 4% downpayment assistance loans. In connection with the use of Program 61 funds to finance mortgage loans to eligible borrowers, TDHCA will make available downpayment and closing costs assistance on a first-come, first-served basis, to very low income (60% of AMFI) borrowers wherever located. After the first one year period of Program 61, downpayment and closing costs assistance may be available on a first-come, first-served basis, to low income (80% of AMFI) borrowers wherever located. The maximum amount of downpayment and closing costs assistance available will be four percent (4%) of the amount of the Mortgage Loan and a second lien will be required. TDHCA estimates that sufficient down payment and closing costs assistance funds will be available for approximately \$100 million of the total Program allocation that is set aside for very low income borrowers. The deferred, forgivable assistance will require a zero percent (0%), deferred amortization, second lien, forgivable mortgage. The deferred, forgivable assistance will be repaid at the time of resale of the property, refinance of the first lien, or repayment of the first lien, if any of these occurs before the end of the 10-year term. The amount of recapture will be based on the pro-rata share of the remaining loan term (one-tenth of the amount of the loan will be forgiven each year).

In order to promote faster origination of mortgage loans, mortgage reservation periods under Program 61 have been decreased. Reservations for new homes will have four months to close rather than six months. Reservations for existing homes will have two months to close rather than three months.

Continuing with the previously approved senior manager rotation plan, Bond Finance will recommend one of two firms in the senior pool who have not executed a single family transaction for TDHCA to structure and manage the issuance of Program 61 bonds (UBS Financial Services Inc.). Bond Finance will recommend the firm not selected for the April transaction, Piper Jaffray, for TDHCA's following single family bond transaction, currently scheduled to close in August 2004. This will end the rotation in the senior manager pool. In late 2004, Bond Finance will then recommend three of the six firms in the senior pool to serve as rotating senior managers for future bond issuances.

The following table provides certain details related to this plan of finance.

Program Designation	Program 61
Down Payment Assistance (%)	4.00%
Down Payment Assistance (% of Loans)	100%
2003 Volume Cap	\$161,171,208
2004 Volume Cap	\$165,151,534
2003 Very Low Income Reservation *	\$48,351,362 (\$50 million rounded)
2004 Very Low Income Reservation *	\$49,545,460 (\$50 million rounded)
Unassisted Funds <i>or</i> Assisted Funds Available for 80% AMFI or less (TBD)	\$79,765,758
Bond Review Board Planning Session	March 9, 2004
TDHCA Approval Date	March 11, 2004
Bond Review Board Approval Date	March 18, 2004
Pricing Window	March 22, 2004 – April 2, 2004
Pre-Closing/Closing Date	April 27/28, 2004
Redeem Commercial Paper, Series C	May 3, 2004

* 30% of volume cap reserved for up to 60% AMFI for one year, thereafter up to 80% AMFI.

Resolution No. 04-018

RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS SINGLE FAMILY MORTGAGE REVENUE REFUNDING BONDS, 2004 SERIES A, SINGLE FAMILY VARIABLE RATE MORTGAGE REVENUE REFUNDING BONDS, 2004 SERIES B AND TAXABLE JUNIOR LIEN SINGLE FAMILY VARIABLE RATE MORTGAGE REVENUE BONDS, SERIES 2004A; AUTHORIZING THE APPROVAL OF THE FORM AND SUBSTANCE OF THE RESPECTIVE SERIES SUPPLEMENTS, THE MORTGAGE ORIGINATION AGREEMENT, THE PROGRAM SUPPLEMENT, THE PROGRAM GUIDELINES, THE SERVICING AGREEMENT, THE COMPLIANCE AGREEMENT, THE FUNDING AGREEMENT, THE DEPOSITORY AGREEMENTS, THE BOND PURCHASE AGREEMENTS, THE REMARKETING AGREEMENTS, THE STANDBY BOND PURCHASE AGREEMENTS, THE CONTINUING DISCLOSURE AGREEMENTS, THE SWAP AGREEMENT, AND THE PRELIMINARY AND FINAL OFFICIAL STATEMENTS FOR THE BONDS; AUTHORIZING THE EXECUTION OF DOCUMENTS AND INSTRUMENTS NECESSARY OR CONVENIENT TO CARRY OUT THE SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAM; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

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

WHEREAS, the Act further authorizes the Department to issue its revenue bonds for the purpose of refunding any bonds theretofore issued by the Department or the Texas Housing Agency, its predecessor (the "Agency"), under such terms, conditions and details as shall be determined by the Governing Board; and

WHEREAS, the Agency or the Department, as its successor, has, pursuant to and in accordance with the provisions of the Act, issued, sold and delivered or authorized the issuance, sale and delivery of prior series of its Single Family Mortgage Revenue Bonds pursuant to the Single Family Mortgage Revenue Bond Trust Indenture dated as of October 1, 1980 (as amended by supplemental indentures numbered First through Thirty-Fifth and any amendments thereto, collectively, the "Single Family Indenture") between the Department, as successor to the Agency, and J.P. Morgan Trust Company, National Association, as successor trustee (the "Trustee"), to implement the various phases of the Agency's (now the Department's) Single Family Mortgage Revenue Bond Program; and

WHEREAS, the Governing Board has authorized the issuance of its Texas Department of Housing and Community Affairs Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series A and Single-Family Mortgage Revenue Tax-Exempt Commercial Paper Notes, Series C identified in Schedule I to this Resolution (the “Refunded Notes”) in order to refund certain single family mortgage revenue bonds of the Department subject to redemption as a result of the receipt by the Department of prepayments on the mortgage loans securing such bonds and to manage new volume cap authority, respectively; and

WHEREAS, Section 302 of the Single Family Indenture authorizes the issuance of additional Bonds for the purposes of acquiring Mortgage Loans or participations therein, payment of costs of issuance, funding of reserves, payments of certain Department expenses and refunding Bonds; and

WHEREAS, the Governing Board has determined to authorize the issuance of the Department’s Single Family Mortgage Revenue Bonds, to be known as (i) its Single Family Mortgage Revenue Refunding Bonds, 2004 Series A (the “2004 Series A Bonds”); and (ii) its Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2004 Series B (the “2004 Series B Bonds”) (collectively, the “Series 2004 Bonds”) pursuant to the Single Family Indenture for the purpose of refunding the Refunded Notes thereby providing funds to make and acquire qualifying mortgage loans (including participations therein through the purchase of mortgage-backed securities (“Mortgage Certificates”) issued and guaranteed by Fannie Mae (“Fannie Mae”), Federal Home Loan Mortgage Corporation (“Freddie Mac”) or Government National Mortgage Association (“Ginnie Mae”)) (referred to herein as “Mortgage Loans”), to fund capitalized interest and to pay costs of issuance of the Series 2004 Bonds; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of the Thirty-Sixth Supplemental Single Family Mortgage Revenue Bond Trust Indenture (the “Thirty-Sixth Series Supplement”) in substantially the form attached hereto relating to the 2004 Series A Bonds and the Thirty-Seventh Supplemental Single Family Mortgage Revenue Bond Trust Indenture (the “Thirty-Seventh Series Supplement”) in substantially the form attached hereto relating to the 2004 Series B Bonds; and

WHEREAS, the Thirty-Sixth Series Supplement and the Thirty-Seventh Series Supplement are hereinafter collectively referred to as the “Supplemental Indentures”; and

WHEREAS, the Single Family Indenture provides that the Department may issue junior lien bonds for the purpose of making mortgage loans which may or may not be pledged as Mortgage Loans (as defined in the Single Family Indenture) under the Single Family Indenture, provided that the income, revenues and receipts received by the Department thereon are pledged as Revenues (as defined in the Single Family Indenture), on a basis which is superior to the pledge of such income, revenues and receipts to payment of such junior lien bonds other than to the payment of Department expenses in carrying out and administering its powers, duties and functions in connection with such mortgage loans and further provides that Surplus Revenues (as defined in the Single Family Indenture) may be used, after satisfaction of certain conditions set forth in the Single Family Indenture, to pay debt service on such junior lien bonds or establish reserves or other funds or accounts as provided in the indenture with respect to such junior lien bonds; and

WHEREAS, the Governing Board of the Department has determined to authorize the issuance of the Department’s Junior Lien Single Family Mortgage Revenue Bonds to be known as its Taxable Junior Lien Single Family Variable Rate Mortgage Revenue Bonds, Series 2004A (the “Junior Lien Bonds”) pursuant to the Junior Lien Trust Indenture dated as of May 1, 1994 (as amended by three prior supplemental indentures and any amendments thereto, collectively, the “Junior Lien Indenture”) between the Department, as successor to the Agency, and J.P. Morgan Trust Company, National Association, as successor trustee (the “Junior Lien Indenture Trustee”), for the purpose of providing funds to finance down payment and closing cost assistance in connection with Mortgage Loans made to eligible first-time home buyers for the purchase or development of homes located in the State and other permitted programs and purposes as determined by the Department from time to time; and

WHEREAS, the Governing Board of the Department desires to authorize the execution and delivery of the Fourth Supplemental Junior Lien Trust Indenture (Series Supplement 2004A) (the “Fourth Series Supplement”) in substantially the form attached hereto relating to the Junior Lien Bonds; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of the Mortgage Origination Agreement (the “Mortgage Origination Agreement”) in substantially the form attached hereto between the Department and certain mortgage lenders (the “Mortgage Lenders”) participating in the Department’s home loan purchase program designated as Bond Program No. 61 (the “Program”) setting forth the terms and conditions upon which Mortgage Loans will be purchased by the Department; and

WHEREAS, in connection with the Mortgage Origination Agreement, the Governing Board desires to authorize the execution and delivery of the Program Supplement (the “Program Supplement”) between the Department and Mortgage Lenders and the Program Guidelines (the “Program Guidelines”) in substantially the form attached hereto, setting forth the terms and conditions upon which Mortgage Loans will be purchased by the Department and the terms of such Mortgage Loans; and

WHEREAS, under the Program Guidelines, (i) 100% of the funds available under the Program will be available to Mortgage Lenders participating in a controlled, first-come, first-served reservation system, with (A) approximately \$100,000,000 of such funds reserved in the first year of the Program to finance Mortgage Loans to eligible borrowers having a family income not exceeding 60% of applicable median family income and 80% of applicable median family income in subsequent years (“Very Low Income Loans”), (B) approximately \$20,234,242 of such funds reserved to finance Mortgage Loans to eligible borrowers in targeted areas (“Targeted Area Loans”) and (C) approximately \$55,704,993 of such funds reserved to finance Mortgage Loans for persons whose family income does not exceed, for families of 3 or more persons, 115% (140% in the case of a targeted area loan) of applicable median family income or, for individuals and families of 2 persons, 100% (120% for a targeted area loan) of applicable median family income; and (ii) the proceeds of the Junior Lien Bonds will be used to provide down payment and closing cost assistance in connection with Targeted Area Loans and Very Low Income Loans to eligible borrowers having, in each case, a family income as described above, with such borrowers agreeing to repay the assistance on a prorated basis if the residence is sold at any time during the ten years after its purchase; and

WHEREAS, the Governing Board has further determined that the Department should enter into one or more Bond Purchase Agreements relating to the sale of the Series 2004 Bonds and the Junior Lien Bonds (collectively, the “Bond Purchase Agreements”) with UBS Financial Services Inc., as representative of the group of underwriters listed on Exhibit A to this Resolution (the “Underwriters”), and/or Fannie Mae setting forth certain terms and conditions upon which the Underwriters and/or Fannie Mae will purchase the Series 2004 Bonds and the Junior Lien Bonds from the Department and the Department will sell the Series 2004 Bonds and the Junior Lien Bonds to the Underwriters and/or Fannie Mae; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of one or more Remarketing Agreements relating to the 2004 Series B Bonds and the Junior Lien Bonds (collectively, the “Remarketing Agreements”) with UBS Financial Services Inc., as remarketing agent (the “Remarketing Agent”) in substantially the forms attached hereto setting forth the terms under which the 2004 Series B Bonds and the Junior Lien Bonds will be remarketed from time to time; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of one or more Standby Bond Purchase Agreements relating to the 2004 Series B Bonds and the Junior Lien Bonds (collectively, the “Standby Bond Purchase Agreements”) with DEPFA BANK plc, acting by and through its New York Agency (the “Liquidity Bank”), in substantially the forms attached hereto setting forth the terms under which the Liquidity Bank will advance funds from time to time for the purchase of 2004 Series B Bonds and Junior Lien Bonds; and

WHEREAS, the Governing Board has determined that it may reduce its obligation to pay interest on the Series 2004 Bonds by issuing the 2004 Series B Bonds as variable rate bonds and entering into an interest rate swap transaction (the "Swap Transaction") with respect to the 2004 Series B Bonds, pursuant to which the Department would agree to pay the swap provider a fixed interest rate (the "Fixed Rate"), and the swap provider would agree to pay the Department a variable interest rate based upon a formulation approved by an authorized representative of the Department named in this resolution (the "Floating Rate Option"), in each case on an initial notional principal amount equal to the anticipated principal amount of the 2004 Series B Bonds that will be reduced according to the anticipated amortization schedule of the 2004 Series B Bonds; and

WHEREAS, the expected close correlation between the Floating Rate Option and the interest rate payable by the Department on the 2004 Series B Bonds, when combined with the Fixed Rate payable by the Department, will result in the Department having a virtual "synthetic" fixed rate obligation with respect to the 2004 Series B Bonds; and

WHEREAS, the Governing Board has determined to enter into the Swap Transaction with UBS AG or such other swap counterparty approved by an authorized representative of the Department named in this resolution (in any event, the "Swap Counterparty"); and

WHEREAS, the Governing Board desires to authorize the execution of an ISDA Master Agreement, Schedule and Credit Support Annex (collectively, the "Swap Agreement") in substantially the form attached hereto setting forth the general terms under which the Department will enter into interest rate swap transactions with the Swap Counterparty; and

WHEREAS, the Governing Board desires to grant a subordinate lien on the Trust Estate (as defined in the Single Family Indenture) to the Swap Counterparty as set forth in the Thirty-Seventh Series Supplement; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Program Administration and Servicing Agreement (the "Servicing Agreement") in substantially the form attached hereto setting forth the terms under which Countrywide Home Loans, Inc., as master servicer (the "Servicer"), will review, acquire, package and service the Mortgage Loans and sell the Mortgage Certificates to the Trustee on behalf of the Department; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Compliance Agreement (the "Compliance Agreement") in substantially the form attached hereto setting forth the terms under which Countrywide Home Loans, Inc., as compliance agent (the "Compliance Agent"), will review and examine certain documents submitted by the Mortgage Lenders in connection with the Mortgage Loans to ensure compliance with the requirements of the Department set forth therein; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Funding Agreement (the "Funding Agreement") in substantially the form attached hereto setting forth the terms under which the Servicer will advance funds to the Department to be used to pay a portion of the costs of issuance of the Series 2004 Bonds; and

WHEREAS, the Governing Board has determined to authorize the execution and delivery of the 2004 Supplement to Depository Agreement relating to the Series 2004 Bonds and the 2004 Supplement to Depository Agreement relating to the Junior Lien Bonds (collectively, the "Depository Agreements"), each by and among the Department, the Trustee and the Texas Treasury Safekeeping Trust Company to provide for the holding, administering and investing of certain moneys and securities relating to the Series 2004 Bonds and the Junior Lien Bonds, respectively; and

WHEREAS, the Governing Board has been presented with a draft of a preliminary official statement to be used in the public offering of the 2004 Series A Bonds, a draft of an official statement to be used in the

public offering of the 2004 Series B Bonds and a draft of an official statement to be used in the public offering of the Junior Lien Bonds (together, the “Official Statements”) and the Governing Board of the Department desires to approve such Official Statements in substantially the forms attached hereto; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of the Continuing Disclosure Agreements (collectively, the “Continuing Disclosure Agreements”) in substantially the forms attached hereto between the Department and the Trustee; and

WHEREAS, the Governing Board of the Department has determined to authorize the purchase of one or more municipal bond insurance policies (collectively, the “Bond Insurance”), if needed, pursuant to which the timely payment of principal of and interest on the Series 2004 Bonds and the Junior Lien Bonds when due will be secured; and

WHEREAS, the Governing Board of the Department has determined to authorize the purchase of a swap insurance policy (the “Swap Insurance”), if needed, pursuant to which the timely payment when due of the Department’s obligations under the Swap Agreement will be secured; and

WHEREAS, the Governing Board has determined to authorize the investment of the proceeds of the Series 2004 Bonds and the Junior Lien Bonds and any other amounts held under the Single Family Indenture and the Junior Lien Indenture with respect to the Series 2004 Bonds and the Junior Lien Bonds, respectively, in one or more guaranteed investment contracts (the “GICs”) or such other investments as the authorized representatives named herein may approve; and

WHEREAS, the Governing Board desires to approve the use of an amount not to exceed \$500,000 of Department funds to pay a portion of the costs of issuance of the Series 2004 Bonds and the Junior Lien Bonds or capitalized interest; and

WHEREAS, in accordance with Section 2306.142(m) of the Act, the Governing Board has determined that the issuance of bonds to finance Mortgage Loans to meet the credit needs of borrowers in underserved economic and geographic submarkets in the State is unfeasible or would damage the financial condition of the Department and desires to authorize the authorized representatives of the Department named in this Resolution to seek from the Texas Bond Review Board a waiver of the requirements of Section 2306.142(l) of the Act; and

WHEREAS, the Governing Board hereby determines that the purpose for which the Department may issue the Series 2004 Bonds and the Junior Lien Bonds constitutes “public works” as contemplated by Chapter 1371, Texas Government Code, as amended; and

WHEREAS, the Governing Board desires to approve the forms of the Supplemental Indentures, the Fourth Series Supplement, the Bond Purchase Agreements, the Remarketing Agreements, the Standby Bond Purchase Agreements, the Official Statements, the Swap Agreement, the Depository Agreements, the Mortgage Origination Agreement, the Program Supplement, the Servicing Agreement, the Compliance Agreement, the Funding Agreement, the Continuing Disclosure Agreements and the Program Guidelines, in order to find the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined to implement the Program in accordance with such documents by authorizing the issuance of the Series 2004 Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient to carry out the Program; NOW, THEREFORE,

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

ARTICLE I
ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1--Issuance, Execution and Delivery of the Series 2004 Bonds. That the issuance of the Series 2004 Bonds is hereby authorized, all under and in accordance with the Single Family Indenture, and that, upon execution and delivery of the Supplemental Indentures, the authorized representatives named herein are each hereby authorized to execute, attest and affix the Department's seal to the Series 2004 Bonds and to deliver the Series 2004 Bonds to the Attorney General of Texas (the "Attorney General") for approval, the Comptroller of Public Accounts of the State of Texas (the "Comptroller") for registration and the Trustee for authentication, and thereafter to deliver the Series 2004 Bonds to or upon the order of the Underwriters and/or Fannie Mae pursuant to the Bond Purchase Agreements.

Section 1.2--Issuance, Execution and Delivery of the Junior Lien Bonds. That the issuance of the Junior Lien Bonds is hereby authorized, all under and in accordance with the Junior Lien Indenture, and that, upon execution and delivery of the Fourth Series Supplement, the authorized representatives named herein are each hereby authorized to execute, attest and affix the Department's seal to the Junior Lien Bonds and to deliver the Junior Lien Bonds to the Attorney General for approval, the Comptroller for registration and the Junior Lien Indenture Trustee for authentication, and thereafter to deliver the Junior Lien Bonds to or upon the order of the Underwriters and any other entity named in the applicable Bond Purchase Agreement.

Section 1.3--Authority to Approve Form of Documents, Determine Interest Rates, Principal Amounts, Maturities and Prices. That the Chair of the Governing Board or the Executive Director of the Department (i) are hereby authorized and empowered to determine which series of the Series 2004 Bonds and Junior Lien Bonds shall be issued on a taxable or a tax-exempt basis and to determine which series of the Series 2004 Bonds and Junior Lien Bonds will be issued as new money bonds, refunding bonds, or governmental purpose bonds (or any combination thereof) and (ii) are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, as amended, to fix and determine the interest rates (which, with respect to the 2004 Series B Bonds and the Junior Lien Bonds, will be determined from time to time by the Remarketing Agent), principal amounts and maturities of, and the prices at which the Department will sell to the Underwriters and/or Fannie Mae, the Series 2004 Bonds and the Junior Lien Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chair of the Governing Board or the Executive Director of the Department of the Supplemental Indentures, the Fourth Series Supplement, the Depository Agreements, the Bond Purchase Agreements and the Official Statements; provided, however, that: (a) the net effective interest rate on the 2004 Series A Bonds shall not exceed 7.0% per annum; (b) the aggregate principal amount of the Series 2004 Bonds shall not exceed \$180,000,000 for the 2004 Series A Bonds and \$90,000,000 for the 2004 Series B Bonds, provided that the foregoing individual principal amounts for the 2004 Series A Bonds and the 2004 Series B Bonds are subject to change such that the total aggregate principal amount of the Series 2004 Bonds may not exceed \$180,000,000 and the aggregate principal amount of the Junior Lien Bonds may not exceed \$7,500,000; (c) the final maturity of the Series 2004 Bonds shall occur not later than September 1, 2036 for the 2004 Series A Bonds, September 1, 2034 for the 2004 Series B Bonds and September 1, 2036 for the Junior Lien Bonds; (d) the price at which the Series 2004 Bonds are sold to the Underwriters and/or Fannie Mae shall not exceed 110% of the principal amount thereof for the 2004 Series A Bonds and 100% of the principal amount thereof for the 2004 Series B Bonds and the price at which the Junior Lien Bonds are sold to the Underwriters shall not exceed 100% of the principal amount thereof; and (e) the Underwriters' fee shall not exceed the amount approved by the Texas Bond Review Board. In no event shall the interest rate on the Series 2004 Bonds or the Junior Lien Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law.

Section 1.4--Authorization of Swap Transaction. That the authorized representatives of the Department named in this resolution are hereby severally authorized and directed to negotiate and enter into a confirmation (the "Confirmation") of the Swap Transaction with the Swap Counterparty, provided that (i) the initial notional amount of the Swap Transaction is equal to the anticipated initial principal amount of the 2004 Series B Bonds, (ii) the Swap Transaction shall terminate on the anticipated final maturity date of the

2004 Series B Bonds, (iii) the Fixed Rate may not exceed 5.0% per annum, and (iv) if the 2004 Series B Bonds are not issued by May 3, 2004, the Swap Transaction shall terminate automatically pursuant to the terms of the Swap Agreement, and such authorized representatives are hereby severally directed and authorized, in the name and on behalf of the Department to execute and deliver, and, if requested, affix the seal of the Department to, the Confirmation.

Section 1.5--Approval, Execution and Delivery of the Supplemental Indentures and the Fourth Series Supplement. That the form and substance of the Supplemental Indentures and the Fourth Series Supplement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Supplemental Indentures and the Fourth Series Supplement, and to deliver the Supplemental Indentures and the Fourth Series Supplement to the Trustee and the Junior Lien Indenture Trustee, respectively.

Section 1.6--Approval, Execution and Delivery of the Bond Purchase Agreements. That the sale of the Series 2004 Bonds and the Junior Lien Bonds to the Underwriters and/or Fannie Mae pursuant to the Bond Purchase Agreements is hereby approved and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Bond Purchase Agreements and to deliver the Bond Purchase Agreements to the Underwriters and/or Fannie Mae.

Section 1.7--Approval, Execution and Delivery of the Remarketing Agreements. That the form and substance of the Remarketing Agreements are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Remarketing Agreements and to deliver the Remarketing Agreements to the Remarketing Agent.

Section 1.8--Approval, Execution and Delivery of the Standby Bond Purchase Agreements. That the form and substance of the Standby Bond Purchase Agreements are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Standby Bond Purchase Agreements and to deliver the Standby Bond Purchase Agreements to the Liquidity Bank.

Section 1.9--Official Statements. That the Official Statements relating to the Series 2004 Bonds and the Junior Lien Bonds, in substantially the forms presented to the Governing Board, are hereby approved; that prior to the execution of the Bond Purchase Agreements, the authorized representatives of the Department named in this Resolution, acting for and on behalf of the Governing Board, are hereby authorized and directed to finalize the Official Statements for distribution by the Underwriters to prospective purchasers of the Series 2004 Bonds and the Junior Lien Bonds, with such changes therein as the authorized representatives of the Department named in this Resolution may approve in order to permit such an authorized representative, for and on behalf of the Governing Board, to deem the Official Statement relating to the 2004 Series 2004 A Bonds final as of its date, except for such omissions as are permitted by Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), such approval to be conclusively evidenced by the distribution of such Official Statement; and that within seven business days after the execution of the Bond Purchase Agreement relating to the 2004 Series A Bonds, the authorized representatives of the Department named in this Resolution, acting for and on behalf of the Governing Board, shall cause the final Official Statement relating to the 2004 Series A Bonds, in substantially the form of the corresponding Official Statement attached hereto, with such changes as such an authorized representative may approve, such approval to be conclusively evidenced by such authorized representative's execution thereof, to be provided to the Underwriters in compliance with Rule 15c2-12.

Section 1.10--Approval of Swap Agreement. That the form and substance of the Swap Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Swap Agreement and to deliver the Swap Agreement to the Swap Counterparty approved by such authorized representative.

Section 1.11--Approval of Subordinate Lien. That the Department hereby authorizes the granting of a subordinate lien on the Trust Estate to the Swap Counterparty.

Section 1.12--Approval of Program Guidelines. That the form and substance of the Program Guidelines are hereby authorized and approved.

Section 1.13--Approval of Program Supplement. That the form and substance of the Program Supplement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Program Supplement and to deliver the Program Supplement to the Mortgage Lenders.

Section 1.14--Approval of Mortgage Origination Agreement. That the form and substance of the Mortgage Origination Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Mortgage Origination Agreement and to deliver the Mortgage Origination Agreement to the Mortgage Lenders.

Section 1.15--Approval of Servicing Agreement. That the form and substance of the Servicing Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Servicing Agreement and to deliver the Servicing Agreement to the Trustee and the Servicer.

Section 1.16--Approval of Compliance Agreement. That the form and substance of the Compliance Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Compliance Agreement and to deliver the Compliance Agreement to the Trustee and the Compliance Agent.

Section 1.17--Approval of Funding Agreement. That the form and substance of the Funding Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Funding Agreement and to deliver the Funding Agreement to the Servicer and the Trustee.

Section 1.18--Approval of Depository Agreements. That the form and substance of the Depository Agreements are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Depository Agreements and to deliver the Depository Agreements to the Trustee and the Junior Lien Indenture Trustee, respectively, and to the Texas Treasury Safekeeping Trust Company.

Section 1.19--Approval of Continuing Disclosure Agreements. That the form and substance of the Continuing Disclosure Agreements are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Continuing Disclosure Agreements and to deliver the Continuing Disclosure Agreements to the Trustee and the Junior Lien Indenture Trustee.

Section 1.20--Approval of Purchase of Bond Insurance. That the purchase of the Bond Insurance is hereby approved and that the Executive Director and the Chair of the Governing Board of the Department are hereby authorized to determine whether to obtain such Bond Insurance based on interest rate savings to the Department in comparison with the costs of such Bond Insurance and, if appropriate, complete arrangements for the purchase of the Bond Insurance and to deliver the Bond Insurance policies or the commitments therefor to the Trustee and the Junior Lien Indenture Trustee.

Section 1.21--Approval of Purchase of Swap Insurance. That the purchase of the Swap Insurance is hereby approved and that the Executive Director and the Chair of the Governing Board of the Department are

hereby authorized to determine whether to obtain such Swap Insurance based on interest rate savings to the Department in comparison with the costs of such Swap Insurance and, if appropriate, complete arrangements for the purchase of the Swap Insurance and to deliver the Swap Insurance policy or the commitment therefor to the Swap Counterparty.

Section 1.22--Approval of Investment in GICs. That the investment of funds held under the Single Family Indenture in connection with the Series 2004 Bonds, and under the Junior Lien Indenture in connection with the Junior Lien Bonds, in GICs is hereby approved and that the Executive Director or the Director of Bond Finance of the Department is hereby authorized to complete arrangements for the investment in GICs or such other investments as the authorized representatives named herein may approve.

Section 1.23--Approval of GIC Broker. That the Executive Director or the Director of Bond Finance and the Chair of the Governing Board are hereby authorized to select a GIC Broker, if any.

Section 1.24--Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest, affix the Department's seal to and deliver such other agreements, advance commitment agreements, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, the Single Family Indenture, the Supplemental Indentures, the Junior Lien Indenture, the Fourth Series Supplement, the Bond Purchase Agreements, the Swap Transaction, the Depository Agreements, the Remarketing Agreements, the Standby Bond Purchase Agreements and the Continuing Disclosure Agreements.

Section 1.25--Power to Revise Form of Documents. That, notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution are each hereby authorized to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.26--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 - Thirty-Sixth Series Supplement
- Exhibit C - Thirty-Seventh Series Supplement
- Exhibit D - Fourth Series Supplement
- Exhibit E - Bond Purchase Agreements
- Exhibit F - Remarketing Agreements
- Exhibit G - Standby Bond Purchase Agreements
- Exhibit H - Official Statements
- Exhibit I - Swap Agreement
- Exhibit J - Program Guidelines
- Exhibit K - Program Supplement
- Exhibit L - Mortgage Origination Agreement
- Exhibit M - Servicing Agreement
- Exhibit N - Compliance Agreement
- Exhibit O - Funding Agreement
- Exhibit P - Depository Agreements
- Exhibit Q - Continuing Disclosure Agreements

Section 1.27--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 Governing 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 and the Secretary of the Governing Board.

Section 1.28--Department Contribution. That the contribution of Department funds in an amount not to exceed \$500,000 to pay certain costs of issuance of the Series 2004 Bonds and the Junior Lien Bonds or capitalized interest is hereby authorized.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Approval of Submission to the Attorney General of Texas. That the Governing Board of the Department hereby authorizes the Department's Bond Counsel to submit to the Attorney General of Texas, for his approval, a transcript of the legal proceedings relating to the issuance, sale and delivery of the Series 2004 Bonds and the Junior Lien Bonds and the Swap Transaction.

Section 2.2--Engagement of Other Professionals. That the Executive Director or the Director of Bond Finance is authorized to engage an accounting firm to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the Bond Purchase Agreements and the requirements of the purchasers of the Series 2004 Bonds and the Junior Lien Bonds and Bond Counsel to the Department, provided such engagement is done in accordance with applicable State law.

Section 2.3--Certification of the Minutes and Records. That the Secretary and any Assistant Secretary of the Governing Board of the Department are hereby authorized to certify and authenticate minutes and other records on behalf of the Department for the Program, the issuance of the Series 2004 Bonds and the Junior Lien Bonds and all other Department activities.

Section 2.4--Approval of Requests for Rating from Rating Agencies. That the Executive Director, the Director of Bond Finance and the Department's consultants are authorized to seek ratings from Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

Section 2.5--Ratifying Other Actions. That all other actions taken or to be taken by the Executive Director and the Department's staff in connection with the Program and the issuance of the Series 2004 Bonds and the Junior Lien Bonds are hereby ratified and confirmed.

Section 2.6--Authority to Invest Funds. That the Executive Director or the Director of Bond Finance is hereby authorized to undertake all appropriate actions required under the Single Family Indenture, the Junior Lien Indenture and the Depository Agreements, to provide for investment and reinvestment of all funds held under the Single Family Indenture and the Junior Lien Indenture.

Section 2.7--Redemption of Refunded Notes. That the Executive Director or the Director of Bond Finance is authorized and directed (i) to instruct the Department staff and the issuing and paying agent for the Refunded Notes to redeem the outstanding Refunded Notes and (ii) to take all other actions necessary to cause such redemption to occur.

Section 2.8--Eligibility for Refunding Under Commercial Paper Program. That Series 2004 Bonds qualify as “Refunding Bonds” for purposes of the Department’s Amended and Restated Commercial Paper Resolution adopted on June 10, 1996, as amended from time to time.

Section 2.9--Waiver from Texas Bond Review Board. The authorized representatives of the Department named in this Resolution are hereby authorized to seek from the Texas Bond Review Board a waiver of the requirements of Section 2306.142(l) of the Act in accordance with Section 2306.142(m) of the Act.

ARTICLE III

CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Determination of Interest Rate. That the Governing Board of the Department hereby declares that the Department shall fix and determine the interest rates on the Mortgage Loans for the Program at the time and in accordance with the procedures set forth in the Single Family Indenture and the Program Guidelines and that such rates shall be established at levels such that the Mortgage Loans for the Program will produce, together with other available funds, the amounts required to pay for the Department’s costs of operation with respect to the Program and debt service on the 2004 Series A Bonds, the 2004 Series B Bonds and the Junior Lien Bonds, and enable the Department to meet its covenants with and responsibilities to the holders of the bonds issued under the Single Family Indenture without adversely affecting the exclusion from gross income for federal income tax purposes of interest on any of such bonds.

Section 3.2--Bonds to Finance Mortgage Loans in Underserved Economic and Geographic Markets. That, in accordance with Section 2306.142(m) of the Act, the Governing Board hereby finds that the issuance of bonds to finance Mortgage Loans to meet the credit needs of borrowers in underserved economic and geographic submarkets in the State is unfeasible or would damage the financial condition of the Department.

Section 3.3--Purpose of Series 2004 Bonds and Junior Lien Bonds. The Governing Board hereby determines that the purpose for which the Department may issue the Series 2004 Bonds and the Junior Lien Bonds constitutes “public works” as contemplated by Chapter 1371, Texas Government Code, as amended.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Series 2004 Bonds and the Junior Lien Bonds and the interest thereon, and the obligations of the Department to the Swap Counterparty, shall be limited obligations of the Department payable solely from the trust estate pledged under the Single Family Indenture and the Junior Lien Indenture, respectively, to secure payment of the bonds issued under the Single Family Indenture and the Junior Lien Indenture and payment of the Department’s costs and expenses for the Program thereunder and under the Single Family Indenture and the Junior Lien Indenture, and the obligations of the Department to the Swap Counterparty, and under no circumstances shall the Series 2004 Bonds or the Junior Lien Bonds, or the obligations of the Department to the Swap Counterparty, be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Series 2004 Bonds and the Junior Lien Bonds, and the obligations of the Department to the Swap Counterparty, shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State.

Section 4.3--Purposes of Resolution. That the Governing Board of the Department has expressly determined and hereby confirms that the issuance of the Series 2004 Bonds and the Junior Lien Bonds and the

implementation of the Program contemplated by this Resolution accomplish a valid public purpose of the Department by providing for the housing needs of persons and families of low, very low and extremely low income and families of moderate income in the State.

Section 4.4--Notice of Meeting. That written notice of the date, hour and place of the meeting of the Governing Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Governing Board as required by Section 2306.032, Texas Government Code, as amended.

Section 4.5--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

[Signature page follows.]

PASSED AND APPROVED this 11th day of March, 2004.

Chair, Governing Board

ATTEST:

Secretary

(SEAL)

SCHEDULE I

Refunded Notes

Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series A

New CP Issue Date:		6/17/2002					42 Month	10 Year	32 Year
							Rule	Rule	Rule
				<i>Original</i>	<i>Original</i>	<i>Original</i>			
	<i>Refunded</i>			<i>Bond</i>	<i>Bond</i>	<i>Refunded</i>			
<i>Bond</i>	<i>Bond</i>	<i>Tax</i>		<i>Issue</i>	<i>Issue Date</i>	<i>CP</i>			
<i>Series</i>	<i>Series</i>	<i>Status</i>	<i>Amount</i>	<i>Date</i>	<i>(Earliest)</i>	<i>Cusip #</i>			
RMRB 1998A		AMT	\$ 1,910,000.00	12/3/1998	N/A	88274WW58	6/3/2002	12/3/2008	12/3/2030
RMRB 1999B-1		AMT	\$ 830,000.00	12/2/1999	N/A	88274WW58	6/2/2003	12/2/2009	12/2/2031
RMRB 2000A		AMT	\$ 2,075,000.00	5/1/2000	12/2/1999	88274WW58	6/2/2003	12/2/2009	12/2/2031
RMRB 2000B		AMT	\$ 960,000.00	10/26/2000	N/A	88274WW58	4/26/2004	10/30/2010	10/30/2032
Total			\$ 5,775,000.00						

New CP Issue Date:		8/15/2002					42 Month	10 Year	32 Year
							Rule	Rule	Rule
				<i>Original</i>	<i>Original</i>	<i>Original</i>			
	<i>Refunded</i>			<i>Bond</i>	<i>Bond</i>	<i>Refunded</i>			
<i>Bond</i>	<i>Bond</i>	<i>Tax</i>		<i>Issue</i>	<i>Issue Date</i>	<i>CP</i>			
<i>Series</i>	<i>Series</i>	<i>Status</i>	<i>Amount</i>	<i>Date</i>	<i>(Earliest)</i>	<i>Cusip #</i>			
SF 1995A-1		AMT	\$ 2,765,000.00	11/16/1995	N/A	88274WW74	5/16/1999	11/16/2005	11/16/2027
SF 1996D		AMT	\$ 2,565,000.00	11/14/1996	N/A	88274WW74	5/14/2000	11/14/2006	11/14/2028
SF 1997A		AMT	\$ 380,000.00	9/17/1997	N/A	88274WW74	3/17/2001	9/17/2007	9/17/2029
SF 1997D		AMT	\$ 615,000.00	12/4/1997	N/A	88274WW74	6/4/2001	12/4/2007	12/4/2029
Total			\$ 6,325,000.00						

New CP Issue Date:		12/12/2002					42 Month	10 Year	32 Year
							Rule	Rule	Rule
				<i>Original</i>	<i>Original</i>	<i>Original</i>			
	<i>Refunded</i>			<i>Bond</i>	<i>Bond</i>	<i>Refunded</i>			
<i>Bond</i>	<i>Bond</i>	<i>Tax</i>		<i>Issue</i>	<i>Issue Date</i>	<i>CP</i>			
<i>Series</i>	<i>Series</i>	<i>Status</i>	<i>Amount</i>	<i>Date</i>	<i>(Earliest)</i>	<i>Cusip #</i>			
RMRB 1998A		AMT	\$ 2,745,000.00	12/3/1998	N/A	88274WW90	6/3/2002	12/3/2008	12/3/2030
RMRB 1999B-1		AMT	\$ 950,000.00	12/2/1999	N/A	88274WW90	6/2/2003	12/2/2009	12/2/2031
RMRB 2000A		AMT	\$ 2,630,000.00	5/1/2000	12/2/1999	88274WW90	6/2/2003	12/2/2009	12/2/2031
RMRB 2000B		AMT	\$ 1,530,000.00	10/26/2000	N/A	88274WW90	4/26/2004	10/30/2010	10/30/2032
RMRB 2001A		AMT	\$ 375,000.00	10/30/2001	N/A	88274WW90	4/30/2005	10/30/2011	10/30/1933
Total			\$ 8,230,000.00						

New CP Issue Date: 2/12/2003							42 Month Rule	10 Year Rule	32 Year Rule
				<i>Original Bond</i>	<i>Original Refunded Bond</i>				
<i>Bond Series</i>	<i>Refunded Bond Series</i>	<i>Tax Status</i>	<i>Amount</i>	<i>Issue Date</i>	<i>Issue Date (Earliest)</i>	<i>CP Cusip #</i>			
SF 1995A-1		AMT	\$ 7,145,000.00	11/16/1995	N/A	88274WX24	5/16/1999	11/16/2005	11/16/2027
SF 1996D		AMT	\$ 6,155,000.00	11/14/1996	N/A	88274WX24	5/14/2000	11/14/2006	11/14/2028
SF 1997A		AMT	\$ 395,000.00	9/17/1997	N/A	88274WX24	3/17/2001	9/17/2007	9/17/2029
SF 1997D		AMT	\$ 1,180,000.00	12/4/1997	N/A	88274WX24	6/4/2001	12/4/2007	12/4/2029
Total			\$ 14,875,000.00						

New CP Issue Date: 6/26/2003							42 Month Rule	10 Year Rule	32 Year Rule
				<i>Original Bond</i>	<i>Original Refunded Bond</i>				
<i>Bond Series</i>	<i>Refunded Bond Series</i>	<i>Tax Status</i>	<i>Amount</i>	<i>Issue Date</i>	<i>Issue Date (Earliest)</i>	<i>CP Cusip #</i>			
RMRB 1998A		AMT	\$ 2,130,000.00	12/3/1998	N/A	88274WX40	6/3/2002	12/3/2008	12/3/2030
RMRB 1999B-1		AMT	\$ 1,035,000.00	12/2/1999	N/A	88274WX40	6/2/2003	12/2/2009	12/2/2031
RMRB 2000A *		AMT	\$ 3,695,000.00	5/1/2000	12/2/1999	88274WX40	6/2/2003	12/2/2009	12/2/2031
RMRB 2000B		AMT	\$ 1,650,000.00	10/26/2000	N/A	88274WX40	4/26/2004	10/30/2010	10/30/2032
RMRB 2001A		AMT	\$ 660,000.00	10/30/2001	N/A	88274WX40	4/30/2005	10/30/2011	10/30/1933
Total			\$ 9,170,000.00						

New CP Issue Date: 8/21/2003							42 Month Rule	10 Year Rule	32 Year Rule
				<i>Original Bond</i>	<i>Original Refunded Bond</i>				
<i>Bond Series</i>	<i>Refunded Bond Series</i>	<i>Tax Status</i>	<i>Amount</i>	<i>Issue Date</i>	<i>Issue Date (Earliest)</i>	<i>CP Cusip #</i>			
SF 1995A-1		AMT	\$ 3,195,208.00	11/16/1995	N/A	88274WX99	5/16/1999	11/16/2005	11/16/2027
SF 1996D		AMT	\$ 6,945,000.00	11/14/1996	N/A	88274WX99	5/14/2000	11/14/2006	11/14/2028
SF 1997A		AMT	\$ 400,000.00	9/17/1997	N/A	88274WX99	3/17/2001	9/17/2007	9/17/2029
SF 1997D		AMT	\$ 1,575,000.00	12/4/1997	N/A	88274WX99	6/4/2001	12/4/2007	12/4/2029
SF 2002 A		AMT	\$ 40,000.00	6/26/2002	N/A	88274WX99	12/26/2005	6/26/2012	6/26/1934
SF 2002B		AMT	\$ 145,000.00	6/26/2002	10/30/2001	88274WX99	4/30/2004	10/30/2011	12/30/2033
Total			\$ 12,300,208.00						

Total Series A \$ 56,675,208.00

Single-Family Mortgage Revenue Tax-Exempt Commercial Paper Notes, Series C

New CP Issue Date:		12/18/2003					42 Month	10 Year	32 Year
							Rule	Rule	Rule
				<i>Original</i>	<i>Original</i>				
	<i>Refunded</i>			<i>Bond</i>	<i>Refunded</i>				
<i>Bond</i>	<i>Bond</i>	<i>Tax</i>		<i>Issue</i>	<i>Issue Date</i>	<i>CP</i>			
<u>Series</u>	<u>Series</u>	<u>Status</u>	<u>Amount</u>	<u>Date</u>	<u>(Earliest)</u>	<u>Cusip #</u>			
RMRB 2000A *		AMT	\$ 705,000.00	5/1/2000	12/2/1999	88276NAA9	6/2/2003	12/2/2009	12/2/2031
RMRB 2000B		AMT	\$ 4,060,000.00	10/26/2000	N/A	88276NAA9	4/26/2004	10/30/2010	10/30/2032
RMRB 2001A		AMT	\$ 1,110,000.00	10/30/2001	N/A	88276NAA9	4/30/2005	10/30/2011	10/30/1933
Volume Cap			\$ 101,171,000.00						
Total			\$ 107,046,000.00						

New CP Issue Date:		2/17/2004					42 Month	10 Year	32 Year
							Rule	Rule	Rule
				<i>Original</i>	<i>Original</i>				
	<i>Refunded</i>			<i>Bond</i>	<i>Refunded</i>				
<i>Bond</i>	<i>Bond</i>	<i>Tax</i>		<i>Issue</i>	<i>Issue Date</i>	<i>CP</i>			
<u>Series</u>	<u>Series</u>	<u>Status</u>	<u>Amount</u>	<u>Date</u>	<u>(Earliest)</u>	<u>Cusip #</u>			
SF 1995A-1		AMT	\$ 6,565,000.00	11/16/1995	N/A	88276NAB7	5/16/1999	11/16/2005	11/16/2027
SF 1996D		AMT	\$ 5,640,000.00	11/14/1996	N/A	88276NAB7	5/14/2000	11/14/2006	11/14/2028
SF 1997A		AMT	\$ 410,000.00	9/17/1997	N/A	88276NAB7	3/17/2001	9/17/2007	9/17/2029
SF 1997D		AMT	\$ 1,915,000.00	12/4/1997	N/A	88276NAB7	6/4/2001	12/4/2007	12/4/2029
SF 2002 A		AMT	\$ 300,000.00	6/26/2002	N/A	88276NAB7	12/26/2005	6/26/2012	6/26/1934
SF 2002B		AMT	\$ 540,000.00	6/26/2002	10/30/2001	88276NAB7	4/30/2004	10/30/2011	12/30/2033
Total			\$ 15,370,000.00						

Total Series C \$ 122,416,000.00

EXHIBIT A

List of Underwriters

Senior Manager

UBS Financial Services Inc.

Co-Senior Manager

George K. Baum & Company

Co-Managers

Estrada Hinojosa & Company, Inc.

Lehman Brothers, Inc.

M.R. Beal & Company

Morgan Stanley & Co. Incorporated

SINGLE FAMILY FINANCE PRODUCTION DIVISION

**BOARD DISCUSSION ITEM
MARCH 11, 2004**

SINGLE FAMILY MORTGAGE REVENUE BOND MARKETING PLAN

It is the intent of the TDHCA staff to secure a professional marketing firm by June 1, 2004 to assist staff in creating and implementing a successful marketing campaign for The Texas First Time Homebuyer Program (FTHP). TDHCA staff is currently in the process of preparing an Invitation for Bid seeking to secure a vendor to provide these services. Per the Board's request from January 13, 2004, the following preliminary marketing plan proposal is provided for review and discussion.

Audience

TDHCA staff has identified realtors and mortgage lenders; specifically mortgage brokers, as our primary market and first time borrowers as our secondary market. Staff feels that program awareness by the realtor and lender industry will help to steer potential homebuyers to the Single Family Mortgage Revenue Bond Program. Mortgage brokers and other lenders are seen as key components to serving emerging markets.

Proposed Actions

In an effort to target the market identified above, TDHCA staff has participated in a number of recent events as identified below.

Recent Events:

- Texas Mortgage Bankers Association Conference – Dallas, November '03
- TDHCA staff taped a segment about the FTHP for Estrenando Casa – a weekly Spanish language television show in Houston that educates and guides the Hispanic homebuyer through the process of becoming a homeowner - producers are hoping the show's local success will allow them to expand their audience statewide – November '03
- TDHCA staff was interviewed about the FTHP on station KORO-TV in Corpus Christi, January '04
- Mortgage Credit Certificate Program Press Release – January '04
- Marshall Housing Authority (speaking engagement at the request of the Executive Director for local lenders and realtors) - January '04
- TDHCA Lender Trainings – Austin, Dallas, Houston, El Paso and McAllen - February '04
- Texas Association of Realtors – Austin (speaking engagement for approximately 250 realtors from throughout the state) – February '04

- U.S. Department of Housing and Urban Development – Cynthia Leon has requested program materials for distribution at HUD sponsored housing fairs - Spring '04

Upcoming Events:

- TDHCA staff will participate in local homebuyer fairs upon request – Spring '04
- Texas Mortgage Bankers Association Convention – San Antonio, May '04
- TDHCA Lender Trainings and Press Release (Program 61) – May '04
- Mobility Technologies – partners with federal and state governments to build a Traffic Pulse Networks system, allows advertiser to customize messages with 10 second commercial units; in prime-time on rated stations in key markets
- Texas Association of Broadcasters – Meeting scheduled for March 4th to discuss advertising services offered at discount rates to state agencies

TDHCA's Master Servicer, Countrywide Home Loans Inc., has also volunteered to provide marketing support by sending a flyer to all of the Texas approved Correspondent Lenders announcing the availability of the THDCA MRB Programs to solicit new lender participation. Countrywide has also agreed to allow brokers to participate in our MRB Program through their Wholesale Lending Division. Countrywide's wholesale operations in Austin, Dallas and Houston will work with brokers from throughout the state to educate them about the Texas First Time Homebuyer Program.

Timeline

As evidenced above, TDHCA staff has identified various upcoming marketing options; many of which are inexpensive or free of charge. Due to the agency's limited marketing dollars, it is the desire of staff to seek input from a professional firm before committing significant financial resources on potentially misguided marketing campaigns. It is anticipated that we will be able to enter into an agreement with a firm by June 1st.

BOND FINANCE DIVISION

BOARD ACTION REQUEST

March 11, 2004

Action Item

Investment banks recommended for structuring and managing TDHCA's next single family bond transaction, Single Family Mortgage Revenue Bonds, 2004 Series A and Series B and Taxable Junior Lien Single Family Mortgage Revenue Bonds, 2004 Series A (Program 61).

Required Action

Approve the investment banks recommended for structuring and managing TDHCA's next single family bond transaction, Single Family Mortgage Revenue Bonds, 2004 Series A and Series B and Taxable Junior Lien Single Family Mortgage Revenue Bonds, 2004 Series A (Program 61).

Background

The structure of TDHCA's Single Family Mortgage Revenue Bonds, 2004 Series A and Series B and Taxable Junior Lien Single Family Mortgage Revenue Bonds, 2004 Series A (Program 61) is nearly complete. Program 61 will create lendable mortgage funds of approximately \$175,838,235 upon closing in April 2004. This bond transaction will refund TDHCA's Commercial Paper, Series C notes issued in December 2003 and various other Series A commercial paper issues outstanding. TDHCA's Commercial Paper, Series C notes mature on May 3, 2004. TDHCA's total volume cap for calendar year 2004 equals approximately \$165 million and will be issued later in the year.

The attached page lists the investment banks recommended by Staff to manage the next single family bond transaction.

Program 59A Investment Banking Underwriting Team Recommendations

Estimated Transaction Size: \$ 180,000,000

Firm	Underwriting Role	Liability%
UBS/PaineWebber	Senior Manager	45.0%
Bear Stearns & Co. Inc.	Co-Senior	12.5%
George K. Baum & Company	Co-Senior	12.5%
Estrada Hinojosa & Company, Inc.	Co-Manager	7.5%
Lehman Brothers	Co-Manager	7.5%
M.R. Beal & Company	Co-Manager	7.5%
Morgan Stanley	Co-Manager	7.5%
		100.0%

	Per Bond	Dollars
Management Fee	\$ 0.50	\$ 90,000.00
Take-Down	6.25	1,125,000.00
Expenses	0.50	90,000.00
Structuring Fee	0.75	135,000.00
Underwriters' Counsel	0.14	25,000.00
Underwriters' Risk	0.00	0.00
	\$ 8.14	\$ 1,465,000.00

The proposed designation policy follows:

- Three (3) or more firms must be designated.
- No more than 45% allocated to any one firm.
- Minority designations must be at least 10%.

BOND FINANCE DIVISION

BOARD ACTION REQUEST

March 11, 2004

Action Items

Approve new proposed rule regarding Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers to be released in draft form for public comment. On December 11, 2003, TDHCA Board approved the policy and staff is now proposing to turn the policy into a rule pursuant to Texas Government Code.

Required Action

Approve new proposed rule regarding Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers to be released in draft form for public comment.

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, Texas 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.

The Board previously approved the amended Investment Policy to include requirements of the Act on December 11, 2003. The Act does not apply to TDHCA's financial advisor. The rule may apply to TDHCA's pool of Guaranteed Investment Contracts.

Attached is a draft new proposed rule that reflects Staff's recommendations. Upon approval of the Board, the draft new proposed rule will be published in the *Texas Register* and released for public comment from March 26, 2004 through April 14, 2004.

TITLE 10. COMMUNITY DEVELOPMENT

PART I. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

CHAPTER 1. ADMINISTRATION

SUBCHAPTER A. GENERAL POLICIES AND PROCEDURES RULE

10 TAC §1.15 ETHICS AND DISCLOSURE REQUIREMENTS FOR OUTSIDE FINANCIAL ADVISORS AND SERVICE PROVIDERS

§1.15

(a) Purpose. The purpose of this section is to establish standards of conduct applicable to financial advisors or service providers in accordance with Chapter 2263, 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) Department--The Texas Department of Housing and Community Affairs, (the "Department").

(2) Board--The Governing Board of the Department.

(3) Financial advisor or service provider--A person or business entity who acts as a financial advisor, financial consultant, money or investment manager, or broker who:

(A) may reasonably be expected to receive, directly or indirectly, more than \$10,000 in compensation from the Department during a fiscal year; or

(B) renders important investment or funds management advice to the Department or a member of the Board.

(c) Procedures.

(1) A financial advisor or service provider shall disclose in writing to the Executive Director of the Department and to the state auditor:

(A) any relationship the financial advisor or service provider has with any party to a transaction with the Department, other than a relationship necessary to the investment or funds management services that the financial advisor or service provider performs for the Department, 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 Department; and

(B) all direct or indirect pecuniary interests the financial advisor or service provider has in any party to a transaction with the Department, if the transaction is connected with any financial advice or service the financial advisor or service provider provides to the Department or to a member of the Board in connection with the management or investment of state funds.

(2) The financial advisor or service provider shall disclose a relationship described by Subsection (c) of this section without regard to whether the relationship is a direct, indirect, personal, private, commercial, or business relationship.

(3) A financial advisor or service provider shall file annually a statement with the Executive Director of the Department and with the state auditor. The statement must disclose each relationship and pecuniary interest described by Subsection (c) of this section, or if no relationship or pecuniary interest described by that subsection existed during the disclosure period, the statement must affirmatively state that fact.

(4) The annual statement must be filed not later than April 15 in the form of Figure 1. The statement must cover the reporting period of the previous calendar year.

(5) The financial advisor or service provider shall promptly file a new or amended statement with the Executive Director of the Department and with the state auditor whenever there is new information to report under Subsection (c) of this section.

(6) A contract under which a financial advisor or service provider renders financial services or advice to the Department or a member of the Board is voidable by the Department if the financial advisor or service provider violates a standard of conduct adopted under this section.

Figure 1
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

**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 _____

CENTER FOR HOUSING RESEARCH, PLANNING, AND COMMUNICATIONS

PROGRAMS COMMITTEE ACTION REQUEST

March 11, 2004

Action Item

Proposed changes to the TDHCA performance measures for FY 2006-2007.

Required Action

Review, discussion, and possible approval of proposed changes to the TDHCA performance measures for FY 2006-2007.

- Ø See Appendix A for a side by side comparison of current and proposed measures. *Please note that the left side of the tables reflect current measures and the right side the proposed measures. Bolded items represent key measures that are reported to the Legislative Budget Board quarterly and the non-bolded items represent non-key measures which are maintained internally, but are not reported.*
- Ø See Appendix B for measures definitions.

Background

Overview¹

The Strategic Planning and Performance Budgeting (SPPB) System is a mission- and goal-driven, results oriented system that combines strategic planning and performance budgeting in Texas into the State's appropriations process. The SPPB System is used to make state funding decisions based on whether or not a state agency is accomplishing expected results.

The SPPB System has three major components: strategic planning, performance budgeting (the General Appropriations Act [GAA] and agency operating budgets), and performance monitoring. The strategic plan is a five-year planning document that contains an agency's mission, goals, and objectives and the measures with which performance will be tracked. The GAA operates as the State's budget by allocating resources and setting performance targets based on the strategies identified by an agency in the strategic plan. An agency's operating budget provides a further breakdown of the funds allocated in the GAA and outlines projected performance. Performance is reported to and monitored by the Legislative Budget Board (LBB) and the Governor's Office of Budget and Planning (GOBP) on a frequent basis. Each of these components is interrelated and involves performance measures as a critical element in the SPPB System.

Performance measures are:

- Ø Part of the strategic plan; they indicate how progress toward agency goals and objectives will be measured.
- Ø Used by decision-makers in allocating resources and determining appropriation levels.
- Ø Intended to help focus agency efforts on achieving priority goals and objectives.
- Ø Monitoring tools to help guide government and make it accountable to the taxpayer.

¹ Legislative Budget Board, "Guide to Performance Measures Management (2000 edition)," p.3

Strategic Planning²

During this phase, an agency develops a five-year strategic plan that includes performance measures. Development of this plan includes approval by the LBB and GOBP of strategic budget structures which include the goals, objectives, and strategies. These structures are the major components of the strategic plan, and form the basis for an agency's appropriation.

- € An agency may propose revisions to their strategic planning and budgeting elements including revisions to performance measures and definitions (such as additions, deletions, name changes, and content/definition changes).
- € The LBB and GOBP review requested changes and either accept them or propose alternatives and negotiate with agencies regarding the changes.
- € The LBB and GOBP approve negotiated budget structure changes and changes to performance measures and measure definitions prior to submission by agencies of legislative appropriations requests.

Objectives³

Good performance measures should provide information that is meaningful and useful to decision-makers. They should flow from the mission, goals, objectives, and strategies with an emphasis on serving the agency's customers. A good system plays an integral part of daily operations and is well supported by executive management.

An effective measurement system should satisfy the following criteria:

- Ø **Results-Oriented:** focuses primarily on outcomes and outputs
- Ø **Selective:** concentrates on the most important indicators of performance
- Ø **Useful:** provides information of value to the agency and decision-makers
- Ø **Accessible:** provides periodic information about results
- Ø **Reliable:** provides accurate, consistent information over time

The Department is undertaking the proposed changes in an effort to:

1. Reflect legislative and organization changes, and ensure that these changes are institutionalized from applications through accounting.
2. Make performance measures more useful for long-term planning.
3. Deliver more accurate information regarding agency performance.
4. Give a better picture to the legislature of what TDHCA does.

Overview of Suggested Changes:

- € The housing goals have been categorized as multifamily and single family and then further delineated by activity.
- € Duties transferred to Portfolio Management and Compliance through the reorganization are now reflected in the measures.
- € A technical assistance measure reflecting the information clearinghouse responsibilities of the agency have been added and merged with the Office of Colonia Initiatives technical assistance requirements.
- € The poor/homeless and manufactured housing goals only required minor changes to definitions and wording of measures.

² Legislative Budget Board, "Guide to Performance Measures Management (2000 edition)," p.4

³ Legislative Budget Board, "Guide to Performance Measures Management (2000 edition)," p.7,8

Appendix A -- Performance Measures Comparison

2004-2005 Current

2006-2007 Proposed

A. Affordable Housing

Goal: To Increase and Preserve the Availability of Safe, Decent, and Affordable Housing for Very Low, Low, and Moderate Income Persons and Families

1. Objective: Make loans, grants, and incentives available to fund eligible housing activities and preserve/create single-family and multifamily units for very low, low, and moderate income households

Outcome 1. Percent of Households/Individuals of Very Low, Low, and Moderate Income Needing Affordable Housing That Subsequently Receive Housing or Housing-Related Assistance

Outcome 2. Percent of Households/Individuals of Very Low Income Needing Affordable Housing That Subsequently Receive Housing or Housing-Related Assistance

Outcome 3. Percent of Households/Individuals of Low Income Needing Affordable Housing That Subsequently Receive Housing or Housing-Related Assistance

Outcome 4. Percent of Households/Individuals of Moderate Income Needing Affordable Housing That Subsequently Receive Housing or Housing-Related Assistance

Outcome 5: Percent of Multifamily Rental Units Benefiting Very Low, Low, and Moderate Income Households

A. Affordable Housing

No change in goal or objective; add 2 outcomes

Outcome: Percent of Single Family Funds Allocated Within Established Time Frames

Outcome: Percent of Multifamily Funds Allocated Within Established Time Frames

Blue Bold: Key Measures

Red Non-bold: Non Key Measures

Appendix A -- Performance Measures Comparison

A.1.1. Strategy: Provide State Housing Loans and Grants Through Housing Trust Fund for Very Low and Low Income Households

Output: Projected Number of Very Low and Low Income Households Benefiting from Housing Trust Fund Loans and Grants

A.1.2. Strategy: Provide Federal Housing Loans and Grants Through the HOME Program for Very Low and Low Income Families

Output: Projected Number of Very Low and Low Income Households Benefiting from HOME Investment Partnership Loans or Grants

Efficiency: Average Amount of Subsidy Provided Per Household by the HOME Program

Explanatory: Rate of Default on HOME Investment Program

Explanatory: Number of HOME Investment Program Loans or Grants Awarded

A.1.3. Strategy: Provide Federal Rental Assistance Through Section 8 for the Very Low Income Households

Output: Number of Very Low Income Households Receiving Section 8 Certificates

Efficiency: Average Cost Per Household Served Under Section 8

A.1.4. Strategy: Provide Federal Tax Credits to Develop Rental Housing for Very Low and Low Income Households

Output: Number of Rental Units Projected to be Set Aside for Very Low and Low Income Households from Federal Tax Credits Provided Through TDHCA

Explanatory: Number of Federal Tax Credit Allocations Made by TDHCA

Efficiency: Projected Average Cost Per Unit Developed

A.1.5. Strategy: Provide Federal Mortgage Loans Through the Department's (MF) Mortgage Revenue Bond Program

Output: Number of Very Low and Low Income Households That Received Loans Through the MRB Program

Output: Number of Moderate Income Households That Received Loans Through the MRB Program

Efficiency: Average Amount Provided Per First-Time Homebuyer Loan

Explanatory: Number of Lenders Participating in the First-Time Homebuyer Program

A.1.6. Strategy: Provide Federal Mortgage Loans Through the Department's (SF) Mortgage Revenue Bond Program

Output: Number of Multifamily Rental Units Acquired, Rehabilitated, Constructed, or Preserved Through the MRB Program

Efficiency: Average Cost Per Multifamily Rental Units Constructed

Efficiency: Average Cost Per Acquired, Rehabilitated, or Preserved Unit

Explanatory: Rate of Default on Multifamily Housing Development Loans

A.1.1. Strategy: Single Family Assistance

Output: Single Family Loans and Grants - number units

Output: Financing and Homebuyer Assistance - number units (no dbl count)

HOME Comm Hsg Dev Org number units, average amount

HOME non-Comm Hsg Dev Org number units, average amount

First Time Homebuyer number units, average amount

Down Payment Asst Program number units, average amount

Output: Tenant Based Rental Assistance - number units (no dbl count)

HOME number units, average amount

Section 8 number units, average amount

Output: Single Family New Construction - number units (no dbl count)

HOME number units, average amount

Housing Trust Fund number units, average amount

Output: Single Family Rehabilitation - number units (no dbl count)

HOME number units, average amount

Housing Trust Fund number units, average amount

A.1.2. Strategy: Multifamily Assistance

Output: Multifamily Loans and Grants - number units (no dbl count)

Output: Multifamily New Construction - number units (no dbl count)

Housing Tax Credit number units, average amount

Housing Trust Fund number units, average amount

Multifamily Bond number units, average amount

HOME Comm Hsg Dev Org number units, average amount

HOME non-Comm Hsg Dev Org number units, average amount

Output: Multifamily Rehabilitation/Acquisition - number units (no dbl count)

Housing Tax Credit number units, average amount

Housing Trust Fund number units, average amount

Multifamily Bond number units, average amount

Blue Bold: Key Measures

Red Non-bold: Non Key Measures

Appendix A -- Performance Measures Comparison

B. Colonia Initiatives

Goal: To Improve the Living Conditions and Lives of Border Residents in Texas

1. Objective: To promote and enhance home ownership opportunities along with the development of safe neighborhoods and effective community services for colonia residents and/or residents of low, very low, and extremely low income along the Texas-Mexico border

Outcome 1. Percent of CDBG-eligible Colonia Areas Receiving Technical Assistance from the Field Offices

B.1.2. Strategy: To Provide Technical Assistance to Colonias Through Field Offices

Output: Number of On-site Technical Assistance Visits Conducted Annually from the Field Offices

Output: Number of Colonia Residents Receiving Technical Assistance Annually Through the Colonia Field Offices

Output: Number of Entities and/or Individuals Receiving Informational Resources

B. Technical Assistance

Goal: To Promote Improved Housing Conditions for Extremely Low, Very Low, and Low Income Households by Providing Information and Technical Assistance

1. Objective: To provide information and technical assistance regarding affordable housing resources and community support services

Outcome: Percent of Information and Technical Assistance Requests Completed within Established Time Frames

B.1.1. Strategy: Provide Information to the Public and Provide Technical Assistance Through the Housing Center

Output: Number of Information and Technical Assistance Requests Completed

Output: Number of Short Term Information and Technical Assistance Requests Completed (Phone)

Output: Number of Long Term Information and Technical Assistance Requests Completed (Mail or Email)

2. Objective: To promote and enhance home ownership opportunities along with the development of safe neighborhoods and effective community services for colonia residents and/or residents of low, very low, and extremely low income along the Texas-Mexico border

B.1.2. Strategy: Provide Technical Assistance to Colonias Through Office of Colonia Initiatives Field Offices

Output: Number of On-site Technical Assistance Visits Conducted Annually from the Colonias Field Offices

Output: Number of Colonia Residents Receiving Technical Assistance Annually Through the Colonia Field Offices

Output: Number of Entities and/or Individuals Receiving Informational Resources

Blue Bold: Key Measures

Red Non-bold: Non Key Measures

Appendix A -- Performance Measures Comparison

C. Poor and Homeless

Goal: Improve Living Conditions for the Poor and Homeless and Reduce the Cost of Home Energy for Very Low Income Texans

1.Objective: To Ease the Hardships of Poverty and Homelessness for 16 Percent of the Population of Very Low Income Persons Each Year

Outcome 1. Percent of Persons in Poverty that Received Homeless and Poverty-Related Assistance

Outcome 2. Percent of Emergency Shelters Assisted

Outcome 3. Percent of Persons Assisted That Achieve Incomes Above Poverty Level

C.1.1. Strategy: Administer Homeless and Poverty-Related Funds Through a Network of Community Action Agencies and Other Local Organizations

Output: Number of Persons Assisted Through Homeless and Poverty-Related Funds

Output: Number of Persons Assisted that Achieve Incomes Above Poverty Level

Output: Number of Shelters Assisted

Efficiency: Average Agency Administrative Cost Per Person Assisted

Explanatory: Total Number of Emergency Shelters

Explanatory: Total Number of Persons in Poverty

2. Objective: To Reduce the Cost of Home Energy for 6 Percent of Very Low Income Households Each Year

Outcome 1. Percent of Very Low Income Households Receiving Energy Assistance

C.2.1. Strategy: Administer the State Energy Assistance Programs by Providing Grants to Local Organizations for Energy-Related Improvements

Output: Number of Households Assisted Through the Comprehensive Energy Assistance Program

Output: Number of Units Weatherized by the Department

Output: Number of Units Weatherized with System Benefit Funds (SBF)

Efficiency: Average Cost Per Household Served

Efficiency: Average Cost Per Home Weatherized

Explanatory: Number of Very Low Income Households Eligible for Energy Assistance

C. Poor and Homeless

Minor changes to definitions, targets, and wording of measures

Blue Bold: Key Measures

Red Non-bold: Non Key Measures

Appendix A -- Performance Measures Comparison

D. Ensure Compliance

Goal: Ensure Compliance with Texas Department of Housing and Community Affairs Federal and State Program Mandates

1. Objective: To Monitor 100 Percent of Multifamily and Single-Family Rental Properties and the Required Amount of Federally Funded Sub-Recipients to Determine Compliance with Federal and State Regulations Annually

Outcome 1. Percent of Multifamily and/or Single-Family Rental Properties Monitored Annually

Outcome 2. Percent of Federally-Funded Sub-Recipients Monitored Annually

Outcome 3. Percent of Properties in Compliance

D.1.1. Strategy: To Review Housing Property Documents to Ensure Long-Term Affordability Standards

Output: Number of On-Site Reviews Conducted

Explanatory: Total Number of Units Administered

Output: Number of Desk Reviews Conducted

Output: Total Number of Project Owners and Managers Receiving Technical Training

Efficiency: Average Cost Per On-Site Review

Efficiency: Average Cost Per Desk Review

Explanatory: Total Number of Multifamily and/or Single-Family Rental Properties in the TDHCA Portfolio

D.1.2. Strategy: Review the Financial Documents of Sub-Recipients of Federal and State Grants/Loans for Financial Accountability and Fiscal Responsibility

Output: Number of On-Site Financial Reviews Conducted

Output: Number of Single Audit Reviews Conducted

Explanatory: Number of Sub-Recipients Funded by TDHCA

Efficiency: Average Cost Per On-Site Financial Review

Efficiency: Average Cost Per Single Audit Review

Blue Bold: Key Measures

Red Non-bold: Non Key Measures

D. Ensure Compliance

Goal: Ensure Compliance with Texas Department of Housing and Community Affairs Federal and State Program Requirements

1. Objective: To Monitor 100 Percent of Multifamily and Single-Family Rental Properties and the Required Amount of Federally Funded Sub-Recipients to Determine Compliance with Federal and State Regulations Annually

Outcome 1. Percent of Multifamily and/or Single-Family Rental Properties Monitored Annually

Outcome 2: Percent of Open Contracts Monitored

Outcome 3: Percent of Properties in Material Non-Compliance

D.1.1. Strategy: Rental Housing Compliance Monitoring

Output: Number of Monitoring Reviews Conducted*

Output: Number of onsite monitoring reviews (8609* onsite)

Output: Number of desk reviews (desk, fair hsg report, substantial constr*, constr insp*)

Output: Number of Technical Asst and Public Information Requests Completed* (1-800 calls*, training, open records*, complaints*)

Output: Number of Application Instruments Processed* (compliance status*, LURA*, application site insp*)

Explanatory: Number of Units Administered

Explanatory: Number of Restricted Units Administered*

Explanatory: Number of Non-Restricted Units Administered*

Explanatory: Number of Rental Developments in the Compliance Monitoring Portfolio

Efficiency: Average budgeted cost to monitor a rental property*

D.1.2. Strategy: Portfolio and Contract Management

Output: Number of Monitoring Reviews Conducted*

Output: Number of onsite monitoring reviews (onsite, tech asst visits*)

Output: Number of desk reviews* (desk*, setup*, draw*, environmental*, rectification, amendment and revision reviews*)

Output: Number of Completed Contracts Reviewed During Single Audit Process

Explanatory: Number of Contracts Administered in the PMC Database* (by activity)

Output: Number of Technical Asst and Public Information Requests Completed* (tech asst calls*, training*, open records*, complaints*)

Efficiency: Average cost to monitor a contract*

*New measure or newly measured activity

Appendix A -- Performance Measures Comparison

E. Manufactured Housing

Goal: To Protect the Public by Regulating the Manufactured Housing Industry in Accordance with State and Federal Laws

1. Objective: Operate a Regulatory System Ensure Responsive Titling/Licensing/Other

Outcome 1. Percent of Consumer Complaint Inspections Conducted within 30 Days of Request

Outcome 2. Percent of Complaints Resulting in Disciplinary Action

Outcome 3. Percent of Applications Processed within Established Time Frames

Outcome 4. Percent of Documented Complaints Resolved within Six Months

Outcome 5. Recidivism Rate for Those Receiving Disciplinary Action

E.1.1. Strategy: Provide Titling and Licensing Services in a Timely and Efficient Manner

Output: Number of Manufactured Housing Titles Issued

Output: Number of Licenses Issued

Explanatory: Number of Manufactured Homes Titled in Texas

Efficiency: Average Cost Per Manufactured Housing Title Issued

E.2.1. Strategy: Conduct Installation Inspections of Manufactured Homes in a Timely and Efficient Manner

Output: Number of Routine Installation Inspections Conducted

Explanatory: Number of Installation Reports Received

Output: Number of Non-Routine Inspections Conducted

Efficiency: Average Cost Per Routine Inspection

Explanatory: Number of Installation Inspections with Deviations

E.3.1. Strategy: To Process Consumer Complaints, Conduct Investigations, and Take Administrative Actions to Protect the General Public and Consumers

Output: Number of Complaints Resolved

Efficiency: Average Time for Complaint Resolution

Explanatory: Number of Jurisdictional Complaints Received

Efficiency: Average Cost Per Complaint Resolved

E. Manufactured Housing

Minor changes to definitions, targets, and wording of measures

Blue Bold: Key Measures

Red Non-bold: Non Key Measures

AGENCY GOAL/OBJECTIVE/STRATEGY
 78th Regular Session, Performance Reporting
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 2/12/2004
 TIME: 9:26:59AM
 PAGE 1 OF 1

Agency Code: **332** Agency: **Department of Housing and Community Affairs**

GOAL OBJECTIVE STRATEGY
SEQUENCE SEQUENCE SEQUENCE

- | | | |
|----------|--------------|---|
| <u>1</u> | SHORT NAME: | AFFORDABLE HOUSING |
| | FULL NAME: | Increase Availability of Safe/Decent/Affordable Housing |
| | DESCRIPTION: | To increase and preserve the availability of safe, decent, and affordable housing for very low, low and moderate income persons and families. |
| | | |
| <u>1</u> | SHORT NAME: | MAKE FUNDS AVAILABLE |
| | FULL NAME: | Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg |
| | DESCRIPTION: | Make loans, grants, and incentives available to fund eligible housing activities and preserve/create single family and multifamily units for very low, low and moderate income households. |
| | | |
| <u>1</u> | SHORT NAME: | HOUSING TRUST FUND |
| | FULL NAME: | Provide Loans & Grants through HTF for Very Low/Low Income Households |
| | DESCRIPTION: | Provide state housing loans and grants through the Housing Trust Fund for very low and low income households. |
| | | |
| <u>2</u> | SHORT NAME: | HOME PROGRAM |
| | FULL NAME: | Provide Housing through HOME Investment Program |
| | DESCRIPTION: | Provide federal housing loans and grants through the HOME Investment Partnership (HOME) Program for very low and low income families, focusing on the construction of single family and multifamily housing units in rural areas of the state through partnerships with the private sector. |
| | | |
| <u>3</u> | SHORT NAME: | SECTION 8 RENTAL ASSISTANCE |
| | FULL NAME: | Federal Rental Assistance through Section 8 Certificates and Vouchers |
| | DESCRIPTION: | Provide federal rental assistance through Section 8 certificates and vouchers for very low income households. |
| | | |
| <u>4</u> | SHORT NAME: | FEDERAL TAX CREDITS |
| | FULL NAME: | Provide Federal Tax Credits to Develop Rental Housing for VLI and LI |

AGENCY GOAL/OBJECTIVE/STRATEGY
 78th Regular Session, Performance Reporting
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 2/12/2004
 TIME: 9:26:59AM
 PAGE 2 OF 10

Agency Code: **332** Agency: **Department of Housing and Community Affairs**

GOAL OBJECTIVE STRATEGY
SEQUENCE SEQUENCE SEQUENCE

DESCRIPTION: Provide federal tax credits to develop rental housing for very low and low income households.

