# BOARD MEETING OF JUNE 26, 2006

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

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

Shadrick Bogany, Member
Sonny Flores, Member
Vidal Gonzalez, Member
Norberto Salinas, Member

## *MISSION*

## *TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS*

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

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

**BOARD OF DIRECTORS MEETING**

**ROLL CALL**

| | Present | Absent |
|---|---|---|
| Anderson, Beth, Chair | ___________ | ___________ |
| Conine, C. Kent, Vice-Chair | ___________ | ___________ |
| Gonzalez, Vidal, Member | ___________ | ___________ |
| Salinas, Norberto, Member | ___________ | ___________ |
| Bogany, Shadrick, Member | ___________ | ___________ |
| Flores, Sonny, Member | ___________ | ___________ |
| Number Present | ___________ | |
| Number Absent | | ___________ |

_______________________, Presiding Officer

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**
**1100 Congress Avenue**
**Capitol Extension Auditorium**
**Austin, Texas 78701**

**Monday, June 26, 2006 9:00 am**

**A G E N D A**

**CALL TO ORDER, ROLL CALL** **Elizabeth Anderson**
**CERTIFICATION OF QUORUM** Chair of Board

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

**Item 1: Lender of the Year Award**

**CONSENT AGENDA**
Items on the Consent Agenda may be removed at the request of any Board member and considered at another appropriate time on this agenda. Placement on the Consent Agenda does not limit the possibility of any presentation, discussion or approval at this meeting. Under no circumstances does the consent agenda alter any requirements provided under Texas Government Code Chapter 551, the Texas Open Meetings Act.

**Item 2: Approval of the following items presented in the Board materials:**

*Multifamily Division Items:*
a) Housing Tax Credit Amendments

b) Housing Tax Credit Extensions for Commencement of Substantial Construction

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|---|---|---|
| 04200 | Alvin Manor | Alvin |
| 04203 | Alvin Manor Estates | Alvin |

c) Presentation, Discussion and Possible Approval of Senior Managing and Co-Managing Underwriting Firms for the Multifamily Mortgage Revenue Bond Transactions.

d) Presentation, Discussion and Possible Approval of Trustees for the Multifamily Mortgage Revenue Bond Transactions.

*Office of Colonia Initiatives Division Item:*
e) Presentation, Discussion and Approval of Memorandum of Understanding between USDA and the Department for Office of Colonia Initiatives

**ACTION ITEMS**

**Item 3: Presentation, Discussion and Possible Approval of Audit Items:** **Shadrick Bogany**

a) Presentation, discussion and possible approval of Minutes of Audit Committee Meeting of January 18, 2006

b) Presentation, discussion and possible approval of Proposed Amendments to FY 2006 Internal Audit Plan

**REPORT ITEMS:**

c) Office of Colonia Initiatives' Draw Processing and Subrecipient Monitoring Function for the Contract for Deed Conversion Program

d) Technical Assistance and Monitoring Visit HOME Program

e) Status of Prior Audit Issues

f) Status of Internal/External Audits

**Item 4: Presentation, Discussion and Possible Approval of Multifamily Division Items – Specifically Housing Tax Credit Items:**

(a) 2006 Housing Tax Credit Appeals

| | | |
|---|---|---|
| 060144 | Centerpoint Home Ownership | Weslaco |
| 060143 | Sun Valley Homes | Mercedes |
| 060147 | Orchard Valley Homes | Mercedes |

Any other Appeals Timely Filed

(b) Discussion and Possible Action Regarding Report of Housing Tax Credit Challenges Pursuant §50.17(c) of the 2006 QAP

(c) Presentation, Discussion and possible action on release of LURA regarding property on Fitzhugh Avenue in Dallas, Texas where the property was condemned and destroyed.

(d) Presentation, Discussion and Possible Approval for Extension of the deadlines for closing of the commencement of substantial construction and placement in service for Commons of Grace Senior Estates in Houston, #04224

(e) Presentation, Discussion and Issuance of a List of Approved Applications from the following list of all Applications Submitted for the 2006 Housing Tax Credit Competitive Cycle.

| | |
|---|---|
| 060009 | Mathis Apts II |
| 060010 | King's Crossing Phase II |
| 060013 | Paseo de Paz Apts |
| 060014 | Nacogdoches Senior Village |
| 060021 | Villas at Henderson Place |
| 060022 | Crestmoor Park West Apts |
| 060024 | Cunningham Manor Apts |
| 060025 | Providence at East Meadow Apts |
| 060026 | Villa Del Rio Apts |
| 060027 | Parkway Ranch |
| 060028 | Sheldon Ranch |
| 060032 | Mission Palms |
| 060033 | Patriot Palms |
| 060034 | Cedar Drive Village |
| 060035 | Quail Ridge Apts |
| 060038 | Oak Timbers-Seminary |
| 060039 | Oak Timbers-Granbury |
| 060040 | San Jose Apts |
| 060041 | The Grand Reserve Seniors-Temple Community |
| 060042 | Country Lane Seniors - Waxahachie Community |
| 060046 | San Juan Apts |
| 060047 | Alton Apts |
| 060048 | Villas of Vista Ridge |
| 060049 | Los Milagros Apartments |
| 060050 | Renaissance Plaza |
| 060053 | Candletree Apartments |
| 060056 | Langwick Senior Residences |
| 060058 | Greenfair Park Apartments |
| 060062 | Enclave at Parkview Apts |

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| 060063 | Resaca Springs Apts |
| 060065 | Stone Hearst II |
| 060067 | San Juan Square II |
| 060070 | The Mansion at Briar Creek |
| 060071 | Retama Village |
| 060072 | Easterling Village |
| 060073 | Thomas Ninke Senior Village |
| 060074 | Amarillo Gardens Apts |
| 060076 | Countryside Village |
| 060077 | Sphinx at Boston Living |
| 060078 | Copper Square Estates |
| 060080 | Spanish Creek Townhomes |
| 060081 | Woodchase Senior Community |
| 060084 | El Paraiso Apts |
| 060085 | La Estancia II Apts |
| 060086 | City Walk at Akard |
| 060087 | Sphinx at Alsbury Villas |
| 060088 | Red Oak II |
| 060089 | Estrella del Sol Estates |
| 060091 | North Manor Estates Apts |
| 060095 | La Villa De Alton |
| 060096 | Pleasant View Apts |
| 060098 | The Canyons Retirement Community |
| 060099 | Oakcreek Apartments |
| 060100 | Estates of Boyd |
| 060101 | La Vista de Guadalupe |
| 060102 | Prospect Point |
| 060103 | Wild Horse Commons |
| 060104 | The Grove at Brushy Creek |
| 060105 | Cypresswood Crossing |
| 060107 | Zion Village |
| 060108 | Evergreen at Murphy |
| 060110 | Evergreen at Farmers Branch |
| 060111 | Evergreen at Rockwall |
| 060112 | Evergreen at Tyler |
| 060117 | Mesquite Terrace |
| 060118 | Sunset Haven |
| 060121 | LULAC Amistad Apts |
| 060122 | Las Palmas Gardens Apts |
| 060123 | LULAC West Park Apts |
| 060124 | Fenner Square |
| 060125 | Country Club Apts |
| 060126 | Park Place Apts |
| 060127 | Mill Creek South Apts |
| 060128 | Jacksonville Pines Apartments |
| 060129 | Campus View Apts |
| 060130 | Deer Creek Apts |
| 060131 | Canyon View Apts |
| 060132 | Vista Pines Apartment Homes |
| 060133 | Canyon's Landing |
| 060136 | Pinnacle of Pleasant Humble |
| 060138 | Residences at Eastland |
| 060140 | Key West Village Phase II |
| 060141 | Buena Vida Senior Village |
| 060143 | Sun Valley Homes |
| 060144 | Centerpoint Home Ownership |
| 060147 | Orchard Valley Homes |
| 060150 | Waterford Park Place |
| 060151 | Bluffs Landing |
| 060158 | Alta Vista Senior Towers |
| 060159 | Victoria Place Phase II |
| 060160 | Pembrooke Court |
| 060162 | Picadilly Estates |
| 060163 | Villas of Karnes City |
| 060168 | Birdsong Place Villas |
| 060170 | Orchard Park at Willowbrook |
| 060171 | Ebony Estates |

| | |
|---|---|
| 060174 | Villa del Arroyo Apts |
| 060176 | The Residences on Anderson Ltd |
| 060177 | Casa Edcouch |
| 060181 | Crescent Village II Apts |
| 060185 | Treemont Meadows |
| 060189 | Concho Village Apts |
| 060190 | Rockwell Manor Apts |
| 060192 | Skyline Terrace |
| 060193 | Villa Main Apts |
| 060194 | La Vista Apts |
| 060195 | Cedarwood Apts |
| 060197 | Rivermont Place Apartment Homes |
| 060199 | Legacy Senior Housing of Port Arthur |
| 060200 | BERT'S Senior Housing of Waxahachie |
| 060201 | Moore Grocery Lofts |
| 060206 | Gardens of Mabank |
| 060207 | Gardens of Burkburnet |
| 060208 | Gardens of Gatesville |
| 060211 | Hanratty Place Apartments, LP |
| 060217 | Reed Road Senior Residential |
| 060218 | Cross Plains Senior Village |
| 060219 | Providence Estates |
| 060220 | Western Trail |
| 060222 | Jason Avenue Residential |
| 060224 | Notting Hill Gate |
| 060225 | The Knightsbridge |
| 060226 | Cadogan Square |
| 060234 | Alamito Place LP |
| 060240 | Briarbend Village at Sienna Trails |
| 060241 | Sienna Trails Townhomes |
| 060244 | Waco River Park Apartment Homes |
| 060245 | Mainland Park Apts |

f) Presentation, Discussion and Possible Approval of Housing Tax Credit Amendment:

HTC 04047 Stratton Oaks

**Item 5: Presentation, Discussion and Possible Approval of Multifamily Division Items – Specifically Multifamily Private Activity Bond Program Items:**

a) Resolution Declaring Intent to Issue Multifamily Housing Mortgage Revenue Bonds for Developments Throughout the State of Texas and Authorizing the Filing of Related Applications for the Allocation of Private Activity Bonds with the Texas Bond Review Board for Program Year 2006:

| | |
|---|---|
| 060-021 | Riverside Villas, Fort Worth |
| 060-021 | East TX Pines Apartments |
| 060-021 | Havens at Mansfield |
| 060-021 | Generations at Mansfield |

**Item 6: Presentation, Discussion and Possible Approval of Portfolio Management & Compliance Division Items:**

a) HOME Program Contract Amendments:

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|---|---|
| 542037 | Spectrum Housing and Services, Inc |
| 542040 | Laredo-Webb NHS |

**Item 7: Presentation, Discussion and Possible Approval of Housing Programmatic Items:**

a) Presentation, Discussion and Possible Approval of two amendments to the Family Estates of Bridgeport IV and IVa, Affordable Housing of Parker County

**Item 8: Presentation and Discussion of Financial Administration Items:**

a) Draft FY07 Operating Budget

b) Draft FY07 Housing Finance Budget

**Item 9: Presentation, Discussion and Possible Approval of Community Development Block Grant (CDBG) Disaster Recovery Related Items:**

a) Presentation and Discussion of the State of Texas Action Plan for CDBG Disaster Recovery Grantees as Approved by the U.S. Department of Housing and Urban Development

b) Memorandum of Understanding between TDHCA and the Office of Rural Community Affairs (ORCA) for the administration of the CDBG Disaster Recovery and Associated CDBG Administrative Operating Budgets for TDHCA and ORCA

**EXECUTIVE SESSION** **Elizabeth Anderson**

a) The Board may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551.

b) The Board may go into executive session Pursuant to Texas Government Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee.

c) Consultation with Attorney Pursuant to §551.071, Texas Government Code:

1. With Respect to pending litigation styled *TP SENIORS II, LTD. V. TDHCA* Filed in State Court

2. With Respect to pending litigation styled Gary *Traylor, et al v. TDHCA*, Filed in Travis County District Court

3. With Respect to pending litigation styled *Dever v. TDHCA* Filed in Federal Court

4. With Respect to pending litigation styled *Ballard v. TDHCA* and the State of Texas Filed in Federal Court

5. With Respect to Any Other Pending Litigation Filed Since the Last Board Meeting

**OPEN SESSION** **Elizabeth Anderson**

Action in Open Session on Items Discussed in Executive Session

**REPORT ITEMS**
Executive Director's Report

1. TDHCA Outreach Activities, May, 2006
2. Supplemental Community Development Block Grant Disaster Recovery Funding
3. Year to Date Operating Budget

**ADJOURN** **Elizabeth Anderson**

*To access this agenda & details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact Nidia Hiroms, TDHCA, 221 East 11th Street, 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 Nidia Hiroms, 512-475-3934 at least three days before the meeting so that appropriate arrangements can be made. Personas que hablan español y requieren un intérprete, favor de llamar a Jorge Reyes al siguiente número (512) 475-4577 por lo menos tres días antes de la junta para hacer los preparativos apropiados.*

## SINGLE FAMILY FINANCE PRODUCTION DIVISION

## LENDER OF THE YEAR AWARDS
## June 26, 2006

As part of June's celebration of Homeownership Month, the staff and TDHCA Governing Board would like to recognize the lending community for their contributions to affordable housing and their efforts to increase the homeownership rate in Texas. Through the issuance of low interest rate mortgage revenue bond loans, the Texas First Time Homebuyer Program, in conjunction with its network of participating lenders, originated over $200 million in mortgage loans in 2005 and enabled approximately 1,900 individuals and families to experience the benefits of homeownership. Through the Mortgage Credit Certificate Program, a dollar for dollar tax reduction up to $2,000 is offered to first time homebuyers. In 2005, TDHCA's network of participating lenders issued over 480 credits through this program. As a result of increased lender participation, the programs experienced great success and provided homeownership opportunities to individuals and families across the state.

In recognition of their efforts, the TDCHA Governing Board are recognizing two lending institutions under the Texas First Time Homebuyer Program and one lending institution under the Mortgage Credit Certificate Program. The lenders were selected from the current group of 40+ participating lending institutions. The selection criteria included: dollar volume and number of loan originations, borrower income level served, percentage of minority homebuyer loans originated, number of participating branch offices (counties served) and overall program performance.

The following Lenders have been selected for recognition of their achievements.

**DHI Mortgage Company, Ltd – First Time Homebuyer Program "Lender of the Year"**
In 2005, DHI originated 386 loans totaling over $54 million. Their homebuyer's area median family income was 69% and 42% of the loans originated were made to minority homebuyers. They also had branch offices located in 12 counties within the state.

**NTFN, Inc., dba Premier Nationwide Lending - First Time Homebuyer Program "Rookie of the Year"**
Premier Nationwide Lending became a participant in May 2005. They originated 64 loans totaling over $8.4 million. Their homebuyer's area median family income was 75% and 36% of the loans originated were made to minority homebuyers.

**Judith O. Smith Mortgage Group - Mortgage Credit Certificate "Lender of the Year"**
This organization issued 41 Mortgage Credit Certificates (MCC's) and served borrowers with an area median family income of 79%. Approximately 30% of the MCC's issued were to minority homebuyers. The Judith O. Smith Mortgage Group has also participated for many years under the Texas First Time Homebuyer Program. Her organizations program knowledge and file documentation is superior.

| MULTIFAMILY FINANCE PRODUCTION DIVISION<br><br>BOARD ACTION REQUEST<br>June 26, 2006 |
|---|

## Action Item

Requests for amendments involving material changes to Housing Tax Credit (HTC) applications are summarized below.

## Requested Action

Approve, Deny or Approve with Conditions the requests for amendments below.

## Background and Recommendations

§2306.6712, Texas Government Code, classifies some changes as "material alterations" that must be approved by the Board. The requests presented below include material alterations. The code indicates that the Board should determine the disposition of a requested amendment if the amendment is a material alteration, would materially alter the development in a negative manner or would have adversely affected the selection of the application in the application round.

The requests and pertinent facts about the affected developments are summarized below. The recommendation of staff is included at the end of each write-up.

## Limitations on the Approval of Amendment Requests

The approval of a request to amend an application does not exempt a development from the requirements of Section 504 of the Rehabilitation Act of 1973, fair housing laws, local and state building codes or other statutory requirements that are not within the Board's purview. Notwithstanding information that the Department may provide as assistance, the development owner retains the ultimate responsibility for determining which actions will satisfy applicable regulations.

## HTC No. 01018, Western Whirlwind

Summary of Request: The owner requests approval for the for-profit co-general partner, IBI Western Whirlwind, LLC, a Historically Underutilized Business (HUB) to take complete ownership and control of the general partner interest. As proposed, the existing nonprofit co-general partner, Santa Lucia Community Development Organization, would withdraw from the ownership organization. In the application, the applicant qualified for three points under either of two mutually exclusive options: (1) operating the development as a joint venture between a for-profit and a nonprofit general partner, or (2) participation of a HUB in the ownership. The applicant chose to obtain the points for the joint venture instead of the HUB.

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| Governing Law: | §2306.6712, Texas Government Code. The code indicates that material alterations include any modification considered significant by the Board. |
| Owner: | Western Whirlwind, Ltd. |
| General Partner: | IBI Western Whirlwind, LLC (IBI); Santa Lucia Community Development Organization (SLCDO) |
| Developers: | Investment Builders Development Company, Inc.; SLCDO |
| Principals/Interested Parties: | Ike Monty (IBI); SLCDO |
| Syndicator: | MMA Financial, LLC |
| Construction Lender: | Midland Mortgage Investment Corporation |

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|---|---|
| Permanent Lender: | Midland Affordable Housing Group Trust |
| Other Funding: | NA |
| City/County: | Horizon City/El Paso |
| Set-Aside: | Rural/Prison Communities (General Population) |
| Type of Area: | Rural |
| Type of Development: | New Construction |
| Population Served: | General Population |
| Units: | 36 HTC units |
| 2001 Allocation: | $267,524 |
| Allocation per HTC Unit: | $7,431 |
| Prior Board Actions: | 7/01 – Approved award of tax credits |
| Underwriting Reevaluation: | The remaining principal would have sufficient financial resources to be acceptable as the sole general partner. |
| **Staff Recommendation:** | **Staff recommends approving the request with the stipulation to be included in an amendment to the LURA that the remaining and now, sole, general partner would continue to be a qualified HUB throughout the compliance period. The requested modifications would not materially alter the development in a negative manner and would not have adversely affected the selection of the application in the application round.** |

**HTC No. 03191, The Meadows at Bentley**

Summary of Request: The owner requests approval to change the number of residential buildings in the development from thirteen to fifteen and the number of nonresidential buildings from one to four. The number and types of units will not change and the amenities will not change. As the reason for the request, the owner stated that this change will improve the appeal of the development and the traffic flow for both vehicles and pedestrians. The change will create a separate building from the office/clubhouse that will allow supportive services to be provided outside normal business hours.

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| Governing Law: | §2306.6712, Texas Government Code. The code indicates that material alterations include a significant modification of the site plan. |
| Owner: | AAMHA BPA San Antonio, L.P. |
| General Partner: | AAMHA Bentley Place Apartments, Inc. |
| Developers: | Alamo Area Mutual Housing Association (AAMHA) |
| Principals/Interested Parties: | AAMHA (Owner of GP); Debra Clark and Stephen Barnes (Owners of Southern Affordable Housing, Inc., a special limited partner) |
| Syndicator: | Enterprise Social Investment Corporation (ESIC) |
| Construction Lender: | GMAC [FHA (221(d)(4) loan]; ESIC (interest only advance of equity) |
| Permanent Lender: | AAMHA (Neighborhood Reinvestment Act grant); City of San Antonio HOME Funds |
| Other Funding: | Housing Trust Fund Loan; SECO grant |
| City/County: | San Antonio/Bexar |
| Set-Aside: | Nonprofit |
| Type of Area: | Urban |
| Type of Development: | New Construction |
| Population Served: | General Population |
| Units: | 166 HTC units and 42 market rate units |
| 2004 Allocation: | $1,006,759 |
| Allocation per HTC Unit: | $6,065 |
| Prior Board Actions: | 7/03 – Approved award of tax credits |
| Underwriting Reevaluation: | To be determined |
| **Staff Recommendation:** | **Staff recommends approving the request. The requested modifications would not materially alter the development in a negative manner and would not have adversely affected the selection of the application in the application round.** |

**HTC No. 99197, Sun Meadow**

Summary of Request: The owner requests approval for differences between the representations of the application and the development as actually built. A walking trail was represented but not built. Forty-eight two-bedroom units with one bathroom were represented but were actually built with two bathrooms. Kitchen fans and hoods were not represented in the application, but were installed in all units. Together, the elements that were built in excess of the representations are now offered in substitution for the walking trail.

In 2003, the original general partner was removed by the syndicator for non-performance and replaced with Community Action Corporation of South Texas (CACOST).

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|---|---|
| Governing Law: | §2306.6712, Texas Government Code. The code indicates that material alterations include a significant modification of the architectural design. |
| Owner: | Amstar Partners – 1, LP |
| General Partner: | Community Action Corporation of South Texas (CACOST) (Nonprofit managing GP) |
| Developers: | Amstar Building and Development (same principals as GP) |
| Principals/Interested Parties: | CACOST; Simpson Housing Solutions (limited partner) |
| Syndicator: | Simpson Housing Solutions |
| Construction Lender: | Simpson Housing Solutions |
| Permanent Lender: | Wachovia |
| Other Funding: | NA |
| City/County: | Alamo/Hidalgo |
| Set-Aside: | General Population |
| Type of Area: | Rural |
| Type of Development: | New Construction |
| Population Served: | General Population |
| Units: | 76 HTC units |
| 1999 Allocation: | $310,330 |
| Allocation per HTC Unit: | $4,083 |
| Prior Board Actions: | 7/99 – Approved award of tax credits<br>5/10/05 – Approved amendment to substitute 10 SEER AC and solar screens for 12 SEER AC |
| Underwriting Reevaluation: | To be determined |
| **Staff Recommendation:** | **Staff recommends approving the request. The requested modifications would not materially alter the development in a negative manner and would not have adversely affected the selection of the application in the application round.** |

**HTC No. 03136, Tigoni Villas**

Summary of Request: The owner requests approval to substitute upgrades named below and vinyl flooring in the entry, kitchen and bathrooms for the ceramic tile that was represented in the application. The reasons for the request are related to safety, expectations of high maintenance costs for ceramic tile and cost overruns that have already occurred during construction. The owner stated that the site's expansive soils are expected to cause more than average movement in the residential buildings, particularly in the second and third floors. The movement would result in the above average cracking of floor tiles and a concomitant increase in the hazard of tripping and cuts. Therefore a substantial increase in both maintenance costs and in liability are of concern. The owner stated that $54,256 of the cost overruns were attributable to additional excavation and higher retaining walls that were necessary because debris was unexpectedly found buried on the site.

The owner stated the saving from installing vinyl instead of ceramic tile as $44,318. The owner's letter of request, included in the Board Book, itemized upgrades costing $103,498 that were not represented in the application. Among the upgrades were an equipped fitness room and residential kitchen in the clubhouse. Upgrades listed in the units included cable in all bedrooms, ceiling fan light kits with separate wall switches, both ceiling lights and vanity lights in the bathrooms, crown molding in the living and dining rooms, chair rails in the dining rooms, and icemakers in refrigerators. The owner requests that the upgrades named be accepted as substitutes for the ceramic tile.

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| Governing Law: | §2306.6712, Texas Government Code. The code indicates that material alterations include any modification considered significant by the Board. |
| Owner: | Tigoni Villas, LP |
| General Partner: | Lone Star Housing Corp. |
| Developers: | Huelon Harris |
| Principals/Interested Parties: | Cathy Graugnard |
| Syndicator: | MMA Financial, LLC |
| Construction Lender: | Midland Mortgage Investment Corporation |
| Permanent Lender: | Midland Affordable Housing Group Trust |
| Other Funding: | NA |
| City/County: | San Antonio/Bexar |
| Set-Aside: | General Population |
| Type of Area: | Urban |
| Type of Development: | New Construction |
| Population Served: | General Population |
| Units: | 112 HTC units and 28 market rate units |
| 2003 Allocation: | $851,994 |
| Allocation per HTC Unit: | $7,607 |
| Prior Board Actions: | 7/03 – Approved award of tax credits |
| Underwriting Reevaluation: | To be determined |
| **Staff Recommendation:** | **Staff recommends approving the request. The requested modifications would not materially alter the development in a negative manner and would not have adversely affected the selection of the application in the application round.** |

## HTC No. 04007, Oaks of Bandera

Summary of Request: The owner requests the Board's acknowledgement and acceptance of a revision to the unit mix that was reported in the Board Summary and Underwriting Report at the time that the award of tax credits was approved. The percentage of two bedroom units that was originally proposed in the application exceeded the maximum allowable percentage. In response to a deficiency notice, the owner revised the unit mix to decrease the number of two bedroom units. The decrease was offset by a corresponding increase in one bedroom units. Although the applicant made the correction, the original proposal was underwritten and the original proposal was conveyed to the Board.

In keeping with the response to the deficiency notice, the owner built four less two bedroom units and four more one bedroom units than originally proposed. Consequently, the net rentable area was reduced from 74,320 to 73,120 square feet. The changes in the units that resulted from the correction are shown below.

| | Application Before Correction | | | | | Application After Correction | | | | | Change in No. of Units |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Target | Units | Bed-rooms | Baths | Rentable Area (Sq.Ft.) | Total Sq.Ft. | Units | Bed-rooms | Baths | Rentable Area (Sq.Ft.) | Total Sq.Ft. | |
| 50% | 3 | 1 | 1 | 736 | 2,208 | 3 | 1 | 1 | 736 | 2,208 | 0 |
| 60% | 13 | 1 | 1 | 736 | 9,568 | 17 | 1 | 1 | 736 | 12,512 | +4 |
| 50% | 5 | 2 | 2 | 970 | 4,850 | 5 | 2 | 2 | 970 | 4,850 | 0 |
| 60% | 27 | 2 | 2 | 970 | 26,190 | 27 | 2 | 2 | 970 | 26,190 | 0 |
| 60% | 4 | 2 | 2 | 1,036 | 4,144 | | | | | | -4 |
| 60% | 24 | 3 | 2 | 1,140 | 27,360 | 24 | 3 | 2 | 1,140 | 27,360 | |
| **Total** | 36 | | | | 74,320 | 36 | | | | 73,120 | -1,200 |

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| Governing QAP: | §49.9(d)(4), 2005 QAP. The Department staff may request clarification or correction in a deficiency notice. |
| Owner: | Bandera Western Oaks Apartments, L.P. |
| General Partner: | Bandera Western Oaks Developers, LLC |
| Developers: | Bandera Western Oaks Builders, L.L.C. |
| Principals/Interested Parties: | Lucille Jones and Leslie Clark (owners of GP); G.G. MacDonald, Inc. and T. Justin MacDonald (owners of developer) |
| Syndicator: | Boston Capital |
| Construction Lender: | Citibank Texas, N.A. |
| Permanent Lender: | Boston Capital Finance |
| Other Funding: | NA |
| City/County: | Bandera/Bandera |
| Set-Aside: | General Population |
| Type of Area: | Rural |
| Type of Development: | New Construction |
| Population Served: | General Population |
| Units: | 76 HTC units |
| 2004 Allocation: | $465,527 |
| Allocation per HTC Unit: | $6,125 |
| Prior Board Actions: | 7/05 – Approved award of tax credits |
| Underwriting Reevaluation: | To be determined |
| **Staff Recommendation:** | **Staff recommends approving the request. The requested modifications would not materially alter the development in a negative manner and would not have adversely affected the selection of the application in the application round.** |

**HTC No. 01462, Eagle Ridge**

Summary of Request: The owner requests approval to change the unit mix. The application presented a different unit mix in the rent schedule and market study from the mix that was reflected by the site plan and building plans. The mix in the rent schedule and market study was used to underwrite the application, but the development was built with the unit mix of the site and building plans. The owner stated that the rent schedule and the market study were incorrect in the application and that the site plan and building plans always reflected the real plan for development.

The owner built four more one bedroom units than originally proposed and four less two bedroom units. 56 two bedroom units were built with two bathrooms. All two bedroom units were originally planned to have only one bathroom. The net rentable area of the completed development was 2,204 square feet more than originally proposed. The physical changes in the units and the changes in rents are given below.

| | Application | | | | | Proposed | | | | | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Target | Units | Bed-rooms | Baths | Rentable Area (Sq.Ft.) | Total Sq.Ft. | Units | Bed-rooms | Baths | Rentable Area (Sq.Ft.) | Total Sq.Ft. | in No. of Units |
| 60% | 60 | 1 | 1 | 672 | 40,320 | 60 | 1 | 1 | 672 | 40,320 | 0 |
| 60% | 40 | 1 | 1 | 760 | 30,400 | 44 | 1 | 1 | 769 | 33,836 | +4 |
| 60% | 40 | 1 | 1 | 774 | 30,960 | 40 | 1 | 1 | 774 | 30,960 | 0 |
| 60% | 80 | 2 | 1 | 924 | 73,920 | 80 | 2 | 1 | 924 | 73,920 | 0 |
| 60% | 60 | 2 | 1 | 924 | 55,440 | 56 | 2 | 2 | 968 | 54,208 | -4 |
| **Total** | 280 | | | | 231,040 | 280 | | | | 233,244 | +2,204 |

| | |
|---|---|
| Governing Law: | §2306.6712, Texas Government Code. Material alterations include a modification of the number of units or bedroom mix of units. |
| Owner: | 280SA Eagle Ridge, Ltd. |
| General Partner: | Commonwealth Texas, LLC |
| Developers: | Michael Hogan, Hogan Real Estate Services |
| Principals/Interested Parties: | Lewis Foley (President of GP); Michael Hogan |
| Syndicator: | Malone Mortgage Company |
| Construction Lender: | Malone Mortgage Company |
| Permanent Lender: | Lend Lease Real Estate Investments |
| Other Funding: | Tax Exempt Bond Financing |
| City/County: | San Antonio/Bexar |
| Set-Aside: | General Population |
| Type of Area: | Urban |
| Type of Development: | New Construction |
| Population Served: | General Population |
| Units: | 280 HTC units |
| 2004 Allocation: | $565,035 |
| Allocation per HTC Unit: | $2,018 |
| Prior Board Actions: | 7/02 – Approved award of tax credits |
| Underwriting Reevaluation: | To be determined |
| **Staff Recommendation:** | **Staff recommends approving the request. Although the number of bedrooms in the development decreased by four, the number of bathrooms increased by 56 and the total rentable area increased by 2,204 square feet. Therefore, the units that were built are superior to the units that were proposed. The requested modifications would not materially alter the development in a negative manner and would not have adversely affected the selection of the application in the application round.** |

**LOCKE LIDDELL & SAPP LLP**

ATTORNEYS & COUNSELORS

100 CONGRESS AVENUE
SUITE 300
AUSTIN, TEXAS 78701-4042

AUSTIN • DALLAS • HOUSTON • NEW ORLEANS • WASHINGTON, D.C.

(512) 305-4700
FAX: (512) 305-4800
www.lockeliddell.com

Direct Number: (512) 305-4709
email: rmorrow@lockeliddell.com

April 14, 2006

RECEIVED
APR 17 2006
LIHTC

Mr. Ben Sheppard
Texas Department of Housing
and Community Affairs
221 East 11th Street
Austin, Texas 78701

**Re: Amendment Request**
Western Whirlwind, Ltd. ("**Applicant**")
Western Whirlwind Apartments, Horizon City, El Paso County, Texas (the "**Project**")
TDHCA No. 01018

Dear Ben:

We represent Applicant and respectfully request Texas Department of Housing and Community Affair's (the "**Department**") permission to allow Applicant to amend certain criteria in its low-income housing tax credit application, as set forth below.

**Amendment Request**

Applicant applied for low-income housing tax credits in the Rural/Prison Set-Aside in 2001. On Exhibit 209 of the application, Applicant represented that a for-profit organization would joint venture with a qualified non-profit organization to develop, own and operate the Project. Originally, Investment Builders, Inc., a Texas corporation ("**Investment Builders**"), served as the for-profit organization, and Santa Lucia Community Development Organization, a Texas non-profit corporation ("**Santa Lucia**"), served (and continues to serve) as the qualified non-profit organization. Subsequently, pursuant to the Department's consent dated March 8, 2002, Investment Builders transferred its general partner interest in Applicant to IBI Western Whirlwind, LLC, a Delaware limited liability company ("**IBI LLC**"). Investment Builders is the sole member of IBI LLC. Santa Lucia would now like to withdraw from Applicant and transfer its general partner interest to IBI LLC. IBI LLC would then be the sole general partner.

The 2001 Qualified Allocation Plan awarded three (3) points to properties with owners that implemented the for-profit/non-profit joint venture structure described above. We believe that even with the withdrawal of Santa Lucia and a three (3) reduction, the Project would have been awarded 2001 low-income housing tax credits.

Pursuant to your request, attached are the following Exhibits for your consideration in connection with addressing the requested consent:

1. Exhibit A - Applicant's existing organizational chart.

2. Exhibit B - Applicant's organizational chart as it will exist if TDHCA grants the consent requested hereinabove and Santa Lucia withdraws from the Applicant;

3. Exhibit C - Declaration of Land Use Restrictive Covenants/Land Use Restriction Agreement for Low-Income Housing Credits recorded as Document No. 20040020509 in the Real Property Records of El Paso County, Texas, which relates to the Project;

4. Exhibit D - Financial information for Ike J. Monty; and

5. Exhibit E - Financial information for Investment Builders

We are submitting the enclosed items as part of an administrative change of ownership request, as we discussed previously with you. However, it is our understanding that approval of the transfer discussed herein may ultimately require action by the Department's Board. Please advise as to whether Board action will be required and how we should proceed with obtaining such approval if needed.

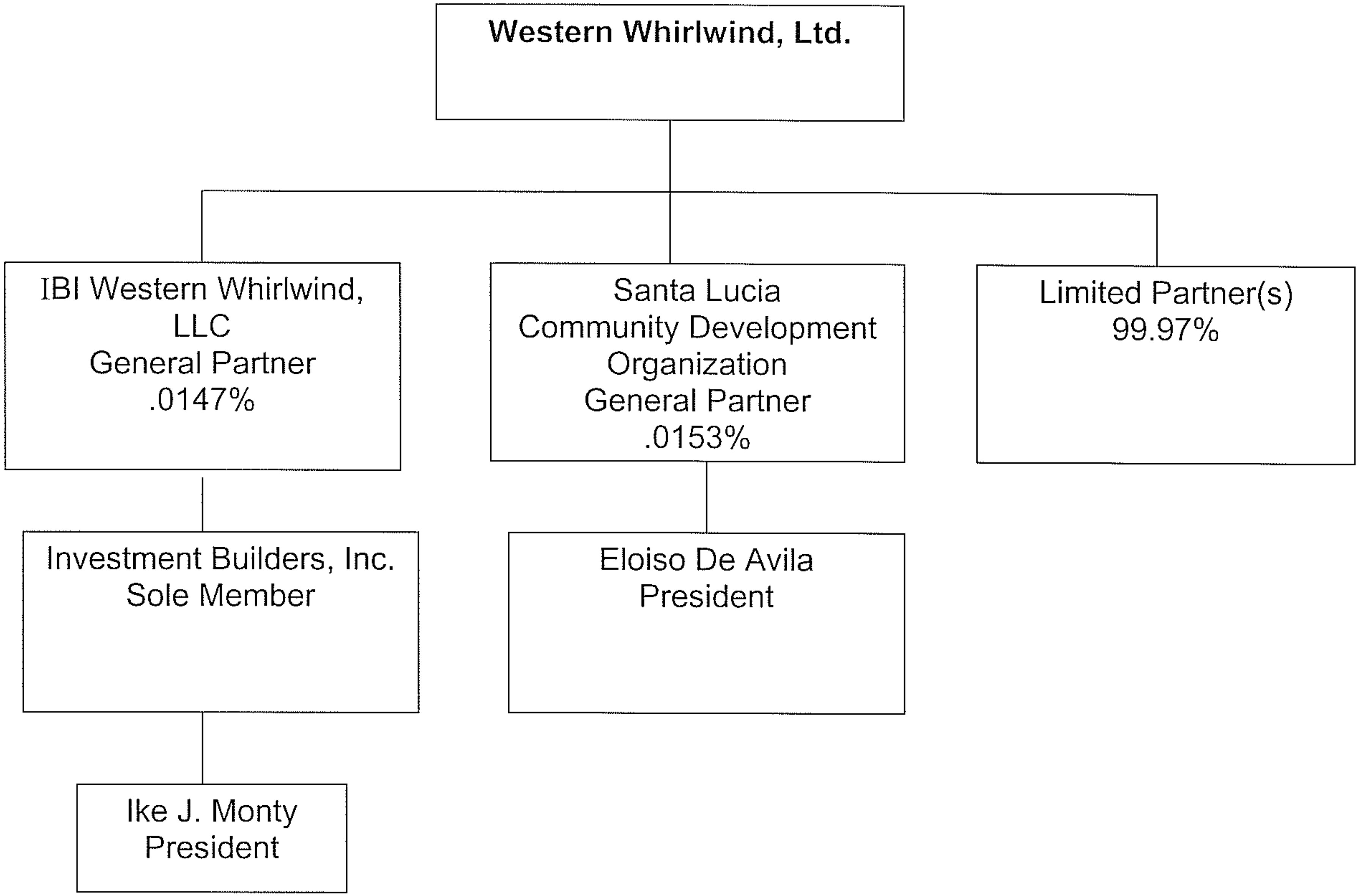
Please feel free to call me if you require any additional information, and thank you for your assistance with this matter.

Sincerely,

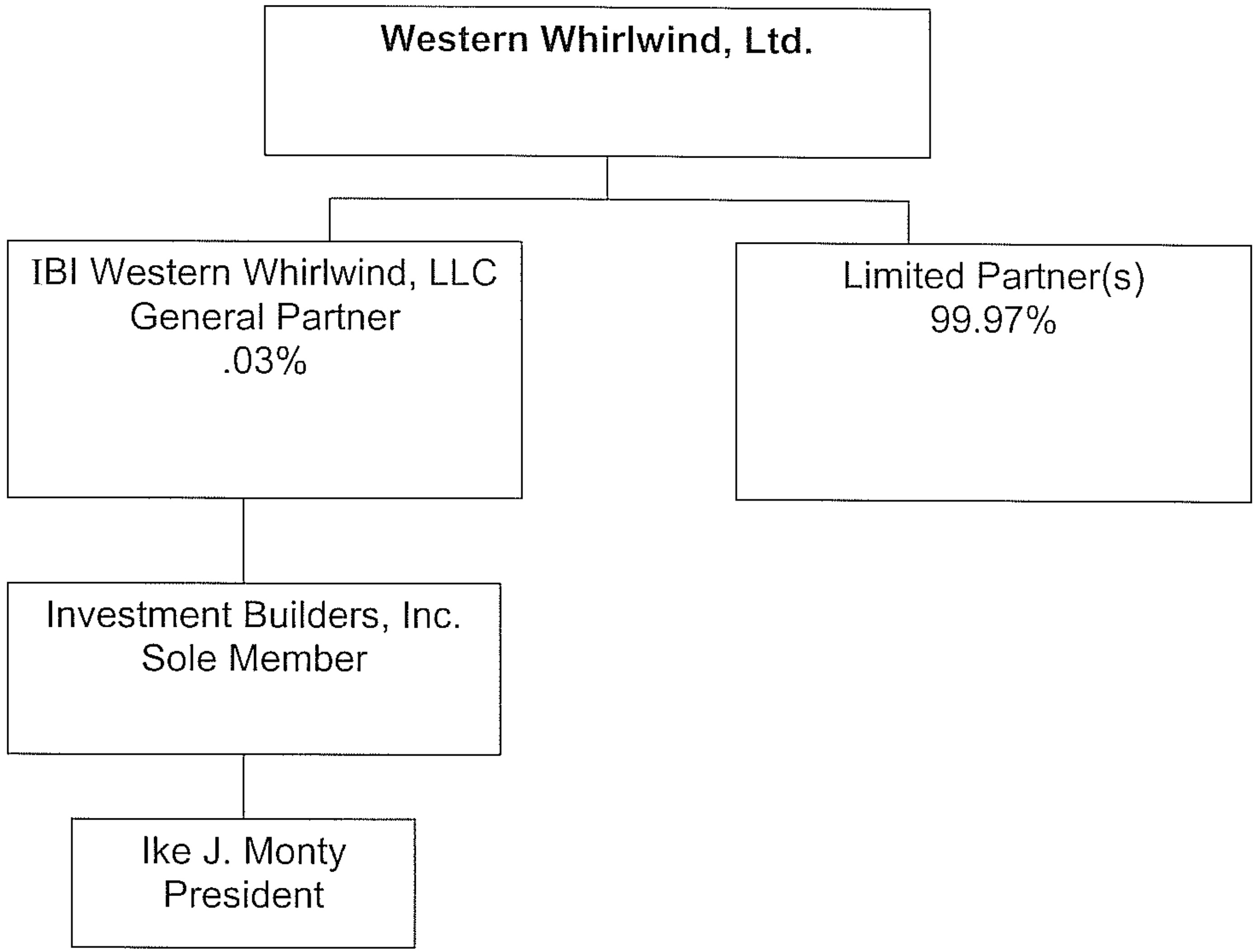
Richard D. Morrow

cc: Mr. Ike J. Monty
Cynthia Bast, Esq.
Frank Ainsa, Esq.

Current


Western Whirlwind, Ltd.
IBI Western Whirlwind, LLC
General Partner
.0147%
Santa Lucia
Community Development
Organization
General Partner
.0153%
Limited Partner(s)
99.97%
Investment Builders, Inc.
Sole Member
Eloiso De Avila
President
Ike J. Monty
President

Proposed


Western Whirlwind, Ltd.
IBI Western Whirlwind, LLC
General Partner
.03%
Limited Partner(s)
99.97%
Investment Builders, Inc.
Sole Member
Ike J. Monty
President

AAMHA

Alamo Area Mutual Housing Association, Inc.

May 11, 2006

RECEIVED
MAY 16 2006
LIHTC

Mr. Ben Sheppard
Multifamily Finance Division
Texas Department of Housing
and Community Affairs
221 East 11th Street
Austin, Texas 78701-2410

*RE: The Meadows at Bentley*
*TDHCA #03191*
*Housing Tax Credit Application Amendment Request*

Dear Mr. Sheppard:

On behalf of AAMHA BPA San Antonio, L.P., I am writing to request an amendment to Housing Tax Credit application #03191 for The Meadows at Bentley in San Antonio. We would like to make a small change to the site plan to increase the number of residential buildings from 13 to 15 and the number of nonresidential buildings from one to four. The number and types of housing units have not changed, nor have any of the amenities initially promised changed.

We are requesting this amendment because the modifications greatly enhance the site plan by breaking up a few previously very large buildings into smaller, more pleasant buildings and improving the flow of both foot and vehicular traffic through the site.

This change to the application does not affect the scoring—we are simply rearranging the buildings. The new site plan also includes an increase in community space and separates the spaces by function. The leasing and management offices are now housed in a building adjacent to the community building, which will allow for some of Alamo Area Mutual Housing Association's supportive services and resident activities to take place outside of normal business hours.

We respectfully request that this amendment be approved because this change:

(1) is consistent with the Code and the tax credit program;
(2) does not occur while the Project is under consideration for tax credits;
(3) does not involve a change in the number of points scored;
(4) does not involve a change in the Project's site; and
(5) does not involve a change in the set-aside election.

4502 Centerview, Suite 233, San Antonio, TX 78228
Phone: 210/731-8030 ❖ Fax: 210/731-8025

Furthermore, the proposed amendment would not materially alter the Development in a negative manner, nor would it have adversely affected the selection of the application in the 2003 application round.

If you have any questions or require any additional information concerning this request, please call me at (210) 731-8030.

Sincerely,

Sandra Williams
Executive Director

# SIMPSON HOUSING SOLUTIONS, LLC

320 Golden Shore, Suite 200
Long Beach, CA 90802-4217
(562) 256-2000

RECEIVED
MAR 02 2006
LIHTC

February 28, 2006

Texas Department of Housing and Community Affairs
TDHCA Multifamily Finance Production Division
P.O. Box 13941
Austin, TX 78711-3941
Attn: Ben Sheppard

RE: Amstar Partners-I, L.P. [TCID#99197]
Alamo, TX

Dear Mr. Sheppard:

The purpose of this letters is to request the substitution of the Walking Trail amenity on the above-referenced community with unit amenities not committed in the original 1999 tax credit application.

As the project developer, Simpson Housing Solutions (SHS) attaches photographic evidence of the tub enclosure, kitchen hood and fan, and stall shower amenities installed during the original community construction and requests that one or more of these elements satisfy the walking trail commitment referenced in the former general partner's April 1999 letter (attached).

I look forward to working with you to resolve this question and to moving forward on this community toward issuance of the project 8609.

Please contact me with any questions you may have at (562)-256-2173.

Yours truly,

Simon Fraser
Project Manager

cc: Rafael Trevino, CACOST
Theresa Roberts, SHS

# SIMPSON HOUSING SOLUTIONS, LLC

320 Golden Shore, Suite 200
Long Beach, CA 90802-4217
(562) 256-2000

May 3, 2006

Texas Department of Housing and Community Affairs
TDHCA Multifamily Finance Production Division
P.O. Box 13941
Austin, TX 78711-3941
Attn: Ben Sheppard

RE: Amstar Partners-I, L.P. [TCID#99197]
Alamo, TX

Dear Mr. Sheppard:

The purpose of this letters is to request the substitution of the Walking Trail amenity on the above-referenced community with unit amenities not committed in the original 1999 tax credit application.

As the project developer, Simpson Housing Solutions (SHS) confirms that all two-bedroom units contain 1.75 baths. That is, each two-bedroom unit contains a second bathroom containing a sink, toilet and shower enclosure. SHS requests that this upgrade installed during the original community construction satisfy the walking trail commitment referenced in the former general partner's April 1999 letter.

I look forward to working with you to resolve this question and to moving forward on this community toward issuance of the project 8609.

Please contact me with any questions you may have at (562)-256-2173.

Yours truly,

Simon Fraser
Project Manager

cc: Rafael Trevino, CACOST
Theresa Roberts, SHS

# TIGONI VILLAS, L.P.

1914 Encino Belle
San Antonio, Texas 78259

(210) 490-9440
(210) 490-9441 fax

May 10, 2006

Mr. Ben Sheppard
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

**RE: Tigoni Villas Apartments
TDHCA #03136**

Dear Ben:

Tigoni Villas Apartments is complete and currently in lease up. As a result of the final construction inspection, we respectfully request the following amendment to the application.

The original application identified ceramic tile in the entry, kitchen and bathrooms. During the construction of the development, the ceramic tile was installed in the entries, but eliminated from the kitchen and bathrooms for the following reasons:

- Costly maintenance repairs. The site contains plastic soils which experiences high levels of shrinkage and swelling due to changes in moisture content. The potential for building movement is high. Due to the risk of excessive cracking and higher maintenance cost, the prudent decision was made to eliminate ceramic tile.
- Safety issues for residents. Potential slipping hazard for the young children and elderly residents of the community. We do have large families with young children on property and were concerned for their safety on the wet ceramic tile in the bathrooms.
- Escalating construction costs during development. Due to the presence of buried trash on the site, additional excavation and fill were required. The additional excavation necessitated taller retaining walls along the drainage channel. The additional excavation and retaining walls cost was $54,256.38.

The original application scoring for the unit amenities required 10 points. In the original application, the number of items selected totaled 12 points. The elimination of ceramic tile, 2 points, still provides the required 10 points.

The cost of ceramic tile is provided in the following table. The cost to install is based upon the attached proposal to replace the kitchen and bathrooms with ceramic tile.

| Unit Type | Unit Square Footage | Number of Units | Total Square Footage by Unit Type | Cost Per Square Foot to Install | Total Cost of Ceramic Tile by Unit Type |
|---|---|---|---|---|---|
| C1 | 123 | 68 | 8364 | $ 3.43 | $ 28,700 |
| C2 | 137 | 30 | 4110 | $ 3.43 | $ 14,103 |
| C3 | 137 | 42 | 5754 | $ 3.43 | $ 19,744 |
| Total Cost of Ceramic Tile | | | | | $ 62,546 |
| Cost of Vinyl Tile ($1.00/sq ft) | | | | | ($18,228) |
| Total Development Cost Required in lieu of Ceramic Tile | | | | | $ 44,318 |

In lieu of the ceramic tile, we have installed the following amenities. The following table outlines the amenity and the associated cost.

| Amenity | Cost |
|---|---|
| Crown molding in living room and dining room | $ 120.00 |
| Chair Rail in dining room | $ 40.00 |
| Light kits with separate switches ($50.00 per room) | $ 200.00 |
| Cabling in all bedrooms ($25 per room) | $ 75.00 |
| Ice Maker with refrigerator (upgrade cost) | $ 100.00 |
| Second light in baths ($45 per room) | $ 90.00 |
| | |
| Total Per Unit Cost | $ 625.00 |
| | |
| Total Cost (140 units) | $ 87,500.00 |
| | |
| Residential kitchen in clubhouse | $ 5,000.00 |
| Additional lighting upgrades per building ($500 per building) | $ 3,000.00 |
| Equipped fitness room | $ 7,998.01 |
| | |
| Total Development Cost | $103,498.01 |

Tigoni Villas is a Class "A" development and a welcome addition to the neighborhood. We continually strive to make our residents top priority by providing a safe and trouble free home environment. While these amenities and services do not provide any additional point value in scoring our application, we believe they do provide value to the resident's health and well being.

We have delayed in submitting this amendment until the Cost Certification was complete and filed. We ask that you approve this amendment request. We greatly appreciate your understanding and consideration.

A check in the amount of $2,500 is enclosed with this request. If you need any additional information, please do not hesitate to call me at (210) 490-9400.

Sincerely,

Cathy Graugnard

Cathy Graugnard

Tile Tech
INCORPORATED

Tigoni Villas
1527 Sunshine
San Antonio, TX 78228

February 4, 2006

Re: Ceramic Tile Proposal

Dear Sir,

We propose to furnish and install ceramic tile in 140 units for the following price:

| | |
|---|---|
| Kitchens & Baths | $ 62,546 |
| Dining & Living/Hall | $127,390 |
| Combined Above Areas | $179,350 |

This price includes applicable taxes and freight but excludes waterproofing, substrate preparation, caulking, sealing of expansion/control joints, and cost of bond.

We appreciate the opportunity to bid this project and look forward to working with you in the future.

Sincerely,

Burton T. Owens
BTO/jo

P.O. Box 90
Magnolia, TX 77353-0090
(281) 252-8459 phone or fax

*Oaks* *Bandera*

*BANDERA WESTERN OAKS APARTMENTS, L.P.*

2951 Fall Creek Road Kerrville, Texas 78028

June 1, 2006

VIA EMAIL

Mr. Ben Sheppard
TDHCA
221 East 11th
Austin, Texas 78701

RE: TDHCA #04007 – Oaks of Bandera

Dear Mr. Sheppard

During the application review for the above referenced project, we revised our original application in response to an administrative deficiency from the Department dated April 19, 2004. The deficiency notice requested a unit mix change to comply with threshold criteria regarding the maximum number of 2 bedroom units allowed. Please find the original deficiency notice and our response for your review.

| Original Application Mix | | Revised Unit Mix at 4/22/2004 And Unit Mix of Final Construction | |
|---|---|---|---|
| 16 | 1/1 | 20 | 1/1 |
| 36 | 2/2 | 32 | 2/2 |
| 24 | 3/2 | 24 | 3/2 |

Please let me know if you need anything else.

Sincerely,

Lucille Jones

Lucille Jones
Manager, General Partner

cc: Kimball Thompson, via email

(830) 257-5323 FAX (830) 257-3168

Hogan
Real
Estate
Services

# MEMORANDUM

TO: Raquel Morales
Real Estate Analysis
TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
507 Sabine Street
Suite 400
Austin, Texas 78701

FROM: Michael A. Hogan

DATE: May 15, 2006

SUBJECT: Eagle Ridge (TDHCA #01462)

Raquel, attached you will find our Amended Application Request for Eagle Ridge Apartments, San Antonio, Texas.

This amended application request is to provide clarity to an adjustment in mix due to the design difference between application stage and design stage after receiving an allocation. The small change in the unit mix increased the total monthly project income very little. Therefore the only impact was on the Rent Schedule and the 30 yr Operating Proforma. There was no impact on cost. We have however included the forms required in the application amendment procedure.

**Additional Requests:**

I have also attached a statement from The Cost Certification CPA stating how much of the certified costs were allocated to the covered parking as was requested.

And lastly, I have attached a letter from the San Antonio, Apartment Association certifying the Fair Housing Certificates provided to TDHCA as part of the 8609 Application belong to Ginger Miller of our management company.

All other matters have been completed and hopefully this will conclude our 8609-application process for Eagle Ridge Apartments.

Very Sincerely,

Michael A. Hogan


**1931 NW Military Highway, Suite 220 San Antonio Texas 78213**
**PH 210.682.1500 FAX 210.682-4015**
**E-mail: mhogan@hoganre.com**

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**
**June 26, 2006**

## Action Items

Requests for approval of extensions of the deadline for commencement of substantial construction are summarized below.

## Required Action

Approve or deny these requests for extensions related to 2004 Housing Tax Credit commitments.

## Background

Pertinent facts about the requests for extensions are given below. Each request was accompanied by a mandatory $2,500 extension request fee.

**Alvin Manor, HTC Development No. 04200**

**Alvin Manor Estates, HTC Development No. 04203**
**(Commencement of Substantial Construction)**

Summary of Request: These are two separate developments with the same owner/developer. Applicant requests an extension of the deadline for commencement of substantial construction. This is the third extension requested for this deadline. The first and second requests stated problems due to a City ordinance requiring a 150 foot buffer on the front side of the property. At the February 15, 2006 Board meeting, the applicant was granted an amendment for a change in the site plan. The current letter of request, written by the applicant's attorney, stated that the new extension must be requested because, "…the City appears to be engaged in a deliberate and unlawful attempt to delay this process [the process of approving the development's preliminary plats]." The owners have retained a local attorney to resolve the issues with the City and letters from the owners' Austin and Alvin counsels are included with these extension summaries. Please note that the applicant was granted an extension of the placement in service deadline to December 31, 2007 by the Executive Director due to the location of the development in a declared disaster area.

| | |
|---|---|
| Applicant: | Alvin Manor Estates, Ltd. (#04200)<br>Alvin Manor, Ltd. (#04203) |
| General Partner: | Alvin Manor Estates Management, LLC; Alvin Manor Estates Construction, LLC (#04200)<br>Alvin Manor Management, LLC; Alvin Manor Construction, LLC. (#04203) |
| Developer: | Artisan/American Corporation |
| Principals/Interested Parties: | Elizabeth Young; Vernon Young |
| Syndicator: | PNC Multifamily Capital |
| Construction Lender: | PNC Bank |
| Permanent Lender: | PNC Bank |
| Other Funding: | NA |
| City/County: | Alvin/Brazoria |
| Set-Aside: | General |
| Type of Area: | Urban/Exurban |
| Type of Development: | New Construction |
| Population Served: | General Population |

| | |
|---|---|
| Units: | 28 HTC units and 8 market rate units (per each development) |
| 2004 Allocation: | $251,662 (#04200) and $149,382 (#04203) |
| Allocation per HTC Unit: | $8,988 (#04200) and $5,335 (#04203) |
| Extension Request Fee Paid: | $2,500 |
| Type of Extension Request: | Commencement of Substantial Construction |
| Note on Time of Request: | Request was submitted on time. |
| Current Deadline: | June 30, 2006 |
| New Deadline Requested: | September 30, 2006 |
| **New Deadline Recommended:** | **September 30, 2006** |
| Prior Extensions: | Placement in Service extended from 12/31/06 to 12/31/07<br>Commencement of construction extended from 12/1/05 to 2/1/06<br>Commencement of construction extended from 2/1/06 to 6/30/06 |
| **Staff Recommendation:** | **Approve the extension as requested.** |

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

June 2, 2006

RECEIVED
JUN 5 2006
LIHTC

Mr. Ben Sheppard
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

**VIA HAND DELIVERY**

Re: Alvin Manor, Ltd. -- Alvin Manor project in Alvin, Texas
TDHCA File No. 04203

Alvin Manor Estates, Ltd. -- Alvin Manor Estates project in Alvin, Texas
TDHCA File No. 04200

Dear Ben:

Our firm represents the owners of the two projects referenced above. On March 6, 2006, we submitted a request to extend the deadline for commencement of substantial construction for each of the above-referenced projects until June 30, 2006. We greatly appreciate the Texas Department of Housing and Community Affair's patience and consideration in approving this prior request. Regrettably, we ask that the deadline for commencement of substantial construction for each of the above-referenced projects be extended beyond June 30, 2006 until September 30, 2006.

The requested extension is necessary because despite the continued good-faith efforts to cooperate with and assist staff from the City of Alvin (the "City") in reviewing the owner's applications for approval of the preliminary plats (the "Applications") for the above-referenced projects, the City appears to be engaged in a deliberate and unlawful attempt to delay this process with the expectation that such delays will result in the failure of both developments.

As a result, the owners have retained local counsel to assist them in taking the necessary legal steps to induce the City to act in accord with its existing ordinances and regulations and review the Applications in a timely and equitable manner. Please see the attached letter from Mr. Eric T. Furey of the law firm of Gilbert & Gilbert for further details regarding the manner in which the owners propose to proceed.

Because we believe the owners have complied with all existing legal requirements for approval of the Applications, we are confident that this matter will finally be resolved, allowing commencement of substantial construction to begin. However, given the extraordinary steps the owners have regrettably been forced to take, it does not appear likely or reasonable to believe such resolution will be achieved prior to June 30, 2006. The Owners do however, believe that this situation will be resolved soon enough to allow for commencement of substantial construction prior to September 30, 2006.

Fortunately, the deadline for placing each project in service has been extended until December 31, 2007. The owners are confident that the projects will be successfully completed by that deadline if the extension requested herein is granted.

We sincerely apologize for the need to ask for an additional extension. However, the owners feel strongly that these projects should be given every lawful and appropriate opportunity to proceed. Allowing such delays to result in the loss of sorely needed affordable housing for the citizens of the City of Alvin is an unconscionable outcome that would set a terrible precedent for future affordable housing development in the City. Therefore, we respectfully submit this request and beg your continued patience and consideration as we move forward with this process.

We have enclosed a check in the amount of $2,500.00 for each development, as payment of the required extension fee. If you have any questions about this request, please let me know. Thank you for your assistance.

Sincerely,

Cynthia L. Bast

Cynthia L. Bast

cc: Artisan/American Corp.

GILBERT & GILBERT
ATTORNEYS AT LAW

222 NORTH VELASCO
P. O. BOX 1819
ANGLETON, TEXAS 77516-1819
(979) 849-5741 Telephone
(979)849-7729 Facsimile
efurey@jrgpc.com

RALPH W. GILBERT
(1919 - 2004)
JOHN R. GILBERT, P.C.
J. RAY GAYLE, III
ERIC T. FUREY
JUSTIN R. GILBERT

*Of Counsel*
KEVIN P. GALLAGHER
LAWRENCE P. HAMPTON
CHRISTINE M. RODRIGUEZ

May 25, 2006

Elizabeth Young
Artisan/American Corp.
5325 Katy Freeway, Suite 1
Houston, Texas 77007

Re: Alvin Manor Apartments and Alvin Manor Estates Plat Approval

Dear Elizabeth:

You asked for a letter explaining the delays by the City of Alvin in acting on your application for approval of the preliminary plats for the above-referenced projects.

As you know, the ultimate source of the delay is the expressed opposition by certain members of the Alvin City Council to any additional low-income housing being built in Alvin. Certain Council members have very clearly expressed their belief that Alvin has more than its share of the region's low-income residents and that the construction of new low-income housing will only serve to add to this burden. The problem they encounter, however, is that the City of Alvin has no zoning or similar ordinances through which they can lawfully regulate land use in this way.

In order to prevent the construction of Artisan/American's projects, it appears that the professional staff at the engineering department has been instructed to delay the approval of your application with the expectation that the delay will result in the failure of the projects. This delay has taken the form of giving incomplete and incorrect guidance with regard to the requirements for plat submissions, taking an inordinate amount of time to comment on your submissions and to your questions, and insuring that no action that they take is final and subject to appeal.

Given the total lack of cooperation from the City, Artisan/American's remedy is to prepare plats that conform to all of the applicable ordinances and force the City, through parliamentary rules, to take final action on them. This must be done without the normal guidance and input from the City professional staff. If the final action is to deny the applications notwithstanding their compliance with the law, then that action can be appealed to and reversed by the courts. Without the normal cooperation from the City staff, the approval process could take three months or more.

I believe that Artisan/American's position in this matter is correct and that it is entitled to have its application approved. I hope this answers your questions. We can discuss these issues at your convenience.

Sincerely,

Eric T. Furey

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**June 26, 2006**

## Action Item

Presentation, Discussion and Possible Approval of Senior Managing and Co-Managing Underwriting Firms for Multifamily Mortgage Revenue Bond Transactions.

## Requested Action

Approve or Deny the Recommended List Below.

## Background

The Department currently has an open Request for Qualifications (RFQ) published on the website. The underwriters are approved on a two year basis and it is time to renew that approval. On March 15, 2006, letters were sent to all of the approved multifamily underwriters notifying them of the need to update their qualifications. The Department received eleven (11) responses. Ten (10) firms are requesting renewal from the Department's request of their qualifications and one (1) additional firm is requesting to be added to the approved list from the open RFQ.

After reviewing the qualifications of each underwriting firm, the Department staff recommends that the following Investment Banking Firms remain or be added to the Multifamily Bond Approved Underwriters List:

| | | |
|---|---|---|
| Capmark Securities | Senior Manager | Remain on approved list |
| Merrill Lynch & Co. | Senior Manager | Remain on approved list |
| Bank of America Securities | Senior Manager | Remain on approved list |
| Morgan Keegan | Senior Manager | Remain on approved list |
| George K Baum & Company | Senior Manager | Remain on approved list |
| Citigroup | Senior Manager | Remain on approved list |
| A. G. Edwards 7 Sons, Inc | Senior Manager | Remain on approved list |
| National Alliance Securities | Senior Manager | Remain on approved list |
| Red Capital Group | Senior Manager | Remain on approved list |
| Estrada Hinojosa | Co-Senior Manager | Remain on approved list |
| Jackson Securities | Co-Senior Manager | Add to approved list |

## Recommendation

Staff recommends that the Board approve the above Investment Banking Firms remain or be added to the Multifamily Bond Approved Underwriters list.

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**June 26, 2006**

## Action Item

Presentation, Discussion and Possible Approval of Trustees for the Multifamily Mortgage Revenue Bond Transactions.

## Requested Action

Approve or Deny the Recommended List Below.

## Background

The Department has an open Request for Qualifications (RFQ) published on the website. The approved trustees are approved on a two year basis and it is time to renew that approval. On March 15, 2006, letters were sent to all of the approved multifamily trustees notifying them of the need to update their qualifications. The Department received four (4) responses. Three (3) firms are renewing their qualifications from the request of the Department and one (1) additional firm is requesting to be added to the approved list from the open RFQ.

After reviewing the qualifications of each trustee, the Department staff recommends the following three Trustees on the list and recommends not adding Regions Bank due to limited experience in Texas for multifamily transactions.

| | | |
|---|---|---|
| Bank of New York, Texas | Trustee | Remain on approved list |
| JP Morgan Municipal Trust | Trustee | Remain on approved list |
| Wells Fargo Bank | Trustee | Remain on approved list |
| Regions Bank | Trustee | Do not add to approved list |

## Recommendation

Staff recommends that the Board approve the above list.

**OFFICE OF COLONIA INITIATIVES**

**BOARD ACTION REQUEST**

**June 26, 2006**

## Action Item

Memorandum of Understanding (MOU) for Leveraged Self-Help (Owner-Builder) Direct Section 502 Loans the with Department of Agriculture's (USDA) Rural Housing Service (RHS), Donna Affordable Housing Corporation, and the Department.

## Required Action

Approval of MOU with USDA's Rural Housing Service, Donna Affordable Housing Corporation and the Department.

## Background

On April 18, 2003, the Department announced the availability of $3 million to implement the FY 2003 Texas Bootstrap Loan Program, Texas Housing Trust Fund ($1.2 million) and Taxable Junior Lien Single Family Mortgage Revenue Bond Program ($1.8 million).

Donna Affordable Housing Corporation was recommended for funding based on the following criteria: Operational Capability and Experience, Financial Design, Quality of Program Design, Leveraging of Public/Private Resources, and Underserved Areas or Population.

On July 30, 2003 the Department's Governing Board awarded Donna Affordable Housing Corporation funds to implement the FY 2003 Texas Bootstrap Loan Program and assist owner-builders in purchasing real property on which to build new residential housing in accordance with the Housing Trust Fund and Taxable Junior Lien Single Family Mortgage Revenue Bond Program Rules and Regulations.

The purpose of the MOU is to establish the respective responsibilities of the parties for the implementation of the USDA-Rural Housing Service Section 502 Direct Loan Program when loan funds from both the Section 502 Direct Loan Program and the Texas Bootstrap Loan Program are utilized. In addition, the MOU is to establish a priority lien position where the Department accepts a second lien.

The mission of USDA's Rural Housing Service is to improve the economy and quality of life for all rural America. The primary USDA single family program that interacts with the Department's Texas Bootstrap Loan Program is the Direct Section 502 Loan Program.

Under the Direct Loan program, individuals or families receive financial assistance directly from the Rural Housing Service in the form of a home loan at an affordable interest rate. The rates range from one percent to market rates depending on the family's income. The majority of the families assisted through this MOU will have a one percent interest rate. These loans are made to eligible applicants to buy, build, repair, renovate, or relocate homes, to provide related facilities, or to refinance home debts under certain conditions.

Applicants for direct loans from RHS must have very low or low incomes. Very low income is defined as below 50 percent of the Area Median Income (*AMI); low income is between 50 and 80 percent of AMI. There is no required down payment, but families must be able to afford the mortgage payments, including taxes and insurance. In addition, applicants must be currently without adequate housing and be unable to obtain credit elsewhere, and are still required to have reasonable credit histories.

Loans are typically made for up to 33 years (38 for those with incomes below 60 percent of AMI and who cannot afford 33-year terms).

The Texas Bootstrap Loan Program is a self-help construction program, which is designed to provide very low-income families (60% *AMFI) an opportunity to help themselves attain homeownership or repair their existing home through sweat equity. All participants under this program are required to provide at least 60 percent of the labor that is necessary to construct or rehabilitate the home. All applicable building codes and housing standard are adhered to under this program. In addition, nonprofit organizations, who serve as the administrators for these funds, can combine these funds with other sources such as private lending institutions, local governments, or any other sources. However, all combined repayable loans can not exceed $60,000 per unit. USDA will have the first lien and the Department will have the second lien. There will be no other liens on the property.

*RHS use the Area Median Income (AMI) whereas the Department uses the Area Median Family Income (AMFI). These two are one with in the same.

## **Recommendation**

Staff recommends that the Board approve the Memorandum of Understanding for Leveraged Self-Help (Owner-Builder) Direct Section 502 Loans.

# MEMORANDUM OF UNDERSTANDING FOR LEVERAGED SELF-HELP (OWNER-BUILDER) DIRECT SECTION 502 LOANS

**Lender**: Texas Department of Housing and Community Affairs, a public and official agency of the State of Texas

Address: 221 E. 11th St.
P. O. Box 13941
Austin, Texas 78711

Tax I.D. No. 74-2610542

**Grantee:** Donna Affordable Housing Corporation, a Texas non-profit corporation

Address: P.O. Box 667
Donna, Texas 78537

Tax I.D. No. 83-0382172

**Agency**: United States of America
Rural Housing Service
United States Department of Agriculture
101 S. Main, Suite 102
Temple, Texas 76501

**I. INTRODUCTION:** This Memorandum of Understanding ("MOU") is entered into between the Lender, the Grantee, and the Agency, all of which are identified above. The effective date of this MOU is January 2, 2006. In consideration of the mutual benefits to be derived from the making of loans pursuant to the terms of this MOU and the Grantee's providing technical and other assistance to recipients of the loans, the Lender, the Grantee, and the Agency agree as follows:

**II. PURPOSE:** The purpose of this MOU is to describe the respective responsibilities of the Lender, the Grantee, and the Agency for the implementation of the USDA-Rural Housing Service Section 502 Direct Loan program when loan funds are used with loan funds from the Lender's "Texas Bootstrap Loan Program" to fund the construction of a single-family dwelling where the recipient(s) of the loans provide at least 60% of the labor in constructing the dwelling. This MOU program is utilized by the Lender and the Agency to provide joint financing of the construction of single family housing in Texas. The Grantee will provide technical and other assistance to the loan recipients in order to facilitate the making of the loans and the construction of the dwelling.

The Lender, the Grantee, and the Agency will be referred to collectively or generally as the "Parties" or the "Party."

## III. ORIGINATION OF LOANS:

**A.** Loan Packaging and Preparation of the Loan Application File - The Grantee will package each loan application in accordance with Agency requirements. The Grantee will create a loan application file for each loan applicant. The file will contain the documents and information required by the Agency.

For the purposes of this MOU, Agency requirements include the requirements of Agency regulations, Agency handbooks, Agency policies and any agreements between the Grantee and the Agency.

**B.** Sharing information - The Lender, the Grantee and the Agency will, to the extent permitted by law, share information concerning the loan application, the loan and loan servicing. That information may include the contents of the loan application file, the contents of a Party's loan file, loan servicing information, the results of periodic inspections, delinquency, and default.

In order to facilitate information sharing, the Lender and the Agency will, not later than the time the loan application file is completed, obtain a signed statement from the applicant(s) authorizing the disclosure of all information and documents maintained in a all loan application files. A suggested form for the written authorization follows:

> I (We), the undersigned, have applied for loans to be made simultaneously by the Texas Department of Housing and Community Affairs (Lender) and the Rural Housing Service (Agency). We understand that the Lender's loan will be administered by the Donna Affordable Housing Authority (Grantee) and that the Grantee will compile the loan application file for both the loan from the Lender and the loan from the Agency. I(We) hereby authorize the Grantee, the Lender and Agency to share all information and documents with each other which are maintained in the loan application file(s) and loan file(s) concerning the loans to be made to me(us) and to disclose such information and documents to each other. This authorization includes any documents and information pertaining to the loans no matter when obtained or compiled and it authorizes the disclosure of information and documents after any loans are made.
>
> Date: ___________
>
> ______________________
> Applicant
>
> ______________________
> Co-Applicant

**C.** Underwriting decision - The Agency will make its own independent underwriting decision based upon the contents of the Loan Application File and any other information which the Lender, the Grantee, or the Agency has obtained. The Agency will make its own independent decision on the eligibility of the applicant(s).

With regard to the loan from the Lender, the underwriting decision and the decision on the eligibility of the applicant(s) will be made by the Lender. However, the Lender may delegate the responsibility for making the decision to the Grantee who will then make the decision.

**D.** Agency's decision - The Agency will inform the Grantee and the Lender of the Agency's decision whether it will make the loan within 5 working days of receipt of the complete Loan Application File. The Agency decision will include the inspection of existing properties **within 5 working days** of receipt of the complete Loan Application File. The Agency will retain the Loan Application File as a part of its records.

**E.** Appraisals and Inspections - Appraisals and inspections are required for loans made under this MOU.

The Agency will accept an appraisal which has been prepared by an appraiser who has a license issued by the State of Texas and which had been prepared in accordance with USPAP requirements.

The Agency will accept inspections which have been prepared by an inspector licensed by the State of Texas and which have been prepared in accordance with the requirements of the Direct Single Family Housing Programs, Field Office Handbook (HB) 3550, Chapter 5 (or any replacement or successor handbook), Agency regulations, and written Agency policies or instructions.

Environmental review - For its loan, the Agency will be responsible for all appropriate environmental reviews and will be responsible for the collection of any needed environmental data. The Agency's environmental review must be completed before any loan is made. If required under its loan program, the Lender will be responsible for any environmental reviews.

## IV. LOAN LIMITATIONS/REQUIREMENTS:

**A.** The Lender's loan must be amortized over a 30-year period, but may contain a provision for a balloon payment at the end of the 15th year.

**B.** The Lender may charge reasonable and customary interest rates and fees.

**C.** The Agency is not required to approve or make a leveraged loan under this MOU unless all of its regulatory and policy requirements are first satisfied.

**D.** Construction Inspections - Both Lender and the Agency are responsible for their own construction inspections.

## V. LOAN CLOSING:

**A.** A joint closing will be conducted at a time and location mutually agreed upon between the Agency, the Lender, the Grantee and the applicant(s).

**B.** Prior to loan closing, the Lender and the Agency will enter into a written agreement showing how the proceeds from each respective loan will be used and when they will be disbursed. In all cases, the Agency will provide the loan funds to purchase or acquire the lot or building site.

**C.** A copy of the Lender's promissory note, mortgage or deed of trust, and evidence of title and other closing documents will be provided to the Agency to be maintained in the Agency loan file. Upon request by the Lender, the Agency will provide a copy of its promissory note, mortgage or deed of trust, evidence of title and hazard insurance and other closing documents to the Lender.

**D.** Both the Lender and the Agency will be responsible for obtaining their own promissory note, mortgage, or deed of trust, title evidence and any other loan instruments or documents and for maintaining their own loan file.

**E.** Before the commitment for title insurance is requested and/or before loan closing, the Agency must first approve the qualifications of the closing agent. The closing agent must satisfy the qualification requirements of Texas Instruction 1927-B and 7 C.F.R. Part 1927-B.

## VI. LIEN SHARING AND PRIORITY:

**A.** The Agency will have a vendor's lien on the lot or building site acquired with Agency loan funds.

**B.** The Agency will have the first lien. The Lender will have the second lien subject only to the Agency's first lien. There will be no other liens on the property.

**C.** The extent of the Agency's first lien will include the unpaid principal and interest on the Agency loan and advances made to pay taxes and insurance.

## VII. LOAN SERVICING:

**A.** Escrow account - The Agency will establish and maintain an escrow account for the payment of ad valorem taxes and insurance.

**B.** Insurance - The security property will be insured for loss in an amount at least equal to the total unpaid balance of the Lender's and the Agency's loans or the market value of the security property, which ever is less.

The insurance policy will be issued by an insurance company authorized to conduct business in the State of Texas and will name both the Lender and the Agency as mortgagees.

**C.** Agency's loan - The Agency will be responsible for the servicing of the Agency's loan and for collecting payments due on the Agency's loan.

**D.** Lender's loan - The Lender will be responsible for the servicing of the Lender's loan and for collecting the payments due on the Lender's loan.

**E.** Notice of Default and Cure Rights - The Lender and the Agency will notify each other in the event of a default by the borrower(s) under the note or any other loan instrument pertaining to the leveraged loan. The Agency shall deliver to the Lender a default notice within five Business Days in each case where the Agency has given a default notice to the borrower. Failure of the Agency to send a default notice to the Lender shall not prevent the exercise of the Agency's rights and remedies under the Agency's loan documents, subject to the provisions of this Agreement. The Lender shall have the right, but not the obligation, to cure any such default within 60 days following the date of such notice; provided, however, that the Agency shall be entitled during such 60-day period to continue to pursue its remedies under its loan documents. The Lender may have up to 90 days from the date of a default notice to cure a non-monetary default if during such 90-day period the Lender keeps current all payments required by the Agency's loan documents. In the event that such a non-monetary default creates an unacceptable level of risk relative to the Property, or the Agency's secured position relative to the Property, as determined by the Agency in its sole discretion, then the Agency may exercise during such 90-day period all available rights and remedies to protect and preserve the Property and the rents, revenues and other proceeds from the Property. All amounts paid by the Lender to the Agency to cure a default shall be deemed to have been advanced by the Lender pursuant to, and shall be secured by the lien of, the Lender's loan documents.

**F.** Modification of loan terms - Neither the Lender nor the Agency may change or modify the terms of their respective loans or loan instruments without the prior written consent of the other Party.

**G.** Foreclosure - The Agency will aggressively pursue all available special servicing remedies to help solve borrower problems. If foreclosure is necessary, each Party has an independent responsibility to protect its respective interest.

## VIII. OTHER PROVISIONS:

**A.** Notice - Any notices required by this MOU will be given to the Party at the address stated on the top of the first page unless that Party has designated another address in writing to the other Party.

**B.** Termination - This MOU may be terminated by any Party by giving written notice of termination to the other Parties. The notice of termination shall specify the effective date of the termination.