5 SHORT NAME: MRB PROGRAM - SINGLE FAMILY

FULL NAME: Federal Mortgage Loans, through the MRB Prog Below Conventional Rate

DESCRIPTION: Provide federal mortgage loans, through the department's Mortgage Revenue Bond (MRB) Program, which are below the conventional market interest rates to very low, low, and moderate income homebuyers.

6 SHORT NAME: MRB PROGRAM-MULTIFAMILY

FULL NAME: Federal Mortgage Loans through the MRB Program for Multifamily Units

DESCRIPTION: Provide federal mortgage loans through the department's Mortgage Revenue Bond (MRB) program for the acquisition, rehabilitation, construction and preservation of multifamily rental units for very low, low and moderate income families.

2

SHORT NAME: COLONIA INITIATIVES

FULL NAME: To Improve the Living Conditions and Lives of Border Residents in TX

DESCRIPTION: To improve the living conditions and lives of border residents in Texas.

1

SHORT NAME: IMPROVE LIVING CONDITIONS

FULL NAME: Fund Project Which Creates/Retains Jobs & Housing Assistance/Planning

DESCRIPTION: To promote and enhance home ownership opportunities along with the development of safe neighborhoods and effective community services for colonia residents and/or residents of low, very low, and extremely low income along the Texas-Mexico border.

2 SHORT NAME: COLONIA SERVICE CENTERS

FULL NAME: To Provide Technical Assistance to Colonias through Field Offices

DESCRIPTION: To provide technical assistance to colonias through field offices.

AGENCY GOAL/OBJECTIVE/STRATEGY
 78th Regular Session, Performance Reporting
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 2/12/2004
 TIME: 9:26:59AM
 PAGE 3 OF 11

Agency Code: **332** Agency: **Department of Housing and Community Affairs**

GOAL OBJECTIVE STRATEGY
SEQUENCE SEQUENCE SEQUENCE

3

SHORT NAME: POOR AND HOMELESS PROGRAMS
 FULL NAME: Improve Living Conditions for Poor/Homeless & Reduce Energy Costs for VLI
 DESCRIPTION: Improve living conditions for the poor and homeless and reduce the cost of home energy for very low income Texans.

1

SHORT NAME: PROGRAMS FOR HOMELESS/VLI
 FULL NAME: Ease Hardships for 16% of Homeless & Very Low Income Persons Each Year
 DESCRIPTION: To ease the hardships of poverty and homelessness for 16 percent of the population of very low income persons each year.

1

SHORT NAME: POVERTY-RELATED FUNDS
 FULL NAME: Administer Poverty-related Federal Funds through a Network of Agencies
 DESCRIPTION: Administer homeless and poverty-related funds through a network of community action agencies and other local organizations so that poverty-related services are available to very low income persons throughout the state.

2

SHORT NAME: REDUCE HOME ENERGY COSTS
 FULL NAME: Reduce Cost of Home Energy for 6% of Very Low Income Households
 DESCRIPTION: To reduce the cost of home energy for 6 percent of very low income households each year.

1

SHORT NAME: ENERGY ASSISTANCE PROGRAMS
 FULL NAME: Administer the State Energy Assistance Programs
 DESCRIPTION: Administer the state energy assistance programs by providing grants to local organizations for energy related improvements to dwellings occupied by very low income persons and for assistance to very low income households for heating and cooling expenses and energy-related emergencies.

AGENCY GOAL/OBJECTIVE/STRATEGY
78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 2/12/2004
TIME: 9:26:59AM
PAGE 4 OF 11

Agency Code: 332 Agency: Department of Housing and Community Affairs

GOAL OBJECTIVE STRATEGY
SEQUENCE SEQUENCE SEQUENCE

4

SHORT NAME: ENSURE COMPLIANCE
FULL NAME: Ensure Compliance with Program Mandates
DESCRIPTION: Ensure compliance with Department of Housing and Community Affairs federal and state program mandates.

1

SHORT NAME: MONITOR PROPERTIES/AWARDEES
FULL NAME: Monitor Housing Properties and Loan/Grant Recipients
DESCRIPTION: To monitor 100 percent of multifamily and single family rental properties and the required amount of federally funded sub-recipients to determine compliance with federal and state regulations annually.

1

SHORT NAME: REVIEW PROPERTY DOCUMENTS
FULL NAME: Review Housing Property Affordability Documents
DESCRIPTION: To review housing property documents to ensure long-term affordability standards.

2

SHORT NAME: REVIEW FINANCIAL DOCUMENTS
FULL NAME: Review Financial Documents of Loan/Grant Recipients
DESCRIPTION: Review the financial documents of sub-recipients of federal and state grants/loans for financial accountability and fiscal responsibility.

5

SHORT NAME: MANUFACTURED HOUSING
FULL NAME: Regulate Manufactured Housing Industry
DESCRIPTION: To protect the public by regulating the manufactured housing industry in accordance with state and federal laws.

1

SHORT NAME: PROTECT CITIZENS
FULL NAME: Operate a Regulatory System Ensure Responsive Titling/Licensing/Other

AGENCY GOAL/OBJECTIVE/STRATEGY
 78th Regular Session, Performance Reporting
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 2/12/2004
 TIME: 9:26:59AM
 PAGE 5 OF 10

Agency Code: **332** Agency: **Department of Housing and Community Affairs**

GOAL OBJECTIVE STRATEGY
SEQUENCE SEQUENCE SEQUENCE

DESCRIPTION: To operate a regulatory system to ensure responsive titling, licensing and other processes as follows: 25 percent installation inspections, 95 percent of applications processed within established time frames; and 95 percent of consumer complaints inspections within 30 days of a request.

1 SHORT NAME: TITLING AND LICENSING
 FULL NAME: Provide Titling and Licensing Services in a Timely Manner
 DESCRIPTION: Provide titling and licensing services in a timely and efficient manner.

2 SHORT NAME: INSTALLATION INSPECTIONS
 FULL NAME: Conduct Inspections of Manufactured Homes in a Timely Manner
 DESCRIPTION: Conduct installation inspections of manufactured homes in a timely and efficient manner.

3 SHORT NAME: ENFORCEMENT
 FULL NAME: Process Consumer Complaints/Conduct Investigations/Take Admin Actions
 DESCRIPTION: To process consumer complaints, conduct investigations, and take administrative actions to protect the general public and consumers.

6 SHORT NAME: INDIRECT ADMIN AND SUPPORT COSTS
 FULL NAME: Indirect Administrative and Support Costs
 DESCRIPTION: Indirect administrative and support costs.

1 SHORT NAME: INDIRECT ADMIN AND SUPPORT COSTS
 FULL NAME: Indirect Administrative and Support Costs
 DESCRIPTION: Indirect administrative and support costs.

1 SHORT NAME: CENTRAL ADMINISTRATION
 FULL NAME: Central Administration

AGENCY GOAL/OBJECTIVE/STRATEGY
78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 2/12/2004
TIME: 9:26:59AM
PAGE 6 OF 11

Agency Code: 332 Agency: Department of Housing and Community Affairs

GOAL OBJECTIVE STRATEGY
SEQUENCE SEQUENCE SEQUENCE

DESCRIPTION: Central administration.

2 SHORT NAME: INFORMATION RESOURCE TECHNOLOGIES
FULL NAME: Information Resource Technologies
DESCRIPTION: Information resource technologies.

3 SHORT NAME: OPERATING/SUPPORT
FULL NAME: Operating/Support
DESCRIPTION: Operating/support.

OBJECTIVE OUTCOME DEFINITIONS REPORT
78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:20:12AM
Page: 1 of 18

Agency Code: **332** Agency: **Department of Housing and Community Affairs**

Goal No. 1 Increase Availability of Safe/Decent/Affordable Housing

Objective No. 1 Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg

Outcome No. 1 Percent Households/Individuals Needing Affordable Housing

Calculation Method: N Key Measure: Y New Measure: N Range Preference: H Priority: H Cross Reference:

BL 2004 Definition

The percentage of households/individuals of very low, low, and moderate income that need housing and subsequently receive housing or housing related assistance represents services provided by the Housing Trust program, the HOME program, the Section 8 program, the Low Income Housing Tax Credit program, the Single Family Bond program, and the Multifamily Bond program.

BL 2004 Data Limitations

The Department contracts with local entities to administer its various housing programs. The intake, eligibility review and actual service is provided at the local level. The reporting of households served is provided by the contracted entity. Reported performance is considered reliable.

BL 2004 Data Source

The number of households served is maintained by each housing program and reported quarterly. Data is entered by staff and maintained in the agency's computer system.

BL 2004 Methodology

The percent of households assisted is based on: (numerator) an actual count of households/individuals using TDHCA's housing programs and (denominator) the most recent census data of Texans who need affordable housing.

BL 2004 Purpose

This measure addresses the extent to which services are provided by all housing programs and calculates the level of service compared to the need. This measure is important because it identifies the total population in need and of that population identifies how many households/individuals the housing programs were able to serve.

OBJECTIVE OUTCOME DEFINITIONS REPORT
78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:20:13AM
Page: 2 of 18

Agency Code: **332** Agency: **Department of Housing and Community Affairs**

Goal No.	1	Increase Availability of Safe/Decent/Affordable Housing
Objective No.	1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Outcome No.	2	Percent Very Low Income Households Receiving Housing Assistance

Calculation Method: N **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The percentage of very low income households receiving housing assistance represents services provided by the Housing Trust program, the HOME program, the Section 8 program, the Low Income Housing Tax Credit program, the Single Family Bond program, and the Multifamily Bond program.

BL 2004 Data Limitations

The Department contracts with local entities to administer its various housing programs. The intake, eligibility review and actual service is provided at the local level. The reporting of households served is provided by the contracted entity. Reported performance is considered reliable.

BL 2004 Data Source

The number of very low income households served is maintained by each housing program and reported quarterly. Data is entered by staff and maintained in the agency's computer system.

BL 2004 Methodology

The percent of households of very low income served with housing or housing related assistance is based on: (numerator) an actual count of households/individuals using TDHCA's housing programs and (denominator) the most recent census data of very low income Texans who need affordable housing.

BL 2004 Purpose

The measure addresses the extent to which services are provided by all housing programs for very low income and calculates the level of service provided to the very low income population.

OBJECTIVE OUTCOME DEFINITIONS REPORT
78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:20:13AM
Page: 3 of 18

Agency Code: **332** Agency: **Department of Housing and Community Affairs**

Goal No.	1	Increase Availability of Safe/Decent/Affordable Housing
Objective No.	1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Outcome No.	3	Percent Low Income Households Receiving Housing Assistance

Calculation Method: N Key Measure: Y New Measure: N Range Preference: H Priority: H Cross Reference:

BL 2004 Definition

The percentage of low income households receiving housing assistance represents services provided by the Housing Trust program, the HOME program, the Section 8 program, the Low Income Housing Tax Credit program, the Single Family Bond program, and the Multifamily Bond program.

BL 2004 Data Limitations

The Department contracts with local entities to administer its various housing programs. The intake, eligibility review and actual service is provided at the local level. The reporting of households served is provided by the contracted entity. Reported performance is considered reliable.

BL 2004 Data Source

The number of low income households served is maintained by each housing program and reported quarterly. Data is entered by staff and maintained in the agency's computer system.

BL 2004 Methodology

The percent of households of low income served with housing or housing related assistance is based on: (numerator) an actual count of households/individuals using TDHCA's housing programs and (denominator) the most recent census data of low income Texans who need affordable housing.

BL 2004 Purpose

The measure addresses the extent to which services are provided by all housing programs for low income and calculates the level of service provided to the low income population. This measure is important because it identifies, of the number of low income, how many low income households/individuals the housing programs were able to serve.

OBJECTIVE OUTCOME DEFINITIONS REPORT
78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:20:13AM
Page: 4 of 18

Agency Code: **332** Agency: **Department of Housing and Community Affairs**

Goal No.	1	Increase Availability of Safe/Decent/Affordable Housing
Objective No.	1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Outcome No.	4	Percent Households of Moderate Income Receiving Housing Assistance

Calculation Method: N Key Measure: Y New Measure: N Range Preference: H Priority: H Cross Reference:

BL 2004 Definition

The percentage of moderate income households receiving housing assistance represents services provided by the Single Family Bond program.

BL 2004 Data Limitations

The Department contracts with a Master Servicer to maintain data of households served. The intake, eligibility review and actual service is provided at the local level. The reporting of households served is provided by the Master Servicer. Reported performance is considered reliable.

BL 2004 Data Source

The number of moderate income households served is maintained by the Single Family Bond program and reported quarterly. Data is provided by the Master Servicer, entered by staff and maintained in the agency's computer system.

BL 2004 Methodology

The percent of households of moderate income served with housing or housing related assistance is based on: (numerator) an actual count of moderate income households/individuals using TDHCA's housing programs and (denominator) the most recent census data of moderate income Texans who need affordable housing.

BL 2004 Purpose

The measure addresses the extent to which services are provided by the Single Family Bond program, which is the only housing program serving the moderate income population. This measure is important because it identifies, of the number of moderate income, how many moderate income households/individuals the Single Family Bond program was able to serve.

OBJECTIVE OUTCOME DEFINITIONS REPORT
78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:20:13AM
Page: 5 of 18

Agency Code: **332** Agency: **Department of Housing and Community Affairs**

Goal No. 1 Increase Availability of Safe/Decent/Affordable Housing

Objective No. 1 Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg

Outcome No. 5 Percent of Multi-family Rental Units Benefiting VL/MI Households

Calculation Method: N Key Measure: N New Measure: N Range Preference: H Priority: H Cross Reference:

BL 2004 Definition

Under the multifamily bond programs, developers/borrowers can designate either 20% of the units in each property at 50% area median family income or 40% of the units at 60% area median family income. It is not possible to determine on a projection basis the overall percentage of units within these categories that will be financed in a given year.

BL 2004 Data Limitations

The number of units available for very low and low income households is reported by the project developer. Performance depends on the allocation of volume cap by state lottery conducted by the Texas Bond Review Board.

BL 2004 Data Source

The number of very low and low income households served is maintained by the Multifamily Bond program and reported quarterly. Data is entered by staff and maintained in the agency's computer system.

BL 2004 Methodology

To calculate the percentage of units financed at the end of the year for any category, divide the number of total units within each category by the number of total units financed.

BL 2004 Purpose

The measure addresses the number of units in a development that have been designated for very low and low income families. This measure is important because it measures how effectively the Multifamily Bond program has been in providing rental units to very low and low income households/individuals.

OBJECTIVE OUTCOME DEFINITIONS REPORT
78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:20:13AM
Page: 6 of 18

Agency Code: **332** Agency: **Department of Housing and Community Affairs**

Goal No. 2 To Improve the Living Conditions and Lives of Border Residents in TX

Objective No. 1 Fund Project Which Creates/Retains Jobs & Housing Assistance/Planning

Outcome No. 1 % CDBG-eligible Colonia Areas Receivg Tech Assistance from Field Offs

Calculation Method: N Key Measure: Y New Measure: N Range Preference: H Priority: H Cross Reference:

BL 2004 Definition

The percent of CDBG eligible Colonia areas receiving technical assistance represents seventy counties along the Texas/Mexico border.

BL 2004 Data Limitations

No limitations of data.

BL 2004 Data Source

Data is collected manually from field personnel.

BL 2004 Methodology

A technical assistance visit is performed of each of the eligible counties at least once during a two-year period. Service Centers provide technical assistance and report service levels to headquarters.

BL 2004 Purpose

The measure identifies the level of assistance provided to distressed communities that have been identified as Colonias. This measure is important because it indicates the level of assistance provided to effectuate change in distressed areas.

OBJECTIVE OUTCOME DEFINITIONS REPORT
78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:20:13AM
Page: 7 of 18

Agency Code: **332** Agency: **Department of Housing and Community Affairs**

Goal No. 3 Improve Living Conditns for Poor/Homeless & Reduce Enery Costs for VLI

Objective No. 1 Ease Hardships for 16% of Homeless & Very Low Income Persons Each Year

Outcome No. 1 % in Poverty That Received Homeless and Poverty-related Assistance

Calculation Method: N Key Measure: Y New Measure: N Range Preference: H Priority: H Cross Reference:

BL 2004 Definition

The percentage of very low income persons receiving assistance represents all Community Services programs. Information on the number of persons assisted is submitted to the Department by program contractors.

BL 2004 Data Limitations

No limitations of data.

BL 2004 Data Source

The percent of very low income persons that received assistance through all Community Services programs is based on information in the monthly performance reports submitted to the Department by contractors. Contractors track the data manually on a daily basis and submit it to the Department in a monthly performance report.

BL 2004 Methodology

The Department identifies information from the monthly performance reports related to the number of persons assisted and converts this into a percentage by dividing the number of persons assisted by the number of persons in poverty in Texas. Monthly performance report information is entered on the mainframe and maintained by the Department. The total number of persons in poverty in Texas is based on the most current census data.

BL 2004 Purpose

The measure identifies the percent of the very low income population assisted by Community Services programs. This measure is important because it identifies, of the very low income population, the impact Community Services programs have had on the target population.

OBJECTIVE OUTCOME DEFINITIONS REPORT
78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:20:13AM
Page: 8 of 18

Agency Code: **332** Agency: **Department of Housing and Community Affairs**

Goal No. 3 Improve Living Conditns for Poor/Homeless & Reduce Enery Costs for VLI

Objective No. 1 Ease Hardships for 16% of Homeless & Very Low Income Persons Each Year

Outcome No. 2 Percent of Emergency Shelters Assisted

Calculation Method: N Key Measure: N New Measure: N Range Preference: H Priority: H Cross Reference:

BL 2004 Definition

The percent of emergency shelters assisted is based on the number of shelters/service providers assisted through ESGP funds during the fiscal year. Each project funded through ESGP contractors is counted as a shelter assisted.

BL 2004 Data Limitations

No limitations of data.

BL 2004 Data Source

The total number of shelters is determined by counting the number of shelters/services providers included in the ESGP mailing list maintained by the Community Services section. The Department counts each project funded through ESGP contractors as a shelter assisted. The Department tracks this information from contract records.

BL 2004 Methodology

The percent of emergency shelters assisted is based on the number of shelters/service providers assisted through ESGP funds during the fiscal year divided by the number of homeless shelters/service providers that exist in Texas.

BL 2004 Purpose

The measure identifies the percent of all homeless shelters/service providers in Texas that receive assistance in a fiscal year. This measure is important because it indicates how effective the program has been in providing assistance to emergency shelters in the State.

OBJECTIVE OUTCOME DEFINITIONS REPORT
78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:20:13AM
Page: 9 of 18

Agency Code: **332** Agency: **Department of Housing and Community Affairs**

Goal No. 3 Improve Living Conditns for Poor/Homeless & Reduce Enery Costs for VLI

Objective No. 1 Ease Hardships for 16% of Homeless & Very Low Income Persons Each Year

Outcome No. 3 Percent of Persons Achieving Incomes Above Poverty Level

Calculation Method: N Key Measure: N New Measure: N Range Preference: H Priority: H Cross Reference:

BL 2004 Definition

The percent of persons assisted in the CSBG program that achieve incomes above poverty level is based on the number of persons assisted that achieve incomes above poverty level, and maintain that income level for a minimum of 90 days, divided by the total number of persons in poverty in Texas.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Contractors report this information in their monthly performance report. The data is entered on the mainframe and maintained by the Department.

BL 2004 Methodology

The number reported reflects actual persons assisted.

BL 2004 Purpose

Contractors are required to track the number of persons assisted that achieve incomes above the poverty level as a result of efforts by the contractor.

OBJECTIVE OUTCOME DEFINITIONS REPORT
78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:20:13AM
Page: 10 of 18

Agency Code: **332** Agency: **Department of Housing and Community Affairs**

Goal No. 3 Improve Living Conditns for Poor/Homeless & Reduce Enery Costs for VLI

Objective No. 2 Reduce Cost of Home Energy for 6% of Very Low Income Households

Outcome No. 1 Percent of Very Low Income Households Receiving Energy Assistance

Calculation Method: N Key Measure: Y New Measure: N Range Preference: H Priority: H Cross Reference:

BL 2004 Definition

The percentage of very low income households receiving energy assistance represents all Energy Assistance programs. Information on the number of households assisted is submitted to the Department by subgrantees.

BL 2004 Data Limitations

No liminations of data.

BL 2004 Data Source

The percent of very low income households that received energy assistance through all Energy Assistance programs is based on data reported in the Monthly Funding Financial Performance Reports and the Progress Expenditure/Monthly Fund Request Reports.

BL 2004 Methodology

The data is entered in an automated system and maintained by the Department. The percent receiving energy assistance is calculated based on the number of very low income households divided by the most current census data representing the number of very low income households in Texas.

BL 2004 Purpose

The measure identifies the percent of the very low income population assisted by Energy Assistance programs. This measure is important because it indicates how effectively the Agency has provided energy related services to the target population and the impact of the programs statewide.

OBJECTIVE OUTCOME DEFINITIONS REPORT
78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:20:13AM
Page: 11 of 18

Agency Code: **332** Agency: **Department of Housing and Community Affairs**

Goal No. 4 Ensure Compliance with Program Mandates

Objective No. 1 Monitor Housing Properties and Loan/Grant Recipients

Outcome No. 1 Percent of Properties Monitored

Calculation Method: N Key Measure: Y New Measure: N Range Preference: H Priority: H Cross Reference:

BL 2004 Definition

Measure represents the percent of Low Income Housing Tax Credit (LIHTC), Affordable Housing Disposition, HOME, Tax-Exempt Bond, Housing Trust Fund, and other affordable housing rental properties monitored annually through on-site, in-depth, or desk reviews.

BL 2004 Data Limitations

No limitations of data.

BL 2004 Data Source

Projects are monitored through on-site, in-depth, or desk reviews. Data is gathered from departmental databases.

BL 2004 Methodology

The percent is derived by dividing the actual number of rental projects monitored by the total number of rental projects required to be monitored in the TDHCA portfolio.

BL 2004 Purpose

The Compliance section was formed to address long term compliance responsibilities of the various housing programs administered by TDHCA. The measure is important because it identifies the percent of projects monitored. Each program dictates the frequency and type of monitoring.

OBJECTIVE OUTCOME DEFINITIONS REPORT
78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:20:13AM
Page: 12 of 18

Agency Code: **332** Agency: **Department of Housing and Community Affairs**

Goal No.	4	Ensure Compliance with Program Mandates
Objective No.	1	Monitor Housing Properties and Loan/Grant Recipients
Outcome No.	2	Percent of Sub-recipients Monitored

Calculation Method: N **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The percent of federally-funded sub-recipients required to conduct a Single Audit by the Office of Budget and Management (OMB) Circular A-133 that are monitored through desk reviews.

BL 2004 Data Limitations

No limitations of data.

BL 2004 Data Source

Sub-recipients are monitored through Single Audit desk reviews.

BL 2004 Methodology

The percent is derived by dividing the actual number of Single Audit desk reviews by the total number of sub-recipients required to perform a Single Audit.

BL 2004 Purpose

This measure identifies the percentage of federally-funded sub-recipients required to perform a Single Audit that are monitored annually, as required by Office of Budget and Management (OMB) Circular A-133.

OBJECTIVE OUTCOME DEFINITIONS REPORT
78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:20:13AM
Page: 13 of 18

Agency Code: **332** Agency: **Department of Housing and Community Affairs**

Goal No. 4 Ensure Compliance with Program Mandates

Objective No. 1 Monitor Housing Properties and Loan/Grant Recipients

Outcome No. 3 Percent of Properties in Compliance

Calculation Method: N Key Measure: N New Measure: N Range Preference: H Priority: H Cross Reference:

BL 2004 Definition

Measure represents the percent of Low Income Housing Tax Credit (LIHTC), Affordable Housing Disposition, HOME, Tax-Exempt Bond, Housing Trust Fund, and other affordable housing rental properties monitored that are determined to be in compliance. Compliance is identified through on-site monitoring reviews and in-depth desk reviews.

BL 2004 Data Limitations

No limitations of data.

BL 2004 Data Source

Projects are monitored through on-site property file reviews or in-depth desk reviews. Any findings of non-compliance found during these reviews will be scored to determine if the property falls into material non-compliance. The data is collected in the Departmental data bases.

BL 2004 Methodology

The percent is derived by dividing the total number of rental properties in compliance by the number of rental properties monitored.

BL 2004 Purpose

This measure will report the properties that are in compliance; i.e., those not in "material non-compliance" status.

OBJECTIVE OUTCOME DEFINITIONS REPORT
78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:20:13AM
Page: 14 of 18

Agency Code: **332** Agency: **Department of Housing and Community Affairs**
Goal No. 5 Regulate Manufactured Housing Industry
Objective No. 1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other
Outcome No. 1 Percent of Applications Processed within Established Time Frames

Calculation Method: N Key Measure: N New Measure: N Range Preference: H Priority: H Cross Reference:

BL 2004 Definition

Measure represents the Titling and Licensing applications processed.

BL 2004 Data Limitations

No limitations of data.

BL 2004 Data Source

Both the Titling and Licensing functional areas of the Manufactured Housing division review a random selection of 25 or more applications (per month) within a reporting period.

BL 2004 Methodology

To achieve the percentage: divide the number of applications that are processed within the required time frame by the total number reviewed by random selection. The percentage is attained by combining the results of the Titling and Licensing functional areas. Information is manually prepared.

BL 2004 Purpose

Applications are processed within established time frames. The time frame for Titling applications is 60 calendar days; the time frame for Licensing applications is 7 working days. The importance is to measure the ability of the agency to process applications in a timely manner.

OBJECTIVE OUTCOME DEFINITIONS REPORT
78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:20:13AM
Page: 15 of 18

Agency Code: **332** Agency: **Department of Housing and Community Affairs**
Goal No. 5 Regulate Manufactured Housing Industry
Objective No. 1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other
Outcome No. 2 Percent of Consumer Complaint Inspections Conducted within 30 Days

Calculation Method: N Key Measure: Y New Measure: N Range Preference: H Priority: H Cross Reference:

BL 2004 Definition

The percent of consumer complaint inspections conducted within 30 days is based on the number of consumer and industry requested inspections completed within 30 working days from the date that an inspection is requested as required by the law.

BL 2004 Data Limitations

No limitations of data.

BL 2004 Data Source

Information is maintained in the Consumer Complaint Tracking System (CCTS).

BL 2004 Methodology

To achieve the percentage: divide the total number of inspections conducted within the required 30 working days by the total number of required inspections conducted within the reporting period.

BL 2004 Purpose

Consumer complaints must be addressed as required by the Act. The importance is to measure the ability of the agency to conduct consumer complaint inspections in a timely manner and to comply with the requirements set forth in the Act.

OBJECTIVE OUTCOME DEFINITIONS REPORT
78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:20:13AM
Page: 16 of 18

Agency Code: **332** Agency: **Department of Housing and Community Affairs**
Goal No. 5 Regulate Manufactured Housing Industry
Objective No. 1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other
Outcome No. 3 Percent of Complaints Resulting in Disciplinary Action

Calculation Method: N Key Measure: Y New Measure: N Range Preference: L Priority: H Cross Reference:

BL 2004 Definition

A preliminary report is issued pursuant to Chapter 2306, Texas Government Code when violations cannot be resolved informally. Disciplinary actions include agreed orders, reprimands, warnings, suspensions, probation, revocation, restitution and/or penalties on which the board or executive director has acted.

BL 2004 Data Limitations

No limitations of data.

BL 2004 Data Source

Information is maintained in the Consumer Complaint Tracking System (CCTS).

BL 2004 Methodology

To achieve the percentage: divide the number of closed complaints with a disciplinary action by the total number of jurisdictional complaints closed.

BL 2004 Purpose

Efforts are made to informally resolve complaints. Violations of manufactured housing standards that cannot be resolved result in disciplinary actions. It is important that the consumers and the manufactured housing industry have an expectation that the agency will ensure fair and effective enforcement of the Act, Article 5221f.

OBJECTIVE OUTCOME DEFINITIONS REPORT
78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:20:13AM
Page: 17 of 18

Agency Code: **332** Agency: **Department of Housing and Community Affairs**

Goal No. 5 Regulate Manufactured Housing Industry

Objective No. 1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other

Outcome No. 4 Percent of Documented Complaints Resolved within Six Months

Calculation Method: N Key Measure: N New Measure: N Range Preference: H Priority: H Cross Reference:

BL 2004 Definition

The number of complaints resolved within a period of 6 months (183 days) or less from the date of receipt is representative of the total number of complaints resolved.

BL 2004 Data Limitations

No limitations of data.

BL 2004 Data Source

Information is maintained in the Consumer Complaint Tracking System (CCTS).

BL 2004 Methodology

The number of complaints resolved within a period of six months (183 days) or less from the date of receipt divided by the total number of complaints resolved.

BL 2004 Purpose

Of the number of complaints resolved, the measure identifies those complaints that have been resolved within six months. It is important to ensure the timely enforcement of the Act, which is an agency goal.

OBJECTIVE OUTCOME DEFINITIONS REPORT
78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:20:13AM
Page: 18 of 18

Agency Code: **332** Agency: **Department of Housing and Community Affairs**
Goal No. 5 Regulate Manufactured Housing Industry
Objective No. 1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other
Outcome No. 5 Recidivism Rate for Those Receiving Disciplinary Action

Calculation Method: N Key Measure: N New Measure: N Range Preference: H Priority: H Cross Reference:

BL 2004 Definition

The recidivism rate for those receiving disciplinary action is based on the number of repeat offenders as a percentage during the most recent three-year period. A repeat offender is an individual or license holder with two or more disciplinary actions taken by the board within the current and preceding two fiscal years.

BL 2004 Data Limitations

No limitations of data.

BL 2004 Data Source

Information is maintained in the Consumer Complaint Tracking System (CCTS).

BL 2004 Methodology

To achieve the percentage: calculate the number of individuals or license holders against whom two or more disciplinary actions were taken by the board within the current and preceding two fiscal years divided by the total number of individuals or license holders receiving disciplinary actions by the board within the current and preceding two fiscal years.

BL 2004 Purpose

The measure is intended to show how effectively the agency enforces its regulatory requirements and prohibitions. It is important that the agency enforce its act and rules strictly enough to ensure that consumers are protected from unsafe, incompetent and unethical practices by the license holder.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 1 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 1	Provide Loans & Grants through HTF for Very Low/Low Income Households
Measure Type EF	
Measure No. 1	Average Grant and/or Loan Amount Per Household

Calculation Method: N **Key Measure: N** **New Measure: N** **Range Preference: L** **Priority: H** Cross Reference:

BL 2004 Definition

The average grant amount per projected household represents the total amount of funds awarded to a contract recipient divided by the number of households projected to be served.

BL 2004 Data Limitations

Variation from targeted goal could occur due to types of projects funded (new construction v. rehab.) or the leveraging of funds (ability of contractor to incorporate other sources of funds).

BL 2004 Data Source

The average grant amount is determined by identifying the amount of the award and the number of projected households to be served as noted in the awardee's contract.

BL 2004 Methodology

To achieve the average: divide the total dollar amount awarded by the number of households to be served as identified in the awardee's contract.

BL 2004 Purpose

The importance of this measure is that it shows the level of service to very low and low income households on a per unit basis. It can serve as an indicator of successful financial leveraging of program funds, which helps create greater funding efficiencies.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 2 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 1	Provide Loans & Grants through HTF for Very Low/Low Income Households
Measure Type	EX
Measure No. 1	Rate of Default on Housing Trust Fund Loans

Calculation Method: N **Key Measure: N** **New Measure: N** **Range Preference: L** **Priority: L** Cross Reference:

BL 2004 Definition

The rate of default on Housing Trust Fund loans is based on the number of loans defaulted as reported by the program applicant.

BL 2004 Data Limitations

Data is based on information reported by the program applicant.

BL 2004 Data Source

Default data is reported by the program applicant and is maintained by the Department on automated systems.

BL 2004 Methodology

The percentage of default on Housing Trust Fund loans is calculated based on the number of loans defaulted divided by the total number of loans issued for that period.

BL 2004 Purpose

This information is collected to measure the quality of loan awards made by the Department over time. It is important because it can serve as an important indicator of potential financial problems with organizations, or their housing developments that have received funding.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 3 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 1	Provide Loans & Grants through HTF for Very Low/Low Income Households
Measure Type	EX
Measure No. 2	Number of Housing Trust Fund Loans or Grants Awarded

Calculation Method: C **Key Measure: N** **New Measure: N** **Range Preference: N** **Priority: L** Cross Reference:

BL 2004 Definition

The number of Housing Trust Fund loans or grants awarded is predetermined for the cycle each year based on the amount of funding the program receives.

BL 2004 Data Limitations

The funding amount will determine the number of grants/loans the program will be able to award.

BL 2004 Data Source

Data is maintained by the Housing Trust Fund division.

BL 2004 Methodology

Figure represents actual number of loans or grants awarded.

BL 2004 Purpose

This information is maintained to identify the number of loans or grants awarded. This measure is important in that it reflects the level of funding activity for the program.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 4 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 1	Provide Loans & Grants through HTF for Very Low/Low Income Households
Measure Type	OP
Measure No. 1	# VLI/LI Househlds That Received Loans/Grants through Housg Trust Fund

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The projected number of very low and low income households receiving loans and grants is based on the projected number of units made available and the number of households served as identified in the awarded contracts. Program performance is measured when contracts are awarded.

BL 2004 Data Limitations

The amount of funds the Housing Trust Fund is allocated will determine the number of households assisted.

BL 2004 Data Source

Projected number of households served is identified in the awarded contracts.

BL 2004 Methodology

The number of awards are tracked in the program area's automated tracking system.

BL 2004 Purpose

Performance is measured to identify level of service provided to very low and low income households. The measure is important because it is critical to the performance of the program to determine how effective the program has been in serving the target population.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 5 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 2	Provide Housing through HOME Investment Program
Measure Type EF	
Measure No. 1	Average Amount of Subsidy Provided Per Household by the HOME Program

Calculation Method: N **Key Measure: N** **New Measure: N** **Range Preference: L** **Priority: H** Cross Reference:

BL 2004 Definition

The average amount of subsidy provided per household by the HOME program represents an average of the total HOME funds obligated.

BL 2004 Data Limitations

The amount of loans or grants represents data contained in the signed written agreements.

BL 2004 Data Source

The total number of households contracted for assistance is obtained from the signed written agreements with Program Administrators.

BL 2004 Methodology

The average subsidy per household is calculated by dividing the total HOME funds (loans and grants) obligated by the total number of households contracted for assistance through signed written agreements.

BL 2004 Purpose

Performance is measured to identify the level of assistance and how efficient the program has provided this assistance to the low and very low income eligible population.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 6 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 2	Provide Housing through HOME Investment Program
Measure Type	EX
Measure No. 1	Rate of Default on HOME Investment Program

Calculation Method: N **Key Measure: N** **New Measure: N** **Range Preference: N** **Priority: L** Cross Reference:

BL 2004 Definition

The rate of default on HOME Investment Program Loans is based on the number of loans defaulted as reported by State Recipients.

BL 2004 Data Limitations

Data is based on information reported by the State Recipients.

BL 2004 Data Source

Default data is reported by State Recipients on an ongoing basis and is maintained by the Department on automated systems.

BL 2004 Methodology

The percentage of default on HOME loans is calculated based on the total number of loans defaulted divided by the total number of loans for that period.

BL 2004 Purpose

Information is collected to identify the impact of loan repayment failures. It is important because it can serve as an indicator of potential financial problems.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 7 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 2	Provide Housing through HOME Investment Program
Measure Type EX	
Measure No. 2	Number of HOME Investment Program Loans or Grants Awarded

Calculation Method: C **Key Measure: N** **New Measure: N** **Range Preference: N** **Priority: L** Cross Reference:

BL 2004 Definition

The number of loans or grants awarded is based on the number of signed written agreements.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Performance figure represents the number of signed written agreements with Program Administrators.

BL 2004 Methodology

Actual number of signed written agreements.

BL 2004 Purpose

Information is collected to track the number of loans or grants awarded. The measure is important because it provides information on funding activity.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 8 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 2	Provide Housing through HOME Investment Program
Measure Type	OP
Measure No. 1	# Very Low/Low Income Househlds Benefitng HOME Invstmnt Prgm Lns/Grnts

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The projected number of low and very low income households receiving loans or grants is based on the number of households contracted for assistance through signed written agreements with Program Administrators. Low income represents 51-80 percent of median family income. Very low income represents 50 percent or less of median family income.

BL 2004 Data Limitations

The projected number of low and very low income households benefiting from the HOME programs is based on data contained in the signed written agreements.

BL 2004 Data Source

Performance is submitted by program recipients on an ongoing basis. Data is entered and maintained by the Department on an automated system.

BL 2004 Methodology

Figure represents the number of households contracted for assistance through the signed written agreements. Data is entered and maintained by the Department on automated systems.

BL 2004 Purpose

The HOME program provides housing assistance for low, very low, and extremely low income people through acquisition, new construction, rehabilitation, reconstruction, tenant based rental assistance, and pre-development loans. The measure is important because it identifies the level of service the program was able to provide to the target population.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 9 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 3	Federal Rental Assistance through Section 8 Certificates and Vouchers
Measure Type EF	
Measure No. 1	Average Cost Per Household Served Under Section 8

Calculation Method: N **Key Measure: N** **New Measure: N** **Range Preference: L** **Priority: H** Cross Reference:

BL 2004 Definition

The average cost per household served represents an average of the local operators payments and TDHCA administrative expenditures.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Expenditures are tracked through the Department's financial automated system.

BL 2004 Methodology

The average cost per household served is the sum of local operators payments and TDHCA administrative expenditures divided by the total number of contracts executed and managed, i.e., total new and renewed contracts added to the number of contracts in place September 1.

BL 2004 Purpose

The measure identifies the efficiency in costs to provide Section 8 services to a very low income household.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 10 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 3	Federal Rental Assistance through Section 8 Certificates and Vouchers
Measure Type	OP
Measure No. 1	# VLI Households Receiving Section 8 Certificates and Vouchers

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The number of very low income households receiving rent supplements represents the total number of households participating in the Section 8 Certificate Program and the Housing Voucher Program.

BL 2004 Data Limitations

No limitations of data.

BL 2004 Data Source

The total number of households is based on information obtained from the "Tenant Quick Reference" report. Contract information is data entered and maintained on the Departments mainframe computer.

BL 2004 Methodology

The performance figure reported for the first quarter represents the total number of households receiving Section 8 assistance as of September 1. New contracts executed for the months of September, October, and November are then added to the September 1 figure. Subsequent quarters report only new contracts executed for the reporting period.

BL 2004 Purpose

The Section 8 program provides rental subsidy payments directly to the owners of housing occupied by low income tenants in small cities and rural communities not served by similar local or regional programs. The measure is important because it identifies the effectiveness of the program in providing services to very low income households.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 11 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 4	Provide Federal Tax Credits to Develop Rental Housing for VLI and LI
Measure Type EF	
Measure No. 1	Projected Average Cost Per Unit Developed

Calculation Method: N **Key Measure: N** **New Measure: N** **Range Preference: L** **Priority: H** Cross Reference:

BL 2004 Definition

The projected average cost per unit developed is based on the total tax incentives allocated as a percent of the number of units set aside.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

The number of units set aside is based on Land Use Restrictive Covenant Agreement (LURA) carryover or an IRS Form 8609.

BL 2004 Methodology

The average cost in federal tax incentives per rental unit developed is determined by dividing the total tax incentives allocated by the number of units set aside for affordable housing through either a LURA carryover or an IRS Form 8609. Cost does not include tax exempt bond projects.

BL 2004 Purpose

Performance is measured to identify the level of service to low and very low income households. The measure is important because it identifies the costs associated with developing housing units and the efficiency of allocating tax credits.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 12 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 4	Provide Federal Tax Credits to Develop Rental Housing for VLI and LI
Measure Type EX	
Measure No. 1	Number of Federal Tax Credit Allocations Made by TDHCA

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The number of project owners that receive federal tax credits is determined by identifying the number of properties which received tax credits through either a carryover or an IRS Form 8609.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Data is maintained in the Departments automated information systems.

BL 2004 Methodology

Actual number of properties receiving federal tax credits.

BL 2004 Purpose

The purpose of the measure is to identify the level of activity for the program. It is important because it provides information on the number of federal tax credit allocations issued.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 13 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 4	Provide Federal Tax Credits to Develop Rental Housing for VLI and LI
Measure Type	OP
Measure No. 1	Number of Very Low and Low Income Units Set Aside

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The total number of rental units to be set aside for low and very low income households as a result of federal tax credits provided through TDHCA is determined by identifying the number of units that are rent and income restricted as per federal requirements set in Section 42 of the Internal Revenue Code. At a minimum, 40% of the units must be set aside for households at 60% of the Area Median Gross Income (AMGI) or 20% must be set aside for 50% of the AMGI. Measure includes tax exempt bond projects.

BL 2004 Data Limitations

No limitations of data.

BL 2004 Data Source

Data is maintained in the Department's automated information systems.

BL 2004 Methodology

The number of units set aside is determined by identifying the number of units that are rent and income restricted.

BL 2004 Purpose

The LIHTC program provides credits against federal income taxes for owners of qualified low income rental housing projects and the allocation of available tax credit amounts. The measure is important because it identifies the level of service provided to low and very low income households.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 14 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 5	Federal Mortgage Loans, through the MRB Prog Below Conventional Rate
Measure Type EF	
Measure No. 1	Average Amount Provided Per First-time Homebuyer Loan

Calculation Method: N **Key Measure: N** **New Measure: N** **Range Preference: L** **Priority: L** Cross Reference:

BL 2004 Definition

The average loan amount under the mortgage revenue bond first time homebuyer program is obtained from data that is updated on a monthly basis by the master servicer.

BL 2004 Data Limitations

Reporting performance of measure is based on the master servicer providing required data.

BL 2004 Data Source

The number of very low, low and moderate income households receiving loans is determined based on information provided by the master servicer.

BL 2004 Methodology

The total amount of loans purchased is divided by the number of loans purchased.

BL 2004 Purpose

Performance is measured to identify the level of service to low, very low and moderate income households. The measure is important because it identifies the average amount of funds the program is providing for a household.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 15 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 5	Federal Mortgage Loans, through the MRB Prog Below Conventional Rate
Measure Type EX	
Measure No. 1	Number of Lenders Participating in the First-time Homebuyer Program

Calculation Method: C **Key Measure: N** **New Measure: N** **Range Preference: N** **Priority: L** Cross Reference:

BL 2004 Definition

Invitations to participate in mortgage revenue bond programs are sent to lending institutions statewide. Lenders must meet certain criteria established jointly by the master servicer and the division. Qualifying lenders are then selected and subsequently monitored by the division.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Data is maintained in the Departments automated information systems.

BL 2004 Methodology

Actual number of participating lenders.

BL 2004 Purpose

Information is collected to track the number of lenders participating in the first-time homebuyer program. This measure is important in that it shows the level of lender participation in the program.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 16 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 5	Federal Mortgage Loans, through the MRB Prog Below Conventional Rate
Measure Type	OP
Measure No. 1	# VL/L Income Households That Received Loans through the MRB Program

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The total number of loans made to very low and low income households is data that is captured, and updated on a monthly basis by the master servicer, and supplied to the Department.

BL 2004 Data Limitations

Reporting performance of measure is based on the master servicer providing required data.

BL 2004 Data Source

Data is provided by the master servicer and maintained in the Department.

BL 2004 Methodology

The number of very low and low income households receiving loans is determined based on information provided by the master servicer.

BL 2004 Purpose

Under the Single Family Bond program, the Department issues mortgage revenue bonds to help lower income working families buy their first homes with low interest loans. Performance is measured to identify actual loans purchased on behalf of the Department through a data gathering method. The measure is important because it identifies the level of service to very low and low income households.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 17 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 5	Federal Mortgage Loans, through the MRB Prog Below Conventional Rate
Measure Type	OP
Measure No. 2	# of MI Households That Received Loans through the MRB Program

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The total number of loans made to moderate income households is data that is captured, and updated on a monthly basis by the master servicer, and supplied to the Department.

BL 2004 Data Limitations

Reporting performance of measure is based on the master servicer providing required data.

BL 2004 Data Source

Data is provided by the master servicer and maintained in the Department.

BL 2004 Methodology

The number of moderate income households receiving loans is determined based on information provided by the master servicer.

BL 2004 Purpose

Under the Single Family Bond program, the Department issues mortgage revenue bonds to help working families buy their first homes with low interest loans. Performance is measured to identify actual loans purchased on behalf of the Department through a data gathering method. The measure is important because it identifies the level of service to moderate income households.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 18 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 6	Federal Mortgage Loans through the MRB Program for Multifamily Units
Measure Type EF	
Measure No. 1	Average Cost Per Multifamily Rental Units Constructed

Calculation Method: N **Key Measure: N** **New Measure: N** **Range Preference: L** **Priority: H** Cross Reference:

BL 2004 Definition

The average cost per newly constructed multifamily unit is the total costs of all multifamily rental units constructed for the period divided by the number of units constructed for the period.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Data is maintained in the Department's automated information systems.

BL 2004 Methodology

The average cost is based on the total costs of all multifamily rental units constructed for the period divided by the number of units constructed for the period.

BL 2004 Purpose

Under the Multifamily Bond program, the Department issues tax-exempt and taxable multifamily MRB's to fund loans to for-profit and qualifying nonprofit 501 (c)(3) organizations for the acquisition or development of affordable rental units. The measure is important because performance measure identifies the average cost per constructed unit.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 19 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 6	Federal Mortgage Loans through the MRB Program for Multifamily Units
Measure Type EF	
Measure No. 2	Average Cost Per Preserved Unit

Calculation Method: N **Key Measure: N** **New Measure: N** **Range Preference: L** **Priority: H** Cross Reference:

BL 2004 Definition

The average cost per acquired, rehabilitated or preserved unit is the total cost of all multifamily rental units acquired, rehabilitated or preserved for the period divided by the number of units acquired, rehabilitated or preserved for the period.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Data is maintained in the Department's automated information systems.

BL 2004 Methodology

The average cost is based on the total costs of all multifamily rental units acquired, rehabilitated or preserved for the period divided by the number of units acquired, rehabilitated or preserved for the period.

BL 2004 Purpose

Under the Multifamily Bond program, the Department issues tax-exempt and taxable multifamily MRB's to fund loans to for-profit and qualifying nonprofit 501 (c) (3) organizations for the acquisition or development of affordable rental units. The performance measure is important because the average cost per acquired, rehabilitated or preserved unit is identified.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 20 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 6	Federal Mortgage Loans through the MRB Program for Multifamily Units
Measure Type EX	
Measure No. 1	Rate of Default on Multifamily Housing Development Loans

Calculation Method: N **Key Measure: N** **New Measure: N** **Range Preference: L** **Priority: L** Cross Reference:

BL 2004 Definition

The sum of all mortgage revenue bond issues that are in default with any terms of the trust indenture or loan agreement divided by the sum of all mortgage revenue bond issues.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Data is maintained in the Department's automated information systems.

BL 2004 Methodology

The rate of default is determined by calculating the sum of all mortgage revenue bond issues in default and dividing by the sum of all mortgage revenue bond issues.

BL 2004 Purpose

Information identifies the rate of loans in default compared to all mortgage revenue bonds. The measure is important because it can serve as an important indicator of potential financial problems.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 21 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 1	Increase Availability of Safe/Decent/Affordable Housing
Objective No. 1	Make Loans/Grants/Incentives Avail Fund/Develop/Create/Preserve Housg
Strategy No. 6	Federal Mortgage Loans through the MRB Program for Multifamily Units
Measure Type	OP
Measure No. 1	# Multifamily Rental Units As a Result of MRB Program

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

A count of the rental units financed within the reporting period for persons and families of very low and low income.

BL 2004 Data Limitations

The Texas Department of Housing and Community Affairs does not allocate funds for this program consequently, it is difficult to target performance. Performance will depend on the allocation of volume cap by state lottery conducted by the Texas Bond Review Board.

BL 2004 Data Source

Data is maintained in the Department's automated information systems.

BL 2004 Methodology

The number of multifamily rental units developed is based on the actual awards.

BL 2004 Purpose

Under the Multifamily Bond program, the Department issues tax-exempt and taxable multifamily MRB's to fund loans to for-profit and qualifying nonprofit 501 (c)(3) organizations for the acquisition or development of affordable rental units. The measure is important because properties financed through the programs are subject to unit set aside restrictions for lower income tenants and persons with special needs. Performance measure identifies the number of very low and low income households provided rental housing assistance.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 22 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 2	To Improve the Living Conditions and Lives of Border Residents in TX
Objective No. 1	Fund Project Which Creates/Retains Jobs & Housing Assistance/Planning
Strategy No. 2	To Provide Technical Assistance to Colonias through Field Offices
Measure Type	OP
Measure No. 1	# On-site Technical Assistance Visits Conducted by Field Offices

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The number of technical assistance visits is based on actual on-site technical assistance visits conducted by the field offices' staff. Technical assistance visits includes: meeting with local governments (cities & counties) staff and nonprofits providing agency information on programs and services; follow-up on contract compliance measures with Colonia Self-Help Centers; and general interview sessions with individuals to provide referral services to other office and agencies available to address issues of concern.

BL 2004 Data Limitations

No limitations of data.

BL 2004 Data Source

Actual on-site visits are reported by staff.

BL 2004 Methodology

On-site visits are manually tracked by staff.

BL 2004 Purpose

The purpose of the measure is to identify the level of technical assistance provided to Colonia residents as required by Senate Bill 1509. This measure is important because it identifies the effectiveness of the program and compliance with legislative mandates.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 23 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 2	To Improve the Living Conditions and Lives of Border Residents in TX
Objective No. 1	Fund Project Which Creates/Retains Jobs & Housing Assistance/Planning
Strategy No. 2	To Provide Technical Assistance to Colonias through Field Offices
Measure Type OP	
Measure No. 2	Number of Colonia Residents Receiving Assistance

Calculation Method: C **Key Measure: N** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The number of Colonia residents receiving technical assistance annually through the Colonia Field offices represents the number of Colonia residents participating in the consumer education workshops, including assistance provided to Colonia residents for submission of applications to participate in Department programs.

BL 2004 Data Limitations

Deviation from targeted performance could occur if participation of Colonia residents is lower than expected.

BL 2004 Data Source

Actual assistance provided.

BL 2004 Methodology

Technical assistance provided is manually tracked by staff.

BL 2004 Purpose

This measure is important because it identifies the effectiveness of the program in providing assistance to Colonia residents with a wide array of services.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 24 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 2	To Improve the Living Conditions and Lives of Border Residents in TX
Objective No. 1	Fund Project Which Creates/Retains Jobs & Housing Assistance/Planning
Strategy No. 2	To Provide Technical Assistance to Colonias through Field Offices
Measure Type	OP
Measure No. 3	# of Entities and/or Individuals Receiving Informational Resources

Calculation Method: C **Key Measure: N** **New Measure: N** **Range Preference: H** **Priority: L** Cross Reference:

BL 2004 Definition

The number of persons educated as a result of Senate Bill 336 is calculated by adding together the number of people: attending training/lectures, calling and/or receiving information; the number of publications distributed (newsletter, magazine, or paper), population viewing or hearing media public service spots (calculated by radio or TV station).

BL 2004 Data Limitations

Deviation from targeted performance could occur if participation of Colonia residents is lower than expected.

BL 2004 Data Source

Actual persons receiving services.

BL 2004 Methodology

Information is manually tracked by staff.

BL 2004 Purpose

The Office of Colonia Initiatives is responsible for developing and implementing the Contract For Deed Consumer Education Program (Senate Bill 336) for residents who purchase residential land under a contract for deed. This measure is important because it supports Senate Bill 336 and identifies the effectiveness of the program.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 25 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 3	Improve Living Conditions for Poor/Homeless & Reduce Energy Costs for VLI
Objective No. 1	Ease Hardships for 16% of Homeless & Very Low Income Persons Each Year
Strategy No. 1	Administer Poverty-related Federal Funds through a Network of Agencies
Measure Type EF	
Measure No. 1	Average Agency Administrative Cost Per Person Assisted

Calculation Method: N **Key Measure: N** **New Measure: N** **Range Preference: L** **Priority: M** Cross Reference:

BL 2004 Definition

The average agency administrative cost per person assisted represents personnel costs, operating costs, capital expenditures and indirect expenditures as identified in the LAR. The Department's fiscal section calculates expenditures related to personnel, operations, capital items, and indirect costs.

BL 2004 Data Limitations

A possible limitation could be limitations on obtaining expenditure data for the reported period.

BL 2004 Data Source

The total number of persons served is gathered from the contractors' monthly performance reports.

BL 2004 Methodology

The efficiency measure is determined by dividing the total administrative expenditure of Community Service funds by the total number of clients served in Community Service programs.

BL 2004 Purpose

The purpose of the CSBG program is to help alleviate the causes of poverty in communities throughout the State. This measure shows the efficiency in costs to administer the program.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 26 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 3	Improve Living Conditions for Poor/Homeless & Reduce Energy Costs for VLI
Objective No. 1	Ease Hardships for 16% of Homeless & Very Low Income Persons Each Year
Strategy No. 1	Administer Poverty-related Federal Funds through a Network of Agencies
Measure Type EX	
Measure No. 1	Number of Emergency Shelters

Calculation Method: C **Key Measure: N** **New Measure: N** **Range Preference: N** **Priority: M** Cross Reference:

BL 2004 Definition

Figure represents the most recent census data.

BL 2004 Data Limitations

Information is collected every ten years.

BL 2004 Data Source

Information is obtained from the most recent census data.

BL 2004 Methodology

Number is actual.

BL 2004 Purpose

The purpose of the CSBG program is to help alleviate the causes of poverty in communities throughout the State. The measure identifies the number of persons in need.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 27 of 61

Agency Code: **332** Agency: **Department of Housing and Community Affairs**
Goal No. 3 Improve Living Conditions for Poor/Homeless & Reduce Energy Costs for VLI
Objective No. 1 Ease Hardships for 16% of Homeless & Very Low Income Persons Each Year
Strategy No. 1 Administer Poverty-related Federal Funds through a Network of Agencies
Measure Type EX
Measure No. 2 Number of Persons in Poverty

Calculation Method: C **Key Measure: N** **New Measure: N** **Range Preference: N** **Priority: M** Cross Reference:

BL 2004 Definition

Figure represents the most recent census data.

BL 2004 Data Limitations

Information is collected every ten years.

BL 2004 Data Source

Information is obtained from the most recent census data.

BL 2004 Methodology

Number is actual.

BL 2004 Purpose

The purpose of the CSBG program is to help alleviate the causes of poverty in communities throughout the State. The measure identifies the number of persons in need.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 28 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 3	Improve Living Conditions for Poor/Homeless & Reduce Energy Costs for VLI
Objective No. 1	Ease Hardships for 16% of Homeless & Very Low Income Persons Each Year
Strategy No. 1	Administer Poverty-related Federal Funds through a Network of Agencies
Measure Type OP	
Measure No. 1	Number of Persons Assisted through Homeless and Poverty-related Funds

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

Community Services contractors submit information regarding the number of persons assisted through homeless and poverty related programs on a monthly basis. Contractors track the data on a daily basis and incorporate it into a monthly performance report. Monthly performance report information is entered on the mainframe and maintained by the Department.

BL 2004 Data Limitations

A possible limitation could be contractors failing to submit required reports on a timely basis.

BL 2004 Data Source

The total number of persons served is gathered from the contractors' monthly performance reports.

BL 2004 Methodology

Performance reported is actual number.

BL 2004 Purpose

The purpose of the CSBG program is to help alleviate the causes of poverty in communities throughout the State. The measure is important because it identifies the number of persons the program has assisted.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 29 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 3	Improve Living Conditions for Poor/Homeless & Reduce Energy Costs for VLI
Objective No. 1	Ease Hardships for 16% of Homeless & Very Low Income Persons Each Year
Strategy No. 1	Administer Poverty-related Federal Funds through a Network of Agencies
Measure Type OP	
Measure No. 2	Number of Persons Assisted That Achieve Incomes Above Poverty Level

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

Measure relates to the number of persons assisted that achieve incomes above poverty level for a minimum of 90 days. Contractors are required to track the number of persons assisted that achieve incomes above the poverty level as a result of efforts by the contractor. Contractors report this information in their monthly performance report. The data is entered on the mainframe and maintained by the Department. The number reported reflects actual persons assisted.

BL 2004 Data Limitations

A possible limitation could be contractors failing to submit required reports on a timely basis.

BL 2004 Data Source

The number of persons achieving incomes above poverty level is reported in the contractors' monthly performance reports.

BL 2004 Methodology

Performance reported is actual number.

BL 2004 Purpose

The purpose of the CSBG program is to help alleviate the causes of poverty in communities throughout the State. The measure is important because it identifies the number of persons the program has helped to achieve incomes above the poverty level.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 30 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 3	Improve Living Conditions for Poor/Homeless & Reduce Energy Costs for VLI
Objective No. 1	Ease Hardships for 16% of Homeless & Very Low Income Persons Each Year
Strategy No. 1	Administer Poverty-related Federal Funds through a Network of Agencies
Measure Type OP	
Measure No. 3	Number of Shelters Assisted

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

Measure relates to the number of shelters assisted through ESGP funds. The Department counts each project funded through ESGP contractors as a shelter assisted. The Department tracks this information from contract records. Assistance to a shelter is reported only once a year during the quarter the contract is initiated.

BL 2004 Data Limitations

No limitations on data.

BL 2004 Data Source

The Department tracks information from contract records.

BL 2004 Methodology

Performance reported is actual number.

BL 2004 Purpose

The purpose of the Emergency Shelter Grants program is to rehabilitate or convert buildings for use as emergency shelters for the homeless, to pay certain operating expenses and essential services in connection with emergency shelters for the homeless, and to provide homeless prevention activities. The measure is important because it measures the effectiveness of the program and identifies the number of shelters the program has been able to fund.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 31 of 61

Agency Code: **332** Agency: **Department of Housing and Community Affairs**
Goal No. 3 Improve Living Conditions for Poor/Homeless & Reduce Energy Costs for VLI
Objective No. 2 Reduce Cost of Home Energy for 6% of Very Low Income Households
Strategy No. 1 Administer the State Energy Assistance Programs
Measure Type EF
Measure No. 1 Average Cost Per Household Served

Calculation Method: N Key Measure: N New Measure: N Range Preference: L Priority: H Cross Reference:

BL 2004 Definition

The average cost per household served is calculated based on the Monthly Funding Performance Report from subgrantees and expenditure report from TDHCA Budget and Accounting section.

BL 2004 Data Limitations

Performance reports from contractors received past due dates could result in incomplete data.

BL 2004 Data Source

The average cost per household served is calculated based on the Monthly Funding Performance Report from subgrantees and expenditure report from TDHCA Budget and Accounting section.

BL 2004 Methodology

Calculations are based on the total administrative expenditures including indirect cost for the Energy Assistance section divided by the total number of households served.

BL 2004 Purpose

The measure identifies the average administrative cost to provide service to a household.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 32 of 61

Agency Code: **332** Agency: **Department of Housing and Community Affairs**
Goal No. 3 Improve Living Conditions for Poor/Homeless & Reduce Energy Costs for VLI
Objective No. 2 Reduce Cost of Home Energy for 6% of Very Low Income Households
Strategy No. 1 Administer the State Energy Assistance Programs
Measure Type EF
Measure No. 2 Average Cost Per Home Weatherized

Calculation Method: N Key Measure: N New Measure: N Range Preference: L Priority: H Cross Reference:

BL 2004 Definition

The statewide average cost to weatherize a home includes the cumulative cost of labor, materials, program support and health and safety measure for all completed units in the state divided by the number of completed units.

BL 2004 Data Limitations

Increase or reduction in funding could create a variance in the targeted goal.

BL 2004 Data Source

Monthly expenditures and performance reports are entered by subgrantees through the Department's online reporting system.

BL 2004 Methodology

Calculations are based on the cumulative cost of labor, materials, and program support for all completed units in the state divided by the number of completed units.

BL 2004 Purpose

The measure identifies the average cost to perform weatherization on a home.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 33 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 3	Improve Living Conditions for Poor/Homeless & Reduce Energy Costs for VLI
Objective No. 2	Reduce Cost of Home Energy for 6% of Very Low Income Households
Strategy No. 1	Administer the State Energy Assistance Programs
Measure Type EX	
Measure No. 1	Number of Very Low Income Households Eligible for Energy Assistance

Calculation Method: C **Key Measure: N** **New Measure: N** **Range Preference: N** **Priority: M** Cross Reference:

BL 2004 Definition

The number of very low income households eligible for energy assistance in Texas is determined based on the maximum eligibility limit of 125% of the Federal OMB poverty guidelines. Additionally, priority and further eligibility requirements are taken into consideration as required for weatherization under U.S. Department of Energy guidelines for all Low Income Home Energy Assistance Program Block Grant supported operations.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

The performance of the measure is based on the most recent census data using an average family size of 2.6.

BL 2004 Methodology

Data represents an actual number.

BL 2004 Purpose

The purpose of the measure is to identify the eligible population for the state. It is important because it identifies the level of need in the state.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 34 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 3	Improve Living Conditions for Poor/Homeless & Reduce Energy Costs for VLI
Objective No. 2	Reduce Cost of Home Energy for 6% of Very Low Income Households
Strategy No. 1	Administer the State Energy Assistance Programs
Measure Type	OP
Measure No. 1	Number of Households Receiving Energy Assistance

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The number of households assisted through the Comprehensive Energy Assistance Program represents the number of unduplicated households receiving services under the co-pay and elderly components, plus the number of households receiving services under the Energy Crisis Program (ECP). The ECP component may be a duplicated count because of HHS mandates for reporting. Households receiving the heating and cooling component services are always duplicated and are not reported here.

BL 2004 Data Limitations

Targeted performance could be impacted by changes in funding levels, the price of energy and extremes in temperature.

BL 2004 Data Source

Monthly expenditures and performance reports are entered by subgrantees through the Department's online reporting system.

BL 2004 Methodology

Number is actual.

BL 2004 Purpose

The LIHEAP program provides direct financial assistance for energy needs of low income persons through the Comprehensive Energy Assistance Program (CEAP), and to partially fund the Weatherization Assistance Program. The WAP program provides residential weatherization and other cost-effective energy-related home repair to increase the energy efficiency of dwellings owned or occupied by low-income persons. The measure is important because it identifies the effectiveness of the program and the number of persons the program has assisted.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 35 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 3	Improve Living Conditions for Poor/Homeless & Reduce Energy Costs for VLI
Objective No. 2	Reduce Cost of Home Energy for 6% of Very Low Income Households
Strategy No. 1	Administer the State Energy Assistance Programs
Measure Type OP	
Measure No. 2	Number of Dwelling Units Weatherized by the Department

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The number of dwelling units weatherized is based on Monthly Progress Expenditure/Monthly Fund Request Reports submitted to the Department by the weatherization subgrantees. Performance data from these reports is entered in an automated system and maintained by the Department. The performance number reported represents the actual number of dwelling units weatherized for the period reported.

BL 2004 Data Limitations

Targeted performance could be impacted by changes in funding levels.

BL 2004 Data Source

Monthly expenditures and performance reports are entered by subgrantees through the Department's online reporting system. Performance figures represent an unduplicated number of weatherization units from the Department's various energy programs.

BL 2004 Methodology

Number is actual.

BL 2004 Purpose

The WAP program provides residential weatherization and other cost-effective energy-related home repair to increase the energy efficiency of dwellings owned or occupied by low-income persons. The measure is important because it shows the effectiveness of the program through the number of homes the program has provided weatherization services.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 36 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 3	Improve Living Conditions for Poor/Homeless & Reduce Energy Costs for VLI
Objective No. 2	Reduce Cost of Home Energy for 6% of Very Low Income Households
Strategy No. 1	Administer the State Energy Assistance Programs
Measure Type OP	
Measure No. 3	Number of Units Weatherized with System Benefit Funds (SBF)

Calculation Method: C **Key Measure: N** **New Measure: Y** **Range Preference: L** **Priority:** **Cross Reference:**

BL 2004 Definition

The number of households receiving weatherization services is based on Monthly Progress Expenditure/Monthly Fund Request Reports submitted to the Department by the energy efficiency service providers. Performance data from these reports is entered in an automated system by service providers and maintained by the Department. The performance number reported represents the actual number of households receiving weatherization services through the SBF programs for the period reported.

BL 2004 Data Limitations

Targeted performance could be impacted by changes in funding levels.

BL 2004 Data Source

Monthly expenditures and performance reports are entered by energy efficiency service providers through the Department's online reporting system. The SBF energy efficiency programs are not stand alone programs, because they are administered and implemented by TDHCA in coordination with existing weatherization programs. Performance figures for this measure represent a duplicated households served number from the Department's various energy programs.

BL 2004 Methodology

Number is actual.

BL 2004 Purpose

The SBF energy efficiency programs provide weatherization assistance, energy efficient refrigerators, energy efficient compact fluorescent lights and low flow water savers to low income households served by utility companies participating in customer choice. The measure is important because it shows the effectiveness of the program through the number of homes which received weatherization services through the SBF programs.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 37 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 4	Ensure Compliance with Program Mandates
Objective No. 1	Monitor Housing Properties and Loan/Grant Recipients
Strategy No. 1	Review Housing Property Affordability Documents
Measure Type EF	
Measure No. 1	Average Cost/On-site Review

Calculation Method: N **Key Measure: N** **New Measure: N** **Range Preference: L** **Priority: H** Cross Reference:

BL 2004 Definition

The average cost of an onsite review includes the resources needed to provide an in-depth determination of program compliance and effectiveness of rental programs.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Expenditure data is maintained in the Department's automated information systems.

BL 2004 Methodology

The average cost is derived by dividing rental housing compliance monitoring budget for onsite reviews by the number of onsite reviews.

BL 2004 Purpose

The measure identifies the average cost to perform an onsite review.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 38 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 4	Ensure Compliance with Program Mandates
Objective No. 1	Monitor Housing Properties and Loan/Grant Recipients
Strategy No. 1	Review Housing Property Affordability Documents
Measure Type EF	
Measure No. 2	Average Cost Per Desk Review

Calculation Method: N **Key Measure: N** **New Measure: N** **Range Preference: L** **Priority: H** Cross Reference:

BL 2004 Definition

The average cost of a desk review includes the resources needed to provide an overall and ongoing determination of program compliance, and effectiveness of rental programs.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Expenditure data is maintained in the Department's automated information systems.

BL 2004 Methodology

The average cost is derived by dividing the rental housing compliance monitoring budget for onsite reviews by the number of desk reviews.

BL 2004 Purpose

The measure identifies the average cost to perform a desk review.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 39 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 4	Ensure Compliance with Program Mandates
Objective No. 1	Monitor Housing Properties and Loan/Grant Recipients
Strategy No. 1	Review Housing Property Affordability Documents
Measure Type EX	
Measure No. 1	# of Multi/Single Family Rental Properties

Calculation Method: C **Key Measure: N** **New Measure: N** **Range Preference: L** **Priority: H** Cross Reference:

BL 2004 Definition

The total number of housing projects in the TDHCA compliance portfolio. This number represents the portfolio of compliance responsibility, whether or not a project is monitored only by on-site file review, desk review only, or a combination of onsite and desk reviews, depending on program requirements. Program project totals vary throughout the year, as a few projects are deleted and many more added.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Program totals are maintained by data bases.

BL 2004 Methodology

Figure represents actual number of projects.

BL 2004 Purpose

The measure provides information of the total number of housing projects.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 40 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 4	Ensure Compliance with Program Mandates
Objective No. 1	Monitor Housing Properties and Loan/Grant Recipients
Strategy No. 1	Review Housing Property Affordability Documents
Measure Type EX	
Measure No. 2	Number of Units Administered

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: N** **Priority: M** Cross Reference:

BL 2004 Definition

Total number of affordable housing units in the multi and single family rental projects monitored by the Department. Units under construction as well as units available for lease are included in the total.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Unit totals are maintained by individual data bases.

BL 2004 Methodology

Figure represents actual number of units constructed or rehabilitated.

BL 2004 Purpose

The measure provides information of the total rental units monitored by the Department.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 41 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 4	Ensure Compliance with Program Mandates
Objective No. 1	Monitor Housing Properties and Loan/Grant Recipients
Strategy No. 1	Review Housing Property Affordability Documents
Measure Type OP	
Measure No. 1	Number of On-site Reviews

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

Measure represents the number of on-site and in-depth desk reviews (done in lieu of on-site reviews for projects with 10 or less units) conducted under rental programs. The reviews provide the best measure of program compliance and effectiveness of affordable housing programs. The frequency of reviews is either statutorily or agency required, therefore the number meets or exceeds the specific program requirement.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

The data is gathered by program from Department databases.

BL 2004 Methodology

The number reported is the actual number of reviews performed.

BL 2004 Purpose

The measure meets statutory and agency requirements.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 42 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 4	Ensure Compliance with Program Mandates
Objective No. 1	Monitor Housing Properties and Loan/Grant Recipients
Strategy No. 1	Review Housing Property Affordability Documents
Measure Type OP	
Measure No. 2	Number of Desk Reviews

Calculation Method: C **Key Measure: N** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

Measure represents the number of desk reviews conducted under rental programs. In addition to on-site reviews, monthly, quarterly, and-or annual compliance reporting is required. These reports are a vehicle for measuring overall and ongoing compliance with rent, income, and other controls and requirements. The frequency in the number of reports is determined by program requirement, and may vary depending on the level of compliance.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

The data is gathered by program from Department data bases.

BL 2004 Methodology

Number is actual.

BL 2004 Purpose

The measure meets statutory and agency requirements.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 43 of 61

Agency Code: **332** Agency: **Department of Housing and Community Affairs**
Goal No. 4 Ensure Compliance with Program Mandates
Objective No. 1 Monitor Housing Properties and Loan/Grant Recipients
Strategy No. 1 Review Housing Property Affordability Documents
Measure Type OP
Measure No. 3 Number of Owners Receiving Training

Calculation Method: C **Key Measure: N** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

Measure represents the number of project owners and managers attending Department compliance training. The number of project owners and managers is totaled after each training session and maintained in Department records.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

The number of participants is totaled after each training session.

BL 2004 Methodology

Number is actual.

BL 2004 Purpose

The measure identifies the number attending compliance training.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 44 of 61

Agency Code: **332** Agency: **Department of Housing and Community Affairs**

Goal No.	4	Ensure Compliance with Program Mandates
Objective No.	1	Monitor Housing Properties and Loan/Grant Recipients
Strategy No.	2	Review Financial Documents of Loan/Grant Recipients
Measure Type	EF	
Measure No.	1	Average Cost Per On-site Financial Review

Calculation Method: N **Key Measure: N** **New Measure: N** **Range Preference: L** **Priority: H** Cross Reference:

BL 2004 Definition

The average cost of an on-site financial review includes staff and travel resources needed to provide an in-depth determination of financial compliance of Federal and State grant sub-recipients.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Report generated based on information entered in the travel vouchers and Personnel agency data base.

BL 2004 Methodology

The average cost is derived by dividing the total travel dollars and related staff costs by the number of on-site reviews. (Reviews represent program areas: HOME, CSBG, Weatherization, CEAP, ENTERP, ESGP, Housing Trust; and Compliance division.)

BL 2004 Purpose

Measure identifies the average cost to perform an onsite financial review.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 45 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 4	Ensure Compliance with Program Mandates
Objective No. 1	Monitor Housing Properties and Loan/Grant Recipients
Strategy No. 2	Review Financial Documents of Loan/Grant Recipients
Measure Type EF	
Measure No. 2	Average Cost Per Single Audit Review

Calculation Method: N **Key Measure: N** **New Measure: N** **Range Preference: L** **Priority: H** Cross Reference:

BL 2004 Definition

The average cost of a desk review, indicating staff resources needed to provide an overall and ongoing determination of financial compliance.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Expenditures are identified from Department data.

BL 2004 Methodology

The average cost is derived by dividing total staff costs by the total number of desk reviews.

BL 2004 Purpose

The measure identifies the average cost to review a single audit.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 46 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 4	Ensure Compliance with Program Mandates
Objective No. 1	Monitor Housing Properties and Loan/Grant Recipients
Strategy No. 2	Review Financial Documents of Loan/Grant Recipients
Measure Type EX	
Measure No. 1	Number of Sub-recipients Funded

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: N** **Priority: L** Cross Reference:

BL 2004 Definition

The total number of sub-recipients funded by TDHCA. This number represents the number of open contracts in a given year. Listing of open contracts are maintained by Department data bases. (Whole loan servicers and master servicers not included.) Programs represented: CSBG, ESGP, ENTERP, Weatherization, CEAP, HOME, Housing Trust.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Department files.

BL 2004 Methodology

Actual number.

BL 2004 Purpose

The measure provides information on the total number of program contracts administered by the Department for the programs specified and identifies the workload.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 47 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 4	Ensure Compliance with Program Mandates
Objective No. 1	Monitor Housing Properties and Loan/Grant Recipients
Strategy No. 2	Review Financial Documents of Loan/Grant Recipients
Measure Type OP	
Measure No. 1	Number of On-site Financial Reviews

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The number of onsite financial reviews conducted of Federal and State grant sub-recipients is based on the review of financial documents of sub-recipients of federal and state grants/loans as determined necessary and at the request of respective federal/state program areas, to ensure financial accountability and fiscal responsibility.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Report is generated based on information entered in the travel vouchers and Personnel agency data base.

BL 2004 Methodology

Performance measure represents the number of contracts reviewed that includes financial reviews performed by: HOME, CSBG, Weatherization and CEAP program areas, ENTERP, ESGP, Housing Trust; and Compliance division, as required by federal and/or state guidelines.

BL 2004 Purpose

The activity of the performance measure ensures that subrecipients are monitored for financial accountability and fiscal responsibility and is an indication of the ongoing review of program requirements.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 48 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 4	Ensure Compliance with Program Mandates
Objective No. 1	Monitor Housing Properties and Loan/Grant Recipients
Strategy No. 2	Review Financial Documents of Loan/Grant Recipients
Measure Type	OP
Measure No. 2	Number of Single Audit Reviews

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The number of desk reviews conducted of Federal and State grant sub-recipients. Submittal of Single Audits is required annually if the Federally mandated expenditure threshold is exceeded as defined by OMB Circular A-133. These reports are used to measure overall and ongoing compliance with program requirements, financial accountability of Federal and State grants and the overall internal controls of the sub-recipient.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

The data is gathered from Department data bases.

BL 2004 Methodology

Number is actual.

BL 2004 Purpose

Measure provides indication of the overall and ongoing compliance with program requirements, financial accountability of Federal and State grants and the overall internal controls of the sub-recipient.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 49 of 61

Agency Code: **332** Agency: **Department of Housing and Community Affairs**
Goal No. 5 Regulate Manufactured Housing Industry
Objective No. 1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other
Strategy No. 1 Provide Titling and Licensing Services in a Timely Manner
Measure Type EF
Measure No. 1 Average Cost Per Manufactured Housing Title Issued

Calculation Method: N **Key Measure: N** **New Measure: N** **Range Preference: L** **Priority: H** Cross Reference:

BL 2004 Definition

Total funds expended and encumbered during the reporting period for the issuance of manufactured housing titles. Cost includes Department overhead, salaries (permanent and temporary personnel), supplies, travel, postage, and other costs directly related to titling, including document review, handling, proofing, and notification.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

USAS.

BL 2004 Methodology

To achieve the average: Divide the total funds by the total number of titles issued in a reporting period.

BL 2004 Purpose

The measure shows the efficiency in costs to issue a title.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 50 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 5	Regulate Manufactured Housing Industry
Objective No. 1	Operate a Regulatory System Ensure Responsive Titling/Licensing/Other
Strategy No. 1	Provide Titling and Licensing Services in a Timely Manner
Measure Type EX	
Measure No. 1	Number of Manufactured Homes Titled in Texas

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: N** **Priority: L** Cross Reference:

BL 2004 Definition

The number of manufactured homes titled in Texas represents the number of manufactured homes with an existing title in the official manufactured housing titling database that is maintained by the Department.

BL 2004 Data Limitations

The measure is not representative of the total number of manufactured homes in Texas because there is a considerable number of titles canceled to real estate each year.

BL 2004 Data Source

Automated compilation through the Titling Tracking System.

BL 2004 Methodology

Actual number.

BL 2004 Purpose

This measure identifies the total number of homes titled in Texas.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 51 of 61

Agency Code: **332** Agency: **Department of Housing and Community Affairs**
Goal No. 5 Regulate Manufactured Housing Industry
Objective No. 1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other
Strategy No. 1 Provide Titling and Licensing Services in a Timely Manner
Measure Type OP
Measure No. 1 Number of Manufactured Housing Titles Issued

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The total number of manufactured housing titles issued for which a fee is charged (includes all transfers of ownership, salvage titles, title cancellations, reinstatements, and duplicate titles).

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Data is computer generated (Titling Tracking System) reports and accounting receipts.

BL 2004 Methodology

Number is actual.

BL 2004 Purpose

This measure identifies the total number of titles issued in a reporting period. It is important because it shows the workload associated with issuing titles.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 52 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 5	Regulate Manufactured Housing Industry
Objective No. 1	Operate a Regulatory System Ensure Responsive Titling/Licensing/Other
Strategy No. 1	Provide Titling and Licensing Services in a Timely Manner
Measure Type OP	
Measure No. 2	Number of Licenses Issued

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The total number of manufactured housing licenses issued to qualifying applicants (type of applicants; broker, installer, manufacturer, retailer, retailer/broker, retailer/broker/installer, retailer/installer, salvage rebuilder and salespersons). The number calculated includes reprints, duplicates, and revisions to existing licenses.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Data is computer generated through the Licensing Tracking System.

BL 2004 Methodology

Number is actual.

BL 2004 Purpose

This measure identifies the total number of licenses issued in a reporting period. It is important because it shows the workload associated with issuing licenses.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 53 of 61

Agency Code:	332	Agency:	Department of Housing and Community Affairs
Goal No.	5		Regulate Manufactured Housing Industry
Objective No.	1		Operate a Regulatory System Ensure Responsive Titling/Licensing/Other
Strategy No.	2		Conduct Inspections of Manufactured Homes in a Timely Manner
Measure Type	EF		
Measure No.	1		Average Cost Per Routine Inspection

Calculation Method: N **Key Measure: N** **New Measure: N** **Range Preference: L** **Priority: H** Cross Reference:

BL 2004 Definition

The total funds expended and encumbered during the reporting period for conducting an installation inspection. Cost includes Department overhead, salaries (permanent and temporary personnel); supplies; travel; postage; and other cost directly related to the enforcement of the inspection function.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

USAS, Installation Tracking System.

BL 2004 Methodology

To achieve the average: Divide the total funds by the number of installation inspections conducted within the reporting period.

BL 2004 Purpose

The measure identifies the efficiency in costs to perform a routine inspection.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 54 of 61

Agency Code: **332** Agency: **Department of Housing and Community Affairs**
Goal No. 5 Regulate Manufactured Housing Industry
Objective No. 1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other
Strategy No. 2 Conduct Inspections of Manufactured Homes in a Timely Manner
Measure Type EX
Measure No. 1 Number of Installation Reports Received

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The total number of installation reports received within a reporting period. Installation reports are received from lenders, retailers, installers, consumers, and other sources.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Source: Installation Tracking System.

BL 2004 Methodology

Actual number.

BL 2004 Purpose

The measure provides information on the total number of inspections received.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 55 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 5	Regulate Manufactured Housing Industry
Objective No. 1	Operate a Regulatory System Ensure Responsive Titling/Licensing/Other
Strategy No. 2	Conduct Inspections of Manufactured Homes in a Timely Manner
Measure Type EX	
Measure No. 2	Number of Installation Inspections with Deviations

Calculation Method: C **Key Measure: N** **New Measure: N** **Range Preference: N** **Priority: H** Cross Reference:

BL 2004 Definition

The total number of installation inspections with deviations documented. An inspector may list several violations on a single installation inspection, but it only accounts for one reported deviation.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Source: Installation Tracking System.

BL 2004 Methodology

Actual number.

BL 2004 Purpose

The measure provides information on the total number of installation inspections with deviations. The importance of this measure is to ensure that homes are installed in a safe manner to prevent injury to consumers and the general public.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 56 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 5	Regulate Manufactured Housing Industry
Objective No. 1	Operate a Regulatory System Ensure Responsive Titling/Licensing/Other
Strategy No. 2	Conduct Inspections of Manufactured Homes in a Timely Manner
Measure Type OP	
Measure No. 1	Number of Routine Installation Inspections Conducted

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The total number of routine inspections conducted to inspect the anchoring and support systems of manufactured homes (includes reviewing installation report for completeness, inspecting stabilizing devices to confirm that the installer used approved materials, inspecting the home for proper installation, and verifying that the installer is legally registered with TDHCA).

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Collection of data is based on the Installation Tracking System.

BL 2004 Methodology

Number is actual.

BL 2004 Purpose

The measure identifies the total number of inspections performed in a reporting period. It is important because it shows the workload for inspections.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 57 of 61

Agency Code: **332** Agency: **Department of Housing and Community Affairs**
Goal No. 5 Regulate Manufactured Housing Industry
Objective No. 1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other
Strategy No. 2 Conduct Inspections of Manufactured Homes in a Timely Manner
Measure Type OP
Measure No. 2 Number of Non-routine Inspections Conducted

Calculation Method: C **Key Measure: N** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The total number of special/complex inspections performed upon request from the public, other regulated entities, or as part of a complaint investigation. Special inspections consist of consumer complaints, habitability, permanent foundations, SAA, and retailer monitoring.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

Collection of data is based on the Inspector's Travel Voucher Database.

BL 2004 Methodology

The number is retrieved from the Travel Voucher Database by generating a report which list the inspections conducted within the reporting period.

BL 2004 Purpose

The measure identifies the total number of inspections performed in a reporting period. It is important because it identifies inspections that result due to unusual or special circumstances.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 58 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 5	Regulate Manufactured Housing Industry
Objective No. 1	Operate a Regulatory System Ensure Responsive Titling/Licensing/Other
Strategy No. 3	Process Consumer Complaints/Conduct Investigations/Take Admin Actions
Measure Type EF	
Measure No. 1	Average Cost Per Complaint Resolved

Calculation Method: N **Key Measure: N** **New Measure: N** **Range Preference: L** **Priority: H** Cross Reference:

BL 2004 Definition

The total funds expended and encumbered during the reporting period for complaint processing, investigation, and resolution divided by the number of complaints resolved. Cost includes Department overhead, salaries (permanent and temporary personnel), supplies, travel, postage, subpoena expenses, and other costs directly related to the agency's enforcement function, and may include charges from the State Office of Administrative Hearings (SOAH).

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

USAS and CCTS.

BL 2004 Methodology

To achieve the average: Divide the total funds by the total number of resolved complaints within the reporting period. Non-jurisdictional complaints (closed as DISJ) are not included in this measure.

BL 2004 Purpose

The measure identifies the efficiency in costs for resolving a complaint.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 59 of 61

Agency Code: **332** Agency: **Department of Housing and Community Affairs**

Goal No. 5 Regulate Manufactured Housing Industry
Objective No. 1 Operate a Regulatory System Ensure Responsive Titling/Licensing/Other
Strategy No. 3 Process Consumer Complaints/Conduct Investigations/Take Admin Actions
Measure Type EF
Measure No. 2 Average Time for Complaint Resolution

Calculation Method: N **Key Measure: Y** **New Measure: N** **Range Preference: L** **Priority: H** Cross Reference:

BL 2004 Definition

The average length of time to resolve a jurisdictional complaint, for jurisdictional complaints resolved during the reporting period. The number of days to reach a resolution is calculated from the initial date of receipt of a consumer complaint to the date closed.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

CCTS.

BL 2004 Methodology

The total number of calendar days per jurisdictional complaint resolved, summed for all complaints resolved during the reporting period, that elapsed from receipt of a request for agency intervention to the date upon which final action on the complaint was taken (numerator) is, divided by the number of complaints resolved during the reporting period (denominator). The calculation excludes complaints determined to be non-jurisdictional of the agency's statutory responsibilities.

BL 2004 Purpose

The measure tracks the average number of days spent to resolve a complaint. The measure is important because it shows how efficient the division has been in resolving complaints.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 60 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 5	Regulate Manufactured Housing Industry
Objective No. 1	Operate a Regulatory System Ensure Responsive Titling/Licensing/Other
Strategy No. 3	Process Consumer Complaints/Conduct Investigations/Take Admin Actions
Measure Type EX	
Measure No. 1	Number of Jurisdictional Complaints Received

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: L** **Priority: H** Cross Reference:

BL 2004 Definition

The total number of complaints received in a reporting period that are within the agency's jurisdiction of statutory responsibility.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

The number is retrieved from the Consumer Complaint Tracking System (excluding the non-jurisdictional complaints).

BL 2004 Methodology

Actual number.

BL 2004 Purpose

The measure provides information on the total number of jurisdictional complaints. This measure is important to determine the division's workload.

STRATEGY-RELATED MEASURES DEFINITIONS REPORT

78th Regular Session, Performance Reporting
Automated Budget and Evaluation System of Texas (ABEST)

Date: 2/12/2004
Time: 9:21:25AM
Page: 61 of 61

Agency Code: 332	Agency: Department of Housing and Community Affairs
Goal No. 5	Regulate Manufactured Housing Industry
Objective No. 1	Operate a Regulatory System Ensure Responsive Titling/Licensing/Other
Strategy No. 3	Process Consumer Complaints/Conduct Investigations/Take Admin Actions
Measure Type OP	
Measure No. 1	Number of Complaints Resolved

Calculation Method: C **Key Measure: Y** **New Measure: N** **Range Preference: H** **Priority: H** Cross Reference:

BL 2004 Definition

The total number of complaints resolved during the reporting period upon which final action was taken by the board or the Department through informal and formal means. Non-jurisdictional complaints (closed as DISJ) are not included in this measure.

BL 2004 Data Limitations

No limitations.

BL 2004 Data Source

To retrieve the data: A report is generated from the Consumer Complaint Tracking System of all jurisdictional complaints closed in the reporting period.

BL 2004 Methodology

Actual number.

BL 2004 Purpose

The measure shows the workload associated with resolving complaints. The measure is important because it also identifies consumer problems.



WWW.TDHCA.STATE.TX.US

MULTIFAMILY FINANCE PRODUCTION DIVISION

2004 Private Activity Multifamily Revenue Bonds

Chisholm Trail Apartments

18204 Chisholm Trail

Houston, Texas

Rankin Housing Partners, L.P.

228 Units

Priority 1A – 50% of units at 50% AMFI and 50% of units at 60% AMFI

\$12,000,000 Tax Exempt – Series 2004

\$1,000,000 Subordinate Refunding Bonds

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 (January 15, 2004)

**Housing Tax Credit Program
Board Action Request
March 11, 2004**

Action Item

Request, review, and board determination of one (1) four percent (4%) tax credit applications with TDHCA as the issuer.

Recommendation

Staff is recommending that the board review and approve the issuance of a four percent (4%) Tax Credit Determination Notice with **TDHCA** as the Issuer for tax exempt bond transaction known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Requested Credit Allocation	Recommended Credit Allocation
04412	Chisholm Trail Apartments	Houston	TDHCA	228	228	\$20,385,303	\$11,370,000	\$826,444	\$826,184

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

March 11, 2004

Action Item

Presentation, Discussion and Possible Approval for the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2004 and Housing Tax Credits for the Chisholm Trail Apartments development.

Summary of the Chisholm Trail Apartments Transaction

The pre-application was received on September 2, 2003. The application was scored and ranked by staff. The application ranked third out of a total of forty-four applications. The application was induced at the October Board meeting and submitted to the Texas Bond Review Board for inclusion to the lottery. The application received a Reservation of Allocation on January 2, 2004. A public hearing was held on January 20, 2004. There were twenty-one people in attendance with five people speaking for the record. A copy of the transcript is in Tab 9 of this presentation. This is an older established area of Houston just west of IH45 and north of FM 1960. The majority of the units available in this area are older (late 70's early 80's). Several complexes have been rehabilitated/remodeled in the last few years however many are built in the floodplain and create additional problems for tenants when it rains. This development is located approximately two miles from the competing complexes in the Greenspoint district. The site is surrounded by office and commercial/industrial warehouse businesses. There is a new single family subdivision being built about one-half mile south from the proposed site on Chisholm Trail from the proposed site. The opposition to this development comes from competing apartment complexes and businesses in the Greenspoint area. The Department received thirty-eight letters from apartment complexes opposing the development of new apartments and one letter from a member of the Greater Greenspoint Management District that is in support of the development. The Department received three letters from public officials in opposition (Congressman Green, Senator Whitmire and Superintendent Kujawa) and one letter in support (Representative Senfronia Thompson) of the development.

Summary of the Financial Structure

The applicant is requesting the Department's approval and issuance of variable rate tax exempt bonds in the amount of \$12,000,000. The bonds will be credit enhanced by FNMA and carry a AAA rating. GMAC (FNMA DUS Lender) will underwrite the transaction at a strike interest rate of 6.455% using a debt coverage ratio of 1.20 to 1 (Net Operating Income 1.2 times the debt service) amortized over 30 years. The term of the bonds will be for 33 years. The construction and lease up period will be for thirty months plus one 6 month optional extension with payment terms of interest only, followed by a 30 year term and amortization. At conversion to the permanent phase, GMAC will re-underwrite the development at a 1.20 to 1 debt coverage ratio and the bonds sized accordingly. Should the full amount of the bonds (\$12,000,000) not convert under this debt coverage ratio, subordinate refunding bonds will be issued and privately place. (See Bond Resolution 04-017 Section 1.2 (b) attached). Total amount of private activity volume cap will not exceed \$12,000,000.

Recommendation

Staff recommends the Board approve the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2004 and Housing Tax Credits for the Chisholm Trail Apartments development because this development will help revitalize this area and the real estate analysis report shows there is a need for new development in the market area.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEMORANDUM
March 11, 2004

DEVELOPMENT:

Chisholm Trail Apartments Houston, Texas

PROGRAM:

Texas Department of Housing & Community Affairs
2004 Private-Activity Multifamily Revenue Bonds
(Reservation received 1/24/2004)

**ACTION
REQUESTED:**

Approve the issuance of multifamily mortgage revenue bonds (the "Bonds") and multifamily revenue refunding bonds (the "subordinate 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 Rankin Housing Partners, LP, a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 228-unit multifamily residential rental Development located on the East side of Chisholm Trail, approximately 160 feet South of the intersection of Chisholm Trail and Rankin Road, at 18204 Chisholm Trail, Houston, Harris County, Texas 77060 (the "Development"). The Bonds will be tax-exempt by virtue of the Development qualifying as a residential rental Development.

BOND AMOUNT:

\$12,000,000 (*) Series 2004, Tax Exempt Bonds

\$ 1,000,000 Subordinate Refunding Bonds

*Total amount of bonds will not exceed \$12,000,000

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 January 24, 2004, 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 May 31, 2004, the anticipated closing date is March 24, 2004 (a detailed Critical Date Schedule is included as Exhibit 2).

BORROWER:

Rankin Housing Partners, LP, a Texas Limited Partnership, the general partner of which is Metzger Company LLC. Principles of the General Partnership are A. Richard Wilson and Gerald Russell. Paramount

Financial Group, Inc. will be providing the equity for the transaction by purchasing a 99.99% limited partnership interest in the Borrower.

COMPLIANCE HISTORY:

The borrower has not completed any transactions through TDHCA, and therefore does not have a compliance history with the Department.

ISSUANCE TEAM:

GMAC Commercial Mortgage. (FNMA DUS Lender/Servicer)
JP Morgan Chase Bank (Interim Lender)
Fannie Mae (Credit Facility Provider)
Newman and Associates, Inc. (Underwriter)
Wachovia Bank, National Association (Trustee)
Vinson & Elkins L.L.P. (Bond Counsel)
Dain Rauscher, Inc. (Financial Advisor)
McCall, Parkhurst & Horton, L.L.P. (Issuer Disclosure Counsel)

BOND PURCHASER:

The Bonds will be publicly offered for sale on or about March 23, 2004 at which time the final pricing and Bond Purchaser(s) will be determined.

DEVELOPMENT DESCRIPTION:

The Development is a 228 unit apartment community to be constructed on approximately 24.1 acres located on the East side of Chisholm Trail, approximately 160 feet South of the intersection of Chisholm Trail and Rankin Road, at 18204 Chisholm Trail, Houston, Harris County, Texas 77060 (the "Development"). The Development will consist of ten (10) three-story buildings, with a total of 226,916 net rentable square feet and an average unit size of approximately 995 square feet. The property will also have a community building consisting of a kitchen, an exercise room and computer facilities. The development will include a laundry room, a swimming pool, and a playground. The complex will have perimeter fencing with 176 open parking spaces as well as 114 detached garages and 114 carports. Each Unit type will be divided evenly between 50% Rent and Income Restricted and 60% Rent and Income Restricted.

<u># Units</u>	<u>Unit Type</u>	<u>Square Footage</u>
52	1 bed/1 bath	697
48	2 bed/2 bath	996
52	2 bed/2 bath	1052
76	3 bed/2 bath	1066
228	Total Units	

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 50% of the units at fifty percent (50%) of the area median income and fifty percent of the units at sixty percent of area median income.

RENT CAPS:

For Bond covenant purposes, the rental rates on 50% 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 (50%) of the area median income and 50% of the units at 60% of area median income (see Exhibit 6).

TENANT SERVICES:

Tenant Services will be provided by Priscilla D.R. Kovacik (Supportive Provider) per the requirements as outlined in the Departments Land Use Restriction Agreement.

**DEPARTMENT
ORIGINATION**

FEES:

\$1,000 Pre-Application Fee (Paid)
\$10,000 Application Fee (Paid)
\$60,000 Issuance Fee (.50% of the bond amount paid at closing)

**DEPARTMENT
ANNUAL FEES:**

Bond Administration - 0.10% of bond amount (\$12,000 initially)
Compliance Fee- \$25/unit/year (\$5,700 CPI Inflated)

**ASSET OVERSIGHT
FEE:**

\$25/unit/year (\$5,700) to TDHCA or assigns.

(Department's annual fees or the Asset Oversight fees may be adjusted, including deferral, to accommodate underwriting criteria and Development cash flow.)

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 \$811,593 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 \$6,492,748 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 and security instruments will be assigned to the Trustee and Fannie Mae and will become part of the Trust Estate securing the Bonds.

During both the construction period (the "Construction Phase") and permanent mortgage period (the "Permanent Phase"), Fannie Mae will provide a credit enhancement facility for the Mortgage Loan. Fannie Mae's obligation to honor any demand by the Trustee for an Issuer's

Fee advance is a standby obligation, payable if the Issuer's Fee is not otherwise paid, and Fannie Mae's obligation to honor any demand for all other advances is a direct pay obligation, without regard to whether the Borrower has made any such payment. During the Construction Phase, the Interim Lender will provide a Letter of Credit for the benefit of Fannie Mae to cover the construction and lease-up risk. Upon satisfaction of certain Conversion Requirements, the Mortgage Loan will convert from the Construction Phase to the Permanent Phase and Fannie Mae will return the Letter of Credit to the Interim Lender.

In addition to the credit enhanced Mortgage Loan, other security for the Bonds during the Construction Phase consists 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 Fund, the Fees Account and the Cost of Issuance Fund) and any investment earnings thereon (see Funds and Accounts section, below).

The Department is being asked to approve a Subordinate Lien Refunding Bond Indenture at this time. No Subordinate bonds will be issued now and it is not anticipated that they will ever be issued. Upon Conversion to the Permanent Phase, Fannie Mae will determine the final Mortgage Loan amount. If the final Mortgage Loan amount is less than the original amount, the Borrower will be required to pay the difference to Fannie Mae to reduce the outstanding Bonds. This will be achieved through the issuance of the Subordinate Lien Refunding Bonds. GMAC will enter into a Forward Bond Purchase Contract to purchase the Subordinate Bonds if necessary.

The Bonds and the Subordinate Bonds are mortgage revenue bonds and mortgage revenue refunding bonds, respectively 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 and the Subordinate Bonds are the revenues from the financing carried out through the issuance of the Bonds.

**CREDIT
ENHANCEMENT:**

The credit enhancement by Fannie Mae allows for an anticipated rating by the Rating Agency of Aaa and an anticipated variable interest rate of 3.75% per annum. Without the credit enhancement, the Bonds would not be investment grade and therefore command a higher interest rate from investors on similar maturity bonds.

FORM OF BONDS:

The Bonds will be issued in book entry form and will be, during any Weekly Variable Rate Period, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 or during any Reset Period or the Fixed Rate Period, \$5,000 or any integral multiple of \$5,000.

**TERMS OF THE
MORTGAGE LOAN:**

The Mortgage Loan is a non-recourse obligation of the Owner, which means, subject to certain exceptions, that the Owner 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 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 thirty 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 Development according to plans and specifications and achievement of certain occupancy thresholds.

**MATURITY/SOURCES
& METHODS OF
REPAYMENT:**

The Bonds will bear interest at a variable rate until maturity, which is April 15, 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 Mortgage Loan Fund specifically for capitalized interest during a portion of the Construction Phase; (4) or payments made by Fannie Mae under the credit facility.

If the Borrower fails to make scheduled principal or interest payments on the mortgage loan, Fannie Mae is obligated under the credit enhancement agreement to fund such payments. The Borrower is obligated to reimburse Fannie Mae for any moneys advanced by Fannie Mae for payments on 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 or in part upon optional prepayment of the Loan by the Borrower:

- (1) On any Interest Payment Date within a Weekly Variable Rate Period and on any Adjustment Date at a redemption price equal to 100 percent of the principle amount redeemed plus accrued interest to the Redemption Date.
- (2) On any date within a Reset Period at the respective initial redemption prices set forth in the Indenture as expressed as a percentage of the principal amount of the Bonds.
- (3) On any date within the Fixed Rate Period, at the respective, initial redemption prices set forth in the Indenture as expressed as percentages of the principal amounts of the Bonds.

Mandatory Redemption:

- (1) The Bonds shall be redeemed in whole or in part in the event and to the extent that proceeds of insurance from any casualty to, or proceeds of any award from any condemnation of, or any award as part of a settlement in lieu of condemnation of, the Mortgaged Property are applied in accordance with the Security Investment to the prepayment of the Mortgage Loan.
- (2) The Bonds shall be redeemed in whole or in part in an amount specified by and at the direction of the Credit Provider requiring that the Bonds be redeemed pursuant to this subsection following any Event of Default under the Reimbursement Agreement.
- (3) The Bonds shall be redeemed in whole or in part as follows:
 - a) On each Adjustment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Adjustment Date to the Redemption Account.
 - b) On any Interest Payment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Interest Payment Date to the Redemption Account.
- (4) The Bond shall be redeemed during the Fixed Rate Period if the Issuer has established a Sinking Fund Schedule, at the times and in the amounts set forth in the Sinking Fund Schedule.

- (5) The Bonds shall be redeemed in part in the event that the Borrower makes a Pre-Conversion Loan Equalization Payment.
- (6) The Bonds shall be redeemed in whole if the Credit Provider notifies the Trustee that (i) the Conditions to Conversion have not been satisfied on or prior to the Termination Date, or (ii) a Borrower Default has occurred, or (iii) the Construction Lender has directed Fannie Mae to draw on the Letter of Credit due to an event of default by the Borrower under the Construction Phase Loan Agreement.
- (7) The Bonds shall be redeemed in whole or in part in the event and to the extent that amounts on deposit in the Loan Fund are transferred to the Redemption Account.

**FUNDS AND
ACCOUNTS/FUNDS
ADMINISTRATION:**

Under the Trust Indenture, Wachovia 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 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 eligible investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will create up to Six (6) funds with the following general purposes:

1. Loan Fund – Consists of a Project Account and Capitalized Moneys Account. Bond proceeds will be deposited and withdrawn to pay the costs of construction of the Development including interest on the Bonds during the Construction Phase.
2. Revenue Fund - General receipts and disbursement account for revenues to pay principal and interest on the Bonds. Sub-accounts created within the Revenue Fund for redemption provisions, credit facility purposes, and certain ongoing fees.
3. 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.

4. 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.
5. Bond Purchase Fund - so moneys held uninvested and exclusively for the payment of the purchase price of Tendered Bonds (subject to provisions in the Indenture allowing reimbursement of the amounts owed to the Credit Provider).
6. Principal Reserve Fund – a fund to collect principal payments from the payments received from the Borrower through revenue from the project.

Essentially, all of the bond proceeds will be deposited into the Loan Fund and disbursed during the Construction Phase (over 18 to 24 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 – Wachovia Bank, National Association was selected as bond trustee by the Department pursuant to a request for proposal process in December 2003.
3. Financial Advisor - 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 June 2003.
4. Underwriter –Newman and Associates Inc. was selected by the Borrower from the Department's list of approved senior managers for multifamily bond issues. The underwriter list was compiled and approved by the Department May 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 and the Subordinate Bonds will be submitted for review and approval prior to the issuance of the Bonds and the Subordinate Bonds.

RESOLUTION NO. 04-017

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS (CHISHOLM TRAIL APARTMENTS) SERIES 2004 AND SUBORDINATE MULTIFAMILY HOUSING REVENUE REFUNDING BONDS (CHISHOLM TRAIL APARTMENTS); 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; (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 (d) to issue its bonds for the purpose of refunding any bonds theretofore issued by the Department under the Act; and

WHEREAS, the Department may issue refunding bonds under Chapter 1207, Texas Government Code, to refund all or any part of the Department’s outstanding bonds, notes, or other general or special obligations; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Chisholm Trail Apartments) Series 2004 (the “Bonds”), pursuant to and in accordance with the terms of a Trust Indenture (the “Indenture”) by and between the Department and Wachovia 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 Rankin Housing Partners 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 9, 2003, 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 Financing Agreement (the "Financing Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Mortgage 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 multifamily 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 Financing Agreement; and

WHEREAS, it is anticipated that credit enhancement for the Mortgage Loan will be provided for initially by a Credit Enhancement Instrument issued by Fannie Mae ("Fannie Mae"); and

WHEREAS, it is anticipated that the Note will be secured by a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (the "Mortgage") from the Borrower for the benefit of the Department and Fannie Mae; and

WHEREAS, the Department's interest in the Mortgage Loan, including the Note and the Mortgage, will be assigned to the Trustee, as its interests may appear, and to Fannie Mae, as its interests may appear, pursuant to an Assignment and Intercreditor Agreement (the "Assignment") among the Department, the Trustee and Fannie Mae and acknowledged, accepted and agreed to by the Borrower; 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 Harris County, Texas; 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 Bonds of an Official Statement (the "Official Statement") and to authorize the authorized representatives of the Department to deem the 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 Official Statement as may be required to provide a final Official Statement for use in the public offering and sale of the Bonds; and

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the "Bond 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 any other parties to such Bond 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 Bonds from the Department and the Department will sell the Bonds to the Underwriter or another party to such Bond Purchase Agreement; and

WHEREAS, pursuant to the terms of the Note, the Borrower is required to make a Pre-Conversion Loan Equalization Payment (as such term is defined the Note) in the event that the principal amount of the Mortgage Loan, as finally determined pursuant to the terms of the Construction Phase Financing Agreement (as such term is defined in the Indenture), is less than the original principal amount of the Mortgage Loan; and

WHEREAS, pursuant to the terms of the Indenture, the Bonds are subject to mandatory redemption in the event that the Borrower is required to make a Pre-Conversion Loan Equalization Payment pursuant to the terms of the Note; and

WHEREAS, the Board has determined to authorize the issuance, sale and delivery of its Subordinate Multifamily Housing Revenue Refunding Bonds (Chisholm Trail Apartments) (the “Refunding Bonds”) pursuant to and in accordance with the terms of a Subordinate Indenture between the Department and Wachovia Bank, National Association, or any successor thereto (the “Refunding Indenture”), for the purpose of obtaining funds to refinance a portion of the Project in the event that the Borrower is required to make a Pre-Conversion Loan Equalization Payment, all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Board desires to use the proceeds of the Refunding Bonds to fund a Subordinate Mortgage Loan (the “Refunding Mortgage Loan”) to the Borrower in order to provide funds to make a Pre-Conversion Loan Equalization Payment and thereby refund a portion of the Bonds, all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, it is anticipated that the Department and the Borrower will execute and deliver a Subordinate Loan Agreement (the “Refunding Loan Agreement”) pursuant to which (i) the Department will agree to make the Refunding Mortgage Loan to the Borrower to enable the Borrower to make a Pre-Conversion Loan Equalization Payment and thereby refinance a portion of the Project, and (ii) the Borrower will execute and deliver to the Department a subordinate multifamily note (the “Refunding Note”) in an original principal amount equal to the original aggregate principal amount of the Refunding Bonds, and providing for payment of interest on such principal amount equal to the interest on the Refunding Bonds; and

WHEREAS, it is anticipated that the Refunding Note will be secured by a Subordinate Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (the “Refunding Mortgage”) from the Borrower for the benefit of the Department; and

WHEREAS, it is anticipated that the Department’s rights (except for certain reserved rights) under the Refunding Mortgage Loan, including the Refunding Note and the Refunding Mortgage, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust and Loan Documents (the “Refunding Assignment”) from the Department for the benefit of the Trustee; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will amend the Regulatory Agreement in connection with the issuance of the Refunding Bonds to comply with state law and federal tax law; and

WHEREAS, the Board has determined that the Department shall enter into a Forward Purchase Contract (the “Forward Purchase Contract”) with the Borrower and GMAC Commercial Holding Capital Corp. (the “Refunding Bond Purchaser”) and any other party to the Forward Purchase Contract as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Refunding Bond Purchaser or another party to the Forward Purchase Contract will purchase all of the Refunding Bonds from the Department and the Department will sell the Refunding Bonds to the Refunding Bond Purchaser or another party to the Forward Purchase Contract; 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 Financing Agreement, the Assignment, the Regulatory Agreement, the Asset Oversight Agreement, the Official Statement, the Bond Purchase Agreement, the Refunding Indenture, the Refunding Loan Agreement, the Refunding Assignment and the Forward Purchase Contract, 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 and the Refunding 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 and the Refunding Bonds. That the issuance of the Bonds and the Refunding Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture and the Refunding Indenture, and that, upon execution and delivery of the Indenture and the Refunding 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 the Refunding Bonds and to deliver the Bonds and the Refunding 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 the Refunding Indenture), and thereafter to deliver the Bonds and the Refunding 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 Board or the Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of, the redemption provisions related to, and the price at which the Department will sell to the Underwriter or another party to the Bond Purchase Agreement, the Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chair or Vice Chairman of the Board or the Executive Director of the Department of the Indenture and the Bond Purchase Agreement; provided, however, that (i) the Bonds shall bear interest at the rates determined from time to time by the Remarketing Agent (as such term is defined in the Indenture) in accordance with the provisions of the Indenture; provided that in no event shall the interest rate on the Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law; and provided further that the initial interest rate on the Bonds shall not exceed 6.5%; (ii) the aggregate principal amount of the Bonds shall not exceed \$12,000,000; (iii) the final maturity of the Bonds shall occur not later than March 1, 2038; and (iv) the price at which the Bonds are sold to the initial purchasers thereof under the Bond Purchase Agreement shall not exceed the principal amount thereof.

(b) That the Chair or Vice Chairman of the Board or the Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1207, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of, the redemption provisions related to, and the price at which the Department will sell to the Refunding Bond Purchaser or another party to the Forward Purchase Contract, the Refunding Bonds, all of which determinations shall be conclusively evidenced by

the execution and delivery by the Chair or Vice Chairman of the Board or the Executive Director of the Department of the Refunding Indenture and the Forward Purchase Contract; provided, however, that (i) the interest rate on the Refunding Bonds shall be 10%; provided that in no event shall the interest rate on the Refunding Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law; (ii) the aggregate principal amount of the Refunding Bonds shall not exceed \$1,000,000; and (iii) the final maturity of the Refunding Bonds shall occur not later than the date that is 90 days after the maturity date of the Note.

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

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

Section 1.5--Approval, Execution and Delivery of the Bond Purchase Agreement. That the sale of the Bonds to the Underwriter and any other party to the Bond Purchase Agreement is hereby approved, that the form and substance of the Bond Purchase Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Bond Purchase Agreement and to deliver the Bond Purchase Agreement to the Borrower, the Underwriter and any other party to the Bond Purchase Agreement as appropriate.

Section 1.6--Acceptance of the Mortgage and Note. That the Mortgage and the Note are hereby accepted by the Department and that the authorized representatives of the Department named in this Resolution each are authorized to endorse and deliver the Note to the order of the Trustee and Fannie Mae, as their interests may appear, without recourse.

Section 1.7--Approval, Execution and Delivery of the Assignment. That the form and substance of the Assignment are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Assignment and to deliver the Assignment to the Borrower, the Trustee and Fannie Mae.

Section 1.8--Approval, Execution, Use and Distribution of the Official Statement. That the form and substance of the Official Statement and its use and distribution by the Underwriter in accordance with the terms, conditions and limitations contained therein are hereby approved, ratified, confirmed and authorized; that the Chair of the Governing Board and the Executive Director of the Department are hereby severally authorized to deem the 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 Official Statement as may be required to provide a final Official Statement for the 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 Official Statement, as required; 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 Bond Purchase Agreement and as may be approved by the Executive Director of the Department and the Department's counsel.

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

Section 1.11--Approval, Execution and Delivery of the Refunding Loan Agreement. That the form and substance of the Refunding Loan Agreement are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Refunding Loan Agreement and to deliver the Refunding Loan Agreement to the Borrower.

Section 1.12--Approval, Execution and Delivery of Amended Regulatory Agreement. That any amendments to the Regulatory Agreement to comply with state law and federal tax law in connection with the issuance of the Refunding Bonds are hereby authorized; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the amended Regulatory Agreement, thereby evidencing the Department's approval of any such amendments, and to deliver such amended Regulatory Agreement to the Borrower and the Trustee.

Section 1.13--Acceptance of the Refunding Mortgage and the Refunding Note. That the Refunding Mortgage and the Refunding Note are hereby accepted by the Department; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to endorse the Refunding Note to the order of the Trustee, without recourse.

Section 1.14--Approval, Execution and Delivery of the Refunding Assignment. That the form and substance of the Refunding Assignment are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute the Refunding Assignment and to deliver the Refunding Assignment to the Trustee.

Section 1.15--Approval, Execution and Delivery of the Forward Purchase Contract. That the form and substance of the Forward Purchase Contract are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute and deliver the Forward Purchase Contract to the Borrower and the Refunding Bond Purchaser and any other party to the Forward Purchase Contract as appropriate.

Section 1.16--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 1.17--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

- Exhibit B - Indenture
- Exhibit C - Financing Agreement
- Exhibit D - Regulatory Agreement
- Exhibit E - Bond Purchase Agreement
- Exhibit F - Assignment
- Exhibit G - Official Statement
- Exhibit H - Asset Oversight Agreement
- Exhibit I - Refunding Indenture
- Exhibit J - Refunding Loan Agreement
- Exhibit K - Forward Purchase Contract
- Exhibit L - Refunding Assignment

Section 1.18--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 1.19--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 Board Secretary.

Section 1.20--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 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 and the Refunding 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 and the Refunding Bonds.

Section 2.3--Engagement of Other Professionals. That the Executive Director of the Department or any successor is authorized to engage auditors to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the Bond Purchase Agreement and the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State of Texas.

Section 2.4--Certification of the Minutes and Records. That the Secretary to the Board hereby is authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds, the Refunding Bonds and all other Department activities.

Section 2.5--Approval of Requests for Rating from Rating Agency. That the action of the Executive Director of the Department or any successor and the Department's consultants in seeking a rating from Moody's Investors Service, Inc. and/or Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., is approved, ratified and confirmed hereby.

Section 2.6--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the Refunding Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and the Refunding Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture and the Refunding Indenture.

Section 2.7--Underwriter. That the underwriter with respect to the issuance of the Bonds shall be GMAC Commercial Holding Capital Markets Corp. d/b/a Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp.

Section 2.8--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 set forth in the Loan Agreement.

Section 2.9--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 Refunding 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 Section 1207.008, Texas Government Code, 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, and will not enter into a contract for the Project with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

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

(ii) that the issuance of the Bonds and the Refunding 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.

(d) Findings with Respect to the Refunding Bonds.

(i) that the issuance of the Refunding Bonds is in the best interests of the Department; and

(ii) that the manner in which such refunding is being executed does not make it practicable to make the determination required by Section 1207.008(a)(2), Texas Government Code (with respect to the maximum amount by which the aggregate amount of payments to be made under the Refunding Bonds could exceed the aggregate amount of payments that would have been made under the terms of the portion of the Bonds being refunded).

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 Financing 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 Mortgage Loan established pursuant to the Financing Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

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 or Refunding Bond in the secondary open market for municipal securities.

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Chapter 33, 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 Refunding Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate created under the Indenture and the Refunding Indenture, respectively, including the revenues and funds of the Department pledged under the Indenture and the Refunding Indenture to secure payment of the Bonds and the Refunding Bonds, respectively, and under no circumstances shall the Bonds or the Refunding Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Bonds and the Refunding 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 and Refunding 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 March, 2004

[SEAL]

By: _____
Elizabeth Anderson, Chair

Attest: _____
Delores Groneck, Secretary

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Rankin Housing Partners LP, a Texas limited partnership

Project: The Project is a 228-unit multifamily facility to be known as Chisholm Trail Apartments and to be located at 18204 Chisholm Trail, Houston, Harris County, Texas. It will consist of ten three-story residential apartment buildings with approximately 226,916 net rentable square feet and an average unit size of approximately 995 square feet. The unit mix will consist of:

52 one-bedroom/one-bath units
100 two-bedroom/two-bath units
76 three-bedroom/two-bath units

228 Total Units

Unit sizes will range from approximately 697 square feet to approximately 1160 square feet.

Common areas are expected to include a swimming pool, a picnic area, a play area with playground equipment, a volleyball court and a community center with a central kitchen, an exercise room, computer facilities and laundry facilities.



**HOUSING TAX CREDIT PROGRAM
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Chisholm Trail Apartments**

TDHCA#: 04412

DEVELOPMENT AND OWNER INFORMATION

Development Location: Houston QCT: Y DDA: N TTC: N
 Development Owner: Rankin Housing Partners, LP
 General Partner(s): Metzger Company, LLC, 100%, Contact: Gerald Russell
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: TDHCA
 Development Type: Family

Annual Tax Credit Allocation Calculation

Applicant Request: \$826,444 Eligible Basis Amt: \$826,184 Equity/Gap Amt.: \$1,120,053
Annual Tax Credit Allocation Recommendation: \$826,184
 Total Tax Credit Allocation Over Ten Years: \$ 8,261,840

PROPERTY INFORMATION

Unit and Building Information

Total Units: 228 HTC Units: 228 % of HTC Units: 100
 Gross Square Footage: 223,472 Net Rentable Square Footage: 219772
 Average Square Footage/Unit: 964
 Number of Buildings: 10
 Currently Occupied: N

Development Cost

Total Cost: \$20,385,303 Total Cost/Net Rentable Sq. Ft.: \$92.76

Income and Expenses

Effective Gross Income:¹ \$1,853,034 Ttl. Expenses: \$907,832 Net Operating Inc.: \$945,202
 Estimated 1st Year DCR: 1.08

DEVELOPMENT TEAM

Consultant: Not Utilized Manager: SPM, Inc.
 Attorney: William Bell Architect: Thompson Nelson Group, Inc.
 Accountant: Novogradac & Company, LLP Engineer: Benchmark Engineering
 Market Analyst: Vogt Williams & Bowen, LLC Lender: GMAC Commercial Mortgage Corp.
 Contractor: Construction Supervisors, Inc. Syndicator: Paramount Financial Group, Inc.

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 1	Sen. John Whitmire, District 15 - O
# in Opposition: 50	Rep. Senfronia Thompson, District 141 - S
Public Hearing:	Congressman Gene Green, District 29 - O
# in Support: 5	Judge Robert Eckels - NC
# in Opposition: 14	David Turkel, Director, Office of Housing & Economic Development, Harris County; Consistent with the HUD approved 2003 Consolidated Plan for Harris County.
# Neutral: 2	

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §50.12(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. Acceptance by the Board of the anticipated mandatory redemption of up to \$630,000, in bonds at the conversion to permanent.
3. Receipt, review, and acceptance of the documentation that the old concrete slab foundation and concrete driveways and parking areas as well as miscellaneous construction and other debris are removed from the subject site by cost certification.
4. Receipt, review, and acceptance of a commitment from the non-related party general contractor to defer fees or other committed source of funds as necessary to fill a potential gap in permanent financing.
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

Chisholm Trail Apartments

Estimated Sources & Uses of Funds

Sources of Funds

2004 Series Bond Proceeds	\$ 12,000,000
Equity Funds from Borrower (Tax credit proceeds)	6,434,574
GIC Earnings	45,000
NOI Prior to Stabilization	710,909
Deferred Developer's Fee (Note at Completion)	1,194,820
Total Sources	\$ 20,385,303

Uses of Funds

Deposit to Mortgage Loan Fund (Construction funds)	\$ 15,295,251
Deposit to Revenue Fund (30-Day Payment Lag)	45,365
Capitalized Interest	720,000
Lease Up Reserves	350,000
Developer's Fee/Overhead	2,293,825
Costs of Issuance	
Direct Bond Related	230,075
Underwriter's Spread/Council	145,000
Other Transaction Costs	993,287
Credit Enhancement Costs	177,500
Real Estate Closing Costs	135,000
Total Uses	\$ 20,385,303

Estimated Costs of Issuance of the Bonds

Direct Bond Related

Department Issuance Fee (.5% of Issuance)	\$ 60,000
Department Application Fee	11,000
Department Bond Administration Fee (2 years)	24,000
Bond Counsel (Note 1)	75,000
Bond Counsel Inducement Fee	1,500
Disclosure Counsel (Note 1)	5,000
Department Financial Advisor	17,500
Rating Agency Fee	13,500
OS Printing & Mailing	2,000
Trustee Fee (Note 1)	4,750
Trustee's Counsel (Note 1)	5,000
Attorney General Transcript Fee	1,250
Texas Bond Review Board Application Fee	500
Texas Bond Review Board Fee	3,375
TDHCA Compliance Fee (1st Year Escrow)	5,700
Total Direct Bond Related	\$ 230,075

Chisholm Trail Apartments

Underwriter's Spread	
Underwriter's Fee/Expenses	\$ 120,000
Underwriter's Counsel	25,000
Total Underwriter's Spread	\$ 145,000
Credit Enhancement Costs	
DUS Financing Fee	\$ 120,000
DUS Lender's Counsel (Does not include expenses)	22,000
FNMA Counsel & Expenses	35,500
Total Credit Enhancement Costs	\$ 177,500
Other Transaction Costs	
Borrower's Counsel	30,000
Letter of Credit Origination Fee	134,287
Construction Period LC Fee	180,000
Letter of Credit Counsel Fee	35,000
Subordinate Bond Commitment Fee	30,000
Subordinate Bond Fwd Commitment Fee	30,000
Interest Rate Swap/Cap	516,000
Tax Credit Application & Commitment Fee	38,000
Total Transaction Costs	\$ 993,287
Real Estate Closing Costs	
Title, Recording & Survey	\$ 115,000
Property Taxes	20,000
Total Real Estate Costs	\$ 135,000
Estimated Total Costs of Issuance	\$ 1,680,862

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 estimates do not include on-going administrative fees.

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

financing;

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.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	<u>228</u>	# Rental Buildings	<u>10</u>	# Common Area Bldgs	<u>1</u>	# of Floors	<u>3</u>	Age:	<u>N/A</u> yrs
Net Rentable SF:	<u>219,772</u>	Av Un SF:	<u>964</u>	Common Area SF:	<u>3,700</u>	Gross Bldg SF:	<u>223,472</u>		

STRUCTURAL MATERIALS

The structure will be wood frame on a post-tensioned concrete slab on grade. According to the plans provided in the application the exterior will be comprised of 50% brick veneer and 50% Hardi-board siding. The interior wall surfaces will be painted or papered drywall. The pitched roof will be finished with asphalt composite shingles.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & ceramic tile. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, and cable.

ON-SITE AMENITIES

A 3,700-square foot community building will include an activity room, management office, fitness & laundry facilities, kitchen, restrooms, computer/learning center, central mailroom. The site will also include a swimming pool, equipped children's play area, picnic area, and perimeter fencing which will be located near the entrance of the property.

Uncovered Parking: 172 spaces **Carports:** 114 spaces **Garages:** 114 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Chisholm Trail Apartments is a relatively dense (22.5 units per acre) new construction development of 228 units of affordable income housing located in north Houston. The development is comprised of 228 evenly distributed large garden style walk-up residential buildings as follows:

- 3 Building Type I with 12 two-bedroom/two-bath units, and 12 three-bedroom/two-bath units;
- 3 Building Type II with 12 one-bedroom/one-bath units, and 12 three-bedroom/two-bath units;
- 1 Building Type III with 12 one-bedroom/one-bath units, and 12 two-bedroom/two-bath units;
- 1 Building Type IV with 20 two-bedroom/two-bath units, and 4 three-bedroom/two-bath units;
- 1 Building Type V with 12 two-bedroom/two-bath units;
- 1 Building Type VI with 4 one-bedroom/one-bath units, 20 two-bedroom/two-bath units;

Architectural Review: The building elevations are attractive and functional, with hipped and gabled roofs, mixed brick veneer and hardiplank exterior wall coverings. The units have exterior storage closets and semi-private entries off of interior breezeways. All of the ten residential structures have an extensive amount of corridors/breezeways.

Supportive Services: The Applicant has entered into a contract with Priscilla Kovacik to provide supportive services to the residents of the development for \$10,400 annually. These services will be provided at no cost to the tenants. Services to be provided will include classes for English as a second language, computer classes, and a library dedicated to children's use.

Schedule: The Applicant anticipates construction to begin in March of 2004 and to be completed in March of 2005. The development should be placed in service in April of 2005 and substantially leased-up in April of 2005.

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

SITE ISSUES			
SITE DESCRIPTION			
Size:	10.16	acres	442,570 square feet
			Zoning/ Permitted Uses: No zoning
Flood Zone Designation:	Zone X	Status of Off-Sites:	Partially Improved
SITE and NEIGHBORHOOD CHARACTERISTICS			
<p><u>Location:</u> The site is a rectangularly-shaped parcel located in the unincorporated area north of Houston, approximately 17 miles from the central business district. The site is situated on southeast corner of the Rankin Road and Chisholm Trail intersection.</p> <p><u>Adjacent Land Uses:</u></p> <ul style="list-style-type: none"> • North: Rankin Road borders the site to the north and Metro Salvage Auction beyond • South: A small garage building with various small machinery shops and a Home Depot storage warehouse and a vacant lot beyond • East: The Trade Center, a two-story building complex for EPOCH and other small to medium sized businesses with a vacant grass lot beyond • West: Chisholm Trail borders the site to the west with a Route 66 gas station and its adjacent automotive shop beyond Chisholm Trail <p><u>Site Access:</u> Access to the property is from the north or south from Chisholm Trail. The development is to have one main entry along with a second entry both off of Chisholm Trail on the west side of the property. Access to Interstate Highway 45 is less than a mile west, which provides connections to all other major roads serving the Houston area.</p> <p><u>Public Transportation:</u> The Metropolitan Transit Authority (METRO) is a public bus service that serves Houston and surrounding communities. The nearest bus stop to this property is at the corner of Imperial Valley and State Highway 8, less than three miles south of the site.</p> <p><u>Shopping & Services:</u> The area is served by numerous shopping opportunities. Greenspoint Mall, which includes four major department stores, is 3.4 miles south of the site. Northwood Square offers nearly two dozen retailers and a variety of restaurants 1.9 miles south of the site. Century Plaza, a small shopping plaza with numerous restaurants and retail stores is 1.8 miles north of the site. Overall shopping is very convenient to the site. The site is within close proximity to shopping, employment, recreation, entertainment, and education opportunities. Social services, public transportation, and public safety services are all within 4.6 miles of the site.</p> <p><u>Site Inspection Findings:</u> TDHCA staff performed a site inspection on January 20, 2004 and found the location to be acceptable for the proposed development.</p>			
HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)			
<p>A Phase I Environmental Site Assessment report dated November 20, 2003 was prepared by Unovate Environmental Services, Inc. and contained the following findings and recommendations:</p> <p><u>Findings:</u> “The site was previously improved with an underground storage tank system in its subsurface and two warehouse buildings. The buildings have since been demolished. The remaining improvements consist of the old concrete slab foundation and concrete driveways and parking areas. All vegetation appeared to be healthy and absent of any staining or discoloration. Miscellaneous construction and other debris, including tires, were found scattered throughout the subject site. The subject site had one ghost tank and four (4) registered underground storage tanks installed in its subsurface in 1974, all of which were permanently removed from the ground on April 21, 1999. The underground storage tanks were used for the storage of gasoline fuel, diesel, and waste oil. Soil samples were collected and were analyzed for Total Petroleum Hydrocarbons (TPH); Benzene, Toluene, Ethylbenzene and Xylene (BTEX); Volatiles (VOC); and Total Metals as part of the scope of removal. The soil samples from the tank pit and stockpile exhibited TPH, BTEX, VOC, Total Metals concentrations below TNRCC action levels. UES obtained a copy of the Texas Natural Resource Conservation Commission (TNRCC) closure letter for the activities outlined above. The letter stated that, based upon the information provided by the corrective Action Specialist or Licensed On-Site supervisory, no further action was required.” (p.8)</p>			

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

Recommendations: “Miscellaneous construction and other debris, including tires, were found scattered throughout the subject site. Although none of these materials are hazardous in nature, UES recommends they be properly removed and disposed of at an approved landfill.” (p.8)

Conclusions: “Based on the site information gathered herein, the assessment revealed no significant evidence of environmental concerns in connection with the subject property. 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 significant evidence or indication of recognized environmental conditions has been revealed. No further investigation is deemed necessary at this time.” (p.19)

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 1 private activity bond lottery development 50% of the units must have rents restricted to be affordable to households at or below 50% of AMGI and 50% of the units must have rents restricted to be affordable to households at or below 60% of AMGI. 228 of the units (100% of the total) will be reserved for low-income tenants. 114 of the units (50%) will be reserved for households earning 50% or less of AMGI, and 114 units (50%) 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	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

MARKET HIGHLIGHTS

A market feasibility study dated December 5, 2003 was prepared by Vogt Williams & Bowen, LLC (“Market Analyst”) and highlighted the following findings:

Definition of Primary Market Area (PMA): “The boundaries of the PMA include Farm to Market Road 1960 to the north, U.S. Highway 59 to the east, East Little York road to the south, and Veterans Memorial Drive, State Route 8, T.C. Jester Boulevard, Spears Road, Rankin road and Interstate Route 45 to the west” (p. IV-6)

The Underwriter questions the area selected by the Market Analyst since the subject site is only less than one mile from the western boundary and over six miles from the eastern boundary. After research by the Underwriter it was determined that there are three additional developments that are comparable to the subject within six miles to the west of the subject property. When you include these three additional developments to the already determined two developments defined in the Market Area you end up with a potential inclusive capture rate of 26% assuming demand is homogeneous to the west of the site.

Population: The estimated 2003 population of the PMA was 158,768 and is expected to increase by 9% to approximately 172,682 by 2008. Within the primary market area there were estimated to be 48,532 households in 2003. (p. IV-8)

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 5,110 qualified households in the PMA, based on the current estimate of 48,532 households, the projected annual growth rate of 1.6%, renter households estimated at 50% of the population (based on the 2000 Census), income-qualified households estimated at 31%, and an annual renter turnover rate of 66 %. (p. VII-4). The Market Analyst used an income band of \$16,770 to \$35,760. (p. VII-4)

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	119	2%	126	2%
Resident Turnover	4,991	98%	4,996	98%

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

TOTAL ANNUAL DEMAND	5,110	100%	5,122	100%
----------------------------	--------------	-------------	--------------	-------------

Ref: PMA Analysis Summary

Inclusive Capture Rate: “The proposed 228 units at the subject site will represent an excellent simple capture rate of 4.5% of the 5,110 net income-eligible renter households within the Houston Site PMA. The concentration capture rate for the subject site, at 10.8%, is good and is achievable.” (p. VII-5)

The Underwriter calculated an inclusive capture rate of 14% based upon a revised supply of unstabilized comparable affordable units of 696 divided by a demand of 5,122. The supply was calculated with none of the units in Humble Memorial Gardens due to the fact that it is a senior’s development and all of Humble Parkway which has just recently been approved which added 216 units along with the Park at North Vista with 252 units as stated in the Market Study totaling 696 units with the proposed 228 units.

Local Housing Authority Waiting List Information: “According to the City of Houston Housing Authority website there are more than 15,000 families receiving Section 8 assistance in the Houston area and the waiting list is five years long and is currently closed to new applicants.” (p. VII-5)

Market Rent Comparables: The Market Analyst surveyed four comparable apartment projects totaling 1,022 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (50%)	\$516	\$537	-\$21	\$630	-\$114
1-Bedroom (60%)	\$628	\$652	-\$24	\$630	-\$2
2-Bedroom (50%) 996 sf	\$620	\$644	-\$24	\$780	-\$160
2-Bedroom (60%) 996 sf	\$754	\$781	-\$27	\$780	-\$26
2-Bedroom (50%) 1,052 sf	\$620	\$644	-\$24	\$780	-\$160
2-Bedroom (60%) 1,052 sf	\$754	\$781	-\$27	\$780	-\$26
3-Bedroom (50%)	\$716	\$751	-\$35	\$880	-\$164
3-Bedroom (60%)	\$871	\$909	-\$38	\$880	-\$9

Please note that the proposed net tenant-paid rents represented were based off of the 2003 rent schedule.

(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: “Of these non-subsidized projects, ten operate under the low-income Tax Credit program. One other Tax Credit project with 252 units is currently under construction. These ten projects contain a total of 2,176 Tax Credit units, of which 92.4% are occupied. However, upon closer examination, there are two Tax Credit projects, Windcrest and Northwood Forest that have low occupancy rates that have a significant effect on the overall Tax Credit occupancy rate. Windcrest is 84.2% occupied and Northwood Forest is 80.1% occupied. Removing these projects from the Tax Credit overall occupancy rate yields a 96.11% occupancy rate for Tax Credit projects in the Site PMA.” (p. V-4) It should also be noted that both of the properties noted with lower occupancy rates are pre-1995 tax credit transactions. Northwood Forest was a modest rehabilitation of a 1970’s vintage development and Wincrest has been unstable due to recent changes in the general partner/ original developer.

Absorption Projections: “It is our opinion that the proposed 228-unit project will experience an initial absorption rate of 15 to 18 units per month and achieve a stabilized occupancy of 93% within 12 to 14 months after opening.” (p. II-5)

Known Planned Development: “Based on our interviews with local building and planning representatives, it was determined that two multifamily projects are planned for the area. Park at North Vista is under construction and will have the first four buildings opening in January 2004, while Humble Memorial Gardens began construction recently and will not open until fall 2004. The planned Tax Credit and market-rate units at Humble Memorial Gardens are not expected to have a significant impact on the site, given that Humble Memorial Gardens will target seniors age 55 or over and the subject site will target family households.” (p. V-11)

The Underwriter has also noted that Humble Parkway has just recently been approved with 216 units to be built in the market area.

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

The Underwriter found the market study to provide sufficient information to complete this report and make a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's income, secondary income, and vacancy and collection loss assumptions are within the Department's maximum guidelines. The Underwriter adjusted rents for the maximum 2004 tax credit rents however found that the market rents were \$1 to \$29 lower than those maximums. The Applicant's effective gross income figure is comparable to the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of \$3,587 per unit is 10% lower than the Underwriter's database-derived estimate of \$3,982 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 (\$21.8K lower), payroll (\$94.4K lower), and insurance (\$10.8K higher). The Underwriter discussed these differences with the Applicant and was able to reconcile some of the Applicant's estimates, but still had the above differences after the additional information provided by the Applicant was considered.

Conclusion: The Applicant's total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income estimate is not within 5% of the Underwriter's estimate; therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in the above stated expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.02 is less than the program minimum standard of 1.10, and would not be sufficient to service the proposed debt. The maximum annual debt service for this project; therefore, should be limited to \$859,123 by a reduction of the bond amount or extension of the amortization or a reduction in the interest rate. The Underwriter has completed this analysis assuming a mandatory redemption of a portion of the bond amount resulting in a final anticipated bond amount of \$11,370,000.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: (11.99) acres	\$641,760	Assessment for the Year of:	2003
1 acre	\$53,441	Valuation by:	Harris County Appraisal District
Total Prorated Value:	\$544,564	Tax Rate:	3.37477

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest Money Contract						
Contract Expiration Date:	3/	3/	2004	Anticipated Closing Date:	4/	1/	2004
Acquisition Cost:	\$1,046,933			Other Terms/Conditions:			
Seller:	Puget of Texas, Inc.			Related to Development Team Member:	No		

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of \$1,046,933 (\$2.37/SF or \$103,045/acre) is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of \$6,438 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$64K or less than 1% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

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 by a total of 5,616 based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

overage effectively moved to ineligible costs.

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 is used to determine the Development's eligible basis and need for permanent funds. An eligible basis of \$17,851,853 is used to determine a credit allocation of \$826,184 annually. This figure is compared to the Applicant's requested amount and the Development's gap in need to determine the recommended tax credit allocation.

FINANCING STRUCTURE									
INTERIM TO PERMANENT FINANCING									
Source: GMAC Commercial Mortgage Corporation					Contact: Joseph H. Torrence				
Principal Amount: \$12,000,000			Interest Rate: 6.55%						
Additional Information:									
Amortization: 30 yrs		Term: 33 yrs		Commitment: <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional					
Annual Payment: \$906,866			Lien Priority: 1st		Commitment Date: 2/ 19/ 2004				
TAX CREDIT SYNDICATION									
Source: Paramount Financial Group, Inc.					Contact: Dale Cook				
Address: 150 East Main Street, Suite 301					City: Fredericksburg				
State: TX		Zip: 78624		Phone: (830) 997-6960		Fax: (830) 997-5939			
Net Proceeds: \$6,434,574			Net Syndication Rate (per \$1.00 of 10-yr LIHTC)				80.5¢		
Commitment <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional		Date: 2/ 6/ 2004							
Additional Information:									
APPLICANT EQUITY									
Amount: \$633,949			Source: Deferred Developer Fee						

FINANCING STRUCTURE ANALYSIS

Permanent Financing: A revised permanent financing commitment dated February 19, 2004 is consistent with the most recent sources and uses of funds provided by the Applicant. The Bonds will be AAA rated based on a Fannie Mae Guarantee under the DUS forward commitment program. GMAC Commercial Mortgage Corporation is the DUS lender. The guarantee fee will be reduced during the construction stage based upon a letter of credit from a yet to be determined construction lender (approved by Fannie Mae). The underlying loan will service debt at a variable rate of interest based upon the BMA index plus a stack of 1.465%. The base rate for the BMA Index used by Fannie Mae is 3% and GMAC includes an underwriting spread of 2% to size the bonds. GMAC overall underwriting rate is 6.455% The Applicant will also be required to purchase an interest rate cap for minimum of five years and escrow on a monthly basis 1/60th of the cost to replace the cap upon expiration. This additional reserve requirement will be analyzed and adjusted as needed annually by Fannie Mae. The proposed financing structure will, at least initially, allow for a greater cash flow result than that predicted in this analysis due to the current actual BMA index rate of around 1% and the cushion provided by the underwriter's interest rate spread. In other words the initial variable interest rate will actually be 2.455%.

HTC Syndication: The Applicant's proposed sources and uses of funds are inconsistent with the terms reflect in the tax credit syndication commitment included with the application. In particular, the syndicator proposes to invest \$6,434,574 in equity based on the receipt of \$799,406 in tax credits annually for ten years, and an investment rate of \$0.805 per dollar of tax credits. The Applicant's sources and uses of funds schedule calls for an equity investment of \$6,492,748 based on an annual tax credit request of \$811,593 and an investment rate of \$0.80 per dollar.

Deferred Developer's Fees: The Applicant's sources and uses of funds schedule shows the deferral of

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

\$633,949 of the Developer's fee. Given the adjustments expected for the proposed primary financing and equity discussed above, the Underwriter estimates that as much as \$2,365,189 of the Developer's fee may need to be deferred. This represents approximately 103% of the Developer's total fee, which the Underwriter estimates could be repaid within fifteen years. Since this is more than the available developer fee this report is conditioned upon receipt, review, and acceptance of a commitment from the non-related party general contractor to defer fees or other committed source of funds as necessary to fill a potential gap in permanent financing. As indicated above this condition may be partially mitigated as a result of the likelihood that initial cash flow from the development will be better than projected in this report due to the likely hood that the variable all-in interest rate will be less than the underwritten rate.