**Texas Department of Housing and Community Affairs, a public and official agency of the State of Texas**

Date: ____________ By: ______________________
Michael Gerber
Executive Director

**United States of America**

Date: ____________ By: ______________________
State Director for Rural Development,
acting on behalf of the Rural Housing Service,
United States Department of Agriculture

**Donna Affordable Housing Corporation, a Texas Non-Profit Corporation**

Date: ____________ By: ______________________
Bob Gonzalez
Executive Director

***Texas Department of Housing and Community Affairs***

# ***Proposed Amendments to FY 2006 Internal Audit Plan***

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
# PROPOSED AMENDMENTS TO INTERNAL AUDIT PLAN
# FISCAL YEAR 2006

| PLANNED INTERNAL AUDITS/OTHER AUDIT PROJECTS/ACTIVITIES | | | |
|---|---|---|---|
| **FY 2006 Plan Approved October 2005** | | **Proposed Amendments** | **Comments** |
| **Project** | **General Objectives** | | |
| Subrecipient Monitoring | 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 by complementing the following Portfolio Management and Compliance subrecipient monitoring internal audits:<br><br>ü *Single Audit, Rpt. No. 1003.20*, released September 23, 2005<br>ü *Risk Assessment, Rpt. No. 1003.30*, released August 5, 2005<br><br>Specific audits will include the following:<br><br>ü PMC - Draw Process<br>ü PMC - On-site Monitoring Visits<br>ü Office of Colonia Initiatives - Contract Oversight and Management<br>ü Office of Colonia Initiatives - Draw Process<br>ü Energy Assistance - Monitoring | PMC On-site Monitoring Visits - Project to be rolled into FY Audit Plan 2007 to be completed first fiscal quarter. Lead auditor on project vacated position to serve as Acting Director of PMC.<br><br>PMC Draw Process - Project to be rolled into FY Audit Plan 2007 to be completed first fiscal quarter. The Lead auditor was coordinating auditing efforts and information with the Lead auditor on the PMC On-site Monitoring Visits project referred to above who assumed the position of Acting Director of PMC. | Office of Colonia Initiatives - Contract Oversight and Management and Draw Processing functions reorganized and considered by activity types; Contract for Deed (CFD), Self-Help Centers and Bootstrap programs.<br><br>CFD audit focused on draws and subrecipient monitoring completed.<br><br>Bootstrap program to be rolled back into risk assessment for future consideration.<br><br>Audits of Self-Help Centers, Energy Assistance and PMC Draws are in process. |
| Homeowners Recovery Trust Fund | To determine whether the Manufactured Housing Division administers the Homeowners Recovery Fund (HORTF) in accordance with applicable law and regulation. | | |

| PLANNED INTERNAL AUDITS/OTHER AUDIT PROJECTS/ACTIVITIES | | |
|---|---|---|
| **FY 2006 Plan Approved October 2005** | **Proposed Amendments to Plan** | **Comments** |
| **Other Projects:** | | |
| Risk Management Program - To facilitate and to provide expertise, knowledge, experience and objective, independent input into the Department's Fraud, Waste and Abuse Detection and Prevention Program. | Risk Management Program - Internal Audit will no longer take a leadership role by facilitating the Department's Fraud, Waste and Abuse Detection and Prevention Program, which is considered a management function. However, Internal Audit will continue to provide expertise, knowledge, experience and objective, independent input into the Department's Fraud, Waste and Abuse Detection and Prevention Program | The Director of Information Systems has assumed the management role of the Department's Risk Management Coordinator and will be facilitating the Department's risk management program. |
| Quality Assurance Review - To have a Peer Review/Quality Assurance Review (QAR) of TDHCA's Internal Audit Division pursuant to professional standards and Texas Government Code §2107.007, as arranged through the State Agency Internal Audit Forum QAR program. | | |
| Central Database Steering Committee - To continue 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. | Central Database Steering Committee – The Director of Internal Audit will no longer Chair the Central Database Steering Committee, which is considered a management function. However, the Internal Audit Division will continue to advise the Committee as the Committee fulfills its oversight responsibilities. | The Director of Multifamily Finance and Production Division has assumed the management role of serving as the Chair position of the Central Database Steering Committee. |
| Coordinate External Auditors - To coordinate and assist external auditors. Beyond typical coordination and assistance, one internal audit staff member is being allocated up to three months, to the extent the external auditors can use the assistance, as a strategy to reduce external audit fees and to enhance internal audits knowledge of the Department accounting systems and financial reporting process. | | |
| Tracking Status of Prior Audit Issues - To track the status of prior audit issues for management/board report purposes. | | |
| FY 2007 Annual Audit Plan - To develop an annual audit plan for FY 2007 pursuant to the Texas Internal Auditing Act. | | |
| FY 2006 Annual Internal Audit Report - To prepare an annual internal auditing report for FY 2006 pursuant to the Texas Internal Auditing Act. | | |

*Texas Department of Housing and Community Affairs*

*Office of Colonia Initiatives' Draw Processing and Subrecipient Monitoring Function for the Contract for Deed Conversion Program*

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS



June 2, 2006

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

Re: Internal Auditing Report on the Office of Colonia Initiatives' Draw Processing and Subrecipient Monitoring Function for the Contract for Deed Conversion Program

The Internal Auditing Division has completed its audit of the Office of Colonia Initiatives' (OCI) draw processing and subrecipient monitoring functions. The audit focused primarily on the controls over the Contract for Deed Conversion (CFD) Program relating to processing draw requests, monitoring subrecipients, and reporting the results of monitoring reviews. Controls should be designed, established and maintained to reasonably ensure draws are processed and subrecipients are monitored as necessary to ensure that Federal and State awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

The OCI division assumed draw processing and subrecipient monitoring responsibilities for the CFD Program as of January 2005. However, roles and responsibilities have not been clearly established and the necessary control systems, policies, and procedures to ensure effective draw processing and monitoring functions have not been developed. Management indicates they will implement procedures used by the Portfolio Management and Compliance Division for draw processing and monitoring; however, these procedures have not been critically evaluated to determine if they will fulfill OCI's oversight needs.

Sincerely,

David Gaines, CPA, CISA
Director of Internal Auditing

Assigned to this audit:
*Lorrie Lopez*
*Kelly Crawford, CIA, CCSA*

cc: Mr. Michael Gerber, Executive Director
Ms. Brooke Boston, Acting Deputy Executive Director for Programs
Mr. Homero Cabello, Director of Office of Colonia Initiatives

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# *Office of Colonia Initiatives Contract for Deed Conversion Program - Draw Processing and Subrecipient Monitoring*

## *Background*

The Contract for Deed Conversion (CFD) Program is designed to help colonia residents become property owners by converting their contracts for deeds into warranty deeds. Participants in the program must not earn more than 60 percent of Area Median Family Income (AMFI) and the property must be their primary residence. 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 Texas Department of Housing and Community Affairs' (the Department) definition of a colonia. The Department defines a colonia as a neighborhood or community within a geographic area located within 150 miles of the Texas-Mexico border that has a majority population comprised of individuals and families of low and very low income who lack safe, sanitary and sound housing.

> **Definitions**
>
> **Warranty deed** – A deed which guarantees the title from the seller to the buyer.
>
> **Contract for deed** – A contract in which a property title is transferred only after the buyer makes a certain number of monthly payments.
>
> Source: investorwords.com

The CFD Program was first introduced by Rider 17 to the Department's appropriation in the 75th Legislature Regular Session General Appropriations Act, House Bill No. 1 (1998-1999 Biennium), which directed the Department to spend not less than $4,000,000 for the biennium for the sole purpose of converting contract for deeds into warranty deeds for eligible families. The Legislature tasked the Department with converting at least 400 contracts for deed by August 31, 1999.

The 76th Legislature added Tex. Gov. Code Ann. § 2306.255, CFD Program, another strategy to convert contracts for deeds into warranty deeds, effective September 1, 1999, that requires the Department's Office of Colonia Initiatives (OCI) to establish a program to guarantee loans made by private lenders to convert a contract for deed into a warranty deed. Tex. Gov. Code Ann. § 2306.255, a separate and distinct strategy from the Rider Contract for Deed Program referred to above, identifies the HOME Investment Partnerships Program (HOME) as the source of funds to finance the CFD Program. The use of HOME funds requires the Department to bring the homes up to Colonia Housing Standards, which typically involves acquisition and/or acquisition with rehabilitation or reconstruction activities. The Department uses the Acquisition activity under the HOME program for costs related to the prepayment of existing contracts for deed and costs related to the conversion. The Department uses the Acquisition and Rehabilitation activities under the HOME Program to finance rehabilitation or reconstruction costs associated with bringing the home up to Colonia Housing Standards (CHS).

The Department contracts with units of general local government, public housing agencies, and nonprofit organizations to provide deferred forgivable loans or grant funds to eligible recipients to achieve the goals of the CFD Program.

The 79th Legislature passed a Rider 11 to the Department's appropriation in the General Appropriations Act requiring the Department to spend no less than $4 million and convert no less than 400 contracts for deeds into warranty deeds for the biennium September 1, 2005 through August 31, 2007. The Department estimated in its 2006 State of Texas Low Income Housing Plan and Annual Report (SLIHP) that only 75 conversions could be achieved with the $4 million due to the cumulative cost of each conversion approximating $20,000 with an additional $35,000 in owner-occupied housing rehabilitation to meet, at a minimum, Colonia Housing Standards. The prior Legislature (78th) had a similar directive (Rider 10) and the Department identified similar resource limitations in its 2005 SLIHP, which caused the Department to reduce the target number of contract for deed conversions for that biennium as well.

The Legislative goals, the Department's goals and the actual number of contract for deed conversions, by biennium since inception of the program, September 1, 1997, are as follows.

| Contract for Deed Conversions ($4 million/biennium) | | | | |
|---|---|---|---|---|
| **Biennium** | **Legislature** | | **Actual*** | **Over/(Under) Goal ** ** |
| | **Department Rider #** | **Goal** | | |
| 1998-1999 | 75th Legislature – Rider 17 | 400 | 256 | (144) |
| 2000-2001 | 76th Legislature – Rider 14 | 400 | 469 | 69 |
| 2002-2003 | 77th Legislature – Rider 13 | 400 | 82 | (318) |
| 2004-2005 | 78th Legislature – Rider 10 | 400 | 24 | (376) |
| 2006-2007 | 79th Legislature – Rider 11 | 400 | Final count pending | Final Count pending |

* Source: Management

** Over/(Under) Goal
Prior to the 2002 – 2003 Biennium, the Department had bond residual funds available for use in the CFD Program. These funds had fewer restrictions/limitations regarding their use and allowed the Department to utilize them for straight contract for deed conversions. This led to a historically higher number of conversions than has been attainable since the Department began using HOME funds to finance this program. However, the 1998-1999 biennium was the start up period of the program and production did not meet the established goal of 400 conversions.

Since the 2002 – 2003 Biennium, the CFD Program has been financed with remaining bond residual funds and primarily with HOME funds that require the property be brought up to Colonia Housing Standards, which requires a substantial portion of the appropriated funds be utilized in rehabilitating or reconstructing the property to meet these standards. Management reports these housing standard requirements reduce the funds appropriated for converting contracts for deed into warranty deeds. Additionally, the Single Family Finance Production Division (SFFD) did not release the $6,000,000 funding available for fiscal years 2003, 2004, and 2005 until February 2005 due to various issues. Management reports that these issues included the Department's reorganization, a HOME double funding cycle, creating a new HOME application, addressing HOME findings from HUD, a lack of demand demonstrated by the previous Notice of Funds Availability and tailoring the CFD program to comply with HOME Rules and eligible activities.

Effective January 1, 2005, OCI assumed responsibility for processing draw requests and monitoring the CFD Program from the Portfolio Management and Compliance Division (PMC). Management reports that these responsibilities were transferred from PMC to OCI to facilitate greater attention of technical assistance to CFD subrecipients due to the complexity of the CFD program being financed with HOME funds. OCI's responsibilities for the program were previously limited to marketing the program in the colonias areas and providing technical assistance to the Department's CFD subrecipients.

At the time OCI assumed responsibility for draw requests, there were four open CFD contracts for a total of 78 contracts to be converted with a total budget of $1,768,000.

After assuming responsibility for monitoring, OCI began evaluating the status of the CFD contracts and recognized the need to deobligate the Willacy County contract because the subrecipient could not find a contractor with adequate capacity to perform the contractual activities. Additionally, OCI worked with the PMC staff to amend two other contracts. The Webb County contract was amended to provide for additional funds and both the Webb County and Community Action Council of South Texas (CACST) contracts were amended by reducing the number of units required by the contracts and extending the duration of the contracts as illustrated further in the table below.

OCI has processed one draw for eleven activities on the CACST contract and reports that the contract is pending additional documentation to closeout. Expenditures on this contract amount to $300,120.06.

As illustrated in the chart below, CACST has 14 contract for deed conversions pending close-out. However, management reports that these contract for deed conversions have not been formally recognized because the mortgage liens are in the name of CACST rather than the Department. Management has reported they are working with CACST to transfer the liens to the Department. Management reports that Organization Progressiva de San Elizario (OPSE) and Webb County have identified eligible families and are currently working to submit documentation to prepare legal documents for closing.

There have not been any monitoring visits on these contracts since OCI assumed responsibility for them.

The following table provides a summary of the status of the contracts that OCI assumed responsibility for in January 2005.

| Inherited CFD Contracts | Funding Year | Contract / Amended Dates | Contract/ Amended Units | Units Completed to Date (03/28/06) | Contact / Amended Project Budget | Project Expenditures to Date (03/28/06) | Contact / Amended Admin Budget | Admin Expenditures to Date (03/28/06) |
|---|---|---|---|---|---|---|---|---|
| CACST | 1999 | 08/01/00 - 05/31/02/ 06/30/03/ 03/31/04/ 04/29/05 | 26/14 | 14 (pending contract close-out) | $400,000 | $300,120 | $16,000 | $3,200 |
| OPSE | 2002 | 03/31/03 - 04/30/05/ 12/31/05/ 12/30/06 | 20/20 | 0 | $500,000/ $625,000 | -0- | $20,000 | $2,000 |
| Webb County | 2002 | 03/31/03 – 04/30/05/ 08/01/06 | 20/13 | 0 | $500,000/ $625,000 | -0- | $20,000 | -0- |
| **Actual Totals** | | | 66 /47 | 0 | $1,400,000 | $300,120 | $56,000 | $5,200 |
| Willacy County (deobligated; not included in totals) | 2002 | | 12 | 0 | $300,000 | -0- | $12,000 | -0- |

Source: Information accumulated from executed contracts and the Department's contract tracking system.

In August and October 2005, the Department awarded 14 contracts totaling $6 million to convert 112 contracts for deed. All of these contracts have been funded, i.e., the contracts have been set up in U.S. Department of Housing and Urban Development's (HUD) IDIS program management system and funds have been set-aside. No funds have been expended to date on these contracts. Management reports that progress on these contracts is pending approval of an environmental review guide required by HUD to assess the environmental effect of activity carried out with HOME funds. These reviews will be conducted by PMC.

## *Executive Summary*

The OCI division assumed draw processing and subrecipient monitoring responsibilities for the CFD Program from the Department's PMC division in January 2005. However, OCI management and staff have not developed clearly defined roles and responsibilities or the necessary control systems, policies and procedures to ensure an effective monitoring function. While a sample file and checklists have been developed for the draw process, formal standard operating procedures have not been adopted to help ensure the proper application of these tools. Management indicates they will implement procedures used by PMC for draw processing and monitoring; however, these procedures have not been critically evaluated to determine whether they will fulfill OCI's oversight needs.

To ensure contract administrators/subrecipients meet their contractual obligations, management should clearly define their monitoring objectives and goals and develop monitoring strategies to achieve them supported by formal policies and procedures. Effective contract monitoring typically involves a combination of ongoing activities such as reviews of budget, expenditure and performance reports to ensure reasonableness and timeliness of funds expended within the contract period and achievement of contract performance statements, and reviews of support for draw requests to ensure expenditures are allowable as well as separate, risk-based, site-specific inspections to ensure housing financed by the Department is safe and meets minimum standards established by program rules and contract terms.

Informal plans seem to indicate staff responsible for grant management and technical assistance will be responsible for monitoring. Without appropriate separation of the monitoring function from the grant management and technical assistance functions, the Department risks a lack of objectivity in its assessment of subrecipient performance, employees being put in the position whereby they can intentionally or accidentally both perpetuate and conceal errors or irregularities, and one function taking priority over other functions based on employees' perceptions of importance.

## *Findings and Recommendations*

**Section 1:**

### DEFINE ROLES AND RESPONSIBILITIES FOR PROCESSING DRAW REQUESTS

Roles and responsibilities of OCI staff, including border field staff, relating to processing Contract for Deed draw requests have not been formally defined. Additionally, access rights have not been established in the Department's Contract System to allow for authorization and subsequent processing of draw requests. We also noted that formal policies and procedures for processing draw requests have not been developed as discussed further in Section 3. Without formally identifying roles and responsibilities as well as policies and procedures for processing, draw requests may not be processed as intended by management.

**<u>Recommendation:</u>**

We recommend management clearly define the roles and responsibilities of the OCI staff for processing Contract for Deed draw requests. Minimally, roles and responsibilities should formally define the staff positions responsible for reviewing and approving draw requests for payment. Also, based on formal roles and responsibilities, establish the authorization role for approving draw requests in the Department's contract system. Only those individuals responsible for approving draw requests for payment should be authorized in the Contract System to do so.

***Management's Response and Corrective Action Plan:***

*The OCI will formally finalize by May 31, 2006 the roles and responsibilities of the OCI staff to process Contract for Deed draw requests and authorization roles for approving draws.*

*Target Date for Completion: May 31, 2006*

**Section 2:**

## DEVELOP AND IMPLEMENT AN EFFECTIVE MONITORING FUNCTION FOR THE CONTRACT FOR DEED CONVERSION PROGRAM

The OCI division assumed monitoring responsibilities for the CFD Program in January 2005. However, the Division has not conducted any significant monitoring activities since that time. Additionally, the monitoring function and approach have not been clearly defined. Weaknesses noted in the monitoring function include the following:

- Goals and objectives of the monitoring function have not been clearly defined.
- Monitoring strategies with formal policies and procedures have not been developed, especially relating to the reconstruction and/or rehabilitation activities within the CFD Program to bring housing up to Colonia Housing Standards.
- Responsibilities for the monitoring function have not been clearly assigned.
- While responsibilities for the monitoring function have not been clearly assigned, informal plans seem to indicate staff responsible for grant management and technical assistance will be responsible for monitoring.

Without an effective monitoring function, the Department risks noncompliance with laws, regulations and program rules, and contract terms not being fulfilled including substandard housing. Without appropriate separation of the monitoring function from the grant management and technical assistance function, the Department risks a lack of objectivity in its assessment of subrecipient performance, employees being put in the position whereby they can intentionally or accidentally both perpetuate and conceal errors or irregularities, and one function taking priority over other functions based on employees' perceptions of importance.

### Recommendation:

We recommend management clearly define their monitoring objectives and goals. Monitoring strategies, supported by formal policies and procedures, should be developed to ensure the monitoring objectives and goals are achieved. Minimally, the monitoring program should provide reasonable assurance of compliance with laws and regulations, contract terms, and performance statements.

We recommend management develop ongoing monitoring activities such as reviewing budget, expenditure and performance reports to ensure reasonableness and timeliness of funds expended within the contract period and achievement of contract performance statements, reviewing draw requests and supporting documentation for reasonableness and allowability of expenditures, and obtaining proper documentation to protect the Department's financial interests.

We also recommend separate, risk-based, site-specific inspections be conducted to ensure housing financed by the Department is safe and meets minimum standards established by program rules and contract terms. Risks to be considered in determining site-specific inspections to conduct may include the historical performance record of the administrators (subrecipients), other oversight functions such as local inspections, and completion of milestone thresholds or percentage of funds expended.

Reporting standards should be established to ensure the results of monitoring and evaluation activities are properly reported to appropriate individuals who are in position to take corrective action and can be held accountable for acceptable performance. Documentation standards to support monitoring activities conducted should be established, including documentation retention standards. We recommend standardized monitoring tools and checklists.

Finally, we recommend monitoring responsibilities be clearly defined. We recommend staff separate from the grant management and technical assistance functions be assigned responsibilities for the monitoring function. Alternatively, the Department should consider transferring program monitoring responsibilities to PMC's existing program monitoring function for HOME funds in order to allow for adequate separation of the program monitoring function from the grant management and technical assistance functions and to capitalize on existing systems of controls.

***Management's Response and Corrective Action Plan:***

*The OCI has approached and requested the Portfolio Management and Compliance Division (PMC) to conduct the monitoring activities under this program. This will enable the OCI and PMC to remain consistent regarding the implementation and management of the HOME Program activities. PMC has agreed to monitor the OCI's HOME contracts.*

*The OCI will work with the Information Systems Division to develop management reports by June 30, 2006 in order to have readily available necessary information to monitor budget, expenditure, and performance reports and the progress of contracts. The OCI field offices will provide oversight functions such as monitoring milestone thresholds or percentage of funds expended and determine if site specific inspections are required to ensure the projects meet minimum standards.*

*Target Date for Completion: August 31, 2006*

**Audit Follow-up Comment:** We reiterate the need for management to clearly define their monitoring objectives and goals and support their monitoring strategies with formal policies and procedures.

**Section 3:**
## DEVELOP STANDARD OPERATING PROCEDURES

Since assuming oversight responsibility of the CFD Program, OCI has not fully developed standardized operating procedures for processing draw requests or conducting subrecipient monitoring. Formal procedures are necessary to ensure operations are executed as intended, compliance and conformity with prescribed policies, and unacceptable risks facing the Department are being adequately controlled. A policy is any stated principle that requires, guides, or restricts action.

OCI states they will utilize PMC's policies and procedures for the CFD Program. However, these standards have not been critically evaluated to assess whether they will achieve OCI's objectives and goals or address differences between the divisions and/or limitations OCI may face such as staffing resources, capacity of the contract administrators serving the colonias, or other risks unique to the operations of OCI or its subrecipients.

**Recommendation:**

Management should critically evaluate and amend or supplement where necessary PMC's policies and procedures it intends to use for processing draw requests and conducting monitoring activities to assess whether they are sufficient considering OCI's objectives, goals, resources, and the capacity of the contract administrators serving the colonias. The policies and procedures should sufficiently detail tasks to be performed for the draw requests and monitoring processes to ensure stated goals, objectives and strategies are achieved and appropriate oversight of the Department's CFD subrecipients and contractors.

While PMC's policies and procedures may suffice for OCI in many respects, we recommend OCI comply with standards established by the Department for developing standard operating procedures (SOP 1100.01). We also noted there are prior audit issues that, while PMC management reports they have been cleared, the corrective actions may not have been incorporated in the policies and procedures and have not been verified as properly implemented by a party independent of management. Accordingly, we recommend OCI management ensure the policies and procedures adequately address the following issues previously reported as audit or monitoring exceptions.

- Procedures to ensure eligibility of applicants in program *(HUD Monitoring Visit - HOME Program, On-site monitoring of the State of Texas' affordable housing programs, 11/16/01)*
- Ensure construction of affordable housing units begin within 12 months of the purchase of the land *(HUD Monitoring Visit - HOME Program, On-site monitoring of the State of Texas' affordable housing programs, 11/16/01)*
- Procedures to provide adequate monitoring and oversight of the processing and construction activities of its recipients in accordance with the HOME regulations and applicable OMB circulars *(HUD Monitoring Visit - HOME Program, On-site monitoring of the State of Texas' affordable housing programs, 11/16/01)*
- Procedures to determine that all required lower-tier subcontracts are executed between applicable parties *(HUD Monitoring Visit - HOME Program, On-site monitoring of the State of Texas' affordable housing programs, 11/16/01)*
- Procedures to ensure documentation of full compliance with requirements of the National Environmental Policy Act (NEPA), HUD environmental regulations at 24 CFR Part 58, and other related federal environmental laws and executive orders *(HUD On-site Monitoring of Environmental Procedures: HOME and ESG Programs, 05/27/05)*

***Management's Response and Corrective Action Plan:***

*The OCI will formally finalize the SOPs detailing the various processes to administer the HOME Contract for Deed Conversion Program. As mentioned in Section 2, PMC will conduct the monitoring processes for this program.*

*Target Date for Completion: August 31, 2006*

**Section 4:**

## ESTABLISH AND IMPLEMENT MANAGEMENT INFORMATION REPORTS TO EVALUATE ONGOING PERFORMANCE OF SUBRECIPIENTS

OCI has not utilized the Department's contract system to identify and capture monitoring related information to adequately assess the expenditure rates of funds, achievements of contracted performance targets, and the status of monitoring reviews such as deficiencies noted, follow-up reviews made, and whether or not deficiencies have been resolved or corrective actions have been taken.

### Recommendation:

We recommend OCI develop processes that are supported by formalized policies and procedures to identify and capture relevant monitoring information in a form and time frame that will allow OCI staff to effectively and efficiently carry out their monitoring and ongoing oversight responsibilities. We also recommend OCI work with the Information Systems Division to develop reports to facilitate its monitoring and management responsibilities. The reports should summarize and organize sufficient information to assess the performance of subrecipients and to plan and track the results of OCI's monitoring processes.

### *Management's Response and Corrective Action Plan:*

*As mentioned in Section 2 the OCI will work with the Information Systems Division to create various reports to monitor the performance and expenditure of funds in this program.*

*Target Date for Completion: August 31, 2006*

**Section 5:**

## COMPLIANCE EXCEPTIONS

During the course of our review the following compliance exceptions were noted:

- OCI is not meeting the 400 CFD conversions per biennium required by General Appropriations Act riders. *See the Contract for Deed Conversions Table and supporting comments at page two for further discussion.*
- OCI is not implementing the guaranteed Contract for Deed Conversion Program required by Tex. Gov. Code Ann. § 2306.255 which states the office (OCI) shall establish a program to guarantee loans made by private lenders to convert a contract for deed into a warranty deed.
- The CACST contract # 530021 has been servicing all the contract for deeds that had been converted to first lien notes and warranty deeds rather than sending payments to the Department for servicing. Additionally, mortgage liens are in the name of CACST rather than the Department. While contract terms reserves the Department's right to permit the Administrator to retain interest or return on investment of HOME funds for additional eligible activities by the Administrator, there was not adequate documentation in the files to support the Department granting this right to the Administrator. Section 21.3 of the contract states an Administrator agrees that all repayments (of loans), including all interest and any other return on the investment of HOME funds will be made to the Department.

## Recommendation:

We recommend the Department develop strategies to address each of these compliance issues.

## *Management's Response and Corrective Action Plan:*

*The OCI cannot meet the 400 required contracts for deed conversions due to the amount and source of funding dedicated to this program. The HOME Investment Partnership Program requires the home to meet a certain standard which requires additional funds. Utilizing $4,000,000 of HOME funds will only provide approximately 80 contracts for deed conversions considering the required costs of rehabilitation necessary to bring the properties up to minimum standards. The Department will need to set-aside approximately $20,000,000 of HOME funds to meet this mandate which represents approximately half (1/2) of the total HOME allocation to the Department.*

*The OCI implemented the Contract for Deed Conversion Loan Guarantee Program in 2003. The Department entered into a partnership with Lone Star National Bank (the "Bank") to implement this initiative. The Bank converted the contracts for deed and carried the lien with the Department entering into a Guaranty Agreement with the Bank. The Legislation governing this program identified the HOME funds as the funding source. The HOME Program rules allow loan guarantees to stand for 2 years only. The OCI struggled with the Bank to originate these loans. The housing conditions and the amount of the loans discouraged the Bank from participating in this program. Many other lenders voiced the same concerns.*

*The OCI assumed the Community Action Council of South Texas (CACST) contract #530021 in January 2005. The OCI does not plan to process the last draw under this contract until all issues such as transferring the notes and deeds of trust to the Department and program income have been resolved. The OCI anticipates closing out this contract in August 31, 2006.*

*Target Date for Completion: The OCI anticipates closing out the CACST contract by August 31, 2006.*

Appendix:

# *OBJECTIVES, SCOPE, METHODOLOGY AND OTHER*

## Objectives

The objectives of the audit were:

- To assess whether OCI's draw processing procedures ensure that draws are:
  - In compliance with relevant rules, regulations, policies, program guidelines, and contract provisions.
  - Properly authorized/approved.
  - Properly posted.
  - Processed in a timely manner.

- To assess whether OCI has adequate monitoring processes in place to ensure that:
  - Subrecipients are in compliance with laws, rules, and regulations, policies, program guidelines, and contract provisions.
  - Monitoring results are communicated to subrecipients and within the Department.
  - Subrecipients are achieving contract performance statements.

## Scope

The scope of this audit included consideration of the OCI Contract for Deed program's draw processing and subrecipient monitoring functions from January 1, 2005 to date. More specifically, our audit was limited to the following areas in the OCI's programs:

- standard operating policies and procedures relating to draw processing and subrecipient monitoring
- monitoring tools/instruments (i.e., checklists, programs, form letters, etc.)
- contracts between the Department and its subrecipients
- contract files, including documentation of draw processing and on-site monitoring visits
- monitoring visits, management information reports and other information relating to the OCI Contract for Deed program's monitoring efforts

## Methodology

The methodology on this project consisted of gaining an understanding of the OCI Contract for Deed draws processing and monitoring functions, including tools used to process draws and conduct and document monitoring reviews, reporting the results of monitoring efforts, and methods used to follow up on deficiencies. An understanding was gained through interviewing management and staff and by reviewing policies and procedures, monitoring tools, standard OCI Contract for Deed Conversion contracts, and relevant laws and regulations. Tests included considering, comparing and contrasting related standard operating procedures, monitoring tools and instruments, contract files and management information reports to standards established by the Department, related program rules and requirements, and sound business practices.

## Type of Audit/Audit Report

The audit was a Performance Audit concentrating on OCI's draw processing and monitoring policies and procedures to provide assurance on subrecipients' compliance with significant laws, regulations and Program rules relating to the CFD Program and achievement of contract performance statements. While not primary objectives, economy and efficiency issues such as protecting and using the Department's resources and inefficient or uneconomical practices were considered.

## Report Distribution

Pursuant to the Texas Internal Auditing Act (Texas Government Code, Chapter 2102), this report is being distributed to the:

- Department's Governing Board
- Governor's Office of Budget and Planning
- Legislative Budget Board
- Office of the State Auditor

## Project Information

Audit fieldwork was conducted from November 2005 to March 2006. The audit was made in accordance with generally accepted government auditing standards and the *International Standards for the Professional Practice of Internal Auditing*. The following staff performed this audit:

- Kelly Crawford, CIA, CCSA
- Lorrie Lopez
- David Gaines, CPA, CISA, Director, Internal Auditing Division

## Appreciation to Management and Staff

We wish to express our appreciation to management and staff for their courtesy and cooperation during the course of this audit.

**For additional information or copies of report, please contact**
**David Gaines, Internal Audit Director**
**512.475.3813 david.gaines@tdhca.state.tx.us**

*Texas Department of Housing and Community Affairs*

*Technical Assistance and Monitoring Visit HOME Program*
*Management's Response excluding attachments*
*(Incorporates Text of Report)*

June 16, 2006

Ms. Katie Worsham, Director
Office of Planning and Development
U.S. Department of Housing and Urban Development
801 Cherry Street
Ft. Worth, Texas 76102

Re: Response to HUD Monitoring Report *M05-SG480100*

Dear Ms. Worsham:

Enclosed please find the Texas Department of Housing and Community Affairs' (Department) response to the U.S. Department of Housing and Urban Development's Office of Community Planning and Development (HUD) monitoring letter dated May 10, 2006 related to the HOME Investment Partnerships Program (HOME) monitoring visit conducted February 13-17, 2006.

The Department appreciates the guidance and technical assistance provided by HUD during the visit and HUD's recognition of the Department's efforts to improve HOME program administration. The Department recently initiated a HOME Program Advisory Task Force (Task Force) designed to further improve administration by identifying internal and external concerns and issues related to the HOME Program that may be in need of change and to research and identify possible options for improvements to the HOME Program. The Task Force began meeting in May 2006 and the Department looks forward to sharing the results with HUD.

The Department has prepared responses to each finding and concern identified in the report and has included support documentation as applicable. In instances where a resolution has not yet been achieved, the Department has included a course of action.

In addition to concerns noted in the report, HUD also provided two recommendations in the cover letter as follows:

1. HUD recommended that additional staff (monitors and inspectors) are needed to continue improvements in management and monitoring responsibilities.

*The Department is restricted by the state legislature to a limited number of full time employees. The Department recognizes the constraints of limited HOME staff and the need for additional staff. As the Department works to develop the staffing plan for Fiscal Year 2008, the Department will take the concerns of HUD into account.*

2. HUD recommended that the state include a component in its application process that specifically requires all applicants for funding to include actions that will be implemented to ensure adequate local monitoring and oversight on an on-going daily basis during the contract term.

*The Department will examine this concern as part of the Task Force process. To assure maximum participation in various communities, a double application cycle was recently conducted pending the 2007 commitment of funds. The Department will consider HUD's recommendation in the next application cycle.*

If you have any questions or need further assistance, please feel free to contact me or Kelly Crawford, Acting Director of Portfolio Management and Compliance, at (512) 475-3262 or e-mail at kelly.crawford@tdhca.state.tx.us any time.

Sincerely,

Michael Gerber
Executive Director

cc: Jim Johnson, HUD CPD Deputy Director
Melodee Humbert, HUD CPD Affordable Housing Specialist
Gayla Frazier, CPD Representative
Bill Dally, TDHCA Deputy Executive Director
Kelly Crawford, TDHCA Acting Portfolio Management and Compliance Director
Eric Pike, TDHCA Single Family Finance Production Director
Robbye Meyer, TDHCA Interim Multifamily Finance Production Director
David Gaines, TDHCA Internal Audit Director

Encl.

**RESPONSE TO MONITORING REPORT**
**STATE OF TEXAS – TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (TDHCA)**

**[MONITORING REPORT M05-SG480100**
**HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)]**

**AFFORDABLE HOUSING – HOME PROGRAM**

All of the following findings, concerns and recommendations were discussed with TDHCA staff during monitoring and at an exit conference held on April 4, 2006.

**Except as provided in this report, specific details as to file deficiencies, recommendations, comments, etc., relative to (1) individual file reviews, and (2) reviews of contracts and agreements executed between the state and its state recipients and CHDO are not included in this transmission. These issues have been discussed in detail with the state's staff and management during the monitoring review and the exit conference. The HUD staff is available to discuss these issues in more detail and provide more information at the state's request.**

## Overall Performance – HOME

The May 1, 2006 HOME Status of Funds Report (PR27) shows that from FY 1992 through FY 2005, the state has received HOME allocations totaling $516,668,484. Of that amount, it has committed $461,720,839 or 94.7 percent of its total HOME allocation to individual activities. While the state's overall performance in this area is excellent, it is noted that funds remain uncommitted from FY 1993 through the present. It is understood that these balances are a result of the state's deobligation of unneeded or uncommitted funds from its various subrecipients and CHDOs; however, as discussed with staff the state needs to continue its efforts to get these old balances recommitted and disbursed for eligible activities.

In the area of overall cumulative disbursements, the Status of Funds (PR27) report indicates that the state has disbursed only $367,802,619 or 65.9 percent of its total allocation. The state's overall performance in this area is marginally acceptable.

Performance in this area is governed by the ability of the subrecipients and CHDOs funded by the state to commit and expend their awards in a timely manner. As noted below, a substantial portion of this problem is a direct result of the inability of the state's CHDOs to commit and subsequently complete their activities in a timely manner. HUD acknowledges the state's efforts in deobligating funds from non-performing CHDOs and subrecipients and reallocating them to other entities that may be able to move quickly to complete their projects or activities. The state needs to continue its efforts in this area so that a significant improvement can be achieved in its disbursement rate.

This report also provides that the state did not reserve the full 10% allowable for administration for FYs 1992, 1993, and 1995, totaling $297,961. The state should check to see if these funds are still available or if the funds were used to complete activities. If the funds are available, the state should reserve and draw these old funds as soon as possible. If the funds have been used for other HOME activities, the state should amend the amounts authorized and reserved to equal the amounts disbursed.

**CHDO Performance:**

The state is required to reserve, at a minimum, 15 percent of each fiscal year's allocation for Community Housing Development Organizations (CHDOs). The state's cumulative CHDO reservation requirement for FYs 1992 through 2005 is $69,899,508 (reduced by the FY 05 CHDO set-aside waiver). The PR27 report indicates that the state has reserved, cumulatively, $64,266,937 or 84.5 percent of its required CHDO reservation in IDIS. Because of hurricane Rita, HUD granted the state a waiver of its 15 percent CHDO set-aside reservation requirement for FY 2005; therefore, the above totals and percentages do not include any FY 2005 authorized or reservations amounts.

Of the $64,266,937 of CHDO set-aside funds reserved in IDIS, the state has entered CHDO commitments to individual activities totaling $58,447,499 or 90.0 percent. The report also indicates that the following balances from prior fiscal years (not including the state's FY 2005 allocation) remain uncommitted to individual CHDO-eligible activities.

| Fiscal Year | Balance to Commit |
|---|---|
| 1997 | $ 250,000.00 |
| 2001 | $ 1.00 |
| 2002 | $1,578,600.00 |
| 2003 | $3,175,000.00 |
| 2004 | $ 795,837.46 |
| Total Uncommitted Old Balances | $5,819,438.46 |

Of the amount committed to individual activities, the state has disbursed on behalf of its CHDOs $55,449,071 or 86.2 percent. The state's performance in the area of its overall commitment and disbursement of its CHDO set-aside funds is acceptable. However, as noted above the state still has a significant amount of old CHDO funds that must be committed and expended.

HUD acknowledges the state's efforts to address its problems in finding and certifying qualified nonprofits as CHDOs and then working with these entities to commit and expend their awards in a timely manner. Under the jointly funded technical assistance contract between HUD, the state and ICF, the state is now actively addressing these issues. This requirement will be reduced somewhat as a result of the HOME program waiver approved by HUD to allow the required CHDO set-aside funds for two fiscal years to be used for general HOME-eligible activities.

## OVERALL PERFORMANCE – HOME

**CONCERN NO. 1: – ADDI Performance:** As of the March 2, 2006, ADDI Accomplishment Report, the state has received American Dream Downpayment Initiative (ADDI) funds for FYs 2003 through 2005, totaling $5,596,454. These funds must be used specifically for the provision of homebuyer assistance.

**DISCUSSION:** As shown below, the state's performance in this area is unacceptable.

| FY | ADDI Award | Disb. For DPA | Disb. For Rehab** | Percent of Award | Balance Available | # of Units Completed |
|---|---|---|---|---|---|---|
| 2003 | $2,015,759 | $358,706 | -0- | 17.8% | $1,657,053 | 53 |
| 2004 | $2,236,339 | $ -0- | -0- | | $2,236,339 | |
| 2005 | $1,344,356 | $ -0- | -0- | | $1,344,356 | |
| Totals | $5,596,454 | $358,706 | -0- | 6.4% | $5,237,748 | 53 |

(**2003 ADDI funds cannot be used for rehabilitation. For other FYs, the amount used for rehabilitation cannot exceed 20% of the total ADDI allocation or any individual activity – if additional funds are needed for rehabilitation, the state may supplement from its regular HOME allocations.)

**RECOMMENDED ACTION:** Because the state has met its overall statutory 24-month commitment deadlines as noted below, this is being cited as a concern. The state should take immediate action to increase its efforts to get these funds committed and expended under its first-time homebuyer (FTHB) program activities. This would include providing any technical assistance and training to state recipients that have received allocations of funds for a FTHB program.

**TDHCA CONCERN NO. 1 RESPONSE:** The Department committed all available FY 2003, 2004, and 2005 ADDI funds in August 2005 totaling $5,596,454. The contracts were executed in October 2005. As of June 2006, $609,516 has been committed to first time homebuyers from ADDI funding.

The delay in awarding ADDI funds was the result of receiving a double allocation of funding for FYs 2003 and 2004 in August of 2004, subsequent to the Department's FY 2004 HOME funding cycle. FY 2005 ADDI funds were received in March 2005.

The Department is committed to awarding and expending all available HOME funding as expeditiously as possible. Efforts include providing technical assistance on program requirements at application workshops, implementation workshops, program training sessions, and direct technical assistance through telephone, email, and TA visits specific to each activity type, including FTHB activities. The Department also monitors the progress of HOME awards throughout the contract term to ensure that funds are committed and expended timely, and that any issues are identified and resolved. In addition to these efforts, the Department recently initiated a HOME Program Advisory Task Force designed to identify areas for improvement to administration of the State of Texas' HOME Program.

**Statutory Commitment and Expenditure Deadlines:** Even though the state has not committed and expended its ADDI funds in a timely manner, the HOME Deadline Compliance Status Report for the period ending July 31, 2005, indicates that overall, the state **has met** its statutory 24-month total commitment and CHDO reservation deadlines for its FY 2003 HOME allocation. Additionally, the state **has met** its statutory 5-year expenditure deadline for its FY 2000 HOME allocation and no funds are subject to recapture. (The state is reminded that its 24-month deadline for the commitment of its FY 2004 HOME allocation is August 31, 2006.) The state **has** also met its statutory five-year expenditure deadline for its FY 2000 HOME allocation and no funds are subject recapture.

**Program Income:** The Status of Funds Report (PR27) also provides that the state has receipted HOME Program Income (PI) in IDIS in the amount of $16,252,362.32 and has expended the full amount. The state's performance in this area is excellent.

The state is reminded that it may use up to 10% of HOME program income receipted in IDIS for additional administrative expenses of the state. Based on the above report, a total of $1,625,236 could have been used in this category. If the state has not previously committed and expended these funds for individual activities, it may increase the amount of its administrative account/line item in IDIS by sub funding all or part of the balances authorized for administration from PI. If the state wishes to use any or all of its PI in this manner, please contact this office for assistance on how to transfer these funds into its administrative account.

**Match Log:** Due to time constraints a comprehensive review of the state's running match log and source documentation was not completed. Based on a cursory review of the match log, it appears that, overall, the match claimed is from eligible sources. However, based on the review of the settlement statement for the Homebuyer Assistance (HBA) project for Armando Ramirez, 13185 Mill Stone Drive, Austin, Texas, an item that appears to have been booked as match is from an ineligible source. A total of $13,400 was noted as coming from "seller financing from a land trust." If this amount has in fact been booked as match, the state must remove this item from its match log. A more comprehensive review will be completed at a later date.

**CONCERN NO. 2:** During this review it was found that the state is not obtaining and booking any match from its HOME-funded multifamily projects. It was found that no match generated under the multifamily program has ever been reported or booked; the entire responsibility for meeting the state's 12 1/2 percent match liability has rested with its single-family production process.

**DISCUSSION:** Significant amounts of match may be generated under the state's HOME-funded multifamily programs and these sources should be required to be documented and booked in the HOME Match Log in the same manner that match sources are documented under the single-family programs.

For example, the match that was generated (but not booked as match) by the New Hope Canal Street Project in the city of Houston would have provided the state with a significant amount of eligible HOME match. This project was jointly funded by the state and the city of Houston. The total project cost for this 133-unit Single Residence Occupancy (SRO) project was $6,100,000. Each PJ contributed $1,500,000 of HOME funds towards the construction with each PJ funding 34 HOME-assisted units for a total of 68 HOME-assisted units. Through the nonprofit's fund-raising activities it raised a total of $3,100,000 from non-federal sources. The 68 HOME-assisted units represent 51 percent of the total number of units in the project; therefore, 51 percent of the total non-federal contributions or $1,581,000 could be counted as match. Because this was a joint-funded project with the City of Houston, the state should negotiate with the city to determine how the HOME match is to be prorated and booked for each entity.

**RECOMMENDED ACTION:** All eligible sources of match from the state's multifamily projects should be documented and included to meet the state's overall match liability. The state should continue its efforts in this area even though its match liability has been temporarily suspended as provided in the HOME waivers approved by HUD. This may assure that once the match liability requirements are reinstated, the state could have a match carryover balance sufficient to cover future funding awards.

If this is done, the state may go back for the prior five fiscal years and book all eligible and documentable match generated from its funding of affordable HOME-assisted multifamily housing projects. It will have to obtain and maintain the required source documentation to support the amounts booked on the match log. Once this is completed, when the state submits its next Match Log to HUD, it should indicate that the log reflects the addition of prior years' match that was not previously included in previous submissions. The state should review HUD's Match Notice, CPD [Community Planning and Development] 97-03, for a complete listing and explanation of all of the sources of eligible match that can be claimed by the state.

**TDHCA CONCERN NO. 2 RESPONSE:** The Department agrees that all eligible sources of match should be documented and recorded. Several meetings have been held internally to discuss methods for capturing match from HOME multifamily projects. Match training developed in accordance with CPD 97-03 was provided to Department staff in August 2005 to ensure that staff is familiar with each type of HOME-eligible match.

The match from the New Hope Housing – Canal Street Apartments project has been documented and entered in the Department's match log and will be reported to HUD with the FY 2006 Match Report. In addition, staff will review multifamily housing projects funded up to five fiscal years' prior to identify additional sources of match and will indicate in the FY 2006 Match Report that the log reflects prior years' match.

**Compliance with the 90 percent rule:** Section 214(1) of the HOME statute and the HOME regulations at §92.216(a)(1) and (2), and (b)(1) and (2), provide that not less than 90 percent of the HOME funds expended for rental assistance or rental projects must be for units initially occupied by persons or families with incomes at or below 60 percent of the median family income for the area, adjusted for family size. Based on the HOME Lower Income Benefit Report (PR16), the state **is in compliance** with this statutory requirement as 97.5 percent of the HOME funds expended for rental assistance were for units initially occupied by persons or families having incomes at or below 60 percent of median.

**Data Entry Into IDIS:** The PR16 Report indicates that there are four (4) rental units and 20 homebuyer units reported as vacant in IDIS. The state has significantly reduced the number of activities for which completion information was not previously entered. The provision of this information should significantly improve the state's overall performance percentages. While the state has significantly improved the accuracy of its data entry into IDIS, it needs to continue to work to resolve any remaining errors.

**Grievance Procedures – CDBG & HOME:** The state's revised written grievance/complaint procedures as contained in its Policies and Procedures Manual were reviewed and found to be adequate. The process to be followed is clearly stated.

**Lead-Based Paint (LBP):** Overall, the documentation by the state's recipients for compliance with the LBP regulations was acceptable. Generally, the files contained the required Lead-Safe Housing Rule (LSHR) – Applicability Form and Checklist, although in some instances they were not fully completed. The incidents where the forms were not fully completed or were missing were limited and, therefore, HUD did not raise this to the level of a finding. However, the state needs to work with its state recipients to ensure that all entities that receive HOME funds document their compliance with the LPB requirements for each unit or project assisted. See also CONCERN No. 3 under Tenant-Based Rental Assistance (TBRA).

## ALL PROGRAMS

**FINDING NO. 1:** There are no written agreements between the homebuyers, homeowners and tenants, and the state's subrecipients for the Owner-Occupied Rehabilitation/Reconstruction, (OCC), First-Time Homebuyers (FTHB), and Tenant-Based Rental Assistance (TBRA) projects.

**STANDARD:** 24 CFR §92.254(a), 24 CFR §92.504(b), (c)(1) and (c)(5)(i, ii, and iii); 24 CFR §92.508(a)(6)(i), and section 226(a) of the HOME statute

**DISCUSSION:** Because the state does not provide any direct assistance to individual applicants, the requirement for the provision of the written agreements falls to the state recipients or subrecipients. The state is in compliance with the first part of the HOME rule at §92.504(b) and (c)(1) that requires that before disbursing any HOME funds to any entity, the participating jurisdiction must enter into a written agreement with that entity. The regulations at §92.504(c)(5) provide the minimum provisions that must be included in all written agreements based on the recipient category. At its option, the state may impose additional requirements that must then also be adhered to by its various state recipients and subrecipients.

Review of the files indicated that the majority of the requirements were addressed by the execution of various individual forms; e.g., there was a separate form in the file that the homebuyers signed regarding the principal residency requirement. At different times throughout the process, other forms or legal documents were executed to cover other specific provisions. However, all of these provisions must be included in one document that is provided to and acknowledged by the homebuyer, homeowner, or tenant, early in the application process. This will assure that all applicants are fully informed as to the program requirements prior to the decision to proceed with their specific type of assistance requests.

**REQUIRED CORRECTIVE ACTION:** This is a non-correctible finding for the projects that have been previously completed. The state must develop a written agreement specific to each type of funding activity that includes the requirements outlined in §92.504(c)(5). The agreement must be executed between the state recipient or subrecipient and their direct HOME-assisted applicants. Even though the agreements will not be executed by the state, HUD strongly recommends that the agreements provide the state with recourse in the event of non-compliance (e.g., conversion of the property to rental housing). The state also must develop and implement procedures to ensure that the state recipients or subrecipients and the applicants execute the agreements prior to the commitment of any HOME funds. The agreements and procedures must be submitted to HUD for review and approval.

**TDHCA FINDING NO. 1 RESPONSE:** The Department's Legal Division is currently reviewing this issue to determine whether it is feasible under state law to incorporate all the required provisions outlined in 92.504(c)(5) in a single written agreement for execution by the state recipient or subrecipient and their direct HOME-assisted applicants for each HOME activity (OCC, FTHB, and TBRA). As noted by HUD, all of the requirements are contained in various documents executed between either the Department and the HOME-assisted beneficiary, or the state recipient or subrecipient and their direct HOME-assisted applicants.

Once a determination is made by the Department's Legal Division, the Department will contact HUD to discuss resolution to this finding.

## TENANT-BASED RENTAL ASSISTANCE

### Combined Community Action Agency (CAA)

Overall, the CAA's files were fairly well documented and organized. It was noted though that there were instances where documents and forms had not been fully completed; e.g., missing signatures and dates, blank spaces and lines, etc. This was discussed onsite with both state and subrecipient staff, and the importance of properly completing all forms and documents was emphasized. The following files were reviewed during this monitoring. The rental lease documents did not contain any HOME program prohibited provisions.

- Virginia Lawhon – 201 B Split Oak Road, Smithville (Recertification completed)
- Sandra Menley and Shirley Garvel – 808 B Lloyd Lane, Elgin (Recertification completed)
- Krystle Mitshcke – 1017 PR 1171, Giddings (At the time of this monitoring Ms. Mitshcke was no longer participating in the program)
- Victoria Cases – 105 Gary Street, Lexington (At the time of this monitoring Ms. Cases was no longer participating in the program)
- Megan Westfall – 214 Northpointe, LaGrange
- Denise Brown – 4759 CB 309, Lexington
- Kim Carson – 1800 W. Travis, LaGrange
- Taunia Walker – #1 Pine Point Drive, Apt. 107, Bastrop

It was also noted that the CAA staff is completing all required HOME recertifications in a timely manner at the expiration of each applicable initial or renewed lease document. The CAA staff is commended for their actions in this area.

**CONCERN NO. 3**: The Section 8 Housing Quality [Standards] Inspection checklists (HQS) completed for the Tenant-Based Rental Assistance (TBRA) program administered by the CAA did not contain any information relative to the ages of the units that were being occupied by TBRA families. This information is needed in order for the CAA staff to determine whether the Lead-Based Paint (LBP) requirements are applicable.

**DISCUSSION:** This deficiency was initially cited as a Finding as there was no documentation that the state's subrecipient, CAA, had complied with the LBP regulations. However, during the review CAA staff and Mr. Williams were able to access the land records for all of the units previously or currently occupied by a TBRA recipient, and it was found that all structures had been constructed after 1978. Based on this documentation, HUD reduced this deficiency to a concern. Technical assistance relative to the requirements for compliance with the LBP regulations and the completion of the LSHR [Lead Safe Housing Rule] checklists was provided onsite to all staff of the CAA.

**RECOMMENDED ACTION:** The state should include in its monitoring of the recipients of the TBRA funds a review of each agency's compliance with LBP regulations. The training and technical assistance provided by the state to these recipients should also include information on how to complete the required LSHR checklists, and the actions that must be taken and documented if any repairs required to be completed at any of these units will result in the disturbance of existing painted surfaces above the diminimus levels allowed in 24 CFR Part 35.

**TDHCA CONCERN NO. 3 RESPONSE:** The Department's onsite monitoring review process includes a review of each state recipient, subrecipient, and CHDO's compliance with LBP regulations. The Department ensures compliance with LBP requirements by utilizing monitoring tools specific to LBP for each HOME-assisted unit. To further document compliance with LBP requirements, the Department has modified the HQS inspection checklist to include the year the unit was built.

The Department's implementation workshops and program training sessions specifically include information on compliance with LBP requirements, including completion of LSHR checklists, and the actions that must be taken and documented if repairs are required. The 2005 HOME Program TBRA Procedures Manual, Chapter 8 – Lead-Based Paint provides further guidance to TBRA Contract Administrations on these requirements. A copy of the Departments modified Housing Quality Standards (HQS) Inspection Checklist is attached as Exhibit A.

**CONCERN NO. 4:** This deficiency was initially cited as a Finding, as there was no documentation that the CAA had requested and obtained information or documentation on all sources of income, specifically child support; therefore, HUD could not conclusively document that the recipients were income-eligible.

**DISCUSSION:** The state staff brought additional information to the exit conference on April 4, 2006, to document that with the exception of TBRA recipient Virginia Lawhon, none of the other recipients had court-ordered child support nor were they receiving any funds from the fathers of their children. Therefore, HUD reduced this overall finding to a concern.

Technical assistance was provided onsite to both state and subrecipient staff regarding the need to thoroughly question applicants regarding all sources of income, and to the maximum extent feasible, obtain specific documentation as to why, if child support is court-ordered, it should not be included in the applicant's income stream.

**RECOMMENDED ACTION:** The state should provide additional technical assistance and training to all subrecipients that will be administering TBRA programs to assure that sufficient information is obtained to conclusively document income eligibility.

**TDHCA CONCERN NO. 4 RESPONSE:** The Department provides comprehensive income eligibility training on a monthly basis that includes guidance for obtaining documentation necessary to conclusively document all sources of income, including child support. In addition, the Department's implementation workshops, program training sessions, and Procedures Manuals provide guidance on income eligibility determinations, including documenting child support as a source of income.

To address HUD's concern, the Department revised the existing *Intake Application* form used by all HOME Contract Administrators to include inquiries specific to child support income and developed a *Child Support Certification* form. Revisions to the *Intake Application* form include questions concerning whether the applicant receives child support or is entitled to receive court-ordered child support. Support documentation must be obtained and maintained in the file. All HOME Program Procedures Manuals will be revised to emphasize the inclusion of child support as a source of income. In addition, the Department notified CAA of HUD's concern and provided the revised *Intake Application* form and the *Child Support Certification* form.

A copy of the revised *Intake Application* form and the *Child Support Certification* form is attached as Exhibit B.

**FINDING NO. 2:** The calculation for the amount of TBRA assistance provided to Virginia Lawhon was incorrect resulting in an over-subsidy of rental assistance.

**STANDARD:** 24 CFR §92.209(h)

**DISCUSSION:** The amount of the rental subsidy provided to this tenant was overpaid because the amount of her court-ordered child support was not included in the total tenant-payment calculation completed by the CAA.

**REQUIRED CORRECTIVE ACTION:** The state, through CAA, must recalculate the amount of rental assistance that Ms. Lawhon should have received since the inception of the provision of this assistance. The CAA and the state recommended that the amount of future TBRA rental assistance payments under this contract could be reduced over a specific period of time until the full amount of the overpayment is recouped. HUD has no objection to this process; however the finding will remain open until the entire overpayment has been reimbursed. In its response the state must advise the total amount of the overpayments, indicate the method used to recapture these funds, the time period by which the total overpayment must be reimbursed, and what source of funds the CAA will use to make up the full rental assistance payment due to her landlord. While Ms. Lawhon's rent may be increased to recapture these overpayments, the state is reminded that she must be provided with a minimum 30 day notice before her rent can be increased.

**TDHCA FINDING NO. 2 RESPONSE:** The Department and CAA have agreed to reduce the amount of subsidy to Ms. Lawhon over a three (3) month time period to correct the over-subsidy of rental assistance. The Department anticipates that the over-subsidy will be repaid by October 2006 and will submit documentation to HUD to clear the finding in November 2006.

CAA obtained verification of child support income from Ms. Lawhon and submitted the information to the Department. The Department re-evaluated the household gross annual income, adjusted annual income, rental subsidy, and tenant-paid portion. After the household's income was recalculated, it was determined that the household's assistance was over-subsidized by $39.00 per month over an eight (8) month period for a total overpayment of $312.00.

The letter to CAA discussing this finding and the revised *Household Income Certification, Adjusted Income Calculation worksheet, Total Tenant Payment worksheet,* and *Coupon Contract* that demonstrate the methodology used to determine the correct rental subsidy and tenant paid portion are attached as Exhibit C.

## OWNER-OCCUPIED (OCC) REHABILITATION/RECONSTRUCTION

### City of Eagle Lake

Funding was provided to the city of the purpose of rehabilitating existing owner-occupied units. The city uses a first-come, first-served basis for the selection of the applicants to be assisted. Based on the applications that were received and selected for assistance, inspections completed on the properties revealed that they were not feasible for rehabilitation. The existing units were demolished and reconstructed on the same site. Participation in this activity is voluntary, and the state's program policies and procedures are that no funds will be provided for any temporary relocation of recipients of the program. There was documentation in the files that the reconstructed units were in compliance with the State's Energy Conservation requirements as set forth in Chapter 11 of the State of Texas International Residential Code (IRC). These standards meet or exceed the Model Energy Code (MEC) standards referenced in the HOME statute and regulations at Section 215(b)(4) and §92.251(a)(1) respectively.

The following files were reviewed during this monitoring.

- Thelma Johnson – 519 Clay
- Abel Salazar – 403 Guadalupe
- Katherine Parker – 1105 East B Street
- Joyce Christal – 913 N. Lake Ave.
- Elizabeth Romo – 303 Guadalupe
- Rosie Stevens – 622 Maple
- Inola Johnson – 801 East A Street
- Gloria Parker – 901 Conner
- Joyce Banks – 717 N. McCarty

**FINDING NO. 3:** The state recipient did not ensure that all subcontractors including, if applicable, all lower-tier subcontractors, were not on HUD's debarred or suspended list.

**STANDARD:** 24 CFR §92.350(a); §92.508(a)(7)(viii); and 24 CFR 570.609

**DISCUSSION:** The Federal requirements set forth in 24 CFR part 5, subpart A, are applicable to all participants in the HOME program. These requirements include a prohibition against using debarred, suspended or ineligible contractors in HOME-funded projects. Based on our review, neither the state recipients nor any of the state's subrecipients and CHDOs verified that prohibited subcontractors were not used in its HOME-assisted projects. The state's policies and procedures manual specifically requires that all contractors and subcontractors must be cleared.

**REQUIRED CORRECTIVE ACTION:** This is a non-correctible finding for projects that have been completed. The state must immediately advise all state recipients, subrecipients and CHDOs that they must clear all contractors and subcontractors used on all active contracts against the GSA [General Services Administration] list of debarred, suspended, or ineligible contractors and document their files accordingly. If any contractor or subcontractor is on this list, the state must contact this office to discuss a corrective action. In addition, the state must provide its written assurance that in the future, all contractors and subcontractors including any lower-tier contractors and subcontractors will be cleared as noted above.

**TDHCA FINDING NO. 3 RESPONSE:** The Department sent a reminder to all Contract Administrators with active contracts of federal regulations requiring clearance of all contractors, subcontractors, lower-tier contractors, and lower-tier subcontractors to all Contract Administrators with active contracts. The reminder requires Contract Administrators to notify the Department of any ineligible contractor, subcontractor, lower-tier contractor or lower-tier subcontractor used on any HOME-assisted project.

The Department notifies all state recipients, subrecipients, and CHDO awardees of procurement requirements, including that all contractors, subcontractors, lower-tier contractors, and lower-tier subcontractors must be cleared according to the GSA list of debarred, suspended, or ineligible contractors during implementation workshops, program training sessions, and in the 2005

HOME Program Procedures Manual, Chapter 10 – Procurement. The Department makes every effort to ensure that Contract Administrators administer the HOME program in accordance with all applicable rules and regulations, including procurement.

The Department reviewed debarment records according to the GSA list to determine whether the contractors and subcontractors that completed work on the Eagle Lake project were currently debarred or suspended or had ever been debarred or suspended. These contractors and subcontractors, which routinely work on HOME-assisted projects, have never been debarred or suspended.

A copy of the reminder to Contract Administrators and the debarment checks are attached as Exhibit D.

**CONCERN NO. 5:** This concern consists of three (3) parts: 1) Documents are not fully completed; e.g., missing dates, signatures, etc.; 2) there are major discrepancies between various documents as to when actions took place; and, 3) jobs are not being completed on time.

**DISCUSSION:** 1) The state's recipients, subrecipients and CHDOs must take extra care to assure that all documents and forms are properly and fully completed, and executed and dated by all applicable parties. Failure to properly complete documents and forms could result in major problems should there be one or more disputes raised regarding the work being completed at the individual units. The state's recipients could find themselves in a situation where they cannot support actions taken or other program requirements because the documents are incomplete or otherwise contain errors.

2) It is imperative that the information and dates reflected on the various documents be accurate. For example: in the file for Thelma Johnson (and others) it appears that the contract was executed between the homeowner and the contractor on February 6, 2005; however, the lien waiver documents state that the contract was executed between the owner and the contractor on November 16, 2004. The state is reminded that lien waivers cannot be executed by contractors and subcontractors prior to the completion of the work covered by the waivers.

3) Section 7 of the city's contract executed between the homeowner and the contractor provides that completion delays must be authorized in writing by the program manager. There were no such authorizations or written and executed time change orders in the files. Additionally, the contract provides that liquidated damages in the amount of $100 per day are to be assessed when a job is not completed on time. For all of the projects, the Notice to Proceed was executed on February 16, 2005, and contained a 45-calendar day completion deadline (April 2, 2005). The projects were not completed until June 21, 2005, or 125 days after the execution of the proceed order. All of the jobs ran over the established completion date by 80 days and no liquidated damages were assessed.

Discussions with state and consultant staff regarding this issue revealed that due to severe weather conditions and flooding, work could not proceed as scheduled in this area of the community. However, there was no information in any of the files to document these extenuating circumstances.

**RECOMMENDED ACTION:** The state should include as part of the technical assistance and training it provides to its state recipients, subrecipients and CHDOs, the importance of adequately documenting changes and deviations from the approved terms and conditions contained in the contract documents. All changes, whether or not there is a change in cost, should be in writing, be justified, and be executed and dated by all applicable parties (homeowner, contractor and program administrator). If the change order is for the purpose of changing the scope of work as set forth in the work write-up and executed bid document or contract, this should be completed prior to the implementation of the change. This is necessary to protect all parties from potential future claims of non-performance.

**TDHCA CONCERN NO. 5 RESPONSE:** The Department emphasizes the importance of completing documentation thoroughly and correctly; and the importance of documenting changes to scopes of work during implementation workshops, program training sessions, during the provision of technical assistance, and in the 2005 HOME OCC Program Procedures Manual, Chapter 9 – Construction. In order to process change orders, Contract Administrators must complete a Change Order Request form and provide a detailed explanation of the need for the change. Additionally, the Department documents all contract changes through the amendment process and requires Contract Administrators to submit a request in writing describing the proposed change and to provide justification for the request.

As noted by HUD during the monitoring visit and at the exit conference, HUD's primary concern involved construction contracts executed by homeowners and contractors where construction was not completed within the time period of the construction contracts. There was no documentation on file extending the construction contract time periods or documenting the extenuating circumstances, and liquidated damages were not assessed as provided for in the construction contracts.

HUD's concern was discussed with the City of Eagle Lake (City) and the City has assured the Department that in the future, changes will be properly documented through the change order process. Although construction of the units was delayed as a result of severe weather conditions during the contract's implementation, the projects were completed prior to the expiration date of the HOME contract executed by the Department and the City.

A copy of correspondence from the City of Eagle Lake addressing the concerns noted by HUD is attached as part of Exhibit E. Exhibit E also includes documentation supporting the Department's onsite inspection response, found on page 18 of the Department's response.

## FIRST-TIME HOMEBUYER (FTHB)

### Capital Area Housing Finance Corporation (CAHFC)

CAHFC is a subrecipient of the state and provided homebuyer assistance to HOME-eligible applicants in Austin and surrounding areas. The assistance was provided to acquire both newly constructed and existing single-family houses. Overall, this subrecipient has performed very well and the files were well maintained and organized. The purchase prices of all of the units assisted were well within the statutory and regulatory limits at Section 215(b)(1) of the statute and 24 CFR §92.254(a)(2)(i), respectively (the 203(b) limits). Additionally, at the time of loan closing the incomes of the homebuyers, adjusted for family size, were within the maximum allowable income limits published by HUD, and the amounts of the subsidies provided were within the maximum statutory and regulatory amounts at Section 212(e) and §92.250 respectively (Maximum Per-Unit Subsidy Amount).

There was documentation in the files that upon completion the newly constructed units were in compliance with the State's Energy Conservation Requirements as set forth in Chapter 11 of the

State of Texas International Residential Code (IRC). These standards meet or exceed the Model Energy Code (MEC) standards referenced in the HOME statute and regulations at Section 215(b)(4) and §92.251(a)(1) respectively.

The following files were reviewed during this monitoring.

- Armando Ramirez – 13185 Mill Stone Drive, Austin
- Fernando Arechiga – 1401 Lawnmont, Round Rock
- Juan Leal Jr. – 2605[6] Peach Tree Lane, Cedar Park
- Carlos Flores – 817 Topaz Lane, Leander
- Eduardo Flores – 209 Buffalo Ave. N., Cedar Park
- William Suarez – 508 Kathleen Lane, Leander
- Aleisha Anderson – 302 Eagleston St., Smithville
- Jack Straessie III – 1503 Remuda Circle, Round Rock
- Karen Duarte – 1807 Honeysuckle [Honey Suckle] Lane, Round Rock
- Michael J. Amos – 907 Blue Jay Way [1704 Somerset Drive], Round Rock
- James Faragoza and Christie Gomez – 1225 Deerhound Pl., Round Rock
- James Brock – 702 Fox St, Granger
- Marciano Merino – 189 Chapel Hill, Bastrop
- John Orgega [Ortega] – 1800 Buckeye Lane, Round Rock

**FINDING NO. 4:** There is no documentation in the files that FHA [Federal Housing Administration] foreclosed properties were in full compliance with the state's property standards prior to closing.

**STANDARD:** 24 CFR §92.251(a)(2)

**DISCUSSION:** During the review it was discovered that there were three foreclosed properties that were assisted with FTHB funds: Activity No. 20659, 817 Topaz Lane, Leander – HUD; Activity No. 20956, 1503 Remuda Circle, Round Rock – VA; and Activity No. 21216, 1225 Deerhound Place, Round Rock – HUD. The information provided during the review indicated that either (a) FHA/VA would not allow the properties to be inspected, or (b) an inspection was allowed but none of the utilities could be turned on; therefore, there was no way the inspector could determine that these systems were operable and subsequently certify that the properties were in full compliance with the state's property standards. An inspection form for the affected units was provided at the exit conference, but it could still not be documented whether the plumbing, electrical, mechanical, and HVAC systems were in working condition, free of leaks or other defects, and operating as intended.

**REQUIRED CORRECTIVE ACTION:** The state must obtain documentation that clearly establishes that these properties were in full compliance with the state's property standards prior to loan closing. If this cannot be done, the state must take one of the following actions:

A. Reinspect the properties and complete any work required to bring the units into compliance with the state's Texas Minimum Construction Standards (TMCS). The state may use HOME funds to complete this work since no federal funds were previously expended for repairs to these properties, or
B. The state must immediately reimburse its local HOME Trust Account for the full amount of the subsidy provided for the purchase of these units, from non-federal funds. (There

is to be no action taken against the purchasers of these properties.) However, the state may, at its option, require reimbursement from its subrecipient CAHFC.

In its response, the state must either (a) provide documentation acceptable to HUD that these properties were in compliance at the time of closing, or (b) submit documentation (including the source of the funds used) in accordance with A or B above. If the state has reimbursed its local HOME Trust Account its response must include documentation that the reimbursement has been made.

(The state must amend its policies and procedures manual to address the actions to be taken and documented if foreclosed properties from any sources will be included in the state's FTHB program.)

**TDHCA FINDING NO. 4 RESPONSE:** The HOME-assisted beneficiaries reviewed by HUD received assistance under the Department's Homebuyer Assistance (HBA) funding category, which provides Contract Administrators with the option of providing funds to first-time homebuyers. Of the fourteen (14) HOME-assisted beneficiaries reviewed by HUD, six (6) are reported to be first-time homebuyers: Karen Duarte, 1807 Honey Suckle Lane, Round Rock; Michael J. Amos, 907 Blue Jay Way [1704 Somerset Drive], Round Rock; James Faragoza and Christie Gomez, 1225 Deerhound Pl., Round Rock; James Brock, 702 Fox St, Granger; Marciano Merino, 89 Chapel Hill, Bastrop; and John Ortega,1800 Buckeye Lane, Round Rock.

The Department has attempted to contact Carlos Flores, 817 Topaz Lane, Leander; Jack Straessie III, 1503 Remuda Circle, Round Rock; and James Faragoza and Christie Gomez, 1225 Deerhound Place, Round Rock to schedule inspections; however, responses have not been received to date. Department staff will continue efforts to schedule inspections and once complete, will notify HUD of the results. If it is determined that the properties were not in compliance with TMCS, the Department will propose a recommended course of action in accordance with the options presented above.

In addition, the Department will amend the 2005 HOME Program Homebuyer Procedures Manual to address the actions to be taken and documented if foreclosed properties are purchased through the Department's homebuyer programs.

**CONCERN NO. 6:** 1) The FTHB assisted property at 1401 Lawnmont in Round Rock has a major structure failure where the recently constructed "add-on" bathroom is pulling away from the main structure. 2) The H-VAC unit at the FTHB assisted property at 1503 Remuda Circle in Round Rock does not appear to be functioning properly.

**DISCUSSION:** These are being cited as concerns because for 1) the addition appears to have been completed just before the property inspection was done. At the time of the inspection the addition was not pulling away and the inspector had no way of knowing of the now-apparent structural defect at the slab. The interior and exterior pictures document that this newly constructed bath addition is pulling completely away from this property. 2) Even though the H-VAC system, which is over 18 years old, was functioning at the time of the inspection, the result is that there are excessive utility bills at the Remuda Circle property (over $500/month during the past summer and $300 for the month of January 2006). Given these conditions it is questionable whether these homebuyers will be able to sustain homeownership of these units. Neither applicant has sufficient discretionary funds to cover the costs to correct the deficiencies, nor does it appear likely that they can take on any additional debt in the form of a private loan to complete the needed repairs.

**RECOMMENDED ACTION:** As a result of numerous discussions with state staff during this review concerning issues relating to upgrading the state's property standards and the provision of some level of rehabilitation to be included in the FTHB program, the following recommendations are made:

1. The state should amend its property standards to require that "incipient violations" must be addressed and corrected whenever federal assistance is to be provided. An incipient violation is a situation where a condition is not currently an actual violation, but it could become an actual violation within a short period of time, generally one to three years. For example, (a) in the furnace situation above, the H-VAC system has clearly exceeded its useful life. While currently operating, it can be anticipated that replacement will be required within the next year or so; (b) a roof is severely deteriorated and/or has two or more layers of shingles. It is not currently leaking but the condition is such that it can be reasonably assumed that it will begin to leak or otherwise fail in the near future; or, (c) a limited level of handicap accessibility modifications or retrofits are needed to make an existing unit that is, overall, in standard condition suitable for a low-income homebuyer.

2. In order to cover the costs for addressing these additional items, the state should offer some level of rehabilitation assistance in addition to the downpayment and closing cost assistance to assure that low-income homebuyers are not placed in a position where they cannot sustain their home over the long term. The amount of assistance would be limited, for example, up to an additional $10,000 to cover the cost of these types of conditions where, under the standard home purchase process, the seller would not be required to make repairs. It is recommended that this amount be limited so that neither the state nor its state recipients, subrecipients and CHDOs will be providing FTHB to properties that are extensively damaged or deteriorated and would need more than this amount (in addition to the FTHB assistance) to bring a unit into compliance with the state's property standards.

These funds for rehabilitation would be added to the amount of funds provided for the downpayment/closing cost (DP/CC) assistance, and the total amount would be secured for the applicable period of affordability. The funds for the DP/CC would be provided at closing under the current process. The rehabilitation work would be completed immediately or as soon as practicable after closing and would be handled under the state's current homeowner (OCC) rehabilitation procedures. These projects would then be entered into IDIS as an Acquisition/Rehabilitation activity. Projects for which only DP/CC assistance is provided would continue to be entered into IDIS as Acquisition Only.

**TDHCA CONCERN NO. 6 RESPONSE:** The Department recently initiated a HOME Program Advisory Task Force designed to identify areas for improvement to the State of Texas HOME Program. The Task Force will examine HUD's concern and propose ways to address incipient deficiencies in homebuyer assistance programs as part of that process.

**CONCERN NO. 7:** The sales price for the FTHB project Activity No. 21216, James Faragoza, 1225 Deerhound Lane, Round Rock, exceeded the appraised value.

**DISCUSSION:** During this review, this subrecipient was the only FTHB subrecipient monitored by HUD and limited time precluded a review of all of the project files. Therefore, it could not be determined if this situation has occurred for additional projects assisted by this subrecipient, or for FTHB projects funded by other subrecipients and CHDOs.

While there is no regulatory or statutory requirement other than the selling price cannot exceed HUD 203(b) limits, it does not appear reasonable that HOME-assisted low-income homebuyers would be required to pay more than the actual value of a property. For the above homebuyer, the appraised value was $108,000 and the selling price was $109,250.

**RECOMMENDED ACTION:** It is recommended that the state amend its policies and procedures in its FTHB manuals to require that the sales prices for HOME-assisted units cannot exceed the appraised value of any property when such appraisals are completed by qualified licensed fee appraisers or qualified staff appraisers of the state or its state recipients, subrecipients or CHDOs.

**TDHCA CONCERN NO. 7 RESPONSE:** The Department agrees that sales prices for HOME-assisted units should not exceed the appraised value of a property; however differences in valuation between appraisers can occur and the Department does not want to unreasonably restrict the choices of low-income homebuyers. As noted in TDHCA's response to Concern No. 6, the Task Force will also examine this concern.

## NEW CONSTRUCTION – CHDO RENTAL PROJECT

### New Hope Housing – Canal Street Apartments, Inc.

This is a newly constructed SRO project. A site and neighborhood standard review was completed and approved by HUD, and there was documentation that upon completion the project met the energy conservation requirements as required by Chapter 11 of the state's IRC. The project became operation in late 2004 or early 2005, and contains 12 units suitable for occupancy by persons with mobility impairments and an additional seven (7) units are suitable for persons with sensory impairments. All of the units contain full baths, kitchen sinks, dining areas, small microwaves and mini refrigerators. The project was approximately 50 percent leased at the time of the review and the project manager anticipated it would be at full occupancy by April 2006.

Review of selected files for occupied units indicated that the tenants initially occupying these units were income eligible and the rents charged are significantly below the maximum allowable low-HOME rents for all of the units. These rent levels are possible because there is no debt service on this project except for the HOME funds provided by the City of Houston and the state, which were provided as deferred payment loans (DPLs). All of the remaining funds were raised from private foundations and contributions.

A total of 33 units were inspected, nine of which were occupied. As noted on the attached inspection reports, unit numbers 302, 224, 222, 214 and the women's public restroom at the entry area required some minimal corrections.

**CHDO Board Compliance:** Review of the documentation in the files indicates that the board composition of this CHDO is in compliance with the required minimum 1/3 low-income representation. While compliance could be verified, it is recommended that for clarification, all CHDOs indicate the compliance category for each board member they list as meeting this low-income requirement; e.g., (a) Residents of low-income neighborhoods in the community; (b) low-income residents of the community; or, (c) elected representatives of low-income neighborhood organizations. The state is reminded that for (b), if a low-income resident of the community does not live in a low-income neighborhood, the CHDO must obtain a certification or otherwise document that the resident does qualify as low-income (see the Building HOME manual, Chapter 3, CHDOs, page 3-5).

**FINDING NO. 5:** The CHDO has not developed and provided the state with its formal written process to allow for low-income program beneficiaries to advise the organization regarding the decisions and actions of the organization.

**STANDARD:** 24 CFR 92.2(8)(ii), Definitions, CHDO; and Building HOME manual, Chapter 3, Organizational Structure (pages 3-4 through 3-8), Low-income input (page 3-6), and Public-Sector Limits (pages 3-6 and 3-7)

**DISCUSSION:** CHDOs should not have been certified until this written process is received. Chapter 3 of the Building HOME manual further clarifies this requirement that, "…each CHDO must also provide a formal process for low-income program beneficiaries to advise the CHDO on design, location of sites, development and management of affordable housing. The process must be in writing, and must be included in the organization's by-laws or a board resolution." The CHDO provided its grievance policy for how tenant grievances or complaints will be addressed but this document, while acceptable for that purpose, does not meet the requirements of this finding.