Financing Conclusions: Based on the Applicant's estimate of eligible basis, the HTC allocation should not exceed \$826,184 annually for ten years, resulting in syndication proceeds of approximately \$6,650,114. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$2,365,189, which represents approximately 103% of the eligible fee and which should be repayable from cash flow within fifteen years. The additional deferred developer fee would require a commitment from the non-related general contractor to cover this difference which is estimated at approximately \$71,364.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant and Developer firms are all related entities. These are common relationships for HTC-funded developments.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The principal, of the General Partner, Gerald Russell submitted an unaudited financial statement as of December 15, 2003 and is anticipated to be guarantor of the development.
- The principal, of the General Partner, A. Richard Wilson submitted an unaudited financial statement as of December 15, 2003 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.
- Gerald Russell and A. Richard Wilson, the principals of the General Partner, have completed one HTC affordable housing development totaling 224 units since 2001.
- Gerald Russell also has received a certificate of experience from the Department.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- 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 or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:

Carl Hoover

Date: February 27, 2004

Director of Real Estate Analysis:

Tom Gouris

Date: February 27, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Chisholm Trail Apartments, Houston, MFB #2004-001 / HTC #04412

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 (50%)	26	1	1	697	\$571	\$537	\$13,962	\$0.77	\$34.00	\$37.31
TC (60%)	26	1	1	697	686	630	16,380	0.90	34.00	37.31
TC (50%)	24	2	2	996	686	644	15,456	0.65	42.00	43.31
TC (60%)	24	2	2	996	823	780	18,720	0.78	42.00	43.31
TC (50%)	26	2	2	1,052	686	644	16,744	0.61	42.00	43.31
TC (60%)	26	2	2	1,052	823	780	20,280	0.74	42.00	43.31
TC (50%)	38	3	2	1,066	793	751	28,538	0.70	42.00	49.31
TC (60%)	38	3	2	1,066	951	880	33,440	0.83	42.00	49.31
TOTAL:	228		AVERAGE:	964	\$765	\$717	\$163,520	\$0.74	\$40.18	\$43.94

INCOME		Total Net Rentable Sq Ft:	219,772	TDHCA		APPLICANT		USS Region 6		
POTENTIAL GROSS RENT				\$1,962,240	\$1,975,920			IREM Region Houston		
Secondary Income		Per Unit Per Month:	\$15.00	41,040	41,040			\$15.00	Per Unit Per Month	
Other Support Income: (describe)				0	0					
POTENTIAL GROSS INCOME				\$2,003,280	\$2,016,960					
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(150,246)	(151,272)			-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0					
EFFECTIVE GROSS INCOME				\$1,853,034	\$1,865,688					

EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	3.80%	\$308	0.32	\$70,329	\$48,536	\$0.22	\$213	2.60%
Management	4.00%	325	0.34	74,121	\$90,004	0.41	395	4.82%
Payroll & Payroll Tax	10.70%	870	0.90	198,360	\$104,000	0.47	456	5.57%
Repairs & Maintenance	4.39%	357	0.37	81,326	\$100,600	0.46	441	5.39%
Utilities	3.93%	319	0.33	72,732	\$66,000	0.30	289	3.54%
Water, Sewer, & Trash	4.23%	344	0.36	78,351	\$63,600	0.29	279	3.41%
Property Insurance	2.26%	184	0.19	41,886	\$52,676	0.24	231	2.82%
Property Tax	3.37477	10.40%	845	192,628	\$194,350	0.88	852	10.42%
Reserve for Replacements	2.46%	200	0.21	45,600	\$45,600	0.21	200	2.44%
Other Expenses: Compl.Fees, Sect	2.83%	230	0.24	52,500	\$52,500	0.24	230	2.81%
TOTAL EXPENSES	48.99%	\$3,982	\$4.13	\$907,832	\$817,866	\$3.72	\$3,587	43.84%
NET OPERATING INC	51.01%	\$4,146	\$4.30	\$945,202	\$1,047,822	\$4.77	\$4,596	56.16%

DEBT SERVICE								
First Lien Mortgage	48.89%	\$3,973	\$4.12	\$905,921	\$871,787	\$3.97	\$3,824	46.73%
Trustee Fee	0.19%	\$15	\$0.02	\$3,500		\$0.00	\$0	0.00%
TDHCA Admin. Fees	0.65%	\$53	\$0.05	12,000		\$0.00	\$0	0.00%
Asset Oversight Fees	0.18%	\$15	\$0.02	3,420		\$0.00	\$0	0.00%
NET CASH FLOW	1.29%	\$105	\$0.11	\$23,861	\$176,035	\$0.80	\$772	9.44%
INITIAL AGGREGATE DEBT COVERAGE RATIO				1.02	1.20			
INITIAL BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO				1.03				
RECOMMENDED BONDS-ONLY DEBT COVERAGE RATIO				1.10				

CONSTRUCTION COST									
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		5.29%	\$4,701	\$4.88	\$1,071,933	\$1,071,933	\$4.88	\$4,701	5.26%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.24%	6,438	6.68	1,467,780	1,467,780	6.68	6,438	7.20%
Direct Construction		49.08%	43,633	45.27	9,948,345	10,012,727	45.56	43,915	49.12%
Contingency	3.44%	1.94%	1,723	1.79	392,839	392,839	1.79	1,723	1.93%
General Req'ts	6.00%	3.38%	3,004	3.12	684,968	690,677	3.14	3,029	3.39%
Contractor's G & A	2.00%	1.13%	1,001	1.04	228,323	230,495	1.05	1,011	1.13%
Contractor's Profit	6.00%	3.38%	3,004	3.12	684,968	691,715	3.15	3,034	3.39%
Indirect Construction		4.14%	3,677	3.82	838,450	838,450	3.82	3,677	4.11%
Ineligible Costs		2.91%	2,587	2.68	589,901	589,901	2.68	2,587	2.89%
Developer's G & A	1.98%	1.51%	1,341	1.39	305,843	305,843	1.39	1,341	1.50%
Developer's Profit	12.84%	9.81%	8,719	9.05	1,987,982	1,987,982	9.05	8,719	9.75%
Interim Financing		6.11%	5,434	5.64	1,238,961	1,238,961	5.64	5,434	6.08%
Reserves		4.09%	3,634	3.77	828,476	866,000	3.94	3,798	4.25%
TOTAL COST		100.00%	\$88,898	\$92.23	\$20,268,767	\$20,385,303	\$92.76	\$89,409	100.00%
Recap-Hard Construction Costs		66.15%	\$58,804	\$61.01	\$13,407,222	\$13,486,233	\$61.36	\$59,150	66.16%

SOURCES OF FUNDS								
Tax-Exempt Bonds	59.20%	\$52,632	\$54.60	\$12,000,000	\$12,000,000	\$11,370,000	RECOMMENDED	
Taxable Bonds/ Additional Financing	0.00%	\$0	\$0.00	0		0	Developer Fee Available	
HTC Syndication Proceeds	32.03%	\$28,477	\$29.54	6,492,748	6,492,748	6,650,114	% of Dev. Fee Deferred	
Deferred Developer Fees	3.13%	\$2,780	\$2.88	633,949	633,949	2,365,189	103%	
Additional (Excess) Funds Required	5.63%	\$5,009	\$5.20	1,142,070	1,258,606	0	15-Yr Cumulative Cash Flow	
TOTAL SOURCES				\$20,268,767	\$20,385,303	\$20,385,303	\$3,152,864	

MULTIFAMILY COMPARATIVE ANALYSIS(continued)

Chisholm Trail Apartments, Houston, MFB #2004-001 | HTC #04412

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$43.64	\$9,590,850
Adjustments				
Exterior Wall Finish	4.50%		\$1.96	\$431,588
Elderly/9-Ft. Ceilings	3.00%		1.31	287,726
Roofing			0.00	0
Subfloor			(0.68)	(148,712)
Floor Cover			2.00	439,544
Porches/Balconies	\$18.00	36674	3.00	660,132
Plumbing	\$605	528	1.45	319,440
Built-In Appliances	\$1,650	228	1.71	376,200
Stairs/Fireplaces	\$1,700	76	0.59	129,200
Floor Insulation			0.00	0
Heating/Cooling			1.53	336,251
Carports	\$8.18	19,494	0.73	159,461
Comm &/or Aux Bldgs	\$58.18	3,700	0.98	215,278
Garages	\$27.92	18,480	2.35	515,962
SUBTOTAL			60.58	13,312,919
Current Cost Multiplier	1.03		1.82	399,388
Local Multiplier	0.89		(6.66)	(1,464,421)
TOTAL DIRECT CONSTRUCTION COSTS			\$55.73	\$12,247,886
Plans, specs, survy, bld prn	3.90%		(\$2.17)	(\$477,668)
Interim Construction Interest	3.38%		(1.88)	(413,366)
Contractor's OH & Profit	11.50%		(6.41)	(1,408,507)
NET DIRECT CONSTRUCTION COSTS			\$45.27	\$9,948,345

PAYMENT COMPUTATION

Primary	\$12,000,000	Amort	360
Int Rate	6.455%	DCR	1.04

Secondary		Amort	
Int Rate		Subtotal DCR	1.025809263

All-In		Amort	
Rate		Aggregate DCR	1.022015888

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$858,360
Trustee Fee	3,500
TDHCA Admin. Fees Asset Oversight	15,420
NET CASH FLOW	\$67,922

Primary	\$11,370,000	Term	360
Int Rate	6.455%	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

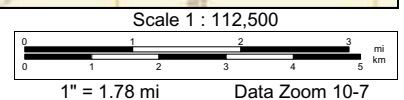
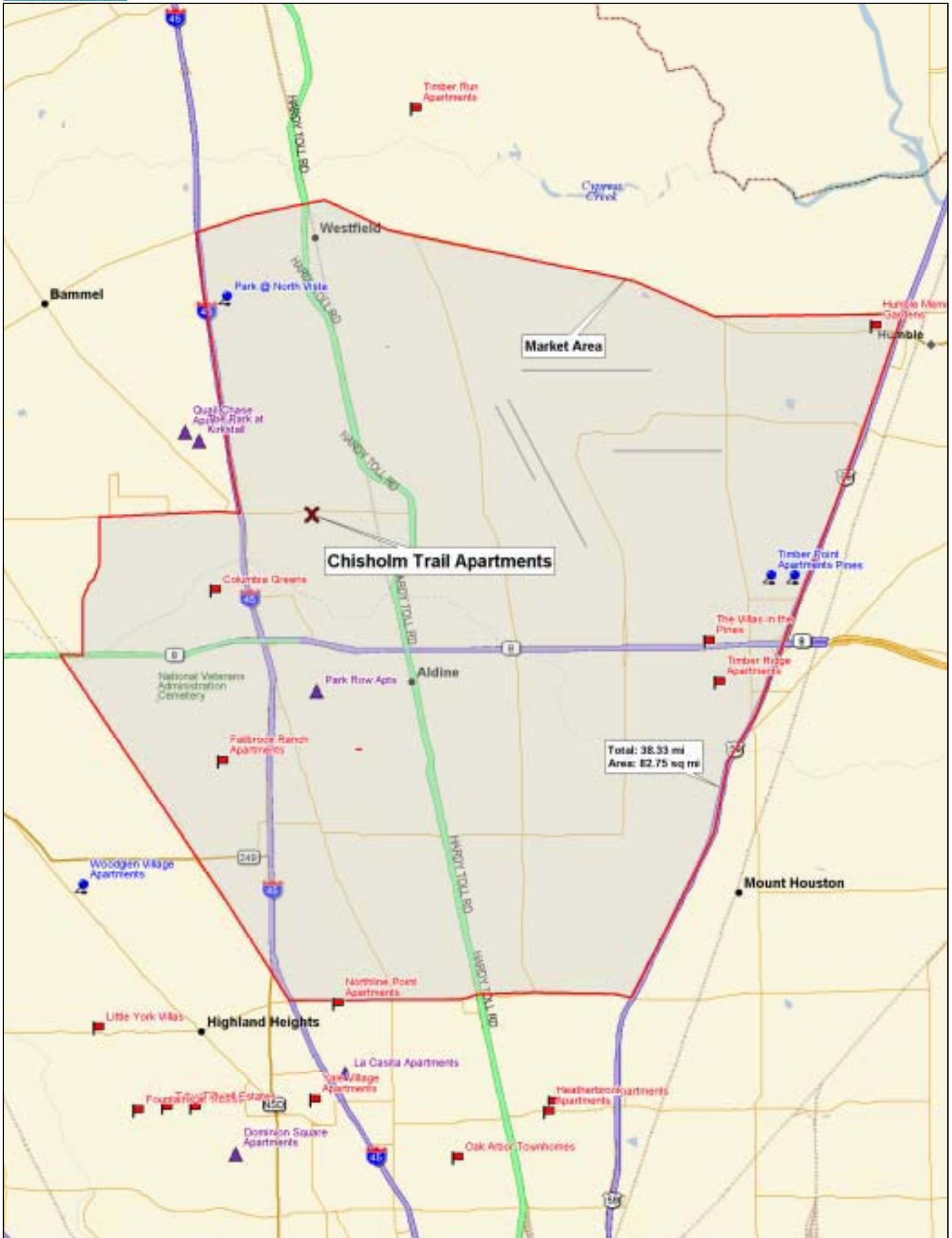
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,962,240	\$2,021,107	\$2,081,740	\$2,144,193	\$2,208,518	\$2,560,278	\$2,968,064	\$3,440,800	\$4,624,147
Secondary Income	41,040	42,271	43,539	44,846	46,191	53,548	62,077	71,964	96,713
Other Support Income: (describ)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,003,280	2,063,378	2,125,280	2,189,038	2,254,709	2,613,826	3,030,141	3,512,764	4,720,861
Vacancy & Collection Loss	(150,246)	(154,753)	(159,396)	(164,178)	(169,103)	(196,037)	(227,261)	(263,457)	(354,065)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,853,034	\$1,908,625	\$1,965,884	\$2,024,860	\$2,085,606	\$2,417,789	\$2,802,880	\$3,249,306	\$4,366,796
EXPENSES at 4.00%									
General & Administrative	\$70,329	\$73,142	\$76,068	\$79,111	\$82,275	\$100,100	\$121,787	\$148,173	\$219,332
Management	74,121	76,345	78,635	80,994	83,424	96,712	112,115	129,972	174,672
Payroll & Payroll Tax	198,360	206,294	214,546	223,128	232,053	282,328	343,495	417,915	618,616
Repairs & Maintenance	81,326	84,579	87,962	91,481	95,140	115,752	140,830	171,341	253,627
Utilities	72,732	75,641	78,667	81,814	85,086	103,520	125,948	153,235	226,826
Water, Sewer & Trash	78,351	81,485	84,744	88,134	91,659	111,517	135,678	165,073	244,348
Insurance	41,886	43,561	45,303	47,116	49,000	59,616	72,532	88,247	130,626
Property Tax	192,628	200,333	208,346	216,680	225,347	274,169	333,569	405,838	600,739
Reserve for Replacements	45,600	47,424	49,321	51,294	53,346	64,903	78,964	96,072	142,211
Other	52,500	54,600	56,784	59,055	61,418	74,724	90,913	110,610	163,729
TOTAL EXPENSES	\$907,832	\$943,404	\$980,377	\$1,018,806	\$1,058,748	\$1,283,342	\$1,555,833	\$1,886,475	\$2,774,726
NET OPERATING INCOME	\$945,202	\$965,221	\$985,507	\$1,006,055	\$1,026,858	\$1,134,447	\$1,247,047	\$1,362,831	\$1,592,070
DEBT SERVICE									
First Lien Mortgage	\$858,360	\$858,360	\$858,360	\$858,360	\$858,360	\$858,360	\$858,360	\$858,360	\$858,360
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees Asset Ov	15,420	14,662	14,525	14,379	14,224	13,277	11,970	3,420	3,420
NET CASH FLOW	\$67,922	\$88,699	\$109,122	\$129,815	\$150,774	\$259,310	\$373,217	\$497,551	\$726,791
AGGREGATE DCR	1.08	1.10	1.12	1.15	1.17	1.30	1.43	1.58	1.84

LIHTC Allocation Calculation - Chisholm Trail Apartments, Houston, MFB #2004-001/HTC #04412

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	\$1,071,933	\$1,071,933		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,467,780	\$1,467,780	\$1,467,780	\$1,467,780
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$10,012,727	\$9,948,345	\$10,012,727	\$9,948,345
(4) Contractor Fees & General Requirements				
Contractor overhead	\$230,495	\$228,323	\$229,610	\$228,323
Contractor profit	\$691,715	\$684,968	\$688,830	\$684,968
General requirements	\$690,677	\$684,968	\$688,830	\$684,968
(5) Contingencies				
	\$392,839	\$392,839	\$392,839	\$392,839
(6) Eligible Indirect Fees				
	\$838,450	\$838,450	\$838,450	\$838,450
(7) Eligible Financing Fees				
	\$1,238,961	\$1,238,961	\$1,238,961	\$1,238,961
(8) All Ineligible Costs				
	\$589,901	\$589,901		
(9) Developer Fees				
Developer overhead	\$305,843	\$305,843	\$305,843	\$305,843
Developer fee	\$1,987,982	\$1,987,982	\$1,987,982	\$1,987,982
(10) Development Reserves				
	\$866,000	\$828,476		
TOTAL DEVELOPMENT COSTS	\$20,385,303	\$20,268,767	\$17,851,853	\$17,778,458

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		\$17,851,853	\$17,778,458
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$23,207,409	\$23,111,995
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$23,207,409	\$23,111,995
Applicable Percentage		3.56%	3.56%
TOTAL AMOUNT OF TAX CREDITS		\$826,184	\$822,787

Syndication Proceeds	0.8049	\$6,650,114	\$6,622,773
Total Credits (Eligible Basis Method)		\$826,184	\$822,787
Syndication Proceeds		\$6,650,114	\$6,622,773
Requested Credits		\$826,444	
Syndication Proceeds		\$6,652,209	
Gap of Syndication Proceeds Needed		\$9,015,303	
Credit Amount		\$1,120,025	



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) - 2004

MSA/County: Houston **Area Median Family Income (Annual):** \$61,000

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	\$ 21,350	\$ 25,620	34,150	Efficiency	\$ 533	\$ 640	\$ 853		\$ 533	\$ 640	\$ 853
2	24,400	29,280	39,050	1-Bedroom	571	686	915	42	529	644	873
3	27,450	32,940	43,900	2-Bedroom	686	823	1,097	50	636	773	1,047
4	30,500	36,600	48,800	3-Bedroom	793	951	1,268	59	734	892	1,209
5	32,950	39,540	52,700	4-Bedroom	885	1,062	1,415		885	1,062	1,415
6	35,400	42,480	56,600	5-Bedroom	975	1,170	1,561		975	1,170	1,561
7	37,800	45,360	60,500								
8	40,250	48,300	64,400								
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 \$32,940 could not pay more than \$823 for rent and utilities under the affordable definition.

- 1) \$32,940 divided by 12 = **\$2,745** monthly income; then,
- 2) **\$2,745** monthly income times 30% = **\$823** 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.

CHISHOLM TRAIL APARTMENTS

RESULTS & ANALYSIS: for 50% AMFI Units

Tenants in the 50% AMFI bracket will **save \$176 to \$321** per month (leaving 8.7% to 13.5% more of their monthly income for food, child care and other living expenses).

This is a monthly savings off the market rents of **25.0% to 32.7%**.

PROJECT INFORMATION				
Unit Mix				
Unit Description	1-Bedroom	2-Bedroom	2-Bedroom	3-Bedroom
Square Footage	697	996	1,052	1,066
Rents if Offered at Market Rates	\$705	\$919	\$945	\$1,055
Rent per Square Foot	\$0.99	\$1.08	\$1.11	\$1.01

SAVINGS ANALYSIS FOR 60% AMFI GROUPING				
Rent Cap for 50% AMFI Set-Aside	\$529	\$636	\$636	\$734
Monthly Savings for Tenant	\$176	\$283	\$309	\$321
Rent per square foot	\$0.76	\$0.64	\$0.60	\$0.69
Maximum Monthly Income - 50% AMFI	\$2,033	\$2,288	\$2,288	\$2,644
Monthly Savings as % of Monthly Income	8.7%	12.4%	13.5%	12.1%
% DISCOUNT OFF MONTHLY RENT	25.0%	30.8%	32.7%	30.4%

Information provided by: Vogt Williams & Bowen, LLC, 869 W. Goodale Boulevard, Columbus, Ohio 43212

CHISHOLM TRAIL APARTMENTS

RESULTS & ANALYSIS: for 60% AMFI units

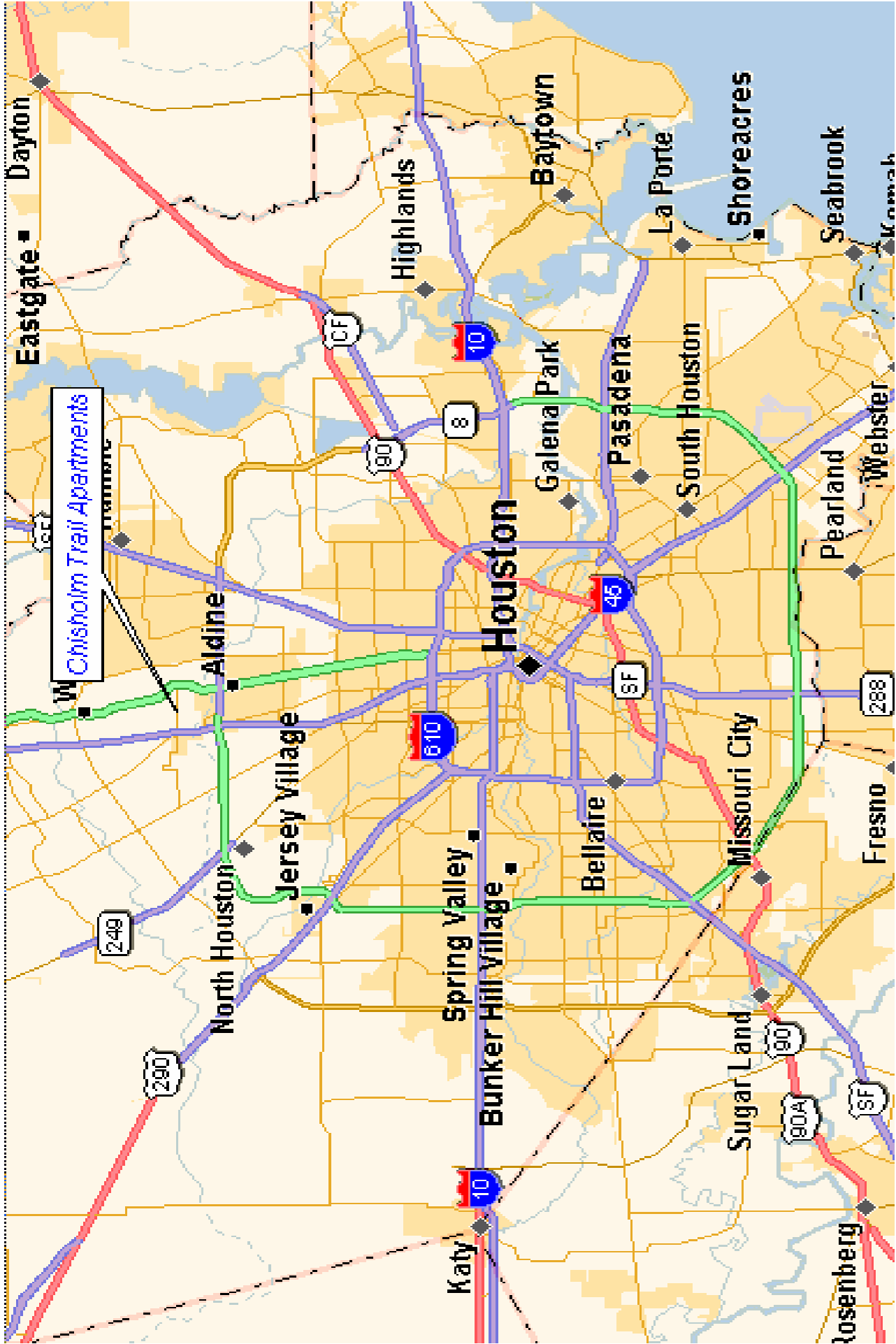
Tenants in the 60% AMFI bracket will **save \$61to \$172** per month (leaving 2.5% to 6.3% more of their monthly income for food, child care and other living expenses).

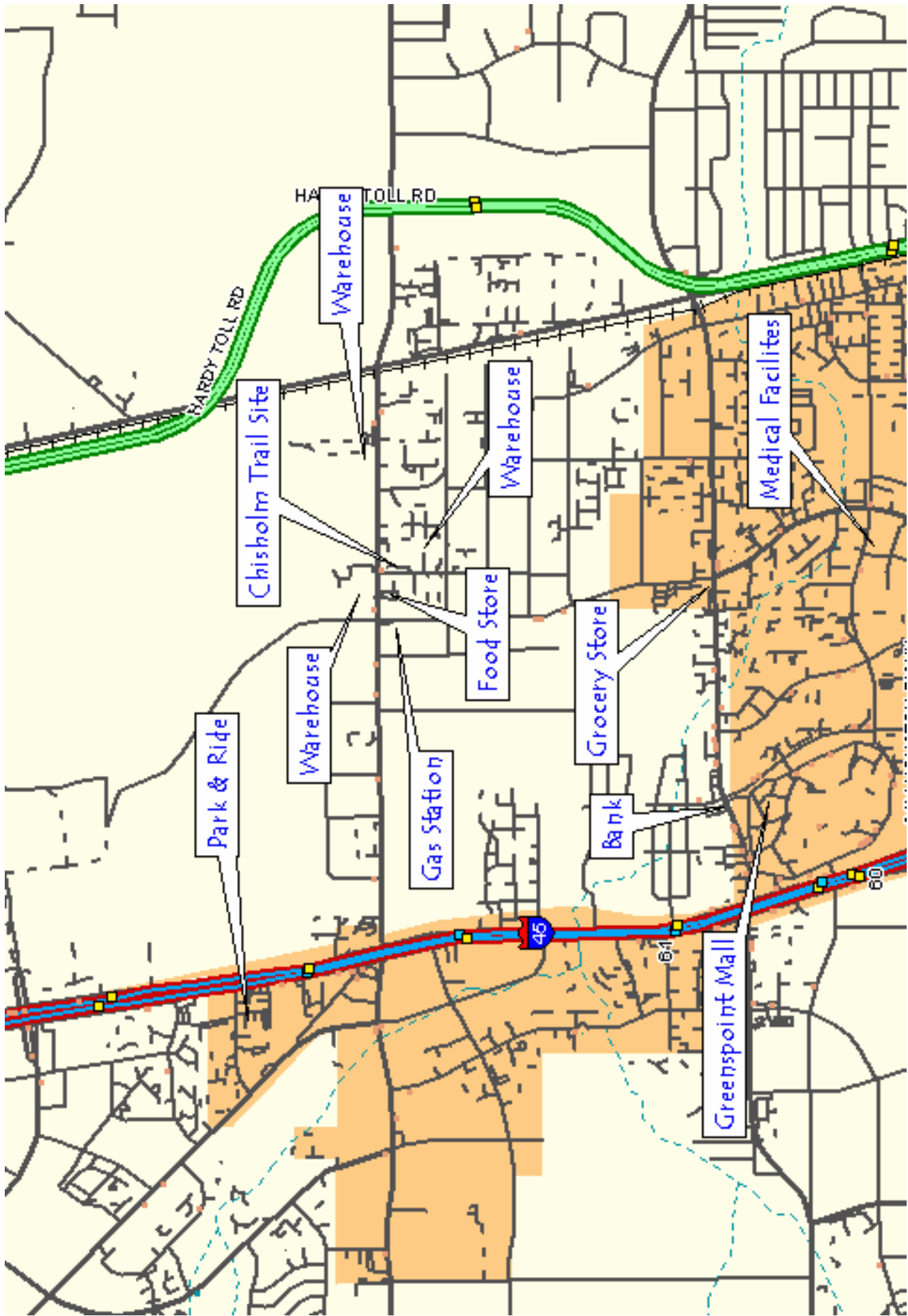
This is a monthly savings off the market rents of **8.7% to 18.2%**.

PROJECT INFORMATION				
Unit Mix				
Unit Description	1-Bedroom	2-Bedroom	2-Bedroom	3-Bedroom
Square Footage	697	996	1,052	1,066
Rents if Offered at Market Rates	\$705	\$919	\$945	\$1,055
Rent per Square Foot	\$0.99	\$1.08	\$1.11	\$1.01

SAVINGS ANALYSIS FOR 60% AMFI GROUPING				
Rent Cap for 60% AMFI Set-Aside	\$644	\$773	\$773	\$892
Monthly Savings for Tenant	\$61	\$146	\$172	\$163
Rent per square foot	\$0.92	\$0.78	\$0.73	\$0.84
Maximum Monthly Income - 60% AMFI	\$2,440	\$2,745	\$2,745	\$3,172
Monthly Savings as % of Monthly Income	2.5%	5.3%	6.3%	5.1%
% DISCOUNT OFF MONTHLY RENT	8.7%	15.9%	18.2%	15.5%

Information provided by: Vogt Williams & Bowen, LLC, 869 W. Goodale Boulevard, Columbus, Ohio 43212





Developer Evaluation

Project ID # **04412**

Name: **Chisholm Trail 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: 1 Projects grouped by score 0-9 1 10-19 0 20-29 0
Total # monitored with a score less than 30: 1 # not yet monitored or pending review: 0

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 _____ Date _____

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 2/19/2004

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 _____ Date _____

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 Stephanie D'Couto Date 2/19/2004

Executive Director: _____

Executed: _____

Status Summary

Project ID# 04412

Name: Chisholm Trail Apartments

City Houston

LIHTC 9 LIHTC 4

HOME HTF

Bond SEC

ESGP Other

Developer	Role	Disbar
Rankin Housing Partners LP	Owner/Applicant Name	<input type="checkbox"/>
Metzger Company LLC	General Partner	<input type="checkbox"/>
A. Richard Wilson	Manager (50% Ownership)	<input type="checkbox"/>
Gerald Russell	Manager (50% Ownership)	<input type="checkbox"/>

Projects/Contracts Monitored by the Department

Program	Project ID	Project Name	Score
LIHTC/BO	01432/MF044	Green Pines Apartments	0

Out of State Response Received: No

Non-Compliance Reported

Completed By: Jo En Taylor

Date: 2/9/2004

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Division

Public Comment Summary

Chisholm Trail Apartments

Public Hearing

<i>Total Number Attended</i>	21
<i>Total Number Opposed</i>	14
<i>Total Number Supported</i>	5
<i>Total Number Neutral</i>	2
<i>Total Number that Spoke</i>	5

Public Officials Letters Received

Opposition	3
Congressman Green	
Senator Whitmire	
AISD Superintendent Nadine Kujawa	
Support	1
Representative Senfronia Thompson	

General Public Letters and Emails Received

Opposition	49
Lincoln Properties Staff	
Greater Greenspoint Management District	
Royce Builders	
Business Owner in the Area	
Support	1
Puget Of Texas	

Summary of Opposition

- 1 Already low rental rates in the greenspoint area
- 2 Vacancy rates between 10% - 17%
- 3 Other apartments experiencing cash flow problems
- 4 New units would take existing tenants in other complexes
- 5 Over supply of multifamily housing currently exists
- 6 High traffic area for commercial trucks
- 7 Some current market rents are lower than expected for the Chisholm development.
- 8 Occupancy in area is declining
- 9 Many incentives being offered by other complexes
- 10 Houston is not projected to see job grow in the near future
- 11 Further occupancy dilution is not best for the community
- 12 Concern for school system and public infrastructure

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

CHISHOLM TRAIL APARTMENTS

PUBLIC HEARING

Calvert Elementary School
1925 Marvell Drive
Houston, Texas

January 20, 2004
6:00 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Bond Administrator

I N D E X

<u>SPEAKER</u>		<u>PAGE</u>
Gerald Russell		8
Sandy Collins	14	
Steve Davis	15	
Bart Baker		16
Deborah Gonzales		18

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 with the public
4 hearing. Let the record show that it is 6:12 p.m. on Tuesday,
5 January 20, 2004. We are at the Calvert Elementary School located at
6 1925 Marvell Drive, in Houston, Texas 77032.

7 I'm here to conduct a public hearing on behalf of the
8 Texas Department of Housing and Community Affairs with respect to the
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 the proposed bond issuance.

14 No decisions regarding the development will be made at
15 this hearing. The Department's board is scheduled to meet to
16 consider the transaction on March 11, 2004. In addition to providing
17 your comments at this hearing, the public is also invited to provide
18 comments directly to the board at their meeting. The Department
19 staff will also accept written comments via facsimile at 512-475-0764
20 up until 5:00 on February 27. I do have cards, afterwards, if you
21 need that number.

22 The bonds will be issued as tax-exempt multifamily
23 revenue bonds in the aggregate principal amount not to exceed \$12
24 million and 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.

3 The proceeds of the bonds will be loaned to Rankin
4 Housing Partners, Limited Partnership, or a related person or
5 affiliate entity thereof, to finance a portion of the cost of
6 acquiring, constructing, and equipping a multifamily rental housing
7 community described as follows: a 228 unit multifamily residential
8 rental development to be constructed on approximately 10.16 acres of
9 land located at 18204 Chisholm Trail, Houston, Harris County, Texas.

10 The proposed multifamily residential housing community will
11 initially be owned and operated by the borrower, or a related person
12 or affiliate entity thereof.

13 I would like to welcome you to this hearing and thank
14 you in advance for your participation in this.

15 The federal government wanted to privatize the housing
16 industry, and they created two programs in order to do that. One was
17 the private activity bond program and also the Housing Tax Credits.
18 The private activity bond program gives a tax exemption to the bond
19 purchaser. Not to think he's out of property tax exemptions, this
20 particular development will be paying its property taxes, school
21 taxes, and such.

22 It's a tax exemption to the bond purchaser. Because the
23 bond purchaser allows for a lower interest rate, they agree to a
24 lower rate of return because of the tax exemption. Because of that

1 lower rate of return, the lender that will be involved in this
2 particular development will charge a lower interest rate to the
3 developer, which in turn can actually build a market rate property at
4 a lower cost.

5 The other piece of this is the Housing Tax Credits.
6 This is an IRS tax credit to the developer. It allows the developer
7 to charge a below market rate rent to affordable tenants. Because of
8 the tax exempt bonds and also the housing tax credits, there is also
9 compliance criteria, that the state monitors this development for the
10 next 30 years.

11 That monitoring goes into making sure that they do have
12 the rent restricted tenants that are supposed to be there, the tenant
13 occupancy is correct, the physical appearance. I have a lot of
14 people that always comment on, you know, what's it going to look like
15 in ten years.

16 Part of that physical appearance is monitored by the
17 State to make sure that we do have quality developments that are
18 being kept up to the quality standards for the tenants that live
19 there. There's also financing and bookkeeping monitoring that is
20 also done by the Department.

21 A lot of the developments that we deal with also have
22 different social services. Some have after-school care. They have
23 health screenings. Most of the developments have computer rooms
24 where kids can go, or adults, for computer training. Some have

1 children's libraries and adult libraries that are also available to
2 the tenants.

3 The whole end result in this, between the two programs,
4 is it allows private industry to build affordable housing at a cost
5 that lesser fortunate individuals can afford. The private activity
6 bond program is actually administered by the Texas Bond Review Board.

7 The Texas Department of Housing and Community Affairs happens to be
8 the issuer for those bonds and for the Texas Bond Review Board. What
9 our role is, it's to facilitate the bringing together of developers
10 and financial institutions in order for put the transactions
11 together.

12 The multifamily bond program is not a Section 8 project-
13 based housing program. It is an affordable program. All the tenants
14 have to qualify under the same guidelines. The developer will go
15 into some of the guidelines in his presentation.

16 Again, the development will be located at 18204 Chisholm
17 Trail, in Houston, Texas. This particular development received
18 what's called a reservation of allocation on January 2. From that
19 time, they have 150 days to close the bond transaction. This
20 reservation is set to expire on May 31, 2004.

21 There are information packets that were here on the
22 table. I do have a correction. On one of your pages, where it says
23 the development will consist of ten
24 two-story buildings, that should be ten three-story buildings instead

1 of two stories. They will be
2 three-story residential buildings and there will be one non-
3 residential building.

4 They will consist of 228 units total. There will be 52
5 one-bedroom, one-bath units, with an average square footage of 697
6 square feet. There will be 100 two-bedroom, two-bath units, with an
7 average square footage of 1,025 square feet, and 76 three-bedroom,
8 two-bath units, with an average square footage of 1,066.

9 This development, 50 percent of the units will serve
10 tenants at 50 percent of the area median income and 50 percent of the
11 units will serve tenants at 60 percent of the area median income.
12 The area median income for the Houston metropolitan statistical area
13 is \$59,100. To give you an example, a family of four couldn't earn
14 more than 29,800 in the 50 percent category or 35,760 in the 60
15 percent category.

16 A one-bedroom maximum rent is approximately \$628. A
17 two-bedroom maximum rent is approximately 754. A three-bedroom
18 maximum rent is approximately 871.

19 At this time, I'm going to turn it over to allow the
20 developer to do a brief presentation for you. At that point, we'll
21 open up the floor for any questions that you may have. Again, if you
22 do ask a question, I'm going to ask that you do come to the
23 microphone so that we can get all the questions on our tape.

24 Mr. Russell?

1 MR. RUSSELL: My name is Gerald Russell. I represent
2 the developer that's doing the deal on this property. I will make a
3 brief presentation.

4 As Robbye indicated, this property is located at 18204
5 Chisholm Trail. It's on a ten-plus-acre site. The site was
6 previously a light manufacturing facility. I understand that it
7 opened 20 or 25 years ago. Since that time, there have been two or
8 three owners of that property. There is an old foundation and some
9 pavement, but basically the site [inaudible].

10 The principals in the development are myself and
11 Richard Wilson. You see him sitting in the back. We are both
12 natives of Houston. We reside here. We've developed here in the
13 city. We helped them build some of the parking garages in the city.

14 As we said earlier, it's 228 units on 10.16 acres. It's
15 a mix of one, two, and threes, of varying sizes. Each of the units
16 will have a fully functional kitchen, fully equipped with appliances,
17 and generally the units will be very comfortable and very reasonable.

18 We are a tax-paying entity. We're not a CHDO or non-
19 profit. The estimated taxes on this property are \$194,350 a year.

20 As Robbye alluded to, this program allows developers to
21 create luxury-style communities for working citizens in the United
22 States. It's created by the Tax Reform Act of 1986. It has proven
23 to be an accepted program everywhere.

24 Generally, the market that we're looking at is the

1 northeastern market, and that market typically is an old market.
2 Most apartments are at least 25 years old there. Unfortunately, a
3 lot of them are in [inaudible]. Older properties do have a high
4 vacancy rate and that's [inaudible].

5 If you look at the apartments built since 1985, the
6 overall vacancy rate is 4.9 percent. That's all the apartments that
7 are less than four years old. That indicates there's a strong demand
8 for properties.

9 This graph indicates the relative age of the properties.
10 The yellow band shows properties that were built by 1970. The green
11 band shows 1970 to 1984. And then, I guess that's a purple band,
12 shows 1985 to present.

13 The amenities that we're planning for the property are
14 we'll be putting a business center with high speed Internet access.
15 We're also going to have fax machines available there, a physical
16 fitness center, a game room, garages, carports, a swimming pool, a
17 playground, barbecue pits, and picnic tables.

18 General services, we're going to have available after
19 school tutoring, a children's library. We'll have safety classes,
20 which the law enforcement community will help us with. We're going
21 to have computer classes, English language, and there will be cable
22 television to all the units.

23 For security features, we'll have a full perimeter
24 fence, remote control access gates, steel entry doors, dead bolt

1 locks, and remote garage door openers.

2 Our tenant screening philosophy will run full credit
3 checks and job verification on all our applicants, full criminal
4 background checks, and rental history verification.

5 We have a similar project, which we finished about two
6 years ago, located at 6060 Greens Road. We have some photos that
7 were taken of that property and we can scan through those. We're
8 using the same architect, engineer, and general contractor on this
9 project.

10 We would like to read into the record two letters of
11 support from community officials. The first is from the ARCHON
12 School District. It's dated October 3, 2003. It's addressed to Mr.
13 Robert Onion at Texas Department of Housing and Community Affairs.

14 "I'm writing this letter to express our support of the
15 development of Chisholm Trail Apartments, located at 18204 Chisholm
16 Trail, Houston, Texas. As I understand it, this project will add to
17 our business property values. At any point, the developer takes any
18 action against this property, we'll oppose such action". It's signed
19 Nadine Kujawa.

20 Another letter from Texas House of Representatives,
21 State Representative Senfroria Thompson, it's addressed to Ms. Robbye
22 Meyer, Texas Department of Housing and Community Affairs. It's dated
23 October 20.

24 "Dear Ms. Meyer, I thoroughly recommend the issuance of

1 tax credits for the construction of the low income housing of
2 apartments to be built here within my legislative district. This is
3 in an area that will need apartment units to accommodate the growing
4 community, and it's in need of reasonable-cost housing. The Texas
5 Department of Housing and Community Affairs would be doing a great
6 service to this area of Houston with funding for this project.

7 "I have only one reservation, that the recipient of
8 these tax credits for the construction of these apartments does not
9 allow it to become a slum and blight upon this community. In
10 addition, if these apartments are sold in the future, I request the
11 future owner maintain the same positive attitude towards the
12 subdivision. Therefore, I'd like to join with other individuals who
13 are recommending for the construction of this facility." It's signed
14 Senfronia Thompson.

15 With that very brief presentation, I'll try to answer
16 any questions.

17 MS. MEYER: Can you come to the mike?

18 (Pause.)

19 VOICE: Would you mind going back to the slide that has
20 the location with the surrounding area around the apartments? Can
21 you tell us what's around those apartments? Is that mostly
22 industrial that's surrounding that area?

23 MS. MEYER: Yes, it is. I drove by it today. It's
24 mostly an office, warehouse type area.

1 VOICE: Hold on a minute then. I would be concerned
2 that that might not be the best area for an apartment, right in the
3 middle of industrial. That's just my comment.

4 MS. MEYER: Okay. Are there any other questions for
5 myself, as the Department, or for the developer?

6 (No response.)

7 MS. MEYER: Everything is way too easy tonight. Since
8 there aren't any questions, I'll go ahead and start the public
9 comments section. I would ask while the hearing is in place, if you
10 have any pagers, or if you have any mobile phones, if you would move
11 them to silent or turn them off. Please do not answer your phone in
12 this room.

13 If you want to speak, there is a log. You have to sign
14 in. I would request if everybody sign in, if you don't mind, just so
15 I have a record of who is here, but if you want to speak, you have to
16 sign in. You don't have a choice in the matter.

17 Each person will have three minutes to make your
18 comments. Please be respectful of the other speakers. While the
19 hearing is in place, it's really not a debate or discussion time. If
20 there are any questions, following the hearing, I'll be glad to
21 answer any questions, or the developer. You may ask a question of
22 someone else that's here. That's fine. Just, please, don't do it
23 during the comment section.

24 The first one I have that has listed here is Sandy

1 Collins.

2 MR. COLLINS: My name is Sandy Collins. I'm here on
3 behalf of Royce Homes, L.P. I'd like to read into the record the
4 letter that we intend to send to Ms. Meyer.

5 "On behalf of Royce Homes, L.P., we have standing in
6 this issue because we own property in the Greenspoint area. The
7 purpose of this letter is to register our opposition to additional
8 tax credits that must be provided to a multifamily development in the
9 Greenspoint area of Houston, Harris County, Texas.

10 "Upon information belief, an application was made by
11 Chisholm Trail Apartments and developer, Rankin Housing Partners,
12 L.P., we oppose this and other projects in the Greenspoint area for
13 the following reasons. The multifamily housing market in Greenspoint
14 is grossly overbuilt, with over 18,000 units, many of which are
15 experiencing dangerously low rental rates. There are more than
16 10,000 apartment units within two and a half miles of the proposed
17 site that may not be cash flowing, in order to keep the projects
18 economically viable.

19 "Rental rates are falling due to low interest rates. It
20 makes owning a home cheaper than renting. The vacancy rates in this
21 area hover between 10 and 17 percent. It has been reported that
22 occupancy has been declining and new rental units would serve to take
23 away the existing units, hence causing more economic hardship in this
24 area of Houston.

1 "The local economists do not project job growth. There
2 is not a need for a project such as this. Greenspoint area already
3 has an oversupply of affordable multifamily housing units".

4 Thank you.

5 MS. MEYER: The next person is Steve Davis.

6 MR. DAVIS: My name is Steve Davis. I'm an independent
7 real estate broker and real estate consultant. I strongly support
8 this project. The main reason is it finally brings new housing to
9 this area, which too long has suffered from, as Mr. Russell pointed
10 out, 25-year-old apartment projects.

11 I met personally with Senfronia Thompson, and we had
12 about a one-hour discussion about the need in this area for new
13 apartments that would give somebody, just because they're
14 economically disadvantaged, a nice place to live and bring them into
15 the 21st century. She wholeheartedly supports it. She turned down
16 some other projects, but definitely supports this.

17 Also, it will serve to stimulate additional retail
18 activity in the immediate area, which will feed off of this, in the
19 rooftops. This is what the retailers look for. It enhances the
20 ARCON School District because of the tax base. It brings in
21 additional tax base and it all feeds off of itself. And so it's a
22 win-win for everybody.

23 Ms. Thompson also would look very, very critically at
24 the developers because they're local, professional developers and not

1 someone from New York or Chicago. That also swayed her greatly.

2 I am a wholehearted supporter. Thank you.

3 MS. MEYER: Bart Baker?

4 MR. BAKER: My name is Bart Baker. I'm the manager of
5 planning and construction of the Greenspoint Financial District. I'm
6 here today to register the management business opposition to this
7 proposed multifamily development, which is within the boundaries of
8 the Greenspoint Management District, which is a subdivision of the
9 state of Texas, with the responsibility of promoting economic
10 development and the quality of life in Greenspoint.

11 We oppose this Chisholm Trail Apartment for the
12 following reasons. As stated before, the multifamily housing market
13 in Greenspoint is overbooked. Within two and a half miles of this
14 site, we have 10,000 apartment units. Within the mainstream of that,
15 the need for new housing came in, many years ago, ARCON came in to
16 the Greater Greenspoint Regional Development Board. He invested
17 millions of dollars in the installation of over 5,000 units in
18 Greenspoint. Many of these units do provide communities that are
19 comparable to the multifamily development that's going on.

20 The current occupancy of the existing units is 82
21 percent, which is well below the average occupancy of the city of
22 Houston. This is declining. Additional units which are offered by
23 this proposed development will undoubtedly take renters away from our
24 existing properties, further reducing their occupancy. Further

1 dilution of our occupancy is not an investment in our property's
2 future.

3 Furthermore, there is no lack of affordable housing
4 today in Greenspoint. The rents for comparable existing units are
5 between 10 percent and 18 percent below the expected rates which are
6 offered by this proposal.

7 Also, I just wanted to briefly address the location of
8 this project. As shown on this slide, myself being a professional
9 planner, the location of this site is surrounded to the north, south,
10 east, and west by industrial and warehousing. The activities going
11 on, and the uses, would most likely not be compatible to the
12 residential development. I just wanted to make that comment in
13 regards to the location of the site.

14 So to wrap up, the economic realities of our current
15 market prove the obvious. We can't support further development in
16 Greenspoint. We would appreciate the developer's consideration of
17 our position.

18 MS. MEYER: Deborah Gonzales?

19 MS. GONZALES: Hi. My name is Deborah Hamner. I have
20 been in the business for about 17 years, and I just started working
21 in the Greenspoint area. I worked on Imperial Valley. I've worked
22 on Greens Road for approximately anywhere from five to eight years.
23 This was approximately about 17 years ago.

24 Things have changed tremendously since then. At that

1 point in time, the properties were very old at that time and we did
2 live with the things that go wrong with an older property.
3 Naturally, at that point in time, crime was very, very high and the
4 district has done a very good job, along with ARCON and [inaudible],
5 of cleaning up that area and making it a nicer place, and a safer
6 place, for people to live.

7 I do manage Green Pines Apartments now, that the
8 developer already has. We, at this point right now, have three
9 vacant apartments out of 224. We have six people on notice and three
10 of those notices are because I had asked them to move for different
11 reasons.

12 Along with crime, we completely support and actively
13 have the police department that do come in and give a zero tolerance
14 program for us. We do support and actively do not tolerate anybody
15 living on our properties that do not go along with the law, and do
16 the right things, as far as being good residents for everyone else.

17 I know this industrial thing seems to be a very big,
18 heavy conversation here. I believe that having some nice property
19 close to these industrial areas will also give these people a place
20 to live that is close to where they work. That will cut down on gas,
21 traffic, driving. They're closer to home.

22 It's going to be a great project. I also believe that
23 it is a better, in the greater Greenspoint district's path, to have a
24 developer come in and believe in what the district has done, as far

1 as changing the overall attitude towards Greenspoint.

2 By coming in and saying, Okay, we do believe, and we're
3 going to build, and we're going to put our money where our mouth is,
4 and we're going to come in, and we're going to develop something new,
5 and give people a choice of somewhere new and nice to live, at an
6 affordable rate, which as everyone has said, would be comparable to
7 the rates that are already there in Greenspoint.

8 I strongly support this. The things that Mr. Gerald
9 Russell has brought up about what we do, he has brought up the
10 education, after school, the computer room for the kids, we do all of
11 those things already. They are all very successful, which we will
12 carry on with this new property. We'll carry on the zero tolerance
13 program with the city and the city police department.

14 That's all I have to say. Thank you very much for your
15 time.

16 MS. MEYER: I don't have anyone else that's listed that
17 would like to speak. Is there anybody that would?

18 (No response.)

19 MS. MEYER: Are there any other questions?

20 (No response.)

21 MS. MEYER: Okay. Just one little, a couple FYIs,
22 again: the last time for public comment, if you want to send in
23 written comment to the Department, is February 27 at 5:00.

24 Again, there are information packets and all my

1 information is correct. There is one correction to the developer
2 information, one more time. It should be 1772 on his phone number.
3 It's 977-1772 instead of 1771, but I'll be glad to fix that for you
4 in the meanwhile. I'll be glad to give you the correct information
5 if you don't have a pen to write that down.

6 I also have my business cards up here, if you'd like to
7 take a business card.

8 Again, our board meeting is scheduled for March 11.
9 That is in Austin, Texas. It is at our office, the board meeting
10 there. You are more than welcome to visit that -- it is an open
11 meeting -- to come to that meeting if you would like. You can do it.

12 Seeing that there's no more questions and no more public
13 comment, I will conclude and adjourn the meeting. It is now 6:42.

14 (Whereupon, at 6:42 p.m., the hearing was concluded.)

C E R T I F I C A T E

1
2
3 IN RE: Chisholm Trail Apartments

4 LOCATION: Houston, Texas

5 DATE: January 20, 2004

6 I do hereby certify that the foregoing pages, numbers 1
7 through 20, inclusive, are the true, accurate, and complete
8 transcript prepared from the verbal recording made by electronic
9 recording by Sue J. Brindley before the Texas Department of Housing
10 and Community Affairs.

(Transcriber) 1/31/2004
(Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

Developer's Presentation
for the public hearing held on January 20, 2004



Chisholm Trail Apartments

18204 Chisholm Trail
Houston, TX 77060

Chisholm Trail Apartments



Chisholm Trail Apartments

◆ Principals:

Gerald Russell

Richard Wilson

Chisholm Trail Apartments

- ◆ 228 Units
- ◆ 10.16 Acres

Chisholm Trail Apartments

◆ Chisholm Trail will pay all property taxes with an estimated value of:

\$194,350.00 per year

Chisholm Trail Apartments

- ◆ The program that allows developers to create luxury-style communities for working citizens of The United States of America was created by The U.S. Congress with the Tax-Reform Act of 1986.

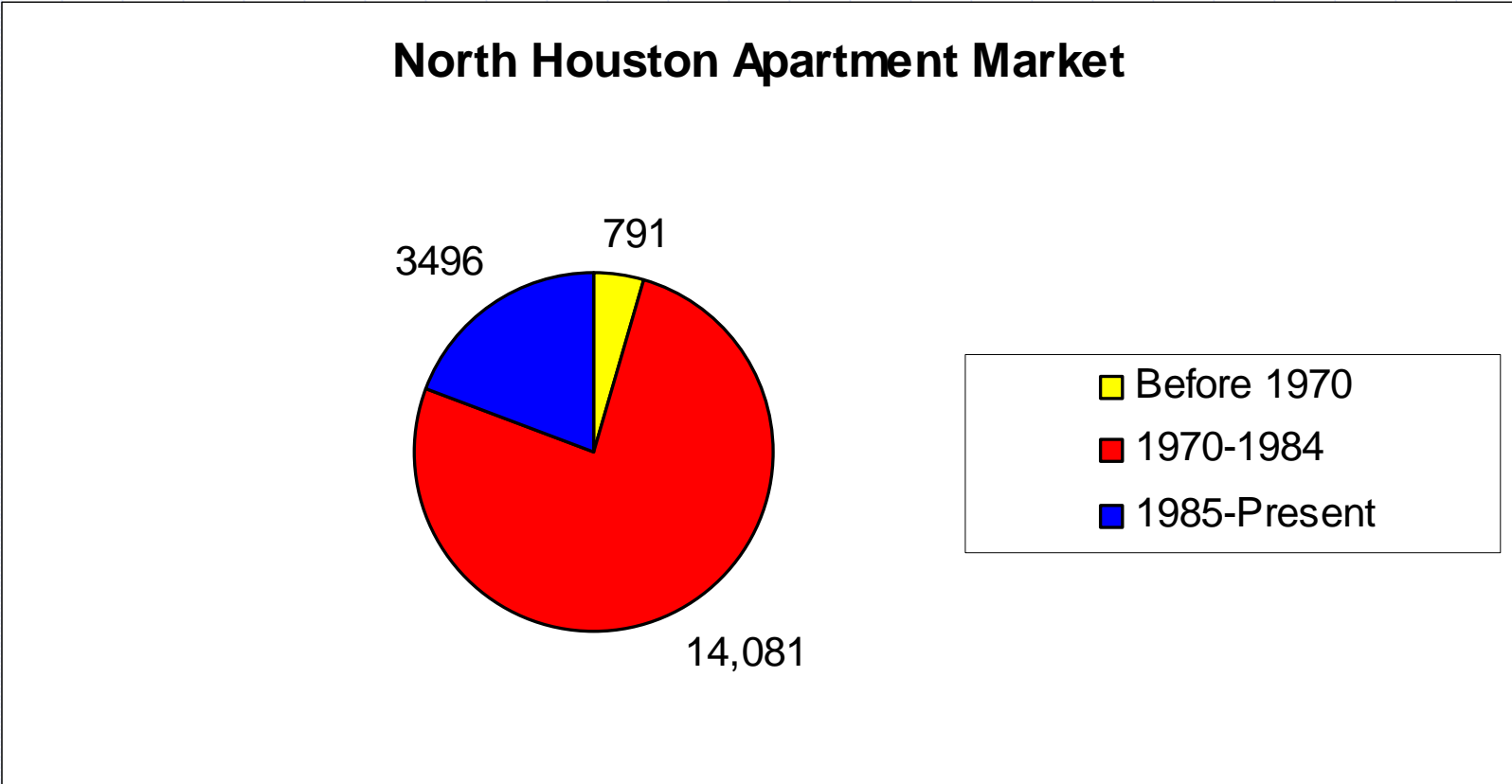
Chisholm Trail Apartments market information

- ◆ The North Houston apartment market consists of 18,368 units, of which 14,081 were built between 1970 and 1984. These older properties have a vacancy rate of 13.4%*.

Chisholm Trail Apartments market information

- ◆ The vacancy rate among the 3,496 properties built since 1985 is 4.9%* .

Chisholm Trail Apartments market information



Chisholm Trail Apartment Tenant-Amenities

- ◆ Business Center with high-speed internet access
- ◆ Physical fitness center
- ◆ Community Game Room
- ◆ Garages for 50% of the units
- ◆ Carports
- ◆ Swimming Pool
- ◆ Playground
- ◆ Barbecue Pits
- ◆ Picnic Areas

Chisholm Trail Apartments Tenant-Services

- ◆ After-School tutoring
- ◆ Children's Library
- ◆ Safety Classes
- ◆ Computer Classes
- ◆ English Classes
- ◆ Cable Television

Chisholm Trail Apartments Security Features

- ◆ Full perimeter fencing
- ◆ Remote control gate access
- ◆ Steel entry doors
- ◆ Dead-bolt locks
- ◆ Remote garage door openers
- ◆ Peep Holes on entry doors

Chisholm Trail Apartments Tenant-Screening

- ◆ All tenants undergo application process
- ◆ Credit checks
- ◆ Job verification
- ◆ Criminal history
- ◆ Rental history verification

Chisholm Trail Apartments

◆ Similar project located at:

Green Pines Apartments
6060 Greens Rd
Humble, TX 77396

Chisholm Trail Apartments

◆ Chisholm Trail Apartments is using the same:

Architect

Engineer

General Contractor

Pictures of Green Pines Apartments



Pictures of Green Pines Apartments



Pictures of Green Pines Apartments



Pictures of Green Pines Apartments



Pictures of Green Pines Apartments



Letters of Support from Community Leaders

- ◆ Nadine Kujawa
Superintendent Aldine ISD
- ◆ Senfronia Thompson
Texas State Representative District 141

RANKIN
HOUSING
PARTNERS LP

February 26, 2004

Honorable Gene Green
United States House of Representatives
256 N. Sam Houston Parkway Suite 29
Houston, Texas 77060

RECEIVED
FEB 27 2004

Community Finance

Ref: **Proposed Chisholm Trail Apartments
Houston, Texas**

Dear Congressman Green:

This is in response to your January 8, 2004 letter to Robbye Meyer of the Texas Department of Housing and Community Affairs regarding our application to the Department for bond financing for the proposed, affordable housing property. A copy of that letter is attached for your convenience.

Of the apartment communities in the Greenspoint District, only three projects are listed in the Department website database of affordable, Low Income Housing Tax Credit properties. The balance of the apartments are market rate, with rents subject only to local market conditions. Most of the apartments in the district, constructed in the 70's and early 80's and located within the 100 year flood plain of the Greens Bayou watershed, are thus subject to frequent flooding. Low and moderate income families deserve safe, affordable housing without the added concerns of flooding and less desirable older housing.

We have contacted your local office on several occasions and requested a meeting with you to address the concerns expressed in your letter. To date those requests have gone unanswered. We again request a meeting with you at your earliest convenience.

We look forward to hearing from you.

Very truly yours,
The Property Group,

Gerald W. Russell

Cc: Ms. Robbye Meyer

RANKIN
HOUSING
PARTNERS LP

February 26, 2004

Honorable John Whitmire
The Senate of the State of Texas
803 Yale Street
Houston, Texas 77007

RECEIVED

FEB 27 2004

Ref: **Proposed Chisholm Trail Apartments
Houston, Texas**

Municipal Finance

Dear Senator Whitmire:

This is in response to your January 23, 2004 letter to Robbye Meyer of the Texas Department of Housing and Community Affairs regarding our application to the Department for bond financing for the proposed, affordable housing property. A copy of that letter is attached for your convenience.

Of the apartment communities in the Greenspoint District, only three projects are listed in the Department website database of affordable, Low Income Housing Tax Credit properties. The balance of the apartments are market rate, with rents subject only to local market conditions. Most of the apartments in the District, constructed in the 70's and early 80's and located within the 100 year flood plain of the Greens Bayou watershed, are thus subject to frequent flooding.

We have contacted your local office on several occasions and requested a meeting with you to address the concerns expressed in your letter. To date those requests have gone unanswered. We again request a meeting with you at your earliest convenience.

We look forward to hearing from you.

Very truly yours,
The Property Group,

Gerald W. Russell

Cc: Ms. Robbye Meyer



RECEIVED

OCT 22 2003

P.O. Box 2910
Austin, Texas 78768-2910
(512) 463-0720
Fax (512) 463-6306

10527 H. P. Road
Houston, Texas 77016
(713) 633-3390
Fax (713) 633-7830

TEXAS HOUSE OF REPRESENTATIVES
Senfronia Thompson

October 20, 2003

Ms. Robbye Meyers
Texas Department of Housing and Community Affairs
Post Office Box 13941
Austin, Texas 78711 - 3941

RE: Chisholm Trail Apartments
18204 Chisholm Trail
Houston, Texas 77060

Dear Ms. Meyers:

I gladly recommend the issuance of Tax Credits for the construction of the above Low Income apartments to be built here within my legislative district. This is an area that is in need of apartment units to accommodate the growing number of individuals who are in need of reasonable cost housing.

The Texas Department of Housing and Community Affairs will be doing a great service to this area of Houston to fund this worthy project. I have only reservation, the recipient of this Tax Credit to construct the above apartment units does not allow them to become a slum and/blight upon the surrounding community. In addition, if these apartments are sold in the future, I request the future owner will maintain the same positive attitude toward its upkeep.

Therefore, I would like to join those other individuals who are recommending the construction of this facility. Meanwhile, if you have any questions, please do not hesitate to contact me.

Very truly yours,


Senfronia Thompson

CC: Mr. Steve Davis
Real Estate
5644 Westheimer, #170
Houston, Texas 77056

Chisholm Trail 04/12

COMMITTEE ON ENERGY AND COMMERCE
• SUBCOMMITTEE ON TELECOMMUNICATIONS AND THE INTERNET
• SUBCOMMITTEE ON HEALTH
• SUBCOMMITTEE ON ENVIRONMENT AND HAZARDOUS MATERIALS
• SUBCOMMITTEE ON COMMERCE, TRADE AND CONSUMER PROTECTION
COMMITTEE ON STANDARDS OF OFFICIAL CONDUCT
DEMOCRATIC SENIOR WHIP

GENE GREEN
29TH DISTRICT, TEXAS

- 2336 RAYBURN
WASHINGTON, DC 20515
(202) 225-1688
 - 266 N. SAM HOUSTON PKWY. EAST
SUITE 29
HOUSTON, TEXAS 77060
(281) 999-5879
 - 11811 10 EAST
SUITE 430
HOUSTON, TEXAS 77029
(713) 330-0761
- WWW.HOUSE.GOV/GREEN

**Congress of the United States
House of Representatives
Washington, DC 20515-4329**

January 8, 2004

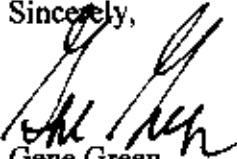
Ms. Robbye Meyer
Texas Department of Housing and Community Affairs
507 Sabine
Austin, Texas 78701

Dear Ms. Meyer:

We appreciate the notice regarding Rankin Housing Partner's proposal to construct a 228-unit multifamily residential rental development. We would like to express our opposition to this development as it will increase the number of rental units in the area. This area is already inundated with rental properties and will pose concern with the school system, public infrastructure, and police and fire protection.

We believe that these new developments can be better utilized near town where affordable housing is more needed. It is our understanding that a public hearing will be scheduled on January 20th and issue this statement as public record in order to encourage other developers to build housing where it is better needed.

Again, we oppose this proposed project and encourage Housing and Community Affairs to reject their bond package. Should you have any questions, please do not hesitate to contact me.

Sincerely,

Gene Green
Member of Congress

GG:aw

cc: Jake Drake, Greater Greenspoint Management District



JAN 29 REC'D

The Senate of The State of Texas

SENATE COMMITTEES

Criminal Justice, Chair
Finance
Government Organization
Administration
Legislative Budget Board

Senator John Whitmire

Dean of the Texas Senate

DISTRICT OFFICE:
803 Yale Street
Houston, Texas 77007
(713) 864-8701
FAX: (713) 864-5287

CAPITOL OFFICE:
P.O. Box 12068
Austin, Texas 78711
(512) 463-0115
FAX: (512) 475-3737
Dial 711 for Relay Calls

January 23, 2004

Ms. Robbye Meyer
Texas Department of Housing and Community Affairs
507 Sabine, Suite 900
Austin, TX 78701

RE: Chisholm Trail Apartments

Dear Ms. Meyer:

Please accept this letter as my opposition of the Rankin Housing Partner's proposal to develop a multifamily residential rental property in Harris County, Texas. This proposed sight will consist of a 228-unit complex for low income families.

Although there is a serious need for affordable multifamily rental housing, the Greenspoint area is already overwhelmed with over 18,000 units designated as affordable rental housing. Any additional developments will be a burden to this community.

Thank you for your time and consideration. If I can be of any assistance to you on this matter, please do not hesitate to call on me.

Sincerely,

JOHN WHITMIRE

JW:sl

cc: Jack Drake, Greater Greenspoint District and Redevelopment Authority





ALDINE INDEPENDENT SCHOOL DISTRICT

14910 Aldine-Westfield Road • Houston, Texas 77032-3099 • (281) 449-1011

RECEIVED

FEB 02 2004

Multifamily Finance Division

January 29, 2004

Mr. Robert Onion
Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, TX 78711-3941

Dear Mr. Onion:

In October of 2003, a letter of support was issued by Aldine ISD for the development of the Chisholm Trail Apartments located at 18204 Chisholm Trail, Houston, Texas.

At the time the letter of support was written, Aldine ISD was not aware of the concerns that had arisen from the Greater Greenspoint District and Development Authority. Mr. Drake has contacted us and communicated a rather compelling list of concerns directly connected to the proposed development of the Chisholm Trail Apartments.

After careful consideration and review of the concerns expressed by the Greater Greenspoint District and Development Authority, as well as, Congressman Gene Green, Aldine ISD has decided to retract our support for the development of the Chisholm Trail Apartments.

Sincerely,

A handwritten signature in black ink that reads "Nadine Kujawa". The signature is written in a cursive, flowing style.

Nadine Kujawa
Superintendent of Schools

NK:cjh

Cc: Jack Drake
Greater Greenspoint District and Redevelopment Authority



Puget of Texas, Inc.

February 10, 2004

Texas Department of Housing &
Community Affairs
507 Sabine Street, Suite 400
Austin, TX 78701

RECEIVED

FEB 11 11 REC'D

Multifamily Finance Division

RE: CHISHOLM TRAIL APARTMENTS

Dear Ms. Robbye Meyer:

It has come to our attention that the Greater Greenspoint Association, of which Puget of Texas, Inc. is a paying member, is mounting a campaign to oppose the construction of 228 Tax Credit Apartments on our land.

Please be advised that they do not represent Puget of Texas, Inc. or others like us who have developable land in this area. We can only assume they are speaking on behalf of the older non-competitive apartments closer-in to the mall.

Our land has been vacant for many years and this is the first attempt to make it a productive asset to the community. We feel this new construction in the area can be a catalyst for additional development. We feel so strongly about this fact that we are retaining a 1.85 parcel of our land for retail development as soon as the apartments are under construction.

It goes without saying, we support this positive development of new apartment construction. Please understand that there are other small companies like ours and the Greenspoint Group represents only the powerful few, not the small guy like us.

Very truly yours,

Robert L. Blume
President/CEO

cc: Jack Drake, Greenspoint Association
Congressman Gene Green
Senator John Whitmire



Greater Greenspoint District

January 20, 2004

Ms. Robbye Meyer
Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, Texas 78711-3941

RECEIVED

JAN 20 REC'D

Multifamily Finance Division

Dear Ms. Meyer:

This letter is to register our opposition to additional tax credits being provided to multi-family development in the Greenspoint area of Houston.

The Greater Greenspoint Management District is a political subdivision of the State of Texas with responsibility for promoting economic development and quality of life in Greenspoint.

The most recent application with your department of which we are aware, which affects our market, is Chisholm Trail Apartments, a development of Rankin Housing Partners LP. We oppose this and other projects in the Greenspoint area for the following reasons:

- The Multi-family housing market in Greenspoint is overbuilt with over 18,000 units
- Occupancy in many quality properties is at 70%
- There are at least 10,500 apartment units within 2.5 miles of the proposed site
- Current occupancy of these existing units is 82%--well below the average occupancy for the city of Houston
- Rents for comparable existing units are between 10% and 18% below the expected rents for new units
- The average market rents in Houston are less than the expected rents
- There are currently approximately 1,900 vacant units available within 2.5 miles of these sites
- Occupancy is declining in the entire area
- Additional units will take renters from our existing properties, further reducing occupancy
- Free rent is being offered with other incentives by existing properties—a clear sign of a struggling market
- Further dilution of our occupancy is not in the best interests of property owners or the community
- Houston is not projected to see job growth in the near future—a factor which drives apartment construction and occupancy
- There is no lack of affordable housing in Greenspoint

Chairman
JAMES CURRY
Hensco

Vice Chairman
MICHELLE WOGAN
CB Richard Ellis

Treasurer
TOM WUSSOW
Founder of the District

Secretary
CHARLES LOPEZ
Swift Energy Company

Assistant Secretary
FAITH LEE
American Bureau of Shipping

LAURA BAILEY
Bank of America

MELODY DOUGLAS
MorganII Texas, Inc.

STEVE DUNNING
ExxonMobil

JOHN O. FIELDS
CRI International, Inc.

ALAN FINGER
Finger Furniture

KEN HATFIELD
American Realty Investors

THOMAS JASIEN
Metropolitan Transit Authority

LINDA JETER
Kerr-McGee Oil & Gas Corporation

GEORGE W. LUNNON, JR.
State Farm Insurance

MELINDA MAGDALENO
ATSER, LP

ROSARIO MARTINEZ G., Ph.D.
North Harris Montgomery
Community College District

PAMELA A. MINCH
Centex Homes

CHRISTINA MORELAND
Triyar Cannon Group

JOHN RIDGWAY
Lincoln Property Company

ADAM RUIZ, JR.
ALPC - Maintenance Services

DARIA SHEARER
Sethel Houston

MARK WOLCOTT
Archon Group

JACK DRAKE
President



January 20, 2004

Page 2

We enclose a letter to your department from Congressman Gene Green, who has represented this area for many years. One sentence is particularly salient:

"This area is already inundated with rental properties and will pose concern with the school system, public infrastructure, and police and fire protection."

The economic realities of our current market are obvious, and we cannot support further multi-family units. We will appreciate the department's consideration of our position and of Congressman Greens' position.

Please call upon us if we can assist you in any way.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jack Drake", is written over the typed name.

Jack Drake

Enclosure



roycebuilders.com

January 13, 2004

Ms. Robbye Meyer
Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, Texas 78711-3941

Re: **Letter of Opposition**
Chisholm Trail Apartments, a development of Rankin Housing
Partners, LP.

Dear Ms. Meyer:

I am writing to you on behalf of Royce Homes, LP. We have standing in this issue because we own property in the Greenspoint area.

The purpose of this letter is to register our opposition to additional tax credits being provided to multi-family development in the Greenspoint area of Houston, Harris County, Texas.

Upon information and belief, an application was made by Chisholm Trail Apartments, a development of Rankin Housing Partners LP. We oppose this and other projects in the Greenspoint area for the following reasons:

1. The Multi-family housing market in Greenspoint is grossly overbuilt with over 18,000 units, many of which are experiencing dangerously low rental rates; and
2. There are more than 10,000 apartment units within 2.5 miles of the proposed site that may not be cash flowing in order to keep the projects economically viable; and

3. Rental rates are falling due to low interest rates which makes owning a home cheaper than renting; and
4. The reported vacancy rates in this area hovers between 10 and 17%; and
5. It has been reported that occupancy is declining; and
6. New rental units would only serve to take away from existing units, hence cause more economic hardship to this area of Houston; and
7. Local economists do not project job growth, hence there is not need for projects such as this; and
8. The Greenspoint area has an over supply of affordable multi-family housing.

If I may be of further assistance, please feel free to contact me directly at 281-569-1600.

Sincerely,

A handwritten signature in black ink, appearing to be "D. Williams", written over a horizontal line.

February 8, 2004

Patrick Ferranti
Ferranti Auto Inc.
714 Rankin Road
Houston, Texas 77073

To TDIICA
Attention: Robbye Meyer

My name is Patrick Ferranti. Having been a 30 year business owner in the Greater Greenspoint area, I have seen many changes over the years. Both good and bad. Over the last several years a rebirth of industrial projects have emerged in the area. This is why I am shocked to see the sign proposing a multi family housing project on Chisholm Trail

Putting a family housing project in the area would be extremely dangerous. This is a heavy traffic area for heavy trucks due to the concrete plant, sand, and gravel pits that are in the area. As well as 3 major salvage and auto auction houses which have many wreckers hauling wrecked cars. I also have many wrecker trucks pulling into my business dropping off cars that need repair.

Illegal nighttime racing on the street adds to the traffic on the weekends. I am sure there is drinking, drugs and violence due to the crowds that congregate.

There is also much crime in the area. My establishment has been broken into several times.

You also need to take into consideration the bars and mens' nightclubs that line the streets. I know I would not want to raise a family in such an area.

If the project moves forward, environmental studies should be done. The property chosen has been an Armor Meat Packing Co. It later sold and became a tape manufacturing plant before burning to the ground. There have been several businesses operating on the property since. A sand blasting company, a company for cleaning and painting oil field equipment.

With many affordable apartment complexes in the area, why would you want to build this type of development?

OPPOSED & SHOCKED.
E. P. Ferranti
281 821-2557

**The following letter was received from thirty-nine employees of
Lincoln Properties and six unknown persons.**

Lincoln Property Company
Biscayne @ CityView
17050 Imperial Valley
Houston, Texas 77060
281-931-5658
Biscayne@lincolnapts.com

February 05, 2004

Ms. Robbye Meyer
Texas Department of Housing and Community Affairs
P. O. Box 13941
Austin, TX 78711-3941

Dear Ms. Meyer,

This letter is to register our opposition to the proposed multi-family tax credits for Chisholm Trails Apartments, a multi-family development by Rankin Housing Partners, LP in the Greenspoint area of Houston. We are strong supporters of the tax credit program, as our firm manages numerous tax credit properties across the country totaling thousands of units. Our opposition to this project is simple; it is not needed as there is currently a glut of affordable apartments available in the immediate area.

Just in the portfolio we manage, there are currently over 1,000 vacant available apartment homes with-in 1.5 miles of this proposed property. These units have the same type of amenities and interior finish out that is found on most new construction projects and are currently leasing for an average of \$525 per month. Other area owners are in a similar situation.

The tax credit program was designed to encourage developers to fill a void by providing affordable housing in areas where the current supply is limited or non-existent. This project, if approved, will only increase the inventory of available units and further depress the market.

Your consideration is appreciated.

Sincerely,


Angelique Armstrong
Sr. Business Manager

RECEIVED

FEB 09 RECD

Municipality of Houston



WWW.TDHCA.STATE.TX.US

MULTIFAMILY FINANCE PRODUCTION

Multifamily Housing Mortgage Revenue Refunding Bonds Series 2004

**Meadow Ridge Apartments
2501 Louis Henna Boulevard
Round Rock, Texas
Round Rock Meadows, Ltd.
232 Units**

\$12,950,000 Tax Exempt – Series 2004

TABLE OF EXHIBITS

TAB 1	TDHCA Board Presentation
TAB 2	Bond Resolution
TAB 3	Sources & Uses of Funds Estimated Cost of Issuance
TAB 4	Department's Real Estate Analysis
TAB 5	Development Location Maps
TAB 6	TDHCA Compliance Summary Report
TAB 7	Public Input and Hearing Transcript (September 25, 2003)

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

March 11, 2004

Action Item

Presentation, Discussion and Possible Approval of the Meadow Ridge Apartments Multifamily Housing Mortgage Revenue Refunding Bonds Series 2004.

Summary of the Meadow Ridge Apartments Transaction

The proposed refunding bonds will pay off the existing bonds with original terms of \$13,575,000 at 5.5% interest rate fixed for 30 years. The refunding bonds will provide for a variable rate of interest on \$12,850,000 to be amortized after the initial 5 year period. The reduced interest rate, extended amortization, and suspension of fixed amortization for the first five years will reduce the debt service burden by \$320,000 in the first year. One hundred percent of the cash flow will be used to pay interest, interest rate cap, letter of credit fees, trustee and Remarketing fees, Department fees and the remaining balance will be deposited in the Principal Reserve Fund. The partnership is contributing \$600,000+ of equity. Provident Bank is lending the partnership \$600,000 to pay bond cost of issuance and this loan will be extinguished first before monies are placed in the principal reserve fund. By year five, a principal reduction payment on the loan in the amount of \$550,000 is required regardless of the amount in the principal reserve fund. Borrower may utilize up to 50% of the principal reserve fund to pay for lender approved expenditures.

Advantages:

1. The Bonds will continue to have an AAA Rating based upon a letter of credit from Provident Bank and further secured by a letter of credit from the Federal Home Loan Bank Board.
2. The Affordability period will be extended from 8 years remaining to 30 years per state statute.
3. Principal will be reduced in year five regardless of the amount in the principal reserve fund.
4. The property will be well maintained and managed with sufficient reserves. All related fees are anticipated to be paid from 100 % of the cash flow.
5. Refunding of these bonds does not use additional private activity volume cap.

Disadvantages:

1. The uncertainty of improvement in market conditions for Multifamily Housing in the area.
2. The potential loss of affordability should the lender foreclose on the property at the end of the 5 year period. (Foreclosure invalidates the Land Use Restriction Agreement).
3. The fluctuation of short term interest rates and its impact on property cash flows

Recommendation

Staff recommends the Board approve of the Meadow Ridge Apartments, Multifamily Housing Mortgage Revenue Refunding Bonds Series 2004, work-out transaction.

BOARD MEMORANDUM

March 11, 2004

DEVELOPMENT:

Meadow Ridge Apartments, Round Rock, Williamson County, Texas

PROGRAM:

Texas Department of Housing & Community Affairs
Multifamily Housing Mortgage Revenue Refunding Bonds Series 2004

BACKGROUND:

On December 18, 1997, the Department issued Multifamily Housing Revenue Bonds Series 1997 (Meadow Ridge Apartments Project), in the aggregate principal amount of \$13,575,000 (the "1997 Bonds") in order to finance the costs of acquiring, constructing, and equipping a multifamily rental housing development located in Round Rock Texas, as further described herein (the "Development"). The 1997 Bonds are credit enhanced by FNMA, carry an AAA rating, accrue interest at a fixed rate of 5.05% or 5.55% (depending on maturity) and are amortized over 30 years. Of the total 232 units in the Project, 95 or 40% of the units are income and rent restricted with the balance of the units at market rate. Round Rock and the surrounding Austin apartment market have suffered from an oversupply of Class A apartment developments, job losses in the high tech industry, and a flight of apartment tenants to single family home ownership. Occupancy and rental rates, especially market rate properties, have plummeted. The Development has not been able to generate sufficient cash flow to pay existing debt service. The Borrower proposes to refund the 1997 Bonds with an issuance of new bonds (the "Bonds") with a variable rate of interest, credit enhanced with a letter of credit from the Provident Bank and additionally secured by a standby letter of credit from the Federal Home Loan Bank of Cincinnati, which is anticipated to provide for an AAA rating on the Bonds.

BORROWER:

The Borrower, and owner of the Development, is Round Rock Meadows, Ltd., a Texas limited partnership (the "Borrower"). The 1% sole general partner of the Borrower was Round Rock Meadows I, Ltd., a Texas limited partnership. The sole general partner of Round Rock Meadows I, Ltd. was Round Rock Meadows II, Inc., a Florida corporation. The 99% sole Limited Partners is Provident Tax Credit Fund IV LLC ("Fund IV", the "Fund"), the successor of interests of Banc One Tax Credit Fund IV, Ltd., the equity provider. Following the payment default of the original general partner in April 2003, the Fund effectively removed the original general partner from its general partner authority in May 2003 and is presently securing a formal withdrawal of the original general partner from the Borrower. The acting general partner of the Borrower is Meadow Ridge Partners, LLC, an affiliate of The Provident Bank. The Provident Bank is a Cincinnati, Ohio based commercial lending bank publicly traded on NASDAQ (symbol "PFGI").

**ACTION
REQUESTED:**

Approve the issuance of the Bonds by the Texas Department of Housing and Community Affairs (the "Department") in order to refund the 1997 Bonds. 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 the Borrower to refund the 1997 Bonds and refinance the Development, which consists of an existing, 232 unit multifamily residential rental development located in Round Rock, Texas, as further described herein (the "Development"). The Bonds will be tax-exempt by virtue of the Development qualifying as a residential rental development.

BOND AMOUNT:

\$12,950,000* Tax Exempt Bonds

(*) The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, and the amount for which Bond Counsel can deliver its Bond Opinion. \$12,950,00 represents the maximum amount of Bonds that may be issued.

**ANTICIPATED
CLOSING DATE:**

The Department anticipates the closing date to be March 30, 2004.

**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 (11) properties being monitored by the Department. Four (4) of these properties have received a compliance score. All of the scores are below the material non-compliance threshold score of 30.

**ISSUANCE TEAM &
ADVISORS:**

Red Capital Markets, Inc. ("Underwriter")
Red Mortgage Capital, Inc. ("Servicer")
J.P. Morgan Trust Company, N.A. (as successor to Bank One 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)

BOND PURCHASER:

The Bonds initially will be purchased by the Underwriter and will be publicly offered by the Underwriter on or about March 25, 2004.

**DEVELOPMENT
DESCRIPTION:**

The Development is a 232-unit multifamily residential rental development constructed on approximately 18.42 acres of land in Williamson County, at 2501 Louis Henna Boulevard, Round Rock, Texas 78664. The site density is 12.59 dwelling units per acre. The Development consist of ten two and three story buildings with a total of 243,592 net rentable square feet and an average unit size of 1,311 square feet. Unit sizes range from 700 to 1,395 square feet. The property has a leasing office/clubhouse, a recreation/community room with public restrooms a laundry room, a maintenance building, a swimming pool , fenced in playground area with equipment, a picnic

area, basketball and volleyball courts, and perimeter fencing and with limited access gates. .

<u>Units</u>	<u>Unit Type</u>	<u>S.F.</u>	<u>M. Rent</u>	<u>P. Rent</u>
28	1-Bedroom/1-Bath	700	\$530.00	\$800.00
108	2-bedrooms/2-Baths	1002	\$660.00	\$960.00
72	3-Bedrooms/2-Baths	1143	\$810.00	\$1,109.00
24	4-Bedrooms/2-Baths	1395	\$ 960.00	\$1,237.00
232	Total Units			

SET-ASIDE UNITS:

For Bond covenant purposes, at least forty (40%) of the residential units in the Development will be occupied or held vacant and available for 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. *(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 at least 40% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income for a family whose income equals sixty percent (60%) of the area median income, adjusted for family size.

TENANT SERVICES:

Borrower has contracted with 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 ORIGINATED FEES:

\$1,000 Pre-Application Fee (Paid).
 \$10,000 Application Fee (Paid).
 \$64,750 Issuance Fee (.50% of the bond amount paid at closing).

DEPARTMENT ANNUAL FEES:

\$12,950 Bond Administration (0.10% of first year bond amount)
 \$5,800 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:

\$5,800 to TDHCA or assigns (\$25/unit/year adjusted annually for CPI)

TAX CREDITS:

The Borrower applied for and received from the Department a Determination Note for the 4% tax credit that accompanies the private activity bond allocation. The tax credit equates to \$221,280 per annum, and represents equity for the transaction. The Borrower has raised approximately \$1,785,000 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 Project revenues.

The Mortgage Loan will be secured by a Deed of Trust and other security instruments on the Development. The Mortgage Loan and security instruments will be assigned to the Trustee and Red Mortgage Capital, Inc. and will become part of the Trust Estate securing the Bonds.

The Borrower will provide an equity infusion of \$600,000 to pay for costs associated with the issuance of the Bonds, and Red Mortgage Capital, Inc. will provide a second mortgage loan to the Borrower of \$633,056, which will be secured by a subordinate lien on the Project. For approximately the first three years the amount remaining after the payment of fees and before the principal reserve account will be used to retire Red Mortgage Capital’s second lien note in the amount of \$633,056. Thereafter the principal reserve account will build up based upon available cash flow and no more than 50% of available funds may be withdrawn by the applicant to pay for unforeseen expenses and fees. At the end of the 5 year period, it is anticipated that the Bonds will be converted to a fixed amortization schedule which will retire the debt over the remaining term, or the Borrower will provide an alternative credit enhancement and terms which are acceptable to the Issuer. \$550,000 will be available at the end of the 5 year period to reduce the principal balance by that amount and retire bonds in the same amount.

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.

CREDIT ENHANCEMENT:

The Bonds will be credit enhanced by a direct pay letter of credit from Provident Bank and will be additionally secured by a standby letter of credit from the Federal Home Loan Bank of Cincinnati which will provide an anticipated AAA rating for the Bonds. The letters of credit will also provide liquidity support in the event that remarketing proceeds are insufficient to pay the purchase price of Bonds tendered for purchase under the Trust Indenture.

BOND INTEREST RATES:

The Series 2004 Bonds shall initially bear interest at the Weekly Interest Rate, and may be converted to bear interest at the Reset Rate and/or the Fixed Interest Rate, as provided in the Trust Indenture.

FORM OF BONDS:

The Bonds will be issued and delivered to Cede & Co. in book entry form and in denominations of, during the Weekly Variable Rate Period, \$100,000 and any multiple of \$5,000 in excess thereof, or during any Reset Period or Fixed Rate Period, \$5,000 or any integral multiple of \$5,000.

**MATURITY/SOURCES
& METHODS OF
REPAYMENT:**

The Bonds will bear interest at the rates set forth above and will mature no later than February 15, 2034. The Bonds will be payable from: (1) advances made by the Provident Bank or the Federal Home Loan Bank of Cincinnati under the letters of credit; and (2) earnings derived from amounts held in the Funds and Accounts or on deposit in an investment agreement. The Borrower is obligated to reimburse the Provident Bank and/or the Federal Home Loan Bank for any moneys advanced under the respective letters of credit.

**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. The Mortgage Loan provides for monthly payments of principal and interest. A Deed of Trust and related documents convey the Borrower's interest in the Project to secure the payment of the Mortgage Loan.

**REDEMPTION OF
BONDS PRIOR TO
MATURITY:**

The Bonds are subject to redemption under any of the following circumstances:

Mandatory Redemption:

The principal and accrued interest on Bonds redeemed under the mandatory redemption provisions of the Indenture will be paid from advances under the letters of credit, at a price of 100%, in the following circumstances:

- (a) In whole or in part, to the extent that insurance proceeds from any casualty to, or condemnation award with respect to, the Development are not applied to restoration of the Development, in accordance with the provisions of the Security Instrument; or
- (b) In whole or in part, at the direction of Red Mortgage Capital, Inc. requiring that the Bonds be redeemed following any Event of Default under the Reimbursement Agreement; or
- (c) In whole or in part (i) on each Adjustment Date in an amount equal to the amount transferred from the Principal Reserve Fund on such date to the Redemption Account; and (ii) on any interest payment date, in an amount equal to the amount transferred from the Principal Reserve Fund on such Interest Payment Date to the Redemption Account as provided in the Trust Indenture.

(d) as otherwise provided in the Trust Indenture.

Optional Redemption:

The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower on:

- (a) any Interest Payment Date within a Weekly Variable Rate Period and on any Adjustment Date, at a redemption price of 100% of the principal amount thereof plus accrued interest to the Redemption Date;
- (b) any date within a Reset Period or Fixed Rate Period, at such redemption prices, expressed as percentages of the principal amounts of the Bonds called for redemption, plus accrued interest (if any) to the Redemption Date, as set forth in the Trust Indenture.

Purchase of Bonds in Lieu of Redemption:

If the Bonds are called for redemption in whole, such Bonds may be purchased in lieu of redemption upon the direction of the Borrower, Red Mortgage Capital, Inc. (or the standby letter of credit provider), with the consent of the Issuer and Red Mortgage Capital, Inc. (or the standby letter of credit provider). The purchase price such Bonds will equal the principal amount, accrued interest, and redemption premium, if any, that would have been payable on such Bonds on the Redemption Date. The Bonds will also be subject to mandatory purchase in lieu of redemption, in whole, on a date not later than five days after the date on which the letter of credit provider wrongfully fails to honor a properly presented and conforming draw on the letter of credit.

**FUNDS AND
ACCOUNTS/FUNDS
ADMINISTRATION:**

Under the Trust Indenture, J.P. Morgan Trust Company, N.A. (as successor to Bank One, N.A.) (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") will serve as securities depository for the Bonds. The Bonds will be issued as fully registered securities.

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 the following Funds and Accounts:

- 1. Loan Fund –Fund into which Bond proceeds to be deposited, and disbursed to prepay the Prior Loan and refund the 1997 Bonds.
- 2. The Revenue Fund; and within the Revenue Fund the following accounts: the Interest Account, the Credit Facility Account, the

Redemption Account, and the Fees Account.

Interest Account will be funded by Borrower payments relating to interest under the Note; investment income on certain Funds and Accounts, and will be disbursed to pay on each interest payment date or redemption date, to Red Mortgage Capital, Inc., the amount of any advance under the letter of credit relating to the payment of interest on the Bonds (or, in the event of a Wrongful Dishonor, to the Bondholders in the amount equal to interest due on the Bonds). Redemption Account will be funded by Borrower payments relating to premium or principal under the Note and disbursed to Red Mortgage Capital, Inc. (or the standby letter of credit provider), the amount of any advance under the letter of credit relating to the payment of principal on the Bonds (or, in the event of a Wrongful Dishonor, to the Bondholders in the amount equal to principal due on the Bonds), and the amount of any premium due in connection with a redemption. Credit Facility Account will be funded from advances made under the letters of credit, and disbursed on the date payment is due for the purpose the advance was made. Fees Account will be funded from payments by the Borrower due under the Financing Agreement for expenses of the Issuer, Trustee, Tender Agent, Remarketing Agent, and Rebate Analyst.

3. Costs of Issuance Fund – Fund into which funds from the Borrower deposited at closing to cover the costs of issuance of this transaction.
4. 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.
5. Bond Purchase Fund—Funded from proceeds of remarketing of the tendered Bonds and from advances under the letters of credit made to enable the Trustee to pay the purchase price of tendered Bonds, as needed. Disbursed to pay the purchase price of tendered Bonds.
6. Principal Reserve Fund—Funded from monthly payments by the Borrower or Red Mortgage Capital in accordance with the Reimbursement Agreement, and from investment income on the fund. Disbursed to pay any reimbursements due to Red Mortgage Capital, Inc., to repay any unreimbursed advances under the letters of credit, to pay any amounts required to be paid by the Borrower under the Bond Documents or Loan Documents, to pay for improvements or repairs to the Project, or to pay for any use approved by Red Mortgage Capital, Inc., subject to certain conditions and limitations.

**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 June 23, 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 - J.P. Morgan Trust Company, N.A. (as successor to Bank One, N.A.) was selected as bond trustee by the Department pursuant to a request for proposal process in April 2003.
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. 04-012

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF VARIABLE RATE DEMAND MULTIFAMILY HOUSING MORTGAGE REVENUE REFUNDING BONDS (MEADOW RIDGE APARTMENTS PROJECT) SERIES 2004; 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 Department heretofore has issued its Multifamily Housing Revenue Bonds Series 1997 (Meadow Ridge Apartments Project) in the original aggregate principal amount of \$13,575,000 (the "Prior Bonds"), the proceeds of which were loaned to Round Rock Meadows, Ltd., a Texas limited partnership (the "Borrower") to provide financing for the acquisition, construction and equipping of a multifamily residential rental housing project located in Round Rock, Texas and described on Exhibit A attached hereto (the "Project"), all in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Mortgage Revenue Refunding Bonds (Meadow Ridge Apartments Project) Series 2004 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and J.P. Morgan Trust Company, N.A. (in its capacity as trustee for the Bonds, the "Trustee"), for the purpose of obtaining funds to refund the Prior Bonds and

refinance the Project, 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 (the "Loan") to the Borrower to prepay the outstanding balance of the mortgage loan relating to the Prior Bonds and thereby refund in full the Prior Bonds and to provide refinancing for the Project, all in accordance with the Constitution and the laws of the State of Texas; and

WHEREAS, it is anticipated that the Borrower and J.P. Morgan Trust Company, N.A., in its capacity as escrow agent, will execute and deliver a Bond Fund Escrow Agreement (the "Escrow Agreement") pursuant to which provision will be made for the safekeeping, investment, reinvestment, administration and disposition of the proceeds of the Bonds used to pay the interest on, principal of and redemption price of the Prior Bonds; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Financing Agreement (the "Financing Agreement") pursuant to which (i) the Department will agree to make the Loan to the Borrower to enable the Borrower to refinance the Project and pay 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 Financing Agreement; and

WHEREAS, it is anticipated that the Note will be secured by a 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 Red Mortgage Capital, Inc. (the "Credit Arranger"); and

WHEREAS, the Department's interest in the Loan, including the Note and the Deed of Trust, will be assigned to the Trustee and the Credit Arranger, as their interests may appear, pursuant to an Assignment and Intercreditor Agreement (the "Assignment") from the Department to the Trustee and the Credit Arranger, as their interests may appear; and

WHEREAS, the Board has determined that the Department will enter into a Bond Purchase Agreement (the "Purchase Agreement") with the Borrower and Red Capital Markets, Inc. (the "Underwriter") with respect to the sale of the Bonds; and

WHEREAS, the Board has determined that, in order to assure compliance with Section 142(d) of the Code, the Department will require the Borrower to enter into an Amended and Restated 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 the county in which the Project is located; and

WHEREAS, it is anticipated that credit enhancement for the Loan will be provided for initially by a direct pay letter of credit/Credit Enhancement Instrument (the "Credit Facility") issued by The Provident Bank to the Trustee, and the Board desires to accept such Credit Facility; and

WHEREAS, it is anticipated that The Provident Bank's obligations under the Credit Facility will be backed by a standby letter of credit (the "Standby Letter of Credit") issued by the Federal Home Loan Bank of Cincinnati to the Trustee, and the Board desires to accept such Standby Letter of Credit; and

WHEREAS, the Board has determined that the Department, the Trustee, the Credit Arranger, and the Borrower will enter the Assignment, which will outline the interests of the various parties with respect to the Loan, Indenture, Financing Agreement, Deed of Trust and Regulatory Agreement; 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 Bonds of an Official Statement (the "Official Statement") and to deem the 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 Official Statement as may be required to provide a final Official Statement for use in the public offering and sale of the Bonds; and

WHEREAS, in connection with the preparation of 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 "Absence of Litigation—The Issuer" (as it relates to the Department), and the Board now desires to authorize the use of such information in Official Statement; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Escrow Agreement, the Financing Agreement, the Assignment, the Regulatory Agreement, the Purchase Agreement, the Asset Oversight Agreement, and the Official Statement, 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 (to the extent such recitals relate to the Department); and has determined, subject to the conditions set forth in Section 1.15 below, 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 the Chair or Vice Chairman of the Governing Board or the Executive Director of the Department (i) are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rates (as determined by the Remarketing Agent (as defined in the Indenture)), principal amounts and maturities of, and the prices at which the Department will sell to the Underwriter, the 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, the Purchase Agreement and the Official Statement; provided, however, that: (a) the aggregate principal amount of the Bonds shall not exceed \$12,950,000; (b) the final maturity of the Bonds shall occur not later than February 15, 2034; (c) the price at which the Bonds are sold to the Underwriter shall not exceed the principal amount thereof; and (d) the Underwriter's fee shall not exceed the amount approved by the Texas Bond Review Board.

Section 1.3--Approval, Execution and Delivery of the Indenture and the Escrow Agreement. That the form and substance of the Indenture and the Escrow 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 Indenture and the Escrow Agreement and to deliver the Indenture to the Trustee and deliver the Escrow Agreement to the escrow agent named therein.

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

Section 1.5--Acceptance of the Deed of Trust, the Note, the Credit Facility and Standby Letter of Credit. That the Deed of Trust, the Note, the Credit Facility, and the Standby Letter of Credit are hereby accepted by the Department.

Section 1.6--Approval, Execution and Delivery of the Assignment. That the form and substance of the Assignment is 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 and the Credit Arranger.

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 Underwriter.

Section 1.8--Official Statement Deemed Final. That the Official Statement is deemed to be “final” for purposes of Rule 15c2-12 of the Securities and Exchange Commission.

Section 1.9--Approval, Use and Distribution of the Official Statement. That the form and substance of the Official Statement and its use and distribution in connection with the offering of the Bonds in substantially the form presented to the Board, in accordance with the terms, conditions and limitations contained therein, are hereby approved, ratified, confirmed and authorized, subject to such amendments or additions thereto as may be approved from time to time by the Authorized Representatives (as defined below) upon the advice of Bond Counsel to the Department, such approval to be conclusively evidenced by the distribution of the Official Statement and subject to receipt of evidence satisfactory to the financial advisor regarding the rating on the Bonds and evidence satisfactory to Bond Counsel regarding certain tax compliance matters; that such Authorized Representatives each are authorized hereby to make or approve such changes in the Official Statement as may be required to provide a final Official Statement for the Bonds; 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 an Authorized Representative upon the advice of Bond Counsel to the Department.

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 – Escrow Agreement
- Exhibit D – Financing Agreement
- Exhibit E – Regulatory Agreement
- Exhibit F – Assignment and Intercreditor Agreement
- Exhibit G – Purchase Agreement
- Exhibit H – Official Statement
- Exhibit I – 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 persons holding the following offices or titles are each hereby named as authorized representatives (the "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 or Vice Chairman of the Board, Executive Director of the Department, Acting Executive Director of the Department, Deputy Executive Director of the Department, Chief Financial Officer of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance of the Department, the Secretary of the Board, and the Assistant 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 notice of intention to issue bonds and 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 refinancing 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--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 refinancing 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 refinancing 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 refinancing of the Project is a public purpose and will provide a public benefit, and

(iii) 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 has supplied and will continue to supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

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

(iii) that the Borrower is not, and will not enter into a contract for the Project with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of

Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

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

(ii) that the issuance of the Bonds to refinance 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 refinancing 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 its deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Financing Agreement and the Regulatory Agreement.

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 Financing Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

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 Section 35, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Bonds and the interest thereon shall be 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.

PASSED AND APPROVED this _____ day of February, 2004.

By: /s/ Elizabeth Anderson
Elizabeth Anderson, Chair

Attest: /s/ Delores Groneck
Delores Groneck, Secretary

[SEAL]

EXHIBIT A
DESCRIPTION OF PROJECT

Meadow Ridge

Owner: Round Rock Meadows, Ltd., a Texas limited partnership

Project: The Project is a 232 unit multifamily facility located at 2501 Louis Henna Blvd. in Round Rock, Williamson County, Texas. The Project includes a total of 10 two and three story residential apartment buildings with a total of 243,592 net rentable square feet. The unit mix consists of:

24 four-bedroom-two bath units
72 three-bedroom-two bath units
108 two-bedroom-two bath units.
28 one-bedroom one-bath units

232 Total Units

Unit sizes range from approximately 700 square feet to approximately 1,395 square feet.

Common areas include a swimming pool, a community center, basketball and volleyball courts, playground and picnic areas, and approximately 595 parking spaces.

Meadow Ridge Apartments

Estimated Sources & Uses of Funds

Sources of Funds

Series 2004 Bond Refunding Proceeds Tax-Exempt	\$ 12,855,000
Cash Held in Existing Indenture	82,012
RMC Subordinate Loan	601,532
Previous Equity Advance	100,677
Total Equity Advance	523,072
Total Sources	\$ 14,162,293

Uses of Funds

Retire 1997 Bonds Par	\$ 12,855,000
Retire 1997 Bonds - Accrued Interest 59098	59,098
Costs of Issuance	
Direct Bond Related	391,325
Bond Purchaser Costs	397,688
Other Transaction Costs	179,130
Real Estate Closing Costs	280,052
Total Uses	\$ 14,162,293

Estimated Costs of Issuance of the Bonds

Direct Bond Related

TDHCA Issuance Fee (0.50% of Issuance)	\$ 64,275
TDHCA Application Fee	\$ 10,000
TDHCA Bond Counsel and Direct Expenses (Note 1)	75,000
TDHCA Financial Advisor and Direct Expenses	50,000
Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1)	5,000
Bond Review Board Fee	3,750
Borrower's Bond Counsel	15,000
Underwriter Fee	128,550
Underwriter Counsel & Expense	17,500
Trustee's Fees (Note 1)	5,000
Attorney General Transcript Fee (\$1,250 per series, max. of 2 series)	1,250
TEFRA Hearing Publication Expenses	2,500
Rating Agency Fee	10,000
Official Statement Printing and Mailing	3,500
Total Direct Bond Related	\$ 391,325

Bond Purchase Costs

Lender's Origination Fee	\$ 128,550
Lender Costs/Expenses	10,000
Lender Counsel	2,000
Permanent Lender Counsel	30,000
Special Servicer Fee	130,674
Special Servicer Fee	38,113
Accrued, yet unpaid Servicing Fee	58,351

Meadow Ridge Apartments

Total	<u><u>\$ 397,688</u></u>
Other Transaction Costs	
Accrued Unpaid Issuer Admin Fee	17,448
Accrued Unpaid Issuer Compliance Fee	6,960
Accrued Unpaid Asset Oversight Fee	26,172
Interest Rate Cap	128,550
Total	<u><u>\$ 179,130</u></u>
Real Estate Closing Costs	
Title & Recording (Const.& Perm.)	15,000
Property Taxes	60,959
Insurance Escrow	47,616
Note Payable Accrued and Previously Paid	100,677
Replacement Repair	55,800
Total Real Estate Costs	<u><u>\$ 280,052</u></u>
Estimated Total Costs of Issuance	<u><u>\$ 1,248,195</u></u>

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**

DATE: February 3, 2004 **PROGRAM:** 1997 MRB Refunding **FILE NUMBER:** 1997-001

DEVELOPMENT NAME

Meadow Ridge Apartments Apartments

APPLICANT

Name:	Round Rock Meadows, Ltd.	Type:	For Profit
Address:	Two Miranova Place, 12 th Floor	City:	Columbus State: Ohio
Zip:	43215	Contact:	Scott Laufenberg
		Phone:	(614) 857-1427
		Fax:	(614) 857-1430

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Meadow Ridge Partners, LLC	(%):	1.00	Title:	Managing General Partner
Name:	Provident Tax Credit Fund IV, LLC	(%):	99.00	Title:	Limited Partner

PROPERTY LOCATION

Location: 2501 Louis Henna Blvd. **QCT** **DDA**
City: Round Rock **County:** Williamson **Zip:** 78664

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$12,950,000	Variable	30 yrs	30 yrs
Other Requested Terms: Issuance of tax-exempt refunding bonds. (Actual current request is \$12,855,000.)			
Proposed Use of Funds: Refunding		Property Type: Multifamily	

RECOMMENDATION

NOT RECOMMEND DUE TO THE LACK OF ANTICIPATED CASH FLOW TO SUPPORT THE PROPOSED RESTRUCTURE IN FIVE YEARS. SHOULD THE BOARD APPROVE THE REFUNDING, IT SHOULD BE CONDITIONED UPON THE FOLLOWING:

CONDITIONS

- Board's acceptance of a long term feasibility scenario which either a) relies on rental income growth to meet or outpace operating expense growth, and assumes that variable rates will remain at historically low levels (less than 2%), or b) relies on the owner's resources outside of the cash flow from the transaction to fund all or part of the proposed \$550,000 principal reduction, principal and interest payments for the \$601,532 subordinate loan, purchase of interest rate caps, and commitment fees and any other costs necessary to execute the financial restructuring required in five years;
- Receipt, review, and acceptance of a revised cost breakdown, sources and uses of funds statement, and development proforma using consistent cost figures as addressed in the underwriting report prior to commitment;
- Receipt, review, and acceptance prior to closing of a revised LURA, and all parties' concurrence with restricting income and rents on 40% of the units to 60% of AMI for thirty years;
- Receipt, review, and acceptance of a revised permanent loan commitment reflecting the final outstanding debt and all conditions to closing;
- Should the terms and rates of the proposed debt change from those assumed by this report, the transaction should be re-evaluated.

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

REVIEW of PREVIOUS UNDERWRITING REPORTS

The Meadow Ridge Apartments was originally financed by TDHCA in 1997 with the proceeds of tax-exempt bonds and tax-credits. Although the underwriting analysis performed at the time did not contain any exigent conditions, the Underwriter did discuss to some length his concerns regarding overbuilding within the local rental market, as reviewed below in the section on market conditions.

A subsequent memo, dated September 17, 2003, pertains to the review and approval of a request for a change in the ownership structure, replacing Round Rock Meadows I, Ltd, an affiliate of the original developer, with Meadow Ridge Partners, LLC, an affiliate of the limited partner equity investor.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 232 **# Rental Buildings:** 10 **# Common Area Bldgs:** 1 **# of Floors:** 3 **Age:** 5 yrs **Vacant:** 21 at 09/ 16/ 2003
Net Rentable SF: 243,592 **Av Un SF:** 1,050 **Common Area SF:** 8,572 **Gross Bldg SF:** 252,164

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside: 95 of the units are reserved at restricted rents for qualifying low-income households, the remaining 137 units are offered at market rents. The property is currently restricted for 15 years from the original placed in service date. However, current statutes would require the property to restrict affordability for 30 years from the refunding date.

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

In the original 1997 underwriting analysis, the Underwriter addressed concerns with potential overbuilding in the rental market and concluded with the following:

The submarket in which the subject will be located is in a state of significant transition into a primary employment center and residential area. During this transition, overbuilding of housing units can, and often does occur; however, the dynamics of the market described above and by the Applicant's market analyst, appear to portend short and mid-term oversupply (particularly in market rate units) with ultimate stability. In recognition of these factors, the Underwriter has applied a 10.0% vacancy and collection loss factor to the market rate units and 7.5% vacancy and collection loss factor to the LIHTC set-aside units, a weighted average of 8.96%.

In its request for debt refunding, the Applicant cites poor market conditions as a contributing factor of its present default condition, and looks toward a nearing recovery of the market as the ultimate basis for the feasibility of the development.

In an appraisal performed by Butler-Burgher, Inc., dated July 24, 2003, the Appraiser reviewed current and anticipated market conditions:

Our analysis of Austin's multifamily market reveals that demand has slowed significantly as a result of the sluggish economy while construction of units has only recently started to slow. Construction is anticipated to continue to slow through December 2003 and, as such, rental rates are anticipated to stabilize through the end of the year. Occupancy, however, is expected to increase slightly within the foreseeable future. The projects hit hardest by the economy and additions to inventory have been the high-end, luxury communities, but such has resulted in diminished demand for lower grade and/or affordable

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

communities as well. (page 35)

In projecting the future performance of the property in this market, the Appraiser notes that, “Purchasers in the current market are reportedly underwriting properties employing 15% to 25% total economic vacancy, and review of the subject’s history suggests that a factor in this range is appropriate in consideration of vacancy, concessions, and collection loss” (page 80). After reviewing historic occupancy data within the submarket, and from specific comparable properties, the Appraiser concludes that a vacancy factor of 13% would be considered reasonable, which includes a 3% allowance for collection losses and bad debt.

Market Rent Comparables: The Appraiser surveyed seven comparable apartment projects totaling 2,246 units in the market area (p. 71). The Appraiser characterized five of the comparables as class A properties and the subject and two comparables as class B properties. The class B properties are also both 100% tax credit restricted properties at 60% AMI rents, and one of the properties, located directly across from the subject, has 20% of its units further restricted at 50% of AMI. Four of the five class A properties have current comparable asking rents that are on average 10 to 15% higher than the Appraiser’s rental conclusions for the subject property. Conversely, rents for one of the unrestricted properties and the two other tax credit properties are on average 7 to 14% lower than the Appraiser’s rent conclusions. The Appraiser did not provide a data-led, unit by unit adjustment matrix to justify the concluded rent for the subject, but the conclusions generally appear to be reasonable. Finally, the Appraiser indicated that the current asking rents for the subject are on average 12% lower than the Appraiser’s rent conclusions.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (60%)	\$530	\$686	-\$156	\$530	\$0
1-Bedroom (MR)	\$530	N/A		\$530	\$0
2-Bedroom (60%)	\$660	\$808	-\$148	\$660	\$0
2-Bedroom (MR)	\$660	N/A		\$660	\$0
3-Bedroom (60%)	\$810	\$925	-\$115	\$810	\$0
3-Bedroom (MR)	\$810	N/A		\$810	\$0
4-Bedroom (60%)	\$960	\$1,005	-\$45	\$960	\$0
4-Bedroom (MR)	\$960	N/A		\$960	\$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)

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s rent projections are significantly lower (\$45 to \$156 per unit) than the maximum rents allowed under the tax credit and bond program guidelines, reflecting the state of the subject market. The Underwriter’s estimate of potential gross rent based on the rents achievable according to the appraisal are approximately 1% higher than the Applicant’s proforma. The Underwriter used \$20 per unit per month for secondary income based on the property’s historic performance, and 11.5% vacancy and collection losses based on the property’s current vacancy rate plus 2.5% collection losses per TDHCA underwriting guidelines. The Applicant’s use of \$18.14/unit/month for secondary income, and vacancy and collection losses of 8.78% results in the Applicant’s estimate of effective gross income being approximately 1.5% higher than the Underwriter’s. If the maximum tax credit rents could be achieved in this market, an additional \$365,412 in potential gross rent could be recognized. Furthermore, since only 40% of the units are restricted at the maximum tax credit rents, the upside potential gross rent is theoretically much greater than this.

Expenses: The Applicant’s total expense estimate of \$4,355 per unit compares favorably (within 1%) with the Underwriter’s estimate of \$4,336 per unit derived from comparably-sized developments and historical expenses for the property. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$27,564 lower), payroll (\$64,346 higher), insurance (\$21,718), and replacement reserves (\$34,800 lower).

Conclusion: The Applicant’s estimated income is consistent with the Underwriter’s expectations, total operating expenses are within 5% of the Underwriter’s estimate, and the Applicant’s net operating income

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

(NOI) estimate is within 5% of the Underwriter's estimate. Therefore, the Applicant's NOI can be used to evaluate debt service capacity.

The Applicant's proposed debt service is difficult to pin down due to the variable nature of the interest rate. The debt service is currently projected by the Applicant to be \$475,023 based on a 1% variable rate plus a 2.33% stack for the annual cost of the letter of credit. (Since this stack is constant, and to avoid confusion the remainder of the report will reference only the change in the underlying variable rate.) The actual debt service could be as high as \$942,272 for the bonds alone if the maximum variable rate of 5% based on the proposed interest rate cap is used. While it is unlikely that such an increase in interest rates would occur immediately, the five year history of the Bond Market Association's Municipal Swap Index (on which the variable rate of interest is said to be based) reflects a high of 5.84% during that time period. The rate has remained below 2% for the last two years, and the very near term indicators are that this rate will remain in the 1 to 2% range. At a 2% variable rate, the interest only debt service would be \$556,622. In addition a debt service provision should be made for the trustee's fee, remarketing agent fees, TDHCA administration fees, asset oversight fees, a reserve for the purchase of the next interest rate cap, and a reserve for the acquisition of a commitment for the next letter of credit. Those reserves and fees amount to an estimated annual \$88,286. In addition, the Applicant is proposing a \$601,532 subordinate loan with an estimated interest rate of 7% payable out of cash flow but becoming due at the end of five years. A full amortization of this loan would require annual payments of \$149,933. Additionally, in order to maintain the original long term principal reduction goals, a mandatory \$550,000 principal reduction will be required at the end of five years, thereby necessitating a potential additional annual reserve of \$110,000. The following chart reflects the three likely debt service calculations.

	1% Variable Rate	2% Variable Rate	5% Interest Rate Cap
Bond Interest and LOC Fees	\$428,072	\$556,622	\$942,272
Required Fees	41,151	41,151	41,151
Reserve for Interest Cap *	21,425	21,425	21,425
Reserve for LOC	25,110	25,110	25,110
Min. Required Debt Service	\$515,758	\$644,308	\$1,029,958
Principal Reserve	110,000	110,000	110,000
Subordinate Debt	142,933	142,933	142,933
Total Potential Debt Service	\$768,691	\$897,241	\$1,282,891
Initial Mandatory DCR	1.64	1.31	0.82
Initial Aggregate	1.10	1.06	0.65

*Based on a 3 year cap estimate cost of 50 basis points. A five year cap would be 125 basis points spread over five years or \$32,137. The Applicant estimated still a higher \$42,850 reserve for this future cap purchase.

As can be seen by this chart the only way to achieve an acceptable initial aggregate DCR is by making the assumption that the variable rate will remain at or below 2%. An increase of the variable rate would require an additional equity injection by the Applicant or a financial restructuring in order to meet the terms of the current proposed restructuring plan at the end of five years. Alternatively, the proforma analysis conducted by the Underwriter suggests that a rise in rents at a rate faster than expenses could also provide some mitigation if the variable rate is higher than 1%. Developing a scenario in which the interest rate rises to its cap of 5% would require an extremely unlikely level of rental growth over expenses. Therefore, from a strictly conservative underwriting perspective, the restructuring as proposed is characterized as infeasible.

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

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE			
Total Development: "as is"	\$12,750,000	Date of Valuation:	07/ 24/ 2003
Appraiser: <u>Butler-Burgher, Inc.</u>	City: <u>Dallas</u>	Phone:	<u>(214) 739-0700</u>

APPRAISED ANALYSIS/CONCLUSIONS

The appraisal was not addressed to the Department, but generally conforms to the Department's guidelines. The Appraiser completed only the income and sales approaches to value. The cost approach was excluded due to the amount of external obsolescence present in the local market and the inaccuracy associated with estimating the same, as well as the lack of relevant land sales. While the Appraiser states that this is not considered a departure from Uniform Standards of Professional Appraisal Practice (USPAP), it does highlight the dysfunctional nature of the current market for new development in this market area. The Appraiser provided a conclusion of value for the remaining tax credits associated with the property of \$1,010,000 but provided little useful information as to how this conclusion was reached. The allocated credit amount was \$221,280 annually. With the expectation that five years of credit value would remain at a going price of \$0.82, the remaining credit value may be as low as \$907,248.

ASSESSED VALUE

Land: 18.42 acres	\$2,005,720	Assessment for the Year of:	<u>2003</u>
Building:	\$6,948,206	Valuation by:	<u>Williamson County Appraisal District</u>
Total Assessed Value:	\$8,953,926	Tax Rate:	<u>\$2.61286</u>

COST ESTIMATE EVALUATION

Debt Payments: The primary cost associated with the transaction includes paying off the remaining outstanding bonds of \$12,855,000 and accrued interest of \$82,012, estimated as of December 11, 2003. A note to the equity investor for \$100,677 previously advanced to the partnership will be left in the transaction as new equity. The original proposal called for a principal refunding of \$12,950,000. However, as of February 1, 2004 a portion of the bonds matured and this payment reduced the outstanding bonds to their current level. The new tax exempt bonds cannot exceed the existing outstanding principal of tax exempt bonds in order to maintain tax exempt status. The next maturity for the existing bonds is scheduled for August 1, 2004.

Financing Fees and Closing Costs: Approximately \$959,394 in financing fees and closing costs includes approximately \$331,375 in the issuer's, lender's, and bond underwriter's origination fees. Approximately \$128,550 will be used to purchase the initial interest rate cap. And the remainder consists of various legal fees, financial advisor, trustee and rating agency fees, and other closing costs and expenses.

Reserves: Approximately \$164,374 will be deposited to the project's reserve accounts.

Conclusion: Project costs of \$13,014,776 in acquisition costs, \$959,394 in financing and closing costs, \$164,374 deposited for reserves would all appear to be reasonable for a refunding transaction of this type.

FINANCING STRUCTURE

PERMANENT FINANCING

Source: <u>Red Capital Markets, Inc. (Bond Underwriter)</u>	Contact: <u>James C. Flinn</u>
Principal Amount: <u>\$12,855,000</u>	Interest Rate: <u>Variable</u>
Additional Information: <u>See financing analysis below.</u>	
Amortization: <u>N/A</u> Yrs	Term: <u>30</u> Yrs
Commitment: <input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	
Annual Payment: <u>\$754,250 (approx.)</u>	Lien Priority: <u>1st</u>
Commitment Date <u>01/ 20/ 2004</u>	

SUBORDINATE FINANCING

Source: <u>Red Mortgage Capital, Inc.</u>	Contact: <u>James C. Flinn</u>
--	---------------------------------------

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

Principal Amount: \$750,000 max. **Interest Rate:** Variable rate, 30 day LIBOR+300 bps, 6% min.

Additional Information: See financing analysis below.

Amortization: 5 Yrs **Term:** 5 yrs **Commitment:** LOI Firm Conditional

Annual Payment: \$142,933 (approx.) **Lien Priority:** 2nd **Commitment Date** 01/ 20/ 2004

APPLICANT EQUITY

Amount: \$600,000 **Source:** Additional investors' equity

Amount: \$82,012 **Source:** Cash held in existing indenture

FINANCING STRUCTURE ANALYSIS

Existing Financing: The outstanding bonds are currently in default and the Fannie Mae guarantee has been used to continue to pay bond holders. Fannie Mae is said to be ready to pursue its remedies under the guarantee agreements should a resolution to the development's current crisis not occur quickly. Such remedies would include full payment of the bonds and foreclosure of the property. It is unknown if the remaining value of the tax credits would be sufficient incentive to a new buyer to maintain the affordability requirements under the existing LURA.

Permanent Financing: The tax-exempt bonds will be publicly offered and will mature in thirty years. Interest only will be paid at weekly variable rates during the first five years. It is expected that the borrower will purchase ongoing interest rate caps during the variable rate period, for which a reserve account will be maintained into which annual contributions will be made from project income. Although no principal payments are scheduled to be made during the initial 5-year period, all surplus cash flow will be deposited to a principal reserve fund, out of which principal reduction payments will be made from any amounts in excess of 10% of the original principal amount in order to retire bonds in \$100,000 increments. Regardless of the amount available in the principal reserve fund, at the end of the initial five years, the borrower will be required to have reduced the principal by at least \$550,000, and thereafter regular amortization of the bonds continue until maturity.

An initial rating of "AAA" will be based on credit enhancement through a direct-pay letter of credit issued from Provident Bank, and a standby letter of credit from the Federal Home Loan Bank of Cincinnati, both of which will be valid for a period of five years. The cost of these letters of credit together is 1% of the loan amount for the commitment, and an ongoing fee of 2.33% annually. In order to maintain the minimum credit rating of "A" or the equivalent required by TDHCA policy, the borrower will have to renew the letter of credit before the end of the fifth year and periodically thereafter. Anticipating this, the Underwriter included reserves to pay for commitment fees for the maintenance of credit enhancement in the analysis. Again, the borrower will be obligated to maintain this credit enhancement and may be willing to do so outside of the cash flow associated with the property.

Subordinate Loan: A subordinate loan will be provided by Red Mortgage Capital, Inc. which will mature in five years and will bear interest at the greater of the 30-day LIBOR plus 300 basis points, or 6.00%. This rate is currently estimated to be 7%. The present sources and uses of funds schedule indicates that the principal of this loan will be \$601,532, however, the commitment letter from Red Mortgage Capital indicates that the loan will be sized to the difference between all transaction costs and the other sources of funds, up to a maximum of \$750,000.

Cash Held in Existing Indenture: The Applicant's sources and uses of funds schedule indicates that \$82,012 in accounts held in the existing indenture will be available as a source of funds for the refunding. Verification of the amount which will become available from the current indenture has not been provided.

Applicant's Equity: Total equity to be provided by the Applicant is \$600,000. A portion of this equity (\$100,677.41) has previously been advanced to the partnership by the equity investor under a note which will now be left in the transaction. An additional \$499,322.59 will result in total new equity of \$600,000.

Conclusion: As discussed in the operating proforma above, the new bonds would be interest only for five years. Thereafter the bonds would amortize and principal would mature based on an amortization schedule comparable to that which would result from using an eight percent interest rate. The actual interest on the

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

outstanding bonds would, unless restructured, continue to pay interest at the variable rate. It is anticipated by the Applicant that the financing will be restructured within three to five years. In order to estimate the potential for the proposed restructure under a conservative best case scenario, the Underwriter used the Applicant's NOI and variable rate assumptions of 1% for year one, 2% for year two, 3% for the remainder of the first five years, and a straight 8% amortization thereafter. Under this scenario, cumulative cash flow from the project would be \$355K less than what would be needed to meet the aggregate debt service needs including the subordinate loan and the bond principal reductions. In addition, the amortization of the debt as proposed would require significant annual additional equity infusions through at least year 20.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The General Partner (Meadow Ridge Partners, LLC), the Limited Partner (Provident Tax Credit Fund IV, LLC), the Bond Underwriter (Red Capital Markets, Inc.), and the Lender (Red Mortgage Capital, Inc.) are all affiliates of Provident Bank who is also providing the direct pay letter of credit. These are unusual relationships for a tax credit development, but have formed as a result of the limited partner's desire to maintain the viability of the tax credits and the bonds.

SUMMARY OF SALIENT RISKS AND ISSUES

- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.
- The significant financing structure changes being proposed have not been accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:

Stephen Apple

Date: February 3, 2004

Director of Real Estate Analysis:

Tom Gouris

Date: February 3, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Meadow Ridge Apartments, Round Rock, MRB #1997-001

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
60% AMI	12	1	1	700	\$800	\$530	\$6,360	\$0.76	\$114.43	\$58.77
Market	16	1	1	700	530	530	8,480	0.76	114.43	58.77
60% AMI	44	2	2	1,002	960	660	29,040	0.66	151.81	64.48
Market	64	2	2	1,002	660	660	42,240	0.66	151.81	64.48
60% AMI	29	3	2	1,143	1109	810	23,490	0.71	184.35	73.97
Market	43	3	2	1,143	810	810	34,830	0.71	184.35	73.97
60% AMI	10	4	2	1,395	1237	960	9,600	0.69	231.76	83.48
Market	14	4	2	1,395	960	960	13,440	0.69	231.76	83.48
TOTAL:	232		AVERAGE:	1,050	\$842	\$722	\$167,480	\$0.69	\$165.67	\$68.70

INCOME		Total Net Rentable Sq Ft:	243,592	TDHCA	03 Annz (9mo)	APPLICANT	USS Region	7
POTENTIAL GROSS RENT				\$2,009,760	\$2,084,545	\$1,984,056	IREM Region	Austin
Secondary Income	Per Unit Per Month:	\$20.00		55,680	78,467	50,490	\$18.14	Per Unit Per Month
Other Support Income: (describe)				0	0	0		
POTENTIAL GROSS INCOME				\$2,065,440	\$2,163,012	\$2,034,546		
Vacancy & Collection Loss	% of Potential Gross Income:	-11.50%		(237,526)	(362,816)	(178,565)	-8.78%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions				0	(138,832)	0		
EFFECTIVE GROSS INCOME				\$1,827,914	\$1,661,364	\$1,855,981		

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	03 Annz (9mo)	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.98%	\$393	0.37	\$91,064	\$60,300	\$63,500	\$0.26	\$274	3.42%
Management	4.78%	376	0.36	87,294	\$81,729	\$83,519	0.34	360	4.50%
Payroll & Payroll Tax	12.82%	1,010	0.96	234,254	\$270,113	\$298,600	1.23	1,287	16.09%
Repairs & Maintenance	6.06%	478	0.45	110,800	\$88,688	\$108,840	0.45	469	5.86%
Utilities	1.88%	148	0.14	34,336	\$37,230	\$34,000	0.14	147	1.83%
Water, Sewer, & Trash	5.06%	399	0.38	92,568	\$80,316	\$85,000	0.35	366	4.58%
Property Insurance	2.53%	199	0.19	46,282	\$60,948	\$68,000	0.28	293	3.66%
Property Tax	2.61286	12.80%	1,008	233,954	\$275,220	\$234,000	0.96	1,009	12.61%
Reserve for Replacements	3.81%	300	0.29	69,600	\$61,971	\$34,800	0.14	150	1.88%
Compliance Fee, Cable, Security	0.32%	25	0.02	5,800	0	0	0.00	0	0.00%
TOTAL EXPENSES	55.03%	\$4,336	\$4.13	\$1,005,952	\$1,016,515	\$1,010,259	\$4.15	\$4,355	54.43%
NET OPERATING INC	44.97%	\$3,543	\$3.37	\$821,963	\$644,849	\$845,722	\$3.47	\$3,645	45.57%

DEBT SERVICE	% OF EGI	PER UNIT	PER SQ FT	TDHCA	03 Annz (9mo)	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
First Lien Mortgage	51.55%	\$4,062	\$3.87	\$942,272		\$475,023	\$1.95	\$2,048	25.59%
Interest Rate Cap Reserve	1.17%	\$92	\$0.09	21,425			\$0.00	\$0	0.00%
Trustee Fee	0.19%	\$15	\$0.01	3,500			\$0.00	\$0	0.00%
Remarketing Agent	1.04%	\$82	\$0.08	18,996			\$0.00	\$0	0.00%
TDHCA Admin. Fees	0.70%	\$55	\$0.05	12,855			\$0.00	\$0	0.00%
Asset Oversight Fees	0.32%	\$25	\$0.02	5,800			\$0.00	\$0	0.00%
LOC Reserve	1.41%	\$111	\$0.11	25,710			\$0.00	\$0	0.00%
Subordinate Loan	7.82%	\$616	\$0.59	142,933			\$0.00	\$0	0.00%
NET CASH FLOW	-15.81%	(\$1,245)	(\$1.19)	(\$288,951)		\$370,699	\$1.52	\$1,598	19.97%

INITIAL AGGREGATE DEBT COVERAGE RATIO	0.70	1.78
INITIAL BONDS, FEE & RESERVES-ONLY DEBT COVERAGE RATIO	0.80	
RECOMMENDED BONDS, FEE & RESERVES-ONLY DEBT COVERAGE RATIO	1.31	1.31

COSTS	Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Debt payments			89.99%	\$56,098	\$53.43	\$13,014,776	\$13,014,776	\$53.43	\$56,098	92.05%
Off-Sites			0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework			0.00%	0	0.00	0	0	0.00	0	0.00%
Direct Construction			0.00%	0	0.00	0	0	0.00	0	0.00%
Contingency	0.00%	0.00%	0	0.00	0.00	0	0	0.00	0	0.00%
General Req'ts	0.00%	0.00%	0	0.00	0.00	0	0	0.00	0	0.00%
Contractor's G & A	0.00%	0.00%	0	0.00	0.00	0	0	0.00	0	0.00%
Contractor's Profit	0.00%	0.00%	0	0.00	0.00	0	0	0.00	0	0.00%
Indirect Construction			0.00%	0	0.00	0	0	0.00	0	0.00%
Ineligible Costs			0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's G & A	0.00%	0.00%	0	0.00	0.00	0	0	0.00	0	0.00%
Developer's Profit	0.00%	0.00%	0	0.00	0.00	0	0	0.00	0	0.00%
Financing Costs			6.63%	4,135	3.94	959,394	959,394	3.94	4,135	6.79%
Reserves			3.38%	2,106	2.01	488,543	164,375	0.67	709	1.16%
TOTAL COST			100.00%	\$62,339	\$59.37	\$14,462,712	\$14,138,544	\$58.04	\$60,942	100.00%
Recap-Hard Construction Costs			0.00%	\$0	\$0.00	\$0	\$0	\$0.00	\$0	0.00%

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED	5-Yr Cumulative Cash Flow
Tax-Exempt Bonds	88.88%	\$55,409	\$52.77	\$12,855,000	\$12,855,000	\$12,855,000	
Subordinate Loan				\$601,532	\$601,532	\$601,532	
Cash in Accounts	0.57%	\$354	\$0.34	82,012	82,012	82,012	
Previous Equity	0.70%	\$434	\$0.41	100,677	100,677	100,677	
Equity Advance	3.45%	\$2,152	\$2.05	499,323	499,323	499,323	
Additional (Excess) Funds Required	2.24%	\$1,397	\$1.33	324,168	(0)	(0)	
TOTAL SOURCES				\$14,462,712	\$14,138,544	\$14,138,544	(\$187,958)

MULTIFAMILY COMPARATIVE ANALYSIS(continued)
Meadow Ridge Apartments, Round Rock, MRB #1997-001

PAYMENT COMPUTATION

Primary	\$12,855,000	Amort	360
Int Rate	7.33%	DCR	0.87

Secondary		Amort	
Int Rate		Subtotal DCR	0.80

All-In w/ Subordinate	\$601,532	Amort	60
Rate	7.00%	Aggregate DCR	0.70

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Interest Only Debt Service	\$556,622
Required fees and Reserves	88,286
Subordinate Loan	142,933
NET CASH FLOW	\$57,882

Primary	\$12,855,000	Term	360
Int Rate	4.33%	DCR	1.52

Secondary		Term	
Int Rate		Subtotal DCR	1.31

All-In w/ Subordinate	\$601,532	Term	60
Rate	7.00%	Aggregate DCR	1.07

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

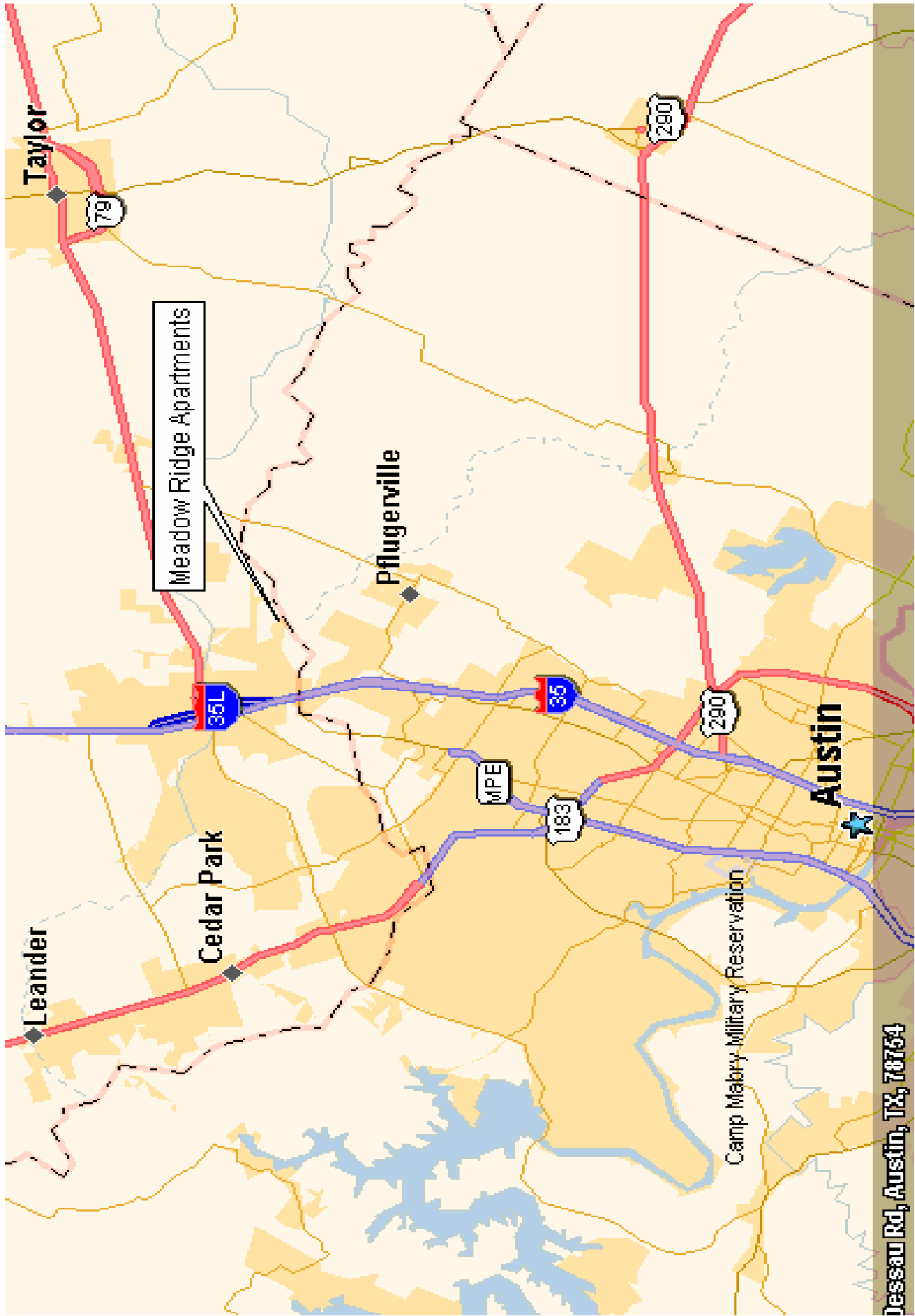
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,984,056	\$2,043,578	\$2,104,885	\$2,168,032	\$2,233,073	\$2,588,743	\$3,001,063	\$3,479,054	\$4,675,558
Secondary Income	50,490	52,005	53,565	55,172	56,827	65,878	76,371	88,535	118,983
Other Support Income	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,034,546	2,095,582	2,158,450	2,223,203	2,289,899	2,654,621	3,077,433	3,567,589	4,794,541
Vacancy & Collection Loss	(178,565)	(183,922)	(189,440)	(195,123)	(200,976)	(232,987)	(270,096)	(313,115)	(420,800)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,855,981	\$1,911,660	\$1,969,010	\$2,028,081	\$2,088,923	\$2,421,634	\$2,807,338	\$3,254,474	\$4,373,741
EXPENSES at 4.00%									
General & Administrative	\$63,500	\$66,040	\$68,682	\$71,429	\$74,286	\$90,380	\$109,961	\$133,785	\$198,034
Management	83,519	86,025	88,605	91,263	94,001	108,973	126,330	146,451	196,818
Payroll & Payroll Tax	298,600	310,544	322,966	335,884	349,320	425,001	517,079	629,105	931,229
Repairs & Maintenance	108,840	113,194	117,721	122,430	127,327	154,913	188,476	229,309	339,434
Utilities	34,000	35,360	36,774	38,245	39,775	48,393	58,877	71,633	106,034
Water, Sewer & Trash	85,000	88,400	91,936	95,613	99,438	120,982	147,192	179,082	265,085
Insurance	68,000	70,720	73,549	76,491	79,550	96,785	117,754	143,266	212,068
Property Tax	234,000	243,360	253,094	263,218	273,747	333,055	405,212	493,003	729,764
Reserve for Replacements	34,800	36,192	37,640	39,145	40,711	49,531	60,262	73,318	108,529
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	\$1,010,259	\$1,049,834	\$1,090,967	\$1,133,720	\$1,178,156	\$1,428,013	\$1,731,144	\$2,098,952	\$3,086,997
NET OPERATING INCOME	\$845,722	\$861,826	\$878,043	\$894,361	\$910,767	\$993,621	\$1,076,194	\$1,155,521	\$1,286,744
DEBT SERVICE									
First Lien Financing	\$428,072	\$556,622	\$685,172	\$685,172	\$685,172	\$1,139,664	\$1,139,664	\$1,139,664	\$1,139,664
Required fees and Reserves	88,286	88,286	88,286	88,286	88,286	\$47,865	\$47,865	\$47,865	\$47,865
Subordinate Loan	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$329,364	\$216,919	\$104,585	\$120,903	\$137,309	(\$193,908)	(\$111,335)	(\$32,007)	\$99,215
AGGREGATE DCR	1.64	1.34	1.14	1.16	1.18	0.84	0.91	0.97	1.08
BONDS & REQUIRED FEE AND	1.64	1.34	1.14	1.16	1.18	0.84	0.91	0.97	1.08
BONDS-ONLY DCR	1.98	1.55	1.28	1.31	1.33	0.87	0.94	1.01	1.13
Variable rate assumption	1.00%	2.00%	3.00%	3.00%	3.00%	Subordinate Loan & Bond Principal Due			
Cumulative Cash Flow	329,364	546,283	650,868	771,771	909,080	1,264,663	767,583	4,476	-353,880

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI - ALT INTEREST RATE SCENARIOS)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30	
POTENTIAL GROSS RENT	\$1,984,056	\$2,043,578	\$2,104,885	\$2,168,032	\$2,233,073	\$2,588,743	\$3,001,063	\$3,479,054	\$4,675,558	
Secondary Income	50,490	52,005	53,565	55,172	56,827	65,878	76,371	88,535	118,983	
Other Support Income	0	0	0	0	0	0	0	0	0	
POTENTIAL GROSS INCOME	2,034,546	2,095,582	2,158,450	2,223,203	2,289,899	2,654,621	3,077,433	3,567,589	4,794,541	
Vacancy & Collection Loss	(178,565)	(183,922)	(189,440)	(195,123)	(200,976)	(232,987)	(270,096)	(313,115)	(420,800)	
Developer's G & A	0	0	0	0	0	0	0	0	0	
EFFECTIVE GROSS INCOME	\$1,855,981	\$1,911,660	\$1,969,010	\$2,028,081	\$2,088,923	\$2,421,634	\$2,807,338	\$3,254,474	\$4,373,741	
EXPENSES at 4.00%										
General & Administrative	\$63,500	\$66,040	\$68,682	\$71,429	\$74,286	\$90,380	\$109,961	\$133,785	\$198,034	
Management	83,519	86,025	88,605	91,263	94,001	108,973	126,330	146,451	196,818	
Payroll & Payroll Tax	298,600	310,544	322,966	335,884	349,320	425,001	517,079	629,105	931,229	
Repairs & Maintenance	108,840	113,194	117,721	122,430	127,327	154,913	188,476	229,309	339,434	
Utilities	34,000	35,360	36,774	38,245	39,775	48,393	58,877	71,633	106,034	
Water, Sewer & Trash	85,000	88,400	91,936	95,613	99,438	120,982	147,192	179,082	265,085	
Insurance	68,000	70,720	73,549	76,491	79,550	96,785	117,754	143,266	212,068	
Property Tax	234,000	243,360	253,094	263,218	273,747	333,055	405,212	493,003	729,764	
Reserve for Replacements	34,800	36,192	37,640	39,145	40,711	49,531	60,262	73,318	108,529	
Other	0	0	0	0	0	0	0	0	0	
TOTAL EXPENSES	\$1,010,259	\$1,049,834	\$1,090,967	\$1,133,720	\$1,178,156	\$1,428,013	\$1,731,144	\$2,098,952	\$3,086,997	
NET OPERATING INCOME	\$845,722	\$861,826	\$878,043	\$894,361	\$910,767	\$993,621	\$1,076,194	\$1,155,521	\$1,286,744	
DEBT SERVICE										
First Lien Financing	\$428,072	\$556,622	\$685,172	\$813,722	\$942,272	\$1,139,664	\$1,139,664	\$1,139,664	\$1,139,664	
Required fees and Reserves	88,286	88,286	88,286	88,286	88,286	\$47,865	\$47,865	\$47,865	\$47,865	
Subordinate Loan	0	0	0	0	0	\$0	\$0	\$0	\$0	
NET CASH FLOW	\$329,364	\$216,919	\$104,585	(\$7,647)	(\$119,791)	(\$193,908)	(\$111,335)	(\$32,007)	\$99,215	
AGGREGATE DCR	1.64	1.34	1.14	0.99	0.88	0.84	0.91	0.97	1.08	
BONDS & REQUIRED FEE AND	1.64	1.34	1.14	0.99	0.88	0.84	0.91	0.97	1.08	
BONDS-ONLY DCR	1.98	1.55	1.28	1.10	0.97	Subordinate Loan 0.87	0.94	1.01	1.13	
Variable rate assumption	1.00%	2.00%	3.00%	4.00%	5.00%	Subordinate Loan & Bond Principal Due				
Cumulative Cash Flow	329,364	546,283	650,868	643,221	523,430	1,264,663	-260,817	-1,023,924	-1,382,280	-1,046,242

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI - ALT INTEREST RATE SCENARIOS)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30	
POTENTIAL GROSS RENT	\$1,984,056	\$2,043,578	\$2,104,885	\$2,168,032	\$2,233,073	\$2,588,743	\$3,001,063	\$3,479,054	\$4,675,558	
Secondary Income	50,490	52,005	53,565	55,172	56,827	65,878	76,371	88,535	118,983	
Other Support Income	0	0	0	0	0	0	0	0	0	
POTENTIAL GROSS INCOME	2,034,546	2,095,582	2,158,450	2,223,203	2,289,899	2,654,621	3,077,433	3,567,589	4,794,541	
Vacancy & Collection Loss	(178,565)	(183,922)	(189,440)	(195,123)	(200,976)	(232,987)	(270,096)	(313,115)	(420,800)	
Developer's G & A	0	0	0	0	0	0	0	0	0	
EFFECTIVE GROSS INCOME	\$1,855,981	\$1,911,660	\$1,969,010	\$2,028,081	\$2,088,923	\$2,421,634	\$2,807,338	\$3,254,474	\$4,373,741	
EXPENSES at 4.00%										
General & Administrative	\$63,500	\$66,040	\$68,682	\$71,429	\$74,286	\$90,380	\$109,961	\$133,785	\$198,034	
Management	83,519	86,025	88,605	91,263	94,001	108,973	126,330	146,451	196,818	
Payroll & Payroll Tax	298,600	310,544	322,966	335,884	349,320	425,001	517,079	629,105	931,229	
Repairs & Maintenance	108,840	113,194	117,721	122,430	127,327	154,913	188,476	229,309	339,434	
Utilities	34,000	35,360	36,774	38,245	39,775	48,393	58,877	71,633	106,034	
Water, Sewer & Trash	85,000	88,400	91,936	95,613	99,438	120,982	147,192	179,082	265,085	
Insurance	68,000	70,720	73,549	76,491	79,550	96,785	117,754	143,266	212,068	
Property Tax	234,000	243,360	253,094	263,218	273,747	333,055	405,212	493,003	729,764	
Reserve for Replacements	34,800	36,192	37,640	39,145	40,711	49,531	60,262	73,318	108,529	
Other	0	0	0	0	0	0	0	0	0	
TOTAL EXPENSES	\$1,010,259	\$1,049,834	\$1,090,967	\$1,133,720	\$1,178,156	\$1,428,013	\$1,731,144	\$2,098,952	\$3,086,997	
NET OPERATING INCOME	\$845,722	\$861,826	\$878,043	\$894,361	\$910,767	\$993,621	\$1,076,194	\$1,155,521	\$1,286,744	
DEBT SERVICE										
First Lien Financing	\$428,072	\$556,622	\$556,622	\$556,622	\$556,622	\$1,139,664	\$1,139,664	\$1,139,664	\$1,139,664	
Required fees and Reserves	88,286	88,286	88,286	88,286	88,286	47,865	47,865	47,865	47,865	
Subordinate Loan	0	0	0	0	0	0	0	0	0	
NET CASH FLOW	\$329,364	\$216,919	\$233,135	\$249,453	\$265,859	(\$193,908)	(\$111,335)	(\$32,007)	\$99,215	
AGGREGATE DCR	1.64	1.34	1.36	1.39	1.41	0.84	0.91	0.97	1.08	
BONDS & REQUIRED FEE AND	1.64	1.34	1.36	1.39	1.41	0.84	0.91	0.97	1.08	
BONDS-ONLY DCR	1.98	1.55	1.58	1.61	1.64	Subordinate Loan 0.87	0.94	1.01	1.13	
Variable rate assumption	1.00%	2.00%	2.00%	2.00%	2.00%	Subordinate Loan & Bond Principal Due				
Cumulative Cash Flow	329,364	546,283	779,418	1,028,871	1,294,730	1,264,663	1,474,608	711,501	353,145	689,183



Meadow Ridge Apartments

Dessau Rd, Austin, TX, 78754

Developer Evaluation

Project ID # **97-08T**

Name: **Meadow Ridge Apartments**

City: **Round Rock**

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: 0

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 September 24, 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 _____ Date _____

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 9/24/2003

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 Stephanie Stuntz Date 9/24/2003

Executive Director: _____

Executed: _____

Status Summary

Project ID# 97-08T

LIHTC 9 LIHTC 4

Name: Meadow Ridge Apartments

HOME HTF

City Round Rock

Bond SEC

ESGP Other

Developer	Role	Disbar
Meadow Ridge Partners, LLC	General Partner	<input type="checkbox"/>
Scott M. Laufenberg	President/CEO	<input type="checkbox"/>
David C. Martin	Managing Director	<input type="checkbox"/>
Andrew R. Steiner	Vice President	<input type="checkbox"/>
Steven R. Russi	Vice President	<input type="checkbox"/>
David G. Cribbs	Assistance Vice President	<input type="checkbox"/>
The Provident Bank	100% Sole Member	<input type="checkbox"/>
Provident Financial Group, Inc	100% Owner	<input type="checkbox"/>
American Financial Group, Inc.	14.6% Owner	<input type="checkbox"/>

Projects/Contracts Monitored by the Department

Out of State Response Received: N/A

Non-Compliance Reported

Completed By: Jo En Taylor

Date: 9/22/2003

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Division

Public Comment Summary

Meadow Ridge Apartments

Public Hearing

<i>Total Number Attended</i>	2
<i>Total Number Opposed</i>	0
<i>Total Number Supported</i>	2
<i>Total Number Neutral</i>	0
<i>Total Number that Spoke</i>	0

Public Officials Letters Received

<i>Opposition</i>	0
<i>Support</i>	0

General Public Letters and Emails Received

<i>Opposition</i>	0
<i>Support</i>	0

Summary of Opposition

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE REFUNDING BONDS
MEADOW RIDGE APARTMENTS
SERIES 2003

PUBLIC HEARING

Ridgeview Middle School
2000 Via Sonoma Trail
Round Rock, Texas

September 25, 2003
6:17 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Loan Analyst

I N D E X

SPEAKER

PAGE

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 public
4 hearing. Let the record show that it is 6:17 on Thursday,
5 September 25, 2003, and we are at the Ridgeview Middle
6 School, located at 2000 Via Sonoma Trail, Round Rock,
7 Texas.

8 I am here to conduct a public hearing on behalf
9 of the Texas Department of Housing and Community Affairs
10 with respect to an issuance of multifamily rental housing
11 mortgage revenue bonds, Series 2003. This hearing is
12 required by the Internal Revenue Code, and the sole
13 purpose of this hearing is to provide a reasonable
14 opportunity for interested individuals to express their
15 views regarding the development and the proposed bond
16 issuance.

17 No decisions regarding the development will be
18 made at this hearing. The department's board is scheduled
19 to meet to consider the transaction on November 14, 2003.

20 In addition to providing your comments at the hearing,
21 the public is also invited to provide comment directly to
22 the board at any of its meetings. The department staff
23 will also accept written comments from the public via
24 facsimile at (512) 475-0764, up until 5:00 p.m. on October

1 31, 2003.

2 The bonds will be issued as tax-exempt
3 multifamily mortgage revenue bonds in the aggregate
4 principal amount not to exceed \$13,575,000, and taxable
5 bonds, if necessary, in the amount to be determined. The
6 bonds will be issued in one or more series by the Texas
7 Department of Housing and Community Affairs. The proceeds
8 of the bonds will be loaned to Round Rock Meadows,
9 Limited, or a related person or affiliate entity thereof,
10 for the following purposes:

11 Paying a portion of the cost of issuing the
12 Series 2003 bonds; refunding the issuer's multifamily
13 mortgage revenue bonds Series 1997, the proceeds of which
14 were loaned to the corporation.

15 The multifamily rental housing community will
16 be initially owned and operated by Round Rock Meadows,
17 Limited, or a related person or affiliate thereof.

18 There is a representative from the borrower
19 here.

20 Would you like to speak?

21 (No audible response.)

22 MS. MEYER: He wishes not to speak.

23 Let the record show that there are no
24 attendees; therefore, the meeting is now adjourned, and

1 the time is 6:19.

2 (Whereupon, at 6:19 p.m., the hearing was
3 concluded.)

C E R T I F I C A T E

1
2
3 IN RE: Meadow Ridge Apartments

4 LOCATION: Round Rock, Texas

5 DATE: September 25, 2003

6 I do hereby certify that the foregoing pages,
7 numbers 1 through 6, inclusive, are the true, accurate,
8 and complete transcript prepared from the verbal recording
9 made by electronic recording by J. Ben Bynum before the
10 Texas Department of Housing and Community Affairs.

09/29/2003

(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

**AUDIT COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine, Room 437, Austin, Texas
Thursday, March 11, 2004 11:00 am**

A G E N D A

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

Shadrick Bogany, 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.

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

ACTION ITEMS

Item 1	Presentation, discussion and possible approval of Minutes Of the Audit Committee Meeting of December 11, 2003	Shadrick Bogany Chair
--------	--	--------------------------

REPORT ITEMS

Item 2	Management's Discussion and Analysis of Department's Financial Performance for the Fiscal Year Ended August 31, 2003	William Dally
Item 3	Status of Prior Audit Issues	David Gaines
Item 4	Status of Central Database	David Gaines
Item 5	Status of Internal/External Audits	David Gaines

ADJOURN

Shadrick Bogany
Chair

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact the Board Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 and request the information.

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

Non-English speaking individuals who require interpreters for this meeting should contact Delores Groneck, 512-475-3934 at least three 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
December 11, 2003 8:00 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 December 11, 2003 was called to order by Chair Vidal Gonzalez at 8:05 a.m. It was held at the Texas Department of Housing and Community Affairs Boardroom, Austin, Texas. Roll call certified a quorum was present.

Members present:

Vidal Gonzalez – Chair

Shad Bogany – Member

Elizabeth Anderson - 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 October 9, 2003

Motion made by Beth Anderson and seconded by Shad Bogany to approve the minutes of the October 9, 2003 Audit Committee Meeting.

Passed Unanimously

REPORT ITEMS

(2) Presentation and discussion of:

a) HUD Section 8 Rental Integrity Monitoring Review

Mr. Gaines stated the HUD Section 8 Rental Integrity Monitoring Review was presented earlier in the year to the Committee and the department now has the management responses with the report. Management is in agreement with all the recommendations and is currently in the process of implementing the recommendations.

b) Status of Prior Audit Issues

Mr. Gaines stated Issue 187 is the remaining issue identified by HUD in their September 2000 monitoring report and relates to the family self-sufficiency plan. A plan has been developed for the Houston area and was submitted to HUD in November. The next 4 issues related to the HUD monitoring review of the HOME Program and relate to properties of beneficiaries served under an agreement with TSAHA that have been identified as substandard. These properties were identified as substandard by HUD on their inspections or by the department as a follow-up to their report. Each of the properties identified are to be brought up to standard or the HUD HOME funds were to be returned from non-federal funds. TSAHC recently refunded \$155,474.27 to the Department. This relates to 19 home beneficiaries. The department has collected over \$1,000,000 that has been refunded.

Ms. Carrington thanked the staff working on this project with TSAHC to resolve these issues and the team who headed up this work was Ruth Cedillo, Sandy Mauro and Suzanne Phillips.

Mr. Gaines stated the next issue is the need for the Department to develop and implement policy and procedures for the periodic review of delinquent program lines and related collection and write-off efforts. This has been implemented. There were issues relating to the remaining open findings resulting from the SAO review of the Community Affairs program. One issue was to determine the eligibility of weatherization on the multifamily properties. Procedures have been developed to ensure eligibility going forward. At this time there is a delay due to the department waiting on responses from four of the subrecipients. Other issues related to the department conducting a thorough cost-benefit analysis to determine whether Easy Auditor Alternative Software is the way to go for the weatherization program. Also, issues on the departments need to provide technical assistance on the IT system controls and to monitor subrecipients to ensure that they have adequate controls in place. There were two issues on data entry problems and the department has taken corrective action to ensure accuracy going forward. There were 2 issues on the controls over the construction phase of tax credit projects and one is reported as being implemented. The second issue will be completed by March 1st.

c) Status of Central Database

Mr. David Gaines, Director of Internal Auditing, stated the Compliance Monitoring and Tracking System is fully implemented. The contract system is in production and allows the HOME and Housing Trust Fund programs to distribute and track funds from the original funding source to HUD, General Revenue Funds to the programs region activities and identifying specific set-asides. This module provides stability for the program areas to set up contracts in the system associating the contracts with organizations and persons involved in the development and execution of those contracts.

Ms. Anderson thanked the people in IS and other divisions of the agency who have made this possible.