**REQUIRED CORRECTIVE ACTION:** The state must immediately begin working with this CHDO and all other CHDOs to develop its own formal written process for low-income beneficiaries to advise it of any concerns, issues or questions that they may have.

The state should determine if it wants all CHDOs to use the same process or if it wants to allow each organization to develop its own formal written process in conjunction with the state's requirements. If the latter option is selected, the state must review and approve each process, in writing, for each CHDO.

City [State] staff may wish to contact Bernadette Caston, Housing Development Manager with the City of Dallas, who has experience with this issue. Ms. Caston can be reached at 214/670-3619, or you can e-mail her at bernadette.caston@dallascityhall.com.

The state must include in its response its proposed timeframe to complete this corrective action for this CHDO. The state must also provide its written assurance that it will complete this action for all current CHDOs; and, that prior to certification all newly funded CHDOs will be required to have an approved formal written process approved by the state for low-income program beneficiaries to advise the CHDOs regarding the decisions and actions of the organizations.

**TDHCA FINDING NO. 5 RESPONSE:** The Department will implement requirements as required, but is requesting guidance on appropriate methods and standards for the input process. The Department has contacted the City of Dallas, as recommended by HUD, for information on an approach to obtain formal input from low-income beneficiaries, but has not received a reply. In order to develop and enforce policy, the Department requires guidance on the minimum standards.

## ONSITE INSPECTIONS

Inspections were completed at numerous properties for completed projects as well as projects which were under construction. The quality of the work completed at the CHDO project, New

Hope Canal Street, in Houston was excellent.  The project was well designed, attractive and very functional.

The quality of the reconstruction of the owner-occupied single-family units in Eagle Lake was also excellent.  Though small, all homes contained three bedrooms and one bath with 100 percent brick facades.  The central HVAC units are 12 SEER and most of the homeowners indicated that their energy bills ranged from $160.00 to $215.00 per month.  The utilities at one unit, 519 Clay, appear to be running higher than at the other units and the contractor agreed to revisit the unit to assure that the HVAC unit was installed correctly and operating properly.  It may be that these higher costs are not as a result of problems with the unit but with the homeowner's use and thermostat settings.

In the TBRA program the condition of the units and the quality of the repair work completed to bring these units into compliance with the very minimal Section 8 HQS property standards varied greatly.  Once the noted corrections are made the units will be in compliance with the Section 8 HQS.  Technical assistance was provided onsite to the CAA's inspection staff to assist them in completing more comprehensive initial inspections and reinspections.

For the FTHB homebuyer projects administered by CAHFC, 17 single-family units were inspected.  Five (5) of these units were newly constructed.  Overall, the quality of the construction of the newly constructed units was very good and these units were in compliance with the state's energy conservation standards as contained in Chapter 11 of the state's IRC. Overall, the condition of the existing properties was acceptable although the three properties for which entrance was gained did not meet the state's property standards.  For those units where entrance could not be gained, an exterior inspection only was completed.  While there were no exterior violations noted at seven of the units, two contained violations that should have been addressed prior to loan closing.  It could not be determined if the interiors of these units were in compliance.

All items needing correction are noted on the enclosed copy of the inspection report.  A copy of this report was also provided to state staff under separate cover.

The state's response must include information as to whether correction of the cited deficiencies has been completed for all of the properties.  If all work has not been completed, the state's response must include its estimated timeframe for the completion of the remaining work.

**TDHCA ONSITE INSPECTIONS RESPONSE:**  Correction of the cited deficiencies at the New Hope Canal Street project (CHDO) were completed prior to the completion of the onsite inspection, as noted by HUD in the inspection report.  The Department received notification from the City of Eagle Lake (OCC) and CAA (TBRA) that deficiencies noted for those projects have also been corrected.  As noted in TDHCA's response to finding no. 4, the Department is attempting contact to address the deficiencies noted under the CAHFC project. Once corrective action is complete, the Department will notify HUD of the results or propose a recommended course of action as appropriate.

Copies of the correspondence from CAA, the City of Eagle Lake, and the construction contractor on the OCC project, J.W. Turner Construction, are attached as Exhibit E.

## RECOMMENDATION FOR ALL PROGRAMS

Review of the files indicated that while incomes are being verified and the source documentation supports the final income determination, the worksheets are all hand notated and calculated. It is recommended that the state require all entities that receive state HOME funds to use HUD's online income calculator to document income-eligibility of all homebuyers, homeowners, and tenants. A copy of the completed worksheet should be placed in each file along with supporting documentation.

HUD's online income calculator can be found at:
http://www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/calculator.cfm. This will assist the state in assuring that all of its participating entities are properly determining the gross annual household income of all recipients receiving HOME assistance.

**TDHCA RECOMMENDATION FOR ALL PROGRAMS RESPONSE:** The Department notifies Contract Administrators that the HUD online calculator is available to assist with income eligibility determination; however, use of the calculator is not required. The Department requires Contract Administrators to use a *Household Income Worksheet* and *Household Income Certification* form available on the Department's website that automatically calculates the income of HOME-assisted beneficiaries. Use of the form results in minimal hand notations and calculations while ensuring that all information necessary to conclusively determine income is considered for income eligibility purposes.

***Texas Department of Housing and Community Affairs***

***Status of Prior Audit Issues***

# Texas Department of Housing and Community Affairs - Summary Report of Prior Audit Issues

*(except those prior audit issues previously reported as implemented or otherwise resolved)*

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **370** | 05/27/05<br>HUD | On-site Monitoring of Environmental Procedures: HOME and ESG Programs<br>To verify compliance with the requirements of the National Environmental Policy Act (NEPA), HUD environmental regulations at 24 CFR Part 58, and other related federal environmental laws and executive orders. | Px<br>Px<br>Px<br>Px<br>Ix | 08/02/05<br>09/27/05<br>12/16/05<br>03/28/06<br>05/19/06 | <br>11/30/05<br>01/31/06<br>05/31/06<br> |

***Division:*** HOME and ESGP

***Issue:*** Finding A-1: Monitoring Program, 24 CFR 58.18(a)(1)

The Department, in assuming HUD's environmental responsibilities, does not have a program to monitor its grant recipients.

Develop and submit to HUD for approval written procedures for the creation of an environmental monitoring and enforcement program for post-review actions on environmental reviews and compliance with any environmental conditions included in the award. Upon HUD's approval, implement the written procedures.

***Status:*** 05/19/06 - HUD cleared this finding on April 18, 2006.

03/28/06 - The Department completed a draft Environmental Review Procedures Manual that was partially reinstated in August 2005 following HUD's issuance of the finding. HUD reviewed the draft Environmental Review Procedures Manual and provided comments in February 2006 that were incorporated into the manual, which was resubmitted to HUD in draft form in March 2006. PMC is scheduled to visit the HUD Fort Worth Field Office the week of April 3, 2006 to discuss the issue and anticipates that the recent submission is sufficient to clear this issue.

12/16/05 - PMC continues to work with HUD Environmental Officials to finalize the Environmental Manual for HUD approval.

09/27/05 - On 8/22/05 HUD requested the Department revise the current environmental clearance procedures to clarify when the Department performs the responsibilities of HUD vs. when the Department performs the obligations of the Responsible Entity (RE).

08/02/05 - A written response was provided to HUD on 6/30/2005. The Department is in the process of reinstating the environmental review component as part of the on-site monitoring review process. The Department has revised and submitted a copy of the Environmental Clearance Monitoring and Enforcement Program to HUD for review and approval. Full implementation pending approval of HUD.

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| 371 | 05/27/05 | On-site Monitoring of Environmental Procedures: HOME and ESG Programs | Px | 08/02/05 | |
| | HUD | To verify compliance with the requirements of the National Environmental Policy Act (NEPA), HUD environmental regulations at 24 CFR Part 58, and other related federal environmental laws and executive orders. | Px | 09/27/05 | 11/30/05 |
| | | | Px | 12/16/05 | 01/31/06 |
| | | | Px | 03/28/06 | 05/31/06 |
| | | | Ix | 05/19/06 | |

***Division:*** HOME and ESGP

***Issue:*** Finding A-2: Project Descriptions and Classifications, 24 CFR 58.38(A)(1); 58.34, 58.35, and 58.36

Environmental Review Records (ERRs) of recipient files found inadequate project descriptions and that projects are being misclassified, which may preclude the proper level of environmental review.

Submit to HUD the written procedures developed to ensure a complete, detailed project description is provided by each Responsible Entity and an accurate classification is provided for each project in the ERR. Upon HUD's approval, ensure that all state recipients implement the written procedures and document recipient compliance through the monitoring program.

***Status:*** 5/19/06 - HUD cleared this finding on April 18, 2006.

03/28/06 - The Department completed a draft Environmental Review Procedures Manual and submitted to HUD for approval. HUD reviewed the draft Environmental Review Procedures Manual and provided comments in February 2006 that were incorporated into the manual, which was resubmitted to HUD in draft form in March 2006. Staff will discuss this finding during a visit to the HUD Fort Worth Field Office the week of April 3, 2006. The Department anticipates that the draft manual provided to HUD should be sufficient to clear the finding.

12/16/05 - PMC continues to work with HUD Environmental Officials to finalize the Environmental Manual for HUD approval.

09/27/05 - On 8/22/05 HUD requested the Department revise the current environmental clearance procedures, including project description and classification, and to clarify when the Department performs the responsibilities of HUD vs. when the Department performs the obligations of the Responsible Entity (RE).

08/02/05 - A written response was provided to HUD on 6/30/2005. The Department will use revised HUD environmental clearance forms related to each activity funded under the HOME Program. Sample program descriptions, including size, function, existing and future need, and the project location for all HOME recipients has been developed. The revised environmental forms, which will be included in the HOME Procedures Manual during training, and Environmental Clearance Review Procedures will become part of the HOME Library accessible on the Department's website. Recipients will receive an announcement that these documents are available once approved by HUD. Full implementation pending approval of HUD.

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| 372 | 05/27/05 | On-site Monitoring of Environmental Procedures: HOME and ESG Programs | Px | 08/02/05 | |
| | HUD | To verify compliance with the requirements of the National Environmental Policy Act (NEPA), HUD environmental regulations at 24 CFR Part 58, and other related federal environmental laws and executive orders. | Px | 09/27/05 | 11/30/05 |
| | | | Px | 12/16/05 | 01/31/06 |
| | | | Px | 03/28/06 | 05/31/06 |
| | | | Px | 05/19/06 | 05/31/06 |

***Division:*** HOME and ESGP

***Issue:*** Finding A-3: Support Documentation, 24 CFR 58.5 and 58.6

Based on the lack of documentation in the files reviewed, state recipients have failed to fully comply with the requirements of 24 CFR 58.5 and 24 CFR 58.6 (Related Federal Laws and Authorities). Examples of inadequate documentation related to historic preservation requirements and excessive noise and attenuation measures.

Submit to HUD written procedures to ensure compliance with requirements and the procedures and corrective actions for the Department's recipients that will be implemented in order to preclude repetition of this finding. Upon HUD approval, the Department’s subrecipients should implement the written procedures and document subrecipient compliance through its monitoring program.

***Status:*** 5/19/06 - HUD's followup letter dated April 18, 2006 indicated althrough the Manual submitted in March 2006 was revised to include the completion of required checklists and forms, it did not provide guadiance for review of the support documentation necessary for completing the related forms. In May 2006 TDHCA provided a follow up response to address the concerns noted by HUD.

03/28/06 - The Department completed a draft Environmental Review Procedures Manual and submitted to HUD for approval. HUD reviewed the draft Environmental Review Procedures Manual and provided comments in February 2006 that were incorporated into the manual, which was resubmitted to HUD in draft form in March 2006. Staff will discuss this finding during a visit to the HUD Fort Worth Field Office the week of April 3, 2006. The Department anticipates that the draft manual provided to HUD should be sufficient to clear the finding.

12/16/05 - PMC continues to work with HUD Environmental Officials to finalize the Environmental Manual for HUD approval.

09/27/05 - On 8/22/05 HUD requested the Department revise the current environmental clearance procedures, including noise assessment information and support documentation checklist and to clarify when the Department performs the responsibilities of HUD vs. when the Department performs the obligations of the Responsible Entity (RE).

08/02/03 - A written response was provided to HUD on 6/30/2005. The Department’s revised procedures and program training sessions include instructions on how to evaluate and document excessive noise and attenuation measures for both railroad and highway noise. The Monitoring and Enforcement Program will help to ensure that projects determined to be noise sensitive are properly documented. Trainings conducted by the Department include comprehensive guidance and examples on completing appropriate noise compliance documentation. Full implementation pending approval of HUD.

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| 373 | 05/27/05 | On-site Monitoring of Environmental Procedures: HOME and ESG Programs | Px | 08/02/05 | |
| | HUD | To verify compliance with the requirements of the National Environmental Policy Act (NEPA), HUD environmental regulations at 24 CFR Part 58, and other related federal environmental laws and executive orders. | Px | 09/27/05 | 11/30/05 |
| | | | Px | 12/16/05 | 01/31/06 |
| | | | Px | 03/28/06 | 05/31/06 |
| | | | Ix | 05/19/06 | |

***Division:*** HOME and ESGP

***Issue:*** Finding B-1: Project Descriptions, Environmental Review Records, and Classifications, 24 CFR 58.38(A)(1); 58.34, 58.35, & 58.38

Environmental Review Records (ERRs) were not available when the Department acted as the Responsible Entity. Specific project descriptions were lacking for the files considered. The Request for Release of Funds (RROF) was completed and submitted for a project consisting of homebuyer assistance; however, an environmental review was instead conducted for a different project of new home construction. Sales contracts appeared to include a blend of new construction and existing homes. Project classifications were incomplete. Determinations of exemption were provide under 24 CFR 58.34(a)12, but the supporting determination for the initial classification of categorical exclusion under 24 CFR 58.35(a) was omitted.

The Department must submit to HUD written procedures that will ensure a complete, detailed project description will be provided by the Department when it is acting as the Responsible Entity (RE). The Department must also provide an accurate classification for each project in the ERRs. The Department must ensure that the procedures approved by HUD are implemented.

***Status:*** 05/19/06 - HUD cleared this finding on April 18, 2006.

03/28/06 - The Department completed a draft Environmental Review Procedures Manual and submitted to HUD for approval. HUD reviewed the draft Environmental Review Procedures Manual and provided comments in February 2006 that were incorporated into the manual, which was resubmitted to HUD in draft form in March 2006. Staff will discuss this finding during a visit to the HUD Fort Worth Field Office the week of April 3, 2006. The Department anticipates that the draft manual provided to HUD should be sufficient to clear the finding.

12/16/05 - PMC continues to work with HUD Environmental Officials to finalize the Environmental Manual for HUD approval.

09/27/05 - On 8/22/05 HUD requested the Department revise the current environmental clearance procedures, including project description, ERR file, and classification and to clarify when the Department performs the responsibilities of HUD vs. when the Department performs the obligations of the Responsible Entity (RE).

08/02/05 - A written response was provided to HUD on 6/30/2005. The Department has revised environmental forms related to each activity funded under the HOME program to include a sample of a program description for a Unit of Local Government (UGLG) and a Non-Unit of Local Government (Non-UGLG). The sample contains text that includes size, function, existing and future need, and the project location indicated on a map. The Department will ensure that Federal environmental rules and regulations are followed correctly and implemented by its HOME Recipients. Full implementation pending approval of HUD.

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **374** | 05/27/05 | On-site Monitoring of Environmental Procedures: HOME and ESG Programs | Px | 08/02/05 | |
| | HUD | To verify compliance with the requirements of the National Environmental Policy Act (NEPA), HUD environmental regulations at 24 CFR Part 58, and other related federal environmental laws and executive orders. | Px | 09/27/05 | 11/30/05 |
| | | | Px | 12/16/05 | 01/31/06 |
| | | | Px | 03/28/06 | 05/31/06 |
| | | | Px | 05/19/06 | 05/31/06 |

***Division:*** HOME and ESGP

***Issue:*** Finding B-2: Support Documentation, 24 CFR 58.5 & 58.6

The Department has failed to document full compliance with the requirements of 24 CFR 58.5 and 24 CFR 58.6. Examples of inadequate documentation related to historic requirements and floodplan documentation not being observed.

The Department must submit to HUD written procedures developed to preclude repetition of this finding and ensure proper documentation in compliance 24 CFR 58.5 and 58.6 regulations. The Department must then implement the written procedures approved by HUD.

***Status:*** 05/19/06 - HUD's April 2006 follow-up letter indicated althrough the manual submitted in March 2006 was revised to included the completion of required checklists and forms, it did not provide guidance for review and required support documentation necessary for completing the relating forms. In May 2006 TDHCA provided a follow up response to address the concerns noted by HUD.

03/28/06 - The Department completed a draft Environmental Review Procedures Manual and submitted to HUD for approval. HUD reviewed the draft Environmental Review Procedures Manual and provided comments in February 2006 that were incorporated into the manual, which was resubmitted to HUD in draft form in March 2006. Staff will discuss this finding during a visit to the HUD Fort Worth Field Office the week of April 3, 2006. The Department anticipates that the draft manual provided to HUD should be sufficient to clear the finding.

12/16/05 - PMC continues to work with HUD Environmental Officials to finalize the Environmental Manual for HUD approval.

09/27/05 - On 8/22/05 HUD requested the Department revise the current environmental clearance procedures to include additional Noise Assessment and Historic Preservation information and to clarify when the Department performs the responsibilities of HUD vs. when the Department performs the obligations of the Responsible Entity (RE).

08/02/05 - A written response was provided to HUD on 6/30/2005. The Department's revised Environmental Clearance Review Procedures will ensure that consultation with the State Historic Preservation Officer (SHPO) pursuant to 24 CFR 58.5 is documented. According to the requirements of Executive Order 11988 the Department does determine the impact projects may have on floodplains. The revised Environmental Clearance Review Procedures will document compliance with the requirements and ensure 24 CFR 58.6 is prepared and completed according to Federal rules. Full implementation pending approval of HUD.

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **375** | 05/27/05<br>HUD | On-site Monitoring of Environmental Procedures: HOME and ESG Programs<br>To verify compliance with the requirements of the National Environmental Policy Act (NEPA), HUD environmental regulations at 24 CFR Part 58, and other related federal environmental laws and executive orders. | Px<br>Px<br>Px<br>Px<br>Ix | 08/02/05<br>09/27/05<br>12/16/05<br>03/28/06<br>05/19/06 | <br>11/30/05<br>01/31/06<br>05/31/06 |

***Division:*** HOME and ESGP

***Issue:*** Finding B-3: Environmental Assessment, 24 CFR 58.36 and NEPA

In preparing Environmental Assessments the Department failed to fully comply with both National Environmental Policy Act (NEPA) and HUD regulatory requirements to evaluate alternatives to the project and recommend modifications to minimize adverse effects of a project.

The Department must develop written procedures for approval by HUD that will prevent recurrence of this finding.

***Status:*** 5/19/06 - HUD cleared this finding on April 18, 2006.

03/28/06 - The Department completed a draft Environmental Review Procedures Manual and submitted to HUD for approval. HUD reviewed the draft Environmental Review Procedures Manual and provided comments in February 2006 that were incorporated into the manual, which was resubmitted to HUD in draft form in March 2006. Staff will discuss this finding during a visit to the HUD Fort Worth Field Office the week of April 3, 2006. The Department anticipates that the draft manual provided to HUD should be sufficient to clear the finding.

12/16/05 - PMC continues to work with HUD Environmental Officials to finalize the Environmental Manual for HUD approval.

09/27/05 - On 8/22/05 HUD requested the Department revise the current environmental clearance procedures, including evaluations of project alternatives and recommended modifications when minimizing adverse effects of the project and to clarify when the Department performs the responsibilities of HUD vs. when the Department performs the obligations of the Responsible Entity (RE).

08/02/05 - A written response was provided to HUD on 6/30/2005. The Department is revising its Environmental Clearance Review Procedures to ensure the Environmental Assessment process is implemented and will include the regulatory requirement to evaluate alternatives to the project and recommend modification to minimize adverse effects of a project through an internal process in which appropriate individuals will be asked to address this requirement. The environmental forms and Environmental Assessment form have been revised and will be accessible on the Department's website. An announcement will be made that these documents are available. Full implementation pending approval of HUD.

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **376** | 05/27/05<br>HUD | On-site Monitoring of Environmental Procedures: HOME and ESG Programs<br>To verify compliance with the requirements of the National Environmental Policy Act (NEPA), HUD environmental regulations at 24 CFR Part 58, and other related federal environmental laws and executive orders. | Px<br>Px<br>Px<br>Ix | 08/02/05<br>09/27/05<br>12/16/05<br>3/28/06 | <br>11/30/05<br>01/31/06 |

***Division:*** HOME and ESGP

***Issue:*** Finding B-4: Environmental Certification, 24 CFR 58.22 and 58.43(b)

It was observed that an occasional loan closing statement for a homebuyer assistance project preceded the environmental certification.

The Department must submit to HUD the written procedures developed to ensure that timely project certification is completed in compliance with 24 CFR 58 regulations and prior to obligations or expenditures of any project funds, regardless of the source. Upon HUD approval, the Department must implement the written procedures.

***Status:*** 3/28/06-The Department provided sufficient information to clear finding B-4. HUD Cleared finding on February 24, 2006.

12/16/05 - PMC continues to work with HUD Environmental Officials to finalize the Environmental Manual for HUD approval.

09/27/05 - On 8/22/05 HUD requested the Department revise the current environmental clearance procedures, including use of HUD forms and systemic monitoring and to clarify when the Department performs the responsibilities of HUD vs. when the Department performs the obligations of the Responsible Entity (RE).

08/02/05 - A written response was provided to HUD on 6/30/2005. The Department's Environmental Clearance Review Procedures (for Administrators) specifically address the issue of Recipients closing loans prior to environmental clearance. An environmental clearance field has been developed for the program monitoring system to help ensure the clearance has been performed. Full implementation pending approval of HUD.

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **377** | 05/27/05 | On-site Monitoring of Environmental Procedures: HOME and ESG Programs | Px | 08/02/05 | |
| | HUD | To verify compliance with the requirements of the National Environmental Policy Act (NEPA), HUD environmental regulations at 24 CFR Part 58, and other related federal environmental laws and executive orders. | Px | 09/27/05 | 11/30/05 |
| | | | Px | 12/16/05 | 01/31/06 |
| | | | Px | 03/28/06 | 05/31/06 |
| | | | Px | 05/19/06 | 05/31/06 |

***Division:*** HOME and ESGP

***Issue:*** Finding B-5: Tiering Requirements, 24 CFR 58.15

Although the Department utilizes a site-specific checklist for several programs (rehabilitation, homeowner assistance, and tenant based rental assistance), it is not clear if there is any intention to utilize a tiered approach. The project files lacked a basic strategy or board plan as required by 24 CFR 58.15 when using a tiered approach.

The Department must develop written procedures that have a basic strategy that describes the program's objectives, limitations, and requirements. This strategy should also establish the policy, standard or process to be followed in the site-specific review. The local, site- specific documentation is subsequently required to complete the review prior to the obligation of funds. The procedures approved by HUD must be prepared to prevent recurrence of this finding.

***Status:*** 05/19/06 - In April 2006 HUD's follow-up letter indicated the Department's proposed procedures in the Environmental Review Procedure manual submitted in March 2006 lacked the development of the site-specific checklist during the development of the broad plan. In May 2006 TDHCA provided a follow-up response to address the concerns noted by HUD.

03/28/06 - The Department completed a draft Environmental Review Procedures Manual and submitted to HUD for approval. HUD reviewed the draft Environmental Review Procedures Manual and provided comments in February 2006 that were incorporated into the manual, which was resubmitted to HUD in draft form in March 2006. Staff will discuss this finding during a visit to the HUD Fort Worth Field Office the week of April 3, 2006. The Department anticipates that the draft manual provided to HUD should be sufficient to clear the finding.

12/16/05 - PMC continues to work with HUD Environmental Officials to finalize the Environmental Manual for HUD approval.

09/27/05 - On 8/22/05 HUD requested the Department revise the current environmental clearance procedures, including when the Department will use a tiering approach and to clarify when the Department performs the responsibilities of HUD vs. when the Department performs the obligations of the Responsible Entity (RE).

08/02/05 - A written response was provided to HUD on 6/30/2005. The Department has included in the Monitoring and Enforcement Program a strategy for "tiering" as it relates to HOME Recipients. The plan establishes the steps to be followed in a tiering review and explains the site-specific documentation required to complete the review prior to the obligation of funds. Full implementation pending approval of HUD.

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **388** | 08/05/05 | PMC - Subrecipient Monitoring - Risk Assessment, Rpt. No. 1003.30 | Px | 08/12/05 | 09/30/05 |
| | IA | To ensure PMC's risk assessment process provides reasonable assurance that high risk contractor's are identified for field monitoring purposes. | Px | 09/27/05 | 09/30/05 |
| | | | Px | 10/28/05 | 11/30/05 |
| | | | Px | 12/21/05 | 12/31/05 |
| | | | Ix | 03/27/06 | |

***Division:*** Portfolio Management & Compliance

***Issue:*** Risk Assessment Internal Controls - A formal system of internal control over the risk assessment process has not been established. Notably absent are formal standard operating policies and procedures and a current supporting process flowchart. Additionally, procedures are not in place to ensure that the Department's employees comply with the related procedures.

Management should develop a formal system of internal control over the risk assessment process; maintain and enforce, at a minimum, related standard operating procedures and process flow charts required by the Department-wide SOP 1100.09, Internal Control. The standard operating procedures should be developed in accordance with the Department's standards prescribed by SOP 1100.01, Standard Operating Procedure (SOP) System. Management should develop a formal policy regarding the use of a risk assessment process as a basis for determining the extent of monitoring necessary on varying levels of risks associated with a contract. We recommend management consider strategies on how to use the risk assessment results not only for the purposes of conducting field monitoring visits of subrecipients with high risk contracts but also for the purposes of determining the nature and extent of monitoring procedures appropriate for medium and low risk contracts.

***Status:*** 3/27/06 - PMC completed improved SOP's.

12/21/05 - A draft copy of the Standard Operating Procedures are currently being submitted for review and approval by management.

10/28/05 - Target date extended through November 2005. No other change in status.

09/27/05 - Standard Operating Procedures (SOPs) for the risk assessment process will be updated, strengthened and formalized. Management review and approval will be required before implementation.

08/12/05 - Standard Operating Procedures (SOPs) for the risk assessment process will be updated, strengthened and formalized. The SOPs will be detailed enough to provide sufficient guidance on how to carry out activities and steps in accordance with established policy. The SOPs will require support documentation and justification to support the factors and weights. The SOPs will also include justification for contracts selected for monitoring. Procedures will include responsible staff and deadlines. Management review and approval will be required before implementation.

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **394** | 09/23/05 | PMC - Subrecipient Monitoring - Single Audit, Rpt. No. 1003.20 | Px | 09/23/05 | 12/31/05 |
| | IA | To ensure PMC's single audit review process provides reasonable assurance that a complete population of single audits are reviewed in complinace with state and federal regulations. | Px | 12/16/05 | 05/01/06 |
| | | | Px | 03/24/06 | 05/31/06 |
| | | | Px | 03/27/06 | 05/31/06 |
| | | | Px | 05/24/06 | 06/16/06 |

***Division:*** Portfolio Management & Compliance

***Issue:*** PMC does not have a management information system that accumulates and provides necessary information to effectively and efficiently fulfill its single audit responsibilities. The population of subrecipients considered for single audit processing is derived from two different program systems. Without a single integrated information system for processing single audits, single audit staff have considerable difficulty accumulating basic information in a single location to enable them to effectively fulfill their job responsibilities.

***Status:*** 5/24/06 - The PM Module has moved the projected PM Module release date two weeks, to June 16. The system will be made available for business team testing the week of May 29.

3/27/06 - Staff continues to work with the Information System Division to assist in development of the Program Monitoring(PM) Module.

03/24/06 - The Program Monitoring (PM) Module project team plans to deploy the module by May 31, 2006.

12/16/05 - Staff continues to work with the Information Systems Division to assist in development of the Program Monitoring (PM) Module.

09/23/05 - The Program Monitoring Module project team, composed of staff from PMC and ISD, will ensure that the PM Module addresses the more advanced single audit information needs and that the project deliverables include a simple Community Affairs (CA) contract interface (from the CA Contract System to the TDHCA Contract System), so the PMC staff can use the PM Module for HOME and CA contracts.

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| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **395** | 02/21/06 | Compliance with Requirements & IC over Compliance - A-133 | Ix | 02/21/06 | 09/01/05 |
| | KPMG | Statewide Federal Single Audit for FYE August 31, 2005 (SAO contract with KPMG) | | | |

***Division:*** Financial Administration - Accounting Operations

***Issue:*** Reference No. 06-17
Allowable Costs/Cost Principles
Type of finding - Reportable Condition Control and Non-Compliance

The Department noted five employees who have both general administrative duties and specific HOME program related duties. Estimates of their time allocations were used for budgeting purposes and to change the HOME program. Furthermore, for these five employees there was no time and effort reporting performed. Therefore, budget amounts could not be adjusted to actual efforts incurred. The total amount of salary and benefit costs allocated to the program for these five employees were questioned. Question Cost: $217,026.

The Department should require employees who charge directly to a specific program to submit support for the time allocated to a specific program via the Department's time and effort system.

***Status:*** 02/21/06 - Effect September 1, 2005, management requires all employees that have both general administrative and specific HOME program related duties to enter and certify their time and effort. Following the certification, the actual effort incurred is reconciled to the budgeted amount charged and adjustments are entered into the accounting system.

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

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| 396 | 02/21/06<br>KPMG | Compliance with Requirements & IC over Compliance - A-133<br>Statewide Federal Single Audit for FYE August 31, 2005 (SAO contract with KPMG) | Ix | 02/21/06 | 01/20/05 |

***Division:*** Community Affairs - Section 8

***Issue:*** Reference No. 06-18
Reporting
Type of finding - Non-Compliance

For 2 of 40 reports tested, (1) a social security number for a dependent in the household was entered incorrectly into the Form HUD-50058 and (2) the tenants' live-in-aide was incorrectly included as a resident within the Form HUD-50058, resulting in incorrect data being reported to HUD.
Questioned Cost: $ 0

The Department should be cognizant of the importance of reporting accurate information to HUD and should be consistent in ensuring that all information presented in the form HUD-50058 is adequately supported with documentation contained within the tenant's file.

***Status:*** 02/21/06 - The Quality Control checklist has been updated to include relation code verification. In addition, the Department will prepare a Policy Issuance to Local Operators (LO) instructing LOs to submit only legible copies of social security cards and other eligibility documents for all new admissions and contract renewals.

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| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| 397 | 02/21/06<br>KPMG | Compliance with Requirements & IC over Compliance - A-133<br>Statewide Federal Single Audit for FYE August 31, 2005 (SAO contract with KPMG) | Px<br>Ix | 02/21/06<br>03/28/06 | 02/28/06 |

***Division:*** Community Affairs - Section 8

***Issue:*** Reference No. 06-19
Special Tests and Provisions - Utility Allowance Schedule
Type of finding - Material Weakness Control and Scope Limitation

Updating the Utility Allowance Schedules as of August 31, 2005 was 4.5 months over the annual review requirement and therefore not current. The aggregate amount of the revised utility amounts that were determined by the Department from the outdated Utility Allowance Schedules for the 4.5 months was $668,918. Question Cost: $668,918.

The Department should review each utility category each year and must adjust its utility allowance schedule if there has been a rate change of 10 percent or more for a utility category or fuel type.

***Status:*** 03/28/06 - The Department has developed a Standard Operating Procedure to ensure that the Department annually reviews and adjusts utility allowances as required and is pending Executive approval.

02/21/06 - The Department has adopted a new utility allowance (UA) and policy (HAP Policy Issuance #06-11.3).

In an email (12/06/05), HUD has agreed that the Department did not review the UAs within 12 months of the last review as required; however, the Department does not have to recalculate rent retroactively and the $668,918 of questioned cost is going to be accepted as an allowable cost. Furthermore, HUD has accepted the new UAs that will be effective for all new contracts and contract renewals on or after December 1, 2005. Additionally, a Standard Operating Procedure will be developed to ensure that the Department annually reviews and adjusts utility allowances as required.

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x - Management's representation; xx - Independent assessment by audit

| Ref. # | Report Date / Auditors | Report Name / Audit Scope | Status Codes* | Status Date | Target Date |
|---|---|---|---|---|---|
| **398** | 02/21/06 | Compliance with Requirements & IC over Compliance - A-133 | Ix | 02/21/06 | |
| | KPMG | Statewide Federal Single Audit for FYE August 31, 2005 (SAO contract with KPMG) | | | |

***Division:*** Multiple

***Issue:***

Reference No. 06-20
Allowable Costs/Cost Principles
(Prior Audit issue - 05-22)
Type of finding - Reportable Condition Control

30 allowable cost transactions were reviewed and no compliance issues were noted. The following items were noted: (1) The Section 8 Regional Coordinators had access to the CAS8 menu in Genesis allowing them the capabilities to setup payment information. This access was removed June 10, 2005. (2) Within the accounting department, one employee had two user accounts to enter accounts payable vouchers (an employee who had changed their last name and been issued a new access ID). The prior access ID was disabled on August 24, 2005. Additionally, two programmer accounts had access to the production environment. One of the accounts setup to provide assignment on programming changes was disabled on August 24, 2005. The other account setup to perform system administrative functions is still used for that purpose and for promoting program changes. (3) The Department implemented software development procedures during fiscal year 2005. During the year, there was one change to user parameters which involved coding changes. This change was not formally documented as in accordance with the software development procedures as implemented by the Department.

The Department should: (1) limit access to setup payment information to Section 8 Project Managers who do not have the responsibility for approving vouchers for payment. Management should periodically review access to systems for appropriateness. (2) inappropriate access should be disabled. Management should consider implementing a monitoring process to ensure program changes developed and implemented are reviewed for appropriateness and compliance with software development procedures. (3) follow software development procedures for all changes and formally document the completion of those procedures.

***Status:*** 02/21/06 - (1) The Section 8 Regional Coordinators' access was removed on 6/10/05 preventing access to setup or change vendor payment information. Also, only the Section 8 Financial Facilitator and Project Manager have access to set up or change vendor payment information. The Section 8 Project Manager will periodically review access to systems to determine if access continues to be appropriately restricted. (2) Management will ensure that user account administrators continue to perform account audits and will review the account audits to perform quality control. Management will also ensure that the PeopleSoft system administrator, the software development manager, and accounting staff requesting changes complete and sign the Software Change Acceptance Form for all programming changes that are moved from the development environment to the production environment for PeopleSoft. (3) Information Systems Division SOP 1264.24, "Software Deployment Procedures", implemented a third-party process for monitoring the movement of programs into production environments. The Department has created an agency wide SOP 1264.08 "Requesting IS Services", and the Software Change Acceptance Form which will be completed and signed for all programming changes that are moved from development to production environments.



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

*Texas Department of Housing and Community Affairs*

*Status of Internal/External Audits*

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
## INTERNAL AUDIT DIVISION – STATUS/ISSUES OF INTERNAL/EXTERNAL AUDITS
**June 16, 2006**

| FY 2006 Audit Plan (Approved by Governing Board October 13, 2005) | | Stage | Comments |
|---|---|---|---|
| **Internal Audits/Reviews** | **Scope** | | |
| Subrecipient Monitoring | **Subrecipient Monitoring Processes** - 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 by complementing the following subrecipient monitoring internal audits: | | |
| | ∉ Office of Colonia Initiatives - Draw Process | CFD – Complete SHC – Fieldwork | Report released June 2006. Self Help Centers (SHC) planned for report release in July 2006. Bootstrap deferred for future consideration. |
| | ∉ Office of Colonia Initiatives - Contract Oversight and Management | CFD – Complete SHC – Fieldwork | Audit merged with the OCI Draw Process audit. CFD report released June 2006. SHC planned for report release in July 2006. Bootstrap deferred for future consideration. |
| | ∉ Energy Assistance - Monitoring | Planning | Fieldwork planned for July and reporting planned for August 2006. |
| | ∉ PMC - On-site Monitoring Visits | Future progress pending possible amendment to FY 2006 Audit Plan | Proposed Amendment to FY 2006 Audit Plan rolls project back into risk assessment for future consideration. Lead auditor on project vacated position. |
| | ∉ PMC - Draw Process | Future progress pending possible amendment to FY 2006 Audit Plan | Proposed Amendment to FY 2006 Audit Plan rolls project back into risk assessment for future consideration. New Acting PMC Director has plans to restructure draw processes to incorporate risk based and random reviews of supporting documentation. |
| Homeowners' Recovery Trust Fund | To determine whether the Manufactured Housing Division administers the Homeowners' Recovery Trust Fund (HORTF) in accordance with applicable laws and regulations. | Fieldwork/ Reporting | Planned report release date – July 2006. |
| Risk Management Program | To facilitate and to provide expertise, knowledge, experience and objective, independent input into the Department's Fraud, Waste and Abuse Detection and Prevention Program. | On-going | Note – The Enterprise Risk Management Team, formally known as the RP 36 Team, appointed by the Executive Director to lead the project, named a Coordinator to facilitate the project, effective March 3, 2006. IA has assumed an advisory role since that time. The Coordinator resigned from the agency with his last day on the job being 5/12/06. A new Coordinator, the Director of Information Systems, has assumed the role of the Department's Risk Management Coordinator. Internal Audit will no longer facilitate; however, will continue to advise. |

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**
**INTERNAL AUDIT DIVISION – STATUS/ISSUES OF INTERNAL/EXTERNAL AUDITS**
**June 16, 2006**

| **FY 2006 Audit Plan (Approved by Governing Board October 13, 2005)** | | **Stage** | **Comments** |
|---|---|---|---|
| **Internal Audits/Reviews** | **Scope** | | |
| Quality Assurance Review | To have a Peer Review/Quality Assurance Review (QAR) of TDHCA's Internal Audit Division pursuant to professional standards and Texas Government Code §2107.007, as arranged through the State Agency Internal Audit Forum QAR program. | Pending | Planned for Aug./Sept. 2006. |
| Central Database Steering Committee | To continue 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. | On-going | At the 12/16/05 Steering Committee meeting it was decided that the Committee's scope should be broadened to include oversight of all IT projects and change requests with a focus on prioritization, change management, and monitoring status of projects and, with the broader scope of the Committee, the composition of the Committee changed. Additionally, it was decided that the Chair of the Committee would be assumed by management. The Director of Multifamily Finance and Production Division has assumed the Chair position of the Committee. The Director of Internal Audit will no longer serve in this capacity; however, will continue to advise. |
| Coordinate External Auditors | To coordinate and assist external auditors. Beyond typical coordination and assistance, one internal audit staff member is being allocated up to three months, to the extent the external auditors can use the assistance, as a strategy to reduce external audit fees and to enhance Internal Audit's knowledge of the Department accounting systems and financial reporting process. | Periodic | KPMG currently on-site.<br><br>No further discussion has been held with management regarding the allocation of IA resources to the external audit. |
| Tracking Status of Prior Audit Issues | To track the status of prior audit issues for management/board report purposes. | On-going | |
| FY 2007 Annual Audit Plan | To develop an annual audit plan for FY 2007 pursuant to the Texas Internal Auditing Act. | Pending | Inception planned in July 2006 to be completed in August 2006. |

**Other:** Coordination of Department's Standard Operating Procedures – IA assumed responsibility in September 2005 for maintaining an inventory of the Department's Standard Operating Procedures (SOPs) and facilitating preparation of the SOPs by management, approval of the SOPs by the Executive Director, and distribution of the SOPs.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**
**INTERNAL AUDIT DIVISION – STATUS/ISSUES OF INTERNAL/EXTERNAL AUDITS**
**June 16, 2006**

| **External Audits** | **Scope** | **Stage** | **Comments** |
|---|---|---|---|
| Deloitte and Touche | Annual Opinion Audits:<br>∉ Consolidated Financial Statements for the FYE August 31, 2006<br>∉ Revenue Bond Enterprise Fund for the FYE August 31, 2006 | Pending | Interim work planned for July, final fieldwork planned for Fall 2006 with final reports planned for December 2006. |
| KPMG | Statewide Federal Single Audit for FYE August 31, 2006 (SAO contract with KPMG) | Interim Work | Interim work scheduled through June 9, 2006.<br>Final Fieldwork planned for Fall 6006 with final report planned for February 2007. |
| UT Associate Professor, Dept.of Communication Studies, and graduate students | TDHCA Cross Divisional Communications Audit | Complete | Report released May 2006. |

# PER APPLICANT REQUEST, APPEALS POSTPONED TO JULY 12, 2006 BOARD MEETING

| | | |
|---|---|---|
| **060144** | **Centerpoint Home Ownership** | **Weslaco** |
| **060143** | **Sun Valley Homes** | **Mercedes** |
| **060147** | **Orchard Valley Homes** | **Mercedes** |

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**June 26, 2006**

## Action Items

Presentation of Challenges Made in Accordance with §50.(17)(c) of the 2006 Qualified Allocation Plan and Rules (QAP) Concerning 2006 Housing Tax Credit (HTC) Applications.

## Required Action

Consideration and possible action on Challenges made concerning 2006 Housing Tax Credit Applications.

## Background and Recommendations

The attached document summarizes the "challenges" (called "allegations" in 2005) received on or before June 12, 2006 made against applications in the 2006 HTC Application Cycle anonymously or by other applicants or consultants.

All challenges are being addressed pursuant to §50.17(c) of the 2006 QAP, which states, "the Department will address information and challenges received from unrelated entities to a 2006 Application, utilizing a preponderance of the evidence standard, in the following manner:

(1) Within seven days of the receipt of the information or challenge, the Department will post all information and challenges received (including any identifying information) to the Department's website.
(2) Within seven days of the receipt of the information or challenge, the Department will notify the Applicant related to the information or challenge. The Applicant will then have seven days to respond to all information and challenges provided to the Department.
(3) Within 14 days of the receipt of the response from the Applicant, the Department will evaluate all information submitted and other relevant documentation related to the investigation. This information may include information requested by the Department relating to this evaluation. The Department will post its determination to its website. Any determinations made by the Department cannot be appealed by any party unrelated to the Applicant."

Please note that a challenge is not eligible pursuant to this section if it is not made against a specific active 2006 HTC application. In the opinion of counsel, if an application is no longer active because the Development has been awarded tax credits by the TDHCA Board, challenges relating to the awarded/ inactive applications are not eligible under this section.

All ineligible and eligible challenges under this section received on or before June 12, 2006 were posted to the Department's website on June 12, 2006. To the extent that the applicant related to the challenge responds to the eligible challenge(s), point reductions and/or terminations could possibly be made administratively. In these cases, the applicant will be been given an opportunity to appeal, as is the case with all point reductions and terminations. To the extent that the evidence does not confirm a challenge, a memo will be written to the file for that application relating to the challenge. The Department will post all determinations to the TDHCA website. The table attached reflects a summary of all such challenges received as June 12, 2006.

| Challenge Rec. Date | TDHCA # | Development Name | Challenger | Nature | Status |
|---|---|---|---|---|---|
| 6/9/06 | 060050 | Renaissance Plaza | Robert Sherman | Challenging financial feasibility and viability of Development based on lack of strong market in proposed Development city. | Pending: Challenge being processed pursuant to §50.17(c) of the 2006 QAP. |
| 6/5/06 | 060078 | Copper Square Estates | El Paso Lower Valley Association | Challenging fulfillment of notification and signage. Also challenging proximity of Development site to railroad tracks. | Pending: Challenge being processed pursuant to §50.17(c) of the 2006 QAP. |
| 5/30/06 | 060163 | Villas of Karnes City | Anonymous | Challenging eligibility of Quantifiable Community Participation (QCP) letter of support from Karnes City Gateway Neighborhoods Association. | Pending: Challenge being processed pursuant to §50.17(c) of the 2006 QAP. |
| 5/12/06 | Region 6 | All Developments in Region 6 | Anonymous | Challenges eligibility under §50.9(h)(7)(B) of the QAP for all applications in Region 6 by asserting that some applications have not received consolidated plan letters from Houston and Harris county. | Ineligible: Does not challenge a specific application. It should be noted that all requirements for zoning under this section are reviewed closely by TDHCA staff in all threshold reviews to ensure that all applications are eligible for an award. |
| 5/2/06 | 060049 | Los Milagros | Kay Snyder | Challenging eligibility of Quantifiable Community Participation (QCP) letter of opposition from Centerpoint Resident Council. | Ineligible: Staff has determined this resident council and all letters from the entity as ineligible. This determination was made without considering the information in the challenge. |
| 5/22/06 | 060086 | City Walk at Akard | Anonymous (2 received) | Challenging eligibility of Quantifiable Community Participation (QCP) letter of support from Dallas Homeless Neighborhood Association. | Ineligible: Staff has determined this letter ineligible. This determination was made without considering the information in the challenge. |

| | | | | | |
|---|---|---|---|---|---|
| 5/24/06 | 060202 | Beaumont Downtown Lofts | Mark Musemeche and Kurt Arbuckle | Challenging eligibility of the Development as a rehabilitation under the Hurricane Rita Housing Tax Credit Application Policy (Rita Policy). Also challenging point eligibility under §50.9(i)(5) of the 2006 QAP. | Ineligible: Application is inactive because it was awarded tax credits by the executive director on April 25, 2006 pursuant to the Rita Policy. Challenges were received after the fact (May 24th and after). |
| 5/22/06 and 5/26/06 | 060087 | Sphinx at Alsbury | Anonymous (2 received) | Challenging eligibility of Quantifiable Community Participation (QCP) letter of support from Alsbury Neighborhood Association. | Pending: Challenge being processed pursuant to §50.17(c) of the 2006 QAP. |
| 5/11/06 and 5/26/06 | 060133 | Canyon's Landing | Anonymous (2 received) | Challenging eligibility of Quantifiable Community Participation (QCP) letter of support from Strawberry Hill Neighborhood Association. | Pending: Challenge being processed pursuant to §50.17(c) of the 2006 QAP. |

**LEGAL SERVICES DIVISION**
**BOARD ACTION REQUEST**
**June 26, 2006**

## Action Item

Presentation, Discussion, and possible action on release of LURA regarding property on Fitzhugh Avenue in Dallas Texas where the property was condemned and destroyed.

## Requested Action

Vote to deny or approve release of LURA for Fitzhugh Place Apartments.

## Background and Recommendations

Robert H. Holmes, II contacted the Department requesting the release of a Land Use Restriction Agreement where he had cleared the taxes in arrears on 1428 through 1518 N. Fitzhugh Avenue in Dallas, Texas. Mr. Holmes indicated that the property has been demolished by the City of Dallas and that there are currently no existing improvements on the land.

The history of the property is that Mr. Holmes' father purchased the property in question with the intent of applying for tax credits to rehabilitate the property and offer it as qualified low income property. Mr. Holmes applied for and received tax credits that required a LURA. At that point, he began the rehabilitation and apparently was issued 8609's in 1991. According to a statement by his tax advisor, Mr. Holmes used the tax credits on his own personal taxes in 1991 in the amount of $2,833. There is not other record available of the tax credits being used.

The Department shows that this property was not in compliance and was removed from the program; the Department did not continue monitoring. According to Mr. Holmes II, his father abandoned the property and allowed it to fall into disrepair and eventually the property was demolished.

According to outside tax credit counsel, a LURA is allowed to be released for one of three reasons, 1) foreclosure; 2) end of LURA timeframe; and 3) qualified contract termination. None of these issues is present in the request before you today.

This case is representative of several requests for release of LURA's the Department has received. In many cases, the economic feasibility of the project is no longer sound and the property is non-compliant or even non-existent as with this property. Federal law does imply that some economic limitations are inherent in the program and therefore not a sufficient source to excuse the program. In some cases, the credits awarded were small and featured single family homes (not the case here).

The Board has not established a policy or provided guidance—including whether to continue monitoring—to staff on any action to take in policy development and/or public comment on this matter. It should be noted that there is the potential even if TDHCA releases the LURA, a third party might have standing to seek enforcement so that clear title might not be obtained by the TDHCA release.

**Staff Recommendation:** Staff recommends denial of the request to release the LURA as there is no legal justification for doing so at the current time.

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**
**June 26, 2006**

## Action Items

Presentation, Discussion and Possible Approval for extension of the deadlines for closing of the commencement of substantial construction and placement in service for Commons of Grace Senior Estates in Houston.

## Required Action

Approve or deny this request for extensions related to a 2004 Housing Tax Credit commitment.

## Background

At the TDHCA Board meeting in March 2006, the Applicant requested an extension of the deadline for construction loan closing and commencement of substantial construction due to the suspension of HOME funds from the City of Houston and the subsequent time necessary for the U.S. Department of Housing and Urban Development to process the funds. At the time, the Applicant anticipated that the HOME commitment would be reaffirmed at the March 22nd Houston City Council meeting and that all construction financing would be immediately available. The Applicant assured the Board that the development would meet the December 31, 2006 placement in service deadline, required by the Internal Revenue Code.

Shortly after the Board meeting in March, the equity provider and the construction lender withdrew their commitment of funding because they did not believe the development could be completed by the December 31, 2006 placement in service date. The Applicant attributes the delays and subsequent loss in financing to Hurricane Rita. According to a letter dated May 3, 2006 from Houston Council Member Jarvis Johnson, the City of Houston remains committed to providing the HOME financing but will not do so unless TDHCA grants the placement in service extension. The city wants an assurance that the tax credit deadline will be extended before they close the HOME loan since the award of tax credits is critical to the development.

The deadline for a housing tax credit development pursuant to §42(h)(1)(E)(i) to place in service is December 31 of the second year following the year the Carryover Allocation Agreement is executed. However, Section 5.02 of Internal Revenue Service Revenue Proclamation 95-28 provides: "If an owner of a project located in a major disaster area has a carryover allocation and the area is declared a major disaster area during the 2-year period described in § 42(h)(1)(E)(i), the Service will treat the owner as having satisfied the applicable placed in service requirement if the owner places the project in service by December 31 of the year following the end of the 2-year period. See § 1.42-6 for specific rules on carryover allocations." The applicant may be eligible for a placement in service extension under this Revenue Proclamation (if sufficient documentation is provided) because the development is located in Harris County, which was declared a disaster under the Stafford Act.

The Applicant is also requesting an extension of Commencement of Substantial Construction to November 30, 2006 due to the previous lenders withdrawing. The new lenders need time to complete their due diligence on the development.

Pertinent facts about the development are given below.

**<u>Commons of Grace Apartments, HTC Development No. 04224</u>**

| | |
|---|---|
| Applicant: | TX Commons of Grace, LP |
| General Partner: | TX Commons of Grace Development, LLC |
| Developer: | Pleasant Hill Community Development Corporation |
| Principals/Interested Parties: | GC Community Development Corporation (Nonprofit, 99% of GP); B&L Housing Development Corporation (Leroy Bobby Leopold, 1% of GP) |
| Syndicator: | Credit Suisse |
| Construction Lender: | Citigroup |
| Permanent Lender: | GMAC Commercial Mortgage / Freddie Mac |
| Other Funding: | City of Houston (HOME) |
| City/County: | Houston/Harris |
| Set-Aside: | Nonprofit |
| Type of Area: | Urban/Exurban |
| Type of Development: | New Construction |
| Population Served: | Elderly |
| Units: | 86 HTC and 22 market rate units |
| 2004 Allocation: | $660,701 |
| Allocation per HTC Unit: | $7,683 |
| Extension Request Fee Paid: | $0 (extension fee is waived for placement in service if the extension request is related to Hurricane Rita) |
| Type of Extension Request: | Construction Loan Closing, Commencement of Substantial Construction and Placement in Service |
| Current Deadline: | Construction Loan Closing and Commencement of Substantial Construction – May 31, 2006<br>Placement in Service - December 31, 2006 |
| New Deadlines Requested: | Construction Loan Closing and Commencement of Substantial Construction – November 30, 2006.<br>Placement in Service - December 31, 2007 |
| **New Deadline Recommended:** | **Construction Loan Closing and Commencement of Substantial Construction – November 30, 2006**<br>**Placement in Service - December 31, 2007** |
| Prior Extensions: | Commencement of Construction extended from 3/31/06 to 5/31/06<br>Commencement of Construction extended from 12/1/05 to 3/31/06.<br>Construction Loan Closing extended from 3/31/06 to 5/31/06<br>Construction Loan Closing extended from 9/1/05 to 12/1/05.<br>Construction Loan closing extended from 6/1/05 to 9/1/05. |
| **Staff Recommendation:** | **Staff recommends approving both extensions subject to the Applicant receiving the City of Houston HOME Commitment at the next Houston City Council meeting where placement on the agenda is possible following this decision on June 26, 2006.** |

G. C. Community Development Corporation
*"Building a Community One Step At A Time"*
9410 Mesa Drive Houston, TX 77028
(713) 633-3371 – office (713) 635-8009 – fax

June 6, 2006

RECEIVED
JUN 12 REC'D
Multifamily Finance Division
5:16 pm
am

Ms. Robbye Meyer
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

Re: Commons of Grace in Houston, Texas (the "**Project**")
TDHCA No. 04224

Dear Robbye:

I represent the general partner of TX Commons of Grace, L.P. ("**Owner**"), the owner of the Commons of Grace Senior Estates in Houston, Texas. On March 20, 2006, the Board of TDHCA approved a request for an extension of the commencement of substantial construction deadline for the Project. The new deadline was set for May 31, 2006. At the time the most recent extension was requested, Owner expected that the Houston City Council would reaffirm the HOME commitment at a meeting on March 22, 2006. That action did not occur for the reasons described below.

As you know, the City of Houston faced tremendous challenges with its HOME funds program. Once that program got back on track, the City was challenged again with evacuees from Hurricane Katrina and the disruptive threat of Hurricane Rita. The City was required to focus its efforts on helping people devastated by these disasters. Consequently, its ability to process the HOME funding for the Project was delayed.

The delays in the HOME funds created a snowball effect in that lenders and investors for the Project wanted to see evidence of the commitment of HOME funding before proceeding as planned. Thus, we arrived at March 2006, when we thought all of the pieces were in place to close the funding, commence construction, and complete the Project prior to the end of the year. At the March TDHCA Board meeting, we represented that the Project could be completed by the year-end placed-in-service date. Unfortunately, shortly after that meeting, our equity investor and construction lender (together "Lenders") decided that there was insufficient time to complete the Project and withdrew its funding support. Upon learning that the Lenders had terminated its commitment, the City of Houston withdrew the Project from the March 22, 2006 agenda for the Houston City Council.

Given this further delay from the City of Houston, Owner felt it would be in the best interest of the Project to seek an extension of the placement in service deadline for the Project. This extension is permitted under Rev. Proc. 95-28 for areas impacted by a natural disaster. The impact of last year's hurricanes on the City of Houston (and the City's housing department) qualify for this treatment. So, a request for extension of the placement in service date for the Project was submitted, and Owner hopes the Department will approve a December 31, 2007 placed-in-service date.

The City remains supportive of the Project and wants to award its HOME funds as originally committed. Letters from City officials to that effect were provided with our request to extend the placement in service date. The City has agreed to place Commons of Grace on the City Council agenda for a final HOME commitment if the placement in service extension is granted. Several Lenders have expressed an interest in funding the transaction, if the placement in service extension is granted. Owner remains confident that all of the financing can be secured, construction will commence, and the Project can be placed in service by December 31, 2007. To complete all necessary activities with regard to the financing, Owner requests an additional extension of the deadline for commencement of substantial construction to November 30, 2006. The applicable fee of $2,500, payable to TDHCA has already been delivered to you.

If you have any further questions about Commons of Grace, please feel free to contact me.

Sincerely,

Charles H. Taylor Sr.
Vice President

# G. C. Community Development Corporation

*"Building a Community One Step At A Time"*

**9410 Mesa Drive Houston, TX 77028**

**(713) 633-3371 – office (713) 635-8009 – fax**


May 12, 2006

RECEIVED
MAY 1 8 2006
LIHTC

Ms. Brooke Boston
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

Re: Commons of Grace in Houston, Texas (the "**Project**")
TDHCA No. 04224

Dear Brooke:

I represent the general partner of TX Commons of Grace, L.P. ("**Owner**"), the owner of the Commons of Grace Senior Estates in Houston, Texas. The Owner received a carryover allocation of low-income housing tax credits for the Project in 2004. Accordingly, pursuant to Section 42(h)(1)(E)(i) of the Internal Revenue Code, the Owner is required to place its respective Project in service by December 31, 2006.

The Project is located in Harris County, which was impacted by Hurricanes Katrina and Rita. Harris County was subsequently declared to be a disaster area by President Bush and designated as such by the Federal Emergency Management Agency. The disruption of these disasters impacted the City of Houston and its Housing Department, most of all.

As you know, this Project is the only tax credit project from the 2004 allocation round to be receiving HOME funds from the City of Houston. The City's ability to allocate these funds to the Project was delayed by the hurricanes. (See the two letters enclosed.) As a result, the Owner's ability to close its other funding and proceed with construction was delayed, as well.

At a TDHCA Board meeting in March, a representative of our general contractor affirmed that the Project could be completed by December 31, 2006, if an extension for the deadline for commencement of substantial construction were granted. These assertions were based on the assumption that the financing for construction would be immediately available. Unfortunately, the financing remains delayed.

Because of these challenges, the Owner submits this request for a one-year extension of the deadline to place this Project in service, to December 31, 2007. This request is submitted, and can be granted by the Texas Department of Housing and Community Affairs, pursuant to Rev. Proc. 95-28. Section 6.02 of that Revenue Procedure states:

> The Agency may approve the carryover allocation relief provided in . . . section 5.02 of this revenue procedure only for projects whose owners cannot reasonably satisfy the deadlines of Section 42(h)(1)(E) because of a disaster

> that caused a major disaster declaration under the Stafford Act. An Agency may make this determination on an individual project basis or may determine, because of the extent of the damage in a major disaster area, that all project owners or a group of project owners in the major disaster area warrant relief provided in . . . section 5.02 of this revenue procedure.

Please confirm the requested one-year extension of the placement in service deadline for the Project.

Please feel free to contact me with any questions. We sincerely appreciate your assistance as we overcome the challenges the hurricanes brought to our area.

Sincerely,
Tx Commons of Grace, LP
By: Tx Commons of Grace Development, LLC, its General Partner
By: G. C. Community Development Corporation, its Managing Member

Charles H. Taylor Sr.
Pastor Charles H. Taylor Sr., Vice President

Enclosure
cc: Ben Sheppard
Tom Gouris

# JARVIS JOHNSON

Council Member
District B

Telephone
(713) 247-2009

Facsimile
(713) 247-2707


May 3, 2006

Brooke Boston
Texas Department of Housing and
Community Affairs
221 East 11th Street
Austin, TX 78701-2410

**Re: Commons of Grace Apartments**

Dear Ms. Boston:

On behalf of the City of Houston I would like to inform you that we are unquantified in our support for the development of Commons of Grace Senior Apartments, a 108-unit multi-family project proposed in northeast Houston within the boundaries of District B.

There has always been a dire need for quality affordable multi-family housing for senior citizens in Houston. The influx of Katrina Evacuees into the City has significantly added to that need. As you are aware, the City of Houston had committed to funding the $700,000 Home Loan at the time of the project's application for Housing Tax Credits (HTC) with the TDHCA. Due to the placed-in-service requirements of the HTC program and the difficulty in coordinating multiple layers of financing, we believe that the project might not get built on time to receive the HTCs, hence putting our HOME monies at a substantial risk. The City of Houston is still committed to funding this loan if TDHCA grants a one-year extension to the December 31, 2006, placed-in-service deadline. Our ability to match funds with the TDHCA's HTC Program is critical to eliminating the housing shortage we face for senior citizens in Houston.

During the processing of the application for HOME Funds for this project, Houston was faced with two catastrophic disasters in hurricanes Katrina and Rita. During those challenging times, staff at the City of Houston was focused on working out the logistics to accommodate the thousands of evacuees into City shelters. Providing HOME Funds to new projects was less of a priority at that time.

Again, if an extension to the deadline is granted, we fully support the project and will be committed to the $700,000 in HOME Funds. Should you have any questions or need additional information, please feel free to contact me.

Sincerely,

Jarvis Johnson
City Council Member
District B


P.O. Box 1562 • Houston, Texas 77251-1562 • 900 Bagby, 1st Floor
districtb@city of houston.net

CITY OF HOUSTON

Bill White
Mayor

Milton Wilson, Jr.
Director
Housing and Community
Development Department
601 Sawyer Street, 4th Floor
Houston, Texas 77007

Telephone – 713.868.8300
Fax – 713.865.4135
www.houstonhousing.org

May 2, 2006

Ms. Brooke Boston
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78701-2410

Re: Commons of Grace Senior Estates ("Project")
8900 Tidwell Road
Houston, Harris County, Texas

Dear Ms. Boston:

The City of Houston ("City") offers this letter in support of a request by the Developer of the referenced Project for an extension of the December 31, 2006 placed-in-service deadline for award of the Low Income Housing Tax Credits. This proposed 108-unit apartment complex, to be located in northeast Houston, will provide much needed housing for qualified senior citizens of the City. However, the City is aware that it may not be possible for the Project to be completed by the current deadline, in which case the City's investment of public funds would be placed at risk. Accordingly, the City believes that it is in the best interest of all concerned that the placed-in-service deadline be extended.

This is to advise that, subject to applicable approvals by HUD and City Council, the City remains committed to provide $700,000.00 of federal HOME funds to this Project. Please feel free to contact me if you have any questions or require additional information.

Yours truly,

Milton Wilson, Jr.
Director

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**June 26, 2006**

## Action Items

Issue a list of Approved Applications (as of June 26) for Housing Tax Credits (HTC) in accordance with §2306.6724, Texas Government Code.

## Required Action

Issue a list of Approved Applications (as of June 26) for Housing Tax Credits (HTC) in accordance with §2306.6724, Texas Government Code from the 2006 HTC Ceiling.

## Background

The Board is required by §2306.6724(e) to "review the recommendations of department staff regarding applications and shall issue a list of approved applications each year in accordance with the qualified allocation plan no later than June 30." Based on existing legal interpretation, attached hereto, this requirement is satisfied by staff recommending to the Board all existing approved applications, which include all active applications not currently withdrawn or terminated by the Department. This statutory language does not require that the list approved by the Board in the June meeting be split into a preliminary determination of those applications that may be recommended for a commitment of tax credits. In July, as required by §2306.6724(f), the Board "shall issue final commitments for allocations of housing tax credits each year in accordance with the qualified allocation plan not later than July 31." At the July 28, 2006 Board meeting the list approved by the Board will clearly identify those applications being issued a Commitment Notice.

Therefore, attached is a list for Board approval of all current Approved Applications from which the July 28, 2006 awards of tax credits will be selected. There were 229 Pre-Applications submitted reflecting a total request for credits of $167,463,336. Subsequently there were 135 full applications submitted with a total request for credits of $98,025,628. At this time, 20 of those applications have been terminated and/or withdrawn by the applicant. Additionally, two developments were awarded 2006 funds as Rural Rescue Forward Commitments last year, and four developments were awarded 2006 funds as a Forward Commitments. Lastly, seven of the developments were awarded Hurricane Rita Housing Tax Credits. Therefore, there are 114 Approved Applications currently competing for credits. **Not all of the 114 Approved Applications will receive a commitment of tax credits; the list merely reflects the pool from which awarded applications will be selected**. The list attached, sorted by region, includes the current score for each active application as well as basic application information.

At this time, not all applications have been reviewed for financial feasibility or compliance history and are all subject to those reviews. Through this review some applications may be found to be financially infeasible or ineligible based on compliance history, in which case they will be removed from the list of Approved Applications. Further, the credit amount reflected on this list is the requested credit amount and may reflect a reduced credit amount and/or may have conditions placed on the allocation at the time of the July 28, 2006 commitments. In addition to applications that may be removed from the list for issues of financial feasibility, applications may also be added to or removed from the list of Approved Applications by the Executive Director as determinations are made on appeals on applications are heard.

## Staff Recommendations

Staff recommends that the Board issue the attached recommended list of Approved Applications for 2006 Housing Tax Credits pursuant to §2306.6724(e).

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

# LEGAL DETERMINATION

**TO:** Michael Gerber; Brooke Boston; Jen Joyce; FILE

**FROM:** Kevin Hamby

General Counsel

**DATE:** June 14, 2006

**RE:** 2006 List for June Meeting

## QUESTION PRESENTED:

Question 1: Does the list provided to the Board at its June meeting require any input as to the possibility of award?

Question 2: Do we need to attach all the back up to the list approved by the Board at the June Board meeting?

## SHORT ANSWER:

No.

## FACTS:

Each year the Department produces a list related to the Low Income Housing Tax Credit Program for approval before June 30 as is required in statute for the Board. For the past several years, this list has included a prospective, though not reliable, list of people who could potentially receive an award if all the material issues were known at the time the list was created. Because the list has contained a potential though not final award structure, the interpretation has been to include all the relevant information as called for in the QAP for the Board's decision making ability.

This year, staff requested a legal opinion as to the type and amount of information that must be provided with the list approved on or before June 30.

## LEGAL ANALYSIS:

The relevant statutory section related to deadlines for the low income housing tax credit program is found in the Texas Government Code §2306.6724. The subsection relevant to the June deadline is (e) which states:

> (e) The board shall review the recommendations of the department staff regarding applications and shall issue a list of **approved applications** each year in accordance with the qualified allocation plan not later than June 30. **(emphasis added)**

Also important to this legal review is subsection (f) which states:

> (f) The board shall issue **final commitments for allocations** of housing tax credits each year in accordance with the qualified application plan not later than July 31. **(emphasis added)**

For purposes of this discussion the term application is defined in statute under Texas Government Code 2306.6702 as:

> (2) "Application" means an application filed with the department by an applicant and includes any exhibits or other supporting materials.

Throughout Subchapter DD. the term "Application" is used as is described in the definition above and treated separate and apart from awards or allocations that are eventually voted upon by the Board.

I have reviewed the language in both pieces of legislation governing this section of the code since the 75th legislative session. The first bill did not contain this particular timeline and only required the July 31 allocation deadline. The second bill did alter the July date language by striking the text for allocation in subsection (e) and replacing it with the current text and then adding the current subsection (f). Clearly the legislative language indicated a document separate and apart from a final allocation due in July 31.

The QAP also clearly sets out that commitment notices are to be discussed in the July board meeting targeting several dates related to the "date of the July Board meeting at which the issuance of Commitment Notices shall be discussed." *See, §50.11 2006 QAP.*

In addition to reviewing the above referenced legislation, I held a discussion with the Department's Assistant Attorney General assigned through the Administrative Law Division about the plain language of the statute. After a review of the section, he concurred that the language indicated a clear and separate document from allocation was allowable under subsection (e).

The statutory requirement appears to only require a listing of applications that are currently approved by staff for participation in the allocation process for consideration of Low Income Housing Tax Credits. The only requirement of this section is a list recommended by the Department and approved by the Board of **approved applications** indicating that these are the eligible applicants for award. There is no requirement that any further information be included with this list. The result would be anyone who believes they should have an application would be placed on notice that they are currently not being considered.

Additional information could be added, but there is no direct statutory requirement to exceed listing approved applicants who have successfully completed applications without regard to ultimate success or continuation in the process for the Board's approval.

**ANSWER:**

No there is no requirement to supply additional back up information with regard to the statutory requirement to provide a staff recommended list of approved applications.

# Item 4(e): Presentation, Discussion and Issuance of a List of Approved Applications- Active Applications Only

## Applications Submitted for the 2006 Housing Tax Credit Competitive Cycle Sorted by Region, Allocation and Final Score To Date

**State Ceiling to be Allocated: $43,718,840***

## Region: 1

**Allocation Information for Region 1:** **Total Credits Available for Region: $2,046,932** **Rural Allocation: $923,057** **Urban/Exurban Allocation: $1,123,875**

**5% Required for USDA: $102,347** **15% Required for At-Risk: $307,040**

**Applications Submitted in Region 1: Urban/Exurban**

| File # | Region | Development Name | Address | City | Allocation | Activity [1] | Set-Asides [2] USDA | NP | AR | LI Units | Total Units | Target Population [3] | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060058 | 1 | Greenfair Park Apartments | 2807 Weber Dr. | Lubbock | Urban/Exurban | R | ☐ | ☑ | ☐ | 120 | 120 | Family | $957,500 | Ron Hance | ☐ | ☐ | 197 |
| 060098 | 1 | The Canyons Retirement Community | 2200 W. 7th Ave. | Amarillo | Urban/Exurban | ACQ/R | ☐ | ☐ | ☐ | 101 | 111 | Elderly | $806,343 | John B. Irons, Jr. | ☐ | ☐ | 192 |
| 060222 | 1 | Jason Avenue Residential | Near Intersection of River Rd. & Jason Ave. | Amarillo | Urban/Exurban | NC | ☐ | ☐ | ☐ | 168 | 176 | Family | $1,200,000 | Stuart Shaw | ☐ | ☐ | 179 |
| 060074 | 1 | Amarillo Gardens Apts | 1223 S. Roberts | Amarillo | Urban/Exurban | ACQ/R | ☐ | ☑ | ☑ | 100 | 100 | Family | $444,768 | George E. Sprock | ☐ | ☐ | 148 |
| | | | | | | | | | **Total:** | **489** | **507** | | **$3,408,611** | | | | |

**Applications Submitted in Region 1: Rural**

| File # | Region | Development Name | Address | City | Allocation | Activity [1] | Set-Asides [2] USDA | NP | AR | LI Units | Total Units | Target Population [3] | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060006 | 1 | Tierra Blanca Apts | South Ave. North of Austin Rd., South of Victory Dr. | Hereford | Rural | NC | ☐ | ☐ | ☐ | 73 | 76 | Family | $615,000 | Tammie Goldston | ☐ | ☐ | 250 |
| 060130 | 1 | Deer Creek Apts | S.E. Corner of MLK St. and E. Ellis St. | Levelland | Rural | NC | ☐ | ☐ | ☐ | 60 | 60 | Intg | $534,756 | Justin Zimmerman | ☐ | ☐ | 174 |
| 060131 | 1 | Canyon View Apts | W. 10th St. at Whittenburg St. | Borger | Rural | NC | ☐ | ☐ | ☐ | 44 | 44 | Intg | $408,585 | Justin Zimmerman | ☐ | ☐ | 171 |
| | | | | | | | | | **Total:** | **177** | **180** | | **$1,558,341** | | | | |

**7 Applications in Region** **Region Total: 666 687 $4,966,952**

1 = Activity Abbreviations: NC= New Construction, R= Rehabilitation, ACQ= Acquisition
2 = Set-Aside Abbreviations: USDA= TX-USDA-RHS, NP=Nonprofit, AR=At-Risk
3 = Target Population Abbreviation: Intergenerational=Intg
*= TDHCA Number 05113 returned credits in the amount of $284,900 from their 2005 award, and that amount has been added to the Region 11 Urban/Exurban and the state ceiling.
Note: Developments that received funding for "Rural Rescue" or Forward Commitments out of the 2006 credit ceiling are included in this log but are not part of the applications currently presented for the Board's consideration. The Developments are TDHCA Numbers 060002, 060003, 060004, 060005, 060006, and 060007.

| File # | Region | Development Name | Address | City | Allocation | Activity [1] | Set-Asides [2] USDA | NP | AR | LI Units | Total Units | Target Population [3] | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

## Region: 2

| Allocation Information for Region 2: | Total Credits Available for Region: $1,154,768 | Rural Allocation: $534,386 | Urban/Exurban Allocation: $620,382 |
|---|---|---|---|
| | | 5% Required for USDA: $57,738 | 15% Required for At-Risk: $173,215 |

**Applications Submitted in Region 2: Urban/Exurban**

| File # | Region | Development Name | Address | City | Allocation | Activity | USDA | NP | AR | LI Units | Total Units | Target Population | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060005 | 2 | Green Briar Village | 603 Airport Drive, Wichita Falls | Wichita Falls | Urban/Exurban | NC | ☐ | ☐ | ☐ | 76 | 76 | Family | $591,841 | Randy Stevenson | ☐ | ☐ | 250 |
| | | | | | | | | | **Total:** | **76** | **76** | | **$591,841** | | | | |

**Applications Submitted in Region 2: Rural**

| File # | Region | Development Name | Address | City | Allocation | Activity | USDA | NP | AR | LI Units | Total Units | Target Population | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060218 | 2 | Cross Plains Senior Village | 10 acres on FM 374 | Cross Plains | Rural | NC | ☐ | ☐ | ☐ | 28 | 28 | Elderly | $214,749 | Bonita Williams | ☐ | ☑ | 188 |
| 060129 | 2 | Campus View Apts | S.E. Corner of Stadium Dr. and College Dr. | Vernon | Rural | NC | ☐ | ☐ | ☐ | 44 | 44 | Intg | $413,008 | Justin Zimmerman | ☐ | ☐ | 176 |
| 060104 | 2 | The Grove at Brushy Creek | N.E. Corner of El dorado and Patterson | Bowie | Rural | NC | ☐ | ☐ | ☐ | 52 | 54 | Family | $490,347 | Eric Hartzell | ☐ | ☐ | 176 |
| | | | | | | | | | **Total:** | **124** | **126** | | **$1,118,104** | | | | |

**4 Applications in Region** — **Region Total:** **200** **202** **$1,709,945**

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Note: Developments that received funding for "Rural Rescue" or Forward Commitments out of the 2006 credit ceiling are included in this log but are not part of the applications currently presented for the Board's consideration. The Developments are TDHCA Numbers 060002, 060003, 060004, 060005, 060006, and 060007.

## Region: 3

**Allocation Information for Region 3:** **Total Credits Available for Region: $7,136,015** **Rural Allocation: $542,890** **Urban/Exurban Allocation: $6,593,126**

**5% Required for USDA: $356,801** **15% Required for At-Risk: $1,070,402**

**Applications Submitted in Region 3: Urban/Exurban**

| File # | Region | Development Name | Address | City | Allocation | Activity [1] | Set-Asides [2] USDA | NP | AR | LI Units | Total Units | Target Population [3] | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060002 | 3 | Fairway Crossing | 7229 Ferguson Road | Dallas | Urban/Exurban | R | | | | 297 | 310 | Family | $1,200,000 | Len Vilicic | | | 250 |
| 060038 | 3 | Oak Timbers-Seminary | 5201 James Ave. | Fort Worth | Urban/Exurban | NC | | ✓ | | 123 | 128 | Elderly | $1,200,000 | A.V. Mitchell | | | 197 |
| 060053 | 3 | Candletree Apartments | 7425 S. Hulen St. | Fort Worth | Urban/Exurban | R | | | | 216 | 216 | Family | $1,019,035 | Barbara Holston | | | 190 |
| 060087 | 3 | Sphinx at Alsbury Villas | 755 N.E. Alsbury Blvd. (1000 ft. W of S. Frwy. I-35W) | Burleson | Urban/Exurban | NC | | | | 143 | 150 | Family | $1,080,307 | Joseph Agumadu | | | 188 |
| 060111 | 3 | Evergreen at Rockwall | 1200 Block of South Goliad St. | Rockwall | Urban/Exurban | NC | | ✓ | | 130 | 130 | Elderly | $1,001,170 | Brad Forslund | | ✓ | 186 |
| 060211 | 3 | Hanratty Place Apartments, LP | 800 S. Jennings | Fort Worth | Urban/Exurban | R | | ✓ | | 32 | 32 | Family | $343,437 | Bonnie R. Siddons | | | 185 |
| 060042 | 3 | Country Lane Seniors - Waxahachie Community | 425 ft. from the E. side of U.S. Hwy. 77, south of downtown, and east of Exit 399 on I-35E | Waxahachie | Urban/Exurban | NC | | | | 98 | 102 | Elderly | $954,136 | Kenneth Mitchell | | | 183 |
| 060062 | 3 | Enclave at Parkview Apts | 300 Block of Old Decatur Rd. | Fort Worth | Urban/Exurban | NC | | | | 144 | 144 | Family | $992,438 | Bert Magill | | | 183 |
| 060021 | 3 | Villas at Henderson Place | 1648 W. Henderson | Cleburne | Urban/Exurban | NC | | | | 172 | 180 | Intg | $1,141,342 | Leslie Clark | | | 182 |
| 060138 | 3 | Residences at Eastland | 5500 Eastland St. | Fort Worth | Urban/Exurban | NC/R | | | | 140 | 146 | Family | $1,200,000 | Dan Allgeier | | | 182 |
| 060086 | 3 | City Walk at Akard | 511 N. Akard | Dallas | Urban/Exurban | ACQ/R | | ✓ | | 204 | 209 | Family | $1,200,000 | John P. Greenan | | | 178 |
| 060077 | 3 | Sphinx at Boston Living | 3510 Boston Ave. | Benbrook | Urban/Exurban | NC | | | | 142 | 149 | Elderly | $916,116 | Jay Oji | | | 178 |
| 060110 | 3 | Evergreen at Farmers Branch | 11600 Block of Future Lago Vista W. | Farmers Branch | Urban/Exurban | NC | | ✓ | | 126 | 126 | Elderly | $1,188,516 | Brad Forslund | | ✓ | 175 |

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| File # | Region | Development Name | Address | City | Allocation | Activity [1] | Set-Asides [2] USDA | NP | AR | LI Units | Total Units | Target [3] Population | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060220 | 3 | Western Trail | 1/2 mile North of Westpoint Blvd. | White Settlement | Urban/Exurban | NC | ☐ | ☐ | ☐ | 172 | 172 | Family | $1,000,000 | Manish Verma | ☐ | ☐ | 170 |
| 060200 | 3 | BERT'S Senior Housing of Waxahachie | US Hwy. 287 and I-H35 | Waxahachie | Urban/Exurban | NC | ☐ | ☐ | ☐ | 124 | 130 | Elderly | $839,207 | Joseph Kemp | ☐ | ☐ | 166 |
| 060025 | 3 | Providence at East Meadow Apts | 4500 US Hwy. 80 | Mesquite | Urban/Exurban | NC | ☐ | ☐ | ☐ | 183 | 192 | Elderly | $1,200,000 | Chris Richardson | ☐ | ☐ | 155 |
| | | | | | | | | | **Total:** | **2,446** | **2,516** | | **$16,475,704** | | | | |
| **Applications Submitted in Region 3:** | | **Rural** | | | | | | | | | | | | | | | |
| 060206 | 3 | Gardens of Mabank | 801 South Second St. | Mabank | Rural | NC | ☐ | ☐ | ☐ | 36 | 36 | Elderly | $302,324 | George Hopper | ☐ | ☑ | 179 |
| 060100 | 3 | Estates of Boyd | 425 S. Allen St. | Boyd | Rural | NC | ☐ | ☑ | ☐ | 40 | 40 | Family | $329,336 | A. G. Swan | ☐ | ☑ | 174 |
| 060022 | 3 | Crestmoor Park West Apts | 321 SW Thomas | Burleson | Rural | R/ACQ | ☑ | ☐ | ☑ | 60 | 60 | Family | $255,546 | Joe Chamy | ☐ | ☑ | 163 |
| | | | | | | | | | **Total:** | **136** | **136** | | **$887,206** | | | | |
| **19** | **Applications in Region** | | | | | | | | **Region Total:** | **2,582** | **2,652** | | **$17,362,910** | | | | |

1 = Activity Abbreviations: NC= New Construction, R= Rehabilitation, ACQ= Acquisition
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*= TDHCA Number 05113 returned credits in the amount of $284,900 from their 2005 award, and that amount has been added to the Region 11 Urban/Exurban and the state ceiling.
Note: Developments that received funding for "Rural Rescue" or Forward Commitments out of the 2006 credit ceiling are included in this log but are not part of the applications currently presented for the Board's consideration. The Developments are TDHCA Numbers 060002, 060003, 060004, 060005, 060006, and 060007.

## Region: 4

**Allocation Information for Region 4:** **Total Credits Available for Region: $2,161,529** **Rural Allocation: $1,093,619** **Urban/Exurban Allocation: $1,067,910**

**5% Required for USDA: $108,076** **15% Required for At-Risk: $324,229**

**Applications Submitted in Region 4: Urban/Exurban**

| File # | Region | Development Name | Address | City | Allocation | Activity [1] | Set-Asides [2] USDA | NP | AR | LI Units | Total Units | Target Population [3] | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060050 | 4 | Renaissance Plaza | S of Victory Dr. between E. and W. Midway Dr. | Texarkana | Urban/Exurban | NC | ☐ | ☐ | ☐ | 120 | 120 | Elderly | $907,822 | Richard Herrington | ☐ | ☐ | 197 |
| 060201 | 4 | Moore Grocery Lofts | 408 & 410 N. Broadway | Tyler | Urban/Exurban | NC/R/ACQ | ☐ | ☐ | ☐ | 88 | 88 | Family | $801,237 | Jim Sari | ☐ | ☐ | 196 |
| 060127 | 4 | Mill Creek South Apts | S.E. of Green St. and Millie St. | Longview | Urban/Exurban | NC | ☐ | ☐ | ☐ | 60 | 60 | Intg | $537,872 | Justin Zimmerman | ☐ | ☐ | 185 |
| 060112 | 4 | Evergreen at Tyler | 3200 Block of W. Front St. | Tyler | Urban/Exurban | NC | ☐ | ☐ | ☐ | 100 | 100 | Elderly | $967,409 | Brad Forslund | ☐ | ☑ | 181 |
| | | | | | | | | | **Total:** | **368** | **368** | | **$3,214,340** | | | | |

**Applications Submitted in Region 4: Rural**

| File # | Region | Development Name | Address | City | Allocation | Activity [1] | Set-Asides [2] USDA | NP | AR | LI Units | Total Units | Target Population [3] | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060128 | 4 | Jacksonville Pines Apartments | Talley Nichols Dr., 1-block W. of Hwy. 69 | Jacksonville | Rural | NC | ☐ | ☐ | ☐ | 68 | 68 | Intg | $613,852 | Justin Zimmerman | ☐ | ☐ | 173 |
| 060159 | 4 | Victoria Place Phase II | 1000 Barbara | Athens | Rural | NC | ☐ | ☐ | ☐ | 48 | 48 | Family | $466,498 | Emanuel Glockzin, Jr.. | ☐ | ☑ | 147 |
| | | | | | | | | | **Total:** | **116** | **116** | | **$1,080,350** | | | | |

**6 Applications in Region** **Region Total: 484 484 $4,294,690**

1 = Activity Abbreviations: NC= New Construction, R= Rehabilitation, ACQ= Acquisition
2 = Set-Aside Abbreviations: USDA= TX-USDA-RHS, NP=Nonprofit, AR=At-Risk
3 = Target Population Abbreviation: Intergenerational=Intg
*= TDHCA Number 05113 returned credits in the amount of $284,900 from their 2005 award, and that amount has been added to the Region 11 Urban/Exurban and the state ceiling.
Note: Developments that received funding for "Rural Rescue" or Forward Commitments out of the 2006 credit ceiling are included in this log but are not part of the applications currently presented for the Board's consideration. The Developments are TDHCA Numbers 060002, 060003, 060004, 060005, 060006, and 060007.

| File # | Region | Development Name | Address | City | Allocation | Activity[1] | Set-Asides[2] USDA | NP | AR | LI Units | Total Units | Target Population[3] | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

## Region: 5

**Allocation Information for Region 5:** **Total Credits Available for Region: $1,536,670** **Rural Allocation: $750,069** **Urban/Exurban Allocation: $786,601**

**5% Required for USDA: $76,834** **15% Required for At-Risk: $230,501**

**Applications Submitted in Region 5: Urban/Exurban**

| File # | Region | Development Name | Address | City | Allocation | Activity | USDA | NP | AR | LI Units | Total Units | Target Population | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060199 | 5 | Legacy Senior Housing of Port Arthur | 3400 Block - Lake Arthur Dr. | Port Arthur | Urban/Exurban | NC | | | | 120 | 126 | Elderly | $1,031,125 | Hugh Harrison | ✓ | | 181 |
| 060241 | 5 | Sienna Trails Townhomes | Center Lot at Sienna Trails and North Concord | Beaumont | Urban/Exurban | NC | | | | 36 | 36 | Family | $413,807 | Mark Musemeche | ✓ | | 174 |
| 060193 | 5 | Villa Main Apts | 901 Main Ave. | Port Arthur | Urban/Exurban | ACQ/R | | | ✓ | 140 | 140 | Family | $467,128 | Enrique Flores | | | 152 |
| | | | | | | | | | **Total:** | **296** | **302** | | **$1,912,060** | | | | |

**Applications Submitted in Region 5: Rural**

| File # | Region | Development Name | Address | City | Allocation | Activity | USDA | NP | AR | LI Units | Total Units | Target Population | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060014 | 5 | Nacogdoches Senior Village | 605 Harris St. | Nacogdoches | Rural | NC | | | | 36 | 36 | Elderly | $349,789 | Bonita Williams | | | 189 |
| 060132 | 5 | Vista Pines Apartment Homes | 2400 Block of Park St. | Nacogdoches | Rural | NC | | | | 76 | 76 | Elderly | $802,394 | Michael Lankford | | | 176 |
| 060102 | 5 | Prospect Point | 201 Premier Dr. | Jasper | Rural | NC | | | | 69 | 72 | Family | $712,378 | Eric Hartzell | | ✓ | 174 |
| 060105 | 5 | Cypresswood Crossing | Hwy. 87 @ Hwy. 105 | Orange | Rural | NC | | | | 76 | 76 | Family | $689,500 | Ike Akbari | ✓ | | 168 |
| | | | | | | | | | **Total:** | **257** | **260** | | **$2,554,061** | | | | |

**7 Applications in Region** **Region Total: 553 562 $4,466,121**

1 = Activity Abbreviations: NC= New Construction, R= Rehabilitation, ACQ= Acquisition
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3 = Target Population Abbreviation: Intergenerational=Intg
*= TDHCA Number 05113 returned credits in the amount of $284,900 from their 2005 award, and that amount has been added to the Region 11 Urban/Exurban and the state ceiling.
Note: Developments that received funding for "Rural Rescue" or Forward Commitments out of the 2006 credit ceiling are included in this log but are not part of the applications currently presented for the Board's consideration. The Developments are TDHCA Numbers 060002, 060003, 060004, 060005, 060006, and 060007.

| File # | Region | Development Name | Address | City | Allocation | Activity [1] | Set-Asides [2] USDA | NP | AR | LI Units | Total Units | Target Population [3] | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

## Region: 6

| Allocation Information for Region 6: | Total Credits Available for Region: 10,508,688 | Rural Allocation: $672,256 | Urban/Exurban Allocation: $9,836,432 |
|---|---|---|---|
| | | 5% Required for USDA: $525,434 | 15% Required for At-Risk: $1,576,303 |

**Applications Submitted in Region 6: Urban/Exurban**

| File # | Region | Development Name | Address | City | Allocation | Activity | USDA | NP | AR | LI Units | Total Units | Target Population | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060056 | 6 | Langwick Senior Residences | 900 Block of Langwick Dr. | Houston | Urban/Exurban | NC | ☐ | ☐ | ☐ | 123 | 128 | Elderly | $1,178,388 | Cherno M. Njie | ☐ | ☐ | 190 |
| 060136 | 6 | Pinnacle of Pleasant Humble | 1200 Block of 1st St. E. | Humble | Urban/Exurban | NC | ☐ | ☐ | ☐ | 168 | 168 | Elderly | $1,200,000 | Richard E. Simmons | ☐ | ☐ | 189 |
| 060027 | 6 | Parkway Ranch | E. Side 10000 Block of W. Montgomery | Houston | Urban/Exurban | NC | ☐ | ☐ | ☐ | 107 | 112 | Family | $1,200,000 | W. Barry Kahn | ☐ | ☐ | 188 |
| 060225 | 6 | The Knightsbridge | Intersection of Theiss and FM 1960 | Aldine | Urban/Exurban | NC | ☐ | ☐ | ☐ | 120 | 120 | Elderly | $860,000 | Sarah Andre | ☐ | ☐ | 187 |
| 060034 | 6 | Cedar Drive Village | 1017 Cedar Dr. | La Marque | Urban/Exurban | NC | ☐ | ☐ | ☐ | 36 | 36 | Elderly | $342,285 | Charles Holcomb | ☐ | ☐ | 186 |
| 060168 | 6 | Birdsong Place Villas | Birdsong Dr. E. of Garth | Baytown | Urban/Exurban | NC | ☐ | ☑ | ☐ | 96 | 96 | Elderly | $861,563 | Les Kilday | ☐ | ☐ | 183 |
| 060217 | 6 | Reed Road Senior Residential | 2800 Block of Reed Rd. | Houston | Urban/Exurban | NC | ☐ | ☐ | ☐ | 172 | 180 | Elderly | $1,200,000 | Stuart Shaw | ☐ | ☐ | 183 |
| 060099 | 6 | Oakcreek Apartments | 2213 N. Frazier St. | Conroe | Urban/Exurban | NC | ☐ | ☐ | ☐ | 168 | 176 | Family | $1,200,000 | Richard Bowe | ☐ | ☐ | 182 |
| 060028 | 6 | Sheldon Ranch | East Side of 900 Block of Dell Dale | Channelview | Urban/Exurban | NC | ☐ | ☐ | ☐ | 30 | 30 | Family | $412,958 | W. Barry Kahn | ☐ | ☐ | 178 |
| 060170 | 6 | Orchard Park at Willowbrook | 9701 Grant Rd. | Houston | Urban/Exurban | NC | ☐ | ☐ | ☐ | 187 | 195 | Elderly | $1,200,000 | Stephan Fairfield | ☐ | ☐ | 177 |
| 060224 | 6 | Notting Hill Gate | 200 ft. S.E. of the Intersection of S. Gessner and Beltway 8 | Missouri City | Urban/Exurban | NC | ☐ | ☐ | ☐ | 146 | 146 | Elderly | $1,045,000 | Sarah Andre | ☐ | ☐ | 175 |
| 060219 | 6 | Providence Estates | S.E. Corner of Louise & Airport | Rosenberg | Urban/Exurban | NC | ☐ | ☐ | ☐ | 168 | 168 | Family | $1,000,000 | Manish Verma | ☐ | ☐ | 161 |
| 060176 | 6 | The Residences on Anderson Ltd | 3600 Block of Anderson | Houston | Urban/Exurban | NC | ☐ | ☐ | ☐ | 88 | 92 | Family | $1,157,744 | H. Elizabeth Young | ☐ | ☐ | 149 |
| 060076 | 6 | Countryside Village | 625 Wilson Rd. | Humble | Urban/Exurban | ACQ/R | ☐ | ☐ | ☑ | 182 | 182 | Family | $720,591 | Ivy Carter | ☐ | ☐ | 149 |

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3 = Target Population Abbreviation: Intergenerational=Intg
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Note: Developments that received funding for "Rural Rescue" or Forward Commitments out of the 2006 credit ceiling are included in this log but are not part of the applications currently presented for the Board's consideration. The Developments are TDHCA Numbers 060002, 060003, 060004, 060005, 060006, and 060007.

| File # | Region | Development Name | Address | City | Allocation | Activity [1] | Set-Asides [2] USDA | NP | AR | LI Units | Total Units | Target Population [3] | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Total: | 1,791 | 1,829 | | $13,578,529 | | | | |

**Applications Submitted in Region 6: Rural**

| File # | Region | Development Name | Address | City | Allocation | Activity | USDA | NP | AR | LI Units | Total Units | Target Population | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060004 | 6 | Fieldstone Apts | 1610 South Mechanic | El Campo | Rural | ACQ/R | ☑ | ☐ | ☑ | 0 | 60 | Family | $81,039 | Dennis Hoover | ☐ | ☐ | 250 |
| 060035 | 6 | Quail Ridge Apts | 635 US Business Highway 290 | Hempstead | Rural | NC | ☐ | ☐ | ☐ | 73 | 76 | Family | $517,668 | Chris Richardson | ☐ | ☐ | 168 |
| 060195 | 6 | Cedarwood Apts | 2201 Bobby K. Marks Dr. | Huntsville | Rural | ACQ/R | ☐ | ☐ | ☑ | 68 | 68 | Family | $287,397 | Enrique Flores | ☐ | ☐ | 143 |
| | | | | | | | | | Total: | 141 | 204 | | $886,104 | | | | |

**17 Applications in Region** — Region Total: 1,932 2,033 $14,464,633

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*= TDHCA Number 05113 returned credits in the amount of $284,900 from their 2005 award, and that amount has been added to the Region 11 Urban/Exurban and the state ceiling.
Note: Developments that received funding for "Rural Rescue" or Forward Commitments out of the 2006 credit ceiling are included in this log but are not part of the applications currently presented for the Board's consideration. The Developments are TDHCA Numbers 060002, 060003, 060004, 060005, 060006, and 060007.

## Region: 7

**Allocation Information for Region 7:** **Total Credits Available for Region: $3,319,103** **Rural Allocation: $316,014** **Urban/Exurban Allocation: $3,003,089**

**5% Required for USDA: $165,955** **15% Required for At-Risk: $497,865**

**Applications Submitted in Region 7: Urban/Exurban**

| File # | Region | Development Name | Address | City | Allocation | Activity[1] | Set-Asides[2] USDA | NP | AR | LI Units | Total Units | Target Population[3] | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060101 | 7 | La Vista de Guadalupe | 813 E. 8th St. | Austin | Urban/Exurban | NC | ☐ | ☑ | ☐ | 22 | 22 | Family | $371,357 | Mark Rogers | ☐ | ☐ | 201 |
| 060192 | 7 | Skyline Terrace | 1212 W. Ben White Blvd. | Austin | Urban/Exurban | ACQ/R | ☐ | ☑ | ☐ | 100 | 100 | Family | $405,339 | Walter Moreau | ☐ | ☑ | 197 |
| 060162 | 7 | Picadilly Estates | 1300 Grand Ave. Pkwy. | Pflugerville | Urban/Exurban | NC | ☐ | ☐ | ☐ | 168 | 168 | Elderly | $1,200,000 | Paul Inameti | ☐ | ☑ | 195 |
| 060151 | 7 | Bluffs Landing | N.E. Corner of CR 151 and North Austin Ave. | Georgetown | Urban/Exurban | NC | ☐ | ☐ | ☐ | 152 | 152 | Family | $1,200,000 | Colby W. Denison | ☐ | ☐ | 187 |
| 060197 | 7 | Rivermont Place Apartment Homes | S.W. Corner E. Riverside Dr. & Montopolis Dr. | Austin | Urban/Exurban | NC | ☐ | ☐ | ☐ | 120 | 126 | Family | $1,086,987 | David G. Rae | ☐ | ☐ | 175 |
| 060048 | 7 | Villas of Vista Ridge | S.W. Corner of Bagdad Rd. and Vista Ridge | Leander | Urban/Exurban | NC | ☐ | ☐ | ☐ | 200 | 208 | Family | $1,170,000 | Scott McGuire | ☐ | ☐ | 162 |
| | | | | | | | | | **Total:** | **762** | **776** | | **$5,433,683** | | | | |

**Applications Submitted in Region 7: Rural**

| File # | Region | Development Name | Address | City | Allocation | Activity[1] | Set-Asides[2] USDA | NP | AR | LI Units | Total Units | Target Population[3] | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060181 | 7 | Crescent Village II Apts | 13817 County Line Rd. | Elgin | Rural | NC | ☐ | ☐ | ☐ | 76 | 76 | Family | $524,877 | Rick Deyoe | ☐ | ☐ | 148 |
| | | | | | | | | | **Total:** | **76** | **76** | | **$524,877** | | | | |

**7 Applications in Region** **Region Total: 838 852 $5,958,560**

1 = Activity Abbreviations: NC= New Construction, R= Rehabilitation, ACQ= Acquisition
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## Region: 8

| Allocation Information for Region 8: | Total Credits Available for Region: $2,637,255 | Rural Allocation: $488,351 | Urban/Exurban Allocation: $2,148,904 |
|---|---|---|---|
| | | 5% Required for USDA: $131,863 | 15% Required for At-Risk: $395,588 |

**Applications Submitted in Region 8: Urban/Exurban**

| File # | Region | Development Name | Address | City | Allocation | Activity[1] | Set-Asides[2] USDA | NP | AR | LI Units | Total Units | Target Population[3] | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060041 | 8 | The Grand Reserve Seniors-Temple Community | N. side of S.E. H.K. Dodgen Loop, W. of Martin Luther King Jr. Dr. | Temple | Urban/Exurban | NC | ☐ | ☐ | ☐ | 98 | 102 | Elderly | $938,580 | Kenneth Mitchell | ☐ | ☐ | 197 |
| 060070 | 8 | The Mansion at Briar Creek | 2500Block of E. Villa Maria | Bryan | Urban/Exurban | NC | ☐ | ☐ | ☐ | 154 | 154 | Elderly | $1,050,000 | Robert R. Burchfield | ☐ | ☐ | 183 |
| 060244 | 8 | Waco River Park Apartment Homes | 1300 Martin Luther King Drive | Waco | Urban/Exurban | NC | ☐ | ☐ | ☐ | 118 | 124 | Elderly | $1,161,002 | Michael Lankford | ☐ | ☐ | 172 |
| 060063 | 8 | Resaca Springs Apts | 1550-1600 New Dallas Highway 77 | Bellmead | Urban/Exurban | NC | ☐ | ☐ | ☐ | 130 | 136 | Family | $1,163,149 | Bert Magill | ☐ | ☐ | 169 |
| | | | | | | | | | **Total:** | **500** | **516** | | **$4,312,731** | | | | |

**Applications Submitted in Region 8: Rural**

| File # | Region | Development Name | Address | City | Allocation | Activity[1] | Set-Asides[2] USDA | NP | AR | LI Units | Total Units | Target Population[3] | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060208 | 8 | Gardens of Gatesville | Adjacent to 328 State School Rd | Gatesville | Rural | NC | ☐ | ☐ | ☐ | 36 | 36 | Elderly | $294,040 | George Hopper | ☐ | ☑ | 179 |
| 060160 | 8 | Pembrooke Court | Old Osage Rd. | Gatesville | Rural | NC | ☐ | ☐ | ☐ | 76 | 76 | Family | $622,416 | Emanuel Glockzin | ☐ | ☑ | 176 |
| | | | | | | | | | **Total:** | **112** | **112** | | **$916,456** | | | | |

**6 Applications in Region** — **Region Total: 612 628 $5,229,187**

1 = Activity Abbreviations: NC= New Construction, R= Rehabilitation, ACQ= Acquisition
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Note: Developments that received funding for "Rural Rescue" or Forward Commitments out of the 2006 credit ceiling are included in this log but are not part of the applications currently presented for the Board's consideration. The Developments are TDHCA Numbers 060002, 060003, 060004, 060005, 060006, and 060007.

## Region: 9

**Allocation Information for Region 9:** **Total Credits Available for Region: $2,528,136** **Rural Allocation: $358,496** **Urban/Exurban Allocation: $2,169,640**

**5% Required for USDA: $126,407** **15% Required for At-Risk: $379,220**

| File # | Region | Development Name | Address | City | Allocation | Activity [1] | Set-Asides [2] USDA | NP | AR | LI Units | Total Units | Target Population [3] | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Applications Submitted in Region 9:** | | **Urban/Exurban** | | | | | | | | | | | | | | | |
| 060007 | 9 | Landa Place | 800 Landa St. | New Braunfels | Urban/Exurban | NC | | | | 100 | 100 | Elderly | $655,454 | Lucille Jones | | | 250 |
| 060067 | 9 | San Juan Square II | S. Calaveras and Brady Blvd. | San Antonio | Urban/Exurban | NC | | ✓ | | 139 | 144 | Family | $1,000,000 | Henry A. Alvarez, III | | | 203 |
| 060040 | 9 | San Jose Apts | 2914 Roosevelt Ave. | San Antonio | Urban/Exurban | ACQ/R | | | ✓ | 220 | 220 | Family | $1,195,000 | Paul Patierno | | | 197 |
| 060122 | 9 | Las Palmas Gardens Apts | 1014 S. San Eduardo | San Antonio | Urban/Exurban | ACQ/R | | ✓ | ✓ | 100 | 100 | Family | $728,581 | David Marquez | | | 197 |
| | | | | | | | | | **Total:** | **559** | **564** | | **$3,579,035** | | | | |
| **Applications Submitted in Region 9:** | | **Rural** | | | | | | | | | | | | | | | |
| 060003 | 9 | Floresville Square Apts | 100 Betty Jean Drive | Floresville | Rural | ACQ/R | ✓ | | ✓ | 70 | 70 | Family | $139,958 | Dennis Hoover | | | 250 |
| 060133 | 9 | Canyon's Landing | Corner of Church Dr. and Ave. C | Poteet | Rural | NC | | | | 36 | 36 | Family | $355,409 | Gary Driggers | | | 188 |
| 060163 | 9 | Villas of Karnes City | N.W. Corner of State Hwy 123 and Helena Hwy. | Karnes City | Rural | NC | | | | 76 | 76 | Family | $500,892 | Les Kilday | | ✓ | 187 |
| 060013 | 9 | Paseo de Paz Apts | 400 Block of Clearwater Paseo | Kerrville | Rural | NC | | | | 73 | 76 | Family | $672,314 | G. Granger MacDonald | | | 176 |
| | | | | | | | | | **Total:** | **255** | **258** | | **$1,668,573** | | | | |
| **8 Applications in Region** | | | | | | | | | **Region Total:** | **814** | **822** | | **$5,247,608** | | | | |

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## Region: 10

**Allocation Information for Region 10:** **Total Credits Available for Region: $1,789,463** **Rural Allocation: $710,821** **Urban/Exurban Allocation: $1,078,642**

**5% Required for USDA: $89,473** **15% Required for At-Risk: $268,419**

**Applications Submitted in Region 10: Urban/Exurban**

| File # | Region | Development Name | Address | City | Allocation | Activity [1] | Set-Asides [2] USDA | NP | AR | LI Units | Total Units | Target [3] Population | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060123 | 10 | LULAC West Park Apts | 10702 IH 37 | Corpus Christi | Urban/Exurban | ACQ/R | ☐ | ☑ | ☑ | 124 | 124 | Family | $1,012,337 | David Marquez | ☐ | ☐ | 197 |
| 060073 | 10 | Thomas Ninke Senior Village | 1901 Lova Rd. | Victoria | Urban/Exurban | NC | ☐ | ☐ | ☐ | 80 | 80 | Elderly | $470,000 | Debbie Gillespie | ☐ | ☐ | 194 |
| 060141 | 10 | Buena Vida Senior Village | 4650 Old Brownsville Rd. | Corpus Christi | Urban/Exurban | NC | ☐ | ☐ | ☐ | 120 | 120 | Elderly | $1,006,938 | Randy Stevenson | ☐ | ☐ | 188 |
| | | | | | | | | | **Total:** | **324** | **324** | | **$2,489,275** | | | | |

**Applications Submitted in Region 10: Rural**

| File # | Region | Development Name | Address | City | Allocation | Activity [1] | Set-Asides [2] USDA | NP | AR | LI Units | Total Units | Target [3] Population | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060121 | 10 | LULAC Amistad Apts | 920 Flores St. | Sinton | Rural | ACQ/R | ☐ | ☑ | ☑ | 48 | 48 | Family | $294,157 | David Marquez | ☐ | ☑ | 195 |
| 060072 | 10 | Easterling Village | 1400 Block of Easterling Dr. Between Goliad St. and N. Johnson St. | Alice | Rural | NC | ☐ | ☐ | ☐ | 48 | 48 | Family | $427,000 | Doak Brown | ☐ | ☐ | 188 |
| 060010 | 10 | King's Crossing Phase II | 1505 E. Corral | Kingsville | Rural | NC | ☐ | ☐ | ☐ | 72 | 72 | Family | $636,285 | Mark Musemeche | ☐ | ☐ | 178 |
| 060103 | 10 | Wild Horse Commons | 3500-3700 Block of South Brahma Boulevard | Kingsville | Rural | NC | ☐ | ☐ | ☐ | 73 | 76 | Elderly | $675,519 | Diana McIver | ☐ | ☑ | 176 |
| 060009 | 10 | Mathis Apts II | 500 W. Freeman | Mathis | Rural | NC | ☐ | ☐ | ☐ | 48 | 48 | Family | $375,821 | Murray A. Calhoun | ☐ | ☐ | 175 |
| 060124 | 10 | Fenner Square | 555 S. Burke | Goliad | Rural | NC | ☐ | ☐ | ☐ | 32 | 32 | Family | $41,080 | Gary Driggers | ☐ | ☐ | 148 |
| | | | | | | | | | **Total:** | **321** | **324** | | **$2,449,862** | | | | |

**9 Applications in Region** **Region Total: 645 648 $4,939,137**

1 = Activity Abbreviations: NC= New Construction, R= Rehabilitation, ACQ= Acquisition
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3 = Target Population Abbreviation: Intergenerational=Intg
*= TDHCA Number 05113 returned credits in the amount of $284,900 from their 2005 award, and that amount has been added to the Region 11 Urban/Exurban and the state ceiling.
Note: Developments that received funding for "Rural Rescue" or Forward Commitments out of the 2006 credit ceiling are included in this log but are not part of the applications currently presented for the Board's consideration. The Developments are TDHCA Numbers 060002, 060003, 060004, 060005, 060006, and 060007.

| File # | Region | Development Name | Address | City | Allocation | Activity[1] | Set-Asides[2] USDA | NP | AR | LI Units | Total Units | Target Population[3] | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

## Region: 11

**Allocation Information for Region 11:** **Total Credits Available for Region: $5,547,338** **Rural Allocation: $2,074,687** **Urban/Exurban Allocation: $3,472,651**

**5% Required for USDA: $277,367** **15% Required for At-Risk: $832,101**

**Applications Submitted in Region 11: Urban/Exurban**

| File # | Region | Development Name | Address | City | Allocation | Activity | USDA | NP | AR | LI Units | Total Units | Target Population | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060071 | 11 | Retama Village | 2301 Jasmine Ave. | McAllen | Urban/Exurban | NC/R | ☐ | ☐ | ☐ | 128 | 128 | Family | $1,075,000 | Joe Saenz | ☐ | ☐ | 205 |
| 060158 | 11 | Alta Vista Senior Towers | 303 West 6th St. | Weslaco | Urban/Exurban | ACQ/R | ☐ | ☐ | ☐ | 100 | 100 | Elderly | $493,950 | Saleem Jafar | ☐ | ☐ | 202 |
| 060118 | 11 | Sunset Haven | 300 Block of Horizon Ln. | Brownsville | Urban/Exurban | NC | ☐ | ☐ | ☐ | 100 | 100 | Elderly | $565,957 | Bill Lee | ☐ | ☐ | 195 |
| 060046 | 11 | San Juan Apts | 400 Block of E. Nolana | San Juan | Urban/Exurban | NC | ☐ | ☐ | ☐ | 127 | 128 | Family | $830,000 | Robert Joy | ☐ | ☐ | 184 |
| 060117 | 11 | Mesquite Terrace | 400 Block E. Thomas Rd. | Pharr | Urban/Exurban | NC | ☐ | ☑ | ☐ | 106 | 106 | Elderly | $590,170 | Roy Navarro | ☐ | ☐ | 183 |
| 060091 | 11 | North Manor Estates Apts | E. Side of Mile 4 1/2 Rd.,1,600 ft. N. of Sugar Cane Rd. | Weslaco | Urban/Exurban | NC | ☐ | ☐ | ☐ | 128 | 132 | Family | $1,093,221 | Mike Lopez | ☐ | ☐ | 182 |
| 060144 | 11 | Centerpoint Home Ownership | Ruby Ave. and Mile 8 N. | Weslaco | Urban/Exurban | NC/ACQ | ☐ | ☐ | ☐ | 36 | 36 | Family | $538,018 | Saleem Jafar | ☐ | ☐ | 179 |
| 060049 | 11 | Los Milagros Apartments | 3600 Block of E. Mile 8 N. Rd. | Weslaco | Urban/Exurban | NC | ☐ | ☐ | ☐ | 128 | 128 | Family | $950,000 | Ketinna Williams | ☐ | ☐ | 177 |
| 060024 | 11 | Cunningham Manor Apts | 2835 Rockwell Dr. | Brownsville | Urban/Exurban | ACQ/R | ☐ | ☑ | ☑ | 104 | 104 | Family | $736,844 | Ronald C. Anderson | ☐ | ☐ | 176 |
| 060096 | 11 | Pleasant View Apts | 811 S. Pleasant View Dr. | Weslaco | Urban/Exurban | NC | ☐ | ☐ | ☐ | 104 | 104 | Family | $738,120 | Leticia Hinojosa | ☐ | ☐ | 170 |
| 060194 | 11 | La Vista Apts | 2401 La Vista | McAllen | Urban/Exurban | ACQ/R | ☐ | ☐ | ☑ | 49 | 49 | Family | $138,309 | Enrique Flores | ☐ | ☐ | 158 |
| 060190 | 11 | Rockwell Manor Apts | 2735 Rockwell Dr. | Brownsville | Urban/Exurban | ACQ/R | ☐ | ☐ | ☑ | 125 | 125 | Family | $731,884 | Daniel F. O'Dea | ☐ | ☐ | 132 |
| | | | | | | | | | **Total:** | **1,235** | **1,240** | | **$8,481,473** | | | | |

**Applications Submitted in Region 11: Rural**

| File # | Region | Development Name | Address | City | Allocation | Activity | USDA | NP | AR | LI Units | Total Units | Target Population | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060177 | 11 | Casa Edcouch | N.E. Corner Mile 16 N. Rd. & 4 Mile W. | Edcouch | Rural | NC | ☐ | ☑ | ☐ | 72 | 76 | Family | $587,445 | Monica Poss | ☐ | ☐ | 188 |

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3 = Target Population Abbreviation: Intergenerational=Intg
*= TDHCA Number 05113 returned credits in the amount of $284,900 from their 2005 award, and that amount has been added to the Region 11 Urban/Exurban and the state ceiling.
Note: Developments that received funding for "Rural Rescue" or Forward Commitments out of the 2006 credit ceiling are included in this log but are not part of the applications currently presented for the Board's consideration. The Developments are TDHCA Numbers 060002, 060003, 060004, 060005, 060006, and 060007.

| File # | Region | Development Name | Address | City | Allocation | Activity [1] | Set-Asides [2] USDA | NP | AR | LI Units | Total Units | Target Population [3] | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060095 | 11 | La Villa De Alton | Lot of Sharyland Subdivision of Porciones 53 to 57 | Alton | Rural | NC | ☐ | ☐ | ☐ | 76 | 76 | Family | $660,152 | Gilberto de los Santos | ☐ | ☐ | 181 |
| 060047 | 11 | Alton Apts | N.W. Corner of Trosper Rd. and Campeche Ave. | Alton | Rural | NC | ☐ | ☐ | ☐ | 75 | 76 | Family | $656,000 | Robert Joy | ☐ | ☐ | 177 |
| 060089 | 11 | Estrella del Sol Estates | Canyon St. | Rio Grande City | Rural | NC | ☐ | ☐ | ☐ | 76 | 76 | Family | $890,779 | Elmo Moreno | ☐ | ☐ | 174 |
| 060143 | 11 | Sun Valley Homes | Mile 2 West and Mile 8.5 North | Mercedes | Rural | NC/ACQ | ☐ | ☐ | ☐ | 36 | 36 | Family | $521,691 | Saleem Jafar | ☐ | ☐ | 173 |
| 060147 | 11 | Orchard Valley Homes | Mile 2 W. at Mile 8 1/2 N. | Mercedes | Rural | NC/ACQ | ☐ | ☐ | ☐ | 36 | 36 | Family | $521,691 | Saleem Jafar | ☐ | ☐ | 173 |
| 060171 | 11 | Ebony Estates | 1005 S. Washington | Mercedes | Rural | NC/ACQ | ☐ | ☐ | ☐ | 60 | 60 | Family | $456,076 | Kelly Elizondo | ☐ | ☐ | 169 |
| 060185 | 11 | Treemont Meadows | W. Side of Hwy. 83 at Alex St. | La Joya | Rural | NC | ☐ | ☐ | ☐ | 76 | 76 | Family | $521,375 | Rick Deyoe | ☐ | ☐ | 158 |
| 060084 | 11 | El Paraiso Apts | 200 S. Mile 2W Rd. | Edcouch | Rural | NC | ☑ | ☐ | ☐ | 30 | 30 | Elderly | $82,176 | Dennis Hoover | ☐ | ☑ | 142 |
| 060085 | 11 | La Estancia II Apts | 366 E. 8th St. | Sebastian | Rural | NC | ☑ | ☐ | ☐ | 22 | 22 | Elderly | $47,768 | Dennis Hoover | ☐ | ☐ | 132 |
| 060026 | 11 | Villa Del Rio Apts | 2300 S. Alamo St./P.O. Box 4902 | Zapata | Rural | ACQ/R | ☑ | ☐ | ☐ | 36 | 40 | Elderly | $82,535 | Dennis Hoover | ☐ | ☐ | 124 |
| | | | | | | | | | **Total:** | **595** | **604** | | **$5,027,688** | | | | |

**23 Applications in Region** | **Region Total: 1,830 1,844** | **$13,509,161**

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Note: Developments that received funding for "Rural Rescue" or Forward Commitments out of the 2006 credit ceiling are included in this log but are not part of the applications currently presented for the Board's consideration. The Developments are TDHCA Numbers 060002, 060003, 060004, 060005, 060006, and 060007.

| File # | Region | Development Name | Address | City | Allocation | Activity[1] | Set-Asides[2] USDA | NP | AR | LI Units | Total Units | Target Population[3] | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

## Region: 12

**Allocation Information for Region 12:** **Total Credits Available for Region: $1,251,092** **Rural Allocation: $301,951** **Urban/Exurban Allocation: $949,140**

**5% Required for USDA: $62,555** **15% Required for At-Risk: $187,664**

**Applications Submitted in Region 12: Urban/Exurban**

| File # | Region | Development Name | Address | City | Allocation | Activity | USDA | NP | AR | LI Units | Total Units | Target Population | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060140 | 12 | Key West Village Phase II | 1600 W. Clements | Odessa | Urban/Exurban | NC | ☐ | ☐ | ☐ | 32 | 36 | Elderly | $215,376 | Bernadine Spears | ☐ | ☐ | 190 |
| 060189 | 12 | Concho Village Apts | 1173 Benedict Dr. | San Angelo | Urban/Exurban | ACQ/R | ☐ | ☐ | ☑ | 204 | 204 | Family | $1,073,440 | Daniel F. O'Dea | ☐ | ☐ | 136 |
| | | | | | | | | | **Total:** | **236** | **240** | | **$1,288,816** | | | | |

**Applications Submitted in Region 12: Rural**

| File # | Region | Development Name | Address | City | Allocation | Activity | USDA | NP | AR | LI Units | Total Units | Target Population | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060125 | 12 | Country Club Apts | Country Club Dr., S. of IH-20 | Pecos | Rural | NC | ☐ | ☐ | ☐ | 44 | 44 | Intg | $413,008 | Justin Zimmerman | ☐ | ☐ | 138 |
| | | | | | | | | | **Total:** | **44** | **44** | | **$413,008** | | | | |

**3 Applications in Region** **Region Total: 280 284 $1,701,824**

1 = Activity Abbreviations: NC= New Construction, R= Rehabilitation, ACQ= Acquisition
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3 = Target Population Abbreviation: Intergenerational=Intg
*= TDHCA Number 05113 returned credits in the amount of $284,900 from their 2005 award, and that amount has been added to the Region 11 Urban/Exurban and the state ceiling.
Note: Developments that received funding for "Rural Rescue" or Forward Commitments out of the 2006 credit ceiling are included in this log but are not part of the applications currently presented for the Board's consideration. The Developments are TDHCA Numbers 060002, 060003, 060004, 060005, 060006, and 060007.

| File # | Region | Development Name | Address | City | Allocation | Activity [1] | Set-Asides [2] USDA | NP | AR | LI Units | Total Units | Target Population [3] | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

## Region: 13

**Allocation Information for Region 13:** **Total Credits Available for Region:** $2,101,851 **Rural Allocation:** $236,669 **Urban/Exurban Allocation:** $1,865,181

**5% Required for USDA:** $105,093 **15% Required for At-Risk:** $315,278

**Applications Submitted in Region 13: Urban/Exurban**

| File # | Region | Development Name | Address | City | Allocation | Activity | USDA | NP | AR | LI Units | Total Units | Target Population | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060033 | 13 | Patriot Palms | N.W. of Sean Haggerty and US 54 | El Paso | Urban/Exurban | NC | ☐ | ☐ | ☐ | 188 | 188 | Family | $1,185,527 | R.L. Bobby Bowling IV | ☐ | ☐ | 166 |
| 060080 | 13 | Spanish Creek Townhomes | 610 Lee Trevino Dr. | El Paso | Urban/Exurban | NC | ☐ | ☐ | ☐ | 130 | 136 | Family | $1,199,800 | Ike Monty | ☐ | ☐ | 164 |
| 060078 | 13 | Copper Square Estates | 7376 Alameda Ave. | El Paso | Urban/Exurban | NC | ☐ | ☐ | ☐ | 103 | 108 | Family | $906,536 | Ike Monty | ☐ | ☐ | 164 |
| 060081 | 13 | Woodchase Senior Community | 8410 and 8411 Tigris Dr. | El Paso | Urban/Exurban | NC | ☐ | ☐ | ☐ | 128 | 128 | Elderly | $982,857 | Ike Monty | ☐ | ☐ | 164 |
| | | | | | | | | | **Total:** | **549** | **560** | | **$4,274,720** | | | | |

**Applications Submitted in Region 13: Rural**

| File # | Region | Development Name | Address | City | Allocation | Activity | USDA | NP | AR | LI Units | Total Units | Target Population | Credit Request | Owner Contact | Rita | HOME | Final Score |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 060032 | 13 | Mission Palms | .3 (1600ft) Miles South of Thompson Rd. off Socorro Rd | San Elizario | Rural | NC | ☐ | ☐ | ☐ | 76 | 76 | Family | $622,490 | R.L. Bobby Bowling IV | ☐ | ☐ | 159 |
| | | | | | | | | | **Total:** | **76** | **76** | | **$622,490** | | | | |

| | | | | |
|---|---|---|---|---|
| **5** | **Applications in Region** | **Region Total:** 625 | 636 | $4,897,210 |
| **121** | **Total Applications** | 12,061 | 12,334 | $88,747,938 |

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Note: Developments that received funding for "Rural Rescue" or Forward Commitments out of the 2006 credit ceiling are included in this log but are not part of the applications currently presented for the Board's consideration. The Developments are TDHCA Numbers 060002, 060003, 060004, 060005, 060006, and 060007.

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**
**June 26, 2006**

## Action Item

Requests for amendments involving material changes to Housing Tax Credit (HTC) applications are summarized below.

## Requested Action

Approve, deny or Approve with Conditions the requests for amendments below.

## Background and Recommendations

§2306.6712, Texas Government Code, classifies some changes as "material alterations" that must be approved by the Board. The requests presented below include material alterations. The code indicates that the Board should determine the disposition of a requested amendment if the amendment is a material alteration, would materially alter the development in a negative manner or would have adversely affected the selection of the application in the application round.

The requests and pertinent facts about the affected developments are summarized below. The recommendation of staff is included at the end of each write-up.

## Limitations on the Approval of Amendment Requests

The approval of a request to amend an application does not exempt a development from the requirements of Section 504 of the Rehabilitation Act of 1973, fair housing laws, local and state building codes or other statutory requirements that are not within the Board's purview. Notwithstanding information that the Department may provide as assistance, the development owner retains the ultimate responsibility for determining which actions will satisfy applicable regulations.

### HTC No. 04047, Stratton Oaks

Summary of Request: The owner requests approval to change the income targeting. The sizes of some units have also changed. The bedroom and bathroom mix of the units was not changed. The owner cited substantial increases in construction costs and the City's desire to have a mixed income development among other reasons for requesting the change. The owner stated that there is increasing demand in Seguin for market rate units and that the application would have scored higher if the current proposal had been submitted at the time of application. The changes proposed would reduce the applicable fraction from 100% to 86% (only the unit fraction, not the square foot fraction, was used in scoring). The application would have scored an additional four points if the applicable fraction of 86% as proposed by the current request had been used instead if the application's actual applicable percentage of 100%. Similarly, the score for units targeted for 30%, 40% and 50% tenants would have been one point higher because the calculation would have been based on a lower total number of tax credit units. Cumulatively the new proposal would have scored one point more than the original application.

Regarding cost increases, the owner expects final costs $9,283,083. The development was underwritten by the Department at $7,781,521. The owner stated that unexpected expenses arose during development, including the need to excavate 50% of the site to a depth of almost 20 feet to remove debris. Additional cost increases occurred because the slope of the site required retaining walls at almost all slabs and the City's unexpected requirement to install a storm water line to remote City facilities required the owner to purchase an easement. The owner stated that 63% of the cost increases were attributable to construction and City impact fees, 14% to financing costs, 11% to developer fees and 5% to legal fees. The owner did not identify the source of remaining 7% of the increase.

The physical changes in the units and the changes in rents are given below.

| | Application | | | | | Proposed | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Target** | **Units** | **Bed-rooms** | **Baths** | **Rentable Area (Sq.Ft.)** | **Total Sq.Ft.** | **Units** | **Bed-rooms** | **Baths** | **Rentable Area (Sq.Ft.)** | **Total Sq.Ft.** | **Change in No. of Units** |
| 30% | 2 | 1 | 1 | 650 | 1,300 | 2 | 1 | 1 | 650 | 1,300 | 0 |
| 40% | 2 | 1 | 1 | 650 | 1,300 | 1 | 1 | 1 | 650 | 650 | -1 |
| 50% | 4 | 1 | 1 | 650 | 2,600 | 4 | 1 | 1 | 650 | 2,600 | 0 |
| 60% | 12 | 1 | 1 | 750 | 9,000 | 9 | 1 | 1 | 750 | 6,750 | -3 |
| 60% | | | | | | 1 | 1 | 1 | 650 | 650 | +1 |
| Market | | | | | - | 3 | 1 | 1 | 750 | 2,250 | +3 |
| Tot. 1BRs | 20 | | | | | 20 | | | | | 0 |
| 30% | 4 | 2 | 1 | 900 | 3,600 | 4 | 2 | 1 | 900 | 3,600 | 0 |
| 40% | 8 | 2 | 1 | 900 | 7,200 | 3 | 2 | 1 | 900 | 2,700 | -5 |
| 50% | 6 | 2 | 1 | 900 | 5,400 | 6 | 2 | 1 | 900 | 5,400 | 0 |
| 60% | 27 | 2 | 2 | 980 | 26,460 | 19 | 2 | 2 | 980 | 18,620 | -8 |
| 60% | | | | | | 5 | 2 | 1 | 900 | 4,500 | +5 |
| 60% | | | | | - | 1 | 2 | 2 | 970 | 970 | +1 |
| Market | | | | | - | 7 | 2 | 2 | 980 | 6,860 | +7 |
| Tot. 2BRs | 45 | | | | | 45 | | | | | 0 |
| 30% | 3 | 3 | 2 | 1,050 | 3,150 | 2 | 3 | 2 | 1,100 | 2,200 | -1 |
| 40% | 5 | 3 | 2 | 1,050 | 5,250 | 2 | 3 | 2 | 1,100 | 2,200 | -3 |
| 50% | 6 | 3 | 2 | 1,050 | 6,300 | 6 | 3 | 2 | 1,100 | 6,600 | 0 |
| 60% | 4 | 3 | 2 | 1,100 | 4,400 | 4 | 3 | 2 | 1,100 | 4,400 | 0 |
| 60% | 17 | 3 | 2 | 1,100 | 18,700 | 17 | 3 | 2 | 1,085 | 18,445 | 0 |
| Market | | | | | - | 4 | 3 | 2 | 1,085 | 4,340 | +4 |
| Tot. 3BRs | 35 | | | | | 35 | | | | | 0 |
| **Total** | 100 | | | | 94,660 | 100 | | | | 95,035 | |

Governing Law: §2306.6712, Texas Government Code. The code indicates that material alterations include any modification that would materially alter the development in a negative manner.

Owner: DDC Stratton Square, Ltd.
General Partner: Seguin Housing Development Corporation-Stratton, Inc.
Developers: Colby Denison
Principals/Interested Parties: Seguin Housing Authority
Syndicator: MMA Financial, LLC
Construction Lender: Midland Mortgage Investment Corporation
Permanent Lender: Midland Mortgage Investment Corporation
Other Funding: NA
City/County: Seguin/Guadalupe
Set-Aside: General Population
Type of Area: Rural
Type of Development: New Construction
Population Served: General Population
Units: HTC units
2004 Allocation: $590,539
Allocation per HTC Unit: $5,905

| | |
|---|---|
| Prior Board Actions: | 7/04 – Approved award of tax credits<br>5/26/05 – approved amendment to change to all-electric utilities and to 13 two and three-story story buildings from 11 two-story buildings. |
| Underwriting Reevaluation: | To be determined |
| **Staff Recommendation:** | **Staff recommends denying the request. The requested modifications would reduce the number of affordable units and thereby materially alter the development in a negative manner.**<br>Please note that, consistent with §50.17(d)(8) of the 2006 Qualified Allocation Plan and Rules, which governs the existing process for amendments states “In the event that an Applicant or Developer seeks to be released from the commitment to serve the income level of tenants targeted in the original Application, the following procedure will apply. For amendments that involve a reduction in the total number of low-income Units being served, or a reduction in the number of low-income Units at any level of AMGI represented at the time of Application, evidence must be presented to the Department that includes written confirmation from the lender and syndicator that the Development is infeasible without the adjustment in Units. The Board may or may not approve the amendment request, however, any affirmative recommendation to the Board is contingent upon concurrence from the Real Estate Analysis Division that the Unit adjustment (or an alternative Unit adjustment) is necessary for the continued feasibility of the Development. Additionally, if it is determined by the Department that the allocation of credits would not have been made in the year of allocation because the loss of low-income targeting points would have resulted in the Application not receiving an allocation, and the amendment is approved by the Board, the approved amendment will carry a penalty that prohibits the Applicant and all persons or entities with any ownership interest in the Application (excluding any tax credit purchaser/syndicator), from participation in the Housing Tax Credit Program (4% or 9%) for 24 months from the time that the amendment is approved. |

Denison
DEVELOPMENT & CONSTRUCTION

April 18, 2006

Mr. Ben Sheppard
Multifamily Production Division
Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, Texas 78711-3941

Re: Request for Amendment to LIHTC #04047, Stratton Oaks Apartments of Seguin

Dear Ben:

On behalf of the Project Partnership, DDC Stratton Oaks, Ltd., we are writing to request the Departments consideration of the following application amendments:

1.) Change the Unit Mix and Add Market Rate Units.

We are requesting an amendment to the mix of affordable units and the percentage of market rate units to total units. The current request is a mixed-income development of 86% tax credit units and 14% market-rate units.

The actual development cost and resultant eligible basis justifies the decrease in the applicable fraction and the addition of the market rate units (detail to follow). The 2004 QAP Selection Criteria contained point incentives for mixed-income developments; therefore this application would have been even more competitive (scored higher) had we used market rate units at initial application. A proposed revised unit mix by income level follows below:

| Unit Type (AMI) | Qty (Application) | Qty (Amendment) | % of Total Units | % of Rent Restricted | Cummulative % of Rent Restricted Units |
|---|---|---|---|---|---|
| 30* | 9 | 8 | 8% | 9.3% | 9.3% |
| 40* | 15 | 6 | 6% | 6.98% | 16.28% |
| 50* | 16 | 16 | 16% | 18.6% | 34.88% |
| 60 | 60 | 56 | 56% | 65.12% | 100% |
| M | 0 | 14 | 14% | N/A | N/A |

**Note that QAP restricted total Low Income Targeting Units (30 AMI + 40 AMI) as a percentage of total rent restricted units to 15% for this particular scoring category. This scoring category also restricted the percentage of 30, 40 & 50 AMI to 40% of the total rent restricted units.*

Additionally, the new unit mix by unit type will be:



3701 N. Lamar, Suite 206 Austin TX 78705 phone 512·732·1226 fax 512·732·1276 www.denisondevelopment.com

| Type | AMI | Amended Quantity | Quantity at Application | Variance |
|---|---|---|---|---|
| **1BR / 1BA** | 30 | 2 | 2 | |
| | 40 | 1 | 2 | -1 |
| | 50 | 4 | 4 | |
| | 60 | 10 | 12 | -2 |
| | Market | 3 | 0 | +3 |
| **2 BR / 1BA** | 30 | 4 | 4 | |
| | 40 | 3 | 8 | -5 |
| | 50 | 6 | 6 | |
| **2 BR / 2 BA** | 60 | 25 | 27 | -2 |
| | Market | 7 | 0 | +7 |
| **3 BR / 2 BA** | 30 | 2 | 3 | -1 |
| | 40 | 2 | 5 | -3 |
| | 50 | 6 | 6 | |
| | 60 | 21 | 21 | |
| | Market | 4 | 0 | +4 |
| **TOTAL** | | **100** | **100** | |

We have reduced the number of 30% AMI units by one unit because for scoring purposes in the QAP, it required that we have a minimum of 9% of these units (as a percentage of all rent restricted units) to score maximum points for this category.

We have reduced the number of 40% AMI units by nine (9) because for scoring purposes in the QAP, it limited the number of 30% AMI and 40% AMI units to 15% of the total rent restricted units.

We are requesting the market rate units because:

(1) There is a significant demand for new units in Seguin without rent restrictions;
(2) It was an incentive scoring item in the QAP to have market rate units and we believe we are following the intent of the QAP to provide a mixed-income apartment community;
(3) It was voiced by the City of Seguin that they wish to have a mixed income community because of apparent segregation of low income people in the southwest part of Seguin;
(4) Because of development costs being considerably higher than expected, we have excess basis from which we are not receiving tax credits, and the additional income from market rate units will assist the long-term viability of the project as represented in the 15 year proforma exhibit; and
(5) We would have scored even higher than we did making our application even more competitive in the Non-profit setaside.

**Cost Justification**

The Development is over 80% complete and will be entering into its initial lease-up in May. The request is made at this time because we have determined that our actual development costs and resultant eligible basis will be significantly higher than was contemplated at the time the credit award amount was determined. The actual development cost we expect to incur is $9,283,083. We have attached a development cost schedule reflecting the current budget as approved by the Lender and the Equity Investor, the most recent Contractor's Pay Application AUA G702/703, the most current Lender's Draw Summary Spreadsheet and a comparison of the total development costs at Application, Carryover and Current.

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As the Cost Comparison Schedule shows, the primary increases are in the Construction Costs (55% of increase), Legal Fees (5%), City Impact Costs (8%), Developer Fees (11%), Financing Costs including interest and fees (14%).

*Construction Costs:* As shown in the cost comparison, the increase in construction cost was primarily driven by site conditions. Firstly, the site is sloped causing us to use retaining walls at nearly every slab (as shown in the pictures). Secondly, we found debris under the surface causing us to dig out nearly 20' of our property for approximately 50% of the site, remove the debris, and compact the filtered soil in lifts. Thirdly, the City of Seguin required us to take our storm water to their storm water drain pipe in a street not accessible from our property causing us to purchase an easement through an adjacent property and install unanticipated storm water facilities there (see recorded easement).

Additionally, and as correctly stated by many Project Owners in previous amendment requests, construction costs, including both labor and commodities have been increasing over the past 18 to 24 months. These increases, along with the site conditions described above, were neither foreseeable nor preventable by the Applicant.

*Legal Fees*: Due to property tax reductions with Guadalupe County Appraisal District (50% nonprofit exemption) as well as additional negotiations regarding joint venture arrangement with Developer and Seguin Housing Authority.

*City Impact Costs*: Undetermined until final plan review, execution of final construction contract and permit.

*Developer Fees*: Formulaic increase due to increase in other eligible basis categories.

*Financing Costs*: Interest rate increases, increased loan amount based determined by Lender's underwriting prior to final debt & equity closing produces higher origination and rate lock fees.

**<u>Operating Proforma:</u>**

*Rent Schedule*: The rent schedule reflects the proposed unit mix adjusted for recently released rent and income levels effective March 8, 2006. Cable Income (and cable expense) reflects a Bulk Service Agreement executed with Time Warner Cable which provides for purchase of cable on all 100 units at a flat rate of $14 per unit per month. The cable will be re-sold through the Development for $30 per month. A 70% participation rate is assumed for income underwriting purposes.

*Utility Allowances*: Based on Utility Allowance Sheet with rates reviewed in Summer 2005. Tenants paid items include electricity, heating and cooling, water and sewer.

*Operating Expenses:*

*Management* Fees: per executed Management Agreement with UAH Property Management
*Payroll:* Manager has already been hired. Maintenance and Assistant will be hired at budget stated herein.
*Cable Expense*: per executed Bulk Service Agreement with Time Warner Cable
*Insurance:* per Management Company's portfolio rate with Frost Insurance Agency
*Property Taxes*: Assessed value estimated by Jeff Burgher, CPA and President of Property Tax Advocates, Inc., the tax consultant to the Partnership. A 50% ad valorem exemption has been agreed upon by the Guadalupe County Appraisal District.

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*Other Operating Expenses*: per the 2006 budget prepared by UAH Property Management
*Debt Service*: per executed loan commitment and rate lock document from Washington Mutual Bank

We believe the enclosed documentation shows the programmatic consistency as well as the economic feasibility of the amendment request, and respectfully request TDHCA approval. If you have questions or need additional information please contact me at (512) 732-1226.

Sincerely,

DDC STRATTON OAKS, LTD.

Colby Denison
Developer and Authorized Representative

Enclosures:

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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# REQUEST FOR BOARD ACTION
# Multifamily Finance Production

**Private Activity Bond Program – Waiting List**

**2 Priority 3 Applications for 2006 Waiting List**
**2 Priority 1C Applications for 2006 Waiting List**

## TABLE OF EXHIBITS

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**June 26, 2006**

## Action Item

Presentation, Discussion and Possible Approval of an Inducement Resolution for Multifamily Housing Revenue Bonds and Authorization for Filing Applications for Private Activity Bond Authority – 2006 Waiting List.

## Requested Action

Approve, Deny or Approve with Amendments the Inducement Resolution to proceed with application submission to the Texas Bond Review Board for possible receipt of State Volume Cap issuance authority from the 2006 Private Activity Bond Program for four (4) applications.

## Background

Each year, the State of Texas is notified of the cap on the amount of private activity tax-exempt revenue bonds that may be issued within the state. Approximately $402.3 million is set aside for multifamily until August 15$^{th}$ for the 2006 bond program year. TDHCA has a set aside of approximately $80.5 million and approximately $39.4 million of 2005 Non-traditional CarryForward for a total of $120 million available for new 2006 applications. If the Board approves these applications the remaining unreserved allocation will be $4 million.

Inducement Resolution 06-021 includes four (4) applications that were received on or before May 30, 2006. These applications will reserve approximately $45.5 million in 2006 state volume cap. Upon Board approval to proceed, the applications will be submitted to the Texas Bond Review Board for placement on the 2006 Waiting List. The Board currently has approved seventeen (17) applications for the 2006 program year. Nine have been submitted to the Bond Review Board.

Riverside Villas – The proposed development will be located at approximately the 8800 Block of N. Riverside Drive, Fort Worth, Tarrant County. Demographics for the census tract (1139.14) include AMFI of $95,294; the total population is 12,828; the percent of the population that is minority is 17.25%; the number of owner occupied units is 3,712; number of renter occupied units is 357; and the number of vacant units is 236. (Census Information from FFIEC Geocoding for 2005)

This pre-application was originally scheduled to be induced at the May 4, 2006 Board meeting but was postponed for inducement at the applicant's request. The Department held the public hearing on May 16, 2006 and there were 5 people in attendance and three people signed in as opposed. The Department has received one letter of opposition from Superintendent James Veitenheimer and one letter of opposition from Councilmember Sal Espino. We have also received one hundred fifty five (155) letters of opposition from members of the community and a petition in opposition with 685 signatures. (It is possible that some of those who submitted a letter also signed the petition). The reasons cited for the opposition include the following: rapid growth in the Keller ISD, increased traffic congestion within the District, roads are in need of improvement and expansion, no local hospitals, no public transportation, proximity of other affordable housing developments, and no local employment opportunities. A copy of the hearing transcript is included.

East Tex Pines Apartments - The proposed development will be located at approximately 6200 Greens Road, Houston, Harris County. Demographics for the census tract (2402) include AMFI of $31,547; the total population is 2,894; the percent of the population that is minority is 58.12%; the number of owner occupied units is 444; number of renter occupied units is 372; and the number of vacant units is 119. (Census Information from FFIEC Geocoding for 2005)

Havens at Mansfield - The proposed development will be located at approximately the northeast corner of Highway 360 and South Miller Road, Mansfield, Tarrant County. Demographics for the census tract (1113.03) include AMFI of $119,980; the total population is 7,340; the percent of the population that is minority is 10.93%; the number of owner occupied units is 2,299; number of renter occupied units is 32; and the number of vacant units is 50. (Census Information from FFIEC Geocoding for 2005)

Generations at Mansfield - The proposed development will be located at approximately the northeast corner of Highway 360 and South Miller Road, Mansfield, Tarrant County. Demographics for the census tract (1113.03) include AMFI of $119,980; the total population is 7,340; the percent of the population that is minority is 10.93%; the number of owner occupied units is 2,299; number of renter occupied units is 32; and the number of vacant units is 50. (Census Information from FFIEC Geocoding for 2005)

This application was previously presented to the Board in March 2006. There were issues of concentration raised concerning the recent developments located in Grand Prairie (which is close to Mansfield). The map attached shows the other developments in the area. The previous application was an intergenerational development that was not recommended by staff due to excessive capture rate issues on the family portion of the development. This application also had opposition. The main concerns at the previous public hearing were with putting a low income development next to an affluent luxury rent neighborhood. Letters of opposition were received from State Representatives Toby Goodman and Bill Zedler, State Senator Kim Brimer, Mayor Mel Neuman, and School Superintendent Vernon Newsom. The Department has not received any public comment on the current pre-application. The Generations at Mansfield development will be serving the family population while the Havens at Mansfield development will be serving the senior population adjacent to each other on the same site.

## Recommendation

Approve the Inducement Resolution as presented by staff. Staff will present all appropriate information to the Board for a final determination for the issuance of the bonds and housing tax credits during the full application process for the bond issuance.

# Texas Department of Housing and Community Affairs

2006 Multifamily Private Activity Bond Program - Waiting List

| Application # | Development Information | Units | Bond Amount | | Developer Information | Comments |
|---|---|---|---|---|---|---|
| 060614 | Riverside Villas | 248 | $ | 15,000,000 | Riverside Villas Apartments, L.P. | Recommend |
| | 8800 Block of N. Riverside Drive | | | | G. Granger MacDonald | |
| Priority 3 | City: Fort Worth (Keller) | General | Score - 58 | | 2951 Fall Creek Road | |
| | County: Tarrant | | | | Kerrville, Texas 78028 | |
| | *New Construction* | | | | 830-257-5323 | |
| 060623 | East Tex Pines Apartments | 250 | $ | 13,500,000 | ST Moritz Partners, L.P. | Recommend |
| | 6200 Greens Road | | | | Gerald Russell | |
| Priority 3 | City: Houston (Unincorporated) | General | Score - 52 | | 7887 San Felipe, Suite 122 | |
| | County: Harris | | | | Houston, Texas 77063 | |
| | *New Construction* | | | | 713-977-1772 | |
| 060624 | Havens at Mansfield | 100 | $ | 5,800,000 | GS 360 Housing, L.P. | Recommend |
| | NEC of Highway 360 and South Miller Road | | | | Jeffrey S. Spicer | |
| Priority 1C | City: Mansfield | Elderly | Score - 56 | | 5843 Royal Crest Drive | |
| | County: Tarrant | | | | Dallas, Texas 75230 | |
| | *New Construction* | | | | 214-346-0707 | |
| 060625 | Generations at Mansfield | 160 | $ | 11,200,000 | GS 360 Housing, L.P. | Recommend |
| | NEC of Highway 360 and South Miller Road | | | | Jeffrey S. Spicer | |
| Priority 1C | City: Mansfield | Elderly | Score - 32 | | 5843 Royal Crest Drive | |
| | County: Tarrant | | | | Dallas, Texas 75230 | |
| | *New Construction* | | | | 214-346-0707 | |
| **Totals for Recommended Applications** | | **758** | **$** | **45,500,000** | | |

**RESOLUTION NO. 06-021**

RESOLUTION DECLARING INTENT TO ISSUE MULTIFAMILY REVENUE BONDS WITH RESPECT TO RESIDENTIAL RENTAL DEVELOPMENTS; AUTHORIZING THE FILING OF APPLICATIONS FOR ALLOCATIONS OF PRIVATE ACTIVITY BONDS WITH THE TEXAS BOND REVIEW BOARD; AND AUTHORIZING OTHER ACTION RELATED THERETO

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 persons and families of low, very low and extremely low income and families of moderate income (all as defined in the Act); 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 persons and families of low, very low and extremely 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 multifamily residential rental development 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, it is proposed that the Department issue its revenue bonds for the purpose of providing financing for multifamily residential rental developments (each a "Development" and collectively, the "Developments") as more fully described in Exhibit A attached hereto. The ownership of each Development as more fully described in Exhibit A will consist of the ownership entity and its principals or a related person (each an "Owner" and collectively, the "Owners") within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, each Owner has made not more than 60 days prior to the date hereof, payments with respect to its respective Development and expects to make additional payments in the future and desires that it be reimbursed for such payments and other costs associated with each respective Development from the proceeds of tax-exempt and taxable obligations to be issued by the Department subsequent to the date hereof; and

WHEREAS, each Owner has indicated its willingness to enter into contractual arrangements with the Department providing assurance satisfactory to the Department that 100 percent of the units of its Development will be occupied at all times by eligible tenants, as determined by the Governing Board of the Department (the "Board") pursuant to the Act ("Eligible Tenants"), that the other requirements of the Act and the Department will be satisfied and that its Development will satisfy State law, Section 142(d) and other applicable Sections of the Code and Treasury Regulations; and

WHEREAS, the Department desires to reimburse each Owner for the costs associated with its Development listed on Exhibit A attached hereto, but solely from and to the extent, if any, of the proceeds of tax-exempt and taxable obligations to be issued in one or more series to be issued subsequent to the date hereof; and

WHEREAS, at the request of each Owner, the Department reasonably expects to incur debt in the form of tax-exempt and taxable obligations for purposes of paying the costs of each respective Development described on Exhibit A attached hereto; and

WHEREAS, in connection with the proposed issuance of the Bonds (defined below), the Department, as issuer of the Bonds, is required to submit for each Development an Application for Allocation of Private Activity Bonds (the "Application") with the Texas Bond Review Board (the "Bond Review Board") with respect to the tax-exempt Bonds to qualify for the Bond Review Board's Allocation Program in connection with the Bond Review Board's authority to administer the allocation of the authority of the state to issue private activity bonds; and

WHEREAS, the Board intends that the issuance of Bonds for any particular Development is not dependent or related to the issuance of Bonds (as defined below) for any other Development and that a separate Application shall be filed with respect to each Development; and

WHEREAS, the Board has determined to declare its intent to issue its multifamily revenue bonds for the purpose of providing funds to each Owner to finance its Development on the terms and conditions hereinafter set forth; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD THAT:

Section 1--Certain Findings. The Board finds that:

(a) each Development is necessary to provide decent, safe and sanitary housing at rentals that individuals or families of low and very low income and families of moderate income can afford;

(b) each Owner will supply, in its Development, well-planned and well-designed housing for individuals or families of low and very low income and families of moderate income;

(c) the financing of each Development is a public purpose and will provide a public benefit;

(d) each Owner is financially responsible; and

(e) each Development will be undertaken within the authority granted by the Act to the Department and each Owner.

Section 2--Authorization of Issue. The Department declares its intent to issue its Multifamily Housing Revenue Bonds (the "Bonds") in amounts estimated to be sufficient to (a) fund a loan or loans to each Owner to provide financing for its Development in an aggregate principal amount not to exceed those amounts, corresponding to each respective Development, set forth in Exhibit A; (b) fund a reserve fund with respect to the Bonds if needed; and (c) pay certain costs incurred in connection with the issuance of the Bonds. Such Bonds will be issued as qualified residential rental development bonds. Final approval of the Department to issue the Bonds shall be subject to: (i) the review by the Department's credit underwriters for financial feasibility; (ii) review by the Department's staff and legal counsel of compliance with federal income tax regulations and state law requirements regarding tenancy in each Development; (iii) approval by the Bond Review Board, if required; (iv) approval by the Attorney General of the State of Texas (the "Attorney General"); (v) satisfaction of the Board that each Development meets the Department's public policy criteria; and (vi) the ability of the Department to issue such Bonds in compliance with all federal and state laws applicable to the issuance of such Bonds.

Section 3--Terms of Bonds. The proposed Bonds shall be issuable only as fully registered bonds in authorized denominations to be determined by the Department; shall bear interest at a rate or rates to be determined by the Department; shall mature at a time to be determined by the Department but in no event later than 40 years after the date of issuance; and shall be subject to prior redemption upon such terms and conditions as may be determined by the Department.

Section 4--Reimbursement. The Department reasonably expects to reimburse each Owner for all costs that have been or will be paid subsequent to the date that is 60 days prior to the date hereof in connection with the acquisition of real property and construction of its Development and listed on Exhibit A attached hereto ("Costs of each respective Development") from the proceeds of the Bonds, in an amount which is reasonably estimated to be sufficient: (a) to fund a loan to provide financing for the acquisition and construction or rehabilitation of its Development, including reimbursing each Owner for all costs that have been or will be paid subsequent to the date that is 60 days prior to the date hereof in connection with the acquisition and construction or rehabilitation of its Development; (b) to fund any reserves that may be required for the benefit of the holders of the Bonds; and (c) to pay certain costs incurred in connection with the issuance of the Bonds.

Section 5--Principal Amount. Based on representations of each Owner, the Department reasonably expects that the maximum principal amount of debt issued to reimburse each Owner for the costs of its respective Development will not exceed the amount set forth in Exhibit A which corresponds to its Development.

Section 6--Limited Obligations. The Owner may commence with the acquisition and construction or rehabilitation of its Development, which Development will be in furtherance of the public purposes of the Department as aforesaid. On or prior to the issuance of the Bonds, each Owner will enter into a loan agreement on an installment payment basis with the Department under which the Department will make a loan to the Owner for the purpose of reimbursing each Owner for the costs of its Development and each Owner will make installment payments sufficient to pay the principal of and any premium and interest on the applicable Bonds. The proposed Bonds shall be special, limited obligations of the Department payable solely by the Department from or in connection with its loan or loans to each Owner to provide financing for the Owner's Development, and from such other revenues, receipts and resources of the Department as may be expressly pledged by the Department to secure the payment of the Bonds.

Section 7--The Development. Substantially all of the proceeds of the Bonds shall be used to finance the Developments, each of which is to be occupied entirely by Eligible Tenants, as determined by the Department, and each of which is to be occupied partially by persons and families of low income such that the requirements of Section 142(d) of the Code are met for the period required by the Code.

Section 8--Payment of Bonds. The payment of the principal of and any premium and interest on the Bonds shall be made solely from moneys realized from the loan of the proceeds of the Bonds to reimburse each Owner for costs of its Development.

Section 9--Costs of Development. The Costs of each respective Development may include any cost of acquiring, constructing, reconstructing, improving, installing and expanding the Development. Without limiting the generality of the foregoing, the Costs of each respective Development shall specifically include the cost of the acquisition of all land, rights-of-way, property rights, easements and interests, the cost of all machinery and equipment, financing charges, inventory, raw materials and other supplies, research and development costs, interest prior to and during construction and for one year after completion of construction whether or not capitalized, necessary reserve funds, the cost of estimates and of engineering and legal services, plans, specifications, surveys, estimates of cost and of revenue, other expenses necessary or incident to determining the feasibility and practicability of acquiring, constructing, reconstructing, improving and expanding the Development, administrative expenses and such other expenses as may be necessary or incident to the acquisition, construction, reconstruction, improvement and expansion of the Development, the placing of the Development in operation and that satisfy the Code and the Act. Each Owner shall be responsible for and pay any costs of its Development incurred by it prior to issuance of the Bonds and will pay all costs of its Development which are not or cannot be paid or reimbursed from the proceeds of the Bonds.

Section 10--No Commitment to Issue Bonds. Neither the Owners nor any other party is entitled to rely on this Resolution as a commitment to issue the Bonds and to loan funds, and the Department reserves the right not to issue the Bonds either with or without cause and with or without notice, and in such event the Department shall not be subject to any liability or damages of any nature. Neither the Owners nor any one claiming by, through or under each Owner shall have any claim against the Department whatsoever as a result of any decision by the Department not to issue the Bonds.

Section 11--No Indebtedness of Certain Entities. The Board hereby finds, determines, recites and declares that the Bonds shall not constitute an indebtedness, liability, general, special or moral obligation or pledge or loan of the faith or credit or taxing power of the State, the Department or any other political subdivision or municipal or political corporation or governmental unit, nor shall the Bonds ever be deemed to be an obligation or agreement of any officer, director, agent or employee of the Department in his or her individual capacity, and none of such persons shall be subject to any personal liability by reason of the issuance of the Bonds.

Section 12--Conditions Precedent. The issuance of the Bonds following final approval by the Board shall be further subject to, among other things: (a) the execution by each Owner and the Department of contractual arrangements providing assurance satisfactory to the Department that 100 percent of the units for each Development will be occupied at all times by Eligible Tenants, that all other requirements of the Act will be satisfied and that each Development will satisfy the requirements of Section 142(d) of the Code (except for portions to be financed with taxable bonds); (b) the receipt of an opinion from Vinson & Elkins L.L.P. or other nationally recognized bond counsel acceptable to the Department, substantially to the effect that the interest on the tax-exempt Bonds is excludable from gross income for federal income tax purposes under existing law; and (c) receipt of the approval of the Bond Review Board, if required, and the Attorney General.

Section 13--Certain Findings. The Board hereby finds, determines, recites and declares that the issuance of the Bonds to provide financing for each Development will promote the public purposes set forth in the Act, including, without limitation, assisting persons and families of low and very low income and families of moderate income to obtain decent, safe and sanitary housing at rentals they can afford.

Section 14--Authorization to Proceed. The Board hereby authorizes staff, Bond Counsel and other consultants to proceed with preparation of each Development's necessary review and legal documentation for the filing of an Application for the 2006 program year and the issuance of the Bonds, subject to satisfaction of the conditions specified in Section 2(i) and (ii) hereof. The Board further authorizes staff, Bond Counsel and other consultants to re-submit an Application that was withdrawn by an Owner so long as the Application is re-submitted within the current or following program year.

Section 15--Related Persons. The Department acknowledges that financing of all or any part of each Development may be undertaken by any company or partnership that is a "related person" to the respective Owner within the meaning of the Code and applicable regulations promulgated pursuant thereto, including any entity controlled by or affiliated with the respective Owner.

Section 16--Declaration of Official Intent. This Resolution constitutes the Department's official intent for expenditures on Costs of each respective Development which will be reimbursed out of the issuance of the Bonds within the meaning of Sections 1.142-4(b) and 1.150-2, Title 26, Code of Federal Regulations, as amended, and applicable rulings of the Internal Revenue Service thereunder, to the end that the Bonds issued to reimburse Costs of each respective Development may qualify for the exemption provisions of Section 142 of the Code, and that the interest on the Bonds (except for any taxable Bonds) will therefore be excludable from the gross incomes of the holders thereof under the provisions of Section 103(a)(1) of the Code.

Section 17--Authorization of Certain Actions. The Department hereby authorizes the filing of and directs the filing of each Application in such form presented to the Board with the Bond Review Board and each director of the Board are hereby severally authorized and directed to execute each Application on behalf of the Department and to cause the same to be filed with the Bond Review Board.

Section 18--Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 19--Books and Records. The Board hereby directs this Resolution to be made a part of the Department's books and records that are available for inspection by the general public.

Section 20--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 of the State of Texas (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 26th day of June, 2006.