Mr. Gaines stated the contract services relating to the program monitoring is 90% complete and these services relate to developing and documenting the specifications relating to single audit program monitoring 8609s in construction inspections. The enhanced compliance testing is 30% complete and relates to the design work applicable to performance improvements of automated testing functionality of multifamily properties during the affordability period. This was due to regulatory changes and from enhancements identified since CMTS went into production. The contract services relating to CMTS reports is for the purpose of completing and analyzing design work of in-house management reports and risk assessment reports from the central database. Other reports are for management tracking information purposes, and to implement an expanded risk assessment program pursuant to SB 322, and will offer comprehensive information from CMTS and the contract systems.

The post implementation review is a review of what went well and what did not go well over the life of the contract. They will assess the risks and have controls in place to ensure that mistakes are not repeated. There was a high-level review of the remaining modules to be developed and descriptions for the goals of each of the modules. Those goals will be confirmed with the business users and detailed plans identifying the goals, purpose, resources, milestones and timelines will be developed and presented to the Committee at a later date.

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 Shad Bogany and seconded by Beth Anderson to adjourn the meeting.
Passed Unanimously

The meeting adjourned at 8:40 a.m.

Respectfully submitted,

Board Secretary
p:dg/aumindec

Texas Department of Housing and Community Affairs

Management's Discussion and Analysis

*(Basic Financial Statements
for the year ended August 31, 2003)*

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Texas Department of Housing and Community Affairs' (Department) annual financial report presents management's discussion and analysis of the Department's financial performance during the fiscal year that ended on August 31, 2003. Please read it in conjunction with the Department's financial statements, which follow this section.

Financial Highlights

- Decrease in the Department's business-type activity net assets of \$11.4 million and a decrease of \$11.3 million in governmental activities.
- Decrease in Operating Income (Loss) in the Department's proprietary fund from \$34.9 million to (\$9.4) million. This was a combination of a decrease in revenues and increases in expenses. The change in fair value of investments decreased from an unrealized gain of \$24.6 million in fiscal year 2002 to an unrealized loss of (\$6.2) million in fiscal year 2003 or \$30.8 million, this accounted for 88% of the decrease in operating income. There was an increase in expenses, specifically bond interest expense of \$3.3 million to \$98 million due to an increase in bonds outstanding.
- Fund Balances in the Department's Governmental Funds decreased from \$23.1 million to \$11.7 million. The change is a combination of decreased revenues of \$5.4 million from Investor Owned Utilities and increased expenditures of \$3 million in the Housing Trust Fund. This accounted for over 70% of the changes in Fund Balance. The increase of Other Financing Sources is related to the System Benefit Fund which was reclassified from a Fiduciary Fund to a Special Revenue Fund during this fiscal year.
- The Department's debt outstanding of \$1.7 billion as of August 31, 2003 increased \$124.8 million. Debt issuances and debt retirements totaled \$376.3 million and \$251.5 million, respectively.
- Loan originations for the year totaled \$189.6 million and \$29.2 million in the Department's proprietary and governmental funds, respectively.
- In January 2003, the Department received a request by the offices of the Governor, Lieutenant Governor and Speaker of the House to immediately reduce fiscal year 03 spending by an amount equal to at least 7% of general revenues. The Department responded by submitting a \$1.5 million savings plan. The System Benefit Fund and \$753,690 was subsequently excluded from consideration when it was determined to be a Trust Fund instead of general revenue in fiscal year 2003. The plan offered reductions in administrative costs in order to minimize the impact on direct services. In 2003, the Department was successful at realizing savings in the areas of travel, capital purchases, professional/consulting services, salaries, State Office of Risk Management (SORM) and other general administrative costs and transferred back to Comptroller \$753,187 in general revenue appropriations during fiscal year 2003.

Overview of the Financial Statements

The financial statements consist of three parts – management’s discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two types of statements that present different views of the Department.

- The first two statements are Department-wide financial statements that provide information about the Department’s overall financial position and results. These statements, which are presented on an accrual basis, consist of the Statement of Net Assets and the Statement of Activities.
- The remaining statements are fund financial statements of the Department’s governmental funds and proprietary fund. The governmental funds’ activities are funded primarily from Federal funds but also include General Revenue appropriations for which the Department follows a modified accrual basis of accounting. The Department’s proprietary fund operates similar to business activities and follows an accrual basis of accounting.
- The basic financial statements also include a “Notes to Financial Statement” section which explains some of the information presented in the Department-wide and fund financial statements and provides additional detailed data.
- The Notes to the Financial Statements are followed by a “Supplementary Information” section, which presents supplementary bond information.

The remainder of this overview section of the management’s discussion and analysis explains the structure and contents of each of these statements.

Government Wide Statements

The Statement of Net Assets shows Governmental Activities and Business-type Activities consolidated on a full accrual basis. The Statement of Activities presents a government wide format of expenses, charges for services, operating grants and contributions and net expenses by both Governmental activities and Business-type activities. Both activities are further broken down by function and programs. The second section of the Statement of Activities shows general revenues not associated with a particular program but provides resources for the Department’s programs and operations. The fiduciary activity is not included in the government wide statements.

Financial Analysis of the Department as a Whole

Statement of Net Assets

The following tables show a summary of changes from prior year amounts by fund type.

Texas Department of Housing and Community Affairs				
Condensed Statements of Net Assets – Governmental Activities				
As of August 31, 2003				
	Governmental		Increase / (Decrease)	
	Activities			
	2003	2002	Amount	%
Assets				
Cash & Investments	\$ 10,611,463	\$ 5,638,267	\$ 4,973,196	88.2
Legislative Appropriations	11,749,954	23,817,593	(12,067,639)	(50.7)
Federal Receivable	3,931,559	1,027,014	2,904,545	282.8
Other Intergovernmental Receivables	2,223,298	2,408,105	(184,807)	(7.7)
Accounts Receivable	377,928	-	377,928	0.0
Interfund Receivables	291,387	292,378	(991)	0.0
Loans and Contracts	82,989,269	59,808,742	23,180,527	38.8
Capital Assets	192,434	198,962	(6,528)	(3.3)
Due from Other Agencies	507,893	196,526	311,367	158.4
Other Assets	74,845	119,017	(44,172)	37.1
Total Assets	112,950,030	93,506,604	19,443,426	20.8
Liabilities				
Accounts Payable	16,753,502	7,760,045	8,993,457	115.9
Payroll Payable	861,242	922,525	(61,283)	(6.6)
Deferred Revenue	80,705,770	61,542,042	19,163,728	31.1
Due to Other Agencies	2,768,810	4,051	2,764,759	68248.8
Employees Compensable Leave	734,016	823,554	(89,538)	(10.9)
Total Liabilities	101,823,340	71,052,217	30,771,123	43.3
Net Assets				
Invested in Capital Assets	192,435	198,963	(6,528)	(3.3)
Restricted by Grantor	275,970	5,192,499	(4,916,529)	(94.7)
Unrestricted	10,658,285	17,062,925	(6,404,640)	(37.5)
Total Net Assets	\$ 11,126,690	\$ 22,454,387	\$ (11,327,697)	(50.4)

Net assets of the Department's governmental funds decreased by 50.4%.

Cash and Accounts Payable both increased due to the reclassification of the System Benefit Fund (SBF) from a Fiduciary Fund type to a Governmental Fund type during the fiscal year. The ending balance of Legislative appropriations decreased during fiscal year 2003 due to transfers out of revenues collected in excess of appropriation authority and the utilization of Investor Owned Utility balances carried forward from fiscal year 2002 and new revenues have diminished as that program is phasing out due to utility deregulation.

The Department also experienced an increase in Federal Receivable, Due From Other Agencies, and Other Assets. Increased payment activities at year-end for the Low Income Home Energy Assistance Program (LIHEAP) were reflected in the increase of Federal Receivable and

Accounts Payable. Increases in Due from Other Agencies and Other Assets represent receivables for the Housing Trust Fund and Investor Owned Utilities.

The Department experienced increases of Loans and Contracts as well as Deferred Revenue. This \$36 million occurred primarily because of the increase of program loans (current and non-current), which are funded by state and federal funds. These loans are for the purpose of HOME (\$32 million) and Housing Trust Fund (\$4 million) program activities.

The increase of Due to Other Agencies represents a deposit of the Texas Workforce Commission (TWC) which was erroneously wired to our account in the State Treasury. This deposit was transferred back to TWC through the State Treasury after year-end.

Proprietary Fund

Texas Department of Housing and Community Affairs Business-Type Activities – Condensed Statement of Net Assets as of August 31, 2003				
	Business-Type Activities		Increase / (Decrease)	
	2003	2002	Amount	%
Assets				
Cash & Investments	\$ 1,320,233,438	\$ 1,240,050,113	\$ 80,183,325	6.4
Loans and Contracts	771,706,169	613,980,087	157,726,082	25.6
Interest Receivable	10,041,796	10,039,071	2,725	0.0
Capital Assets	307,981	422,477	(114,496)	(27.1)
Real Estate Owned	756,360	489,799	266,561	54.4
Deferred Issuance Cost	11,379,321	12,418,092	(1,038,771)	(8.3)
Other Assets	1,022,084	1,042,762	(20,678)	(0.0)
Total Assets	2,115,447,149	1,878,442,401	237,004,748	12.6
Liabilities				
Bonds/Notes Payable	1,794,838,720	1,618,898,972	175,939,748	10.9
Interest Payable	23,317,030	22,630,680	686,350	3.0
Deferred Revenue	10,562,494	9,501,713	1,060,781	11.2
Other Liabilities	177,903,040	107,208,880	70,694,160	65.9
Total Liabilities	2,006,621,284	1,758,240,245	248,381,039	14.1
Net Assets				
Invested in Capital Assets	307,981	422,477	(114,496)	(27.0)
Restricted	84,064,184	93,532,618	(9,468,434)	(10.1)
Unrestricted	24,453,700	26,247,061	(1,793,361)	(6.8)
Total Net Assets	\$ 108,825,865	\$ 120,202,156	\$ (11,376,291)	(9.5)

Net assets of the Department's proprietary fund decreased \$11,376,291, or 9.5% to \$108,825,865. The decrease resulted primarily from a decline in earnings of the Department's investments, loans, and other programs and an increase in expenses. Restricted net assets of the Department's proprietary fund decreased \$9,468,434 or 10.1%. Unrestricted net assets decreased \$1,793,691 or 6.8%.

Cash and investments increased \$80,183,325, or 6.4% to \$1,320,233,438, as funds were generated from debt issuances, reinvestment of loan repayments, and interest earnings. Program loans receivable (current and non-current) increased \$157,726,082, or 25.6% to \$771,706,169 primarily as a result from the origination of \$185,700,000 of mortgage loans under the Department's Multi-Family Program. Total bonds and notes payable (current and non-current) increased \$175,939,748, or 10.9% due to new debt issuances associated with the Department's Single Family and Multi-Family Programs.

Earnings within the Department's various funds were \$102,728,963 of which \$95,210,695 is classified as restricted and \$7,518,268 as unrestricted.

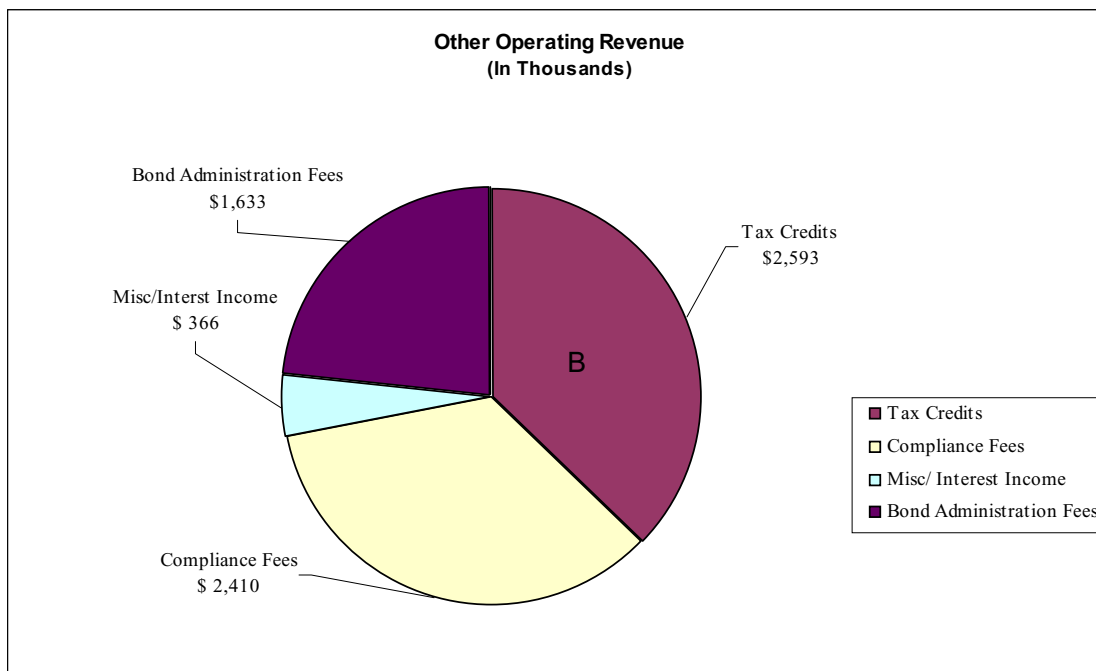
Restricted earnings are composed of \$98,730,469 in interest and investment income, (\$6,195,744) in fair value of investments, and \$2,675,970 in other revenue. Interest and investment income are restricted per bond covenants for debt service. Fair value of investments is an unrealized loss due to the fact that the Department holds investments until maturity. Other revenue is predominantly an accounting recognition of fees received in previous years that were deferred when received and are being amortized over a period of time.

Unrestricted earnings are composed of \$515,358 in interest and investment income and \$7,002,910 in other operating revenue.

Interest and investment income earned from unrestricted investments are used to support various housing initiatives programs such as Housing Trust Fund and the Bootstrap Program. Sources for other operating revenue are fees from the Tax Credit Program, compliance fees, bond administrative fees, and miscellaneous interest earned from funds held by the Comptroller.

Fees earned under the Tax Credit Program are application fees, commitment fees, and inspection fees. Yearly compliance fees are generated from the Department's portfolio of multifamily properties. The department performs on site visits and desk reviews to ensure that the properties are in compliance with the various housing regulations. Bond administrative fees are generated yearly from the various bond issuances to support the Department's administrative expenses.

The graph below illustrates the composition of the \$7,002,910 in other operating revenue, classified as unrestricted earnings, according to the different housing programs.



Statement of Activities. The Statement of Activities reflects the sources of the Department's changes in net assets as they arise through its various programs and functions. Single Family, Multi-Family and Housing Trust Fund are shown as business-type activities, and eight major programs are shown as governmental activities. Federal and state assistance activities allocate various subsidy funds to local governments, nonprofit organizations or individuals.

A condensed Statement of Activities for the fiscal year ended August 31, 2003 and 2002 is shown in the table below.

Texas Department of Housing and Community Affairs Condensed Statement of Activities (In Thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Program Revenues:						
Charges for Services	\$ 2,207	\$ 3,877	\$ 108,409	\$ 109,934	\$ 110,616	\$ 113,811
Operating Grants and Contributions	126,490	176,390	-	175	126,490	176,565
General Revenues	9,481	12,355	(7,638)	24,193	1,843	36,548
Total Revenue	<u>138,178</u>	<u>192,622</u>	<u>100,771</u>	<u>134,302</u>	<u>238,949</u>	<u>326,924</u>
Total Expenses	<u>150,919</u>	<u>186,152</u>	<u>112,146</u>	<u>109,964</u>	<u>263,065</u>	<u>296,116</u>
Excess before Transfers	(12,741)	6,470	(11,375)	24,338	(24,116)	30,808
Transfers	1,429	(6,643)	-	-	1,429	(6,643)
Change in Net Assets	<u>\$ (11,312)</u>	<u>\$ (173)</u>	<u>\$ (11,375)</u>	<u>\$ 24,338</u>	<u>\$ 22,687</u>	<u>\$ 24,165</u>

Revenues of the Department's governmental activities totaled \$138,177,810 and were generated by grants and contributions primarily from LIHEAP, Community Services and HOME programs. Expenses of \$150,918,653 consisted primarily of Intergovernmental and Public Assistance Payments.

Revenues of the Department's business-type activities were primarily from charges for services of \$108,409,349 and a decrease of fair value of investments of \$6,195,744. Charges for services consist primarily of earned interest income on loans for the three housing lending programs. It also includes program investment income which is earned within the Department's bond programs, the investments and the income of which are restricted to those programs by a pledge to the respective bond indentures. Total revenue declined \$33,531,122 which consisted primarily of the decrease in fair value of investments from a gain of \$30,837,994 in fiscal year 2002 to a loss of \$6,195,744 in fiscal year 2003.

Expenses of the Department's business-type activities consist primarily of interest expense of \$97,952,620, which increased \$3,305,578. The increase in interest expense is a result of an increase in the Department's debt issued to fund its various Single Family and Multifamily lending programs. The direct expenses also include Administrative Funds, allocations of expenses of Department programs that directly involve the production or monitoring activities associated with the housing programs, as well as certain costs incurred, both internally and externally. Administrative expenses increased \$210,432 to \$11,510,938 which was incurred within the Department's Administrative Funds including all other administrative and supportive functions and overhead expenses.

The Department's business-type activities expenses of \$112,146,129 exceeded charges for services of \$108,409,349 by \$3,736,780. Charges for services, primarily interest income on loans and investment income, are intended to cover bond principal and interest expense. The other direct expenses were covered and the difference was covered by prior year available net assets. This income, plus interest earned on loans, produces an adequate amount to pay Department obligations as required by the bond indentures covenants.

The Department's business-type activities also generated \$515,358 of unrestricted investment income, which was used primarily to pay administrative costs. The decrease in fair value of investments of \$6,195,744 accounted for the majority of the Department's change in net assets of (\$11,375,192).

Governmental Activities

The Department's revenues from governmental activities decreased by \$54 million in 2003. The majority of this decrease was attributed to the changes in federal revenues. Three federal programs contributed to the majority of the change. These programs were the Home Investment in Partnership Program (HOME), Community Development Block Grant (CDBG) and LIHEAP. The HOME program experienced a double funding cycle while the CDBG program was transferred to another state agency, the Office of Rural Community Affairs (ORCA) thereby reducing revenue by \$70 million. The LIHEAP program experienced increase in funding during the fiscal years.

The change to Other Revenues was due to the decrease of revenues from Investor Owned Utilities. This program is being phased out as the IOU opt into deregulated competition. The

SBF was established by the Legislature as part of the state electric deregulation to replace the previous IOU contracts that funded weatherization programs for low income Texans. The creation of the SBF reduced the number of participating investor owned utility providers.

The change to licenses, fees, and permits was a result of reduction in revenues related to the Manufactured Housing Division.

The Department also experienced a similar decrease in expenses. It consisted of a decrease in Intergovernmental Payments by 62% primarily for the CDBG Program and increase in the Public Assistance Payments by 23% primarily for the HOME and LIHEAP programs.

Fund Financial Statements

The fund financial statements provide more detailed information about the Department's most significant funds and the Department as a whole. The Department has two types of funds:

- Governmental funds – The Department has a General Revenue Fund and a Special Revenue Fund. The General Revenue Fund is the principal operating fund used to account for the Department's general activities. The financing for this fund is authorized through state legislative appropriations either as committed or collected revenues. Federal and state programs are also reported within this fund. The Special Revenue Fund is used to account for the System Benefit Fund which was accounted for as a Private-Purpose Trust Fund until July 2003.
- Proprietary fund – The Department's activities in its proprietary fund are accounted for in a manner similar to businesses operating in the private sector. Funding has primarily arisen through the issuances of taxable and tax-exempt bonds whose proceeds are used primarily to fund various types of loans to finance low and moderate-income housing. This fund also receives fee income from the Multifamily Tax Credit Program and Compliance fees collected for the purpose of covering the operating costs of the Department. The net assets of these funds represent accumulated earnings since their inception and are generally restricted for program purposes or debt service.

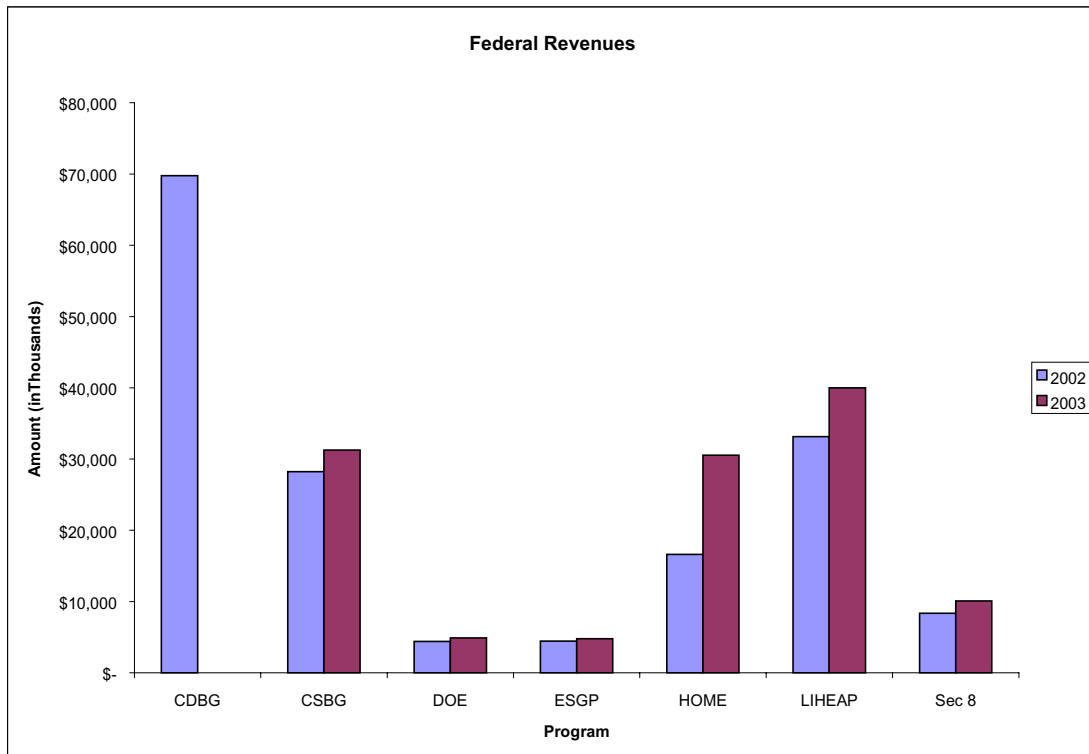
Texas Department of Housing and Community Affairs
Governmental Fund Activities
Statements of Revenues, Expenses and Changes in Fund Balances

			<u>Increase / (Decrease)</u>	
	2003	2002	Amount	%
OPERATING REVENUES				
Legislative Appropriations	\$ 11,612,582	\$ 12,275,708	\$ (663,126)	(5.4)
Federal Revenues	123,257,880	166,811,780	(43,553,900)	(26.1)
Federal Grant Pass-Through	10,000	-	10,000	-
State Grant Pass-Through	1,021,269	1,863,257	(841,988)	(45.2)
Licenses, Fees and Permits	1,853,255	3,348,651	(1,495,396)	(44.7)
Interest and Investment Income	212,548	263,362	(50,814)	(19.3)
Sales of Goods and Services	353,952	528,158	(174,206)	(33.0)
Other Revenue	3,307,200	8,220,683	(4,913,483)	(59.8)
Total Operating Revenues	<u>141,628,686</u>	<u>193,311,599</u>	<u>(51,682,913)</u>	<u>(26.7)</u>
OPERATING EXPENSES				
Salaries and Wages	8,793,150	9,294,916	(501,766)	(5.4)
Payroll Related Costs	2,000,751	1,937,239	63,512	3.3
Professional Fees and Services	611,015	492,788	118,227	24.0
Travel	522,021	641,240	(119,219)	(18.6)
Materials and Supplies	332,190	548,310	(216,120)	(39.4)
Communications and Utilities	254,028	289,540	(35,512)	(12.3)
Repairs and Maintenance	74,624	237,385	(162,761)	(68.6)
Rentals and Leases	1,045,934	1,230,460	(184,526)	(15.0)
Printing and Reproduction	69,688	101,696	(32,008)	(31.5)
Claims and Judgments	365,460	587,079	(221,619)	(37.8)
Other Operating Expenditures	228,870	539,709	(310,839)	(57.6)
Capital Outlay	74,317	12,621	61,696	488.8
Federal Pass-Through Expenditures	15,995	21,522	(5,527)	(25.7)
Intergovernmental Payments	32,511,942	85,426,370	(52,914,428)	(61.9)
Public Assistance Payments	104,118,513	84,582,560	19,535,953	23.1
Total Operating Expenditures	<u>151,018,498</u>	<u>185,943,435</u>	<u>(34,924,937)</u>	<u>(18.8)</u>
Excess of Revenues over Expenditures	(9,389,812)	7,368,164	(16,757,976)	(227.4)
Other Financing Sources (Uses)	(49,213)	(6,659,822)	6,610,609	(99.3)
CHANGE IN FUND BALANCE	(9,439,025)	708,342	(10,147,367)	(1,432.6)
Beginning Fund Balance	23,078,979	23,059,891	19,088	0.1
Appropriations Lapsed	(1,971,683)	(689,254)	(1,282,429)	186.1
Ending Fund Balance	<u>\$ 11,668,271</u>	<u>\$ 23,078,979</u>	<u>\$ (11,410,708)</u>	<u>(49.4)</u>

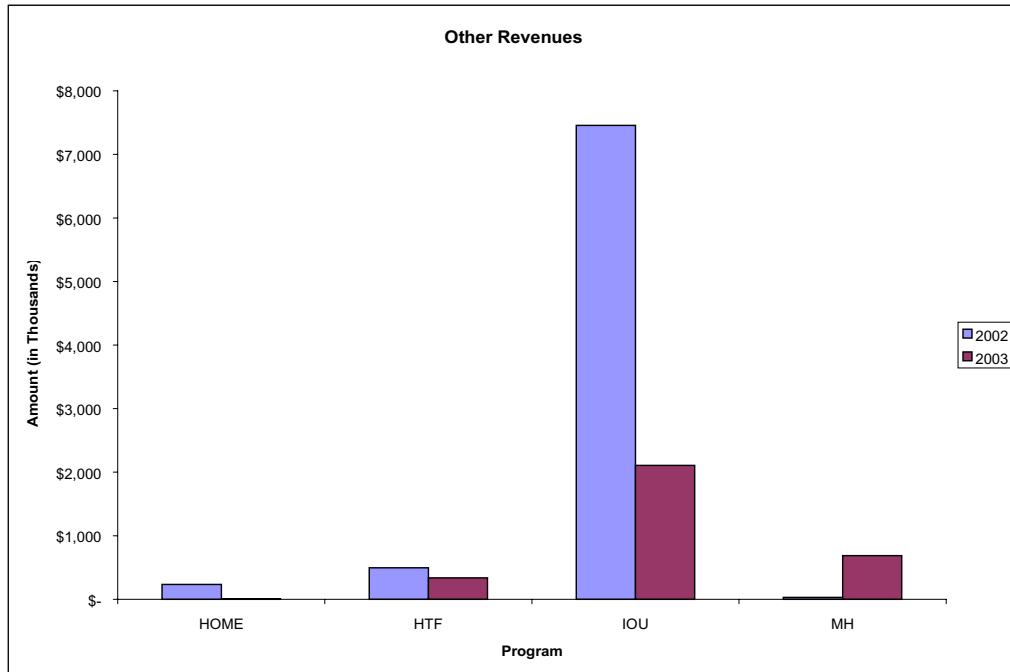
The following graphs illustrate a comparison between fiscal year 2003 and 2002 for Federal Revenues, Other Revenues, Intergovernmental Payments, and Public Assistance Payments.

The following listing defines the acronyms used in the following graphs:

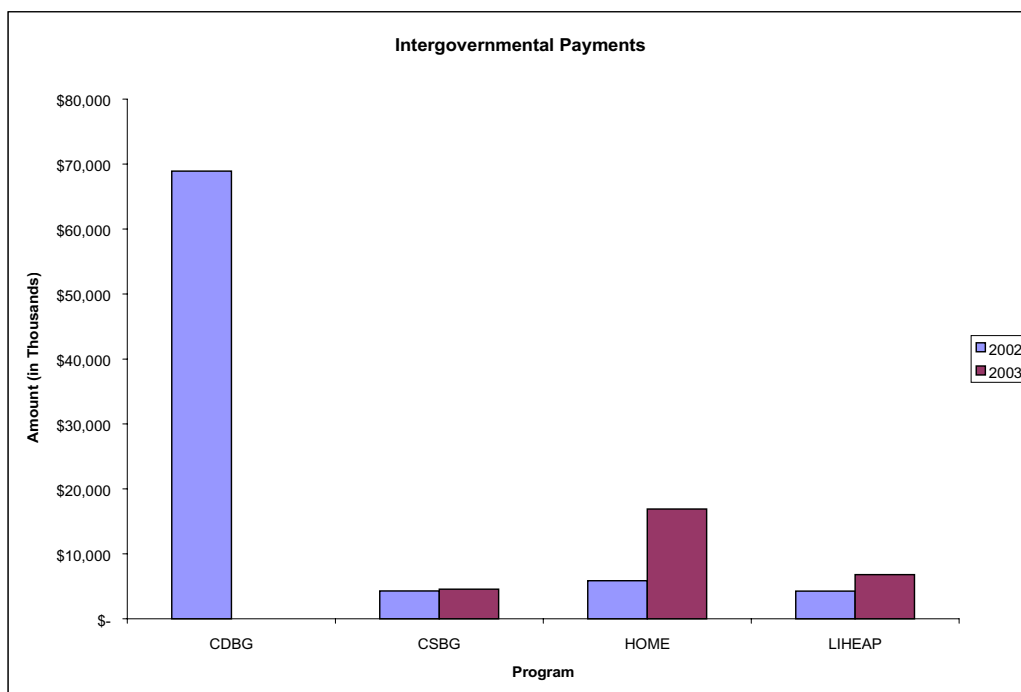
CDBG	Community Development Block Grant
CSBG	Community Services Block Grant
DOE	Department of Energy Weatherization Assistance for Low-Income Persons
ESGP	Emergency Shelter Grants Program
HOME	HOME Investment Partnerships Program
LIHEAP	Low-Income Home Energy Assistance
SEC 8	Section 8 Housing Choice Voucher
HTF	Housing Trust Fund
IOU	Investor Owned Utilities
MH	Manufactured Housing
SBF	System Benefit Fund



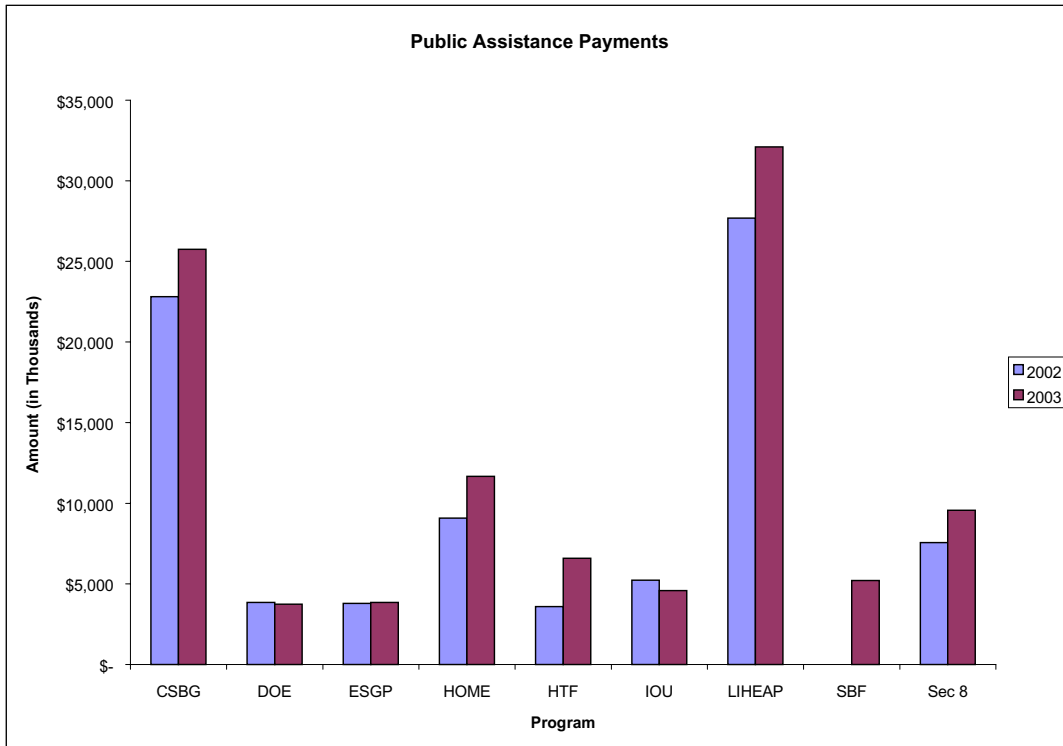
Other Revenues: Receipts from bonding companies for manufactured housing inspection fees, grants from investor owned utilities or other transactions which are not identifiable directly to another revenue category.



Intergovernmental Payments: Payment of grants to cities, counties, council of governments or other governmental entities.



Public Assistance Payments: Payment of grants to community action groups and organizations for community service programs.



Business-Type Results

Net assets of the Department's proprietary fund decreased from the August 31, 2002 figures by \$11,376,291 or 9.5% to \$108,825,865. The following table summarizes the Statement of Revenues, Expenses and Changes in Net Assets of the Department's proprietary fund for the fiscal years ended August 31, 2003 and August 31, 2002.

Texas Department of Housing and Community Affairs Business-Type Activities Statement of Revenues, Expenses and Changes in Net Assets				
			Increase / (Decrease)	
OPERATING REVENUES	2003	2002	Amount	%
Interest and Investment Income	\$ 99,245,827	\$ 102,620,477	\$ (3,374,650)	(3.3)
Net Increase (Decrease) in Fair Value	(6,195,744)	24,642,250	(30,837,994)	(125.1)
State Grant Pass Through	-	175,000	(175,000)	(100.0)
Other Operating Revenues	9,678,880	7,972,526	1,706,354	21.4
Total Operating Revenues	102,728,963	135,410,253	(32,681,290)	(24.1)
OPERATING EXPENSES				
Salaries and Wages	6,344,583	5,917,030	427,553	7.2
Payroll Related Costs	1,637,196	1,614,672	22,524	1.4
Professional Fees and Services	1,174,212	1,291,819	(117,607)	(9.1)
Public Assistance Payments	-	175,000	(175,000)	(100.0)
Travel	215,641	209,733	5,908	2.8
Materials and Supplies	282,657	348,716	(66,059)	(18.9)
Communications and Utilities	137,745	130,631	7,114	5.5
Repairs and Maintenance	132,623	214,612	(81,989)	(38.2)
Rentals and Leases	944,944	913,991	30,953	3.4
Printing and Reproduction	46,541	64,782	(18,241)	(28.2)
Depreciation Expense	665,757	660,403	5,354	0.8
Interest	97,952,620	94,647,042	3,305,578	3.5
Other Operating Expenses	2,611,610	3,775,675	(1,164,065)	(30.8)
Total Operating Expenses	112,146,129	109,964,106	2,182,023	2.0
Operating Income (Loss)	(9,417,166)	25,446,147	(34,863,313)	(137.0)
NONOPERATING REVENUES (EXPENSES) & EXTRAORDINARY ITEMS				
	(1,958,026)	(1,108,194)	849,832	76.7
CHANGE IN NET ASSETS	(11,375,192)	24,337,953	(35,713,145)	(146.7)
Beginning Net Assets,	120,202,156	96,164,551	24,037,605	25.0
Restatements	(1,099)	(300,348)	(299,249)	(99.6)
Net Assets, as Restated	120,201,057	95,864,203	24,336,854	25.4
Ending Net Assets	\$ 108,825,865	\$ 120,202,156	\$ (11,376,291)	(9.5)

Interest earned on program loans increased by \$3,836,263, or 9.7% due primarily to an increase of \$6,245,005, or 20.5% within the Department's Multi-Family Bond Program, due to higher loan amounts outstanding. The increase was offset by a decrease of \$2,350,874 or 27.4% within the Single Family Bond Program, due to decreasing balances of higher interest rate loans paid off by consumers.

Investment income decreased \$6,597,235 or 10.6% and reflected lower investment yields for the market overall. The primary decrease in investment income was within the Residential Mortgage Revenue Bond Program funds, which declined \$3,940,960 or 13.2%.

Interest expense increased \$3,305,578, or 3.5% due to increased debt within the Single Family and Multi-Family Bond Funds.

The following table illustrates the changes in net assets by program of the Department's business-type activities for the fiscal years 2003 and 2002.

Texas Department of Housing and Community Affairs					
Business-Type Activities					
Changes in Net Assets by Fund Groups					
(amounts in thousands)					
Fund	2003	2002	Increase / (Decrease)		
			Amount	%	
Single Family	\$ 58,538	\$ 62,367	\$ (3,829)	(6.1)	
RMRB	17,463	22,818	(5,355)	(23.5)	
CHMRB	2,191	1,738	453	26.1	
Multifamily	1,632	1,382	250	18.1	
1993 SF CHMRB	1,390	1,757	(367)	(20.9)	
1994 / 1995 SF CHMRB	2,823	3,461	(638)	(18.4)	
Commercial Paper	28	10	18	180.0	
General Funds	13,004	11,239	1,765	15.7	
Housing Trust Fund	11,392	11,326	66	0.6	
Administration Fund	117	590	(473)	(80.2)	
Housing Initiatives	(957)	361	(1,318)	(365.1)	
Compliance Programs	1,205	3,153	(1,948)	(61.8)	
Total	\$ 108,826	\$ 120,202	\$ (11,376)	(9.5)	

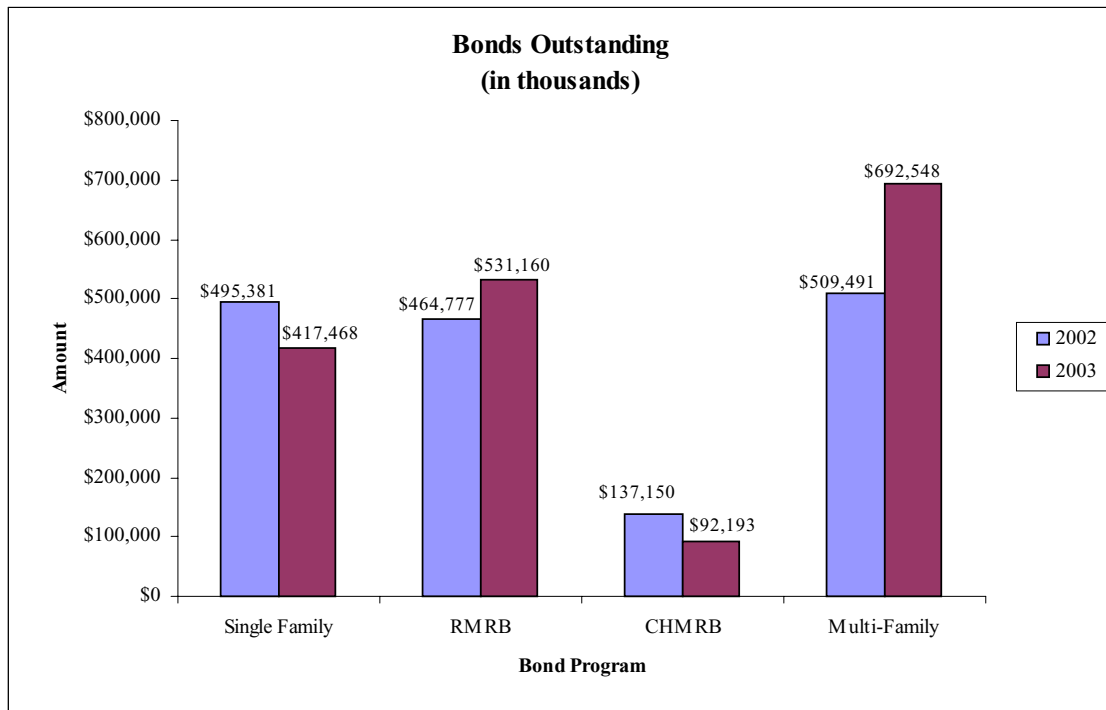
The fiscal year 2003 net assets of the Housing Initiatives decreased \$1,317,755 or 365.1% due to operating transfers to the Administration funds, which are primarily used to offset administrative costs. For the same reason, the net assets of the Compliance Program decreased by \$1,947,573 or 61.8%.

Net assets of the Single Family Bond Program decreased by \$3,829,627 or 6.1% primarily due to a (\$2,195,483) adjustment to the fair value of investments. In the same manner, the net assets of the Residential Mortgage Revenue Bonds (RMRB) decreased by \$5,354,877 due to a (\$3,039,119) adjustment to fair value of investments and a decrease in investment income.

Department Debt

The Department's new debt issuances during fiscal year 2003 totaled \$376,295,000. The RMRB program issued \$190,595,000 in bonds and the Multi-Family Bond Program issued \$185,700,000. The Department also had \$251,534,464 in debt retirement during the year primarily due to consumer refinancing and paying off original loans. The net result was an increase in bonds payable of \$124,760,536 to \$1,732,907,279 of which \$12,766,000 is due within one year. For additional information, see Note 11, Bond Indebtedness, and supplementary bond information schedules.

The following graph will illustrate a comparison of bonds outstanding between fiscal year 2003 and 2002 per bond program.



Request for Information

This financial report is designed to provide a general overview of the Texas Department of Housing and Community Affairs' (TDHCA) operations for all parties interested in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Texas Department of Housing and Community Affairs, Director of Financial Administration, 507 Sabine Street, Austin, Texas, 78701.

Texas Department of Housing and Community Affairs

Status of Prior Audit Issues

Texas Department of Housing and Community Affairs

PRIOR AUDIT ISSUES

***HUD Letter Dated February 23, 2003
regarding
November 2001 HUD HOME Program Monitoring Visit***



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Fort Worth Regional Office, Region VI
Office of Community Planning and Development
801 Cherry Street, PO Box 2905
Fort Worth, TX 76113-2905
www.hud.gov

FEB 23 2004

Edwina Carrington, Executive Director
Texas Department of Housing and Community Affairs
PO Box 13941
Austin, TX 78711-3941

RECEIVED

FEB 26 2004

DEPUTY ED.

Dear Ms. Carrington:

SUBJECT: HOME Monitoring Findings
Project number: M-00/01-SG-48-0100

This is in response to the state's letter of December 22, 2003, regarding the remaining open monitoring findings noted in HUD's monitoring report dated November 16, 2001.

Based on our review of the information provided in your letter and our review of the Texas Department of Housing and Community Affairs (TDHCA) fiscal year 2004 Monitoring Plan and the Subrecipient Monitoring Standards document, we find that the state's final response is thorough and sufficient to clear the remaining open findings. A recapitulation of the findings is as follows:

Finding No. 1-(A). The Department is not providing adequate monitoring and oversight of the processing and construction activities of its recipients, subrecipients, CHDOs, contractors, and/or developers in accordance with the HOME regulations and applicable Office of Management and Budget (OMB) circulars, to ensure that they are performing as required in the state's various affordable housing programs.

This portion of the finding is **cleared** based on the state's development and implementation of a Monitoring Plan submitted as Attachment A to the state's response.

Finding No. 1-(B). The Department's Homebuyer Assistance (HBA), Owner-Occupied Housing Assistance (OCC), and Contract for Deed Conversion (CFD) programs are not in compliance with HOME regulations. There is insufficient or no documentation in the files that the properties assisted with these program activities are in compliance with the state's housing rehabilitation (property) standards and code requirements and, as applicable, local code requirements.

This portion of the finding is **cleared** based on the state's compliance with HUD's directive to contact the program beneficiaries to reinspect the units. The state provided information regarding the results of its attempts to complete the reinspections and the results of the reinspections it was able to make. For those units that could not be brought

into compliance, the state has reimbursed its HOME Trust Account from nonfederal funds for the properties covered by this finding.

Finding No. 2-(A). This portion of the finding was previously cleared by HUD on August 1, 2003.

Finding No. 2-(B). The Department has not indicated whether the assistance provided by TSAHC and HOME, Inc. brought the assisted houses up to required construction standards.

This portion of the finding is **cleared** based on the state's compliance with HUD's directive to contact the program beneficiaries to reinspect the applicable units. The state provided information regarding the results of its attempts to complete the re-inspections and the results of the reinspections it was able to make. For those units that could not be brought into compliance, the state has reimbursed its HOME Trust Account from nonfederal funds for the properties covered by this finding.

Finding No. 3. This finding was previously cleared by HUD on June 20, 2003.

Finding No. 4. Contract for Deed Conversion program (CFD) activities implemented by TSAHC were not in compliance with the HOME program requirements. Specifically, 14 properties were identified by HUD. Of the 14 properties, three were vacant lots where construction of a housing unit did not commence within 12 months of the purchase of the land. The Department previously reimbursed HUD for the three vacant properties and agreed to repay funds for the additional 11 properties, as well as forgive the homeowner's debt to the state. However, the Department did not indicate whether the assistance provided brought the houses up to applicable Colonia Construction Standards.

This finding is **cleared** based on the state's compliance with HUD's directive to contact the program beneficiaries to reinspect the applicable units. The state provided information regarding the results of its attempts to complete the reinspections and the results of the reinspections it was able to make. For those units that could not be brought into compliance, the state has reimbursed its HOME Trust Account from nonfederal funds for the properties covered by this finding (three vacant properties and the assistance provided to Mr. Cortez).

Finding No. 5 was previously cleared by HUD on February 27, 2003.

Finding No. 6 was previously cleared by HUD on June 27, 2003.

Finding No. 7 was previously cleared by HUD on February 19, 2003.

Finding No. 8. There is no documentation that newly constructed units (single family and multifamily) are in compliance with the current edition of the Model Energy Code (MEC) published by the Council of American Building Officials. Specifically, this involves 269 newly constructed housing units, 62 of which have already been documented as in compliance.

A portion of this finding covering 154 of the 269 units was previously cleared by HUD on August 31, 2003.

The balance of this finding is **cleared** based on the state's certification that TSAHC has provided validation that the remaining 115 units have been documented as being in compliance with the MEC.

This office is aware of the substantial efforts made by the state to resolve the serious deficiencies noted as a result of the monitoring completed in August 2001. We have also noted that the state has reimbursed its HOME Trust Account a total of \$1,133,384 for the ineligible or incomplete activities completed by its subrecipient, Texas State Affordable Housing Corporation (TSAHC), in connection with finding No. 1-(A) and 1-(B) and finding No. 4, which addressed the Contract For Deed (CFD) Conversion program.

It is commendable that the state has elected to provide additional assistance to these beneficiaries if they so desire. As part of its response, the state provided that, "Although the repayment of HOME funds alleviates the Department's responsibility with respect to HOME regulations, the Department assures HUD that action will be taken in the provision of adequate housing for these beneficiaries, if so desired, in accordance with the Department's mission statement." We encourage the state to continue its efforts to contact and work with these individuals, including Alice Rose in Mart, Texas, so that this additional assistance can be made available as soon as possible.

This office also acknowledges the positive changes made by TDHCA through the reorganization and restructuring of its policies and procedures, which are designed to improve and streamline the operation of its HOME program. Based on the changes that have been made and implemented to date, and the proposed changes that are to be implemented, it is evident that the state is working steadily to achieve its goal of delivering quality affordable housing programs at a reasonable cost to the recipients of assistance. Given the new procedures developed by the state to monitor and oversee all activities carried out by its state recipients, CHDOs, subrecipients and contractors, this office is confident that the prior program deficiencies are much less likely to recur. We very much appreciate that TDHCA has worked diligently with this office to resolve all issues.

We look forward to our continued relationship with the state. If you have any questions, please contact Melodee Humbert, Senior Affordable Housing Specialist, at 817/978-5960.

Sincerely,



Katie Worsham
Director

cc: Ruth Cedillo

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)*

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)

<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>	
187	09/19/00	Section 8 Management Review	Dx	01/03/01	
	HUD	Review conducted week of August 7, 2000 - To ensure compliance with statutory and regulatory requirements.	Dx	03/04/01	
Division: Community Affairs - Section 8			Dx	04/18/01	NR
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).			Dx	11/28/01	NR
Status: 01/30/04 - The Department's Family Self-Sufficiency (FSS) Program Action Plan for the Houston area submitted to the Fort Worth HUD Office on November 19, 2003 was approved by HUD letter dated January 12, 2004. The approved timetable for program implementation is April 1, 2004 through March 31, 2005. We anticipate implementing FSS contracts no later than March 2005, at which time the Department will have processes in place to ensure that FSS information for lines 2k, 17a, and 17k(2) is properly completed.			Pxx	04/25/02	08/31/02
			Px	07/31/02	12/31/02
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.			Px	08/30/02	12/31/02
			Px	10/25/02	12/31/02
			Dx	12/12/02	NR
			Px	05/06/03	NR
			Pxx	06/30/03	NR
			Px	09/17/03	NR
			Dx	11/21/03	NR
			Ix	01/30/04	

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

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.

Remaining Corrective Actions:

(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.

(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.

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.

Status: FINDING 1A:

02/26/04: HUD letter dated 2/23/04 cleared this issue. HUD encouraged the Department to continue efforts to work with individuals identified as needing additional assistance under this finding.

12/22/03: TDHCA letter dated 12/22/03 provided HUD with the remaining information that management believes is necessary to clear this issue. The information included clarifications to information previously submitted for each issue addressed under Finding 1(A), including clarifications of the Department's Monitoring Plan and the criteria used by the Department to define a qualified inspector and when inspections are performed as quality assurance measures. HUD was directed to information regarding construction standards provided in the recently revised Construction chapter of the HOME Program Policies and Procedures Manual available on the Department's website and was informed that such information is provided to each subrecipient during implementation training. The letter elaborated and provided additional information relating to each of HUD's previously expressed concerns.

FINDING 1B:

02/26/04: HUD letter dated 2/23/04 cleared this issue. HUD encouraged the Department to continue efforts to work with individuals identified as

<i>Ref. #</i>	<i>Report Date</i>	<i>Report Name</i>	<i>Status</i>		<i>Target</i>
	<i>Auditors</i>	<i>Audit Scope</i>	<i>Codes*</i>	<i>Date</i>	<i>Date</i>

needing additional assistance under this finding.

12/22/03: TDHCA letter dated 12/22/03 provided HUD with the remaining information that management believes is necessary to clear this issue. The letter explained that the Department reviewed the responses received from the 212 beneficiaries, pursuant to the HUD approved survey sent to the subject population of beneficiaries by TDHCA, and determined that 33 project sites required further analysis to determine whether the homes met applicable standards. The Department required that TSAHC contact the beneficiaries to schedule inspections. If a response was received authorizing an inspection, TSAHC was required to conduct an inspection and correct deficiencies or repay the full amount of subsidy provided. No further action was required for those beneficiaries that did not respond to TSAHC, contingent upon receipt of acceptable documentation that contact attempts were made.

In summary, of the 33 beneficiaries subject to consideration, 15 responded to TSAHC's correspondence; however, TSAHC did not conduct inspections or correct deficiencies for the respondents within the required time frame. The remaining 18 beneficiaries did not respond. The Department disallowed costs totaling \$102,117.44 on December 3, 2003 and \$20,320.00 December 15, 2003 for a total of \$122,437.44 representing subsidy provided to 13 beneficiaries. The Department received reimbursement in full and these funds have been forwarded to HUD.

While the letter assured HUD that action will be taken in accordance with the Department's mission statement to provide adequate housing for the beneficiaries whose houses have not been documented as in compliance with construction standards, if HUD desires, the letter stated that the Department believes that the repayment of HOME funds alleviates the Department of any further responsibility with respect to HOME regulations.

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
			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
			Dx	12/22/03	
			lxx	02/26/04	

Status: 02/26/04: HUD letter dated 2/23/04 cleared this issue.

12/22/03: TDHCA letter dated 12/22/03 provided HUD with the remaining information that management believes is necessary to clear this issue. In summary, of the 18 beneficiaries related to this issue, \$44,122.40 was disallowed on 12/03/03 and \$8,113.59 on December 15, 2003 for a total of \$52,225.99 representing subsidies provided to five beneficiaries that requested inspections that have not been completed within the allowed time frame and four beneficiaries with deficiencies noted during inspections that were not corrected. Of the remaining 9 beneficiaries relating to this issue, five beneficiaries did not respond to contact attempts, one beneficiary did not authorize an inspection, one beneficiary received an inspection by the Department and indicated that they were satisfied with the work at the time improvements were completed and that no further assistance was required, and TSAHC corrected deficiencies noted for two beneficiaries. The Department received reimbursement in full and these funds have been forwarded to HUD.

While the letter assured HUD that action will be taken in accordance with the Department's mission statement to provide adequate housing for the beneficiaries whose houses have not been documented as in compliance with construction standards, if HUD desires, the letter stated that the Department believes that the repayment of HOME funds alleviates the Department of any further responsibility with respect to HOME regulations.

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>
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	
Division: Portfolio Management & Compliance			Px	10/28/02	NR
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.			Ix	01/31/03	
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.			Px	03/31/03	05/31/03
Status: 02/26/04: HUD letter dated 2/23/04 cleared this issue. HUD encouraged the Department to continue efforts to work with individuals identified as needing additional assistance under this finding.			Px	04/29/03	NR
12/22/03: TDHCA letter dated 12/22/03 provided HUD with the remaining information that management believes is necessary to clear this issue. The letter discussed that the Department collected \$9,244.43 in disallowed costs relating to one beneficiary and forwarded these funds to HUD. In summary, of the seven beneficiaries remaining that were subject to this issue, six beneficiaries did not respond to contact attempts. The Department determined that additional assistance should be provided to the remaining beneficiary and TSAHC did not correct the deficiencies related to this beneficiary within the required time frame, which resulted in the disallowed costs returned to HUD.			Pxx	06/20/03	NR
While the letter assured HUD that action will be taken in accordance with the Department's mission statement to provide adequate housing for the beneficiaries whose houses have not been documented as in compliance with construction standards, if HUD desires, the letter stated that the Department believes that the repayment of HOME funds alleviates the Department of any further responsibility with respect to HOME regulations.			Px	07/15/03	NR
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.			Pxx	08/01/03	NR
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.			Px	09/02/03	12/31/03
			Px	12/03/03	12/31/03
			Dx	12/22/03	
			Ixx	02/26/04	

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
Division: Portfolio Management & Compliance			Px	10/02/02	NR
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.			Px	10/28/02	NR
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.			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
			Dx	12/22/03	
			lxx	02/26/04	
Status: FINDING 8A: 02/26/04: HUD letter dated 2/23/04 cleared this issue.					
12/22/03: TDHCA letter dated 12/22/03 provided HUD with the remaining information that management believes is necessary to clear this issue. The letter informed HUD that the Department received validation from TSAHC on October 1, 2003 that the remaining 115 newly constructed units have been documented as in compliance with the current edition of the Model Energy Code (MEC) published by the Council of American Building Officials. The Department expects that the information will clear this finding.					
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.					
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.					
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.					

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
			Px	02/24/04	03/31/04

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: 02/24/04 - Multi-family Issuance dated October 31, 2003 on weatherizing multi-family buildings has been issued to the WAP subrecipients. Also, the monitoring instrument was modified to incorporate the guidance provided in the Multi-family Issuance and this instrument has been implemented for use by staff.

A review was completed to address a randomly selected 10% of units determined income eligible for each building weatherized to review income documentation for eligibility. No other buildings were found ineligible and no other disallowed costs were determined. All disallowed costs determined at GETCAP have been reimbursed to the Department.

Bugs detected in the Easy Audit modification have been corrected, and training of 13 out of 15 subrecipients that weatherize multi-family housing has occurred. A target date extension of 3/31/04 has been established to complete training for the remaining two subrecipients.

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

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date

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.

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
			Ix	02/24/04	

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: 02/24/04 - The Community Affairs Division has issued a policy issuance requiring changing annualization of income from 30 days to 90 days prior to the date of intake application effective 1/1/04. This policy issuance has been implemented and is in the process of being monitored for Weatherization programs. This policy issuance also related to CEAP and CSBG and will be included in field monitoring of these programs.

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>
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 Dx Ix	09/17/03 11/21/03 01/30/04	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: 01/30/04 - The Department's Family Self-Sufficiency (FSS) Program Action Plan for the Houston area submitted to the Fort Worth HUD Office on November 19, 2003 was approved by HUD letter dated January 12, 2004. The approved timetable for program implementation is April 1, 2004 through March 31, 2005. We anticipate implementing FSS contracts no later than March 2005, at which time the Department will have processes in place to ensure that FSS information for lines 2k, 17a, and 17k(2) is properly completed.

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
			Px	02/24/04	03/31/04

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: 02/24/04 - Technical bugs detected in the Easy Audit modification have been corrected, and training of 13 out of 15 subrecipients that weatherize multi-family housing has occurred. A target date extension of 3/31/04 has been established to complete training for the remaining two subrecipients.

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.

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

<i>Ref. #</i>	<i>Report Date</i> <i>Auditors</i>	<i>Report Name</i> <i>Audit Scope</i>	<i>Status</i> <i>Codes*</i>	<i>Date</i>	<i>Target</i> <i>Date</i>
---------------	---------------------------------------	--	--------------------------------	-------------	------------------------------

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
			Px	02/26/04	04/30/04

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
02/26/04 - ISD has confirmed all active contracts have signatures based on the filter report. ISD is working with CA to determine when the older, non-active contracts will be ready for inserting marker records to completely resolve this issue. Target date for completion: March 31, 2003.

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
02/26/04 - ISD researched other more cost effective ways to address alternative site agreement requirements without requesting a waiver; however, efforts were unsuccessful. ISD is in the process of obtaining a revised quote from Northrop Grumman and implementation of the alternative site agreement is expected no later than March 14, 2004.

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.

<i>Ref. #</i>	<i>Report Date</i>	<i>Report Name</i>	<i>Status</i>		<i>Target</i>
	<i>Auditors</i>	<i>Audit Scope</i>	<i>Codes*</i>	<i>Date</i>	<i>Date</i>

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.

RECOMMENDATION (3) - Ensure Accurate Information

02/26/04 - All requested reports have been developed and provided by ISD to CA to enable access to financial information that will assist with reconciliation to CSAS. Community Services has been provided access to the Genesis Accounting Reporting System. Information Systems is currently in the final phase of providing Community Services with access to the CSAS Accounting Reporting System. It is expected that access to CSAS should be complete by 03/03/04. Once this process is complete, Community Services will immediately begin the reconciliation process between Genesis and CSAS beginning with the first quarter for calendar 2004.

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.

<i>Ref. #</i>	<i>Report Date</i>	<i>Report Name</i>	<i>Status</i>		<i>Target</i>
	<i>Auditors</i>	<i>Audit Scope</i>	<i>Codes*</i>	<i>Date</i>	<i>Date</i>
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
			Ix	02/26/04	

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: 02/26/04 - 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 was included in Policy Issuance 04-11.5 that was distributed by Community Affairs on January 27, 2004. ISD provided training to the Community Affairs monitoring staff regarding monitoring of IT security practices in January 2004. Community Affairs staff will conduct monitoring beginning March 2004 to ensure the implementation of these practices in the field.

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 Date
			Codes*	Date	
320	08/28/03	HUD Rental Integrity Monitoring Review of Section 8 Program	Px	10/09/03	12/31/03
	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 lxx	11/21/03 02/17/04	

Division: Community Affairs - Section 8

Issue: Properly verify all sources of income, assets and deductions by obtaining third party verification.

Status: 2/17/04 - HUD letter dated October 30, 2003 expressed appreciation for the Department's outstanding job of accumulating documentation sufficient to close all deficiencies noted during the Section 8 Rental Integrity Monitoring Review.

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.

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 lxx	11/21/03 02/17/04	

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: 2/17/04 - HUD letter dated October 30, 2003 expressed appreciation for the Department's outstanding job of accumulating documentation sufficient to close all deficiencies noted during the Section 8 Rental Integrity Monitoring Review.

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.

<i>Ref. #</i>	<i>Report Date</i>	<i>Report Name</i>	<i>Status</i>		<i>Target</i>
	<i>Auditors</i>	<i>Audit Scope</i>	<i>Codes*</i>	<i>Date</i>	<i>Date</i>
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	
			lxx	02/17/04	

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: 2/17/04 - HUD letter dated October 30, 2003 expressed appreciation for the Department's outstanding job of accumulating documentation sufficient to close all deficiencies noted during the Section 8 Rental Integrity Monitoring Review.

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. #	<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>
330	08/29/03	Construction of Housing Tax Credit Developments	Px	08/29/03	
	IA	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	11/25/03	03/01/04
			Px	02/26/04	03/31/04

Division: Portfolio Management & Compliance

Issue: All requirements and information needs relating to the tax credit program, especially the construction function, 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: 02/26/04 - Information Services Division has considered in-house user requirements and all listed external parties were considered at least to a limited extent based on best assessment by staff for post award criteria. The multifamily requirements and design are expected to be completed by ISD by 3/31/04.

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.

331	12/15/03	Report to Management - Year Ended August 31, 2003	Ix	02/26/04	
	Deloitte & Touche	Annual independent audit of the Department's general purpose financial statements			

Division: Financial Administration - Financial Services

Issue: Implement procedures to review the reserve calculation on mortgage loans annually to ensure that the rates used to record reserves in delinquent accounts are reasonable.

Status: 02/29/04 - TDHCA has revised the current year loan schedule to include a reserve calculation based on the average monthly delinquency rates of loans outstanding at August 31, 2003. Analysis to determine reasonableness of reserve percentages will also be performed annually or more frequently if factors present themselves to deem it necessary.

Texas Department of Housing and Community Affairs

*Summary Report of Prior Audit Issues
Previously Reported as Implemented
(Since September 1, 2003)*

Texas Department of Housing and Community Affairs

Summary Report of Prior Audit Issues

Previously Reported as Implemented (Since September 1, 2003)

<i>Ref. #</i>	<i>Report Date</i>		<i>Report Name</i> <i>Audit Scope</i>	<i>Status</i>		<i>Target Date</i>
	<i>Auditors</i>			<i>Codes*</i>	<i>Date</i>	
172	09/19/00		Section 8 Management Review	Ix	01/03/01	
	HUD		Review conducted week of August 7, 2000 - To ensure compliance with statutory and regulatory requirements.	Ixx	08/02/01	
				Pxx	06/30/03	
				Ix	09/17/03	

Division: Community Affairs - Section 8

Issue: Finding No. 2: TDHCA is not maintaining the Record of Application/Waiting List (Fort Worth) in accordance with 24 CFR 982.204. The Waiting List at the time of the review did not address race or local preference.

Status: 09/17/03 - As of May 1, 2003, the Department now maintains the waiting lists for all its Section 8 local HAP operators. Also, a quality control checklist form is used in the contract review process to ensure that notification letters are in the tenant file.

06/30/03 - Per SAO report #03-041 dated June 30, 2003, status is as follows: Although the Department has made some progress in this area, it has not fully corrected this issue. The Department's waiting lists include blanks for the required data elements cited by an earlier HUD audit. However, the auditors found 28 instances in which blanks had not been filled on files that were prepared after February 20, 2001. These discrepancies occurred at six different local operators. Additionally, 3 (15 percent) of 20 files we tested did not contain the notification letter as the external auditor had recommended. (These 20 files were prepared after HUD had issued its report.) The Department's Administrative Plan also requires that the notification letter be in the tenant file.

08/02/01 - Reported by Rick Mendoza in Section 8 Program Specific Audit that issue has been resolved.

02/22/01 - Pursuant to HUD Letter Dated February 22, 2001, a copy of a revised waiting list for the Fort Worth jurisdiction which contained the required information for each applicant was received by this office. This documentation adequately responded to this finding and the finding is closed, subject to a follow-up visit.

01/26/01 - Reported to the Board as implemented.

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
175	09/19/00 HUD	Section 8 Management Review Review conducted week of August 7, 2000 - To ensure compliance with statutory and regulatory requirements.	Px	01/03/01	01/31/01
			lx	03/04/01	
			lxx	07/10/01	
			Pxx	06/30/03	
			lx	09/17/03	

Division: Community Affairs - Section 8

Issue: Finding No. 5: Rent reasonableness is not being properly determined for units under the Section 8 tenant-based program, 24 CFR 982.503.

Status: 9/17/03 – In August 2003, the Department expanded the quality control checklist form to include additional information to adequately review contract packages to ensure that Section 8 rent reasonableness is documented.

06/30/03 - Per SAO report #03-041 dated June 2003: Although the Department has made some progress in this area, it has not fully corrected this issue. HUD requires the Department to ensure the rent charged to a program participant is similar to (1) other unassisted units in the marketplace and (2) other unassisted units on the premises. The 20 files reviewed, prepared after HUD had issued its report, contained Certification of Rent Reasonableness forms. However, two of these forms did not properly document a comparison of the rental unit to three comparable properties. In one of these cases, it appears that the Department took reasonable steps to find three comparable properties, but failed. In addition, one tenant was authorized housing for which he had failed the affordability test.

07/10/01 - HUD letter dated 07/10/01 cleared issue based on information submitted by the Department that consisted of revised procedures and forms under Appendix 4 of the Administrative Plan.

04/26/01 - Reported to the Board as implemented.

176	09/19/00 HUD	Section 8 Management Review Review conducted week of August 7, 2000 - To ensure compliance with statutory and regulatory requirements.	Px	01/03/01	02/28/01 04/16/01
			Px	03/04/01	
			lx	04/18/01	
			lxx	07/10/01	
			Pxx	06/30/03	
lx	09/17/03				

Division: Community Affairs - Section 8

Issue: Finding No. 6: 24 CFR 982.153 and 5.617 requires that a PHA shall at least once a year reexamine the income of families participating in the Section 8 Programs. According to the HAP Register printed August 4, 2000, 360 reexaminations were delinquent.

Status: 9/17/03 – In June 2003, the Department implemented a monthly file review of contract renewals conducted by management to establish the re-examination of family income for each Section 8 participant.

06/30/03 - Per SAO report #03-041 dated June 2003, status is as follows: Although the Department has made some progress in this area, it has not fully corrected this issue. Of the 20 files examined, prepared after HUD issued its report, 13 should have undergone the annual examination of family income. However, the Department had not performed this work for three (23 percent) of these 13 files.

07/10/01 - HUD Letter dated 7/10/01 cleared issue based on information submitted by the Department.

04/26/01 - Reported to the Board as implemented.

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
177	09/19/00	Section 8 Management Review	Px	01/03/01	01/31/01
	HUD	Review conducted week of August 7, 2000 - To ensure compliance with statutory and regulatory requirements.	Ix	02/22/01	
			Pxx	06/30/03	
			Ix	09/17/03	

Division: Community Affairs - Section 8

Issue: Finding No. 7: 24 CFR 982.153 requires that PHAs comply with the consolidated Annual Contributions Contract (ACC), the application, HUD regulations and other requirements, and the PHA Administrative Plan. HUD requires that resident files include documentation to support verification of income and other family information, Housing Assistance Payments (HAP) contracts, leases, HQS inspection forms, etc.

Status: 9/17/03 – In August 2003, the Department expanded the quality control checklist form to ensure that Section 8 tenant files contain all the required documents.

06/30/03 - Per SAO report #03-041 dated June 2003, status is as follows: Although the Department has made some progress in this area, it has not fully corrected this issue. It appears that the Department has corrected most of the problems in old files regarding the five areas of documentation that HUD listed as absent. All of the new files have the documentation that was specifically mentioned in the HUD report. Five (25 percent) of the 20 files (prepared after HUD's report) tested did not contain at least one of the documents required by HUD or recommended by the external auditor.

04/26/01 - Reported to the Board as implemented.

02/22/01 - HUD letter dated 02/22/01 reported that this finding is closed, subject to follow-up at the next site visit, based on a copy of standard operating procedures for review and approval of tenant files and a checklist of documents required to be maintained in each Section 8 Housing choice Voucher Program Resident's file submitted by the Department.

178	09/19/00	Section 8 Management Review	Pxx	01/03/01	
	HUD	Review conducted week of August 7, 2000 - To ensure compliance with statutory and regulatory requirements.	Px	03/04/01	04/20/01
			Px	05/16/01	NR
			Ixx	07/10/01	
			Pxx	06/30/03	
			Ix	09/17/03	

Division: Community Affairs - Section 8

Issue: Finding No. 8: Correct Addendum to Lease and HAP Contract Dated March 2000 is Not Being Use.

Status: 9/17/03 – In June 2003, the Department disposed of all old versions of the Section 8 lease addendum form which is no longer available to staff or local operators.

06/30/03 - Per SAO report #03-041 dated June 2003, status is as follows: Although the Department has made some progress in this area, it has not fully corrected this issue. In a sample of 20 files, prepared after HUD issued its report, one instance was found in which the Department used the incorrect lease addendum.

07/10/01 - HUD Letter cleared issue based on information provided by the Department.

2/22/01 - Although reported to Board as implemented, per management, at January 26, 2001 meeting, status reclassified to "In Process of Implementation" based on correspondence from HUD.

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
181	09/19/00 HUD	Section 8 Management Review Review conducted week of August 7, 2000 - To ensure compliance with statutory and regulatory requirements.	Px	01/03/01	02/28/01
			Px	03/04/01	06/30/01
			lxx	07/10/01	
			lxx	06/30/03	

Division: Community Affairs - Section 8

Issue: Finding No. 11: With the exception of one Regional Coordinator who had records, we were unable to determine whether any supervisory inspections had been made in accordance with 24 CFR 982.405 that requires that supervisory quality control inspections be conducted of HQS inspections.

Status: 06/30/03 - Per SAO report #03-041 dated June 2003, status is as follows: The SAO found evidence that the Department is performing the required reinspections and is sufficiently documenting them.

08/21/01 - Reported to Board as implemented.

07/10/01 - HUD Letter dated 7/10/01 cleared this issue based on information submitted by the Department.

238	08/02/01 Rick Mendoza	Sec. 8 Rental Certificate/Voucher Pgm.-Specific Program-specific audit in accordance with OMB Circular A-133 for the fiscal year ending June 30, 2000.	lxx	08/02/01	
			Pxx	06/30/03	
			lx	09/17/03	

Division: Community Affairs - Section 8

Issue: A lack of supervision and review exists within several program areas. The Department should develop a procedure for the review of participant files and should assign the task of reviewing all files to at least one Section 8 staff member in a supervisory position. Supervision and review procedures over the maintenance of participant files should be given priority.

Status: 9/17/03 – The Department developed and currently is using a quality control checklist form to ensure that tenant files contain all required documents. The form has been added to the contract review process. The Regional Coordinator completes this form. Upon completion, the form is placed in the tenant contract file for final review by the Section 8 Coordinator/Manager.

246	08/02/01 Rick Mendoza	Sec. 8 Rental Certificate/Voucher Pgm.-Specific Program-specific audit in accordance with OMB Circular A-133 for the fiscal year ending June 30, 2000.	lx	08/02/01	
			Pxx	06/30/03	
			lx	09/17/03	

Division: Community Affairs - Section 8

Issue: The Department allowed overpayments to be made under the Section 8 program. Develop a review procedure whereby disbursements and adjustments are reviewed to ensure that utility allowance payments as well as housing assistance payments are proper and are supported by proper documentation.

Status: 9/17/03 – The Department developed and currently is using a quality control checklist form to ensure that tenant files contain all required documents. The form has been added to the contract review process. The Regional Coordinator completes this form. Upon completion, the form is placed in the tenant contract file for final review by the Section 8 Coordinator/Manager.

<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	
299	02/24/03	Compliance with Requirements & IC Over Compliance - A-133.	Px	03/31/03	08/31/03
	KPMG	Statewide Federal Single Audit for FYE August 31, 2002 (SAO contract with KPMG).	Px	04/30/03	05/31/03
<i>Division:</i> Financial Administration - Accounting Operations			Ix	09/17/03	
<i>Issue:</i> Establish procedures to monitor the clearance patterns of all programs subject to CMIA Subpart A on a yearly basis and inform the Comptroller's Office in those instances where there are significant changes in patterns. Questioned Cost: \$4,400 due to interest earned on program income and refund receipts accumulated and not disbursed prior to requesting additional federal funds (\$4,000) and a discrepancy in the methodology used to calculate new clearance patterns (\$400).					
<i>Status:</i> 09/17/03 - Management has implemented cash management procedures to ensure compliance with applicable rules and regulations. Financial Administration performed procedures as of May 31st and August 31, 2003. Management considers this matter implemented at this time.					