[SEAL]

By: /s/ Elizabeth Anderson
Elizabeth Anderson, Chair

Attest: /s/ Kevin Hamby
Kevin Hamby, Secretary

EXHIBIT "A"

Description of each Owner and its Development

<table>
<tr><th>Project Name</th><th>Owner</th><th>Principals</th><th>Amount Not to Exceed</th></tr>
<tr><td>East Tex Pines Apartments</td><td>ST Moritz Partners LP</td><td>ST Moritz Company LLC, the General Partner, or other entity, the Members of which will be Gerald Russell and/or A. Richard Wilson, or other entity</td><td>$13,500,000</td></tr>
<tr><td colspan="4">Costs: (i) acquisition of real property located at approximately the 6200 Greens Road, Houston, Harris County, Texas; and (ii) the construction thereon of an approximately 250-unit multifamily residential rental housing project, in the amount not to exceed $13,500,000.</td></tr>
<tr><th>Development Name</th><th>Owner</th><th>Principals</th><th>Amount Not to Exceed</th></tr>
<tr><td>Generations at Mansfield Apartments</td><td>GS 360 Housing, L.P.</td><td>GS 360 GP, LLC, or other entity, the principals will include Jeffrey S. Spicer and/or Kelly Garrett</td><td>$11,200,000</td></tr>
<tr><td colspan="4">Costs: (i) acquisition of real property located at approximately 1,000 from S. Miller Road and to the east of the Highway 360 frontage road and adjacent to Mansfield National Golf Club (located at 3750 National Parkway, Mansfield, Tarrant County, Texas), Mansfield, Tarrant County, Texas; and (ii) the construction thereon of an approximately 160-unit multifamily residential rental housing development, in the amount not to exceed $11,200,000.</td></tr>
<tr><th>Development Name</th><th>Owner</th><th>Principals</th><th>Amount Not to Exceed</th></tr>
<tr><td>Havens at Mansfield Apartments</td><td>TX 360 Senior Housing, L.P.</td><td>TX 360 Senior Housing GP, LLC, or other entity, the principals will include Jeffrey S. Spicer and/or Kelly Garrett</td><td>$5,800,000</td></tr>
<tr><td colspan="4">Costs: (i) acquisition of real property located Approximately to the east of the Highway 360 frontage road and to the west of and adjacent to Mansfield National Golf Club (located at 3750 National Parkway, Mansfield, Tarrant County, Texas), Mansfield, Tarrant County, Texas 76063; and (ii) the construction thereon of an approximately 100-unit multifamily senior residential rental housing development, in the amount not to exceed $5,800,000.</td></tr>
</table>

| Project Name | Owner | Principals | Amount Not to Exceed |
|---|---|---|---|
| Riverside Villas | Riverside Villas Apartments, L.P., to be formed, or other entity | Riverside Villas Apartments I, L.L.C., the General Partner, to be formed, or other entity, the Members of which will be G. G. MacDonald, Inc. and/or Resolution Real Estate Services, LLC and/or Wolcott Development, L.L.C. | $15,000,000 |
| Costs: (i) acquisition of real property located at approximately the 8800 block of Riverside Drive (Old Denton Highway), Fort Worth (Keller), Tarrant County, Texas; and (ii) the construction thereon of an approximately 248-unit multifamily residential rental housing project, in the amount not to exceed $15,000,000. | | | |

# TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
## MULTIFAMILY FINANCE DIVISION
## PREQUALIFICATION ANALYSIS

**Riverside Villas, Fort Worth (#060614) Priority 3**

**Unit Mix and Rent Schedule**

| Unit Type | Beds/Bath | # Units | Rents | Unit Size S.F. | Rent/S.F. |
|---|---|---|---|---|---|
| 60% AMI | 1BD/1BA | 72 | $ 643 | 700 | 0.92 |
| 60% AMI | 1BD/1BA | 8 | $ 643 | 792 | 0.81 |
| 60% AMI | 2BD/2BA | 66 | $ 770 | 983 | 0.78 |
| 60% AMI | 2BD/2BA | 36 | $ 770 | 973 | 0.79 |
| 60% AMI | 3BD/2BA | 66 | $ 892 | 1,183 | 0.75 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| Totals | | 248 | $ 2,266,224 | 234,720 | $ 0.80 |
| Averages | | | $ 762 | 946 | |

**Uses of Funds/Project Costs**

| | Costs | Per Unit | Per S.F. | Percent |
|---|---|---|---|---|
| Acquisition | $ 1,500,000 | $ 6,048 | $ 6.39 | 0.07 |
| Off-sites | 0 | 0 | 0.00 | 0.00 |
| **Subtotal Site Costs** | $ 1,500,000 | $ 6,048 | $ 6.39 | 0.07 |
| Sitework | 1,834,500 | 7,397 | 7.82 | 0.08 |
| Hard Construction Costs | 10,645,760 | 42,926 | 45.36 | 0.46 |
| General Requirements (6%) | 748,816 | 3,019 | 3.19 | 0.03 |
| Contractor's Overhead (2%) | 249,605 | 1,006 | 1.06 | 0.01 |
| Contractor's Profit (6%) | 748,816 | 3,019 | 3.19 | 0.03 |
| Construction Contingency | 500,000 | 2,016 | 2.13 | 0.02 |
| **Subtotal Construction** | $ 14,727,496 | $ 59,385 | $ 62.74 | 0.64 |
| Indirect Construction | 629,000 | 2,536 | 2.68 | 0.03 |
| Developer's Fee | 2,644,739 | 10,664 | 11.27 | 0.12 |
| Financing | 3,178,048 | 12,815 | 13.54 | 0.14 |
| Reserves | 240,000 | 968 | 1.02 | 0.01 |
| **Subtotal Other Costs** | $ 6,691,787 | $ 26,983 | $ 29 | $ 0 |
| **Total Uses** | $ 22,919,283 | $ 92,416 | $ 97.65 | 1.00 |

**Applicant - Sources of Funds**

| **Source I** | **Net Proceeds** | **Sale Price** | **Applicable Percentage** | |
|---|---|---|---|---|
| Tax Credits | $ 6,492,544 | $0.80 | 3.55% | |
| **Source II** | **Proceeds** | **Rate** | **Amort** | **Annual D/S** |
| Bond Proceeds | $13,063,264 | 6.00% | 30 | $ 939,850 |
| **Source III** | **Proceeds** | **% Deferred** | **Remaining** | |
| Deferred Developer Fee | | 0.0% | $2,644,739 | |
| **Source IV** | **Proceeds** | **Description** | | **Annual D/S** |
| Other | $ 2,184,649 | GIC Income | | $ - |
| **Total Sources** | $21,740,457 | | | $ 939,850 |

**TDHCA - Sources of Funds**

| **Source I** | **Net Proceeds** | **Sale Price** | **Applicable Percentage** | |
|---|---|---|---|---|
| Tax Credits | $ 6,492,544 | $0.80 | 3.55% | |
| **Source II** | **Proceeds** | **Rate** | **Amort** | **Annual D/S** |
| Bond Proceeds | $ 13,063,264 | 6.00% | 30 | $ 939,850 |
| **Source III** | **Proceeds** | **% Deferred** | **Remaining** | |
| Deferred Developer Fee | $ 1,178,826 | 44.6% | $ 1,465,913 | |
| **Source IV** | **Proceeds** | **Description** | | **Annual D/S** |
| Other | $ 2,184,649 | GIC Income | | $ - |
| **Total Sources** | $ 22,919,283 | | | $ 939,850 |

**TDHCA - Operating Proforma/Debt Coverage**

| | | | Per S.F. | Per Unit |
|---|---|---|---|---|
| Potential Gross Income | | $2,266,224 | $9.66 | |
| Other Income & Loss | | 44,640 | 0.19 | 180 |
| Vacancy & Collection | 7.50% | (173,315) | -0.74 | -699 |
| Effective Gross Income | | 2,137,549 | 9.11 | 8,619 |
| Total Operating Expenses | 47.4% | $1,013,702 | $4.32 | $4,088 |
| Net Operating Income | | $1,123,847 | $4.79 | $4,532 |
| Debt Service | | 939,850 | 4.00 | 3,790 |
| Net Cash Flow | | $183,997 | $0.78 | $742 |
| Debt Coverage Ratio | | 1.20 | | |
| TDHCA/TSAHC Fees | | | $0.00 | $0 |
| Net Cash Flow | | $183,997 | $0.78 | $742 |
| DCR after TDHCA Fees | | 1.20 | | |
| Break-even Rents/S.F. | | 0.69 | | |
| Break-even Occupancy | | 86.20% | | |

**Applicant - Operating Proforma/Debt Coverage**

| | | | Per S.F. | Per Unit |
|---|---|---|---|---|
| Potential Gross Income | | $2,266,224 | $9.66 | |
| Other Income & Loss | | 44,640 | 0.19 | 180 |
| Vacancy & Collection | 7.47% | 172,644 | 0.74 | 696 |
| Effective Gross Income | | $2,483,508 | 10.58 | 10,014 |
| Total Operating Expenses | | $1,013,702 | $4.32 | $4,088 |
| Net Operating Income | | $1,469,806 | $6.26 | $5,927 |
| Debt Service | | 939,850 | 4.00 | 3,790 |
| Net Cash Flow | | $529,956 | $2.26 | $2,137 |
| Debt Coverage Ratio | | 1.56 | | |
| TDHCA/TSAHC Fees | | $0 | $0.00 | $0 |
| Net Cash Flow | | $529,956 | $2.26 | $2,137 |
| DCR after TDHCA Fees | | 1.56 | | |
| Break-even Rents/S.F. | | 0.69 | | |
| Break-even Occupancy | | 86.20% | | |

**Staff Notes/Comments**

Other income includes
- Supportive Service contract fees - $20,000
- Compliance fees - $6,200
- Security - $3,000

**Applicant - Annual Operating Expenses**

| | | Per S.F. | Per Unit |
|---|---|---|---|
| General & Administrative Expenses | $53,750 | 0.23 | 217 |
| Management Fees | 85,632 | 0.36 | 345 |
| Payroll, Payroll Tax & Employee Exp | 191,880 | 0.82 | 774 |
| Maintenance/Repairs | 147,800 | 0.63 | 596 |
| Utilities | 212,800 | 0.91 | 858 |
| Property Insurance | 44,640 | 0.19 | 180 |
| Property Taxes | 198,400 | 0.85 | 800 |
| Replacement Reserves | 49,600 | 0.21 | 200 |
| Other Expenses | 29,200 | 0.12 | 118 |
| Total Expenses | $1,013,702 | $4.32 | $4,088 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

RIVERSIDE VILLAS AFFORDABLE HOUSING DEVELOPMENT

PUBLIC HEARING

Parkview Elementary School
6900 Bayberry
Fort Worth, Texas

May 16, 2006
6:00 p.m.

BEFORE:

TERESA MORALES, Bond Administrator

I N D E X

P R O C E E D I N G S

MS. MORALES: All right, we're going to go ahead and get started. Can everyone hear me okay? Yes? Okay.

Thank you all for being patient, as our microphones were to arrive. I know that there was some discrepancy as far as the time that this was supposed to start.

Hi, my name is Teresa Morales, and I'm with the Texas Department of Housing and Community Affairs, and I am here to conduct a public hearing on the proposed Riverside Villas Affordable Housing Development.

The format for the hearing this evening will be as follows: I will do a presentation on some of the programs that the developer has applied for with TDHCA, then a member of the development team is here, and he will go over some specifics of the actual proposed project, and then from there there is a speech that I have to read for IRS purposes, and it will be at the conclusion of that speech when, for those of you who have filled out a witness affirmation form, I will call you up and you can go to the microphone and make any comments that you have on -- at that time.

So to get started, some of the things that I wanted to mention on the public hearings that TDHCA does is that according to IRS Code, the Department is only required to take public comment on the bonds themselves, on the issuance of those bonds, but TDHCA takes it a step further, and we actually collect comment on the actual development itself. According to IRS Code we're not required to do that, but we do want the community input, and we seek that, and so that's why we are actually taking your comments as it relates to, for this evening, the Riverside Villas.

One of the other things I wanted to mention is that we try to schedule the public hearings at a time and location that is convenient for the actual community to show up and, you know, we hold all of our public hearings in the evening, where most people can get off from work, and we try to hold them closest to the development site as possible.

Some of the -- there's two programs in particular that the developer has applied for. One is the Private Activity Bond program, and the other one is the Housing Tax Credit Program. Both of these programs were created by the federal government to encourage private industry to build quality housing that is affordable to individuals and families with lower than average incomes.

The first program, the Private Activity Bond Program, when we talk about the Private Activity Bond Program, we are referring to the issuance of tax-exempt bonds. The tax exemption is not an exemption of property tax, but rather an exemption to the purchaser of those bonds. A lot of times when we say that the bonds are going to be tax-exempt, people automatically assume that that's related to property taxes. It's unrelated to property taxes, and I can tell you that this proposed development will be paying full property taxes.

The way it works is the bond purchaser, the individual or the investor who purchases those bonds, does not have to pay taxes on their investment and the income that they make on that investment.

What happens with the Private Activity Bond Program is the bond purchaser will accept a lower rate of return, therefore the lender that is involved will charge a lower interest rate for the mortgage that will be placed on that property to the actual developer.

The other program that we are -- or the developer is involved with is the Housing Tax Credit Program. The Housing Tax Credit Program was created as a result of the Tax Reform Act of 1986. What the Housing Tax Credit does is it's an investment, again to the investor, that purchases these tax credits. It is an IRS credit to the development, again unrelated to property taxes. The Housing Tax Credit will provide equity to the actual development, which allows the developer to provide lower rents to affordable tenants.

So with both of these programs what you have is the tax benefit. The tax benefit is not going to the developer, it's going to the investor. Both the syndicator, who's going to be providing equity and also as far as the bond financing goes, it's going to be going to the investor or the one who purchases those bonds, to help finance the actual development.

This is what gives the developer the opportunity to bring something of high quality to your area, and another thing I wanted to mention is both of these programs, the Housing Tax Credit Program and with the Private Activity Bond Program, what you have is properties that are privately owned and privately managed.

Some other important facts that I wanted to mention is that there are ongoing responsibilities with all of the affordable housing developments that we have, between the developer and the State, specifically TDHCA.

What that means is there is State compliance monitoring that is involved.  The compliance period for all of the developments that we have, specifically with TDHCA, is the greater of 30 years or as long as those bonds remain outstanding.  So if those bonds remain outstanding for 40 years, then the developer is going to be on-hook with the State for that 40 year term.

Some of the specific responsibilities are the oversight responsibilities that TDHCA has include, some of the things that we're looking for is to make sure that the units are occupied by eligible households, specifically making sure that everyone who is supposed to be living -- or who is living there is supposed to be living there.  We also look at the physical appearance of the property and make sure that that is maintained.

One of the other things we look for is to make sure that the rents are capped at the necessary levels, and one of the other things that we ensure is that the repair reserve accounts, that they are established and that they stay funded.

When you have a lender involved, what happens is the lender will actually require that there be reserve accounts that stay funded to make sure that any maintenance that has to be done to the property or any repairs that need to be done, there's going to be funds in those reserve accounts that will help ensure that.

That's not only a requirement from the lender, but it's also a requirement that the State has as well.

Also, when I talk about compliance monitoring, and the fact that these developments are on-hook with the actual -- with TDHCA, what that means is that we are going to go out and monitor these properties every two years, and those are the types of things that we're going to be looking for, to make sure that all of those things that I had just mentioned are in fact happening, and in addition to that there are desk reviews that are done each quarter.

And what those desk reviews kind of consist of is just financial audits that are done and again those are performed by TDHCA staff and they are done every two years.

Also there are supportive services that are offered to all of the tenants of these actual properties.  The way it typically works is after lease that there is a survey that is circulated to all of the tenants, and what it will do is it will identify what types of services that they would be interested in.

Some of those services can include tutoring or honor roll programs, computer access or education classes, healthcare screening, immunizations for school children, or down payment assistance programs.

One of the things that we try to strive for is make the affordable housing developments to be the first step to home ownership for several of these individuals. And so it could be that that's one of the services that the developer chooses to offer is down payment assistance programs and training classes that would help move these individuals from multifamily housing to a home of their own.

So with that, I wanted to turn it over to Mr. Mark Wolcott. He is a member of the development team, and he is here to talk about the proposed development and to highlight some of the specifics.

MR. WOLCOTT: Thank you, Teresa. You did great. She answered a lot of questions you probably have about the operations and the development and what are requirements are.

If you think of a market rate property, essentially that's what this property is going to look like, feel like, and everything else. Yes, there are income limits, yes, there are rent limits and things like that, but from basically, if you look at a market rate apartment project.

Of course, I understand how most people feel about apartments, but that's basically what, you know, you can anticipate.

This is basically the club and office facility, and as Teresa indicated, you know, we have -- we do have a computer center here, basically where children have access to computers free. Internet service free. We have tutorial area where basically we provide supervised tutorial activities afterwards, in the event that they, you know, have a request for that. A full exercise facility with exercise equipment, and of course then all the, in the great room is basically, you know, tv and functions -- social service functions that will be held.

The exterior of the project is primarily going to be stucco with some parti-board siding, which is cement-based board, so it's basically -- it's something that will last substantially.

We're in a conceptual stage, and there's probably some embellishments that we'll do on these buildings, but this is just a, you know, representation.

This is a typical elevation of one building type. We'll have a number of different building types with different elevations, depending upon the unit mix within the buildings. We'll have about 30 percent one-bedrooms, 40 percent two-bedrooms, and 30 percent three-bedrooms. That also is subject to site plan development issues, a little tweaking on our unit mix and things of that nature.

So it's not cast in stone, but it is something, it's kind of a, it's just a guideline for what we have right now.

The only thing I'll also mention insofar as the operation of the property has to do with our management practices. Everybody, of course, goes through a credit check to make sure they have the capability of paying their rent. We also do an extensive criminal background check. If you have a felony, for example, you can't lease in the apartments. And we take crime very seriously with respect to the operations of our property, and if we need to we can provide private security for that.

We also, basically it'll be a controlled-access property, perimeter fenced, so basically you'll, you know, you won't be able to have people go in and out unless they have the clicker or the code to go through the gate.

I have developed another property in the area you may know that's on North Tarrant Parkway. And this is right across from Parkwood Hill Boulevard. It's called Aventine Apartments. It was 240 units. It's been very well received. We've had -- I met with the Central High School PTA, and a number of people told me they appreciated the way it looked and everything, and it's been leasing up very well. I think we have 69 residents at the moment, with expecting to get to 80-85 residents very shortly.

And that's all I really have about the development, unless -- and if you want to go ahead and throw it open for questions or?

MS. MORALES: Let me go ahead and read the speech first, and then you can address --

MR. WOLCOTT: Okay.

MS. MORALES: -- any of the outstanding issues.

Good evening, my name is Teresa Morales and I would like to proceed with the public hearing. Let the record show that it is 6:33 p.m. on Tuesday, May 16, 2006, and we are at the Parkview Elementary School, located at 6900 Bayberry, Fort Worth, Texas.

I'm here to conduct the public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issue of tax-exempt multifamily revenue bonds for a residential rental community. The hearing is required by the Internal Revenue Code. The sole purpose of this hearing is to provide a reasonable opportunity for interested individuals to express their views regarding the development and the proposed bond issue.

No decisions regarding the development will be made at this hearing. The Department's board is scheduled to meet to consider the transaction on June 26, 2006. In addition to providing your comments at this hearing, the public is also invited to provide public comment directly to the board at any of their meetings. The Department staff will also accept written comments from the public up to 5:00 p.m. on June 14, 2006.

The bonds will be issued as tax-exempt multifamily revenue bonds in the aggregate principal amount not to exceed $15,000,000 and taxable bonds, if necessary, in an amount to be determined and issued in one or more series, by the Texas Department of Housing and Community Affairs, the "Issuer." The proceeds of the bonds will be loaned to Riverside Villas Apartments, L.P., (or a related person or affiliate entity thereof), to finance a portion of the costs of acquiring, constructing, and equipping a multifamily rental housing community described as follows: a 248 unit multifamily residential rental development to be constructed on approximately 15.541 acres of land located at approximately the 8800 block of North Riverside Drive, Tarrant County, Texas. The proposed multifamily rental housing community will be initially owned and operated by the borrower (or a related person or affiliate thereof.)

I would now like to open the floor for public comment.

One of the things that I did want to mention is that the board meeting that I stated as being June 26, 2006, this proposed application is only in the preliminary stages. What that means is first the developer has to submit a pre-application to us, and we have to take that pre-application, present it to our board for approval of what's called an "inducement resolution." What that inducement resolution does is if our board approves it, that gives us the authority then to apply for the actual bonds.

So just at the preliminary meeting on June 26, that just gives us the authority to move forward. At that point the developer will submit a full application, which will include a market study, their third party reports, and the transaction will then go before our board again.

The second time that it goes before our board, then they will either approve or deny the issuance of the bonds, as well as the issuance of the tax credits.

So the deadline that I gave you, June 14, any comments that you wish to make, those comments will be included in our board package for the June 26 board meeting. In addition to that, the comments that you make will also be submitted in the full application board package at a later date, which at this time would be approximately during the month of July or August. Maybe even later than that, when it will be expected to go before our board for final approval or denial.

The witness affirmation forms that I have, first to speak is Scott Minke. Do you still wish to make a comment?

MR. MINKE: Sure.

MS. MORALES: Okay.

MR. MINKE: Okay. My name is Scott Minke, and I represent the Heritage Homeowners' Association. I'm the chair of the Communication Committee. I also sit on the District 2 Advisory Council, with Councilman Espino, and I'm also a part of the Far North Fort Worth Alliance of Homeowners' Associations in Far North District 2.

And basically, in my experience on various bodies there what we have -- I've sat in on several city planning meetings where projected growth is estimated and projected development, and so what we basically on the Advisory Council and also on the Alliance have basically we're resolute in basically saying, No to any multifamily at this time due to a number of determining factors.

We basically bear no resentment toward developments that are of high quality and promises made about background checks and -- for criminal behavior and everything, we think that that's all things that should be mandatory, but our main problem is poor timing during this phase of a -- critical phase of our development in Far North District 2.

And just as a couple of key points for that, lack of supporting infrastructure for high-density housing, this is evidenced by glaring lack of road development in the area.  You have one main thoroughfare, I-35 North and South, and though there are plans for major arterials, literally Saturday was when those funds were basically approved by the taxpayers to widen some of the key thoroughfares that are north of the development there.

And that development can take a fairly -- if history serves, it can take a fairly long time to get that development in place.  A development like this can literally go up in several months time, if not sooner, and so we're concerned right off the bat with crowding and maintenance problems from the infrastructure.

We're also concerned with the -- as you mentioned the -- this is not a property tax exemption for this development, however, as opposed to other types of development, we understand that the residents do not contribute to the tax base, and depending on, you know, depending on the density of the housing involved, you are putting strain on the infrastructure.

Another thing, a big one for us up here, is the overcrowding of our local school district. KISD has experienced enormous growth, just in the past several years. It's growth that KISD has not, in our opinion, properly planned for. Already a high school that was build concurrently with our neighborhood, Heritage, is now no longer accepting transfers from the other school in KISD, because already they are overcrowded, and this was not -- and our neighborhood is nowhere -- is not even near completion.

This is also the case with another major, huge development, Woodland Springs, to the north. They are trying to fight to get a school put in near their area, because of overcrowding problems in their schools, as well, in KISD.

Another thing that concerns us is lack of hospitals in the area. Right now, a lot of our residents have already -- and this is more -- this is less of -- I know you guys hear a lot of people, you know, being very selfish with what they're concerned about. We're not only concerned for us and our residents, we're concerned for the residents of a development like this.

Right now you have -- the amount of time it takes you to get to any major hospital is at a minimum 20 to 25 minutes.

To compound that problem, this is the largest policing beat in Fort Worth. It stretches from Meacham Boulevard all the way to the Speedway to the north. We already are having massive problems with response times, as opposed to the average response time. We have high priority calls where life and death is the situation taking around 50 percent longer than it would -- than the average would otherwise dictate.

And this of course, this is a problem because, if you have a life-threatening emergency, you have to make the decision, Do I drive myself or do I call an ambulance? And this is just something that the massive growth of this corridor, which is expected to expand to the size of the city of Arlington in the next eight years, just to get -- that has really got us concerned about the types of development that go in this area.

Finally, the -- another thing that was mentioned is the lack of public transportation in this area. Unfortunately, the Fort Worth busing system, there's nothing in -- for this area. There's nothing in the way of public transportation. We have some of our residents setting up car pools to be able to get to areas to where they can then be publicly transported, but to get -- the closest thing to public transportation to this area is down by the River Bend Business Park, off of Trinity and East Loop 820, where you then take it -- hop a train to go into downtown Dallas.

But it is a huge problem up here, and it's just exacerbated by the fact that our local roadways and infrastructure are not keeping up with our development.

So those are just a couple of our concerns on that note, and I'll turn the floor over to the next speaker.

MS. MORALES: Next I have Mr. Jeff Baker.

MR. BAKER: Good evening. Jeff Baker, 350 Keller Parkway, Keller, Texas. Actually, tonight I'm here representing the Keller Independent School District.

I am the district's demographer, so one of my main jobs is to keep up with the growth that's occurring in the district.

First I just want to say, Thank you for letting me speak here tonight, and for finally meeting you. We've emailed a few times, so thank you, and for Mark, as well.

Basically, I want to just reiterate what Scott had just mentioned. I agree with him with -- on most of his points, with the exception of a couple.

But I basically want to look at it from the District's standpoint, and just reiterate that we already have a letter of opposition on file with you, and just to reiterate a couple of points from that letter.

One is just, as Scott said, we are a fast growth district. We've been growing since the mid-90's, and that growth will continue for several more years. We currently have around 26,000 students. This past year was actually our largest growth year ever. We surpassed the 2,000 student mark. That type of growth is going to continue for the next few years. At build-out we're projected to have around 40- 45,000 students, so we're just a little bit over half way to our projected build-out.

But one point is that the impact to our current facilities in the area, primarily the current feeder pattern that this project would fall into, Heritage Elementary, Chisholm Trail Elementary, Fossil Hill Middle School and Fossil Ridge High School, at the elementary, intermediate and middle school levels, it's very possible those schools could meet or exceed their capacity within the next two to three years.

As Scott said, we're continuing to build facilities, basically all along the I-35 corridor, because of growth. Mainly it's been housing growth, but as interest rates have risen, the occupancy rates of multifamily is going to go up, and we're seeing a lot of applications for multifamily development.

Second, basically, is the cost to our taxpayers. You know, a development such as Aventine at Parkway and also Riverside Villas, basically once they mature, we're going to get about a one student for every two units. So you're basically looking at between 100 to 125 students that will be generated from these projects.

That's a heavy burden to place on the school district, especially at the elementary level. We have a similar project that's matured in our district, which is really the only one that we can compare to in the district, but when also look at state and national averages, it's pretty much follows those, but basically it'll be one student for every two units.

So it produces an enormous amount of students, that basically in the end the taxpayers end up having to educate, because we end up having to build future facilities, such as we know we need another high school in the near future. There will be additional elementaries, as well as maybe the possibility of another intermediate and another middle school, you know, the cost of new construction will never go down. It's going to keep rising.

We're looking at having a bond election in November, to just try to keep up with our current growth. So you're looking at millions and millions of dollars that would be passed on the cost to our taxpayers. Assuming that they approve those bond issues that we have.

There's also an indirect cost to taxpayers, and one that I'm very familiar with. It's my job to change, or help make recommendations to our school board to change the attendance zone boundaries. And by the continued addition of multifamily projects, and along with single-family, boundaries keep getting changed, and they will in our district for several more years.

However, I can tell you that that's not a fun process to go through when you tell a parent that, You are moving.

And so I think that that's an indirect cost that people don't see, but I definitely hear about.

Third is the lack of infrastructure. I totally agree with what Scott said about the lack of infrastructure. There are a lot of plans in place for the future, but that's all they are right now is plans.

Even with the funding already approved, you're still looking at five to seven years, really, before any of the roads are built up to what they need to be to handle future capacity.

And it's not just in our district, it's the surrounding districts, as well: Eagle Mountain and Northwest ISD. It won't be just Keller residents that use these roads. You're talking several hundred thousand people, and they're going to be on roads that already cannot handle the capacity.

Interstate 35, if you've ever been on that road, you cannot get through there any more in a straight shot. You're going to sit in traffic.

Old Denton Road is a two lane road right now, with future expansion possibilities, however, that hasn't taken place. This will sit right on Old Denton Road.

North Tarrant Parkway is an arterial, major arterial, located right near there. It has been expanded to four lanes, however that's not even its full capacity. It's slated to go to six lanes in the future, so you're looking at more traffic along this roadway, but it's not even going to be constructed to its full six lanes, it's only at four, and if you've ever been on that road, it takes forever to get anywhere.

I think with this project, along with any other multifamily projects, until we can get the city and the state, also, to help us and realize that we are a fast growth district and we need some help regarding these projects, as far as maybe placing a moratorium on the building of these types of projects, we're going to continue to have these types of problems.

And I think the last point that Scott mentioned, as far as safety, there are severe issues with getting ambulance and police and fire services to our schools, which that impacts the safety of our students as well as the residents locally.

Finally, I would just like to say again that I appreciate the opportunity to speak tonight, but I would encourage the state, TDHCA, to please keep in mind the impact that these projects have on fast growth districts. It places a tremendous burden not only on the school district to plan for growth, but also on our residents and on the taxpayers of the district.

I would encourage anybody that sits on that board to come spend a week with me, and review how fast we are growing, what our future is going to be, before actually proceeding with the approval of this project.

Thank you.

MS. MORALES: Thank you. And I will confirm that I do have the letter on file --

MR. BAKER: Thank you.

MS. MORALES: -- for this particular development.

Just to clarify something that you had said, you had said that with Keller ISD that you were expected to meet or exceed capacity within two to three years? So you're not currently at capacity, but --

MR. BAKER: Well, stating that the schools that would -- the feeder pattern for this project, it's very likely that three of the four schools, the elementary, the intermediate, and the middle school, can meet or exceed capacity.

Personally, I believe that they will. They only school currently that can handle that capacity would be the high school --

MS. MORALES: Right now.

MR. BAKER: -- but, as Scott had mentioned, there's a development called Heritage that's basically 3,000 homes, that right now feeds into Fossil Ridge, and that development is just booming along, and so they feed into Fossil Ridge High School.

So Fossil Ridge High School, over the next two to three years, is going to grow very rapidly.

MS. MORALES: Okay. Thank you so much.

Those are all of the witness affirmation forms. Are there any other individuals who wish to make public comment?

(No response.)

MS. MORALES: No? Okay. Are there any concerns that you wanted to --

MR. WOLCOTT: Sure, I'd like to respond to some of the issues that were brought forth.

MS. MORALES: Okay.

MR. WOLCOTT: I can certainly appreciate what Keller Independent School District is going through, because of its growth. I'm very much aware of the issues that the school has.

I would just like to note for the record that Fossil Ridge High School has got an enrollment of 1,817 kids. Its functional capacity is about 2,500. Fossil Hill Middle School has an enrollment of 997 kids. Its capacity is about 1,200. Chisholm Trail Intermediate has an enrollment of 1,017. Its capacity is about 1,200. Heritage Elementary has an enrollment of 538 with a capacity of from 700 to 750.

That's within basic structures that's there. There is the availability, of course, of temporary classrooms, which nobody likes, but for planning purposes make sense from a school district's standpoint, because these children will grow up, they'll move, people won't necessarily replace them with the same.

As to the -- obviously, I've also received a copy of the letter. Point four to .5 students per unit, with regards to the impact of this development.

As I indicated, Aventine Apartments, which has been in lease-up, has 69 residents occupied. Out of those 69 occupied units, we only have eight children.

So that's a .12 ratio, and it has spread from -- I think there's four kids under four, and then there's two kids in high school, and the rest are in between.

So to a certain extent I don't disagree with Jeff's comments about where it will stabilize long-term.

Insofar as the timing of the development, we probably will not start construction until around November. We won't be completed until maybe September or October, initially bringing units on line, so the impact to the school district is really some time in '08. And that will be gradual.

So I mean, it's not like these are going to come up, you know, blow up in your -- because our construction's not starting for a number of months, you know, and then construction's going to take 12 months. You know, it's really, you know, you won't see a complete development done and people moved in there till some time in '08.

It's true, there is no public transportation. I mean, the bus system doesn't go up there. The closest bus site is 1.65 miles from the site, which is on Summer Hill Boulevard. Takes you down into downtown Fort Worth.

However, our residents are not dependent upon the public -- any type of public transportation system. Basically, our residents have cars. They commute wherever they need to commute for work. And so we haven't found that to be an issue as regards to development, although would all like to see at least some kind of public transit system put in place, in anticipation that the growth is going up this Alliance corridor. I certainly don't argue with that.

With respect to emergency response, this development would be primarily serviced by Station 37, which is your initial life safety response. According to the Fire Department of the City of Fort Worth, the response time out of that station is five minutes. Which is what the goal is for the City of Fort Worth.

The fire station is 2.7 miles from the site. It's located on 4721 Ray White. Secondary station is 31, which has a slower response time, around 7.5 to 8. There is under construction another Station 38, which will be at the intersection of 170 and 35-West, which will be also a secondary station to serve this area. Station 38 actually is going to be proposed to be consisted of two companies, as opposed to one company, which most of these stations have.

That basically means an additional fire apparatus and an additional response vehicle.

So within a relatively short period of time, you'll have Station 38 in place, and the Fire Department is planning on requesting funding for Station 37 to add another company there, which will also improve your response rate.

One of the things that was interesting was that the -- one of the reasons why the response times of the fire department get impacted is because of EPA regulations. If you have a fender-bender, and you've got some oil leaking out, or you've got some antifreeze, they're required to go there and soak it up. They can't just spray it down. So if there's something on the southern part of their area, and basically they're out there and all of a sudden a fire is on the north side of their area, all of the sudden, because they have to clean up this oil, they're out of position.

And I think, so, you know, I think the fire department does as best job as they can for just about any city I've seen. And considering that Station 37 has a response time of 5 minutes, which is what their goal, you know, although I know there are circumstances where things happen where people don't get responded to adequately, it certainly indicates at least with this area it is within the norm, at least within where this development is, and basically it's going to get better with that new Station 38.

Also there's a new station planned for Harriet Creek and 114, which is a little bit further north and to the west, so it's going to happen.

So far as police responses, that's not as -- you know, I don't think they have as good a story as the fire department does. However, we do work with our neighborhood police officers. At Avertine Apartments, I have a police storefront that's going to go in, a guy by the name of Ronnie Desullis [phonetic], who basically is the police officer for that area.

We provide meeting facilities for that Neighborhood Watch committee. We basically are in contact with them as relates to any issues that may come out.

Since this development's been opened, there's not been one call to the police department. For any reason.

MS. MORALES: How long has it been open?

MR. WOLCOTT: We started leasing I guess late December. So it's about five months.

Insofar as road work, I mean, that's a problem we all have, including people that try to do businesses up here or live up here.

So this is the location of the site. This is the development that's known as the Alliance Town Center. And we already know that what's started under construction, I believe, is a J.C. Penney's department store. This corner right here has 20 acres, has been bought by the Sun and Moon Trading Company, and I don't know exactly what their timing is, but they've bought the land so they plan to do it -- this is going to be about 2,000,000 square feet office, with some additional mixed-use here, which could include some residential.

This medical campus is where Hospital Corporation of America owns 60 acres of land. They're in the design phase. They would -- I would anticipate -- although they wouldn't commit to that, because they're in the design phase -- that probably they're going to start construction probably no later than maybe the end of the next year or maybe earlier than that.

This would include a hospital, and then there will be a medical office complex.

So with respect to what you mentioned about hospitals being close by, although it may be an issue now, you know, it certainly won't be one in a few, you know, a few years down the road.

And hopefully the timing, you know, maybe I'll be a year ahead of this, you know, but at least this facility is going to happen, because I talked to the guy in charge of development at HCA. Basically he said they're very bullish on it. Since they're spending time to design it, and they've owned the land for a couple years, you know, that's something that I think you can count on happening.

The other thing has to do with the road issue on -- for the -- as you know, North Tarrant Parkway has finally been expanded. This interchange here was basically paid for out of a TERS [phonetic]. The City of Forth Worth helped pay for the rest of it, and you're right, because the City of Fort Worth did it, they basically, they should have done it in concrete, they should have gone ahead and made it six lanes, but they did two lanes.

Old Denton Road is slated to be a four lane boulevard.

These arterial roads -- and this is shown on the thoroughfare plan for the City of Fort Worth -- these arterial roads here basically follow commercial construction.

If you look at Beach Street, you've got Beach Street, which is basically a six-lane boulevard all the way up to North Tarrant Parkway, and it extends about, you know, a few hundred yards north of that, and that's where commercial -- you know, like retail, apartments -- that's where it ends.

That's how that's funded. And it's primarily funded because most single-family subdivisions do not contribute toward the construction of this work, and the City of Fort Worth doesn't have the money.

I'll contribute about $140,000, and I'll either expand the road in front of my property or the City will get it. I talked to the City, and they said that this will be done in conjunction with this development, because they can't handle the traffic patterns of this development without that being done.

So my guess is, you know, with the start of the construction here, now this build-out's probably, you know, what -- a couple years ago they said it'd be five years, you know, so now they're starting construction, you'll probably see over the next two years, certainly within the next three years, this will be done, at least this reach between Heritage Trace and North Tarrant Parkway, which is, like I said, going to be pretty closely in line with when my development is coming online. Or if not, it'll be about a year after that. So it's not like it's going to sit there, a two-lane road, that's torn up -- Old Denton Road's a pretty good name for that street. It's old and beat up, and it's terrible.

Of course, Heritage Trace Parkway, the reason why it went in was primarily because Hill would pay for it. And so it could open up all this land for all these rooftops, which are causing all this congestion, all the issues that we're talking about.

Insofar as the residents that live in apartments, they pay their share of property taxes. They just pay it through their rent. That goes into their rent calculation.

And so since the owner of the property pays property taxes to the school district, to the county, the city, the hospital district, whomever it is basically, the concept that somebody that rents an apartment home and doesn't contribute taxes towards either education with schools and/or whatever public services are required is a myth. And that's something I'm kind of -- have some passion about.

I think that's all I have with response to those issues. That's not really that interesting. But I'd be happy to answer any other questions, if you want to open it up for questions.

MALE VOICE: [inaudible]

THE REPORTER: I'm sorry; I can't hear your question. If you could come up to a mike --

MR. MINKE: Absolutely. One of the things I wanted to ask you, just to clarify, is, when we're using the number 69 on your current development, is that residents or units, that's actually, that are rented out, on the current development, the one at Aventine?

MR. WOLCOTT: Occupied.

MR. MINKE: Yes, occupied.

MR. WOLCOTT: Occupied. I think we're at like 80 units are leased.

MR. MINKE: Okay. Eighty are leased, but like before, it's not -- so it's not 69 residents, it's units. Right?

MR. WOLCOTT: Sixty-nine units are occupied --

MR. MINKE: Okay.

MR. WOLCOTT: So they live there.

MR. MINKE: Okay.

MR. WOLCOTT: As of May 7, I think that's the date.

MR. MINKE: Okay.

MR. WOLCOTT: Now, we've pre-leased another -- I don't know, there may be 75 there now.

MR. MINKE: Okay.

MR. WOLCOTT: That's as of May 7.

MR. MINKE: I just wanted to make sure that was the, you know, one of the questions is if they're -- if you only have 69 of 240, then the need, again, for -- the need to have -- bring on another development at this time, were you just projecting for growth?

MR. WOLCOTT: Well, we're leasing four units a month. Okay?

MR. MINKE: Okay.

MR. WOLCOTT: So we'll basically be stabilized in about four or five months.

MR. MINKE: Okay.

MR. WOLCOTT: This development here, like I've indicated, basically is not coming on for another 18 months or more.

MR. MINKE: Okay. And then just to clarify with my comment that I made with the property tax, yes, I realize that it's contributed through rent. Our concern is of course the -- any of my concerns are not specifically -- they're all general multifamily, not anything against your specific development, but that the amount of tax that gets paid is not similar to the amount that a property owner would pay, you know, if the zoning was different.

And I realize that's a here or there proposition, but I just --

MR. WOLCOTT: The way I can answer that to you is that it's state law. We don't have any choice over the matter.

MR. MINKE: Right.

MR. WOLCOTT: I mean, if you have a problem with that --

MR. MINKE: That's why I say it's general --

MR. WOLCOTT: -- you might want to talk to the State

Legislature.

MR. MINKE: Sure. And that's --

MR. WOLCOTT: I mean, they're trying to figure out how to fund the schools.

MR. MINKE: And I just wanted to make clear, that's why I said we harbor no resentment towards you or your development company or anything like that. I know you get a lot of that, but it's just as -- because of the bodies that I sit on and everything, it's -- we have a general -- we're just, like you are, we're looking at growth, we're looking at projections, and while, like you're saying, Yes, these things will come on in two or three years, we're having problems now. That's what -- and we realize -- we understand that, and what we want to make sure of is that people realize that my statement about how, if you go to the city planner in Fort Worth, you sit down and talk to him, he's sitting there right now at his desk sweating bullets because that's -- it's absolutely true. Projections are, City of Arlington in eight years. And that is hard to keep up with, for anyone or any developer to look at.

Hillwood has trouble projecting that kind of growth, and they're, you know, they have far more resources than the average developer.

So that's -- those are just kind of our -- just wanted to make sure that you realized we don't have any resentment towards you or your company, and this is just kind of protecting our area as well.

So we just wanted to make sure that, you know, your points are good, but we just wanted to -- we're projecting way out, and saying, Where will we be? And with the gentleman from KISD making the statements he did, there's -- even though these feeder schools basically are -- like you said, you mentioned the numbers now. The rate that those are being filled at is substantial, so while you can look at a static number versus a dynamic number, the dynamic numbers are much more compelling.

So those are my only comments on that.

MS. MORALES: If I could get you to just state your name for the record once you get up there.

MS. WOODCOOK: Micah Woodcook. And I just have a question. On the ones that are already developed, are those also low-income housing?

MR. WOLCOTT: They're under the same program that this property's being proposed.

MS. WOODCOOK: Okay. And what is the distance between the Riverside Villas and the ones that are already built? Do you know?

MR. WOLCOTT: They're about 3-1/2 miles or 4 miles apart.

MS. WOODCOOK: Three and a half miles. Is there an -- I don't know, is there a need for low-income housing? And I believe that there's another low-income housing development on Golden Triangle, between Beach and wherever the Keller Sports Complex is. I'm sorry, I don't know the name of it, but --

MR. WOLCOTT: That is a market-rate property. I don't believe it's affordable.

MS. WOODCOOK: Okay.

MR. WOLCOTT: It was -- that property, Hillwood sold that property to a market-rate developer. I do not believe it's affordable.

MS. WOODCOOK: Okay.

MR. WOLCOTT: I know pretty much what -- where all the affordable property is, and that isn't one of them.

MS. WOODCOOK: Okay. Well, so does this area substantiate the need for low-income housings on two different developments? I mean --

MR. WOLCOTT: Well, based upon the absorption you had on our property here, you know, we feel that it does. I mean, what really substantiates the need is primarily the job growth expectation that's going to drive -- I mean, there's -- I can't tell you, it's like 5,000,000 square feet of various retail developments, all the way from 287 and 35, which is talking about a million square feet, so it's 2 million square feet.

I think the Simon Group's dropped out of their deal that they were going to do here. North of Cabelas is Lone Star Crossing, which is another development, and then you've got Alliance Gatewood. I mean Alliance Gatewood employs 24,000 people. You've got 25 million square feet of warehouse, office space.

MS. WOODCOOK: Right. Okay.

MR. WOLCOTT: And they're adding -- it's home to like 140 businesses. They're adding another 400,000 square feet. Given 1 million square feet, you're probably going to have a bunch of businesses going in there.

I mean, all those type of service jobs that are going to happen up and down this corridor, is designed specifically, basically, this project is designed primarily for workforce housing. And for, you know, people that are starting out, where you're getting into, you know, trying to find a home in this area in the next year or two.

MS. WOODCOOK: Okay. And another concern is obviously property values. I mean, we, you know, we -- I moved out to that area, honestly, so I didn't have to be near a lot of other apartment buildings. And when we moved out there five years ago, obviously there was not that much out there.

And now there's, you know, two already that are under construction and completed, and one that's, you know, in development, or in the conception stage.

Is there any way that, you know, we can guarantee that there's no -- you say that you do background checks, and, you know, you take crime very seriously, however there's a school right across the street there, and I mean, is there any --

MR. WOLCOTT: Mattie Groves [phonetic] School -- Elementary?

MS. WOODCOOK: Yes, sir. And children are walking back and forth, riding their bikes freely. And I'm just concerned that basically you do definitely do background checks on people, and --

MR. WOLCOTT: In this neighborhood right here, there's at least two or three sex offenders living there.

MS. WOODCOOK: And I don't have any control over that.

MR. WOLCOTT: We do.

MS. WOODCOOK: Okay. That was my question.

MR. WOLCOTT: We can control that.

MS. WOODCOOK: No, and I -- we're fully aware of where those sex offenders are, and -- thank you.

MR. WOLCOTT: Because I check that out, too. But we control that. I mean, I don't care if you don't have a felony. If you've got a misdemeanor record, basically, that shows like assault, I mean, you can't lease there.

MS. WOODCOOK: Okay.

MR. WOLCOTT: We'd just say, No. And fortunately we can do that.

MS. WOODCOOK: Okay. Thank you.

MS. MORALES: And, Micah, if I could please get you, before you leave, if you don't mind filling out one of those forms for me?

One of the things that I did want to address is as far as the concentration issue, you were talking about, you know, the proximity of all these different projects being close to one another.

One of the things that the Department does have is what's called a "one mile, three year rule," and what that means is if there is -- if they are proposing, let's say hypothetically that there was another tax credit property located within one mile of this proposed project.  What that would mean is that the developer would have to obtain from the city a resolution stating that the city is aware that there is another affordable housing development within one mile, and that they still would support this particular transaction.

So this is not an issue here, because the closest one is within three miles, but that is a policy that TDHCA has.

The other thing is with respect to a market study. Again, this particular application is only in the preliminary stages. If it is approved at inducement, what that would mean is it gives them the authority, if you will, to go ahead and move forward, so they will then submit a full application to us, and what is also required is a market study.

They will have a market analyst go out and take a look at whatever is around here to determine whether or not there is a need for housing in this particular area.  That market study will be provided and submitted to the Department, and it's also available through Open Records. If there are any individuals who wish to take a look at that, you know, and find out for yourself exactly what it says, you are more than welcome to do that.

So that's one of the things that we are required to submit. Okay.

Does anyone have any other questions or comments or anything they wish to make?

(No response.)

MS. MORALES: No? Okay. Then I would like to thank all of you for attending this hearing. Again, please keep in mind that everything that was said is going to be transcribed and there will be a transcript that will be provided to our board in its entirety.

Again, any comments that you have made tonight will be presented to them. In addition, any written comments that you wish to make tonight, or my contact information is on the business card at the back table, and then also in the handout, that also includes my contact information. You're more than welcome to fax, e-mail, send regular mail, any comments that you wish to make, and those will also be presented to our board.

The meeting is now adjourned, and the time is 7:15. Thank you all.

(Whereupon, at 7:15 p.m., the hearing was concluded.)

C E R T I F I C A T E

IN RE: Riverside Villas

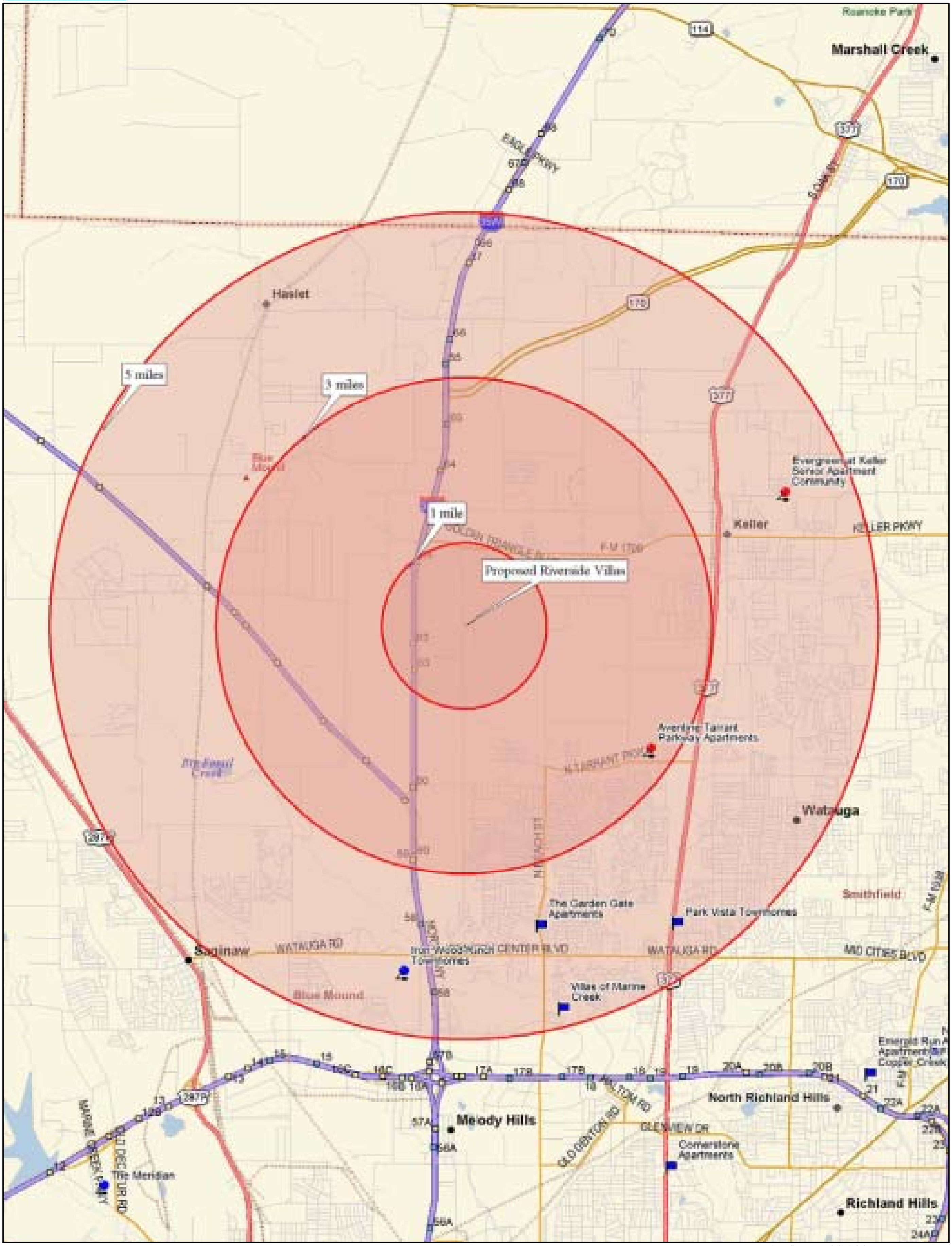
LOCATION: Fort Worth, Texas

DATE: May 16, 2006

I do hereby certify that the foregoing pages, numbers 1 through 40, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Barbara Wall before the Texas Department of Housing & Community Affairs.

05/22/06
(Transcriber) (Date)

On the Record Reporting
3307 Northland, Suite 315
Austin, Texas 78731



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# TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
## MULTIFAMILY FINANCE DIVISION
## PREQUALIFICATION ANALYSIS

### East Tex Pines Apartments, Houston (#060623) Priority 3

**Unit Mix and Rent Schedule**

| Unit Type | Beds/Bath | # Units | Rents | Unit Size S.F. | Rent/S.F. |
|---|---|---|---|---|---|
| 60% AMI | 1BD/1BA | 42 | $ 579 | 724 | 0.80 |
| 60% AMI | 2BD/2BA | 136 | $ 695 | 1,064 | 0.65 |
| 60% AMI | 3BD/2BA | 72 | $ 803 | 1,174 | 0.68 |
| | | | | | 0.00 |
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| | | | | | 0.00 |
| | | | | | 0.00 |
| Totals | | 250 | $ 2,119,848 | 259,640 | $ 0.68 |
| Averages | | | $ 707 | 1,039 | |

**Uses of Funds/Project Costs**

| | Costs | Per Unit | Per S.F. | Percent |
|---|---|---|---|---|
| Acquisition | $ 1,300,000 | $ 5,200 | $ 5.01 | 0.05 |
| Off-sites | 0 | 0 | 0.00 | 0.00 |
| **Subtotal Site Costs** | $ 1,300,000 | $ 5,200 | $ 5.01 | 0.05 |
| Sitework | 1,386,000 | 5,544 | 5.34 | 0.05 |
| Hard Construction Costs | 14,059,499 | 56,238 | 54.15 | 0.54 |
| General Requirements (6%) | 926,730 | 3,707 | 3.57 | 0.04 |
| Contractor's Overhead (2%) | 308,910 | 1,236 | 1.19 | 0.01 |
| Contractor's Profit (6%) | 926,730 | 3,707 | 3.57 | 0.04 |
| Construction Contingency | 720,753 | 2,883 | 2.78 | 0.03 |
| **Subtotal Construction** | $ 18,328,622 | $ 73,314 | $ 70.59 | 0.71 |
| Indirect Construction | 609,000 | 2,436 | 2.35 | 0.02 |
| Developer's Fee | 3,051,001 | 12,204 | 11.75 | 0.12 |
| Financing | 2,230,576 | 8,922 | 8.59 | 0.09 |
| Reserves | 350,000 | 1,400 | 1.35 | 0.01 |
| **Subtotal Other Costs** | $ 6,240,577 | $ 24,962 | $ 24 | $ 0 |
| **Total Uses** | $ 25,869,199 | $ 103,477 | $ 99.63 | 1.00 |

**Applicant - Sources of Funds**

| Source I | Net Proceeds | Sale Price | Applicable Percentage | |
|---|---|---|---|---|
| Tax Credits | $ 10,579,091 | $0.80 | 3.55% | |
| **Source II** | **Proceeds** | **Rate** | **Amort** | **Annual D/S** |
| Bond Proceeds | $ 13,250,000 | 6.00% | 30 | $ 953,285 |
| **Source III** | **Proceeds** | **% Deferred** | **Remaining** | |
| Deferred Developer Fee | $ 2,147,708 | 70.4% | $903,293 | |
| **Source IV** | **Proceeds** | **Description** | | **Annual D/S** |
| Other | | | | $ - |
| **Total Sources** | $ 25,976,799 | | | $ 953,285 |

**TDHCA - Sources of Funds**

| Source I | Net Proceeds | Sale Price | Applicable Percentage | |
|---|---|---|---|---|
| Tax Credits | $ 10,579,091 | $0.80 | 3.55% | |
| **Source II** | **Proceeds** | **Rate** | **Amort** | **Annual D/S** |
| Bond Proceeds | $ 13,250,000 | 6.00% | 30 | $ 953,285 |
| **Source III** | **Proceeds** | **% Deferred** | **Remaining** | |
| Deferred Developer Fee | $ 2,040,108 | 66.9% | $ 1,010,893 | |
| **Source IV** | **Proceeds** | **Description** | | **Annual D/S** |
| Other | $ - | | | $ - |
| **Total Sources** | $ 25,869,199 | | | $ 953,285 |

**Applicant - Operating Proforma/Debt Coverage**

| | | | Per S.F. | Per Unit |
|---|---|---|---|---|
| Potential Gross Income | | $2,119,848 | $8.16 | |
| Other Income & Loss | | 45,000 | 0.17 | 180 |
| Vacancy & Collection | 7.50% | 162,360 | 0.63 | 649 |
| Effective Gross Income | | $2,327,208 | 8.96 | 9,309 |
| Total Operating Expenses | | $950,000 | $3.66 | $3,800 |
| Net Operating Income | | $1,377,208 | $5.30 | $5,509 |
| Debt Service | | 953,285 | 3.67 | 3,813 |
| Net Cash Flow | | $423,923 | $1.63 | $1,696 |
| Debt Coverage Ratio | | 1.44 | | |
| TDHCA/TSAHC Fees | | $0 | $0.00 | $0 |
| Net Cash Flow | | $423,923 | $1.63 | $1,696 |
| DCR after TDHCA Fees | | 1.44 | | |
| Break-even Rents/S.F. | | 0.61 | | |
| Break-even Occupancy | | 89.78% | | |

**TDHCA - Operating Proforma/Debt Coverage**

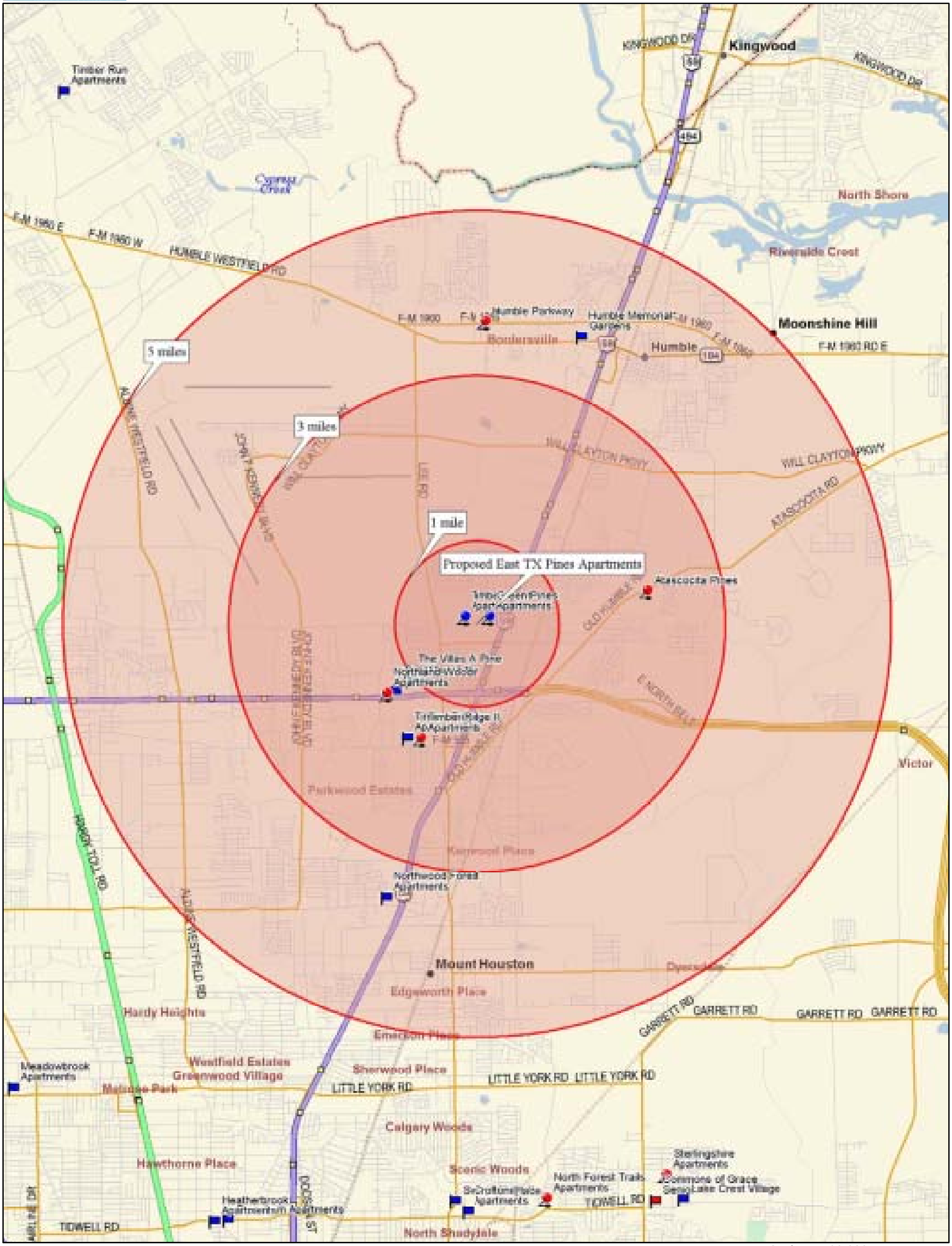
| | | | Per S.F. | Per Unit |
|---|---|---|---|---|
| Potential Gross Income | | $2,119,848 | $8.16 | |
| Other Income & Loss | | 45,000 | 0.17 | 180 |
| Vacancy & Collection | 7.50% | (162,364) | -0.63 | -649 |
| Effective Gross Income | | 2,002,484 | 7.71 | 8,010 |
| Total Operating Expenses | 47.4% | $950,000 | $3.66 | $3,800 |
| Net Operating Income | | $1,052,484 | $4.05 | $4,210 |
| Debt Service | | 953,285 | 3.67 | 3,813 |
| Net Cash Flow | | $99,199 | $0.38 | $397 |
| Debt Coverage Ratio | | 1.10 | | |
| TDHCA/TSAHC Fees | | | $0.00 | $0 |
| Net Cash Flow | | $99,199 | $0.38 | $397 |
| DCR after TDHCA Fees | | 1.10 | | |
| Break-even Rents/S.F. | | 0.61 | | |
| Break-even Occupancy | | 89.78% | | |

**Applicant - Annual Operating Expenses**

| | | Per S.F. | Per Unit |
|---|---|---|---|
| General & Administrative Expenses | $51,800 | 0.20 | 207 |
| Management Fees | 106,456 | 0.41 | 426 |
| Payroll, Payroll Tax & Employee Exp. | 114,000 | 0.44 | 456 |
| Maintenance/Repairs | 104,000 | 0.40 | 416 |
| Utilities | 146,000 | 0.56 | 584 |
| Property Insurance | 84,000 | 0.32 | 336 |
| Property Taxes | 212,500 | 0.82 | 850 |
| Replacement Reserves | 50,000 | 0.19 | 200 |
| Other Expenses | 81,244 | 0.31 | 325 |
| Total Expenses | $950,000 | $3.66 | $3,800 |

**Staff Notes/Comments**

Other expenses include:
- Supportive service fees - $30,000
- Cable TV - $27,644
- Security - $18,000
- Compliance fees - $5,600

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MN (3.8°E)

**TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS**
**MULTIFAMILY FINANCE DIVISION**
**PREQUALIFICATION ANALYSIS**

**Havens at Mansfield, Mansfield (#060624) Priority 1C**

## Unit Mix and Rent Schedule

| Unit Type | Beds/Bath | # Units | Rents | Unit Size S.F. | Rent/S.F. |
|---|---|---|---|---|---|
| 60% AMI | 1BD/1BA | 2 | $ 548 | 735 | 0.75 |
| 60% AMI | 1BD/1BA | 51 | $ 667 | 735 | 0.91 |
| 60% AMI | 2BD/2BA | 47 | $ 801 | 990 | 0.81 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
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| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| Totals | | 100 | $ 873,120 | 85,485 | $ 0.85 |
| Averages | | | $ 728 | 855 | |

## Uses of Funds/Project Costs

| | Costs | Per Unit | Per S.F. | Percent |
|---|---|---|---|---|
| Acquisition | $ 800,000 | $ 8,000 | $ 9.36 | 0.08 |
| Off-sites | 0 | 0 | 0.00 | 0.00 |
| **Subtotal Site Costs** | $ 800,000 | $ 8,000 | $ 9.36 | 0.08 |
| Sitework | 749,500 | 7,495 | 8.77 | 0.08 |
| Hard Construction Costs | 4,168,825 | 41,688 | 48.77 | 0.42 |
| General Requirements (6%) | 295,100 | 2,951 | 3.45 | 0.03 |
| Contractor's Overhead (2%) | 98,367 | 984 | 1.15 | 0.01 |
| Contractor's Profit (6%) | 295,100 | 2,951 | 3.45 | 0.03 |
| Construction Contingency | 245,916 | 2,459 | 2.88 | 0.02 |
| **Subtotal Construction** | $ 5,852,807 | $ 58,528 | $ 68.47 | 0.59 |
| Indirect Construction | 1,232,473 | 12,325 | 14.42 | 0.12 |
| Developer's Fee | 1,093,214 | 10,932 | 12.79 | 0.11 |
| Financing | 811,233 | 8,112 | 9.49 | 0.08 |
| Reserves | 196,834 | 1,968 | 2.30 | 0.02 |
| **Subtotal Other Costs** | $ 3,333,754 | $ 33,338 | $ 39 | $ 0 |
| **Total Uses** | $ 9,986,561 | $ 99,866 | $ 116.82 | 1.00 |

## Applicant - Sources of Funds

| **Source I** | **Net Proceeds** | **Sale Price** | **Applicable Percentage** | |
|---|---|---|---|---|
| Tax Credits | $ 2,974,025 | $0.80 | 3.55% | |
| **Source II** | **Proceeds** | **Rate** | **Amort** | **Annual D/S** |
| Bond Proceeds | $ 5,750,000 | 6.00% | 30 | $ 413,690 |
| **Source III** | **Proceeds** | **% Deferred** | **Remaining** | |
| Deferred Developer Fee | $ 512,536 | 46.9% | $580,678 | |
| **Source IV** | **Proceeds** | **Description** | | **Annual D/S** |
| Other | $ 750,000 | Tarrant County | | $ - |
| **Total Sources** | $ 9,986,561 | | | $ 413,690 |

## TDHCA - Sources of Funds

| **Source I** | **Net Proceeds** | **Sale Price** | **Applicable Percentage** | |
|---|---|---|---|---|
| Tax Credits | $ 2,974,025 | $0.80 | 3.55% | |
| **Source II** | **Proceeds** | **Rate** | **Amort** | **Annual D/S** |
| Bond Proceeds | $ 5,381,675 | 6.00% | 30 | $ 387,190 |
| **Source III** | **Proceeds** | **% Deferred** | **Remaining** | |
| Deferred Developer Fee | $ 850,000 | 77.8% | $ 243,214 | |
| **Source IV** | **Proceeds** | **Description** | | **Annual D/S** |
| Other | $ 750,000 | Tarrant County | | $ - |
| **Total Sources** | $ 9,986,561 | | | $ 387,190 |

## Applicant - Operating Proforma/Debt Coverage

| | | | Per S.F. | Per Unit |
|---|---|---|---|---|
| Potential Gross Income | | $873,120 | $10.21 | |
| Other Income & Loss | | 18,000 | 0.21 | 180 |
| Vacancy & Collection | 7.55% | 67,308 | 0.79 | 673 |
| Effective Gross Income | | $958,428 | 11.21 | 9,584 |
| Total Operating Expenses | | $398,475 | $4.66 | $3,985 |
| Net Operating Income | | $559,953 | $6.55 | $5,600 |
| Debt Service | | 413,690 | 4.84 | 4,137 |
| Net Cash Flow | | $146,263 | $1.71 | $1,463 |
| Debt Coverage Ratio | | 1.35 | | |
| TDHCA/TSAHC Fees | | $0 | $0.00 | $0 |
| Net Cash Flow | | $146,263 | $1.71 | $1,463 |
| DCR after TDHCA Fees | | 1.35 | | |
| Break-even Rents/S.F. | | 0.79 | | |
| Break-even Occupancy | | 93.02% | | |

## TDHCA - Operating Proforma/Debt Coverage

| | | | Per S.F. | Per Unit |
|---|---|---|---|---|
| Potential Gross Income | | $873,120 | $10.21 | |
| Other Income & Loss | | 18,000 | 0.21 | 180 |
| Vacancy & Collection | 7.50% | (66,834) | -0.78 | -668 |
| Effective Gross Income | | 824,286 | 9.64 | 8,243 |
| Total Operating Expenses | 48.3% | $398,475 | $4.66 | $3,985 |
| Net Operating Income | | $425,811 | $4.98 | $4,258 |
| Debt Service | | 387,190 | 4.53 | 3,872 |
| Net Cash Flow | | $38,621 | $0.45 | $386 |
| Debt Coverage Ratio | | 1.10 | | |
| TDHCA/TSAHC Fees | | | $0.00 | $0 |
| Net Cash Flow | | $38,621 | $0.45 | $386 |
| DCR after TDHCA Fees | | 1.10 | | |
| Break-even Rents/S.F. | | 0.77 | | |
| Break-even Occupancy | | 89.98% | | |

## Applicant - Annual Operating Expenses

| | | Per S.F. | Per Unit |
|---|---|---|---|
| General & Administrative Expenses | $34,300 | 0.40 | 343 |
| Management Fees | 36,000 | 0.42 | 360 |
| Payroll, Payroll Tax & Employee Exp. | 87,075 | 1.02 | 871 |
| Maintenance/Repairs | 49,600 | 0.58 | 496 |
| Utilities | 50,500 | 0.59 | 505 |
| Property Insurance | 22,500 | 0.26 | 225 |
| Property Taxes | 82,500 | 0.97 | 825 |
| Replacement Reserves | 20,000 | 0.23 | 200 |
| Other Expenses | 16,000 | 0.19 | 160 |
| Total Expenses | $398,475 | $4.66 | $3,985 |

## Staff Notes/Comments

Other expenses include:

Supportive Service fees - $12,000

Compliance fees - $4,000

**TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS**
**MULTIFAMILY FINANCE DIVISION**
**PREQUALIFICATION ANALYSIS**

**Generations at Mansfield, Mansfield (#060625) Priority 1C**

**Unit Mix and Rent Schedule**

| Unit Type | Beds/Bath | # Units | Rents | Unit Size S.F. | Rent/S.F. |
|---|---|---|---|---|---|
| 60% AMI | 1BD/1BA | 8 | $ 652 | 750 | 0.87 |
| 60% AMI | 2BD/2BA | 88 | $ 780 | 1,002 | 0.78 |
| 60% AMI | 3BD/3BA | 64 | $ 899 | 1,170 | 0.77 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
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| | | | | | 0.00 |
| | | | | | 0.00 |
| | | | | | 0.00 |
| Totals | | 160 | $ 1,576,704 | 169,056 | $ 0.78 |
| Averages | | | $ 821 | 1,057 | |

**Uses of Funds/Project Costs**

| | Costs | Per Unit | Per S.F. | Percent |
|---|---|---|---|---|
| Acquisition | $ 1,457,810 | $ 9,111 | $ 8.62 | 0.08 |
| Off-sites | 0 | 0 | 0.00 | 0.00 |
| **Subtotal Site Costs** | $ 1,457,810 | $ 9,111 | $ 8.62 | 0.08 |
| Sitework | 1,199,200 | 7,495 | 7.09 | 0.07 |
| Hard Construction Costs | 8,203,632 | 51,273 | 48.53 | 0.47 |
| General Requirements (6%) | 564,170 | 3,526 | 3.34 | 0.03 |
| Contractor's Overhead (2%) | 188,057 | 1,175 | 1.11 | 0.01 |
| Contractor's Profit (6%) | 564,170 | 3,526 | 3.34 | 0.03 |
| Construction Contingency | 470,142 | 2,938 | 2.78 | 0.03 |
| **Subtotal Construction** | $ 11,189,370 | $ 69,934 | $ 66.19 | 0.64 |
| Indirect Construction | 1,059,855 | 6,624 | 6.27 | 0.06 |
| Developer's Fee | 1,949,052 | 12,182 | 11.53 | 0.11 |
| Financing | 1,513,900 | 9,462 | 8.96 | 0.09 |
| Reserves | 353,703 | 2,211 | 2.09 | 0.02 |
| **Subtotal Other Costs** | $ 4,876,510 | $ 30,478 | $ 29 | $ 0 |
| **Total Uses** | $ 17,523,690 | $ 109,523 | $ 103.66 | 1.00 |

**Applicant - Sources of Funds**

| **Source I** | **Net Proceeds** | **Sale Price** | **Applicable Percentage** | |
|---|---|---|---|---|
| Tax Credits | $ 5,310,266 | $0.80 | 3.55% | |
| **Source II** | **Proceeds** | **Rate** | **Amort** | **Annual D/S** |
| Bond Proceeds | $ 11,137,000 | 6.00% | 30 | $ 801,263 |
| **Source III** | **Proceeds** | **% Deferred** | **Remaining** | |
| Deferred Developer Fee | $ 776,425 | 39.8% | $1,172,627 | |
| **Source IV** | **Proceeds** | **Description** | | **Annual D/S** |
| Other | $ 300,000 | GIC Income | | $ - |
| **Total Sources** | $ 17,523,691 | | | $ 801,263 |

**TDHCA - Sources of Funds**

| **Source I** | **Net Proceeds** | **Sale Price** | **Applicable Percentage** | |
|---|---|---|---|---|
| Tax Credits | $ 5,310,266 | $0.80 | 3.55% | |
| **Source II** | **Proceeds** | **Rate** | **Amort** | **Annual D/S** |
| Bond Proceeds | $ 10,466,555 | 6.00% | 30 | $ 753,027 |
| **Source III** | **Proceeds** | **% Deferred** | **Remaining** | |
| Deferred Developer Fee | $ 1,446,870 | 74.2% | $ 502,182 | |
| **Source IV** | **Proceeds** | **Description** | | **Annual D/S** |
| Other | $ 300,000 | GIC Income | | $ - |
| **Total Sources** | $ 17,523,690 | | | $ 753,027 |

**Applicant - Operating Proforma/Debt Coverage**

| | | | Per S.F. | Per Unit |
|---|---|---|---|---|
| Potential Gross Income | | $1,576,704 | $9.33 | |
| Other Income & Loss | | 28,800 | 0.17 | 180 |
| Vacancy & Collection | 7.53% | 120,936 | 0.72 | 756 |
| Effective Gross Income | | $1,726,440 | 10.21 | 10,790 |
| Total Operating Expenses | | $656,914 | $3.89 | $4,106 |
| Net Operating Income | | $1,069,526 | $6.33 | $6,685 |
| Debt Service | | 801,263 | 4.74 | 5,008 |
| Net Cash Flow | | $268,263 | $1.59 | $1,677 |
| Debt Coverage Ratio | | 1.33 | | |
| TDHCA/TSAHC Fees | | $0 | $0.00 | $0 |
| Net Cash Flow | | $268,263 | $1.59 | $1,677 |
| DCR after TDHCA Fees | | 1.33 | | |
| Break-even Rents/S.F. | | 0.72 | | |
| Break-even Occupancy | | 92.48% | | |

**TDHCA - Operating Proforma/Debt Coverage**

| | | | Per S.F. | Per Unit |
|---|---|---|---|---|
| Potential Gross Income | | $1,576,704 | $9.33 | |
| Other Income & Loss | | 28,800 | 0.17 | 180 |
| Vacancy & Collection | 7.50% | (120,413) | -0.71 | -753 |
| Effective Gross Income | | 1,485,091 | 8.78 | 9,282 |
| Total Operating Expenses | 44.2% | $656,914 | $3.89 | $4,106 |
| Net Operating Income | | $828,177 | $4.90 | $5,176 |
| Debt Service | | 753,027 | 4.45 | 4,706 |
| Net Cash Flow | | $75,150 | $0.44 | $470 |
| Debt Coverage Ratio | | 1.10 | | |
| TDHCA/TSAHC Fees | | | $0.00 | $0 |
| Net Cash Flow | | $75,150 | $0.44 | $470 |
| DCR after TDHCA Fees | | 1.10 | | |
| Break-even Rents/S.F. | | 0.70 | | |
| Break-even Occupancy | | 89.42% | | |

**Applicant - Annual Operating Expenses**

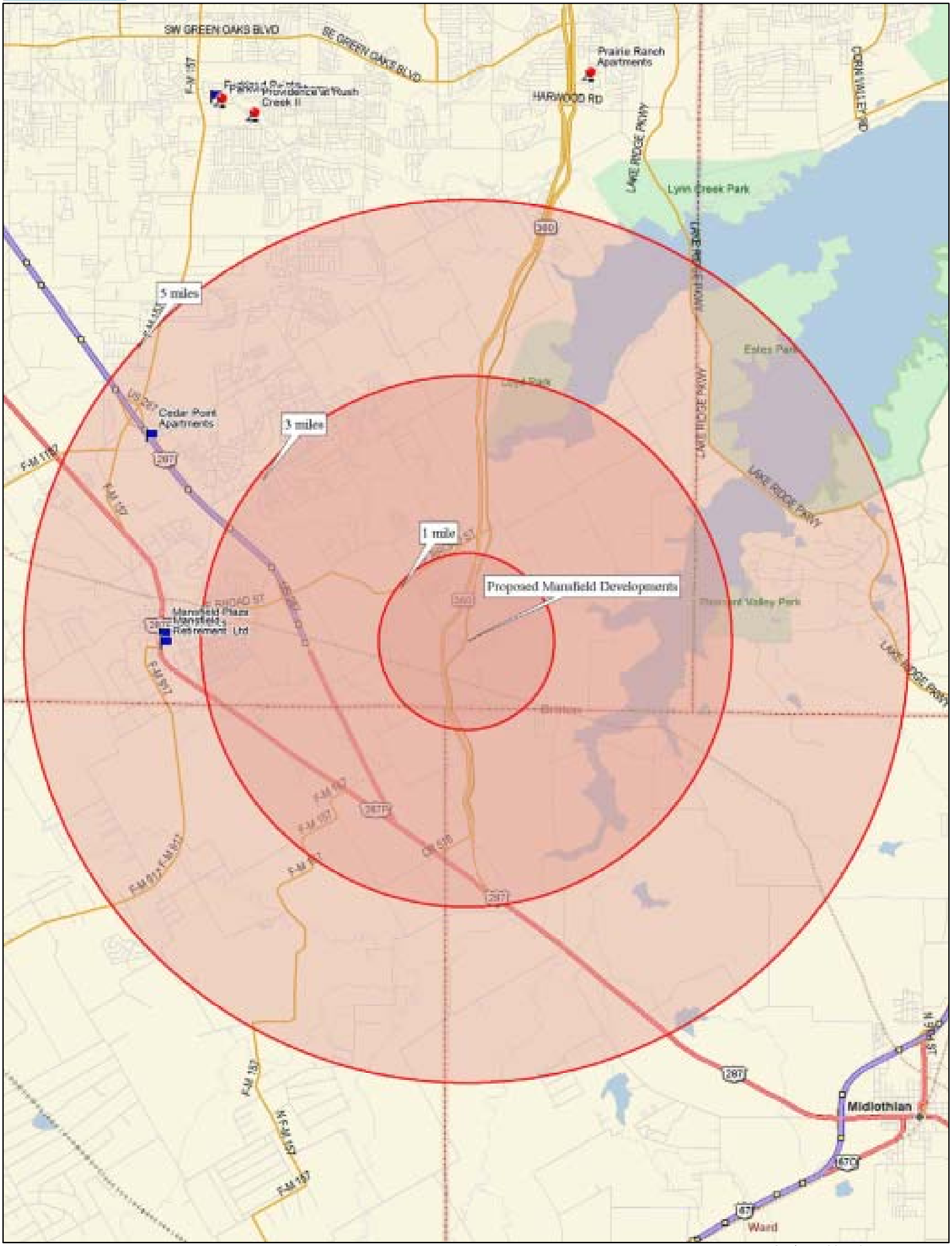
| | | Per S.F. | Per Unit |
|---|---|---|---|
| General & Administrative Expenses | $38,420 | 0.23 | 240 |
| Management Fees | 74,580 | 0.44 | 466 |
| Payroll, Payroll Tax & Employee Exp. | 150,414 | 0.89 | 940 |
| Maintenance/Repairs | 67,400 | 0.40 | 421 |
| Utilities | 85,300 | 0.50 | 533 |
| Property Insurance | 34,400 | 0.20 | 215 |
| Property Taxes | 144,000 | 0.85 | 900 |
| Replacement Reserves | 32,000 | 0.19 | 200 |
| Other Expenses | 30,400 | 0.18 | 190 |
| Total Expenses | $656,914 | $3.89 | $4,106 |

**Staff Notes/Comments**

Other expenses include:
Supportive Service fees - $24,000
Compliance fees - $6,400

DELORME

**Street Atlas USA® 2004 Plus**

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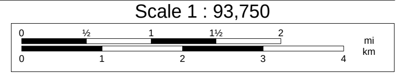

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MN (4.8°E)

**PORTFOLIO MANAGEMENT AND COMPLIANCE DIVISION**

**BOARD ACTION REQUEST**
**HOME AMENDMENTS**
**June 26, 2006**

## Action Item

Requests for amendments to HOME Investment Partnerships Program (HOME) contracts involving modifications that significantly decrease the benefits to be received by the Department.

## Requested Action

Approve or deny the requests for amendments.

## Background

The 2006 HOME Rules in the Texas Administrative Code, Title 10, Part 1, Chapter 53, Rule §53.62(b)(3) state that modifications and/or amendments that increase the dollar amount by more than 25% of the original award or $50,000, whichever is greater; or significantly decrease the benefits to be received by the Department, in the estimation of the Executive Director, will be presented to the Board for approval.

HOME Administrators periodically request amendments to modify contract terms or performance requirements specified in Exhibit A (Performance Statement) of HOME contracts. In order for a request to be considered, the Administrator must:

- submit justification, extenuating circumstances, or compelling reasons for the request; and
- submit a request that would still have resulted in an award of HOME funds if the original application had been submitted according to the requested changes; and
- be in compliance with monitoring and auditing requirements for all Department programs.

Contract extensions are the most commonly requested type of amendment. Other types of amendment requests include revisions to income targeting according to Area Median Family Income (AMFI) limits, revisions to the number of assisted units, budget modifications, and revisions to matching contributions.

Contract extensions are typically requested when Administrators are close to the end date of the contract, but contract performance requirements are not complete or construction work is in progress and may not be completed by the end date of the contract.

Changes to AMFI are typically requested if the Administrator has not received sufficient applicants at the income targeting requirements specified in their Performance Statement. This situation occurs most often with Homebuyer Assistance (HBA) contracts. Applicants for HBA assistance at the lower income levels, because of high credit or bad credit ratings, may not qualify for a mortgage and are therefore ineligible to participate in the program.

Another consideration is the low income levels relative to some parts of the state. This is especially the case for Rider 3/Rider 4 counties. Rider 4 of the 2006-2007 Appropriations Act states: Housing Assistance. The housing finance division shall adopt an annual goal to apply no less then $30 million of the division's total housing funds toward housing assistance for individuals and families in which the annual family income does not exceed the following amounts based on the number of persons in the family:

| Number of Persons in the Family | Maximum Annual Income |
|---|---|
| 1 Person | $13,000 |
| 2 Persons | $16,000 |
| 3 Persons | $17,000 |
| 4 Persons | $19,000 |
| 5 Persons | $21,000 |

Rider 4 allows assistance up to 60% of state median income and states that in those counties where median family income is lower than the state average median family income, the state average median family income shall be used to interpret the rider. Since state law is automatically incorporated in Department contracts, the increased eligibility thresholds are arguably incorporated in the contracts.

A reduction in the number of assisted households is typically requested for Owner Occupied Rehabilitation/Reconstruction (OCC) as a result of higher than anticipated construction or labor costs that are revealed after the bidding process has occurred. In these cases, the reduction is requested to allow additional funds to be budgeted to each household thereby ensuring the project's financial feasibility.

Reductions to match requirements are often requested when match as originally pledged is no longer available, or more frequently, match documentation submitted by Administrators is not sufficient to meet match criteria defined in federal rules and notices. While eligible sources of match are approved during the award phase, documentation evidencing the match often reveals issues that are not apparent until the match is reported, including issues with procurement, identity of interest, and the use of federal funding sources; these changes necessitate modifications to match during contract implementation.

This issue is most common with Tenant-Based Rental Assistance (TBRA) contracts. Supportive services are the only eligible category of match for TBRA contracts. It is very difficult for Administrators to obtain the appropriate amount of documentation verifying that the match is not derived from a federal source. Another issue encountered by TBRA Administrators and Department staff includes the amount of time and effort to document, prepare, review, and verify the validity of match reported for each individual activity. The process is cumbersome and often a relatively minimal amount of match is verified as valid compared to the amount of time and effort required to obtain the information. Administrators have expressed concerns about the burden placed on staff to track and provide the information needed to meet their match obligations. In most instances, TBRA administrators would have received an award of HOME funds without committing to match.

**Spectrum Housing and Services, Inc Contract Number 542037**

**Summary of Request**

Spectrum Housing (Administrator) requested a waiver of the match requirement. Pledged match that was anticipated to be used to meet the match requirement is from a federal source (Medicare/Medicaid) and therefore ineligible as match. Re-scoring the original application based on the waiver of match as requested by the Administrator would not have resulted in an award; a match reduction of $211,600 as shown on the table below would have resulted in an award.

The Administrator is requesting the following modification to match requirements:

| | Original | Requested | **Recommended** |
|---|---|---|---|
| Match | $217,850 | $0 | **$6,250** |

| | |
|---|---|
| Amendment Number: | 1 |
| Activity Type: | Tenant-Based Rental Assistance (TBRA) |
| Contract Executor: | Larry Mack, President |
| Contract Contact: | Carol C. Rodriguez, Program Administrator |
| Contract Start Date: | August 15, 2003 |
| Contract End Date: | March 31, 2006 |
| Service Area: | San Antonio, Bexar County |
| Total Budget Amount: | $520,000 |
| Project Amount: | $500,000 |
| Administration Amount: | $20,000 |
| Households Required: | 53 |
| Households Committed: | 74 |
| Amount Drawn: | $466,346.38 |

**Requested Action**

Because of current policy, staff is unable to recommend the approval of the amendment. If the board chooses to approve the amendment, the match requirement would be modified according to the amount under ***Recommended*** in the above table. Administrator has already exceeded the newly recommended match amount of $6,250.

Support documentation submitted substantiates extenuating circumstances or compelling reasons for the request; the amendment as recommended by staff would still have resulted in an award of HOME funds; and the Administrator is in compliance with all monitoring and auditing requirements for Department programs.

In addition, the Administrator attempted to identify alternate sources of match, however, none were identified; and the TBRA program traditionally provides minimal amounts of match that is very labor intensive for HOME Administrators to document and for Department staff to verify.

**Laredo-Webb NHS Contract Number 542040**

**Summary of Request**
Laredo-Webb NHS (Administrator) previously requested an amendment to extend the contract end date as a result of unforeseen delays in the project. The contract start date was October 1, 2003; the first amendment was executed on October 20, 2005 extending the end date of the contract for 6 months, from September 30, 2005 to June 30, 2006.

The Administrator is requesting a second amendment to extend the end date of their contract from June 30, 2006 to June 30, 2007. The Administrator builds their own homes and provides down payment assistance to eligible households for the purchase of these homes. Administrator states that a 12 month extension is necessary due to unforeseen delays in the construction process and significant turnover of key personnel during the past year. In addition, the bidding process revealed a fifty percent (50%) price increase in construction materials and significant increases in labor costs above the amount originally budgeted. This caused the Administrator to reevaluate the specs and materials in order to minimize the costs and construct quality standard homes. The Administrator has indicated that the contract can be successfully completed by the amended ending date of the contract (June 30, 2007).

| | |
|---|---|
| Amendment Number: | 2 |
| Activity Type: | Home Buyer Assistance (HBA) |
| Contract Executor: | John Puig, President |
| Contract Contact: | Arturo Garcia, Executive Director |
| Contract Start Date: | October 1, 2003 |
| Contract End Date: | June 30, 2006 |
| Requested End Date: | June 30, 2007 |
| Service Area: | Laredo, Webb County |
| Total Budget Amount: | $312,000 |
| Project Amount: | $300,000 |
| Administration Amount: | $12,000 |
| Households Required: | 20 |
| Households Committed: | 7 |
| Amount Drawn: | $106,200 |

**Requested Action**
Because of current policy, staff is unable to recommend the approval of the amendment. If the board chooses to approve the amendment, the contract end date would be extended from June 30, 2006 to June 30, 2007.

In addition, by execution of this Amendment, Administrator agrees to provide the Department with a Monthly Contract Progress Report, in a form prescribed by the Department. The report must specify all progress made towards meeting contract performance requirements by the end of the contract term. The Monthly Contract Progress Report must be completed and submitted by the 10th day of each month until the end of the contract term.

**Spectrum Housing and Services, Inc.**
**3551 Culebra**
**San Antonio, Texas 78228**


Val-
Please rescore to
determine the minimum
amount of match
required. Thanks,
L.

August 16, 2005

Ms. Lucy Treviño
Portfolio Analyst Supervisor
Texas Dept. Housing and Community Affairs
P.O. Box 13941
Austin, Texas 78711-3941

RE: HOME Contract #542037

Dear Ms. Treviño:

Spectrum Housing and Services, Inc. has been working with the Department (TDHCA) to achieve the match as required by the performance statement in the HOME TBRA contract. A substantial part of the match we anticipated using for this contract and that had been previously submitted and approved was determined not to be eligible by the Department.

Spectrum Housing requests that you waive the match requirement on behalf of the Department due to these unforeseen circumstances. If that is not possible we request that the match requirement be reduced to an achievable amount due to these circumstances.

As you well know, several TBRA programs are confronting this situation regarding the match requirement across the State. Your assistance in resolving this matter is earnestly appreciated.

Sincerely,

Larry Mack
President
Spectrum Housing and Services, Inc.

**Frances Acosta**

**From:** Frances Acosta
**Sent:** Friday, June 02, 2006 9:47 AM
**To:** Larry Mack; 'Carol Rodriguez'
**Cc:** Valerie Gonzales
**Subject:** SPECTRUM HSG & SVCS INC 542037 - MATCH DOCUMENTATION

r. Mack,

have completed the review of the match submitted by Carol and find several codes not listed on any of the ists provided therefore no value of match is given and the Client Services Listing for Susan Caraway was not eceived so no value of match is being considered for her.

The following activities will receive match for the following amounts only:

| | | | |
|---|---|---|---|
| ;0 | activity # 19231 | S. Caraway | fax received does not contain the "Client Services Listing" |
| ;1780.90 | activity # 19376 | M. Ramirez | |
| ;460.00 | activity # 19379 | K. Felvey | |
| ;88.75 | activity # 19598 | S. Ybarra | |
| ;585.61 | activity # 19653 | S. Stevenson | |
| ;501.25 | activity # 19636 | W. Hernandez | |
| ;3025.00 | activity # 20345 | R. Halton | |
| ;497.50 | activity # 20351 | R. Vasquez | |
| ;2640.00 | activity # 21528 | J. Swatzell | |
| 9579.01 | eligible match - NOT IN the system yet. | | |

Codes not listed on provided lists are:
!021
!095
!543
1009
1415
)073

you wish an opportunity to provide the missing items to give you additional credit for match please provide y Wednesday (June 7th) of next week. Please call me if you have any questions.

'rances Acosta
'ortfolio Specialist
'ortfolio Management and Compliance
)FFICE: 512/305-8568
'AX: 512/475-0220

## Lucy Trevino

**From:** Arturo Garcia [garcialwnhs@bizlaredo.rr.com]

**Sent:** Thursday, June 08, 2006 3:29 PM

**To:** 'Lucy Trevino'

**Cc:** Mayra Hernandez; JohnPuig@webfng.com; gaskerooth@earthlink.net

**Subject:** RE: TDHCA Board Meeting (Second Extension Request)

Ms. Trevino,

I just wanted to ensure I followed up with you as per our conversation during our visit to your office on June 1, 2006. I would like to start off by thanking you for taking time to listen to our request for a second extension to our TDHCA Contract #542040. The information and assistance that you provided has directed us on what we need to focus on to complete our portion of the contract.

As I mentioned, we have had significant issues develop throughout the contract period. Below is informational reference on the history of our contract and the circumstances that have led to several unforeseen delays.

History-

- The HBA Program – Contract #542040 documents a commencement date of October 1, 2003 and completion date of September 30,2005.
- The mandatory HOME Implementation and Training Workshop was held on October 31, 2003.
- The NHS program Design was approved by TDHCA on February 10,2004 but notification of approval was not documented until reception by fax on April 26, 2004 of the memo dated March 31, 2004.
- The fully executed copy of the NHS HOME program HBA Contract was not received until April 26, 2004.
- An extension was awarded until June 30, 2006

Personnel issues: The Laredo Webb NHS has undergone 100% loss of personnel during the past year. The key individuals involved in the implementation of this contract from our organization are the Executive Director, Lending Specialist and Construction Specialist. These personnel are all new. A short history of the rotation of personnel is listed below

- Ms. Martha Castaneda, Lending Specialist resigned July 26, 2005.
- Ms. Raquel Garcia, Lending Specialist hired September 2006.
- Mr. Jose Rodriguez, Construction Specialist, resigned September 15, 2005.
- Mr. Arnoldo Cervantes, Construction Specialist hired November 7, 2005.
- Mr. James Flores, Executive Director resigned December 9, 2005.
- Ms. Raquel Garcia, Lending Specialist resigned March 6, 2006.
- Mr. Arturo Garcia, New Executive Director hired February 12, 2006.
- Ms. Mayra Hernandez, New Lending Specialist hired April 20, 2006.

Construction related delays: Laredo-Webb NHS encountered construction delays due to the contractor not completing the second phase of construction of four homes. The construction contract was terminated in March 2006 and a new contractor selected in April 2006 to complete the homes. These four homes will be completed and sold prior to the June 30, 2006 deadline. The remaining six homes which have not been built account for a total of $90,000 worth of TDHCA down payment assistance. Our office bid out and was pending to award a contract to start the construction of these last six homes on June 1, 2006, but had to delay the award until there is resolution whether we are going to get an second extension to complete these six homes.

Construction Costs Increased: In regards to the six homes that are pending to be built the estimated costs for construction have risen in the past year in particular to the Hurricanes, the rise in fuel costs, and construction demand. These three factors have affected the cost of materials and labor. As we were able to build the same home for around $52K last year, the cost currently is closer to $75K. This has caused us to relook at our specs and materials in order to minimize the cost and keep providing an affordable home.

As you are aware, we are very determined to complete this contract. The demand for this type of program in our community continues to be in high demand. I hope that our presence and our constant communication with you shows our interest in completing this project.

I hope this information is helpful in submitting us for the TDHCA Board of Directors Agenda for the June 26, 2006 meeting in order to request a second extension to our contract. Mr. John V. Puig, President of Laredo-Webb NHS plans on attending the Board meeting.

If you have any questions or concerns, please let me know.

Thank you

Arturo Garcia
Executive Director
Laredo-Webb Neighborhood Housing Services
216 Bob Bullock Loop
Laredo, Texas 78046
956-712-9100 office
956-712-9102 fax
garcialwnhs@bizlaredo.rr.com

---

**From:** Lucy Trevino [mailto:lucy.trevino@tdhca.state.tx.us]
**Sent:** Tuesday, May 30, 2006 8:17 AM
**To:** 'Arturo Garcia'
**Cc:** Mayra Hernandez
**Subject:** RE: TDHCA visit about contracts.

When will you be in Austin? What date and time?

Lucy Trevino, CPA
Manager, Portfolio Analysis
(512)475-2550 Phone
(512)475-0220 Fax

-----Original Message-----
**From:** Arturo Garcia [mailto:garcialwnhs@bizlaredo.rr.com]
**Sent:** Friday, May 26, 2006 9:39 AM
**To:** lucy.trevino@tdhca.state.tx.us
**Cc:** Mayra Hernandez
**Subject:** TDHCA visit about contracts.

Lucy,

We will be in Austin and wanted to take full of advance of visiting with you and other TDHCA staff that we touch base with our contract implementation. I will be accompanied by Ms. Mayra Hernandez and just wanted to take full of advantage of visiting with you about our contracts and submitting our status reports and requesting an extension to Contract #542040 for the agenda on the JUN 24 TDHCA BOD meeting. Of course, this is if your schedule allows. Don't want to take up your entire day or anything like that...just wanted a few minutes of your time...

I just think its always great to place a face to the voice over the phone.

Also, I wanted to have Mayra, from my office meet with the respective persons that she has contact with when she is getting our draws submitted.

I hope this is not asking for too much....Please let me know if this is okay.

Thank you

Arturo Garcia
Executive Director
Laredo-Webb Neighborhood Housing Services
216 Bob Bullock Loop
Laredo, Texas 78046
956-712-9100 office
956-712-9102 fax
garcialwnhs@bizlaredo.rr.com

LAREDO-WEBB NHS
NeighborWorks®
HomeOwnership Center



Hand-Delivered by Arturo Garcia on 6/1/06. [illegible]

May 31, 2006

Ms. Lucy Trevino
Manager
Portfolio Management
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
Austin, Texas 78711-3941

**RE: HOME Contract Number 542040, Homebuyer Assistance – Contract Status Report and Second Contract Extension Request**

Dear Ms. Trevino:

I received your correspondence requesting a contract status report regarding HOME Contract #542040. I have reviewed the contract status and in this regard, NHS has been faced with several critical issues that have hampered and set-back the completion of this contract. Numerous factors such a high turn over in staff, construction contractor delays, and significant material & labor costs in construction have caused considerable delays in being able to complete this contract.

To date, NHS has completed the construction of 14 homes out of a total of 20 as per our contract. The remaining construction of six (6) homes is not anticipated to be completed by the contract deadline, but I do not anticipate having any problems in identifying qualified individuals prior to the contract deadline. These six (6) homes account for $90,000 of Down payment Assistance funding that is critical to providing a valuable service to our local persons with special needs allowing them the opportunity of homeownership.

Our draw down requests show committed funds of $135,000. We are expecting to commit an additional $75,000 which represents the remaining completed homes before the contract deadline. This represents a total of $210,000 that will be committed and soon after drawn. My staff and I are very thankful to the assistance that your staff has provided us during the draw request process as known of us had attended any training.

RECEIVED
1 2006
PM&C DIVISION

**We are expecting that in order to accomplish all program activities, the Laredo-Webb Neighborhood Housing Services, Inc. will require a second extension in order to complete the construction of the remaining six (6) homes. The Laredo-Webb Neighborhood Housing Services, Inc. is requesting to be placed on the earliest TDHCA Board of Directors meeting agenda in order to request authorization for a second extension of Contract #542040.**

There have been extenuating circumstances that have caused Laredo-Webb Neighborhood Housing Services, Inc. tremendous difficulties in drawing down and completing the contract. I would ask to

NeighborWorks®
CHARTERED MEMBER

216 Bob Bullock Loop Laredo, Texas 78046 Tel. 956 712-9100 Fax 956 712-9102

please take into account the Laredo-Webb Neighborhood Housing Services, Inc. excellent record on completing previous HOME projects in a timely manner. Of our previous contracts with TDHCA, all were completed on time and within the performance timetable.

If you need additional information, please feel free to call me at (956) 712-9100 or email at garcialwnhs@bizlaredo.rr.com .

Sincerely,

Arturo Garcia
Executive Director

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
## HOME Investment Partnerships Program
## Contract Status Report

Administrator: Laredo-Webb Neighborhood Housing

Address: 216 Bob Bullock Loop City: Laredo, TX 78046

Consultant: None

Contract #: 542040

Entity Type Non-CHDO

Activity Type HBA

### CONTRACT TERM

| Begin Date: | End Date: | Contract Term | Months Elapsed | % Elapsed |
|---|---|---|---|---|
| 10/01/2003 | 6/30/2006 ✓ | 33 | 32 | 96% |

### CONTRACT BALANCES

| | Total Budget | Total Draws | Total Balance | % Drawn |
|---|---|---|---|---|
| Federal Project | $ 286,523.54 | $ 91,523.54 | $ 195,000.00 | 31.94% |
| Administrative | $ 12,000.00 | $ 1,200.00 | $ 10,800.00 | 10.00% |
| TOTAL | $ 312,000.00 | $ 106,200.00 | $ 205,800.00 | 34.04% |

### MATCH INFORMATION

| Total Required | Required per % drawn | Reported Amount | Over/(Under) |
|---|---|---|---|
| $ 6,000.00 | $ 2,100.00 | $ 2,102.38 | $ 2.38 |

*As additional draws are processed, required match amount will increase.*

### HOUSEHOLDS ASSISTED

| # Required | # Completed | Over/(Under) | % Completed |
|---|---|---|---|
| 20 | 7 | (13) | 35% |

COMMENTS:

See attached Contract Status Letter and request for second extension.

14 Already in process.
6 Bids Pending Extension.
Terminated prior construction contractor - new one hired.
Prices increased from $52K to 75K - 50% increase.

I have reviewed the above information and provided relevant comments and status on all activities.

Signature (Authorized Signature)

President
Title

May 31, 2006
Date

** Form must be completed, signed and returned to the Department by June 2, 2006. Please return to the following address: TDHCA, ATTN: Betty Gallegos, P.O. Box 13941, Austin, TX 78711-3941 or by fax to (512)475-0220.

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

## HOME Investment Partnerships Program

## Contract Status Report

Hand-Delivered by Antonio Garcia on 6/1/06 JCT.

Administrator: Laredo-Webb Neighborhood Housing

Contract #: 1000543

Address: 216 Bob Bullock Loop City: Laredo, TX 78046

Entity Type: Non-CHDO

Consultant: None

Activity Type: OCC

### CONTRACT TERM

| Begin Date: | End Date: | Contract Term | Months Elapsed | % Elapsed |
|---|---|---|---|---|
| 10/03/2005 | 9/28/2007 | 24 | 8 | 31% |

### CONTRACT BALANCES

| | Total Budget | Total Draws | Total Balance | % Drawn |
|---|---|---|---|---|
| Federal Project | $ 495,000.00 | $ 0.00 | $ 495,000.00 | 0.00% |
| Administrative | $ 19,800.00 | $ 0.00 | $ 19,800.00 | 0.00% |
| TOTAL | $ 514,800.00 | $ 0.00 | $ 514,800.00 | 0.00% |

### MATCH INFORMATION

| Total Required | Required per % drawn | Reported Amount | Over/(Under) |
|---|---|---|---|
| $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 |

*As additional draws are processed, required match amount will increase.*

### HOUSEHOLDS ASSISTED

| # Required | # Completed | Over/(Under) | % Completed |
|---|---|---|---|
| 9 | 0 | (9) | 0% |

***Provide completion percentage, anticipated completion dates and comments on all activities still in progress.***

| Activity # | % Completed | Anticipated Completion Date | Comments/Status: |
|---|---|---|---|
| | Started waiting list — approximately 10 families. | | |

I have reviewed the above information and provided relevant comments and status on all activities.

| Signature (Authorized Signature) | Title | Date |
|---|---|---|
| [signature] | President | May 31, 2006 |

Val - check on access form for Antonio Garcia.

** Form must be completed, signed and returned to the Department by June 2, 2006. Please return to the following address: TDHCA, ATTN: Betty Gallegos, P.O. Box 13941, Austin, TX 78711-3941 or by fax to (512)475-0220.

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**June 26, 2006**

## Action Items

Presentation, Discussion and Possible Approval of amendments to two HOME Community Housing Development Organization (CHDO) Rental Development awards to Affordable Housing of Parker County.

## Required Action

Approve, Deny or Approve with Conditions the amendments to HOME CHDO Rental Development contracts for the Estates of Bridgeport Phase IV (#1000370) and Phase IVa (#1000608).

## Background

The Department awarded HOME CHDO funds to the subject Developments in April 2005, and March 2006, respectively. The Borrower, Affordable Housing of Parker County has now requested that these developments be exempted from the Department's threshold criteria 2005 Qualified Allocation Plan §49.9(f)(4)(B)(iii) requiring garbage disposals in multifamily units. The Borrower has pointed out in their request that the Department does have an exemption to the rule for properties funded through the Texas office of USDA Rural Housing Services. However, the subject Developments have no USDA funding attached to them.

The Borrower has noted that the cost of installation for garbage disposals is approximately, $231.36, per household. This would result in a total cost of installation of approximately $5,900. The Borrower noted that they believe disposals will need to be replaced on an annual basis, and that annual repair and replacement costs could exceed $15,000.

The Estates of Bridgeport IV contract has closed with the Department however Estates of Bridgeport Phase IVa has not closed with the Department and is anticipated to close at the end of this month.

## Recommendation

Staff does not recommend the approval of the Borrower's requested amendment. The Borrower understood that this amenity was required of all developments, should have included the cost in their application, and did not ask for a special exemption at the time of application.

AFFORDABLE HOUSING OF PARKER COUNTY, INC.
101 SWAN COURT, SPRINGTOWN TEXAS 76082

June 9, 2006

Ms. Lucy Trevino
Portfolio Administrator Supervisor
Portfolio Management Division
Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, Texas 78711-3941

Re: HOME Contract Numbers 1000370 and 1000608

Dear Ms. Trevino: still pending

I am requesting that Contract Number 1000370 Multifamily Development (Estates of Bridgeport Phase IV) and Contract Number 1000608 (Estates of Bridgeport IVa) be amended to remove the requirement that each unit constructed include a garbage disposal as an amenity. Removal of this requirement will enable Affordable Housing of Parker County ("AHPC") to continue to meet its obligation to provide safe, decent, healthy and affordable rental units for low income persons and families in Wise County.

We are asking for the contracts to be amended to remove the garbage disposal requirement for the following reasons. First, the amenity as a threshold is not required for TX-USDA-RHS Developments. The reason is that USDA considers garbage disposals not to be a common amenity and, in addition, an expensive on-going maintenance item. Their reasoning is that garbage disposals are not required to provide safe, decent and healthy housing. Although, the project referenced by the contracts above is not a TX-USDA-RHS Development, it has all the hallmarks of one. It is in a TX-USDA-RHA eligible area, it is a small development in terms of number of units and the units as designed meet all TX-USDA-RHS requirements.

Second, garbage disposals in rental housing are a high maintenance and costly item. In fact, they are now considered in the industry as the highest maintenance item in multi-family housing. Affordable Housing of Parker County surveyed several master plumbers regarding the use of garbage disposals in multi-family housing. The consensus was that placing garbage disposals in multi-family units is a costly proposition because of annual maintenance and replacement. The Master Plumbers surveyed stated that the average lifespan of a garbage disposal in a rental unit is between 9 and 12 months. Using a Disposal Whirlaway HD ½ horsepower disposal as a standard, it was determined that the acquisition and installation costs would be $231.36 per unit. Installing the disposals would increase construction costs by $4,627.20 for Contract #1000370 and $1,288.16 for Contract #1000608, while this is not necessarily a major addition to construction costs, it is, however, a significant negative impact to the annual repair and maintenance budget. Since these items have a lifespan of 9 to 12 months, AHPC would have to anticipate replacing the units annually. Year one repair and maintenance budgets as reflected in the application budget proformas were $12,833 for Contract #1000370 and $3,900 for Contract #1000608. This means that maintenance and replacement of the disposal units would cost between 33% and 36% of the entire annual maintenance budget. That is a significant ongoing cost factor and, in fact would make the multi-family complex a high risk for financial failure.

Understanding this, although we signed the Development and Certification Form (Volume 32, Tab 1, Part A1), we also specifically did not mark disposals as an amenity for the property in Part B Specifications and Amenities. We believed that this was the proper way to inform the application reviewers that we agreed to all items of the Development and Certification Form except for the disposals.

We understand that the reason to include this item in Development and Certification Form Unit Amenities was to create a uniform document that could be used for all TDHCA multi-family applications, including tax credit properties. Unfortunately the majority of rural Texas towns cannot support large multi-family projects. They can usually support between 20 and 50 units. The limited size of the rural projects combined with the HUD ceiling on maximum rents, makes truly rural multi-family project extremely difficult to operate in a strong financial manner. Higher numbers of units would make high maintenance items such as disposals more workable because the total annual rental income would be higher and subsequently more funds would be available for repair and maintenance. Smaller complexes do not have that luxury.

In closing, we are asking for this amendment to allow Affordable Housing of Parker County to continue to meet their commitment of providing the safest, healthiest, and most decent rental housing in the most affordable manner possible.

Thank you for your kind consideration of this request. If you have any questions or desire further comment, please call me at (817) 220-5585.

Yours Truly,

A.G. Swan
Executive Director

Cc: Michael Hunter - Hunter & Hunter Consultants, Inc.

**Financial Administration Division**
**Board Action Request**
**June 26, 2006**

## Action Item

The Department staff will present the FY 2007 Draft Operating Budget.

## Required Action

The Board consider for discussion purposes the attached FY 2007 Draft Operating Budget for fiscal year beginning September 1, 2006 through August 31, 2007. A final draft will be presented for approval at the July 12th Board Meeting.

## Background

The Operating Budget for FY 2007 is within the appropriations approved by the 79th Legislature but does not include the pass-through grant funds.

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

# FY-2007 DRAFT OPERATING BUDGET

*(September 1, 2006 through August 31, 2007)*

**June 26, 2006**

*Prepared by the Financial Services Division*

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FY-2007 OPERATING BUDGET

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# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
# FY-2007 OPERATING BUDGET

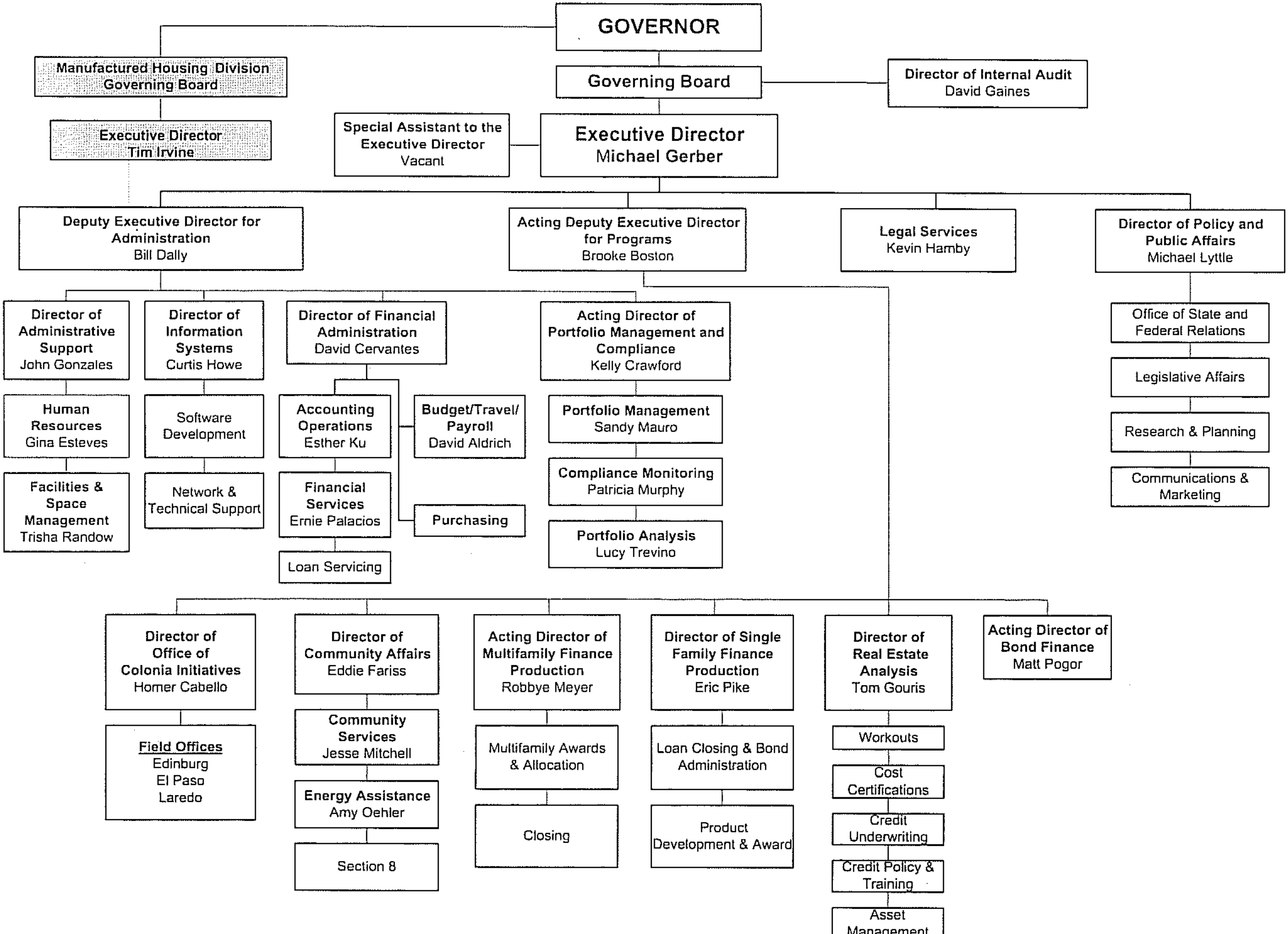
## T A B L E O F C O N T E N T S (Continued)



* * * * * * * * * * * * * * *

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

(298)




May 17, 2006

Comparison by Division

Method of Finance Chart

Comparison by Expense Object

FTEs by Division

Out of State Travel

Capital Budget

Capital Budget by Project

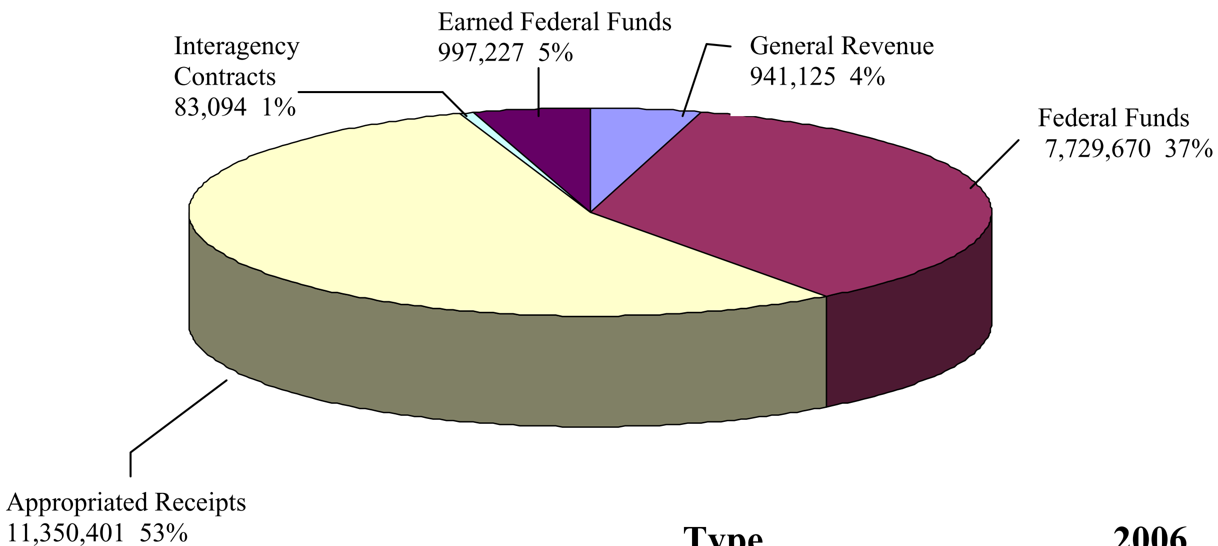
Texas Department of Housing and Community Affairs
Comparision by Division
Appropriation Years 2006 and 2007

| | FY06 Budget (a) | FY07 Budget (b) | Variance (b-a) | Percentage Change | FY06 FTEs | FY07 FTEs | FTE Variance |
|---|---|---|---|---|---|---|---|
| Housing Programs Division: | | | | | | | |
| Office of Colonia Initiatives | $ 590,572 | $ 592,094 | $ 1,523 | 0.3% | 8.0 | 8.0 | 0.0 |
| Community Affairs Administration | 242,985 | 234,990 | (7,995) | -3.3% | 3.0 | 3.0 | 0.0 |
| Community Services Programs | 995,440 | 1,028,533 | 33,093 | 3.3% | 15.0 | 15.0 | 0.0 |
| Energy Assistance | 1,326,327 | 1,248,729 | (77,598) | -5.9% | 16.0 | 16.0 | 0.0 |
| Section 8 | 468,562 | 400,596 | (67,966) | -14.5% | 7.0 | 7.0 | 0.0 |
| Multifamily Finance Production | 1,037,221 | 1,035,537 | (1,684) | -0.2% | 14.0 | 14.0 | 0.0 |
| Single Family Finance Production | 1,214,834 | 1,286,599 | 71,766 | 5.9% | 13.0 | 13.0 | 0.0 |
| Real Estate Analysis | 838,745 | 832,613 | (6,132) | -0.7% | 11.0 | 11.0 | 0.0 |
| Bond Finance | 398,272 | 386,361 | (11,911) | -3.0% | 4.0 | 4.0 | 0.0 |
| Subtotal, Housing Programs Division | 7,112,958 | 7,046,053 | (66,905) | -0.9% | 91.0 | 91.0 | 0.0 |
| Executive Administration: | | | | | | | |
| Executive Office | 576,891 | 552,251 | (24,640) | -4.3% | 5.0 | 5.0 | 0.0 |
| Board | 77,600 | 77,600 | - | 0.0% | | | |
| Legal Services | 727,646 | 714,343 | (13,302) | -1.8% | 6.0 | 6.0 | 0.0 |
| Internal Audit | 276,483 | 264,702 | (11,780) | -4.3% | 4.0 | 4.0 | 0.0 |
| Policy and Public Affairs | 1,079,488 | 1,012,675 | (66,813) | -6.2% | 13.0 | 13.0 | 0.0 |
| Subtotal, Executive Administration | 2,738,107 | 2,621,571 | (116,536) | -4.3% | 28.0 | 28.0 | 0.0 |
| Agency Administration: | | | | | | | |
| Director's Office of Financial Administration | 487,511 | 476,830 | (10,680) | -2.2% | 6.0 | 6.0 | 0.0 |
| Accounting Operations | 769,645 | 762,495 | (7,150) | -0.9% | 12.0 | 12.0 | 0.0 |
| Financial Services | 1,090,387 | 1,111,807 | 21,420 | 2.0% | 15.0 | 15.0 | 0.0 |
| Purchasing | 231,727 | 233,149 | 1,422 | 0.6% | 4.0 | 4.0 | 0.0 |
| Human Resources | 363,781 | 350,331 | (13,450) | -3.7% | 5.0 | 5.0 | 0.0 |
| Facilities and Space Management | 297,083 | 298,231 | 1,148 | 0.4% | 5.0 | 5.0 | 0.0 |
| Information Systems | 1,395,722 | 1,371,741 | (23,981) | -1.7% | 19.0 | 19.0 | 0.0 |
| Portfolio Management and Compliance | 3,852,629 | 3,780,826 | (71,803) | -1.9% | 44.0 | 44.0 | 0.0 |
| Subtotal, Agency Administration | 8,488,484 | 8,385,409 | (103,075) | -1.2% | 110.0 | 110.0 | 0.0 |
| Capital Budget (Note: $10,000 in MH budget) | 695,000 | 500,000 | (195,000) | -28.1% | | | |
| Payroll Related Costs | 2,924,547 | 3,036,682 | 112,134 | 3.8% | | | |
| Total, Department | $ 21,959,096 | $ 21,589,715 | $ (369,381) | -1.7% | 229.0 | 229.0 | 0.0 |

| | FY06 Budget (a) | FY07 Budget (b) | Variance (b-a) | Percentage Change |
|---|---|---|---|---|
| Method of Finance: | | | | |
| General Revenue | $ 981,322 | $ 941,125 | $ (40,197) | -4.1% |
| Earned Federal Funds | 1,003,656 | 997,227 | (6,430) | -0.6% |
| Federal Funds | 7,866,129 | 7,729,670 | (136,459) | -1.7% |
| Bond Admin Fees | 5,500,401 | 5,485,087 | (15,314) | -0.3% |
| LIHTC Fees | 5,020,834 | 4,912,069 | (108,765) | -2.2% |
| Affordable Housing Disposition Fees | 1,002,121 | 953,245 | (48,875) | -4.9% |
| Interagency Contract (ORCA) | 94,585 | 83,094 | (11,492) | -12.1% |
| Appropriated Receipts - MH | 490,048 | 488,198 | (1,851) | -0.4% |
| Total, Method of Finance | $ 21,959,096 | $ 21,589,715 | $ (369,381) | -1.7% |

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**
**FY 2007 Method of Finance**

## Total Budget $21,101,517




| Type | 2006 | 2007 |
|---|---|---|
| General Revenue | 981,322 | 941,125 |
| Federal Funds | 7,866,129 | 7,729,670 |
| Appropriated Receipts | 11,523,356 | 11,350,401 |
| Interagency Contracts | 94,585 | 83,094 |
| Earned Federal Funds | 1,003,656 | 997,227 |
| | 21,469,048 | 21,101,517 |
| MH Support | 490,048 | 488,198 |
| **Total MOF** | **21,959,096** | **21,589,715** |

Texas Department of Housing and Community Affairs
Comparison by Expense Object
Appropriation Years 2006 and 2007

| | FY06 Budget (a) | FY07 Budget (b) | Variance (b-a) | Percentage Change |
|---|---|---|---|---|
| Salaries and Wages | $ 12,715,422 | $ 13,202,963 | $ 487,541 | 3.8% |
| Payroll Related Costs | 2,924,547 | 3,036,682 | 112,134 | 3.8% |
| Travel In-State | 500,587 | 543,393 | 42,806 | 8.6% |
| Travel Out-of-State | 100,315 | 100,315 | - | 0.0% |
| Professional Fees | 2,360,731 | 2,224,650 | (136,081) | -5.8% |
| Material and Supplies | 436,799 | 514,275 | 77,476 | 17.7% |
| Repairs/Maintenance | 415,503 | 343,526 | (71,977) | -17.3% |
| Printing and Reproduction | 130,791 | 132,691 | 1,900 | 1.5% |
| Rentals and Leases | 745,412 | 193,993 | (551,419) | -74.0% |
| Membership Fees | 79,975 | 78,925 | (1,050) | -1.3% |
| Fees and Other Charges | 310,168 | 328,369 | 18,201 | 5.9% |
| Employee Tuition | 11,000 | 13,200 | 2,200 | 20.0% |
| Advertising | 75,000 | 78,000 | 3,000 | 4.0% |
| Freight/Delivery | 24,350 | 30,050 | 5,700 | 23.4% |
| Temporary Help | 452,544 | 245,033 | (207,511) | -45.9% |
| Furniture and Equipment | 270,532 | 26,050 | (244,482) | -90.4% |
| Communication and Utilities | 215,258 | 244,478 | 29,220 | 13.6% |
| Capital Outlay | 130,000 | 200,000 | 70,000 | 53.8% |
| State Office of Risk Management | 60,162 | 53,122 | (7,040) | -11.7% |
| Total Department | $ 21,959,096 | $ 21,589,715 | $ (369,381) | -1.7% |
| FTE's | 229.00 | 229.00 | 0.00 | |
| Method of Finance: | | | | |
| General Revenue | $ 981,322 | $ 941,125 | $ (40,197) | -4.1% |
| Earned Federal Funds | 1,003,656 | 997,227 | (6,430) | -0.6% |
| Federal Funds | 7,866,129 | 7,729,670 | (136,459) | -1.7% |
| Bond Admin Fees | 5,500,401 | 5,485,087 | (15,314) | -0.3% |
| Housing Tax Credit | 5,020,834 | 4,912,069 | (108,765) | -2.2% |
| Affordable Housing Disposition Fees | 1,002,121 | 953,245 | (48,875) | -4.9% |
| Interagency Contracts | 94,585 | 83,094 | (11,492) | -12.1% |
| Appropriated Receipts - MH | 490,048 | 488,198 | (1,851) | -0.4% |
| Total, Method of Finance | $ 21,959,096 | $ 21,589,715 | $ (369,381) | -1.7% |

Texas Department of Housing and Community Affairs
FTEs by Division
Internal Operating Budget
Fiscal Year 2007

| | |
|---|---|
| Executive Administration: | |
| Executive Office | 5.00 |
| Legal Services | 6.00 |
| Internal Audit | 4.00 |
| Policy and Public Affairs | 13.00 |
| Total, Executive Administration | 28.00 |
| Agency Administration: | |
| Human Resources | 5.00 |
| Facilities | 5.00 |
| Information Services | 19.00 |
| Director's Office of Financial Administration | 6.00 |
| Accounting Operations | 12.00 |
| Financial Services | 15.00 |
| Purchasing | 4.00 |
| Portfolio Management and Compliance | 44.00 |
| Total, Agency Administration | 110.00 |
| Housing Programs Division: | |
| Office of Colonia Initiatives | 8.00 |
| Division Administration-Community Affairs | 3.00 |
| Community Services | 15.00 |
| Energy Assistance | 16.00 |
| Section 8 | 7.00 |
| Multi Family Finance Production | 14.00 |
| Single Family Finance Production | 13.00 |
| Real Estate Analysis | 11.00 |
| Bond Finance | 4.00 |
| Total, Housing Programs Division | 91.00 |
| Subtotal, Housing and Community Affairs | 229.00 |
| Manufactured Housing | 64.00 |
| MDSI Contracted FTEs | 5.00 |
| Subtotal, Authorized FTEs per the General Appropriations Act (GAA) | 298.00 |

Texas Department of Housing and Community Affairs
Out of State Travel
Fiscal Year 2007

| | Budget Draft 2007 |
|---|---|
| Executive Administration: | |
| Executive Office | 11,800 |
| Board | 8,600 |
| Legal Services | 4,200 |
| Internal Audit | 0 |
| Policy and Public Affairs | 4,900 |
| Total, Executive Administration | 29,500 |
| | |
| Agency Administration: | |
| Human Resources | 0 |
| Facilities and Space Management | 0 |
| Information Services | 2,400 |
| Director's Office - Financial Administration | 2,500 |
| Accounting Operations | 1,300 |
| Financial Services | 2,335 |
| Purchasing | 0 |
| Total, Agency Administration | 8,535 |
| | |
| Housing Programs Division: | |
| Office of Colonia Initiatives | 3,500 |
| Community Affairs - Administration | 6,000 |
| Community Services | 3,100 |
| Energy Assistance | 3,800 |
| Section 8 | 2,200 |
| Multi Family Housing Production | 11,500 |
| Single Family Housing Production | 5,730 |
| Total, Housing Programs Division | 35,830 |
| | |
| Housing Operation Division: | |
| Real Estate Analysis | 4,250 |
| Portfolio Management and Compliance | 13,000 |
| Bond Finance | 9,200 |
| Total, Housing Operations Division | 26,450 |
| | |
| Department Total | 100,315 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CAPITAL BUDGET
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | FEDERAL FUNDS | LIHTC | AHDP | BOND ADMIN FEES |
|---|---|---|---|---|---|
| Salaries | | | | | |
| Payroll Related Costs | | | | | |
| Travel In-State | | | | | |
| Travel Out-of-State | | | | | |
| Professional Fees | 300,000 | 200,000 | 50,000 | | 50,000 |
| Materials/Supplies | 0 | | | | |
| Repairs/Maintenance | 0 | | | | |
| Printing and Reproduction | 0 | | | | |
| Rental/Lease | 0 | | | | |
| Membership Dues | 0 | | | | |
| Fees and Other Charges | 0 | | | | |
| Employee Tuition | 0 | | | | |
| Advertising | 0 | | | | |
| Freight/Delivery | 0 | | | | |
| Temporary Help | 0 | | | | |
| Furniture/Equipment | 0 | | | | |
| Communications/Utilities | 0 | | | | |
| Capital Outlay | 200,000 | 63,000 | 100,000 | 0 | 37,000 |
| State Office of Risk Management | | | | | |
| Total | 500,000 | 263,000 | 150,000 | 0 | 87,000 |

Notes:
1. Capital Outlay Category is Normal Growth/Integrate Systems.
2. Professional Fees include the PeopleSoft 8.8 Implementation and the Community Services/Energy Assistance System
3. Does not tie to the Capital Budget Rider due to $10,000 budgeted in Manufactured Housing for Normal Growth
4. The Department estimates approximately $300,000 in capital projects budgeted in 2006 will conclude in 2007, we will carry the unexpended balance from 2006 forward to 2007 under authority of Article IX, Sec. 6.16 (i), (2), (j)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CAPITAL BUDGET by PROJECT
FISCAL YEAR 2006

| Project Name | Federal Funds | Appropriated Receipts | Total |
|---|---|---|---|
| Normal Growth/Integrate Sysyems | 63,000 | 137,000 | 200,000 |
| PeopleSoft 8.8 Implementation | 100,000 | 100,000 | 200,000 |
| Community Services/Energy Assistance Contract | 100,000 | | 100,000 |
| Section 8 Sysytem | | | 0 |
| Total, Fiscal Year 2007 | 263,000 | 237,000 | 500,000 |

# Executive Administration Division

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
EXECUTIVE ADMINISTRATION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | EARNED FEDERAL FUNDS | BOND ADMIN FEES | MANUFACT. HOUSING APP REC | LIHTC | AHDP | HOME |
|---|---|---|---|---|---|---|---|
| Salaries | 1,868,148 | 62,848 | 736,200 | 49,953 | 882,458 | 0 | 136,689 |
| | | | | | 0 | | |
| Travel In-State | 72,575 | 5,600 | 28,788 | 0 | 33,088 | 0 | 5,100 |
| Travel Out-of-State | 29,500 | 2,950 | 10,620 | 0 | 14,580 | 0 | 1,350 |
| Professional Fees | 300,000 | 625 | 297,625 | 0 | 1,750 | 0 | 0 |
| Materials/Supplies | 88,946 | 6,981 | 37,094 | 0 | 40,209 | 0 | 4,662 |
| Repairs/Maintenance | 27,670 | 3,262 | 10,428 | 0 | 11,551 | 0 | 2,430 |
| Printing and Reproduction | 35,307 | 799 | 16,769 | 0 | 8,428 | 0 | 9,311 |
| Rental/Lease | 32,742 | 1,140 | 15,200 | 0 | 15,512 | 0 | 890 |
| Membership Dues | 9,000 | 1,825 | 2,625 | 0 | 4,400 | 0 | 150 |
| Fees and Other Charges | 73,964 | 9,792 | 25,729 | 0 | 35,772 | 0 | 2,671 |
| Employee Tuition | 2,700 | 1,620 | 0 | 0 | 1,080 | 0 | 0 |
| Advertising | 1,200 | 180 | 450 | 0 | 570 | 0 | 0 |
| Freight/Delivery | 7,300 | 870 | 2,500 | 0 | 3,780 | 0 | 150 |
| Temporary Help | 32,056 | 1,016 | 14,798 | 0 | 13,559 | 0 | 2,683 |
| Furniture/Equipment | 5,200 | 375 | 2,075 | 0 | 2,750 | 0 | 0 |
| Communications/Utilities | 33,302 | 4,739 | 11,270 | 0 | 14,667 | 0 | 2,626 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| State Office of Risk Management | 1,961 | 0 | 0 | 0 | 1,961 | 0 | 0 |
| Total | 2,621,571 | 104,620 | 1,212,172 | 49,953 | 1,086,114 | 0 | 168,712 |

Note:
Executive Administration Includes:
- Executive Office
- Board
- Legal Services
- Internal Audit
- Policy and Public Affairs

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
EXECUTIVE OFFICE
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | EARNED FEDERAL FUNDS | BOND ADMIN FEES | MANUFACT. HOUSING APP REC | LIHTC |
|---|---|---|---|---|---|
| Salaries | 457,314 | 0 | 111,700 | 10,200 | 335,413 |
| Travel In-State | 20,000 | 5,000 | 3,000 | | 12,000 |
| Travel Out-of-State | 11,800 | 2,950 | 1,770 | | 7,080 |
| Professional Fees | 2,500 | 625 | 375 | | 1,500 |
| Materials/Supplies | 11,021 | 2,755 | 1,653 | | 6,613 |
| Repairs/Maintenance | 4,862 | 1,216 | 729 | | 2,917 |
| Printing and Reproduction | 1,546 | 387 | 232 | | 928 |
| Rental/Lease | 1,561 | 390 | 234 | | 937 |
| Membership Dues | 2,500 | 625 | 375 | | 1,500 |
| Fees and Other Charges | 21,833 | 5,458 | 3,275 | | 13,100 |
| Employee Tuition | 0 | 0 | 0 | | 0 |
| Advertising | 0 | 0 | 0 | | 0 |
| Freight/Delivery | 3,000 | 750 | 450 | | 1,800 |
| Temporary Help | 2,706 | 677 | 406 | | 1,624 |
| Furniture/Equipment | 1,500 | 375 | 225 | | 900 |
| Communications/Utilities | 10,108 | 2,527 | 1,516 | | 6,065 |
| Capital Outlay | 0 | 0 | 0 | | 0 |
| State Office of Risk Management | 0 | | | | |
| Total | 552,251 | 23,734 | 125,941 | 10,200 | 392,375 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | EARNED FEDERAL FUNDS | BOND ADMIN FEES | | LIHTC |
|---|---|---|---|---|---|
| Salaries | | | | | |
| Payroll Related Costs | | | | | |
| Travel In-State | 19,000 | | 9,500 | | 9,500 |
| Travel Out-of-State | 8,600 | | 4,300 | | 4,300 |
| Professional Fees | 500 | | 250 | | 250 |
| Materials/Supplies | 4,000 | | 2,000 | | 2,000 |
| Repairs/Maintenance | 1,000 | | 500 | | 500 |
| Printing and Reproduction | 1,000 | | 500 | | 500 |
| Rental/Lease | 2,000 | | 1,000 | | 1,000 |
| Membership Dues | 1,000 | | 500 | | 500 |
| Fees and Other Charges | 21,000 | | 10,500 | | 10,500 |
| Employee Tuition | 0 | | 0 | | 0 |
| Advertising | 500 | | 250 | | 250 |
| Freight/Delivery | 3,000 | | 1,500 | | 1,500 |
| Temporary Help | 15,000 | | 7,500 | | 7,500 |
| Furniture/Equipment | 1,000 | | 500 | | 500 |
| Communications/Utilities | 0 | | 0 | | 0 |
| Capital Outlay | 0 | | | | |
| State Office of Risk Management | | | | | |
| Total | 77,600 | 0 | 38,800 | 0 | 38,800 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
LEGAL SERVICES
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | EARNED FEDERAL FUNDS | BOND ADMIN FEES | AHDP | LIHTC |
|---|---|---|---|---|---|
| Salaries | 434,089 | 0 | 211,273 | 0 | 222,816 |
| Travel In-State | 3,575 | | 1,788 | | 1,788 |
| Travel Out-of-State | 4,200 | | 2,100 | | 2,100 |
| Professional Fees | 200,000 | | 200,000 | | |
| Materials/Supplies | 41,026 | | 20,513 | | 20,513 |
| Repairs/Maintenance | 5,315 | | 2,658 | | 2,658 |
| Printing and Reproduction | 655 | | 328 | | 328 |
| Rental/Lease | 1,873 | | 937 | | 937 |
| Membership Dues | 2,000 | | 1,000 | | 1,000 |
| Fees and Other Charges | 8,934 | | 4,467 | | 4,467 |
| Employee Tuition | 0 | | 0 | | 0 |
| Advertising | 400 | | 200 | | 200 |
| Freight/Delivery | 600 | | 300 | | 300 |
| Temporary Help | 4,347 | | 2,174 | | 2,174 |
| Furniture/Equipment | 1,800 | | 900 | | 900 |
| Communications/Utilities | 5,529 | | 2,765 | | 2,765 |
| Capital Outlay | 0 | | 0 | | 0 |
| State Office of Risk Management | 0 | | | | |
| Total | 714,343 | 0 | 451,400 | 0 | 262,943 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | EARNED FEDERAL FUNDS | AHDP | MANUFACT. HOUSING APP REC | LIHTC |
|---|---|---|---|---|---|
| Salaries | 234,639 | 62,848 | 0 | 22,906 | 148,886 |
| Travel In-State | 1,000 | 600 | | | 400 |
| Travel Out-of-State | 0 | 0 | | | 0 |
| Professional Fees | 0 | 0 | | | 0 |
| Materials/Supplies | 7,043 | 4,226 | | | 2,817 |
| Repairs/Maintenance | 3,410 | 2,046 | | | 1,364 |
| Printing and Reproduction | 687 | 412 | | | 275 |
| Rental/Lease | 1,249 | 749 | | | 500 |
| Membership Dues | 2,000 | 1,200 | | | 800 |
| Fees and Other Charges | 7,223 | 4,334 | | | 2,889 |
| Employee Tuition | 2,700 | 1,620 | | | 1,080 |
| Advertising | 300 | 180 | | | 120 |
| Freight/Delivery | 200 | 120 | | | 80 |
| Temporary Help | 565 | 339 | | | 226 |
| Furniture/Equipment | 0 | 0 | | | 0 |
| Communications/Utilities | 3,686 | 2,212 | | | 1,474 |
| Capital Outlay | 0 | 0 | | | 0 |
| State Office of Risk Management | 0 | 0 | | | 0 |
| Total | 264,702 | 80,886 | 0 | 22,906 | 160,911 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
POLICY AND PUBLIC AFFAIRS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | EARNED FEDERAL FUNDS | BOND ADMIN FEES | MANUFACT. HOUSING APP REC | LIHTC | HOME |
|---|---|---|---|---|---|---|
| Salaries | 742,106 | 0 | 413,226 | 16,848 | 175,343 | 136,689 |
| | 0 | | 0 | | 0 | 0 |
| Travel In-State | 29,000 | | 14,500 | | 9,400 | 5,100 |
| Travel Out-of-State | 4,900 | | 2,450 | | 1,100 | 1,350 |
| Professional Fees | 97,000 | | 97,000 | | 0 | 0 |
| Materials/Supplies | 25,856 | | 12,928 | | 8,266 | 4,662 |
| Repairs/Maintenance | 13,083 | | 6,542 | | 4,112 | 2,430 |
| Printing and Reproduction | 31,419 | | 15,710 | | 6,398 | 9,311 |
| Rental/Lease | 26,059 | | 13,030 | | 12,140 | 890 |
| Membership Dues | 1,500 | | 750 | | 600 | 150 |
| Fees and Other Charges | 14,974 | | 7,487 | | 4,816 | 2,671 |
| Employee Tuition | 0 | | 0 | | 0 | 0 |
| Advertising | 0 | | 0 | | 0 | 0 |
| Freight/Delivery | 500 | | 250 | | 100 | 150 |
| Temporary Help | 9,438 | | 4,719 | | 2,036 | 2,683 |
| Furniture/Equipment | 900 | | 450 | | 450 | 0 |
| Communications/Utilities | 13,979 | | 6,990 | | 4,363 | 2,626 |
| Capital Outlay | 0 | | 0 | | 0 | 0 |
| State Office of Risk Management | 1,961 | | 0 | | 1,961 | 0 |
| Total | 1,012,675 | 0 | 596,030 | 16,848 | 231,085 | 168,712 |

# Housing Programs Division

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HOUSING PROGRAMS DIVISION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | OCI GENERAL REVENUE | HTF MULTI FAMILY GENERAL REVENUE | HTF SINGLE FAMILY GENERAL REVENUE | ORCA IAC | FEDERAL FUNDS | LIHTC | MULTI FAMILY BOND ADMIN FEES | SINGLE FAMILY BOND ADMIN FEES |
|---|---|---|---|---|---|---|---|---|---|
| Salaries | 4,992,356 | 43,693 | 142,673 | 90,280 | 67,556 | 3,209,559 | 501,412 | 267,929 | 669,254 |
| | | | | 0 | | | | | |
| Travel In-State | 303,975 | 45,000 | 2,500 | 18,400 | 0 | 205,675 | 7,250 | 6,150 | 19,000 |
| Travel Out-of-State | 49,280 | 3,500 | 1,150 | 2,292 | 0 | 24,698 | 3,938 | 3,070 | 10,633 |
| Professional Fees | 619,700 | 0 | 720 | 1,500 | 0 | 387,124 | 132,800 | 1,656 | 95,900 |
| Materials/Supplies | 258,495 | 0 | 3,918 | 12,481 | 0 | 195,178 | 13,151 | 10,354 | 23,413 |
| Repairs/Maintenance | 154,084 | 0 | 1,194 | 6,338 | 0 | 125,944 | 5,454 | 3,733 | 11,422 |
| Printing and Reproduction | 57,185 | 0 | 453 | 12,636 | 0 | 31,306 | 1,432 | 1,162 | 10,197 |
| Rental/Lease | 105,010 | 0 | 1,357 | 14,608 | 0 | 57,592 | 4,251 | 3,465 | 23,737 |
| Membership Dues | 55,505 | 0 | 200 | 650 | 0 | 17,520 | 625 | 510 | 36,000 |
| Fees and Other Charges | 96,913 | 0 | 1,898 | 9,301 | 0 | 53,544 | 7,610 | 5,511 | 19,050 |
| Employee Tuition | 6,400 | 0 | 200 | 390 | 0 | 3,440 | 650 | 520 | 1,200 |
| Advertising | 73,200 | 0 | 250 | 26,750 | 0 | 2,040 | 775 | 635 | 42,750 |
| Freight/Delivery | 17,000 | 0 | 350 | 2,630 | 0 | 8,015 | 938 | 830 | 4,238 |
| Temporary Help | 124,835 | 0 | 7,186 | 5,293 | 0 | 63,740 | 21,627 | 17,992 | 8,998 |
| Furniture/Equipment | 7,250 | 0 | 20 | 600 | 0 | 4,914 | 225 | 116 | 1,375 |
| Communications/Utilities | 101,359 | 0 | 1,290 | 9,775 | 0 | 58,443 | 5,760 | 3,981 | 22,110 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| State Office of Risk Management | 23,506 | 290 | 558 | 1,193 | 0 | 13,742 | 2,293 | 1,111 | 4,319 |
| Total | 7,046,053 | 92,483 | 165,917 | 215,116 | 67,556 | 4,462,474 | 710,189 | 328,724 | 1,003,593 |

Note:
Housing Programs Division Includes:
- Office of Colonia Initiatives
- Community Affairs
- Multi Family Finance Production
- Single Family Finance Production
- Real Estate Analysis
- Bond Finance

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
OFFICE OF COLONIA INITIATIVES
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | HOME | IAC ORCA | GENERAL REVENUE | HTF SINGLE FAMILY GENERAL REVENUE | BOND ADMIN FEES |
|---|---|---|---|---|---|---|
| Salaries | 447,893 | 109,233 | 67,556 | 43,693 | 43,693 | 183,719 |
| Travel In-State | 45,000 | | | 45,000 | | |
| Travel Out-of-State | 3,500 | | | 3,500 | | |
| Professional Fees | 6,000 | | | | 1,500 | 4,500 |
| Materials/Supplies | 13,034 | | | | 3,259 | 9,776 |
| Repairs/Maintenance | 6,821 | | | | 1,705 | 5,116 |
| Printing and Reproduction | 1,873 | | | | 468 | 1,405 |
| Rental/Lease | 22,498 | | | | 5,625 | 16,874 |
| Membership Dues | 1,000 | | | | 250 | 750 |
| Fees and Other Charges | 8,445 | | | | 2,111 | 6,334 |
| Employee Tuition | 600 | | | | 150 | 450 |
| Advertising | 7,000 | | | | 1,750 | 5,250 |
| Freight/Delivery | 1,000 | | | | 250 | 750 |
| Temporary Help | 8,631 | | | | 2,158 | 6,473 |
| Furniture/Equipment | 0 | | | | 0 | 0 |
| Communications/Utilities | 17,372 | | | | 4,343 | 13,029 |
| Capital Outlay | 0 | | | | 0 | 0 |
| State Office of Risk Management | 1,427 | | | 290 | | 1,137 |
| Total | 592,094 | 109,233 | 67,556 | 92,483 | 67,262 | 255,561 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
COMMUNITY AFFAIRS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | | GENERAL REVENUE ENTERP | FEDERAL FUNDS | SYSTEM BENEFIT FUND | GENERAL REVENUE SUPPORT | BOND ADMIN FEES |
|---|---|---|---|---|---|---|---|
| Salaries | 2,083,133 | 0 | 0 | 2,083,133 | 0 | 0 | 0 |
| Travel In-State | 176,475 | 0 | 0 | 176,475 | 0 | 0 | 0 |
| Travel Out-of-State | 15,100 | 0 | 0 | 15,100 | 0 | 0 | 0 |
| Professional Fees | 173,000 | 0 | 0 | 173,000 | 0 | 0 | 0 |
| Materials/Supplies | 161,929 | 0 | 0 | 161,929 | 0 | 0 | 0 |
| Repairs/Maintenance | 110,455 | 0 | 0 | 110,455 | 0 | 0 | 0 |
| Printing and Reproduction | 17,977 | 0 | 0 | 17,977 | 0 | 0 | 0 |
| Rental/Lease | 41,800 | 0 | 0 | 41,800 | 0 | 0 | 0 |
| Membership Dues | 16,005 | 0 | 0 | 16,005 | 0 | 0 | 0 |
| Fees and Other Charges | 31,833 | 0 | 0 | 31,833 | 0 | 0 | 0 |
| Employee Tuition | 2,000 | 0 | 0 | 2,000 | 0 | 0 | 0 |
| Advertising | 600 | 0 | 0 | 600 | 0 | 0 | 0 |
| Freight/Delivery | 4,300 | 0 | 0 | 4,300 | 0 | 0 | 0 |
| Temporary Help | 21,293 | 0 | 0 | 21,293 | 0 | 0 | 0 |
| Furniture/Equipment | 3,850 | 0 | 0 | 3,850 | 0 | 0 | 0 |
| Communications/Utilities | 41,683 | 0 | 0 | 41,683 | 0 | 0 | 0 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| State Office of Risk Management | 11,415 | 0 | 0 | 11,415 | 0 | 0 | 0 |
| Total | 2,912,848 | 0 | 0 | 2,912,848 | 0 | 0 | 0 |

Note:
Community Affairs Includes:
- Administration - Community Affairs
- Community Services Program
- Energy Assistance Program
- Section 8

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
ADMINISTRATION-COMMUNITY AFFAIRS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | CSBG | DOE GRANTEE | LIHEAP |
|---|---|---|---|---|
| Salaries | 197,448 | 81,956 | 0 | 115,491 |
| Travel In-State | 5,000 | 2,500 | | 2,500 |
| Travel Out-of-State | 6,000 | 3,000 | | 3,000 |
| Professional Fees | 4,000 | 2,000 | | 2,000 |
| Materials/Supplies | 4,513 | 2,257 | | 2,257 |
| Repairs/Maintenance | 3,058 | 1,529 | | 1,529 |
| Printing and Reproduction | 1,328 | 664 | | 664 |
| Rental/Lease | 1,937 | 969 | | 969 |
| Membership Dues | 1,500 | 750 | | 750 |
| Fees and Other Charges | 3,917 | 1,959 | | 1,959 |
| Employee Tuition | 0 | 0 | | 0 |
| Advertising | 0 | 0 | | 0 |
| Freight/Delivery | 500 | 250 | | 250 |
| Temporary Help | 1,924 | 962 | | 962 |
| Furniture/Equipment | 1,100 | 550 | | 550 |
| Communications/Utilities | 2,765 | 1,383 | | 1,383 |
| Capital Outlay | 0 | 0 | | 0 |
| State Office of Risk Management | 0 | 0 | | 0 |
| Total | 234,990 | 100,727 | 0 | 134,262 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
COMMUNITY SERVICES PROGRAM
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | COMM SRVC BLK GRNT | EMERGENCY SHELTER |
|---|---|---|---|
| Salaries | 780,202 | 616,483 | 163,719 |
| Travel In-State | 50,000 | 32,500 | 17,500 |
| Travel Out-of-State | 3,100 | 2,015 | 1,085 |
| Professional Fees | 74,000 | 74,000 | |
| Materials/Supplies | 26,065 | 26,065 | |
| Repairs/Maintenance | 12,788 | 12,788 | |
| Printing and Reproduction | 7,638 | 7,638 | |
| Rental/Lease | 25,683 | 25,683 | |
| Membership Dues | 7,050 | 7,050 | |
| Fees and Other Charges | 10,585 | 10,585 | |
| Employee Tuition | 2,000 | 2,000 | |
| Advertising | 0 | 0 | |
| Freight/Delivery | 1,000 | 1,000 | |
| Temporary Help | 7,120 | 7,120 | |
| Furniture/Equipment | 2,150 | 2,150 | |
| Communications/Utilities | 15,323 | 15,323 | |
| Capital Outlay | 0 | 0 | |
| State Office of Risk Management | 3,829 | 3,829 | |
| Total | 1,028,533 | 846,229 | 182,304 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
ENERGY ASSISTANCE PROGRAM
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | DOE T&TA | DOE GRANTEE | LIHEAP |
|---|---|---|---|---|
| Salaries | 787,787 | 89,530 | 116,626 | 581,631 |
| Travel In-State | 108,475 | 21,695 | 32,543 | 54,238 |
| Travel Out-of-State | 3,800 | 760 | 1,140 | 1,900 |
| Professional Fees | 81,000 | 24,300 | 24,300 | 32,400 |
| Materials/Supplies | 116,320 | | | 116,320 |
| Repairs/Maintenance | 88,641 | | | 88,641 |
| Printing and Reproduction | 4,747 | | | 4,747 |
| Rental/Lease | 11,995 | | | 11,995 |
| Membership Dues | 6,455 | | | 6,455 |
| Fees and Other Charges | 9,391 | | | 9,391 |
| Employee Tuition | 0 | | | 0 |
| Advertising | 0 | | | 0 |
| Freight/Delivery | 2,500 | | | 2,500 |
| Temporary Help | 5,260 | | | 5,260 |
| Furniture/Equipment | 600 | | | 600 |
| Communications/Utilities | 17,144 | | | 17,144 |
| Capital Outlay | 0 | | | 0 |
| State Office of Risk Management | 4,614 | | | 4,614 |
| Total | 1,248,729 | 136,285 | 174,609 | 937,835 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
SECTION 8 - RENTAL ASSISTANCE PROGRAM
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | SECTION 8 |
|---|---|---|
| Salaries | 317,696 | 317,696 |
| | | |
| Travel In-State | 13,000 | 13,000 |
| Travel Out-of-State | 2,200 | 2,200 |
| Professional Fees | 14,000 | 14,000 |
| Materials/Supplies | 15,031 | 15,031 |
| Repairs/Maintenance | 5,968 | 5,968 |
| Printing and Reproduction | 4,264 | 4,264 |
| Rental/Lease | 2,185 | 2,185 |
| Membership Dues | 1,000 | 1,000 |
| Fees and Other Charges | 7,940 | 7,940 |
| Employee Tuition | 0 | 0 |
| Advertising | 600 | 600 |
| Freight/Delivery | 300 | 300 |
| Temporary Help | 6,989 | 6,989 |
| Furniture/Equipment | 0 | 0 |
| Communications/Utilities | 6,451 | 6,451 |
| Capital Outlay | 0 | 0 |
| State Office of Risk Management | 2,972 | 2,972 |
| Total | 400,596 | 400,596 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MULTIFAMILY FINANCE PRODUCTION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | LIHTC FEES | MULTI FAMILY BOND ADMIN FEES | HOME | HTF MULTI FAMILY GENERAL REVENUE |
|---|---|---|---|---|---|
| Salaries | 804,724 | 197,167 | 240,614 | 280,048 | 86,895 |
| Travel In-State | 25,000 | 6,250 | 5,750 | 10,500 | 2,500 |
| Travel Out-of-State | 11,500 | 2,875 | 2,645 | 4,830 | 1,150 |
| Professional Fees | 7,200 | 1,800 | 1,656 | 3,024 | 720 |
| Materials/Supplies | 39,184 | 9,796 | 9,012 | 16,457 | 3,918 |
| Repairs/Maintenance | 11,936 | 2,984 | 2,745 | 5,013 | 1,194 |
| Printing and Reproduction | 4,528 | 1,132 | 1,041 | 1,902 | 453 |
| Rental/Lease | 13,571 | 3,393 | 3,121 | 5,700 | 1,357 |
| Membership Dues | 2,000 | 500 | 460 | 840 | 200 |
| Fees and Other Charges | 18,976 | 4,744 | 4,364 | 7,970 | 1,898 |
| Employee Tuition | 2,000 | 500 | 460 | 840 | 200 |
| Advertising | 2,500 | 625 | 575 | 1,050 | 250 |
| Freight/Delivery | 3,500 | 875 | 805 | 1,470 | 350 |
| Temporary Help | 71,855 | 17,964 | 16,527 | 30,179 | 7,186 |
| Furniture/Equipment | 200 | 50 | 46 | 84 | 20 |
| Communications/Utilities | 12,901 | 3,225 | 2,967 | 5,418 | 1,290 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 |
| State Office of Risk Management | 3,962 | 2,293 | 1,111 | | 558 |
| Total | 1,035,537 | 256,173 | 293,901 | 375,325 | 110,138 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
SINGLE FAMILY FINANCE PRODUCTION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | HOME | SINGLE FAMILY BOND ADMIN FEES | HTF SINGLE FAMILY GR |
|---|---|---|---|---|
| Salaries | 743,709 | 497,956 | 199,167 | 46,586 |
| Travel In-State | 46,000 | 16,100 | 11,500 | 18,400 |
| Travel Out-of-State | 5,730 | 2,006 | 1,433 | 2,292 |
| Professional Fees | 298,500 | 211,100 | 87,400 | |
| Materials/Supplies | 23,057 | 8,070 | 5,764 | 9,223 |
| Repairs/Maintenance | 11,583 | 4,054 | 2,896 | 4,633 |
| Printing and Reproduction | 30,419 | 10,647 | 7,605 | 12,168 |
| Rental/Lease | 22,458 | 7,860 | 5,615 | 8,983 |
| Membership Dues | 1,000 | 350 | 250 | 400 |
| Fees and Other Charges | 17,974 | 6,291 | 4,494 | 7,190 |
| Employee Tuition | 600 | 210 | 150 | 240 |
| Advertising | 50,000 | | 25,000 | 25,000 |
| Freight/Delivery | 5,950 | 2,083 | 1,488 | 2,380 |
| Temporary Help | 7,837 | 2,743 | 1,959 | 3,135 |
| Furniture/Equipment | 1,500 | 525 | 375 | 600 |
| Communications/Utilities | 13,580 | 4,753 | 3,395 | 5,432 |
| Capital Outlay | 0 | 0 | 0 | 0 |
| State Office of Risk Management | 6,702 | 2,327 | 3,182 | 1,193 |
| Total | 1,286,599 | 777,074 | 361,671 | 147,855 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REAL ESTATE ANALYSIS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | LIHTC | HOME | HTF MULTI FAMILY GENERAL REVENUE | MULTI FAMILY BOND ADMIN FEES |
|---|---|---|---|---|---|
| Salaries | 626,528 | 304,246 | 239,189 | 55,778 | 27,315 |
| Travel In-State | 4,000 | 1,000 | 2,600 | | 400 |
| Travel Out-of-State | 4,250 | 1,063 | 2,763 | | 425 |
| Professional Fees | 131,000 | 131,000 | | | |
| Materials/Supplies | 13,418 | 3,355 | 8,722 | | 1,342 |
| Repairs/Maintenance | 9,879 | 2,470 | 6,421 | | 988 |
| Printing and Reproduction | 1,201 | 300 | 781 | | 120 |
| Rental/Lease | 3,434 | 859 | 2,232 | | 343 |
| Membership Dues | 500 | 125 | 325 | | 50 |
| Fees and Other Charges | 11,462 | 2,866 | 7,450 | | 1,146 |
| Employee Tuition | 600 | 150 | 390 | | 60 |
| Advertising | 600 | 150 | 390 | | 60 |
| Freight/Delivery | 250 | 63 | 163 | | 25 |
| Temporary Help | 14,654 | 3,664 | 9,525 | | 1,465 |
| Furniture/Equipment | 700 | 175 | 455 | | 70 |
| Communications/Utilities | 10,137 | 2,534 | 6,589 | | 1,014 |
| Capital Outlay | 0 | 0 | 0 | | 0 |
| State Office of Risk Management | 0 | 0 | 0 | 0 | |
| Total | 832,613 | 454,017 | 287,995 | 55,778 | 34,823 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOND FINANCE
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | SINGLE FAMILY BOND ADMIN FEES |
|---|---|---|
| Salaries | 286,368 | 286,368 |
| | | |
| Travel In-State | 7,500 | 7,500 |
| Travel Out-of-State | 9,200 | 9,200 |
| Professional Fees | 4,000 | 4,000 |
| Materials/Supplies | 7,873 | 7,873 |
| Repairs/Maintenance | 3,410 | 3,410 |
| Printing and Reproduction | 1,187 | 1,187 |
| Rental/Lease | 1,249 | 1,249 |
| Membership Dues | 35,000 | 35,000 |
| Fees and Other Charges | 8,223 | 8,223 |
| Employee Tuition | 600 | 600 |
| Advertising | 12,500 | 12,500 |
| Freight/Delivery | 2,000 | 2,000 |
| Temporary Help | 565 | 565 |
| Furniture/Equipment | 1,000 | 1,000 |
| Communications/Utilities | 5,686 | 5,686 |
| Capital Outlay | 0 | 0 |
| State Office of Risk Management | 0 | |
| Total | 386,361 | 386,361 |