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>
308	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.	Ix	09/17/03	

Division: Community Affairs - WAP

Issue: Chapter 1-C: The Department does not ensure that WAP subgrantees provide allowable, cost-effective services. Examples include: (1) One subgrantee provided weatherization services to an applicant even though the subgrantee had determined that the applicant's household was not income-eligible (\$2,469), replaced refrigerators in a multi-family dwelling without following documentation requirements to show that these replacements were allowable (\$2,475), and began weatherization work on three units in a multi-family dwelling before the energy audits had been completed (\$2,060), (2) The files of one subgrantee supporting \$202,000 in weatherization work at a multi-family dwelling consisted of a single, incomplete energy audit rather than the required energy audit for each unit. Although the energy audits were not in the files when the auditors reviewed them, an energy audit was subsequently found for each unit. Additionally, this same subgrantee did not have any of the residents in eight single-family dwellings sign the final inspection report signifying that the weatherization work was actually completed and in five of these cases, the required energy audits were not signed or dated (\$16,685).

Furthermore, the Department does not ensure that subgrantees' contracts provide for cost-effective and allowable weatherization services or provide guidance to WAP subgrantees regarding their contracts with weatherization contractors. As a result, audit tests of three subgrantees found that: (1) The Department does not ensure that subgrantees' contracts have provisions to ensure the subgrantees pay contractors reasonable prices for weatherization services - one subgrantee had three contracts that did not include price lists for materials and labor. These contracts also lacked provisions allowing the subgrantee to review the contractors' actual receipts for the purchase of materials, which was important because the cost of the materials in these contracts was the basis of the payment. The same subgrantee also amended three weatherization contracts that had already expired - one amendment increased what the subgrantee would pay for labor from 65 percent of the cost of materials to 80 percent of the cost of materials rather than allowing other contractors to bid on the work to ensure that it paid the lowest price for weatherization services, and (2) The Department does not ensure that subgrantees' contracts adequately describe the scope of work weatherization contractors will perform - one subgrantee contracted with a contractor to "weatherize all eligible dwelling units" for a flat rate but the contract did not contain a statement of work or a definition of the term weatherize.

Recommendation - The Department should ensure that WAP subgrantees (1) consistently document their decision criteria for providing weatherization services to WAP applicants, (2) provide services only to applicants who meet the program's eligibility criteria, (3) obtain residents' signatures on final inspection forms to verify that the weatherization work was actually performed, (4a) input adequate data into the energy audit software, (4b) conduct energy audits before providing weatherization services, (4c) perform separate energy audits for each unit to be weatherized, and (4d) allow only qualified individuals to conduct the energy audits, and (5) provide adequate guidance to subgrantees to ensure that subgrantees maintain current contracts with weatherization contractors and pay contractors reasonable prices.

Status: 09/17/03 - The Procurement Issuance referred to in the 6/25/03 status update has been reviewed and determined adequate. No revision is required at this time. An addendum to the monitoring instrument is in place to record all documents reviewed during a monitoring visit.

An addendum to the monitoring instrument is in place to record all documents reviewed during a monitoring visit.

07/30/03 - Modification 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. Documentation subject to monitoring will be copied and returned to TDHCA for quality control review prior to developing the monitoring report.

06/25/03 - The Department agrees with and will implement the recommendations. Additionally, the Department has developed a procurement issuance in compliance with federal procurement requirements that requires a subgrantee to conduct a material cost analysis survey of their service area, competitively solicit for labor and materials, and enter into a contract with the winner of the solicitation and also requires specific contract provisions that must be included in the subgrantee contracts with weatherization service providers. The Department will review the Procurement Issuance and amend the issuance to clarify all requirements in regard to cost and contract provisions.

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>
309	06/30/03	Selected Assistance Programs at the Department	Px	06/25/03	09/01/03
	SAO	The Community Affairs programs' activities at the Department and five subgrantees during fiscal years 2001/2002.	Ix	09/17/03	

Division: Multiple

Issue: Chapter 1-D: The WAP, CEAP, and CSBG programs close their monitoring processes without ensuring that subgrantees have addressed the issues identified during monitoring. For example: (1) Two of the 13 WAP subgrantees tested did not respond to all the issues identified by the Department's monitors, but the monitors still closed the monitoring process at these subgrantees. The same issues still existed six months later. (2) Two of the 13 CEAP subgrantees tested did not respond to all of the issues that Department's monitors had identified, but the monitors still closed the monitoring process. (3) Five of the seven CSBG monitoring files reviewed included unresolved issues when the Department's monitors closed them - one subgrantee's fiscal officer had sole signature authority, which increases the risk of fraud and abuse, which had been identified as an issue in each of the past five fiscal years.

Additionally, WAP monitors do not always identify issues that are present when they conduct monitoring. At two of the three WAP subgrantees audited, significant issues were present at that time of the Department's monitoring but the issues were not reported. For example: (1) One subgrantee could not produce an entire set of employee time sheets for any month in the past year; however, the Department's monitors indicated that this subgrantee's time sheets substantiated expenditures that the Department reimbursed. (2) Another subgrantee amended contracts with its weatherization contractor when those contracts had already expired. All but one of the subgrantee's contracts had expired at the time of the Department's last monitoring visit; however, the Department's monitor indicated that this subgrantee's contracts were adequate.

Recommendation - The Department should (1) not close files that have issues it identifies during monitoring visits until the subgrantees have corrected the issues, (2) provide copies of its WAP, CEAP, and CSBG monitoring reports to subgrantees' board chairs to help ensure that subgrantees address issues identified, and (3) develop WAP monitoring standards that ensure that monitors review a sufficient amount of information to support their conclusions and that the monitors document which contracts, files, and other documentation they reviewed to draw their conclusions.

Status: 09/17/03 - New procedures are in place to keep a monitoring report open until all issues requiring on site verification are completed. A standard operating procedure is being developed for this procedure. Copies of monitoring reports are being provided to board chairs 60 days after the monitoring report is sent to the subrecipient. An addendum to the monitoring instrument is in place to record all documents reviewed during a monitoring visit.

07/30/03 - Modification 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. Documentation subject to monitoring will be copied and returned to TDHCA for quality control review prior to developing the monitoring report.

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>
310	06/30/03	Selected Assistance Programs at the Department	Px	06/25/03	09/01/03
	SAO	The Community Affairs programs' activities at the Department and five subgrantees during fiscal years 2001/2002.	Ix	08/26/03	

Division: Community Affairs - Section 8

Issue: Chapter 2-A: Section 8 Local operators had not awarded 213 (10 percent) and 247 (12 percent) housing assistance vouchers available to them at the end of program years 2001 and 2002, respectively. While Section 8 rental assistance vouchers remain unused in certain areas, local operators maintain waiting lists containing the names of individuals who are waiting to receive vouchers. The Department also reports that it did not spend \$830,000 (nearly 9 percent) of its federal Section 8 budget at the end of program year 2002. Federal rules for the Section 8 program require HUD to begin the process of reallocating funding from housing authorities that (1) award less than 90 percent of their vouchers and (2) fail to spend 90 percent of their funding. Therefore, the Department is approaching the conditions that would require HUD to begin reallocating its Section 8 funding.

Recommendation - The Department should coordinate with HUD to explore methods to increase the percentage of Section 8 vouchers it awards.

Status: 8/26/03 – The final average lease up percentage for the fiscal year 2003, which ended June 30, was 93%. Also, the Department expended more than 100% of its funding. Additionally, the Department submitted a request to the Fort Worth HUD office to consolidate all allocated vouchers into one Annual Contribution Contract (ACC) under the jurisdiction of the Fort Worth office. This request, if approved, will help the Department address the unmet need for housing throughout the state and increase the percentage of Section 8 vouchers leased.

06/25/03 - As of May 31, 2003, the Department has awarded 96% of the statewide housing vouchers, exceeding the HUD required lease up rate of 95%, by reallocating vouchers and adding a new city within the Ft. Worth Section 8 jurisdiction.

311	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.			

Division: Community Affairs - Section 8

Issue: Chapter 2-B: Federal guidelines and Department policy require that local operators award available Section 8 vouchers to families in the order in which the families' names appear on the Section 8 waiting lists. Although the Department has access to the current waiting lists for each local operator, those waiting lists do not specify when families received vouchers or whether families did not receive vouchers for legitimate reasons. This means that the Department cannot determine whether the local operator awarded the vouchers in the required order.

Recommendation - The Department should require that local operators provide enough information so that the Department can verify whether local operators award vouchers to the individuals who have waited the longest to receive them.

Status: 06/25/03 - As of May 1, 2003, the Department maintains the waiting lists for all its Section 8 local HAP operators on an Excel spreadsheet to verify whether local housing assistance program operators award vouchers to the individuals who have waited the longest to receive them.

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.

318	06/30/03	Selected Assistance Programs at the Department	lx	06/25/03	
	SAO	The Community Affairs programs' activities at the Department and five subgrantees during fiscal years 2001/2002.	lx	09/17/03	

Division: Community Affairs - ESGP

Issue: Chapter 4-B: The Department lacks a policy to preclude subgrantees from approving their own ESGP grant awards. As a result, one ESGP grant recipient both received ESGP funds and served on the Department's review committee to award ESGP funds. Although the Department asserts that this grant recipient did not review its own application, the Department did not maintain adequate documentation to support this assertion.

Recommendation - The Department should develop and implement policies and procedures to preclude ESGP grant recipients from serving on the team that reviews their own applications and retain sufficient documentation to demonstrate that ESGP grant recipients do not review their own applications for funds.

Status: 09/17/03 - Community Services implemented Standard Operating Procedure # 700.02 that precludes subrecipients from approving their own ESGP grant awards.

06/25/03 - The Department has developed and implemented a Department standard operating procedure (SOP) to document its established procedures which preclude ESGP grant recipients from serving on a team that reviews their application. The SOP includes conditions (1) that ensure that no organization with a direct interest in ESGP funding decisions for a particular region of the state will participate in the review process, and (2) to ensure that no state or national organization competing for ESGP funds to provide statewide technical assistance shall participate in the review of statewide applications.

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: 2/17/04 - HUD letter dated October 30, 2003 expressed appreciation for the Department's outstanding job of accumulating documentation sufficient to close all deficiencies noted during the Section 8 Rental Integrity Monitoring Review.

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.	Ixx	02/17/04	

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: 2/17/04 - HUD letter dated October 30, 2003 expressed appreciation for the Department's outstanding job of accumulating documentation sufficient to close all deficiencies noted during the Section 8 Rental Integrity Monitoring Review.

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.

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target Date
			Codes*	Date	
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.	Ixx	02/17/04	

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: 2/17/04 - HUD letter dated October 30, 2003 expressed appreciation for the Department's outstanding job of accumulating documentation sufficient to close all deficiencies noted during the Section 8 Rental Integrity Monitoring Review.

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.

329	08/29/03	Construction of Housing Tax Credit Developments	Ix	08/29/03	
	IA	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.			

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.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

STATUS OF CENTRAL DATABASE

February 20, 2004

Summary Project Plan / Status

**Central Database Project / Enhancements to Compliance System (CMTS)
Status of Funds**

**TDHCA Central Database
Summary Project Plan/Status
As of February 20, 2004**

ID	Task Name	Start	Finish	% Comp	S	O	N	D	J	F	M	A	M	J	J	A
1	COMP'L. MONITORING & TRACKING SYSTEM (CMTS)	Thu 2/1/01	Mon 11/3/03	100%												
6																
7	CONTRACT SYSTEM	Fri 5/10/02	Wed 12/3/03	100%												
10																
11	CMTS ENHANCEMENTS CONTRACTED SERVICES	Mon 11/3/03	Tue 6/15/04	45%												
12	Program Monitoring Specifications	Mon 11/3/03	Fri 12/5/03	100%												
13	Enhanced Compliance Testing	Mon 11/3/03	Sun 2/29/04	90%												
14	HTC/CMTS Process Improvements - Specifications	Mon 12/8/03	Sun 2/29/04	40%												
15	CMTS Reports	Mon 3/1/04	Mon 5/31/04	0%												
16	Technical Knowledge Transfer	Thu 4/15/04	Tue 6/15/04	0%												
17																
18	POST IMPLEMENTATION REVIEW (PIR)	Tue 2/17/04	Mon 3/15/04	25%												
19	PIR Kickoff Meeting	Tue 2/17/04	Tue 2/17/04	100%												
20	PIR Survey Results Summary	Thu 2/26/04	Thu 2/26/04	0%												
21	PIR Survey and Project Review Meeting	Fri 3/5/04	Fri 3/5/04	0%												
22	PIR Summary Report	Mon 3/15/04	Mon 3/15/04	0%												
23																
24	PRIORITIZATION OF MODULES TO BE DEVELOPED	Mon 9/1/03	Mon 9/1/03	0%												
25	* MULTIFAMILY MODULE	Mon 9/1/03	Mon 9/1/03	5%												
26	Development	Mon 9/1/03	Mon 9/1/03	10%												
27	Functional Planning and Deployment	Mon 9/1/03	Mon 9/1/03	0%												
28	* OCI MODULE	Mon 9/1/03	Mon 9/1/03	0%												
31	* COMMUNITY SERVICES/ENERGY ASSISTANCE MOD	Mon 9/1/03	Mon 9/1/03	0%												
34	* SECTION 8 MODULE	Mon 9/1/03	Mon 9/1/03	0%												
37																
38	TO BE PRIORITIZED	Mon 9/1/03	Mon 9/1/03	0%												
39	* APPLICATION MODULE	Mon 9/1/03	Mon 9/1/03	0%												
42	* ASSET MANAGEMENT MODULE	Mon 9/1/03	Mon 9/1/03	0%												
45	* CREDIT UNDERWRITING	Mon 9/1/03	Mon 9/1/03	0%												

Project: Central Database
Save Date: Thu 2/25/04
Module Duration: [Bar Chart]
Progress: [Bar Chart]
Rolled-up Task: [Bar Chart]

* If asterisked (*), the detailed plans identifying tasks and resources are pending finalization of design requirements. Accordingly, start and finish dates have not been identified.

TDHCA Central Database
Summary Project Plan/Status
As of February 20, 2004

ID	Task Name	Start	Finish	% Comt	S	Q4 '03			Q1 '04			Q2 '04			Q3 '04		
						O	N	D	J	F	M	A	M	J	J	A	
48	* CONSTRUCTION & PROGRAM MONITORING MODULI	Mon 9/1/03	Mon 9/1/03	0%													
51	* BOND FINANCE MODULE	Mon 9/1/03	Mon 9/1/03	0%													
54	* PROGRAM MODULE	Mon 9/1/03	Mon 9/1/03	11%	9/1												
55	* CONTRACT SYSTEM - HTF ENHANCEMENTS	Mon 9/1/03	Mon 9/1/03	0%	9/1												
56	* CONTRACT SYSTEM - HOME ENHANCEMENTS	Mon 9/1/03	Mon 9/1/03	0%	9/1												
57																	
58	COMPLETED/ACCOMPLISHED	Thu 11/1/01	Wed 10/2/02	100%													
59	Software Dev Environ Infrastructure & Arch Ping	Thu 11/1/01	Thu 2/28/02	100%													
60	Main Menu and Login Process	Mon 12/3/01	Thu 1/31/02	100%													
61	LIHTC Microsoft Outlook Contact Log Solution	Mon 12/3/01	Thu 1/31/02	100%													
62	Housing Sponsor Report	Mon 12/3/01	Thu 1/31/02	100%													
63	HRC Information Clearinghouse	Mon 12/3/01	Fri 6/28/02	100%													
64	Data Migration and Population	Mon 12/3/01	Wed 10/2/02	100%													
65	HRC Information Clearinghouse	Mon 12/3/01	Fri 5/31/02	100%													
66	Housing Sponsor Report	Mon 12/3/01	Fri 1/4/02	100%													
67	LIHTC Portfolio	Thu 3/28/02	Tue 4/23/02	100%													
68	Multi-Family BOND Portfolio (Tax Bond)	Wed 5/1/02	Wed 10/2/02	100%													
69	Software Architecture	Fri 3/1/02	Fri 6/28/02	100%													
70	Housing Sponsor Report - Historical	Tue 3/19/02	Thu 5/16/02	100%													

Project: Central Database
 Save Date: Thu 2/26/04

Module Duration

Rollled-up Task

Progress

* if asterisked (*), the detailed plans identifying tasks and resources are pending finalization of design requirements. Accordingly, start and finish dates have not been identified.

**TDHCA Central Database
Summary Project Plan/Status
As of February 20, 2004**

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: FY 02-03 \$8,375 (contract services)

Capital Expenditures for Functional Planning and Deployment: FY 02-03 \$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.

**TDHCA Central Database
Summary Project Plan/Status
As of February 20, 2004**

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.

11 CMTS ENHANCEMENTS CONTRACTED SERVICES

The CMTS Enhancements relate to added functionality, including single audit, program monitoring, 8609 inspections, and screen and report enhancements. Development of this functionality will be planned as resources are identified and as modules are prioritized. Planned target date for task time estimates and prioritization of modules is March 31, 2004. Further deliverables include multifamily needs analysis, business process improvement, and design specifications for entering and maintaining multifamily post-award data.

Capital expenditures for CMTS Enhancements Contracted Services: FY 04-05 \$41,110

12 Program Monitoring Specifications

12/16/2003 - Received the design specification. It has been reviewed and signed off by compliance staff. The contracted deliverables for this item have been met.

Contract services related to developing and documenting the specifications necessary to incorporate Single Audit, program monitoring, and 8609 and construction inspections.

13 Enhanced Compliance Testing

02/20/2004 - Four out of the five programming test packages have been delivered. One programming test package remains. The four that have been delivered are AHDP, HOME, HTC, and HTE. The programming test package for BOND and the 8823 automated reporting component remain.

Contract services for automated testing performance improvements and regulatory changes for multifamily properties during the affordability period.

14 HTC/CMTS Process Improvements - Specifications

02/20/2004 - Multifamily module (including HTC) functional requirements have been delivered. The first version has been reviewed by the business team. The consultant has also delivered approximately 50% of the prototype screens. Remaining deliverables include design specifications and completing prototype screens.

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.

* If asterisked (*), the detailed plans identifying tasks and resources are pending finalization of design requirements. Accordingly, start and finish dates have not been identified.

**TDHCA Central Database
Summary Project Plan/Status
As of February 20, 2004**

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.

16

Technical Knowledge Transfer

Knowledge transfer with TDHCA ISD staff. Written deliverables include updated versions of process flows, business rules for each program in CMTS, and documentation of changes to CMTS brought about by the CMTS enhancement contract.

18

POST IMPLEMENTATION REVIEW (PIR)

The post implementation review involves all individuals associated with the development of the CMTS and Contract Systems with the goal of identifying opportunities to improve the development process and 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.

02/17/2004 - The post implementation review kickoff meeting took place. In this meeting ISD discussed the steps in the review and handed out a survey. This survey will be used to collect information from participants.

24

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.

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

* If asterisked (*), the detailed plans identifying tasks and resources are pending finalization of design requirements. Accordingly, start and finish dates have not been identified.

**TDHCA Central Database
Summary Project Plan/Status
As of February 20, 2004**

- 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.

25 * MULTIFAMILY MODULE

02/20/2004 - Commencement of Multifamily Module development is dependent on completion of the CMTS Enhancements, HTC/CMTS Process Improvements contracted services and requirements signoff (item 14).

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.

The Multifamily Module 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
- 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 8609's

* If asterisked (*), the detailed plans identifying tasks and resources are pending finalization of design requirements. Accordingly, start and finish dates have not been identified.

TDHCA Central Database
Summary Project Plan/Status
As of February 20, 2004

- 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

Application and scoring are preaward and will be considered in the Application Module design.

Capital Expenditures: FY 02-03 \$2,600 (contract services)

28 * 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.

31 * 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.

34 * 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.

39 * 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.

Capital Expenditures: FY 02-03 \$5,000 (contract services)

* If asterisked (*), the detailed plans identifying tasks and resources are pending finalization of design requirements. Accordingly, start and finish dates have not been identified.

**TDHCA Central Database
Summary Project Plan/Status
As of February 20, 2004**

- 45 * 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.
- 48 * 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.
- 51 * 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.
- 54 * 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: FY 02-03 \$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.
- 58 COMPLETED/ACCOMPLISHED**
Capital Expenditures Not Associated with Individual Milestones FY 02-03:
Java Training, \$7,640
Server Hardware, \$42,987
Software and Misc., \$4,620
- 59 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: FY 02-03 \$11,700 (contract services)
- 60 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.

* If asterisked (*), the detailed plans identifying tasks and resources are pending finalization of design requirements. Accordingly, start and finish dates have not been identified.

**TDHCA Central Database
Summary Project Plan/Status
As of February 20, 2004**

Capital Expenditures: FY 02-03 \$14,000 (contract services)

61 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.

62 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: FY 02-03 \$650 (contract services)

63 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: FY 02-03 \$51,034 (contract services)

64 Data Migration and Population

Capital Expenditures: FY 02-03 \$22,885 (contract services)

69 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: FY 02-03 \$18,750 (contract services)

70 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.

**Texas Department of Housing and Community Affairs
Capital Budget Appropriation Authority
Centralized Database Project/Enhancements to Compliance System (Billings through 2/20/04)**

	Approp 58005 Central Database Project			Approp 58004 Enhancements to Compliance System		
	2004	2005	Biennium	2004	2005	Biennium
Original Appropriation	\$ 135,000	\$ 125,000	\$ 260,000	\$ 135,000	\$ 110,000	\$ 245,000
Unexpended Balance Forward			-			-
Subtotal	135,000	125,000	260,000	135,000	110,000	245,000
Appropriation Adjustment			-			-
Total, Adjusted Appropriation	135,000	125,000	260,000	135,000	110,000	245,000
Cash Expenditures by Object of Expense:						
Computer Programming Services, (Note 1) (7275)			-	(27,350)		(27,350)
Computer Equipment Controlled (7378)			-			-
Computer Software - Expensed (7380)			-			-
Subtotal	-	-	-	(27,350)	-	(27,350)
Payables - Programming (7275)				(13,760)		(13,760)
Total Expenditures	-	-	-	(41,110)	-	(41,110)
Subtotal, Appropriation Balance	135,000	125,000	260,000	93,890	110,000	203,890
Appropriation Lapse			-			-
Total, Appropriation Balance	\$ 135,000	\$ 125,000	\$ 260,000	\$ 93,890	\$ 110,000	\$ 203,890

Note 1:
Enhancements to Compliance System

Programming Services Detail PO#332-4-4095					
Contractor	Rate/hr	Original Hours Contracted	Amended Hours Contracted	Total Hours Contracted	Contract Amount
Raju - Program Designer	65	650		650	42,250
Russ Walch - Business Data Architect (AIMS)	75	1,200		1,200	90,000
Total, Contracted Labor					132,250

Billings:	Invoice #	Hours Billed	Amount Billed	Total Billed
Raju 10/27/03 thru 11/07/03	#2003-60	80	5,200	
Russ 10/27/03 thru 11/07/03	#2003-60	80	5,600	
Total			10,800	10,800
Raju 11/08/03 thru 11/21/03	#2003-62	80	4,000	
Russ 11/08/03 thru 11/21/03	#2003-61	80	6,000	
Total			10,000	20,800
Raju 11/22/03 thru 12/12/03	#2003-64	104	5,200	
Russ 12/06/03 thru 12/12/03	#2003-63	18	1,350	
Total			6,550	27,350
Raju 12/13/03 thru 01/04/04	#2004-02	40	2,000	
Russ 12/06/03 thru 12/12/03	#2004-01	58	4,110	
Russ 12/13/03 thru 01/04/04	#2004-03	102	7,650	
Total			13,760	41,110

Texas Department of Housing and Community Affairs

*Status of Internal/External Audits
Division Status as of March 1, 2004*

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT DIVISION
STATUS – March 1, 2004**

External Audits/Reviews	Scope	Stage of Completion
State Auditor's Office	Planned Audit of Selected Housing Programs; HOME Investment Partnership Program (HOME) and Housing Trust Fund Program (HTF)	Inception Pending
External Auditors	To coordinate and assist external auditors.	Ongoing
Peer Review	To conduct Peer Review pursuant to Texas Government Code §2107.007 as arranged through the State Agency Internal Audit Forum (SAIAF) QAR program to fulfill obligation of reciprocation for Peer Review received by TDHCA in the 2002 Fiscal Year	Inception Pending
Internal Audits/Reviews	Scope	Stage of Completion
Subrecipient Monitoring	<p>€ Subrecipient Monitoring Processes - To assess the adequacy of the Department's subrecipient monitoring functions by risk ranking the programs' monitoring functions and activities to identify areas for coverage. A review of high risk areas will be conducted to determine whether adequate monitoring policies and procedures are in place to provide reasonable assurance that the Department's subrecipients comply with applicable Federal regulations, program rules and contract terms. See below for specific areas of review.</p>	Planning
	€ Draws Processes	Fieldwork
	€ Single Audit	Reporting
	€ Risk Assessment	Planning
	€ Field Visits	Planning
	€ Technical Assistance	Planning
	€ Contract Management	Planning
€ Desk Review	Planning	

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT DIVISION
STATUS – March 1, 2004**

Internal Audits/Reviews (Continued)	Scope	Stage of Completion
Follow-up on Prior Audit Issues	To prioritize prior audit issues previously reported as implemented and independently verify implementation status and adequacy of related policies and procedures.	Ongoing
Tracking Status of Prior Audit Issues	To track the status of prior audit issues for management/board report purposes.	Ongoing
Central Database Steering Committee	To serve as non-voting Chair of the Central Database Steering Committee charged with directing and monitoring the development of the Department's Central Database.	Ongoing
Annual Audit Plan	To develop an annual audit plan for FY 2005 pursuant to the Texas Internal Auditing Act.	Inception Pending
Annual Internal Auditing Report for FY 2004	To prepare an annual internal auditing report for FY 2004 pursuant to the Texas Internal Auditing Act.	Inception Pending

**Housing Tax Credit Program
Board Action Request
March 11, 2004**

Action Item

Request review and board determination of two (2) 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 two (2) four percent (4%) Tax Credit Determination Notice with **other issuers** for tax exempt bond transaction known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Requested Credit Allocation	Recommended Credit Allocation
04408	Hickory Manor Apartments	DeSoto	DeSoto HFC	188	188	\$14,468,500	\$8,200,000	\$579,425	\$579,425
04410	The Vistas Apartments	Marble Falls	Capital Area HFC	124	124	\$10,294,066	\$6,000,000	\$298,905	\$287,187

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

March 11, 2004

Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits in the amount of \$579,425 for Hickory Manor Apartments, DeSoto, Texas.

Summary of the Transaction

The application was received on December 31, 2003. The Issuer for this transaction is DeSoto HFC. The development is to be located at 1700-1708 Old Hickory Trail in DeSoto. The development will consist of 188 total units targeting the elderly population, with all affordable. The site is currently properly zoned for such a development. Because the City of DeSoto is a municipality that has more than twice the state average of units per capita which is a violation under §50.5(a)(7) of the 2004 Qualified Allocation Plan and Rules, the applicant was required (under the QAP) to obtain a resolution from the City Council acknowledging the concentration and authorizing an allocation of tax credits. The resolution was recommended and approved by the city council on February 17, 2004. The Department received one letter from a public official in support (Mayor Hurtt) and no letters in opposition. The bond priority for this transaction is:

- Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI **and** Set aside **50%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI **and** Set aside **85%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects located in a **census tract with median income that is greater** than the median income of the county MSA, or PMSA that the QCT is located in. (MUST receive 4% Housing Tax Credits)
- Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 3:** Any qualified residential rental development.

Recommendation

Staff recommends the Board approve the issuance of Housing Tax Credits for Hickory Manor Apartments.



**HOUSING TAX CREDIT PROGRAM
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Hickory Manor Apartments**

TDHCA#: 04408

DEVELOPMENT AND OWNER INFORMATION

Development Location: DeSoto QCT: Y DDA: N TTC: N
 Development Owner: OHC/De Soto I, Ltd.
 General Partner(s): Outreach Housing Corp., 50%, Contact: Richard Ruschman
 Colonial Equities, Inc., 50%, Contact: Richard Shaw
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: DeSoto HFC
 Development Type: Elderly

Annual Tax Credit Allocation Calculation

Applicant Request: \$579,425 Eligible Basis Amt: \$590,344 Equity/Gap Amt.: \$716,212

Annual Tax Credit Allocation Recommendation: \$579,425

Total Tax Credit Allocation Over Ten Years:\$ 5,794,250

PROPERTY INFORMATION

Unit and Building Information

Total Units: 188 HTC Units: 188 % of HTC Units: 100
 Gross Square Footage: 161,856 Net Rentable Square Footage: 155500
 Average Square Footage/Unit: 827
 Number of Buildings: 20
 Currently Occupied: N

Development Cost

Total Cost: \$14,468,500 Total Cost/Net Rentable Sq. Ft.: \$93.05

Income and Expenses

Effective Gross Income:¹ \$1,395,085 Ttl. Expenses: \$703,068 Net Operating Inc.: \$692,017
 Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant: Not Utilized Manager: Provident Management
 Attorney: Richard C. Ruschman Architect: John Taylor & Assoc.
 Accountant: Novogradac & Company Engineer: The Lissiak Company
 Market Analyst: The Jack Poe Company Lender: Collateral Mortgage Capital, LLC
 Contractor: Brasha Builders, Inc. Syndicator: WNC & Associates, Inc.

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Royce West, District 23 - NC Rep. Yvonne Davie, District 111 - NC Mayor Michael B. Hurtt - S Michael B. Hurtt, Mayor, City of DeSoto; The development fulfills a need for additional affordable senior rental housing at evidenced in the City of DeSoto Comprehensive Plan.

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §50.12(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 amended unit mix and Applicant's commitment to reserve and restrict tenants rents for at least 29 units (15%) to households earning not more than 30% of the area median income prior to bond closing.
3. Receipt, review, and acceptance of a statement from the project architect, or a surveyor verifying the acreage for the portion of the site which will be included as part of the proposed development from the total acreage being acquired and a subsequent re-evaluation of the prorated site acquisition cost at 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

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

DATE: February 27, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04408

DEVELOPMENT NAME

Hickory Manor Apartments

APPLICANT

Name:	<u>OHC/DeSoto I, Ltd.</u>	Type:	<u>For Profit w/ Non-profit General Partner</u>
Address:	<u>16200 Dallas Parkway, Suite 190</u>	City:	<u>Dallas</u> State: <u>TX</u>
Zip:	<u>75248</u>	Contact:	<u>Richard Shaw</u>
		Phone:	<u>(972) 733-0096</u> Fax: <u>(972) 733-1864</u>

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	<u>Outreach Housing Corporation</u>	(%):	<u>.005</u>	Title:	<u>Managing General Partner</u>
Name:	<u>Colonial Equities, Inc.</u>	(%):	<u>.005</u>	Title:	<u>Special Limited Partner and Developer</u>
Name:	<u>Shaw Family Trust</u>	(%):	<u>N/A</u>	Title:	<u>51% owner of Colonial Equities</u>
Name:	<u>Richard Shaw</u>	(%):	<u>N/A</u>	Title:	<u>49% owner of Colonial Equities & Director of Outreach Housing Corp.</u>
Name:	<u>Richard C. Ruschman</u>	(%):	<u>N/A</u>	Title:	<u>President of Outreach Housing Corp.</u>

PROPERTY LOCATION

Location: 1700 Old Hickory Trail **QCT** **DDA**
City: DeSoto **County:** Dallas **Zip:** 75115

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$579,425	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, Elderly</u>	

RECOMMENDATION

RECOMMEND APPROVAL OF HOUSING TAX CREDITS NOT TO EXCEED \$579,425 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of an amended unit mix and Applicant's commitment to reserve and restrict tenants rents for at least 29 units (15%) to households earning not more than 30% of the area median income prior to bond closing.
2. Receipt, review, and acceptance of a statement from the project architect, or a surveyor verifying the acreage for the portion of the site which will be included as part of the proposed development from the total acreage being acquired and a subsequent re-evaluation of the prorated site acquisition cost at 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.

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

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 188 **# Rental Buildings:** 20 **# Common Area Bldgs:** 1 **# of Floors:** 2 **Age:** N/A yrs **Vacant:** N/A at / /
Net Rentable SF: 155,500 **Av Un SF:** 827 **Common Area SF:** 6,356 **Gross Bldg SF:** 161,856

STRUCTURAL MATERIALS

The structure will have a wood frame on a post-tensioned concrete slab. According to the plans provided in the application the exterior will be comprised of 80% brick veneer and 20% Hardi-plank/Hardi-board siding. The interior wall surfaces will be painted or papered drywall. The pitched roof will be finished with asphalt composite shingles.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of vinyl flooring and faux wood. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, and laminated counter tops.

ON-SITE AMENITIES

A 6,356-square foot community building will include recreation rooms, management offices, exercise facilities, a kitchen, restrooms, a computer/business center, a theater and the central mailroom. The site will also include a swimming pool, and perimeter fencing with limited access gates. Public laundry facilities are not included as part of the development.

Uncovered Parking: 233 spaces **Carpports:** 100 spaces **Garages:** 50 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The Hickory Manor Senior Community is a moderately dense (10 units per acre) new construction development of 188 units of affordable housing located in DeSoto at the southern perimeter of Dallas. The development is comprised of 20 evenly distributed medium-sized, garden style residential buildings as follows:

- 17 Building Type I with 8 one-bedroom/one-bath units, and 2 two-bedroom/one-bath units; and
- 3 Building Type II with 6 one-bedroom/one-bath units.

Architectural Review: Each of the units appears well arranged with an adequate amount of space in each of the rooms and work areas.

Supportive Services: The Applicant indicates that supportive services will be provided by Outreach Housing Corporation, the General Partner of the ownership entity. The Applicant has budgeted \$2,500 annually for the provision of supportive services.

Schedule: The Applicant anticipates construction to begin in March of 2004 and to be completed in March of 2005. The development should be placed in service in March of 2005 and substantially leased-up in December of 2005.

SITE ISSUES

SITE DESCRIPTION

Size: 18.95 acres 825,462 square feet **Zoning/ Permitted Uses:** Elderly housing, retail & office
Flood Zone Designation: Zone X **Status of Off-Sites:** Partially Improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: DeSoto is located in on the southern perimeter of Dallas in Dallas County. The site is a irregularly-shaped parcel located in the northern area of DeSoto. DeSoto is a city that currently has a credit

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

to population ratio that is twice the statewide average and as such was required for 2004 to provide a resolution from the city regarding the city's acknowledgement and acceptance of same in order to be eligible for tax credits. A resolution from the city dated February 17, 2004 was received and satisfied this statutory requirement. The site is situated on the east side of Old Hickory Trail.

Adjacent Land Uses:

- **North:** Rural/single family residence
- **South:** Rural/single family residence
- **East:** Executive Way which dead ends into the site with undeveloped land south of Executive Way and office/industrial on the north side of Executive Way
- **West:** Old Hickory Trail and rural single family residences beyond

Site Access: Access to the property will be provided by two main entrances, one from the west along Old Hickory Trail, and the other from the east by Executive Way. Access to Interstate Highway 20 is approximately 1.5 miles north, which provides connections to all other major roads serving the Dallas metropolitan area.

Public Transportation: The availability of public transportation was not identified in the application materials.

Shopping & Services: The site is within a half mile of major grocery stores, pharmacies, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Site Inspection Findings: TDHCA staff performed a site inspection on January 21, 2004 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated December 12, 2003 was prepared by Lark & Associates and concluded that the site has no current environmental concerns. It was recommended that approximately 30 truck tires located on the property be properly removed.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median income (AMI) set-aside. In order to be eligible for priority I of the 2004 private activity bond program, the applicant must choose or be eligible under one of three options. The development must: a) reserve and restrict rents for 50% of the units for tenants earning no more than 50% of the AMI and the reserve and restrict rents for the other 50% of the units for tenants earning no more than 60% of AMI or b) reserve and restrict rents for 15% of the units for tenants earning no more than 30% of the AMI and the reserve and restrict rents for the other 85% of the units for tenants earning no more than 60% of AMI or c) reserve and restrict rents for all of the units for tenants earning no more than 60% of the AMI and be located in census tract whose median income is higher than the area median income for the MSA in which the development is located. The Applicant initially reflected a mix of market and 60% units but after being notified of the ineligibility of the proposed unit mix modified the unit mix to reserve and restrict 15% of the units for families and individuals earning not more than 30% of the area median income, and all remaining units will be reserved for families and individuals earning not more than 60% of area median income.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$27,960	\$31,920	\$35,940	\$39,900	\$43,080	\$46,260

MARKET HIGHLIGHTS

A market feasibility study dated December 23, 2003 was prepared by Jack Poe ("Market Analyst") and highlighted the following findings:

Definition of Primary Market Area (PMA): "The subject neighborhood is located within the city limits of

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

DeSoto and approximately ten miles south of the Dallas Central Business District and is delineated by IH-20 on the north, Belt Line Road to the south, Polk Street to the east, and Cockrell Hill Road to the west. This area encompasses twelve square miles of the cities of DeSoto and Dallas and contains a complementary mixture of residential commercial and industrial land uses.” (p. 25). This comment appears to be inconsistent with the map designation of the primary market area which appears to be a much larger trapezoidal area containing 185 square miles or roughly equivalent to the area under a circle with a 7.6 mile radius. Moreover the land use of the 12 square mile “subject neighborhood” is not very dense and is unlikely to contain the indicated population estimate whereas the larger trapezoidal primary market area is much more likely to support the estimated population. The larger trapezoidal area is somewhat larger in area than the typical urban development, though according to the market analyst it coincides with M/PF Research’s Submarket #25.

Population: The estimated 2002 population of the PMA was 161,989 and is expected to increase by 1.72% annually to approximately 175,899 by 2007. Within the primary market area there were estimated to be 55,857 households in 2002 (p. 27).

Total Primary Market Demand for Rental Units: The Market Analyst calculated demand from growth and turnover of 2,136 income and age-qualified (over 60 years old) households in the PMA. The Market Analyst used an income band of \$0 to \$35,940 (p. 27). Based on the current estimate of 56,682 households, the projected annual growth rate of 1.72%, income and age-qualified households estimated at 9% of the population, renter households estimated at 60% of the qualified households (based upon the 2002 American Housing Survey for the Dallas Metropolitan Area), and an annual renter turnover rate of 68% (p. 29). Adding pent up demand and demand from the secondary market area, the Market Analyst calculates total demand of 2,619 income and age-qualified units. The Market Analyst’s calculations for pent-up demand and secondary market demand, however, are not well documented and therefore the Underwriter has not relied upon them.

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	55	2%	48	2%
Resident Turnover	2,081	79%	2,078	98%
Other Sources: 10 yrs pent-up demand	358	14%		%
Other Sources: Secondary market demand	125	5%		%
TOTAL ANNUAL DEMAND	2,619	100%	2,126	100%

Ref: p. 6

Inclusive Capture Rate: “The Cedar Hill Gardens has 79 age and income restricted units. Although this complex is operating at 98% occupancy with a waiting list it only achieved a 90% occupancy in April of 2003. Thus, its units must be included in the concentration capture rate. All 180 units of the Arbors of Wintergreen Apartments are age and income restricted and this complex is only 33% occupied. 142 units of the Villas at Lancaster will be age and income restricted upon completion in 2004. Thus including the proposed subject units, there are 569 total age and income restricted units that must be included in the concentration capture rate, and this rate is calculated to be 22%” (p. 31). The Underwriter calculated an inclusive capture rate of 27.7% based upon a revised supply of unstabilized comparable affordable units of 589 divided by a revised demand of 2,126 but this is still less than the 100% allowed for developments targeting seniors.

Market Rent Comparables: The Market Analyst surveyed eight comparable apartment projects totaling 1,718 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (30%)	\$307	\$303	+\$4	\$780	-\$473
1-Bedroom (60%)	\$650	\$678	-\$28	\$780	-\$130
2-Bedroom (50%)	\$780	\$812	-\$32	\$875	-\$95

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent = \$500,

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

program max =\$600, differential = -\$100)

Primary Market Occupancy Rates: “The average apartment occupancy, at 92.0% in the primary market, is higher than the D/FW area average of 90.3%. ...The average occupancy in the primary market is forecast to drop to 91.2% by September 2004, and the greater metroplex apartment market is forecast to increase to 90.4% in the coming year” (p. 34).

Absorption Projections: “...new LIHTC apartments in the secondary market are leasing between 25 and 35 units per month in the lease up stage of their life cycle. Thus a lease up rate of 30 units per month is inferred from market data. ...Based on this analysis, we project that the subject will be 30% occupied (56 units) once construction is completed, and that it will take approximately five months to lease up the remaining units and reach a stabilized occupancy of 95%” (p. 56).

Known Planned Development: “Two additional housing developments are under construction in Lancaster. The Villas of Lancaster is a 144-unit senior housing development [which] was awarded LIHTC tax credits in 2002. It will be located on the north side of Pleasant Run Road, approximately three miles northeast of the subject...

“The Rosemont at Houston School Road is a tax credit family community that is being developed by Southwest Housing Inc. It will be located on the north side of Pleasant Run Road, just west of Houston School Road. The development should be completed in less than 12 months.

“The 248 unit, Desoto Ranch Apartments were completed in September 2003, and the 216 unit Legacy of Cedar Hill-II is scheduled for completion in February 2004” (p. 35). Neither of these developments are targeted to seniors only

The Underwriter found that the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: At the time of application, the 2004 rent limits had not been released and thus the Applicant used the 2003 rent limits in setting rents. In addition the Applicant originally indicated that 100% of the units would be 60%. After confirming the priority I status of the property the Applicant proposed 28 units at 30%. This is less than the required 15% in order to be eligible for the Priority I set aside and therefore this analysis includes 29 units and the Underwriter recommends that the allocation of tax credit be conditioned upon at least 29 units restricted to households earning 30% of AMI. Based on the Applicant’s intention to charge maximum program rents, the Underwriter used the 2004 maximum rents in this analysis, which results in an increase of \$49,548 in potential gross rent.

The Applicant, anticipating secondary income from the lease of garages and carports and washers and dryers to the residents, estimated secondary income of \$57.15 per unit per month. Based on data from comparable properties in the Dallas area, the Underwriter concludes that the average secondary income for similar developments is \$24.14 and limited the TDHCA estimate for this development accordingly. The Applicant also used a lower vacancy and collection loss rate of 5%, rather than the industry standard of 7.5%. As a cumulative result the Applicant’s gross income estimate is \$61,379 higher than the Underwriter’s estimate.

Expenses: The Applicant’s total expense estimate of \$3,425 per unit is less than the Underwriter’s database-derived estimate of \$3,740 per unit for comparably-sized developments by more than 8%. The Applicant’s budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative (\$33,292 lower), payroll (\$23,444 lower), repairs and maintenance (\$22,413 lower), and insurance (\$15,655 higher).

Conclusion: Because the Applicant’s net operating income estimate is not within 5% of the Underwriter’s estimate, the Underwriter’s NOI will be used to evaluate debt service capacity. Due primarily to the differences in secondary income, vacancy and collection losses, and total expenses, the Underwriter’s estimated debt coverage ratio (DCR) of 0.96 is less than the program minimum standard of 1.10, and would not be sufficient to service the proposed debt. The maximum annual debt service for this project, therefore, should be limited to \$692,017 by a reduction of the loan amount, or an extension of the term or a reduction

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

in the interest rate. For purposes of further analysis, the Underwriter assumed the rate and term would not change but a decrease of the principal amount of the loan via a mandatory redemption of bonds at conversion to permanent would result in a final loan amount of \$8,200,000.

ACQUISITION VALUATION INFORMATION					
APPRAISED VALUE					
Land Only: 22 acres	\$1,200,000	Date of Valuation:	12/	23/	2003
Total Development: "as built"	\$11,640,000	Date of Valuation:	12/	23/	2003
Appraiser: Jack Poe	City: Dallas	Phone:	(214)	720-9898	

APPRAISAL ANALYSIS/CONCLUSIONS

An as built appraisal was provided but not required at this point in the application process. The appraisal which was provided by the builder, was performed by Mr. Jack Poe, MAI and Mr. Tim Brennan, MAI on December 23, 2003. The appraisal utilized all three appraisal methods to determine. The cost, market and income assumptions appear to be supported and appear to be a true reflection of the current market. The income approach was relied on the most and was considered by the appraiser to be the most supportable of the three approaches. In this approach both market and the restricted rents of the LIHTC program were used to determine value. The income approach is given the most weight to determine the final value estimate. As is typical of tax credit developments it revealed a total as built value, excluding the value of the tax credits, that is less than the total development cost. The value also suggests a slightly higher than 80% loan to value ratio. The appraiser's final value of \$11,640,000 appears to be reasonable and supportable and further supports the issuance of tax credits to the Hickory Manor Apartments.

ASSESSED VALUE					
Land: 21.2169 acres	\$605,480	Two tracts	Assessment for the Year of:	2003	
Building:	N/A		Valuation by:	Dallas County Appraisal District	
Total Assessed Value: 18.95 acres	\$504,788		Tax Rate:	\$2.83945	

EVIDENCE of SITE or PROPERTY CONTROL					
Type of Site Control:	Contract to Purchase Real Estate				
Contract Expiration Date:	03/	31/	2004	Anticipated Closing Date:	03/ 31/ 2004
Acquisition Cost:	\$775,739.27		Other Terms/Conditions:	17.8495 acres at \$1/sq.ft.	
Seller: H.T. Properties, Inc.	Related to Development Team Member: No				
Type of Site Control:	Contract to Purchase Real Estate				
Contract Expiration Date:	03/	31/	2004	Anticipated Closing Date:	03/ 31/ 2004
Acquisition Cost:	\$277,363.94		Other Terms/Conditions:	6.3674 acres at \$1/sq.ft.	
Seller: Wanda Baker	Related to Development Team Member: No				

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The Applicant's cost schedule indicates the acquisition cost of the site to be \$1,150,000. The contracts for the two separate parcels comprising the site indicate that the acquisition cost of each is to be one dollar per net square foot, net square feet being defined as gross square feet minus any land within the 100-year flood plain or dedicated to public use. The whole site appears to lie within Zone X, and the Phase I ESA indicates that all areas of the site lie outside of the 100-500 year flood plain. The total acreage of the proposed site, according to the local taxing authority is 24.2169 acres, resulting in a maximum possible acquisition cost of \$1,054,888. The site plan submitted with the application shows that several acres of the site located along the Old Hickory frontage of the site will be separated from the rest of the development by a fence and will not be included as part of the site. Based on the Applicant's statement that only 18.95 acres will be included as part of the development, the cost of site acquisition attributable to the proposed

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

development would be \$823,567 at one dollar per square foot. While it is likely the value of the excess frontage on a per square foot basis is higher than the overall acquisition price there is no way of knowing, absent a contract or appraisal, how much higher this might be. Moreover since this report suggests there will be significant projected deferred developer fee, it is unlikely that any excess profit derived from the eventual sale of the frontage parcels will have the effect of having been funded in part by the tax credit equity. However this condition should be re-evaluated at cost certification. The acquisition price is generally reasonable since the acquisition is an arm's-length transaction however an adjustment to the acquisition cost is needed due to the reduction in the actual acreage used for the development. The adjustment due to the excess acreage and slight overstatement of the contracted amounts is \$324,538 and will be reduced from the sources of funds if the Applicant's costs are used to determine the developments total need for funds.

Sitework Cost: The Applicant's claimed sitework costs of \$6,356 per unit are within TDHCA guidelines.

Direct Construction Cost: The Applicant's direct construction cost estimate of \$6,852,000 is \$119,080 or 1.71% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate of \$6,971,080, and is therefore regarded as reasonable as submitted. The Applicant's proposal, however, to charge residents for the use of garages and carports independently of the maximum allowable rents, means that the garages and carports cannot be included in eligible basis. The direct costs allowed in eligible basis were adjusted accordingly for both the Applicant's estimate (reduced to \$6,727,000) and the Underwriter's (reduced to \$6,643,400).

Fees: The Applicant's general requirements and contingency estimates exceed the maximums allowed by HTC guidelines based on their own construction costs. The excess increases with the reduction of eligible basis as discussed above. Consequently the Applicant's eligible costs in these areas have been reduced with the overage of approximately \$113,580 effectively moved to ineligible costs.

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 within a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter, is used to calculate the eligible basis of \$12,755,920. The resulting annual tax credits of \$590,344 is more than the Applicant's requested credit of \$579,425 and the latter will be compared with the gap of funds needed in order to determine the recommended credit amount.

FINANCING STRUCTURE									
INTERIM CONSTRUCTION FINANCING									
Source:	JP Morgan	Contact:	Ken Overshiner						
Principal Amount:	\$10,000,000	Interest Rate:	Variable weekly						
Additional Information:	Construction period standby letter of credit								
Amortization:	N/A yrs	Term:	_____ yrs	Commitment:	<input checked="" type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input type="checkbox"/> Conditional		
PERMANENT FINANCING									
Source:	Collateral Mortgage Capital, LLC				Contact:	Philip A. Melton			
Principal Amount:	\$9,400,000	Interest Rate:	Weekly variable based on BMA pricing plus fees; 6.60% used for underwriting purposes.						
Additional Information:	FNMA credit enhancement of tax-exempt bonds to achieve AAA rating.								
Amortization:	30 yrs	Term:	18 yrs	Commitment:	<input type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional		
Annual Payment:	\$720,407	Lien Priority:	1st	Commitment Date	12/ 29/ 2003				
TAX CREDIT SYNDICATION									
Source:	WNC & Associates, Inc.				Contact:	David C. Turek			
Address:	17782 Sky Park Circle				City:	Irvine			
State:	CA	Zip:	92614	Phone:	(714) 662-5565	Fax:	(714) 662-4412		

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

Net Proceeds: \$4,083,524 Net Syndication Rate (per \$1.00 of 10-yr LIHTC) 83¢
 Commitment LOI Firm Conditional Date: 12/ 11/ 2003
 Additional Information: Capital contribution assumes receipt of \$491,991 in tax credits annually.

APPLICANT EQUITY

Amount: \$433,100 Source: Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: Primary financing will be provided through the issuance of tax-exempt bonds by the DeSoto Housing Finance Corporation. The bonds will be credit enhanced by JP Morgan Chase during the construction period, and by Collateral Mortgage Capital, a Fannie Mae DUS lender, after the conversion, resulting in a credit rating for the bonds of AAA. The bonds will bear interest at a weekly variable rate based on current BMA pricing, but for underwriting purposes, Collateral Mortgage Capital will assume a minimum interest rate of 6.60% and a 30-year amortization. The Underwriter's analysis is likewise based on this interest rate which results in annual debt service of \$720,407. The Applicant's long term proforma, however, shows stabilized annual debt service payments of \$647,280 beginning in the second full year of stabilized operations. Although this does not appear to be consistent with the underwriting terms of the loan specified by the credit enhancer, it is possible that the Applicant's estimate of debt service is based on the actual likely lower variable rate plus a stack (the cost of remarketing etc.) plus the purchase of an interest rate cap or other hedging mechanism, the details of which were not provided with the application. The Applicant's income and expense estimates as discussed above provide enough net operating income (NOI) to render a debt coverage ratio (DCR) of 1.26 based on the Applicant's estimate of annual debt service. Based on the Underwriter's projected income and expenses, there will not be enough NOI to service the proposed loan, according to the loan terms assumed by the credit enhancer. The resulting DCR of 0.95 indicates the need either to reduce the principal of the loan, reduce the interest rate, or to extend the term. The Underwriter has assumed that the lender will size the loan based upon the underwriting rate stated in the commitments and therefore the loan will likely be reduced to \$8,200,000 which would allow a satisfactory DCR of 1.10.

HTC Syndication: The Applicant's proposed sources and uses of funds are inconsistent with the terms reflected in the tax credit syndication commitment included with the application. In particular, the syndicator proposes to invest \$4,083,524 in equity based on the receipt of \$491,991 in tax credits annually for ten years, and an investment rate of \$0.83 per dollar of tax credits. The Applicant's sources and uses of funds schedule calls for an equity investment of \$4,635,400 based on an annual tax credit request of \$579,425 and an investment rate of \$0.80 per dollar. The Applicant's request of \$579,425 is lower than the Underwriter's estimate of \$590,344 calculated from the Applicant's eligible basis. This is largely due to the Applicant's use of 3.43% as the applicable percentage compared to the Underwriter's adjusted rate of 3.56% based on the month of the application. Based on the syndicator's proposed terms, the Underwriter projects that the Applicant's request would result in the provision of \$4,808,747 in equity for the transaction.

Deferred Developer's Fees: The Applicant's sources and uses of funds schedule shows the deferral of \$433,100 of the Developer's fee. Given the adjustments expected for the proposed primary financing and equity discussed above, the Underwriter estimates that that as much as \$1,459,753 of the Developer's fee may need to be deferred. However \$324,538 of this amount is projected as excess acquisition cost leaving \$1,135,215 as deferred developer fee. This represents approximately 74% of the Developer's total fee, which the Underwriter estimates could be repaid within ten years of stabilized operations. Moreover, should the variable rates remain low and/or NOI improve by the time the development is placed in service and therefore a mandatory redemption is not required, the actual deferral of developer fee would be zero and there would be an excess of funds of \$64,785.

Financing Conclusions: The Applicant's estimate of eligible basis is generally acceptable but is higher than their request of tax credits in the amount of \$579,425 annually for ten years. This lower figure is recommended and would result in syndication proceeds of approximately \$4,808,747. The projected NOI for the project indicates that serviceable debt may be significantly less than the Applicant projects, and may necessitate deferring most of the Developer's fee, however any such deferral is projected to be repayable

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

within ten years of stabilized operations.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, Property Manager, and the Supportive Services Provider are all related entities. These are common relationships for HTC-funded developments.

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

Financial Highlights:

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- Outreach Housing Corporation, the General Partner of the Applicant submitted an unaudited financial statement as of December 12, 2003 reporting total assets of \$11,552,500 and consisting of \$460,250 in cash, \$7,366,000 in receivables, \$3,652,000 in real property, and \$74,250 in machinery, equipment, and fixtures. Liabilities totaled \$750,000, resulting in a net worth of \$10,502,500.
- Colonial Equities, Inc. the Special Limited Partner and Developer, submitted an unaudited financial statement as of December 12, 2003 reporting total assets of \$21,423,639 and consisting of \$1,538,139 in cash, \$8,260,500 in receivables, \$11,250,000 in real property, and \$375,000 in partnership interests. Liabilities totaled \$1,300,000, resulting in a net worth of \$20,123,639.
- Richard Shaw, the principal of the General Partner, submitted an unaudited financial statement as of December 12, 2003 and is anticipated to be guarantor of the development.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- Richard Shaw, the principal of the General Partner, has completed seven HTC affordable housing developments totaling 1,784 units since 1993.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable ranges.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:

Stephen Apple

Date: February 27, 2004

Director of Real Estate Analysis:

Tom Gouris

Date: February 27, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Hickory Manor, DeSoto, HTC #04408

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 30%	29	1	1	800	\$373	\$303	\$8,787	\$0.38	\$70.00	\$52.00
TC 60%	125	1	1	800	748	678	84,750	0.85	70.00	52.00
TC 60%	34	2	2	950	898	812	27,608	0.85	86.00	58.00
TOTAL:	188		AVERAGE:	827	\$717	\$644	\$121,145	\$0.78	\$72.89	\$53.09

INCOME				TOTAL NET RENTABLE SQ FT: 155,500		TDHCA	APPLICANT	USS Region	3		
POTENTIAL GROSS RENT						\$1,453,740	\$1,404,192	IREM Region	Dallas		
Secondary Income		Per Unit Per Month:	\$24.14			54,460	128,928	\$57.15	Per Unit Per Month		
Other Income						0	0				
POTENTIAL GROSS INCOME						\$1,508,200	\$1,533,120				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(113,115)	(76,656)	-5.00%	of Potential Gross Rent		
Employee or Other Non-Rental Units or Concessions						0					
EFFECTIVE GROSS INCOME						\$1,395,085	\$1,456,464				
EXPENSES				% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative				4.36%	\$324	0.39	\$60,892	\$27,600	\$0.18	\$147	1.90%
Management				5.00%	371	0.45	69,754	72,800	0.47	387	5.00%
Payroll & Payroll Tax				11.97%	888	1.07	166,944	143,500	0.92	763	9.85%
Repairs & Maintenance				4.70%	349	0.42	65,613	43,200	0.28	230	2.97%
Utilities				2.34%	174	0.21	32,655	31,500	0.20	168	2.16%
Water, Sewer, & Trash				4.90%	364	0.44	68,420	71,000	0.46	378	4.87%
Property Insurance				2.21%	164	0.20	30,845	46,500	0.30	247	3.19%
Property Tax	2.83945			11.48%	852	1.03	160,145	160,000	1.03	851	10.99%
Reserve for Replacements				2.70%	200	0.24	37,600	37,600	0.24	200	2.58%
Services, Compliance, Security				0.73%	54	0.07	10,200	10,200	0.07	54	0.70%
TOTAL EXPENSES				50.40%	\$3,740	\$4.52	\$703,068	\$643,900	\$4.14	\$3,425	44.21%
NET OPERATING INC				49.60%	\$3,681	\$4.45	\$692,017	\$812,564	\$5.23	\$4,322	55.79%
DEBT SERVICE				% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
First Lien Mortgage				51.64%	\$3,832	\$4.63	\$720,407	\$647,280	\$4.16	\$3,443	44.44%
Excess Land Value				0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
Excess Land Value				0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW				-2.04%	(\$151)	(\$0.18)	(\$28,390)	\$165,284	\$1.06	\$879	11.35%
AGGREGATE DEBT COVERAGE RATIO						0.96	1.26				
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)		5.79%	\$4,391	\$5.31	\$825,462	\$1,150,000	\$7.40	\$6,117	7.95%		
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%		
Sitework		8.38%	6,356	7.68	1,195,000	1,195,000	7.68	6,356	8.26%		
Direct Construction		46.57%	35,337	42.72	6,643,400	6,727,000	43.26	35,782	46.49%		
Contingency	5.00%	2.75%	2,085	2.52	391,920	500,000	3.22	2,660	3.46%		
General Req'ts	6.00%	3.30%	2,502	3.02	470,304	485,000	3.12	2,580	3.35%		
Contractor's G & A	1.91%	1.05%	798	0.96	150,000	150,000	0.96	798	1.04%		
Contractor's Profit	4.91%	2.70%	2,048	2.48	385,000	385,000	2.48	2,048	2.66%		
Indirect Construction		4.75%	3,604	4.36	677,500	677,500	4.36	3,604	4.68%		
Ineligible Costs		3.17%	2,403	2.90	451,680	249,000	1.60	1,324	1.72%		
Developer's G & A	3.82%	2.98%	2,261	2.73	425,000	425,000	2.73	2,261	2.94%		
Developer's Profit	9.88%	7.71%	5,851	7.07	1,100,000	1,100,000	7.07	5,851	7.60%		
Interim Financing		8.59%	6,516	7.88	1,225,000	1,225,000	7.88	6,516	8.47%		
Reserves		2.29%	1,737	2.10	326,480	200,000	1.29	1,064	1.38%		
TOTAL COST				100.00%	\$75,887	\$91.75	\$14,266,746	\$14,468,500	\$93.05	\$76,960	100.00%
Recap-Hard Construction Costs				64.74%	\$49,126	\$59.39	\$9,235,624	\$9,442,000	\$60.72	\$50,223	65.26%

SOURCES OF FUNDS				RECOMMENDED		RECOMMENDED	Developer Fee Available
First Lien Mortgage	65.89%	\$50,000	\$60.45	\$9,400,000	\$9,400,000	\$8,200,000	\$1,525,000
Excess Land Value	0.00%	\$0	\$0.00	0	0	324,538	
HTC Syndication Proceeds	32.49%	\$24,656	\$29.81	4,635,400	4,635,400	4,808,747	% of Dev. Fee Deferred
Deferred Developer Fees	3.04%	\$2,304	\$2.79	433,100	433,100	1,135,215	74%
Additional (excess) Funds Required	-1.41%	(\$1,073)	(\$1.30)	(201,754)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$14,266,746	\$14,468,500	\$14,468,500	\$2,465,712.12

MULTIFAMILY COMPARATIVE ANALYSIS(continued)

Hickory Manor, DeSoto, HTC #04408

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$45.42	\$7,063,584
Adjustments				
Exterior Wall Finish	6.40%		\$2.91	\$452,069
Elderly/9-Ft. Ceilings	9.00%		4.09	635,723
Roofing			0.00	0
Subfloor			(2.03)	(315,665)
Floor Cover			2.00	311,000
Porches/Balconies	\$29.24		0.00	0
Plumbing	\$605	102	0.40	61,710
Built-In Appliances	\$1,650	188	1.99	310,200
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.53	237,915
Garages/Carports	\$10.92	30,000	2.11	327,680
Comm &/or Aux Bldgs	\$54.60	6,356	2.23	347,028
Other:			0.00	0
SUBTOTAL			60.65	9,431,244
Current Cost Multiplier	1.03		1.82	282,937
Local Multiplier	0.88		(7.28)	(1,131,749)
TOTAL DIRECT CONSTRUCTION COSTS			\$55.19	\$8,582,432
Plans, specs, survy, bld prm	3.90%		(\$2.15)	(\$334,715)
Interim Construction Interest	3.38%		(1.86)	(289,657)
Contractor's OH & Profit	11.50%		(6.35)	(986,980)
NET DIRECT CONSTRUCTION COSTS			\$44.83	\$6,971,080

PAYMENT COMPUTATION

Primary	\$9,400,000	Amort	360
Int Rate	6.60%	DCR	0.96

Secondary	\$0	Amort	
Int Rate	0.00%	Subtotal DCR	0.96

Additional	\$4,635,400	Amort	
Int Rate		Aggregate DCR	0.96

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$628,440
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$63,576

Primary	\$8,200,000	Amort	360
Int Rate	6.60%	DCR	1.10

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	\$4,635,400	Amort	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

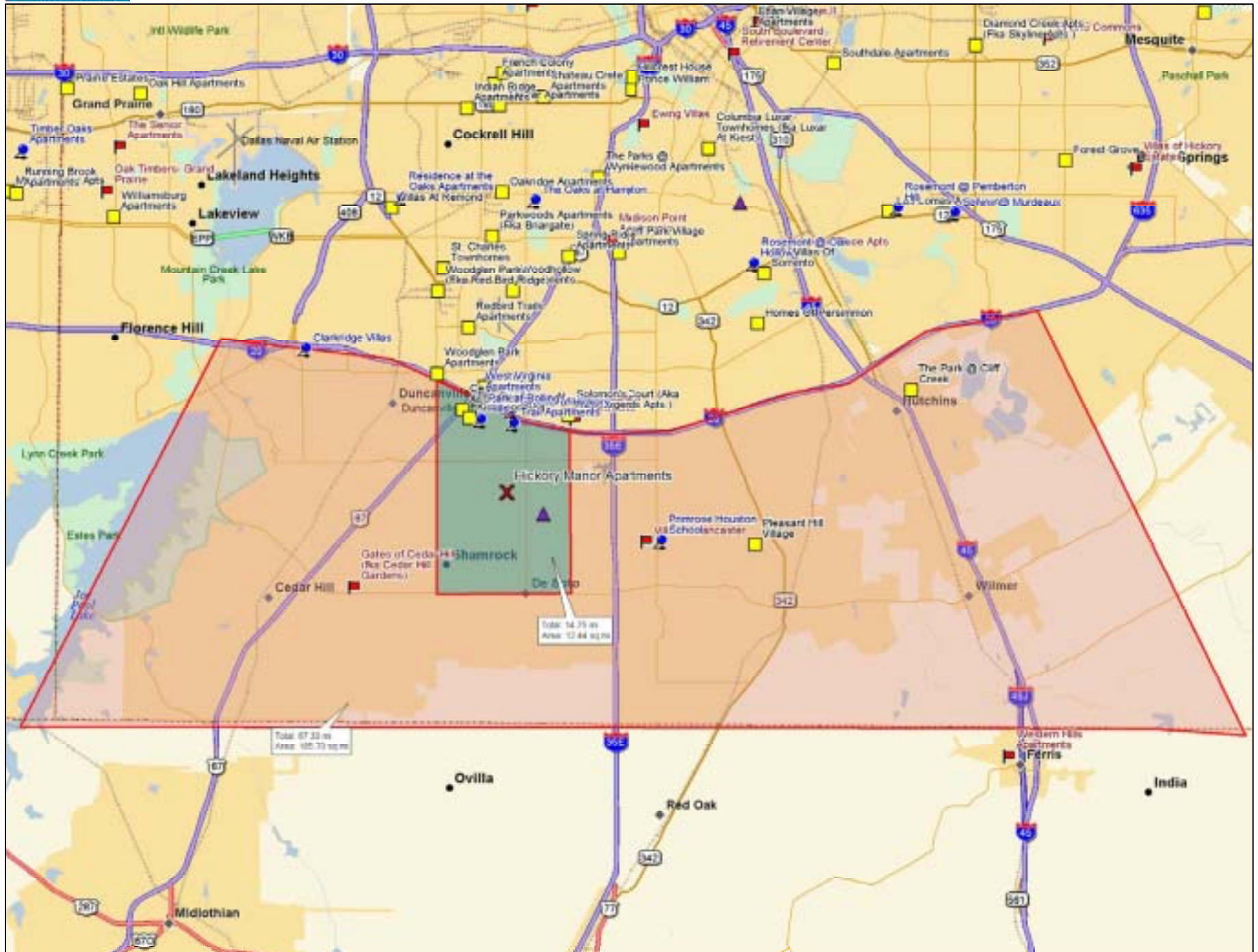
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,453,740	\$1,497,352	\$1,542,273	\$1,588,541	\$1,636,197	\$1,896,801	\$2,198,912	\$2,549,142	\$3,425,834
Secondary Income	54,460	56,094	57,776	59,510	61,295	71,058	82,375	95,496	128,338
Other Income	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,508,200	1,553,446	1,600,049	1,648,051	1,697,492	1,967,859	2,281,288	2,644,638	3,554,172
Vacancy & Collection Loss	(113,115)	(116,508)	(120,004)	(123,604)	(127,312)	(147,589)	(171,097)	(198,348)	(266,563)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,395,085	\$1,436,937	\$1,480,046	\$1,524,447	\$1,570,180	\$1,820,269	\$2,110,191	\$2,446,290	\$3,287,609
EXPENSES at 4.00%									
General & Administrative	\$60,892	\$63,328	\$65,861	\$68,495	\$71,235	\$86,668	\$105,445	\$128,290	\$189,901
Management	69,754	71,847	74,002	76,222	78,509	91,013	105,510	122,314	164,380
Payroll & Payroll Tax	166,944	173,622	180,567	187,789	195,301	237,613	289,093	351,726	520,640
Repairs & Maintenance	65,613	68,237	70,967	73,806	76,758	93,388	113,620	138,237	204,624
Utilities	32,655	33,961	35,320	36,732	38,202	46,478	56,548	68,799	101,840
Water, Sewer & Trash	68,420	71,157	74,003	76,963	80,042	97,383	118,481	144,151	213,378
Insurance	30,845	32,079	33,362	34,696	36,084	43,902	53,413	64,986	96,195
Property Tax	160,145	166,551	173,213	180,141	187,347	227,936	277,319	337,401	499,436
Reserve for Replacements	37,600	39,104	40,668	42,295	43,987	53,517	65,111	79,218	117,261
Other	10,200	10,608	11,032	11,474	11,933	14,518	17,663	21,490	31,810
TOTAL EXPENSES	\$703,068	\$730,493	\$758,995	\$788,614	\$819,397	\$992,417	\$1,202,204	\$1,456,611	\$2,139,466
NET OPERATING INCOME	\$692,017	\$706,444	\$721,051	\$735,832	\$750,784	\$827,853	\$907,987	\$989,678	\$1,148,143
DEBT SERVICE									
First Lien Financing	\$628,440	\$628,440	\$628,440	\$628,440	\$628,440	\$628,440	\$628,440	\$628,440	\$628,440
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	\$63,576	\$78,004	\$92,611	\$107,392	\$122,343	\$199,412	\$279,546	\$361,238	\$519,703
DEBT COVERAGE RATIO	1.10	1.12	1.15	1.17	1.19	1.32	1.44	1.57	1.83

LIHTC Allocation Calculation - Hickory Manor, DeSoto, HTC #04408

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	\$1,150,000	\$825,462		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,195,000	\$1,195,000	\$1,195,000	\$1,195,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$6,727,000	\$6,643,400	\$6,727,000	\$6,643,400
(4) Contractor Fees & General Requirements				
Contractor overhead	\$150,000	\$150,000	\$150,000	\$150,000
Contractor profit	\$385,000	\$385,000	\$385,000	\$385,000
General requirements	\$485,000	\$470,304	\$475,320	\$470,304
(5) Contingencies				
	\$500,000	\$391,920	\$396,100	\$391,920
(6) Eligible Indirect Fees				
	\$677,500	\$677,500	\$677,500	\$677,500
(7) Eligible Financing Fees				
	\$1,225,000	\$1,225,000	\$1,225,000	\$1,225,000
(8) All Ineligible Costs				
	\$249,000	\$451,680		
(9) Developer Fees				
Developer overhead	\$425,000	\$425,000	\$425,000	\$425,000
Developer fee	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000
(10) Development Reserves				
	\$200,000	\$326,480		
TOTAL DEVELOPMENT COSTS	\$14,468,500	\$14,266,746	\$12,755,920	\$12,663,124

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$12,755,920	\$12,663,124
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$16,582,696	\$16,462,061
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$16,582,696	\$16,462,061
Applicable Percentage		3.56%	3.56%
TOTAL AMOUNT OF TAX CREDITS		\$590,344	\$586,049

Syndication Proceeds	0.8299	\$4,899,365	\$4,863,723
Total Credits (Eligible Basis Method)		\$590,344	\$586,049
Syndication Proceeds		\$4,899,365	\$4,863,723
Requested Credits		\$579,425	
Syndication Proceeds		\$4,808,747	
Gap of Syndication Proceeds Needed		\$5,943,962	
Credit Amount		\$716,212	



Developer Evaluation

Project ID # **04408**

Name: **Hickory Manor Senior Comm** 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: 3

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 ay, March 04, 2004

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 2 /19/2004

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 _____ Date _____

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 Stephanie D'Couto Date 2 /19/2004

Executive Director: _____

Executed: _____

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

March 11, 2004

Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits in the amount of \$287,187 for The Vistas Apartments, Marble Falls, Texas.

Summary of the Transaction

The application was received on December 31, 2003. The Issuer for this transaction is Capital Area HFC. The development is to be located at 1700 Mustang Dr. in Marble Falls. The development will consist of 124 total units, with all affordable. The site is currently properly zoned for such a development. Because the City of Marble Falls is a municipality that has more than twice the state average of units per capita which is a violation under §50.5(a)(7) of the 2004 Qualified Allocation Plan and Rules, the applicant was required (under the QAP) to obtain a resolution from the City Council acknowledging the concentration and authorizing an allocation of tax credits. The resolution was recommended and approved by the city council on February 23, 2004. The Department received five letters from public officials in support (Senator Fraser, Representative Gratia Hupp, Mayor Fox, County Judge Kithil and County Commissioner Hibler) and no letters in opposition. The bond priority for this transaction is:

- Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI **and** Set aside **50%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI **and** Set aside **85%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects located in a **census tract with median income that is greater** than the median income of the county MSA, or PMSA that the QCT is located in. (MUST receive 4% Housing Tax Credits)
- Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 3:** Any qualified residential rental development.

Recommendation

Staff recommends the Board approve the issuance of Housing Tax Credits for The Vistas Apartment.



**HOUSING TAX CREDIT PROGRAM
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **The Vista Apartments**

TDHCA#: 04410

DEVELOPMENT AND OWNER INFORMATION

Development Location: Marble Falls QCT: N DDA: N TTC: N
 Development Owner: Marble Falls Vistas Apartments, LP
 General Partner(s): Marble Falls Housing Opportunity Corporation, 100%, Contact: Mark Mayfield
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Capital Area HFC
 Development Type: Family

Annual Tax Credit Allocation Calculation

Applicant Request: \$298,905 Eligible Basis Amt: \$287,187 Equity/Gap Amt.: \$557,743

Annual Tax Credit Allocation Recommendation: \$287,187

Total Tax Credit Allocation Over Ten Years: \$ 2,871,870

PROPERTY INFORMATION

Unit and Building Information

Total Units: 124 HTC Units: 124 % of HTC Units: 100
 Gross Square Footage: 120,273 Net Rentable Square Footage: 115424
 Average Square Footage/Unit: 931
 Number of Buildings: 16
 Currently Occupied: N

Development Cost

Total Cost: \$10,294,066 Total Cost/Net Rentable Sq. Ft.: \$89.18

Income and Expenses

Effective Gross Income:¹ \$ 866,111 Ttl. Expenses: \$357,688 Net Operating Inc.: \$508,422
 Estimated 1st Year DCR: 1.12

DEVELOPMENT TEAM

Consultant: Not Utilized Manager: Central Tex Affordable Housing Management
 Attorney: J. Michael Pruitt Architect: A. Ray Payne
 Accountant: Reznick, Fedder & Silverman Engineer: Tetra Tech, Inc.
 Market Analyst: Mark Temple Real Estate Economist Lender: FNMA American Communities Fund
 Contractor: G. G. MacDonald, Inc. Syndicator: Boston Capital Partners, Inc.