# Agency Administration Division

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
AGENCY ADMINISTRATION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | GENERAL REVENUE | EARNED FEDERAL FUNDS | BOND ADMIN FEES | MANUFACT. HOUSING APP REC | LIHTC | SINGLE FAMILY HOME | PMC AHDP | PMC FEDERAL FUNDS | PMC MULTI FAMILY BOND ADMIN FEES |
|---|---|---|---|---|---|---|---|---|---|---|
| Salaries | 6,342,459 | 272,601 | 658,397 | 1,556,285 | 346,956 | 1,715,424 | 98,484 | 338,266 | 1,306,129 | 49,917 |
| Travel In-State | 166,843 | 4,200 | 4,200 | 23,943 | 0 | 43,500 | 0 | 26,000 | 65,000 | 0 |
| Travel Out-of-State | 21,535 | 720 | 910 | 6,065 | 0 | 8,640 | 0 | 5,200 | 0 | 0 |
| Professional Fees | 1,004,950 | 0 | 3,500 | 150,300 | 0 | 229,500 | 0 | 417,150 | 204,500 | 0 |
| Materials/Supplies | 166,834 | 14,736 | 9,836 | 47,253 | 0 | 59,065 | 0 | 22,003 | 13,940 | 0 |
| Repairs/Maintenance | 161,772 | 9,275 | 8,211 | 90,506 | 0 | 38,355 | 0 | 15,125 | 300 | 0 |
| Printing and Reproduction | 40,199 | 1,568 | 3,017 | 7,441 | 0 | 6,252 | 0 | 1,921 | 20,000 | 0 |
| Rental/Lease | 56,241 | 3,519 | 2,622 | 13,491 | 0 | 19,961 | 0 | 9,392 | 7,256 | 0 |
| Membership Dues | 14,420 | 540 | 490 | 4,960 | 0 | 3,593 | 0 | 1,462 | 3,375 | 0 |
| Fees and Other Charges | 157,492 | 12,412 | 17,268 | 61,169 | 0 | 43,263 | 0 | 13,380 | 10,000 | 0 |
| Employee Tuition | 4,100 | 1,200 | 630 | 2,270 | 0 | 0 | 0 | 0 | 0 | 0 |
| Advertising | 3,600 | 630 | 840 | 1,605 | 0 | 525 | 0 | 0 | 0 | 0 |
| Freight/Delivery | 5,750 | 360 | 350 | 2,290 | 0 | 1,350 | 0 | 400 | 1,000 | 0 |
| Temporary Help | 88,142 | 9,544 | 5,387 | 22,894 | 0 | 30,329 | 0 | 7,487 | 12,500 | 0 |
| Furniture/Equipment | 13,600 | 600 | 560 | 5,630 | 0 | 5,850 | 0 | 960 | 0 | 0 |
| Communications/Utilities | 109,817 | 8,214 | 7,741 | 37,111 | 0 | 39,753 | 0 | 16,698 | 300 | 0 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| State Office of Risk Management | 27,655 | 1,162 | 2,761 | 16,163 | 0 | 7,569 | 0 | 0 | 0 | 0 |
| Total | 8,385,409 | 341,282 | 726,720 | 2,049,377 | 346,956 | 2,252,928 | 98,484 | 875,444 | 1,644,300 | 49,917 |

Note:
Agency Administration Includes:
- Human Resources
- Facilities and Space Management
- Information Systems
- Financial Administration
- Portfolio Management and Compliance

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HUMAN RESOURCES
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | GENERAL REVENUE | AHDP | LIHTC | MANUFACT. HOUSING APP REC |
|---|---|---|---|---|---|
| Salaries | 308,301 | 0 | 0 | 253,684 | 54,618 |
| Travel In-State | 500 | | | 500 | |
| Travel Out-of-State | 0 | | | 0 | |
| Professional Fees | 7,500 | | | 7,500 | |
| Materials/Supplies | 9,021 | | | 9,021 | |
| Repairs/Maintenance | 4,562 | | | 4,562 | |
| Printing and Reproduction | 846 | | | 846 | |
| Rental/Lease | 1,561 | | | 1,561 | |
| Membership Dues | 880 | | | 880 | |
| Fees and Other Charges | 7,896 | | | 7,896 | |
| Employee Tuition | 0 | | | 0 | |
| Advertising | 0 | | | 0 | |
| Freight/Delivery | 350 | | | 350 | |
| Temporary Help | 3,706 | | | 3,706 | |
| Furniture/Equipment | 600 | | | 600 | |
| Communications/Utilities | 4,608 | | | 4,608 | |
| Capital Outlay | 0 | | | 0 | |
| State Office of Risk Management | 0 | | | | |
| Total | 350,331 | 0 | 0 | 295,714 | 54,618 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FACILITIES AND SPACE MANAGEMENT
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | GENERAL REVENUE | BOND ADMIN FEES | LIHTC | MANUFACT. HOUSING APP REC |
|---|---|---|---|---|---|
| Salaries | 246,585 | 0 | 94,643 | 116,451 | 35,491 |
| Travel In-State | 1,000 | | 500 | 500 | |
| Travel Out-of-State | 0 | | 0 | 0 | |
| Professional Fees | 0 | | 0 | 0 | |
| Materials/Supplies | 6,021 | | 3,011 | 3,011 | |
| Repairs/Maintenance | 5,762 | | 2,881 | 2,881 | |
| Printing and Reproduction | 2,546 | | 1,273 | 1,273 | |
| Rental/Lease | 2,161 | | 1,081 | 1,081 | |
| Membership Dues | 340 | | 170 | 170 | |
| Fees and Other Charges | 5,528 | | 2,764 | 2,764 | |
| Employee Tuition | 0 | | 0 | 0 | |
| Advertising | 0 | | 0 | 0 | |
| Freight/Delivery | 100 | | 50 | 50 | |
| Temporary Help | 13,506 | | 6,753 | 6,753 | |
| Furniture/Equipment | 7,200 | | 3,600 | 3,600 | |
| Communications/Utilities | 6,188 | | 3,094 | 3,094 | |
| Capital Outlay | 0 | | 0 | 0 | |
| State Office of Risk Management | 1,294 | | 1,294 | | |
| Total | 298,231 | 0 | 121,113 | 141,627 | 35,491 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INFORMATION SYSTEMS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | GENERAL REVENUE | BOND ADMIN FEES | MANUFACT. HOUSING APP REC | LIHTC |
|---|---|---|---|---|---|
| Salaries | 1,194,137 | 129,088 | 409,021 | 112,290 | 543,738 |
| Travel In-State | 10,000 | 3,000 | 3,500 | | 3,500 |
| Travel Out-of-State | 2,400 | 720 | 840 | | 840 |
| Professional Fees | 0 | 0 | 0 | | 0 |
| Materials/Supplies | 40,083 | 12,025 | 14,029 | | 14,029 |
| Repairs/Maintenance | 23,498 | 7,049 | 8,224 | | 8,224 |
| Printing and Reproduction | 3,574 | 1,072 | 1,251 | | 1,251 |
| Rental/Lease | 9,232 | 2,770 | 3,231 | | 3,231 |
| Membership Dues | 1,000 | 300 | 350 | | 350 |
| Fees and Other Charges | 35,808 | 10,742 | 12,533 | | 12,533 |
| Employee Tuition | 0 | 0 | 0 | | 0 |
| Advertising | 1,500 | 450 | 525 | | 525 |
| Freight/Delivery | 1,000 | 300 | 350 | | 350 |
| Temporary Help | 24,684 | 7,405 | 8,639 | | 8,639 |
| Furniture/Equipment | 600 | 180 | 210 | | 210 |
| Communications/Utilities | 20,009 | 6,003 | 7,003 | | 7,003 |
| Capital Outlay | 0 | | 0 | | 0 |
| State Office of Risk Management | 4,216 | 644 | 3,572 | | |
| Total | 1,371,741 | 181,748 | 473,279 | 112,290 | 604,424 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FINANCIAL ADMINISTRATION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | EARNED FEDERAL FUNDS | BOND ADMIN FEES | LIHTC | SINGLE FAMILY HOME | MANUFACT. HOUSING APP REC | GENERAL REVENUE |
|---|---|---|---|---|---|---|---|
| Salaries | 2,097,573 | 658,397 | 1,052,621 | 0 | 98,484 | 144,557 | 143,513 |
| Travel In-State | 25,343 | 4,200 | 19,943 | 0 | 0 | 0 | 1,200 |
| Travel Out-of-State | 6,135 | 910 | 5,225 | 0 | 0 | 0 | 0 |
| Professional Fees | 153,800 | 3,500 | 150,300 | 0 | 0 | 0 | 0 |
| Materials/Supplies | 42,761 | 9,836 | 30,214 | 0 | 0 | 0 | 2,711 |
| Repairs/Maintenance | 89,838 | 8,211 | 79,401 | 0 | 0 | 0 | 2,226 |
| Printing and Reproduction | 8,430 | 3,017 | 4,917 | 0 | 0 | 0 | 496 |
| Rental/Lease | 12,551 | 2,622 | 9,179 | 0 | 0 | 0 | 749 |
| Membership Dues | 5,170 | 490 | 4,440 | 0 | 0 | 0 | 240 |
| Fees and Other Charges | 64,810 | 17,268 | 45,873 | 0 | 0 | 0 | 1,670 |
| Employee Tuition | 4,100 | 630 | 2,270 | 0 | 0 | 0 | 1,200 |
| Advertising | 2,100 | 840 | 1,080 | 0 | 0 | 0 | 180 |
| Freight/Delivery | 2,300 | 350 | 1,890 | 0 | 0 | 0 | 60 |
| Temporary Help | 15,028 | 5,387 | 7,502 | 0 | 0 | 0 | 2,139 |
| Furniture/Equipment | 2,800 | 560 | 1,820 | 0 | 0 | 0 | 420 |
| Communications/Utilities | 36,966 | 7,741 | 27,014 | 0 | 0 | 0 | 2,212 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| State Office of Risk Management | 14,576 | 2,761 | 11,297 | 0 | 0 | 0 | 518 |
| Total | 2,584,281 | 726,720 | 1,454,985 | 0 | 98,484 | 144,557 | 159,534 |

Note:
Financial Administration Includes:
- Director's Office
- Accounting Operations
- Financial Services
- Purchasing

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
DIRECTOR'S OFFICE of FINANCIAL ADMINISTRATION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | EARNED FEDERAL FUNDS | BOND ADMIN FEES | LIHTC | AHDP | MANUFACT. HOUSING APP REC | GENERAL REVENUE |
|---|---|---|---|---|---|---|---|
| Salaries | 403,213 | 100,699 | 174,603 | 0 | 0 | 44,874 | 83,038 |
| Travel In-State | 7,000 | | 7,000 | | | | |
| Travel Out-of-State | 2,500 | | 2,500 | | | | |
| Professional Fees | 19,000 | | 19,000 | | | | |
| Materials/Supplies | 8,026 | | 8,026 | | | | |
| Repairs/Maintenance | 5,115 | | 5,115 | | | | |
| Printing and Reproduction | 1,655 | | 1,655 | | | | |
| Rental/Lease | 2,873 | | 2,873 | | | | |
| Membership Dues | 1,000 | | 1,000 | | | | |
| Fees and Other Charges | 4,834 | | 4,834 | | | | |
| Employee Tuition | 600 | | 600 | | | | |
| Advertising | 600 | | 600 | | | | |
| Freight/Delivery | 700 | | 700 | | | | |
| Temporary Help | 1,647 | | 1,647 | | | | |
| Furniture/Equipment | 500 | | 500 | | | | |
| Communications/Utilities | 6,029 | | 6,029 | | | | |
| Capital Outlay | 0 | | 0 | | | | |
| State Office of Risk Management | 11,538 | | 11,297 | | | | 241 |
| Total | 476,830 | 100,699 | 247,979 | 0 | 0 | 44,874 | 83,279 |

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
ACCOUNTING OPERATIONS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | EARNED FEDERAL FUNDS | BOND ADMIN FEES | LIHTC | AHDP | MANUFACT. HOUSING APP REC | GENERAL REVENUE |
|---|---|---|---|---|---|---|---|
| Salaries | 666,074 | 557,698 | 33,761 | 0 | 0 | 74,614 | 0 |
| Travel In-State | 6,000 | 4,200 | 1,800 | | | | |
| Travel Out-of-State | 1,300 | 910 | 390 | | | | |
| Professional Fees | 5,000 | 3,500 | 1,500 | | | | |
| Materials/Supplies | 14,052 | 9,836 | 4,216 | | | | |
| Repairs/Maintenance | 11,730 | 8,211 | 3,519 | | | | |
| Printing and Reproduction | 4,310 | 3,017 | 1,293 | | | | |
| Rental/Lease | 3,746 | 2,622 | 1,124 | | | | |
| Membership Dues | 700 | 490 | 210 | | | | |
| Fees and Other Charges | 24,668 | 17,268 | 7,400 | | | | |
| Employee Tuition | 900 | 630 | 270 | | | | |
| Advertising | 1,200 | 840 | 360 | | | | |
| Freight/Delivery | 500 | 350 | 150 | | | | |
| Temporary Help | 7,696 | 5,387 | 2,309 | | | | |
| Furniture/Equipment | 800 | 560 | 240 | | | | |
| Communications/Utilities | 11,058 | 7,741 | 3,317 | | | | |
| Capital Outlay | 0 | 0 | 0 | | | | |
| State Office of Risk Management | 2,761 | 2,761 | | | | | |
| Total | 762,495 | 626,021 | 61,859 | 0 | 0 | 74,614 | 0 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FINANCIAL SERVICES
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | BOND ADMIN FEES | EARNED FEDERAL FUNDS | SINGLE FAMILY HOME |
|---|---|---|---|---|
| Salaries | 821,252 | 722,768 | 0 | 98,484 |
| Travel In-State | 10,343 | 10,343 | | |
| Travel Out-of-State | 2,335 | 2,335 | | |
| Professional Fees | 129,800 | 129,800 | | |
| Materials/Supplies | 16,165 | 16,165 | | |
| Repairs/Maintenance | 69,283 | 69,283 | | |
| Printing and Reproduction | 1,638 | 1,638 | | |
| Rental/Lease | 4,683 | 4,683 | | |
| Membership Dues | 3,070 | 3,070 | | |
| Fees and Other Charges | 32,525 | 32,525 | | |
| Employee Tuition | 600 | 600 | | |
| Advertising | 0 | 0 | | |
| Freight/Delivery | 1,000 | 1,000 | | |
| Temporary Help | 2,120 | 2,120 | | |
| Furniture/Equipment | 800 | 800 | | |
| Communications/Utilities | 16,193 | 16,193 | | |
| Capital Outlay | 0 | 0 | | |
| State Office of Risk Management | 0 | 0 | | |
| Total | 1,111,807 | 1,013,323 | 0 | 98,484 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
PURCHASING
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | GENERAL REVENUE | BOND ADMIN FEES | LIHTC | AHDP | MANUFACT. HOUSING APP REC |
|---|---|---|---|---|---|---|
| Salaries | 207,034 | 60,475 | 121,489 | | | 25,069 |
| Travel In-State | 2,000 | 1,200 | 800 | | | |
| Travel Out-of-State | 0 | 0 | 0 | | | |
| Professional Fees | 0 | 0 | 0 | | | |
| Materials/Supplies | 4,518 | 2,711 | 1,807 | | | |
| Repairs/Maintenance | 3,710 | 2,226 | 1,484 | | | |
| Printing and Reproduction | 827 | 496 | 331 | | | |
| Rental/Lease | 1,249 | 749 | 500 | | | |
| Membership Dues | 400 | 240 | 160 | | | |
| Fees and Other Charges | 2,783 | 1,670 | 1,113 | | | |
| Employee Tuition | 2,000 | 1,200 | 800 | | | |
| Advertising | 300 | 180 | 120 | | | |
| Freight/Delivery | 100 | 60 | 40 | | | |
| Temporary Help | 3,565 | 2,139 | 1,426 | | | |
| Furniture/Equipment | 700 | 420 | 280 | | | |
| Communications/Utilities | 3,686 | 2,212 | 1,474 | | | |
| Capital Outlay | 0 | 0 | | | | |
| State Office of Risk Management | 277 | 277 | | | | |
| Total | 233,149 | 76,255 | 131,824 | 0 | 0 | 25,069 |

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
PORTFOLIO MANAGEMENT and COMPLIANCE
OPERATING BUDGET SUMMARY
SEPTEMBER 01, 2006 thru AUGUST 31, 2007

| BUDGET CATEGORIES | BUDGETED | FEDERAL FUNDS | GENERAL REVENUE | BOND ADMIN FEES | AHDP | EARNED FEDERAL FUNDS | TAX CREDIT |
|---|---|---|---|---|---|---|---|
| Salaries | 2,495,864 | 1,306,129 | 0 | 49,917 | 338,266 | | 801,552 |
| Travel In-State | 130,000 | 65,000 | 0 | 0 | 26,000 | | 39,000 |
| Travel Out-of-State | 13,000 | 0 | 0 | 0 | 5,200 | | 7,800 |
| Professional Fees | 843,650 | 204,500 | 0 | 0 | 417,150 | | 222,000 |
| Materials/Supplies | 68,948 | 13,940 | 0 | 0 | 22,003 | | 33,005 |
| Repairs/Maintenance | 38,112 | 300 | 0 | 0 | 15,125 | | 22,687 |
| Printing and Reproduction | 24,803 | 20,000 | 0 | 0 | 1,921 | | 2,882 |
| Rental/Lease | 30,736 | 7,256 | 0 | 0 | 9,392 | | 14,088 |
| Membership Dues | 7,030 | 3,375 | 0 | 0 | 1,462 | | 2,193 |
| Fees and Other Charges | 43,450 | 10,000 | 0 | 0 | 13,380 | | 20,070 |
| Employee Tuition | 0 | 0 | 0 | 0 | 0 | | 0 |
| Advertising | 0 | 0 | 0 | 0 | 0 | | 0 |
| Freight/Delivery | 2,000 | 1,000 | 0 | 0 | 400 | | 600 |
| Temporary Help | 31,218 | 12,500 | 0 | 0 | 7,487 | | 11,231 |
| Furniture/Equipment | 2,400 | 0 | 0 | 0 | 960 | | 1,440 |
| Communications/Utilities | 42,046 | 300 | 0 | 0 | 16,698 | | 25,048 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | | 0 |
| State Office of Risk Management | 7,569 | 0 | 0 | 0 | 0 | | 7,569 |
| Total | 3,780,826 | 1,644,300 | 0 | 49,917 | 875,444 | 0 | 1,211,164 |

**Financial Administration Division**
**Board Action Request**
**June 26, 2006**

## Action Item

The Department staff will present the FY 2007 Draft Housing Finance Operating Budget.

## Required Action

The Board consider for discussion purposes the attached FY 2007 Draft Housing Finance Operating Budget for fiscal year beginning September 1, 2006 through August 31, 2007. A final draft will be presented for approval at the July 12th Board Meeting.

## Background

The Housing Finance Operating Budget for FY 2007 is within the appropriations approved by the 79th Legislature. This budget is a subset of the whole operating budget and shows the Housing Finance revenues that support the budget.

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

## DRAFT
## ANNUAL HOUSING FINANCE OPERATING BUDGET

## FISCAL YEAR 2007

*Prepared by the Financial Services Division*

Texas Department of Housing and Community Affairs
Housing Finance Budget
Appropriated Receipts
Fiscal Year 2007

| Budget Category | Executive Administration | Agency Administration | Housing Programs Division | Capital Budget | Payroll Related Costs | Total Appropriated Receipts |
|---|---|---|---|---|---|---|
| Salaries | 1,618,658 | 3,659,892 | 1,438,595 | | | 6,717,144 |
| Payroll Related Costs | | | | | 1,544,943 | 1,544,943 |
| Travel In-State | 61,875 | 93,443 | 32,400 | | | 187,718 |
| Travel Out-of-State | 25,200 | 19,905 | 17,640 | | | 62,745 |
| Professional Fees | 299,375 | 796,950 | 230,356 | 100,000 | | 1,426,681 |
| Materials/Supplies | 77,303 | 128,322 | 46,917 | | | 252,542 |
| Repairs/Maintenance | 21,979 | 143,986 | 20,608 | | | 186,573 |
| Printing and Reproduction | 25,197 | 15,614 | 12,790 | | | 53,601 |
| Rental/Lease | 30,713 | 42,844 | 31,453 | | | 105,009 |
| Membership Dues | 7,025 | 10,015 | 37,135 | | | 54,175 |
| Fees and Other Charges | 61,501 | 117,812 | 32,170 | | | 211,483 |
| Employee Tuition | 1,080 | 2,270 | 2,370 | | | 5,720 |
| Advertising | 1,020 | 2,130 | 44,160 | | | 47,310 |
| Freight/Delivery | 6,280 | 4,040 | 6,005 | | | 16,325 |
| Temporary Help | 28,358 | 60,711 | 48,617 | | | 137,685 |
| Furniture/Equipment | 4,825 | 12,440 | 1,716 | | | 18,981 |
| Communications/Utilities | 25,937 | 93,562 | 31,850 | | | 151,350 |
| Capital Outlay | 0 | 0 | 0 | 137,000 | | 137,000 |
| State Office of Risk Management | 1,961 | 23,732 | 7,723 | 0 | | 33,416 |
| Total, Appropriated Receipts | 2,298,286 | 5,227,667 | 2,042,507 | 237,000 | 1,544,943 | 11,350,401 |

| Method of Finance: | |
|---|---|
| Bond Administration Fees | 5,485,087 |
| Low Income Housing Tax Credit Fees | 4,912,069 |
| Affordable Housing Disposition Program Fees | 953,245 |
| Total, Method of Finance | 11,350,401 |

Note: Appropriated Receipts include Bond Administration Fees, Low Income Housing Tax Credit Fees, and Affordable Housing Disposition Program Fees.

**Disaster Relief Planning**

**BOARD ACTION REQUEST**
**June 26, 2006**

## Action Item

The State of Texas Action Plan (Action Plan) for Community Development Block Grant (CDBG) Disaster Recovery Grantees under the Department of Defense Appropriations Act, 2006 makes available $74,523,000 through the U. S. Department of Housing and Urban Development (HUD) for housing, infrastructure, public service, public facility, and business needs in a 29-county area directly impacted by Hurricane Rita.

## Required Action

Presentation, discussion and possible approval of HUD approved Action Plan.

## Background

This Action Plan will be used by TDHCA, the agency designated by the Governor to administer these funds, and by ORCA to provide $74,523,000 in CDBG funding for housing, infrastructure, public service, public facility, and business needs in a 29-county area directly impacted by Hurricane Rita. These funds will help address a small portion of the needs identified in the State's official disaster request document *Texas Rebounds: Helping Our Communities and Neighbors Recover from Hurricanes Rita and Katrina*. According to this report, more than $2 billion in funds are required to sufficiently meet the existing need. This figure includes $322 million in CDBG eligible need for housing related activities alone. More specifically, as a result of Hurricane Rita, more than 75,000 homes in the area suffered major damage or were destroyed. Of these, approximately 40,000 homeowners were uninsured. These homeowners are likely to face average damage repair costs in excess of $8,000 that will not be reimbursed through the Federal Emergency Management Agency or insurance claims. This figure also includes $498.3 million in CDBG eligible, un-reimbursed critical infrastructure needs caused by Hurricane Rita.

In developing the plan, TDHCA consulted with local government leaders, state and federal legislators, regional councils of governments, and community action and social services agencies that were hit hardest by the storms. TDHCA's Board Chair also worked directly with the Governor's Office and TDHCA's Executive Director to work out the final details of the plan before sending the document for the U. S. Department of Housing and Urban Development's (HUD) review and approval.

The following timeline describes significant elements of the Action Plan development process.

| | |
|---|---|
| 2/13/2006 | HUD published its notice of allocations, waivers, and alternative requirements in the Federal Register. |
| | Beginning of the 60-day Action Plan development period. |
| 3/14/2006 | Beginning of a 15-day public comment period on the Action Plan. Hearings were held in Houston, Beaumont, Nacogdoches, Livingston and Austin to invite comment on the Action Plan. Comment period ended March 30, 2006. |
| 4/14/2006 | Action Plan submitted to HUD for preliminary review pending additional comment from persons with limited English proficiency.[1] While awaiting approval of the Action Plan, TDHCA and ORCA worked cooperatively to develop an application guide for both housing and non-housing activities. |
| 4/21/2006 | Beginning of a 17-day extension of the public comment period to solicit comments on Spanish and Vietnamese versions of the Action Plan. Extended comment period ended May 8, 2006. |
| 5/8/2006 | Final Action Plan was submitted to HUD. |
| 5/17/2006 | Application workshops were held in Houston, Beaumont, Kilgore and Jasper during the week of May 15, 2006 |
| 5/22/2006 | **HUD approved the Action Plan.** HUD's review of additional required waivers is pending. |
| 6/23/2006 | CDBG Disaster Recovery application deadline. |

A copy of the Action Plan is provided as an attachment.

The following documents are also provided for the Board's information:
- Overview of Implementation of CDBG Disaster Recovery Program;
- Disaster Recovery CDBG Timeline; and
- HUD's May 22, 2006 press release

[1] Prior to the close of the Action Plan development period HUD requested that TDHCA make the plan available to populations with limited English proficiency.

# State of Texas Action Plan for CDBG Disaster Recovery Grantees under the Department of Defense Appropriations Act, 2006

Disaster Recovery Initiative

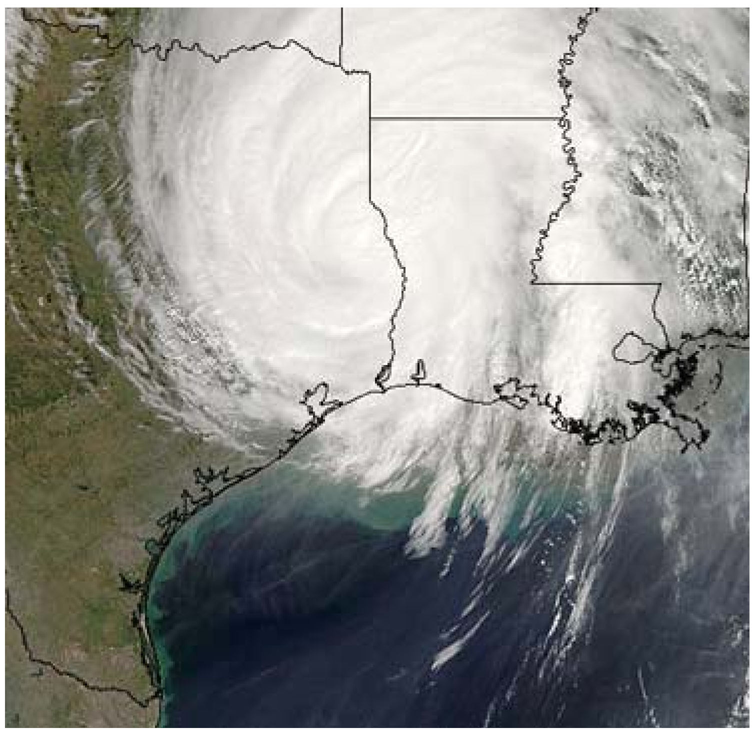
U.S. Department of Housing and Urban Development (HUD)

Docket No. FR-5051-N-01]

[Federal Register: February 13, 2006 (Volume 71, Number 29)]

May 9, 2006

Rick Perry, Governor



Prepared jointly by the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EXECUTIVE SUMMARY

The Texas Department of Housing and Community Affairs (TDHCA) and the Office of Rural Community Affairs (ORCA), in conjunction with the Office of the Governor, have prepared this *State of Texas Action Plan for CDBG Disaster Recovery Grantees under the Department of Defense Appropriations Act, 2006 (Action Plan)*.

This Action Plan will be used by TDHCA, the agency designated by the Governor to administer these funds, and ORCA to provide $74,523,000 in federal Community Development Block Grant (CDBG) funding for housing, infrastructure, public service, public facility, and business needs in the 29-county area directly impacted by Hurricane Rita. Throughout this document these funds will be referred to as "CDBG Disaster Recovery Funding." These funds will assist with long term recovery efforts and infrastructure restoration. The State recognizes that these funds – while beneficial to affected areas – will meet only a small fraction of the enormous needs of Texas citizens in the region. In fact, as documented in the State's official disaster request document *Texas Rebounds: Helping Our Communities and Neighbors Recover from Hurricanes Rita and Katrina*, more than $2 billion in funds are required to sufficiently meet the existing need. This figure includes $322 million in CDBG eligible need for housing related activities alone. More specifically, as a result of Hurricane Rita, more than 75,000 homes in the area suffered major damage or were destroyed. Of these, approximately 40,000 homeowners were uninsured. These homeowners are likely to face average damage repair costs in excess of $8,000 that will not be reimbursed through FEMA or insurance claims. This figure also includes $498.3 million in CDBG eligible, unreimbursed critical infrastructure needs caused by Hurricane Rita.

Under this Action Plan, four of the state's Councils of Governments (COGs), will serve as applicants for the CDBG Disaster Recovery funding. Throughout the document, the eligible COGs will be referred to as "Applicants." The document they prepare for the purpose of allocating the CDBG Disaster Recovery funding shall be the "Application." Applicants representing the affected counties will apply on behalf of the entitlement communities, non-entitlement communities, and federally recognized Indian Tribes within their region. The use of COGs as Applicants is intended to quickly make these funds available in the areas identified with the greatest unmet needs.

- For unmet housing needs funding, three COGs, whose service areas contain the 22 counties eligible for FEMA Individual Assistance, will be the only Applicants. The counties served by the Applicants are: Angelina, Brazoria, Chambers, Fort Bend, Galveston, Hardin, Harris, Jasper, Jefferson, Liberty, Montgomery, Nacogdoches, Newton, Orange, Polk, Sabine, San Augustine, San Jacinto, Shelby, Trinity, Tyler, and Walker.
- For non-housing related activities, four COGs, whose service areas contain the 29 counties eligible for FEMA Public Assistance, will be the only Applicants. The counties served by the Applicants are the

same counties eligible for unmet housing needs funding plus the following counties: Cherokee, Gregg, Harrison, Houston, Marion, Panola, and Rusk. Individual contracts will be prepared between the State and each entity (cities, counties, and federally recognized Indian Tribes) that receives grant awards (Subgrantee) as part of the Application. A Subgrantee may also have the COG arrange for local grant administration.

As designated by the U.S. Department of Housing and Urban Development (HUD), no less than 55 percent of the total CDBG Disaster Recovery allocation will be directed towards unmet housing needs and that percentage may be increased based on local decisions regarding the priority of needs. Because the majority of the CDBG Disaster Recovery funding will be dedicated to housing activities, the Governor has designated the TDHCA Board to make all awards, including awards for critical infrastructure, associated with this Action Plan.

Public comment was accepted at five public hearings held throughout the affected region as well as Austin. Hearings were held in Nacogdoches (March 20), Beaumont (March 21), Livingston (March 22), Austin (March 22), and Houston (March 28). Public comment was also accepted in writing to TDHCA. Mailed comment was sent to the Division of Policy and Public Affairs, TDHCA, PO Box 13941, Austin, Texas 78711-3941. Comment was also submitted via e-mail to info@tdhca.state.tx.us. The public comment period closed on March 30, 2006.

In addition to the public comment period held March 14, 2006, through March 30, 2006, the Departments extended the public comment period to solicit comments on Spanish and Vietnamese versions of the Action Plan. The additional Plans were made available so that households of limited English proficiency could participate in the public comment process and shape the development of the CDBG Disaster Recovery Program in their area. This comment period will start April 21, 2006, and last through Monday, May 8, 2006.

On Thursday, April 13, 2006, notices of the extended public comment period in Spanish and Vietnamese languages were posted on TDHCA's and ORCA's websites. On Friday, April 14, 2006, the Spanish version of the Action Plan was posted on the Departments' websites. On Tuesday, April 18, 2006, the Vietnamese version of the Action Plan will be posted. On April 21, 2006, notice of the public comment period for both the Spanish and Vietnamese versions of the document will be published in the *Texas Register*.

In addition to *Texas Register* and website postings, the Departments carried out additional outreach to distribute the Spanish and Vietnamese versions of the Action Plan. TDHCA sent Spanish- and Vietnamese-language notices to everyone on the Department's email list. TDHCA also contacted each

COG serving the impacted area for a list of advocacy organizations serving Spanish and Vietnamese communities, and the notice was distributed to each organization on the list.

Upon HUD approval of the Action Plan, TDHCA, in conjunction with ORCA, will release a uniform Application. It is anticipated that technical assistance workshops will begin on May 15, 2006. The Application acceptance period is projected to run May 22, 2006, through June 23, 2006. It is anticipated that the TDHCA Board will determine the Applications to fund as soon as possible following the close of the Application period. If necessary to expedite the award of funds, additional TDHCA Board meetings may be added to the regularly scheduled meetings. The award schedule is subject to change depending on the approval date by HUD of the Action Plan.

## INTRODUCTION

The State of Texas is required to publish an Action Plan for Disaster Recovery (Action Plan) that describes the proposed use of U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) funding associated with the Department of Defense Appropriations Act, 2006 (Public Law 109-148, approved December 30, 2005) for disaster relief of unmet housing and infrastructure needs resulting from Hurricane Rita in the most impacted and distressed areas of Texas.

This document will specifically describe the:

- citizen participation process used to develop the Action Plan;
- eligible affected areas and applicants, and the methodology used to distribute funds to those applicants;
- activities for which funding may be used; and
- grant administration standards and procedures that will ensure program requirements, including non-duplication of benefits, are met through continuous quality assurance and internal audit functions.

This Action Plan will be used by the Texas Department of Housing and Community Affairs (TDHCA) and the Texas Office of Rural Community Affairs (ORCA) to provide $74,523,000 in CDBG Disaster Recovery Funding to be used toward meeting unmet housing, infrastructure, public service, public facility, and business needs in areas of concentrated distress as intended by Public Law 109-148 and HUD. Throughout this document, activities involving these two organizations will be referred to as those of the "Departments."

It should be noted from the outset that this Action Plan, with its extremely limited funds, does not begin to cover the $2 billion in unmet needs of Texas related to Hurricanes Rita and Katrina as more specifically reported in *Texas Rebounds* (http://www.osfr.state.tx.us/WRfiles/Texas%20Rebounds%2003-01-06.pdf) which was prepared by the Office of the Governor in consultation with local governments, state agencies, housing authorities and social services organizations. Unmet critical local government housing and infrastructure needs, all eligible for CDBG funding, were estimated in the *Texas Rebounds* report to be $1.274 billion at a minimum.

## FEDERAL APPROPRIATIONS

Public Law 109-148 (effective December 30, 2005) provided $11.5 billion of supplemental appropriation for the CDBG program for necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure in the most impacted and distressed areas related to the consequences of Hurricanes Rita, Katrina and Wilma. Of this amount, $74,523,000 was specifically allocated to Texas by the Secretary of HUD to address the consequences of Hurricane Rita. The funds are intended by HUD to be used toward meeting unmet housing, infrastructure, public service, public facility, and business needs in areas of concentrated distress. The Federal Register (Volume 71, Number 29) includes a definition of "unmet housing needs" as including, but not being limited to, those of uninsured homeowners whose homes had major or severe damage. As provided for in Public Law 109-148, the funds may not be used for activities reimbursable by or for which funds are made available by FEMA or the Army Corps of Engineers. The availability of funding was formally announced in the Federal Register (Volume 71, Number 29) on February 13, 2006.

## THE IMPACT OF THE STORMS AND TEXAS' RECOVERY NEEDS

The 2005 Atlantic hurricane season was one of the most extreme in recorded history. The Central and Western Gulf Coast were hit by several large storms, including Hurricanes Katrina and Rita, which had a dramatic impact on the state of Texas.

The Governor of Texas declared a State of Emergency on August 29, 2005, relative to Hurricane Katrina's imminent landfall on the Gulf Coast. Hurricane Katrina made landfall that same day in Louisiana.

The President issued an Emergency Declaration on September 2, 2005, for all 254 counties in Texas for emergency protective measures due to the huge influx of evacuees from Louisiana, Alabama, and Mississippi. As a result of massive evacuations, Texas absorbed more than 400,000 evacuees from the Central Gulf Coast – mostly from Louisiana.

While Texas' long-term sheltering operation was in its infancy, dangerous Hurricane Rita entered the Gulf of Mexico. On September 21, 2005, due to the impending threat of Rita, the President issued another Emergency Declaration for all 254 Texas counties. On September 24, 2005, only 26 days after Katrina devastated the Gulf Coast, this Category Three made landfall. While the eye of the storm made landfall near Sabine Pass, Texas, the core of the hurricane's most extreme destruction hit the heavily populated and industrialized areas of Port Arthur, Orange, and Beaumont. Communities in the path of the hurricane sustained enormous physical damage from excessive winds and rain. In some heavily wooded areas, an estimated 25 percent of the trees were lost. High winds and falling trees caused extensive damage to homes and businesses. The same day of the storm, Texas received a FEMA Major Disaster Declaration for all 254 counties for debris operations and emergency protective measures for Rita. Multiple amendments have since been added to the Major Disaster Declaration to expand the list of eligible counties for FEMA Individual Assistance Program (IAP) and Public Assistance Program (PAP) funding to 29 designated counties.

The Governor's Division of Emergency Management (GDEM) and FEMA reported the receipt of 479,199 registrations for the Individual Assistance Program as a result of Hurricane Rita in the 29-county area. As a result of Hurricane Rita, more than 75,000 homes in the area suffered major damage or were destroyed. Of these, approximately 40,000 homeowners were uninsured. Furthermore, a substantial percentage of the damaged households are located in areas predominantly occupied by individuals meeting the definition of low to moderate income (LMI). There were 44 recovery centers set up in disaster impacted counties and throughout the state so that residents could apply for immediate assistance, meet with Small Business Administration loan specialists, and get information about available federal and state assistance. Additionally, 4,249 travel trailers were issued to displaced individuals and families.

The current (as of March 9, 2006) combined FEMA and GDEM estimate of damage caused to Texas infrastructure by Hurricane Rita is $239,146,582. (This estimate will continue to increase until all applications and site visits can be completed.) Schools, hospitals, critical private nonprofit organizations, local jurisdictions, and utilities are among those that sustained financially crippling damages.

According to FEMA, 640,968 Katrina and Rita applicants for assistance are residing in Texas as of February 1, 2006. Most of these families are living in Southeast Texas. Second only to Louisiana, Texas hosts the most people impacted by the devastating hurricanes of 2005. The overall impact of Hurricanes Katrina and Rita in Texas is widespread and extremely apparent.

## FEDERAL AND STATE RESPONSES TO DATE

TDHCA and ORCA both served as part of the GDEM Team. TDHCA staff also served in disaster assistance centers in Austin, Dallas, Houston, San Antonio, and Tyler working directly with evacuees to help direct them to vacant units and out of city shelters. The Departments' staff also participated in several workshops in Southeast Texas to discuss how their various funding sources could be used in the disaster recovery effort.

In the wake of Hurricane Katrina, TDHCA initiated a major effort to update its online multifamily property inventory to provide real time vacancy information. This allowed potential residents to more easily identify which developments actually had vacant affordable units available. TDHCA continues to provide contact information for vacant units through this online database. The database contains addresses, phone numbers, and property contact information on thousands of available rental units in Texas funded by TDHCA, HUD, the U.S. Department of Agriculture, and other financing sources. TDHCA created this searchable database to aid evacuees from Hurricanes Katrina and Rita in finding a long-term solution to their housing needs in the city of their choice.

TDHCA played a key role in the State's efforts to respond to Hurricanes Katrina and Rita. Its network of Community Services Block Grant contract agencies, for example, assisted more than 80,000 people with housing, food, transportation, and a wide variety of other essential emergency services.

In the wake of Hurricane Rita, TDHCA immediately requested from the Internal Revenue Service that relief be granted similar to Notice 2005-69, 2005-69-40 IRB 622 (applying to Hurricane Katrina which temporarily suspended certain requirements under section 42 of the Internal Revenue Code). This allowed owners of low income housing tax credit projects throughout the state to provide temporary housing in vacant units to individuals who resided in jurisdictions designated for Individual Assistance who have been displaced because their residences were destroyed or damaged as a result of the devastation caused by both Hurricane Katrina and Hurricane Rita. This action allowed thousands of displaced persons to gain access to affordable housing that they otherwise would not have been able to utilize.

Below is a summary of resources TDHCA and ORCA, immediately called upon after Hurricane Rita. In general, these funds, which were fully subscribed or well oversubscribed, have been or soon will be awarded.

Funds Provided for Housing Related Activities

- On December 30, 2005, TDHCA, through its Office of Colonia Initiatives (OCI), released a Notice of Funding Availability (NOFA) for approximately $1,800,000 of State of Texas Housing Trust Funds to organizations assisting individuals or families that were victims of Hurricane Rita to purchase or refinance real property on which to build new residential or improve existing residential housing through self-help construction for very low and extremely low income individuals and/or families (owner-builders), including persons with special needs. This NOFA reflected the TDHCA Board's decision to redirect a substantial portion of the housing funds the Department receives from the State's treasury towards Hurricane Rita recovery efforts. Eligible applicants were nonprofit organizations certified by TDHCA as Nonprofit Owner-Builder Housing Programs (NOHP) as described in Subchapter FF, Section 2306.755 of the Texas Government Code. To date, three applications requesting $1.87 million were received. Two of these applications were approved by the TDHCA Board on March 20, 2006. The remaining application, for $600,000 is being evaluated at this time and pending confirmation of eligibility will be presented to the Department's Board for ratification on May 4, 2006.

- On January 27, 2006, TDHCA, released a NOFA for $8.3 million in federal HOME Investment Partnerships Program funds for the repair or reconstruction of homes damaged by Hurricane Rita. These funds were obtained through a HUD waiver that allows the use of Program Year (PY) 2005 and PY 2006 Community Housing Development Organizations (CHDO) set-aside funds for disaster relief efforts. TDHCA provided funds to affected counties using a tier-system that gives priority to those with the greatest damage. Twelve applications requesting all of the available funding were received and were funded in March 2006. On December 21, 2005, TDHCA submitted a request to HUD for additional waivers to also use unobligated CHDO funds from PYs prior to 2005 for disaster recovery. This request would provide for approximately $4.7 million of additional funding.
- On January 30, 2006, TDHCA issued a NOFA related to Housing Tax Credits authorized through HR 4440, also known as the Gulf Opportunity Zone Act of 2005. This act amended the Internal Revenue Code of 1986 to provide tax benefits for certain areas affected by Hurricane Rita. The Act provided for an increase of $3,500,000 in the 2006 Housing Tax Credit Ceiling for the State of Texas. TDHCA determined that it would allocate that $3,500,000 solely in 21 of the 22 impacted counties for rehabilitation, reconstruction, or replacement new construction of rental units. TDHCA also separated those credits from the rest of the 2006 Housing Tax Credit Ceiling to respond to the emergency nature of the necessary assistance. There were 14 total applications totaling $9.4 million in credits (an over subscription of over 250 percent). These award recommendations will be reviewed by the TDHCA Board in May 2006.
- On February 15, 2006, TDHCA announced the release of $16 million in home loans that will be made available to qualified homebuyers wishing to purchase a home within targeted areas including the 22 East Texas counties designated under the Gulf Opportunity Zone Act of 2005. Provisions under the act made it possible for TDHCA to offer the financing to qualified borrowers at a 4.99 percent interest rate through a network of participating lenders. Under the resulting "Rita GO Zone" program, eligible borrowers can qualify with higher family incomes and can purchase homes that exceed an area's average purchase price by more than allowed by other state programs. An eligible borrower's income can be up to 140 percent of the median income, and the home purchase price limit is 110 percent of the area's median home value. As of April 6, 2006, $14.5 million in loans had been applied for by home owners.

Funds Provided for Non-Housing Activities

- In the days immediately following Hurricane Katrina, ORCA set aside $1 million from its disaster relief fund to assist communities to improve, expand, and equip temporary shelters to house evacuees resulting from Hurricane Katrina. ORCA has provided daily technical assistance to applicants as well as the consultants who work with the smaller communities both from the Austin office and the South East Texas field office. As a result of the disaster relief fund, eight communities now have emergency shelters to incorporate into their emergency management plans for future Texas disasters.
- To offset the huge medical need created by both the Hurricane Katrina evacuees and then of those directly impacted by Hurricane Rita, the ORCA Rural Health division created a capital improvement disaster grant program for rural hospitals and clinics. The program was funded at $420,000 from both interest accrued on tobacco endowment funds and the State Office of Rural Health Grant. ORCA received more than $870,000 in application requests. In total, 20 rural hospitals and clinics benefited from the program.

CITIZEN PARTICIPATION AND PUBLIC COMMENT

Since Hurricanes Katrina and Rita made landfall, federal, state, and local governments and agencies have worked continuously with citizens regarding damage and loss in local communities. Applications for FEMA assistance; homeowner insurance claims; visits to local disaster recovery centers; and requests for emergency shelter, food, and financial assistance confirm that the public has played a role in communicating needs to federal, state, and local agencies. Examples of such meetings include extensive participation by TDHCA directors and staff at the following disaster recovery meetings:

- A Texas Senate Finance Hearing on disaster recovery held in Beaumont on November 17, 2005.
- HUD Hurricane Rita disaster recovery summit held in Beaumont on December 14, 2005.
- TDHCA disaster recovery funding availability workshops held in Beaumont and Nacogdoches on January 19 and 20, 2006.
- The Port Arthur Recovery Conference held on February 23 and 24, 2006.

Further, as the Departments' staff visited and consulted with local government leaders, state and federal legislators, and community action and social services agencies that were hit hardest by the storms, various forums were provided for the sharing of information concerning financial assistance that was needed. Many of the visits were followed up by telephone calls to the Departments with questions about possible funding sources that could be used to address unmet needs.

The public comment period on the Action Plan ran from March 14, 2006, to March 30, 2006. To discuss and gather direct public comment on the proposed Action Plan, five public hearings were held at the following times and locations.

| Location: | Nacogdoches | Beaumont | Livingston | Austin | Houston |
|---|---|---|---|---|---|
| Address: | C.L. Simon Recreation Center<br><br>1112 North Street, Room 2 Nacogdoches, TX 75961 | South East Texas Regional Planning Commission<br>2210 Eastex Freeway Beaumont, TX 77703 | Livingston Municipal Complex<br>200 W. Church Street Livingston, TX 77351 | Stephen F. Austin Building<br><br>1700 N. Congress Avenue, Rm. 170 Austin, TX 78701 | Harris County Jury Assembly Room,<br><br>1019 Congress, 1st floor Houston, TX 77002 |
| Date & Time: | March 20, 2006, 6:00 pm | March 21, 2006, 10:00 am | March 22, 2006, 10:00 am | March 22, 2006, 6:00 pm | March 28, 2006, 6:00 pm |

The Departments' notice of the public comment period and associated public hearings was published in the Texas Register on March 10, 2006. Similar notice was simultaneously provided on the Departments' websites in English and Spanish. On March 1, 2006, an announcement in English and Spanish that described the public comment period and public hearings schedule for the first four hearings was mailed to over 2,500 addresses on ORCA's typical CDBG notification list, which includes all of the State's mayors and county judges. Texas Indian Tribes were also included in this mailing. On March 10, 2006, a follow up notice announcing an additional hearing in Houston was distributed using the same contact lists.

The Departments called all counties and cities in the affected counties prior to the public hearings and faxed and mailed a public hearing notification letter to all entitlement and non-entitlement cities and counties in the affected region prior to the public hearings. Additionally, a wide variety of interested parties were notified electronically about the public hearings through TDHCA's "interested contact" databases. This database includes 2,855 emails of public officials, for-profit and non-profit developers, community housing development organizations, advocacy groups, and supportive service providers that have expressed an interest in being notified about upcoming TDHCA activities.

The locations of the hearings were fully accessible. Staff at the hearings were able to dialogue in both Spanish and English, and the hearing announcement had opportunities for persons with hearing disabilities to request an interpreter for the hearing and opportunities for persons requiring auxiliary aids or services to request that arrangements be made.

In addition to the public comment period held March 14, 2006 through March 30, 2006, the Departments extended the public comment period to solicit comments on Spanish and Vietnamese versions of the Action Plan. The translated versions of the Plans were made available so that households of limited English proficiency could participate in the public comment process and shape the development of the CDBG Disaster Recovery Program in their area. This comment period started April 21, 2006 and lasted through Monday, May 8, 2006.

On Thursday, April 13, 2006, notices of the extended public comment period in Spanish and Vietnamese languages were posted on TDHCA's and ORCA's websites. On Friday, April 14, 2006, a Spanish version of the Action Plan was posted on the Departments' websites. On Tuesday, April 18, 2006, a Vietnamese version of the Action Plan was posted. On April 21, 2006, notice of the public comment period for both the Spanish and Vietnamese versions of the document was published in the Texas Register.

In addition to Texas Register and website postings, the Departments carried out additional outreach to distribute the Spanish and Vietnamese versions of the Action Plan. TDHCA sent Spanish- and Vietnamese-language notices to everyone on the Department's email list. TDHCA also contacted each COG serving the impacted area for a list of advocacy organizations serving Spanish and Vietnamese communities in their region. Notices in both languages were distributed to the organizations identified in the resulting lists.

Other direct efforts to encourage participation in the public comment process included the following:

- The Departments consulted county judges, CDBG entitlement communities, and Indian Tribes in the eligible counties to discuss the Action Plan details.
- The Departments consulted State officials, including State Legislators, in the impacted areas.
- Emails announcing the hearings, providing the Action Plan and asking for feedback were sent to the COGs and followed-up by consultations with the COGs.
- Letters summarizing the Action Plan were also sent to
  - each of the cities within the eligible counties,
  - entitlement communities across the state, and
  - TDHCA's list of affordable housing development partners.

Public comment was accepted directly at the public hearings, by mail, or via email to the address below.

| | |
|---|---|
| Mail: | TDHCA<br>Division of Policy and Public Affairs<br>P.O. Box 13941<br>Austin, TX 78711-3941 |
| Fax: | (512) 469-9606 |
| Email: | info@tdhca.state.tx.us |

One area of particular interest to the Departments was comment on issues that require requesting additional CDBG Disaster Recovery Funding waivers from HUD to address specific needs related to regional and local recovery activities. Such waiver requests collected through this process or otherwise identified in the preparation of the Action Plan are included in Appendix A of this document.

A summary of the comments received during the public comment period and the Departments' reasoned responses and actions is provided in Appendix B of this document.

To expedite the distribution of funds, Applicants will not be required to conduct public hearings or meetings to receive comments from residents of the community. Rather, Applicants will be required to post a public notice in a newspaper of general circulation that states the type of activities to be undertaken, the amount of funding available for the activities, the portion of the funds that will be used for administrative purposes, the method used to allocate the funds within the region, and a date by which public comments must be made. In areas where there are large populations of non-English speaking citizens, such notices must be provided in the predominant languages of the region.

To encourage the receipt of comment on the need for a wide variety of activities, the Applicant shall send letters to local community organizations that work to:

- help low income families avoid becoming homeless;
- reach out to homeless persons and assess their individual needs;
- address the emergency shelter and transitional housing needs of homeless persons;
- help homeless persons make the transition to permanent housing and independent living;
- provide supportive housing assistance to groups with special needs including the elderly, frail elderly, persons with disabilities (mental, physical, developmental), persons with alcohol or other drug addiction, persons with HIV/AIDS and their families, and public housing residents;
- provide for planning within the affected areas (i.e., local and county officials); and
- address community and small business development needs on local and regional levels.

Any recipient of public funds in Texas may be subject to Texas Government Code Chapter 552, commonly called the Public Information Act. Records retention policies must meet federal Office of Management and Budget guidelines and/or other applicable state or local statute with regards to record retention.

The Departments are operating under the Consolidated Plan that covers federal fiscal years 2005-2009. After careful review, it was determined by the Departments that the Consolidated Plan does not need to be amended to implement this Action Plan. Subsequent Consolidated Action Plans and Consolidated Annual Performance Reports will discuss continuing activities and results associated with this disaster recovery effort.

## ELIGIBLE AREAS

Counties where the CDBG Disaster Recovery Funds may be used were determined by the FEMA Emergency Declaration and Major Disaster Declaration issued by FEMA in response to Hurricane Rita.

FEMA-3261-EM-TX

- Initial Incident Date: 9/24/2005
- Emergency Declaration Date: September 21, 2005
- FEMA provided 100 percent Federal funding for all 254 counties in Texas for emergency protective measures for the first 72 hours of the incident period. Thereafter, the Federal funding was reduced to 75 percent.

FEMA-1606-DR-TX

- Initial Incident Date: 9/24/2005
- Major Disaster Declaration Date: September 24, 2005
- FEMA provided 100 percent Federal funding for all 254 counties in Texas for debris removal and emergency protective measures for the first 72 hours of the incident period. Thereafter, the Federal funding was reduced to 75 percent.

Table 1 and Figure 1 on the next page show the counties that were eligible under the FEMA Individual Assistance Program (IAP) and Public Assistance Program (PAP). IAP funds are direct payments to individuals or households for housing assistance (lodging, rental assistance, home repair, home replacement, or housing construction) or other needs assistance (medical, dental, funeral costs, transportation costs, etc.). Although this program may include cash grants up to $26,200 per individual or household, most assistance is in the form of low interest loans to cover expenses not covered by state or local programs or private insurance. PAP funding provides supplemental disaster grant assistance to State, local governments, and certain private nonprofit entities for the debris removal, emergency protective measures, and repair, replacement, or restoration of disaster-damaged publicly owned infrastructure or facilities. The CDBG Disaster Recovery Funding may be used in the 29 eligible counties that were eligible for assistance under those two FEMA programs.

## ELIGIBLE APPLICANTS

Eligible Applicants include four COGs whose service areas contain the 29 eligible counties for the CDBG Disaster Recovery Funding (Deep East Texas COG, East Texas COG, Houston-Galveston Area Council, and the South East Regional Planning Commission). Figure 1 shows the distribution of the eligible counties amongst the four Applicants.

The COGs were designated as the eligible Applicants for the following reasons:

- Having the COGs prepare the Applications should allow for better prioritization of local needs within the region. Given the very limited amount of CDBG Disaster Recovery Funding available and the widespread need, utilizing the COGs helps ensure funds go to the most impacted and distressed areas that have the greatest housing and infrastructure needs consistent with the *Texas Rebounds* report.
- COGs have a long history of working with the CDBG program and the affected cities and counties. As a result, COG staff has a very good understanding of both the CDBG program and regional needs.

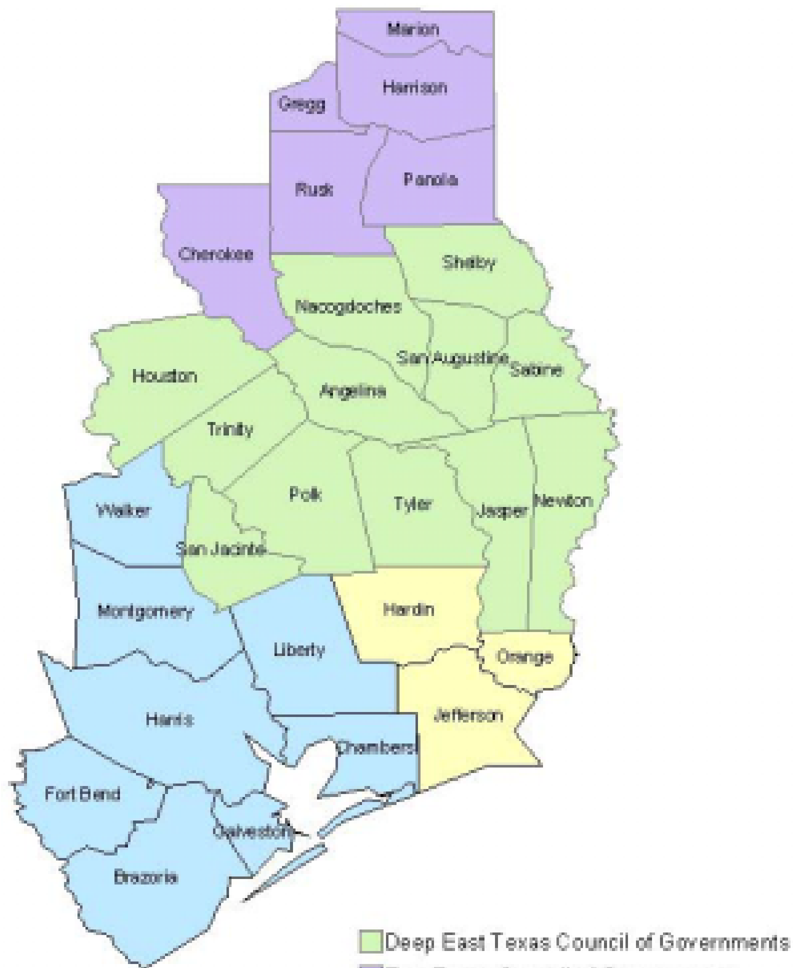
Á COGs have a regional planning focus that includes, but is not limited to, state and federal programs in their area. Their role as subrecipients will promote coordination with those existing regional plans.

Á For the purpose of expediting the distribution of funds to the areas in need, reducing the number of Applicants helps fast track the application process. Having only four Applicants reduces administrative time and application production costs for the Departments as well as city and county governments and federally recognized Indian Tribes.

Table 1. Eligible Counties

| | County | Individual Assistance Program (IAP) | Public Assistance Program (PAP) |
|---|---|---|---|
| 1 | Angelina | ã | ã |
| 2 | Brazoria | ã | ã |
| 3 | Chambers | ã | ã |
| 4 | Cherokee | | ã |
| 5 | Fort Bend | ã | |
| 6 | Galveston | ã | ã |
| 7 | Gregg | | ã |
| 8 | Hardin | ã | ã |
| 9 | Harris | ã | |
| 10 | Harrison | | ã |
| 11 | Houston | | ã |
| 12 | Jasper | ã | ã |
| 13 | Jefferson | ã | ã |
| 14 | Liberty | ã | ã |
| 15 | Marion | | ã |
| 16 | Montgomery | ã | ã |
| 17 | Nacogdoches | ã | ã |
| 18 | Newton | ã | ã |
| 19 | Orange | ã | ã |
| 20 | Panola | | ã |
| 21 | Polk | ã | ã |
| 22 | Rusk | | ã |
| 23 | Sabine | ã | ã |
| 24 | San Augustine | ã | ã |
| 25 | San Jacinto | ã | ã |
| 26 | Shelby | ã | ã |
| 27 | Trinity | ã | ã |
| 28 | Tyler | ã | ã |
| 29 | Walker | ã | ã |
| Total Counties by FEMA Category | | 22 | 27 |

Figure 1. Eligible Counties and Applicants



For unmet housing needs, the Applicants representing the affected regions will apply on behalf of their respective regions. Individual contracts will be prepared between TDHCA and each Applicant who will be the region's Subgrantee for unmet housing need activities. Each Subgrantee will administer an amount, based on need, for their region, and will be required to work with the affected counties to ensure that their most severe unmet housing needs are addressed and that all state and federal requirements of the CDBG Program are met. Because the COGs that represent the affected regions are already working aggressively to address the housing needs of their respective communities by leveraging funding, TDHCA believes that better consistency and controls can occur if these entities account for the funding that is being utilized within their regions, and thus TDHCA will have better controls to prevent duplication of benefits.

For non-housing needs, the Applicants will apply on behalf of the counties and city jurisdictions and federally recognized Indian Tribes within their region. Individual contracts will be prepared, under TDHCA Board authority, between ORCA and each Subgrantee (county, city, and federally recognized Indian Tribe that receives a grant award). A Subgrantee may have the COG arrange for local grant administration.

With regard to their eligibility to apply for CDBG Disaster Recovery funds, each Applicant's performance status was thoroughly reviewed to ensure they were in compliance with both of the following sections of the Texas Administrative Code (TAC).

- As more thoroughly described in 10 TAC Sec. 1.3, "Delinquent Audits and Other Issues," applicants are ineligible to apply for CDBG Disaster Recovery funds if they have any audits past due to TDHCA and are ineligible to receive funds until any unresolved TDHCA audit findings or questioned or disallowed costs are resolved.
- As more thoroughly described in 10 TAC Sec. 255.1(h)(6), an applicant that has one year's delinquent audit may apply for disaster funding but must satisfy all outstanding ORCA audits prior to award. A community with two years of delinquent audits may not apply for additional funding and may not receive a funding recommendation.

All Applicants are expected to follow local, state, and federal laws pertaining to the use of public funds unless a waiver is granted prior to the obligation of funds.

Contact Information and Links to COGs


**Deep East Texas COG**
http://www.detcog.org/
Walter G. Diggles, Executive Director
wdiggles@detcog.org

Comments on programs or suggestions:
info@detcog.org

DETCOG (JASPER OFFICE)
210 Premier Dr.
Jasper, TX 75951
Phone: 409.384.5704
Toll Free: 1.800.256.6848
TDD: 409.384.5975
Fax: 409.384.5390

DETCOG (LUFKIN OFFICE)
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Lufkin, TX 75901
Phone: 936.634.8653
Toll Free: 1.800.256.7696

**East Texas COG**
http://www.etcog.org/
Glynn Knight, Executive Director
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**Houston/Galveston AC**
http://www.h-gac.com
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Houston, TX 77227-2777
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**South East Texas RPC**
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## PROPOSED USE OF TEXAS DISASTER RECOVERY FUNDS

### How Funds Will Address Texas' Greatest Unmet Needs

Federal requirements clearly state that the funds can be used only for disaster relief, long-term recovery, and restoration of infrastructure in the most impacted and distressed areas related to the consequences of Hurricane Rita. Requirements provide that the funds be directed to the most impacted and distressed areas within the state. As provided for in Public Law 109-148, the funds may not be used for activities reimbursable by or for which funds are made available by FEMA or the Army Corps of Engineers. The Departments anticipate requesting waivers to tailor the program to best meet the unique disaster recovery needs of Texans as issues arise and are brought forward by the participants.

### Eligible Activities

This Action Plan outlines the Departments' framework for allocating funding. However, Applicants are being provided, and are also encouraged to read, the requirements set out in the Federal Register (7666 Federal Register/Vol. 71, No. 29, Feb. 13, 2006). Unless otherwise stated in the Federal Register, statutory and regulatory provisions governing the CDBG program for states, specifically 24 CFR Part 570 Subpart I, apply to the use of these funds.

All proposed activities must be eligible CDBG activities according to 24 CFR Part 570 Subpart I, except as waived by HUD, must meet requirements for disaster recovery funding cited throughout this document, and must meet at least one of the three national CDBG objectives. All housing, public service, public facility, infrastructure, and business development activities allowable under 24 CFR Part 570 are eligible Application activities.

- Housing activities will include but not be limited to single and multifamily acquisition, demolition, repair, rehabilitation, reconstruction, and new construction as appropriate for the specific local needs to address damage as a result of Hurricane Rita. Flood buyouts of homes damaged by Hurricane Rita in which the owner will repurchase a home are considered housing activities. Funding provided for these housing activities will be in the form of a grant.
- Non-Housing activities will include but not be limited to FEMA Infrastructure Grant Program match, FEMA Hazard Mitigation Grant Program match (including drainage projects, flood buyouts in which the property is converted into open, undeveloped land, and safe-room and community storm shelters), Natural Resource and Conservation Service (NRCS-USDA) flood and drainage projects, roads and bridges, water control facilities, water and waste water facilities, buildings and equipment, hospitals and other medical facilities, utilities, parks and recreational facilities, debris removal, public/community shelters, and loan funds for businesses. All of these activities must be related to addressing damages created by Hurricane Rita.

Anticipated Accomplishments

Given the very limited amount of available CDBG Disaster Recovery Funding as compared to the tremendous need, the Departments expect to make focused efforts to restore housing units lost or severely damaged by the storm and to make repairs to public infrastructure damaged by Hurricane Rita. The Departments anticipate that low to moderate income (LMI) residents will be the primary beneficiaries of the program. Under HUD program guidelines, “low to moderate income” individuals reside in households that earn less than 80 percent of the area median family income. Applicants for the funds will be required to specify activities, proposed units of accomplishment, and proposed beneficiaries in the Application. These anticipated accomplishments will be reported by the Departments to HUD during the first quarter of reporting using the online Disaster Recovery Grant Reporting System.

National Objective

All activities must meet one of the three national objectives set out in the Housing and Community Development Act (address slum and blight, urgent need, primarily benefit LMI persons). Pursuant to explicit authority in the Department of Defense Appropriations Act, 2006 (Public Law 109-148, approved December 30, 2005), HUD is granting an overall benefit waiver that allows for up to 50 percent of the grant to assist activities under the urgent need or prevention or elimination of slums and blight national objectives, rather than the 30 percent allowed in the annual State CDBG program. The primary objective of Title I of the Housing and Community Development Act and of the funding program of each grantee is the “development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income." The statute goes on to set the standard of performance for this primary objective at 70 percent of the aggregate of the funds used for support of activities producing benefit to low and moderate income persons. Since extensive damage to community development and housing affected those with varying incomes, and income-producing jobs are often lost for a period of time following a disaster, HUD is waiving the 70 percent overall benefit requirement, leaving a 50 percent requirement, to give grantees even greater flexibility to carry out recovery activities within the confines of the CDBG program national objectives. The Application must clearly document for the TDHCA Board that at least the 50 percent requirement is met. TDHCA strongly encourages applicants to assist those lower income households with the greatest need in all of their activities.

## METHOD OF ALLOCATION

### General Information

The Departments will administer the $74,523,000 HUD allocation. The state may use up to 5 percent of the funding ($3,726,150) for the Departments’ administrative expenses, including contract administration, compliance monitoring, and the provision of technical assistance to Applicants and Subgrantees. The remaining funding is being made available directly to Subgrantees for eligible projects.

The Secretary of HUD's January 25, 2006, News Release (No. 06-011) provided that "Fifty-five percent of the funds are allocated toward unmet housing needs. The remaining funds are allocated toward concentrated distress, as these communities will have not only the greatest damage and destruction to their housing stock, but also the most intensive infrastructure and business damage not otherwise accounted for in our data, and the least locally available resources to address that damage.” With the caveat that no less than 55 percent of the funding must go towards meeting unmet housing needs, the Departments are leaving decisions related to the use of funding for specific activities to those at the local level. Therefore, the amount associated with housing related activities could increase depending on the needs identified by the Applicants. At a minimum $38,938,268 (55%) of the available $70,796,850 in non-administrative funding will be set aside for unmet housing needs. The statute requires that funds can be used only for disaster relief, long-term recovery, and restoration of infrastructure in the most impacted and distressed areas related to the consequences of Hurricane Rita.

Allocation of Funds to Areas of Greatest Need

FUNDING ALLOCATION

FEMA data was used to determine the distribution of housing and non-housing related damage across the eligible counties. The State of Texas and local governments have repeatedly voiced concerns over the accuracy and completeness of this data. While this is of great concern, the FEMA data nevertheless remains the most detailed and comprehensive source of information that is available. Table 2 shows each applicant's allocation amount based on the Departments' distribution methodologies.

Table 2. Funding Allocation by Applicant

| Applicant and Eligible Counties | Minimum Housing Need Allocation* | Non-Housing Need Allocation | Total Allocation | % of Total Allocation |
|---|---|---|---|---|
| Deep East Texas Council of Governments | $5,745,034 | $13,278,209 | $19,023,244 | 27% |
| Angelina, Houston, Jasper, Nacogdoches, Newton, Polk, Sabine, San Augustine, San Jacinto, Shelby, Trinity, and Tyler Counties | | | | |
| East Texas Council of Governments | $- | $2,099,997 | $2,099,997 | 3% |
| Cherokee, Gregg, Harrison , Marion , Panola, and Rusk Counties | | | | |
| Houston-Galveston Area Council | $6,694,697 | $4,011,720 | $10,706,418 | 15% |
| Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Walker Counties | | | | |
| South East TX Regional Planning Commission | $26,498,536 | $12,468,656 | $38,967,192 | 55% |
| Hardin, Jefferson, and Orange Counties | | | | |
| Total | $38,938,268 | $31,858,583 | $70,796,850 | 100% |

*As discussed in the "General Information" section above, the actual Housing Need Allocation could increase and the Non-Housing Need Allocation could decrease based on the actual Application requests. Allocations will ultimately be determined based on Applicant consultations with cities, counties, and federally recognized Indian Tribes in the impacted areas.

Consistent with the charge to serve areas in concentrated distress, it should be noted that more than half the funds go to the three counties (Jefferson, Orange, and Hardin) that had the most storm damage. The map of the storm path shown in Appendix C shows these counties were located in the area of greatest storm strength.

In the event that each of the eligible Applicants does not submit an Application or does not request the total eligible funding amount, any remaining funds will be allocated amongst the remaining Applicants on a prorated basis tied to need.

Housing Activity Need Allocation Methodology

After intensive review of data from FEMA, the Texas Department of Insurance, and self reported damage reports from local governments provided by the GDEM, it was determined that FEMA Individuals and Households Program payment information provided an accurate comparison of county-by-county storm damage within the eligible counties. The actual FEMA data is provided as Appendix D. This objective data was also evaluated to see how it was supported by first hand observations of need that were developed from many TDHCA staff trips to the affected areas and ongoing discussions with local officials.

Seven of the eligible counties for the CDBG Disaster Recovery Funds were ineligible for FEMA IHP assistance. After reviewing insurance claim data for these counties as reported by the Texas Governor's Office, it appears that these areas experienced comparatively low levels of housing damage as compared to the other affected counties. As a result, housing activity need assistance was not associated with these seven counties.

2000 U.S. Census poverty and very low income household data within the affected counties was also evaluated to see if the effects of the damage would be greatly distorted by subregional income differences. While there were slight differences observed between the counties, these differences were not deemed significant enough to warrant altering the distribution from that indicated by the regional information on disaster damage.

To determine the portion of each Applicant's funding allocation specifically related to unmet housing needs, the total county level housing need data within each COG was calculated. A funding distribution based on each COG's resulting percentage of total payments made under the FEMA IHP program was then generated.

<u>Non-Housing Activity Need Allocation Methodology</u>

For all non-housing activities, FEMA data detailing total infrastructure losses of the affected counties was considered for allocation purposes. This data is shown in Appendix E. Based on this data, with confirmation from first-hand accounts from ORCA staff and local communities and data supplied by regional COGs, ORCA allocated the non-housing portion of the disaster funding by county. Each affected county was allocated a minimum of $350,000 for non-housing activities. The remainder of the funding available for non-housing activities was then divided on a prorated basis to counties with the greatest damage. The allocations by county were summed to determine the total non-housing need allocation for each COG region.

## APPLICATION AND AWARD PROCESS

<u>Award Authority</u>

Because a minimum of 55% of the CDBG Disaster Recovery funding is required to be dedicated to housing activities, the Governor designated the TDHCA Board to make all awards associated with this Action Plan. Because of the critical need for quick delivery and anticipated use of the funds awarded, changes to the awarded Application will require TDHCA Board approval if they exceed a 5% variance in funds or deliverables.

Application Process and Award Timeline

Upon HUD approval of the Action Plan, the Department will release the Application and anticipates beginning technical assistance workshops on May 15, 2006. The Application acceptance period is projected to run May 22, 2006, through June 23, 2006, or for a period of 30 days after the Action Plan is approved by HUD if later than the above dates. The Departments will jointly review all submissions for completeness, eligibility, and to ensure that the Application helps address the area's greatest unmet needs. To the extent necessary, deficiencies may be issued and corrections on ineligible activities requested. It is anticipated that the TDHCA Board will determine the Applications to fund as soon as possible following the close of the Application period. If necessary to expedite the award of funds, an additional TDHCA Board meeting may be added to the regularly scheduled meetings.

Technical Assistance

The state will provide technical assistance to Applicants requesting assistance in applying for funding under the Action Plan. At a minimum, this technical assistance will provide information on the eligible uses of funds, the Application, method of fund distribution, and an explanation of rules and regulations governing the grants funded under the Disaster Recovery Initiative. Technical assistance may take the form of workshops, telecommunication, on-site assistance, written correspondence, or manuals and guidebooks.

Application Requirements

The Departments will utilize a uniform Application that allows Applicants to submit multifaceted (housing, public service, public facility, infrastructure, and business development) requests. All Applications must satisfy the following set of threshold criteria.

1. Each Applicant must provide a detailed description of the methodology used to allocate and prioritize funds within their region along with any supporting data used in methodology. This description must provide full explanation of how the specific proposed activities will be used only for disaster relief, long-term recovery, and restoration of infrastructure in the most impacted and distressed areas related to Hurricane Rita. This description must establish timelines and anticipated delivery dates.
2. If an Applicant chooses to utilize a competitive awards process, the Application must reflect exactly what that competitive process includes and state its scoring and prioritization criteria based on the most impacted and distressed areas.
3. Each Applicant is required to place funding limits for housing activities on their recipients, households and/or activities. Each Applicant must identify in its Application the limits to be used and the methodology utilized for establishing those limits. For non-housing activities, the Applicant may use a

scoring priority based on activities in combination with limits or may use an allocation, or a combination of both, that is based on the most impacted and distressed areas.

4. A fully executed and complete Certification and Application for Assistance. This certification will clearly establish that the proposed activities are eligible and satisfy national objectives. It will also establish that the beneficiaries will satisfy the household income targeting requirements established in the Federal Register notice. The Certification and Application for Assistance shall include the percentage of funds to be used to meeting housing needs as identified by HUD for these funds.
5. For each city, county or federally recognized Indian Tribe covered by the Application, a resolution of support of the appropriate governing body authorizing the submission of the Application and authorizing its chief executive officer as the authorized representative in all matters pertaining to the participation in the program. For housing activities, this means the Applicant must provide signatures from all county judges within their region affirming their agreement that the COGs take responsibility for CDBG funding and addressing their county's unmet housing needs.
6. Evidence of the Applicant's public notification and a summary of resulting public comment received on the proposed use of funds as a result of publishing the notice and sending correspondence on the plans to the appropriate parties. This evidence must also provide evidence of outreach in public notice to non-English speaking citizens in predominant languages of the region. Additionally, copies of correspondence sent to local community organizations that work to address the needs of the homeless and other groups with special needs as more thoroughly described in the Citizen Participation and Public Comment section of this Plan.
7. Evidence of good standing with regard to 10 TAC Sec. 1.3, "Delinquent Audits and Other Issues" (TDHCA) and 10 TAC Sec. 255.1(h)(6) (ORCA).
8. Evidence of sufficient financial oversight as established by an "Independent Auditor's Report" from 2004, or if available, 2005, audited financial statements for each Subgrantee represented by the Application.
9. Evidence of sufficient local need to utilize requested funds. Such need may be described using FEMA, State, or local damage reports, or Citizen's Survey Forms as provided in the Application. If the Citizen's Survey Form is utilized, the form:
   a. may be used as a tool to perform preliminary marketing and outreach to potential consumers,
   b. should be completed by potential individuals seeking CDBG assistance, and
   c. must be signed and dated.

   Evidence of need must support the requested level of assistance requested in the Application. The Applicant must also provide evidence of outreach to non-English speaking citizens in predominant languages of the region.
10. Evidence, in the form of a narrative, as to how the Applicant will:

a. prevent low income individuals and families with children from becoming homeless;
b. address the emergency shelter and transitional housing needs of homeless persons;
c. help homeless persons make the transition to permanent housing and independent living;
d. provide supportive housing assistance to groups with special needs including the elderly, frail elderly, persons with disabilities (mental, physical, developmental), persons with alcohol or other drug addiction, persons with HIV/AIDS and their families, and public housing residents;

11. Evidence, in the form of a brief narrative, as to how the applicant currently promotes or will promote the following requirements:
    a. land use decisions that reflect responsible flood plain management and removal of regulatory barriers to reconstruction;
    b. construction methods that emphasize high quality, durability, energy efficiency, and mold resistance;
    c. enactment and enforcement of modern building codes;
    d. mitigation of flood risk where appropriate; and
    e. adequate, flood-resistant housing for all income groups that lived in the disaster impacted areas.

All non-housing activity Subgrantees must further demonstrate the ability to manage and administer the proposed project, demonstrate the financial management capacity to operate and maintain any improvements resulting from the project, levy a local property tax or local sales tax option, demonstrate satisfactory performance on previously funded CDBG contracts, and have resolved any outstanding compliance or audit findings. More detail on these requirements can be found at 10 TAC 255.1 (ORCA).

<u>Match Requirement</u>

The provisions at 42 USC 5306(d) and 24 CFR 570.489(a)(1)(i) and (iii) will not apply to the extent that they cap State administration expenditures and require a dollar for dollar match of State funds for administrative costs exceeding $100,000.

GRANT ADMINISTRATION

<u>Administration and Staffing</u>

The Departments' staff will be provided with all training necessary to ensure the proper administration of the grants. To increase oversight at the local level, Subgrantee staff will be provided with all additional training necessary to ensure proper administration. The Departments also anticipate establishing at least one additional field office within the affected area to provide direct disaster technical assistance where needed.

Administrative Costs

Subgrantees are strongly encouraged to minimize their administrative costs so that the amount available for program activities will be maximized. To ensure that this is the case, the amount of allowable Subgrantee administrative costs is capped at 10 percent of the grant award. In those instances where the Subgrantee deems that this amount is not sufficient for their activities, they may petition the TDHCA Board for administrative costs in an amount up to 15 percent of the grant. If milestones and delivery dates are not met, the Board may review the administrative fees as penalties for failure to meet the program deadlines. Subgrantees who have compliance issues or have not met substantial deadlines will not have their petition considered for increased administrative costs.

State Action Plan Amendments

The following events would require a substantial amendment to the Action Plan:

- addition or deletion of any allowable activity described in the plan;
- change in the allowable beneficiaries; or
- a change of more than five percent in the funding allocation between the activity categories described in the Action Plan (unless sufficient Applications are not received to meet the targeted percentages for each activity).

If a substantial amendment to the Action Plan is needed, then reasonable notice will be given to citizens and units of general local government to comment on the proposed changes. This notice must be provided to citizens in predominant languages of the region. Consistent with the desire to allocate these funds as quickly as possible, the public comment period will be the same as that utilized for the Action Plan. The Departments' public comment notification, receipt, and response processes will also follow those used to develop the Action Plan.

Contract Amendments

The Departments encourage all Subgrantees to carefully plan projects that meet the stated requirements and to specify activities, associated costs, milestones/delivery dates, and proposed accomplishments and beneficiaries in order to reduce the need for amending contracts. The Departments will award two-year contracts. Contract amendments that vary more than 5% must be approved by the TDHCA Board.

The Departments will follow an established, unified process for amendments. Subgrantees should contact the Departments prior to requesting an amendment or contract modification that affects the budget, activities, beneficiaries or timeframe for accomplishing the work. Should a proposed amendment result in the need for modification of this Action Plan, the state will follow the process required by HUD for this disaster recovery funding.

Substantial amendments may be cause to review the entire Application submitted to determine if the project is meeting its stated goals and its timelines.

Documentation

Each Subgrantee must submit or maintain documentation that fully supports the Application that was submitted to the Departments. Requirements relating to documentation are set out in the Application Guide.

Reporting

Each Subgrantee must report on a quarterly basis (on a form provided by the Departments) on the status of the activities undertaken and the funds drawn. Quarterly status reports will be due to the Departments within 15 calendar days following the end of the quarter. The Departments will then report to HUD using the online Disaster Recovery Grant Reporting system.

More frequent reports may be required if Subgrantee has missed milestones/or has not met substantial elements of the Application/plan.

Anti-Displacement and Relocation

The State requires that each Subgrantee must certify that they will minimize displacement of persons or entities and assist any persons or entities displaced in accordance with the Uniform Anti-Displacement and Relocation Act and local policy.

Citizen Complaints

All Subgrantees must have adopted procedures for responding to citizens' complaints as is required under the Texas Small Cities Nonentitlement CDBG Program or Entitlement programs. Citizens must be provided with the address, phone numbers, and times for submitting such complaints or grievances. Subgrantees must provide a written response to every citizen complaint within 15 working days of the complaint, if practicable.

Definitions

All regulations associated with the CDBG program apply to this funding unless specifically detailed as a waiver in the Department of Defense Appropriations Act, 2006 (Public Law 109-148, approved December 30, 2005 or as specified in the Feb. 13, 2006 Federal Register notice) or subsequently waived by HUD as documented in this Action Plan. In addition, definitions and descriptions contained in the Federal Register are applicable to this funding.

Regulatory Requirements

- Subgrantees must comply with fair housing, nondiscrimination, labor standards, and environmental requirements applicable to the CDBG Program.
- Fair Housing: Each Subgrantee will be required to take steps to affirmatively further fair housing; and when gathering public input, planning, and implementing housing related activities, will include participation by neighborhood organizations, community development organizations, social service organizations, community housing development organizations, and members of each distinct affected community or neighborhood which might fall into the assistance category of low and moderate income communities. The Departments will require that special emphasis be placed on those communities who both geographically and categorically consist of individuals who comprise "protected classes" under the Civil Rights Act of 1964 and the Fair Housing Act of 1978 as amended. The efforts will be recorded in an "Affirmative Marketing Plan". At all times, "Housing Choice" will be an emphasis of program implementation and outreach will be conducted in the predominate language of the region where funds will be spent.
- Nondiscrimination: Each Subgrantee will be required to adhere to the Departments' established policies which ensure that no person be excluded, denied benefits or subjected to discrimination on the basis race, color, national origin, religion, sex, familial status, and/or physical and mental handicap under any program funded in whole or in part by Federal CDBG funds. Subgrantees will be required to document compliance with all nondiscrimination laws, executive orders, and regulations.
- Labor Standards: Each Subgrantee will be required to oversee compliance with Davis-Bacon Labor Standards and related laws and regulations. Regulations require all laborers and mechanics employed by contractors or subcontractors on CDBG funded or CDBG assisted public works construction contracts in excess of $2,000, or residential construction or rehabilitation projects involving eight or more units be paid wages no less than those prescribed by the Department of Labor and in accordance with Davis Bacon Related Acts.
- Environmental: Specific instructions concerning environmental requirements at 24 CFR Part 58 will be made available to all Subgrantees. Some projects will be exempt from the environmental assessment process, but all Subgrantees will be required to submit the Request for Release of Funds and Certification (HUD Form 7015.15). Funds will not be released for expenditure until the Departments are satisfied that the appropriate environmental review has been conducted. Subgrantees will not use CDBG disaster recovery funds for any activity in an area delineated as a special flood hazard area in FEMA's most current flood advisory maps unless it also ensures that the action is designed or modified to minimize harm to or within the floodplain in accordance with Executive Order 11988 and 24 CFR Part 55.

Flood Buyouts

Disaster recovery Subgrantees have the discretion to pay pre-flood or post-flood values for the acquisition of properties located in a flood way or floodplain. In using CDBG disaster recovery funds for such acquisitions, the Subgrantee must uniformly apply the valuation method it chooses.

Any property acquired with disaster recovery grants being used to match FEMA Section 404 Hazard Mitigation Grant Program funds is subject to Section 404(b)(2) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended, which requires that such property be dedicated and maintained in perpetuity for a use that is compatible with open space, recreational, or wetlands management practices. In addition, with minor exceptions, no new structure may be erected on the property and no subsequent application for federal disaster assistance may be made for any purpose.

A deed restriction or covenant must require that the property be dedicated and maintained for compatible uses in perpetuity.

Flood insurance is mandated for any assistance provided within a floodplain. The federal requirements set out for this funding provide further guidance on activities that are to be conducted in a flood plain. The Departments will provide further guidance regarding work in the floodplain upon request.

Housing Assistance Beneficiaries

For Subgrantees undertaking housing assistance activities, a Housing Assistance Plan for selecting beneficiaries and housing units for housing assistance must be adopted and followed. Subgrantees are encouraged to use their existing Housing Assistance Plan if one is available. Modifications to the plan can only be made through the TDHCA contract amendment process. The contract will set out the specific requirements for the Housing Assistance Plan.

Monitoring

The Departments will monitor all contract expenditures for quality assurance and to prevent, detect, and eliminate fraud, waste and abuse as mandated by Executive Order RP 36, signed July 12, 2004, by the Governor. The Departments will particularly emphasize mitigation of fraud, abuse and mismanagement related to accounting, procurement, and accountability which may also be investigated by the State Auditor's Office. In addition, the Departments and the Subgrantees are subject to the Single Audit Act. A "Single Audit" encompasses the review of compliance with program requirements and the proper expenditure of funds by an independent Certified Public Accountant or by the State Auditors Office. Reports from the State Auditors Office will be sent to the Office of the Governor, the Legislative Audit Committee and to the respective boards of the Departments.

The Departments have Internal Audit staff that perform independent internal audits of programs and can perform such audits on these programs and Subgrantees. The TDHCA Internal Auditor reports directly to the TDHCA Board of Directors. Similarly, the ORCA Internal Auditor reports directly to the ORCA Executive Committee.

The Departments will use an established, unified monitoring process. The Departments are currently in the process of modifying current monitoring procedures to specifically address the requirements of the CDBG Disaster Recovery Program and to ensure that all contracts funded under this disaster recovery allocation are carried out in accordance with federal and state laws, rules, and regulations, and the requirements set out in the Federal Register notice. The procedures will ensure that there is no duplication of benefits that have otherwise been covered by FEMA, private insurance, or any other federal assistance or any other funding source. The Departments will monitor the compliance of Subgrantees, and HUD will monitor the Departments' compliance with this requirement. Expenditures may be disallowed if the use of the funds is not an eligible CDBG activity, does not address disaster-related needs directly related to Hurricane Rita, or does not meet at least one of the three national CDBG objectives. In such case, the Subgrantee would be required to refund the amount of the grant that was disallowed. In addition and in order to ensure that funds are spent promptly, contracts will be terminated if identified timetables/milestones are not met. If it becomes necessary to terminate a contract with a Subgrantee, TDHCA will assume responsibility for the contract.

Monitoring efforts will provide quality assurance and will be guided by both responsibilities under the CDBG Program and responsibilities to low income Texans. These monitoring efforts include:

- Identifying and tracking program and project activities and ensure the activities were as the result of damage from Hurricane Rita;
- Identifying technical assistance needs of Subgrantees;
- Ensuring timely expenditure of CDBG funds;
- Documenting compliance with Program rules;
- Preventing fraud and abuse;
- Identifying innovative tools and techniques that help satisfy established goals; and
- Ensuring quality workmanship in CDBG funded projects

In determining appropriate monitoring of the grant, the Departments will consider prior CDBG grant administration, audit findings, as well as factors such as complexity of the project. The Departments will determine the areas to be monitored, the number of monitoring visits, and their frequency. All grants will be monitored not less than once during the contract period. The monitoring will address program compliance with contract provisions, including national objectives, financial management, and the requirements of 24 CFR Part 58 (“Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities”) or 50 (“Protection and Enforcement of Environmental Quality.”) The Departments will utilize the checklists similar to those used in monitoring regular CDBG program activities.

The Departments will contract with the Subgrantee as independent contractors who will be required to hold the Departments harmless and indemnify them from any acts of omissions of the contractor.

Investigation

Section 321.022(a) of the Texas Government Code requires that If the administrative head of a department or entity that is subject to audit by the state auditor has reasonable cause to believe that money received from the state by the department or entity or by a client or contractor of the department or entity may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of the department or entity, the administrative head shall report the reason and basis for the belief to the state auditor. The Departments are responsible for referring suspected fraudulent activities to the state auditor’s office as soon as is administratively feasible. The State Auditor reports directly to the Texas Legislature.

Program Income

Any program income earned as a result of activities funded under this grant will be subject to 24 CFR 570.489(e), which defines program income and provides when such income must be paid to the state. For non-housing activities, program income generated under individual contracts with the Subgrantees will be returned to ORCA.

Timeframe for Completion

Availability of funds provisions in 31 USC 1551-1557, added by section 1405 of the National Defense Authorization Act for Fiscal Year 1991 (Public Law 101-510), limit the availability of certain appropriations for expenditure. This limitation may not be waived. However, the Appropriations Act for these grants directs that these funds be available until expended unless, in accordance with 31 USC 1555, the Departments determine that the purposes for which the appropriation has been made have been carried out and no disbursement has been made against the appropriation for two consecutive fiscal years. In such case, the Departments shall close out the grant prior to expenditure of all funds. All grants will be in the form of a contract between the Subgrantee and the Departments that adheres to the federal time limitation.

## REQUIRED CERTIFICATIONS

The use of the disaster funding is contingent upon certain requirements, and both the Departments and Subgrantees will be expected to certify that these requirements will be met or carried out. Applicable federal and state laws, rules and regulations are listed in the Application Guide, and the designee authorized by the Subgrantee will be required to certify in writing that the grant will be carried out in accordance with the stated requirements. The Departments have provided a fully executed copy of HUD Required Certifications for State Governments, Waiver and Alternative Requirement as in Appendix F.

## APPENDIX A. REQUESTED WAIVERS

During the development of the Action Plan and the public comment period, particular attention was paid to identifying issues that require additional waivers from HUD to address specific regional and local recovery needs. The following list describes regulations for which a waiver is requested to allow for the full utilization of the CDBG Disaster Recovery funding.

1. Restrictions on the repair or reconstruction of buildings used for the general conduct of government at 42 USC 5305(a)(2) and (a)(14) and 24 CFR 570.207(a)(1).
2. The 50% of down payment limitation on direct homeownership assistance for low or moderate-income homebuyers at 42 USC 5305(a)(25)(D).
3. The requirement that 70% of funds are for activities that benefit low and moderate income persons at 42 USC 5304(b)(3)(A) and 24 CFR 570.484.
4. The provision at 24 CFR 570.483(b)(4)(ii) that requires units of general local governments, for job creation activities, to document that either or both of the following conditions apply to at least 51% of the jobs at the time CDBG assistance is provided: 1) the jobs are known to be held by low or moderate income persons, or 2) the jobs can be expected to turn over within two years and be filled by or made available to low or moderate income persons upon turn over. Instead, units of local government in the hurricane impacted areas will be able to presume that all jobs retained as a result of the CDBG funds meet one or both of these conditions.
5. The one-for one replacement requirements at 42 USC 5304(d)(2) and 24 CFR 570.488 for low and moderate income dwelling units (1) damaged by the disaster, (2) for which CDBG funds are used for demolition and (3) which are not suitable for demolition requires that all occupied and vacant occupiable low/moderate income dwelling units that are demolished or converted to use other than low/moderate income dwelling units in connection with a CDBG activity must be replaced with low/moderate income dwelling units.
6. Requirements that state grantee must match the amount of CDBG funds used for administration and limits administration and technical assistance to three percent and limits the state and its grantees to 20% of the aggregate amount received of the state CDBG program at 42 USC 5306(d)(3)(A), and 24 CFR 570.489(a)(1)(3).
7. The provisions at 42 USC 5304(j) and 24 CFR 570.489(e) that permit states to allow units of general local government to retain program income. For purposes of the supplemental funds, all program income will be returned to the state and will become program income to the most recent regular CDBG program year.
8. Requirements at 42 USC 12706 and 24 CFR 91.325(a)(6), that housing activities undertaken with CDBG funds be consistent with the strategic plan and 24 CFR 570.903, which requires HUD to annually review grantee performance under the consistency criteria.

9. The requirement at 42 USC 5306(d)(1) and 24 CFR 570.480 (a) that states electing to receive CDBG funds must distribute the funds to units of general local government in the state's nonentitlement areas.

10. The requirements at 24 CFR 570.207 (b)(3) relative to new construction of housing.

## APPENDIX B. DEPARTMENTS' RESPONSE TO PUBLIC COMMENT

The *Action Plan* was released on March 14, 2006. The public comment period for the document ran from March 14, 2006, through March 30, 2006. Announcement of the public comment period was printed in the *Texas Register* on March 10, 2006, and also on March 24, 2006.

During the period, the Department held five public hearings to accept comment. Hearing notices, in both English and Spanish, were posted on the Departments' websites. On March 1, 2006, an announcement in English and Spanish that described the public comment period and public hearings schedule for the first four hearings was mailed to over 2,500 addresses on ORCA's CDBG notification list, which includes all of the State's mayors and county judges as well as Texas Indian Tribes. On March 10, 2006, a follow up notice announcing an additional hearing in Houston was distributed using the same contact lists. Additionally, 2,855 entities were notified electronically about the public hearings through TDHCA's email notification lists.

The location, address, dates, and number of attendees are listed below:

| Location: | Nacogdoches | Beaumont | Livingston | Austin | Houston |
|---|---|---|---|---|---|
| Address: | C.L. Simon Recreation Center<br><br>1112 North Street, Room 2<br>Nacogdoches, TX 75961 | South East Texas Regional Planning Commission<br>2210 Eastex Freeway<br>Beaumont, TX 77703 | Livingston Municipal Complex<br>200 W. Church Street<br>Livingston, TX 77351 | Stephen F. Austin Building<br><br>1700 N. Congress Avenue, Rm. 170<br>Austin, TX 78701 | Harris County Jury Assembly Room,<br>1019 Congress, 1st floor<br>Houston, TX 77002 |
| Date & Time: | March 20, 2006, 6:00 pm | March 21, 2006, 10:00 am | March 22, 2006, 10:00 am | March 22, 2006, 6:00 pm | March 28, 2006, 6:00 pm |
| Number of Attendees | 22 | 40 | 20 | 8 | 24 |

All hearing locations were fully accessible to persons with disabilities. The hearing announcements included information on accessibility requests for individuals requiring an interpreter, auxiliary aids, or other services. Additionally, Department staff attending the hearings spoke both English and Spanish.

The following comments were received on the Plan. A brief summary of the comment as well as the Departments' response is included. Comments are arranged and answered by subject, and each comment is individually numbered. At the end of this section, there is a table that includes information for each individual making comment and lists which comments, by number, the individual made. In general, housing-related comments were answered by TDHCA and non-housing comments were answered by ORCA. The answering Department is also listed with the comment responses.

For more information on the public comment received on this document, or for copies of the original comment, please contact the TDHCA Division of Policy and Public Affairs at (512) 475-3976.

**Comment #1: Use of CDBG Disaster Funds by DETCOG**

A few comments were made that outlined how the Deep East Texas Council of Governments intends to use the CDBG Disaster Funds.

For community development and infrastructure, these uses include for following: (1) pay the 25 percent of costs for debris removal that was incurred by the counties and cannot be reimbursed by FEMA, (2) emergency preparedness, (3) loans to small businesses with a maximum of $150,000 per loan, (4) fund existing unfunded water and sewer FY2006 TCDP projects, (5) infrastructure “overrun” 0 percent loans for existing CDBG projects whose costs are now higher than anticipated because of elevated material costs, (6) streets damaged by the hurricane or those streets related to evacuation that need improvement, and (7) USDA drainage projects. For housing projects, these uses include the following: (1) forgivable loans for very low income persons, (2) interest-free loans for moderate income persons, and (3) rental rehab for subsidized rental properties. Repayments on the loans would be used to establish a revolving loan fund.

**Staff Response:**

*TDHCA*

TDHCA will structure the CDBG Disaster Recovery Program for housing activities for eligible beneficiaries in the form of grants. Because housing activities will be in the form of grants, there will be no program income. The reconstruction or rehabilitation of privately owned properties, primarily for the purpose of benefiting low to moderate income persons, is an eligible activity under the CDBG program, including rehabilitating rental properties.

*ORCA*

Providing for the 25 percent match associated with FEMA awards, emergency preparedness, loans to small businesses impacted by the hurricane, streets damaged by the hurricane, and USDA drainage project match are all eligible uses under the CDBG regulations. Unfunded water and sewer FY2006 TCDP projects or any existing projects with cost overruns will not be funded because they did not result from damages incurred by Hurricane Rita. Any program income generated by non-housing activities will be returned to the State.

**Comment #2: Process for use of CDBG Disaster Funds by the ETCOG**

A comment was made that outlined how the East Texas Council of Governments (ETCOG) intends to process and use the CDBG disaster funds.

ETCOG's preliminary strategy includes the following: (1) create an inventory of public facility and infrastructure needs, (2) meet with local government officials to discuss the program and proposed evaluation criteria, (3) establish a timeframe for submitting applications to ETCOG, and (4) have ETCOG staff review and score applications. Applications receiving the highest scores will be included in the ETCOG application to ORCA.

Staff Response:

*TDHCA*

Applications for assistance under the CDBG Disaster Recovery Program will be made jointly to TDHCA and ORCA. Successful applicants will be required to ensure that funds are equitably distributed throughout the region to the most impacted and distressed areas. ETCOG is encouraged to solicit input from the community on unmet housing needs and provide the information to TDHCA. The Secretary of HUD's January 25, 2006, News Release (No. 06-011) provided that 55 percent of the funds be allocated toward unmet housing needs.

*ORCA*

FEMA numbers showed no housing damage in ETCOG. The 55 percent mentioned in the Secretary's News Release was of the total $74 million awarded and was not applied per COG in the Action Plan. The FEMA numbers demonstrate that the greatest impact in ETCOG is infrastructure and public facilities. Projects should be prioritized based on these numbers. The strategy submitted by ETCOG is a very good plan that will need to be developed more fully to include more detail on method of distribution and priorities for inclusion in the Application.

Comment #3: Use of CDBG disaster funds for transitional housing

A comment was made that asked the program to consider using some of the CDBG disaster funds for transitional housing for the homeless.

Staff Response:

*TDHCA*

Funds under the CDBG Disaster Recovery Program will be awarded to COGs in the affected regions who will undertake activities based on prioritization of local needs. COGs are required to establish local needs through their citizen participation process. Activities must be eligible under 24 CFR Part 570, which allows for transitional housing for the homeless under public services as a limited clientele activity.

*ORCA*

In addition to TDHCA's response, funding will only be available to Hurricane Rita victims.

**Comment #4: Awarding CDBG Disaster Funds Directly to Councils of Governments**

Several comments were made that supported the decision to award the CDBG disaster funds to the local councils of governments (COGS).

> **Staff Response:**
>
> ***TDHCA and ORCA***
>
> The use of COGS has been proposed in the plan. No response necessary.

**Comment #5: Income Restriction Waivers**

A comment was made regarding income eligibility requirements. The commenter mentioned that many residents have had their incomes greatly reduced since the hurricane, and that recorded income from the previous year does not reflect the current financial conditions of these residents.

> **Staff Response:**
>
> ***ORCA***
>
> The Federal Regulations allow the State to assume low to moderate income based on the census tract the individual resides in and for job creation/retention activities the census tract the individual works in. Should the individual not meet the assumptions allowed under the regulations the State will also consider self certifications where the individual's circumstances have changed as a result of the hurricane.

**Comment #6: Consideration of Unfunded CDBG Applications from Previous Program Cycle**

A few comments were made regarding the possibility of funding those applications that did not receive awards in the previous regular CDBG cycle with this CDBG disaster funding.

> **Staff Response:**
>
> ***ORCA***
>
> Projects will only be considered that resulted from damage directly associated with damage caused by Hurricane Rita in the most impacted and distressed areas. No other projects will be eligible for funding under the Action Plan.

**Comment #7: Use of CDBG Disaster Funds for Reimbursement of Previous Expenses not Reimbursed by FEMA**

A few comments were made regarding the use of CDBG disaster funds to reimburse costs already incurred by the cities and counties but not covered by FEMA or insurance companies, such as infrastructure repairs and debris removal.

Staff Response:

*ORCA*

Funds that have already been expended by cities and counties to secure FEMA awards and for other eligible activities can be reimbursed under the Action Plan.

Comment #8: Use of CDBG Disaster Funds to Reimburse Local Governments for Costs Incurred Due to the Hurricane that were Originally Intended to be Spent on Other Activities

A comment was made regarding the use of CDBG disaster funds to reimburse counties for costs incurred due to the hurricane that were originally intended to be spent on other activities. For example, one county has committed significant funding for a fish hatchery, but was forced to spend some of those funds on hurricane costs.

Staff Response:

*ORCA*

Funds that have already been expended by cities and counties to secure FEMA awards and for other eligible activities can be reimbursed under the Action Plan.

Comment #9: Prioritization of Local Projects

One comment was made by a council of governments that thought that the local counties should be allowed to develop their own county plans and then submit them to the COG based on a priority system.

Staff Response:

*TDHCA and ORCA*

Under the Action Plan, the Applicants will be required to adopt and follow a policy for selecting beneficiaries and housing units for housing assistance. Applicants will develop a method of distribution based on needs identified in the plan, and submit the methodology to the Department as part of their Application. Development of this plan will require a high level of public participation. The distribution of funds must be directed to the most impacted and distressed areas as a direct result of Hurricane Rita.

Comment #10: Consideration of Private Funding Resources

One comment was received that asked for special consideration for local projects that have already received some private funding.

Staff Response:

*TDHCA*

Funds under the CDBG Disaster Recovery Program will be awarded to COGs in the affected regions who will undertake activities based on prioritization of local needs. COGs are required to establish local needs through their citizen participation process. Activities must be eligible under 24 CFR Part 570. The COGs may consider as part of their selection criteria other committed private funding for most impacted and unmet needs.

*ORCA*

The allocation of funding is being set at the COG (regional) level. How the priorities will be established is at the discretion of the COG with a high level of public participation and well documented methods of distribution.

Comment #11: Errors in FEMA Damage Estimations by County

A few comments were made about possible errors in the FEMA damage estimations by county and FEMA public assistance numbers by county, which were used by TDHCA and ORCA to make regional funding allocations.

Staff Response:

*TDHCA and ORCA*

The Departments acknowledge that the FEMA data is an estimate and may not accurately reflect actual need; however, the data is the most detailed and comprehensive source of information available for the entire area to ensure funding to the most impacted and distressed areas resulting from Hurricane Rita.

Comment #12: Allocation of CDBG Funds

A comment asked for clarification on how the CDBG disaster funds were being allocated by ORCA and TDHCA; specifically, whether the funds were going to be allocated to each county or to the whole region and whether each county was entitled to a certain amount of funds.

Staff Response:

*ORCA*

Funding is being allocated by the COG region. No specific amounts have been set aside by county. COGs, with considerable public participation and defined methods of distribution, will be determining the allocation of funding within each region.

Comment #13: Use of CDBG Disaster Funds for Cost Overrun Loans

A few comments were made with regard to using CDBG disaster funds for infrastructure "overrun" 0 percent loans for existing CDBG projects whose costs are now higher than anticipated because of elevated material costs due to the hurricane.

Staff Response:

Any existing projects with cost overruns will not be funded because they did not result from damages by Hurricane Rita.

Comment #14: HUD Waivers in Louisiana

One comment was made concerning waivers granted by the U.S. Department of Housing and Urban Development for the state of Louisiana. Comment encouraged that the State look to Louisiana for information on their waivers, including the waiver that enabled 50 percent down payment assistance.

Staff Response:

*TDHCA*

The Departments are considering submitting waiver requests to HUD, including a request to waive the 50 percent down payment assistance requirement. A complete list of waiver requests and HUD's response will be made available to the public once complete.

*ORCA*

HUD has encouraged the State to request any needed waivers to expedite the use of the funding or to meet the areas of greatest unmet need with the exception of fair housing, nondiscrimination, labor standards, and environmental assessments.

Comment #15: CDBG Disaster Funds for Rental Purposes

A few comments were made regarding the use of CDBG disaster funds for rental rehabilitation loans, particularly where subsidized rents are being paid to the owners, as well as for the expansion of the local rental assistance programs.

Staff Response:

*TDHCA*

Rental rehabilitation loans, primarily for the purpose of benefiting low to moderate income persons, is an eligible activity under the CDBG program. Activities will be proposed by COGs based on prioritization of local needs.

*ORCA*

ORCA would prefer that any loans be repaid to the State versus creating multiple local revolving loan funds that will have to be monitored.

Comment #16: Allocation of Other Funding to These Areas

A comment was made regarding the existing CDBG disaster fund administered by ORCA. The comment asked whether these regions would still be eligible to apply for that funding, even though they are receiving this special CDBG disaster fund allocation.

Staff Response:

*ORCA*

Communities are encouraged to apply for the funding available under the Action Plan for all disaster projects directly related to Hurricane Rita. Applying this funding will not prevent any city or county from applying to any of ORCA's other programs.

ORCA anticipates that cities and counties in the affected regions would initially seek funding for the Rita disaster through the non-housing supplemental amount allocated to the region. ORCA recognizes that all cities and counties that submit projects to the COG for consideration would be funded through the allocation. ORCA would prioritize those that submitted applications to the COG for the non-housing allocation in the region and any ranking in the COG review when determining the use of its limited regular Disaster assistance.

Comment #17: Disbursement of CDBG Disaster Funds to Cities and Counties

One comment was made regarding the disbursement of CDBG disaster funds. The commenter would prefer that the CDBG funds be allocated and disbursed prior to their starting work, rather than the cities and counties having to pay for the work, and then afterwards receiving the CDBG funds as reimbursement.

Staff Response:

*ORCA*

For cases where reimbursement is not an option due to financial limitations of the Subgrantee, advances can be considered on a case-by-case basis. ORCA will not reimburse for work not completed and a service must be provided.

Comment #18: Use of CDBG Disaster Funds for Electricity Needs

One comment concerned the use of funds for electric companies and electric co-ops for repairs.

**Staff Response:**

*ORCA*

Funding electric companies and electric co-ops affected by the hurricane are eligible under the Action Plan provided the activities are eligible under 24 CFR 570 and based on the priorities set by the COG.

**Comment #19: Flexibility in Reimbursing Expenses Already Incurred by the Counties**

One comment was made that addressed the need for local officials to make "decisions outside of a little box" to meet the needs of their communities after the hurricane. The commenter asks that the program be flexible in reimbursing the local governments for some of their creative ways in responding to local needs.

**Staff Response:**

*TDHCA*

The Departments will work with Subgrantees to be as flexible as possible and to expedite the funding process. Any CDBG-eligible activity may be considered by the COG when prioritizing unmet needs,

*ORCA*

The CDBG program is one of the most flexible federal programs in operation. Any project eligible under the federal regulation resulting from damages incurred as a result of Hurricane Rita will be considered according to the priorities set by the COGs and the need to address the most impacted and distressed areas.

**Comment #20: Timeliness of Fund Disbursement and Use of FY 2006 Funds**

A comment was made inquiring about how quickly ORCA and TDHCA will receive the CDBG disaster allocation. Specifically, the commenter suggested the ORCA and TDHCA use the FY 2006 allocation to fund the disaster activities now and then when the CDBG disaster allocation comes in, ORCA could reimburse themselves for FY 2006.

**Staff Response:**

*ORCA*

Due to the limited funding available under the annual CDBG allocation, the upcoming application rounds, commitments made in the 2006 Action Plan developed with public hearings and the ORCA Executive Committee, and because using funds from the current CDBG allocation would require an amendment to the existing CDBG action plan, ORCA will not be using the FY 2006 allocation to fund disaster activities for later reimbursement. In addition, HUD has committed to expedite review of the State Action Plan and the State has set a very aggressive application roll out and funding processes.

**Comment #21: Use of Funds for Part of a Project**

A few comments were made regarding the use of CDBG disaster funds to fund part of a project.

> **Staff Response:**
>
> *ORCA*
>
> Partial funding or phased projects will be eligible under the Action Plan as long as beneficiaries can be identified at the conclusion of the project and the project can have a definitive end.

**Comment #22: Time Extensions for Existing CDBG Projects**

A comment was made regarding the timely completion of existing CDBG projects. The commenter urged that communities with existing projects not be penalized for requiring time extensions because of disaster activities to complete their projects.

> **Staff Response:**
>
> *ORCA*
>
> ORCA has discussed the possibility of reviewing requirements for the communities that have spent time on disaster recovery versus proceeding with projects, but that mechanism has not yet been completed.

**Comment #23: Use of CDBG Disaster Funds for Public Buildings**

One comment stressed the need for funding for public buildings, including city halls and buildings that serve as local command centers during times of disasters.

> **Staff Response:**
>
> *ORCA*
>
> The federal regulations governing CDBG do not allow CDBG funds to be used for buildings solely used for the general purpose of government. Buildings damaged by Hurricane Rita that serve dual purposes such as public safety or emergency services may be eligible for repair costs on a pro-rata basis.

**Comment #24: Disaster Impacts on Regional Allocations for Other Programs**

A comment was made regarding how the regional allocations through other programs would be impacted because of the disaster. The commenter asked whether (1) extra points or preference would be given to the disaster-impacted areas when deciding funding allocations statewide and (2) whether the supplemental CDBG disaster allocation would affect their ability to apply for other programs and/or the amount of funding that the region will receive from other programs.

Staff Response:

*TDHCA*

This issue must be addressed before the Regional Allocation Formula and Affordable Housing Need Scores for the HOME, Housing Tax Credit, and Housing Trust Fund Programs can be developed for the next funding cycle. If accurate demographic data on changes to regional and local affordable housing need caused by Hurricanes Rita and Katrina becomes available, then this data and associated available funding to address it might be considered as part of the formulas and scores TDHCA uses to distribute its funding. It should be noted that if need associated with these disasters is considered, then it might be argued that other general statewide demographic changes since the 2000 Census should be considered. However, given the ongoing debate over the accuracy of the disaster impact data and the likelihood that data will not be available at the geographical areas needed for the various formulas and scores, a definitive answer cannot be provided at this time. In any case, the formula and scores will be submitted for public comment as is the standard operating procedure for these activities.

*ORCA*

The Regional Review Committees set the priorities for their prospective regions and can set up scoring in a way that ensures that disaster projects will be awarded above all else. The State's annual CDBG allocation for CD and CDS will remain the same as originally proposed.

Comment #25: Role of Entitlement Areas in Process

A comment was made regarding how entitlement areas would be involved in the process. The comment made a few different points: (1) for entitlement areas to participate, they must pass an ordinance to do so, which is a taxing process; (2) even though the entitlement area actually does the project and is responsible for audits and paperwork, it does not look like they get administration dollars; and (3) the COGS should include the entitlement areas in implementation and Application scoring.

Staff Response:

*TDHCA*

COGs are required to work with cities, counties, and federally recognized Indian tribes, through their citizen participation process, to administer the program according to jointly established priorities.

Under the CDBG Disaster Recovery program, COGs can subcontract with other entities to administer the program.

*ORCA*

For non-housing activities, each city or county (entitlement or nonentitlement) will have an individual contract with its associated administration funding.

### Comment #26: Use of Funds for Reimbursement of Police and Fire Stations

A commenter asked whether funds could be used to reimburse areas for the repair of police and fire stations damaged in the hurricane.

Staff Response:

*ORCA*

The federal law governing CDBG do not allow CDBG funds to be used for buildings solely used for the general purpose of government. Buildings damaged by Hurricane Rita that serve dual purposes such as public safety or emergency services may be eligible for repair costs on a pro-rata basis for the portion of the building used for emergency services.

### Comment #27: Use of Funds for Education Activities

A commenter asked whether CDBG disaster funds could be used for education facilities, including buildings and equipment.

Staff Response:

*ORCA*

State CDBG funds have not historically been used for educational facilities because other sources have existed to fund these types of activities.

### Comment #28: Use of Funds for Hospital Facilities

A commenter asked whether CDBG disaster funds could be used for hospital facilities.

Staff Response:

*ORCA*

Funding damages caused by Hurricane Rita to hospitals would be an eligible use under the Action Plan.

### Comment #29: Need for Down Payment Assistance Funds in Area

A comment was made regarding the need for down payment assistance funds for the area, and how current programs can address this need.

Staff Response:

*TDHCA*

TDHCA will continue exploring ways to address housing needs in disaster areas and to identify sources of funding that could be used to compliment existing revenue sources.

Through TDHCA's First Time Homebuyer Program, funds are available for grant down payment assistance up to 5 percent of the mortgage amount in conjunction with a low interest rate first-lien mortgage. Approximately $121 million will be available beginning June 1, 2006. In accordance with the Gulf Opportunity Zone Act, which covers a 22-county area impacted by Hurricane Rita, the first time homebuyer program requirement is being waived, and increased income and purchase price limits will be offered.

### Comment #30: Need for a General State Disaster Plan

A comment was made regarding the need for a general disaster plan that covers Texas so that the State can respond to disasters in a more timely manner.

Staff Response:

*TDHCA*

The current TDHCA deobligation policy allows for deobligated HOME funds to be used for disaster relief as one of the top priorities.

The Governor's Division of Emergency Management team, of which TDHCA and ORCA are a part, have participated in planning for future disasters.

*ORCA*

The Governor's Office is currently working on plans for disaster responses statewide.

### Comment #31: Need of Funds for Other Disasters

A comment was made regarding the need for funding that will arise due to other disasters. The commenter wanted to emphasize that there are other disasters, and that money should not be wholly spent on one cause.

Staff Response:

*TDHCA*

The Department regularly has funding available to address disasters in Texas that have been designated by the Governor.

*ORCA*

The Action Plan will cover damage caused by Hurricane Rita. ORCA's regular disaster fund is available for other disasters.

**Comment #32: Waive Application Requirements for Regular Funding Cycles**

One commenter suggested that the Departments waive certain application requirements for the regular funding cycles. Specifically, the commenter referred to the HOME Program requirement where an area included in a consortium apply for funding through the consortium and not through the State.

**Staff Response:**

*TDHCA*

The State's 2006 Single Family HOME Program funding cycle is specifically designed to serve non–participating jurisdictions, primarily rural Texas, pursuant to Section 2306.111 of the Texas Government Code. The next scheduled Single Family HOME Program funding cycle is scheduled for 2008. Public comment during the rule-making process is encouraged should a waiver if this requirement be requested.

**Comment #33: Waivers for Davis-Bacon and Environmental Requirements**

A comment asked for waivers regarding Davis-Bacon and environmental requirements.

Staff Response:

*TDHCA and ORCA*

The Federal Register announcing the funding available under this Action Plan specifically eliminates the possibility of requesting waivers for labor standards and the environment.

**Comment #34: Leverage Requirements for Funds**

One comment stressed the need for leveraging with these CDBG disaster funds and other programs.

**Staff Response:**

*TDHCA and ORCA*

Staff agrees that leveraging of the funding available under this Action Plan should be encouraged wherever possible.

**Comment #35: Funds for Emergency Facilities**

One comment addressed the use of funds for facilities that relate to emergency management operations and emergency shelters.

**Staff Response:**

*ORCA*

Both emergency management operations and emergency shelters are eligible under the Action Plan.

### Comment #36: County Allocations and Grant Limits

One comment asked whether each county would receive an allocation. Specifically, the commenter was concerned that one county or area would receive all or a majority of the funding. The commenter suggested that the program have grant limits to prevent this scenario.

Staff Response:

*TDHCA*

For unmet housing needs, the COGs representing the affected regions will apply on behalf of their respective regions. Individual contracts will be prepared between TDHCA and each COG. Each COG will administer an amount, based on need, for their region, and will be required to work with the affected counties and federally recognized Indian tribes to ensure that their unmet housing needs are addressed and that all state and federal requirements of the CDBG Program are met. A method of distribution and how funds were prioritized will be required to be submitted as part of the CDBG Application.

*ORCA*

All decisions regarding allocations and grant limits will be set at the local level by the COGs from a method of distribution made available to the public. For non-housing needs, the COGs will apply on behalf of the counties, cities, and federally recognized Indian tribes within their respective regions. Counties, cities, and federally recognized Indian tribes will be the actual grant recipients. Individual contracts will be prepared between ORCA and each grant recipient.

### Comment #37: Reallocation of Funds

A comment was made regarding the reallocation of any funds not spent by the councils of governments.

Staff Response:

*TDHCA*

The Departments will reallocate any remaining funds amongst remaining awardees on a prorated basis tied to need.

*ORCA*

While not expected to be an issue, the Action Plan states that in the event each eligible applicant does not submit or does not request the total eligible funding amount, any remaining funds will be allocated amongst the remaining applicants on a prorated basis.

### Comment #38: Priority for Areas Receiving Hazard Mitigation Grant Program funding

A commenter requested that priority be given to areas receiving Hazard Mitigation Grant Program funding. HMGP requires a 25 percent match and an extensive environmental assessment, and because many of these projects are multimillion-dollar projects, many projects would need match assistance.

Staff Response:

*ORCA*

The match required for the Hazard Mitigation Grant Program is an eligible use of the non housing allocation.

Comment #39: Buyouts

A comment was made regarding whether buyouts would be funded from the infrastructure side or the housing side. The commenter's concern is that, while buyouts are typically funded from the infrastructure side, most areas will have more to spend on infrastructure, and that more money might be available for housing.

Staff Response:

*ORCA*

Buyouts are considered to be an option for non housing activities under the Action Plan.

Comment #40: Consolidation of Applications

A commenter asked about the consolidation of Applications. For example, if an area has multiple facilities that need repair, would the areas need to submit separate Applications, or could they submit one Application for all facilities?

Staff Response:

*TDHCA*

This portion of the program design will be proposed by the applicants (COGs) under the program to the Departments. Applications will be submitted by local entities to the COGs who in turn will compile and submit a single Application to the State.

*ORCA*

Cities and counties will be submitting Applications to the COGs that have been developed by the COGs. The COGs will then be submitting one Application for the region for the projects meeting the priorities that were set for the region.

Comment #41: Red Cross Shelter Requirements

One comment was made regarding the apprehension of some communities in being required to use the Red Cross to run shelters funded through CDBG.

Staff Response:

*ORCA*

The intent of the idea of using the Red Cross Shelter criteria was to set a standard for the shelters being funded, not to force affiliation with the Red Cross.

Comment #42: Match for Non-FEMA Projects

One comment asked whether the CDBG disaster funding could be used to fund match requirements on infrastructure projects made by a city or county without FEMA assistance.

Staff Response:

*ORCA*

Projects directly attributable to damage caused by Hurricane Rita that a city or county has already paid for would be eligible for reimbursement if the project was not reimbursable elsewhere and was eligible under the CDBG regulations.

Comment #43: Program Communication

One comment requested information on how the counties were informed of the public hearings and how the counties can communicate with and provide input to the council of governments.

Staff Response:

*TDHCA*

The Departments' notice of the public comment period and associated public hearings was published in the *Texas Register*, an announcement was mailed in English and Spanish that described the public comment period, and public hearings schedule for the first four hearings to all of the State's mayors and county judges. Additionally, a wide variety of interested parties were notified electronically about the public hearings through TDHCA's "interested contact" databases.

Prior to applying to the Departments for the CDBG Disaster Relief funding program, COGs will be required to follow their local citizen participation requirements to ensure that all effected entities have an opportunity to comment.

*ORCA*

The notification of the public hearings was on both the ORCA and TDHCA websites, two separate post cards announcing the public hearings were mailed to cities and counties throughout the state, letters of invitation were faxed to all cities in the affected area, and each city and county received a personal phone call from ORCA or TDHCA staff inviting them to the public hearings.

Comment #44: Involvement of Indian Tribes

A comment was made regarding the involvement of Indian tribes in the planning process for the program, as well as funding allocation.

Staff Response:

*TDHCA*

The COGs representing the affected COG regions will apply for funding on behalf of entitlement communities, non-entitlement communities, and federally recognized Indian Tribes within their region. COGs are required to solicit input on their proposed program and Application from all affected entities in their regions. In addition, COGs will be required to conduct extensive outreach to all affected citizens in their regions.

Comment #45: City Input

A comment was made emphasizing that input should be collected from cities in the process as well as prioritization of non-housing needs.

Staff Response:

*TDHCA*

Prior to applying to the Departments for the CDBG Disaster Relief funding program, COGs will be required to follow their local citizen participation requirements to ensure that all effected entities have an opportunity to comment on the development of programs to address housing and non-housing needs as a result of Hurricane Rita.

*ORCA*

The COGs will be soliciting input from all affected cities and counties with in their respective regions.

Comment #46: Penalization for 100 Percent FEMA Reimbursement

One comment was made regarding the reimbursement of projects funded by FEMA. The comment asked that areas receiving 100 percent reimbursement not be financially penalized because many other areas did not act quickly enough to receive the 100 percent, and thus only received 75 percent reimbursement.

Staff Response:

*ORCA*

The funding available under the Action Plan cannot be used for projects reimbursed or reimbursable by other sources.

**Comment #47: Reimbursement for Services Provided to Hurricane Evacuees**

One comment was made asking for reimbursement of services provided to hurricane evacuees that migrated to the Houston area.

**Staff Response:**

*TDHCA and ORCA*

Due to the limited amount of funding available, all eligible activities under this Action Plan must specifically fund damages directly related to Hurricane Rita.

**Comment #48: Housing Allocation**

One comment suggested that the whole CDBG Disaster Allocation be spent on housing, rather than just 55 percent.

**Staff Response:**

*TDHCA*

COGs will prepare Applications based on prioritization of local needs within the region as established through their Citizen Participation process.

*ORCA*

The 55 percent allowed for housing is a minimum and the actual allocations will be set at the COG (regional) level.

**Comment #49: Direct Allocation**

One comment suggested that TDHCA allocate funds directly to individuals, rather than suballocating funding to the councils of governments.

**Staff Response:**

*TDHCA*

The current structure of the Departments does not allow for the direct funding of individuals.

**Comment #50: Low Income Targeting**

One comment was made that stressed that low income households should be the sole beneficiaries of the funds, and that waivers to enable assistance to higher incomes should not be sought.

**Staff Response:**

*TDHCA*

The Department will seek waivers that allow for the maximum flexibility in program administration to allow for greater local decision-making ability on how to best meet the most impacted area with unmet housing needs

**Comment #51: Use of Regional Review Committees**

A couple comments questioned the use of existing CDBG Regional Review Committees to score the Applications at the local level.

**Staff Response:**

*ORCA*

The scoring/funding allocation decision will be made at the COG (regional) level.

**Comment #52: Fair Housing**

One comment stressed that fair housing needed to be addressed in the plan.

**Staff Response:**

*TDHCA*

Fair housing requirements are addressed in the Action Plan.

**Comment #53: Public Housing Units**

One comment suggested that CDBG funds be used to repair public housing damaged by the hurricane.

**Staff Response:**

*TDHCA*

Priorities will be set at the regional level; repair of public housing is an eligible activity.

**Comment #54: Administration Costs**

A comment was made regarding the amount of funding that can be used for administration costs. The commenter stressed that the majority of funds should be spent on assistance, and administration costs should be minimized.

**Staff Response:**

*TDHCA and ORCA*

Grantees will be strongly encouraged to minimize their administrative costs so that the amount available for program activities will be maximized. To ensure that this is the case, the amount of allowable Subgrantee administrative costs is capped at 10 percent of the grant award. In those instances where the Subgrantee deems that this amount is not sufficient for their activities, they may petition the TDHCA Board for administrative costs in an amount up to 15 percent of the grant.

**Comment #55: State Priority System**

One comment was made concerning the priority system for receiving assistance. The commenter suggested that the State develop the priority system that would pertain to the whole area, rather than the local councils of governments deciding the programs in their area. The commenter said that the need should be equalized across the whole area, rather than one household receiving assistance in a region that might not in another.

**Staff Response:**

*TDHCA*

Priorities will be set in each region based on consultation with the local communities in the affected area.

*ORCA*

The State has determined that by using the COGs with considerable input from the communities they represent will allow local control of the funding decisions.

**Comment #56: Funds for Existing Revolving Loan Funds for Health Facilities**

One comment was made regarding local health facilities that provided services to hurricane victims. The commenter suggested that a portion of the CDBG disaster funds be allocated to existing revolving loan funds that are made available to community clinics, community hospitals, and local health providers.

**Staff Response:**

*ORCA*

Repair of damage to community clinics, community hospitals, and local health providers with revolving loan funds is eligible under the CDBG regulations.

**Comment #57: Requested Waivers**

A comment from the South East Texas Regional Planning Commission requested that the departments seek the following waivers:

1: “Restrictions on the repair or reconstruction of buildings used for the general conduct of government at 42 USC 5305(a)(2) and (a)(14) and 24 CFR 570.207(a)(1).”

2: “The 50% of down payment limitation on direct homeownership assistance for low or moderate-income homebuyers at 42 USC 5305(a)(25)(D).”

3: “The requirement that 70% of funds are for activities that benefit low and moderate income persons at 42 USC 5304(b)(3)(A) and 24 CFR 570.484.”

4: “The provision at 24 CFR 570.483(b)(4)(ii) that requires units of general local governments, for job creation activities, to document that either or both of the following conditions apply to at least 51% of the jobs at the time CDBG assistance is provided: 1) the jobs are known to be held by low or moderate income persons, or 2) the jobs can be expected to turn over within two years and be filled by or made available to low or moderate income persons upon turn over. Instead, units of local government in the hurricane impacted areas will be able to presume that all jobs retained as a result of the CDBG funds meet one or both of these conditions.”

5: “The one-for one replacement requirements at 42 USC 5304(d)(2) and 24 CFR 570.488 for low and moderate income dwelling units (1) damaged by the disaster, (2) for which CDBG funds are used for demolition and (3) which are not suitable for demolition requires that all occupied and vacant occupiable low/moderate income dwelling units that are demolished or converted to use other than low/moderate income dwelling units in connection with a CDBG activity must be replaced with low/moderate income dwelling units.”

6: “Requirements that state grantee must match the amount of CDBG funds used for administration and limits administration and technical assistance to three percent and limits the state and its grantees to 20% of the aggregate amount received of the state CDBG program at 42 USC 5306(d)(3)(A), and 24 CFR 570.489(a)(1)(3).”

7: “The provisions at 42 USC 5304(j) and 24 CFR 570.489(e) that permit states to allow units of general local government to retain program income. For purposes of the supplemental funds, all program income will be returned to the state and will become program income to the most recent regular CDBG program year.”

8: “Requirements at 42 USC 12706 and 24 CFR 91.325(a)(6), that housing activities undertaken with CDBG funds be consistent with the strategic plan and 24 CFR 570.903, which requires HUD to annually review grantee performance under the consistency criteria.”

9: “The requirement at 42 USC 5306(d)(1) and 24 CFR 570.480 (a) that states electing to receive CDBG funds must distribute the funds to units of general local government in the state’s nonentitlement areas.”

10: “The requirements at 24 CFR 570.207 (b)(3) relative to new construction of housing.”

Staff Response:

*TDHCA and ORCA*

The State is submitting a request for waivers as part of the final Action Plan.

**Comment #58: Reconstructing Lives**

One comment emphasized that that the goal here should be to reconstruct the lives of the Rita evacuees, not just reconstruct buildings. The commenter specifically mentioned offering $20,000 in down payment assistance, so that households could choose where they would like to live and work, and also establish roots and build equity by purchasing a home.

**Staff Response:**

*TDHCA*

Assistance provided through the CDBG Disaster Recovery Program is intended to afford individuals the opportunities to rebuild their lives. The COGs will set priorities for the use of funds through their citizen participation process, and that may include down payment assistance, which is an eligible CDBG activity.

**Comment #59: Job Training**

One of the comments concerned the need for job training for the evacuees.

**Staff Response:**

*TDHCA*

The COGs will set priorities for the use of funds through their citizen participation process, and that may include job training assistance, which is an eligible CDBG activity.

*ORCA*

Job training activities are eligible as public services benefiting low to moderate income individuals and can be funded under the Action Plan subject to prioritization at the regional level. Business loans that lead to job creation or retention are also eligible activities.

**Comment #60: Portability of Assistance**

A commenter suggested that assistance be standard and portable across the region, so that if a household receiving assistance moved within the region, they could still receive assistance.

**Staff Response:**

*TDHCA*

The COGs will set priorities for the use of funds through their citizen participation process; they may allow the portability of assistance within the region.

**Comment #61: Consideration for Areas Not Receiving Assistance**

One commenter asked for special consideration for areas that did not receive assistance from FEMA or the Red Cross, but have damages.

Staff Response:

*TDHCA*

Funding for unmet housing needs under this program will be awarded to COGs and prioritized based on their citizen participation process. COGs will apply on behalf of cities, counties, and federally recognized Indian tribes for non-housing needs. Each awardee must ensure that duplication of benefits does not occur.

*ORCA*

Any eligible activity in the 29 affected counties will be eligible under the Action Plan subject to the priorities set in each region.

Comment #62: Use of Funds for Repair of Well

One commenter asked if funds could be used to repair a well that became inoperable after the hurricane, but may not have become inoperable because of the hurricane.

Staff Response:

*ORCA*

Only activities resulting directly from damage caused by Hurricane Rita will be able to receive funding under the Action Plan. Applicant would need to demonstrate this first at the COG level and then at the State review level.

Comment #63: Consideration for Areas Not Eligible for FEMA Assistance

A comment was made regarding areas that were not eligible for certain categories of FEMA assistance. Specifically, the comment concerned Harris County, which was eligible for FEMA categories A and B, but nothing else. The commenter asked that consideration be given to these areas for funds for which they were not eligible, such as infrastructure, because other areas that are eligible can apply for them through FEMA.

Staff Response:

*ORCA*

Any activities eligible under the CDBG regulations, in the effected counties, for damage resulting from Hurricane Rita are eligible for funding under the Action Plan.

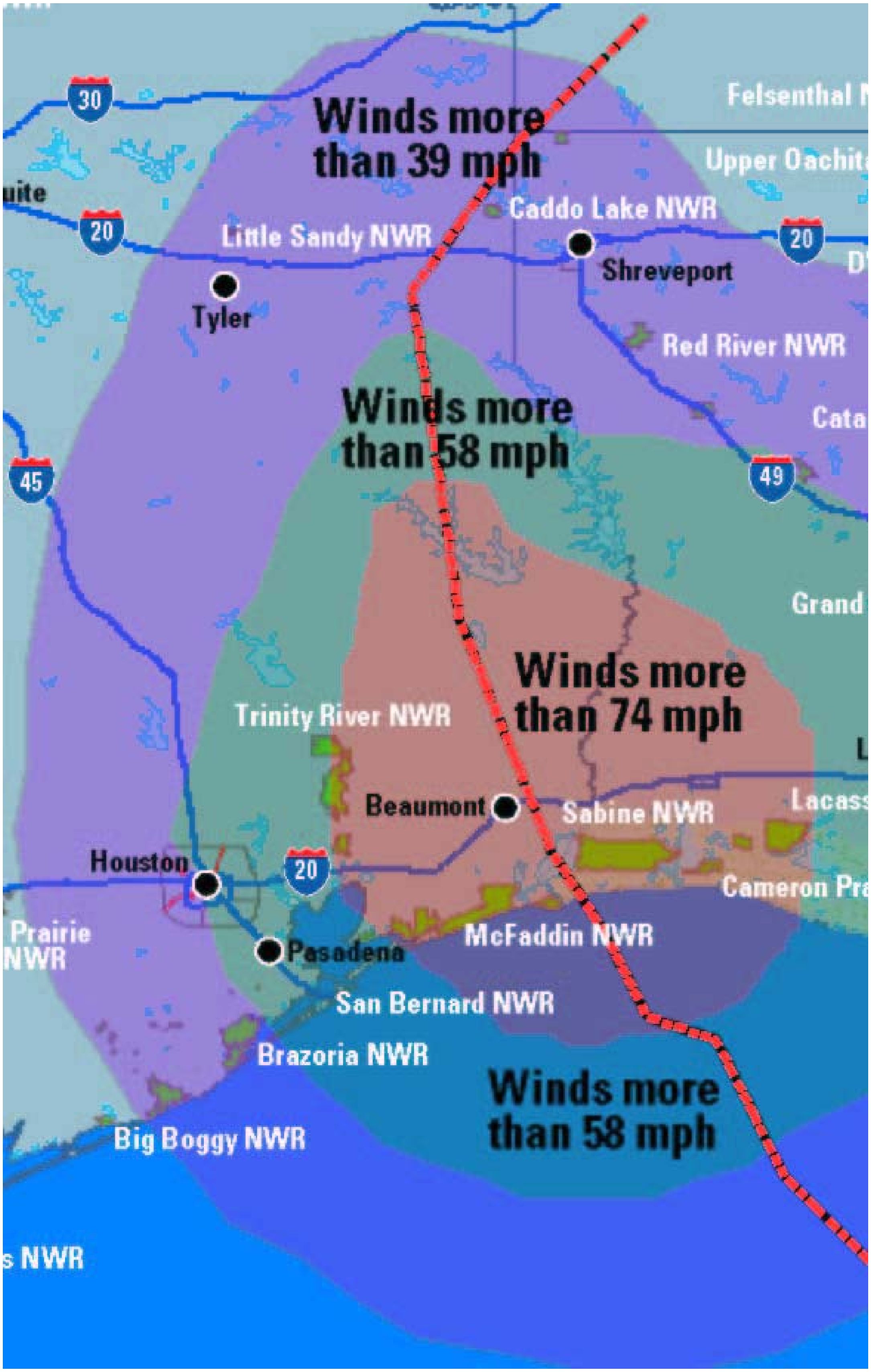
## Public Comment by Commenter

| Commenter | Commenter Info | Source | Comments Made by # |
|---|---|---|---|
| Joe Folk | County Judge, Jasper County | Written comment given to presenters (also read statement at Nacogdoches hearing) | 1 |
| Glynn Knight | ED, ETCOG | Written comment given to presenters (also read by Walter Diggles at Nacogdoches hearing) | 2 |
| Jimmie Cooley | Mayor, City of Woodville | Written comment given to presenters (also read statement at Livingston hearing) | 1 |
| Ken Martin | ED, Texas Homeless Network | Written Comment by Email | 3 |
| Carl Thibodeaux | County Judge, Orange County | Written Comment | 4 |
| Billy Caraway | County Judge, Hardin County | Written Comment | 4 |
| Walter Diggles | ED, DETCOG | Nacogdoches Hearing Testimony | 5,6,7,8,9,10,11 |
| David Waxman | Consultant | Nacogdoches Hearing Testimony | 4,6,9,12,13,14,15,16 |
| Joe Folk | County Judge, Jasper County | Nacogdoches Hearing Testimony | 1 |
| Truman Dougharty | County Judge, Newton County | Nacogdoches Hearing Testimony | 11,17 |
| Floyd "Doc" Watson | County Judge, Shelby County | Nacogdoches Hearing Testimony | 11,18 |
| Sue Kennedy | County Judge, Nacogdoches County | Nacogdoches Hearing Testimony | 19 |
| David Waxman | Consultant | Beaumont Hearing Testimony | 4.20,21,22 |
| Suzie Simmons | Councilwoman, City of Sour Lake | Beaumont Hearing Testimony | 4,23,24 |
| Guy Goodson | Mayor, City of Beaumont | Beaumont Hearing Testimony | 25 |
| Chris Boone | Public Works, City of West Orange | Beaumont Hearing Testimony | 26 |
| Sam Lucia | Disaster Recovery Liaison, Beaumont | Beaumont Hearing Testimony | 27 |
| Linda Gaudio | Memorial Hermann Baptist Hospital | Beaumont Hearing Testimony | 28 |
| Jeanie Turk | Realtor speaking for Hardin County WCID 1 | Beaumont Hearing Testimony | 6 |
| Ruby Martin | Mortgage Lender | Beaumont Hearing Testimony | 29 |
| Michael Hunter | Consultant | Beaumont Hearing Testimony | 30,31,32,33,34 |
| Mark Viator | Chairman, SETX Recovery Coalition | Beaumont Hearing Testimony | 4,18 |
| Jimmie Cooley | Mayor, City of Woodville | Livingston Hearing Testimony | 1 |
| Walter Diggles | ED, DETCOG | Livingston Hearing Testimony | 5,6,11,35 |
| David Waxman | Consultant | Livingston Hearing Testimony | 4,20 |
| Jay Rice | Consultant | Livingston Hearing Testimony | 36,37,38,39,40 |
| Ray Vann | Consultant | Livingston Hearing Testimony | 41 |
| Steve Kerbow | Consultant | Livingston Hearing Testimony | 42,43 |
| Carlos Bullock | Council Member, Alabama-Coushatta Indian Tribe | Livingston Hearing Testimony | 44 |
| Carl Griffith | County Judge, Jefferson County | Written Comment by Email | 4 |
| Troy Jones | Mayor, City of Groveton | Written Comment by Mail | 7 |
| Bob Dunn | Mayor, City of Nacogdoches | Written Comment by Mail | 36,38,45,46 |
| JA Johnson | Caldwell Leadership Institute | Written Comment by Fax | 47 |
| Jack Steele | HGAC | Written Comment by Fax | 4 |
| John Henneberger | Texas Low Income Housing Service | Written Comment by Email | 48,49,51,52,53,54 |
| John Henneberger | Texas Low Income Housing Service | Austin Hearing Testimony | 48,49,50,51,52,53,55 |
| Steve Shelton | UT Medical Branch | Austin Hearing Testimony | 49,50,52,55,56 |
| Chester Jourdan | ED, SETRPC | Written Comment by Email and Mail | 4,20,57 |
| Bill White | Mayor, City of Houston | Houston Hearing Testimony | 58,59,60 |
| Lynn Wells | Mayor, City of Daisetta | Houston Hearing Testimony | 61 |
| Brenda Kirk | Consultant | Houston Hearing Testimony | 27 |
| Phil Patchett | City Manager, City of Trinity | Houston Hearing Testimony | 62 |

| Commenter | Commenter Info | Source | Comments Made by # |
| --- | --- | --- | --- |
| Rob Wrobleski | Chief of Police, City of Nassau Bay | Houston Hearing Testimony | 63 |

APPENDIX C. MAP OF HURRICANE RITA TRACK AND ASSOCIATED WIND SPEEDS

Source: U.S. Fish and Wildlife Service website March 2, 2006 (http://www.fws.gov/southwest/HurricaneRita/Images/RitaMap1.pdf)



APPENDIX D. FEMA HOUSING ASSISTANCE NEED DATA (By COG and County)

Source: FEMA Individuals and Households Program (IHP) Hurricane Rita Data for Eligible Counties as of 2/3/2006.

| COG | County | Applications | IHP Referrals | IHP Eligible | IHP Amount | Housing Assistance Referrals | Housing Assistance Eligible | Housing Assistance Amount | Other Need Referrals | Other Need Eligible | Other Need Amount |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Angelina | 9,632 | 7,113 | 3,335 | $5,538,337 | 5,253 | 1,914 | $4,040,640 | 4,692 | 1,791 | $1,497,697 |
| | Houston | 104 | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - |
| | Jasper | 17,382 | 15,779 | 12,456 | $30,788,550 | 14,254 | 10,540 | $25,384,771 | 10,285 | 5,436 | $5,403,779 |
| | Nacogdoches | 5,944 | 4,484 | 1,980 | $2,956,349 | 3,041 | 974 | $2,024,934 | 3,259 | 1,156 | $931,415 |
| | Newton | 6,346 | 5,715 | 4,495 | $12,150,693 | 5,208 | 3,862 | $10,164,520 | 3,768 | 1,953 | $1,986,173 |
| | Polk | 11,459 | 9,083 | 4,943 | $9,555,577 | 7,174 | 3,533 | $7,736,985 | 6,055 | 2,137 | $1,818,592 |
| | Sabine | 3,914 | 3,142 | 1,714 | $3,059,873 | 2,425 | 1,115 | $2,390,738 | 2,078 | 806 | $669,135 |
| | San Augustine | 2,205 | 1,741 | 996 | $1,822,598 | 1,391 | 658 | $1,371,711 | 1,162 | 529 | $450,887 |
| | San Jacinto | 5,906 | 4,790 | 2,788 | $5,722,435 | 3,753 | 1,904 | $4,435,673 | 3,256 | 1,349 | $1,286,762 |
| | Shelby | 2,185 | 1,642 | 618 | $930,652 | 1,271 | 361 | $679,606 | 1,021 | 297 | $251,047 |
| | Trinity | 2,425 | 1,808 | 943 | $1,469,188 | 1,319 | 535 | $1,064,401 | 1,209 | 507 | $404,788 |
| | Tyler | 9,123 | 8,072 | 6,300 | $16,999,259 | 7,092 | 5,125 | $13,599,143 | 5,539 | 3,113 | $3,400,115 |
| DETCOG Total | | 76,625 | 63,369 | 40,568 | $90,993,511 | 52,181 | 30,521 | $72,893,122 | 42,324 | 19,074 | $18,100,390 |
| | Cherokee | 79 | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - |
| | Gregg | 27 | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - |
| | Harrison | 34 | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - |
| | Marion | 5 | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - |
| | Panola | 40 | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - |
| | Rusk | 39 | 0 | 0 | $ - | 0 | 0 | $ - | 0 | 0 | $ - |
| ETCOG Total | | 224 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Brazoria | 9,914 | 5,384 | 1,172 | $2,270,269 | 3,845 | 1,072 | $2,104,700 | 3,158 | 127 | $165,569 |
| | Chambers | 9,078 | 7,469 | 4,840 | $10,586,720 | 6,266 | 3,904 | $8,782,799 | 4,636 | 1,896 | $1,803,921 |
| | Fort Bend | 3,761 | 2,160 | 576 | $1,117,274 | 1,598 | 530 | $1,056,431 | 1,216 | 57 | $60,844 |
| | Galveston | 42,337 | 27,545 | 9,737 | $19,671,690 | 21,842 | 8,807 | $17,952,050 | 16,282 | 1,626 | $1,719,640 |
| | Harris | 89,032 | 54,298 | 15,414 | $27,835,508 | 40,071 | 13,331 | $25,510,559 | 32,984 | 2,647 | $2,324,949 |
| | Liberty | 27,417 | 22,567 | 13,876 | $28,292,469 | 18,028 | 10,641 | $23,491,774 | 14,729 | 5,530 | $4,800,694 |
| | Montgomery | 11,504 | 8,523 | 3,814 | $6,456,511 | 5,861 | 2,303 | $4,823,907 | 5,949 | 1,890 | $1,632,605 |
| | Walker | 2,448 | 1,792 | 808 | $1,492,337 | 1,375 | 566 | $1,220,242 | 1,180 | 311 | $272,095 |
| HGAC Total | | 195,491 | 129,738 | 50,237 | $97,722,778 | 98,886 | 41,154 | $84,942,462 | 80,134 | 14,084 | $12,780,317 |
| | Hardin | 24,615 | 22,596 | 18,386 | $45,606,168 | 20,945 | 16,397 | $38,566,023 | 13,263 | 7,081 | $7,040,145 |
| | Jefferson | 134,824 | 125,399 | 103,957 | $246,481,295 | 121,776 | 101,082 | $220,692,269 | 59,762 | 20,561 | $25,789,026 |
| | Orange | 44,420 | 41,855 | 35,317 | $90,062,411 | 40,166 | 33,240 | $76,955,705 | 24,225 | 12,401 | $13,106,706 |
| STRPC Total | | 203,859 | 189,850 | 157,660 | $382,149,874 | 182,887 | 150,719 | $336,213,997 | 97,250 | 40,043 | $45,935,877 |
| Grand Total | | 476,199 | 382,957 | 248,465 | $570,866,163 | 333,954 | 222,394 | $494,049,581 | 219,708 | 73,201 | $76,816,584 |

APPENDIX E. FEMA PUBLIC ASSISTANCE PROGRAM REPORTED DAMAGE BY COUNTY

| County | Reported Damage |
|---|---|
| Nacogdoches | $9,169,743.44 |
| Angelina | $1,776,366.70 |
| Houston | $266,685.47 |
| Jasper | $38,101,568.43 |
| Newton | $2,521,555.65 |
| Polk | $1,156,307.82 |
| Sabine | $674,436.12 |
| San Augustine | $7,486,361.32 |
| San Jacinto | $125,305.43 |
| Shelby | $379,100.05 |
| Trinity | $909,295.66 |
| Tyler | $28,550,757.54 |
| Deep East Texas Council of Governments – Region Total | $91,117,483.63 |
| Cherokee | $201,742.56 |
| Gregg | $64,795.50 |
| Harrison | $114,674.64 |
| Marion * * | N/A |
| Panola | $131,035.20 |
| Rusk | $525,170.32 |
| East Texas Council of Governments – Region Total | $1,037,418.22 |
| Brazoria | $1,984,997.86 |
| Chambers | $1,972,305.97 |
| Fort Bend | $453,626.63 |
| Galveston | $6,638,771.39 |
| Harris | $2,534,873.63 |
| Liberty | $3,029,508.62 |
| Montgomery | $3,150,923.59 |
| Walker | $8,560,640.29 |
| Houston-Galveston Area Council - Region Total | $28,325,647.98 |
| Hardin | $24,001,733.09 |
| Jefferson | $70,667,214.40 |
| Orange | $4,464,763.10 |
| Southeast TX Regional Planning Commission - Region Total | $99,133,710.59 |
| Total | $219,614,260.42 |

* * Not Available

## APPENDIX F. CERTIFICATIONS FOR STATE GOVERNMENTS, WAIVER AND ALTERNATIVE REQUIREMENT

In accordance with applicable statutes, regulations, and notices the State of Texas makes the following certifications:

1. The state certifies that it will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the state, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard. (See 24 CFR 570.487(b)(2)(ii).)
2. The state certifies that it has in effect and is following a residential anti- displacement and relocation assistance plan in connection with any activity assisted with funding under the CDBG program.
3. The state certifies its compliance with restrictions on lobbying required by 24 CFR Part 87, together with disclosure forms, if required by that part.
4. The state certifies that the Action Plan for Disaster Recovery is authorized under state law and that the state, and any entity or entities designated by the State, possesses the legal authority to carry out the program for which it is seeking funding, in accordance with applicable HUD regulations and this Notice.
5. The state certifies that it will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, and implementing regulations at 49 CFR Part 24, except where waivers or alternative requirements are provided for this grant.
6. The state certifies that it will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR Part 135.
7. The state certifies that it is following a detailed citizen participation plan that satisfies the requirements of 24 CFR 91.115 (except as provided for in notices providing waivers and alternative requirements for this grant), and that each unit of general local government that is receiving assistance from the state is following a detailed citizen participation plan that satisfies the requirements of 24 CFR 570.486 (except as provided for in notices providing waivers and alternative requirements for this grant).
8. The state certifies that it has consulted with affected units of local government in counties designated in covered major disaster declarations in the nonentitlement, entitlement and tribal areas of the state in determining the method of distribution of funding;
9. The state certifies that it is complying with each of the following criteria:
   a. Funds will be used solely for necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure in the most impacted and distressed areas related to the consequences of Hurricane Rita in communities included in Presidential disaster declarations.

b. With respect to activities expected to be assisted with CDBG disaster recovery funds, the action plan has been developed so as to give the maximum feasible priority to activities that will benefit low- and moderate-income families.

c. The aggregate use of CDBG disaster recovery funds shall principally benefit low- and moderate-income families in a manner that ensures that at least 50 percent of the amount is expended for activities that benefit such persons during the designated period.

d. The state will not attempt to recover any capital costs of public improvements assisted with CDBG disaster recovery grant funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements, unless

   i) disaster recovery grant funds are used to pay the proportion of such fee or assessment that relates to the capital costs of such public improvements that are financed from revenue sources other than under this title; or

   ii) for purposes of assessing any amount against properties owned and occupied by persons of moderate income, the grantee certifies to the Secretary that it lacks sufficient CDBG funds (in any form) to comply with the requirements of clause (A).

10. The state certifies that the grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) and the Fair Housing Act (42 U.S.C. 3601–3619) and implementing regulations.

11. The state certifies that it has and that it will require units of general local government that receive grant funds to certify that they have adopted and are enforcing:

    a. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and

    b. A policy of enforcing applicable state and local laws against physically barring entrance to or exit from a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

12. The state certifies that each state grant recipient or administering entity has the capacity to carry out disaster recovery activities in a timely manner, or the state has a plan to increase the capacity of any state grant recipient or administering entity who lacks such capacity.

13. The state certifies that it will not use CDBG disaster recovery funds for any activity in an area delineated as a special flood hazard area in FEMA's most current flood advisory maps unless it also ensures that the action is designed or modified to minimize harm to or within the floodplain in accordance with Executive Order 11988 and 24 CFR Part 55.

14. The state certifies that it will comply with applicable laws.

Signed by:

William Dally

William Dally
*Acting Executive Director*
*Texas Department of Housing and Community Affairs*

5-12-2006
Date

## APPLICATION FOR FEDERAL ASSISTANCE

Version 7/03

| | | |
|---|---|---|
| **1. TYPE OF SUBMISSION:** Application: ☐ Construction ☑ Non-Construction; Pre-application: ☐ Construction ☐ Non-Construction | **2. DATE SUBMITTED** | Applicant Identifier |
| | **3. DATE RECEIVED BY STATE** | State Application Identifier |
| | **4. DATE RECEIVED BY FEDERAL AGENCY** | Federal Identifier |

**5. APPLICANT INFORMATION**

| | |
|---|---|
| Legal Name: State of Texas | **Organizational Unit:** Department: Texas Department of Housing and Community Affairs |
| Organizational DUNS: 806781902 | Division: |
| **Address:** Street: 221 East 11th Street | **Name and telephone number of person to be contacted on matters involving this application (give area code)** Prefix: Mr. First Name: William |
| City: Austin | Middle Name |
| County: Travis | Last Name Dally |
| State: TX Zip Code 78701 | Suffix: |
| Country: United States | Email: william.dally@tdhca.state.tx.us |
| **6. EMPLOYER IDENTIFICATION NUMBER** *(EIN):* 74-2610542 | Phone Number (give area code) (512) 475-3801; Fax Number (give area code) (512) 477-3096 |
| **8. TYPE OF APPLICATION:** ☑ New ☐ Continuation ☐ Revision. If Revision, enter appropriate letter(s) in box(es) (See back of form for description of letters.) ☐ ☐ Other (specify) | **7. TYPE OF APPLICANT:** (See back of form for Application Types) A. Other (specify) |
| | **9. NAME OF FEDERAL AGENCY:** U.S. Department of Housing and Urban Development |
| **10. CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER:** 14-228. TITLE (Name of Program): Community Development Block Grant | **11. DESCRIPTIVE TITLE OF APPLICANT'S PROJECT:** State of Texas CDBG Disaster Recovery under the Department of Defense Appropriations Act, 2006 [Docket No. FR-5051-N-01] [Federal Register: February 13, 2006 (Volume 71, Number 29)] |
| **12. AREAS AFFECTED BY PROJECT** *(Cities, Counties, States, etc.):* 27 Counties impacted by Hurricane Rita | |
| **13. PROPOSED PROJECT** Start Date: May 9, 2006; Ending Date: N/A | **14. CONGRESSIONAL DISTRICTS OF:** a. Applicant Statewide; b. Project 1,2,5,6,7,8,9,10,14,18,22,29 |

| **15. ESTIMATED FUNDING:** | |
|---|---|
| a. Federal | $ 74,523,000 .00 |
| b. Applicant | $ .00 |
| c. State | $ .00 |
| d. Local | $ .00 |
| e. Other | $ .00 |
| f. Program Income | $ .00 |
| g. TOTAL | $ 74,523,000 .00 |

**16. IS APPLICATION SUBJECT TO REVIEW BY STATE EXECUTIVE ORDER 12372 PROCESS?**

a. Yes. ☐ THIS PREAPPLICATION/APPLICATION WAS MADE AVAILABLE TO THE STATE EXECUTIVE ORDER 12372 PROCESS FOR REVIEW ON

DATE:

b. No. ☑ PROGRAM IS NOT COVERED BY E. O. 12372

☐ OR PROGRAM HAS NOT BEEN SELECTED BY STATE FOR REVIEW

**17. IS THE APPLICANT DELINQUENT ON ANY FEDERAL DEBT?**

☐ Yes If "Yes" attach an explanation. ☑ No

**18. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION/PREAPPLICATION ARE TRUE AND CORRECT. THE DOCUMENT HAS BEEN DULY AUTHORIZED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED ASSURANCES IF THE ASSISTANCE IS AWARDED.**

| a. Authorized Representative | | |
|---|---|---|
| Prefix Mr. | First Name William | Middle Name |
| Last Name Dally | | Suffix |
| b. Title Acting Executive Director | | c. Telephone Number (give area code) (512) 475-3801 |
| d. Signature of Authorized Representative William Dally | | e. Date Signed 05/12/2006 5/12/2006 |

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