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. Troy Fraser, District 24 - S
# in Opposition: 0	Rep. Suzanna Gratia Hupp, District 54 - S
	Mayor Nona Fox - S
	Judy Miller, Asst. City Manager, City of Marble Falls; The proposed activity for new construction of rental housing is consistent with the City of Mable Falls Comprehensive Plan and its goal of promoting the expansion of affordable housing when feasible and cost effective.
	David L. Kithil, Burnet County Judge; S
	Ronny Hibler, Burnet County Commissioner, Precinct 3 - S

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

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

DATE: March 1, 2004

PROGRAM: 4% HTC

FILE NUMBER: 04410

DEVELOPMENT NAME

The Vistas Apartments

APPLICANT

Name:	<u>Marble Falls Vistas Apartments, L.P.</u>	Type:	<u>For Profit</u>
Address:	<u>1110 Broadway</u>	City:	<u>Marble Falls</u> State: <u>TX</u>
Zip:	<u>78654</u>	Contact:	<u>Mark Mayfield</u> Phone: <u>(830) 693-4521</u> Fax: <u>(830) 693-5128</u>

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	<u>Marble Falls Housing Opportunity Corporation</u>	(%):	<u>0.01</u>	Title:	<u>Managing General Partner</u>
Name:	<u>Marble Falls Housing Authority (MFHA)</u>	(%):	<u>N/A</u>	Title:	<u>Sole member of MGP, owner of land & improvements</u>
Name:	<u>Mark Mayfield</u>	(%):	<u>N/A</u>	Title:	<u>President of MGP & MFHA</u>
Name:	<u>Marble Falls Vistas Builders, LLC</u>	(%):	<u>N/A</u>	Title:	<u>Developer</u>
Name:	<u>G. Granger MacDonald</u>	(%):	<u>N/A</u>	Title:	<u>Owner of General Contractor & 50% owner of Developer</u>
Name:	<u>J. Steve Ford</u>	(%):	<u>N/A</u>	Title:	<u>50% owner of Developer</u>

PROPERTY LOCATION

Location: 1700 Mustang Drive **QCT** **DDA**
City: Marble Falls **County:** Burnet **Zip:** 78654

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$298,905	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 HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$287,187 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of an executed property leasing agreement between the Applicant and the General Partner or evidence of a 100% property tax exemption, prior to bond closing;
2. Receipt, review, and acceptance of substantiation of expected construction material cost savings related to a nonprofit sales tax exemption, prior to bond closing;
3. Receipt, review, and acceptance of a commitment from the related party general contractor to defer fees and additional equity contributions as necessary to fill the potential initial gap in permanent financing;
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

The Vistas Apartments was submitted and underwritten in the 2002 4% HTC cycle. The underwriting analysis recommended the project be approved subject to the following conditions:

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
2. Receipt, review, and acceptance of documentation of the revised partnership to include the Housing Authority of Marble Falls;
3. Receipt, review, and acceptance of correspondence from the taxing authority regarding their acceptance of the property tax-exempt status of the partnership;
4. Receipt, review, and acceptance of original acquisition and holding cost information; and
5. Should the terms of the proposed debt or syndication be altered, or the Underwriter's assumptions regarding the site acquisition costs be clarified, the conditions and recommendation herein should be re-evaluated.

The Applicant elected not to close on the bonds.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	<u>124</u>	# Rental Buildings	<u>16</u>	# Common Area Bldgs	<u>1</u>	# of Floors	<u>2</u>	Age:	<u>0</u> yrs	Vacant:	<u>N/A</u> at / /	
Net Rentable SF:	<u>115,424</u>	Av Un SF:	<u>931</u>	Common Area SF:	<u>4,849</u>	Gross Bldg SF:	<u>120,273</u>					

STRUCTURAL MATERIALS

The structure will be wood frame on a post-tensioned concrete slab on grade. According to the plans provided in the application the exterior will be comprised as follows: 35% stone veneer/65% cement fiber siding. The interior wall surfaces will be painted or papered drywall. The pitched roofs will be finished with asphalt composite shingles.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, & individual water heaters

ON-SITE AMENITIES

A 1,905-square foot community building will include an activity room, management offices, fitness & laundry facilities, kitchen, restrooms, & a central mailroom, & will be located, along with a swimming pool, at the entrance to the property. In addition, one of the one-bedroom unit buildings will have all four of the ground floor units (2,944 SF) converted to common area to include offices and meeting areas for the supportive services coordinator, laundry facilities, and activity rooms. An equipped playground is also planned for the site

Uncovered Parking:	<u>226</u>	spaces	Carports:	<u>0</u>	spaces	Garages:	<u>0</u>	spaces
---------------------------	------------	--------	------------------	----------	--------	-----------------	----------	--------

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The Vistas Apartments is a relatively dense (14.9 units per acre) new construction development of 124 units of affordable housing located in far northeast Marble Falls. The development is comprised of 16 evenly distributed, medium size, two-story, garden style residential buildings as follows:

- Five Building Type 736 with eight one-bedroom/one-bath units;
- One Building Type 736 with four one-bedroom/one-bath units upstairs and the downstairs area dedicated to common area;
- Six Building Type 970 with eight two-bedroom/two-bath units; and
- Four Building Type 1140 with eight three-bedroom/two-bath units.

Based on the site plan the apartment buildings are distributed evenly around the perimeter of the site, with the center occupied by parking lots. The community building and swimming pool are to be located near the entrance to the site. The 1,905-square foot community building plan includes the management offices, a club room, exercise and laundry facilities, and restrooms.

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

The Applicant is proposing an unusual ownership structure whereby the land and improvements will be owned by the General Partner, the Marble Falls Housing Authority, and leased to the for-profit Applicant. This arrangement was chosen to qualify the development for a 100% property tax exemption granted to housing authorities under Section 392.005 of the Texas Local Government Code. Although the Applicant provided an attorney's opinion letter affirming the General Partner's tax-exempt status, no leasing agreement or proposed terms thereof were submitted. Receipt, review, and acceptance of the executed property leasing agreement between the Applicant and the General Partner is a condition of this report.

Architectural Review: The elevations are simple and functional, with pitched roofs and covered exterior stairs. The units are well laid out, and each features a porch or balcony with a utility closet.

Supportive Services: The Applicant has contracted with a related organization, the Central Texas Affordable Housing Management Corporation, to provide the following supportive services programs to tenants: life management skills, fitness and recreation, employment skills and vocational seminars, spiritual guidance and counseling, emergency assistance, special population needs services, and transportation. meals and nutrition information, budget and money management counseling, senior volunteer opportunities, transportation on demand, health screenings and information, recreational activities, utility bill payment assistance, and information and referral services for other local service providers. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities for provision of the services and to pay \$500 per month for these support services.

Schedule: The Applicant anticipates construction to begin immediately following bond closing, and to be completed and placed in service in January of 2006. The development should be substantially leased-up in June of 2006.

SITE ISSUES					
SITE DESCRIPTION					
Size:	8.34	acres	363,290	square feet	Zoning/ Permitted Uses: R-3, multifamily residential permitted
Flood Zone Designation:	Zone X		Status of Off-Sites:	Partially improved	

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Marble Falls is located in central Texas, approximately 47 miles northwest of Austin in Burnet County. The site is an irregularly-shaped parcel located in the far northeast area of the city, approximately one mile from the central business district. The site is situated on the southeast side of Mustang Drive.

Adjacent Land Uses:

- **North:** undeveloped land with Marble Falls High School beyond
- **South:** an elderly multifamily HTC-funded development (Highland Oaks Apartments, 9% HTC #02012, also developed by G. Granger MacDonald) and commercially zoned land at intersection of FM 1431 and Mustang Drive
- **East:** undeveloped land
- **West:** Mustang Drive with undeveloped land beyond

Site Access: Access to the property is from the northeast or southwest along Mustang Drive, from which the development is to have three entries. Access to U.S. Highway 281 is one mile west, which provides connections to all other major roads serving the Marble Falls area as well as surrounding communities.

Public Transportation: Public transportation is not available in Marble Falls.

Shopping & Services: The site is within two miles of two major grocery/pharmacies as well as schools, churches, health care facilities, and other public and retail facilities.

Site Inspection Findings: TDHCA staff performed a site inspection on February 3, 2004 and found the location to be acceptable for the proposed development. The inspector noted the site was being cleared in preparation for construction.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated December 6, 2003 was prepared by TriCo Inspecting

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

Service, Inc. and contained the following findings and recommendations: “This assessment, which is based on a study of the historical land use of the subject property and adjacent properties, all practically reviewable information, and on direct observations of the site, has revealed no evidence of recognized adverse environmental conditions with the property. Since no adverse environmental impacts were observed relative to the site and no conditions were found that warrant any further investigation, TriCo considers the subject property to be one of no environmental risk.” (executive summary)

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. This is a non-metro development and there were no Priority 1 non-metro developments proposed in this region

2004 MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$22,080	\$25,260	\$28,380	\$31,560	\$34,080	\$36,600

MARKET HIGHLIGHTS

A market feasibility study dated December 23, 2003 was prepared by Mark C. Temple (“Market Analyst”) and highlighted the following findings:

Definition of Primary Market Area (PMA): “The primary or defined market area for The Vistas Apartments is considered Burnet County...Due to the proximity and accessibility to U.S. Highway 281, FM Highway 1431, and Texas State Highway 71, it is viewed a secondary market for the subject does exist. This secondary market includes the surrounding Highland Lakes geographical area.” The Analyst did not further define or delineate this secondary market. (p. II-1). The primary market includes 1,021 square miles and is equivalent to a circle with a radius of 18 miles. While this is an extremely large market area it is typical of a non-metro development and as such is acceptable.

Population: The estimated 2003 population of the PMA was 37,761 and is expected to increase by 15.8% to approximately 43,729 by 2008. Within the primary market area there were estimated to be 14,452 households in 2003.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total annual demand of 501 qualified households in the PMA, based on the current estimate of 14,452 households, the projected annual growth rate of 3.2%, renter households estimated at 22% of the population, income-qualified households estimated at 22.3%, and an annual renter turnover rate of 65.7%. (p. IV-3). The Market Analyst used an income band of \$18,690 to \$31,680.

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	21	4%	22	4%
Resident Turnover	480	96%	480	96%
Other Sources: (see note below)	0*	0%		%
TOTAL ANNUAL DEMAND	501	100%	501	100%

Ref: p. IV-3

*NOTE: The Analyst included 351 units of “rent burdened, etc.” demand and 100 units of “public housing waiting list” demand on the market analysis summary form but did not discuss these in the body of the report or include them in the inclusive capture rate calculation.

Inclusive Capture Rate: “Based on the income qualification banding methodology, the 124 LIHTC units of

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

the apartment project represent a 23.8% capture rate of all income-appropriate rental households within the market area, depending on the management’s criteria for qualifying potential renters.” (p. IV-3) Although the Analyst performed the appropriate calculation, this statement actually refers to a *market penetration rate* rather than a *demand capture rate*. The Market Analyst’s inclusive capture rate of 23.8% is based upon 42 units or *two years* of growth demand, which is permissible under TDHCA guidelines, although the Underwriter has annualized the estimated growth demand in the table above. The Underwriter calculated an inclusive capture rate of 36.7% based upon a revised supply which included 60 units approved last year in Burnet (Creekside Townhomes) and total demand of 501 units. The proposed inclusive capture rate is acceptable because it is less than the 100% allowed for rural areas.

Local Housing Authority Waiting List Information: “The Marble Falls Housing Authority currently has a lengthy waiting list for family and senior units.”(p. IV-5)

Market Rent Comparables: The Market Analyst surveyed six comparable apartment projects totaling 155 units in the market area. “The project[ed] rents for the subject project are well within and below the rental range for comparable projects within the market area.” (p. V-14)

RENT ANALYSIS (net 2004 tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (60%)	\$501	\$543	-\$42	\$670	-\$169
2-Bedroom (60%)	\$598	\$654	-\$56	\$744	-\$146
3-Bedroom (60%)	\$685	\$756	-\$71	\$870	-\$185

(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 occupancy level of the market area is presently 100%...From 2003 to 2004, occupancy levels for the market area are estimated to remain in the 100% range.” (p. III-1)

Absorption Projections: “According to the Marble Falls/Lake LBJ Chamber of Commerce and Claritas, Inc., present absorption trends of apartment projects located in the Marble Falls market area range from 10 to 15 units per month...Based upon current positive multifamily indicators and present absorption levels of 10 to 15 units per month, it is estimated that a 95%+ occupancy level can be achieved in an 8-to-12-month time frame.” (p. V-2)

Known Planned Development: “There is currently one apartment project that is under construction in the Marble Falls market area. The Highland Oaks Apartments located adjacent to the subject project on Mustang Drive is a 76-unit senior apartment project. Approved in 2003, the Highland Oaks Apartments is scheduled for completion in 2004.” (p. V-2) (NOTE: Highland Oaks was approved in the 2002 9% HTC cycle.) The Market Analyst failed to consider Creekside Townhomes which, while being more than ten miles away in neighboring Burnet, is within the defined market area and was awarded tax credit in the 2003 9% tax credit allocation cycle.

Effect on Existing Housing Stock: “The subject project will not affect the trends of other apartment projects in the surrounding Marble Falls market area due to the strong rental housing demand for the subject project.” (p. V-14).

The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: At the time of application, the 2004 rent limits had not been released and thus the Applicant used the maximum 2003 rent limits in setting rents. Based on the Applicant’s intention to charge maximum program rents, the Underwriter used the 2004 maximum rents in this analysis, which results in an increase of \$42,000 in potential gross rent. The Market Analyst’s estimates of market rents indicate the 2004 rents should be achievable. Estimates of secondary income and vacancy and collection losses are in line with

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

TDHCA underwriting guidelines. As a result of the Underwriter's use of 2004 rents the Underwriter's effective gross income estimate is \$38,855 higher than the Applicant's estimate.

Expenses: The Applicant's estimate of total operating expense of \$2,783 per unit is 3.5% lower than the Underwriter's database-derived estimate, an acceptable deviation. The Applicant's utilities estimate, being \$9,424 lower, however, deviates significantly when compared to the database averages. As discussed above, the Applicant is assuming a 100% property tax exemption pursuant to ownership of the property by the General Partner (the Marble Falls Housing Authority); the Underwriter, based on the attorney's opinion letter provided, concurs with the likelihood of a 100% property tax exemption being received. Alternatively, if the Applicant were to be granted only a 50% property tax exemption under Section 11.1825 of the Texas Tax Code the Underwriter estimates the probable property tax burden at approximately \$45.7K annually. As it appears that growth of more than approximately \$11.5K in expenses would cause the debt coverage ratio (DCR) to fall below the TDHCA minimum of 1.10, the substantiation of a 100% property tax exemption is mandatory. The Underwriter estimates that serviceable first lien debt would fall to no more than \$5.57M with a 50% property tax exemption and this would result in an unacceptable level of funding shortfall. Therefore, receipt, review, and acceptance of evidence of a property tax exemption from the relevant taxing authority is a condition of this report. Receipt of the proposed but not yet completed lease is anticipated to satisfy this proof of exemption requirement. It should also be noted however, that in the absence of a lease agreement, the Underwriter is assuming negligible annual leasing fees. Upon receipt, review, and acceptance of the executed leasing agreement the Underwriter will need to confirm the actual leasing expense and may need to re-evaluate the debt service capacity of the transaction.

Conclusion: Although the Applicant's estimated income and total estimated operating expense are within 5% of the Underwriter's estimates, the Applicant's net operating income estimate is not within 5% of the Underwriter's estimate and therefore the Underwriter's NOI will be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30. The Applicant used an estimated first lien interest rate of 5.0% to derive a first lien annual debt service amount of \$392,000; the Underwriter's estimated first lien debt service amount of \$453,433 is based on the most recent underwriting interest rate of 6.465% provided by GMAC Commercial Mortgage, the permanent phase credit enhancement provider.

ACQUISITION VALUATION INFORMATION					
APPRAISED VALUE					
Land Only: 8.34 acres	\$518,800	Date of Valuation:	1/	13/	2004
Appraiser: David E. Jones	City: Austin	Phone:	(800)	551-2532	
APPRAISED ANALYSIS/CONCLUSIONS					
Analysis: The Appraiser used the direct sales approach to determine the valuation, and utilized four comparable land sales in and around Marble Falls since September 2000.					
Conclusion: The Appraiser's valuation appears to set a reasonable maximum value for the property.					
ASSESSED VALUE					
Land: 8.34 acres	\$83,400	Assessment for the Year of:	2003		
Building:	N/A	Valuation by:	Burnet Central Appraisal District		
Total Assessed Value:	\$83,400	Tax Rate:	2.4581		
EVIDENCE of SITE or PROPERTY CONTROL					
Type of Site Control:	Earnest money contract				
Contract Expiration Date:	9/	30/	2004	Anticipated Closing Date:	3/
Acquisition Cost:	\$375,000		Other Terms/Conditions:		
Seller:	G. Granger McDonald & J. Steve Ford			Related to Development Team Member:	Yes

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

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of \$375,000 (\$1.03/SF, \$44,964/acre, or \$3,024/unit) is substantiated by the appraisal value of \$518,800. The sellers are the co-owners of the Developer and originally purchased a 16.6-acre parent parcel in January 2001 for \$415,000. The prorated original acquisition cost of the subject 8.34 acres would be \$208,500, and the sellers indicated they have performed \$192,800 in preliminary grading and sitework on the subject site, for a total investment of \$401,300. They have contracted to sell the property for a lesser value therefore, a windfall profit or excess developer fee is not projected to result from the potential TDHCA funding for the development.

Sitework Cost: The Applicant claimed sitework costs of \$8,686 per unit and provided sufficient third party certification through a detailed certified cost estimate by a professional engineer to justify these costs. In addition, these costs have been reviewed by the Applicant's CPA, Reznick, Fedder, & Silverman, to preliminarily opine that \$783,102 of the total \$1,077,102 will be considered eligible. The CPA has indicated that this opinion of eligibility has taken into account the effect of the recent IRS Technical Advisory Memoranda on the eligibility of sitework costs. Therefore, the Underwriter reduced the Applicant's eligible sitework cost to the CPA's estimate and moved the \$294K in estimated ineligible sitework costs to ineligible costs, which results in an equivalent reduction in eligible basis.

Direct Construction Cost: As submitted, the Applicant's costs of \$34.29 per net rentable square foot (NRSF) total \$916K or 19% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate and 8.8% lower than the proposed direct construction costs for the identical buildings proposed for the site by the same Applicant last year. The Underwriter also reviewed certified direct construction costs of \$40.33 on the Heritage Oaks Apartments (9% HTC #00011) in Kerrville, completed in 2002 by the same general contractor and developer. This would suggest that the Applicant's direct construction costs are understated. In response to the Underwriter's query regarding this cost differential the Applicant stated that it is anticipated that the nonprofit General Partner will qualify for an exemption from the 8% sales tax on building materials; at the time of this report the Underwriter has not been able to quantify the effect of this tax exemption and has therefore based the total development funding requirement on the Underwriter's cost estimate. Receipt, review, and acceptance of substantiation of expected construction material cost savings related to the nonprofit sales tax exemption, prior to bond closing is a condition of this report.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by \$12,100 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

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 with the overage effectively moved to ineligible costs. The Applicant's developer's fees profit are within the maximums allowed by TDHCA guidelines, but with the reduction in eligible basis due to the misapplication of eligible basis discussed above now exceed the maximum by \$75,814. The Applicant included \$10,000 in housing consultant fees as an eligible cost; the Underwriter moved these fees to developer fees resulting in an equivalent reduction in the Applicant's eligible basis.

Conclusion: The Underwriter regards total costs to be understated by \$829K or 8.1%. This percentage exceeds the acceptable 5% margin of tolerance, and therefore the Underwriter's cost estimate is used to size the total sources of funds needed for the development. The Applicant's requested credit amount, as adjusted for the underwriting applicable percentage rate of 3.65% for applications received in December of 2003, is less/greater than the Underwriter's eligible basis tax credit calculation. Therefore, the Applicant's tax credit calculation, as adjusted by the Underwriter, is used to establish the eligible basis method of determining the credit amount. As a result an eligible basis of \$7,868,135 is used to determine a credit allocation of \$287,187 from this method. The resulting syndication proceeds will be used to compare Applicant's request and to the gap of need using the Underwriter's costs to determine the recommended credit amount.

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

FINANCING STRUCTURE			
INTERIM TO PERMANENT BOND FINANCING (CREDIT ENHANCEMENT)			
Source:	GMAC Commercial Mortgage		Contact: Lloyd Griffin
Tax-Exempt Amount:	\$6,000,000	Interest Rate:	Estimated & underwritten at 6.465%
Additional Information:	Up to 3-year construction period		
Amortization:	30 yrs	Term:	30 yrs
Commitment:	<input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional		
Annual Payment:	\$453,433	Lien Priority:	1st
		Commitment Date	12/ 29/ 2003
PERMANENT FINANCING			
Source:	FNMA American Communities Fund		Contact: John Yoachum
Principal Amount:	Unknown		Interest Rate: Unknown
Additional Information:	Letter of interest only, no funding amount or terms provided		
Amortization:	Unk yrs	Term:	Unk yrs
Commitment:	<input checked="" type="checkbox"/> LOI <input type="checkbox"/> Firm <input type="checkbox"/> Conditional		
Annual Payment:	Unknown		Lien Priority: Unk
		Commitment Date	2/ 26/ 2004
TAX CREDIT SYNDICATION			
Source:	Boston Capital Partners, Inc.		Contact: Tom Dixon
Address:	One Boston Place		City: Boston
State:	MA	Zip:	02108
		Phone:	(617) 624-8673
		Fax:	(617) 624-8999
Net Proceeds:	\$2,227,341	Net Syndication Rate (per \$1.00 of 10-yr LIHTC)	77¢
Commitment	<input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional		
Date:	2/ 17/ 2004		
Additional Information:	Based on allocation of \$289,294		
APPLICANT EQUITY			
Amount:	\$837,361		Source: Deferred developer fee

FINANCING STRUCTURE ANALYSIS

(NOTE: When submitted in December 2003 the site was located in a HUD-designated difficult development area (DDA) (Burnet County) and as such was eligible for a 30% boost in eligible basis and therefore tax credits and syndication proceeds. Subsequent to application submission Burnet County was removed from the 2004 DDA list and therefore the Applicant has had to restructure the financing structure to compensate for a reduction of \$856,587 in anticipated HTC syndication proceeds. The following analysis pertains to the most recent (non-DDA) structure.)

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by the Capital Area Housing Finance Corporation and credit enhanced by GMAC Commercial Mortgage based on issuance of a letter of credit by FNMA. The most recent GMAC permanent financing commitment stated a permanent interest rate of 5.0% "for TDHCA loan underwriting purposes"; in response to the Underwriter's query GMAC revealed their own underwriting rate to be 6.465%, and the Underwriter has used this rate in this analysis. While the commitment provided did not explicitly describe the stack, a similarly structured transaction by the same DUS lender indicated that the underlying loan will service debt at a variable rate of interest based upon the BMA index plus a stack of 1.465%. The base rate for the BMA Index currently used by FNMA is 3% and GMAC included an underwriting spread of 2% to size the bonds on the other transaction to come to virtually the same underwriting rate. It is anticipated that the Applicant will also be required to purchase an interest rate cap for minimum of five years and escrow on a monthly basis 1/60th of the cost to replace the cap upon expiration per FNMA requirements. This additional reserve requirement will be analyzed and adjusted as needed annually by FNMA. The proposed financing structure will, at least initially, allow for a greater cash flow result than that predicted in this analysis due to the current actual BMA index rate of around 1% and the cushion provided by the underwriter's interest rate spread. In other

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

words the initial variable interest rate will actually be 2.465%.

HTC Syndication: The tax credit syndication proceeds amount listed in the most recent commitment is understated as it is based on tax credits of \$289,294 instead of the requested amount of \$298,905. An early syndication letter suggested a better syndication price of \$0.80 per credit acquired but this price was reduced to the current level upon the change to a variable rate loan structure.

Additional Financing: Following the loss of the site's DDA status and the attendant reduction in anticipated HTC syndication proceeds, the Applicant has been attempting to secure acceptable gap financing. On March 1 the Applicant provided a letter from FNMA's American Communities Fund expressing support for the development, but including no potential financing amount or terms. Therefore, the Underwriter has not included this as a feasible source of funds.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$837,361 amount to 76% of the total eligible fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed \$287,187 annually for ten years, resulting in syndication proceeds of approximately \$2,211,118. Due to the reduced syndication proceeds and the absence of a confirmed secondary funding source, a financing gap of \$2,082,948 exists which exceeds 100% of the eligible developer and related eligible general contractor fees by \$392,815. However, by using the Applicant's total versus eligible claimed developer and contractor fees of \$1,977,500 the funding gap is reduced to \$95,448. Therefore, absent a confirmed secondary funding source it is anticipated that 100% of the anticipated developer and contractor fees will need to be deferred along with \$95,448 in additional funding sources in order to fill the potential gap in permanent financing and this report is conditioned upon the receipt of such commitments. As indicated above this condition may be partially mitigated as a result of the likelihood that initial cash flow from the development will be better than projected in this report due to the likelihood that the variable all-in interest rate will be less than the underwritten rate.

The total deferred fees and additional gap is not repayable within the industry standard of ten years but is estimated to be repayable from cash flow within the TDHCA guideline of 15 years and therefore the transaction can be characterized as financially feasible based upon TDHCA Underwriting guidelines. Any unpaid developer fee after ten years would have to be paid through an equity contribution from the developer or general partner and a significant phantom income event on the developer's tax return could result in year ten. In addition should the Applicant's final direct construction cost exceed the cost estimate used in this analysis, additional deferred developer's fee would not be available to fund those development cost overruns.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, Property Manager, and Supportive Services provider are all related entities. These are common relationships for HTC-funded developments.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The Housing Authority of the City of Marble Falls, the owner of the General Partner, submitted an audited financial statement as of September 30, 2002 reporting total assets of \$5.4M and consisting of \$118K in cash, \$20K in receivables and prepaids, and \$88K in loan costs. Liabilities totaled \$3.3M, resulting in net equity of \$2.1M.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The parent of the General Partner, the Marble Falls Housing Authority, and its president, Mark Mayfield, listed participation in six previous affordable housing developments totaling 318 units since 1995.
- A TDHCA certificate of experience was submitted for the owner of the general contractor, G. Granger MacDonald.

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

SUMMARY OF SALIENT RISKS AND ISSUES

- Items identified in previous reports/ or analysis have not been satisfactorily addressed.
- The Applicant's estimated 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%.
- 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.
- Unless a secondary financing source is confirmed by bond closing it is anticipated that 100% or more of the eligible developer and contractor fees will require deferral, and therefore no fees will be available to fund unforeseen development costs.
- 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 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: March 1, 2004

Director of Real Estate Analysis:

Tom Gouris

Date: March 1, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

The Vistas Apartments, Marble Falls, 4% HTC #04410

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%)	44	1	1	736	\$591	\$526	\$23,144	\$0.71	\$65.00	\$61.00
TC (60%)	48	2	2	970	709	626	30,048	0.65	83.00	65.00
TC (60%)	32	3	3	1,140	820	718	22,976	0.63	102.00	74.00
TOTAL:		124	AVERAGE:	931	\$696	\$614	\$76,168	\$0.66	\$81.52	\$65.90

INCOME				Total Net Rentable Sq Ft:	115,424	TDHCA		APPLICANT		USS Region	/
POTENTIAL GROSS RENT						\$914,016	\$872,016	IREM Region			
Secondary Income		Per Unit Per Month:	\$15.00	22,320	22,320	\$15.00	Per Unit Per Month				
Other Support Income:				0	0						
POTENTIAL GROSS INCOME						\$936,336	\$894,336				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(70,225)	(67,080)	-7.50%	of Potential Gross Rent				
Employee or Other Non-Rental Units or Concessions				0	0						
EFFECTIVE GROSS INCOME						\$866,111	\$827,256				
EXPENSES								PER SQ FT	PER UNIT	% OF EGI	
General & Administrative	4.64%	\$324	0.35	\$40,179	\$38,000	\$0.33	\$306	4.59%			
Management	5.05%	353	0.38	43,754	41,363	0.36	334	5.00%			
Payroll & Payroll Tax	12.40%	866	0.93	107,384	99,630	0.86	803	12.04%			
Repairs & Maintenance	5.21%	364	0.39	45,153	50,800	0.44	410	6.14%			
Utilities	2.52%	176	0.19	21,824	12,400	0.11	100	1.50%			
Water, Sewer, & Trash	5.03%	351	0.38	43,564	44,160	0.38	356	5.34%			
Property Insurance	2.53%	177	0.19	21,931	24,800	0.21	200	3.00%			
Property Tax	2.4581	0	0.00	0	0	0.00	0	0.00%			
Reserve for Replacements	2.86%	200	0.21	24,800	24,800	0.21	200	3.00%			
Other: spt svcs, compl fees	1.05%	73	0.08	9,100	9,100	0.08	73	1.10%			
ADDITIONAL EXPENSES						41.30%	\$2,885	\$3.10	\$2.99	\$2,783	41.71%
NET OPERATING INC						58.70%	\$4,100	\$4.40	\$4.18	\$3,889	58.29%
DEBT SERVICE											
First Lien Mortgage	52.35%	\$3,657	\$3.93	\$453,433	\$392,000	\$3.40	\$3,161	47.39%			
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%			
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%			
NET CASH FLOW						6.35%	\$443	\$0.48	\$0.78	\$727	10.90%
AGGREGATE DEBT COVERAGE RATIO						1.12	1.23				
RECOMMENDED DEBT COVERAGE RATIO						1.12					

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)		3.64%	\$3,024	\$3.25	\$375,000	\$375,000	\$3.25	\$3,024	3.96%		
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%		
Sitework		7.61%	6,315	6.78	783,102	783,102	6.78	6,315	8.27%		
Direct Construction		47.35%	39,305	42.23	4,873,819	3,958,000	34.29	31,919	41.82%		
Contingency	3.54%	1.94%	1,613	1.73	200,000	200,000	1.73	1,613	2.11%		
General Req'ts	6.00%	3.30%	2,737	2.94	339,415	388,032	3.36	3,129	4.10%		
Contractor's G & A	2.00%	1.10%	912	0.98	113,138	184,344	1.60	1,487	1.95%		
Contractor's Profit	5.53%	3.04%	2,524	2.71	313,032	313,032	2.71	2,524	3.31%		
Indirect Construction		2.48%	2,057	2.21	255,100	255,100	2.21	2,057	2.70%		
Ineligible Costs		7.52%	6,243	6.71	774,100	774,100	6.71	6,243	8.18%		
Developer's G & A	1.85%	1.41%	1,174	1.26	145,612	145,612	1.26	1,174	1.54%		
Developer's Profit	12.17%	9.29%	7,714	8.29	956,480	956,480	8.29	7,714	10.11%		
Interim Financing		9.54%	7,919	8.51	981,900	981,900	8.51	7,919	10.37%		
Reserves		1.78%	1,479	1.59	183,367	150,000	1.30	1,210	1.58%		
TOTAL COST		100.00%	\$83,017	\$89.18	\$10,294,066	\$9,464,702	\$82.00	\$76,328	100.00%		
Recap-Hard Construction Costs		64.33%	\$53,407	\$57.38	\$6,622,507	\$5,826,510	\$50.48	\$46,988	61.56%		

SOURCES OF FUNDS					RECOMMENDED		
First Lien Mortgage	58.29%	\$48,387	\$51.98	\$6,000,000	\$6,000,000	\$6,000,000	Dev & Contr Fee Available
Additional Financing	3.89%	\$3,226	\$3.47	400,000	400,000	0	\$1,987,500
HTC Syndication Proceeds	21.64%	\$17,962	\$19.30	2,227,341	2,227,341	2,211,118	% of Fee Deferred
Deferred Developer & Contractor Fees	8.13%	\$6,753	\$7.25	837,361	837,361	2,082,948	105%
Additional (excess) Funds Required	8.06%	\$6,688	\$7.19	829,364	0	(0)	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$10,294,066	\$9,464,702	\$10,294,066	\$2,141,368

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

The Vistas Apartments, Marble Falls, 4% HTC #04410

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$44.58	\$5,277,253
Adjustments				
Exterior Wall Finish	5.20%		\$2.32	\$267,592
9-Ft. Ceilings	3.65%		1.63	187,829
Roofing			0.00	0
Subfloor			(1.02)	(117,155)
Floor Cover			2.00	230,848
Porches/Balconies	\$15.96	18,959	2.62	302,494
Plumbing	\$605	240	1.26	145,200
Built-in Appliances	\$1,650	124	1.77	204,600
Stairs	\$1,475	16	0.20	23,600
Floor Insulation			0.00	0
Heating/Cooling			1.53	176,599
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$62.87	1,905	1.04	119,769
Other: Additional Commo	\$44.58	2,944	1.14	131,254
SUBTOTAL			59.07	6,818,629
Current Cost Multiplier	1.03		1.77	204,559
Local Multiplier	0.85		(8.86)	(1,022,794)
TOTAL DIRECT CONSTRUCTION COSTS			\$51.99	\$6,000,393
Plans, specs, survy, bld prm	3.90%		(\$2.03)	(\$234,015)
Interim Construction Interest	3.38%		(1.75)	(202,513)
Contractor's OH & Profit	11.50%		(5.98)	(690,045)
NET DIRECT CONSTRUCTION COSTS			\$42.23	\$4,873,819

PAYMENT COMPUTATION

Primary	\$6,000,000	Amort	360
Int Rate	6.4650%	DCR	1.12

Secondary	\$400,000	Amort	
Int Rate	0.00%	Subtotal DCR	1.12

Additional	\$0	Amort	
Int Rate		Aggregate DCR	1.12

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$453,433
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$54,989

Primary	\$6,000,000	Amort	360
Int Rate	6.4650%	DCR	1.12

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.12

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.12

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

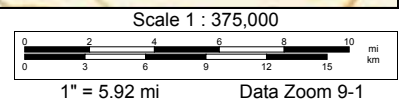
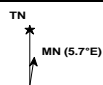
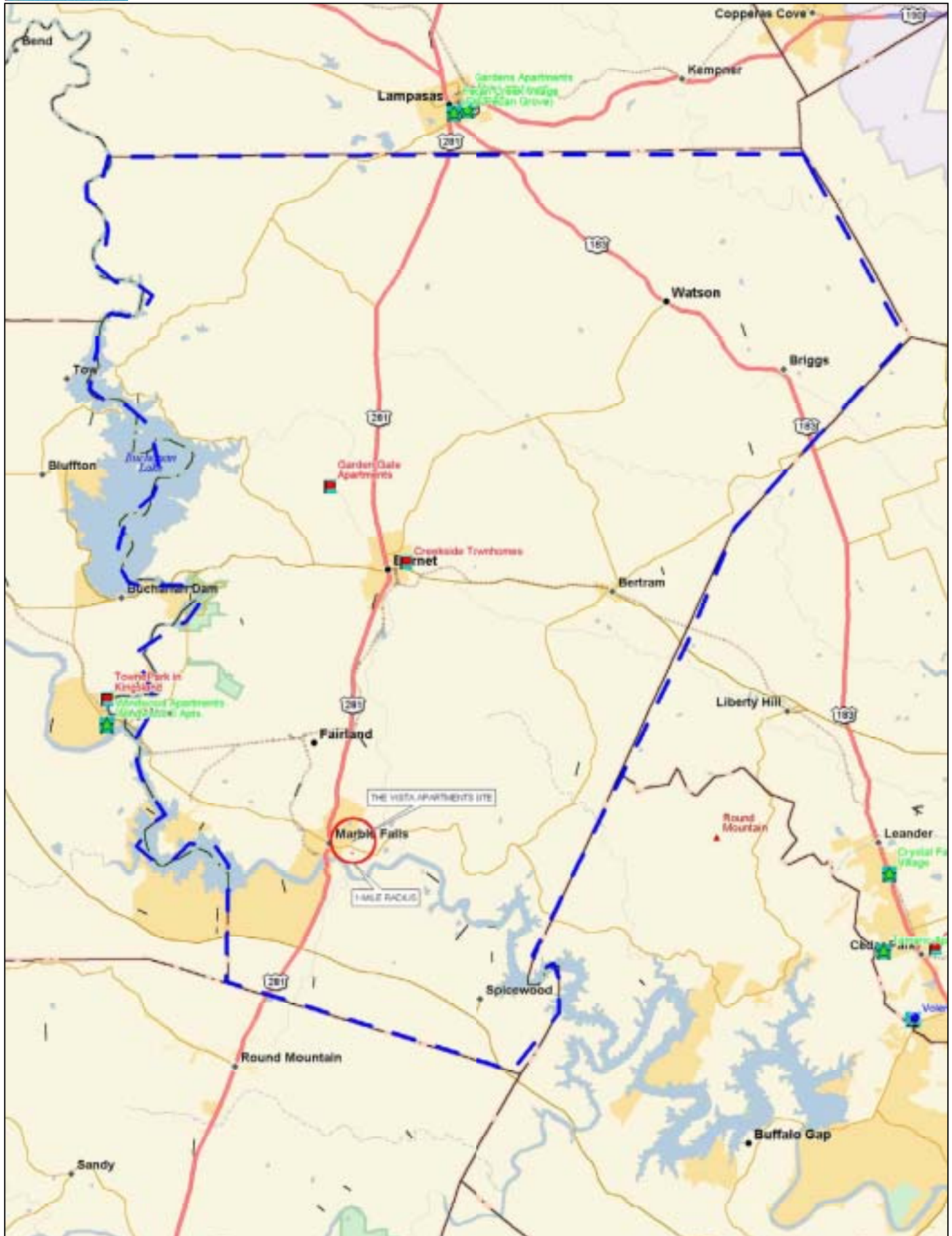
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
INCOME at 3.00%									
POTENTIAL GROSS RENT	\$914,016	\$941,436	\$969,680	\$998,770	\$1,028,733	\$1,192,584	\$1,382,531	\$1,602,733	\$2,153,939
Secondary Income	22,320	22,990	23,679	24,390	25,121	29,123	33,761	39,138	52,599
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	936,336	964,426	993,359	1,023,160	1,053,854	1,221,706	1,416,292	1,641,871	2,206,537
Vacancy & Collection Loss	(70,225)	(72,332)	(74,502)	(76,737)	(79,039)	(91,628)	(106,222)	(123,140)	(165,490)
Employee or Other Non-Rental L	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$866,111	\$892,094	\$918,857	\$946,423	\$974,815	\$1,130,078	\$1,310,070	\$1,518,731	\$2,041,047
EXPENSES at 4.00%									
General & Administrative	\$40,179	\$41,786	\$43,458	\$45,196	\$47,004	\$57,187	\$69,577	\$84,651	\$125,304
Management	43,754	45,067	46,419	47,811	49,246	57,089	66,182	76,723	103,110
Payroll & Payroll Tax	107,384	111,679	116,147	120,792	125,624	152,841	185,954	226,242	334,893
Repairs & Maintenance	45,153	46,959	48,837	50,791	52,822	64,267	78,190	95,130	140,816
Utilities	21,824	22,697	23,605	24,549	25,531	31,062	37,792	45,980	68,061
Water, Sewer & Trash	43,564	45,306	47,119	49,003	50,964	62,005	75,439	91,783	135,861
Insurance	21,931	22,808	23,720	24,669	25,656	31,214	37,977	46,204	68,394
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	24,800	25,792	26,824	27,897	29,012	35,298	42,946	52,250	77,343
Other	9,100	9,464	9,843	10,236	10,646	12,952	15,758	19,172	28,380
TOTAL EXPENSES	\$357,688	\$371,558	\$385,970	\$400,945	\$416,504	\$503,916	\$609,815	\$738,135	\$1,082,161
NET OPERATING INCOME	\$508,422	\$520,536	\$532,887	\$545,478	\$558,311	\$626,162	\$700,256	\$780,595	\$958,886
DEBT SERVICE									
First Lien Financing	\$453,433	\$453,433	\$453,433	\$453,433	\$453,433	\$453,433	\$453,433	\$453,433	\$453,433
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	\$54,989	\$67,103	\$79,454	\$92,045	\$104,878	\$172,730	\$246,823	\$327,162	\$505,453
DEBT COVERAGE RATIO	1.12	1.15	1.18	1.20	1.23	1.38	1.54	1.72	2.11

LIHTC Allocation Calculation - The Vistas Apartments, Marble Falls, 4% HTC #04410

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	\$375,000	\$375,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$783,102	\$783,102	\$783,102	\$783,102
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$3,958,000	\$4,873,819	\$3,958,000	\$4,873,819
(4) Contractor Fees & General Requirements				
Contractor overhead	\$184,344	\$113,138	\$94,822	\$113,138
Contractor profit	\$313,032	\$313,032	\$284,466	\$313,032
General requirements	\$388,032	\$339,415	\$284,466	\$339,415
(5) Contingencies	\$200,000	\$200,000	\$200,000	\$200,000
(6) Eligible Indirect Fees	\$255,100	\$255,100	\$255,100	\$255,100
(7) Eligible Financing Fees	\$981,900	\$981,900	\$981,900	\$981,900
(8) All Ineligible Costs	\$774,100	\$774,100		
(9) Developer Fees			\$1,026,278	
Developer overhead	\$145,612	\$145,612		\$145,612
Developer fee	\$956,480	\$956,480		\$956,480
(10) Development Reserves	\$150,000	\$183,367		
TOTAL DEVELOPMENT COSTS	\$9,464,702	\$10,294,066	\$7,868,135	\$8,961,599

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$7,868,135	\$8,961,599
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$7,868,135	\$8,961,599
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$7,868,135	\$8,961,599
Applicable Percentage			3.65%	3.65%
TOTAL AMOUNT OF TAX CREDITS			\$287,187	\$327,098

Syndication Proceeds	0.7699	\$2,211,118	\$2,518,406
Total Credits (Eligible Basis Method)		\$287,187	\$327,098
Syndication Proceeds		\$2,211,118	\$2,518,406
Requested Credits		\$298,905	
Syndication Proceeds		\$2,301,338	
Gap of Syndication Proceeds Needed			\$4,294,066
Credit Amount			\$557,727



Developer Evaluation

Project ID # **04410**

Name: **The Vistas Apartments**

City: **Marble Falls**

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: 2 Projects grouped by score 0-9 2 10-19 0 20-29 0
Total # monitored with a score less than 30: 2 # 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 ay, March 04, 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 2 /19/2004

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 _____ Date _____

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 Stephanie D'Couto Date 2 /19/2004

Executive Director: _____

Executed: _____

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

March 11, 2004

Action Item

Requests for amendments to Housing Tax Credit (HTC) applications involving material changes.

Requested Action

Consider and approve or deny requests for amendments.

Background and Recommendations

Pertinent facts about the developments requesting amendments are summarized below.

Development No. 02022, Castle Gardens Apartments

Summary of Request: The Michaels Development Company (Michaels) requests permission to rent 57 units (38% of total units) at rents applicable at the 60% of AMI level and to tenants that qualify at the 60% level or less. Michaels would maintain the remaining 62% of the units at rents applicable to the 50% of AMI level, for tenants qualifying at 50% of AMI or less. The application scored 20 points for committing to make 100% of the units available to tenants earning 50% or less of AMI, but the same score would have resulted if only 50% of the units had been reserved at 50% rents, for tenants qualifying at 50% of AMI. Michaels makes the request to comply with the lender's requirement associated with increasing the amount of the FHA insured mortgage loan. The additional funds are needed to defray construction cost increases from an initial estimate of \$2,536,449 to \$3,535,899, an increase of \$1,019,450. Fifty of the 57 units to undergo rent increases are under HAP contracts which will continue to cover the difference between the rents that the tenants can afford and the rents that will be charged.

Governing QAP	2002 QAP, Section 49.15(c)
Applicant:	CP Castle LP
General Partner:	Castle Gardens-Michaels, L.L.C.
Principals/Contacts	Michael J. Levitt (The Michaels Development Company)
Syndicator:	Related Capital Company
Construction Lender:	GMAC Commercial Mortgage
Permanent Lender:	GMAC Commercial Mortgage
City/County:	Lubbock/Lubbock
Set-Aside:	At-Risk/Family
Type of Development:	Acquisition/Rehab
Units:	152 HTC units
2002 Allocation:	\$333,177
Allocation per HTC Unit:	\$2,206
Other Funding:	NA
Prior Board & Department Actions:	Carryover extended from 10/11/02 to 12/16/02 Construction loan closing extended from 6/13/02 to 10/31/03 Construction loan closing extended from 10/31/03 to 1/30/04 Construction loan closing extended from 1/30/04 to 3/31/04 Commencement of construction extended from 11/14/03 to 12/31/03 Commencement of construction extended from 12/31/03 to 3/31/04 Commencement of construction extended from 3/31/04 to 6/30/04
Underwriting Reevaluation:	Analysis by the Real Estate Analysis Division (REA) is ongoing.
Staff Recommendation:	It should be noted that this application would have obtained an allocation of credits regardless of points because of its inclusion in the At-Risk Set-Aside, which was undersubscribed. Staff recommends that the 57 units designated to rent at 50% of AMI rent limits be reclassified to rent at the 60% limits to tenants qualifying at or below 60% of AMI. Staff's recommendation includes the

condition that the development owner must seek approval from HUD to increase only the rents of the 50 units covered by the HAP contract, and if HUD approves the request, the Department's approval of the reclassification of any units as requested, will be withdrawn.

THE MICHAELS
DEVELOPMENT CO.

RECEIVED
JAN 29 2004
LIHTC

Wednesday, January 28, 2004

Brooke Boston
Director of Multifamily Finance Production
Texas Department of Housing and Community Affairs
507 Sabine
Suite 400
P.O. Box 1394
Austin, TX 78711

RE: Rent Increase Request
Castle Gardens THDCA 02022

Dear Ms Brooke:

Please consider this letter a clarification of our request to increase the monthly rents for 57 (37.5%) of the 152 tax credit units at the Castle Gardens development in Lubbock. This request is solely motivated by our need to increase the project's FHA insured mortgage loan and, thereby, fund the full scope of much needed rehabilitation.

The original tax credit application for this project indicated that rehabilitation would cost \$2,536,449. The total amount of our actual construction contract is \$3,535,899, \$1,019,450 more than originally anticipated. The scope of the rehabilitation work to be performed and its cost has been reviewed and approved not only by our own in-house construction management staff but by a third party review architect under contract to our mortgage lender as well.

If approved, we would increase the initial rents of 57 units from levels affordable to families with incomes at 50% of area median income, to levels affordable to families with incomes at 60% of area median income. In reviewing the proposed rent chart below, please note that 50 of these units are now, and will remain, under Section 8 Housing Assistance Payments (HAP) Contracts. Residents will continue to pay 30% of their household incomes toward housing expenses. The HAP subsidy will cover the difference between the new rents and the rents that residents can afford.

Corporate Office

1 E. Stow Road
P.O. Box 994
Marlton, NJ
08053-0994
(856) 596-3008
fax (856) 988-5817
Hearing Impaired:
TDD (800) 244-7967

Bdrms	Baths	Subsidy	Basis of Rents	No Units	Initial Rent
1	1	HAP	60%	6	470
2	1	HAP	60%	32	575
2	1	non-HAP vacant	60%	7	575
3	2	HAP	60%	12	645
TOTAL UNITS				57	

The 7 non-HAP units are currently unoccupied. Thus, no current residents, whether residing in HAP or non-HAP units will be affected by the rent increase.

It has been suggested that we designate 57 HAP units for the increase, rather than increasing the rents of any non-HAP units. Unfortunately, HUD regulations preclude this approach. We have been informed that HUD requires proportionality, so that both HAP and non-HAP units are increased on a pro rata basis.


There has been some misunderstanding that our request was based on the need to protect residents whose incomes fall between 50 and 60% of median income. According to the most recent information from our property managers, no residents fall within this income range at Castle Gardens. As noted above, our request is solely based on our need to cover our rehabilitation budget.

Please be advised that we are, in fact, protecting all current residents of the development. As suggested above, tenants residing in subsidized units are protected by virtue of the continuing HAP contracts. The initial rents that will be charged to tenants currently living in non-HAP units will be no greater than the rents they are paying now. Gradually, over a number of years, we anticipate, with HUD's approval, increasing the rents paid by these existing tenants so that they equal 30% of their household incomes. Eventually, through natural turn over, we anticipate that many of these units will be rented to new tenants paying tax credit (50%) rents.

Bdrms	Baths	Subsidy	Basis of Rents	No Units	Initial Rent
1	1	non-HAP occupied	current rent	2	366
2	1	non-HAP occupied	current rent	6	435
3	2	non-HAP occupied	current rent	1	581

We trust that the above information clarifies our request. Please feel free to contact us with any questions or requests for additional information.

Very truly yours,



Ava J. Goldman
Senior Vice President

Boston Capital

Wednesday, February 25, 2004

Brooke Boston
Director of Multifamily Finance Production
Texas Department of Housing and Community Affairs
507 Sabine
Suite 400
P.O. Box 1394`
Austin, TX 78711

RE: Rent Increase Request
Castle Gardens THDCA 02022

Dear Ms Boston:

It is our understanding that the Michaels Development Company has requested approval to increase the monthly rents for 57 (37.5%) of the 152 tax credit units at the Castle Gardens development in Lubbock from levels affordable to families with incomes at 50% of area median income, to levels affordable to families with incomes at 60% of area median income. As 50 of these units are now, and will remain, covered under Section 8 Housing Assistance Payments (HAP) Contracts and the remaining 7 units are presently unoccupied, no current residents of the property will be affected by the proposed increase.

Please be advised that this request was triggered by the need to increase the project's FHA insured mortgage loan to \$5,233,600 in order to cover the full scope of rehabilitation. The developer must secure a mortgage loan in this amount to meet the conditions of our tax credit commitment. Failure to do so may jeopardize our commitment.

Please feel free to contact us with any questions or requests for additional information.

Very truly yours,



Raoul Moore
Vice President, Acquisitions

GMAC

Commercial Mortgage

1801 K Street NW, Suite 201L,
Washington, DC 20006
202 496 9000

Wednesday, February 25, 2004

Brooke Boston
Director of Multifamily Finance Production
Texas Department of Housing and Community Affairs
507 Sabine
Suite 400
P.O. Box 1394`
Austin, TX 78711

RE: Rent Increase Request
Castle Gardens THDCA 02022

Dear Ms Boston:

It is our understanding that the Michaels Development Company has requested approval to increase the monthly rents for 57 (37.5%) of the 152 tax credit units at the Castle Gardens development in Lubbock from levels affordable to families with incomes at 50% of area median income, to levels affordable to families with incomes at 60% of area median income. As 50 of these units are now, and will remain, covered under Section 8 Housing Assistance Payments (HAP) Contracts and the remaining 7 units are presently unoccupied, no current residents of the property will be affected by the proposed increase.

Please be advised that this request was triggered by the need to increase the project's FHA insured mortgage loan to cover the full scope of rehabilitation. Without this additional revenue, the FHA insured mortgage loan currently being processed with HUD will be in an amount insufficient to support the property's basic physical needs.

Please feel free to contact us with any questions or requests for additional information.

Very truly yours,


GMAC Commercial Mortgage
Richard K. Price
Senior Vice President

Development No. 02027, Creekside Apartments

Summary of Request: Applicant requests approval to increase the size of the site from 7.21 acres to 7.45 acres. The 0.24 acre difference was obtained by adding a lot with a house that has now been moved, improving the visibility of the development. The letter also requests approval to increase the unit sizes from 750 to 825 square feet for one-bedroom units, 900 to 918 square feet for two-bedroom units and 1,064 to 1,232 square feet for three bedroom units.

Governing QAP	2002 QAP, Section 49.7(k)
Applicant:	HVM O'Donnell, Ltd.
General Partner:	HVM Housing, LLC, general partner
Principals/Contacts	Dennis Hoover
Syndicator:	Raymond James Tax Credit Funds
Construction Lender:	First State Bank
Permanent Lender:	First State Bank
City/County:	Burnet/Burnet
Set-Aside:	Rural/Family
Type of Development:	New Construction
Units:	54 HTC units and 6 market rate units
2003 Allocation:	\$369,601
Allocation per HTC Unit:	\$6,844
Other Funding:	NA
Prior Board & Department Actions:	Awarded credits in July of 2002
Underwriting Reevaluation:	Analysis by the Real Estate Analysis Division (REA) is ongoing.
Staff Recommendation:	While the 2002 QAP stipulated that pre-application points (15 points) were contingent on the site remaining the same, this application would still have been awarded out of the Rural Set-Aside even without the pre-application points. Therefore, because the new proposed design would not have affected the ultimate selection and award of the development and because this is not a negative change, staff recommends that the Board approve the applicant's request.

HVM O'DONNELL, LTD.
CREEKSIDE TOWNHOMES
P.O. Box 190
Burnet, Texas 76811
512-756-6809*Fax 512-756-9885
e-mail: dennishoover@hamiltonvalley.com

January 28, 2004

Brooke Boston
TDHCA
P.O. Box 13941
Austin, Texas 78711-3941

Re: TDHCA #02027 Creekside Townhomes

Dear Ms. Boston,

We are requesting approval of a change in the site plan, a change in the architectural design of the floor plan and an increase in the square footage of the unit. We are not asking for any additional credit.


The change to the site plan: Our site is 7.21 acres that we purchased for \$70,000. The site was adjacent to a somewhat unsightly old house. This house was on the corner of the block of our site and would have blocked the view of our development from the two most important approaches. We were able to buy the lot, .24 acres, for \$60,000 and remove the house. Moving the house makes a great improvement in the looks of our property. We also moved the office/community to this location and lowered slightly the density of the site.

The change in the architectural design: We submitted a plan that showed all the two and three bedrooms as a townhouse design; in other words, all of the bedrooms were upstairs. There was a half bath downstairs, but no one noticed that these plans did not comply with the 2002 requirement to "...include one bedroom and one bathroom on the ground level of 20% of all Units for each Unit type..." We only recently discovered this and directed the architect to draw up some plans that would meet this requirement. The other 80% of the two and three bedroom plans are the same.

The increase in the square footage: This property is in our hometown. My father, John Hoover, drives by the site daily. We wanted the apartments to be more livable than a standard apartment. We increased the one bedroom from 750 feet to 825 feet, the two bedroom from 900 feet to 918 feet, and the three bedroom from 1064 feet to 1232 feet. The square foot cost for direct construction is the same at 40.06 per sq. ft. The new total construction contract per square foot is \$54.59, vs. the original at \$55.16. The new total development cost per square foot is \$76.23 vs. the original at \$75.89.

We have enclosed the new site plan, new building plans and floor plans, Project Cost Schedule, Rent Schedule, Utility Allowance, Statement of Annual Expenses, Sources and Uses of Funds, and 30 year operating proforma. Please contact me if you need anything else.

Sincerely,



Dennis Hoover, Vice President, HVM Housing LLC,
General Partner



EQUAL HOUSING
OPPORTUNITY



RECEIVED

FEB 02 2004

LIHTC

Development No. 03257, Caney Run Apartments

Summary of Request: Applicant requests approval to change the site plan and unit plans. The original plan called for 56 2BR/2Bath units and 60 3BR/2Bath units, with no two-story units. The new plan calls for 48 2BR/2.5Bath 2-story units, 8 2BR/2Bath 1-story units (all on the ground level) and 60 3BR/2.5Bath 2-story units.

Governing QAP	2003 QAP, Section 49.18(c)(3)(A) and (4)(A) and (E)
Applicant:	Caney Run, Ltd.
General Partner:	Caney Run, LLC, managing general partner Con-Cor, Inc., co-general partner
Principals/Contacts	Cy Jary, Lloyd Jary, Jr., Michael Hartman, Donald Pace
Syndicator:	SunAmerica
Construction Lender:	SunAmerica
Permanent Lender:	SunAmerica
City/County:	Victoria/Victoria
Set-Aside:	General/Family
Type of Development:	New Construction
Units:	116 HTC units
2003 Allocation:	\$704,038
Allocation per HTC Unit:	\$6,069
Other Funding:	NA
Prior Board & Department Actions:	Awarded credits in July of 2003
Underwriting Reevaluation:	Analysis by the Real Estate Analysis Division (REA) is ongoing.
Staff Recommendation:	Because the new proposed design would not have affected the scoring of the application, is not a negative change, and continues to meet all threshold requirements, staff recommends that the Board approve the applicant's request.

LOCKE LIDDELL & SAPP LLP

ATTORNEYS & COUNSELORS

100 CONGRESS AVENUE
Suite 300
Austin, Texas 78701-4042

AUSTIN • DALLAS • HOUSTON • NEW ORLEANS

(512) 305-4700
Fax: (512) 305-4800
www.lockeliddell.com

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

February 5, 2004

Mr. Kimbal Thompson
Mr. Ben Sheppard
Texas Department of Housing and Community Affairs
507 Sabine
Austin, Texas 78701

VIA HAND DELIVERY

Re: Caney Run, Ltd. (the "Partnership")
TDHCA File No.: 03257

Gentlemen:

As you know, we represent the Partnership, which has submitted a request for a site plan amendment for its project, Caney Run Estates in Victoria (the "Project"). You have reviewed the site plan amendment for the Project and have indicated that the proposed site plan is not consistent with Section 49.9(e)(4)(E) of the 2003 QAP, a portion of which reads as follows:

Additionally, in Developments where all Units are two-stories and are normally exempt from Fair Housing accessibility requirements, a minimum of 20% of each Unit type must provide an accessible entry level in compliance with the Fair Housing Guidelines, and include a minimum of one bedroom and one bathroom or powder room at the entry level. (emphasis added)

You have asserted that, under this provision, a minimum of 20% of each Unit type in the Project must provide an accessible entry level in compliance with the Fair Housing Guidelines, and include a minimum of one bedroom and one bathroom or powder room at the entry level.

The Project, as presented on the site plan amendment, would include both one-story and two-story buildings. All of the units are not two-story units. Consequently, the provision above does not apply. Further, the Project is not one that is "normally exempt from Fair Housing accessibility requirements." Again, the provision above fails to apply.

These points have been brought to your attention by the Partnership's architectural firm, Dimensions Architects International. The response from Ben, in an email dated January 31, 2004, was that ". . . the conditions were, in fact, approved by the board to apply to all developments, no matter the mix of two story units as well as one-story units." We cannot find any evidence that the board made a determination of this sort. We have reviewed the draft 2003 QAP presented to the board at its September 12, 2002 meeting, the memorandum of staff presented with the draft QAP, and the minutes of the September 12, 2002 board meeting. None contain any reference to such a determination. We

Mr. Kimbal Thompson
Mr. Ben Sheppard
February 5, 2004
Page 2

have reviewed the final 2003 QAP presented to the board at its November 14, 2002 meeting, the memorandum of staff presented with the final QAP, and the minutes of the November 14, 2002 board meeting. None contain any such reference to such a determination. If you know of any evidence that the board made a binding determination to this effect, we would appreciate you directing us to it.

The provision of the 2003 QAP in question differs significantly from the predecessor provision of the 2002 QAP. The predecessor provision of the 2002 QAP said:

Additionally, for Developments *designed as Townhomes or other two-story dwelling Units*, the Applicant must include one bedroom and one bathroom on the ground level of 20% of all Units for each Unit type, include a bathroom with at least a toilet and a sink on the ground level of all Units, and meet Fair Housing standards.

The provision of the 2002 QAP was, on its face, less clear than the provision of the 2003 QAP. The provision of the 2002 QAP referred to developments "designed as Townhomes or other two-story dwelling Units." The provision of the 2003 QAP refers to developments "where all Units are two-stories and are normally exempt from Fair Housing accessibility requirements." It can only be assumed that this clarification was deliberate and that it reflected the Department's intent for the provision to apply to developments where all of the units are two-stories.

A basic rule of law says that when a document is clear on its face, it is not necessary or appropriate to look beyond the document itself for interpretation. That is the case here. The sentence in question is very clear. It applies to developments: (1) where all units are two-stories and (2) that are normally exempt from Fair Housing accessibility requirements. The Project, as redesigned by the site plan amendment, does not fit within either of those standards. It is not necessary or appropriate to look to the board's intent with regard the application of this provision. Further, we cannot find any written indication that the board had a specific intent with regard to the application of this provision.

For all of these reasons, the Partnership respectfully requests that you reconsider your position, recommend the site plan amendment as proposed for approval, and submit the site plan amendment for consideration at the March board meeting. I have enclosed with this letter a transmission from the Partnership containing the financial information requested with regard to the amended site plan.

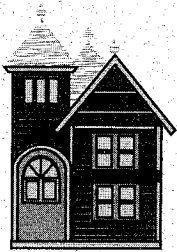
If you would like to discuss any of these points further, or if you need any additional information to process the site plan amendment request, please feel free to contact me or representatives of the Partnership.

Thank you for your consideration.

Sincerely,



Cynthia L. Bast



MERRITT HOUSING, LLC

December 22, 2003

Texas Department of Housing and Community Affairs
Low Income Housing Tax Credit Program
507 Sabine, Suite 400
Austin, TX 78701
Attention: Ms. Brooke Boston

RECEIVED
JAN 07 2004
LIHTC

Re: Applicant: Caney Run, Ltd.
Project Name: Caney Run Estates
TDHCA #: 03257

Dear Ms. Boston:

We propose to modify the type of buildings to be built at Caney Run Estates from garden apartments to townhomes.

Enclosed are the following:

1. A schedule of the proposed new unit sizes and the calculation of the net rentable square footage for all of the units.
2. The gross and net rentable square footages from our original application.
3. A revised site plan based upon the proposed units.
4. Unit floor plans, building floor plans and elevations for the proposed units.

We believe that our proposed changes are beneficial to the development and the residents for the following reasons:

1. We are providing an additional 5,300 square feet of living area to the residents in the units.
2. The clubhouse is 1,500 square feet larger than that which was proposed in the application.
3. In the application, all units had two bathrooms. In our revisions, we propose to add an additional half-bath in 108 of the 116 units.
4. Townhomes promote a feeling of "resident ownership" not found in an apartment community.

Everything else in the application will stay the same. Therefore, we respectfully request that TDHCA approve our change from garden apartments to townhomes.

Sincerely,

Michael Hartman
Member of the sole Member of the G.P.

**Caney Run Estates
Townhome Schedule
03257**

Type of Unit	# of Units	# of Bedrooms	# of Baths	Unit Size (Net)	Total Net Sq. Ft.
2 Bed HC	8	2	2	902	7,216
2 Bed	48	2	2.5	924	44,352
3 Bed	60	3	2.5	1,206	72,360
					<u>123,928</u>

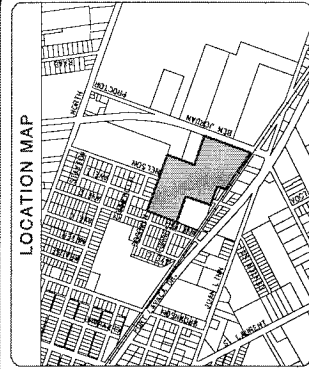


URBAN
Engineering



CANEY RUN ESTATES
101 SOUTH BEN JORDAN STREET
DIMENSIONED SITE PLAN

JOB: E13540
FILE: 9-30-2004
DRAWING:
12
SHEET 1 OF 1



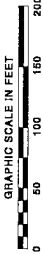
OFF-STREET PARKING REQUIREMENTS
THE CITY OF VICTORIA REQUIRES 2 SPACES PER 2 BEDROOM UNIT PLUS AN FAMILY RESIDENCE.
NUMBER OF 3 BEDROOM UNITS - 86
TOTAL NUMBER OF SPACES REQUIRED - 282
TOTAL NUMBER OF SPACES PROVIDED - 284
TOTAL NUMBER OF HANDICAP SPACES PROVIDED - 14

GENERAL NOTES

1. ALL DIMENSIONS ARE TO BACK OF CURB UNLESS NOTED OTHERWISE.
2. ALL PARKING SPACES ARE 9' X 20' UNLESS NOTED OTHERWISE.
3. SECTION 402 OF THE CLEAN WATER ACT AND CHAPTER 246 OF THE TRAFFIC ACT REQUIRE THE DISCHARGE OF STORM WATER FROM THE CONSTRUCTION OF THIS PROJECT TO BE CONTROLLED TO PREVENT POLLUTION TO ADJACENT AREAS. THE PREVENTION PLAN MUST BE FOR THE PROJECT'S ENTIRE DURATION. THE PREVENTION PLAN MUST BE APPROVED BY THE LOCAL GOVERNMENT. THE OWNER AND CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING AND OBTAINING THE NECESSARY PERMITS AND APPROVALS FROM THE LOCAL GOVERNMENT.

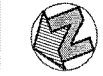
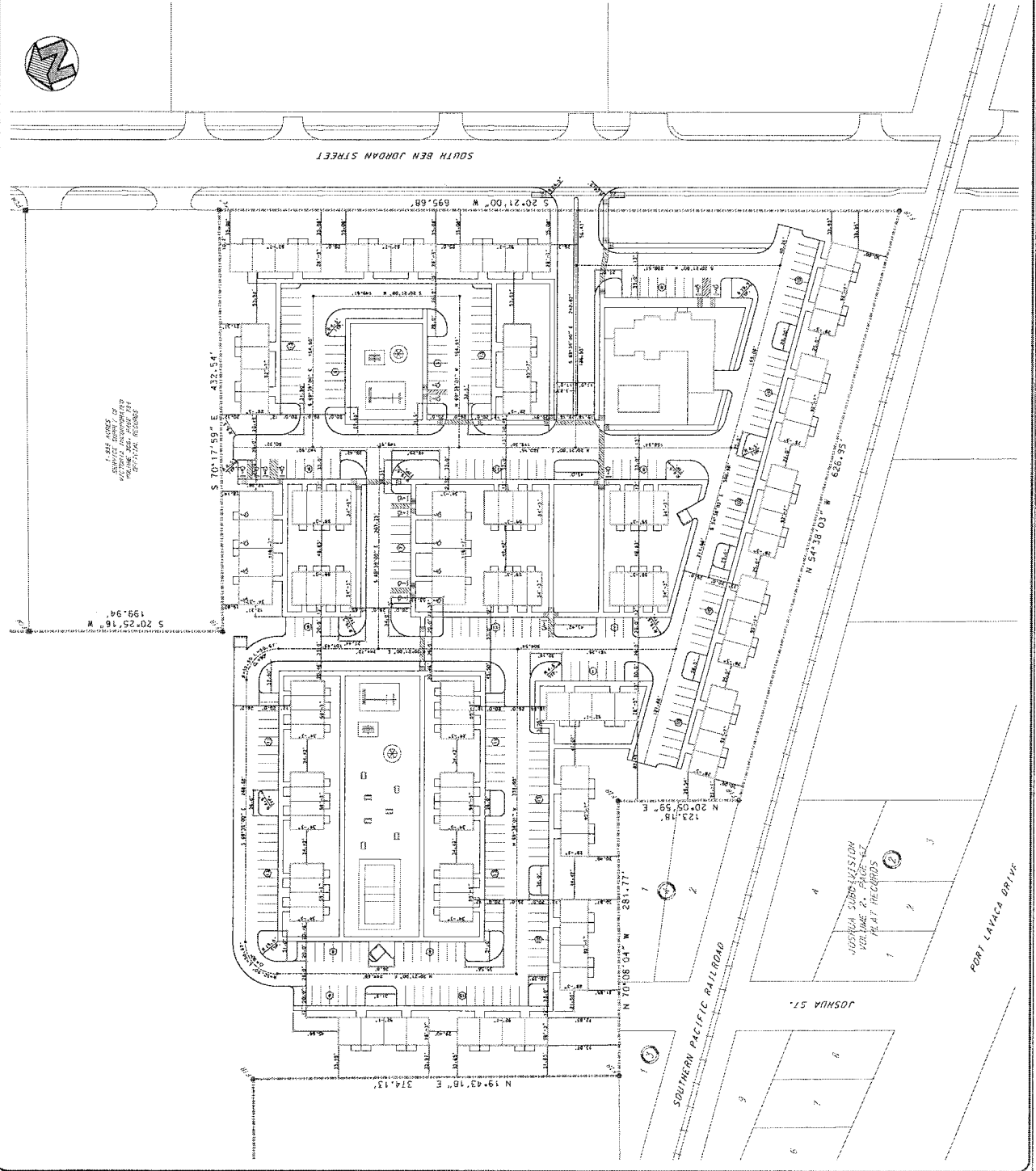
BENCHMARK

URBAN CONTROL POINT #18
ELEVATION: 10.20 MGS 1988



NO.	DATE	ISSUED CLIENT REVIEW	DESCRIPTION
1	12/17/03		ISSUED CLIENT REVIEW

ISSUES AND REVISIONS



1.382 ACRES
SUBJECT TO THE CITY OF VICTORIA
PLANNING AND DEVELOPMENT
DEPARTMENT RECORDS

JOSHUA SUBDIVISION
VOLUME 21, PAGE 42
PLAT RECORDS

PORT LATAKA DRIVE

SOUTHERN PACIFIC RAILROAD

JOSHUA ST.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

March 11, 2004

Action Items

Request for extension regarding commencement of substantial construction.

Required Action

Approve or deny the request for extension associated with this 2002 commitment.

Background

Pertinent facts about the development requesting an extension are given below. The request was accompanied by a mandatory \$2,500 extension request fee for the extension requested.

Meadows of Oakhaven Apartments, HTC Development No. 02131

Summary of Request: Applicant had difficulty closing the construction loan. The loan was closed on October 8, 2003, leaving the Applicant about four months late in the timeframe for development that would have been effective had the loan been closed on time. The Applicant's statement of the reason for the current request is that Spirit Builders, an affiliate of the Applicant and the general contractor of the subject development, cannot shift management and material resources from another HTC development, Parkway Senior Apartments, to commence construction on Meadows of Oakhaven in a timely manner. Parkway is 90% complete (according to Applicant's letter dated October 28) and is scheduled for completion by the end of November. Applicant has already received all necessary building permits.

Applicant:	Pleasanton Apartment Ventures, LP
General Partner:	Pleasanton Apartments GP Corporation
Principals/Interested Parties:	Lacy & Mike Gilbert
Syndicator:	Alliant Capital
Construction Lender:	Stearns Bank
Permanent Lender:	Stearns Bank
City/County:	Pleasanton/Atascosa
Set-Aside:	Rural/Family
Type of Development:	New Construction
Units:	72 HTC and 4 market rate units
2002 Allocation:	\$407,934
Allocation per HTC Unit:	\$5,666
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Commencement of construction
Note on Time of Request:	Request was submitted late, on 1/30/04. The deadline for submission was 1/16/04, 10 business days before expiration of the current deadline for commencement of construction.
Current Deadline:	January 30, 2004
New Deadline Requested:	March 31, 2004
New Deadline Recommended:	March 31, 2004
Prior Extensions:	Commencement of construction extended from 11/14/03 to 1/30/04 Construction loan closing extended from 9/11/03 to 10/9/03 Construction loan closing extended from 7/13/03 to 9/11/03 Construction loan closing extended from 6/13/03 to 7/13/03 Carryover extended from 12/6/02 to 12/17/02
Reason for Request:	See summary above.

Staff Recommendation:

Section 49.13(j) of the 2002 QAP requires that applicants submit extension requests at least 10 business days prior to the deadline for which the extension is being requested. Although the applicant's request was filed late, the Board granted extensions at the December 11, 2003 meeting to Holly Park Apartments (HTC No. 02107) and Heatherwilde Estates Apartments (HTC No. 02075) which were also filed late. Based on the December action, the Department recommends approval of the current request despite the late filing.

REPORT ITEMS

Executive Directors Report

Edwina Carrington

1. Request for Attorney General Opinion from Representative Talton concerning The 2004 Qualified Allocation Plan and Private Activity Bond Program
2. Department's Request for an Attorney General Opinion on the Issue of Scoring Written Statements from Local Elected Officials, in Addition to State Elected Officials, in the Housing Tax Credit Program
3. Community Affairs Staff Appointment to National Advisory Board of the United States Department of Energy
4. Document of the Scope of the Ex Parte Rule
5. Funding and Performance for the Office of Colonia Initiatives for 2003
6. Review of Ineligibility Factors for Competitive Nine Percent (9%) Tax Credits

EXECUTIVE SESSION

Elizabeth Anderson

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

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 sign language interpreters for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.

Non-English speaking individuals who require interpreters for this meeting should contact Delores Groneck, 512-475-3934 at least three days before the meeting so that appropriate arrangements can be made.